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	10-Oct-14	17-Oct-14	Local	USD	Local	USD
Botswana	DCI	9572.55	9566.70	-0.06%	0.32%	5.67%	1.68%
Egypt	CASE 30	9163.81	8593.51	-6.22%	-6.19%	26.69%	22.86%
Ghana	GSE Comp Index	2223.13	2216.87	-0.28%	-0.28%	3.34%	-26.17%
Ivory Coast	BRVM Composite	255.01	247.41	-2.98%	-2.62%	6.63%	-0.83%
Kenya	NSE 20	5280.46	5279.88	-0.01%	0.06%	7.16%	4.28%
Malawi	Malawi All Share	14044.76	14056.92	0.09%	-5.06%	12.18%	12.03%
Mauritius	SEMDEX	2156.31	2133.00	-1.08%	-0.80%	1.78%	-2.03%
	SEM 7	407.96	402.79	-1.27%	-0.99%	-0.21%	-3.94%
Namibia	Overall Index	1010.18	1038.60	2.81%	2.27%	4.17%	-1.55%
Nigeria	Nigeria All Share	40444.39	38197.73	-5.55%	-4.57%	-7.58%	-8.64%
Swaziland	All Share	298.01	298.01	0.00%	-0.53%	4.32%	-1.41%
Tanzania	TSI	5699.39	5763.06	1.12%	1.07%	102.67%	92.76%
Tunisia	TunIndex	4606.25	4609.00	0.06%	0.20%	5.20%	-3.45%
Zambia	LUSE All Share	6211.77	6212.23	0.01%	0.46%	16.14%	2.35%
Zimbabwe	Industrial Index	189.14	188.77	-0.20%	-0.20%	-6.60%	-6.60%
	Mining Index	87.17	81.76	-6.21%	-6.21%	78.55%	78.55%

CURRENCIES

Cur-rency	10-Oct-14 Close	17-Oct-14 Close	WTD % Change	YTD % Change
BWP	9.02	8.99	- 0.38	3.92
EGP	7.13	7.13	- 0.04	3.12
GHS	1.87	3.30	-	39.97
CFA	514.41	512.50	- 0.37	7.52
KES	87.51	87.44	- 0.08	2.77
MWK	391.91	413.14	5.42	0.13
MUR	30.23	30.15	- 0.28	3.88
NAD	11.04	11.10	0.53	5.81
NGN	163.09	161.40	- 1.04	1.17
SZL	11.04	161.40	0.53	5.81
TZS	1,635.97	1,636.76	0.05	5.14
TND	1.79	1.79	- 0.14	8.96
ZMW	6.26	6.24	- 0.46	13.48

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

All units of the biggest power plant in Botswana, the world's biggest diamond producer, are down, leaving the southern African nation to rely on imports to meet its needs, the electricity utility said. "There is currently no unit running at Morupule B," Mines and Energy Minister Kitso Mokaila said in an e-mailed statement today from Gaborone, the capital. "The boilers and the heat exchanges have been a problem for the power station. We are now wholly supported by imports from the Southern African Power Pool," whose biggest contributor is South African state-owned utility Eskom Holdings SOC Ltd., he said. Peak demand in Botswana is 500 megawatts. The 600-megawatt Morupule B facility, which was built by China National Electric Equipment Corp. and cost 11 billion pula ($1.2 billion), has been beset with delays and machine failures. Businesses and residents in Botswana have had short power outages, none lasting more than an hour, since Oct. 9, when the third unit went down because of a boiler-tube leak.

Units 1 and 2, both down because of boiler leaks, are due to return to service on Oct. 21 and 23 respectively, he said. There is no scheduled date for the resumption of the third unit, which stopped working on Oct. 8. Unit 4 should be in service by the end of the month. "Thus far, we have only had 1 1/2 hours of load-shedding," Mokaila said, using the local term for rolling blackouts. "As long as there is power in the region, we will be fine but we will run a risk if there is a shortage." South Africa's Eskom struggles to meet demand for power by the continent's second-biggest economy as it contends with aging plants and delays in the construction of what will be Africa's third- and fourth-biggest coal-fired plants. Botswana has shortlisted eight companies to expand the plant's capacity to 900 megawatts, Botswana Power Co., the state-owned utility that manages the plant, said on June 18. The country's 120-megawatt Morupule A plant was idled in August 2012, and the nation is looking to bring it back into operation.*(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt hopes IMF assessment will encourage international investors ahead of February's economic summit. Egypt's "article IV" consultations with the International Monetary Fund will take place in November, Finance Minister Hany Kadry Demian said on Sunday. In September, the government asked the IMF to conduct an assessment of Egypt's economy in hopes that its report would bolster the country ahead of an international economic summit scheduled for February of next year. The summit will encourage international companies and organisations to invest in the country and contribute to its development. The IMF's managing director, Christine Lagarde, told London-based newspaper Asharq Al-Awsat last week that the IMF will participate in the summit, which was first called for by Saudi Arabia following Egyptian President Abdel-Fattah El-Sisi's election last June. The government has since embarked on a series of structural reforms, including subsidy cuts that the fund has previously strongly urged. Lagarde described the "recent reform efforts" as "encouraging" and expressed her hope that participants in the upcoming summit will see how these reforms can "help restore durable economic stability and sustainable growth to Egypt." The IMF has advised Egyptian authorities on tax policy and value-added tax (VAT) reform, she added. Egypt's government will present 15 mega-projects worth $100 billion to international investors during the summit, Supply Minister Khaled Hanafy told Al-Ahram's daily Arabic newspaper earlier this month. Egypt's economy is estimated to have grown by 3.5 percent in the fiscal year 2013/14, Demian said in Sunday's statement.*(Ahram)*

Saudi Arabia and the United Arab Emirates will deposit LE35 billion ($5 billion) in the Central Bank of Egypt in two installments starting this month, a source familiar with the matter told Ahram Online on Monday. The sums will be loaned to Egypt on concessionary terms, with maturities of between 3 and 5 years, said the source. Concerns have been mounting about Egypt's foreign currency position since CBE governor Hisham Ramez announced that Egypt would be returning $2.5 billion in deposits to Qatar in November, having returned another $500 million earlier this month. Qatar was a strong supporter of the Muslim Brotherhood's Mohamed Morsi, offering Egypt with some $7.5 billion in financial aid throughout his year-long rule, but relations between the two countries soured following Morsi's ouster in July 2013. Egypt will have returned all of the Qatari aid after November's payment.

