SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	6-Sep-13	13-Sep-13	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	8,558.62	8,575.95	0.20%	13.78%	14.19%	15.73%
Egypt	CASE 30	5,169.89	5,488.01	6.15%	20.82%	0.47%	0.52%
Ghana	GSE Comp Index	1,989.97	2,012.38	1.13%	11.34%	67.74%	64.62%
Ivory Coast	BRVM Composite	201.95	204.92	1.47%	-5.21%	23.02%	14.61%
Kenya	NSE 20	4708.95	4749.30	0.86%	5.05%	14.91%	19.19%
Malawi	Malawi All Share	9,921.87	10,271.86	3.53%	25.45%	70.76%	104.79%
Mauritius	SEMDEX	1,934.00	1,945.50	0.59%	-1.87%	12.32%	12.51%
	SEM 7	376.10	376.80	0.19%	-2.27%	11.72%	11.90%
Namibia	Overall Index	959.00	978.00	1.98%	27.06%	-0.84%	2.19%
Nigeria	Nigeria All Share	36,403.95	36,098.07	-0.84%	1.99%	28.56%	28.40%
Swaziland	All Share	284.32	284.32	0.00%	25.23%	-0.47%	2.87%
Tanzania	TSI	1,985.36	1,991.36	0.30%	2.40%	34.04%	36.64%
Tunisia	TunIndex	4,574.06	4,566.05	-0.18%	2.52%	-0.30%	-4.14%
Zambia	LUSE All Share	4,778.92	4,880.81	2.13%	11.07%	31.02%	39.07%
Zimbabwe	Industrial Index	181.76	188.35	3.63%	3.63%	23.59%	23.59%
	Mining Index	46.78	48.73	4.17%	4.17%	-25.17%	-25.17%

CURRENCIES

Currency	6-Sep-13 Close	13-Sep-13 Close	WTD % Change	YTD % Change
BWP	8.57	8.40	-1.97	9.83
EGP	6.89	6.88	-0.14	13.60
GHS	1.87	2.16	0.94	13.23
CFA	496.70	493.02	-0.74	-0.47
KES	85.95	86.08	0.15	0.56
MWK	324.32	323.90	-0.13	0.90
MUR	29.75	29.76	0.04	-2.57
NAD	10.24	9.91	-3.25	16.97
NGN	160.76	160.74	-0.01	2.98
SZL	10.24	160.74	-3.25	17.22
TZS	1,577.36	1,573.09	-0.27	-0.12
TND	1.65	1.64	-0.78	5.98
ZMW	5.31	5.30	-0.29	2.17

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt's urban consumer price inflation fell slightly in August, official figures showed on Tuesday, a slowdown attributed partly to a curfew to curb violence sparked by political turmoil, and to a strengthening in the national currency. The state CAPMAS statistics agency said inflation fell in August to an annual 9.7 percent from 10.3 percent in July. Egyptian inflation has been driven higher this year by a weakening of the Egyptian pound, though the currency has steadily appreciated against the dollar since the army deposed President Mohamed Mursi on July 3. "The slowdown is attributable to lower consumption activity as a result of the end of Ramadan and curfew hours imposed by mid-month," Beltone Research said. Consumption spikes during festivities that mark the Islamic holy month of Ramadan. "An improved domestic currency has also contributed to a cheaper import bill, which feeds into the CPI (consumer price index)," it said. Lower international food prices had contributed to lower food inflation, it added. The authorities imposed a nightly curfew on August 14 after countrywide violence ignited by the dispersal of Mursi supporters protesting at two Cairo sit-ins. This touched off the bloodiest spasm of bloodshed in Egypt's modern history: hundreds of Mursi backers and more than 100 members of the security forces were killed. The curfew now starts at 11 p.m. Egypt's annual consumer price inflation stood at 4.7 percent last December, before the central bank allowed the pound to fall against the dollar to stave off a currency crisis. The pound has strengthened since the army overthrew Mursi - a move that was met by $12 billion in financial assistance from Gulf states hostile to his Muslim Brotherhood - and laid out a political transition plan envisioning new elections. At official rates, the pound hit a historic low of 7 to the dollar, but has now strengthened to 6.89. *(Reuters)*

Egypt's owes foreign oil companies $6 billion but is close to reaching an agreement over a payment timetable, Prime Minister Hazem el-Beblawi said in a newspaper interview. Beblawi also told Al Masry Al Youm newspaper that reaching an agreement would lead to a rise in investment from those companies to $15 billion within two years. *(Reuters)*

Egypt is losing an annual LE2 billion due to poor handling and storage of wheat, accoridng to Minister of Agriculture and Land Reclamation Ayman Farid Abu Hadid. Abu Hadid has claimed failure to store wheat properly hampers Egypt's abiility to reach crop-growing self-sufficiency. The minister told Al-Masry Al-Youm on Thursday that the Cabinet has an ambitious plan to solve this problem by encouraging national and Arab investment to establish new silos that increase the storage capacity of wheat to six million tonnes instead of four. The poor standards affect wheat during transportation, storage and marketing. Egypt usually imports about 10 million tonnes of wheat annually from international markets and uses a mix of local and imported wheat for the subsidized bread upon which millions of Egyptians depend. *(Egypt.com)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

Tullow Oil Plc will shut production at Ghana's Jubilee offshore oil field on September 20 for three weeks of maintenance on an $800 million processing and storage vessel, the company said on Monday. Tullow said in its second quarter results maintenance would take place during the third quarter but did not give a date. It began production in December 2010 from the field, which has estimated reserves up to 1 billion barrels. It expects 2013 full year production at 95,000 barrels per day down in part because of the shutdown from 104,000 for the year's first half. Thomas Manu, general manager at state-run Ghana National Petroleum Corporation (GNPC), said the shutdown will be the first major interruption since production began. "It is a planned shutdown which has been scheduled to enable us to undertake mandatory service work on the FPSO (Floating, Production, Storage and Offloading)," he said. Tullow holds a 35.5 percent stake in Jubilee. GNPC holds 13.6 percent, Anadarko Petroleum Corp 24.1 percent and Sabre/PetroSA 2.7 percent. Jubilee has produced 77 million barrels of crude since operations began. *(Reuters)*

Stanbic bank has ruled out any move to list on the Ghana Stock Exchange (GSE) anytime soon. The bank says for now, it is focused on building its operations in the country rather than listing on the local bourse. The bank which has operations in 18 countries in Africa is currently listed on most of the stock exchanges in those countries. Its parent company, Standard Bank Group which is the largest African bank by assets and earnings is also the largest trader of African currencies in the world. Speaking to Citi Business News at the bank's African Media Forum held in Johannesburg, South Africa, its Co CEO, Ben Kruger said the bank will for now focus on other activities rather than listing on the GSE. "We don't have any strategy for listing on any particular stock exchange. In early days of upholding a business, you tend to incur significant costs in deploying branches, technology and getting the business up to a point where you have sufficient customers that bank with you to make the business profitable." He added that "in early days, it's very difficult for shareholders to carry some of the costs so in early stages it's far easier for us to carry such costs." *(Ghana Web)*

Government, for the second time this year, has absorbed additional costs leveled on fuel by the National Petroleum Authority (NPA) after the first one at the beginning of August. It has for sometime now been wailing about the depletion of funds from its coffers, hence its inability to meet the numerous requests from people. CITY & BUSINESS GUIDE learnt that the National Petroleum Authority (NPA), in its recent price review for the first half of this month, maintained prices of all petroleum products except industrial kerosene, which was increased marginally by 1.6 percent. Yet, petrol is being subsidized by about three percent while diesel is less than 1 percent. Domestic kerosene continues to be the most subsidized petroleum product, with government absorbing close to 42 percent of the cost followed by premix, which is subsidized by up to 19 percent. Given Government's announcement in recent times that the national coffers had dried up, it is unclear where it would get the money to pay off the subsidies. It is also expected to worsen its indebtedness to bulk oil distribution companies. In another development, the country stands to lose over GH¢680 million as a result of the loss of a container that was transporting a consignment of 34 fabricated plates, among others, meant for the construction of an LPG storage tank. The consignment sank off the coast of South Africa as a result of bad weather, authorities at Ghana Gas have explained. Owing to the development, Ghana Gas would not be able to commercially begin the delivery of gas from its Atuabo facility. The contents of the container altogether cost a little over GH¢5.2 million. Senghuang Song, the Chinese vessel, which was carrying the consignment, was reportedly involved in the accident on August 8, 2013. Another repercussion of the loss is that Ghana Gas cannot deliver its first gas after December 31, 2013 when the construction of the gas facility is expected to be completed. Authorities of Ghana Gas told journalists that over the three-month period that Ghana Gas fails to produce gas, VRA could shed over GH¢270 million in addition to over GH¢140 million. Ghana Gas indicated that since the consignment was insured, the insurers would replace the damaged equipment. *(Ghana Web)*

The Fast Track High Court will on September 22 rule in the case in which the Managing Director (MD) of the Ghana Commercial Bank (GCB) is facing contempt for non-compliance of a court order. The Bank is said to have failed to comply with the court order, where judgment was given on May 26, 2011, for it to pay its ex-workers their pension entitlements within 60 days. The Court of Appeal had unanimously ruled that the GCB Bank should apply its internal mechanisms to pay the pensioners their pension entitlements. At the sitting in Accra today, Mr Simon Dornoo, MD of the Bank, told the court presided over by Mr Justice N.M.C Abodakpi that he was unable to comply with the order because he was new in the Bank. He also said all the documents about the ex-workers were destroyed and the Accountant who could get the information for him was also new in the organisation. Mr Beyuo Kizito, counsel for the ex-workers, prayed the court to dismiss the explanation by the MD since it had no merit. He said judgment in the case was given on May 26, 2011, to pay the ex-workers within 60 days and till date it was long enough for the bank to effect the payment. The subject of litigation between the pensioners and the GCB Bank was that on February 27, 1987, the Board of Directors of the Bank accepted the retired workers' proposals and approved new pensions based on the civil servants pension of 70 per cent of the existing basic salary. Again the Board of Directors was reported to have agreed to pay the retired workers 70 per cent of the salary of those still in active service anytime the basic salaries of those in service were increased, which was also going to be based on the position at which the pensioner retired. *(Ghana Web)*

Economic News

Exports of goods and services from South Africa into Ghana have grown from about US$138 million in 2010 to US$516 million in 2012. Products such as vehicles, machinery, mechanical appliances; electrical equipment, base metals, aircraft, vessels and associated products have contributed to the increased exports to Ghana. This makes Ghana the second largest export market for South African goods in West Africa after Nigeria. At the moment, Ghana is currently ranked 7th in attracting Foreign Direct Investments (FDI) according to the World Investment Report and is 2nd only to South Africa and Nigeria. Foreign Direct Investments accounts to 11 per cent of Gross Domestic Product (GDP) and the country is nursing bold ambitions to position itself, not just as a destination to do business but as the hub for business for West Africa. Chief Executive Officer of GIPC , Mrs Mawuena Trebarh, in a recent visit to South Africa disclosed to "Beyond Markets" on CNBS Africa that: "Ghana is taking a strategic view of investment opportunities with a focus on strategic investors who can support a long term development agenda. We are looking very much at creating legislative and regulatory framework that engenders that and there is a lot of open discussion about our law around investment promotion that is currently under review," according to Vibe Ghana report. The news is simple, South Africans are pouring into Ghana, one of the world's best performing economies growing at about 14.4 per cent in 2011. For the casual observer, just take a stroll through any town in Ghana and it will be impossible to miss a South African presence. There are Engen garages, Stanbic branches and ATMs in all the major towns and MTN signs are as ubiquitous as Coca-Cola. According to the Mail and Guradian Magazine, the 21000m2 Accra Mall, which was sold by private equity group Actis to the Pretoria-based Atterbury Property Group for US$65-million (for an 85% share), would not look out of place in Centurion or Sandton. Three of the biggest tenants in the mall are Game, Mr Price and a Shoprite that stocks a range of South African products at prices that would not seem out of place in some of the more expensive European capitals. For South African expats, Shoprite is the go-to store for Five Roses, boerewors and Cape wines, not to mention the latest issue of Huisgenoot and other South African magazines. Nearby are a Woolworths and the head offices of Gold Fields and AngloGold Ashanti. The Accra Mall was opened in 2008 fully let and now attracts 138 000 shoppers a week, according to Actis head of real estate David Morley. "The development of the Accra Mall came at a time when Ghanaians still sourced even basic goods from London and Johannesburg. Now they can buy products locally with pride." Louis van der Watt, chief executive officer of Atterbury, says the mall's occupancy is running at 100 per cent. The return on investment is higher than can be achieved in South Africa and is dollar based. "That's a double whammy. The return has to be higher for the assumed risk, although I think risk in South Africa is currently higher [than in Ghana]," he says.

