SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

**PAN-AFRICA**

# WEEKLY AFRICAN FOOTPRINT

*This Week's Leading Headlines Across the African Capital Markets*

**TRADING**

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


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


## AFRICA STOCK EXCHANGE PERFORMANCE

| | | | | WTD % Change | | YTD % Change | |
|---|---|---|---|---|---|---|---|
| Country | Index | 21-Jun-13 | 28-Jun-13 | Local | USD | Local | USD |
| Botswana | DCI | 8,648.00 | 8,688.50 | 0.47% | 13.32% | 15.69% | 17.25% |
| Egypt | CASE 30 | 4,603.86 | 4,685.09 | 1.76% | 17.45% | -14.23% | -14.19% |
| Ghana | GSE Comp Index | 1,172.39 | 1,880.26 | 60.38% | 65.67% | 56.72% | 53.82% |
| Ivory Coast | BRVM Composite | 209.01 | 210.90 | 0.90% | -6.07% | 26.61% | 17.95% |
| Kenya | NSE 20 | 4706.80 | 4598.16 | -2.31% | -0.30% | 11.25% | 15.40% |
| Malawi | Malawi All Share | 6,902.60 | 6,914.45 | 0.17% | 19.91% | 14.94% | 37.86% |
| Mauritius | SEMDEX | 1,931.55 | 1,914.64 | -0.88% | -3.26% | 10.54% | 10.72% |
| | SEM 7 | 378.57 | 374.85 | -0.98% | -3.36% | 11.14% | 11.32% |
| Namibia | Overall Index | 873.16 | 866.00 | -0.82% | 19.65% | -12.19% | -9.51% |
| Nigeria | Nigeria All Share | 36,494.39 | 36,164.31 | -0.90% | 1.24% | 28.80% | 28.63% |
| Swaziland | All Share | 289.42 | 289.42 | 0.00% | 21.46% | 1.31% | 4.72% |
| Tanzania | DSEI | 1,785.99 | 1,840.11 | 3.03% | 7.41% | 23.86% | 26.27% |
| Tunisia | TunIndex | 4,614.80 | 4,614.05 | -0.02% | 0.90% | 0.75% | -3.13% |
| Zambia | LUSE All Share | 4,540.93 | 4,568.06 | 0.60% | 12.25% | 22.62% | 30.16% |
| Zimbabwe | Industrial Index | 217.66 | 211.19 | -2.97% | -2.97% | 38.58% | 38.58% |
| | Mining Index | 71.45 | 73.21 | 2.46% | 2.46% | 12.42% | 12.42% |

## CURRENCIES

| Cur-rency | 21-Jun-13 Close | 28-Jun-13 Close | WTD % Change | YTD % Change |
|---|---|---|---|---|
| BWP | 8.52 | 8.53 | 0.13 | 11.43 |
| EGP | 6.98 | 7.00 | 0.22 | 15.61 |
| GHS | 1.87 | 2.02 | 0.92 | 6.22 |
| CFA | 494.95 | 503.91 | 1.81 | 1.73 |
| KES | 84.22 | 84.52 | 0.36 - | 1.25 |
| MWK | 320.38 | 322.75 | 0.74 | 0.54 |
| MUR | 29.77 | 29.93 | 0.54 - | 2.04 |
| NAD | 9.92 | 9.99 | 0.74 | 17.94 |
| NGN | | 159.47 - | 0.13 | 2.16 |
| SZL | 9.94 | 159.47 | 0.79 | 18.43 |
| TZS | 1,610.64 | 1,579.76 - | 1.92 | 0.30 |
| TND | 1.63 | 1.65 | 1.32 | 6.34 |
| ZMW | 5.45 | 5.45 - | 0.02 | 5.11 |

SECURITIES AFRICA

## Botswana

### Corporate News

*No Corporate News This Week*

### Economic News

*No Economic News This Week*

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## Egypt

### Corporate News

*No Corporate News This Week*

### Economic News

**Egypt is relying increasingly on large Swiss trading houses for fuel supplies as it struggles to avoid energy shortages and unrest, while smaller players cut back on deliveries for fear of non-payment.** Egypt's finances have been crippled by a fall in tourism revenue since the 2011 revolution, a weakening of its currency and a rise in fuel subsidies, which account for one fifth of government spending. It owes over $5 billion to fuel suppliers. Traders such as BB Energy, AOT Trading, Eminent, Augusta and Sahara have almost completely stopped supplying Egypt, leaving big players - such as Vitol, Glencore, Gunvor, Trafigura, Litasco and Mercuria - to dominate the market. "We're not looking at Egyptian tenders any more," one trader at a small firm said. He was burned last year when Egypt's financial difficulties delayed its payment for cargoes, leading to demurrage charges. He then spent months trying to recoup those charges. All the trading houses declined to comment. The dominance of major traders mirrors events in Greece last year during the peak of its financial troubles, when its largest refiner Hellenic had to rely on Vitol and Glencore for oil supplies after it could no longer receive bank guarantees. Like Hellenic, Egyptian state oil firm EGPC has to pay hefty premiums to secure supplies as traders face additional shipping and credit expenses. In Egypt's latest and biggest tender to buy gasoil, the premiums it paid over regular Mediterranean prices amounted to $17-$23 a tonne, up from the already high $16-$19 premiums at the end of 2012. Vitol, Litasco and Glencore will supply around $1.7 billion worth of gasoil to Egypt, or 55 out of around 70 cargoes, to the ports of Alexandria, Dekheila and the Red Sea port of Suez in the six months from July through December.

Gasoil is essential to help meet peak summer fuel demand for harvesting crops, travel and air-conditioning. Litasco, the trading arm of Russian oil firm Lukoil , is emerging as the biggest supplier of gasoil for the second half of 2013 after having little presence previously, according to information on major 2012 and 2013 tenders. Vitol held a significant position in 2012 and holds an even larger one in 2013. Glencore, dominant in 2012, has been less important this year. BP was the only Western major to supply significant volumes of gasoil over both years. Egypt, which produces its own energy, became a net oil importer in 2008 as its population grew fast and fuel subsidies mushroomed. It is also moving rapidly to become a net importer of natural gas after years of being a large exporter. But it has been slow to pay for fuel imports, and suppliers face consistent discharging delays, which leads to high demurrage charges. "The cost of doing business has gone up. Tankers sometimes sit for a long time before discharging, and this incurs additional costs," a source at a trading house said, explaining one of the reasons that traders expect Egypt to pay hefty premiums. The hurdles have discouraged some big companies such as Shell and BP, which have cut back steeply on fuel oil deliveries, traders say. BP and Shell declined to comment. "Traders are dominating the picture, although I do not think majors have completely given up," one trading source said. Cairo is seeking a $4.8 billion loan from the International Monetary Fund, which wants Cairo to reform its fuel subsidies, but the government has been hesitant due to fears that such a move could trigger public discontent. *(Reuters)*

**Egypt's economy grew by 2.2 percent in the first quarter of 2013, unchanged from the previous quarter but slower than the 5.2 percent recorded a year earlier, the state news agency quoted the planning ministry on Monday as saying**. The economy had several years of 7 percent growth before the popular uprising that brought down Hosni Mubarak in February 2011, but since then has suffered from a collapse in tourism and foreign investment and an increase domestic labour disputes. In the nine months to end-March, gross domestic product rose by 2.3 percent, up from 1.8 percent from the same nine months a year earlier. Egypt's financial year begins on July 1. *(Reuters)*

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## Ghana

### Corporate News

*No Corporate News This Week*

### Economic News

**Parliament has deferred approval of the country's second EUROBOND to Thursday June 27, 2013 as government plans to turn to the international capital market next month to raise $1 billion.** Proceeds from the bond issuance would be used to finance infrastructural projects in the country and restructure maturing debts. The House was expected to give approval to the bond issue after receiving a report from the Finance Committee of Parliament on Tuesday June 25, but errors identified in the report prevented the approval. Some analysts are worried any delay in approving the BOND might affect government's chances of getting all the funds from investors at a good interest rate. But investment analyst, Derrick Mensah told Joy Business though time is of the essence, carrying out the requisite scrutiny is necessary. "We need to do the due diligence to ensure whatever move that's being made is a step in the right direction. But they [Parliamentarians] have to also do it with a sense of urgency to save the cedi from further deteriorating" he said. Meanwhile, Parliament has been debating the revised Ghana Investment Promotion Centre (GIPC) Act. The Act seeks to approve the regulation covering investments in the country. Joy Business has learnt Parliament might not make any major changes to the revised Act. This should mean that proposals to the GIPC Act by the Trade, Industry and Tourism Committee of Parliament could soon be passed into law. *(Ghanaweb)*

**The purchases of Ghana's cocoa on the international market have dropped by17.3 percent for 2012/2013 main crop season. The purchases for the first twenty-nine weeks were 658,663 tonnes compared with 796,394 tonnes for 2011/2012 during the same period representing a decline of 17.3 percent.** But Cocobod is optimistic of achieving its 2012-2013 crop-year harvest target of 800,000 metric tonnes, though the rains delayed this year. Early this year, the rainfall pattern in the south and north of the Western Region in the areas where almost 55 percent of Ghana's cocoa is produced which was likely to lower the projected target. Ghana operates a two-cycle cocoa year consisting of a 33-week main crop (October-June), which is mainly exported to Europe and Asia, and the minor light crop (11-week), which is discounted to local processing firms including the state-owned Cocoa Processing Company (CPC). Ghana achieved one million tonnes of cocoa during the 2010-2011crop-season but declined to about 850,000 tonnes last season. Government in October last year announced a marginal increase in the producer price of cocoa for the 2012/13 season, despite a more-than-10 percent slump in the crop's world price in the 12-month period to that announcement.

The producer price was reviewed upwards by 3.4 percent, from GHc3,280 to GHc3,392 per tonne. A bag of cocoa beans is currently sold at GHc212 from GHc205 previously, representing 78.42% of the net Free on Board (FOB) value of the crop. Government also reduced its share of the 2012/13 cocoa export duty drastically in order to raise the producer price paid to farmers. Farmers were faced with declining world cocoa prices from US$3,000 in 2011/12 to US$2,300 in 2012/13. In the near term, cocoa prices are expected to be supported by a smaller crop harvest in Côte d'Ivoire and improving chocolate consumption, especially in the emerging market economies. However, concerns about demand in Europe – the world's largest user of cocoa – amid the euro zone growth slowdown add to bearish sentiments. Currently, Cocobod is seeking to raise US$1.2billion from a pre-export syndicated finance loan to purchase cocoa in the 2013/14 season. The banks involved in the syndication include Rand Merchant Bank and Nedbank, both from South Africa; Bank of Tokyo Mitsubishi UFJ (BTMU); Crédit Agricole; and Société Général. *(Ghanaweb)*

**The Bank of Ghana (BoG) has joined the clarion call on government to stop subsidising the prices of utilities and petroleum products, explaining that the removal of subsidies will help stabilise the macroeconomic environment leading to a rise in foreign direct investments (FDIs).** While noting the short-term effects of subsidy removals on prices, especially on lorry fares and consumables, the Central Bank said the positive impact of the action on key fiscal variables such as the exchange rate, budget deficit and inflation far outweighed the

anticipated negatives, hence the need for a complete withdrawal of subsidies. The acting Head of Research, Mrs Grace E. Akrofi, advanced the bank's position at a seminar on fuel subsidies in Accra. The seminar, organised by the Institute of Financial and Economic Journalists (IFEJ) in collaboration with the African Business Media (ABM), brought together officials from the BoG, the National Petroleum Authority (NPA), think tanks and some civil society organisations, to discuss the relevance or otherwise of subsidies on these essential products.
Sharing BoG's experiences on the impact of subsidy payments on monetary policy, Mrs Akrofi said the huge payments made on subsidies, most of which are often not budgeted for, sometimes puts a swing on monetary policy, leading to a rocky macroeconomic environment.
That, she said, acts to taint the image of the economy in the eyes of investors partly causing FDIs inflows to slow. "Because we continue to subsidise the prices of petroleum products notwithstanding the cost involved, we are not able to achieve certain economic targets such as the budget deficit, trade deficit and even inflation. But all these things go a long way to determine how competitive we are for foreign investors," she said at the discussions. "If these things are stabilised, possibly through the withdrawal of the subsidies, then we believe that more FDIs will come in and that will help grow the economy," Mrs Akrofi explained.

The government last year used some GH¢809 million in cash to subsidise the prices of fuel and utilities, according to this year's Budget and Economic Policy Statement. An additional GH¢955.8 million was still outstanding and was expected to be retired this year, the Minister of Finance, Mr Seth Terkper, said during the presentation of the budget in March this year. About GH¢1.2 billion has been budgeted for subsidies for 2013, accordingly to the years. "All these payments contribute to the budget deficit and that is the concern we have. Assuming those payments weren't made, then it means that the deficit would have been far lower and other fiscals wouldn't have been affected," the Acting Head of the Central Bank's Research Department said in an interview after the seminar. BoG's latest posture on the subsidy debate adds to many the number of institutions and individuals advocating the complete withdrawal of subsidies in the country. The first were the World Bank and the International Monetary Fund (IMF) with both contending that subsidy payments benefited the rich and not the poor, who are often the target, and further deny critical sectors of the economy such as health, education and infrastructure, among others, the needed funds to develop.

