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:

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	6-Jun-14	13-Jun-14	Local	USD	Local	USD
Botswana	DCI	9114.93	9125.08	0.11%	0.04%	0.79%	-0.64%
Egypt	CASE 30	8498.65	8746.23	2.91%	2.91%	28.95%	24.98%
Ghana	GSE Comp Index	2343.98	2358.73	0.63%	-2.21%	9.95%	-15.52%
Ivory Coast	BRVM Composite	238.49	238.46	-0.01%	-0.57%	2.78%	1.04%
Kenya	NSE 20	4847.80	4836.71	-0.23%	-0.74%	-1.83%	-3.37%
Malawi	Malawi All Share	13237.97	13241.27	0.02%	-0.83%	5.67%	11.82%
Mauritius	SEMDEX	2091.96	2075.14	-0.80%	-1.02%	-0.98%	-1.63%
	SEM 7	406.45	403.77	-0.66%	-0.88%	0.03%	-0.62%
Namibia	Overall Index	1105.80	1100.62	-0.47%	-0.41%	10.39%	8.06%
Nigeria	Nigeria All Share	41602.09	41517.10	-0.20%	-0.24%	0.45%	-0.72%
Swaziland	All Share	284.32	284.32	0.00%	0.06%	-0.47%	-2.57%
Tanzania	TSI	3212.71	3305.07	2.87%	2.17%	16.23%	9.43%
Tunisia	TunIndex	4528.48	4548.96	0.45%	-0.58%	3.83%	3.21%
Zambia	LUSE All Share	6033.80	6033.80	0.00%	5.35%	12.81%	-2.58%
Zimbabwe	Industrial Index	178.58	180.74	1.21%	1.21%	-10.58%	-10.58%
	Mining Index	38.69	45.17	16.75%	16.75%	-1.35%	-1.35%

CURRENCIES

Cur-rency	6-Jun-14 Close	13-Jun-14 Close	WTD % Change	YTD % Change
BWP	8.76	8.77	0.08	1.44
EGP	7.13	7.13	0.00	3.17
GHS	1.87	3.07	2.91	30.16
CFA	482.11	484.81	0.56	1.71
KES	86.00	86.44	0.51	1.59
MWK	386.56	389.90	0.86 -	5.50
MUR	29.15	29.21	0.22	0.66
NAD	10.72	10.71 -	0.06	2.16
NGN	161.36	161.43	0.04	1.18
SZL	10.72	161.43 -	0.06	2.16
TZS	1,642.11	1,653.42	0.69	6.21
TND	1.63	1.65	1.04	0.60
ZMW	6.70	6.36 -	5.08	15.79

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Egypt and the United Arab Emirates said on Saturday they had contracted a state-run company headed by a retired Egyptian army officer to build wheat silos that are a key part of the UAE's $4.9 billion aid package to Cairo. The choice of an army-affiliated company comes after Reuters reported in March that the UAE was working directly with the Egyptian army to ensure the project was conducted efficiently. The UAE is taking a hands-on role in supporting Egypt and is funding a range of development projects that could help the world's biggest wheat importer lower its huge food import bill. It committed last October to build 25 silos with a storage capacity of 1.5 million tonnes to help prevent the loss of billions of dollars worth of wheat every year. Along with Saudi Arabia and Kuwait, the UAE pledged more than $12 billion in loans and donations after former army chief Abdel Fattah al-Sisi ousted Islamist President Mohamed Mursi last July following mass protests against his rule. The Gulf Arab allies now see Egypt as the frontline in their region-wide struggle against Iran and the Muslim Brotherhood. Egypt wants to boost its storage capacity in the strategic wheat sector to reduce reliance on imports. Millions of poor Egyptians rely on government subsidised bread, but a wasteful and corrupt distribution system strains government finances. UAE Minister of State Sultan Ahmed al-Jaber, who handles the aid projects, appeared at a news conference alongside Egypt's Supplies Minister Khaled Hanafi and Planning and International Cooperation Minister Ashraf Al-Arabi. Jaber said that work had begun on the silos project in Amiriya and Damietta, in the Nile Delta region north of Cairo, and that the timeline for their completion was 18 months.

"This project has strategic goals and goals that affect the Egyptian people," he said. Construction of other silos would begin in November, he said. Beside the ministers was retired Egyptian Lieutenant General Abd El Aziz Seif-Eldeen, head of the Arab Organisation for Industrialisation, the state-owned company chosen to build the silos. Eldeen was until 2012 a member of the Supreme Council of the Armed Forces, which ruled the country for the 18 turbulent months after Hosni Mubarak was toppled in a 2011 uprising. At the time the commander of the Air Defence Forces, Eldeen was removed from the military council in a reshuffle by then-President Mursi in August 2012. Sisi's victory in last month's elections raised expectations that more aid will be announced soon. Saudi King Abdullah said last week that he would host a donor conference for Egypt.

But Sisi's election has also triggered fears among some Egyptians that the military - with a budget shielded from public oversight and a wide-ranging business empire - would continue its dominant role in the country's economic and political life. The Arab Organization for Industrialization makes many products for the military, including artillery, planes and armoured vehicles, as well as items such as cars and electronics for the civilian sector. The tender process included more than one bid, minister Al-Arabi told reporters. State news agency MENA said that interim president Adly Mansour had issued a decree allowing the company to hire subcontractors without conducting a tender, like other state-owned companies. Company spokesman Abdel Aziz told Reuters that was because it was originally an independent company founded by four countries including Egypt and the UAE. Three countries withdrew from the company in 1979, leaving it in Egyptian hands, but its status was not changed, he said. MENA said another state-run company, the General Company for Silos and Storage, will be the project's implementing agency. *(Reuters)*

Egypt's oil minister said on Wednesday that natural gas production would increase by 500 million cubic feet daily by December, when several gas fields are due to come on stream. Sherif Ismail was quoted by the website of Egypt's flagship Al-Ahram newspaper as saying that the expected increase would effectively be closer to 450 million cubic feet daily once natural attrition in well productivity is accounted for. The boost would bring gas production to 5.2 billion cubic feet (bcf) per day by the end of December, Al-Ahram website quoted Ismail as saying. That amount is lower than the 5.4 bcf/day the ministry forecasted for the fiscal year that begins July 1. That forecast, released in February, saw gas production failing to meet surging domestic demand in the next fiscal year.

Ismail said the fields due to come on stream by the end of the year included Daka, Sapphire, and Libra, but did not name the firms developing the fields. He said that Egypt is currently producing 680,000 barrels of oil and condensate per day. Egypt's rapidly growing population and increasing dependence on natural gas due to artificially low subsidised prices have led to gas shortages and power cuts in recent years. The growing population of 85 million and generous subsidies have kept demand increasing to the extent that Egypt has cut into exports of liquefied natural gas (LNG) previously promised to foreign firms. Egypt's energy prices are among the lowest in the world, and the cash-strapped government spends more than a fifth of its budget keeping them down. Current account figures released by the central bank on Wednesday showed Egypt's spending on oil imports between January and March at $3.8 billion, almost $1 billion more than last year. Its revenues from oil exports declined to $2.7 billion from just over $3 billion in the same period. *(Reuters)*

Economic News

Egypt's annual urban consumer inflation rate slowed to 8.2 percent in May from 8.9 percent in April, official statistics agency CAPMAS said on Tuesday. Annual inflation reached its highest rate in nearly four years in November but has been falling back since then. (Reporting by Asma Alsharif; Editing by Miral Fahmy). *(Reuters)*

Egypt's current account was in surplus between January and March, according to Reuters calculations, helping narrow the overall budget deficit three-quarters of the way through the financial year. The current account deficit was $232.7 million at the end of March, Egypt's central bank said in a balance of payments statement on Wednesday, having narrowed from a deficit of $5.7 billion a year earlier. Egypt's fiscal year starts on July 1. Reuters calculations showed a surplus of $523.1 million in the January-March period, driven by a rise in remittances and other payments from abroad, including aid. The central bank said such transfers had increased to $23.6 billion over the first nine months of the financial year, from $14.4 billion at the same point a year before, "supported mainly by the rise in net official transfers (commodity and cash)".

Egypt has received billions of dollars worth of aid from Gulf Arab countries since Islamist Mohamed Mursi, the country's first elected president, was ousted last July. The trade deficit declined by 1.5 percent to $25.2 billion from $25.6 billion a year earlier, the central bank said, as a 4.2 percent rise in merchandise exports - to around $18.8 billion - outpaced the 0.8 percent rise in merchandise imports. Foreign direct investment in Egypt rose to $4.7 billion in the first nine months compared with $3.6 billion in the same period a year earlier, the central bank said. *(Reuters*)

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Ghana

Corporate News

Distell Ghana ltd, a partnership between Finatrade Group and Distell Group based in South Africa has built and commissioned a 16 million Ghana cedis bottling plant to produce locally Hunters Gold, Savanna Dry cider, Knight whisky etc. At the launch the Minister of Trade and Industry , Mr Haruna Iddrisu renewed government's commitment to provide tax incentives to manufacturing companies that make use of local raw materials. He said government would also strengthen its security network to fight the menace of smuggling, counterfeiting and piracy as a protection to the local manufacturing companies. The Distell Group are the leading producers of the finest Ciders , whiskies and Royale Reserves gins in South Africa and Finatrade is the leading distrbutor of agri-commodities and consumables in Ghana and West AfricaGhana Limited. The establishment of the plant in Ghana is an indication that those beverages would no longer be imported from South Africa, but would be produced in Ghana to serve the West African market. Mr Iddrisu said investment is expensive and government would therefore do everything possible to protect investors in the country to reap the benefits of their investment. He called on all to report any malpractices in the areas of smuggling, counterfeiting and piracy to the appropriate authorities for redress. He appealed to the Customs Division of Ghana Revenue Authority to step up their surveillance system to stem those practices that have the tendency to thwart the efforts of local industries. The Trade Minister said government is reviewing the government warehouse laws for Customs Division to work day and night to facilitate the movement and clearance of goods and services at the country's ports and harbours. Mr Iddisu said government would also bring together stakeholders to brainstorm on how to cushion the local industries in their bid to expand production and create job opportunities for the Ghanaian youth.

Mr Richard Rushton, Distell Group Chief Executive Officer (CEO) said Ghana is the company's first Greenfield investment although they had over the years exported their products to many parts of Africa. He explained that the investment in Ghana signifies the confidence the company has in Ghana in doing responsible, sustainable and profitable business, with a total of GH? 16 million investment. He commended government for turning Ghana into an attractive business destination and a major location in the heart of West Africa and said the corporate entity would sustain government- business relations to yield dividends for all parties. The CEO said while producing alcoholic beverages, Distell has been cautious against harmful effects of alcohol and would therefore partner government to fight counterfeiting and piracy that could supply wrong products to the detriment of consumers. He said the plant in Ghana would not only serve consumers in the country, but products would also be supplied to neighbouring Togo, Benin, Burkina Faso and Côte d'Ivoire among others. Mr Nabil Moukarzel, Executive Chairman of FINATRADE Group of Companies said the partnership between his outfit and Distell Ghana Limited would create more jobs and bring the goods and services to the door- steps of Ghanaian consumers. He pleaded with government to create a tariff offset programme for progressive businesses that support and source from local producers and a penalty system for non- compliant importers. Mr Moukarzel called for the strengthening of security at the entry and exit points of the country to stem to alarming practices of smuggling goods and services into the country to the detriment of genuine business. *(Ghana Web)*

Ghana is set to become the first country in the world to issue the Forest Law Enforcement Governance and Trade (FLEGT) licenses, under the Voluntary Partnership Agreement with the European Union (EU). The VPAs with the EU helps to improve forest governance and promote trade in legal timber products. The FLEGT licenses may only be issued to timber traceable to legal forest operations in line with the Legality Assurance System (LAS) developed through a participatory process involving civil society, public and private sector. The LAS combines field audits against a legality standard with an innovative wood tracking system capable of identifying the precise forest harvesting area of all timber exported from Ghana. Ms Barbara Serwaa Asamoah, Deputy Minister of Lands and Natural Resources, announced this at the closing session of the seventh Joint Monitoring and Review Mechanisms meeting between the representatives of Ghana and the EU.

She said the progress so far made underscored Ghana's commitment in meeting the provisions of the VPAs, as well as the national forest and wildlife policy. "We see the development and implementation of this framework as a means to enhance understanding of the changes in livelihoods, markets and forest governance resulting from the implementation of the FLEGT VPA," she said. Ghana and the EU signed the

VPA in November 2009 to address the problem of illegal logging and trade in associated timber products. She said the initial roll-out showed that the system was fit for the purpose. "Pilot operation of the LAS is already demonstrating that it provides a powerful mechanism to improve the transparency and efficiency of forest operations and regulation in Ghana," Ms Asamoah said. She commended the high level of civil society engagement in the implementation process. Mr Claude Maerten, Head of EU Delegation, said by implementing the LAS Ghana is demonstrating global leadership not only in the application of wood tracking technology, but in the field of forest governance. He encouraged Ghana to take final steps towards full operation of the system and issue of VPA licenses to enable the country to fully exploit new market opportunities for legally licensed timber in importing countries. *(Ghana Web)*

Gold Fields Ghana is investing over US$180million this year into its mining operations at both Tarkwa and Damang, according to Executive Vice President and Head of Gold Fields West Africa, Mr. Alfred Baku. "Even in such a tough economic and fiscal environment, the company is still pumping over US$180million this year into its mining operations in the country. "In 2013, we paid almost US$218million in taxes and royalties to the government. We continue to honour our legal obligations to government, and social commitment to our stakeholder communities," Mr. Baku said. He made this statement after receiving award when the mining giant was presented with a platinum award at the 10th Anniversary of the Ghana-Africa Business Awards, organised under the auspices of the Ministry of Foreign Affairs and Regional Integration. The awards recognise the contributions businesses make toward the country's development through the promotion of trade, investment, and other economic relations between Ghana and other African countries.