The UAE, Saudi Arabia and Kuwait, have since stepped in as Egypt's primary benefactors, showering Egypt with over $20 billion in loans, grants, and petroleum aid since last summer. According to the source, Egypt will receive more than half of the sum before the end of the month to precede its payment to Qatar. Saudi Arabia will be contributing $2 billion, said the source, at least half of which will be paid this month while the UAE has pledged $3 billion. Egypt's net international reserves, which stood at some LE$36 billion before a revolution toppled the long-time regime of president Hosni Mubarak in February 2011, currently amount to $16.8 billion, according to the latest CBE monthly update. Official sources contacted by Ahram Online could neither confirm nor deny the reports, which have been widely reported in local and regional media. *(Ahram)*

Egypt's main index finished down on Monday but by a smaller amount than the day before, signaling a possible bounce, an analyst has said. The benchmark EGX30 index dropped 0.53 percent to record 9,115 points, while daily stock turnover registered LE583.3 million. Market losses were slight on Monday, signaling a possible recovery as some Arab markets already have already begun bouncing back, Hassan Kinawy, head of the local institutions desk at HC brokerage, told Ahram Online. On Sunday, Middle East markets plunged after global oil prices fell to a four-year low. The Saudi Arabian index saw a 2.29 percent rise and the Dubai Financial Markets index increased 1.93 percent on Monday. Foreigners continued to be net sellers for the second consecutive day to the tune of LE28.3 million. Blue chip stock

Commercial International Bank (CIB) has already rebounded, gaining 0.38 percent to LE46.95 per share. Telecom Egypt (TE) and Global Telecom Holding (GTH) also managed to make gains, rising 1.63 percent to LE13.31 per share and 1.27 percent to LE4.85 per share respectively. Egypt's leading investment bank, EFG-Hermes, fell 0.91 percent to LE16.33 per share. The real estate sector saw Talaat Moustafa Group holding (TMG) drop 0.67 percent to LE10.44 per share and Palm Hills for Development (PHD) fall 1.71 percent to LE4 per share. *(Ahram)*

The Egyptian economy grew by 3.7 percent in the fourth quarter of the last fiscal year, up from 2.5 percent the previous quarter, the Planning Ministry said on Monday. Egypt posted GDP growth of 2.2 percent for the full 2013/14 fiscal year, which ended in June. This was up slightly from 2.1 percent the previous year. *(Reuters)*

Egypt's central bank is expected to keep interest rates on hold on Thursday as inflationary pressure begins to ease after a spike following deep cuts to government energy subsidies in July. The economy has been in turmoil since a popular uprising ousted autocrat Hosni Mubarak in 2011, deterring tourists and foreign investors and straining the country's finances. To help bring down its swelling budget deficit, the government in July slashed energy subsidies, raising energy costs for companies and consumers by up to 78 percent. That pushed up prices and hit business activity in July. But the effect appears to have been short-lived, with the pace of economic activity picking up in the two months since and inflation beginning to ease in September. Five economists surveyed by Reuters all forecast that the central bank would keep its overnight rates unchanged at 10.25 percent for lending and 9.25 percent for deposits at its policy-setting meeting on Thursday. "There was little sign really that there was any sort of indirect or second-round effects on inflationary pressure from the subsidy cuts," said Mohamed Abu Basha of EFG Hermes. "It's more of a wait-and-see before the next decision for the central bank." Urban consumer inflation eased to 11.1 percent in September after surging to 11.5 percent in August in the wake of cuts to fuel and electricity subsidies. Core inflation eased to 9.15 percent in September from 10.07 percent the previous month. The central bank raised benchmark interest rates at its meeting on July 17 in an unexpected move aimed at keeping inflation in check after the subsidy cuts.

It kept rates on hold at its last meeting. Egypt has received billions of dollars in aid from Gulf states and implemented two stimulus packages, but economic recovery in the most populous Arab nation has been slow. The economy expanded 2.2 percent in the 2013/14 fiscal year which ended in June. But in the last quarter output grew 3.7 percent, suggesting the recovery was gaining strength. A recent Reuters poll suggested growth could reach 3.3 percent this fiscal year as Egypt pushes ahead with big projects such as a Suez Canal expansion it hopes will create jobs and restore confidence. Nada Farid of Beltone Financial said that declining global oil and food prices would also help keep inflation under control, reducing the need to raise interest rates this month. The global oil benchmark has declined more than 20 percent from the 2014 high in June, easing the imported element of inflationary pressure. "Growth is gradually picking up and is expected to pick up in light of the planned mega-projects," Farid said, referring to infrastructure plans such as the expansion of the Suez Canal."However, it is a bit early to reduce rates until inflation expectations are well anchored." *(Reuters)*

Egypt has imposed temporary tariffs to protect domestic steel rebar manufacturers from cheap foreign imports amid a long-running local energy crunch that has hit power-hungry heavy industry. The 7.3 percent tariffs will last for a maximum of 200 days, but could eventually be made permanent, the industry and trade ministry said on Tuesday. Egypt has been considering imposing tariffs since late last year to protect domestic steel against competition from imports. The tariffs come at a critical time for Egypt's steel industry, which is recovering from three years of political and economic turmoil, and for a global market struggling with low prices and overcapacity due to lacklustre demand. Egyptian steel companies have been further pressured by energy costs and availability in a country where energy shortages have hit both output and profitability in the sector. The country's major steelmakers have been petitioning the government to impose anti-dumping measures on rebar and wire rod imports from China, Ukraine and Turkey after energy subsidies were cut in July. *(Reuters)*

Egypt's government has approved plans to allow rice exports, the supplies minister said on Thursday in a move welcomed by traders but carrying terms which could hinder the return of the country's medium-grain rice to the international market. Traders would be allowed to export rice provided they sell the government one tonne of medium-grain rice at 2,000 Egyptian pounds ($279.72) for every tonne of rice

they export. Exporters would also have to pay a tariff of $280 per tonne exported, the minister said. Egypt produced around 4.3 million tonnes of rice this year, but only consumes 3.3 million tonnes implying an exportable surplus of one million tonnes. Egyptian medium grain rice mainly competes with U.S. and Australian rice in global markets. Egyptian rice could fetch just above $800 dollars a tonne, according to the head the rice committee of Egypt's Agricultural Export Council. The conditions set by the ministry for exporters would act as a hindrance, Mostafa el-Naggari told Reuters. "The fact that they are stipulating that rice be sold to the government at 2,000 Egyptian pounds a tonne while it could have cost the traders around 3,200 Egyptian pounds means eventually traders could pay above $400 dollars just to be allowed to export if you calculate that price difference and the export tariff," Naggari said. "This is unrealistic as Egyptian rice would then have to fetch around $1,200 a tonne abroad to make this feasible which will not happen, the most it can fetch is around $800 or slightly above," he said. U.S. medium grain rice is now priced at around $900 a tonne or slightly above.

Still, the end to the ban was welcomed by Middle East traders who had relied on Egyptian rice as a more convenient alternative to the U.S. and Australian origins. "This is great news for us because instead of importing from the U.S. where it can take around three months for the grain to reach us we can buy from Egypt and have the commodity arrive within just three days," a Syrian trader who imports Egyptian rice said. Egypt first imposed a ban on exports in 2008 saying it needed to save the rice for local consumption and wanted to discourage rice farmers from growing the crop to save water. However, rice exporters have complained that the ban on free exports has led to the rise of a contraband trade by creating a large price difference between domestic and export markets. The Supplies Ministry procures rice for the country's subsidy programme through the state grain buyer, the General Authority for Supply Commodities (GASC). Rice is sold in the domestic market at a subsidised price to around 70 million Egyptians. Export licences were last sold in an auction at the trade ministry in November 2013 to sell 102,000 tonnes of rice abroad. The licences were suspended just days after being issued sending confusion to global markets. Egypt had started lifting the ban on rice exports in October 2012, through holding export licence tenders at the Trade Ministry. *(Reuters)*

Egypt's central bank kept its main interest rates unchanged at a policy meeting on Thursday but said it was keeping an eye on the risks to recovery posed by mounting concerns about the global economy and fears of a resurgence in European debt problems. The bank kept overnight deposit and lending rates unchanged at 9.25 percent and 10.25 percent respectively, as forecast by a Reuters poll. Inflationary pressure has begun to ease after a spike following cuts to energy subsidies in July while the economy is showing signs of strengthening recovery. "Looking ahead, while investments in domestic mega projects such as the Suez Canal are expected to contribute to economic growth, the downside risks that surround the global recovery on the back of challenges facing the Euro area and the softening growth in emerging markets could pose downside risks," the bank said in a statement after the meeting. Egypt's economy has been in turmoil since a popular uprising ousted autocrat Hosni Mubarak in 2011, deterring tourists and foreign investors and straining the country's finances. To help bring down its swelling budget deficit, the government in July slashed energy subsidies, raising energy costs for companies and consumers by up to 78 percent. That pushed up prices and hit business activity in July. But the effect appears to have been short-lived.