The authority said government needed to withdraw fuel subsidies to enable consumers pays realistic prices for petroleum, explaining that the late payment of subsidies was contributing to the current sorry state of the Tema Oil Refinery (TOR) and the intermittent shortages of petroleum products in the country. These debates and the subsequent indoor negotiations with government led to a complete withdrawal of subsidies on petrol earlier this year amid mixed sentiments from the public. "That was a good step and we are just wondering why government didn't extend to the other petroleum products," the Head of Pricing at NPA, Mrs Alpha Okaidja Welbeck, told the GRAPHIC BUSINESS after the seminar. "But we are hoping that they will stop the subsidy thing soon," she added. An Oil and Gas Analyst at ISODEC, Mr Dennis Nchor, however disagreed, explaining that subsidies, by themselves, were not bad but its the strategy that is. "We have always maintained that if you think subsidies are not benefiting the intended target, then re-target and ensure that it benefits the poor," he said, adding that government needed to institute mitigation measures in place before subsidises are remove otherwise, the poor will suffer greatly. *(Ghanaweb)*

**Ghana's pace of economic growth slowed in the first quarter of 2013 to 6.7 percent from 10.3 percent a year ago, weighed down by a power crisis that has restricted manufacturing, government officials said on Wednesday.** President John Mahama's government set a full year GDP target of 8 percent for 2013 but analysts said it was too soon to say if the first quarter growth figure was a sign that Ghana would miss that mark. Ghana is seen as one of Africa's strongest economic performers but faces a long-term energy shortfall that was exacerbated last October when the West African pipeline, which brings gas from Nigeria, was ruptured at sea. This triggered near daily power cuts that have affected all sectors of the economy, including industry, which represents 20.8 percent of GDP. Food and beverages, and wood products led the decline in the manufacturing sub-sector, which was hit by the power cuts, according to Bernice Ofosu-Baadu, head of national accounts at the country's Statistical Service. She said seasonal factors may also have affected growth in an economy in which agriculture dominates employment. "Much of the growth slowdown is accounted for by energy supply disruptions, increases in operational costs including cost of credit and fuel and lower export prices," said Sampson Akligoh, head of research at the Accra-based Databank financial group. The West African state produces cocoa and gold and started pumping oil in 2010. Investors are attracted to its combination of high growth and stable democracy. The country is due to issue a $1 billion Eurobond in July. Its GDP growth spiked to 15 percent in 2011 on the back of the start of oil production but fell back to 7.9 percent in 2012 because of lower-than-expected crude and cocoa exports. The International Monetary Fund and ratings agencies have warned about macroeconomic stability because of a budget deficit which reached 12.1 percent in the election year of 2012, nearly double the government's target.

Manufacturing has long struggled in a country whose economy is dominated by commodities, banking and services, which includes the fast-growing telecoms sector. Local production is held back by cheap imports, which have weakened manufacturing across much of Africa, but also by high interest rates, lack of government assistance and power shortages. Akligoh said that focus on cutting the deficit had distracted policy makers from problems in the real economy. Broken down by sector, services recorded the highest growth at 12 percent in the first quarter, followed by agriculture at 1.1 percent. The industrial sector contracted 0.8 percent, according to the country's statistics office. The office also said consumer price inflation was 11.1 percent year-on-year in May, lower than market expectations. The index was calculated for the first time using a rebased basket with fresh items to reflect current consumer priorities. The April inflation figure was at 10.2 percent under the non-rebased index. "The expectation was for inflation to edge up above 12 percent accounting for a base period effect but the relatively lower outcome of 11.1 percent indicates that the old basket was well reflective of developments on the pricing front," said Akligoh. Producer price inflation, also announced on Wednesday, fell for the second consecutive month to 8.6 percent year-on-year in May from 10.2 percent in April. Producer price inflation is an advance indicator of consumer price inflation, which the government wants in the single digits. Consumer price inflation rose to a 3-year high in May at 10.9 percent. *(Reuters)*

**There are "implementation risks" facing Ghana's aim to halve its budget deficit to 6 percent of gross domestic product (GDP) within three years, the International Monetary Fund warned on Thursday.** The government of the cocoa-, gold- and oil-exporting country outlined plans in March to trim the deficit to 6 percent by 2015 after excessive election spending last year helped to pushed it to 12.1 percent, way above a 6.7 target. To allay investor concerns, the government recently announced it would scrap costly subsidies on fuel. Success in reaching the medium-term target "depends on whether politically difficult measures - such as adjustments of energy prices to full cost-recovery levels - will be implemented in a timely and durable manner," the IMF said in a report. It said a Fund mission to the West African country in April pointed to the risks from possible delays and difficulties in implementing reforms. Finance Minister Seth Terkper announced plans in March to cut the budget deficit to 9 percent this year and 6 percent in 2015. He also projected 8 percent growth for 2013. The Fund said the growth forecast was achievable based on increased production from the offshore Jubilee oil field, operated by Tullow Oil, but it could be curtailed by an energy crisis gripping Ghana.

The rupture of a regional pipeline carrying gas from Nigeria to Ghana in October has disrupted the country's power plants. Ghana is one of the fastest-growing economies in Africa. Its economy grew 15 percent in 2011 after the start of oil production in December 2010. This and its strong democratic credentials have endeared the nation to offshore investors. Yet a large current account deficit, thin external buffers and rising public debt have exposed the country to economic risks, the Fund said. "Successful economic transformation will require a realignment of spending away from wages and subsidies towards investment in infrastructure, while structural fiscal reforms are needed to restore policy credibility and build resilience to the political cycle," the Fund said. The country is preparing to issue a second Eurobond in July to raise up to $1 billion to restructure debts and finance infrastructure projects. *(Reuters)*

## Kenya

### Corporate News

**Telecoms service provider Safaricom Monday launched a new financial service that enables consumers to pay for goods and services using mobile money without incurring transaction charges.** Kenya's leading mobile phone company launched what is effectively a mobile money wallet as it deepened its foray into the financial services market, aiming to take control of Kenya's transformation into a cashless economy and reap its benefits. Though the service Lipa Na M-Pesa is not the first mobile money wallet to be launched in the Kenyan market, its leverage on Safaricom's large customer base, a wide network of agents and massive marketing muscles puts it in a class of its own. Shopkeepers, kiosks, saloons and motor garage owners must register their businesses with Safaricom and get a special till number to offer the service that is seen as the mobile telecom firm's reply to plastic money and other forms of cashless transactions. Unlike M-Pesa, which charges a commission for every transaction, the new service shifts that responsibility to the registered service providers, levying them a 1.5 per cent commission on the value of every payment made through the system. Shoppers can, for instance, use the mobile money platform to pay for goods at the supermarket till and send the exact value of the good sold or service rendered thus eliminating the additional charges that have sustained cash as the most popular means of payment in the country. By fixing its commission at 1.5 per cent, Safaricom is directly attacking the credit cards market where commissions stand at between three and five per cent – making it the cheapest means of making cashless transactions in the country.

"Traders currently pay between three and five per cent for credit card transactions but Lipa na M-pesa will charge only 1.5 per cent commission, so we will be competing with cash payments and credit cards," said Bob Collymore, the Safaricom chief executive. Mr Collymore said that although many M-Pesa customers have been able to use it to pay for goods and services it has come at a price because most service providers have forced their customers to include the withdrawal fees in the payment. "M-Pesa was launched to facilitate the transfer of money from person to person but over the years it has evolved and we now want to mainstream it as a person to business payment solution before ultimately offering business to business solutions," said Mr Collymore. "With Lipa Na M-Pesa, our customers now do not have to include the withdrawal charges while making payments," he said. Traders will use copies of their PIN certificates, Identification Card and trading license to get a till number that customers will use to pay for goods and services. To use the Lipa na M-Pesa service, customers will go to the M-Pesa menu and select payments services, buy goods, then enter the till number displayed by the traders and follow the subsequent prompts to complete the transactions. The service can be used to pay for any transactions valued at between Sh10 and Sh70,000. With ordinary M-Pesa transactions, a customer buying goods worth Sh500 has to include Sh27 for withdrawal fee – amounting to additional costs for the same product compared to cash buyers. Safaricom has registered 5000 traders for the Lipa Na M-Pesa service and Mr Collymore said he expects the number to rise to 100,000 by April next year.

Betty Mwangi, Safaricom's general manager for financial services, said that the traders will not only have access to 17 million M-Pesa customers but also help move the economy to a safer and more convenient way of making payments. "Use of M-Pesa to pay for goods and services means traders will handle less cash and therefore be less susceptible to risks associated with cash such as theft and the peddling of fake currency," said Ms Mwangi. Safaricom's launch of the new payment service comes at a time when global financial service providers and technology companies such as Google have rolled out mobile wallets aiming to control the cashless money space. Telecoms operators have also intensified their investments in mobile money transfer services seeking new revenue streams as the voice market matures leaving little room for growth. Voice remains the major contributor of Safaricom's revenue accounting for 62 per cent or Sh77.6 billion of the total revenue. Fixed and mobile data accounted for 7 per cent (Sh8.4 billion) of the total revenue in the last financial year while SMS accounted for 8 per cent (Sh10.13 billion) of the revenue. M-Pesa contributed 18 per cent of Safaricom's Sh124.3 billion revenue in the year ended March 2013 up from 16 per cent the previous year. M-Pesa revenues have grown from Sh0.37 billion in 2008 to the current Sh21.8 billion. The number of users registered for the service has also grown from 3.6 million in June 2008 to 17.1 million in March 2013. The mobile operator has used its vast number of agents, which now stands at 65,547 to drive growth in this segment of the business and the new Lipa Na M-Pesa is expected to follow a similar pattern of growth. More recently, Safaricom has been migrating M-Pesa to a new platform that will enable users to instantly pay their bills. Under the new system, whose processing capacity is expected to increase, clients will settle post-paid electricity bills, insurance premiums and bank payments in real-time. Part of Safaricom's game plan is to grow its data revenue by increasing M-Pesa's share of bulk corporate transactions that are currently facing the challenge of time. In March last year Safaricom cut withdrawal commissions it offered M-Pesa agents under a new tariff regime in an effort to grow the amount of large deposits on its money transfer platform.*(Business Daily)*

**Kenya Airways is banking on cost-cutting measures to recover from tough two years that saw the national carrier swing to the biggest loss ever in the history of companies listed on the Nairobi bourse.** The national carrier posted a loss of Sh7.86 billion in the year to March compared to a profit of Sh1.66 billion last year, which was still a 57 per cent drop from the 2011 numbers. Kenya Airways said Wednesday it has negotiated fleet maintenance contracts that will save it Sh5 billion over the next five years, together with modernisation of its fleet with more fuel-efficient Embraers and Boeing B-787 Dreamliner planes. Analysts led by Citigroup say that increased competitions among global carriers and a soft global economy has made it critical for KQ to cut costs and restore profits. "The aviation industry traditionally has high operating costs. This is the reason why we are continually reviewing our operations to ensure that we are able to deliver a world-class experience to our customers while keeping an eye on our costs," said Titus Naikuni, KQ's chief executive. The airline did not give details including names of suppliers that it has re-negotiated contracts with. Kenya Airways revenues dropped by Sh9 billion to Sh98.8 billion on a drop in passenger traffic. The airline says passenger traffic dropped 3.6 per cent to 9.5 million. Costs changed little at Sh107 billion. The direct costs, including fuel and labour expenses, stood at Sh77.2 billion the same level as last year when they rose 44 per cent. This could be a pointer that the national carrier is getting on top of its costs, which have previously influenced profits.