The company was awarded for its investment promotion in the mining sector, having spent over US$2.4billion in direct investments since it started operations. This is apart from the over US$26million the company has spent on the socio-economic development of its stakeholder communities. Gold Fields Ghana established a Foundation in 2004, the first to be set up by a mining company in Ghana, to serve as a vehicle for its social investment in stakeholder communities -- focusing mainly on education, agriculture, health, water and sanitation, and infrastructure. For every ounce of gold produced Gold Fields Ghana donates a dollar to the Foundation, and tops it up with an additional 0.5% of the company's pre-tax profit. To ensure that community development does not peter-out when the mine eventually closes, the Foundation since 2008 has been depositing 10% of its annual allocation into a posterity account, the Legacy Account. This 10% is invested in financial instruments and is meant to be used to continue community development -- after the mine's life is over. *(Ghana Web)*

A nutrition, health and wellness company – has trained over 9,000 farmers in major cocoa-producing countries including Ghana to help increase their yields, as part of its Creating Shared Value (CSV). The CSV, which is a corporate social responsibility of the company, also aims at buying at least 80,000 tonnes of cocoa beans per year from these farmers. The training initiative – dubbed "Nestlé Cocoa Plan" (NCP) – is aimed at training the farmers to help them to increase yields, reduce disease, respect the environment and produce a better quality crop which attracts higher prices. The Head of Nestle's Confectionary Business, Ms Sandra Martinez, told the Daily Graphic that the NCP was a long-term commitment from the company to support the lives of cocoa farmers and the quality of their cocoa crops. The NCP is a global programme with commitment to invest worldwide, including in Ghana, a total of CHF110 million in the next 10 years. This investment includes facilities and capacity building and also aims at distributing 12 million high-potential cocoa trees in the first 10 years of the Cocoa Plan. The initiative, which according to Ms Martinez is to be launched in Ghana soon, is hinged on three pillars; which are enabling farmers to run profitable farms through farmer training, higher yielding cocoa farms, and rewarding farmers for good quality cocoa.

The second pillar, she said, is aimed at improving social conditions by eliminating child labour and focusing on women and children and their specific needs for education, health and water. The third pillar is sourcing for sustainable good quality cocoa through long-term supply, transparency in the supply chain and environmental responsibility. According to Ms Martinez, Nestle together with other 11 cocoa/ chocolate companies, had partnered other organisations such as the Fair Labour Association, World Cocoa Foundation, International Cocoa Initiative, UTZ Certified, in one of the largest sustainability programmes for coffee, cocoa and tea in the world in an effort to work together towards a truly sustainable cocoa industry. She said within the Cocoa Action framework "we will be sharing learnings and best practices in this domain with the objective to achieve scale and more speed". Nestle, she said, had built three schools with computer units, many water pumps and village resource centres for some of the communities in which they operate. Farmers under the Nestle Cocoa Plan, she said, were being trained to have UTZ certification. The Cocoa Action Plan, she said, was made up of the productivity package that consisted of training, new planting material and fertiliser as well as a community development package focused on education, gender parity and child labour. "This is what we call 'Creating Shared Value' - this means that we are creating a stronger business for the future, going beyond sustainability. We also help to create value for the communities where we operate," she noted. "Our ambition is to prevent and eliminate all forms of child labour from our supply chain, while respecting family situations and the legitimate need for rural development," she added. *(Ghana Web)*

Ghanaian entrepreneurs are to benefit from €80 million from the European Investment Bank (EIB) under its programme to leverage investments across the country. The fund, approximately GH¢315 million, has been set aside by the EIB to support investments into small and medium enterprises (SMEs) which are engaged in exports. Subsequently, Societe General Ghana has received the first tranche of €20 million (about GH¢80 million) from the facility for onward lending to SMEs. The 10-year facility (the Investment Facility Resources (IFR) is part of the benefits the EU offers members of the African, Caribbean and Pacific (ACP) group of states which have signed a non-reciprocal trade treaty, the Economic Partnership Agreements (EPAs), with the European Union and its member states under the Cotonou Accord of 2003. The EIB is the long-term lending bank of the European Union (EU) and it is owned by the 28 member states of the EU. The Managing Director of SG Ghana, Mr Gilbert Hie, said at a signing ceremony in Accra on June 3 that the facility was to be used to finance up to 50 per cent of SG Ghana's capital expenditure intended to develop its intermediation capacities such as developing its branch network, IT systems and training as well as finance eligible SMEs.

"It will ensure the long-term resources needed by the SME sector to finance their investment and drive sustained economic growth. This facility also provides lower interest rates and cheaper funding for SME projects to allow for more competitive advantage in the local market," he said. The EIB Representative for West Africa, Mr Christophe Lucet, said sustainable economic growth could only take place when businesses were able to develop, adding that companies and entrepreneurs were crucial in identifying new opportunities and creating jobs. Banks, he said, were, therefore, best placed to finance the real economy, given their knowledge of local market needs and realities as well as their ability to get closer to customers. However, he noted that their credit to the private sector remained low at 16 per cent of Gross Domestic Product (GDP) in 2012, which is far below the average for sub-Saharan Africa's 61 per cent. He said banks could not be blamed for the low lending, considering the inherent risks involved in lending and the high proportions of non-performing loans (NPL). "EIB is intervening by supporting banks focused on Africa that are both robust and innovative. Apart from Societe General, which is a leading international group, EIB is also working with other banks in Ghana, both international and local, to help improve access to finance for Ghanaian businesses," he said. Mr Lucet added that EIB was looking at several opportunities for direct investments in agribusiness, a sector with a significant potential for job creation. The EIB is a not-for-profit institution with an objective to finance projects that are important to the EU in Europe and around the world with low-cost and long-term loans, sometimes supported by technical assistance. The role of the EIB is to support the development of the productive sector with financial instruments with the objective of promoting economic growth and reducing poverty. In West Africa, the EIB has invested €1.9 billion in direct project financing since the signing of the Cotonou Agreement in 2003. *(Ghana Web)*

Traders in Ghana have given foreigners up to the end of this month to restrain from doing retail business, failure of which will lead to legal action taken against them. The traders have also threatened to close down their shops from June 24, if government does not enforce laws that forbid foreigners from engaging in retail trading, which is reserved for Ghanaians. These sentiments were expressed by President of the Ghana Union of Traders' Association (GUTA) George Kwaku Ofori. Mr Ofori said already local traders are suffering under high taxes and cannot afford to have their preserves taken over by foreigners. "We are going to assist government in terms of what legal means to get the people out of the place because our laws forbid them from being there," he told TV3's Daniel Opoku on Wednesday. Last year, government set up a task-force to stop the infiltration of retail business by foreigners.*(Ghana Web)*

Indigenous information and communications technology company, Alltel Technologies Limited, says it is investing more than US$200 million in its product value chain to create some 10,000 entrepreneurial jobs over the next two years. The project involves the creation of franchises and dealerships for distributing the company's technology devices, designed to meet specific needs of local businesses and individuals. The devices include smart ultra-high definition computers, tablets, 'phablets' and mobile phones with localised applications and Wi-Fi connections. The Executive Chairman of Alltel, Mr Prince Kofi Kludjeson, also a former President of the Association of Ghana Industries (AGI), said the move was to complement the government's effort to leverage ICT to advance the country's economic growth. He said this when the Minister of Communications, Dr Edward Omane Boamah, visited the operational centre of Alltel at the Ghana House, in Accra. The visit enabled him to ascertain the progress of work on the multi-million dollar project for himself. He said as a medium term plan, the company would also establish technology learning centres to deepen education in sectors such as health and agriculture through partnerships and franchising. "We want to do a very major collaboration with the government because in all these things even in a developed world such as Silicon Valley, there's always a major collaboration between educational institutions and the government," Mr Kludjeson said. That would be in the form of educational institutions providing the support and the government providing sound policies to facilitate the operation of businesses. "One of the things we want to do is to contribute to growth of the ICT sector so collaboration is one of the major things we're looking for, not financial support because we can create our own equity and funding for that," Mr Kludjeson, who has played in the ICT sector for decades, said.

He said the National Information Technology Agency (NITA) was a national body which was building good infrastructure, which private sector companies such as Alltel could leverage, saying "we can collaborate so that we can use some of these services to be able to deliver services to the people at affordable prices." Dr Boamah lauded the initiative, saying it was in line with the government's plans to broaden the ICT base in the country. "A lot of things are happening in Ghana and this obviously is a manifestation of the fact that Ghanaians can do a lot in the information and communications and technology sector. Mr Kludjeson is trying to bridge the digital divide," Dr Boamah said. The National IT Agency has invested massively in infrastructure, LTE technology is being deployed, fibre is being deployed in the eastern part of the country. Submarine cables running into about 12.3 terabytes are also available. As we speak now several community information centres have been completed" he noted. "This year we're constructing 21 more community information centers and so we have encouraged them to sit with the National IT Agency so that we can fashion out a public-private partnership to ensure a win-win situation for the youth of this country and also for the investors – that's government and the private sector. The coming-in of the NITA infrastructure will even serve as a catalyst for them to achieve the 10,000 jobs target within a much shorter time and even create more. We have also made available to them, the data centre which is currently under construction where they can keep some of their servers and racks in there at a cost just like other institutions that would want to take advantage of the ambience at the centre " he said. *(Ghana Web)*

Accra Brewery Limited (ABL), Ghana's premier brewing company and a subsidiary of SABMiller Plc, has launched a redeveloped Stone Lager at an impressive ceremony in Accra. The new Stone Lager replaces Stone Strong Lager, one of the company's well-known brands, which has won several awards since its introduction in 2006. With the launching of the new Stone Lager, ABL becomes the first ever brewery in Ghana to brew beer with high quality locally grown rice as one of the ingredients. Mr Anthony Grendon, Managing Director of ABL, said the introduction of the new beer was necessary because Stone Strong Lager had been steadily losing its consumer appeal due to changes in beer consumption habits, from heavier strong alcohol beers to lower alcohol and more sessionable offerings. "The new Stone Lager has been inspired by the need to satisfy the evolving expectations of our cherished customers and you our valued partner," he said. The Stone Lager has no added sugar and has reduced 5.2% alcohol by volume. Mr Grendon said through Stone Lager ABL was putting its support behind Ghanaian rice farmers, assuring them of a larger sustainable demand for their yields. The initiative by ABL, he said, reaffirmed the company's promise of continuous new product development for customers and consumers. "ABL has also shown its commitment to growing the Ghanaian economy by patronizing local raw materials,'' he said. The new brand Stone Lager joins the line of Accra Brewery's products, namely; Chibuku Shake-Shake and Eagle Lager that are produced with local raw materials.

Chibuku Shake-Shake and Eagle Lager are produced with locally-grown sorghum and maize; and cassava respectively "ABL as a subsidiary of SABMiller believes deeply in the principle of sustainable development, where through its actions it promotes and enhances the livelihood of local communities,"Mr Grendon said. Mr Grendon acknowledged the company's stakeholders and thanked consumers for their loyalty, as well as business partners for hard effort and support.'' "Let us work together to make our beers the natural choices for the responsible and moderate drinker as well as accelerate growth and social development in Ghana through our values chains and support of local Ghanaian enterprises, ''he added. ABL is expected to double its production capacity and also increase its product lines once the first phase of its on-going 100 million dollar expansion project is completed by the end of the year. *(Ghana Web)*

Economic News

Banks have been asked to implement too many policies in a short period, Managing Director of Societe Generale Gilbert Hie has said, warning that the direct consequence is a rise in industry costs. From new foreign exchange transaction rules to additional reserve requirements, implementation of a financial services value added tax as well as the recent directive to deploy e-zwich cards and machines to all their branches, banks feel overwhelmed by the multiple directives issued barely six months into the year, he said. "The banking sector is very much pressured by the Bank of Ghana, and it is costing a lot to the sector. I know that it is driven by macroeconomic priorities, but it is still asking a lot. I don't have the figures to quantify it right now, but all these [directives] are definitely additional cost to the sector." Mr. Hie's comments, expressed in an interview with the B&FT, come as the banking industry adjusts its systems and pricing to incorporate a 17.5 percent value added tax on 32 services which banks provide for a fee. Among others, customers will from next month pay value added tax on payment orders, debit and credit card usage, cheque book replacement, and the processing of their loans. Banks have been complaining that the Ministry of Finance did not consult the industry before enacting the VAT Amendment Act last year to extend coverage to financial services. As a result, implementation of the amendment had to be delayed for six months to enable the industry and GRA sort out the type of financial services that are VAT-applicable.

"It is important that regulators and policymakers continually engage those in the banking industry because of the peculiar nature of our business, which deals with business confidence and trust," said Dr. Kwame Amoah Baah-Nuakoh, Head of Strategic Planning, Research and Corporate Affairs of The Royal Bank. "Policy formulation should be done in such a way that it engages industry rather than it being seen as an imposition." Nana Otuo Acheampong, a banking analyst and lecturer, also criticised handling of the VAT on financial services.There was very little consultation before the act was passed. It is a very high cost. You are going to ask small banks and microfinance institutions to collect tax on your behalf. It is an extra cost and a proper cost-benefit analysis should have been done to identify which sectors of the financial system should be included in administration of the tax," he said. On the latest directive to banks to issue the e-zwich card to every customer by June 30 -- which apparently is to help government eliminate so-called "ghost" names from its payroll -- Mr. Acheampong said one of the reasons the e-zwich has not been successful is that it creates a situation whereby the regulator competes with the regulated. The lack of patronage from the banks is because they see e-zwich as a product competing with their own, he said. "The government should find a more ingenious way to get rid of ghost-names rather than forcing banks to give e-zwich cards to customers. It is not ingenious to ask the banks to police the government's ghost-names; the banks are there to make profit, and not for a social need." He added that "Where we have failed as a nation is that the Bank of Ghana still controls the e-zwich; meanwhile, it was supposed to be ceded to the private sector". *(Ghana Web)*

Ghana plans to raise its fixed cocoa price next season to a level which ensures smuggling into neighbouring grower Ivory Coast is not attractive, the chief executive of cocoa sector regulator Cocobod said. Ghana's falling cedi currency has fuelled smuggling of cocoa into Ivory Coast since October, reversing a trend. "The government is doing everything to get the cedi stabilised and it is our hope that by September this will have been sorted out so that when the new price is fixed, farmers will be more comfortable and it will be a disincentive for anybody to attempt to smuggle," Cocobod's Chief Executive Stephen Opuni said. When prices were set for the 2013/14 season which started on October 1, Ghana's price of 3,392 cedis per tonne was roughly on par with Ivory Coast's minimum guaranteed farmer price of 750 CFA francs ($1.59) per kg. However, the cedi has fallen by more than 20 percent against the dollar this year, creating a gap between the two prices. "Definitely the price will increase but I cannot tell by how much," Opuni said on the sidelines of the World Cocoa Conference in Amsterdam. Top grower Ivory Coast plans to raise the fixed farmer price above 800 CFA francs per kg for the season starting on Oct. 1, a source at the country's finance ministry said last month.