Urban consumer inflation eased to 11.1 percent in September after surging to 11.5 percent in August in the wake of cuts to fuel and electricity subsidies. Core inflation eased to 9.15 percent in September from 10.07 percent the previous month. The bank said it was seeking to keep a lid on inflation without derailing the fragile economic recovery. Rising concerns about the outlook for the global economy have triggered a sell-off in global financial markets this week and pose a risk to Egypt's economy just as it is improving. In the last quarter, gross domestic product grew 3.7 percent from a year earlier, suggesting the recovery was gaining strength. A recent Reuters poll forecast growth could reach 3.3 percent this fiscal year as Egypt pushes ahead with big projects such as a Suez Canal expansion. The government hopes the project can turn the canal into an international industrial and logistics hub that will create jobs and restore confidence.
The central bank raised benchmark interest rates at its meeting on July 17 to keep inflation in check after the cuts to electricity and fuel subsidies. It kept rates on hold at its last meeting in September. *(Reuters)*

Ghana

Corporate News

GN Reinsurance Company Limited (GN RE), the third indigenous reinsurance concern in Ghana has been launched, with the aim to bolster and invigorate the insurance industry. The company which is leveraging on its financial strength and the expertise of its managers to strategically impact the limited local reinsurance capacity and the entire Africa region, enters the market with an initial capital of GH? 80 million, which would be available to the local insurance sector. GN RE is the latest addition to the Groupe Nduom conglomerate, a privately held business group with member companies in financial services, hospitality, real estate, Information technology, media and entertainment.

The two other local reinsurance companies are the Ghana Reinsurance Company Limited and the Mainstream Reinsurance Company Limited. Dr Papa Kwesi Nduom, President and Chairman of Groupe Nduom and the Board Chairman of GN RE said at the launch in Accra on Monday that the company is adequately capitalised to enhance Ghana's local reinsurance capacity that has been created by inadequate technical and financial capacity. He said the GN RE, which could write up to GHc25 million of any one risk, would support clients with products, technical services and the financial backbone to engage the challenges of the sector in Ghana. Dr Nduom said the company's asset base and significant funds under management makes GN RE a bastion that the insurance industry in Ghana needs and the company is determined to ensure prudent management of investible funds and top direct its use as an important source of capital to fuel the country's enterprise. This would ensure a vibrant insurance industry that could provide long-term capital to support local industry to develop and grow. Miss Lydia Bawa, Commissioner of Insurance lauded the launch of GN RE as a bold step at an opportune time that would to improve local reinsurance capacity. She noted that though the Insurance Act, 2006 (ACT 724) requires all insurance companies to exhaust available local capacity before recourse to overseas reinsurance, insurance businesses over and above the capacities of the two existing reinsurance companies end up overseas resulting in huge premium flights yearly. The Insurance Commissioner said the emergence of GN RE would help improve the retention capacity of the market and thus stem the high premium flight and stabilise the Cedi in the long run. "I am confident that with the level of capitalisation with which the GN RE is entering the market, this is very possible", she said. *(Ghana Web)*

Economic News

The recent discovery of supposed massaged economic figures by the International Monetary Fund (IMF) could lead to sanctions against the Government of Ghana. A similar incident was said to have occurred in 2000 earning government some punishment in 2001. Economic analysts have hinted that the supposed massaging of economic figures was deliberate and intended to hide the true state of affairs of the country from the Bretton- Woods and also to cover up the gravity of the rot in Ghana's economy. On Wednesday, Sanjeev Gupta, Deputy Director, Fiscal Affairs Department of IMF, said Ghana's debt profile was over 70 percent of GDP and not 55 percent as claimed by the Bank of Ghana (BoG). "First of all, the debt-to-GDP ratio in Ghana is 71 percent, not 60 percent so it is much higher than you mentioned." Ghana has been caught in huge debt repayment three times than the proceeds from oil revenue, a situation the IMF said was unsustainable. An IMF delegation, led by Joël Toujas-Bernaté, was in the country to collect information before the actual negotiations during the annual meetings. Seth Terkper, Minister of Finance, is leading a government delegation to the International Monetary Fund (IMF)/World Bank Annual Meetings. The team includes Dr Kofi Wampah, Governor of the Bank of Ghana, Chairman of the Finance Committee of Parliament and officials from the Ministry of Finance and the Bank of Ghana.

The delegation attended the Commonwealth Finance Ministers Meeting, which precedes the IMF meetings, as well as other meetings with the Vice President of the World Bank and the G24 Ministerial Meetings. Ghana experienced financial crisis in late 2000. It recorded a rapidly depreciating currency, sharply rising inflation, burgeoning public debt and a substantial depletion of foreign exchange reserves. The primary cause was loss of control over public expenditure and government borrowing, especially in the second half of the year before the

presidential elections. The fiscal deficit in cash terms reached 9.7 percent of GDP for the year. Owing to shortfalls in donor disbursements, the deficit was financed almost entirely by domestic borrowing. The result was a destabilization of the economy: 40 percent growth in broad money, a 50 percent depreciation of the cedi, and a tripling of the inflation rate to over 40 percent at end- 2000. The domestic government debt stock rose to almost 29 percent of GDP, and official reserves fell to only three weeks of imports. A breakdown in expenditure management and control systems during 2000 also led to a build-up in new domestic arrears in addition to cash expenditure overruns. The full extent of these arrears remains to be verified, but it's estimated at 1.4 percent of GDP. Delays in aid inflows further complicated the payment of government obligations and led to the creation of external payment arrears on debt service amounting to US$89 million by end-2000.

Ghana's public and publicly guaranteed external debt stood at US$5.9 billion (about 119 percent of GDP) at end-2000. The finances of several key parastatals deteriorated along with those of the central government. Failure to adjust petroleum prices fully for rising crude oil costs and a depreciating currency left the Tema Oil Refinery (TOR) with a total short-term debt of 2.5 trillion (9 percent of GDP) at end-2000. Almost half of this was debt to domestic banks, in particular to Ghana Commercial Bank (GCB), posing a major risk to the solvency of the bank. Similarly, electricity and water rates were kept artificially low throughout 2000, leaving the Electricity Company of Ghana (ECG), Volta River Authority (VRA), the electricity generator and the Ghana Water Company Limited (GWCL) with sizeable additional debts. *(Ghana Web)*

Government has suspended the issuance of a three-year bond that was scheduled for this month. The bond issue which was expected to raise about 400 million Cedis was to be used to support government's budget. This is the second time the government has suspended a bond issue this year. The first was in March when it suspended the issuance of a 5-year bond that was intended to raise about 300 million Cedis. Analysts believe government may not be willing to pay the high interest rates on the bond. The last 3 year bond issued in July attracted a high rate of 25.4percent. Other analysts believe funds from the recently issued Eurobond, and funds government is expecting from the IMF may provide enough support for the budget. Following the preliminary engagement with the IMF, the central bank was cautioned of its continuous excessive lending to government. The borrowing limit in the Bank of Ghana Act stipulates a limit of 10 percent of revenue for the fiscal year, but the auditor general's report revealed central bank exceeded its borrowing limit by about 170% in 2012. It is believed the central bank may exceed the statutory limit this year. *(Ghana Web)*

