SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	11-Jan-13	18-Jan-13	Local	USD	Local	USD
Botswana	DCI	7,522.81	7,543.91	0.28%	2.80%	0.45%	1.80%
Egypt	CASE 30	5,754.51	5,661.25	-1.62%	5.71%	3.64%	3.69%
Ghana	GSE Comp Index	1,216.96	1,172.39	-3.66%	-7.26%	-2.28%	-4.09%
Ivory Coast	BRVM Composite	168.64	170.79	1.27%	-4.45%	2.53%	-4.48%
Kenya	NSE 20	4349.87	4500.09	3.45%	6.74%	8.88%	12.94%
Malawi	Malawi All Share	5,998.30	5,998.30	0.00%	20.16%	-0.29%	19.59%
Mauritius	SEMDEX	1,757.35	1,786.93	1.68%	-1.66%	3.17%	3.34%
	SEM 7	344.21	351.76	2.19%	-1.17%	4.29%	4.46%
Namibia	Overall Index	1,020.00	1,002.82	-1.68%	1.09%	1.68%	4.78%
Nigeria	Nigeria All Share	29,203.53	30,928.60	5.91%	4.35%	10.15%	10.01%
Swaziland	All Share	286.84	286.84	0.00%	3.60%	0.41%	3.79%
Tanzania	DSEI	1,485.02	1,492.17	0.48%	2.41%	0.44%	2.39%
Tunisia	TunIndex	4,672.01	4,745.10	1.56%	-1.60%	3.61%	-0.38%
Zambia	LUSE All Share	3,574.78	3,551.36	-0.66%	5.27%	-4.67%	1.19%
Zimbabwe	Industrial Index	159.90	165.46	3.48%	3.48%	8.57%	8.57%
	Mining Index	72.25	73.13	1.22%	1.22%	12.30%	12.30%

CURRENCIES

	11-Jan-13	18-Jan-13	WTD %	YTD %
Currency	Close	Close	Change	Change
BWP	7.74	7.83	1.10	2.27
EGP	6.50	6.57	1.11	8.60
GHS	1.87	1.90	1.50	-0.44
CFA	501.63	492.49	-1.82	-0.58
KES	85.14	85.45	0.36	-0.17
MWK	321.61	323.35	0.54	0.73
MUR	29.50	29.42	-0.27	-3.71
NAD	8.45	8.68	2.72	2.49
NGN	154.01	155.58	1.02	-0.33
SZL	8.47	155.58	2.71	2.94
TZS	1,574.61	1,579.44	0.31	0.28
TND	1.56	1.55	-0.59	0.17
ZMK	5,176.20	5,176.20	-	-0.17

SECURITIES AFRICA

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Botswana

Corporate News

Botswana focused exploration company, Impact Minerals has earned a 51 percent participating interest in the Xade Nickel-Copper project near Gantsi in the Kalahari copper belt where drilling is in progress. The Xade Project covers a poorly explored gabbro intrusion (the Xade Complex) in central Botswana with excellent potential to host deposits of copper-nickel sulphides. In a statement, the company said the project is close to excellent infrastructure and the Orapa diamond mine. Impact entered into an option agreement with private company Manica Minerals Limited (Manica) to spend P9.5 million ($1.2 million) over two years to earn a 51 percent interest in the Xade project and this requirement has now been met. "Impact has until the 19th February 2013 to elect to proceed to a Joint Venture with Manica and a further 90 days to elect to increase its interest in the project to 75 percent by defining an Indicated Mineral Resource. "Drilling commenced at the Xade project in November 2012. To date, three of five planned pre-collars to test areas of interest identified from airborne magnetic data and geochemistry studies have been completed and a fourth is in progress. Diamond drilling has been completed at one hole and detailed interpretation of the core is in progress," reads the statement.

The Xade Deposit is part of the lucrative Kalahari copper belt, which is home to Discovery Metals recently opened Boseto Mine and the Hana mine banana deposit. Apart from interest in copper, the Australian firm has also made inroads in uranium developments in Botswana. Recently the company announced that it has discovered large quantities of uranium deposits in the Central District, adding impetus to the Australia Stock Exchange-listed miner's quest to open a mine in Botswana soon. In a statement circulated to shareholders last year, Impact says it has unearthed significant uranium resources in the Shoshong and Ikongwe areas, some of them very close to the surface. Impact's 100 percent owned Shoshong and Ikongwe prospects are located 150 kilometres north of Gaborone and 150 kilometres south of a large Letlhakane uranium project owned by another Australian company, A-Cap Resources. Impact's targets in Botswana have the potential to host very large deposits of uranium mineralisation in a country ranked first place by the Fraser Institute in its 2009 survey of mining jurisdictions in Africa. *(Mmegi)*

Economic News

Prices of goods and services in Botswana rose at a slower rate of 7.5 percent in 2012 compared to 8.5 percent in 2011. The decline in inflation was however not much relief for consumers in a year that was characterised by stagnant salaries and lower government spending. According to figures released by the Statistics Botswana yesterday, average inflation for last year eased to 7.5 percent from 8.5 percent, 6.9 percent, 8.2 percent, and 12,6 percent in the previous four years respectively. Among the chief drivers of inflation last year included fuel prices, which went up three times by a cumulative P1.50 per litre, water tariffs (10%), food, alcoholic beverages through the levy, and other administered prices and government levies. While the average annual inflation rate came in at a percentage point lower, the central bank maintained the benchmark bank rate at 9.5 percent throughout the year citing reduced output in the medium term In a statement released late December after the last sitting of the Monetary Policy Committee, the central bank said economic output will remain below potential in the medium while inflation is expected to move toward the bank's target in the second half of 2013 but will remain above target in the short run due to temporary factors.

Botswana's Gross Domestic Product rose by 5.7 percent to the year ended in June with non-mining output up by 12.1 percent. Mining output was down by 24 percent though. Non-mining GDP is expected to remain below potential in the medium term and therefore be non-inflationary, the bank said. Annual inflation, which stood at 7.4 percent as at December 2012, has stubbornly remained above the bank's objective since December 2009, due to a combination of exogenous and domestic factors. Economist Keith Jefferis said in a 2012 third quarter economic update that he expects inflation to fall below the six percent upper end of the BoB's inflation objective range by April this year, and fall significantly to below five percent by mid-year. He added that inflation should decline slowly through to the end of the year."Apart from the impact of fuel prices, there have been declining inflationary pressures in most other commodity groups. Even rising international food prices do not seem to have resulted in regional or domestic price pressures, and food price inflation has remained below eight percent," he said. The former Bank of Botswana deputy governor explained that the easing inflationary pressures primarily reflect recent changes to the Pula crawling peg, which will gradually reduce the impact of imported inflation on the headline rate.

During early 2012, the central bank made an adjustment to the crawling exchange rate regime, which has seen the Pula firming against the Rand while losing weight against the US Dollar and the Euro. The asking rate for a Rand has now fallen to an average of 90 thebe from as much as 94 thebe, rendering the South Africa currency cheaper to Pula currency holders. "The changes in the exchange rate calculation will mean the pass-through of imported inflation will be sharply reduced, which will help to bring inflation within the Bank of Botswana's 3-6 percent objective range during 2013," Jefferis said in the report. Apart from exchange rate effects, electricity prices have been seen as an important determinant of inflation shocks. Jefferis said tariffs have been held down for several years, as a result of political decisions, despite the rapidly rising cost of electricity supply. Electricity tariffs were not increased last year but increased pressure on BPC finances, largely through the repayment costs on Morupule B loans and continued imports due to delays in the commission of the new 600 MW plant might compel government to review the tariffs soon. *(Mmegi)*

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Egypt

Corporate News

Shares in gold miner Centamin jump 10 per cent at the London Stock Exchange, with traders citing a "positive" interview on Egyptian television which saw the country's petroleum minister lending his support to the company which has in recent months been rocked by interference from authorities. Egypt's Petroleum Minister, Osama Kamal, told a programme on Egypt's CBC channel this week that the country's agreement with Centamin was a "good model." He added that he was keen for the relationship between Egypt and Centamin to continue. Since October Centamin has been plagued by troubles in Egypt. A court has questioned its right to produce gold at Sukari, its sole-producing mine, customs officials have held up exports and the country's petroleum ministry has disrupted fuel supplies. Shares in Centamin have gained 44 per cent since Monday after gold exports from Egypt resumed and the company posted annual production which came in 5 percent ahead of guidance, showing its resilience to the problems it has been facing in Egypt. Egypt's largest gold producer was compelled to halt production in October and December of 2012, following disputes with the Egyptian government over diesel fuel supply and gold exports. *(Egypt.com)*

Qatar National Bank hopes to complete the purchase of Societe Generale's Egyptian unit in the next two months and won't be deterred by the currency crisis in the north African country, it said on Wednesday. The Gulf state's largest bank said in December it would buy the French bank's 77% stake in National Societe Generale Bank, with the buyout of minority shareholders taking the price to around $2.56 billion. Egypt has subsequently been hit by a currency crisis, with the pound dropping around 6% in value against the dollar to 6.58 since the introduction of a new system of foreign currency auctions on Dec. 30. "When we priced the deal, we went in expecting the exchange rate to drop - we expected 10 to 15% and that is embedded in the deal," Ramzi Mari, Qatar National Bank's (QNB) chief financial officer, told an analysts' call. He added the bank wouldn't withdraw its offer if the pound dropped below 7 to the dollar, equivalent to a decline of between 15 and 17%. Mari added any depreciation in the currency both before and after NSGB was formally purchased wouldn't impact QNB's profits. QNB expects Egypt's central bank to approve the purchase in the next two weeks, Mari said, with the buying process hopefully completed in two months and with NSGB consolidated into QNB's accounts from the second quarter of 2013 onwards. A tender offer to minority shareholders which control 23% of NSGB's stock must be completed under Egyptian market rules. No date for this has been announced but it is likely to be after central bank approval has been secured. QNB is also targeting further acquisitions in north Africa and Turkey, but the bank had "nothing material happening" in terms of asset buys, Mari said, adding it had enough cash to complete a purchase without raising funds from the market.

The Qatari bank, along with Commonwealth Bank of Australia and Industrial and Commercial Bank of China, is said to be a suitor for Rabobank's Indonesian unit, sources told Reuters on Wednesday. Before including NSGB in its accounts, QNB expects net profit to rise 10% in 2013, with loan growth around 15%, Mari said. QNB reported on Sunday respective growth for 2012 of 11.1% and 28.9%. The bank said at the time it would pay a cash dividend of 60% of nominal earnings per share value, equivalent to 6 riyals per share. Mari said the cash dividend was higher than the 35-40% offered in previous years and would be an "exception" as the bank judged the right blend of cash and stock dividend. QNB paid no bonus shares this year, a move that upset local investors which had expected a stock component - the share price suffered its biggest one-day drop in 12 months the day following the results announcement. In terms of future dividends, Mari said the bank had the capital reserves to continue paying cash dividends above 40% without threatening its capital position. "Whether we pay 40-50%, it doesn't matter. Any time we need new capital, our biggest shareholder will be happy to put in new funds," Mari said. QNB is 50% owned by the Qatar Investment Authority, the sovereign wealth fund which has led the bulk of the gas-rich Gulf state's international acquisitions in recent years, including stakes in Barclays, carmaker Volkswagen and luxury store Harrods. *(Reuters)*

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Economic News

The Public Funds Prosecution announced that it had recovered almost LE1 billion from former regime officials, in addition to land in Hurghada valued at over LE1.5 million, in reconciliation settlements in less than a month. The prosecution is reconciling with the officials to pay back funds they obtained illegally in return for dropping lawsuits against them, such as Ahmed al-Maghrabi, the former housing minister, Anas al-Fiqqi, the former information minister, Hassan Saqr, the former head of the Egyptian Football Federation, and businessman Hamed al-Sheity. The prosecution spokesperson had said in November that prosecutors recovered some LE11 billion and are working on recovering another LE50 billion. *(Egypt.com)*

A judicial source said on Sunday that Hosni Mubarak's lawyer would probably request his client's release pending investigation, now that the Court of Cassation accepted his appeal in the case of killing demonstrators. The source added that Mubarak is detained for 15 days pending investigation in another case related to illicit gains by exploiting his powers. Another source at the Public Funds Prosecution said that Mubarak's family has not settled the amounts he is charged with gaining illegally. The source said that the former president's lawyer only offered to do so verbally regarding the gifts he received from the Al-Ahram newspaper, estimated at LE20 million. *(Egypt.com)*

European Council President Herman Van Rompuy, visiting Cairo, said on Sunday the European Union and other financial institutions had offered Egypt over 5 billion euros to support Egypt's democratic transition. "The European Union and associated financial institutions have offered an amount of more than 5 billion euros, or more than USD 6.5bn, in grants, concessional loans and loans for a period of 2012 and 2013 to support Egypt's democratic transition," Rompuy told reporters. *(Reuters)* Egypt hopes to resume talks with the International Monetary Fund on a crucial $4.8 billion loan soon as it struggles to prop up an ailing economy wrecked by protracted political unrest. Egypt's loan agreement was approved in principle in November, but subsequent turmoil forced the government to delay a series of bitter austerity measures deemed necessary to win the IMF board's final approval. Addressing a business forum in Cairo, Prime Minister Hisham Kandil said government had agreed a "home-grown fiscal and financial programme" as part of the deal. "Because of the domestic situation we had to postpone that, so we are doing a quick evaluation. We are going to be back on track very soon," he said. "We invited another mission of the IMF to again realign the programme so we can move forward with our national reform programme to handle the budget deficit, to handle the fiscal problems so we can move forward with growth." Political unrest and sometimes violent protests in late November and early December set off a rush to convert Egyptian pounds to dollars, sending the currency to record lows on fears of a messy devaluation. Officials said earlier an IMF team was expected to visit Cairo in two to three weeks. Egypt's newly named central bank chief said last week there was no need to be worried about the situation. "We are committed to reform. We are committed to deal with the budget deficit," Kandil said. He added Egypt planned to hold an international economic forum in coming months to highlight investment plans and would also hold business road shows to attract investors. *(Reuters)*

Moodys Investors Service on Thursday placed Egypts B2 government bond ratings on review for possible downgrade, citing heightened uncertainty around the country's politics and its ability to secure international financing. The main factor behind the move "is the country's return to unsettled political conditions despite the ongoing transition to civilian rule," the rating agency said in a statement. "The second driver underpinning the review for possible downgrade is Egypts postponement of a preliminary, staff-level agreement that was reached with the IMF on 20 November 2012," Moodys added. Egypt could see a cut by one or two notches, the agency said. Standard & Poors currently rates the country B-minus with a negative outlook; Fitch rates Egypt B-plus, also with a negative outlook. *(Egypt.com)*

Ghana

Corporate News

Tullow Oil P.L.C is now putting the current production of crude oil at the Jubilee field around 110 thousand barrels. The announcement was contained in the firm's trading statement and operational update released on Saturday. Some of the partners at the jubilee field were looking at hitting the 120 thousand targets by close of last year. But with this announcement, it appears the target might take a while before it is achieved. Speaking to Joy Business from London, Head of Media Relations at Tullow Oil P.L.C, George Cazenove attributed the delay to some technical challenges with the FPSO. Mr. Cazenove also described last year as quiet successful because of production from the Jubilee field. It had been estimated that the field would produce on the average 120 thousand barrels of oil a day, a few months after the commencement of production. The Jubilee field has now produced a little over 50 million barrels of oil since it began production in 2010. *(Ghana Web)*

Phoenix Insurance (PI), a private insurance company, has this year targeted to rake-in 35 per cent more of the premium income it earned during the 2012 financial year. Mr Michael Okyere Baafi, Head of Marketing with PI, who disclosed this to the Ghana News Agency on Tuesday in Accra, said management had initiated programmes to ensure that the target was met. PI's premium earning for 2012 stood at GH¢20.9 million but management is highly optimistic the target for 2013 would surely be realised. Mr Baafi said management was poised to roll out integrated marketing communication programmes to enable the company's brand and products become more common and accessible. "This year, we are going to raise the Phoenix brand to a higher level, thus making it a household name", he said. Mr Baafi said management would use the media, social networks, client relations, corporate social responsibility and the company's prompt claim payment records as effective platform and tools to achieve "brand equity." He said it was the aim of the company to be among the best performing insurance companies in terms of prompt payment records.

Mr Baafi expressed optimism that the company had positioned itself to take bigger businesses this year than it did the previous years. "There is new investment coming in because CDH Financial Holdings (a financial services group with a number of subsidiaries in commodities trading, stock brokerage, asset management, and general lending) is coming on board to partner us. This gives us a bigger base to carry bigger risks" he added. Mr Baafi said the company currently could boast of best resourced and well-motivated team ready to deliver. He said management was optimistic 2013 would offer the company opportunity to do good business. Mr Baafi said this stemmed from the fact that the new Government was expected to build new 200 schools, construct roads, give off loans and to create the environment for investment.