Opuni, who was appointed in November, said Ghana plans to review guidelines for the internal marketing of cocoa in the coming months. In 2012 Cocobod investigated a shortfall of around 70,000 tonnes of beans between official cocoa purchases and its inventory after buyers reported inflated volumes. At the time, local buyers were overstating cocoa purchases in order to gain advance funding. "As the regulator we expect anyone who works with us not to violate our guidelines," Opuni said, while declining to give details of what the review would entail. "Before the next season begins we will have done the review." The world's second largest producer also plans the expand the volume of beans processed locally to up to 40 percent, from around 25 to 30 percent, Opuni said, adding that some plants already have expansion plans. Ghana could produce up to 900,000 tonnes of cocoa in the coming 2014/15 crop, on par with the International Cocoa Organization's forecast for the country's current crop, Opuni said. *(Reuters)*

The World Bank has warned Government to stop excessively focusing on the oil sector at the expense of other sectors of the country's economy, particularly the manufacturing sector. According to the bank, the manufacturing sector's contribution to Ghana's Gross Domestic Product (GDP) over the past few years has declined as a result of inadequate attention and investment by government. The Country Director of World Bank Ghana, Yusupha B. Crookes, who disclosed this on Tuesday in Accra at a workshop in Accra dubbed, 'Ghana Manufacturing Competitiveness: Dissemination Workshop For Economic Work,' also stressed the need for government to prudently invest in the manufacturing sector to provide jobs for the numerous unemployed youth. "Ghana is facing one major challenge. And that is how to foster productivity in the non-petroleum sector of its economy," he said, adding that "manufacturing in Ghana has stagnated over the past few years as Ghana has grown." He called for the diversification of the country's economy. "Ghana's oil production is expected to peak around 2020 and so is government revenue," Mr. Crookes noted, adding "but there is the need for government to focus on other areas apart from the oil sector because oil price on the world market is largely subject to fluctuation." According to him, "Ghana ranks high around the world when it comes to good business environment.

It has done well over the years in terms of growth and development. But what is missing now is the momentum to sustain its growth and move forward due to the fact that government has become more complacent with the growth rate." "In the next decade properly by 2030, the government must be able to provide 6 to 7 million new jobs from the manufacturing sector, Mr. Crookes noted. Meanwhile, Kofi Afresah Nuhu, Director of Manufacturing at the Ministry of Trade & Industry, has indicated that the manufacturing sector was facing some challenges. According to him, the output of the wood and textile industries had declined. "The wood industry has lost about 200,000 jobs and still struggling to save another 5,000 jobs," he said. He said the Trade Ministry, as part of plans to revive the manufacturing sector, would invest GHC60 million in the pharmaceutical sector this year, adding that other sectors such as the poultry, agribusiness would see significant investments as well. Felix Oppong, an Economist at the World Bank's Poverty Reduction and Economic Management Division, in a presentation titled, 'Long run growth and productivity in Ghana,' said government's expenditure over the last three decades had increased exponentially. According to him, the economy would continue to rely on natural resources with low complexity. Ghana plans to raise its fixed cocoa price next season to a level which ensures smuggling into neighbouring grower Ivory Coast is not attractive, the chief executive of cocoa sector regulator Cocobod said. (*Ghana Web)*

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Ghana's central bank is funding the country's budget deficit but the amount does not exceed 10 percent of revenue and any excess will be made up by the end of 2014, governor Henry Kofi Wampah told Reuters in an interview. "We know the government is about to issue a Eurobond soon which we can use to replace the financing we have made, so it's not out of the ordinary or abnormal for us to provide the government's financing needs at this time," Wampah said. Fitch ratings agency said on Monday that the bank was printing money to finance the deficit which could exacerbate the country's fiscal problems and weaken the cedi currency. Ghana faces a series of fiscal problems including a double-digit budget deficit for two years, a currency that has depreciated 28 percent this year, low import cover and high bond yields. Those challenges are hurting the country's reputation for stability and robust economic growth. The bank's import cover rose sharply to $5.1 billion, or 2.8 months of imports, as of June 6, Wampah said. But he declined to give a comparative figure. Ghana is due to issue its third Eurobond in July. *(Reuters)*

The combination of higher output growth, declining inflation, and improved social spending under the Ghana Poverty Reduction Strategy (GPRS) and Ghana Shared Growth and Development Agenda (GSGDA) has contributed significantly to lower poverty levels, according to the Ministry of Finance. In a document titled "GHANA – ECONOMIC AND FINANCIAL POLICIES FOR THEMEDIUM TERM (2014-2017)," the Finance Ministry noted that the incidence of poverty declined from 39.5 percent in 1998/99 to 28.5 percent in 2005/06. And at this rate, "Ghana is poised to achieve the Millennium Development Goal (MDG) of halving extreme poverty ahead of 2015." The Ministry also noted that since the initiation of the MDGs, Ghana has made significant progress towards reducing poverty; improving access to education; reducing gender disparities in primary education; and providing access to improved water sources and these efforts have been recognized globally. Despite these achievements, the Ministry took note of the fact that challenges still exist in the areas of reducing maternal and child mortality and increasing access to improved sanitation. It also noted that "given the nearness to the deadline for achieving these targets, Governments is intensifying its efforts in these areas to enable the country achieve these targets by 2015." To this end, the ministry said "Ghana stands ready to implement policies and programmes towards the achievement of the post-2015 development agenda.

Public perception on corruption is high under the fourth republic according to a survey by the Institute of Economic Affairs (IEA) on "Corruption and Accountability." The result of the survey was determined by people's perception of the extent of corruption under the Fourth Republic. It noted that "up to 83 percent of respondents said corruption has been high under the Fourth Republic." The responses appeared largely homogenous by both sex and age but there were some moderate regional variations in the perception of corruption. The survey revealed that the perception of corruption was highest in the Eastern Region, with about 91 percent of the respondents indicating that corruption has increased under the Fourth Republic. This is followed by the Greater Accra Region, where about 86 percent of the respondents think corruption has been high under the Fourth Republic. The Volta and Upper East Regions recorded the least percentage of about 78 percent each; while the Ashanti and Brong-Ahafo Regions recorded 82 percent each. Furthermore about 83 percent of males and 81 percent of females agreed that corruption has been high under the Fourth Republic, indicating a higher perception of corruption among males and females, but the difference is not significant.

The survey also points out that there was not much difference in the perception of corruption by age although this was higher among those above 65 years and those aged 36-45 years than their counterparts in the other age groups. Contributing to the factors that account for high incidence of corruption among public officials, the survey noted that about 27 percent believed that excessive politicization of issues of accountability was the main factor to blame. Another 27 percent blamed it on poverty; 20 percent blamed it on the absence of a culture of moral probity, and 15 percent blamed it on mass illiteracy. Ethnicity was cited only by 3 percent of the respondents as the main factor responsible for high incidence of corruption among public officials. About 4 percent of respondents also gave other reasons including the society's craving for wealth and lavish expenditure, poor salaries for government officials, under resourcing and governmental control over state institutions that are meant to check corruption and a cultural acceptance that you cannot go to see a person with authority with empty hands as factors responsible for corruption. A further 32 percent of the respondents think that the mandatory declaration of assets by public officials within a stipulated time could not help reduce the high incidence of corruption among the public officials. *(Ghana Web)*

Bank of Ghana is set to ease restrictions it imposed in February on foreign exchange transactions in a bid to halt a slide in the cedi currency, governor Henry Kofi Wampah told Reuters on Thursday. The February measures included an end to transfers between accounts denominated in foreign currency. Companies said this has hurt business and not supported the cedi, which has fallen 28 percent this year due to import demand and a weak fiscal environment. "We are reviewing the measures tomorrow. The aim is to make it easier for people to transact business while still protecting our currency," Wampah told Reuters in a phone interview. "We have been monitoring and listening to people's concerns. It is on account of this that we are reviewing," Wampah said.

The February rules included a directive that foreign exchange bought for settlement of import bills be lodged in a special margin account to be drawn within 30 days. The bank also stipulated that the proceeds from exports must be converted into cedis within five working days. The International Monetary Fund said in May that the new measures would be ineffective unless Ghana resolved macro-economic imbalances including a high budget deficit and inflation. Ghana has been struggling with budget deficits and high bond yields as well as the tumbling cedi. The fiscal problems have taken the shine off an economy feted for five years of gross domestic product growth above 8 percent on the back of its exports of gold, cocoa and oil. *(Ghana Web)*

The World Tourism & Travel Council (WTTC) has predicted Ghana's tourism sector to grow by 9.7 per cent this year, more than the forecasted national economic growth of 8%. The World Tourism Council, which pegged the tourism industry growth at 6.7% last year is confident the industry will grow by an average of 4.5 per cent in the next decade on the back of a strong government's backed development programme. The Council in its Economic Impact 2013 report observed that the government's 15-year National Tourism Development Plan (NTDP), introduced in 2013, will act as a roadmap for new industry growth as efforts to create a more diversified tourism industry for the country will include a drive to attract new investment, with a particular focus on filling infrastructure gaps through public-private partnerships (PPPs). "Capital investment in Ghana's travel and tourism industry should increase by 5.2% in 2013, rising by a further 2.8% over the 10-year period to 2023," it said.

Government officials expect international visitor numbers to reach 4.3m annually by 2027, up from 1.26m in 2012 amidst government's anticipation that the industry's annual contribution to the Ghanaian economy would reach $8.3bn over the same period. The latest report of the World Tourism Council is consistent with an earlier report by global accounting firm, Ernst & Young, which ranked among the top three countries in sub-Saharan Africa in attracting significant investment into hotel development as the country's economic growth attracts investors' interest. As a result, Ghana has been ranked third in hotel development in sub-Saharan Africa in 2013 with more than 1,400 hotel rooms under development, placing the country in a better position alongside Nigeria for lodging growth as a result of its economic prospects and infrastructure development. Nonetheless, the report noted that growth in hotel lodging in Ghana is being hampered by the average price tag for a hotel room, which opens up an opportunity for small and mid-sized hotels. *(Ghana Web)*

The Bureau for Internal Affairs (BIA), an anti-corruption organization, says there is an ongoing trade conflict between Ghana and Cote d'Ivoire. According to the Bureau, the conflict arose as a result of the ban on inland rice importation by Ghana's Trade Ministry since last year. In line with this, the Ivorian government has placed a ban on the importation of cashew from Ghana by road. Ghana's Trade Ministry on October 14, 2013 ban the inland importation of rice. The policy, according to the Trade Ministry, was "intended to provide a framework of administrative procedures through which the numerous unfair trade practices including evasion of import duties and other taxes, under-invoicing, infringement of trademarks and smuggling shall be controlled." The ban was subsequently lifted by the Trade Ministry in January.

However, BIA claims it is still subtly being applied by Ghana. Cynthia Essandoh, BIA Coordinator, in a statement, said that it appears Ghana's Ministry of Trade did not carry out proper consultation with its stakeholders before placing a ban on inland rice importation. Essandoh said BIA's investigation revealed that the inland ban of cashew importation and the initial restriction of cargo trucks by Ivory Coast authorities from entering their country from Ghana were fuelled by Ghana's Trade Ministry's implicit ban on inland rice importation.

She advocated the total abolition of the ban by the Trade Ministry to enhance relations between the two countries. Essandoh said the bureau fears the possibility of other neighbouring French-speaking countries adopting Ivory Coast's stance, which could worsen the plight of traders in the country. She said the action of the Trade Ministry was denting the image of the Ghana government and therefore called on the Ministry to revise the policy. Essandoh said, "If measures are not taken quickly to reverse it, it would collapse the business of traders." She called on President John Mahama, who is also the Chairman of the Economic Community of West African States (ECOWAS), to intervene in the matter to defuse tension between the two countries. *(Ghana Web)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

Safaricom is bracing itself for an upcoming ruling by the competition watchdog, which could force it to open up its M-Pesa agency network to rivals. M-Pesa's popularity, which has won it 18.1 million customers since its launch in 2007, has largely been attributed to its vast network of agents across the country that makes it easy for users to deposit and withdraw cash from mobile phones. Airtel, Orange and yuMobile, on the other hand, have relatively small networks of agency shops, making it difficult for their users to transact business using their phones. However, a ruling by the Competition Authority of Kenya (CAK) which is expected by June 30, could force Safaricom to allow Airtel, yuMobile and Orange users to withdraw and deposit cash freely at M-Pesa agent shops. Safaricom says its already preparing for this eventuality, which threatens its dominance in the lucrative mobile money transfer services. "Due to the growing pervasiveness of mobile money platforms globally, it is now necessary to pursue a standards-led discussion on interoperability," said Nzioka Waita, the director of corporate affairs at Safaricom. Last week, three Tanzanian telecom operators – Tigo, Zantel and Airtel – announced an agreement that will allow customers to send mobile money freely across their networks, indicating the shifting ground in the industry. READ: Tanzania telcos in Africa's first 'interoperable' mobile money pact

CAK director-general Wang'ombe Kariuki said the authority will give its ruling on Safaricom's alleged abuse of its dominant position by locking out rivals from its vast network of mobile money agents by the end of this month. The petition had been filed by Airtel. Safaricom, which has repeatedly denied the accusation of unfair dominance and Airtel's push for interoperability, now says it is not opposed to the idea of opening up its M-Pesa network to other players. The telco, however, says there is need for rules to be set detailing just how inter-operability will work, including the sharing of earnings between competitor firms and their agents. The duration to set rules of mobile money network interoperability could take up to two years, buying Safaricom time to prepare for the change. Liberalisation of the platforms could be a huge victory for Airtel, which has been relentlessly pushing this agenda. Last year, it filed a complaint against Safaricom at CAK and at the High Court. Airtel accuses Safaricom, whose share of the mobile money market stands at 73 per cent, of pricing it out of business by keeping the costs of transactions for unregistered users at double that of registered customers. Safaricom treats cash recipients in other networks as unregistered users. Since M-Pesa is an SMS-based service, Airtel argued in court, the cost charged should not be more than the Sh2 it costs the operator to terminate an SMS from a different operator. "We have made extensive progress on this matter as part of an out-of-court settlement agreed upon by both parties. By the end of this month, we shall have made a ruling," said Mr Kariuki. Airtel also says that since Safaricom's agents account for 88 per cent of all agents in the telecom industry, the bulk of the mobile money transactions are restricted to its network, allegedly denying Kenyans freedom of choice. *(Business Daily)*

Kenya's Centum Investment reported on Tuesday a 24 percent rise in pretax profit in the year to March and said it would handover space in a flagship shopping mall in Nairobi to anchor tenant, the Carrefour franchise, in March. The company, which invests in private equity, listed firms and real estate, said pretax profit for the 12 months rose to 4.01 billion shillings ($46 million), with dividend income climbing 53 percent in the period. Unrealised gains climbed 77 percent, accounting for 2.932 billion shillings of total income of 4.883 billion shillings. Unrealised gains comprise valuations of investments listed on the firm's books as income although they have not been sold. The company said the Two Rivers Mall, its flagship property project being built in a suburb of the Kenyan capital, would be completed early in 2015. "We are on track to hand over the mall to Carrefour in March of next year," Chief Executive James Mworia told an investor briefing where executives announced the firm's results. Carrefour, Europe's largest retailer, will be the main tenant at the Two Rivers Mall when completed. The arrival of a big European retail brand name will offer a boost to Kenya almost nine months after confidence was shaken by the attack on Westgate mall, which had been one of the city's smartest shopping centres. The mall is still closed since the assault by gunmen that left 67 people dead. A fresh spate of bombings in Nairobi and the port city of Mombasa in recent weeks has added to nervousness. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Telecoms operator Safaricom remained under the parliamentary spotlight for a second week in a row over the Sh14.9 billion security contract it won last month, highlighting the reputational risks involved in doing business with the government. The National Assembly's departmental committee on administration and national security Tuesday deepened its investigation into the multi-billion-shilling deal that the government awarded Safaricom through direct procurement. The deal, officially announced last month, has left Safaricom with one of the biggest public relations challenges in its hands as consumer lobbies, rival telecoms operators and politicians question its manner of award. "We have created an impression that you cannot get a government contract fairly. Government business has been politicised because of the big money involved, making it risky for corporate image," said XN Iraki, the MBA co-ordinator at the University of Nairobi's School of Business. But Dr Iraki said Safaricom could protect its reputation by making details of the contracts public to show they are above board. Parliament last week stopped the signing of the contract even as it questioned Safaricom's technical capacity to roll out the highly sophisticated communication network for the Kenya Police Service. Safaricom, which is 40 per cent owned by British telecoms operator Vodafone, is also battling claims that its foreign ownership poses a threat of infiltration and espionage, exposing Kenya's national security.