Ghana trimmed its economic growth forecast for this year to 6.9 percent on Wednesday after data showed a marked slowdown in second -quarter growth year-on-year, the country's statistical service said on Wednesday. Ghana's unadjusted gross domestic product (GDP) growth decelerated to 5.3 percent year-on-year in the second quarter, sharply down from a revised 10.8 percent in the same period last year, the service said. Government statistician Philomena Nyarko said the full-year growth forecast was cut from 7.1 percent after first-half growth figures gave a clearer indication of the economy's trajectory than the finance ministry's earlier estimate. Ghana's economy grew by a revised 7.6 percent in 2013, the service said. Excluding oil, last year's growth was 7.3 percent. Ghana's economy has expanded rapidly in recent years because of its exports of gold, cocoa and oil but the country has been hit this year by fiscal problems including escalating inflation and a currency that has fallen sharply. Earlier on Wednesday, the statistics office said Ghana's annual consumer price inflation rose to a fresh four-year high of 16.5 percent in September from 15.9 percent the previous month. The government is in talks with the International Monetary Fund on a possible financial assistance programme that could begin in January. *(Reuters)*

Ghana is close to an agreement with the International Monetary Fund (IMF) on a fiscal assistance programme and is optimistic that its 2015 budget can take that deal into account, Deputy Finance Minister Cassiel Ato Forson told Reuters on Thursday. Forson spoke after a second round of talks with the fund in Washington. He said a third and decisive round would start in Ghana in the first week of November. Any deal would help the West African country restore its fiscal balance amid problems such as quickening inflation, a stubborn budget deficit and a currency that has fallen sharply this year. President John Mahama says the country also wants an IMF programme to facilitate a deeper transformation of an economy prone to fiscal imbalances because it is driven by the export of raw commodities and widespread imports. Those fiscal challenges have taken some of the shine off Ghana, a country lauded by investors for its political stability and sustained rapid growth based on exports of gold, oil and cocoa. "We had a very fruitful engagement with the fund and we are more or less at a

convergent point. From this, I can say that we are close to reaching an agreement," Forson said, adding that the aim was for a three-year programme starting in January. The IMF, meanwhile, said in a statement it had a "productive dialogue" with Ghana and made progress on identifying economic and policy reforms that could form the basis of a fund-supported programme.

Forson said the programme would include balance of payments support but said it was too early to give a figure. There was no word on what economists say is the most contentious issue in a putative deal, namely how and to what extent the government will reduce spending on public sector wages. Ballooning wages were the main cause of a sharp increase in spending in the 2012 election year, which sent the fiscal deficit soaring to 11.8 percent of GDP and contributed to a downgrade of Ghana's sovereign rating. Morgan Stanley said in a research note this week that some investors are concerned about the government's ability to maintain fiscal discipline in the run-up to the next election in 2016. Ghana's statistics service on Wednesday trimmed its economic growth forecast for 2014 to 6.9 percent after a slowdown in second-quarter growth and said growth in 2013 stood at 7.6 percent. Economists said the projection for 2014 showed that the country's macroeconomic instability was starting to impact the economy. The 2014 forecast still puts Ghana well above the IMF forecast for sub-Saharan African growth of 5.1 percent this year. *(Reuters)*

Kenya

Corporate News

BAT touched the Sh1,000 mark in Friday's trading becoming the first stock at the Nairobi Securities Exchange to hit the barrier as it continues attracting demand from institutional investors. The company closed the week at Sh999 following a surge on Friday when it moved 293,800 shares that represented 75 per cent of its entire week's traded shares. The counter opened trading Friday at Sh 926, giving it a 7.9 per cent gain on the day. A Sh1,000 share price would give BAT a market capitalisation of Sh100 billion, making it the seventh firm to achieve that at the NSE after Safaricom, EABL, Equity, KCB, Cooperative Bank and Stanchart. "On Friday it was local investors selling to fellow locals. There was barely foreign activity on the stock," said Old Mutual Securities analyst Geoffrey Maina. Kenya Power closed the week on a positive note following the announcement of an award of Sh10 billion tender to light up Nairobi streets, gaining three per cent to close at Sh15.40. This is within sight of its one-year high level of Sh16. Its weekly gain stood at seven per cent. BAT's gain helped the NSE 20 Share Index reverse a three-session losing streak, with the benchmark index ending Friday eight points up to 5,280. Over the week, however, the index shaved off 12 points, while the NSE All Share Index (NASI) lost three points to stand at 162.54 points.

The biggest decliner in the week was from the insurance segment, where Britam was down 18.52 per cent for the week to Sh27.50. The firm's stock has continued to feel the effect of the announcement that private equity firm Cytonn Investments has been appointed the lead transaction advisors for a Sh40 billion property deal that was to be previously undertaken by Britam. Jubilee Insurance closed the week 12 per cent lower at Sh439, down from Sh499 posted the previous week. Centum also saw a significant decline, closing the week nearly 10 per cent down at Sh56.50, having been one of the fastest gainers in the market since the beginning of September. Bank stocks that have been among the most active movers in recent weeks have gone quiet, contributing significantly to the flat index and capitalisation trend. On Friday, the only significant action in the banking segment was from block trades by foreigners on the Diamond Trust Bank counter, which saw it move three million shares worth Sh795.6 million at an improved price of Sh264, having opened the day at Sh259. *(Business Daily)*

The company is racing to become the only firm double-listed on the London Stock Exchange (LSE) AIMS market and the NSE. The AIMS market on the LSE, where it trades, is the equivalent of the Nairobi Growth and Enterprise Market Segment (GEMS) market and both target smaller, growing companies. The listing will be by introduction where a company places shares for trading just like the only GEMS firm, Home Afrika. AOL said the shares will be freely transferrable across the two markets. "This listing will provide Kenyans with an opportunity to gain exposure to their rapidly expanding domestic resources industry. Kenya's oil and gas industry is still in its early stages, and the listing is the type of initiative the government of Kenya is putting forward for transparent and sustainable local participation," said Africa Oilfields chief executive officer Carl Esprey.

Guernsey-based Africa Oilfields runs its Kenyan operations through subsidiary Ardan Risk & Support Services, where it took up a 49 per cent stake in August 2013 for Sh350 million ($4 million). Africa Oilfields has announced it is exercising a full takeover option of Ardan under a reverse takeover deal, which will see the combined entity that will also list on the NSE rebranded Atlas Development and Support Services. Ahead of the listing, the company has created 350,000 new shares to bring the total issued shares to 393,923,366 which will also be relisted afresh on the LSE. The move to list 10 per cent equivalent of these shares at the NSE will see the company bring in over Sh500 million in new capitalisation to the market, going by disclosures filed last week showing that AOL expects the capitalisation of the new entity at £36.4 million (Sh5.2 billion).

Shareholders of Africa Oilfields will hold a general meeting on November 5 in Guernsey to ratify the change of name to Atlas and the listing on the Kenyan exchange. A prior meeting on October 22 will be held to ratify the Ardan takeover. According to the disclosures, the new entity is unlikely to seek to raise capital from its NSE listing in the short term, having satisfied its current financing requirements after the successful £7 million (Sh1 billion) fund raising in August. The company said if any capital is raised from NSE in future it will be applied towards growing its Kenyan business. The company had cash resources of about £5.4 million (Sh775 million) as at September 23, 2014.