He said the company would adopt an effective strategy in order to position itself in the minds of Government, players in the construction industry and other stakeholders to grab good business deals. Mr Baafi underscored the business opportunity that the new Insurance Act 2006 (Act 724) would offer to players in the insurance industry and stressed that PI would take advantage of the business fortunes the Act presented. The Act orders owners and occupiers of commercial and public buildings to insure them as a matter of compulsion. PI is a private limited liability insurance company incorporated in Ghana in 1995 and has both local and foreign shareholders, with CD Investment Limited, a Ghanaian consortium of investors, having a majority stake. *(Ghana Web)*

Though management of Agricultural Development Bank (ADB) remains resolute in its plans to list on the Ghana Stock Exchange (GSE) this year, it is not known what Government's intentions are since it is the largest shareholder. Information gathered by CITY & BUSINESS GUIDE indicates that the unanimous decision to list on the Accra Bourse by the board and management of the prestigious bank was taken during the previous Mills administration. But now that there has been a change in leadership, it is unclear whether the new crop of political leaders would be willing to lend support to the listing process, which is billed to rake in more capital to the long serving bank in the country and expand its frontiers. It is true that the National Democratic Congress (NDC)-led administration is still in control but positions are changing hands following the general elections for which reason it has become a bit unpredictable. The uncertainty covering ADB's situation can only delay the bank's plans to end state ownership and become a private entity. The bank wanted to go public before the general elections last year but the activity was delayed because management was a bit apprehensive of a power transfer after the elections, Yvonne Quansah, Acting Director of the Financial Services Division at the Finance Ministry, announced last year. Whichever party takes power after December will continue to oversee the transition, she said.

The ADB is currently 52 percent owned by the government and 48 percent owned by the Financial Investment Trust on behalf of the Bank of Ghana. Agricultural Development Bank (ADB) handed over the first prize award of a fully furnished 3-bedroom house to the government as the first prize award to the 2010 National Best Farmer. ADB won the 2012 Agricultural Development Bank of the Year category after emerging tops in a competition, which included Agriculture Finance Corporation, Kenya; Land Bank, South Africa; Principal Bank for Development and Agricultural Credit (PBDAC), Egypt; Agribank of Zimbabwe, Development Bank of Mauritius, National Bank of Malawi and PTA Bank. *(Ghana Web)*

Chirano Gold Mines Limited (CGML) hit 292,534 ounces of gold last year, exceeding its projected production target by about two percent, Mr Ken Norris, the General Manager, has said. The company had estimated to dig out 287,178 ounces of gold during the period. He said the achievement was the result of teamwork, operational efficiency and high quality of the ore. Mr Norris, speaking to journalists at the mine site Akoti-Etwebo in the Bibiani-Anhwiaso-Bekwai District, predicted that 2013 would be an exciting year as they go into open pit operations in May and hope to create more job openings, particularly for the youth in the area. CGML, which is 90 per cent owned by Kinross Gold Corporation (KGC) based in Canada with the Government of Ghana holding a 10 per cent carried interest, presently employs about 720 people. He said providing employment to majority of the young people was a priority and that they would do everything to assist them to acquire skills which would enable them to compete in "our job environment". Already some are being sponsored at the Obuasi Anglogold Mine Training School, while others are receiving training at "various locations on our site".

Mr Norris reaffirmed their determination to maintain high standards of environmental safety and to progressively restore all mined areas and said they have an entire department in the United States of America (USA), seeing to it that, they keep to international best practices. The General Manager said they have also been mindful about their social impact and have been working hard to assist transform and significantly improve the lives of the population. He said in 2012, the mines' total expenditure on community development projects came to US$3,355,034.00. This involved the construction of classroom blocks, teachers' accommodation, Information Communication Technology (ICT) centres, health, water, and sanitation infrastructure. Akoti, Etwebo, Akaaso, New Obrayeko, Lawerkrom, Kwaanikrom, Paboase, Subri, Kunkumso, Surano, Anyinasie, Atiakrom, Ntrentreso, Nsonyameye and Baako-Nka were among the beneficiary communities. *(Ghana Web)*

Economic News

Economic growth slowed in the third quarter of 2012 as the services sector, which provides the largest chunk of output, shrunk for the first time in five quarters, by 2.2 percent. The Ghana Statistical Service (GSS) said on Wednesday that growth was 1.7 percent in the third quarter year-on-year, down from 3.2 percent and 15.7 percent in the second and first quarters respectively. It said the agricultural sector recovered from a slump of 0.1 percent in the previous quarter with an expansion of 4.6 percent in the third quarter, while industry surged by 3.6 percent, driven by construction and mining activities. Growth in agriculture was boosted by crop production, which increased by 9.4 percent, but livestock, forestry and fishing declined by 20.5 percent, 7.5 percent and 24.2 percent respectively. In the services sector, transport and storage as well as communication activities contracted, leading to the negative growth recorded, but financial services, hotels and real estate business grew substantially. Despite the slowdown in the third quarter, the pick-up in oil production together with the rise in spending during the holiday season are factors that may have boosted GDP in the last quarter of the year, figures for which will be published at a future date.

In September 2012, the GSS projected annual growth of 7.1 percent for the economy, half the pace in 2011 when oil production raised GDP growth to double digits for the first time in more than two decades. President John Mahama, who was sworn in on Monday to begin a full presidential term, has said his policies will grow the economy by 8 percent or more per annum, and raise the per capita income – currently in the region of US$1,500 – to US$2,300 by 2016. He has also promised to accelerate job-creation using investments in industries such as petrochemicals and fertiliser-manufacturing, which will be powered by natural gas expected to be supplied from Ghana's oil fields. With oil production forecast to hit 120,000 barrels per day in 2013, government revenues from the sector could ramp up to at least US$1 billion and stimulate additional infrastructure investments in critical sectors such as energy and roads. Dr. Kwabena Duffuor, now the interim Finance Minister, told B&FT in October he expected the economy to expand by between 8 and 9 percent this year as oil production climbs and investments rise due to the stable macro-economy. *(Ghana Web)*

Interest rates on long term funds could be declining in coming months. That's if the almost 17 percent of governments' offer to investors who participated in Thursday's bond issue is anything to go by. Treasury bills are currently hovering round 23 percent while return on long-dated instruments such as the five year bond is pegged at 26 percent. Usually the return often gives an indication of government's preparedness to borrow from the market. This also eventually influences the rate commercial banks lend to businesses and individuals. Head of Brokerage at ECOBANK capital, Mahama Iddrisu tells Joy Business borrowers could expect a decline in lending rates. But Investment Analyst with SIC Financial Services, Derick Mensah tells Joy Business it is however important for the expectations of borrowers to be managed. Meanwhile, foreign investors appear to have renewed their confidence in the economy after heavily oversubscribing governments' three-year bond. The government paper auctioned yesterday was oversubscribed by almost 500 percent.

Though government sought to raise 400 million cedis, it received 2.2 billion cedis from investors. Out of this, 1.8 billion Ghana cedis came from foreigners. Government however accepted 402 million Ghana cedis. Acting Finance Minister Dr. Kwabena Duffour has rejected arguments yesterday's three year bond was oversubscribed because of the yield it offered to investors. The bond will have a yield of 16.7 percent down from the 21 percent offered to investors in the three-year bond issued in October 2012. Proceeds from the offer will be used to settle the country's maturing bonds. *(Ghana Web)*

The Ghana Statistical Service (GSS) says it will start using a revised Consumer Price Index (CPI) basket to calculate inflation from March. The review of the basket is to reflect changes in household expenditure patterns over time. The resulting new CPI index will have 2012 as the base year, the GSS said. The current index uses 2002 as the base year. It added that the review is a regular exercise conducted every five years, and is not informed by disputations over inflation figures published by the Service. "We are trying to make the basket accommodate current happenings. This is because expenditure patterns have changed and there are some items in the basket which have become obsolete," acting Government Statistician, Philomena Nyarko, told B&FT in an interview. "We are finalising our data and so by March we should be implementing the rebased figures," she added. The new basket will comprise 272 commodities, up from the current basket's composition of 242 items, after additions and subtractions were made. New weights will be assigned to the commodities to reflect their relative importance in current household consumption. Transport and communication are among items that will see higher weightings as they now make up a bigger share of household spending than previously. This should see non-food items, like transportation, communication and health account, for almost 60% of goods in the basket. Mr. Asuo Afram, Head of Price Statistics at the GSS, explained that that the GSS arrived at the new basket and weights after studying the Ghana Living Standards Survey 5 (GLSS 5) and national accounts, and after broad consultations with the Bank of Ghana, the finance ministry and other stakeholder groups. He said the rebasing of the CPI basket is to meet the international standards. "Just like the rebasing of the country's GDP estimates, the review of the way inflation is calculated is also to ensure that the rate better reflects what pertains on the ground." *(Ghana Web)*

The Agricultural Development Bank (ADB) has suspended plans to list itself on the Ghana Stock Exchange, a move that will delay the bank's plans to end state ownership and become a private entity. The act of listing a company on the stock market is an essential step in the process of going public. Yvonne Quansah, Acting Director of the Financial Services Division at the Finance Ministry, announced that the delay is in response to a potential transfer of power in the upcoming elections. Whichever party takes power after December will continue to oversee the transition, she said. The ADB is currently 52% owned by the government and 48% owned by the Financial Investment Trust on behalf of the Bank of Ghana. *(Ghana Web)*

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The opening of the Delegation of German Industry and Commerce in Ghana is helping to deepen economic activities between Ghana and Germany. This year is cut to see deeper Ghanaian-German relations, particularly in the area of economic cooperation and private capital flows, following the establishment of a German Chamber of Commerce Delegate Office and the successful organisation of a world class event in Ghana. The Delegate of German Industry and Commerce in Ghana (AHK Ghana), Mr Patrick Martens, told the GRAPHIC BUSINESS in an exclusive interview that a lot of work had been done in the last quarter of last year to sell Ghana to the German private sector which had shown strong interest in relating with Ghana. "We had an Africa Roadsow in Germany in November last year during which the Delegate offices in Kenya, Angola, Nigeria and Ghana visited nine different locations in Germany, meeting with business associations and industries to market Africa, Ghana and West Africa. This is how AHK is helping promote the market," Mr Martens explained. He said following that road show coming at the back of the West Africa Clean Energy & Environment Exhibition and Conference (WACEE), a lot of German companies that hitherto did not trade or have links in the region had expressed the interest in exploring opportunities in the West Africa sub-region.

Mr Martens said the year would also see some major German trade missions to Ghana in proportions that had not been seen between the two countries, which were expected to increase trade and investments in the medium to long term. A lot of German, and indeed, European companies prefer to make Ghana their business hub to serve the rest of the West Africa sub-region, mainly due to the conducive business climate as well as the economic and political stability. "We are happy about the awareness we've created about Ghana. The country is considered by the German business community as a niche market for certain industries – renewable energy and energy efficiency, agriculture and agro-processing, mining supplies as well as oil and gas services," Mr Martens said. He added, "this was a huge success and can really attract many German companies, especially those which so far do not have business connections to these markets." The Delegate of German Industry and Commerce in Ghana, said this year several German trade missions were expected in the country from industrial regions of Germany, including the North Rhine Westphalia, which already has formal trade relations with Ghana, and Baden-Wuerttemberg.

He said the German Ministry of Economics and Technology, under which the AHK falls, and the German Foreign Ministry, would implement a project through the Delegate Office which would bring in about eight German companies to do a market survey of public lighting in Ghana. He explained that the project would necessitate the arrival of a renewable energy and energy efficiency expert from Germany to work on these projects, renewable energy expert, saying "we will also recruit a young Ghanaian graduate and assigned to a special project." Ghana will also reciprocate there will be one Ghanaian mission to Germany, subsidised by the German government for selected institutions in the power and energy sector to abreast themselves of energy efficiency solutions that Germany offered the Ghanaian situation of power management. Participants include GRIDCo, Volta River Authority (VRA), Kwame Nkrumah University of Science and Technology (KNUST) and the University of Ghana who are expected to gain insight into network efficiency.

Reviewing last year's first ever West Africa Clean Energy & Environment Exhibition and Conference (WACEE'12), Mr Martens said the event lived up to expectation and had attracted attention from companies and a bigger event organiser who is ready to lift the fair to international standards. "We had 68 exhibitors but have to increase the number to about 90 this year. WACEE 2012 attracted the interest of a world class German trade fair organiser which has organised fairs in Iran, Morocco, and Turkey. With their help, WACEE 2013 will attract exhibitors from these places, particularly China and Turkey." He explained that the event would come with changes in style, making it more internationally competitive, with focus on more renewable and conventional energy, energy efficiency, electrical engineering, lightening and automation. The AHK would also collaborate with Fairtrade to convene the Agro Food West Africa and Printpack trade fairs in Ghana in December, this year. *(Ghana Web)*

Ghana risks having her export products to the European Union (EU) markets reduced if she fails to initiate steps to comply with EU Commission's requirement on product traceability. The Commission's decree on the General Food Law of the EU (EC 178/2002), which became effective on January 1st 2005, requires that all exported products be documented so that their history and location could be easily and readily verified so as to remove dangerous products from the market. Mr. Stephen K. Normeshie, Acting Chief Executive Officer of Ghana Export Promotion Authority (GEPA), who gave the warning on Wednesday, added that since the EU was Ghana's major export destination, any break in integrity of food supply chain could adversely affect exports from Ghana to the EU markets. Speaking to the Ghana

News Agency in Accra, he said, export revenue earning realized from the EU in 2011 alone stood at 499,054,914 dollars, a figure that represented a 38% of total export revenue. To address the situation, Mr. Normeshie said the GEPA had started to implement a project to build the capacity of its staff to roll out a geographical mapping of companies and to create a data base for a national traceability system known as Geographic Information System (GIS). "This is to create a data base for exporters in food and agro processing products", he said. Mr. Normeshie added that the GIS involved the unique identification of products and raw materials from sources in originating countries and maintenance of accurate records on geographic location of firms, farms, factories, movements and utilization of products at all stages of the value chain. He said GEPA had engaged a consultant to develop and install the traceability system. Mr. Normeshie said the project, which would continue throughout the year, would test-run the system, configure electronic linkages with all stakeholders (including exporters, Ghana Community Network Services Limited (GCNet), intensify the mapping exercise and build an Intranet capacities to implement the traceability system. He said though the EU had given countries some respite within which to comply with the law, Ghana needed to act before the grace period expired.

"Any breakdown in the integrity of food supply chain can affect exports from Ghana to the EU and this will subsequently have a dramatic impact on individual businesses, industry and seriously affect Ghana's Non Traditional Export (NTE) revenues", he stressed. Mr. Normeshie said though the Economic Community of West African States (ECOWAS) sub-region was Ghana's second major market in terms of export revenue, increased penetration to the EU market was still critical to the country's economy. ECOWAS markets in 2011 fetched Ghana 261,922,314 dollars, representing 29% of total export revenue. Mr. Normeshie said most Africans, who could be found in the European markets have strong preference for made-in-Ghana goods or products, including gari (processed cassava) and kenkey (a maize meal). He said he was grateful to the Export Development and Agricultural Investment Fund and the Ministry of Trade and Industry for their financial support and expressed hope that increased support would enable GEPA attain its target of raking in 3.308 billion dollars revenue earning for the 2013 financial year. (*Ghana Web)*

Government is now looking at implementing the windfall tax on the profits of mining firms in the 2013 budget. The tax was expected to take effect by this month after plans to introduce it was put on hold last year - to receive some inputs and concerns from the mining firms. Joy Business has however learnt that government now wants to add it to other taxes it plans to introduce in this year's budget. The windfall tax appears to be government's attempt to cream off, some of the profits mining firms are enjoying from the high gold prices. But the firms say the delay is creating some uncertainty and badly affecting their planning activities. *(Ghana Web)*

Four World Bank assisted projects that started in Ghana between 2004 and 2011 have been revised in terms of their dates of completion for various reasons. The projects are the Ghana Urban Water Project, Nutrition and Malaria Control for Child Survival Project, Ghana Social Opportunities Project and Ghana Statistics Development Programme. A statement released to the GNA on Wednesday says the World Bank launched a new access to information policy in 2010 that represented a fundamental shift in the Bank's approach to disclosure of information about its projects. "The new policy shifted to default disclosure all information about world banks projects manifesting high level of enhanced transparency and accountability that allows for greater monitoring of the Bank-supported projects", the statement indicates. It says that would enable better development results as well as provide an opportunity to better track the use of public funds.

In reference to the Ghana Urban Water Project, the statement says its approval date was July 27, 2004 to be effectively implemented on March 21, 2005. Its original closing of December 31, 2010 has now been revised to December 31, 2015. The World Bank noted that some of the ongoing works under the Subsequent Year Investment Program had experienced delays for reasons mostly outside the control of the Project Management Unit. It says the issues had been addressed but progress needed to be closely monitored to avoid further delays. An additional financing of US$50 million had been provided that will allow to tender the works planned at the Brong Ahafo and Upper East regions and the additional works at Winneba in the Central Region. The Coalition of Non-Governmental Organisations in Water and Sanitation is tracking progress of the investments and their impact in some of the project areas. The development objectives of the project is to significantly increase access to the piped water system in Ghana's urban centres, with an emphasis on improving access, affordability and service reliability to the urban poor. The project also aims at restoring long-term financial stability, viability and sustainability of the Ghana Water Company Limited.

The statement says a total of US$25 million was injected into the Nutrition and Malaria Control for Child Survival Project approved on July 03, 2007 and scheduled to be implemented on September 07, 2007. It was originally designed to close on March 31, 2012 but had been reviewed to close on March 31, 2013. The statement notes that the delays encountered during the first two years of the project had now been fully overcome and project scale up had reached its intended targets resulting in improved performance of project development indicators. The project now reaches a total of 77 districts in the six target regions, trained more than 2,000 health staff and close to 10,000 volunteer growth promoters. The Ghana Social Opportunities Project is benefiting a total US$88.6 million of which an amount of US$30.6 million had been disbursed. It is expected to improve social protection spending, increase access to conditional cash transfers nationwide and increase access to employment.