"We went in to this tender process with a full appreciation of the risks involved, including those that would potentially impact our corporate reputation," said Nzioka Waita, Safaricom's director of corporate affairs. "There is no other company in Kenya that would invest Sh15 billion upfront of its own cash and only request for payment over a five-year period when the service is up and running." The security tender row comes a year after Safaricom was contracted to offer support for results transmission services during the March 4 General Election and getting entangled in the political controversy after the system collapsed midway, threatening to derail the polls. Safaricom's many years of brand building has once again come under intense scrutiny with the big-ticket security deal that involves deployment of a national 4G network and the supply of walkie-talkies to the police. "In the interest of transparency, Safaricom welcomes the parliamentary committee on Security and Administration's scrutiny of the deal and would therefore like to assure Parliament of full cooperation during the life of the probe," said Bob Collymore, the telco's chief executive in a press statement. Parliament last week stopped the award of the Integrated Public Safety Communication and Surveillance System (IPSCSS) contract to Safaricom pending the outcome of an enquiry into the legality of the deal. Activist Okiya Omtatah has also moved to the High Court seeking a declaration that the Safaricom deal is unconstitutional.

Documents seen by the Business Daily show that the Ministry of Interior did not use a competitive process to procure a contractor for the work but picked Safaricom through direct procurement. "The Ministry of Interior and Coordination of National Government invited a proposal from M/s Safaricom Ltd and the same was evaluated, recommended and awarded by the special security tender committee in its meeting held on May 8, 2014," reads a parliamentary brief. "It is worth noting that the defence and national security organs are allowed by the Public Procurement and Disposal Act (2005) to manage their procurement and disposal on the basis of a dual list, covering items subject to open and restricted procurement." MPs Tuesday quizzed Interior secretary Joseph Ole Lenku and members of the special security tender committee that evaluated and awarded the tender to Safaricom. "We are still not satisfied. We have concerns about Safaricom's quality of service and security of the network," said Alois Lentoimaga, the vice-chair of the House committee on security. Safaricom argues that it currently runs a network with more than 21 million users and thus has the capacity to develop a system to serve Kenya's 70,000 police officers. Safaricom is expected to build 60 LTE base stations in Nairobi, 20 in Mombasa and install 1,800 damage-proof CCTV, high definition and ultra-high definition cameras across the two cities that have recently become the targets of terrorist attacks.

Management expert David Muturi said it would be best for Safaricom to mitigate the image risks associated with the parliamentary investigation by releasing as much information as possible."Safaricom has to come out and clear the air with facts. Doing business with government is always risky because you don't have control of the other party's behaviour," said Mr Muturi, who heads the Kenya Institute of Management. A confidential brief that Mr Ole Lenku made to Parliament shows that Safaricom got a head-start for the tender because it commands the largest share of Kenya's mobile telecoms market, has a wide countrywide network and has a massive war chest to roll out the project. "It has the financial capability to roll out within the shortest time possible, understands the local terrain and has the infrastructure for quicker mobilisation," says the brief. Sources at the closed-door committee meeting said Mr Ole Lenku was asked to explain Safaricom's track record in installing security communication systems of such a magnitude.The deal involves leasing of a communication platform that will earn Safaricom Sh2 billion annually over a four-year period. *(Business Daily)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

The World Bank Group will advance Kenya Sh350 billion ($4 billion) in the next five years for completion of projects aimed at accelerating growth and creating jobs. This follows the completion of a new Country Partnership Strategy (CPS) which targets infrastructure, agriculture, cash transfers to the vulnerable and business reforms as key drivers of growth. "The bulk of IDA (concessionary) financing to Kenya over the CPS period will be in the form of investment lending, but a development policy lending series focused on public financial management, business regulation, financial sector reform and demand-side accountability is also under consideration," said the CPS. The CPS has been approved by the group's board of directors and will be launched in coming weeks. The envisaged projects are expected to improve the business climate, create jobs and devolve power; hopefully leading to equitable growth and alleviating poverty. The Strategy brings together all Group activities in Kenya and boasts the input of the government, development partners, civil society organisations, county governments and residents. Under the strategy, smaller projects will be consolidated and scaled up with Kenya government financing. "This is a special time in Kenya, especially as the government moves to decentralise more power and public services to local communities," said Diariétou Gaye, World Bank Country Director for Kenya, in a statement.

Ms Gaye said the Bank would continue working closely with other development partners in the context of the Kenya Joint Assistance Strategy (KEJAS), as well as with civil society, the media and other stakeholders. Despite the economy growing at 4.6 per cent annually over the last decade, poverty and inequality have fallen at a slower pace denying many Kenyans benefits of the expansion. "Inequality remains high in terms of opportunities and outcomes between men and women, Kenya's growing youth population, and people living in remote, underdeveloped regions of the country," said the bank. The bank intends to focus on better quality infrastructure, improved health, social protection, rural development and other areas which can increase economic opportunities while lowering inequality. Among the targeted investments are more reliable electricity and safer water supply. In the provision of social safety nets, an additional 450,000 people are expected to benefit from cash support, including the severely malnourished in rangelands. In the fiscal year ending this month, 300,000 people were to benefit from the safety nets with each target family receiving Sh2,000 a month. The World Bank Group alone committed over Sh20 billion into the programme. *(Business Daily)*

Kenyan banks with subsidiaries in neighbouring countries took a hit of more than Sh1.1 billion last year, with Uganda topping the list of loss-making units, a report by the Central Bank of Kenya shows. Out of Kenya's 11 banks with operations in Uganda, Tanzania, Rwanda, Burundi and South Sudan, eight reported losses in some of their subsidiaries in the year ended December 2013. The banks that found the going tough include Equity, NIC, Commercial Bank of Africa (CBA), Bank of Africa (BOA), Imperial and Co-operative. "Four of the subsidiaries that registered losses before tax were operating in Uganda indicating stiff competition," said the Central Bank of Kenya Governor Njuguna Ndung'u in the annual 2013 Bank Supervision Report released last week. Two of the loss-making subsidiaries were in Tanzania, one in South Sudan and another in Rwanda. The sector regulator attributed the performance to Uganda's competitive market dominated by established local players. "Some had their subsidiary set up in 2013 and, therefore, still new to the market." The 11 Kenyan banks reported total pre-tax profit of Sh5.2 billion from their regional subsidiaries, reflecting flat growth compared to the 2012 earnings of Sh5.1 billion.

Equity Bank's Rwanda unit posted its third consecutive pre-tax loss of Sh139 million in the year to December 2013, compared to Sh233 million a year earlier and Sh59 million in 2011. Equity opened shop in Rwanda in 2011 and so far has nine branches, four of them in Kigali. NIC Bank slipped into the red with a loss of Sh395 million last year from its Tanzanian subsidiary, compared to a profit of Sh150 million in 2012. The results were blamed on a significant increase in the lender's volume of bad loans. "This loss was occasioned by a one-time impairment provision for a number of non-performing loans," said James Ndegwa, the bank's chairman. NIC increased its stake in the Tanzania unit to 68.97 per cent last year from 51 per cent after investing Sh364 million in a rights issue. NIC Bank Uganda, wholly-owned by NIC Bank Ltd, stayed in the red with a net loss of Sh555,000 last year compared to a loss of Sh24 million in 2012 when it began operations. BOA Kenya booked a loss of Sh225.4 million last year from its Uganda operations compared to a profit of Sh294.1 million in 2012. BOA Kenya owns a 50.01 per cent controlling stake in BOA Uganda. "This may be due to the huge costs associated with new operations such as setting up new branches, deploying IT platform, hiring staff and rolling out ATMs," said Francis Mwangi, an analyst at Standard Investment Bank. "The Uganda market was a difficult one last year due to interest rate volatility and growth in non-performing loans. Even established players like Stanbic registered a dip in profits."

Co-op Bank ventured into South Sudan in September last year with a single branch in Juba, which made a loss of Sh267.3 million in the three months of operations to December 2013. "It is expected to contribute positively to our profitability from June this year," said Gideon Muriuki, the group managing director. The lender holds a 51 per cent stake in the Co-operative Bank of South Sudan, with the remaining 49 per cent owned by the country's budding co-operative movement. CBA, majority owned by the Kenyatta family, opened shop in Uganda late last year and its single branch in Kampala is yet to break even. Imperial Bank's books appear to show that its Ugandan subsidiary made a loss of about Sh63.5 million given that the Kenyan unit made Sh1.85 billion in net profit last year while the group's net earnings were Sh1.79 billion. Imperial Bank owns 63.5 per cent of the Ugandan subsidiary, which began operations in 2011 and currently has five branches. *(Business Daily)*

Kenya's Williamson Tea and Kapchorua Tea both posted a slide in annual profits on Monday with little imminent prospect of a pick-up, the latest firms to highlight a downturn in a valuable industry for the east African nation. Williamson's pretax profit fell 10 percent to 1.04 billion shillings ($11.9 million), while Kapchorua Tea's dropped 29 percent to 182 million shillings. The firms, whose financial years end in March, share directors. "The new financial year has started with weak markets and low tea prices while costs for inputs and labour continue to rise," Williamson said in a statement. Like Kapchorua, it blamed lower demand and prices for the dip in earnings. Last month, tea and coffee producer Sasini issued a profit warning for its full year after first-half earnings slumped. Tea exports, which earned black-tea specialist Kenya about $1.3 billion in 2013, are a pillar of the economy along with coffee production, horticulture and tourism, another industry in the doldrums.

Tourist bookings have been hit by a spate of bombings in the run-up to the July to September peak season, so a downturn in the tea industry adds to the economic headaches facing a government that came to office last year promising to drive up growth. The Kenyan economy expanded by a slower-than-expected 4.7 percent last year, well below the 6 percent plus target that economists say is needed to generate enough jobs for the nation of 40 million people and drag more people out of poverty. The government, which is marketing its debut Eurobond, has said other sectors including a buoyant financial industry will help push growth back up to 5.8 percent in 2014. Williamson's management said the firm had taken measures to rein in costs, including constructing a new solar power plant at one of its tea estates to cut electricity bills. Williamson recommended a final dividend of 7 shillings per share, down from 7.50 in the prior year. *(Reuters)*

The highest price for top-grade Kenyan tea dipped to $3.16 per kg at this week's auction from $3.28 per kg last week, Tea Brokers East Africa said on Tuesday. Kenya is the world's leading exporter of black tea. The crop is a main source of foreign exchange for the east African economy, together with horticultural products and tourism. Prices for Best Broken Pekoe Ones (BP1s) sold at $2.05-$3.16 per kg compared with $2.16-$3.28 per kg last week. Best Brighter Pekoe Fanning Ones (PF1s) fetched $2.12-$2.61 per kg from $2.10-$2.54 per kg the last sale. Tea Brokers said 23.01 percent of the 165,603 packages, or 10.55 million kg, remained unsold. Last week 12.08 percent of the 166,628 packages - or 10.68 million kg - on offer were left unsold. Most of the tea offered at the Mombasa auction is from Kenya, but tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers is also sold. (Reuters)

Kenya expects the size of its economy to go up by 20.6 percent when it completes the process of changing the base year for computing output, the finance ministry said. The work of rebasing the economy to 2009 from 2001 will be completed by the end of this year, the Treasury said in the prospectus for its debut Eurobond for up to $2 billion. "Initial estimates for the revised GDP estimate for 2009 is 486.6 billion shillings higher than previous estimates, this represents a 20.6 percent increase in the level of GDP previously reported," the ministry said. Kenya is marketing its bond to investors abroad. Other African nations that have revised the year they use as a base to calculate output include Nigeria, which vaulted to the top of African economies by size earlier this year after it finished the exercise. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News This Week

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Skye Bank Plc has launched a new solution to help local councils in the country improve their internally generated revenue in the face of the dwindling allocations that accrue to them. Unveiling the solution at the Ojokoro Local Council Development Area of Lagos State where the solution has been adopted for revenue collection recently, the Group Head, Revenue Collection and Franchise, Skye Bank Plc, Mrs. Bola Allison, said the product would check leakages and corruption in the collection process. According to a statement, the product known as point of payment (PoP) solution, ensures that the citizens pay their taxes, levies and other statutory payments through customised point of sales terminals which are administered by the council staff. Allison said the solution would make payment convenient as eligible tax and levy payers would not have to leave their shops or go to the banks to effect payment. She said tax payers would be protected as the PoP system generates receipts as evidence of payment. Skye Bank, she said, was partnering with Citiserve and GEMS3 to ensure the success of the new solution. Citiserve has the patent of the solution while GEMs is a non governmental organisation that promotes tax payment by the citizens. The Executive Chairman of Ojokoro Local Council Area, Mr. Benjamin Olabinjo, urged the people of the area to embrace the new initiative as it would check revenue diversion and ensures the council would have more money to undertake more developmental programmes. He advised the people not to pay cash to anybody but to use the new payment solution to avoid being short-changed. *(This Day)*

The Nigerian National Petroleum Corporation (NNPC) has disclosed that it is looking for more markets for Nigeria's gas. It stated that it was looking further into the European markets for sale of gas, adding that through such possible markets, it hopes to generate maximum economic benefit from the nation's enormous gas resources. A statement from the Group General Manager, Public Affairs of the NNPC, Ohi Alegbe, yesterday in Abuja, said the Group Managing Director of the NNPC, Andrew Yakubu, made this disclosure while playing host to a Belgian business delegation under the auspices of the Flanders Investment and Trade Mission in his office. Yakubu said: "Europe is a good market for gas. Incidentally, Belgium has important terminals such as the Port of Antwerp through which Nigeria hopes to get its gas to the rest of Europe. We are working on independently marketing our abundant gas resources to Europe." Yakubu, who was represented by the Coordinator, Corporate Policy and Strategy of NNPC, Dr. Tim Okon, said the NNPC would strategically position itself to attract investments to boost Nigeria's economy.