Ardan unaudited revenues for the six months ending June 30 stood at $20.6 million (Sh1.8 billion) while those for the full-year ending December 31, 2013 were $22.5 million (Sh1.95 billion).All of its revenue for 2014 has been generated in East Africa. Burbidge Capital has been appointed adviser for the GEMS listing, while Anjawalla & Khanna will act as legal advisers to the deal. Over the weekend Ardan was caught up in a labour dispute in Turkana at a Tullow Oil exploration site, but it said yesterday that the "light industrial action" did not affect the listing. *(Business Daily)*

A seven percent surge in KenGen lifted Kenyan shares on Monday as the country's main electricity producer added more geothermal power to the national grid, while the shilling currency held steady. The benchmark NSE-20 share index rose 0.6 percent or 30.81 points, to close at 5,311.27. Silha Rasugu, a research analyst at Ghengis Capital, said state-owned KenGen had added 210 megawatts of geothermal power to the national grid. The grid's existing generation capacity stood at about 1,664MW, with geothermal energy accounting for 158MW. "That's quite a significant improvement," Rasugu said, noting that investors were trading on anticipated good news. Kenya wants to add 5,000 MW to the national grid by 2017. KenGen, which is expected to release its earnings results this week, rose 6.9 percent to close at 12.40 shillings.

However, Rasugu said the capacity boost which took place in July and September would not appear in this year's financial results because the 2014 financial year ended in June. Kenya's main index was also boosted by a rebound in British American Investments (Britam) shares. The investment group's stock declined about 8 percent both on Thursday and Friday last week but jumped 9 percent on Monday to close at 30 shillings. Britam's shares took a tumble last week when the investment firm lost a bid to be the lead transaction advisers to Acorn Group in multi-billion shilling real estate projects. However, analysts say Britam's stock is trading on a speculative basis and point out that the company, which owns a 25 percent stake in the real estate firm, will still profit from that investment when Acorn's real estate projects are completed. On the foreign exchange market, the shilling closed at 89.15/89.25 to the dollar, slightly weaker than Friday's close of 89.10/89.20 but in a tight range of 89.00 to 89.30. Traders said demand for dollars slowed mid-month but was expected to pick up later in October as importers and manufacturers start paying their monthly import bills.

Edwin Mathenge, Head of Treasury at Chase Bank, said the shilling rose early on Monday due to "excess liquidity" and Kenya's central bank sought to mop up 15 billion shillings($168.26 million). The bank regularly uses repurchase agreements (repo) and term auction deposits to manage liquidity in the market, lending support to the shilling by making it slightly more expensive for banks to hold dollars. *(Reuters)*

Economic News

Guernsey-based oil sector services firm Africa Oilfield Logistics plans an NSE listing with an eye on the promising Kenya upstream oil sector. The operator, which is focused on logistics support for upstream oil and gas exploration in sub-Saharan Africa, is already listed on the London Stock Exchange Alternative Investment Market Segment (Aims). The oilfield services (OFS) firm is, however, yet to disclose whether it will list by introduction or seek to raise capital locally. Africa Oilfield runs its Kenyan operations through subsidiary Ardan Risk & Support Services, which also has offices in South Sudan, Ethiopia, Djibouti, Tanzania, Mozambique, Zimbabwe, Madagascar and South Africa. "East Africa, our area of strategic focus, is rapidly becoming an economic centre and a hub of continental growth, fuelled to a large extent by the rapid development of resource assets in the region," said Africa Oilfield CEO Carl Esprey in a statement. The firm took up a 49 per cent stake in Nairobi's Ardan in August 2013 for Sh350 million ($4 million), with an option of full acquisition of the remaining stake within a period of three years. It last month announced it would exercise the full takeover option. The acquisition will be in form of a reverse takeover, which will see the combined entity rebranded Atlas Development and Support Services. Africa Oilfield announced in disclosures filed last week that the capitalisation of the new London Stock Exchange entity will be £36.4 million (Sh5.2 billion). It currently employs 800 people in the Kenya oil and gas sector.

According to the disclosures, Ardan's unaudited revenues for the six months ending June 30 stood at $20.6 million (Sh1.8 billion) while those

for the full year ending December 31, 2013 were $22.5 million (Sh1.95 billion). On September 15, Africa Oilfield announced Ardan had entered into a 15-year lease over "a sizeable plot in northern Kenya", which will be used for warehousing, fuel distribution, cold storage and fleet maintenance. In addition, the company is negotiating an option over a further 25 acres of land in the vicinity. "This land which will develop into the first of several planned logistics hubs will support Ardan's technical division and its expanding operations in Northern Kenya centred on the rapidly growing oil exploration and production industry in the region," said Mr. Esprey. The growth of logistic firms targeting the Kenyan upstream oil sector has been informed by significant oil deposits and gas potential in the country. In April Frontier Service Group Ltd, whose chairman is ex-Blackwater CEO Erik Prince, announced it had invested about $14 million (Sh1.2 billion) for a 49 per cent stake in Phoenix Aviation to service the sector.*(Business Day)*

Tobacco farmers are asking for a bigger slice of cigarette maker BAT's fortunes as the listed company rides a high earnings tide that has seen its share price this week hit the Sh1,000 mark. The farmers, most of who grow tobacco for the cigarette maker on small-holder farms, reckon that all stakeholders should enjoy the good fortunes based on their contribution to the company's operations. BAT shareholders are already enjoying the fruits of improved fortunes through a lucrative dividend sharing policy that has seen the firm pay out its entire net earnings as dividend in the past three years. Company filings show that BAT paid its 5,700 contracted farmers a total of Sh1.045 billion in 2013, a 51 per cent increase on the Sh690 million paid out in 2012. On average, that payout means each farmer took home about Sh184,000 last year. The cigarette maker paid farmers Sh700 million in 2011 – Sh100 million more than the Sh660 million it paid the growers in 2010. Farmers said BAT paid for their tobacco leaves at a price of between Sh50 and Sh223 per kilogramme.

This represented an improvement from the previous year's price range of between Sh46 and Sh170 per kilogramme of cured leaves or a raise of between nine and 31 per cent. The payments depend on leaf quality with the highest leaf grades attracting top prices. BAT's shareholders have, however, enjoyed the company's good tidings that have left them as the highest paid owners of a public listed firm in Kenya. The cigarette maker has 100 million issued shares that are owned 76.8 per cent by foreigners (60 per cent by London-based multinational British American Tobacco Plc) and 16.4 per cent by local institutions going by regulatory filings at the beginning of August. The company had 4,978 shareholders at the end of August comprising 4,318 local individuals collectively owning 6.44 million shares. BAT last year paid its owners its entire Sh3.7 billion profit in dividends or Sh37 a share – a move that has positioned it as the most sought after stock at the Nairobi Securities Exchange (NSE) as both individual and institutional investors battle for a piece of the pie. The London Stock Exchange-listed British American Tobacco Plc earned Sh2.2 billion in dividends last year and Sh1.9 billion in 2012. Records show that the British firm has shipped out a total of Sh12.4 billion in dividends over the past decade from the Kenyan subsidiary. BAT Kenya managing director Chris Burrell has announced that the company is committed to continuing its current dividend payout policy and signalled an even higher payout this financial year that is pegged on a positive profits outlook. Tobacco farmers are now demanding better prices for their produce citing the high cost of inputs and rising inflation that nearly wipe out any improvement in the pricing for tobacco leaves. "Tobacco farming is a time and resource consuming venture that demands proper remuneration," said the Kenya Tobacco Farmers Association (Ketofa) chief executive Joseph Wanguhu, adding that high cost of living and highly priced inputs have ensured that most farmers continue to live in poverty despite improved leaf pricing.