It is also to increase cash-earning opportunities for the rural poor during the agricultural off-season and improve economic and social infrastructure in target districts. The project was approved on May 20, 2010 to be effected on October 19, 2010 and meant to close on June 30, 2016. The Bank says an amount of US$6.2m has been committed into the Ghana Statistics Development Programme with US$3.5m being disbursed. Its approval date was February 07, 2011 and which was originally intended to close December 30, 2012 has now been revised to close on June 30, 2013. The objective of the project is to improve the efficiency and effectiveness of the Ghana Statistical System to enable it to provide reliable, timely and accurate data for evidence-based policy making in support of the Government's Poverty Reduction Strategy. *(Ghana Web)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

British oil explorer Tullow Oil Plc will announce drilling results of its third well in Kenya next month. In a statement on Friday, where the company gave an update of its operations, Tullow said it considered 2012 a successful year in its operations. The company struck more than 100 metres of net oil pay at its first well located in Block 10BB in March last year, raising Kenya's prospects of becoming an oil producing nation. The discovery has since been followed by another one at the Twiga South-1 well, located in Block 13T. "The clear highlight in 2012 was establishing Kenya as a new oil nation with two frontier discoveries at Ngamia-1 and Twiga Soutgh-1. "Results for Paipai-1 in Block 10A, which is currently in the top seal of the main objective at a depth of 3,850 metres, are expected in February," read the statement in part. Together with an offshore well in the Lamu Basin that the company is drilling together with three other oil and gas exploration companies, Tullow has so far dug four wells in Kenya.

In its drilling schedule, the company plans to drill an additional 11 exploration wells in Kenya and Ethiopia this year. Last year's oil discoveries have fuelled increased interest in the local oil blocks among international companies. This has further been accelerated by discoveries of commercial quantities of oil and gas in neighbouring Uganda and Tanzania, respectively. The two countries share the same geological structure with Kenya, a pointer that the country could be seated on substantive oil or gas reserves. In September last year, Australian firm Pan Continental announced that it had discovered 52 metres of natural gas deposits at Mbawa 1 well located in Block L8, which it operates jointly with Tullow Kenya BV, Apache Corporation and Origin Energy. Besides releasing drilling results for its third onshore well, Tullow is expected to announce the results of testing of its second well, Twiga South-1, which are crucial in giving an indication of the country's potential of being an oil producer. *(Daily Nation)*

Equity Bank is eyeing the billions of shillings passing though kiosk and retail shops by offering a system that will allow shoppers to pay for goods without using cash. In a move that could change the face of retail market in Kenya, the bank, in partnership with MasterCard, on Tuesday said they would roll out mobile phones points of sale to enable cashless transactions. "This will allow merchants and businesses to make transactions with ease and securely. The benefit to the bank is that people will not need to withdraw money to make transactions. They will do so by simply swiping their cards at points of sale," Equity Bank's chief executive officer James Mwangi said. Already, the bank has started issuing out five million MasterCard branded payment cards to its customers, agents and merchants in what is set to intensify growing competition the card payments market that is dominated by Visa locally.

The two will be the second to introduce the system after Google entered Kenya's electronic payments market last year by introducing Beba Card, a transport payment card on Citi Hoppa buses on Nairobi routes using near field communication (NFC) technology. The NFC is a wireless technology which enables devices to exchange information when in close range. The technology is commonly installed on smartphones, which are then used to make payments in retail outlets. According to MasterCard's global chief executive officer, Mr Ajay Banga, the new cards will introduce MasterCard PayPass payment system, allowing card holders to tap their cards on the mobile phones points of sale to settle transactions. Mr Banga said MasterCard will enhance its presence on the continent with the setting up of the first training centre in Africa to be based in Kenya.

The training centre will be used to develop the capacity of merchants, employees of the Payments Company and commercial banks to deepen the card payment system in the country. Banks are increasingly moving to integrate electronic payment systems as the popularity of cards use in shopping increases among Kenyans. Recent Central Bank of Kenya (CBK) data shows that the number of electronic payment cards increased to 10.6 million in the period ending November 2012, up from 9.6 million cards a year earlier. CBK data showed that the value of transactions via cards increased to Sh907 billion in the one year period to November 2012, up from Sh577 billion a year earlier. The banks are, however, competing with mobile money transactions, which stood at Sh1.39 trillion in the same period, compared with Sh907 billion transacted via cards in the period under review. *(Daily Nation)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Jaguar LandRover says it parted ways with car distributor CMC because of performance issues. JLR operations director for Sub-Sahara Africa Nigel Clarke says CMC failed to reasonably invest in the brands under their contract. The car maker appointed Thailand-based RMA to take over the dealership of its brands beginning this February, unsettling CMC, which rushed to court for an injunction. CMC was the exclusive holder of the lucrative JLR franchise, under an agreement of December 1985 and another of 2009. JLR announced last September that it had terminated the franchise agreement, prompting CMC Group, and its local imprint – CMC Holdings Ltd – to seek a court injunction. In a further reprieve, the High Court in Nairobi on Tuesday extended the interim injunction until January 25 when lawyers for the companies in the dispute will present submissions. The motor dealer contended that JLR's ambushed it with the termination notice. *(Daily Nation)*

Jubilee Insurance has introduced international medical cover that will see its clients access healthcare services abroad, as it moves to widen its underwriting portfolio in the sector. The insurer has partnered with Bupa International, an UK-based health underwriter, to offer the local market the expansive range of international medical covers. "We have partnered with Bupa, which is a reputable, internationally known firm, to introduce the products for our clients in the region. This will enable us to meet the growing demand for international medical insurance," said the company's chief executive, Mr Patrick Tumbo. Some of the products Jubilee will be rolling out include Word Medical Insurance for essential treatment in hospitals outside Kenya, whether pre-planned or emergency. It covers consultation fees, surgery, cancer treatment, advanced medical imaging like CT and MRI scans and hospital admissions. The annual overall limit is Sh160 million. "Our current medical cover is limited to certain amounts which may not work for hospitals abroad. With Bupa International, our clients will receive the best medical care from the best international hospitals," added Mr Tumbo.

Another international medical private cover to be offered by Jubilee — dubbed Bupa Flex — targets those going abroad for short periods. Initially, Bupa International will underwrite the products and Jubilee will act as the distributing partner, before the local insurer takes a percentage of the risk and underwrites the products in relation to the local needs. The partnership will also offer the international insurer a platform to join the local market. "We are delighted to be working with Jubilee. This partnership will help us deliver a tailored service for customers, providing a blend of local knowledge and international know-how," said Bupa International's managing director Wayne Close. The strategic partnership by the two insurers has received the nod from the market regulator, the Insurance Regulatory Authority. Medical insurance is the second largest insurance class in Kenya, with Sh8.9 billion gross written premiums, which represents 14.7 per cent of the sector. The sector has been grappling with huge losses despite various industry-wide efforts to stop the trend. *(Daily Nation)*

Bullish trade in power generator KenGen's stock saw the share price rise by 9.6% Wednesday, a day after the firm announced increased capacity on its Kindaruma hydro-electric power plant by 32 mega watts (MW). KenGen said the upgrade, which cost Sh5.4 billion, had raised Kindaruma plant's capacity to 72 MW. The share price rose to Sh12.60 from Sh11.50 Wednesday, nearly touching the 10% daily fluctuation limit for Nairobi Securities Exchange (NSE) listed firms. NSE trading rules provide that a share cannot increase by more than 10% in the absence of a material announcement. Heavy demand for the utility provider's stock also saw the share price touch a 52-week high, with 1.22 million shares changing hands. Since beginning of the year, the share has increased by 42% to Sh12.60 from Sh8.85. The head of research at Standard Investment Bank, Francis Mwangi, however, said the share price increase may not be entirely attributable to the Kindaruma plant upgrade, given that utility companies like KenGen are capital intensive and increase in capacity does not automatically lead to an increase in revenues. Mr. Mwangi said that additional increase in power does not automatically mean a ready market, since the latter is determined by how many new people are connected to the electricity grid. "Even with additional capacity you are still restricted on how much you can sell," said Mr. Mwangi. Other analysts said that KenGen's share price has been raised by the same wave that has lifted other stocks to new highs. "It started last week but we have noticed the rally momentum has extended to other counters," said Moses Waireri, a research analyst at Genghis Capital. KenGen joins BAT Kenya, EABL, Safaricom, KCB and ARM which have hit new highs as investor appetite continues to see buyers grabbing stocks at prices that are favourable to sellers. The power sector is seen as a high potential investment due to projected heavy demand for electricity in the medium to long-term. An energy report by Genghis Capital says that rural electrification in sub-Sahara Africa covers about 28.5% of the population against a ratio of 66.79% in other developing regions. The report also says that demand for power is independent of seasons, which assures utility providers of sustainable and consistent revenues that are characteristic of defensive stocks. Additionally, we argue that utility stocks will insulate investors from business cycles and the stock market cycles. We note that unlike other commodities, consumption of electricity is immune to business cycles," says the energy report. *(Business Daily)*

The African Development Bank is set to increase its stake in the East African Development Bank after it made an investment worth Sh2.06 billion ($24 million). In a press statement on Wednesday, the African Development Bank (AfDB) said that the equity investment was expected to help EADB in improving its international credit worthiness. The funds will be used to assist EADB in consolidating a restructuring process that was launched in 2009 and to strengthen its balance sheet. "This is a crucial condition for mobilising financial resources from capital markets at more affordable terms and meeting the growing demand for investment in the East African Community (EAC)," read the statement in part. Some Sh860 million ($10 million) of these funds will be paid in immediately while the rest will remain in callable capital — money set aside that EADB will be able to tap into as and when needed. The AfDB owns about 6.76 per cent of EADB. Kenya, Uganda, and Tanzania each hold 27.20 per cent while Rwanda owns 4.34 per cent of the bank. Last October, credit rating agency Fitch upgraded EADB's rating to B with a stable outlook, from B minus.

The agency cited an improved asset quality following the 2009 management reshuffle. In 2011, the bank had been restored to profitability while its equity to assets ratio peaked at 53.8 per cent. Despite this, Fitch warned that the low credit quality countries that own the majority stake in EADB were weighing down the bank's rating. The agency noted that if non-regional shareholders, such as AfDB, which has the highest Fitch rating, could be persuaded to subscribe to callable capital, this would improve EADB's rating. According to Fitch's grading, a "B" denotes the presence of default risk within an organisation as well as vulnerability to negative changes in the economic environment. A recent report from the East African Community's (EAC) council of ministers states that the bank is seeking a local currency rating from the South African Global Credit Rating Company (GCR) in order to start issuing bonds. EADB has also decided to get a second foreign currency rating from Moody's. *(Daily Nation)*

Economic News

Kenyan manufacturers of plastic items may be headed for better times as Tanzania relaxes harsh tariffs on plastic imports in the first quarter of this year. Tanzania has been imposing tariffs of between 10 to 25 per cent on plastics from Kenya arguing that the products do not meet standards set by the East African Community (EAC) for reduced tariffs. The EAC customs union allows for preferential tariffs on goods produced in the region. In the case of manufactured products, partner states must prove significant value addition in order to qualify for the preferential tariffs. Tanzania has argued that plastics from Kenya do not have enough local value addition to qualify for lower tariffs and has therefore applied a tariff reserved for goods coming from outside the community – the Common External Tariff (CET) – on Kenyan plastics.

However, it has recently been revealed that a mission sent to Kenya last year to look into the manufacturing processes of plastic products concluded that local manufacturers carry out the necessary value addition stipulated in the EAC's rules of origin. According to these rules of origin, for manufactured products to be accepted as having originated from within the community, partner states must prove that the value addition resulting from the production process accounts for at least 35 per cent of the ex-factory cost of goods. "They have confirmed that our plastics qualify to enter Tanzania on lower tariffs. We have satisfied the requirements of the rules of origin," said Mr Barrack Ndegwa, the integration secretary at the Kenyan ministry of the EAC.A November report on Non-Tariff Barriers in the EAC notes that the punitive taxes on Kenyan plastics should have been scrapped by June 2012. However, this was hindered by delays in carrying out the verification mission.

This latest development sets the stage for the ministers concerned with EAC affairs from the five partner states, the Council of Ministers, to review Tanzania's stance on the matter of Kenya's plastic exports. Mr Ndegwa said that the meeting would most likely take place before April. EAC's customs union protocol divides goods eligible for tariff elimination into two categories: A and B. Partner states were expected to scrap internal duties on category A products when the protocol came into force in 2005. Category B products exported to Tanzania and Uganda are eligible for graduated tariff elimination under the principle of asymmetry that allows countries to adopt Community law at different rates in an effort to protect domestic industries and economies. *(Daily Nation)*

Kenya's tax revenues rose 13% in the first half of the 2012/2013 fiscal from a year ago on the back of a wider tax base, the Kenya Revenue Authority (KRA) said on Monday. The collecting agency was cautiously optimistic about meeting its annual target, although it cited concerns over upcoming elections. Small and medium and small taxpayers were largely behind the rise, which was dampened by a slowdown in economic growth against earlier projections, the KRA said. The agency collected tax amounting to 380.65 billion shillings from July through December, up from 338.19 billion shillings previously, John Njiraini, the KRA commissioner general told a news conference. Njiraini declined to say what the first half tax collection target was, but said efforts to improve tax compliance from among the medium and small businesses had borne fruit after their contributions had increased by 22%. Njiraini said he was hopeful of meeting the financial year's revenue target of 881.2 billion shillings, which would be a 24.6% increase from the previous fiscal year, but warned the national election set for March 4 could slow collections. "The uncertainty surrounding the election process could have some dampening effect on (economic) activity and therefore means revenue collection may not be as strong as it could be," he said. Kenya holds presidential and parliamentary polls, and the east African economic powerhouse has experienced a slowdown in growth ahead of its previous national polls as investors take a wait-and-see attitude, according to the World Bank. After the last vote five years ago, deadly violence seriously disrupted the country and economic growth. A slowdown in the country's economic growth in the half first of its current fiscal year to 4.7% against a forecast expansion of 5.5% had hurt revenue collection, Njiraini said. High commercial bank lending rates could also hurt economic growth and tax revenues, at a time when Kenya is struggling to cover civil service wages after agreeing to huge salary increases for teachers, doctors and the police. Commercial banks' lending rates have remained stuck at about 20% even after policymakers cut the central bank rate since July by a total of 850 basis points to 9.50% in line with falling inflation. "High (interest) rates may work against encouraging commercial activity and therefore businesses are not as profitable," said Njiraini. *(Reuters)*

Kenya's energy regulator said on Monday it had cut retail fuel prices for petrol diesel and kerosene after the cost of crude oil fell marginally on international markets. Fuel prices have a big effect on Kenya's inflation rate, which fell for a 13th straight month in December to 3.20% from 3.25% in November, having peaked at 20% in late 2011. The Energy Regulatory Commission (ERC) reduced the maximum price of a litre of super, or premium, petrol by 1.01 shillings to 111.60 shillings in Nairobi. It cut the price of a litre of diesel by 1.80 shillings to 103.99 shillings, while kerosene fell by 2.58 shillings a litre to 83.86 shillings. Kenya's economy is highly dependent on diesel for transport, power production and agriculture while kerosene is used in many homes for lighting and cooking. The price of a barrel of importing Murban crude edged lower by 1.20% to $110.75 in November, the statement said. However the shilling weakened by 0.39% in that period to 86 per the dollar, ERC said, offsetting some of the drop in the price of Murban crude as currency depreciation made oil in dollar terms more expensive to import. The regulator reviews energy prices every month and adjusts them accordingly if required, depending on fluctuations in international energy prices. The prices take effect on January 15 and will be in place for one month. *(Reuters)*

Kenya expects its coffee export earnings to dip marginally in the 2012/13 (Oct-Sept) season due to poor international prices and lower volumes, the industry regulator said on Monday. Although the east African nation is a small coffee producer compared with other producers globally such as Brazil and Vietnam, its speciality beans are much sought after for blending with those from other producing countries. Loise Njeru, managing director of the Coffee Board of Kenya, said both earnings and production volumes are expected to dip marginally in the current 2012/13 crop season partly due to the low global prices that have affected the morale of growers and competition for land from other ventures such as real estate. "The expected fall is also pegged to the cyclical nature in the coffee production pattern," she told Reuters. Coffee exports were at one time Kenya's leading foreign exchange earner, but poor management in the sector reduced output from a record 130,000 tonnes in 1987/88. Many small-scale coffee farmers disillusioned by poor earnings turned to other crops or sold land for real estate. Njeru said the preliminary projections showed that 46,000 tonnes would be harvested in the 2012/13 crop season compared to the previous period's 49,003 tonnes, while export earnings for the season could dip to 18 billion Kenyan shillings from 19 billion.