While reiterating the need for collaboration between foreign investors and Nigerian businesses to domesticate the country's gas industry, he stated that: "Gas is a strong mechanism for not only power generation and job creation, but also for growth and development." The statement stated that earlier in his address, the leader of the delegation and the Belgian Ambassador to Nigeria, Ambassador Dirk Verleyen, said no fewer than 60 Belgian companies had indicated interest to invest in Nigeria. He said Belgian companies wishing to invest in Nigeria cut across various sectors including energy, telecommunications, construction, transport, postal service, entertainment, engineering and agriculture. Also, the President of the Port of Antwerp and the Deputy Mayor of Antwerp, Mr. Mark van Peel, said in the statement that the trade volume between Belgium and Nigeria was higher than most people knew. Peel said: "Our country is the third largest European exporter to Nigeria with a total export figure of almost two billion Euros a year." According to the statement, the business delegation particularly showed interest in building the capacity of staff of the nation's refineries and other oil and gas installations in the area of safety of equipment. The Flanders Investment and Trade Mission is the Belgian government agency supporting home-based companies doing business abroad and foreign companies looking to set up or expand operations in Flanders, the northern region of Belgium. *(This Day)*

Shareholders of Ecobank Transnational Incorporate (ETI) are set to amend the Articles of Association of the company as part of efforts to strengthen its governance and make it a more efficient and profitable organisation. In a notification to the Nigerian Stock Exchange (NSE) last Friday, ETI said the amendment would be made at the sixth Annual General Meeting and Extra-Ordinary General Meeting (AGM) slated for June 30, in Lome, Togo. The amendment will be one of other issues to be discussed and approved at the meeting. Shareholders of the ETI had last March met in Lome to address governance lapses discovered in the company by the Securities and Exchange Commission (SEC). The discovery of the governance weaknesses was the outcome of audit carried out by SEC and KPMG Professional Services following allegations of breaches of corporate governance against the Board of Directors and certain principal officers of ETI. SEC had identified some gaps which include absence of a clear vision and strategy to drive the institution, inadequate transparency in the recruitment procedures and mechanisms for Board members and executive staff which fostered conflicts of interest.

It therefore, directed ETI to implement a remedial plan that will eliminate the lapses. The Commission also asked ETI to convene an extra-ordinary General Meeting of the shareholders to address these issues. In line with the SEC's directive, the shareholders of the company met and at their meeting, which was attended by institutional shareholders as well as minority shareholders, resolved to amend the Articles of Association of ETI. Under the new Articles of Association ETI shall not undertake any acquisition, merger or disposal of the company's assets whose value is equal to or above 20 per cent of the book value of the company without the approval of a simple majority of the shareholders present in general meeting. The shareholders voted to limit the maximum size of the board to 15 members, and pressed that no director could serve more than nine years in total. However, the a resolution to authorise the Board of Directors to raise additional capital as the company may require up of up to twenty per cent 20 per cent of the current issued capital of the company, without reference to the general meeting, to at any time within a period of three years from the date of its adoption was not passed. *(This Day)*

Ecobank Transnational Incorporated (ETI) and ProCredit Holding (PCH) have announced the conclusion of negotiation that led to the former acquiring 96 per cent stake in Banco ProCredit Mozambique previously held by ProCredit Holding and the DOEN Foundation The pan-African bank, in a notification to the Nigerian Stock Exchange (NSE) at the weekend also said it has commenced trading in Mozambique. The transaction had received the approval of the regulatory authorities in Mozambique and the ETI started trading as Ecobank Mozambique since May 20th 2014. Speaking on behalf of PCH, Helen Alexander confirmed that the negotiations were held in a frank and transparent manner and that the transaction had been concluded to the satisfaction of both parties. She explained: "We are pleased to have concluded this transaction and are confident that we are leaving the bank in the hands of a very capable partner. "Ecobank is well positioned to implement a growth strategy that will offer excellent prospects for our clients, our staff and for the Mozambique market as a whole." On her part, Ecobank's Group Chief Operating Officer,

Evelyne Tall re-affirmed that her institution would build rapidly on the excellent foundation laid by ProCredit Holding to transform the bank into a major player in the local financial services market. "Our entry into Mozambique brings the number of African countries in which Ecobank has a presence to 36," she said. She added: "Having completed the acquisition, we are now beginning the integration of systems, people and clients into the Ecobank network. This will ensure that ProCredit Mozambique's customers have access to the entire suite of products that Ecobank has to offer." Also, the Group Chief Executive Officer, ETI, Albert Essien reiterated the importance of Mozambique to Ecobank's strategy in the Southern African Development Community (SADC). He said: "Mozambique holds a key strategic position within the SADC, providing port access for all the landlocked member countries Our overall objective is to advance financial inclusion for the people of Mozambique, providing them with accessible, convenient and reliable banking services, as well as leveraging regional trade corridors to facilitate cross-border transactions." ETI recently took steps to strengthen its corporate governance structure. It had engaged the Global Board Centre of the renowned Swiss business school, the International Institute for Management Development (IMD), to undertake a review of its corporate governance structure.*(This Day)*

Nigeria is seeking buyers for the assets of distressed state-owned former telecom monopoly Nitel, the state-appointed liquidator said on Monday. Nigeria opted to wind up Nitel in March after almost a decade of struggling to sell it, due to the shambolic state of its fixed lines and high levels of debt, despite the country having one of the world's fastest-growing telecoms markets. The liquidator, appointed by the government's National Council of Privatisation, said in an advert it wanted bidders with five years of telecom experience and a net worth of at least $200 million. It said bids must be submitted by 1600 GMT on June 30, adding that the assets would be handed over to the preferred bidder in December. The privatisation body has said it opted for a sale method it called "guided liquidation" because it wanted to protect the government from future claims and liabilities, as proceeds of the sale may be less than the value of the debt. Nitel owes creditors - mostly suppliers - around 400 billion naira ($2.5 billion), with creditors taking a loss if the proceeds from the sale are not enough to repay all the debt. In 2010 a consortium including Dubai's Minerva and China's second-biggest carrier China Unicom bid $2.5 billion for Nitel but could not raise the cash for the deal. A separate consortium made a $959 million bid the same year but this failed when the bidder missed several deadlines. Nitel's fixed-line subscribers have fallen to fewer than 100,000 from five times that number in 2001 and subscribers to its MTEL mobile unit have dropped to a few thousand from over 1 million. *(Reuters)*

Shell Nigeria Exploration and Production Company (SNEPCO), Schlumberger, Globestar, Atlantic Aviation and 19 other enterprises operating within the Snake Island Integrated Free Zone (SIIFZ) in Lagos have made a total investment of about $1billion in the zone. Speaking during the weekend when the Minister for Industry, Trade and Investment, Mr. Olusegun Aganga visited the Snake Island facilities of Nigerdock, the Chairman of Jagal Group, owners of Nigerdock, Mr. Anwar Jarmakani stated that in the last three years, SIIFZ has attracted direct investment to the tune of over $230million. Jarmakani noted that Nigerdock has commenced discussions with eleven other entities that plan to come into the zone, adding that these entities possess the latest state-of-the-art technologies, with expertise in various aspects of integrated deepwater oil and gas services. He said SIIFZ was primarily promoted as an integrated deepwater oil and gas service and support location capable of attracting and combining the engineering and component manufacturers, as well as service companies, into one interconnected environment. “The aim is to bring together in one location, a myriad of facilities and companies that can help achieve the vision of increasing Nigerian content in the oil and gas sector. A further goal of SIIFZ is to serve as a major hub for improving capacity and capabilities within the country to world class standards. The ultimate vision which is what is captured in our DISC concept is to establish global competitiveness and ensure that Nigeria becomes a major source of supply across West Africa,” he explained. He stated that despite daunting and enormous challenges, SIIFZ is consistently achieving its goals.

According to him, SIIFZ has developed a world class shipyard and for the first time attracted non-Nigerian vessels into its quays for services including carrying out technical repairs and maintenance works not previously done in Nigeria. Jarmakani said the zone had also built highly complex and technical components for deepwater field developments, including four largest deepwater SPM Buoys for Shell's Bonga, Chevron's Agbami, ExxonMobil's Erha and Total's Akpo. The Nigerdock boss also disclosed that SIIFZ is the foremost manufacturer of Pressure Vessels in Africa, and the only company in West Africa to be awarded the American Society of Mechanical Engineers (ASME) U & R Stamp of Certification; The integrated zone, according to him, has also developed the largest specialised training school with the highest level of certification in the industry providing training courses to NNPC, Mobil, Shell and others. “All of our training is to world class standards in an effort to build much needed capacity in the country. We have trained to certification not less than 1,460 Nigerians. This is verifiable. This is aside from those who have gained hands on experience as a result of being exposed to the latest state of the art technologies in the ordinary course of their employment within the Free Zone,” he added. *(This Day)*

Skye Bank Plc has lent its support to the effort to transform the operations of the Nigeria Railway Corporation (NRC) by providing funding for the acquisition of two new set of diesel multiple unit passenger coaches for narrow guage track. A statement explained that Skye Bank financed the project for its client, Kintech Nigeria Limited, which executed the job for the Nigerian Railway Corporation. Kintech Nigeria Limited is in the business of engineering design, manufacture, supply and commissioning of engineering objects. The Vice-President of the Federal Republic of Nigeria, Architect Namadi Sambo, who commissioned the two diesel passenger trains, recently said the event marked another watershed in the annals of the NRC as the government makes efforts to reposition it. The Vice President said other on-going railway projects in the country would be fast-tracked so that cheap means of transportation would be made available to members of the public. He commended the bank for financing developmental projects and programmes and described it as a partner in national development.

The Chief Executive Officer of Kintech Nigeria Limited, Chief Fola Kuforiji, described the project as a laudable and transformational development in the Nigerian rail system and transport infrastructure. “It will provide fast, comfortable, safe and efficient means of transportation both in the metro and long distance services of the Nigerian Railway Corporation, that meet with international standards and best practices”, he said. Kuforiji commended Skye Bank for being one of their partners and supporters during the execution of the project. Skye Bank is a prominent player in project financing and has funded several developmental projects in Nigeria in the areas of infrastructure, education, healthcare, transportation, housing, among others. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Goddy Egene writes that last week's announcement by Lafarge Group to consolidate its African businesses is a good move that will improve its market share, deliver better returns to investors and most importantly make its presence felt as the second largest cement manufacturer in the world. Dangote Cement Plc and Lafarge Cement WAPCO Nigeria Plc are the leading players in the cement industry in Nigeria. At the Nigerian stock market, Dangote Cement leads in terms of share price and market capitalisation. For instance, the market capitalisation of Dangote Cement as at last Friday stood at N3.919 trillion, while that of Lafarge WAPCO stood at N345 billion. Lafarge WAPCO is the eight most capitalised on the stock market while Dangote Cement is most capitalised stock. Dangote Cement has 17 billion outstanding shares, compared to 3.0 billion shares of Lafarge WAPCO. Also, in terms of product capacity, Dangote Cement is the leader having operations across many countries in Africa. However, in order to narrow the gap, deepen its operations and expand its market share, Lafarge Cement last week announced plans to consolidate its businesses in Africa.

Lafarge said it will consolidate its holdings in Nigeria and South Africa into a new entity to be known as Lafarge Africa. The consolidation is expected to be completed in second half of this year and is subject to shareholders' and regulatory approval. Upon consolidation, the new entity, Lafarge Africa, will be 73 per cent owned by Lafarge Group and will remain listed on the Nigerian Stock Exchange (NSE). The transaction is expected to be concluded through a cash consideration of $200 million and the issuance of 1,402,575,984. The company explained that under the proposed transaction terms, Lafarge Group will transfer its direct and indirect shareholdings in Lafarge South Africa Holdings (Pty) Limited (100 per cent - representing 72.4 per cent of underlying companies in South Africa), United Cement Company of Nigeria (UNICEM) Limited (35 per cent), Ashaka Cement (58.61 per cent) and Atlas Cement Company Limited (100) to Lafarge WAPCO.

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

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

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

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

As part of efforts to build a new generation of loyal customers and to meet the needs of teenagers and youths, United Bank for Africa Plc (UBA) has introduced the Next Generation account (Next-Gen). The product which was unveiled in Lagos yesterday is basically a suit of personal current accounts designed to offer special privileges and opportunities to account holders. Though the product is designed as a current account, holders have the opportunity of automatically being enrolled for savings accounts as well. Speaking at the event, the Group Managing Director/Chief Executive Officer, UBA, Mr. Phillips Oduoza explained that the Next-Gen account is about capturing and engaging the next generation of educated and enlightened professionals, employees, entrepreneurs, self employed persons, from all walks of life, early in their financial life cycle. Oduoza who was represented by the Executive Director, Treasury and International Banking, UBA, Mr. Femi Olaloku further said the product was designed to appeal to the educated and enlightened teenager and young adult from ages of 13 to 34.
Furthermore, he noted that the product was designed with features that fit into the unique needs of customers based on their age.
"This is a product that grows with the customer from his or her teenage years to when he or she becomes a young adult. Next-Gen is unique in the banking industry because it is not really a product.

"It is a partnership where the bank is taking on a mentorship role to guide customers into a future life of prosperity," the UBA boss explained. Continuing, he said: "It takes care of the unique needs of teenage customers when they are in secondary school through university to when they get their first job, start a family and even consider building their first house. "At each of these critical stages in their lives, the Next Gen account provides financial options and opportunities to make life more comfortable for them and their family." Also speaking on the product, the Head Retail Banking, UBA, Ms. Olumide Osunyomi explained that teenagers that open the Next-Gen account would become part of the UBA Teen Fan Club, which offers great opportunities and great networking. She also explained that as teenagers with a Next-Gen account grow and gain admission into tertiary institutions, they would enjoy great mentorship, internships and career advisory reserved only for account holders. The event attracted students from tertiary, secondary and primary schools in the country. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

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Citibank has said more than 500,000 of its volunteers in 479 cities spanning 93 countries around the world engaged in service activities to benefit their local communities recently. This was in commemoration of the international bank's ninth annual global community day. According to a statement, Citi colleagues, alumni, family and friends demonstrated the company's commitment to supporting and improving communities by leading and participating in more than 1,200 service projects focused on local needs including urban revitalisation, financial literacy, education, housing, health and human services, environmental conservation and disaster relief. In Lagos, it said Citi volunteers served students and teachers of Lagos State Model College, Badore by refurbishing the school's library. This involved painting the building, providing books, donating chairs and air conditioning.