Another South African icon flying the flag in Ghana is MTN, which recently announced its Ghanaian subscriber base had passed the 12-million mark. This is roughly half the 21-million subscribers it has in South Africa and makes it far and away the largest cellphone network in Ghana. It grew its Ghana base by 4.8 per cent in the September 2012 quarter, despite the entry of Nigerian competitor Glo, which has signed up close to two million customers since its launch in April last year. The speed with which South Africans have moved into the Ghanaian economy is startling. Before 1990, the only South Africans in Ghana were ANC exiles and a smattering of students at the University of Ghana in Accra. As the apartheid edifice crumbled, a few trade missions were despatched from Johannesburg to feel out the West African market. The initial response was lukewarm. Although Ghana was the first African country to achieve independence from a colonial power in 1957, it has had several military coups since then, shrouding it in an air of instability. Its first democratically elected leader, Kwame Nkrumah, was deposed in a coup in 1966. Several coups followed the last by Flight Lieutenant Jerry Rawlings, who stepped down from the presidency in 2001 to make way for multiparty democratic elections. Although South African companies initially took a cautious view of Ghana, mining companies wasted no time snapping up some of the choicest mineral real estate on the continent. Once the mining companies had a foothold in Ghana, the mining supply and services companies followed. Group Five, WBHO, Kruger Brent Security, Africa Mining Services, Moolmans and a host of other companies have pitched their tents alongside the big mining houses. Ghana now accounts for a substantial and growing share of non-South African revenue for both Group Five and WBHO. Mining is the lifeblood of the Ghanaian economy, and it is in this sector that South Africans reign supreme. AngloGold Ashanti's two Ghanaian mines, Obuasi and Iduapriem, produced 512000 ounces of gold in 2011, equivalent to 11.8 per cent of total group output. In 2011, Gold Fields' Tarkwa mine in western Ghana produced 717000 ounces of gold, nearly double that of the previous year. This figure should reach nearly one million ounces in the next few years as its smaller Damang mine starts to benefit from the opening of new pits. That is equivalent to nearly a quarter of Gold Fields' total worldwide output. Ghana's economic miracle is generally credited to surging cocoa and gold prices – the country's two biggest export commodities – and newly discovered oil 60km off the southwest coast. But another factor is at play. Ghana is a largely cash-based economy, and that inoculated it against the financial chokehold that has Europe and North America in a death grip. Another factor undoubtedly working in its favour is its political stability and a business-friendly environment. *(Ghana Web)*

Ghana's inflation slowed for the first time in seven months in August, easing pressure on the central bank to raise rates next week to curb price increases. The inflation rate fell to 11.5 percent from 11.8 percent in July, Baah Wadieh, a statistician at the Ghana Statistical Service told reporters in Accra, the capital, today. Prices declined 0.7 percent in the month, he said. The Bank of Ghana held the key interest rate at 16 percent on July 31 to help arrest the cedi's slide, which has dropped 13 percent this year against the dollar, putting pressure on inflation. Revenue from loans for cocoa purchases and the sale of Eurobonds in July should boost foreign-currency reserves and support the currency, Governor Kofi Wampah has said. The bank will announce the monetary policy decision on Sept. 18. "August inflation coming down reduces pressure on the Monetary Policy Committee to increase interest rates," Collins Appiah, director of asset management at NDK Asset Management Ltd. in Accra, said by phone. "The cedi is still not very stable." Food inflation rose to 7.9 percent in August from 7.3 percent the month before, Wadieh said. Non-food inflation decreased to 14.2 percent from 15.4 percent. *(Bloomberg)*

Ghana plans to build a floating liquefied natural gas (LNG) terminal off its Atlantic Ocean coast to receive imported gas that would be used to produce up to 1,500 megawatts of electricity by 2016, a senior energy official said on Wednesday. The second-largest gold producer in Africa that is also ranked No. 2 cocoa grower globally says its push to expand industrial production has been constrained by an energy deficit that has seen manufacturing costs soar. The West African nation plans to build a floating LNG terminal with capacity to handle up to 450 million cubic feet per day of gas, which will then be used to drive turbines that can produce up to 1,500 MW of electricity. The country of 25 million people generates most of its 2,814 megawatts (MW) of electricity from hydro power dams, the rest from thermal sources and a small portion by solar power. Ghana's power demand stands at about 1,750 MW and forecast to nearly double at 3,300 MW by 2020. Kofi Ellis, director of planning and business development at the state-run power utility Volta River Authority, said a feasibility would be done by year-end and the next eight months would be spent on raising funds.

The cost of the project would be determined following the feasibility study, he said. The project itself would then take 12 months to complete, and be ready for operation in 2016, Ellis said. "Most of our power plants are dual-fired. They are either gas or crude. So if for any reason the gas project delays, we will run it on light crude oil," Ellis told Reuters on the sidelines of the east African power industry conference. Ghana already produces a small amount of electricity using natural gas from neighbouring oil-producer Nigeria via a pipeline, but this supply fluctuated, depending on Nigeria's demand for power production, he added. Ghana would rent a floating, storage and re-gasification vessel to transport gas from producers in the region, he said."It's always good to have liquefied gas on a long-term supply basis. We have spoken to Angola, we have spoken to Mozambique, we have spoken to Nigeria," Ellis said, referring to the continent's other big oil and natural gas producers. Ghana would also source natural gas from the United States or the Middle East, but would first start nearer home, he said. Additionally, Ghana plans to start producing another 150 MW from wind power within the next two years, and to increase solar power to 15 MW from 2 MW at present, Ellis said. *(Reuters)*

The Bank of Ghana will issue a 600 million cedi five-year bond on September 26, the head of the country's treasury said on Thursday. Adams Nyinaku said proceeds from the auction, which will be open to offshore investors, will be used mainly to retire debts maturing on September 30. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Stanlib, the asset management arm of South Africa's Liberty Group, is set to invest as much as Sh5.2 billion in developing shopping malls in Kenya within the next two years. The shopping malls are to be financed through the $150 million (Sh13 billion) Stanlib African Direct Property Development Fund launched in May. Stanlib has hired two employees for its Nairobi office, which will also handle Ugandan operations. The firm, which is associated with South Africa's financial conglomerate Standard Bank, has begun scouting for development partners. Roberto Ferreira, the fund's manager, told the Business Daily in an interview the firm would develop "Probably a maximum of two (shopping malls) in Kenya." Each shopping mall has a price tag of between $20 million (Sh1.7 billion) and $30 million (Sh2.6 billion), with the most probable location being in Nairobi. "It is still early and we have signed non-disclosure agreements so we cannot discuss where exactly they will be but we can say Nairobi and the greater Nairobi region," said Mr. Ferreira. Property consultants Knight Frank (Kenya) chief executive Ben Woodhams said Stanlib will probably have a difficult time choosing which part of Nairobi to set up the malls given the city's wide demographic diversity. "A place like Westlands is a deep catchment area because of higher incomes and dense population," said Mr. Woodhams, adding that Nairobi has room for more shopping malls but is fast getting saturated. The fund is primarily meant for development of shopping malls in Kenya, Ghana, Uganda and Nigeria. It targets to construct between six and seven malls, as well as offices and hotels.

"Generally it will be the traditional style mall anchored by food outlets and appliance retailers," said Mr. Ferreira. The shopping malls will be between 12,000 square metres and 30,000 square metres. Their construction is expected to begin in late 2015 as the fund has to deal with the lengthy process of land acquisition and planning. Kenya is one of Africa's most attractive markets for putting up shopping malls due to a young and growing middle class. South African firms, in particular, have been bullish on investing in this sector and developers are jointly focusing on the local market. A report by global property consultancy firm Jones Lang LaSalle titled Redefining Retail Investment Global Real Estate Futures said that Kenya was among seven key markets for South African developers. "The focus will be on Nigeria, the region's largest consumer market, oil-rich Angola, Ghana and Mozambique, and some of the more stable markets in Southern and Eastern Africa such as Zambia, Kenya, Tanzania and Uganda," said the report. Broll Property Group, a South African-based property management firm, which set up its Nairobi offices in August, also said that it was keen on Kenya's retail sector. "Kenya and Zambia appear to be ahead of the retail development curve compared to other countries and have a number of modern shopping centres," said the firm's annual report for 2013. Mr. Woodhams added that higher rent yields and the push to diversify portfolios is also attracting property developers to Kenya. Data from Broll indicates that in 2012 retail space was let out at a monthly rent of between $35 (Sh3,060) and $22 (Sh1,923) per square metre, higher than prime office space at between $15 (Sh1,311) and $9(Sh787) while industrial space fetched the least at between $4.50 (Sh393) and $3 (Sh262) per square metre. Stanlib's is the second property fund to target the retail sector this year. Private equity firm Actis is developing Garden City through its Africa Real Estate Fund II that raised $278 million (Sh23 billion) in October 2012. Garden City Mall in Thika is on completion expected to be the largest shopping mall in the region at 50,000 square metres. Garden City is being constructed in two phases, the first will be 35,800 square metres while the second will be 12,000 square metres. *(Business Daily)*

Kenya's main share index inched higher for a fifth session in a row on Tuesday, led by the bourse's biggest companies by market capitalisation Safaricom and East Africa Breweries (EABL). The benchmark NSE-20 share index rose 0.03 percent to 4722.91 points. The index has recovered after two weeks of falls as investors booked profits after companies' half-year results. "It's mostly been large caps that have been driving the demand on the stock market," said Brenda Kithinji, research analyst at Standard Investment Bank, referring to Safaricom and EABL. EABL has attracted foreign investor interest over the past week and Kenyan shares in general have rallied since the central bank held key interest rates at 8.5 percent last week. "That was supportive for the stock market," added Kithinji. Safaricom, which is 40 percent owned by Britain's Vodafone, closed 0.6 percent higher at 8.10 shillings, while EABL rose 1.4 percent to finish at 300 shillings. The two companies account for about a third of the entire Nairobi bourse, with Safaricom shares alone making up 20 percent of the stock market's value. In foreign exchange, commercial banks quoted the shilling at 87.50/60 at the 1300 GMT market close, marginally weaker on Monday's close of 87.40/50 to the dollar. The shilling has moved little since the central bank kept rates on hold last Tuesday. Inflation is expected to keep rising after lawmakers widened the bracket of goods subject to value-added tax. The bank absorbed 5 billion Kenyan shillings in excess liquidity using repurchase agreements (repos) on Tuesday. In the secondary bond market, debt worth 2.8 billion shillings was traded, up from 1.62 billion on Monday. *(Reuters)*

Kenya's leading mobile phone operator Safaricom cautioned the government against further rises in excise duty on mobile money transfers, saying there was a risk new county-level administrations would add to the tax burden. Chief Executive Bob Collymore said on Thursday further tax increases would put a service that has deepened financial inclusion, particularly in rural areas, beyond the reach of the poor. The company said in May that a 10 percent tax imposed in late 2012 on transfers using its M-Pesa mobile service had forced it to absorb costs of 400 million shillings in the 2012/13 financial year to shield consumers from the full burden. "Mobile money is still relatively new and Government should be wary of putting any additional tax burden on the customer, and in particular on the poor who rely on M-Pesa more than any other," Collymore told the company's annual general meeting. Collymore said more than 28 shillings out of every 100 shillings charged to a telecoms customer went to the taxman, making Kenya's telecoms taxes amongst the highest in the world. He said he worried that could rise yet higher if county governments, which were introduced this year, targeted the telecoms sector to raise revenues. "This is an industrywide area. We have seen one county which attempted to charge fees for putting fibre (optic cable) on the ground," he said. "We are urging governors and local county governments not to take a short term approach because operators will inevitably deprioritise those counties." The county governments have been allocated funds from the national budget to pay for projects but will have to meet shortfalls by raising their own revenues. No government tax officials could immediately be reached to comment on prospects for increases in excise duty. Safaricom, 40-percent owned by Britain's Vodafone, posted record pretax profits of 25.5 billion shillings last year. M-Pesa accounted for 18 percent of revenue, a share expected to climb to 20 percent within two years. Mobile money transfers are used by workers in cities to send money to rural families and increasingly are also a means to pay utility bills or buy goods in shops such as groceries. Collymore said Safaricom was still negotiating access to the 4G spectrum with the telecoms regulator. Other telecoms operators in Kenya are a unit of India's Bharti Airtel, Essar Telecoms' Yu and Telkom Kenya, owned by France's Orange. *(Reuters)*

Economic News

Kenya's homegrown lenders have used high risk appetite and ability to connect with the bottom segment of the loans market to topple their foreign rivals from the top of the profitability table, an analysis of the bank results shows. The top three local banks have been nibbling at their foreign rivals' market share and now control 40 per cent of total industry earnings going by the latest six-month financial results. The shift in control of the banking market is best demonstrated by the fact that the top three foreign banks – Barclays, StanChart and Citi – controlled 91 per cent of the industry's profit in 2000 but have steadily lost dominance to remain with 24 per cent of the earnings by the end of June. Industry statistics show that the three most profitable local banks – Kenya Commercial Bank (KCB), Equity and Co-operative Bank – earned Sh25 billion in the first six months of the year compared to Sh15 billion that the top three foreign banks earned out of the industry's total profit of Sh62 billion. The foreign banks first took the path of descent in 2003 when top three local banks increased their share of industry profits to 14 per cent, pulling down the former's share to 71 per cent. Since 2000, the profitability league has produced different winners with NIC Bank, Commercial Bank of Africa (CBA) and CFC Stanbic topping the list of local banks. KCB, CBA and National Bank of Kenya (NBK) took charge two years later before Equity – then a small building society – entered the fray. The top three local banks earned Sh1.9 billion profits in 2003 way behind the top three foreign lenders who walked away with Sh9.6 billion. Nine years later (at the end of 2012) the protagonists changed places leaving the leading local lenders with Sh41.4 billion of industry profits or 38 per cent of the total while the foreign banks walked away with Sh31.8 billion or 29 per cent of the total. This shift has mainly been driven by the ability of local lenders to connect with the lower-income segments of the population as well as small and medium-sized enterprises considered the riskiest fraction of the lending market. "The turning point came at the beginning of the millennium when the foreign banks pulled out of rural and low-income urban areas, closing branches they felt were unprofitable. But the likes of Equity went in, buying out some of their branches," said Bob Karina, the managing director of Faida Investment Bank. "It amounted to foreign banks selling their profits to the local banks."