"However, this estimation will be reviewed as the year progresses to take into account weather changes and agronomic practices at the farm level," Njeru said. Statistics by regulator showed the east Africa nation's total coffee export earnings dropped 13.63% in the 2011/12 crop season from 22 billion in the previous period despite a rise in production volumes. "This was basically attributed to a dip in coffee prices in the international market hence affecting the performance at the Nairobi Coffee Exchange (NCE)," Njeru said. Kenya exports about 90% of its coffee through the NCE while the remainder is directly sold by growers to foreign buyers. The official said the volume of coffee produced in the 2011/12 season increased to 49,003 tonnes from 36,629 tonnes the previous season. "The increase is attributed to favourable weather in almost all the coffee growing areas, good prices experienced in the year 2010/2011 that encouraged growers and rehabilitation of coffee farms by growers," she said. *(Reuters)*

The Nairobi Securities Exchange is set to launch a trading board for small and medium enterprises (SMEs) on Tuesday, which will open a new investment window and funding opportunities for start-up businesses. The launch of the Growth Enterprise Market Segment (GEMS) will be the culmination of years of planning aimed at accommodating SMEs at the stock market in recognition that they employ about three-quarters of Kenyan workers. The NSE chief executive, Mr. Peter Mwangi, told the Business Daily last week that three firms had already applied for listing on the GEMS board. Financial advisory firm Burbidge, which has already got NSE's approval to consult for small firms applying for listing on the GEMS board, said that there has been high interest among small firms that wish to use NSE as an alternative source of capital to traditional bank loans. "We have been getting a lot of queries from firms. Most are looking at raising capital," said Vimal Parmar, head of research at Burbidge Capital. The firm is an authorised nominated advisor (Nomad), a consultant for firms that want to list on the GEMS segment. Three other firms, Emerging Africa Capital, Standard and Mutual, and NIC Capital are also licensed Nomads. Mr. Parmar said that despite potential SMEs' high interest in the platform, the first listing will likely take place in the second quarter of the year as issuers wait for the outcome of the General Election to implement their plans. "There is a wait-and-see approach as we wait for elections," said Mr. Parmar. Despite the pending elections, NSE has been on a bullish run. Mr. Mwangi said that at least four other companies, including the stock exchange itself, intend to list on the main board this year. The new market segment is expected to give small firms a chance to grow by offering them flexible listing requirements such as the number of issued shares (100,000) and a minimum paid up capital of Sh10 million. Firms applying to list on the alternative investment market segment (AIMS) are required to have a minimum capital base of Sh20 million while those that list on the main market (MIMs) are required to have minimum paid up capital of Sh100 million. SMEs that show high potential for growth do not need to show a proven profitability record but must still adhere to prudent management practices such as having a board made up of qualified people. "Directors with no bankruptcy, fraud, criminal offence or financial misconduct proceedings for two years," says one of the eligibility criteria for listing. Firms applying to list on GEMS will also be required to have at least 35% of their shareholding locally-owned and a 15% free float. Majority shareholders will also be forced into a two-year lock-in period. Listing on GEMS will also give firms a window to unlock shareholder value while helping to reduce high financing costs associated with traditional financiers such as banks, whose lending charges and collateral requirements often limit the growth potential of SMEs. *(Business Daily)*

Kenya plans to construct a new $300 million fuel pipeline from the port of Mombasa to the capital to replace an older one, and possibly extend it to Uganda. Kenya Pipeline Company (KPC) said on Wednesday it was inviting proposals for the design of the 450-km pipeline from east Africa's trade gateway to feed land-locked growing economies which rely on Kenya's Mombasa port for fuel imports. "The new pipeline is designed to meet petroleum products demand for the eastern Africa region up to the year 2044," the company said in a statement. KPC said the new pipeline would complement and eventually replace the existing pipeline linking Mombasa to Nairobi that has outlived its 30-year lifespan and is prone to ruptures. Many of the products from Kenya's only refinery in Mombasa have to be trucked to countries in the region, which is slow and unreliable owing to breakdown of trucks and damaged roads. The new pipeline is expected to ease some of the burden. KPC's existing pipeline runs From Mombasa to Nairobi, and onwards to the town of Nakuru in the west, and then forks to two other towns in the region Eldoret and Kisumu. Kenya and Uganda also hope to revive plans to extend the pipeline past Eldoret to Uganda's capital Kampala, a distance of about 350 km, to give Uganda an option for accessing its fuel, much of which is transported by road. *(Reuters)*

Egypt has reversed a December tax increase on cigarettes imported from Kenya, which had threatened to lock out local manufacturers from the vast market. In a decree issued by the Egyptian President Mohamed Morsy raising taxes on consumer goods, import duty on foreign cigarettes went up by 85.3 per cent to Sh33 per packet from Sh17.8 per packet. However, lobbying by the Kenya government though the Common Market for Eastern and Southern Africa (Comesa) forum has seen this reversed in Kenya's favour. "We took up the issue with

Comesa, and it took up the matter with the office of the (Egyptian) President. I can now actually tell you that this decree has been set aside. This decree is not there anymore," Kenya's Trade permanent secretary Abdulrazaq Adan said during a Kenya Association of Manufacturers luncheon held on Thursday. In 2010, BAT Kenya says its tobacco exports to Egypt amounted to over Sh10 billion, with over half generated through sale of its Rothmans cigarettes. Mastermind is also a key exporter of cigarettes to Egypt. KAM chief executive Betty Maina said President Morsy's decision would have impacted negatively on the two firms as they are the only foreign firms in Egypt's cigarette market from Africa. "Mastermind and BAT mainly produce their cigarettes for the region. We protested the move because it was anti-Comesa," she said on the sidelines of the luncheon held in Nairobi.

The function brought together heads of various corporations and organisations to discuss the impact of the forthcoming elections on the local businesses. Apart from cigarettes, Egypt is the biggest consumer of Kenyan tea, importing about 22 per cent of total exports by 2010. Other major imports by Egypt from Kenya include chemicals, meat and cut flower. The standoff between Kenya and Egypt over the raise in tariffs echoes similar spats that the two have had over the years. In 2001, Egypt imposed a 30 per cent tariffs on Kenyan tea until a truce was struck by both governments; while in December 2000 the two wrangled over toilet paper market. The Kenya Bureau of Standards declined to release a consignment of Egyptian toilet paper on the grounds that the internal tube on which the toilet papers were rolled were smaller than that required by a Kenyan regulation. Egypt is the leading destination of tea from Kenya, and in the month of June last year, the country exported 6.3 million kg of local tea, equivalent to 21 per cent of all Kenyan tea exported. *(Daily Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

History was made last Friday as the Nigerian Stock Exchange (NSE) listed the shares of the first registration firm on the bourse, African Prudential Registrars Plc. The company, which was formerly known as UBA Registrars Limited was listed along UBA Capital Plc. Both firms were former member of United Bank for Africa Plc but became separate entities following the adoption of a monoline commercial banking structure by UBA Plc. While one billion shares of African Prudential Registrars Plc were listed at N1.59 per share, four billion shares of UBA Capital got listed at N1.16 per share. Both companies now have separate boards of directors with Mrs. Eniola Fadayomi as the Chairman of African Prudential Registrars Plc while Mr. Peter Shade remains the managing director/chief executive officer. On the other hand, Angela Aneke is the Chairman of UBA Capital, while Mr. Rasheed Olaoluwa is the chief executive officer of the company. The Chief Executive Officer of the NSE, Mr. Oscar Onyema, described the listing of the two companies as a milestone in the history of the Nigerian capital market noting that it is coming at the right time especially now that the exchange is enjoying confidence of both local and foreign investors.

In his speech, Olaoluwa pointed out the potential synergy that would be derived from the component businesses of UBA Capital, which are investment banking, trusteeship, asset management, insurance and stock brokerage. "Our overall strategic intent is to build our various subsidiary businesses to be leaders in their respective markets. We believe this can be achieved over the next three to five years," he said. Also speaking Ashade said that Africa Prudential Registrar is one the market leaders in share registration industry in Nigeria. "The company is one of the most profitable in the industry having achieved 100 per cent increase in profit before tax between 2010 and 2011, a performance, which it expects to surpass in 2012. Our Return on Equity (ROE) continues to improve year-on-year, a clear indication that Management is focused on extracting value from resources and enhancing returns for shareholders," he said. *(This Day)*

High demand for the shares of First City Monument Bank Plc following expectation of impressive 2012 full-year result, benefits from acquisition of Finbank Plc and holding company structure have helped in driving up the equity price by 24.5 per cent within the few days of the year. THISDAY analysis of the equity performance showed that it had outperformed the NSE Banking Index by 14.2 per cent considering the fact that the sectoral index has recorded a growth of 10.3 per cent so far in the year. FCMB's share price opened for the year at N3.75 closed at N4.67 last Friday, translating into a capital gain of 24.5 per cent. A stockbroker and Managing Director of Crane Securities Limited, Mike Ezeh, said the high demand was resulting from two major factors. "Investors are expecting that the bank would declare dividend for 2012 given its third quarter(Q3) result which was impressive. Besides, investors also believe the bank will benefit from its new HoldCo structure that was approved by the shareholders last month. The approval for the HoldCo structure came shortly after the bank concluded its merger with Finland Bank Plc," Ezeh said.

FCMB posted a profit before tax of N12.1 billion, showing an increase of 23 per cent above the 2011 performance. Annualised return on equity (ROE) was up by 45 per cent September 2012 to 11 per cent from 7.6 per cent in 2011. The bank's capital adequacy and liquidity ratios remained strong, in spite of risk asset growth, at 22 per cent and 56 per cent respectively. Risk assets grew by 10 per cent QoQ, from N330billion to N363 billion, arising from continued retail loan growth and trade finance growth, while the Non-performing Loans (NPL) ratio fell from 6.4 per cent in June to 4.9 per cent in September in 2012. The Group Managing Director/Chief Executive Officer of FCMB, Mr. Ladi Balogun, had said shareholders should expect more impressive performance considering the fact that the acquisition of FinBank had been concluded. Balogu said: "2012's main activity has been the FinBank acquisition and merger. The FinBank acquisition and subsequent merger has added 30 per cent to the balance sheet and transformed the bank's liquidity profile. It has taken the loan-to-deposit ratio from 87 per cent to 59 per cent and the liquidity ratio from 50 per cent to 56 per cent compared to this time last year and has also doubled our distribution capacity from 130 to 280 branches and 2 million customers.

"While the protracted merger process has been costly, the opportunity for sustainable, rapid, and profitable growth, particularly in the commercial and retail segments, remains significant." He added that the enlarged single entity was well-positioned to compete in the consolidating banking landscape. "Our customers will experience continued improvements in the customer experience, improved convenience, greater and quicker access to financial support, with simple processes, products and communication. This is, indeed, a pivotal transaction for the bank and one that will lead to significant and sustained increase in shareholder value," he said. *(This Day)*

United Kingdom-listed Heritage Oil has defended its acquisition of a 45 per cent stake in the Oil Mining Lease (OML) 30, despite demands by the Trade Union Congress (TUC) that the deal be cancelled, given the controversial past of the firm's Chief Executive Officer, Tony Buckingham. The reaction came as Italian oil firm, Eni, lifted its last force majeure on Nigerian oil exports, easing supply problems caused by flooding and theft in the Niger Delta. Defending its role in the oil block acquisition in an e-mailed statement to Platt Tuesday, Heritage said details of the transaction were fully disclosed when the deal was signed and that final approval had been granted by the Nigerian Government. The company said the acquisition, which had since been approved by the government, was successfully completed in November. "The acquisition was made in partnership with Shoreline Energy, a leading private Nigerian energy and infrastructure company, which was founded in 1997. OML 30 will be operated by the Nigerian National Petroleum Corporation (NNPC), which also owns 55 per cent of the asset," the company said.

In June last year, Heritage teamed up with a Nigerian company, Shoreline Power Company to buy the 45 percent stake in Nigeria for $850 million in a move that the UK firm said would transform the company. The company had in November announced the successful completion of the acquisition of the stake in the OML, one of Nigeria's most prolific oil blocks. However, the deal recently elicited reactions from the TUC, following revelation by THISDAY last week that a key player in the deal, Buckingham, the founder and leading shareholder of Heritage, boasts of less than salubrious past. President of the TUC, Peter Esele, at the weekend called on President Goodluck Jonathan and the Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, to do everything in their power to rescind the transaction, pointing out that by the sale, Nigeria had become the "laughing stock in Europe over the deal." Esele said labour unions would hold the petroleum ministry responsible for failing to carry out due diligence on Heritage and its ownership before approving the sale of the asset.

OML 30 was the most promising of five oil blocks put up for sale by Shell (30 per cent), France's Total (10 per cent) and Italy's Eni (10 per cent) in 2011. The block covers eight producing fields and associated infrastructure, including nine flow stations with a combined capacity of more than 400,000 b/d and a segment of the 850,000 b/d Trans Forcados pipeline. OML 30 is estimated to have gross proved and probable reserves of 707 million barrels of oil and 2.5 Tcf gross reserves of gas. But Eni's lifting of its last force majeure on oil exports, Reuters reported, will ease supply problems caused by recent flooding and crude theft in Nigeria. The Italian oil company first declared force majeure, a clause that means a company will not be able to meet its contractual obligations due to events beyond its control in early November. Traders had reported delays of more than a month for Brass River crude, which typically accounts for around 5 per cent of total Nigerian exports, the newswire quoted an unnamed trade source to have said.

"The force majeure has been lifted effective 0800 Nigerian time (0700 GMT) on Tuesday January 15," the agency added. In the meantime, the NNPC has dismissed speculations that the recent fire incident on its System 2B pipeline located at Arepo in Ogun State would cause another bout of fuel scarcity in Lagos and its environs. Group Managing Director of the NNPC, Mr. Andrew Yakubu said in a statement Tuesday that the product supply and distribution were intact as ruptured points on the pipeline had been fixed. Yakubu clarified in the statement signed by the corporation's General Manager Governmental Affairs, Tumini Green, that speculations of imminent petrol scarcity were uncalled for in view of its quick response to the situation. The GMD had during an on-the-spot assessment of the damaged pipeline on Monday, explained that the four points that were ruptured by the product thieves had been clamped and that the corporation was also working out a way to make the pipeline less accessible to oil thieves and vandals.

"There is no reason to entertain fear about fuel scarcity because we have enough products in Mosimi to last for some days, but beyond that our men have already clamped the four points that were ruptured and there is no fear of disruption of distribution and supply as such.

"This is a stop gap measure. We just made some observations now on how to make the pipeline less accessible, if we are able to achieve that within the day we will start pumping," Yakubu said. On the allegation of negligence against the Governor of Ogun state, the GMD explained that the corporation's mandate was to operate and maintain the pipeline and its right of way and that he had written to the governor soliciting for the state government's collaboration to check the menace. He added: "We are glad that His Excellency has opened up that he would collaborate with us." *(This Day)*

The year 2013 may end well for International Breweries Plc, the brewers of Trophy beer and Betamalt, a non-alcoholic drink, going by the unaudited figures for first of the year already available to the investing public. Specifically, the company said it expects to deliver N1.93 billion profit for the first quarter ended 31st March, 2013, which represents 389.79% growth over N387.49 million projected in equivalent period of 2012. The company's unaudited financial statement made available to the Nigerian Stock Exchange, NSE, showed that the turnover is projected at N17.67 billion, while cost of sales is expected to be in the region of N8.43billion. This stood for 513.5% and 447.4% increase over N2.88 billion and N1.54 billion projected in the same period of 2012 respectively. The company also targets profit before tax and exceptional items of N2.84billion, which translates to 633.85% growth over N387.49 million in 2012. International breweries said it expects to pay N909.56 million tax within the period. Meanwhile, analysts at Proshare opined that the company stands the chance of hitting the projected profit and turnover "We have reviewed the forecast against its believability index, relying on previous performances against forecast; to confirm that International Breweries Plc has a 22% chance of achieving or exceeding its PAT forecast and a 1% chance of delivering on its turnover projections for the period in view. This weights fall within the 'most believable' forecast range for quoted companies in the sector," the analysts said in a review of the financials. For DN Tyre & Rubber which also released its results, it sees a gloomy second quarter performance for period ended 31st March, 2013. Though the turnover is expected to hit N152 million, both profit before tax and profit after tax are expected to drop to N85.501 million, probably due to a tax holiday. The company also said it expects operating expenses to stand at negative N68.501 million, while financial charges will decline to N41.45 million during the same period. International Breweries is a Nigeria-based company active in the brewing industry. The Company is primarily engaged in the brewing, packaging and marketing of beer and non-alcoholic malt drinks. International Breweries Plc is a subsidiary of Brauhaase International Management GmbH, which holds a 50.42 percents stake.*(Vanguard)*

Economic News

In line with the guidelines for the regulation and supervision of institutions offering non-interest financial services based on compliance to the principles of Islamic commercial jurisprudence, the Central Bank of Nigeria (CBN) at the weekend announced the inauguration of the Financial Regulation Advisory Council of Experts (FRACE) A statement from the bank said that the exercise was performed by the CBN Governor, Mallam Sanusi Lamido Sanusi in Abuja. The members of the FRACE whose appointment would be on part-time basis include: Sheikh Sheriff Ibrahim Saleh who is the Chairman. Others are Sheikh Adam Idoko; Dr. Ibrahim Jalo; Dr. Abdulrazaq Alaro; Dr. Bashir Aliyu Umar; Executive Director of the International Shariah Research Academy of the Bank Negara Malaysia, Dr. Mohammad Akram Laldin; and Secretary-General of the Shariah Supervisory Board of the Central Bank of Sudan, Dr. Ahmad Ali Abdallah. The establishment of the FRACE was to ensure that products and services offered by the non-interest financial institutions satisfy the requirements for compliance to the principles underpinning their mode of operation, so as to meet the expectation of their stakeholders.