But the airline is not putting brakes on cost management. The possibility of opening a hotel in Nairobi to cut expenses associated with putting up staff and passengers whose flights have been delayed is on KQ's radar. The national carrier also plans to set up a fuel procurement company in order to increase efficiency in the buying of the commodity that accounts for 38.5 per cent of total operating costs. Citigroup projects the airline to post a net loss of Sh3.1 billion in the current financial year ending March 2014 on higher costs that will wipe out sales. KQ's sales are expected to rise 15.3 per cent to Sh114 billion but Citigroup says expenses such as direct costs and net interest payments will rise to Sh118.5 billion, offsetting sales. The national carrier is projected to return to profitability in the year ending March 2015 with a net profit of Sh618 million, on which Citigroup does not expect it declare dividends. This means that shareholders could face a three-year dividend drought. KQ failed to declare a dividend this year. The airline, which listed at the NSE in 1996, previously only failed to pay a dividend in 1999 despite a dip into losses in 2009. KQ's share price has fallen 21 per cent in the past year to the current price of Sh10, making it one the worst performing counters at the NSE over the period that saw firms record double-digit share appreciation. Management blamed the eurozone debt crisis, fears of unrest during Kenya's March elections and a string of gun and grenade attacks — following Kenya's foray into Somalia in pursuit of Al-Shabaab militants — for its losses.*(Business Daily)*

## Economic News

**A decision on whether to lower or increase the Central Bank rate that is expected to be made early next month will define the future trend of inflation.** Central Bank's Monetary Policy Committee (MPC) meets on July 8, and according to the World Bank, policymakers must consider the current inflation rate while making decisions to support economic growth. "Monetary conditions have eased but policy must keep an eye on inflation while supporting growth. After a successive tightening, the Central Bank has reversed gear now that inflation is low and cut its policy rate to forestall a prolonged economic slowdown," the bank said in its Kenya Economic Update report released last week. Forex inflows The overall rate of inflation was 4.05 per cent last month — a slight decline from 4.14 per cent recorded in April. Inflation rates have been reducing every month since December 2011 when the MPC raised the CBK benchmark lending rate to curb runway inflation and stabilise the shilling. In its last meeting, the MPC reduced the bank's rate by 100 basis points to 8.50 per cent, with the hope that projected growth in Kenya's main trading partners will strengthen the home currency due to increased foreign exchange inflows, even as the Eurozone remains stuck in debt crisis. Analysts have warned that further cuts on the indicative lending rate could drive the country back to soaring inflation rates. "A further drop in the CBK rate could lead to increase of money supply in the market due to cheap loans. Should these facilitate imports, there is the danger of disrupting the balance between imports and exports," Mr. John Mutua, an economic analyst at the Institute of Economic Affairs, said. The economy is projected to grow at between 5.7 per cent and 6 per cent this year on account of peaceful elections and stability of the local unit against world's leading currencies. However, achievement of this growth is pegged on Kenya's ability to reduce the gap between exports and imports by investing more in the production industries. But a further drop in the CBK rate will be of benefit to the private sector, which suffered a credit squeeze last year when MPC raised the base lending rate. During the first half of last year, credit to the private sector declined to Sh121 billion from Sh274 billion disbursed to the industry during the same period in 2011, according to data from the Central Bank.*(Daily Nation)*

**The government will get a 10.2 per cent share of ownership of the Nairobi Securities Exchange (NSE) in a deal that potentially settles a protracted tussle between stockbrokers and the State.** The 22 stockbrokers who mutually own the bourse will get a 4.08 per cent stake each or a total shareholding of 89.8 per cent, according to details of the agreement. The deal paves the way for self-listing of the NSE; the last stage in a lengthy re-structuring process that was intended to separate ownership of the bourse from its management. "The chairman confirmed that in 2012, the Principal Secretary for the National Treasury, on behalf of the Government of Kenya, and the CMA Investor Compensation Fund were each allotted 1.25 million shares; translating to a 5.1 per cent stake for each of them. The remaining 22 shareholders, each have a stake of 4.08 per cent," reads a portion of minutes of the NSE annual general meeting seen by the Business Daily. Eddy Njoroge is the chairman of the bourse quoted in minutes of the AGM held on May 23. The Capital Markets Authority, which had last year published a gazette notice indicating that the government would claim a 20 per cent share of the bourse's ownership, did not respond to our queries by the time of going to press. Sources familiar with the transaction, however, indicated that a separate gazette notice would be published to reverse the earlier one and legitimise the new ownership deal. According to the re-structuring schedule the NSE's self-listing was supposed to have happened by the end of this month, but was delayed due to the disagreement over ownership stakes. The stockbrokers had also argued that the government's claim of a five per cent stake was in violation of the bourse's articles of association which capped any single institution's shareholding at five per cent.

"The regulations were amended to accommodate this and we expect them to be gazetted soon," said Donald Ouma, head of marketing and product development at the NSE. Mr. Ouma said the articles had also been revised to accommodate the new shareholding structure. As a result of the new allotments, the Treasury is set to receive a Sh1.25 million dividend cheque from the NSE. This is the first time that the bourse is paying out a dividend, marking its transition to a company limited by shares. As per the initial gazette notice, the NSE had 30 days to register as a company limited by shares upon receiving approval from the CMA. The payment of the dividend, however, indicates that NSE has already transited to a company limited by shares. As a company limited by guarantee, the NSE could not pay dividends to its mutual owners. Each of the brokers will pocket Sh1 million from the dividend payout. The bourse's annual statements show a 13.5 per cent increase in revenue to Sh384.9 million last year from Sh338 million in 2011. CMA had first indicated that it was not willing to cede on the requirement that government be allocated 20 per cent; with the regulator's chairman hinting that the government should have demanded a larger stake. The allocation to government is in recognition of the role it has played in regulating and protecting investors interest thereby promoting their participation at the bourse. The government has also driven market vibrancy by selling its stake in public institutions through public offers that have kept the stock brokers in business. The Treasury is represented on the NSE board by investment secretary Esther Koimett. The NSE aims to list in the alternative segment of the market through introduction. The plan is to put 60 per cent of the bourse in the hands of the public within three years, indicating that the listing by introduction is only meant to serve as price discovery mechanism before the exit of the current shareholders.*(Business Daily)*

**Kenyan investors have nearly doubled their ownership of shares in foreign stock markets in the past seven years, a report by a UN agency shows.** The United Nations Conference on Trade and Development report on Kenya's investment policy 2013 indicates that the investors increased their shareholding in foreign stocks from $163 million (Sh14 billion) to $306 million (Sh26.3 billion) between 2006 and 2010. The report says that most of these foreign outflows are for stocks in the Uganda, Tanzania and Rwanda. "The main investments from Kenya have been in the banking sector, retail stores, the cement industry and marketing. East African Community (EAC) countries are the main destinations for Kenyan investments," says the report. Kenyan investors' interest in bourses of neighbouring countries started as a spill over from the 2006 KenGen initial public offering (IPO) at the Nairobi Securities Exchange (NSE) that drew in hundreds of thousands of first-time stock market participants. Robert Baldwin, chief executive of Crested Securities, a Ugandan brokerage, said that investment in the Uganda Securities Exchange has been both by retail and institutional buyers. "Most retail investors came into the market in 2007 during the Stanbic Bank IPO," said Mr Baldwin. Kenyans accounted for about half of the investors who bought into the IPO that was oversubscribed by 200 per cent. Institutional investors were more aggressive in last year's Umeme IPO, he added. Shares of Rwanda's Bralirwa and Bank de Kigali, which were listed through IPOs, have also been favourites among Kenyan investors.

The survey also found that more retail and institutional investors would buy into Uganda, Tanzanian and Rwanda companies if the exchanges were linked to allow for seamless trading, which affects liquidity of the stocks. Kestrel Capital chief executive Andre DeSimone said that liquidity in neighbouring exchanges is, however, too low to attract institutional investors who buy and sell in large tranches. "You are lucky if the market trades $100,000 (Sh8.5 million) when in Kenya the daily average is $5 million (Sh425 million)," said Mr. DeSimone. The East African Securities Regulatory Authorities (EASRA), has proposed interlinking the exchanges to allow for seamless trading across member exchanges and to stimulate cross-border trade. "Due to the lack of a common trading, clearing, settlement and depository infrastructure, there has been minimal trading in cross-listed securities," said EASRA chair Japheth Katto in October last year. EASRA has also proposed floating of IPOs and other offers in local currencies and treating citizens of all member states equally as a way of promoting cross-border deals. The report also listed Kenyan firms that have gone regional as evidence of the increasing cross-border linkages, including oil marketer KenolKobil which has expanded to the Democratic Republic of Congo, Mozambique and Zambia. *(Business Daily)*

**Kenya's government has requested the services of a lead counsel and lead manager, setting in motion plans to issue a $1 billion sovereign bond in the international markets this year.** The National Treasury on Tuesday placed advertisements in local newspapers seeking the professional services ahead of the issuance of the bond whose proceeds it said will primarily be used to finance infrastructure projects. "The Government of the Republic of Kenya through The National Treasury is considering accessing the international capital markets by the second half of calendar year 2013 to issue a sovereign bond. The targeted amount is provisionally set at $1 billion," reads the advertisement. The lead counsel will advise on United States and European securities law relating to disclosures, liability, negotiation of contractual arrangements with lead managers and book runners and the preparation of legal and disclosure opinions among other requirements. The lead manager will assist in the determination of the timing, format, amount, tenor, coupon and best pricing scheme, arranging of road shows and conference calls to update investors and the completion of listing and rating procedures among other requests. BNP Paribas and Citigroup were the joint lead managers for Rwanda's $400 million Eurobond which was issued and listed at the Irish Stock Exchange two months ago. "The government should consider dual listing the bond. If for example it is listed on the London Stock Exchange, it should also be listed on the Nairobi Securities Exchange because it will give our capital markets a push," said Jimnah Mbaru, chairman, Dyer & Blair Investment Bank. Kenya's government has been indicating that part of the money is may be used to pay off some of its more expensive debt. Mid last year, the government borrowed $600 million through a syndicated loan from 13 international banks such as The Hong Kong and Shanghai Banking Corporation, FBN Bank, Bank of India, BankMuscat and British Arab Commercial Bank. The loan was priced at a premium of 4.75 per cent above the London Interbank Offered Rate (Libor). It also borrowed €65 million last year from Standard Chartered Bank to be paid at the rate of 5.12 per cent over a period of 10 years to finance the acquisition of biometric voter registration (BVR) kits. *(East African)*

**The government has set the stage to borrow over Sh84 billion from the international markets next year between the period January to June 2014 in order to help finance a Sh329 billion budget deficit. The National Treasury has already indicated that it is targeting the European markets through the issuance of a Eurobond where it said it expects to get cheaper credit.** In an advertisement, the National Treasury is requesting the services of lead transaction and legal advisors that will guide it through the exercise. "The government of the Republic of Kenya through the National Treasury is considering accessing the international capital markets by the second half of calendar year 2013 to issue a sovereign bond," read the advertisement. Through this, the Treasury says that it will act as a reference point in its subsequent borrowings from the offshore markets in case it will in future look to international money lenders in times of need. "Through the proposed transaction, the government intends to diversify its investor base and establish a pricing benchmark for future issuance of such bonds by both the private and public sector," said the Treasury. The money will primarily be used to finance infrastructure projects.

Speaking on Tuesday during a bell ringing ceremony to welcome I&M holdings to the Nairobi Securities Exchange, Central Bank Deputy Governor Haron Sirma alluded Treasury's expectations on this debut issue. "There is a lot of foreign investor participation in the NSE and that persisted even in the first half of the year which shows a lot of confidence in our markets," said Mr Sirma. Mid last year, the government borrowed Sh50 billion through a syndicated loan from 13 international banks such as The Hong Kong and Shanghai Banking Corporation, FBN Bank, Bank of India, Bank Muscat and British Arab Commercial Bank. The loan was priced at a premium of 4.75 per cent above the London Interbank Offered Rate (Libor). In a press briefing last week, the National Treasury Secretary Henry Rotich said that Kenya was yanking away from borrowing from the domestic markets which has hitherto squeezed out private sector borrowing from banks - which are usually the biggest lenders to government - local credit market. *(Daily Nation)*

**A controversial law requiring foreign mining firms to cede 35 per cent ownership to local investors will be repealed to help Kenya attract investments in the extraction sector.** Mining Secretary Najib Balala said the law introduced last October is among the key changes proposed to the Mining Bill being refined at the Attorney-General's office. "I am keen to confirm that the Government of Kenya is repealing the 35 per cent local ownership rule after the completion of the mining Bill," Mr. Balala told a conference in London. The rule introduced last October in a bid to help maximise the benefits from the fledgling sector triggered anxiety among foreign-owned mining firms. Their main concern was the fate of investments that they had already made and how these would be shared with yet to be identified local partners. Mr. Balala said the government would repeal the law to restore investor confidence in the competitive sector. "A vibrant mining sector will create jobs and generate significant revenues for the government. We are here to crowd investors in and not out," Mr. Balala said. Kenya has more than 300 local and foreign firms prospecting for minerals or producing on a small scale, up from less than 30 two years ago, Kenya's Chamber of Mines says. The country has proven deposits of titanium, gold and coal and is also estimated to hold deposits of copper, niobium, manganese and rare earth minerals. Africa-focused gold producer Goldplat early this month said it had suspended its Kenyan operations to focus on cash-generating activities in South Africa and Ghana, due to low gold prices and uncertainty over the controversial law. Goldplat has assets in Kenya, South Africa, Ghana and Burkina Faso. The company in January 2012 poured the first bar of gold from its Kilimapesa mine, marking the beginning of production in Kenya's first gold project. Goldplat warned that the uncertainty over the local stake rule by Kenya would affect its operations as well as those of other investors in the mining industry. A draft of the Bill also proposed to increase royalties on minerals such as gold by up to threefold. It also offered to have mineral-specific structure for royalty payments and charges, deviating from the current law where royalties are pegged at three per cent for all categories of gems. Diamonds and other precious minerals were also to start attracting royalty charges at 10 per cent and five per cent respectively. The creation of a dedicated ministry in-charge of mining signalled President Uhuru Kenyatta's resolve to boost the performance of the industry which has for years been hindered by vested interests and resistance from local communities.