The rush to the bottom also opened new avenues for lenders like KCB that had for years sat on a big asset base it had failed to efficiently deploy in the lending market. "In 2003, this was virtually a virgin segment of the lending sector that was ready for the taking for any lender with a high appetite for risk," said Robert Bunyi an analyst with Mavuno capital. Control of the bottom million has helped KCB to stay in the list of top three local banks in the past 13 years. Equity's aggressive pursuit of Kenya's unbanked enabled it to enter the top league for the first time in 2007 when it became the second-largest local bank by profit after KCB. The two lenders have since consistently stayed at the top, deepening their lead with the spread of footprints to neighbouring Uganda, Tanzania, Rwanda and South Sudan. The change in fortunes of the local versus foreign banks appears to have begun in earnest in 2006 with the listing of Equity Bank at the Nairobi Securities Exchange (NSE). This is the year that saw foreign banks' share of industry profits fall below the 50 per cent after staying above it for decades. Local lenders crossed the 20 per cent market share line for the first time in the same year. The top three foreign banks took home 45.3 per cent of industry profits while their local counterparts earned 21.2 per cent. Foreign banks' share of industry profits fell further in 2007 to 38.6 per cent even as it rose in absolute terms of Sh13.8 billion. Local lenders continued their profitability climb, earning Sh8.5 billion or 24 per cent of the total in the same year. "Controlling this market requires an understanding that the small trader or the light manufacturer is the driving force for growth," said Michael Musau, who heads investment advisory firm Emerging Africa Capital. "The big deals are not many but there is a massive amount of the small deals that have been the main drivers of KCB and Equity Bank's growth." Mr. Musau said focus on the large customers was bound to have its limits even as the low-income and unbanked segment continued to grow. "Perhaps as much as 75 per cent of the business in commercial banking is attributable to the small customer, leaving only about 25 per cent for the big corporations," said Mr. Musau. The slowdown in the growth of big foreign banks has also been linked to the low risk appetite that has locked them out of numerous lending opportunities at the bottom of the pyramid. "One could say that the local banks understand the low-income market better and have the space to quickly respond to market dynamics – a luxury that foreign banks do not have," said Mr. Musau. Some analysts, however, reckon that it was the central bank's drive for financial inclusion that enabled the local lenders to control a bigger share of the market. "This is the model that has helped the local institutions overtake the foreign ones," said Augustine Misoka, a research analyst at Sterling Capital. Barclays Bank of Kenya, which stayed at the top of profitability league table until about three years ago, has been the biggest loser in the shift of fortunes. Its ability to mint money has been declining relative to the massive asset and capital base it controls. StanChart, known in Kenya for ruthless efficiency, has avoided much of the risk associated with the bottom end of the market while the third -largest foreign-owned bank, Citi, has unapologetically stayed focused in the corporate segment of the market. *(Business Daily)*

Kenya is offering a 12-year bond worth up to 20 billion shillings to fund infrastructure projects for issue on September 30, the Central Bank of Kenya announced in newspapers on Tuesday. The amortised bond to fund water, sewerage and irrigation projects will have a fixed coupon of 11 percent a year, payable semi-annually on the outstanding principal. Bids are due by 2 p.m. (1100 GMT) on September 24 for auction on September 25. *(Reuters)*

Revenue from tea produced by Kenya's small-scale farmers climbed 13 percent to 69 billion shillings in the year to June, the Kenya Tea Development Agency (KTDA) said on Monday, as it warned lower leaf prices could hurt tea earnings going forward. Tea is a leading foreign exchange earner in east Africa's largest economy and members of KTDA account for about 60 percent of tea output in Kenya, the world's top exporter of black tea. Small-scale farmers produced 1.1 billion kg of green leaf over the period compared to 970 million kg realised the previous year, KTDA said. "This has resulted in KTDA managed factories earning higher revenue of 69 billion shillings, up from 61 billion shillings earned in 2011/12 financial year," KTDA said in a statement. The rest of Kenya's tea is produced by large-scale farmers and corporations. Lerionka Tiampati, managing director of KTDA, said the amount payable to farmers per kg of tea made would drop by about 10 percent in the 2012/13 financial year due to the high cost of production and a stronger shilling. He said the average exchange rate in the past 12 months stood at 85 shillings to the dollar compared to the previous year's 89.16, negatively impacting total revenue. "The small scale tea sub-sector in Kenya has not been spared from the global market dynamics, but the high volumes delivered mean that farmers will even out," Tiampati said. Tiampati said the overall earnings for the Kenyan tea industry in 2013 could drop owing to depressed leaf prices since the start of the year. "The new 2013/2014 financial year has started on a low note, with the sub-sector witnessing depressed earnings at the Mombasa Tea Auction. This seems to continue for the better part of the year and is likely to impact on the next earnings if the situation does not change," Tiampati said. Tiampati added that the political crisis in Egypt, inefficiencies at the port of Mombasa, and uncertainty over Kenya's March 2013 general elections affected prices at the regional auction in Mombasa. The Tea Board of Kenya, the regulator, said in June the east African producer expects to produce 410-415 million kg of tea in 2013, up from 369 million kg last year, helped by good weather. *(Reuters)*

The average price of Kenya's top grade Broken Pekoe Ones tea eased to $3.82 per kg at this week's auction from $3.90 per kg last week, Africa Tea Brokers (ATB) said on Tuesday. Kenya is the world's top black tea exporter and tea is a leading foreign exchange earner in east Africa's largest economy. ATB said Best Broke Pekoe Ones sold at $3.54-$4.10 per kg, from $3.70-$4.10 per kg last week. Brighter Pekoe Fanning Ones (PF1s) fetched $274-$210 per kg, compared with $2.18-$2.80 per kg a week ago. ATB said 115,741 packages were offered for sale, with 21.38 percent of them remaining unsold. *(Reuters)*

Kenya's tourism earnings dropped by 7.4 per cent to Sh96 billion in the 2012/2013 financial year due to uncertainties caused by the March 4 General Election. The earnings were Sh7.7 billion less than the 103.9 billion generated the previous year. “Incidents which contributed to the non-resumption of charters, the uncertainty surrounding the March 4 election and the Euro zone crisis led to a drop in growth,” East African Affairs, Commerce and Tourism secretary Phyllis Kandie said during a press briefing in Nairobi Wednesday. However, she said the decline was not as drastic because the weakening of the Kenya shilling in the previous year had led to the record earnings. In dollar terms - the earnings divided by the average exchange rate - the sector recorded a flat growth. The two years could also not be exactly comparable after the ministry changed its reporting from the calendar (January to December) to the financial (July to June) year. During the period under review 1.16 million tourists visited the country, 112,573 less than the previous year, by air and sea. Mombasa international airport had the biggest decline in arrivals of 13 per cent to receive 182,651 visitors while the Jomo Kenyatta international airport received 983,715 visitors after experiencing an 8.1 per cent decline. The coast region has in recent months experienced a decline in chartered flights and lost tourists to Zanzibar, Mauritius and Seychelles due to the perception that it is a mass market and lacks exclusivity. Cruise tourism grew by over 400 per cent with the arrival of a cruise ship in December last year and another at the beginning of the year bringing in a total of 1375 visitors.

The country's key markets UK, USA, Italy and Germany recorded a decline in growth that was attributed to the financial crisis and travel advisories issued prior to the general election over perceived insecurity. India was the only top five markets that grew in the last year to record 66,424 visitors. The 10 per cent increase was attributed to direct flights and the increasing disposable income. From its growing emerging markets, the country received 26,110 people from Australia, 38, 482 people from China and 44,526 people from the United Arab Emirates. Several regional markets like South Africa and Tanzania recorded a decline in numbers though Uganda registered a 44 per cent growth to record 56,844 tourists coming into the country by air and sea In the first half of 2013, Kenya received 495,978 tourists by air and sea with the largest drop being witnessed in February and March. “We have registered upward growth in arrivals from the month of May and we believe this is an indication that the sector is on track. The current high season has also recorded impressive bookings in or accommodation facilities,” Ms Kandie said. She said the product would be diversified by marketing targeted cultural events along with pitching for high profile conferences. *(Business Daily)*

The Treasury borrowed Sh67.5 billion from the domestic market in the two months between June 30 and August 30, pushing total public debt to Sh1.91 trillion. Latest data released by the Central Bank of Kenya (CBK) shows that domestic debt stood at Sh1.12 trillion as at August 30, reflecting increased levels of borrowing from the domestic market by the government. The acceleration in borrowing is likely to push total public debt beyond Sh2 trillion, setting the Treasury on course to hitting the Sh2.4 trillion mark that former permanent secretary in the ministry of finance Joseph Kinyua had predicted would take three years to reach. “Gross government domestic debt increased by Sh67.3 billion to reach Sh1.12 trillion on August 30, 2013, from Sh1.05 trillion held at the end of June 2013. This followed increase of Sh10.2 billion, Sh30.2 billion and Sh27.2 billion in the stocks of Treasury bills, Treasury bonds and government overdraft at the Central Bank, respectively, and a decline of Sh0.4 billion in other domestic debt during the period," said CBK in its latest weekly bulletin. The debt comprises nearly half the size of Kenya's annual economic output (GDP). It has increased by close to Sh250 billion since June 2012, when gross public debt stood at Sh1.633 trillion. Banks remain the biggest lenders to the government, holding Sh518.8 billion worth of government securities as at August 30. Pension Funds hold Sh274.7 billion worth of securities, with insurance companies the third biggest lenders to government at Sh112.6 billion. According to the Treasury's debt update for up to June, external debt stood at Sh843 billion, with the level likely to rise if the government successfully issues a maiden Eurobond that is expected to be of up to $2 billion (Sh174 billion). The Eurobond will partly be used to retire a Sh50 billion loan borrowed from a consortium of international banks last year. While the Treasury is yet to update the external debt numbers as at end of August, depreciation of the shilling, which was exchanging at 86 units to the dollar as at June 30 compared to 87.40 this week, could see the amount increase.

Appreciation or depreciation of the shilling either decreases or increases external debt level and the repayment costs. The government recently announced a Sh425 billion loan deal with China, which could raise the external debt significantly over the years of its disbursement. The government is under pressure to raise its borrowing, especially from the domestic market, to cover for the increased expenditure on devolution and the rising wage bill, which has outpaced growth in revenue collection. The increased debt will also see a rise in interest costs, which have this financial year been lower than they were at a similar period last year. According to CBK, the cumulative interest on domestic debt as at August 30, 2013, stood at Sh14.2 billion, compared to Sh18.2 billion as at August 30, 2012. The cumulative interest between August 23 and August 30, 2013, rose from Sh7.9 billion to Sh14.2 billion. Kenya spent Sh284.11 billion paying off public debts in the 2012/2013 financial year, according to disclosures made by the Treasury secretary Henry Rotich in a gazette notice published on August 2. The Treasury projected the debt to GDP ratio to fall to below 45 per cent from 49.7 per cent by June 2016 in the annual debt report (of June 2012). According to risk and research firm Stratlink Kenya however, Kenya's debt-To-GDP ratio likely to rise, as the country takes in additional foreign debt to fund projects. Stratlink projects the ratio to rise to nearly 55 per cent by June 2016. The firm also point out at a widening current account deficit as a threat to the sustainability of public debt. "For the overall public debt, sustainability could deteriorate if a significantly lower than anticipated growth materialises. This could be triggered by a widening of the current account deficit. "An increase in global food and fuel prices would raise the import bill and put pressure on the current account and the exchange rate, potentially making the country pay more in foreign debt repayment," said Stratlink in their fixed income and equities review for September. *(Business Daily)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Malawi

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Mauritius

Corporate News

Mauritius Commercial Bank (MCB) said it had received a $150 million loan from the African Development Bank (AfDB) to bolster its expansion in Africa and help with its restructuring. "This financing package will allow MCB to increase its foreign currency lending to clients operating in the region and mainland Africa," said MCB, the biggest bank by assets in east Africa and the Indian Ocean region. It said the loan comprised a $120 million line of credit and $30 million in subordinated debt, adding that the debt portion would increase the bank's capital and add to the 4.5 billion Mauritius rupees raised in July through the issue of subordinated notes. The funds would help finance its restructuring plan which aims to separate the bank's banking and non-banking activities. Under the plan, a new listed holding company, MCB Holdings, would be incorporated for subsidiaries and associates covering banking, non-banking financial and other investments. *(Reuters)*

Economic News

No Economic News this week

Nigeria

Corporate News

SHAREHOLDERS of Oando Plc have lauded the company's payment of the N5.1 billion dividend, translating to 75 kobo per share for the year ended December 31, 2012. The company, had made a total dividend payout in the sum of N5.1 billion to its shareholders last week, which represents a 61per cent increase when compared with the total amount paid from the last dividend payments made by the company. A statement from the company explained that it had successfully completed a N62.6 billion oversubscribed Rights Issue between December 2012 and February 2013, which, according to the company, further highlights shareholder confidence in Oando's ability to continue to generate sustained earnings and increased value for its shareholders. The Group Chief Executive, Wale Tinubu said: "The centerpiece of our overall growth strategy remains focused on steady and progressive value creation for our shareholders. With a business such as ours that guarantees steady returns on investments, we are positioning ourselves to ensure that our shareholders continue to enjoy an exemplary dividend payout year after year." He added: "We approach the second half of the year with the promise of a renewed drive in the promotion of an enabling environment for indigenous participation in the oil sector, ultimately resulting in superior value creation for all our shareholders, by further refining our three-pronged strategy to reduce debt, improve diversification in upstream and focus on higher margins." According to statement, the company reduced its overall debt by 18 per cent in the last twelve months from N289 billion to N236 billion, indicating a difference of N53 billion which impacted the company's net interest expense. This, according to the company was achieved through the restructuring activities the Group has embarked on over the last 12 months. It added that the company declared N4.3 billion as profit-after-tax in its unaudited results for H1 2013, which indicates a decrease compared to figures from 2012. *(Guardian)*

Dangote Cement, Zenith Banks Plc, and Quits Aviation along with its global partner, Execujet, have expressed their desire to invest in Kenya. This emerged at the weekend during President Goodluck Jonathan's three-day visit to the East African country. During an investment forum held in Nairobi, Kenya, the three companies pledged their commitment to invest in the Kenyan economy through their chief executive officers. Alhaji Aliko Dangote, Africa's richest man, who was on the president's entourage, was said to have committed $400 million (N64 billion) to build a cement factory in the East African country. Also, the founder of Zenith Bank Plc, Mr. Jim Ovia, who was also a member of the entourage, promised that his bank would establish its presence in Kenya. The Chairman/CEO of Quits Aviation and Execujet, Mr. Sam Iwuajoku which runs a private hangar and Fixed Based Operation (FBO) at the Murtala Muhammed International Airport (MMIA) in Lagos, also stated that it was committed to establishing an aircraft hangar and FBO services to cater to business jet in the East African region. Iwuajoku was also part of the president's delegation to the East African country. Quits Aviation and Execujet provide aircraft maintenance and FBO services which entail cleaning the aircraft, fuelling, route planning and dispatching, full passenger and crew handling, as well as a complete concierge service. The collaboration with Execujet would enable Quits Aviation to get the nod of the manufacture of business jets such as Bombadier, Hawker Beechcraft and Dassault have centres for the service of their aircraft in Kenya. Speaking at the forum, which was jointly presided over by President Jonathan and his Kenyan counterpart, President Uhuru Kenyatta, Dangote, who served as the Chairman, Dialogue Group, reiterated the need for Africans to look inwards for partnership in trade and investments. He decried the situation where intra-trade on the continent was below 12 per cent and decided to use the Nigerian-Kenya initiative as a model in Africa. At the investment forum, which was attended by about 500 investors from Nigeria and Kenya, the billionaire business mogul thanked both Jonathan and Kenyatta for creating the window of opportunity for the business community to interact on ways to improve trade between both countries. **He said Kenya would assist Nigeria in boosting a sector where it had comparative advantages such as tourism and hospitality, horticulture, dairy, sugar and Information and Communication Technology (ICT).**