Mr Wanguhu said BAT's profitability and record dividend paid out to shareholders can only be matched by pricing highest quality leaf grades at Sh300 per kilo. John Chacha, a farmer from Kuria West constituency of Migori, said recent calls for better pricing of tobacco leaves have gone unheeded. "Some of us are quitting tobacco farming because of the earnings erosion from a chaotic leaf grading system that many of us do not understand," he said. BAT Kenya's head of leaf Geoffrey Chege, however, maintains that the farmers could only improve their earnings with better quality leaves that fetch better prices. "Even as our growers ask for increased leaf prices, they need to practice good farming practices that yield better quality leaves. How much each farmer earns from his produce is mainly a factor of leaf quality, which dictates the price paid," Mr Chege said, insisting that current prices are the product of a careful balancing act that seeks to reward farmers, employees and shareholders equitably. In 2013, the volume of tobacco produced by Kenyan farmers grew by 25 per cent to seven million kilogrammes and BAT said leaf quality also improved significantly culminating in higher earnings for farmers. "We concluded contracts with an additional 1,500 farmers in 2013 to bring the number to over 5,700," Mr Chege said. BAT says overall gross farmer earnings improved in

the year driven by the volume increase, quality improvement and a 10 per cent yield increase per unit (acre) of land under tobacco. On Wednesday, BAT closed trading at a price of Sh999, touching the Sh1,000 mark in trading for the second time in one week. At current valuation, BAT joins a select club of seven companies that have crossed the Sh100 billion market capitalisation mark. The others are Safaricom, EABL, Equity Bank, KCB,Cooperative Bank and Stanchart.

Analysts said the company remains in a secure market position, being in an industry with high entry barriers that attract investors to the counter. In line with other company stocks which are dividend driven, analysts said that so long as there is an expectation of higher profits, the share prices will continue to appreciate."The biggest story around these companies is their performance. Profit growth is the key driver," said Robert Bunyi of Mavuno Capital. This year, BAT was also spared the customary annual hit that comes in the form of higher sin-taxes in the national budget. The company, however, remains in the top list of Kenya's highest taxpayers. The tobacco firm said it paid Sh14.5 billion in taxes last year, making it Kenya's fourth largest behind Safaricom, EABL and the Teachers Service Commission. *(Business Daily)*

Kenya's economy accelerated in the second quarter thanks to fast growth in construction, manufacturing and financial services, which offset a slump in tourism following attacks blamed on Islamist militants. Gross domestic product rose 5.8 percent from a year earlier in the three months through June and increased 4.0 percent on a seasonally adjusted quarterly basis, the statistic's office said on Monday. In the first quarter it had expanded 4.4 percent from a year earlier, revised to take account of a recent rebasement of GDP, and 2.7 percent on a quarterly basis. Tourism, however, has been badly affected this year by a number of bombings in tourist areas on the coast and elsewhere, which were blamed on Islamist militants and prompted some Western countries to warn against travel to Kenya.

Output from the accommodation and restaurant sector slumped 18.6 percent in the second quarter from a year earlier, the data showed. The slump in tourism means Kenya's economy will slow this year. Finance Minister Henry Rotich has already cut the government's 2014 growth forecast to 5.3-5.5 percent from an initial 5.8 percent, citing "challenges", without offering specifics. Last year the economy grew 5.7 percent, taking the rebasement into account. The rebasement of GDP last month increased the size of the Kenyan economy by about 25 percent, pushing it into the top 10 African economies.

Construction output rose by 18.9 percent during the second quarter from a year earlier, manufacturing grew 9.1 percent while financial and insurance services increased by 8.3 percent, the data showed. Agricultural output slowed down, though, rising by 5.5 percent from a year earlier, after 5.9 percent growth in the first quarter. *(Reuters)*

The Kenyan shilling strengthened on Wednesday on dollar inflows from charities, while stocks were steady. The shilling closed at 89.10/89.20, compared with Tuesday's close of 89.30/89.40. Duncan Kinuthia, head of trading at Commercial Bank of Africa, said foreign missionaries and non-governmental organizations with operations in Kenya were a major source of hard currency during the session. "They always need to sell to fund local operations, so the money comes in foreign currency and they have to convert it into local currency," Kinuthia said. He said demand for dollars had eased from telecommunications, energy, and oil companies, which are usually the most consistent buyers. "They usually have more or less a fixed amount that they have to buy... and when they do that, they don't need to buy more, especially if the currency is moving against them," Kinuthia said. Kenya's central bank sought to mop up 5 billion shillings ($56.05 million) from the market on Wednesday using repurchase agreements (repo) and term auction deposits.

The bank regularly uses repo and term auction deposits to manage liquidity in the market, lending support to the shilling by making it slightly more expensive for banks to hold dollars. The shilling has been under pressure from the dollar in recent weeks after frequent attacks blamed on Islamists led to a slump in tourism, a key source of foreign exchange for Kenya. On the stock market, the main NSE-20 share index was just a fraction higher, adding 5.74 points to close at 5,304.86 points. East African Cables announced an interim dividend of 0.50 shillings per share, sending its stock 6.7 percent higher to close at 16.55 shillings. The dividend is to be paid out to shareholders in December. "A few days before the books closure date is usually when you see so much activity on a stock," said Agnes Achieng, research analyst at Sterling Investment Bank. In the debt market, bonds worth 1.3 billion shillings were traded, up from 1.1 billion shillings traded on Tuesday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Shaded by ragged squares of canvas, amid choking dust and the noise of hawkers, shoppers in Nairobi's Gikomba market can turn up Tommy Hilfiger jeans or a Burberry jacket for a fraction of the price in London's Regent Street or New York's Fifth Avenue. But there's a catch: the clothes are all secondhand, discarded as worthless at charity shops or thrift stores in Europe or the United States and then shipped thousands of miles to another continent, occasionally in such pristine condition that an original price tag is still attached. Kenya imports about 100,000 tonnes of secondhand clothes a year, providing the government revenues from customs duties and creating tens of thousands of jobs. It also offers quality clothes to Kenyans, many of whom earn less in a month what a pair of new Ralph Lauren khakis costs in the West. To critics, the business raises the perennial problem of how Africa can build its own industry when it is flooded with cheap imports. But traders in Gikomba do not see it that way.

"It's a source of employment," said Clement Shuma from behind a pile of secondhand trousers - his speciality - that includes British high-street makes like Topman and Next, and sometimes more internationally well-known labels like Levis or Benetton. "Even that person who's not well, who's earning little, at least can afford a piece of cheap (clothing), at a lower price instead of buying new," he said, adding prices ranged from 400 to 1,000 shillings ($4.50-$11.20) per item, depending on quality and brand. It is a common scene across Africa, with Ghana, Tanzania, Benin, Uganda and Kenya among the biggest markets. They provide clothing to many on a continent of 1 billion where economies may be growing but many Africans struggle to get by. "Before, if you see our people, the knees are torn ... you can see the thighs," said Regina Wanjiku, a used clothes importer and wholesaler at Gikomba, describing the sartorial challenge before the business took off two or three decades ago when Kenyans depended on more expensive local products. How the trade has grown, in part, reflects the economic changes that have swept the continent. Until the 1980s, high tariffs protected home grown garment and other businesses. Then economic liberalisation programmes, backed by the World Bank and International Monetary Fund, started taking hold in Kenya and elsewhere. Tariffs were lowered and local factories had to contend with new competition. Many failed and shut.