The Mining Bill would replace the Mining Act of 1940, which has only been revised twice in 1972 and 1987, with little in-put on contemporary practices in the sector such as fair sharing of revenue. Official data showed that most companies parted with royalties at 2.5 per cent instead of the preferred three per cent. Some firms, especially the medium and small-scale ones that run illegal mines, even failed to make payment altogether. This has seen the average royalty payment stand at between Sh15-20 million despite the massive prospecting activities that have been taking place across the country. The London-listed Goldplat said it had halted activity at its Kilimapesa mine and downsized the workforce to stem losses. "In order to eliminate losses caused by continued operational constraints and the current uncertain gold price environment, the company has put the Kilimapesa Gold Mine in Kenya on a care and maintenance programme until the project economics can justify the reopening of the mine," it said in a statement. Goldplat has assets in Kenya, South Africa, Ghana and Burkina Faso. The company in January 2012 poured the first bar of gold from its Kilimapesa mine marking the beginning of production in Kenya's first gold project. "With regards to Kilimapesa, we will continue to assess the viability of the operation and engage with all the stakeholders including the local community and the Kenyan government to map the way forward," it said in a statement. *(Business Daily)*

# WEEKLY AFRICAN FOOTPRINT

*This Week's Leading Headlines Across the African Capital Markets*

TRADING

**Kenya's tea output rose 6.2 percent to 39.6 million kg in May compared with the same month a year ago, helped by improved rainfall, the industry regulator Tea Board of Kenya said on Thursday.** The board said the country produced a total 195 million kg in the first five months of the year, up from 127.9 million kg in the same period in 2012. Tea is a major source of foreign exchange for Kenya, the world's leading exporter of black tea. It earned 112 billion Kenyan shillings from the commodity last year. *(Reuters)*

**Kenya expects tourism revenues to rise four percent to 100 billion shillings this year, helped by higher visitor numbers after a peaceful election, the state-run tourism board said on Friday.** A peaceful transition of power to President Uhuru Kenyatta after the closely contested election in March has helped rebuild Kenya's reputation as one of Africa's most stable democracies. Fears of a repeat of violence after an election five years ago when more than 1,200 people were killed had slowed activity in the tourism sector, the country's second highest income earner after agriculture, before the March vote. "The growth (in 2013 arrivals and revenues) would have been bigger but election uncertainties distressed the first quarter of the year," Muriithi Ndegwa, KTB managing director, said in an interview in Mombasa. "That is why we have requested 500 million shillings from government for a tourism marketing recovery programme to help compensate for the dip between January and March." The first quarter of 2013 experienced an 18 percent drop in number of international arrivals to Kenya, registering 255,256 tourists, down from 312,258 recorded in a similar period in 2012, Ndegwa said.

He said tourist arrivals should rise 10 percent to 1.4 million visitors this year, up from 1.2 million in 2012. Ndegwa said the country was targeting new markets like Brazil, Mexico, Morocco and Zambia, Ethiopia and Uganda. German airline Condor, which operates five direct flights per week to Kenya from Germany in winter, and four per week in the summer, said it intended to introduce another direct flight from Vienna, Austria, to Kenya beginning in November. "We are planning for 30, 270-passenger flights per year to bring an additional 8,000 tourists to Kenya annually," Ilona Germes, Condor's international relations and government affairs manager, said at a hotel industry conference on Thursday, adding this was subject to Kenya government's approval. The airline flies directly to Mombasa and Nairobi from Germany and brings in 40,000 passengers per year. *(Reuters)*

## Malawi

### Corporate News

***No Corporate News this week***

### Economic News

**Malawi consumer inflation slowed to 31 percent year-on-year in May,** from 35.8 percent in April, data from the National Statistics Office showed on Monday. *(Reuters)*

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## Mauritius

### Corporate News

***No Corporate News this week***

### Economic News

**Mauritius' trade deficit narrowed 16.3 percent to 6.32 billion rupees in April from a year earlier, official data showed on Monday.** Increased sales of food and live animal drove the value of exports up 7.6 percent to 6.7 billion rupees, Statistics Mauritius said in a statement. Imports fell 5.5 percent to 13.02 billion rupees. Britain was the main buyer of goods from Mauritius in April, accounting for 17.7 percent of exports, while India supplied 24.1 percent of imports. *(Reuters)*

**Mauritius revised its 2013 economic growth forecast down to 3.3 percent from 3.5 percent, official data showed on Wednesday, due to an anticipated contraction in the construction sector and slower growth in financial services and ICT.** "On the basis of information gathered on key sectors of the economy and performance of the first quarter, GDP is forecasted to grow by 3.3 percent, lower than the 3.5 percent forecasted in March 2013," Statistics Mauritius said in a statement. *(Reuters)*

**Business confidence in Mauritius fell in the second quarter of 2013, a survey of leading private companies showed on Thursday, knocked by festering economic uncertainty at home thanks to anaemic growth in its main European export markets.** The quarterly index, run by the Mauritius Chamber of Commerce and Industry (MCCI), dropped 4.5 percent to 87.5 points in the three months to June. "These results indicate that we are in a period of continued uncertainty. And without any long term visibility it could suggest that our economic performance would be lower in the second quarter 2013 compared to a year ago," Renganaden Padayachy, an economist at the chamber, told a news conference. Statistics Mauritius On Wednesday trimmed its growth forecast for this year to 3.3 percent from an earlier estimate of 3.5 percent. It cited an anticipated sharp contraction in the construction industry as well as slower growth in financial services and technology. The Indian Ocean island's central bank has called growth "below trend" this year. The economy expanded 3.7 percent year-on-year in the first quarter against 3.1 percent in 2012. *(Reuters)*

## Nigeria

### Corporate News

**Nigerian energy firm Oando said on Monday its 2012 pre-tax profit jumped 35.4 percent to 17.55 billion naira, from 12.96 billion naira in the previous year.** Turnover rose to 673.18 billion in the period from 571.3 billion in the year earlier. Shares in Oando were up 1.09 percent to 12.98 naira per share by 1057 GMT. The oil marketing and exploration company said it will pay out 0.75 naira in dividend to its shareholders. *(Reuters)*

**First City Monument Bank (FCMB) Group Plc was Monday listed on the Nigerian Stock Exchange (NSE) as a holding company after completing all regulatory and legal processes required for the setting up of a holding company to manage the bank and its subsidiaries.** A total of 19.041 billion shares of the FCMB Group were listed to replace the bank, which was the entity listed before now. Under the holding company structure, shareholding in the bank were exchanged in the ratio of one for one for the FCMB Group, effectively making the shareholders the owners of the group in the same ratio as previous holding in the bank. Through the ownership of FCMB Group, the shareholders will continue to own all the subsidiaries 100 per cent including the bank and its subsidiaries- FCMB Capital Markets, CSL Stockbrokers Limited, Credit Direct Limited, FCMB (UK) Limited, Arab Gambia Islamic Bank Limited and First City Asset Management Limited. Speaking during the 'Facts Behind the Listing' ceremony on the floor of the NSE in Lagos, Managing Director of FCMB Group, Mr. Peter Obaseki, said the holding company would create additional value by enhancing stakeholder engagements and reporting standards. "It will provide and additional layer of non-operational governance to ensure sustainable earnings, consistent and complementary strategies and cultures across the bank other companies," he said. He added that the holding company structure would rig-fence depositors' funds from investment banking activities, which remain critical to the growth and development of the Nigerian economy. Also speaking, the Managing Director of First City Monument Bank Limited, Mr. Ladi Balogun, assured the stock market community that the level of governance, quality of communications and operations resulting from the new structure would definitely add value to stakeholders' value. "The structure will create a more diversified revenue base, while also allowing for focused management of the distinct businesses, thereby enhancing shareholder and customer value," Balogun declared. Meanwhile, trading at the stock market opened on a weak note as the NSE All-Share Index declined by 1.6 per cent to close at 35,861.59, while market capitalised ended lower at N11.521 trillion. *(This Day Live)*

**The board of Oando Plc has recommended the distribution of N5.1 billion as cash dividends for the year ended December 31, 2012, representing more than 59 per cent above N3.2 billion projected as cash payouts for the year in the recent forecasts of the integrated energy company.** The upbeat dividend recommendation followed impressive growths across key performance indicators in 2012 as the company rode on the back of increased cost efficiency to grow net profit by 527 per cent. Basic earnings per share leapt by 532 per cent from 75 kobo in 2011 to N4.74 in 2012, providing adequate ground for current increase in payout and sustainable future payouts. Key extracts of the audited report, prepared in line with the International Financial Reporting Standards (IFRS), showed that all indices surpassed earlier management's estimates. Net profit stood at N10.79 billion in 2012 compared with N1.72 billion in 2011. The bottom-line performance underscored the courageous decision of the company to once and for all deal with nagging extraordinary item in the previous year. The report showed that profit before tax rose from N12.97 billion to N17.55 billion. Gross profit had risen from N65.83 billion to N81.62 billion. Turnover stood at N673.18 billion in 2012 as against N571.31 billion in 2011. The earnings report justified the show of confidence by shareholders during the recent rights issue, which was oversubscribed. Oando had raised about N55.2 billion from the rights issue to existing shareholders, slightly above the initial target of N54.6 billion. The company had issued 4.548 billion ordinary shares of 50 kobo each to existing shareholders at N12 per share between December 2012 and February 2013 with the intention of raising N54.6 billion. However, details of the allotment showed that a total of 11,714 acceptances for 4,596,055,622 ordinary shares, valued at N55.153 billion were received in connection with the rights issue. All 11,714 acceptances were found to be valid under the terms of the rights issue and were all processed, leading to a subscription of 101 levels.

In the forecasts to the rights issue, shareholders were expected to receive about N3.2 billion for the 2012 business year. Gross dividend is expected to more than double to N8.83 billion in 2013 and N17.83 billion in 2014. Shareholders are projected to receive about N17.06 billion in 2015. Market analysts see Oando as a low cost route into Nigeria's attractive energy sector, citing the company's investments in the high margin upstream division that will transform the business significantly and increase value creation for the shareholders. According to analysts, Oando is entering a new frontier in its integrated energy business model which will see the company increase investments in the upstream segment of the Oil & Gas space. Analysts said the acquisition of ConocoPhillips' entire oil and gas assets in Nigeria put the company on the stead to increase its oil production to almost 50,000 barrels of oil per day while it also extends its footprint into the liquefied natural gas (LNG), as well as power generation. Oando had paid an initial $435 million deposit and the balance of $ 1.3 billion will be paid from the net proceeds of the rights issue. A syndicate of international banks has lined up to finance the $800 million debt portion of the transaction.*(This Day)*

**Diamond Bank Plc said it expects to launch its proposed $550 million bond next month and hopes for a 10-year maturity. The bank said that its roadshow ended without a deal yet.** Reuters quoted the bank's Chief Finance Officer, Mr. Abdulrahman Yinusa to have revealed that the bank ended a two-week investor roadshow to Britain, Switzerland and the United States last week, which was meant to update fund managers on the bank and gauge appetite for the issue, Yinusa said: "The issue as well as the pricing will happen some time in July. We have only done the roadshow," adding that the bank wanted to raise a maximum of $550 million. Several emerging market borrowers, including Nigeria itself, have held roadshows in recent weeks, but the US Federal Reserve's talk of winding down its money-pumping programme has kept new issues to a minimum.

Yinusa said the bank had met Goldman Sachs and Fidelity fund managers, among other investors during the roadshow. The roadshow was arranged by lead managers for the bond, France's BNP Paribas and Afrexim Bank. A banking source said two weeks ago that Diamond Bank wanted to issue the bond at a yield of 6-8 percent, mirroring the seven percent yield that rival lender Fidelity Bank had fetched on its $300 million Eurobond issue in May. Depending on the pricing and tenor, Diamond could settle for an amount between $300 million and $550 million, Yinusa said, noting that it will issue a minimum maturity of seven-year in order for the bond to qualify as Tier II capital on its books.
In an investors' presentation prepared for the bond seen by Reuters, it said the proposed 10-year bond will be callable after five years and will be listed on the Irish Stock Exchange. *(This Day)*

**Cadbury Nigeria Plc has disclosed that it has spent a total of $100 million in upgrading its facility, in pursuit of the desire to increase output in accordance with growing demand for its product.** The Managing Director/CEO, Mr. Emil Moskofian, made the disclosure during a facility tour of the confectionery manufacturing company and launch of Cadbury Bournvita 500g pack and 500g refill pack in Lagos. Moskofian said an additional $30 million would also be spent in the second phase of the upgrade, adding that the management aimed to increase its capacity utilisation and also satisfy increasing demand for Cadbury with the additional investment of $30 million. He further disclosed that the company decided to invest in facility upgrade because of the increasing demand for Cadbury Bournvita. While boasting of the quality of its products, he said the company recently received endorsement from Nutritional Society of Nigeria (NSN), the second endorsement so far from the society in five years. The endorsement, he added, was a confirmation of "the care we take in our production and processes and nutrition credentials of the product." According to him, Cadbury Bournvita is the only food drink endorsed by NSN in Nigeria. "The process of endorsement of Cadbury Bournvita by NSN took over 12 months; they were with us throughout 2012. They checked everything, including our processes, quality standard, inspection of the raw materials and facilities, including the production process and at the end, they were able to confirm that our product meets international standard. "Cadbury is known with quality and we are not going to jeopardise that; at Cadbury Nigeria, safety, quality and hygiene are top on our priority," he said. Speaking on the new upsized Cadbury Bournvita 500g jar and 500g refill pack, Moskofian said, "This upsizing to 500g pack is aimed at adding more vitality to our consumers, giving more value with every purchase of Cadbury Bournvita." *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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## Economic News