It is also expected to prevent arbitrage opportunities for these institutions to the disadvantage of conventional ones, where the non-interest institutions would unfairly draw away customers and depositors from the market in the name of compliance with Islamic commercial jurisprudence while in the real sense they are offering the same interest-based products with different names under the guise of compliance. In his remark, Sanusi highlighted some of the duties of the FRACE which include advising not only the CBN on matters referred to it, but also availing its expertise to other regulatory agencies in the Nigerian financial sector in the area of Islamic financial services.
The governor said the appointment of the members was purely based on their expertise and experience in their field of specialization. The Director-General of the Securities and Exchange Commission (SEC) Ms. Arunma Oteh, who was at the inauguration commended the establishment of the council. In his response, the FRACE Chairman, thanked the CBN for its efforts to develop the Nigerian financial sector through initiatives that would bring financial inclusion. *(This Day)*

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Yields on FGN bonds declined marginally on Friday due to the anticipation that the National Bureau of Statistics (NBS)will this week announce higher inflation figures for December 2012. The National Bureau of Statistics (NBS) is expected to release inflation figures for December 2012 this week ahead of the Monetary Policy Committee (MPC) meeting of the Central Bank of Nigeria (CBN) scheduled to commence on January 21. Inflation for November 2012 stood at 12.3per cent, an increase from 11.7 per cent recorded in October 2012.
For instance, THISDAY research revealed that while the yield on the 7th FGN Bond 2015 Series 2, reduced to 11.57 per cent on Friday, from 11.95 per cent the preceding Friday, yield on the 9th FGN Bond 2017 Series 2, also dropped to11.06 per cent, from 11.25 per cent the preceding Friday. Similarly, just as yield on the 5th FGN Bond 2018 Series 2, dropped to 11.14 per cent, from 12.24per cent on the preceding Friday, yield on the 9th FGN Bond 2019 Series 3 also declined to 11.36 per cent, from 11.37. Some financial market analysts had forecast a year-on-year increase in the December 2012 inflation rate expected to be released next week. The London-based Emerging Markets Strategist, Standard Bank Plc, Mr. Samir Gadio, also attributed the development to improved liquidity position of the market.

He pointed out that the inclusion of FGN bonds in the JP Morgan's GBI-EM index in January 2013 as well as planned incorporation of FGN bonds into the Barclays EMLC index from March this year, suggested that Nigeria had become a debt market that simply cannot be ignored anymore among emerging- and frontier-market investors. Gadio, who was responding to questions from THISDAY added: "Interestingly, Nigeria continues to offer the highest bond rates in the GBI-EM universe, even despite the sharp yield compression experienced since September. This layer of off shore support is likely to drive yields on FGN bonds lower, a trend already tangible in early 2013 as the long end is now in firm sub-12 per cent territory. "In a related matter, the probable drop in inflation to single-digit levels in first quarter 2013, given the high base effects in the time series, and increasing expectations for moderate policy rate cuts will also push yields to new lows and generate further domestic bid from Pension Fund Administrators and financial institutions. "He predicted that bond rates would likely break "the 10 per cent threshold in the short-term, adding that any intermittent sell-off would certainly represent a buying opportunity for now. "Yet the risk is obviously that the market gets carried away and pushes real yields to significantly unappealing and negative levels from which an upward correction will then materialise when inflation starts to pick up later in 2013."

The Nigerian Interbank Offered Rates (NIBOR) climbed marginally to an average of 13.79 per cent on Friday, as against the 13.38 per cent attained the preceding Friday. This was attributed to outflow to the purchase of treasury bills. For instance, while the overnight tenor leapt to 12.62 per cent on Friday, from11.12 per cent the preceding Friday, the7-day tenor also climbed to 12.96 per cent on Friday, from 11.87 per cent the preceding Friday. Also, while the 30-day tenor jumped to 13.62 per cent on Friday, from 13.37 per cent the preceding Friday, the 6-day tenor also stood at13.83 per cent. The CBN last week sold N30.153 billion of 91-day bills at a yield of 11.55 percent, N50.403billion of 182-day bills at 11.60 percent yield and N85.845 billion of 364-day bills at a yield of 11.79 per cent. The auction was oversubscribed to the tune of N360.2billion, higher than the N166.4 billion offered by the regulator.

The naira was relatively stable against the dollar across various segments of the forex market. At the interbank market, the naira closed at N156.43 to a dollar on Friday, representing a slight increase, compared to the N156.49 to a dollar it attained the preceding Friday. At the CBN's regulated Wholesale Dutch Auction System (WDAS) which re-opened last week, the naira was stable at N155.77 to a dollar. The apex bank offered a total of $250 million to the dealers that participated in the auction, whereas only a total of $193 million was sold. But the local currency slipped by 50 kobo at the parallel market to close at N160 to a dollar, compared to the N159.50 to a dollar it was the preceding Friday, according to data from the Financial Market Dealers Association. The House of Representatives last week disclosed plans to set up an independent body that would be responsible for banking supervision in the country.

THISDAY learnt that the House was working on a legislation that could strip the CBN of oversight over the banking system and transfer it to an independent body that will be responsible for banking supervision. The proposed law, according to the lawmakers, would result in the withdrawal of the banking supervisory function of the central bank, leaving it to oversee monetary policies and currency management.
Chairman, House of Representatives Committee on Banking and Currency, Hon. Jones Onyereri, said in a phone conversation with THISDAY that the independent body might be named the "Financial Supervisory Committee". Onyereri insisted that the move became necessary so as

to make the CBN focus more on its mandate of price stability and monetary policy.

The CBN last week disclosed that the draft framework for agency banking will be released next month. Deputy Governor, Operations, CBN, Mr. Tunde Lemo, explained that the delay in implementing the policy was because the apex bank had to integrate opinion of stakeholders in the framework. Lemo had said: "The document is being fine-tuned. We are now incorporating the stakeholders' views in the final document and the framework will be launched within a month. "CBN Governor, Mallam Sanusi Lamido Sanusi, had revealed that the banking sector regulator had been working on the number of agents to be engaged, the use of the Nigerian Postal Service, the relationship between the banks and telecommunication firms for agency banking. The CBN recently said the main objective of the proposed introduction of the three-tiered Know-Your Customer (KYC) system was to encourage agency banking as well as to promote financial inclusion in the economy.

Deposit Money Banks (DMBs) were last week advised to restructure their assets portfolio this year so as to continue to post strong earnings to justify their huge capital base. The FSDH Securities Limited, which gave this advice, argued that the declining yields on fixed income securities would no longer make investments in treasury bills and bonds as profitable as they were in 2012, "as margins continue to thin out." The firm added: "Banks must therefore create more risk assets in 2013. The banking sector robust balance sheet, after the house cleaning exercises by the Asset Management Corporation of Nigeria (AMCON), has strengthened the capacity of banks to increase their risk assets in the near-to-medium term." Pension Fund Administrators (PFAs) in the country may have invested over N1.8 trillion in Federal Government securities. The National Pension Commission (PenCom) had said that the figure represented over 61 per cent of pension assets in the country under PFAs' management. The commission said over N370 billion or 13 per cent of pension assets in the country was invested in money market instruments, while N335 billion or 12 per cent was invested in stocks on the floor of the Nigerian Stock Exchange (NSE) while pension assets invested in real estate peaked atN167.89 billion or 6 per cent of the total fund. (*This Day)*

The Minister of State for Power, Mrs. Zainab Ibrahim Kuchi, has said that the Federal Government has finalised arrangement to secure a loan of $160 million from the Africa Development Bank (AfDB). The loan is to boost power generation and transmission in the country. According to the Minister, "The source of the funding is from an arrangement with Exim Bank of China for the 75 per cent of the cost." She said government would provide 25 per cent of the overall funds to be used for the project, besides the loan. Last year the United States' Exim Bank promised to give credit facilitates to investors in the Nigerian power sector. She also announced the completion of the 239 kilometres of 330KV transmission line in some parts of the country, which she said would be commissioned soon. *(This Day)*

Nigerian authorities are to charge 11 Nigerians, 10 Indians, and 2 Ghanaians with oil theft, after naval patrols intercepted two ships carrying oil and refined fuel in the creeks of the Niger Delta, they said on Monday. Oil theft by armed gangs who hack into pipelines to steal crude and then refine or sell it abroad has become a major security headache for Africa's top oil producer. It is on the rise, despite a 2009 amnesty that was meant to end the conflict with militants demanding a greater share of Nigeria's oil wealth. Officials estimate some 180,000 barrels a day go missing out of a total production of two million barrels per day. Finance Minister Ngozi Okonjo-Iweala has put the quantity stolen at more like a fifth of total output while the International Energy Agency says Nigeria loses $7 billion a year to oil theft. In November, a ship called Mt Akshay run by an Indian shipping company was impounded in the waters of the delta with 158,000 litres of what is suspected to be stolen crude, said Rear Admiral Johnson Olutoyin of the central naval command. There were 10 Indians and four Nigerians on the ship. "In the view of the foregoing, the navy HQ has directed that MT Akshay with its cargo and the suspects onboard should be over to the EFCC (Economic and Financial Crimes Commission) for further investigation and prosecution," he told a news conference. Another boat, the Mt Eve, was intercepted with 75,000 litres of refined fuel aboard a week earlier, he said. Nine Nigerians and two Ghanaians were arrested and will also be charged. Nigeria, which relies on oil for more than 80% of government revenues, has been trying to crack down on oil theft, but the swampy nature of the terrain and complicity of local security forces has hampered efforts. *(Reuters)*

The Central Bank of Nigeria (CBN) Monday said that it was working towards achieving a 6% inflation rate in the country, even as it defended its monetary policy framework. CBN Director, Financial Markets Department, Mr. Emmanuel Ukeje, said this at a roundtable titled: "Nigeria's Fiscal and Monetary Crises: The Way Out," organised by the Save Nigeria Group, in Lagos. Ukeje insisted that the poor state of infrastructure in the country was working against the effective transmission of monetary policy. This came, just as an economist, Mr. Henry Boyo, who was one of the panelists at the forum, argued that the underdevelopment suffered by the country was as a result of poor monetary policy framework by successive leadership at the CBN. Ukeje, however, explained: "The central is not just working on the issue of single-digit inflation rate. We just held a board meeting and the governor of the CBN, on his own, said going forward, we should be able to push inflation down to about 6%. But we all have responsibility. "The central bank is only a monetary authority; central bank is not a fiscal authority. When you talk of price stability, the responsibility of the CBN is to ensure that the volume of money we have in the system does not create unnecessary inflation. "That is why when people say the central bank is mopping up liquidity from the system, the question you ask is that the money we have in the system do we have adequate goods and services to take care if it? And if they are not, the resultant effect is going to be inflation." According to Boyo, high interest rates regime, continuous depreciation of the naira, low capacity utilisation, low rate of employment, direct sale of dollar to Bureaux De Change (BDCs), inadequate power supply, increasing fuel subsidy, periodic mop up of excess liquidity from the system and the continuous sharing of federation allocation among the three tiers of government in naira, as factors that have continued to hamper the country's growth.

Boyo added: "We pride ourselves on giving agric loans at 7%, in some serious minded countries, agric sometimes attract zero% rates. The naira depreciates as a result of connivance of the central bank. The central bank sells dollars directly to BDCs. I have never seen any country in the world where the central bank sells its official dollar revenue to BDCs." Boyo advocated for cost of funds between eight and 9% as well as inflation rate of about 3% for the country. On his part, Director, Research, CBN, Mr. Charles Mordi, faulted Boyo's call for sharing of federation account allocation in dollars, insisting that would not be possible as the naira remained the country's legal tender. "There is a trade-off between inflation and growth. You do not move from a high inflation regime to a low inflation regime. It has to be a gradual process. Also, interest rates is not something you bring down overnight," Mordi explained. Furthermore, he pointed out that the apex bank intervened in the forex market in order to ensure stability of the naira, saying that persistent depreciation of the naira discouraged investors. *(This Day)*

The World Bank's Vice President for Africa, Makhtar Diop, has revealed that the multilateral institution, in conjunction with the Federal Government, are working out modalities, on how to reduce poverty in the country, where a staggering 112.519 million Nigerians are poor according to the National Bureau of Statistics (NBS). Diop, whose institution last year stated that it had no reliable data at all about the reality of poverty in the country, however pointed out that a recent study conducted by the bank indicated that the poverty level had receded by two per cent. According to him, the new level of poverty in the country is now 46 per cent. He said the bank and the federal government were now poised to tackle poverty in the country. Diop, who is in Nigeria to understudy its opportunities and challenges, however, applauded the incumbent administration for taking crucial steps to curb the spread of poverty. "Our work recently has shown that there is slight reduction in the level of poverty in Nigeria moving from 48 to 46 per cent. The trend is good. It needs to be accelerated obviously. What we discussed are the policies that we can put in place to accelerate the pace of poverty reduction in Nigeria," he added.

He said further: "We also talked about regional issues including the role of Nigeria in the region. As you know, Nigeria is an important player sub region economically, and it was important for me as I come here, to hear from His Excellency on how we can collaborate on regional integration and stability in the region, how the development and economic programmes of the World Bank can help the efforts that the political leaders are making to stabilise the region and create situation of peace." Meanwhile, President Goodluck Jonathan has reaffirmed his Administration's commitment to the implementation of all reforms considered necessary for accelerated economic growth, job creation and poverty alleviation in Nigeria. Speaking at a meeting with Diop, the president said that although it was not easy to undertake certain reforms in an intensely political environment, the federal government under his leadership would continue to evolve and implement policies that will assure sustainable development and the long-term well-being of the nation.

A statement by the Special Adviser to the president on Media and Publicity, Dr. Reuben Abati, stated that the president acknowledged Diop's commendation of his administration. The president said that with the continued support of the World Bank, other international institutions and investors the federal government would achieve an even higher growth rate for the national economy. "We will continue to do our best. We would have had more robust growth by now but for the global economic recession. With your continued support, we will certainly achieve more," he told Diop. According to the president, Nigeria would particularly welcome more support for the World Bank for the concluding stages of its power sector reforms especially for the speedy resolution of labour issues and other matters related to the on-going privatisation of the sector. The World Bank executive added: "We decided at the World Bank to put up a task force which will include private sector branch to support the reform. It is good that the reform is really making progress. I was with the main players of the power sector today, and they were all happy with the reform process so far. And we are discussing about benchmark, and timelines to really make sure that the reform is implemented timely and make the issue of outage in Nigeria a thing of the past or history in the near future."

In a related development, speaking at a separate press briefing, Diop said Nigeria needed an inclusive growth to better the living condition of her people. He noted that the diversification of the economy, which would in turn create more jobs was critical to achieving inclusive growth. The World Bank Vice President further called for key policies that could unlock the huge potentials in agriculture. He said the bank's major contribution to the country had been in the provision of the relevant knowledge needed to political and economic transformation stressing that its monetary contribution accounted for only 2 per cent of the Federal Government's annual budget. He said although the country could be said to be on the right track in term of economic policies and development but it needed to fix critical infrastructure including power to be able to attain its target. He commended the private sector participation in Independent Power Projects (IPPs) and further called for investment in long term projects including improvement in education. He also hinted that addition IPPs were expected to be signed by the government soon. *(This Day)*

As part of efforts to recover its debt, the Asset Management Corporation of Nigeria (AMCON) said yesterday it had restructured about N1 trillion loans. The amount represents a significant increase of N572 billion, compared to the N428 billion loans restructured for 518 obligors as at 2011. AMCON has a total of 13,000 debtors. Managing Director/Chief Executive Officer, AMCON, Mr. Mustafa Chike-Obi, disclosed this in an exclusive chat with THISDAY in Lagos on Monday. Although Chike-Obi said that the corporation had made strong recovery in recent times, he declined to comment on the amount of debt recovered. This, he said, was as a result of a directive from the Central Bank of Nigeria (CBN). The AMCON boss explained: "We have 13,000 debtors and have about 100 staffs working on them. So, we are doing 100 restructuring a day. So, the amount of debt recovered and restructured is always changing. But we have restructured about N1 trillion loans. "The CBN wants us to be using the word restructured loans because recovery is cash you actually have on your hands. But when you restructure and the person is performing, they (CBN) don't want you to use the word recovered, but restructured-performing loans."