Some industrialists say importing secondhand clothes, known in Swahili as "mitumba", undermines Kenya's own garment makers. "That has hurt badly the domestic market," said Rajeev Arora, executive director of the African Cotton & Textile Industries Federation. He said 85 percent of Kenya's textile plants had closed since the early 1990s, while cotton output was a tenth of 1990s levels. Other experts say it was not the used clothing imports that drove factories out of business, but inefficient production. Dorothy McCormick, a University of Nairobi professor who has researched Kenya's textile trade, said locally produced clothing was highly subsidised by the government and had always been too expensive to supply the domestic market. "Mitumba" filled a gap in the market, cheaply, she said. Kenya, a nation of 44 million people, is now building up a new garment-making business, but the focus this time is on exports. Kenyan factories exported garments worth $335 million in 2013 and the business employed 40,000 people, says Jaswinder Bedi, a Kenya-based director of the International Textile Manufacturers Federation. In part, the export business has grown because of a trade pact between the United States and Kenya, as well other African states, giving them duty free access to the U.S. market.
Nairobi City Council estimates that about 65,000 people work in Gikomba, Kenya's largest "mitumba" market, with some people sharing stalls or working on different days of the week. In addition, there are a dozen or so smaller markets in Nairobi, and other markets around the country, creating more employment. The informal nature of much of the trade makes it difficult to estimate precise numbers, though researchers and officials suggest it may employ hundreds of thousands. Banks have spotted an opportunity and, since 2007, several have opened branches next to Gikomba to serve the traders. "We actually follow the customer, from maybe a hawker to an importer," said Benjamin Karanja, a spokesman for Family Bank, which operates at the market. "So as they grow, we also grow." He estimated the market's turnover was $1.1 million a month. The route from donor to new owner, described by officials, exporters, wholesalers, traders and academics, takes the used clothes halfway around the world with the money made at each point racking up to a multi-million dollar global business. "It creates new livelihoods and it creates new value in a commodity, which otherwise would have been dumped," said David Simon, a geographer at the Royal Holloway, University of London.

Charity or thrift shops in the West sift donated items, often keeping just a quarter of the items. The rest are sold to exporters for up to 90 U.S. cents a kg, then wrapped in 45-kg bales and packed in containers - a standard 40-foot container holds about 550 bales, equivalent to about 25 tonnes of clothes. At Kenya's Mombasa port, customs agents collect duties of 1.2 million shillings or more per container, officials

and traders say. Although officials did not have total revenue figures, the state statistics agency said imports amounted to 100,000 tonnes worth about $90 million in 2013 alone. This would mean at least 4,000 containers and potential duties amounting to 4.8 billion shillings ($54 million) a year, according to a Reuters estimate. At market, Nairobi City County profits by charging a 50 shilling fee each day from informal hawkers. Bigger shacks or shops pay 4,000 to 15,000 shillings a year. Experts estimate there are about 10,000 shops and stalls in Gikomba. "Many families depend on Gikomba," said Wanjiku, the Gikomba wholesaler, sipping tea in her warehouse as porters unloaded bales from a delivery truck outside. Many people start with as little as 1,000 shillings, she said, enough to buy a clothes bundle that will earn a small profit. "And then he has food for his children," she said. *(Reuters)*

The average weighted yield on Kenya's 182-day treasury bills inched up to 8.986 percent at auction on Wednesday from 8.913 percent last week, the central bank said. The bank said the yield on the one-year paper declined to 10.172 percent from 10.327 percent. A total of 15.1 billion shillings ($169.38 million) worth of bids were received for the two debt papers. The bank had offered a total of 9 billion shillings and accepted 10.2 billion shillings worth of bids, it said in a statement. Next week, the bank will offer 91-day, 182-day and 364-day bills worth a total of 12 billion shillings. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Nigerian Heritage Banking Co. is paying 56.1 billion naira ($340 million) to acquire nationalised lender Enterprise Bank Ltd. Kayode Lambo, a spokesman for Asset Management Corp. of Nigeria, which is overseeing the sale of banks taken over by the state after the financial crisis, confirmed the price today. Amcon on Sept. 2 named HBC Investment Services, a unit of Heritage Banking Co., as preferred bidder for Enterprise Bank, after 24 local and international bidders expressed interest in the lender. The bad bank was set up in 2010 to buy non-performing loans and stabilize Nigeria's banking industry after a debt crisis threatened it with collapse. Lagos-based Amcon on Oct. 4 named Skye Bank Plc (SKYEBANK) the preferred buyer for Mainstreet Bank, the second of the nationalized lenders close to being sold. The third lender, Keystone Bank, will be sold later, it said. Enterprise resumed operations in August 2011 "as a full-service commercial bank" operating 160 branches in the West African nation, according to Amcon. Heritage is a commercial lender operating in eleven locations, according to its website.*(Bloomberg)*

GUINNESS Nigeria Plc has declared gross revenue of N109 billion for the full year ended 30th June 2014, a contraction of 11 per cent Year on Year (YoY). Profit Before Tax and Profit After Tax declined 31 per cent and 19 per cent (YoY) to N11.7billion and N9.6billion respectively. However, the company declared a dividend of 320 kobo per 50 kobo ordinary share. With this, the company would pay out about N4.82billion as dividend for the year ended June 2014. In his words, the chairman of Guinness, Babatunde Savage observed: ''Despite the challenges faced, we progressed in the key areas of cost containment achieving improved cost efficiencies and the upgrade our route-to-consumer which is directly linked to volume growth recorded by brand Guinness in the second half of the financial year. The Board of Guinness Nigeria is confident that we have the right people and capability to guarantee the delivery of our strategic priorities of driving out cost to invest in growth, turning the business around by strengthening and accelerating our premium core brands while innovating at scale to meet new consumer needs, and extension of our route-to-consumer advantage,' he said. Managing Director/Chief Executive Officer, Guinness Nigeria, Seni Adetu, said his company had to become innovative to beat adverse economic climate in the bid to return to profit levels. In his words: 'The various innovations we launched in recent times especially Orijin Bitters and Orijin Ready to Drink (RTD) have been quite successful, 'we expect to further dial up our play in the value segment with Satzenbrau and Dubic Lager.' Also speaking, the President of Progressive Shareholders Association of Nigeria, Boniface Okezie, shareholders are pleased with this, because it retains Guinness among companies with consistent dividend payout policy in Nigeria. "There is renewed hopefulness amongst shareholders because it is noticeable that the strongest showing in the company's financials came in the last quarter of the year under review'', he said *(Guardian)*

PZ Cussons Nigeria Plc has said that it realised N72.91bn as revenue for the year ended May 31, 2014, as against N71.34bn posted in the similar period of 2013. This, according to the firm, indicates a rise in revenue generation by N1.57bn for its 2014 financial year. The firm, in its 2014 annual reports and accounts made available to our correspondent in Abuja, stated that its operating profit for the year under review stood at N6.3bn, down from N7.16bn recorded the previous year. Its profit before tax was placed at N6.95bn in contrast to N7.65bn which it made in 2013, while taxation stood at N1.87tn compared to N2.22tn the preceding year. The annual report noted that PZ Cussons recorded a profit of N5.1bn for the year under review as against N5.32bn which it made the preceding year and it had a non-controlling interest of 491,348,000 as against 446,147,000 for its 2013 financial year. The Chairman, PZ Cussons, Prof. Emmanuel Edozien, stated that its Board of Directors recommended a final total dividend payout of N2.4bn representing a payment of 61 kobo per share. He said, "Taking into account the interim dividend of 20 kobo per share that was paid in February, this represents an annual increase in dividend payout of 45 per cent when compared to the previous year dividend of 56 kobo per share. "The dividend will be paid subject to the deduction of the appropriate withholding tax if approved by the shareholders." *(Punch)*