**Some finance houses in Nigeria are currently facing a lot of challenges as shortage of funds continues to threaten their operations.** In fact, THISDAY learnt that some of them were finding it to meet their obligations to customers as and when due. Some operators that spoke with THISDAY expressed concern over the delay by the Central Bank of Nigeria (CBN) in unveiling the reform package it had planned for the sub-sector. Commenting on the difficulty faced by the operators, the President of Finance Houses Association of Nigeria (FHAN), Mr. Samuel Durojaye, said: "The central bank should create a window for the finance houses just as they did for commercial banks when they had liquidity problems so that we can borrow as a last resort from central bank." Speaking on the expected guideline for the reform of the sector, he said: "The guideline is being reviewed and we don't know if the new guideline would have such a window so we are still expecting it." However, Durojaye revealed that the CBN might release the reform package for the sub-sector before the end of the third quarter of the year, saying that "some issues came up as regards some of our services and functions where they needed clarification." "We had a meeting with the CBN and the consultant in April and we had hoped they would have finalised the guidelines by now. There has been further research while we have also made recommendations to CBN and hopefully it should come out before the third quarter of the year." The FHAN boss predicted that the reform package may result to the recapitalisation of the sub-sector, even as he forecast a new capital base of N250 million, as against the N20 million it used to be. Durojaye had in an earlier interview with THISDAY, recommended that the CBN should fix the new capital base at a level that it would not drive people out of business, saying that the central bank should not make same mistake the Securities and Exchange Commission (SEC) made in 2008 when it raised the share capital for stockbrokers to N1 billion and that could not be implemented. "So we are saying that the level of capitalisation should be such that it will make the finance companies strong and be able to handle big ticket transactions, but not to discourage people from coming into the sector," he had said. *(This Day)*

**In a rare move targeted at meeting the rising appetite for forex as well as to save the naira from depreciating, the Central Bank of Nigeria (CBN) further increased its supply of the United States dollar at the Wholesale Dutch Auction System (WDAS) to $500 million Monday.** The amount represented an increase by 67 per cent or $200 million; compared to the $300 million it had offered the market last week. The central bank has continued to take measures to ensure that the nation's currency, which was depreciated about a fortnight ago is stabilised. As a result of this, the CBN has also been selling the greenback directly to commercial banks and had intervened through the two-way quote system of the forex market. However, the naira maintained its value of N155.75 to a dollar despite the intervention. Also, the central bank's intervention was unable to save the naira at the interbank as it dipped marginally by 10 kobo to close at N159.10 to a dollar Monday, compared to the N159 to a dollar it stood on Friday. London-based Emerging-Markets Strategist at Standard Bank, Mr. Samir Gadio said the central bank took the step to demonstrate its willingness to defend the exchange rate. "Clearly, the key point right now is the CBN Governor, Mallam Sanusi Lamido Sanusi has about a year left for his tenure to end and he has built a legacy in the macroeconomic front. In addition to resolving the banking crisis, his biggest legacy is that he has been able to restore some form of confidence in the exchange rate market and I believe he is going to protect this legacy until he leaves," Gadio said in an interview with THISDAY. *(This Day Live)*

**The presidency Tuesday allayed fears over the state of the economy following falling revenue from oil, Nigeria's major source of foreign exchange earnings, caused by the drop in production and falling prices in the international market, which has negatively affected the revenue accruing to the Federation Account.** Besides, the production target for crude oil has fallen below the 2.528 million barrels per day (mbpd). Earnings from oil sales contribute a major percentage of the nation's foreign exchange earnings. Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, had in April said that the government would resort to withdrawals from the Excess Crude Account (ECA) as an interim measure to ward off any threat to the economy. Nigeria had a balance of $7 billion in ECA at the time, but this had dropped to $5.27billion in May. The minister, who gave an overview on the economy, had explained that Nigeria was losing a total of about 300,000 barrels per day, blaming the losses on the activities of oil thieves and pipeline vandals. The losses, she added, translated to a drop of $1 billion in revenue per month. Despite the drop in revenue, the Senior Special Assistant to the President on Public Affairs, Dr. Doyin Okupe, told reporters in Abuja that there was no cause for worry as the economy was in safe hands.

He also said the federal government had no plan to renew the pipeline surveillance contract given to a former militant, Mr. Government

Ekpemukpolo alias Tompolo, explaining that the initial contract was awarded by the late President Umaru Musa Yar'Adua. Okupe spoke against the backdrop of fears over the discovery of shale gas by the United States and its likely effect on crude oil prices, as well as a reaction to the statement by the Action Congress of Nigeria (ACN) asking the federal government to be honest with Nigerians on the state of the nation's economy. ACN had said that all indications showed that things were not as rosy as the government was trying to make Nigerians believe. But Okupe said various fiscal policies, reforms and programmes adopted by the Jonathan administration would keep the economy in good shape. "The truth is that contrary to this thinking, Nigeria's total national crude oil production is 2.06 million barrels per day. Europe has become a major destination for Nigerian crude oil cargoes, with the volume of Nigerian crude oil grades going to Europe increasing from 28 per cent in 2011 to about 38 per cent in 2012. The presidential aide added that the federal government was adopting appropriate strategies to effectively mitigate the impact of decline in the US markets. "While the Nigerian economy, like other oil dependent ones globally, often suffer from drop in sales and fluctuation in international pricing, the Jonathan administration has implemented key reforms to reduce dependence on oil and these reforms have resulted in the agricultural sector alone contributing over 40 per cent to the Gross Domestic Product in two years. Oil exports are now 69 per cent of our total exports as against 91 per cent in 2008".

Okupe explained that the federal government is also currently implementing measures to reduce incidence of crude oil theft in the last two years. For instance, he said the navy and maritime agencies had been equipped with modern tools to patrol the waterways as part of efforts to stem oil thefts. President Goodluck Jonathan, he added, has also solicited the co-operation of the United Kingdom, United States and other countries in tracking and apprehending oil thieves. Okupe also explained that the Jonathan administration has been working assiduously to reduce the cost of governance, which has resulted in recurrent expenditure dropping from 74 per cent in 2011 to 68 per cent in 2013, adding that it is expected to further go down next fiscal year. Just three weeks ago, government began the implementation of reforms suggested by the Oronsaye committee to further reduce recurrent expenditure by about N1 trillion in the next three years through the rationalisation of agencies and departments of government with similar functions. "Domestic government borrowing declined from N852 billion in 2011 to N588 billion in 2013. Our national debt is 21% of our GDP compared to South Africa (42.7%) Sub Saharan Africa (34.2%) USA (106%) Japan (225%) United Kingdom (90%). Our foreign reserves have climbed up to almost $50 billion while the exchange rate has been steady," he added. He also said the federal government was not relenting in infrastructure as major roads such as the Kano-Maiduguri, Benin-Ore, Abuja-Lokoja, Owerri-Onitsha, Katsina-Daura, East-West road and many others were being rehabilitated or reconstructed.

Besides, the second Niger Bridge has been concessioned and work is in steady progress while the contract for the rehabilitation of the Lagos-Ibadan Expressway has been awarded at a total cost of N160.7 billion to Julius Berger construction company and the RCC. Meanwhile, a survey conducted by the CLEEN Foundation, a Nigerian Non Governmental Organisation in collaboration with the Afrobarometer Network, a Pan- African network of survey researchers and analysts and the Centre for Democratic Development, CDD-Ghana has said that the Nigerian economy has further nose-dived under the President Goodluck Jonathan and PDP-led federal government than any other time during the country's current democratic dispensation, Presenting the report to newsmen yesterday in Abuja, Vice Chairman, CLEEN Foundation, Prof Etannibi Alemika disclosed that the current survey is the fifth round in a series of surveys conducted from 1999 when the country regained her democracy. On high food imports, Okupe said the Jonathan administration had achieved a reduction in the quantity of importation of rice, a major staple food and dominant import item which drains huge foreign exchange. "Rice imports have therefore fallen from 5.2 metric tonnes to about 2 million metric tonnes in two years with the ultimate goal of attaining 100 per cent sufficiency by 2015.
"Besides, wheat imports have reduced from 4.1 million metric tonnes to 3.7 million metric tonnes within the same period while sugar imports are also on the decline. Fielding questions on why the federal government awarded the pipeline surveillance contract to Tompolo, Okupe said the contract was awarded by the Yar'Adua administration but that Jonathan would not renew it.

"In total, all the above measures have saved Nigeria N857 billion which would have been spent on food imports. In recognition of these and other measures, the Food and Agriculture Organisation FAO recently presented an award to Nigeria and other countries for combating hunger and attaining the first goal of the Millennium Development Goals, three years ahead of the 2015 target date. "The inviolable truth is that the Nigerian economy, like the economy of other nations, has its challenges which the Jonathan administration has courageously and innovatively been tackling with measurable, obvious and clearly tangible positive results in the last two years. "With these considerations therefore, It is unfair and incorrect for anyone to suggest an impending collapse of the economy on the basis of a drop in crude oil sales, which is not within the control of any single nation, without taking into account current efforts by government to diversify the economy as well as fiscal measures which have resulted in inflow of over $14 billion new investments in the non-oil sector of the economy as well as other favourable ratings of the Nigerian economy by international ratings agencies," he said. *(This Day)*

# WEEKLY AFRICAN FOOTPRINT

*This Week's Leading Headlines Across the African Capital Markets*



**Tanzania**

## Corporate News

**TANGA Cement Company Limited (TCCL) plans to invest 165 million US dollars (about 270bn/-) in the construction of kiln number two that will more than double the firm's production of clinker, the key raw material in the manufacture of cement.** TCCL Managing Director Erik Westerberg, briefing distributors from Kilimanjaro and Arusha regions who toured the manufacturing plant here over the weekend, said the new kiln whose construction is scheduled to start soon, will boost the firm's clinker production capacity with additional 600,000 tonnes.
"We expect that by completion, the kiln that will cost some 165 million US dollars, will help the company in saving the colossal amount of money spent in the importation of clinker," said Mr. Westerberg, adding that the company's current installed capacity for clinker production is 500,000 tonnes. Addressing the visiting distributors, the firm's Quality Assurance Manager, Mr. Michael Ruzige, advised users of cement countrywide to adhere to specified standards in mixing the product with other materials to produce quality and strong construction materials. He cited a recent spate of collapsing buildings that claim innocent lives as a result of non-adherence to the recommended standard uses of cement. The manager assured that Tanga Cement produces high quality products that meet national and international standards. "We have inscribed the cement mixing ratios on the bags of all Simba brand products to help the users of our cement to produce strong and quality products that match the quality of the cement itself," Mr. Ruzige told the inquisitive distributors in the company laboratory.
He ensured a 16-distributor team that TCCL was supplying high quality products, saying there could be no reason for buildings to collapse if the product specifications were fully adhered to. Mr. Westerberg expressed gratitude over the distributors' tour of the plant, describing the visit as an important linkage between the manufacturer and its distribution stakeholders. "Some of you have been dealing with TCCL for over 10 years but you had never visited the place where cement is produced... you are an important part of our business and it's in our interest to familiarise you with the company employees, environment and even cement production process," Mr. Westerberg told his visitors. TCCL Plant Manager Engineer Ben Lema said it was the company's expectations that the tour would have positive impact in their businesses. The visitors were taken through different departments--packaging, control room and quarry site. TCCL, whose current annual production stands at 1.3 million tonnes, trades on the Dar es Salaam Stock Exchange as Simba. *(Daily News)*

## Economic News

**Tanzania will spend 343 billion shillings ($211 million) over the next 12 months upgrading Dar as Salaam Port as it seeks to match the efficiency of Mombasa in neighboring Kenya, the Tanzania Ports Authority said.** Improvements in the year through June 2014 will include strengthening and deepening seven berths, a new conveyor belt and silos, and construction of additional berths, Janeth Ruzangi, manager of corporate communications for the authority, said in an interview yesterday in Dar as Salaam, the country's commercial capital. "We need to accommodate big ships with investments in areas such as dredging," she said. "Otherwise, we won't be competitive and all we will be attracting is small ships." Dar as Salaam is the fourth-largest container port on Africa's eastern seaboard after Durban inSouth Africa, Mombasa and Djibouti, according to the International Association of Ports and Harbors' website. Tanzania could generate $1.8 billion of additional annual revenue if efficiency levels were improved to match Mombasa, the World Bank said last month. The Tanzanian facility handles mainly agriculture products, particularly grains, while other key cargo items include fuel, copper and cobalt. The port is used by companies including A.P. Moeller-Maersk A/S (MAERSKB), the world's largest container line, Mediterranean Shipping Co. and Mitsui O.S.K. Lines Ltd. (9104) In May, Transport Minister Harrison Mwakyembe said the East African country plans to boost cargo volumes by 80 percent over the next two years at the port. To reach that capacity, an investment of about $1.5 billion is needed over the next five years to improve efficiency, upgrade existing facilities and build new ones, according to Jacques Morisset, lead economist at the World Bank in Tanzania, Burundi and Uganda.