AMCON had last month informed THISDAY that 11 per cent of its debt had been restructured as at December 2011. Executive Director, Finance and Operations, AMCON, Mrs. Mofoluke Dosumu, had then said that the corporation had recovered N83 billion in cash while other cash receipts from its assets were put at N49 billion. "The publication by the central bank was to enable those people to come and sit down with AMCON and settle their debt. When you cannot borrow from any bank in Nigeria, I doubt if HSBC or Citibank in Europe would be willing to lend you to continue that business. So, you have to sit down with AMCON and settle. "So, no matter the obstacles that are put on our way, AMCON would ensure that its debts are fully recovered. We have the support of the CBN and the Ministry of Finance," she had said. The CBN had in a move aimed at strengthening financial stability and instilling discipline in the banking sector, last year, blacklisted 113 companies as well as their principal shareholders and directors where the outstanding value of the loans purchased by AMCON amounted to N5 billion or more from taking further credit from banks, until full liquidation of the agreed indebtedness. *(This Day)*

Nigeria plans to raise between 210-360 billion naira in sovereign bonds ranging between 5 and 20 years in the first quarter of the year, the Debt Management Office (DMO) said on Wednesday in a statement. The amount being proposed is higher than its 2012 fourth quarter debt issuance and a great amount than the debt issued in the corresponding period of last year. The Debt Office said it plans to auction between 85-135 billion naira each in 5-, 7- and 10-year paper on January 23, 75-135 billion naira in 5, 7, 10 and 20-year paper on February 13 and sell 50-90 billion each in 5 and 10-year bonds on March 13. All the bonds were re-openings of previous issues. Offshore investors' interest in local debt has surged since the inclusion of Nigeria's debt by JP Morgan in its emerging market government bond index last October. Barclays will add Nigerian debt to its index from March 2013. Nigeria issues sovereign bonds monthly to support the local bond market, create a benchmark for corporate issuance and fund its budget deficit. *(Reuters)*

Nigeria's government earned gross revenues of 581 billion naira in December, an increase of 2% on the previous month, owing to higher oil exports and despite problems with production, the accountant general said on Tuesday. "This was due to the higher export sales volumes ... even as crude oil production and lifting encountered several disruptions as a result of increased bunkering activities and ongoing maintenance work," Accountant General Jonah Otunla said. Revenues were 567.7 billion naira in the previous month. The total revenue distributable for the month to Nigeria's three tiers of government -- federal, state and local -- from those revenues will be N567.7 billion naira, he told a news conference. *(Reuters)*

The World Bank Wednesday advised Nigeria and other developing countries to focus on raising the growth potential of their economies, saying that the global economy was still weak. The Bretton Woods institution also urged developing economies to continue to strengthen buffers in order to deal with risks from the euro zone as well as fiscal policy in the United States. The World Bank, which stated these in its newly-released Global Economic Prospects (GEP) report obtained by THISDAY yesterday, also pointed out that four years after the onset of the global financial crisis, the world economy had remained fragile, saying that growth in high-income countries was still weak. According to the President, World Bank Group, Jim Yong Kim, "The economic recovery remains fragile and uncertain, clouding the prospect for rapid improvement and a return to more robust economic growth. "Developing countries have remained remarkably resilient thus far. But we can't wait for a return to growth in the high-income countries, so we have to continue to support developing countries in making investments in infrastructure, in health, in education. This will set the stage for the stronger growth that we know that they can achieve in the future."

Last year, developing countries recorded among their slowest economic growth rates of the past decade, partly because of the heightened uncertainty in the euro in May and June 2012. However, there has been improvement in financial market conditions since then. International capital flows to developing countries, which fell 30 percent in the second quarter of 2012, have recovered some improvement. The report stated that developing countries stock markets were up 12.6 per cent since June last year, while equity markets in high-income countries climbed by 10.7 percent. It also showed that output in developing countries accelerated, but was affected by slightly by weak investment and industrial activity in advanced economies. To the Senior Vice President and Chief Economist at The World Bank, Kaushik Basu: "From hopes for a U-shaped recovery, through a W-shaped one, the prognosis for global growth is getting alphabetically challenged. "With governments in high-income countries struggling to make fiscal policies more sustainable, developing countries should resist trying to anticipate every fluctuation in developed countries and, instead, ensure that their fiscal and monetary policies are robust and responsive to domestic conditions."

Gross Domestic Product (GDP) growth in sub-Saharan Africa was robust at 4.6 percent in 2012, notwithstanding the slowdown in the global economy. Indeed, excluding the region's largest and most globally integrated economy, South Africa, GDP growth in the region was at strong 5.8 percent in 2012, with one-third of countries in the region growing by at least six percent. "Nonetheless, besides the drag from a weaker global economy, domestic factors, including earlier monetary policy tightening (Kenya and Uganda), protracted labour disputes (South Africa), and political unrests (Mali and Guinea Bissau) weakened growth in a number of countries in the region," the bank added. *(This Day)*

Since the resumption of flights by Dana Air and the earlier joining of scheduled passenger service by Med View Airlines, air fares have crashed on the local routes. Obviously this should be a delight to passengers but industry experts point to the safety implications of introducing low fares that cannot even offset operational costs. This may lead to the demise of the airlines over time. But the immediate consequence is that the airlines will begin to cut corners on maintenance as there will be no available fund to pay for major aircraft maintenance. Another factor is that it will affect replacement of aircraft parts as airlines would be tempted to recycle aircraft parts and the consequence is another cycle of air crashes and deaths that outlines the history of air transport in Nigeria. THISDAY learnt that the lowest fares in the domestic transport market is the one charged by Dana Air, which is N9,000; Med View low fare is N14,000, while Aero is forced to bring down its fare to N16,000 and Arik is considering crashing its own fares as it is now losing passengers to the other airlines. Industry expert and seasoned pilot admitted that hitherto, the domestic carriers overpriced themselves, but present reality indicate that such high prices must have to come down, "but not to the ridiculous level that you cannot offset your operational cost."

The pilot recommended that ideal fare for one hour flight should be N20, 00 so that the airlines would be able to offset operational cost and have funds to effectively maintain their aircraft and pay their workers. But this amount is still considered high by the passengers who believe that well-organised domestic market should have fares as low as N15, 000, if government is able to bring down the cost of aviation fuel and also waive some of the charges levelled on domestic operation. The pilot blamed the low pricing to lack of economic oversight and said that if the Nigeria Civil Aviation Authority (NCAA) is monitoring the pricing of the airlines, it would ensure that fares were not brought as low as it would affect the operations of the airlines and threaten safety standards.

NCAA told THISDAY on Wednesday that it would investigate the prices and to know whether to stop the airlines from charging such fares or not. The regulatory body also noted that it approved the promo fares that some airlines have adopted, noting that the online low fares are offset by the high fares sold at the counter; but presently it is only Aero that is on that promo. The pilot, who considered N20, 000 as safe fares said that fares are calculated by six per nautical mile, which is a term also used by international airlines and this is multiplied with the number of seats in an aircraft and the price of one seat is determined. "Then you add navigational charges, passenger service charge, five per cent ticket sales charge and cost of fuel. When you add all these you know that N20, 000 should be a fair fare for both the airlines and the passengers because the airline has to exist first and operate safely for it to airlift passengers. Passengers anywhere in the world will always go for low fares, however," the pilot said. *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's high current account deficit will stay at about 16% of gross domestic product in the fiscal year to June, then narrow slightly as demand for imported fuel falls, the government said. The east African nation has discovered huge amounts of gas which it is banking on to ramp up domestic power generation and end chronic power shortages that have curbed economic growth. "The deficit is projected to narrow to about 14% of GDP in 2013/14 and decline further in subsequent years, as domestic gas powered electricity generation leads to lower demand for imported petroleum fuels," the government said in a letter to the International Monetary Fund dated December 19. The letter was made public by the IMF late on Tuesday. East Africa's second biggest economy was on track to expand 6.7% in the fiscal year in June while inflation was on course to fall to single digits by mid-year, the government said. Data this week showed headline inflation at 12.1% in December, two percentage points above the central bank's target of 10% for the end of 2012. This year's budget is expected to slow but not fully halt the upward trend in the public debt to GDP ratio. In the letter, the finance minister and central bank governor said the rise in the debt ratio to 43% of GDP at end-June 2012 from 39% a year earlier, largely reflecting borrowing equivalent to 2.7% of GDP to finance a new gas pipeline. *(Reuters)*

Tanzania's annual inflation rate stayed at 12.1% in December, missing the central bank's target for a fall to 10% by the end of the year, official data showed on Tuesday. Slowing food prices had helped push year-on-year inflation lower for 11 months running through to November, but that trend could not be sustained in December. The central bank has also forecast that headline inflation will fall to single digits by the end of the financial year in mid-2013. "The annual headline inflation rate for the month of December 2012 has stagnated at 12.1% as recorded in November 2012," state-run National Bureau of Statistics (NBS) said in a statement. The statistics office said food and non-alcoholic drinks inflation, which carry a 47.8% weighting in the consumer price basket, slowed to 13.1% year-on-year in December from 13.4% in November. Central bank officials were not immediately available to say how they intend to tackle the above-target inflation. Analysts said inflation would remain high due to food prices, partly owing to low rainfall. Rainfall has a major influence on inflation in the agrarian economies of east Africa, with good rains leading to good harvests and lower prices. "The price of food, such as rice, maize and sugar also remains very high at household level," Humphrey Moshi, professor of economics at the University of Dar es Salaam told Reuters. "I've always doubted that the government would meet the target of achieving a single digit inflation rate before the end of the year in 2012. Going forward in 2013, I don't expect to see a significant decline in the inflation rate." NBS said the core inflation rate, which excludes food and energy costs, also increased to 8.9% for the month of December from 8.5% in November. The NBS said the monthly headline inflation rate for the month of December 2012 increased by 1.9% compared to 0.7% recorded in November 2012. The annual inflation rate for energy also fell to 17.8% in December from 18.6% a month earlier. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Zambia

Corporate News

FIRST Quantum Minerals (FQM) has announced that plans to start nickel mining as part of its Trident Project in Solwezi has reached advanced stages. The nickel mine project is part of three potential mines at its large-scale mining project to cost US$275 million. FQM Trident resource optimisation manager John Gladston says the nickel project is being designed to produce on average 38,000 tonnes of the mineral in concentrates per annum. Mr Gladston said this in a statement released in Lusaka yesterday. He said production is expected to rise to 60,000 tonnes when the market for the product grows. He said an intensive resource definition drill programme was completed last year. He said the nickel project is being designed with the capacity to treat ore at a processing facility that will be constructed as an integral part of the Sentinel Copper Mine. "Enterprise is part of the Trident project which includes the Sentinel copper deposit that is currently under development. " As the enterprise is located just 12 kilometres north of Sentinel, it is expected that its development cost will benefit by sharing infrastructure, a unique and significant synergy that will make it a low-cost operation," Mr Gladston said,.

He added that enterprise development requires a capital investment of US$275 million, which lifts the total approved capital estimate for the Trident project to US$2.0 billion. Sentinel is expected to create 2,000 direct jobs for Zambians with a further 600 at FQM's planned US$400 million smelter to be construted in Solwezi. Mr Gladston said the recent drilling has been focused on a nearby satellite zone known as Enterprise Southwest. "Some 359 diamond core holes for over 116,000 metres have been drilled as part of this programme," he said. In April 2011, government granted FQM large-scale mining licences for the development of the Trident project that has three potential mines, namely sentinel which is under development, enterprise and Intrepid. The licences give First Quantum Minerals the exclusive rights to carry out mining operations on the full area of interest at Trident, 150 kilometres west of Solwezi, for a period of 25 years. *(Daily Mail)*

ZESCO Limited says it is working on modalities to list on the Lusaka Stock Exchange (LuSE) in line with Government's directive that all state-owned enterprises should list on the local bourse to broaden their capitalisation. Zesco managing director Cyprian Chitundu said listing on the stock market will help the power utility company raise money for future investments. "We are working on listing on the stock exchange, the Minister of Finance yesterday (Thursday) said we need to list on LuSE as this will help us raise funds for future investments," he said. Mr Chitundu, who was speaking on the Zambia National Broadcasting Corporation (ZNBC) TV2 Morning Live programme on Friday, said the development will empower the public to have a stake in Zesco. On Thursday, Finance Minister Alexander Chikwanda reiterated the need for state-owned firms to use the stock market as an alternative avenue for raising funds rather than complaining about the high cost of borrowing. Mr Chitundu also said Zesco has made headway in reducing load-shedding in the country and is optimistic that this will be fully addressed before the end of the year. This has been triggered by the continued power expansion projects such as the Kariba North Bank, which has helped reduce the power deficit to 70 Megawatts (Mw) from 250Mw. "Last year was crucial, but we promised to address load-shedding this year and cases of load-shedding have reduced," he said. He reiterated Government and Zesco's commitment to invest in power projects to increase power generation capacity due to the increase in economic activities.

Mr Chitundu cited the Kariba North Bank, Kafue lower, Kafue Gorge, Lunzua and Batoka hydro power projects as some initiatives that will increase power generation capacity. He said over US$5 billion will be spent over the next five years to address the energy problems the country has been facing over the years. Meanwhile, Zesco Limited has partnered with the Zambia Daily Mail in the newspaper's letter writing competition to plough back into the community and help create awareness on energy issues. The readers are required to write a letter about any "kind gesture" extended to them over the festive period and the best letters will win various prizes. Readers can also write about a "kind gesture" they extended to other people over the same period to the Daily Mail which shall publish the letters with photos at a date to be announced. "A lot of people write about Zesco in the newspaper and we felt by partnering with Zambia Daily Mail," Mr Chitundu said, "we will create a forum for people to express their views and create visibility for ourselves." Mr Chitundu said, "It is also part of our corporate social responsibility of giving back something to the community we operate in," Mr Chitundu said. And Zambia Daily Mail deputy managing director Antony Mukwita said the partnership with the power utility company will go a long way in connecting the community that makes up the Zambia Daily Mail readership. "The competition is a way of thanking our readers for the support they gave us throughout the year," Mr Mukwita said, "we want to encourage readers to take advantage of the letter writing competition and win huge prizes such as phones, refrigerators and even money, like we did last year." The entry procedure for the competition that runs up to January 31 sponsored by ZESCO is simple, according to Mr Mukwita, who advised readers to, "look out for an entry coupon and instructions in the Daily Mail running every day…the prizes are priceless and everyone is a winner". *(Daily Mail)*

Economic News

CONSTRUCTION of the 1,600 megawatts hydro power station between Zambia and Zimbabwe is expected to commence once feasibility studies and an environmental impact assessment (EIA) have been conducted, Zesco managing director Cyprian Chitundu has said. Mr Chitundu said an expression of interest was recently tendered for consultants to review the feasibility study of the project that was conducted 20 years ago. "An expression of interest was tendered in the press to look for consultants to review the study that was conducted in 1992. We need to ensure that the feasibility study is brought to speed," he said. He said this in an interview in Lusaka recently. Mr Chitundu said a committee comprising Zesco, Zimbabwe Electricity Supply Authority (ZESA), and the ministries of Energy and Finance from both countries has been set up to discuss modalities on how the over US$4 billion (about KR20 billion) project will be developed.

Zambezi River Authority (ZRA), which is jointly owned by Zimbabwe and Zambia, has been mandated to coordinate the construction of the dam on the Victoria Falls. He said the project is important in view of the growing economic activities. "The development of the project is high on the agenda. Zambia's economy is growing at an average of seven percent annually and unless we build new power stations, we will have a power deficit again," he said. "This is the best time to invest in power projects, not in 10 years' time, because building power stations after 10 years will be very expensive." Mr Chitundu also said the stakeholders are looking for alternative sources of finance for the project. *(Daily Mail)*

GOVERNMENT will accelerate industrialisation and job creation strategies under an all-inclusive blueprint dubbed 'Pave Zambia 2000,' President Michael Sata had said. Mr. Sata said the plan was aimed at transforming the economy with emphasis on sectors with high employment creation potential such as agriculture, tourism, construction and manufacturing. "These sectors have the highest requirement for labour and labour-intensive projects as well as the potential to be highly-competitive and thus encourage growth, employment, value addition and ultimately expand the country's economic base," he said. He expressed confidence that his administration was on course in implementing campaign promises. The President said this in a statement released in Lusaka yesterday by his Special Assistant for Press and Public Relations George Chellah. He said the 'Pave Zambia 2000', which is the first of its kind and scale in Zambia, would be launched to fast track the development process. The President explained that the central aim of the 'Pave Zambia 2000' project was employment creation and repair of all major urban roads countrywide. Mr. Sata said the project encompassed segmented paving and cobbles of approximately 2000 kilometres of urban roads in all the 10 provinces. He also underscored the Government's resolve to improve the road infrastructure through the ongoing 'Link Zambia-8000' road project as enshrined in the Patriotic Front (PF) manifesto. He said to date, about 12,850 road sector jobs had been created countrywide and reiterated Government's commitment to creating a better Zambia for all. President Sata in September last year launched the K27 trillion road project dubbed "Link Zambia-8000." He declared that the launch of the 'Link Zambia-8000' marked the implementation of campaign promises he made to Zambians and that more would follow. The "Link Zambia-8000" is a project meant to connect outlying areas of Zambia to all the 10 provinces to be implemented over a five-year period. *(Times of Zambia)*

UNITED States of America (US) President Barack Obama has pledged to expand economic ties with Zambia through increased bilateral trade and investment. The US president also commended the Zambian Government for consistently focusing on addressing public health challenges. Mr. Obama said the US was committed to assisting Zambia improve productivity in the agricultural sector. "We laud the Zambian Government's growing leadership in addressing public health challenges and pledge to continue our investment through The

President's Emergency Plan For AIDS Relief and other initiatives to combat infectious diseases and improve maternal and child health" he said. He was speaking at the White House in Washington DC on Monday when he received a letter of credence from Zambia's new Ambassador to the US Palan Mulonda. Mr. Mulonda is former director at the Zambia Institute of Advanced Legal Education (ZIALE) and was recently appointed to serve in the Foreign Service. This is contained in a statement released by First Secretary for Press at the Zambian Embassy in the US Patricia Littiya. Mr. Obama observed that both the US and Zambia were dedicated to democracy, peace, health and the welfare of citizens and others around the world. He said this was evidenced through a history of cooperation both regionally and internationally through peacekeeping under the United Nations and support for refugees. Presenting his letter of credence, Mr. Mulonda said Zambia considered the US as a key development partner. The two countries, he said, continued to benefit at Bilateral and multilateral levels in various areas of mutual cooperation. Mr. Mulonda said Zambia had benefited from the US through initiatives such as The President Emergency Plan for AIDS Relief and the Global Fund to fight AIDS, tuberculosis and malaria. He said Zambia was determined to increase trade volumes with the US under the African Growth and Opportunity Act (AGOA). "I shall seek to explore trade and investment opportunities between our two countries in order to enhance economic development," he said. He said Zambia had been a champion of democracy as seen through the holding of regular elections and peaceful transition of power. Mr. Mulonda said the Zambian Government under President Michael Sata was committed to upholding the rule of law.*(Times of Zambia)*

THE Federation of Small-Scale Miners Association of Zambia (FSSMAZ) says Government's plan to revoke dormant licences for small-scale mining firms will encourage illegal mining in the country. In an interview, FSSMAZ president Marc Kalemba said that economic conditions in Zambia are not conducive for small scale mining adding that lack of partnership, good marketing and equipment, are some of the reasons some small-scale miners have remained inactive. Recently, Deputy Minister of Mines and Mineral Development Richard Musukwa said Government will revoke operating licences for small scale mining firms that are not operational and are holding the documents for business speculation purposes. He said there is need for Government to consider other options which will make the sector thrive Mr Kalemba said the federation is willing to engage Government and resolve the matter to help promote the sector. "The federation is not against Governments option to revoke licences per se because it is stipulated in the Mining Act, but doing so at the moment will add on to problems faced in the sector like illegal mining. Our position is that it is not the best option Government can take," he said.