On the other hand, Nigeria would assist Kenya in the oil and gas sector, movie and entertainment industry, agriculture and banking sectors. Also disclosed at the forum was the intention of a leading Indian textile manufacturing company, Bei Textile Limited. to invest in textile and garment industry in Nigeria. A Memorandum of Understanding (MoU) was also signed at the forum to strengthen the already existing

Nigeria-Kenya Chamber of Commerce and Industry. In his remarks, President Kenyatta announced a five to 10-year visa duration for Nigerian businessmen coming to Kenya. He said the policy would ease the challenges of visa procurement and encourage investors from Nigeria to Kenya. Confirming the development, Iwuajoju said shortly after the Kenyan president's announcement, the immigration authorities immediately granted them five-year visa as a demonstration of the country's commitment to attract investors. Other members of Jonathan's delegation included Governor Peter Obi of Anambra State, Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, Minister of Culture and Tourism, Chief Edem Duke, Minister of Internal Affairs, Mr. Abba Moro and Chairman Senate Committee for Aviation, Senator Hope Uzodimma. Meanwhile, Kenya has offered its 46 newly-discovered oil blocs for interested Nigerian investors in the oil and gas industry to develop. The Minister of Petroleum Resources Diezani Alison-Madueke announced this at the weekend in Nairobi. The minister said the offer was part of the outcome of the dialogue group preceding the investment forum. The minister said beyond giving the opportunity to Nigerian investors to acquire the oil wells, Kenya also sought Nigeria's assistance in the formulation of right policies and framework to manage the sector. "It is well known now that Kenya had recently discovered hydro-carbon reserves and they are very keen to move quite aggressively in terms of exploration activities. "They felt as sister African country, Nigeria, having many years of oil exploration and production, that it only makes sense that we exchange agreement in cooperation to hand over knowledge, capabilities and experience learnt. "They seek various templates that we have formulated including policies, processes and a sort of templates that form Petroleum Industry Bill, among others. "We also looked at areas surrounding Nigeria's investments possibilities where we think that Nigerian business men and women could come into the oil and gas sector in Kenya. The minister said among the seven MoUs and bilateral agreements signed by both countries was that on oil and gas which spelt out details of the co-operation. *(This Day)*

THE development of Small and Medium Enterprises (SMEs) have been identified as a roadmap to economic growth and development of the country, as it holds more opportunities for employment generation and those that are unable to participate in large scale projects. The Executive Director, Corporate and Investment Banking, Skye Bank Plc, Timothy Oguntayo, who represented the Group Managing Director and Chief Executive Officer, Kehinde Durosinmmi-Etti, made the assertion during a capacity building seminar for SMEs organized by the bank. Durosinmmi-Etti, who noted that the seminar was part of its contributions to the development of SMEs in the country, said that small businesses are the growth engine of the Nigerian economy and that the seminar would help entrepreneurs to succeed in their endeavours. The seminar, with the theme "It is Possible", had in attendance many operators in the SMEs segment, just as new insights and trends into operations, financing and management of small businesses were unfolded. He said that the sector is an important sector as it provides more opportunities and employment than the mining, oil and gas sectors. "Without doubt, the SMEs sector has the capacity to drive and encourage indigenous business and rural economic development such that the whole country can be transformed to create productive economic activity for the people through which they earn their living and contribute to national development", he said. According to him, over 32 million Nigerians are presently involved in the sector, noting that if properly developed, it has the capacity to solve the unemployment problem in the country, while pledging the bank's resolve to sustain the role of a facilitator and development partner of young businesses for grow the and realization of full potentials to the benefit of the nation. Also, the General Manager, Retail Banking, Skye Bank, Mrs. Arinola Kola-Daisi, said SMEs constitute an important vehicle for national development as they have the capacity to integrate a large segment of the populace in productive economic activities. According to her, the economies of the "Asian Tigers or Asian Dragons" of the highly free and developed Hong Kong, Singapore, South Korea and Taiwan, owe their rise to economic pre-eminence to the existence of well-organized and efficiently run SMEs. She also cited the Tiger Club economies of Indonesia, Malaysia, the Philippines and Thailand, which followed the same export-driven model of economic development pursued by the four dominant Asian Tigers, where SMEs constitute a sizeable vehicle of bringing about development and have remained so till this day. *(Guardian)*

AS part of its commitment to grow Small and Medium Enterprises in Nigeria (SME), Diamond Bank has announced that it had disbursed a total of N70 billion loans to its SMES customers from the commencement of SME in Diamond Bank in 2009. The Segment Manager, SME for SME Proposition, Diamond Bank, Cheta Agbo, while fielding questions from journalists during 36th Business Xpress Enterprise Series seminar, in Lagos at the weekend said that the bank also had in excess of N30 billion loan, aside the N70 billion already disbursed. Agbo, who expressed the banks commitment to invest more to facilitate SME growth, explained that in the past four years, the bank had been giving up to N3 million in loans to SME customers without asking for collateral from them, adding that the seminar had attracted more than

100,000 SME customers to the bank. Assessing the level of SME growth in Nigeria, Agbo explained that Nigeria was made up of about 18 million SMEs, adding that with the record of the national bureau of statistics, they were contributing almost 50 per cent of the GDP. "We have actually made a lot of impact in SME growth in Nigeria and we are looking forward to do more. We had about 36 of this seminar between 2009 when SME commenced in Diamond Bank and today with over 100,000 customers on the platform. "We have disbursed over N70billion in loans for SMEs and we have in our book, the excess of N30 billion loan still out there. "We only need to extend a little effort and SMEs in Nigeria will be doing very well. And Diamond Bank as an organisation we have committed ourselves to provide the supports that SMEs needs to move their businesses to the next level." He pointed out that the seminal was part of the banks efforts towards improving its customers managerial capacity. "The objective remains that it is not just offering people financial services alone, this is the way to grow SMEs, we need to offer them non financial services as well. In as much as they need money to grow their businesses, they also need knowledge to drive the business. "So we are trying to provide a platform in such a way that as we grow a business we are offering multiple things, this means going beyond the normal traditional financial service where we offer business services in other to support SMEs development in Nigeria. Agbo added: "We would like to support them by taking their businesses outside there and we have designed a programme on how we can support them in terms of their enterprise governance, and we have already started it by providing them with certificates." *(Guardian)*

Oando Energy Resources Inc (OER), a company focused on oil exploration and production in Nigeria, says it is making significant progress towards its proposed acquisition of ConocoPhillips' Nigerian assets. It would be recalled that last December, US-based oil group ConocoPhillips sold its onshore assets after 46 years of operation in Nigeria to Oando plc for $1.79. Oando already made a down payment of nearly $400 million when the initial deal was struck. In the announcement of its financial and operating results for the second quarter ended June 30, 2013, the company said it generated $36.1 million in revenue from the sale of crude for the quarter, representing an 8 percent increase from the same period last year and was a reflection of comparatively higher oil prices in 2013 versus 2012. The deal to acquire Conoco's fields, that were producing around 43,000 barrels of oil per day (bpd) last year and have proven reserves of 213 million barrels of oil equivalent, looks set to being finalised as the company is gathering more momentum. Pade Durotoye, chief executive officer, OER, said in a statement: "Our second quarter was characterised by the continued progression of our proposed acquisition of ConocoPhillips' Nigerian assets through the filing of a Cdn$550 million preliminary short form base shelf prospectus as well as by our operational activities that have grown our existing production capacity by 3,454 bopd." "Looking forward, our team remains focused on becoming Nigeria's leading indigenous energy company by completing this proposed acquisition and maximising the value inherent in our current suite of high quality assets." The prospectus were filed with the securities regulators in each province of Canada, except for the Province of Quebec, the company said. It also pursued a number of integration-related activities in order to ensure the appropriate technical synergies and a more robust assessment of Concophillips' Nigerian assets. This included finalising specifications for subsurface software applications, hardware, document and data archiving, as well as progressing the various procurement processes. *(Business Day)*

ACCESS Bank's shareholders yesterday commended the company's board for the transparent execution of divestment of its shareholding in Wapic Insurance Plc. The shareholders stated this at the Bank's court ordered meeting in Lagos yesterday in the process of approving the unbundling of the Bank's equity interest in Wapic Insurance to the Bank's shareholders. The divestment of the Bank's shares in Wapic Insurance is in compliance with the Central Bank of Nigeria (CBN)'s new licensing regime. In 2010, the CBN repealed universal banking licenses and issued the regulation on scope of banking activities & ancillary matters, No. 3 which became effective on November 15, 2010; prohibiting banks from undertaking non-banking activities. The regulation established three banking license regimes namely commercial banking merchant banking and specialized banking. Following this, Access Bank opted to operate as a commercial bank with International Authorization and accordingly embarked on the divestment of its equity interest in its non-banking subsidiaries including Wapic Insurance. Speaking on the strategic considerations underlining the divestment, the bank's Chairman, Gbenga Oyebode explained that the board of director believes that there are significant merits to the Bank's shareholders retaining exposures to the insurance subsidiary. Thus, the board, following shareholders' approval, obtained at the Bank's last yearly general meeting decided to unbundle the bank's equity interest in Wapic Insurance to shareholders of the bank in pro rata to their holding in the Bank at the effective date of the Scheme. Commenting on the divestment decision, Timothy Adesiyan, President, Nigeria Shareholders Solidarity Association said "We, shareholders, laud the unbundling of the bank's shareholding in Wapic to us and commend the bank for this impressive level of transparency that will create value for us". He also commended the Board for not choosing to sell the investment to opaque core investor.

In the same view, Okezie Boniface, President Progressive Shareholders Association adjudged the transaction as transparent and further described it as an evidence of the good corporate governance which the bank is noted for. According to him "this is good for Access bank shareholders and good for Wapic Insurance as a company. This decision is highly commendable." he added. Also, Farouk Umar, President of the Association for the Advancement of the Rights of Nigerian Shareholders (AARNS) described the bank's divestment decision in favor of its shareholders as "best practice and responsible, adding that "it is only a sincere institution like Access bank that would do such". The Group Managing Director of the bank, Aigboje Aig-Imoukhuede said "We appreciate the comments in support of this transaction. Wapic Insurance is prepared to deal with the cost of its enlarged shareholder base resulting from this transaction while the cost of the unbundling will be borne by the bank. Wapic Insurance Plc has been in operations for over half a century, offering a comprehensive range of insurance products. Established in 1958, Wapic has built a strong franchise in the largest economies in Sub-Saharan Africa and operates two subsidiaries: Wapic Life Assurance Limited and Wapic Insurance (Ghana) Limited. By transaction, Wapic Insurance Plc ceases to be a subsidiary of Access Bank Plc but remains a publicly listed company with its shares traded on the Nigerian bourse. *(Guardian)*

First City Monument Bank Limited (FCMB) Plc said it has embarked on series of activities to make account opening simple and accessible to all its customers. The bank explained that the move was part of efforts to encourage financial inclusion as well as to deliver mainstream financial services to the unbanked millions of Nigeria. A statement yesterday further explained that the bank has also started creating awareness on its retail and consumer banking products. "Since their recent expansion and an introduction of a novel portfolio of mass market products, FCMB is fortified to deliver consistent excellent value proposition, across all marketplace segments," it stated. FCMB's Group Head, Marketing and Communications, Mr. Ikechukwu Kalu, was also quoted to have said: "FCMB fashions its acquisition strategy with entrepreneurs and low-income earners in mind; with a high consideration of those are too busy at work to make daily deposits of their earnings. "It is often the case that market women, carpenters or vendors of small-scale commodity cannot afford the time to take money to the bank. This time, constraints on their part are what results to traders stuffing currency in bra, or odd practice of placing cash in their underwear, for fear and safety of their earnings. "We are heavy on target marketing and our experiential 'town storms' have been very effective. Given that the masses listen to radio and print select press publications like complete sports, we have leveraged these to reach the mass market." According to Kalu, FCMB would also be active on social media. He added that the bank had recorded significant growth in the adoption of its Nairawise Savings Account, which he stressed was a clear testimony that the unbanked and the under-banked would bank when offered the right solution. "We are well-positioned to be a leading provider of banking services in Nigeria and we offer customer-tailored products that are market-leading, combining local service that is fully integrated with our inclusive operations and a complete product suite which is increasingly important to Nigerian consumers", Ikechukwu Kalu added. *(This Day)*