Dar as Salaam port, which services landlocked countries including Rwanda, Burundi, Uganda, Malawi, Zambia and Zimbabwe, handled about

12.1 million metric tons in 2012. The TPA expects it to handle 13 million tons in 2013, Ruzangi said. Compared with the port in Mombasa, delays and additional monetary costs at Dar as Salaam are equivalent to a tariff of 22 percent on container imports and about 5 percent on bulk imports, according to the World Bank. Tanzania faces even stiffer competition from neighboring Kenya after President Uhuru Kenyatta announced on June 20 that the country will take steps to reduce transit times from Mombasa port. Traffic at the facility, East Africa's biggest, grew 10 percent to 21.9 million tons last year. "Tanzania and Kenya are serving the same landlocked countries," Ruzangi said. "Firms are going to choose to use the facilities that will handle the goods with the most speed. It is natural that we have to work towards improving our port in order to attract these firms." *(Bloomberg)*

## Zambia

### Corporate News

*No Corporate News This Week*

### Economic News

**Zambia's Bond and Derivatives Exchange plans to open a second debt-trading platform inAfrica's biggest copper producer by February to rival the Lusaka Stock Exchange, a market official said.** The exchange, known as the Badex, may open trading of its first product in about two weeks after simulated buying and selling started on June 13, Deputy Chief Executive Officer Peter Sitamulaho said yesterday by phone from Lusaka, the capital. Kwacha-dollar currency futures will offer an exchange-risk hedge after a law requiring companies exporting goods or services to trade in kwacha came into effect in May 2012, he said. "We are seriously entering the bond space very soon," Sitamulaho said. "We've already started negotiating with the government and the central bank to see if we can start operating in the secondary bond market." The Badex will compete with the Lusaka exchange, which has 11 bonds listed according to its website, as the second market for debt in Zambia, where the International Monetary Fundforecasts economic growth of 7.8 percent this year. The new bourse will offer a trading platform for both government and corporate bonds, Sitamulaho said. A Badex team will study markets in countries including South Africa and Australia before opening its own, he said. The kwacha retreated 2.3 percent against the dollar this month, the second-worst performer among 24 African currencies tracked by Bloomberg. It traded 0.7 percent weaker at 5.46 per dollar by 6:54 p.m. yesterday in Lusaka. Following the introduction of the kwacha-dollar futures contract, the bourse may start similar products to hedge against the pound, euro and South African rand, Sitamulaho said. The currency choices are based on regions that Zambia trades with, he said. The Badex is also planning a futures contract based on the performance of some Lusaka-listed shares, Sitamulaho said. The bourse's main index advanced 22 percent this year. Lusaka-based lenders Zambia National Commercial Bank Plc and Finance Bank Zambia Ltd. have expressed interest in becoming clearing banks for the Badex, Sitamulaho said. *(Bloomberg)*

**Zambia's inflation quickened to 7.3 percent year-on-year in June from 7 percent in May as both food and non-food items prices rose, official data showed on Thursday.** Zambia also recorded a trade surplus valued at 267.8 million kwacha in May 2013 from 329.5 million kwacha in April 2013, the statistics agency said. *(Reuters)*

## Zimbabwe

### Corporate News

**FALCON Gold Zimbabwe Limited posted a $2,6 million loss for the six months ending March compared to a profit of $3,1 million recorded during the same period last year due to rising operating costs and declining output, the company has said**. Company chairperson Ian Saunders said frequent power outages and an industrial action carried out at Dalny Mine during the period under review had also affected mining operations. In the six-month period, the company produced 8 285 ounces of gold as compared to 9 819 ounces during the same period last year. During the period under review, the average sale price of gold was $1 636 per ounce as compared to $1 688 per ounce in 2012. "The company's operations and development plans could also be impacted by various other factors, including, for example, increased taxes and royalties, mining fees, power and labour costs, the economic and business environment in Zimbabwe, and potential changes to the legislative and regulatory environment in Zimbabwe, any of which could impact the company's mining operations, capital requirements and ability to conduct operations," Saunders said. Mining and processing costs increased to $15 496 993 resulting in a -7,4% operating margin for the six months ended March 31 2013, as compared to $11 615 003 resulting in a 29% operating margin, for the six months ended March 31 2012. "This change in profitability reflects a difficult operating environment, particularly at Dalny Mine, where both significant power issued and an illegal strike severely impacted operational output, in the face of high fixed costs and a declining gold price," Saunders said. "The operating margin deteriorated in the six months ended 31 March 2013,as compared to the six months ended 31 March, for the aforementioned reasons as well as almost 10% salary and wage cost inflation in the face of high, unsustainable, power costs, together with high indirect taxes," he said. "Operating margin is a ratio used to measure a company's pricing strategy and operating efficiency. "The company has identified two developments projects with relatively low capital costs and high operating margins that the company estimates would have short implementation time of less than six months. "However, these projects require specific financing, for which the company is continuing its efforts to source new funding amounting to approximately $10 million, but delays in regulatory approval as indicated are limiting the company's ability to access such capital resources." Saunders said a fall in gold prices on the world market was also expected to affect the company's performance. The precious metal is currently trading at an average of $1 400 per ounce from an average of $1 700 recorded last year. "As a result of the decrease in the world gold price in 2013 and the negative impact on the company's operations, the company has implemented strategic review to identify various alternatives, including restructuring and divestures, in order to enable the company to take appropriate actions under the circumstances. "The company is also considering operational changes that may be necessitated by a further decrease in gold prices," Saunders said.(*News Day)*

**RIO Tinto Group, the world's second largest mining company, said it has scrapped plans to sell its diamond mines in Zimbabwe, Canada and Australia after failing to find a buyer, recent media reports said.** The company said it had also decided not to pursue an initial public offering of its diamond unit, Bloomberg reported yesterday, citing Rio Tinto Diamonds and Minerals chief executive Mr Alan Davies. Rio Tinto's diamond unit, the world's third-biggest producer of rough diamonds, was said to be worth about US$2,2 billion, according to an evaluation report by Deutsche Bank AG in March this year. "It is clear the best path to generate maximum value for our shareholders is to retain these businesses," said Mr Davies. The London-based company had been considering selling the assets since March 2012 and hired Morgan Stanley to oversee an IPO of the gem unit, reports said. Rio Tinto's new chief executive, Mr Sam Walsh, this month hosed down expectations for a sale of the diamonds unit, amid speculation the company was going to float the business after failing to find a buyer. "This is not market day at the bazaar. I would be quite happy to keep it," Mr Walsh was quoted as saying in an interview with The Daily Telegraph. Rio Tinto has a 100 percent stake in Argyle Diamond Mine in Western Australia, 59 percent in the Diavik Diamond Mine in the Northwest Territories of Canada and 78 percent in Murowa Diamonds in Zimbabwe. The three mines combined have produced 12 percent the world's annual output of rough diamonds. Rio Tinto said last year it was reviewing its diamond business and would consider selling it, as it focuses on expanding in more profitable commodities such as iron ore, copper and uranium. Other miners have also looked to scale back or eliminate their diamond exposure. In April this year, BHP Billiton Ltd finalised the sale of its Ekati mine in northern Canada for US$553 million to Dominion Diamond Corp, formerly Harry Winston Diamond Mines, ending its involvement in the diamond interest. Dominion's other producing asset is a 41 percent stake in the Diavik mine, in which Rio has 59 percent. Rio's diamond unit reported a US$43 million loss in 2012, down from a profit of US$10 million a year earlier. Diamond production decreased 4 percent year-on-year to 3,24 million carats for the first quarter ended on 31 March, 2013.*(Herald)*

**MEIKLES Limited has concluded a shareholding agreement with an Afghan mining company that will see the group investing in various mining activities in the Midlands province.** The Zimbabwe Stock Exchange-listed company said a new company, Meikles Centar Mining Limited, has since been formed and the local entity would hold a majority stake in line with the country's indigenisation and empowerment laws that require locals to hold at least 51 percent in companies. The Afghan partner, Centar Plc, was founded by former JPMorgan Chase and Company banker (advising mining companies) Ian Hannan and Polish businessman Jan Kulczyk. Centar Plc is also supported by prominent and experienced investors mainly from Thailand, Indonesia, Poland, Kazakhstan and other countries across the globe. Meikles said it would put the proposal to invest in mining for shareholder approval at the next annual general meeting. "Further to the expectation announced in our chairman's review, shareholder agreements pertaining to our mining objective have now been concluded. A new company to be named Meikles Centar Mining Limited has been formed," said Meikles in a statement yesterday. This follows a special grant Meikles obtained to explore for minerals in the Midlands province, which allows the group to prospect for various minerals, including iron ore, gold and tantalite. Earlier, Meikles said it planned to have at least one mine in operation in 2014. Meikles would not say how much investment is needed to start the mine but indicated "the division will raise its own capital and will not be dependent on the group's financial resources". Meikles said Centar was leading development of mining in Afghanistan as it emerges from years of conflict using foreign and Afghan capital, foreign technical experts and staff. The Zimbabwe entity said its Afghan technical partner employs more than 500 Afghan staff and at one time supported by 15 expatriates, the majority of them Zimbabwean nationals. It includes an exploration company exploring in a gold prospect in the north of Afghanistan and is listed in a Government tender as a preferred entity to develop two copper exploration licences and has a joint venture with a Turkish firm to shortlisted to develop for four gold exploration licences. Meikles said Centar has the requisite experience to develop projects at every stage of the mining life cycle and environments and was a proven leader in building local capacity skills as core to its operations. Supported by its experienced finance and commercial team, Meikles said Centar would work with its team to develop identified opportunities in gold, tantalite, iron ore and other minerals to be explored.*(Herald)*

**NICKEL miner and refiner Bindura Nickel Corporation says it has failed to secure additional capital for Trojan Mine and shareholders are now considering "strategic options" to raise the funds.** BNC restarted operations in the last quarter of 2012 after raising US$23 million through a rights issue. But the company's management indicated it required an additional US$10 million to attain a positive cash generating stage and achieve annual production level of 7 000 tonnes of concentrate. "The company advises that despite making significant progress at BNC, including the completion of the financial restructuring in September 2012 and delivering the first nickel concentrate in April 2013, the company has been unable to raise additional funding through debt, to finance phase two of the restart of Trojan Mine as previously anticipated. The board and Mwana Africa Plc are considering strategic options to preserve the integrity of the investment," said BNC. Mwana Africa, through its subsidiary Zimnick, owns 76,5 percent shareholding in BNC after underwriting the rights issue. Trojan and the Smelter and Refinery were placed on care and maintenance in 2008 due to continued operating difficulties in Zimbabwe and a sharp decline in nickel prices. Analysts say it is unlikely that Mwana Africa will go for another rights issue. "It can only be a private placement," said one market analyst with a local research firm. "Another rights offer is very unlikely as this will further dilute the current local shareholders and I don't think they would like that."

Last month, Mwana Africa chief executive Mr Kalaa Mpinga said the company was considering restarting its Bindura nickel smelter after a drop in prices eroded profit margins on supplying the metal as concentrate. "Nickel at this level is putting a lot of stress on the system, particularly when exporting concentrate," Mr Mpinga told Bloomberg at the African Development Bank annual meeting in Morocco. "It will increase pressure on us to restart our smelter and refinery as soon as possible." Bindura would require an estimated US$60 million to restart its smelter and refinery plant, BNC chief operating officer Mr Batirai Manhando told Herald Business last year. Mwana's Bindura site is the only integrated nickel mine, smelter and refinery operation in Africa, according to Mwana Africa's website. *(Herald)*

**Zimbabwe's largest hospitality group, African Sun Ltd, yesterday reported that core earnings for the six months to March this year rose**

**65 percent due to a reduction in operating expenses and costs of sales.** The core earnings or Earnings Before Interest, Tax, Depreciation and Amortisation rose to US$3,6 million from US$2,1 million a year ago, group chief executive Dr Shingi Munyeza told analysts yesterday. EBITDA is a measure of a company's ability to generate cash and profit from operations. evenues increased by 1,6 percent from US$26,1 million in last year's corresponding period to US$26,2 million, marginally lifted by a 6 percent growth in average daily rate. The profitability was not much derived from the revenues but was largely as a result of aggressive costs alignment. Cost of sales and operating expenses were down 4 percent and 5 percent respectively, driving the EBITDA. "Profitability would have been higher had it not been high capital and borrowing costs," Dr Munyeza said. He said the management intended to lower the cost of debt, currently at US$16 million, from 16 to 12 percent before the end of the financial year and set to further reduce it to below 10 percent. He said the debt would be reduced to US$7 million and "this will be done though a balance sheet restructuring". Dr Munyeza also announced that plans were at an advanced stage to resuscitate a loan facility with the Industrial Development Corporation of South Africa which will be offered at a Libor+2,5 percent. In other words, the total cost of the money would be less than 5 percent per annum. Occupancy rate fell 5 percentage points to 47 percent, resulting in decline of revenue per average room to US$44.