He said there is a base line survey being conducted by ZCCM Investment Holdings on mines countrywide to collect data on the current status of the industry. He said if Government revokes small scale mining licences, the survey by ZCCM-IH be disturbed. He said small scale miners are holding on to their licences not for business speculation purposes but to find right partnership to work with. Mr Kalemba said there is need for Government to promote value addition and curb illegal export for small scale miners to market precious stones. "As a country, we should be able to benefit from gemstone mining, the best is to start selling locally. There is very little quantities that are surrendered to Government for scrutiny…there is need for Government to find modalities that will prohibit the sell of local precious stones in large quantities, "he said.

Meanwhile, the association is working on amending its constitution for the sector to perform effectively. Mr Kalemba said revising the constitution will also help the Association raise more funds through increased affiliation fees which currently stands at KR100 (K100,000) per person. He said there are also considering changing the name of association from small scale miners to emerging miners as most of the members are operating at large scale. "Our current constitution is not adequate to administer small scale mining, considering that the affiliation fee is too little and we do not have the powers to increase if our constitution is not changed," he said. (Daily Mail)

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Zimbabwe

Corporate News

GOVERNMENT and Impala Platinum Holdings yesterday signed terms for the Zimplats indigenisation implementa-tion plan to pave way for the transfer of controlling stake in the entity from the South African firm to indigenous Zimbabweans. The agreement was signed by Youth Development, Indigenisation and Em-powerment Minister Saviour Kasu-kuwere and Implats group chief executive officer Mr Terence Goodlace. Under the deal, Implats will sell shares in Zimplats to Mhondoro-Ngezi, Chegutu and Zvimba Community Share Ownership Trust (10 percent), Employee Share Ownership Trust (10 percent) and 31 percent to the National Indigenisation and Economic Empowerment Fund. The shares are valued at US$971 million and Zimplats will facilitate the transaction by providing vendor financing at an interest rate of 10 percent per annum. Minister Kasukuwere hailed the transaction as the biggest ever in the country. He said the deal dispelled claims in some quarters that the empowerment programme would benefit a few influential individuals. "Our emphasis on broad-based participation has clearly shown that the indigenisation programme in the main does not benefit elite indigenous persons, but rather broad based groups of indigenous Zimbabweans. "To date, my ministry has achieved for communities around the country the value in the form of shares in mining companies in excess of US$1 billion," he said. He said at least US$110 million had so far been distributed to community trusts while over 800 companies have had their proposals to dispose of shares to their workers approved. "It is therefore apparent that the greatest beneficiaries of the programme to date are not well-to-do individuals, but broad masses," Minister Kasuku-were said.

He said Government's programme of empowerment was in line with the Millennium Development Goals and other international instruments that local communities should benefit from their resources. Minister Kasukuwere dismissed allegations by detractors of the programme that Government was compulsorily acquiring shares. "Shares in non-indigenous business, as in this transaction, are acquired under the programme for full value and this has been demonstrated through a series of transactions that have been concluded with major investors. "Some of our colleagues in Government have been peddling falsehoods that the law will be amended to make exemptions for investments in certain areas of the economy. The law will not be amended because there is no need to do so," he said. "We have shown that the provisions of the law allow Government to lower the threshold of indigenisation in areas such as massive investments for a certain period of time. Unfortunately despite our overtures to implement this regime our colleagues have continued to engage in cheap politicking and unnecessarily confusing the investors."

He said Zimbabwe was still open to foreign investment but said the investment should be for the benefit of Zimbabweans and the country as a whole. Minister Kasukuwere said his ministry was in the process of crafting a comprehensive economic empowerment policy. "Among other things this new policy will focus on creating new business largely owned by indigenous Zimbabweans, propose new ways of accelerating rural development and growing the economy to levels never seen before," he said. Minister Kasukuwere also warned non-compliant companies, especially in the banking sector to respect the country's laws by adhering to the indigenisation laws. Speaking at the same occasion Mr Goodlace said the agreement was an example of how Government and companies could work together for mutual benefit. "Today is an important landmark for Zimbabwe and our company and will in all likelihood be chronicled as an achievement of how companies and the Government of Zimbabwe came together to advance the interests of all," he said.

Mr Goodlace said the prospects of the company were bright. "I am, despite these hard times, excited about the future for Zimplats and platinum mining in Zimbabwe. To start with, the uncertainty that had dogged Zimplats during the negotiations is now hopefully a thing of the past. "The participation of Zimbabweans at a shareholding level will create a sense of ownership as our partners become actively involved in the extraction of platinum group of metals, which will remain a critically important aspect of the country's mineral development," Mr Goodlace said. He said the investment into Ngezi Phase 11 project at a cost of US$460 million was at an advanced stage.
Negotiations between Government and Implats on the indigenisation implementation plan have been going on for the past year and half while the final agreement is expected to be concluded by June 30. Local Government, Rural and Urban Development Minister Dr Ignatius Chombo, Minister of State in Vice President Joice Mujuru's Office Sylvester Nguni and president of the Zimbabwe Chief's Council Fortune

Charumbira and several chiefs attended the signing ceremony. *(Herald)*

UNILEVER Zimbabwe says 50 percent of its turnover is now from locally manufactured products, after the gradual increase in production since 2009. In an interview with Herald Business, Unilever managing director Mrs Nancy Guzha said when the company started operations after dollarisation, most of their products were imported because the manufacturing plant was obsolete after 10 years in the doldrums. But the company had installed new machinery and steadily increased production. "In 2009, we put in a state-of-the-art facility in Zimbabwe that makes all our savouries — Royco Usavi Mix. "Year on year we have made investments into the factory and modernised it. We started to manufacture most of our brands locally," she said. Mrs Guzha said currently all the "money drivers" — Keybar, Geisha soap and Royco Usavi Mix — were being manufactured locally. She said the other 50 percent of the company's turnover came from imports, which they could not produce locally. "If we see that by using an antiquated factory, we would compromise the quality of the brand, we will bring the product in from whichever factory produces the best quality," she said.

Unilever is currently operating at 45 percent capacity. Mrs Guzha said they realised that using an antiquated factory would cost more money and they were slowly investing in the factory and modernising the operations. The company employs more than 700 workers on contract and on a permanent basis while a further 400 people are employed as merchandisers and service providers. Mrs Guzha said Unilever was aggressive in terms of marketing their products. "We are doing so much but we don't speak about it too much. Look at our brands — they are known by everyone. For example, everyone calls washing powder 'Surf'. If I were to go into a few households, randomly, I would definitely find Vim, Handy Andy and Sunlight. We are comfortable that we are here to stay. We are part of the brand of Zimlife," she said.
Mrs Guzha said although the company had been affected by the influx of cheap imports, which had crippled the manufacturing industry over the past 10 years, Unilever had fought to defend its brands. Mrs Guzha said Unilever Zimbabwe had become one of the three biggest spenders in the country and one of the best — if not the best — performing Unilever companies in Africa. *(Herald)*

INTERNATIONAL risk management, insurance and reinsurance brokerage firm Aon Zimbabwe has been suspended from writing new business after it allegedly violated the sector's compliance regulations, NewsDay has learnt. According to a notice seen by this paper, the Insurance and Pension Commission last Wednesday wrote a letter to the employee benefits firm ordering them to stop operating. Questions sent to the insurance regulator had not yet been responded to at the time of going to print yesterday. Aon Zimbabwe, formerly Aon Minet, according to information posted on its website, has been a member of the Aon International since 1997. The insurance firm operates four units— its flagship Aon Risk Services, Aon Risk Management, Consulting and Reinsurance. The company writes business for several listed and other private sector firms in the country. Information sourced indicates that the firm's risk services division (Retail Broking) handles an estimated 25% of all Zimbabwe's short term insurance business. The division controls the insurance portfolios of 50% of the companies listed on the Zimbabwe Stock Exchange. TA Holdings owns 30% of Aon Zimbabwe.
"We hereby advise that Aon Zimbabwe and its subsidiaries, namely Aon Benfield, Aon Risk Services, and Aon Consulting, have been suspended from taking new insurance and pension administration business with effect from January 7 2013," reads the letter in part.

"This position has been reached after Aon Zimbabwe and its above named subsidiaries failed to comply with section 3 of Statutory Instrument 243 of 2006, section 35 of the Insurance Act [Chapter 24:07, and section 3 of Statutory Instrument 243 of 2006. "Meanwhile, the Commission has given Aon Zimbabwe a grace period after which the suspension will be lifted should it have addressed the compliance issues. Should Aon Zimbabwe and its subsidiaries fail to address the compliance issues within the stipulated time frames, the Commission will proceed to order transfer of all pensions and insurance business to dully registered institutions to enable an orderly exit of Aon Zimbabwe and its subsidiaries from the insurance and pensions industry." The local insurance sector has, since dollarisation, been on a recovery path after enduring a decade long economic meltdown which ended in 2009. IPEC last year hiked the minimum capital threshold for insurance companies to $3 million from $300 000. There are about 26 companies in the short-term insurance sector. *(News Day)*

FOREIGN-OWNED mining companies that complied with the country's empowerment laws will this year pay out dividends to communities they save in a bid to meet Millennium Development Goals, indigenisation and empowerment minister Saviour Kasukuwere

has said. Addressing delegates at the signing ceremony of an empowerment agreement between platinum miner Zimplats and government, Kasukuwere defended the controversial policy saying it would be broad-based. Most major foreign-owned mining firms have already partially complied with the empowerment legislation that compels the firms to cede 51% stakes to locals. The mining companies have relinquished 10% to community ownerships. "Our emphasis on broad-based participation has clearly shown that the indigenisation programme in the main does not benefit elite indigenous persons, but rather broad groups of indigenous Zimbabweans," said Kasukuwere. "To date, my ministry has achieved for communities around the country value in the form of shares in mining companies in excess of $1 billion. Apart from this capital value to communities, the trusts will henceforth begin to benefit from annual dividends declared by mining companies. In addition, more than $110 million has been pledged or paid out to community share trusts by mining companies as seed capital for initial community projects."

Zimplats, a unit of Johannesburg Stock Exchange-listed Impala Platinum in 2011, became the first major mining company to seal a deal with government. Under the transaction, the National Indigenisation and Economic Empowerment Fund will own 31% shareholding and the firm's employee share ownership scheme and local community ownership trust will hold 10% apiece. "In addition to the above, more than 800 companies in our database have proposed shares to employees through employee share ownership schemes. This in itself will benefit hundreds of thousands of workers throughout the country as part owners of business. It is, therefore, apparent that the greatest beneficiaries of the programme to date are not well-to-do individuals, but broad-based masses," Kasukuwere said. Other mining companies that have already concluded empowerment deals with government, according to Kasukuwere, include Mimosa, Unki Mine, Blanket Mine, PPC, BAT, Old Mutual, Meikles Africa and Ecobank. Also speaking at the same function, National Indigenisation and Empowerment Board chairman Mike Nyambuya said the conclusion of the Zimplats transaction was expected to boost the value of assets held by the empowerment fund. Nyambuya said since 2010, more than 1 300 foreign-owned firms had submitted their compliance plans. He added that out of these, 350 had been approved. *(News Day)*

ECONET Wireless, the country's largest telecoms company, said Monday subscriber numbers had reached 8 million and announced a deal to enable customers to acquire smart phones and tablet computers on credit. Commercial director, George Barbaressos, said demand for Econet lines remains "very, very strong", crediting the company's extensive coverage around the country. "People have realised that we offer the best value in every respect, in terms of value for money, in terms of the best product range, the best coverage and the best customer service" he said. Barbaressos said network investment remained the key factor in Econet's market dominance noting that "we have spent and continue to spend more money on our network than all our competitors combined." He said 2013 was going to be very much about customer service and customer experience. "It's our main focus. We are going to spend significantly on customer service this year," he said. "We are going to expand and improve our network of shops, expand our call centres, and we are going to train our staff to ensure that the core values of our founder drive the company at all levels." Meanwhile, Econet customers will soon be able to buy the latest generation smart phones, and tablets such as I-Pads on 24 month installments following the creation of a special credit facility at TN Bank. Officials said the plan to finance phones on credit was part of the company's reasons for moving into banking adding the facility would kick-off once Econet completed its acquisition of TN Bank. "It is just one of several strategies which Econet is planning for the bank, which is now completely being run by Econet executives," Econet said in a statement. Management said in order to grow its revenues in a maturing voice market, Econet needed to convert more and more of its eight million customers to users of smart phones and tablet computers which can use high-speed data and Internet services. *(New Zimbabwe)*

NNSCOR Africa Ltd, the country's biggest food company, said it's complying with indigenization laws while the government gave it a seven-day deadline to offer a plan to abide by them or face punishment including a shutdown. The National Indigenisation and Economic Empowerment Board said it sent a letter to the Harare-based company which Innscor Chief Executive Officer John Koumides may have been motivated by elections President Robert Mugabe has said he wants to be held in March. "We have complied with the indigenization laws a long time ago," he said in a telephone interview from the capital, Harare. "Somebody is playing games with that letter. It's old. As we approach elections, these things will always pop up.' Zimbabwe in 2010 introduced a law that requires foreign and white-owned domestic companies with more than $500,000 in assets to sell or cede 51% to black Zimbabweans. The law first targeted mining companies and was

later extended to foreign- owned banks and other enterprises. The country has the world's largest platinum deposits after neighboring South Africa. Gold, diamonds, ferrochrome, coal, copper and asbestos are some of the minerals produced by companies such as Impala Platinum Holdings Ltd.'s (IMP) Zimplats unit, Aquarius Platinum Ltd and Sinosteel Corp. The government can have Innscor's operating licenses revoked until it complies, Zwelibanzi Lunga, the Indigenization board's director for compliance, said. The letter's deadline expired ''sometime in December," he said. "Innscor should just comply with our laws," he said by telephone from Harare today. "To start with, 98% of its directors are non-indigenous and they are white persons, so it's silly for anybody to tell us they are compliant. Anyone who doesn't want to comply can pack up and go." The company owns fast-food outlets in several African nations and also controls National Foods Holdings Ltd. (NTFD), a milling company, in partnership with Johannesburg-listed. Innscor operates Spar grocery shops across Zimbabwe.
The company also owns Colcom Holdings Ltd. (COLC), Zimbabwe's biggest pork producer, and Padenga Holdings Ltd. (PHL), a crocodile-hide exporter. *(New Zimbabwe)*

AS pressure mounts on foreign-owned banks to comply with the Indigenisation And Economic Empowerment Act, it has emerged that Ecobank Zimbabwe has complied. Barclays Bank, Standard Chartered, Stanbic Bank and MBCA are some of the targeted banks. Under the Act, foreign-owned companies are required to dispose a 51% stake to locals. Indigenisation minister Saviour Kasukuwere last Friday told delegates attending the signing ceremony of the Zimplats empowerment deal that the measure of investor confidence in the country was demonstrated by the successful partnerships government had already signed with a number of foreign companies. "Some of the notable transactions concluded to date are Zimplats, Mimosa, Unki Mine, PPC and Blanket in the mining sector, Schweppes and BAT in the manufacturing sector, Meikles Africa in hospitality sector, Old Mutual and Ecobank Zimbabwe in the financial services sector," said Kasukuwere. Ecobank Transnational Incorporated group chief executive officer Thierry Tanoh was last week in the country on his first visit to the region in a development that was described as a reflection of a vote-of-confidence by the Ecobank Group in the Zimbabwean market.
The bank has pledged to continuously strive to play a prominent role in the financial integration and development of Zimbabwe through its focus and expertise in Africa. The bank last week announced that it had complied with the first phase of the Reserve Bank of Zimbabwe minimum capital requirements of $25 million. The central bank raised the minimum capital requirements for both merchant and commercial banks to $100 million under a phased recapitalisation plan. Ecobank Zimbabwe, which currently has 11 branches intends to expand its operations locally. Ecobank Transnational became the major shareholder in Premier Finance Group in 2010 when it injected $10 million into the bank resulting in the acquisition of a 70% stake in the then Premier Finance. The transnational group is listed in Lagos, Ghana and on the West African regional bourse. It has assets worth $9 billion and operates in 30 countries on the continent. Meanwhile, Kasukurewere has vowed not to amend the country's indigenisation law, threatening to take stern action against foreign-owned banks that were yet to comply with the equity laws. "I would like to encourage other companies, particularly in the banking sector, to comply with our laws as non-compliance will no longer be tolerated," said Kasukuwere. "Uncalled-for defiance and arrogance will not be tolerated as all companies must respect the law and desist from provoking the State.*(NewsDay)*

AFRASIA Kingdom Holdings Limited (AKHL) says the disposal of its stake in First Discount House Financial Holdings of Malawi is yet to be finalised as the matter is now being handled by the courts. In an interview recently, AKHL chief executive officer Lynn Mukonoweshuro said AKHL had begun plans to dispose of the group's shareholding in FDH. "The process has unfortunately been delayed by differences on valuation of our stake," Mukonoweshuro said in written responses. "The matter has since become the subject of legal proceedings, which, therefore, prevents us from commenting further, suffice to say we are confident of a successful resolution to the disposal." KFHL had a 38,15% stake in FDH and was the major shareholder. The other shareholders in the arm included Thompson Frank Mpinganjira Trust with 37,85%, Old Mutual Life Assurance Company (Malawi) 19% and FDH ESOP with 5%.