Shareholders of Flour Mills of Nigeria Plc Wednesday approved the N2 dividend per share recommended by the board for the year ended March 3, 2013. The dividend, which amounts to a total of N4.8 billion, was approved by the shareholders at the annual general meeting held in Lagos. Flour Mills ended the year with revenue of N225.6 billion, while profit after tax increased to N8.75 billion, from N8.2 billion recorded in the previous year. Speaking at the AGM, the Chairman of the company, George Coumantaros, assured shareholders that the company would expand its interest in food division to maintain and extend its dominant market share in flour, pasta and other food products. He added that the company would actively support federal government's backward integration policy by expanding its agricultural holdings. "We are determined to ensure that our agro-allied strategy provides sustainable returns on capital invested by maximising local content in group products. Raw materials would be produced locally wherever possible to ensure that good quality but fair value products are developed through the food supply chain from growing to final consumer consumption. "Going forward, I want to assure stakeholders that we will leverage on the unassailable quality of our flagship products, Golden Penny flour, the growing popularity and market acceptability of our sugar brand: our continuous investment in new milling technology in a "green –field' pasta factory at Agbara; synergies arising from recent group restructuring, among other investments to generate improved earnings and deliver superior shareholders value," Coumantaros said. Shareholders of the company commended the company's board on the performance, while urging the company to increase their marketing skills in order to remain competitive in the industry and deliver better returns to shareholders in the next financial year. Specifically, the President, Professional Shareholders Association of Nigeria, Godwin Anono, stressed the need for the company to merge its subsidiaries that are not performing well in order to increase their bottom-line and add value to shareholders' investment. Meanwhile, the equities market regained part of the losses it recorded Monday and Tuesday, following renewed interest by bargain hunters who took advantage of low valuations of some stocks. As a result, the Nigerian Stock Exchange (NSE) All-Share Index rose by 0.41 per cent to close at 36,259.66; compared with a decline of 0.70 per cent the previous day. *(This Day)*

First City Monument Bank (FCMB) Limited said it has embarked on series of activities to make account opening simple and accessible to all its customers. The bank, in a statement Thursday, explained that the move was part of efforts to encourage financial inclusion as well as to deliver mainstream financial services to the unbanked Nigerians. The statement further explained that the bank has also started creating awareness on its retail and consumer banking products. "Since their recent expansion and an introduction of a novel portfolio of mass market products, FCMB is fortified to deliver consistent excellent value proposition, across all marketplace segments," it stated. FCMB's Group Head, Marketing and Communications, Mr. Ikechukwu Kalu, was also quoted to have said: "FCMB fashions its acquisition strategy with entrepreneurs and low-income earners in mind; with a high consideration of those are too busy at work to make daily deposits of their earnings. "It is often the case that market women, carpenters or vendors of small scale commodity cannot afford the time to take money to the bank. This time constraints on their part are what results to traders stuffing currency in brazier, or odd practice of placing cash in their underwear, for fear and safety of their earnings. "We are heavy on target marketing and our experiential 'town storms' have been very effective. Given that the masses listen to radio and print select press publications like complete sports, we have leveraged these to reach the mass market." According to Kalu, FCMB would also be active on social media. He added that the bank had recorded significant growth in the adoption of its Nairawise Savings Account, which he stressed was a clear testimony that the unbanked and the under banked would bank when offered the right solution. "We are well positioned to be a leading provider of banking services in Nigeria and we offer customer-tailored products that are market-leading, combining local service that is fully integrated with our inclusive operations and a complete product suite which is increasingly important to Nigerian consumers," Kalu added. *(This Day)*

The Regional Operations Director, West region of Airtel, Mr. Oluwasegun Macaulay, has disclosed that, as at the end of March this year, the telecoms giant has invested a total sum of $3.5 billion on its technology expansion across the nation, to boost quality service on its network to customers. Macaulay disclosed this in Ilorin, Kwara state while unveiling new service to its customers in the state tagged, 'Close Cluster Group'. According to him, "We have the whole nation covered now; those times and moments when and where calls dropped, are over". He said, "Like 18 months back, you realise the kind of services you were getting; today it is not the same you are getting now, calls were dropping. In fact if you are sitting in front of me, I cannot call you. So we had brought in the technology and we had actually mapped the country and seen where these challenges were coming from. It was actually a congestion issue. So, we spent that money in capacity expansion and we had also spent that money in acquiring new technology." He added, "Before then nobody was on that 3G level. We didn't bring Nigeria 3G, we went further to bring 3.75G, so that is extra and we are the only company at that level now. The G enables you to do a lot of things that you couldn't do with only voice; it enables you to stream. So, if you sit down there and you want to watch the last match of Arsenal here, you can stream and get that match without any stress." "Nigeria is classified as a growing economy and a growing nation; we need to be ahead of the population growth to make sure we have capacity ready for use. If you still find a network that is probably in that situation that we were before, it's because they are congested; they have more subscribers than they are expanding. "So we have excess capacity; as we speak to you now, we are ready for the next five years generation of Nigeria and we have excess capacity on our hand and we have also invested into what we call HD. HD is Higher Definition, it is what your television is using where you can have a resolution as if you are on a pitch", he stressed.

On the challenges being experienced by the telecoms outfit, the Regional Director said, "We have challenges, but this is not peculiar to us, it is peculiar to the country and anybody who is into industry or manufacturing in the country and basically it is about power and it is around insecurity." He said, "Power is a challenge and that is why if we get our power right we would be able to bring down the cost of telecoms. This is one of the countries where you have to put up your BTS, Basic Transmission Station we see every day, some call it masts, we call it

BTS. This is one of the countries where you have to put that BTS up and you have to power it by private power source. So you have to fuel the generator 24/7 because once power goes, it has to come up by itself." Macaulay explained, "And then because of the insecurity, you have to put security personnel there 24/7 and whatever community you put up the BTS, you have to also take care of the community. So, first and foremost wherever there is a BTS, you have to put a floodlight to the community because it is powered 24/7, so why don't you give some light to the community for security reasons. I can't tell you how many generators we use in a month; it would blow your mind." He therefore called on the government to rise up to the issue of power supply and insecurity so as to accelerate the economic growth of the nation and also to reduce the tariff being charged by the telecoms outfits in the country. *(This Day)*

Economic News

President Goodluck Jonathan Tuesday called on banks to increase lending to the real sector, particularly agriculture, which he described as the buffer against the intermittent economic shocks occasioned by disruptions in crude oil production and prices. He said except there was a noticeable change in the pattern of banks' lending, government may be tempted to limit their access to public sector deposits, which the banks often get at no cost. Jonathan further argued that it would still be profitable to the banks even if they give out public sector funds to farmers at two per cent interest rate. He said the financial sector remained critical to the growth and development of both agriculture and solid minerals. The president, who said government, had done more than enough in encouraging lending to the real sector through several policies and measures that had been put in place to create enabling environment for bank, wondered why they were still not comfortable with lending to the sector, while agriculture continued to account for a lower percentage of the industry loan portfolio. Speaking at the opening of the Seventh Annual Banking and Finance Conference titled: 'Upholding Professionalism in the Financial Services Industry: Supporting the Economy' organised by the Chartered Institute of Bankers of Nigeria (CIBN), Jonathan said the banking sector was not doing what it was supposed to do and cautioned that time was running out on the banks to intervene. Represented by the Minister of State for Finance, Alhaji Yerima Ngama, he said supporting the agricultural and mining sectors would have bigger multiplier effect in the economy than oil would do. He noted that crude oil activities currently benefited the expatriates who often had a larger share of the wealth which is taken out of the economy. Conversely, he argued that the benefits from agriculture and mining would stay within and add more value to the economy. He said oil had brought nothing but shocks to the economy, adding that agriculture and solid minerals were better alternatives to such vulnerabilities, including theft and bunkering. He said government was particularly worried that the real sector, which is described as the bedrock of the economy, was being sidelined by the banking industry.

According to the president, save for the Central Bank of Nigeria's (CBN's) intervention through schemes such as the Commercial Agricultural Credit Scheme(CACS) and Nigerian Incentive-Based Risk Sharing System for Agricultural Lending(NIRSAL), the agricultural sector would have been deprived of the funding support it needed to grow and play its roles in national development. Jonathan further noted that the CBN's efforts towards the real sector ought to have been complemented by the banks. He said although the banks had often blamed the inherent risks in agriculture lending as major reasons for not lending money to agriculture, it had been established than lending to that sector had less risks compared to other sectors of the economy. Jonathan however noted that it would require collaborative efforts by the government, real sector and financial sector to make agriculture and solid minerals sectors to work properly. He said: "The banks have to come together and see how they can put funds together to really support the farmers. The statistics we have coming from Central Bank is that when you lend to farmers they pay you. I think we have First Bank's experience where the percentage of the non-performing agric loans to performing is less than 1.5 per cent. So, the poor actually pay their loans but why are the banks always eager to go and lend to the riskier businesses than this safe agricultural businesses?" Continuing he said: "The issue is with our psyche, we think that maybe they are not high tech or maybe there is too much documentation based on a loan of N50,000 or N100,000. But as a nation, you have to look at it as your responsibility. We owe this nation; we have to rise to that challenge and see that the banking sector should come together with a solution and no longer wait for the central bank to be coming with the solution." On his part, the President of the CIBN, Mr. Segun Aina, reassured the government of the institute's readiness to work with government in order to deepen banking knowledge and improve the delivery of financial services in the country. Also, in his keynote address, the CBN Governor, Mallam Sanusi Lamido Sanusi, called for improvement in operational standards and capacity in the banking industry. Represented by CBN Deputy Governor, Corporate Services, Mr. Suleiman Barau, Sanusi also decried the lack of uniformity in standards among banks. *(This Day)*

Nigeria has sold 57.73 billion naira in bonds with maturities of three or 20 years at higher yields than at a previous auction, data from the Debt Management Office (DMO) showed on Thursday. On Wednesday, the DMO sold 25.47 billion naira in 3-year notes maturing in August 2016 at 13.5 percent, up from 10.05 percent at the previous auction on August 14. The debt office sold 32.26 billion naira of 20-year bonds maturing in 2030 at 13.69 percent, compared with 13.48 percent at the previous auction. All the debt notes were re-openings of previously issued paper. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

No Corporate News this week

Economic News

Gold output in Tanzania, Africa's fourth-largest producer of the precious metal, fell 12 percent in the first half of 2013 from a year earlier, officials said on Friday. Output declined to 569,958 ounces for the six months ended June 30, from 647,637.33 ounces for the same period a year ago, the state-run Tanzania Minerals Audit Agency said in response to questions from Reuters. Australia's Resolute Mining, which owns the Golden Pride mine, and African Barrick Gold's (ABG) Tulawaka gold mine are near the end of their operations, leaving Tanzania with five large-scale gold mines. "The Golden Pride mine used to produce around 200,000 ounces a year, so we will lose that production ... we won't also be able to get the royalties, plus service levy and investment in CSR (corporate social responsibility) programmes," Tanzania's commissioner for minerals, Ally Samaje, told Reuters. He said despite ending its pit mining operations, Resolute Mining was expected to continue processing stockpiled low-grade gold ore until February next year. The Tanzanian government said it plans to take over gold mining activities at Tulawaka when ABG hands over the mine this year. "The State Mining Corporation (STAMICO) is in discussion with Barrick to take over the Tulawaka mine ... it will be much better if STAMICO gets a local partner to continue gold production at Tulawaka after Barrick's exit," Samaje said. "There is still some gold mineralisation at the area and we think we can operate it at a lower cost." Gold production from major mines declined by 3.1 percent in 2012 to 1.25 million ounces from 1.29 million ounces in 2011, according to government figures. Analysts said they expect gold output in east Africa's second-biggest economy to continue its downward trajectory in 2013 as major producers are hard hit by rising costs and falling bullion prices. Gold is the biggest foreign-exchange earner in Tanzania, fetching the country $2.115 billion in 2012, slightly higher than $2.098 billion a year before. In January to June this year, the precious metal earned $859.04 million, from $1.07 billion in the same period of 2012. Samaje said new projects were expected to be commissioned in the next few years to mine nickel, coal, gold, uranium and rare earth metals. "Several major projects are in the pipeline, including Kabanga nickel (a 50/50 joint venture between Barrick Gold Corp and Xstrata Nickel), the Mantra uranium project and a rare earth metals mine in the Mbeya region in Tanzania's southern highlands," he said. Uranium One's Tanzanian unit said last year it hoped to start building its Mkuju River uranium mine in 2013. "African Barrick Gold is also looking at the possibility of developing a new gold mine at its Nyanzaga project," he said. *(Reuters)*

The Tanzania-Zambia Railway Authority (TAZARA) resumed operations on Monday after more than 1,000 Tanzanian workers ended a two -week strike, the company said. The strike over unpaid wages by 1,067 workers crippled operations at the loss-making railway, which is used to transport copper from Zambia to Tanzania's Dar es Salaam port for export. TAZARA said it suffered losses of more than $1.4 million (891.0 thousand pounds) from the disruption. Spokesman Conrad Simuchile said salary arrears were cleared after the Zambian and Tanzanian governments made payments totalling more than $6 million. The Chinese-built railway has suffered from falling cargo traffic and years of inadequate investment by the two state shareholders. Simuchile said that over the past eight months revenue had averaged $1.53 million per month against an estimated average expenditure exceeding $2.5 million, of which salaries alone constituted an average of $1.3 million. The 1,860 km railway had previously threatened to sack all striking workers in Tanzania if they did not return to work, saying their salary arrears were being resolved. *(Reuters)*

Tanzanian inflation fell to 6.7 percent in the year to August from 7.5 percent in July due to slower pace of commodity price rises, the National Bureau of Statistics said on Monday. The year-on-year rate of inflation in east Africa's second-largest economy has now fallen in the last 18 of 19 months. In the month of December 2012 it was unchanged. Inflation declined in August as "the speed of price increase for commodities in August 2013 has decreased compared to the speed recorded in July 2013", the statistics office said. Food and non-alcoholic beverages inflation rate fell to 6.5 percent in August from 8.0 percent in July 2013. The annual inflation rate for energy increased to 15.2 percent in August compared to 12.9 percent recorded in July. *(Reuters)*