Also, at the event, Managing Director/Chief Executive Officer, Citibank Nigeria Limited, Mr. Omar Hafeez and the bank's Chief Operating Officer, Mr. Akin Dawodu delivered lectures on financial literacy and personal leadership. Speaking at the occasion, Hafeez stated that "Across Nigeria, more than 700 Citi volunteers today, are working with secondary school students in the country to support their academic performance, inspire their career aspirations, and draw out their natural talents. "For 30 years in Nigeria and over 200 years globally, Citi has remained committed to providing our communities, stakeholder and clients with the best responsible outcomes, which we will continue to do." *(This Day)*

Nigerian mobile-phone manufacturer, Tingo Mobile, has agreed to buy a majority stake in Mass Telecom Innovation Nigeria Plc (MTI) for about N4 billion ($25 million) to develop rural broadband in the country. Tingo will acquire 51 per cent of cable-network operator MTI, Chief Executive Officer, Dozy Mmobuozi told Bloomberg in an interview in Lagos yesterday. The company will be rebranded and remain listed on the Nigerian Stock Exchange, he said. Phone calls to numbers on MTI's website didn't connect. "We're using the acquisition to reach out to the mass market," Mmobuozi said, adding that the Lagos-based MTI's "assets from base stations to licence and goodwill and other things, will help penetrate rural Nigeria." Telecommunications companies including China's Huawei Technologies Company and Johannesburg-based MTN Group Limited are expanding in Nigeria to tap a growing market for mobile and data usage.

Africa's biggest economy had 169 million mobile-phone subscriptions as at March for a population of about 170 million, the Nigerian Communications Commission said on its website. With many users owning more than one phone, subscriber numbers are expected to grow to more than 200 million in 2017, according to London-based research company Informa Telecoms & Media. MTI's shares were untraded at 50 kobo yesterday. The spokeswoman for the Nigerian Stock Exchange, Nwando Ajene doesn't have any information about the proposed acquisition, she said by e-mail. Tingo said yesterday it will start selling three smart phones in Nigeria, the first time its devices will be made available to the public rather than to government or corporate customers. The Tingo T5, T500 and T561 models cost 10,000 naira to 18,000 naira and are made locally, Mmobuozi said. The Abuja-based company also has operations in Kenya and Malaysia. Tingo is making GPS tracking systems and mobile point-of-sale devices that can be attached to its phones as it looks to expand its Internet-based services business. New products include a chat application that localises emoticons, using Nigerian cultural references. "In the next two months, we must have hit a 10 million subscriber base for our Tingo Chat app," Mmobuozi said. *(This Day)*

In view of Nigeria's dwindling external reserves as well as an anticipated elevated spending in the run-up to the 2015 elections, the Central Bank of Nigeria (CBN) may be compelled to devalue the naira in the short term, a report has stated. The report also maintained that 2014 will be another difficult year for the banking sector to deliver earnings growth. Lagos-based research and financial advisory firm, Renaissance Capital (RenCap), which stated this in its latest report titled: "Nigeria: Emefiele's Policy Agenda," obtained yesterday, insisted that in the short term, it would become unsustainable to continue drawing down on the reserves to defend the naira. It stressed that price stability may be undermined by falling external reserves. Nigeria's external reserves stood at $37.034 billion as at Monday. The reserves, derived mainly from the proceeds of crude oil earnings have fallen by $12 billion since its post-global crisis peak of $49 billion in April 2013, to $37.034 billion as at June 9. The new CBN Governor, Mr. Godwin Emefiele last week unveiled his policy plans. He pledged to continue focusing on price stability and had also argued that Nigeria's heavy dependence on imports and the pass-through of a weak naira to inflation implies that devaluation will undermine price stability. The governor plans to maintain the current exchange rate band (N155 +/- 3%) by building up and maintaining a healthy external reserves position. Emefiele had also said he would like a lower interest rate environment. But continuing, RenCap predicted that the reserves would continue to shrink partly because of heightened import demand, which is typical before an election. However, it pointed out that unless there is sustained improvement in oil production or price increase in the second half of 2014, it would be difficult for the build-up of reserves to take place this year. "We think the central bank will be challenged. Lower rates are thus not an option in the short term. Actually, given the risks to the naira from falling reserves, we expect monetary policy to be tightened in the second half of 2014 to support price stability. "We are projecting a two per cent increase in the policy rate to 14 per cent by the end of 2014. We think there is scope for the easing of interest rates as soon as the end of 2015. By then we expect the devaluation to have been instituted, imported inflation to have dissipated, and fiscal restraint to have returned," it added. Commenting on the likely impact of the central bank governor's policy agenda on the banking sector, it noted it would be neutral in the short term. What would provide an immediate relief to the banking sector, according to the report, would be the lowering of the cash reverse ratio (CRR), especially on public sector funds. "We think this is unlikely to happen anytime soon given the pressure on the forex. An increase in the policy rate could help banks with the re-pricing of risk assets, but again the extent of the transfer mechanism is debatable. "We maintain our view that this will be another difficult year for the sector to deliver real earnings growth. Aside from the elevated CRR, the other headwinds still in place include the AMCON levy and the further reduction in commission on turnover," it added. *(This Day)*

Shell Petroleum Development Company of Nigeria Limited (SPDC) has suspended crude oil production at the EA field for repair of the Soft Yoke Mooring Platform (SYMP), which connects the Floating Production Storage and Offloading (FPSO) vessel, code-named 'Sea Eagle' with the mooring platform. The company also declared force majeure yesterday on exports of EA blend of crude oil until the work programme is completed and production resumed. This development followed what SPDC called recent bad weather offshore, which damaged the SYMP bearing, thereby necessitating the shutdown of the facility. Though the EA has a production capacity of 115,000barrels per day, Shell's Media Relations Manager, Mr. Precious Okolobo, said in a statement yesterday that only 40,000 barrels of oil per day production was deferred. The offshore field, located close to about 12 communities around Iduwini Kingdom in Ekeremor Local Government Area of Bayelsa State, is south west of Warri in water depths of around 25 metres.

One of the early incidents of kidnapping of oil workers in the Niger Delta was recorded at the facility on January 10, 2006 when militants kidnapped four foreign oil workers, including an American, a Russian and a Croatian, forcing Shell to shut down the 115,000 barrels per day platform. It resumed production in July 2009 after more than three years offline, with an initial output of 50,000 barrels a day, which was later ramped up to its production capacity of 115,000bpd. Shell had also shut down the SPDC Joint Venture-operated oilfield in April 2010, as a precaution to enable repairs on the FPSO, which achieved first oil on December 14, 2002. Between 2007 and 2010, Shell was said to have spent several billions of naira on projects in the 12 EA host communities. The company also trained 12 scaffolders and painters currently working on the Sea Eagle in addition to the 12 community focal representatives the company engaged. *(This Day)*

Economic News

The Nigeria Liquefied Natural Gas (NLNG) Limited has generated over $50billion for the Nigerian economy since October 1999, when it exported its first LNG cargo. Speaking at the company's book launch on '2014 Facts and Figures' at the weekend, the Managing Director of the company, Mr. Babs Omotowa, said the company exported its 1,000th cargo in December 2006, 2,000th cargo in October 2010 and 3,000th in January this year. He said in diversifying the country's revenue base and monetising gas resources in Nigeria, NLNG now owns $14 billion of assets in Bonny Island of Rivers State. According to him, the company paid $13 billion in dividends with another $11 billion earned as feed gas sales revenue, while over $10 billion expenditure was spent in the local economy on goods, services and salaries of thousands of staff employed. He also stated that the company paid a corporate income tax of over N200 billion yearly, while the Rivers State Government earns over N6 billion yearly from personal income taxes. Omotowa further disclosed that Bonny Local Government Area of the state earns over N88 million yearly as tenement rate from NLNG. He noted that the company had been the arrow-ahead in the federal government's quest to eliminate gas flaring and to derive value from the country's 187 trillion cubic feet of a proven gas reserves. "By so doing, this will accounts for seven per cent of the global LNG supplies which used to be 10per cent. Nigeria LNG's near term expansion plans which include a construction of seventh train to complement the existing six- train structure that when in full operation, will up the ante of the company's total production capacity to 30 million tonnes per annum (MTPA) of LNG. Over the years, the company has committed to a 67 per cent increase in volume supplied to 250,000 tonnes of Liquefied Petroleum Gas (LPG). And this has increased the benefit in environmental (deforestation), health (respiratory),

kerosene cost about $3.5billion subsidy and increase in investments and job creation (improvement in cooking gas value)," he explained. Omotowa further stated that the company's senior management team was 100 per cent Nigerian while the total workforce is 95 per cent Nigerian. He disclosed that the company has 23 LNG vessels which constitute the largest shipping fleet in the country, adding that out of the 23 vessels, 13 are owned by NLNG's subsidiary, which is Bonny Gas Transport, while the 10 others are long term leased vessels. "The BGT provides vessels for the delivery of products to buyers all over the world. All 23 ships load at NLNG Terminal in Bonny for delivery in Europe, South America, Gulf of Mexico, United State, Middle East and Asia. By so doing, many job opportunities platform has been created for many Nigerian seafarers through shipboard placements on BGT vessels," he added. The NLNG boss also stated that the NLNG Ship Management Limited (NSML) was responsible for resourcing, developing and manning shipboard personnel for BGT Ships. To pursue what he called the Nigerianisation plan, Omotowa said the company had entered into partnership with Hyundai and South Korean companies to train Nigerian captains and cadets in order to be able to compete internationally. According to him, it was agreed that 600 Nigerians, including 180 people from the Niger Delta, will be trained but currently, 60 are undergoing training. "NSML has also developed in the area of manpower for the maritime industry through its support for Maritime Academy of Nigeria, Oron in Calabar. To add to this, NLNG has trained over 500 officers and in ratings and has employed over 200 graduate of Maritime Academy, Oron," he said. *(This Day)*

The Minister of Agriculture and Rural Development, Dr. Akinwumi Adesina has stated that Nigeria is on the edge of becoming a major food player in global food and agricultural markets. He mentioned this while briefing press men at the Pan West African collocated Agrikexpo and Foodbext Exhibition, held in Lagos recently. Adesina said that the size of Africa's agriculture and agribusiness was expected to grow to one trillion dollars by 2030, with foreign direct investment in agriculture which stood at 10 billion dollars in 2005 hitting 45 billion dollars by 2020. For this reason, the Nigerian government under President Goodluck Jonathan has made conscious decision to refocus the sector. Speaking on the growth of rice processing in Nigeria, Adesina said the country's rice self-sufficiency policy was directed at saving 2.3 billion dollars every year, adding that this will be achieved with the adequate performance of rice farmers and rural communities. According to reports, he further revealed that the massive distribution of high yielding varieties of rice has led to an increased output of 4 to 5 tons per hectare compared to 1.5 to 2.5 tons per hectare before now.

Speaking further on the Electronic Wallet System, Adesina stated that15 million farmers will be reached with fertilizer and seeds distribution directly via this system, adding that Nigeria is the first in the world to introduce a system that guarantees millions of farmers to be reached with subsidized farm inputs via mobile phones. "Through this system we have been able to initiate greater accountability in how government funds are used; how to know who is getting what; how much they are getting; when are they getting it; how are they paying and how much is government paying," he stated. Also, on cassava production, the minister expressed his hope that Nigeria will soon move from just being the largest producer to being the largest processor of cassava in the world. "We have to be like Thailand, they account for only 10 percent of global production of cassava, but account for 80 percent of the globally traded value of cassava. Nigeria is the largest producer and accounts for near zero when compared to Thailand. "We are changing that today, by moving into cassava processing for starch, ethanol and dry cassava chips for export to China," he said. *(This Day)*

The Central Bank of Nigeria (CBN) Governor, Mr. Godwin Emefiele, yesterday said the central bank remains "very independent," dismissing fears of government interference after the president ousted the previous governor in February. Reuters quoted Emefiele to have also said on a conference call with analysts that the 7.9 percent inflation rate recorded at the end of April was a "good level," although he added the central bank would work to bring down interest rates eventually. Investors and analysts, worried by the suspension of former CBN governor, Sanusi Lamido Sanusi had fretted that the government may attempt to influence monetary policy ahead of the 2015 elections in Africa's largest economy. "The Monetary Policy Committee (MPC) is very independent and there would not be any changes (to policy)," Emefiele said. "All decisions will be taken in line with economic fundamentals." Africa's top oil producer has sustained inflation at single-digit over the past 15 months, owing to tight monetary policy, Emefiele said, noting that the bank would work to maintain that.

He said he wanted to reduce interest rates, stuck at 12 per cent since 2011, gradually over the medium term and would work with the government to rebuild the country's foreign reserves. Asked about the risk of capital flight, which creates pressure for a devaluation, he said: "We have an idea of how much is involved in these flows and I can assure you that with the reserves we have, we are adequately prepared to meet those level of inflows and still maintain price stability." Nigeria had around $37 billion in reserves as at June 9, which can cover up to eight months of imports, Emefiele said. He said the bank would ensure financial stability and not introduce regulations that would harm the profitability of lenders, referring to a hike in cash reserve ratio that crimped bank interest margins. He added that he saw no need to devalue the currency at the moment. *This Day)*

The Nigerian Stock Exchange, NSE, has imposed N19.6 million fine on Ikeja Hotels Plc, Aso Savings and Loans Plc, and five other quoted companies for late submission of their respective audited financial statements for years ended 2011 and 2012. Others are International Energy Insurance Plc, Abbey Building Society Plc, Interlinked Technologies Plc, National Salt Company of Nig. Plc and Austin Laz & Co. Plc. According to the NSE in its latest X-Compliance report for the week ended May 30, 2014, the companies did not submit their results after the regulatory due date. Ikeja Hotels Plc was fined N5.5 million for late filling of December 2012 financial result, while Aso Savings was fined N5 million for late filling of its financials for the same year. For failing to file its 2012 result as at when due, International Energy was fined N5.4 million, while Abbey Building, National Salt Company and Austin Laz paid N200,000 (Two hundred thousand naira only), and N300,000 (Three hundred thousand naira only) respectively for late filing of 2013 results. On the other hand, Interlinked Technology was fined N2.9 million for late filing of interim result for period ended June, 2013. The Exchange noted that it applied the sanctions in accordance with the provisions of Section 14 of Appendix 111 of its Listing Rules. "Companies that are listed on the Exchange are required to adhere to high disclosure standards which are prescribed in Appendix 111 of the Listing Rules. Financial information which is periodic disclosure and on-going material events disclosure should be released to the Exchange in a timely manner to enable it efficiently perform its function of maintaining an orderly market," the NSE said. It will be recalled that quoted companies are required to submit their year end financial statement to the Exchange three months after, while interim results are required to reach the NSE 45 days after to enable the Exchange feed the investing public with the same information. *(Vanguard)*

Nigeria is unlikely introduce a fixed farm gate price for cocoa to mirror its West African neighbours' approach to the sector as its farmers receive a higher price and lack trust in the public sector. The President of Nigeria's Cocoa Association, Sayina Riman, said this in an interview with Reuters. "I don't think Nigeria would contemplate introducing a fixed price. Why? Because there's still a low synergy between the public and private sector and a low level of trust of the public sector," Riman said. Ivory Coast and Ghana, the world's top two growers, both have fixed cocoa prices which are currently below world prices. Speaking on the sidelines of the World Cocoa Conference in Amsterdam, Riman said: "Most often the Nigerian price at the farm gate is higher than the international market price because of competition within the market."