However, business is expected to rebound from the domestic market as the industry enters its peak period. Cash generation improved from US$580 000 in the previous comparable period to US$3,13 million and this was "evident that the business model has become more efficient", said Dr Munyeza. The group targets to have completed refurbishment of city hotels by July this year while Victoria Falls properties would also be completed before the United Nations World Tourism Organisation General Assembly to be co-hosted by Zimbabwe and Zambia in August. By September this year, African Sun would have spent US$14 million on the refurbishment exercise. "It is an ongoing exercise and we intend to undertake refurbishment at some of our properties using cash resources," Dr Munyeza said. He added that the UNWTO General Assembly would provide the company, and the industry at large, a unique marketing platform which will enhance the visibility of the country going forward. Giving an update on African Sun's average occupancies during the week of the UNWTO conference, the three hotels in Victoria Falls are almost fully booked. "This week, we are at 90 percent for the three properties and we are forecasting 100 percent occupancy in all hotels during that week. We have also partnered Government to ensure it is a success," he said. *(Herald)*

**ZIMBABWE Stock Exchange-listed insurance group Zimre Holdings Limited operating profit for the first four months to April was up 38% to $1,9 million driven by cost-cutting initiatives across the group and improved collections, the group chief executive has said.** Speaking at the group's annual general meeting yesterday, Zimre group chief executive Albert Nduna said the focus of the group was to write profitable and collectable business to minimise provisions this year. Nduna, however, said gross premium written declined slightly in Zimbabwe due to strong selection including cancelling bad business while Malawi registered negative growth. Malawi registered a negative growth from $7,9 million to $4,7 million. "As a result the group gross premium income went down 24% against the same period last year. Over the years, Malawi has been the best performing market commanding 30% of the group business. We are encouraged by the improvement in the Malawian economy which has seen the exchange rate improving from an all time high this year of Malawi Kwacha 414 to the current Mk330 to the US$," Nduna said. Comprehensive income grew by 553% during the period under review to $1,7 million. Nduna said efforts were at an advanced stage to resolve the capitalization issues at the group's agro-industrial investment CFI Holdings. "As you have seen in the media, the cautionary statement said that there are two major transactions being completed at milling and poultry levels. This will enable CFI to improve liquidity, the grain throughput and the efficiency at slaughter stage, thereby reducing costs and increasing profits. This will breathe new life into the CFI group," Nduna said. ZHL recorded an increase in gross premium of 11% from 2011 to 2012 from $50 million to $55,7 million with external operations accounting for 61% of total gross premium written.
For the 12 months period in 2012 the group increased provision for doubtful debts from the debtors due to the liquidity situation in the country and delays in payments which are overdue and an amount of $4,5 million was provided for. In the year 2012 the group recorded an increase in claims of $5,3 million to $20,2 million.*(News Day)*

**BINDURA Nickel Corporation Limited (BNC) says it has failed to raise additional funding through debt, to finance phase two of the restart of its Trojan Mine.** The company attributed the difficulties to negative market sentiments associated with the falling nickel price, coupled

with the challenging markets creating shortfalls to BNC. "The board of Bindura Nickel Corporation Limited announces that despite making significant progress at BNC over the past year, including the completion of the financial restructuring in September 2012 and delivering the first nickel in concentrate in April 2013, the company has so far been unable to raise additional funding through debt to finance phase two of the restart of Trojan Mine," said BNC. "Additionally, whilst Freda Rebecca remains cash generative, its cash contribution to the group in recent months has fallen in light of lower gold prices." BNC said the board, together with the company's largest shareholder, Mwana Africa Plc are considering strategic options to preserve the integrity of the investment. "Shareholders are therefore advised to exercise caution and where they are in doubt to seek independent professional advice before dealing in the shares of the company until such time as the matters currently under consideration have been finalised," the company added. BNC suffered an operating loss of US$8 million for the year ending September 30 2012 from another loss of US$6,2 million suffer during the same period last year. Cost of sales for the period is adjusted for reversals arising from provisions raised for the settlement of labour back pays at US$5,4 million and litigation cases at US$2,1 million that were previously provided are no longer applicable following the settlement with labour. A provision for retrenchment of US$8,5 million was raised, 25 percent of which was settled in cash in October 2012 (a cash outflow of US$3,4 million inclusive of termination) and the balance taken as either deferred payment of US$3,6 million. The deferred amount is payable in December 2014 for employee creditors.
Long term liabilities increased by US$18,9 million year-on-year. This was due to full utilisation of the US$10 million shareholder loan secured in September last year which amounted to US$10,4 million including interest and the reclassification of short-term liabilities to long term liabilities.*(New Zimbabwe)*

**THE National Social Security Authority has increased its stake in FBC Holdings from 26 percent to 35 percent after shareholders approved the merger of the group's commercial bank with its building society.** The merger will enable the enlarged commercial bank to meet the Reserve Bank of Zimbabwe's US$50 million minimum capital thresholds by the end of this month. At yesterday's extraordinary general meeting, shareholders approved the transfer of 1,09 billion ordinary shares, constituting 40 percent of NSSA's shareholding in FBC Building Society, in return for over 80 million FBCH shares. FBCBS will now be 100 percent owned by FBCH. FBCH chairman Mr Herbert Nkala said the proposed merger had already been approved by the Competition and Tariff Commission and with the approval by shareholders, the group was going to further consolidate its position. "It has to be noted that the move to merge the bank with the building society is restructuring for capital gains purposes and FBCH's capital position in meeting the central bank's minimum capital thresholds will be further strengthened," said Mr Nkala. Earlier this month, the group said FBC Bank and FBCBS offer retail banking services to "more or less" the target market, and this was resulting in duplication of service and products. Meanwhile, FBCH chief executive Mr John Mushayavanhu said the group has secured lines of credit from international financial institutions. "Last week we secured US$8 million from the PTA Bank, while we are also expecting to secure US$40 million from the Afreximbank in the next few days, a sign that they remain confident in our ability to service our dues on time," he said.

Mr Mushayavanhu added that the Afreximbank funding would be spread over three years and that it would be used for corporate lending. "The PTA and Afreximbank funds are going to be used in the revitalisation of industry through medium-term lending, while money realised from the Treasury shares bought through previous share buybacks would be injected into the Microplan Financial Services so as to boost the micro-finance business," he said. He also said the diversification of shareholding in the group would see them sealing a deal with a Mauritian company interested in acquiring shares in the next few days which he, however, could not discuss "until all the loose ends are tied". *(Herald)*

## Economic News

**TOBACCO deliveries at the country's three auction floors have reached 152 million kg since the start of the 2013 auctioning season early this year.** The figures suggest the 170 million kg target could be reached this year, judging from the anticipated performance of the market.
By Day 88 which was Friday last week, 152,2 million kg of the golden leaf had gone under the hammer generating $562,5 million in revenue. Official statistics show that tobacco deliveries are higher this year as compared to the previous auctioning season. Last year, 124,9 million kg

of the golden leaf had gone under the hammer the same period, and this year's deliveries marked a 22% surge. The Tobacco Industry and Marketing Board (TIMB) at the beginning of this year estimated that 170 million kg of the crop would be sold this season. With figures now falling short by 17 million kg to reach the target, TIMB this year could be on the right track considering that the board is yet to announce the closing date. The board announced at the beginning of the year that this year's selling season would be shorter as compared to other years. It has even conceded that deliveries are now declining, with the TIMB Week 24 tobacco report saying: "Average bale delivery at auction floors have further declined, recording bales less than 700 per floor per day, compared to four major contractors that are still delivering more than 1 000 bales per day per contractor." In 2011, the season lasted for about 126 days, whereas last year the season was 144 days. Suppose this year it lasts 120 days, it would be suffice to say 25 million kg of the crop could go under the hammer in the next 32 days considering that an average of 700 000kg is being delivered now every day at the floors. It should not be ignored as well that a substantial number of farmers still have some of their crop retained and would want to sell it towards the end of the auctioning season so that they purchase farming inputs for the coming rainy season. So the figure could actually get to the anticipated 170 million kg. Tobacco production is actually on the rise since the inception of the chaotic land redistribution programme which saw inexperienced new farmers taking over the growing of several crops, including staple ones. The redistribution exercise started in 2000, the same year which saw the highest deliveries of the golden leaf at the auction floors. Some 250 million kg of the crop went under the hammer that season, and after that saw deliveries plummeting to as low as 50 million kg in 2008 – the peak of monstrous inflation figures.*(News Day)*

**NEWLY elected Confederation of Zimbabwe Industries president Mr Charles Msipa says economic growth has stalled resulting in more company closures and loss of jobs in the manufacturing sector.** Speaking in Harare during his maiden Press briefing as CZI president, Mr Msipa said industrial capacity utilisation also declined from an average of 57 percent in 2011 to about 40 percent in 2012. He attributed the stunted recovery, closure of companies and fall in industrial output to constraints around access to medium-term funding and its prohibitive cost among other factors affecting industry. The Schweppes Zimbabwe chief executive took over from Nestle Zimbabwe managing director Mr Kumbirai Katsande after an elective annual general meeting held last Thursday. He said the manufacturing industry's situation was "very grim". But he would not provide examples of the companies that have closed shop or the number of jobs lost due to the company closures.
The industrial lobby group has postponed its annual congress in Victoria Falls, slated for the end of July, as it was likely to clashed with the harmonised elections due on July 31. "There has been significant closure of companies in the formal sector resulting in loss of jobs. We have seen a number of company closures in the manufacturing sector. Many businesses have downsized or embarked on retrenchments," he said. The country's inability to trade and access assistance from multilateral financial institutions due to sanctions imposed by Western governments has also had a profound negative effect on industry. Economic recovery averaged 7,1 percent since dollarisation in 2009, peaking at 9,3 percent in 2010 before losing steam in the last two years. Mr Msipa said the limited short-term funding available to companies that need to retool and increase output was "prohibitively" high.

After a decade of economic instability and changeover to a multi-currency dominated by the greenback, the cost of short-term funding had ranged largely between 10 percent and 30 percent. Other factors affecting business included limited supply and the high cost of energy, water, labour and competition from imported products following the lure of the internationally stable US dollar. Mr Msipa said CZI's immediate focus under his leadership was the need for credible and peaceful harmonised elections scheduled for July 31 as directed by the Constitutional Court earlier this month. "If we can achieve that, we will be optimistic of the new Government bringing into play policies that will promote economic growth and improve performance of business," he said. Mr Msipa said he was also rooting for a "clear and consistent policy" mix, transparent and ethical in public and private sector and resolving the challenges around cost and availability of power, state of infrastructure and water supply, among others. "These are critical matters for any government that will be established. They contribute to the success of business operations," he said. Mr Msipa said the CZI would have a clearer picture of the state of industry when it conducts an enlarged manufacturing sector survey covering non-CZI members while exploring industry's competitiveness. The survey is expected to be ready by September. During his presidency, Mr Msipa will be assisted by Mr Henry Nemaire and Mr Edison Padya as the two vice-presidents, while Mr Willard Gwama would be the industry lobby group's honorary treasurer.*(Herald)*

**FINANCE minister Tendai Biti says his forthcoming Mid-Term Fiscal Policy statement will not introduce any new measures following the proclamation of the next harmonised election dates by President Robert Mugabe.** Biti told NewsDay recently that he is currently not sure when he will present the policy statement, which is traditionally presented before the end of June, but the statement is expected to be lukewarm. The policy statement, which reviews the current budget, comes at a time the economy has contracted by an estimated 3% due to uncertainty surrounding the forthcoming polls. "I'm not sure when I will present it. I think the proclamation has really changed things. The proclamation has made government a sitting duck. We will present a midterm, but we are not going to make any proposals because once a proclamation is made, it's a yellow card. I don't think it's fair," the Finance minister said. "What I will do is to present a mid-term, but the new government must come in and takeover. Like I said in the 2013 budget, it is very important to consolidate the good that Zimbabwe has done in the past four years and we jettison the bad things which is largely too much subordination of our economic trajectory to politics. This business where every jack and Jill is an authority on subjects that they are illiterate on has not helped this country." Early this month, Mugabe pronounced July 31 as the election date, but Justice minister Patrick Chinamasa has already approached the Constitutional Court seeking an extension following concerns by Sadc on the initial poll date. The move by the regional bloc came after the two MDC formations raised concerns that an early poll without media, electoral and security reforms would be contested. Zimbabwe has been under a coalition government following the disputed results of the 2008 presidential run-off. Zanu PF and the two MDC parties came together under the Global Political Agreement, which gave birth to the shaky inclusive government.*(News Day)*

**The Estate Agents Council of Zimbabwe says the default rate in the property sector has increased to between 50 and 60 percent compared with the normal rates of between 10 and 20 percent, owing to economic challenges.** Chairman Mr. Oswald Nyakunika said the default rate was expected to continue to rise until the economy stabilised. "Default rate is still very high. If anything, it is still going up at alarming levels, considering the serious cash crisis in the country," he said. He said the increasing defaults had a negative impact on property values. Mr. Nyakunika noted that many properties had been attached for failure to honour debts and were being auctioned for less than their market value. Of late, there has been much activity at the public auctions with instructions from the Sheriff of the High Court on the increase as banks try to recover their debts. Engineering company Gulliver in May had its property in Aspindale attached to clear a US$1,8 million debt to ZB Bank. Pharmaceutical giant CAPS Holdings' property is set to go under the hammer after it failed to clear a debt with CBZ Bank. The assets to be auctioned include CAPS factory in Harare's Southerton industrial area, which comprises a drug manufacturing plant, a three-storey administration block with 47 offices, kitchen, bar with dispensary sections, packaging section, coldrooms, receiving bays and a clinic. Property sales consultant Mr. Kilford Mawurukira said the economic situation which was affecting tenants was also affecting property prices. "Buyers have not been able to meet the prices demanded by property owners because of the liquidity problems," he said. The owners were now resorting to holding on to their properties in the hope that the economy recovers, enabling them to get more from their property or withdrawing them from the market. But he said this applied to properties valued at US$100 000 and above, while those valued at between US$20 000 and US$60 000 were not affected. "Properties have been going up because banks are giving loans to people based on salaries and this is the range met by most people who apply for loans." But Mr. Nyakunika disputed this notion. "The economic situation does not allow for the increase in property prices. People are avoiding putting up their properties as collateral for fear of not being able to service those loans and having their properties auctioned at ridiculously low prices," he said. He said once the economy recovered, the property sector would start registering a change. "The economy is still in bad shape, with many businesses closing down. There is so much uncertainty and one hopes the post-election environment will bring policy certainty and confidence to business."*(Herald)*

**ZIMTRADE says Zimbabwe's external trade was last year negatively affected by the poor performance of the manufacturing sector.** In its 2012 annual report published yesterday, ZimTrade said this resulted in the country recording its lowest growth rate in the past four years. "In 2012, the economy experienced a growth rate of 4,4 percent which was the lowest since dollarisation. "For the manufacturing and productive sectors, the operating environment remained challenging characterised by low liquidity, lack of affordable long-term credit, the use of antiquated machinery and equipment, inadequate power supplies, deteriorating infrastructure, stiff competition from imports, even though some of the imports were of very low quality and negative country perceptions among others. "Due to these challenges, capacity utilisation in the manufacturing sector declined from 57 percent in 2011 to 44 percent in 2012." This has stunted the country's export growth during the period under review. Since the adoption of the multi-currency system in 2009, Zimbabwe's economy has been on a growth trajectory underpinned by the mining and agricultural sectors. During 2010 and 2011, the economy grew by 8,1 percent and 9,3 percent respectively. Meanwhile, ZimTrade's financial position continues to significantly improve with income for last year increasing by 101 percent to US$1 457 154 from 2011. The private sector, through the Trade Development Surcharge, continues to play a significant role in the trade body's income contributing 88 percent in 2012. Trade Development Surcharge doubled from US$624 851 in 2011 to US$1 285 888.