Tanzania's coffee prices fell at auction last week as supply increased, the Tanzania Coffee Board (TCB) said on Tuesday. The state-run regulator said the amount sold at the auction remained little changed despite a 25 percent increase in supply. "Overall average prices at the Moshi exchange were down by $3.04 per 50 kg for mild arabica, while robusta were up by $3.09 per 50 kg compared to the last auction," TCB said in its auction report. "Average prices were above the terminal market by $8.40 per 50 kg for mild arabica and robusta were above the terminal market by $20.20 per 50 kg," it added. Tanzania, Africa's fourth-largest coffee producer after Ethiopia, Uganda and Ivory Coast, produces mainly arabica and some robusta coffee. Prices of its arabica track the New York market while those of robusta take their cue from London. TCB said New York markets rose by $0.11 per 50 kg, while London markets were up by $0.30 per 50 kg. The regulator said 31,952 60-kg bags were offered at the latest sale, of which 23,878 bags were purchased. At the previous sale, a total of 25,496 60-kg bags had been offered and 23,825 bags sold. East African coffee is normally packed in 60-kg bags, but the prices are quoted for quantities of 50 kg. Benchmark grade AA sold at $125.00-$137.20 per bag, compared with $124.00-$150.0 per bag previously. The average price was $127.32 per bag, down from $130.78. Grade A fetched $120.00-$136.40 per bag, compared with $124.00-$144.00 per bag at the previous sale. The average price fell to $126.24 from $129.83 previously. The TCB says it expects the 2013/14 (June/April) crop to fall to 45,000 tonnes from around 71,600 tonnes in the previous season, the highest output in 20 years. The next auction will be held on Thursday. *(Reuters)*

Zambia

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Zimbabwe

Corporate News

AFRASIA HOLDINGS has entrenched its footprint on the Zimbabwe financial landscape and the economy in general after assuming a controlling interest in AfrAsia Kingdom Limited, which will be renamed AfrAsia Zimbabwe Limited. The Mauritian-based financial group upped its interest in AfrAsia Kingdom Limited to 54 percent from 35 percent after acquiring 30 percent shareholding previously held by Kingdom Financial Holdings founder Mr. Nigel Chanakira. And AfrAsia has wasted no time in declaring its interest to invest in Zimbabwe for the long haul, immediately announcing a US$20 million cash call in the next few weeks and an immediate US$10 million line of credit to its local units. Parties involved could not reveal the price tag in involved, but said it was a cash and equity swap deal in which Mr. Chanakira is exiting AKZL and taking over Kingdom Bank Africa in Botswana. He will take over AKZL's 35,7 percent stake in Botswana-based Kingdom Bank Africa Limited through family investment vehicle Crustmoon Investments. This brings to full circle Mr. Chanakira's sentimental flirtation with the institution he founded some 20 years ago, but briefly exited to invest in and work at Meikles Africa before bouncing back two years ago when relations turned sour. While many would have expected Mr. Chanakira to remain sentimental or somehow become emotional about the unfolding reality the entrepreneur seemed on cloud nine and even boasted that he had landed a splendid deal under the circumstances. Certainly, this represents a massive windfall for a man who seemed down and out following the botched deal with Meikles and 5 percent he retained in KFHL yet he required not less than US$30 million to buy back shareholding in the institution he founded. After agreeing to sell his interest in KFHL Mr. Chanakira took up small shareholding in the then Meikles Africa and to spice it up was made chief executive of the local conglomerate. But the marriage lasted a mere 18 months before the parties called it quits following differences over procedural issues regarding investments outside Zimbabwe. So to bounce back and reclaim controlling interest in an institution that had never ceased to be synonymous with its founder and make a killing out of it is a major coup for Mr. Chanakira. After all, Mr. Chanakira said he would not have been able to follow his rights in view of the regulatory requirement to ensure US$100 million minimum capital for banks by June 2014 of which US$50 million for June 2013 is due. Interestingly though, the legacy of his wit and sweat will be indelible more so after leaving the institution in the hands of a reputable and resource-rich financial conglomerate. Mr. Chanakira said AfrAsia Zimbabwe entities and the economy at large will benefit immensely from the Mauritian-based company, which has at least US$1 billion in cash resources.

AKZL deputy chief executive Mr. Kamben Padayachy said AfrAsia would soon extend US$10 million in lines of credit and float a rights issue that it will lead. Its acquisition of controlling stake in AKZL has already been approved by the Reserve Bank of Zimbabwe, which reportedly is pleased with the shareholders' commitment to Zimbabwe. Mr. Chanakira will step down as director of all AfrAsia Kingdom Holdings Limited and AKZL entities with immediate effect, but will retain the "Kingdom" trademark from AKZL. AfrAsia Kingdom Zimbabwe Limited will be rebranded to AfrAsia Zimbabwe Holdings, Kingdom Bank to AfrAsia Bank and Kingdom Asset Management to AfrAsia Capital Management. The deal will also result in restructuring of the board and management of AKZL and KBL, but AKZL chief executive Ms Lynn Mukonoweshuro will retain her post at the helm of the group. He said the decision to sell his stake was difficult but he had decided to exit AKZL after considering his obligations in relation to the liquidity and capital requirements of the group. Mr. Chanakira added that he was persuaded by new and emerging opportunities that have been created in the financial services sector to pursue interests outside AZKL such as private equity investment. But he flatly denied recent Press reports that the financial services group was sitting on a huge none performing loan that threatened its future as a going concern. He said AfrAsia did a due diligence prior to investing and should have picked out the alleged non-performing loan book before deciding to invest close to US$10 million for a 35 percent stake in AKZL. Ms Mukonoweshuro said recapitalisation was something the group had always wanted to do and was not in any way linked to the alleged hole in the group's balance sheet.*(Herald)*

THE Agricultural Bank of Zimbabwe (Agribank) posted a $3,7 million loss for the six months ended June 30, 2013 due to low levels of lending and measures introduced by the Reserve Bank, an official has said. The $3,7 million loss was high compared to a loss of $2,4

million recorded by the bank in the first half of 2012. "The Memorandum of Understanding implemented between the Reserve Bank of Zimbabwe and participating financial institutions in February 2013 has also impacted adversely on the performance of the bank during the first half of the year," Agribank chairman Sijabuliso Biyam said in a statement accompanying the group's financial results. During the six-month period operating income went down to $7,7 million from $9,2 million in 2012. Biyam said loans and advances went down by 6,3% to $76,2 million while the balance sheet went down to $116,4 million from $128 million during the prior period. Biyam said the decline in the balance sheet was due to repayments on international credit lines during the period under review. Biyam said the economy continues to experience a slowdown due to the decline in capacity utilisation, liquidity challenges and the widening trade deficit gap as the economy relies more on imports. Fee and commission income for the bank increased to $6 972 million in the six months period from $6 679 million last year. Biyam said Agribank core capital stood at $18 million as at end of June this year and $2 million was received from government for capital injection. "The bank expects to meet the revised capitalisation levels on the backdrop of capital injection by the shareholder and also anticipated equity uptake by the strategic partner. Agribank recently struck a deal with the $98,6 million Brazillian government. He said the bank was finalising a $15 million medium term facility with the Preferential Trade Area Bank for maize imports and support to the corporate sector. The agricultural sector requires an estimated $2 billion for it to perform optimally. Plans are already underway by government to dispose of a significant stake of the bank to a strategic partner to boost the bank operations. *(News Day)*

STANDARD Chartered Bank of Zimbabwe Limited profit for the six months to June has narrowed to $7,2 million compared with $8 million over the same period last year due to growth in operating expenses. Despite achieving a growth in net interest income, operating expenses increased to $23,2 million for the half year ended June 30 2013 compared to $18,1 million in 2012. The cost to income ratio deteriorated to 67% from 59% for the comparative period. Net interest income rose to $12,1 million from $7,2 million in the same period last year. In a statement accompanying the bank's financial results for the half year ended June 30 2013, Standard Chartered Bank chairperson Samuel Rushwaya said the current economic environment weighed on the performance of the bank compared with the same period last year. Zimbabwe's economy, according to official figures, contracted by 3% during the first quarter of the year due to underperformance of mining and manufacturing. "While the operating environment in the first half of 2013 has been challenging, the bank has performed well and continues to be well capitalised and highly liquid," Rushwaya said. He said while the bank recorded 4% growth in lending which translated to an increase in interest income, the overall income was weighed down by material decrease in non-funded income. "This reflected the reduction in charges in line with the Memorandum of Understanding (Mou) signed between the Bankers' Association of Zimbabwe and the Reserve Bank of Zimbabwe earlier in the year," Rushwaya said. Under the MoU, banks would, with effect from last February, charge up to 0,5% of the cash withdrawal amount subject to a minimum charge of $2,50, while ledger fees, maintenance and service fees will cost up to $4 per account. The central bank and the bankers also agreed to push for the mandatory use of debit cards. Automated teller machines, according to the MOU, will now attract a withdrawal fee of $2. Rushwaya said the structure of deposits remained mostly short-term in nature and this militated against efforts to avail longer-term financing which was an essential ingredient for more sustained industry recovery. "The current liquidity constraints continue to be exacerbated by the absence of an active interbank market and lender of last resort. "Despite the challenges, Standard Chartered Bank remains committed to positively contributing to the economy through continued support to key sectors such as agriculture, trade, commodities and small to medium enterprises (SMEs)," Rushwaya said. *(News Day)*

ZIMBABWE Stock Exchange-listed concern Pearl Properties' profit for the six months to June was up 22,2% to $ 1,9 million driven by growth in net property income, the company has announced. Basic earnings per share rose to $0,159 from $0,130. Net property income for the six months was, according to the company, 8,4% up to 3,86 million due to growth registered in rental income and a decline in property expenses. Despite achieving growth in revenue, administration expenses rose to $1,8 million for the six months ended June 30 2013 compared to $1,7 million. Speaking at the company's analyst briefing yesterday, Pearl Properties finance executive Peddy Chigundura said the property sales market was relatively stable during the first half of the year with activity largely restricted to the low value transaction in residential stands, flats and houses. Property expenses for the six months totalled $650 000, down 1,3% compared to the comparative period in 2012. The company said administration expenses, however, rose 6,8% up to $1,84 million due to the increase in advertising expenses and group shared services . "The realisation of the growth potential of the local economy hinges on the creation of a predictable and sustainable macro-economic policy framework that encourages and supports capital formation in the various key sectors, including the real estate industry," the company said. In 2011, the company invested $1,2 million in the George Square shopping centre at Kamfinsa, while $2,7 million was invested in the Kamfinsa cluster housing project.*(News Day)*

ZIMBABWE Stock Exchange-listed Rainbow Tourism Group yesterday scored a first in the hotel industry when it launched a new package, "Stay now, pay later", that allows individuals and organisations to book into the hotel group's hotels on credit. The individuals and companies will then settle their bills over three months in three equal instalments. The programme is the second product to be launched by RTG in as many months, as the hotel group consolidates its turnaround strategy that has already seen it achieving a profit during the half year to August 31, 2013. The group launched the RTG Virtual platform, which presented small hotels in areas where RTG does not operate with a chance to partner the group so that they could share customers for an agreed commission. Speaking at the launch in Harare yesterday, RTG commercial director Mr Shupai Marware said they had realised that the 30 days grace period offered to corporates for the use of facilities was too short. "Some corporates could neither plan nor manage their accommodation and conferencing or the traditional 50 percent down payment nor the seven to 14- day credit terms offered by most hotels while individuals could not plan for holidays due to lean disposable income," he said. He said the programme would give customers a 90- day grace period to pay their accounts through their banks.
"RTG has partnered with several local banks in rolling out this exciting and innovative programme. Banks are facilitating the dispensation of stop orders on benefiting corporate or individual customers holding accounts with them. Payment would be in the form of three equal monthly instalments by way of debit or stop orders that will be dispensed through the organisations' or individual's local banks," he said. He said customers who use the programme would have to go through a vetting process to ascertain their credibility.

Mr Marware added that although bookings for the "Stay now, pay later" programme had already started, customers would only start enjoying the facility from October 1. He said the programme would benefit the customer, the banks as well as the hospitality industry. "The programme offers a flexible option for the customer while contributing in the formalisation of the unbanked community. Government and the tourism ministry will see a growth in domestic tourism," he said. He said RTG projected an incremental contribution of 15 percent of total room nights sold per annum as a result of the package. Speaking at the same event, RTG chief executive Mr Tendai Madziwanyika said the rollout was a step towards promoting domestic tourism and part of RTG strategy of dancing in the rain which is central to the current turnaround strategy. "After Virtual, this is the next stage of domestic products aimed at making tourism accessible to Zimbabweans," he said. He said the programme would complement the Virtual platform as customers could stay in all the hotels that were working with the group under the programme. Mr Madziwanyika added that tourism was the face of the country and the hospitality industry should play its part in promoting local destinations. He said the "Stay now, pay later" programme would give the group the chance to bridge the gap between budgets and actual cash flow as most people failed to plan for their holidays or conferencing events due to cash flow constraints.
"You would be amazed at how many Zimbabweans have never been to Masvingo or Victoria Falls and yet the Great Zimbabwe is the rock behind what we call Zimbabwe now. It is our role to help people experience these places. We have come up with a solution that will make it easier for everyone to go wherever they want to go without worrying about cash," he said. He said the programme would help increase the occupancy rate at their hotels which was currently at 76 percent as the group pumps up its effort to increase its market share. Meanwhile, RTG has launched a new jingle that is centred on their payoff line "Whithersoever, whensoever with RTG life is nice" and their dancing in the rain thrust. Dancing in the rain was taken from a quote by Vivian Green "Life isn't about waiting for the storm to pass . . . It's about learning to dance in the rain". According to Mr Madziwanyika, the dance in the rain thrust was adopted after the RTG team made a deliberate decision to rise above the several challenges the group was faced with at the beginning of the year. It was important for us to attain a deep understanding of the state that the company was in and then to develop an appropriate strategies to turn around the fortunes of the company. This meant RTG had to learn how to dance to the tune of cost cutting, intensive performance management and full implementation of several other strategies that were identified at that point. "For us dancing in the rain was a better option than waiting for the sun to fully emerge. At this point in time as we continue to dance in the rain, we see the emerging rainbow as it shimmers in the horizon. This makes us optimistic of a bright and unravelling future," said Mr Madziwanyika. *(Herald)*

ECONET WIRELESS-OWNED internet access provider and internet service provider Liquid Telecom recently announced that it has completed the country's first direct fibre connection to the West African Cable System.Liquid has connected Zimbabwe to the high-

capacity WACS, the submarine telecommunications pipe that extends from South Africa to London along Africa's west coast. "The link has been commissioned to the WACS landing station near Cape Town providing Zimbabwe with an alternative route for international traffic," Liquid said in a statement. Liquid managing director Mr Wellington Makamure added: "In Zimbabwe no other IAP has managed to achieve what Liquid Telecom has achieved in such a short space of time. Most operators have opted to wait for us to construct the network and then use it for their back-haul purposes. Liquid Telecom now has a blueprint to deploy urban fibre in other countries. "Liquid Telecom will be investing heavily in expanding into new countries to ensure that for the first time all countries and operators in Central and Southern Africa are directly connected." Liquid Telecom is already providing connectivity onto the other three main subsea fibre systems of Africa such as the EASSy, SEACOM and SAT3.