FDH has four subsidiary companies, FDH Bank, First Discount House Limited, FDH Stock Brokers and FDH Money Bureau Limited. KFHL last year said the central bank of Malawi was failing to raise $10 million that it required to dispose of its stake in the bank. AKHL recently secured $10 million from its Mauritia-based partner to provide lines of credit for on lending to customers. Mukonoweshuro told NewsDay last week that the company was now positioned to attract more capital that would come in handy in the company's desire to meet the phased new capital requirements. She said the capital injection of $9,5 million last year by their partner had enhanced the company's balance sheet to underwrite new business. AKHL stake in FDH was in line with the group's strategy of constantly reviewing its regional expansion and with the macroeconomic challenges currently prevailing in Malawi. AKHL's other subsidiaries include MicroKing Savings And Credit Company (Private) Limited, Kingdom Asset Management and Kingdom Bank Africa Botswana. *(News Day)*

ZIMBABWE Stock Exchange-listed (ZSE) horticultural concern, Interfresh Limited, has lost a part of Mazoe Citrus Estate (MCE) after the land was allocated for resettlement. Management said they have appealed the acquisition of the land which comes at a time the company is engaged in negotiations to bring in new investors. In a statement to shareholders Tuesday, Interfresh company secretary Tawanda Namusi said: "Shareholders are advised that the ministry of lands and Rural resettlement has advised the company that a portion of land measuring 1599,7 hectares which was part of Mazoe Citrus Estates (MCE) has been allocated to another party. The estate currently has citrus lemons, seed soya bean, commercial and seed maize and horticultural produce on this land. Interfresh is one of the country's leading producers and processors of agricultural, horticultural, agro-industrial and allied food products for both the local and export markets. The company has three strategic divisions namely, Citrus, Flowers and Trading, each with a specific and autonomous area of focus. "This portion of land represents 46 percent of MCE's total arable land 30 percent of its budgeted revenue for the financial year 2013 and 52 percent of the value of immovable and biological assets," the company said. "An appeal has been lodged with the ministry of Lands and Rural resettlement for their considerations. The board will be consulting shareholders regarding the way forward."

The development comes at a time the group is reportedly close to a deal that could bring in new investors into the business. Interfresh issued a cautionary statement in December announcing that there was an impending transaction which could affect its share price. The identity of Interfresh's new partners could not be immediately established but analysts expected that the group could be in talks with foreigners. Interfresh, which narrowed its pre-tax profit to US$818,000 during the half-year ended June 30, 2012, from US$1,1 million during the same time in 2011, reported a considerable strain on working capital during the period. Recent cautionary statements did not disclose if the negative working capital position had driven the firm to hunt for fresh funding. However, it is possible that chief executive officer (CEO), Lishon Chipango, could be positioning the group to take advantage of expected economic growth by roping in cash-rich investors to fortify his balance sheet. During the half year to June 30, 2012, current assets at US$5,5 million were about US$400 000 lower that the group's current liabilities, which closed the period at US$5,9 million. Chipango has already registered positive results from a decision to dispose of loss-making units, the group's head office and its warehouse complex in Harare. Interfresh's revenue from continuing operations climbed by 27 percent to US$3,2 million, from US$2,5 million during the prior comparative period in 2011. *(New Zimbabwe)*

YUM! Restaurants International continues to expand the footprint of its KFC brand on the African continent, with plans to add stores in Tanzania, Uganda and Zimbabwe this year, the company said on Monday. "Africa is undoubtedly one of the fastest-growing regions globally and KFC is fully committed to harnessing this opportunity and building a sustainable business model on the continent," said Bruce Layzell, KFC general manager of new African markets. Global brands are progressively looking to emerging markets to offset sluggish growth in traditional economies, and Africa presents a compelling investment case for retailers. The Economist Intelligence Unit predicts that by 2030, Africa's top 18 cities could have a combined spending power of $1,3-trillion. One of the main drivers of Africa's growth spurt is the increasing pace of urbanisation and consumerisation. The number of KFC restaurants in new African markets grew to 63 at the end of last year, in countries such as Angola, Nigeria, Malawi and Ghana. The figure excludes South Africa, Egypt, Morocco and Mauritius, which, if included, brings the total number of KFC restaurants on the continent to almost 900 outlets. Local company Famous Brands, whose portfolio includes Wimpy, Debonairs Pizza and Steers, said heightened interest from prospective franchisees continued in the rest of Africa.

The company has outlets in more than 15 African countries including Nigeria, Ghana and Zambia. There is a caveat: Africa is not an easy place to do business. Key risks include the lack of real estate, currency volatility, high taxes, corruption and red tape. According to Spur Corporation CEO Pierre van Tonder, African expansion is made out to sound like it's a pot of gold. "But whatever you think is going to take 12 months there actually takes you 24 months. You need to be a facilitator in developing Africa, you need to be flexible, and you cannot take your corporate governance baggage out of South Africa and expect to develop in Africa," Van Tonder said last year. Famous Brands CEO Kevin Hedderwick said: "We've been in Africa for 12 years, we are not like those guys who just started there yesterday. We've paid our school fees — it's a tough place to trade." *(News Day)*

INTERFRESH share price remained unchanged despite the recent acquisition of a significant portion of land owned by the agro-industrial concern. The stock has bid only at $0,15 since Monday with no sellers in sight. This week, Interfin warned of a 30% slump in revenue after a huge portion of the citrus estate was acquired, blighting the company's hopes of returning to profitability. Indications are that First Lady Grace Mugabe recently took over control of about 1 600 hectares of land which was part of Mazoe Citrus Estate. During yesterday's trade, the industrial index closed in the positive territory for the 11th consecutive day after advancing 1,48 points (0,91%) to close at 163,33 points. BAT rose 20c to 420c, Old Mutual (OML.zw) was up 4,90c to 170c and Econet gained 3,99c to trade at 510c.

Delta added 1,93c to 110c after the beverage company released its third quarter trading update for the period ending December 30, which indicated that revenue was 14% during the period under review. Insurance firm, Fidelity Life inched up a cent to settle at 11c and Innscor rose 0,90c to 79c as it continues to shrug off compliance threats over its indigenisation and empowerment plan. Turnall was 0,50c firmer at 6c. However, Meikles slipped a cent to 23c. Property company, Pearl retreated 0,25c to settle at 2,30c, CBZ was down 0,20c to 10c and Aico Africa eased 0,10c to close at 9c. The mining index was 0,01 points (0,01%) weaker at 73,13 points. RioZim lost 0,01c to 57,99c. Bindura, Falgold and Hwange were unchanged at the previous trading level. *(News Day)*

Economic News

PROFITABILITY for the country's short-term insurers slid 5,12% for the period ending September 30 last year despite growth in business written, a latest sector report has shown. According to the Insurance and Pension Commission (IPEC) third quarter report for non-life insurance players, total gross premium written (GPW) during the period under review trended upwards driven by motor and fire insurance which contributed 39,94% and 19,82% respectively. After tax profit, however, declined to $3,544 million from $3,735 million. GPW is the amount of premiums customers are required to pay for insurance policies written during the year. This contrasts with premium earned which is the amount of premiums that a company has earned by providing insurance against various risks during the year. "Total gross premium written by insurers and reinsurers for the nine months ended September 30 2012 amounted to $141,12 million and $69,51 million, up from $116,05 million and $50,48 million respectively reported in the comparative period in 2011," reads the report in part.

"Out of the total gross premium written during the period under review, $77,04 million was underwritten through insurance brokers. Motor and fire insurance remained the dominant classes of business for the short-term insurance industry. "Although the sector reported improvements in business volumes, profitability for both the direct short-term insurers and reinsurers deteriorated owing to increase in loss ratios. "Total profit after tax for short-term insurers decreased marginally from $3,74 million reported for the year to September 30 2011 to $3,54 million for the period under review, while that of reinsurers decreased from $2,54 million to $0,02 million for the period under review."

However, total profit after tax for insurance brokers improved from $0,29 million reported for the nine months ended September 30 2011 to $2,06 million for the nine months ended September 30 2012. According to the report during the period under review, all operational short-term direct insurers and reinsurers, except SFG Insurance Company, complied with minimum regulatory capital requirements. In terms of the solvency ratio, SFG Insurance Company and Tristar Insurance Company, according to the report, did not comply with the regulatory minimum of 25%. The direct short-term insurers, reinsurers and the insurance brokers, according the report, recorded a combined total asset base of $271,84 million during the period under review. The combined total asset base, the insurance regulator observed, remained skewed towards current assets, which is in line with the short-term nature of non-life insurance business. "Short-term insurers reported average premium retention ratio of 51,39% during the year to September 30 2012, compared to 50,15% reported in the corresponding period in 2011. Short-term reinsurers, on the other hand, reported an average premium retention ratio of 75,29% for the year to 30

September 2012, up from 66,24% reported for the year to September 30 2011," the report reads. Experts say the slow rate of economic growth has resulted in people and business underinsuring. *(News Day)*

Zimbabwe is now targeting Western banks with operations in the country after a top African conglomerate, Ecobank complied with black empowerment laws of selling majority shares to locals, a minister said on Wednesday. "Ecobank has complied with our indigenisation laws. Their plans are now in order," Saviour Kasukuwere, Zimbabwe's indigenisation minister said. "We are now looking at other banks like Standard Chartered Bank, Barclays and Stanbic to comply." Stanbic, is a subsidiary of South Africa's Standard Bank with operations elsewhere on the continent. The Togo-headquartered Ecobank which has branches in 33 countries across Africa confirmed the deal but refused to give details. The indigenisation drive, which is being spearheaded by long ruling President Robert Mugabe saw the world's number two platinum miner Implats cede 51% of the shares in its local unit Zimplats, to Zimbabwean investors last week. The campaign, signed into law in 2007, has been described as illegal and a threat to Zimbabwe's ailing economy by Prime Minister Morgan Tsvangirai. Zimbabwe's central bank chief last year warned the country's fragile economy could grind to a halt if the government rushed its planned seizure of majority stakes in foreign-owned banks. *(Business Day)*

ZIMBABWE will require at least USD 131m in aid this year, the bulk for food assistance after a failed farming season left nearly 1,7 million facing hunger, United Nations agencies said on Tuesday. The southern African country, once a regional breadbasket, has struggled to feed itself since 2000 when President Robert Mugabe began a drive to seize white-owned farms to resettle landless blacks. A third of the 2012 maize crop was written off after a prolonged dry spell. The call for assistance for Zimbabwe, whose economy was ravaged by hyperinflation between 2003 and 2008, was part of an $8,5 billion global appeal launched in December by the UN for aid agencies to help 51 million people cope with humanitarian emergencies in 2013. The UN agencies said while the humanitarian situation in Zimbabwe had improved after the formation of a unity government by Mugabe and his rival Prime Minister Morgan Tsvangirai in 2009, problems remained. "Humanitarian challenges remain, that include food insecurity mainly caused by drought, and sporadic outbreaks of waterborne diseases," the UN office for the Co-ordination of Humanitarian Affairs said in a statement. The UN said the southern part of Zimbabwe will continue to experience drought in 2013, raising the prospect of another poor harvest. Zimbabwe was a net exporter of food to the region until its agro-based economy took a nosedive in the early 2000s. Mugabe's government embarked on a chaotic land reform programme displacing experienced white commercial farmers. They were replaced with black peasant farmers who had little, if any, knowledge of commercial farming, nor the money to provide needed irrigation. Since then the country has been depending on food handouts to feed its people.
At the launch of the UN appeal Tuesday, a senior official in Zimbabwe's ministry of regional integration and international cooperation, Tedious Chifamba, said Harare was tackling its problems. "Zimbabwe is neither a classic humanitarian case nor is it a failed state," Chifamba said. "There are more deserving cases out there which are competing with us which are indeed victims of extreme weather conditions . . . Or natural or man made calamities such as volcanoes, earthquakes tsunamis, wars, etcetera." UN officials say this year's appeal is about $70 million less than last year's because of the steady improvement in the humanitarian situation in Zimbabwe brought about by recovery in some key sectors of the economy.*(News Day)*

ZIMBABWE'S trade with the European Union (EU) slumped by 9,8% last year and the decline is due to the euro zone crisis and a poor agriculture season, European Union Ambassador to Zimbabwe Aldo Dell'Ariccia, has said. The EU is the country's second largest trading partner after South Africa. Dell'Ariccia this week told NewsDay that trade relations between the trading bloc and Zimbabwe have always been solid. According to Dell'Ariccia Zimbabwe exported ferro-chromium, raw cane sugar, non-industrial and industrial diamonds; copper (refined), raw hides, citrus, cut flowers and vegetables to the EU. Other products included granite, leather, cotton and black fermented and partially fermented tea. Indications that the country was exporting diamonds to the EU come at a time when the government has over the years blamed the underperformance of diamond revenue on economic sanctions imposed by the United States and the EU. "The total trade between Zimbabwe and the EU shows a decrease of 9,8% in 2012 from the previous year with a decrease on the Zimbabwean exports to the EU of 16,47% and a slight increase of the imports from the EU of 2,54%," Dell'Ariccia said. "The decrease in the trade is due to several factors like the EU crisis, the less-good-than-expected agricultural season in Zimbabwe (a high percentage of the exports to the EU are agricultural products) and the fluctuation of international commodity prices (some commodity prices went down on international markets)."

The envoy, however, said trade between the two parties was set to expand after Zimbabwe completed the ratification of the interim Economic Partnership (EPA). "The coming into force of the agreement will have very positive implications for the business climate in Zimbabwe and will provide a wide range of opportunities for exports and access to new markets in the EU and within the Eastern and Southern Africa region" he said. Economic Partnership Agreements are a scheme aimed at creating a free trade area between the EU and the African, Caribbean and Pacific group of states. Zimbabwe entered into an interim EPA with the EU in 2009, giving the country a 100% duty-free quota access into the EU market with a transition period for rice and sugar. Zimbabwe in turn would liberalise 80% of imports from the EU by 2022, 45% by 2012 with the remaining 35% of imports being liberalised progressively until 2022. The EPA scheme is also considered a mechanism for countries such as Zimbabwe to manage liberalisation of the economy, as it allows some room for them to manoeuvre and to maintain some limited protection of their most vital products. *(News Day)*

THE Zimbabwe Revenue Authority managed to exceed its revenue target of $3,2 billion last year despite slowing economy-driven contributions of Value Added Tax (VAT) and individual tax, the authority has disclosed. Revenue collection for the year ended December 2012 eclipsed the target after totaling $3,4 billion. VAT and Individual tax contributed 33% and 21% respectively. Collections from VAT amounted to $1,083 billion slightly below the target of $1,85 billion. In an update on the revenue collection for 2012, Zimra chairman Sternford Moyo said the economy had grown as previously projected. "To some extent, fiscalisation levelled the playing field for large operators, thereby improving compliance," he said. "The capacity of industry has not been growing at the anticipated rate, thereby negatively affecting the performance of the revenue head." Economic growth targets for 2012 were revised downwards from an initial projection of 9,4% to 5,4% and then 4,4% as liquidity constraints continued to haunt the economy. The rise in individual tax collections which eclipsed the target of $645 million by 6% was attributed to the recapitalisation and improved profitability of some companies in addition to enhanced enforcement measures.

Customs duty, excise duty and company tax weighed in with $354,2 million, $394 million and $442 million respectively. Under excise duty, fuel was the major contributor at 69% with beer adding 22%. The remainder of the revenues was contributed by tobacco, wines, spirits and second-hand motor vehicles. "Excise duty on diesel and petrol was increased from $0,16 and $0,20 to $0,20 and $0,25 respectively during the course of the year resulting in increased revenue collections from fuel. "Consumption of excisable commodities increased during the festive season resulting in more revenue emanating from this tax head," Moyo said. Finance minister Tendai Biti last year hiked the excise duty on diesel and petrol in a bid to raise additional revenue to finance inescapable expenditures. The measure was expected to raise additional revenue of about $20 million. *(News Day)*

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