The International Cocoa Organisation estimates Nigeria's 2013 and 2014 crop at 250,000 tonnes, making it the world's fourth largest producer behind Ivory Coast, Ghana and Indonesia. Nigeria's cocoa production peaked at around 400,000 tonnes a year in the 1970s, but the government began to neglect the sector with the discovery of oil. The industry's decline accelerated after it was deregulated in 1986, with the abolition of the cocoa board. "One of the major factors (for the board being dissolved) was its inability to pay farmers who had supplied to the board, and two; farmers were already cutting down their trees for lack of being paid and for lack of this synergy and support that is critical for the industry from government," Riman said. He added: "After the discovery of oil, government shifted its focus (away) from agriculture. Nigeria has the potential to do better than Ivory Coast and Ghana put together." In recent years, oil and gas discoveries have opened up new opportunities in the energy sector for Ivory Coast and Ghana's economies too. (*This Day)*

The African Development Bank's (AfDB's) application to establish a N160 billion Medium Term Note Programme in the Nigerian capital market has been approved by the Securities and Exchange Commission (SEC) of Nigeria. The AfDB is being advised on the transaction by Stanbic IBTC Capital (a member of the Standard Bank Group) and Rand Merchant Bank Nigeria, a wholly owned subsidiary of the FirstRand Group. A statement Thursday explained that SEC's approval also included a "No-Objection" for the AfDB to commence the book-building process for a planned issuance of a first tranche of N16.2 billion under the programme. The Bank would seek to start the book-building process as soon as mid-June, with the plan to issue by the end of the month, subject to favourable market conditions. Members of the Bank's treasury team were recently in Nigeria to sound the market for the upcoming issuance, where they received positive feedback; institutional investors were looking forward to adding diversity to their portfolios and welcomed the AfDB's proposed offering. The proceeds of the first bond issuance would be used to finance a line of credit to a financial institution which would on-lend to corporates in the services and industries sector; a pipeline of infrastructure projects; and to small and medium sized enterprises (SMEs). "In line with its' Local Currency Initiative, the Bank approves African currencies as lending currencies whenever there is sufficient demand for local currency loans, and where the Bank can fund itself cost-effectively.

"This initiative allows the Bank to establish medium term note (borrowing) programs in designated African currencies (including the naira which was designated a lending currency of the Bank in December 2012); and to issue local currency bonds within the framework of the program and in line with underlying demand from the Bank's borrowing clients," it explained. The Bank's N160 billion programme would be used to finance a growing pipeline of projects requesting loans in Nigerian naira in the following sectors: infrastructure, services and industries, and financial sector. According to the statement, SEC had welcomed the AfDB's initiative, citing the importance of "supranationals engaging in domestic markets as it provides a signalling effect that the market is ready for more global investors and issuers. "Moreover Supranationals encourage the development of domestic markets by introducing global market practices, namely best practices in documentation, and information disclosure requirements. "Supranationals issuing in domestic markets also facilitate the creation of a new asset class for domestic investors allowing for diversification of their portfolios," it added. *(This Day)*

Tanzania

Corporate News

A Tanzanian unit of Australia's Swala Energy Ltd is selling an almost 10 percent stake worth 4.8 billion shillings ($3.52 million) in an initial public offering on the east African nation's newly launched bourse for small firms. The initiative supports a government drive to give Tanzanian citizens a share in the country's gas discoveries, which have made Tanzania hot property for energy firms while also raising calls from the population for a stake in the new-found riches. For now, Tanzania only produces small quantities of gas for domestic use but major players such as BG Group, Statoil and Exxon Mobil plan to build a liquefied natural gas (LNG) plant for exports, although that is years away. The offer, which runs from June 9 until July 4, is for 9,600,000 shares at 500 shillings each, said a statement from Oil and Gas (Tanzania), which is 50 percent owned by Swala. The shares will be listed on the Enterprise Growth Market for smaller firms that was launched last year. A new law could make it a requirement for energy firms working in Tanzania to list local subsidiaries, although the code has not been implemented yet. The CEO of Swala Oil and Gas Tanzania, David Mestres Ridge, told Reuters that the company would invest funds raised from the IPO in "the seismic programme that is due to start in Pangani in July and in Kilombero in September." Stock exchange chief Moremi Marwa told a Reuters African investment summit in April that Swala was acting on its own initiative to supplement capital already coming from the parent firm. "We strongly believe that Tanzanians should be given an opportunity to participate in the oil and gas business; this IPO opening allows them to do just that," Abdullah Mwinyi, a director at Swala Oil and Gas Tanzania, said in a statement. *(Reuters)*

Economic News

No Economic News This Week

Zambia

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

OK Zimbabwe intends to refurbish six stores across the country this year at a cost of US$6 million, a senior official has said. The group will spend an additional US$2 million on the establishment of bakeries within its stores.In an interview, OK Zimbabwe chief executive Mr Willard Zireva said the company is currently focusing on growing its market share through making investments. "In the short time since its opening, the OK Mart stores have gradually changed shopping habits as customers have realised that there is no need to cross our borders anymore as everything is available locally at competitive prices. "The two stores have been likened to other mega-stores on the international market. Three new branches have been opened," said Mr Zireva. He said all capital investments are aimed at boosting the growing the revenue base and inflows. OK Zimbabwe will refurbish OK Gweru, OK Mutare, OK Mbuya Nehanda, OK Houghton Park, Bon Marche Chisipite and OK Rusape. "At OK Rusape there would be partial refurbishments. We want to reinforce our position as a retail giant in the country by offering and expanding services by leveraging on good Information technology skills," he said. Mr Zireva said the group was looking at establishing its own internal bakeries to offer convenience and flexibility to their customers. The bakery sections were being run by Innscor Zimbabwe under a contract, which was terminated by mutual consent between the two parties. "We previously budgeted for 12 bakeries but after seeing positive prospects we are going to budget for 25 more. "I can confidently say that we have earmarked about $2 million for the project and we hope this will play a bigger role in developing the company," he said. Mr Zireva said regional expansion is still within the company's plans. *(The Herald)*

OFERROCHROME producer, Zimbabwe Alloys has shortlisted four investors, among them AfroChine Smelting to acquire the majority stake in the company, a source has said. An audit and advisory firm, Grant Thorton, which was appointed the judicial manager of Zim Alloys is studying the bids after rejecting those placed by local companies after they failed to demonstrate financial capacity to revive the firm. Zim Alloys operations were closed down in 2008 due to lack of working capital and falling global prices of ferrochrome and may require at least $150 million to upgrade its smelting facilities, a source familiar with the transaction said yesterday. Ferrochrome, made from smelting chrome ore is used in the production of stainless steel. "We are closely working with very serious international investors who are at various stages of conducting due diligence," the source said. "Looking at the value of the business, the company needs an integrated recapitalisation approach and investors with deep pockets to rebuild the plant and heavily invest in new technology." Zimbabwe Alloys, 85 percent owned by Benscore Investments, controls almost 40 percent of the country's chrome reserves, the biggest in the world after South Africa. No comment could be obtained from Mr Reggie Saruchera, the judicial manager. AfroChine invested about $25 million in building a smelter in Selous and plans to spend an additional $100 million as it seeks to build annual production capacity to 400 000 tonnes. The company is a subsidiary of Tsingshan Iron and Steel Group of China, now among leading stainless steel producers in the world. "From the AfroChine, they obviously want to combine capacity and leverage on Zim Alloys resources," said the source. ArceloMittal, the world's biggest steelmaker, was also reported to be considering an offer for Zim Alloys. RioZim, a diversified resource firm listed on the Zimbabwe Stock Exchange placed a bid for $40 million but failed after the "company failed to show the source of the funds".

Another local bidder, Gombe Resources is said to have offered over $100 million to recapitalise the business but again failed to provide proof of the funds, another source said. Meanwhile, Zim Alloys said over 1 000 tonnes of metal were recovered from the mine dumps during the first four months of the year. Finance director Mr Munyaradzi Dube told New Ziana that metal recoveries during the first four months of the year surpassed those of last year by 82 percent. "From January to April, a total of 1 206 tonnes of metal were extracted from the mine's dumps against 661 tonnes produced last year during the same period, translating into an 82 percent increase," said Mr Dube. The increase was due to hand picking and more availability of working capital, he said. Last year, RioZim engaged a South African mineral processing firm, Specialised Metallurgical Projects, to extract chrome metal from half of its slag dump estimated at four million tonnes. *(The Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Delta Beverages' Ruwa-based packaging subsidiary, MegaPak has invested about $30 million since dollarisation towards retooling and refurbishment of its existing equipment in order to meet ever-changing global standards, a company official has said. The investment went towards the acquisition of moulds and equipment compatible with the packaging requirements of its new Polyethylene Terephthatlate (PET) line. MegaPak, a 51-49 percent joint-venture between Delta and South Africa's NamPak, supplies all of Delta's packaging requirements. Speaking on the sidelines of the tour organised by CZI on behalf of the Parliamentary Portfolio Committee on Industry and Commerce, MegaPak managing director Mr Martin Makomva said a huge investment has been made so far to improve standards. "Total investment since dollarisation amounts to $30 million which went towards the acquisition of new machines, technology and refurbishments. "There is a PET line, acquired from KHS of Germany at a total cost of $4 million, which was designed to pack three PET sizes, 2 litres, 1,5 litres and 500ml," said Mr Makomva. The investment boosted Delta Beverages' soft drink volumes by 149 percent in 2010 as it adequately replaced PET imports from Botswana, South Africa and Zambia. The PET line has an installed capacity of 30 000 bottles per hour.

"Of late the company did not have enough capital to retool but with the growing demand of our products on the export market we think it is quite strategic for us to keep injecting money towards the acquisition of the latest technology. "As a company we are still not happy with our competitiveness on the export market because some of our machines are now old; some even 40 years old," said Mr Makomva. MegaPak is currently operating at a production capacity of 12 000 tonnes of plastic with 360 employees. The company sits on 75 percent market share and is investing about $4,5 million annually towards retooling. Mr Makomva said MegaPak is the only company with a crate manufacturing factory, hence need for affordable capital from banks to replace the old equipment. MegaPak also invested towards establishing a recycling plant consisting of a bottle receiving bay , bottle washing and crushing equipment that converts waste PET bottles into flake, which will be sold to targeted end use markets. The anticipated positive impacts of the recycling project include reduction of the volume of the post-consumer PET in the waste streams and resultantly the associated environmental impacts of post-consumer PET and creation of income generating opportunities for participating communities and business. Mr Makomva also cited power cuts as one of the biggest challenges affecting the company's operations. "We are appealing to Government to address the issue of power, through sparing power cuts to the companies are still functioning. Power outages are further complicating our situation as an industry," he said. Speaking to The Herald Business during the tour last week, Industry and Commerce Committee chairperson Mr Ray Kaukonde said bold measures should be taken to make sure a level playing field is created between imports and local products. He said the local industry has been affected immensely by the growing influx of imported products and this was negatively affecting the viability of the local industry. *(The herald)*

OK Zimbabwe last week reported March results which showed declining profitability and flat revenue growth. Chief executive Mr Willard Zireva recognised the factors affecting the operating environment. These include the poor agricultural season, high and increased unemployment. "The tighter liquidity crunch also limited demand. But for retailers, it was the deflationary cycle which affected revenue growth." Mr Zireva told analysts last week that deflation for retailers crept in July although official negative inflation was -0,91 percent by March 2014. "The impact is significant going forward. We have already spent nine months in the negative and this has ramifications in terms of what it does to the topline." There was a 0,8 percent increase in revenue to $483,7 million. Gross profit margins declined slightly to 17 percent (2013:17,2 percent) due to a higher propensity to consumer low margin basic items by the local populace. Overheads were up 6,3 percent due to an increase in advertising and promotional expenses. More staff was engaged to provide adequate services in improved facilities, higher cost of utilities and increased cost of security. Generally, OK's results were a reflection of the prevailing environment. However, they did not do well, based on management strategy. In an environment where SPAR and TM are struggling, they should have actually shown some growth in all lines.

They missed the standard performance of retailers of posting a bottomline, which is four percent of turnover. They were around two percent. The economy is static or rather spiralling downwards and yet the group is growing its number of stores by 9 percent across its franchises and employing more people, all a good thing but not under the current circumstances. The end result of all that capex investment

and increase in cost is just a 0,9 percent revenue growth. In the period, the number of stores had increased to 59. This included three new OK stores even thought one had closed in Harare, the new Bon Marche in Bulawayo bringing the total count to eight and i-tech at Eastlea. Mr Zireva said the group had carried on with its capacity enhancement target of opening five-six stores per year, taking advantage of opportunities which came by. Net sales per square metre dropped to $5 865 from $6 067. The group will enter into new locations going forward while they will also follow through on regional expansion initiatives. Mr Zireva said the group had identified two sites.
OK Zimbabwe has a negative revenue growth rate if we analyse the group's Like-For-Like Sales numbers (Like-for-Like Sales is a method of valuation that attempts to exclude any effects of expansion, acquisition or any other event that artificially enlarges a company's sale).
Like-For-Like numbers in this instance will show that there is really not much growth in the business. Looking from the top down, the company's income statement, the decline in the company's profits (EBIT) is as a result of a combination of declining revenue and increasing costs – with higher costs mainly resulting from higher Cost Of Doing Business (CODB) i.e shrinkage (which has remained at +$2 million), inefficient supply chain, and margins.