The WACS submarine cable is an ultra high capacity fiber optic submarine cable system which links Southern Africa and Europe, spanning west coast of Africa and termination in United Kingdom. "This four fibre pair system with total length of approximately 16 000km is well complemented with 15 terminal stations forming a consortium of 11 leading international telecom carriers," said WACS. Liquid has built the largest fibre network in Zimbabwe providing broadband voice and data in all the major cities and towns which provides services for residential, SMEs, large enterprise customers as well as other providers in Zimbabwe. This ISP has also assisted Econet Wireless, the country's largest cellular provider, in alleviating congestion on the backhaul network and enabling high speed 3G data. Fibre network is providing unlimited broadband capacity and reducing prices in Zambia, Zimbabwe, Botswana, Lesotho and South Africa. The company has built the largest fibre network in Southern Africa providing back-haul between most urban areas and last mile connectivity in the main cities of Zambia, Zimbabwe, Botswana, Lesotho and South Africa. Liquid's network is the first to cross country borders and covers some of the most challenging parts of the world where no fixed network has existed before. It operates as a wholesale carrier in all five countries as well as an operator in Zambia and Zimbabwe. *(Herald)*

FIRST MUTUAL Holdings Limited recorded an after- tax profit of US$2,4 million for the half-year ended June 30, 2013 representing a decline of 38 percent from US$3,9 million recorded the same period last year largely due to US$2 million impairment loss that the group suffered. The loss was related to the carrying amount of the investment in the associate company, Rainbow Tourism Group, to reflect the decline in market value of this investment. The group's profits were also weighed down by higher claim ratios for the various insurance businesses, particularly medical insurance. Total comprehensive profit attributable to shareholders of the parent company also declined from US$2,9 million the prior period to US$1,3 million the period under review. In a statement accompanying the results, First Mutual chairman Mr Oliver Mtasa said the group's financial statement grew as a result of appreciation in the value of investments and other new investments from cash generated from other business units. "The group's statement of financial position grew by 8 percent to US$191,2 million due to appreciation in value of investments held, new investments from cash generated from operations by the respective business units and an increase in accounts receivables while payables remained largely unchanged," he said. The group also achieved a gross premium income of US$52,2 million, which is 16 percent higher compared to the same period last year and significantly above the inflation rate. Mr Mtasa added that total expenditure for the period under review increased by 34 percent from US$36 million incurred the prior period to US$48,2 million largely driven by a 34 percent surge in claims, particularly high in the health care business. The group's receivables grew by 37 percent to US$9,3 million which is reflective of liquidity challenges prevailing in the market while they have made adequate provisions for any outstanding balances that are considered doubtful. The group's total assets jumped 8 percent from US$176 million the prior period to US$191 million the period under review while investments account for the bulk of the figure while total liabilities amounted to US$27,5 million, marginally increasing by about 6 percent from US$26 million the prior period. Going forward, Mr Mtasa added that the group's transformation agenda is going on well, with a number of key areas targeted in order to ensure the group performs above expectation. "The transformation agenda for the group is progressing well with focus being placed on human capital development, product innovation, cost containment and market share consolidation while our Botswana operation will continue to focus on exploiting opportunities in Southern and East Africa," he said. *(Herald)*

BINDURA Nickel Corporation is projecting a cash positive position by the end of next month after overcoming its immediate funding constraints by revising its mining plan. The projection is contained in the firm's financial action plan based on assumptions of bearish nickel prices with the base case being the current price of US$13 660 per tonne. BNC projects that the worst case scenario would be a nickel price of US$12 770 per tonne, that will still see it achieving a cash positive position by December 2013 with a small adverse in January. At the current price of nickel BNC's cash flow highlights statement reflects gradual improvement in the firm's cash position from a negative US$3,5 million in July to cash positive position of US$988 000 going into November. "At US$13 660 per tonne this option allows the business to be cash positive by October 2013 and to complete repayment of existing legacy creditor agreement by December 2013. Creditor assistance or bridging finance is required. "At US$12 770 the business is cash positive by December 2013, the cash deficit starts in May 2014 with a small adverse in January 2014, which can be managed," said BNC. The Zimbabwe Stock Exchange-listed Mwana Africa nickel mining subsidiary is reportedly on the verge of sealing a US$4,5 million short-term debt funding deal. "BNC has secured the US$4,5 million short-term bridging finance. The company has overcome its immediate short-term funding needs," a source said.

BNC revised its funding needs for phase two of the restart of its Trojan Mine in September last year since being put on care and maintenance in 2008. Initially, Africa's only integrated nickel mining and smelting company required a total of US$37 million, but managed to raise US$23 million last year with parent firm Mwana Africa putting in US$21 million through a rights issue. While a total of US$15 million was required for phase two of the Trojan Mine ramp up efforts to raise the funding were hampered falling nickel prices, liquidity crunch on global capital markets and negative sentiment on Zimbabwe. Nickel price plummeted on over supply in global markets with deliveries seen at 1,8 million tonnes against a projected 1,77 million tones while demand went down in major consumers China due to the use of a substitute metal, pig iron. Against this backdrop, BNC's alternative was a revised mining plan targeting ore massives that would ordinarily have been mined later in the life of the mine. "The overall effect of this strategy on the life of mine would be timing issue only, with the total depleted nickel remaining the same," reads an excerpt of BNC' operational plan. Trojan Mine is sitting on 114 000 tonnes of nickel confirmed in a competent person's report carried on the mine last year by the UK's SRK Consultants and confirmed again in February this year, extending the mine's life from eight to 15 years. The effect of the new plan, dependent on the firm securing bridging finance, will be reduction of per unit costs due to high nickel content of massives. BNC said the extraction of footwall massives with high grade nickel ore (9 percent) will contribute an additional 6 290 nickel metal in concentrates over for 18 months. Output will be ramped out to 870 000 processed ore per annum. The company has made significant strides since securing equity funding in September last year to commencement of production in March this year and shipment of first concentrate in April to global commodity trader, Glencore International, with which BNC signed an off-take agreement for its nickel. BNC has resolved the issue of historical creditors with US$7,8 million converted to equity while the payment of US$5 million was deferred to 2014. *(Herald)*

TA Holdings Limited recorded a 177 percent increase in after tax profit for the half-year ended June 30, 2013 to US$2,76 million owing to a surge in revenue mainly from the hotel business and an increase in fair value adjustments. The diversified conglomerate, however, suffered a US$3 million comprehensive loss during the interim weighed down by exchange losses on translating foreign operations. In a statement accompanying its results, TA said revenue had gone up while operational and administrative expenses also increased due to hotel refurbishments. "Total group revenue rose by 12 percent to US$39 million from prior year's US$34,6 million while the group's hotel business registered a 3 percent increase in revenue due to improved revenue per available rooms," the group said. "However, the results for the period under review were negatively impacted by US$126 000 initial operating costs incurred at Cresta Spray View Hotel in Victoria Falls which we acquired last year and was closed to make way for refurbishments ". Basic earnings per share rose by more than 700 percent from US9 cents in the interim period last year last year to US78 cents in the period under review. Liabilities of the group rose by 13,5 percent from US$84,6 million the same period last year to US$96 million the period under review owing to an increase in general insurance liability and life assurance policy holder liabilities. In terms of liquidity, the group's cash outflow went done by about 13 percent from US$18,3 million to US$15,9 million due to a decline in net increase in cash borrowings and an increase in the loss on foreign currency translation. Shareholders' equity in the interim period was US$56 million down from US$57 million in December last year also due to loss on the foreign currency factor. "The decrease in shareholders' equity was largely due to the translation losses emanating from the 11 percent depreciation of the Botswana pula against the US dollar, while property, plant and equipment increased to US$28 million as a result of capitalisation of refurbishment costs at Cresta Zimbabwe.

AON Insurance, in which Zimbabwe Stock Exchange-listed TA Holdings owns a 30,3 percent stake, managed to recover after the insurance firm struggled earlier this year following the suspension of its trading licence before its subsequent renewal in April by the Insurance and Pensions Commission. TA said Aon Holdings Limited will soon rebrand to Minerva Holdings following the successful acquisition of the company by Masawara Mauritius Limited. Masawara Mauritius bought 69,75 percent from Minerva Holdings, Aon's parent company, in line with the country's indigenisation and empowerment laws that compel foreign-owned companies to sell controlling stakes to locals. *(Herald)*

ZIMBABWE Stock Exchange-listed insurance concern Fidelity Life Assurance of Zimbabwe Limited's profit for the six months to June declined to $2,6 million from $3,3 million on the same period last year due to increases in claims and benefits. While gross premiums income increased marginally by 3% to $6,9 million in the first half of the year, claims and benefits rose to $1 million from $650 159. Operating and administrative expenses also increased to $3,7 million from $3,4 million in 2012. The company has interests in Malawi as well as a microfinance institution. In a statement accompanying the group's financial results, Fidelity Life chairperson Solomon Tembo said a slowdown in economic activity during the period under review had also hurt the insurance industry. "To the insurance sector, liquidity challenges have negatively affected the uptake of insurance products as well as collection of premiums." The group recorded an underwriting surplus of $2,2 million for the six-month period ending June 30 2013 from $3,3 million in 2012. In the period under review net premiums earnings increased to $6,7 million for the year ended June 30 2013 compared to $6,5 million on the same period last year. On individual company performance, Fidelity Life Assurance recorded net premium income of $4,2 million compared to $3,6 million in 2012. The Malawi-based subsidiary, Vanguard Life Assurance, recorded premium income of $1,3 million compared to $1,7 million in 2012 while Fidelity Funeral Assurance recorded an unchanged premium income of $1,2 million. "Operations in core products are being streamlined and consolidated to manage costs whilst the upside brought about by the Pension Act in Malawi continues to be experienced by the Malawian subsidiary Vanguard Life Assurance, following the stabilisation of the economic situation in that country," Tembo said. On non-insurance subsidiaries, the micro finance company posted a profit of $ 326 000 with the asset management company recording a profit of $212 695 from a loss of $27 000 in 2012. Tembo said Fidelity Services Company and Zimbabwe Actuarial Consultants were also operating profitably, contributing $156 000 and $28 000 respectively to overall group profits. *(Herald)*

Economic News

SMALL-scale gold miners have taken steps to unlock at least US$35 million in funding facilities from Government amid indications that there have also been numerous pledges of assistance from other financiers and investors. Gold Miners' Association of Zimbabwe president Mr. Morgan Mugawu said in an interview that small-scale miners were scheduled to meet in Kwekwe last Saturday to discuss the logistics. The miners met as part of their annual general meeting during which the issue of financial assistance from Government, local banks and investors was expected to top the agenda. Mr. Mugawu said his members were set to meet officials from the Ministry of Mines and Mining Development as the small-scale gold miners met to form smaller organised groups. The groups would be formed to access US$5 million each in the seven mining regions, namely Harare, Bulawayo, Ka- doma, Kwekwe, Gweru, Gwanda and Mutare. "As a group people will make a proposal of what they require and then the Ministry of Mines and Mining Development will come in and see how they can assist them," Mr. Mugawu said. He said providing financial assistance to small-scale gold miners was critical considering that they account for about 60 percent of the annual bullion produced in Zimbabwe. Zimbabwe produced a total of 14 742 kilogrammes of gold last year and output is projected to reach 17 000 by the end of this year if weakening global prices do not weigh down production. In that regard, the association has made arrangements with other potential financiers such as banks and local investors who have reportedly committed to assist small gold miners. As such, Mr. Mugawu said small-scale gold miners sought to organise themselves into small manageable units to make disbursement and administration of the funding facilities easier. While Government would provide US$5 million in funding per region, banks and other investors want small organised groups of miners to provide funding and critical equipment. "The investors need an association that is organised and an association that has clear structure to be guaranteed that when they provide funding the miners will pay back," Mr. Mugawu said. He said the banks and investors wanted a specific model of organisation to provide support and were actually ready to extend assistance starting with Midlands region of Kwekwe. But Mr. Mugawu said as they restructure to form small groups of miners in each region they would not do away with the requirement for members to produce at least 400g per month. Funding shortage to procure new and modern equipment remain the biggest challenge to increasing gold production in Zimbabwe even among big and established gold mining companies. He pointed out that the Environmental Management Authority was also expected to attend the meeting in Kwekwe to raise awareness among the miners on environmental issues.*(Herald)*

THE Zimbabwe Stock Exchange (ZSE) has tendered for a legal adviser as it steps up efforts to finalise the demutualisation exercise which has been in the cards for years. In a tender notice recently, ZSE said it was seeking to transform itself into a company limited by shares and at the same time update its member rules and listing requirements to synchronise them with the Securities Act (Chapter 24:25) and Statutory Instrument 100 of 2010. Demutualisation refers to a process by which a mutual organisation is transformed into a publicly-traded firm. A mutual company is one that is owned by members for their benefit. According to the notice, the legal adviser would work in co-operation with appointed financial advisors, the ZSE, and other stakeholders as appropriate, to provide legal advice generally regarding the transformation process, prepare the founding documents to corporatise the ZSE, review and align member rules to current legislation and the transformation objective, and review the proprietary rights of current members. "The explicit objectives of the assignment are legal advice on the best transformation process; incorporation of the ZSE as a corporate body limited by shares; legal advice on the equity entitlement of proprietary rights in the ZSE as currently constituted and in the corporatised ZSE," read part of the notice. The demutualisation of ZSE is expected to be completed in January next year. The process has been on the cards for several years with government saying lack of funding was hindering the process that is expected to increase the value of shares. By the end of last year, Government was reportedly considering injecting $4 million to facilitate the demutualisation process.
Stockbrokers have largely been uneasy about the developments at the stock exchange, especially the delays in completing the demutualisation process as the slow process of demutualisation has seen the local bourse lagging behind other regional stock exchanges such as the Johannesburg Stock Exchange. Last month, ZSE boss Alban Chirume said a Mauritian company had been engaged to assist the local bourse on the automated trading system (ATS) process that has been slated for the first quarter of 2014. The rollout was supposed to have been done by December, but has been pushed to next year due to funding constraints. The Mauritian company is expected to review business processes of the ZSE which include tailor-making the system running the ATS, Chirume said. Chirume said the market capitalisation of the ZSE would be close to $6 billion by year end as the economy stabilises in the post-election period. The setting-up of an ATS came at a time when the exchange in June announced that it was currently recruiting an ATS consultant tasked with improving efficiency of the exchange as well as catch up with regional peers. The ZSE initially had plans to roll out the project by year end. The bourse has been working on automating since 2010, but this has been stalled due to funding issues.*(News Day)*