The Government grant to the trade promotion body increased from US$44 740 in 2011 to US$51 000 in 2012. Total comprehensive income also went up from US$67 790 in 2011 to US$453 557 in 2012. Expenditure for 2012 was tightly monitored and stood at US$1 003 598 resulting in a surplus of US$453 557 for the year. ZimTrade chairman Mr. Jethro Siziba said the trade body was restructuring operations to improve its efficiencies. "The major focus for ZimTrade is the facilitation of export opportunities in order to address the unsustainable trade deficit that the country has continued to experience. As part of its turnaround strategy ZimTrade is undergoing a major restructuring exercise in order to enhance efficiency in the delivery of relevant and high quality needs-based exporter services," he said. ZimTrade reported that the first half of 2012 was characterised by serious financial challenges, which impacted negatively on the delivery of its mandate compelling the trade body to take counteractive measures. Measures such as period follow-ups with banks to ensure adherence to the Trade Development Surcharge Act were undertaken on surcharge collections and these resulted in the improvement of the organisation's finances in the latter part of 2012.*(Herald)*

**THE World Bank will in the coming months work with international financial institutions to determine Zimbabwe's eligibility for support under the Heavily Indebted Poor Countries, the multilateral body has said.** According to the documents strategy note, supporting economic recovery for inclusive growth for Zimbabwe for the period 2013-15, the country owes various financial institutions $10,7 billion and the arrears continue to accumulate. ". . . Zimbabwe would be able to access support from the WBG's International Development Association exceptional support mechanism for arrears clearance along with domestic and other resources," World Bank said in the report.
As of January 2013, Zimbabwe owed the World Bank $976,45 million, $127,4 million to the International Monetary Fund, $587 million to the African Development Bank million while the European Investment Bank was owed $244 million. "The sensitivity analysis suggests that the debt situation may worsen. Although the debt indicators are expected to improve over the long-term, they will still be high with debt service including arrears being unaffordable since the arrears are so high. Development partners have expressed a general concern about Zimbabwe's unsustainable external arrears and have called for a co-ordinated approach by the multilateral institutions to resolve this problem," the document reads.

The World Bank said it was in discussions to enable the government to take a more direct role in the management of Multi-Donor Trust Fund-supported activities. In the past five years, the World Bank has been supporting the country through trust funds. "The objective of the A-MDTF (Analytical Multi-Donor Trust Fund) is to contribute to analytical work on development challenges facing Zimbabwe and to design instruments to enable government and donors to respond quickly as conditions for re-engagement change. Supported by 12 donors, the A-MDTF had funding of over $19 million for 2008-2012 and has been extended through 2013. It has improved donor co-ordination." The country has been receiving support from the Technical Fund such as the A-MDTF since February 2008 and a 2011 grant of $15 million from the Multi-Donor Trust Fund-Health Results Innovation was extended. Between 1980 and 2000 the World Bank's assistance to Zimbabwe amounted to $1,6 billion. The bank then stopped providing loans to the country after Zimbabwe slipped into arrears in 2000.*(News Day)*

**ZIMBABWE's Foreign Direct Investment increased from US$387 million in 2011 to US$400 million last year, latest statistics from the United Nations Conference on Trade and Development show.** Since 2009, Zimbabwe has been registering growth in FDI following the adoption of the multi-currency regime which stabilised the economy. FDI has increased by 280 percent from US$105 million in 2009. Zimbabwe also embarked on a reform agenda through adoption of friendly policies to attract FDI. These included the creation of a one-stop investment shop and the adoption of the Medium Term Plan. Deputy Minister of Economic Planning and Investment Promotion Dr Samuel Undenge, however, said there was concern over misconception by foreign investors of the country's indigenisation and empowerment law.
"Investors are reacting differently to indigenisation as noted in investment conferences held in

and outside the country. As a result, the number of registered investors is far below the approved numbers," he said. He said the Government was working on harmonising the indigenisation and investment policies to improve Foreign Direct Investment. "Of concern is also the poor ranking of the country in terms of the World Bank Ease of Doing Business indices with the country ranked 171 in 2011 out 183 (countries)," said Dr Undenge. Zimbabwe requires Foreign Direct Investment to finance US$9,2 billion worth of programmes and projects as espoused in the MTP, given the fact that it had no capacity to fund this with its own resources.

The MTP identified FDI as a critical enabler for economic growth and, in particular, attainment of investment to Gross Domestic Product ratio of 25 percent by 2015, creating jobs and raising industrial capacity. To this end, Zimbabwe had undertaken numerous investment promotion tours to South Africa, Hong Kong, Dubai, Australia and Brazil - among other countries - as it intensifies efforts to attract FDI. Unctad figures show that global FDI fell 18 percent to US$1,35 trillion in 2012. It also forecast FDI this year to remain close to last year's level, with a upper range of US$1,45 trillion. Developing countries surpassed advanced economies as FDI recipients. "FDI flows to developing countries proved to be much more resilient than flows to developed countries recording their second highest level - even though they declined slightly (by 4 percent) to US$703 billion," said the report. Developing countries accounted for a record 52 percent of the global FDI inflows, exceeding flows to developed economies for the first time ever, by US$142 billion. On the other hand, FDI flows to and from developed economies declined by 32 percent to US$561 billion, a level that was last seen a decade ago. *(Herald)*

**The two MDC formations are in talks to put up a united front against Zanu-PF at the polls, or even consolidate their winnings after the elections. Party sources say Southern African Development Community (SADC) leaders have urged a coalition between Morgan Tsvangirai's MDC-T and Welshman Ncube's smaller MDC.** The talks are at an advanced stage despite resistance from officials in both camps. On Thursday Mavambo/Kusile/Dawn leader Simba Makoni called a press conference to announce he is not going to stand as a presidential candidate in elections as part of ongoing talks among opposition parties. Zapu president Dumiso Dabengwa also confirmed to the Mail & Guardian that there are talks among opposition parties. The M&G understands from senior members of the MDC-T's executive council that several senior party officials, among them secretary general Tendai Biti and other advisors, are pushing Tsvangirai to form an alliance with Ncube. Under the proposed alliance, the sources said, Tsvangirai would run as the presidential candidate and the parties would agree on how to share seats in Parliament as well as government posts after they win the elections. The discussions also involve the possibility of Ncube as Tsvangirai's deputy under a new government. Complications have arisen, however, over fears by Ncube's officials that, once in power, Tsvangirai will elbow them out in favour of his own officials. A member of the MDC-T's executive council said they believe Ncube has gained support in Midlands and the Matabeleland provinces and his rising popularity may split the opposition votes between the two parties, as these are also the strongholds of MDC-T support. This split of votes, he said, would better President Robert Mugabe's chances of winning.

"Everyone stands to win if we formed an alliance. If we had formed an alliance in 2008, Mugabe and Zanu-PF would have been out of power," the council member said. He said there were similar talks in 2008 that collapsed at the eleventh hour. "Tsvangirai does not really trust Ncube and neither does Ncube trust or like him, but we are nudging them towards a coalition. Both of them also know that they stand to benefit. "Besides, we have also been getting advice from our regional peers, and the message is that we stand a better chance if we unite. The problem though is that some party officials, among them MDC-T's deputy president Thokozani Khupe and national chairman Lovemore Moyo, are against the coalition," he said. Moyo denied he was a stumbling block, saying he is guided by the party. "I don't operate on the basis of what I want, but on the basis of what the party wants. Our policy is that we are open to an alliance with like-minded, level-headed people and organisations. "Obviously, there must be commonalities. As long as we share the same values, we can unite. I was part of the 2008 negotiations where we had differences," he said. Khupe could not be reached for comment. In the days leading up to the SADC extraordinary summit on Zimbabwe in Maputo on June 16, Tsvangirai, Ncube, Makoni, Dabengwa and Zanu-Ndonga chairman Reketai Semwayo met twice and made a joint appeal to the SADC to act against Mugabe's unilateral decision on the election date. At that summit, the source said, regional leaders advised the groups to form a coalition if they wanted to defeat Mugabe.

The parties met again after the summit, further raising speculation that they were discussing the possibility of a coalition, but they denied the reports. Political analyst Ibbo Mandaza confirmed the negotiations, saying he "knows for a fact" that the two parties would form an alliance either during or after the elections. He said the parties were merely politicking by denying that they were engaged in talks. "MDC-T needs Welshman and Welshman needs MDC-T. There will definitely be an alliance and they are working on it," he said. "Welshman has no chance of winning the presidential election or a majority in Parliament, so why will he be spoiling for a fight? But you can't ignore him, because he has the capacity to win about 20 seats and all he needs is about 10 seats to be relevant because we are likely to have a hung Parliament," said Mandaza. But a hurried election would complicate matters, given that the Nomination Court was scheduled to sit on Friday, he said. On Wednesday, the Constitutional Court postponed Justice Minister Patrick Chinamasa's application to move the election date to August 14. "If the time frame being suggested by Welshman, that is to say, elections can be held four months after June 29 when Parliament dissolves, then an alliance before elections can easily be reached. It is possible though that, even after nomination, you can tell your supporters to vote for a certain individual but if that fails they will form a coalition after the polls," said Mandaza.

Asked for comment this week, MDC-T spokesperson Douglas Mwonzora said the party's leadership was only exchanging notes with Ncube's officials, but no formal talks had been held. He said his party was willing to form an alliance with other parties, but insisted that any talks happening were informal. "People meet and exchange notes and our leaders are talking at various levels," he said. "Our position as MDC-T is that [we] welcome the unity of purpose of all progressive forces that encourages parties to work together. However, nothing has been formalised yet." Spokesperson of the smaller MDC, Kurauone Chihwayi, said his party was concentrating on winning, but was open to a coalition. He also said his party did not believe Tsvangirai was serious about a coalition, though his party, MDC-T, was talking about it at "kitchen parties and beer halls". But another senior member of Ncube's MDC said his party is discussing the issue. "We discussed the coalition during our National Standing Committee meeting in Bulawayo a fortnight ago. We appointed our secretary general Priscilla Misihairabwi-Mushonga and treasurer-general Paul Themba-Nyathi as point persons for negotiations, and this should mean we are willing to form an alliance with other parties," he said. *(Mail and Guardian)*

**THE unresolved land question in Zimbabwe is the biggest impediment to economic growth in the country, a renowned World Bank specialist has said.** Speaking at the Zimbabwe Economic Policy Analysis and Research Unit (Ziparu) workshop in Harare yesterday, World Bank finance and private sector development specialist Crispen Mawadza said agriculture was critical, but the land issue which is still under dispute remained a challenge. "Agriculture is the key, but the challenge we have, we still have the unresolved land question. If we do not settle the land question we will still have serious challenges in the future," Mawadza said. Mawadza said there was need for Zimbabwe to deal with the compensation issue so that industry could compete. "As long as industry is worried we are not going to re-industrialise Zimbabwe as fast as we want," Mawadza said.

He said access to credit was one of the strategies for the re-industrialisation of the economy, but there were other issues working againstit.
"If we want to talk about recapitalisation, we should not talk of one thing," Mawadza said. He said a recent World Bank survey pointed to key areas which included the availability of electricity, water, the land question, trade policies and transportation, among many others, as key to the re-industrialisation of the Zimbabwean economy. "There is an average of seven days blockage of electricity and access to water. Those are the things working against re-industrialisation apart from bank credit," Mawadza said. Mawadza said in the last decade, the country had gone through three stages of de-capitalisation which were the 2005 Murambatsvina, hyperinflation and dollarisation. *(News Day)*

## Disclosures Appendix



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