Instead these critical areas should be the main focus for the group's management. Return On Capital Employed (ROCE), a useful measure of efficient allocation of capital is down to 17 percent from 25 percent in the prior year despite growing its assets by 0,6 per cent yet the ROCE has taken a dip from 25 percent in 2013 to 17 percent in 2014, giving a conclusion that all that capex spend went down the drain. All what management had to do was to focus on cost containment, and supply chain solutions. In the end revenue might have taken a hit but the result would have been increased profitability from prior year, but at least all the ratios would have been a little better. So has OK reached maturity? A good retailer should go beyond just selling groceries. And it's good that OK Zimbabwe has realised now that they need to have control of the service departments (fruit & veg, deli, bakery) starting with the taking over of the bakery stores from Innscor. These departments have very good GPs. OK overall are not maximising their retail space and are actually more profitable because they carry a very low staff cost which may also be the reason why shrinkage tends to be high. The key ingredient missing from management's strategy is focusing on reviving its sales, utilising the existing floor space. On another note, retailers should generally disclose the contribution of turnover and GP percentage by store section (i.e. floor, hot deli, cold deli, general merchandise, appliances & services) because certain elements of the business are weighing down the overall performance.*(The Herald)*

***S*CHWEPPES Zimbabwe has acquired 100 percent stake of Beitbridge Juicing Co in a vertical integration move that will see the beverage company strengthening its supply chain by taking control of a key raw material – orange juice concentrate**. The transaction of an undisclosed amount has been granted all requisite regulatory approvals, Schweppes Zimbabwe chief executive Mr Charles Msipa said yesterday. The core business of BBJ is processing of citrus fruits into juices and various by-products. BBJ supplies Schweppes Zimbabwe with 75 percent of the company's orange juice requirements for Mazoe Orange Crush while the remainder is imported from South Africa. "This acquisition will enable us to secure a critical component in our supply chain," said Mr Msipa. "We will increase capacity utilisation at BBJ so that we can obtain 100 percent of our juice for Mazoe Orange Crush locally which is a key raw material for the business. Our preferred position as an organisation is to increase local raw material sourcing without compromising on quality. "This is not only beneficial for SZL but for the economy as a whole because BBJ will be in a position to meet the requirements of other local and regional manufacturers as well." BBJ is operating at approximately 23 percent capacity due to seasonality of processing and blending of one fruit. Prior to the acquisition, BBJ was a subsidiary of Rift Valley Holdings. The acquisition of BBJ is a huge stride for SZL which in itself was fully indigenised in 2010 with 51 percent of the business owned by indigenous consortium Whaterton Investments and the remaining 49 percent held by Delta Beverages (Private) Limited. BBJ was established in 2005 and started operations in 2006.

The company is head-quartered in Harare and the production plant is in Beitbridge near the raw material source of good quality oranges. The business obtains its fruit from local farmers in Beitbridge who are located within a 30km radius of the plant. The plant is currently operating for 120 days in the year and processes 28 000 tonnes of oranges with plans to gradually increase output to 150 000 tonnes of fruit per annum. "BBJ will continue to operate as an independent business servicing both local and regional requirements for juice supplies and related other by-products," said Mr Msipa."BBJ is an accredited supplier of juice for The Coca-Cola Company which presents growth opportunities for the business outside of Zimbabwe. We are planning to process and blend various other types of fruit and juices for the local and export markets. "By so doing, we will manage the processing seasonality of oranges and increase capacity utilisation and consequently the BBJ customer base," said Mr Msipa. The company's current customers include Lyons Zimbabwe and Probrands. BBJ is also a manufacturer of juice beverages which include an orange and lemon lime crush amongst other products that the organisation is in the process of launching. The blending facility also has a market for essences and stock feeds which are by-products from the fruit processing. The acquisition will benefit the local community in Beitbridge through employment creation as capacity utilisation increases. BBJ employs a total of 79 permanent staff with an additional 60 employed on a seasonal basis during the processing period from June to October of each year.

The seasonal workforce comes mainly from the community surrounding the factory in Beitbridge. BBJ, in collaboration with citrus producers, Beitbridge Rural District Council and NGOs supports a 50-hectare community citrus out grower's scheme in the Shashe communal area. "With the BBJ acquisition we will continue to support the community citrus out growers' scheme by buying the fruit they grow through BBJ and mobilising resources to expand to community citrus out growers schemes in the Beitbridge area and support production and processing of other fruits in the country. "This way, we still meet our SZL objective of securing supplies of orange juice for Mazoe and being a regional player in the juice business," said Mr Msipa. (*The Herald)*

Economic News

RAINBOW Tourism Group local operations' revenue for the four months to April increased to $8,2 million helping the hospitality company record a 7 percent jump to $8,7 million over the same period last year. In the corresponding period the previous year, RTG recorded revenues of $8,1 million with the Zimbabwean component contributing $7,7 million. RTG chief executive officer Mr Tendai Madziwanyika told shareholders at the group's annual general meeting yesterday that the number of rooms sold in the first four months of 2014 increased by 16 percent to 44 percent from 38 percent for the same period last year. "This achievement was because of improved performance by the resort hotels and the Rainbow Towers Hotel and Conference Centre," said Mr Madziwanyika. "The A 'Zambezi River Lodge recorded revenue growth of 25 percent over the corresponding period last year while the Rainbow Towers Hotel and Conference Centre recorded a 10 percent growth in turnover," he said. RTG recorded significant growth in conferencing business during the period under review boosted by several low seasons promotions. The group anticipates this trajectory to continue throughout the year as historically second half revenues contribute 60 percent towards annual revenues.

"This increase resulted in growth of revenues of 12 percent from prior year for food and beverage for the Rainbow Towers Hotel and Conference Centre. The Bulawayo Rainbow Hotel performed well during the 2014 Zimbabwe International Trade Fair period. It achieved a 24 percent increase in revenues as compared to ZITF 2013," he said. E-commerce revenues for the period increased by 19 percent over the prior year while international arrivals into RTG grew by 13 percent over the same period last year. Revenue contribution for the quarter from the South African office grew 51 percent over prior year while performance for the Rainbow Hotel Mozambique has been depressed. The group says it has since implemented revenue generation strategies to drive the Mozambique business and projects positive take-off in the business unit's revenues in the months ahead. On market share, RTG achieved a first quarter market share of 28 percent, which was a 22 percent increase from the 23 percent achieved during the same period in2013. The Group's fair share is 2 percent. Mr Madziwanyika said the group is chasing a target of 38 debtors' collection period having reduced to 49 days as at 30 April from 64 days in the comparative period last year. To contain costs, RTG has engaged in a voluntary retrenchment exercise for the Rainbow Towers Hotel and Conference Centre. The chief executive officer said the response has been positive and anticipates that the hospitality company will achieve its intended retrenchment numbers. He, however, refused to release more details on the retrenchment exercise. *(The herald)*

ECONET Wireless, in partnership with international money transfer service, WorldRemit, has launched a service which enables customers to receive money from outside the country directly on mobile phones. EcoCash Diaspora allows customers to send money to Zimbabwe online, through smartphones, tablets or computers, directly to an EcoCash mobile wallet using the WorldRemit platform. Speaking at the

launch of the partnership, Econet Services chief executive officer Mr Darlington Mandivenga said the company's partnership with WorldRemit opened access to more than 35 countries where the London-based mobile money transfer service has presence. "We cannot allow money to be delayed to customers and so we have taken the responsibility as the leader to make services faster, safer and convenient," he said. WorldRemit director-North America, Mr Rob Ayers, said more than 100 percent of money transfers in Sierra Leone went through their service while 92 percent in Kenya and 50 percent in Ghana used the same platform last year. "We will be adding the USA very soon and we will be offering this service to give Zimbabweans in that part of the world access to our services," said Mr Ayers.
Econet wants to take advantage of the huge numbers of Zimbabweans living outside the country.

A Reserve Bank of Zimbabwe report said that more than two thirds of the country's population is sustained by money from the Diaspora. Mr Mandivenga said that more than $540 billion was moved through traditional and mobile transfer services last year, of which $60 billion was from Africa and $1,8 billion from Zimbabwe alone. He said the mobile money transfer service is expected to claim one third of the total money moved worldwide. Mr Mandivenga projected that EcoCash Diaspora remittances will be the biggest source of foreign currency in the economy by the end of the year. "Our research shows that by making it quicker and easier to receive money at any time, we will see a massive inflow of money, just like we see on EcoCash here at home," he said. More than 60 percent of total Sadc region remittances is estimated to be sent to Zimbabwe from South Africa each year. (*The Herald)*

The Competitions and Tariffs and Commission has started gathering information, which may result in a fully fledged investigation on alleged uncompetitive behaviour by Econet Wireless. CTC has arranged a meeting with Econet officials to ascertain the facts around the allegations for them to develop a background position of the challenges they are being accused of by various business entities. The commission will engage the Reserve Bank of Zimbabwe and the Postal and Telecommunications Regulatory Authority of Zimbabwe as regulators of banks and mobile network operators to better understand the regulatory issues around mobile money business. "We are making preliminary investigations on allegations levelled against Econet Wireless of its uncompetitive behaviour on the telecommunications side. "The commission is still establishing facts and doing interviews with complainants who have levelled allegations against Econet," a source who could not be named for professional reasons said. Various entities have raised complaints against Econet, alleging that the mobile network is involved in uncompetitive behaviour and monopolistic practices. In the forefront has been the banking sector, which has raised issues with Econet with regards to the opening up of mobile banking streams and a directive that all suppliers to Econet have to have an account with Steward Bank.

Econet clashed with banks after it agreed in February 2014 to connect banks onto the USSD platform for other value added services but ended up creating a separate USSD to EcoCash for banks in particular for mobile money transfer services. The implications for setting up a separate USSD for banks were that Econet would be able to charge banks a separate tariff which is much higher than the prevailing SMS charges and also much higher than what Econet is charging those who are hooked onto EcoCash. This is viewed as an unfair trade practice as it is designed to make banks' mobile money transfer services uncompetitive in comparison to Econet's own product. The tariff is also significantly higher than what other mobile network providers are charging for a similar service. Banks feel strongly that being put on a separate USSD platform to EcoCash would enable Econet to disconnect banks without inconveniencing its clients on the EcoCash platform. "Econet can throttle or stifle that service in violation of any service level agreements that may be in place because of its immense power," the source said.

Banks are of the opinion that the proposed charge of $0,30 was too high given that an SMS was currently costing less than $0,05. Banks felt the charge was too high and was meant to be expensive for any product that the banks would want to provide. Meanwhile, the High Court will soon make a determination on allegations levelled against Innscor Africa Limited by the CTC. The allegations stem from Innscor's acquisition of a controlling stake in the country's largest miller, National Foods Limited. Innscor increased its shareholding in Natfoods to 49,9 percent from 36 percent between 2003 and 2011. The company subsequently reduced its shareholding to 37 percent after disposing off 11 percent for $11,7 million — to Tiger Brands of South Africa in 2011. CTC assistant director (Competition) Mr Benjamin Chinhengo confirmed the development to The Herald Business. "The case is now under the jurisdiction of the High Court and a ruling is expected anytime soon then we can furnish you with more details," said Mr Chinhengo. *(The Herald)*

Econet Wireless is implementing a highly advanced call centre system which will enable its contact centre operators to monitor feedback and conversations on both social network and cellular communications platforms. The new platform will enable Econet call centre operators to respond to both social media, voice telephony, fax and instant messaging service queries and complaints. It is being implemented in partnership with Jasco, an international telecommunications support company. "The Avaya solution delivers a seamless experience for voice, email and social media, allowing customers to interact with Econet through a variety of channels to connect on their terms and choose the medium that suits their needs," said Danny Ross, the general manager for Jasco's operations in Africa. Mr Ross said the solution enables the mobile company to be more efficient and fast to give feedback to their customers the package includes the Avaya Experience Portal. "Avaya solution also enables Econet to be more agile in their response to customers, and to take advantage of enhanced reporting and workforce management capabilities. "The solution also incorporates Avaya Experience Portal, which helps organisations automate customer transactions and enhance customer service with quick response to customer queries that are common and repetitive, taking pressure off the workforce," he said.

Avaya Workforce Optimisation, which includes voice recording, workforce management and quality management, helps Econet to enhance the quality of customer care, while the Avaya Social Media Manager enables the organisation to connect seamlessly to social media channels and detect and analyse social media conversations, said Mr Ross. He said the solutions center is the Avaya Aura Contact Centre that manages all types of contacts. "The core of this solution is the Avaya Aura Contact Centre, which manages all contact types, including inbound and outbound voice, email, web chat, fax, instant messaging, social media and more. The system offers integrated real-time and historical reporting for sound management capabilities," he said. The company currently has the widest coverage in the country, and is constantly upgrading its network and products and services portfolio to cater for additional subscribers and broaden its reach. *(The Herald)*

LISTED beverages giant Delta will this week launch a new yoghurt drink. The new drink consolidates Delta's continued interest in expanding its non-alcoholic portfolio and claiming an increasing share under the growing health and nutrition category. According to Delta, the new yoghurt drink will fall under the Super Sip brand which the company launched in a highly publicised campaign in October last year. The company indicated that the product will be in three flavours — Banana and Strawberry, Mango and Pineapple. Additional flavours would be launched at a later stage. Pan African consumer research firm, Ipsos, showed in its first quarter retail audit results of the Zimbabwean beverages landscape that the Super Sip brand itself has already established itself within the top three dairy fruit juices in the market six months after launch, and Delta is now gunning for an increased share through the launch of new yoghurt. The yoghurt follows increased investment in production capacity at the non-alcoholic manufacturing facility in Willowvale. All in all, Delta Beverages will now have two lines under the Super Sip category, the existing dairy drink, and now a yoghurt.

"Our primary focus remains to ensure consumers have choice, always, and where we have capacity to offer better products for the consumer's enjoyment we will do so," Delta marketing manager Ms Patricia Murambinda. "The drinking yoghurt we are launching is an expression of our commitment to quality and choice. While most people are used to ordinary yoghurt, drinking yoghurts are an innovation that we believe has potential to grow". In March 2014, Super Sip Dairy Drink was awarded an innovation award by Delta Beverages parent firm SABMiller in acknowledgement of the technical and commercial expertise invested into bringing a concept to life in a compelling and engaging way. The continued focus on innovation and consumer responsiveness continually exhibited by the blue chip stock may be an indication of why its stock has remained bell weather even after a slowdown in general consumer spending across its other lines. *(The Herald)*

Economic News

The European Investment Bank is considering extending loans to Zimbabwe's private sector, more than a decade after the European Union slapped sanctions on Robert Mugabe's government over charges of human rights abuses and vote rigging. The bank will not lend directly to the government until the issue of more than 300 million euros in outstanding arrears is resolved, EIB head for the African, Caribbean and Pacific region (ACP) Diederick Zambon said on Thursday. Zambon declined to say how much the loans would be worth, but told journalists the EIB would meet local banks and businesses to discuss their financial needs. It would also discuss the arrears with the finance ministry. "The way we would like to return in the country, and where we see our role, is for the moment with the private sector," Zambon said. "We will work through banks and that reinforces the financial sector, which is in need of reinforcement." The European Investment Bank is owned by EU member states and provides 1.5 billion euros in new loans every year to ACP countries.

The World Bank, International Monetary Fund and traditional Western donors have withheld support to Zimbabwe since 1999 and the southern African country is saddled with around $10 billion in foreign debt. Relations with the EU have however thawed in the last few years, despite a dispute over a national election won by Mugabe's ZANU-PF party last July. The bloc has removed all Zimbabweans except the veteran leader and his wife from its sanctions list. The EU, which has for years preferred to work with charities in Zimbabwe, is expected to hold a meeting in November that could pave way for directly channelling development aid to the government from 2015. *(Reuters)*

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