President Robert Mugabe's government is expected to open Zimbabwe's diamond sector to increased foreign investment, as it highlighted that its policy would not seek to "nationalise or expropriate private assets". In a report to investors circulated at the recent United Nations World Tourism Organisation's summit jointly hosted by Zimbabwe and Zambia, the Ministry of Economic Planning and Investment Promotion said the discovery of diamonds in Masvingo highlighted the potential for more opportunities in the sector. Reports suggest that four diamondiferous kimberlites were discovered in Budzi communal lands in Bikita near the border with Manicaland Province. A consortium of Chinese and Zimbabwean firms registered as Nan Jiang Africa Resources applied to the Ministry of Mines and Mining Development for a licence to start exploiting the gems. The firm initially wanted to mine tantalite before discovering diamonds. In the report meant for foreign investors, government said it was buoyed by the discovery, which is likely to consolidate the country's position as a diamond supplier to the international market. Zimbabwe is currently mining diamonds in Chiadzwa, Marange, said to be home to one of the world's richest diamond deposits. "Mining activities at Chiadzwa have significantly increased diamond production in the country. The recent discovery of diamonds in Masvingo area further demonstrates the potential for new explorations and the establishment of mining companies in the country," said the report, funded by the UNDP. "There are also opportunities for diamond cutting, polishing and processing that investors could explore," said the report. President Robert Mugabe's Zanu-PF party swept to power in a landslide victory in polls held on July 31 on the back of an aggressive economic empowerment programme primarily targeting local control of foreign-owned mining firms. It is not clear how government would balance its ambition to attract foreign investment with the indigenisation campaign, largely viewed by critics and the opposition as expropriation. Several reports have indicated that Zimbabwe was among the top 10 growth performers in Africa between 2009 and 2012. The country registered average growth rates of 8,5 percent between 2009 and 2011.

But growth has been affected by wide-ranging negative macro-economic fundamentals since 2012. The manufacturing sector is in crisis, and government has been looking up to its vast mineral reserves to arrest the slowdown. However, global investors have been skeptical about pumping investments in a destination that has escalated threats to force indigenisation on foreign-owned companies. But the report said Zimbabwe was reviewing its attitude. "It is not government policy to nationalise or expropriate private assets," it said. "The focus of government is on broad based economic empowerment whose thrust is to ensure that the majority of Zimbabweans are integrated into the mainstream economy. Investors are urged to actively engage with the government and private sector to promote joint ventures and partnerships," it added. Diamond mining had been concentrated in the controversial Chiadzwa fields, where four mines have established operations in partnership with the State-run Zimbabwe Mining Development Corporation (ZMDC). But the ZMDC's presence in the fields has raised the ire of local and international stakeholders, who allege that it has been engaging in "secretive" deals. The Africa Progress Report (APR) recently fired a broadside at the ZMDC for alleged "secretive" deals. The ZMDC's involvement in the diamond sector was a "commercial monopolisation" of the industry, according to APR. In Chiadzwa, the ZMDC controls 50 percent shareholding in three of the four mines operating there, and a 100 percent stake in Marange Resources, the fourth operation exploiting the gems. *(Bulawayo24)*

NEWLY appointed Finance Minister Patrick Chinamasa says Government's priority would be growing the domestic economy and increasing participation of indigenous people in mainstream economic activities. Minister Chinamasa said this in an interview immediately after the swearing in of the new 26-member Cabinet by President Mugabe at State House yesterday. Minister Chinamasa said that the new frontier of Zimbabwe's struggle was now the economy after the country secured political independence and sovereignty. "Government's priority is to grow the economy and increase the participation of our indigenous people in the economy from current levels," he said. Minister Chinamasa pointed out that Government efforts to boost economic growth come under a barrage of economic sanctions from Western countries hence the need to scout for new relations with nations of similar psyche. "Of course, we do so (growing the economy and indigenisation) under a regime of (illegal) sanctions so we need to identify new economic friendships." He, however, would not be drawn into commenting on other economic issues his ministry and the Government will need to work on to ensure sustainable economic growth and development. The new Zanu-PF-led Government has its work all cut out and will need to hit the ground running in light of economic recovery growth running out of steam. Government has projected economic growth at 4,5 percent this year on slower growth in agriculture and mining. This contrasts sharply with 7,1 percent average economic growth that characterised the period 2009 to 2011. The single biggest constraint to sustainable and rapid economic growth in Zimbabwe has been the limited availability, access and high cost of long-term funding. Other issues include rolling power cuts due to the shortage of power, high cost of labour and utilities, shortage of raw materials, old and inefficient equipment, poor infrastructure and competition from low-priced imports.

However, the upside potential for domestic economic growth remains immeasurable due to abundance of world sought mineral resources, excellent climate for agriculture, high literacy rate, skilled and educated workforce. In addition, Zimbabwe's potential to grow, besides being one of the few lucrative last frontiers of growth, is limitless as it is coming from a low base after a decade of recession that decimated about half of its gross domestic product. Speaking shortly after being sworn in, new Mines and Mining Development Minister Walter Chidhakwa said mining contributes significantly to the economic growth of Zimbabwe in a number of ways. "Mining contributes significantly to the economic growth of Zimbabwe from the point of view of investment generation in mining. Mining is nothing other than promoting investment into the sector. There is need for greater inflows of foreign investment. "There is need to promote value addition to the greater benefit of the local economy. There also is need to create employment opportunities and increase foreign exchange inflows to feed into the balance of payment support," the new minister said. However, Minister Chidhakwa said it was unfortunate that Zimbabwe and Africa at large had suffered the ignominy of foreign ownership that in most cases saw the repatriation of export proceeds for the benefit of foreign countries. To that end, he said it would be critical to continue to broaden international economic relations and partnerships to attract fresh investment into the mining sector. Former Mines and Mining Development Minister Dr Obert Mpofu, now in charge of Transport Communications and Infrastructure Development, said Government priority would be attending to issues surrounding transport, roads, airlines, poor infrastructure as well as the people's aspirations. *(Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe will increase economic ties with friendly countries like China to develop its economy as Western nations maintain their sanctions after President Robert Mugabe's re-election, the new finance minister said on Wednesday. Mugabe, Africa's oldest leader at 89 who won a fresh five-year term in a July 31 vote his opponents say was rigged, on Wednesday swore in his cabinet, including Finance Minister Patrick Chinamasa who was named on Tuesday. Pointing to multiple flaws in last month's election cited by domestic vote observers, Western governments, especially the United States, have questioned the credibility of the outcome and are considering whether to prolong sanctions against Mugabe. However, African election observers broadly endorsed the voting and its result as peaceful and free. Chinamasa told reporters the ZANU-PF party government had accepted the reality that the West would not remove financial and travel sanctions on Mugabe and his senior allies and would not release any direct financial assistance. "Because the doors have been closed by those who used to be our traditional partners, we have to intensify new economic relationships and friendships. That means every country that is friendly to Zimbabwe, including China," he said. After Western states imposed sanctions a decade ago against Mugabe over alleged violations of democracy and rights abuses in the former British colony he has ruled for 33 years, China has emerged as a major investor in the southern African state. It has built the largest alluvial diamond mine in the east of the country and runs the biggest ferrochrome producer. A Chinese-backed firm will start mining coal in western Zimbabwe and build a 600MW coal-fired power station next year. The government has also given $1.7 billion of contracts to Chinese firms to expand the country's two largest power plants.

Under the now dissolved unity government that followed a disputed 2008 election, the economy had begun to recover. The International Monetary Fund said in June it agreed to monitor economic programmes until the year end, paving the way for the clearing of billions of dollars of Zimbabwe's debt arrears. Chinamasa, ZANU-PF's top legal official and a staunch defender of Mugabe's re-election, refused to comment on whether these programme would continue but said the economy faced enormous challenges. While Washington has made clear it intends to maintain U.S. sanctions, Belgium, the centre of the global diamond trade, is demanding that the European Union lift sanctions on one Zimbabwean mining firm. Mugabe later told reporters on Wednesday his new cabinet would focus on agriculture and diamond and gold mining to raise money to re-start shut industries and increase government wages. "We should organise quick-yielding sectors of the economy and these are agriculture and mining. These are the sectors I am looking at to get money quickly," the president said. Last month, he threatened "tit-for-tat" retaliation against companies from Britain and the United States if those Western nations persisted in pressuring his government with sanctions and what he called "harassment". *(Reuters)*

Government will emphasise on addressing the problem of funding that has constrained industrial capacity utilisation, productivity and efficiency of manufacturing firms, says new Minister of Industry and Commerce Mike Bimha. The minister said while the domestic industry was faced with a number of challenges, the single biggest problem was access to affordable long-term funds. "It is fortunate that I am not new to the problems facing industry. I have been in the Ministry (of Industry and Commerce) for the past five years," he said referring to his time as deputy minister in the inclusive Government. "I also came from industry and I am familiar with most of the players in industry, so I have access (to information) and we can freely engage," the minister said. "The issue is that we know the challenges facing industry and Government had put in place policies such as the Industrial Development Policy and the Trade Policy to deal with these." Minister Bimha said what was lacking was the full implementation of the policies, but the pointed out that the greatest challenge lay in securing funding. "There are other challenges (facing industry) of the enablers such as electricity and water, but the main one is, really, mainly on the funding side," he said. This comes as Finance Minister Patrick Chinamasa on Wednesday said Government's preoccupation over the next five years would be spurring economic growth and increasing indigenous participation in the mainstream economy. Earlier, Government indicated that industry will require about US$2 billion to resolve the issues around capacity utilisation, old equipment and efficiency. Industrial capacity has fallen to around 45 percent due to lack of fresh capital injection for new equipment and technology and working capital to raise output. Following a decade of recession characterised by hyperinflation Zimbabwe eventually adopted the multi-currency system in 2009, but with a dormant industry, no foreign capital inflows or external lines of credit, liquidity became an issue. The situation has been compounded by exponential growth in imports due to depressed industrial activity, which drains most of the liquidity in the economy. As a result of tight liquidity in Zimbabwe financial institutions have maintained significantly expensive interest charges on mostly short-term loans. Nonetheless, even if local funding was reasonably priced, with US$4,43 billion total banking deposits the country would still remain with a yawning funding gap. Government funding facilities such as the Distressed Industries and Marginalised Areas Fund and the Zimbabwe

Economic and Trade Revival Fund had a positive impact on selected firms but are not enough to plug the funding gap. Against this backdrop, Government will need to unlock several external multimillion-dollar lines, ensure increased inflows of foreign direct investment, portfolio inflows and promote growth of exports to improve liquidity in the economy. Apart from the battery of factors hounding local industry Government will also need to support the agricultural sector to increase output and productivity. Shortage of raw material is also a major problem for local industry. Minister of Agriculture, Mechanisation and Irrigation Development Dr Joseph Made said while the private sector has a role in supporting agriculture it was Government's responsibility to fund agriculture to ensure food sufficiency. Minister Made said the agro-industry was the basis for driving economic growth, employment and wealth creation, hence the need for the private sector and Government to fund agriculture to improve production and per unit yields. About 60 percent of raw materials used in the manufacturing industry come from agriculture, which underlines the need to strategic importance of the sector to industry. *(Herald)*

THE basket for a family of six rose to $562,52 for the month of August from $561,32 in July due to an increases in the food basket, the Consumer Council of Zimbabwe (CCZ) has said. According to CCZ, the family basket rose by $1,20 due to an 88-cent increase in food basket from the July figure. During the month of August, margarine 500g prices increased by 7 cents to $2,30, 10kg mealie-meal was up 28 cents to $11,98, 500ml fresh milk increased to 73 cents from 70 cents in July. Flour 2kg increased a cent up to $1,89 while rice 2kg, salt and washing powder 500g rose by 16 cents. The developments come at a time when the country's inflation rate has been easing on the back of a weakening rand. Decreases were noted in the prices of a kilogramme of beef, that went down to $3,85 from $3,90 while 750ml cooking oil was down to $1,75 from $1,78. Prices for tomatoes a kilogramme declined by 14 cents to 61cents, onions went down to 95 cents, cabbage declined 6 cents to 49 cents while laundry soap fell 4 cents to $1,25. "The price decrease in tomatoes and onions can be attributed to the seasonal increase in supply in the market," the consumer watchdog has said. CCZ said prices of other basic commodities such as sugar, tea leaves, bread and bath soap, remained unchanged from July. Experts say consumers are hard pressed for cash due to liquidity constraints besetting the economy. The majority of the consumers are earning salaries that are below the poverty datum line at $500 per month. According to the Zimbabwe Statistical Agency, year-on-year inflation for the month of July stood at 1,25% shedding 0,62 percentage points on the June 2013 rate at 1,87%. This means that prices measured by the all-items index increased by an average of 1,25 percentage points between July 2012 to this year. Year-on-year food and non-alcoholic inflation stood at 1,74% while the non-food rate was 1,00%. In January this year annual inflation opened at 2,5% and softened in the first six months of this year to 1,9%. *(Herald)*

Disclosures Appendix

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