A new report has ranked Dangote Cement Plc as the most capitalised company on the floor of the Nigerian Stock Exchange. The report, the BusinessWorld 100 Annual Ranking, also showed that Dangote Cement was the most profitable company trading on the floor of the NSE. The BusinessWorld 100 annual ranking gives indications of operational efficiency, apart from volume of key operating figures. This is the

seventh edition of the survey. The report showed that Dangote Cement had closed the year 2013 with a market capitalisation of N3.73tn, thus retaining its position as the most-capitalised company on the floor of the Nigerian Stock Exchange. According to the ranking, Nigerian Breweries and Nestle Nigeria, both of the manufacturing sector, trailed Dangote Cement with market capitalisation of N1.3tn and N951.2bn respectively. A statement from Dangote Cement on Sunday said the company became the most profitable company in Nigeria with a profit of N201bn in 2013. Zenith Bank Plc and Guaranty Bank Plc were ranked next with profit of N95bn and N90bn, respectively. According to the statement, the recent acquisition of 243,500 million shares of Dangote Cement by the Investment Corporation of Dubai for $300m (N48bn) was a boost to the company and its shareholders.

The deal was signed by the Executive Director, ICD, Mr. Mohammed Al Shaibani, and President, Dangote Industries Limited, Alhaji Aliko Dangote. The transaction represents a landmark for ICD being its first major investment in the high growth African continent and is aligned with one of its key strategic goals to pursue diversification. According to the statement, the deal serves to further bolster the company's register with large institutional investors and demonstrates its increasing appetite for international capital. The statement quoted the Chairman, Dangote Cement, Aliko Dangote, as saying, "We are pleased to welcome such a prestigious investor as the Investment Corporation of Dubai to our growing list of international, blue-chip shareholders. " They share our vision of Africa that will grow to become an economic powerhouse in the coming decades as its people rise to become prosperous members of the global economy." *(Punch)*

Nigerian Breweries (NB) said on Monday it won regulatory approval to merge its operations with rival Consolidated Breweries, majority owned by its parent firm Heineken. Heineken, the majority shareholder in Nigerian Breweries, acquired a controlling stake in Consolidated Breweries in 2005 and said it would seek approvals to merge both businesses to take advantage of Nigeria's growing market for beer and malt drinks. Nigerian Beweries, a unit of the world's third biggest brewer, said it has won Nigeria's Securities and Exchange Commission approval for the merger and said it would now seek shareholders' vote on the deal. Neither firm disclosed the value of the deal. Nigerian Breweries listed on the Nigerian Stock Exchange will be the surviving entity after the merger. *(Reuters)*

Nigeria's Sterling Bank said on Thursday it would seek shareholder approval on November 11, to raise up to $200 million in debt or equity. The mid-tier bank also said it would issue up to 19.8 billion naira ($120.3 mln) worth of shares to a strategic investor via a private placement at 2.65 naira each. *(Reuters)*

Nigeria's Securities and Exchange Commission (SEC) said it was investigating last month's price freeze on the shares of top tier lender Access Bank ahead of its planned 68 billion naira ($415 million) rights issue. The Nigerian Stock Exchange (NSE) in September suspended the shares for a week after the bank applied to the bourse, arguing that information on its capital raising was not publicly available and that it wanted to avoid speculation in its shares. The SEC, the main securities market regulator said in a statement it was aware of last month's price freeze on Access shares, but it had issued a directive five years ago that no listed company should have its share price frozen for reasons of fund raising. "The commission is ... investigating the circumstances surrounding the action of the NSE in imposing the technical suspension on Access Bank Plc shares as no such suspension was placed on the shares of other listed companies who undertook capital raising recently," the SEC said in a statement. It said it directed the bourse to lift the freeze on September 23. Former Access Bank CEO Aigboje Aig-Imoukhuede became president of the bourse in September, replacing Africa's richest man cement tycoon Aliko Dangote. The SEC said rival firms such as Diamond Bank and Unity Bank had their shares trading while they were raising funds. Access Bank earlier this week said it had filed for regulatory approval to raise fresh capital after its shareholders backed the plan. Shares in the bank closed at 8.35 naira each on Thursday, more than 11 percent below the pre-suspension price. *(Reuters)*

United Kingdom Export Finance (UKEF), an arm of the UK Government that works as an export credit agency, has named Ecobank Nigeria as one of its partnering financial institutions to help deliver £3 billion Direct Lending Facility (DLF) support to UK exporters. Under the DLF, UKEF would provide loans to overseas buyers in order to finance the purchase of goods and services from UK exporters. A statement issued by the partnering firms explained that loans are available to cover new international sales by any business exporting from the UK, to any country where UKEF medium term cover is available, and can be made in Sterling, US Dollars, Euro or Japanese Yen.

Some of the other selected 20 financial institutions include Citibank, Bank of China, Barclays Bank Group, Deutsche Bank; JPMorgan Chase Bank Group; The Royal Bank of Scotland Group; and Lloyds Banking Group, among others. Ecobank is the only selected Nigerian financial institution. Chief Executive of UKEF, David Godfrey said: "This is a key milestone in the delivery of the £3 billion Direct Lending Facility. Panel members cover a wide range of overseas markets, with complementary geographical strengths that will make it easier for UK companies to arrange competitive loans throughout a worldwide network." He explained that "the reach will increase UKEF's capacity to lend to overseas buyers of UK products and services. It will also provide a springboard to help us cater for the needs of a broad range of companies, in a variety of sectors, requiring loans of different sizes."

In the statement, Managing Director, Ecobank Nigeria, Mr. Jibril Aku, described the appointment as a great feat, stating that it was an eloquent testimony of the bank's strides in international trade. "This international recognition is a great feat. It is a great privilege to have been selected alongside other global brands. This will help to enlist more local companies importing British goods," he said. On the appointment, Executive Director of the BBA, Irene Graham, said: "International trade plays a vital role in supporting our economy and the DLF means that export finance will be cheaper and easier for businesses to access. The banking industry has worked with UKEF to revise the facility and it's very pleasing to see the range of BBA members that will partner the department. This is invaluable support for businesses selling overseas." UKEF supplements the financial support for exporters from the commercial sector and enables banks and other financial institutions to help more customers take advantage of international sales. In exchange for working with UKEF to provide loans under the DLF, partnering institutions can negotiate fees from borrowers in the normal way and will have the opportunity to develop new business. In the last five years, UKEF has provided over 1,500 guarantees and insurance policies with an exposure value in excess of £14 billion.*(This Day)*

Shareholders of Access Bank Plc monday approved the proposal by the bank to raise fresh capital of N68 billion through rights issue. The shareholders unanimously approved the rights issue at the bank's Extraordinary General Meeting held in Lagos. Apart from the right issue, the shareholders also approved that the authorised share capital of the bank be increased from N3 billion made up of 24 billion ordinary shares of 50 kobo each and two billion preference shares of 50 kobo each to N20 billion by the creation of 14 billion ordinary shares of 50 kobo each. Addressing the shareholders, the Chairman, Access Bank, Mr. Gbenga Oyebode, said, in furtherance of the bank's objectives of ranking as one of the top three banks in its chosen market, management has identified certain sectors and market segments as growth opportunities for the next five years.

According to him, in order to continually support growth over the next five years, enhancement of the bank's Tier-1 (equity) capital base is critical to the realisation of its objectives. "The additional capital will enable us to leverage our enlarged balance sheet and optimise returns in a sustainable and risk controlled manner. By approving the rights issue shareholders would be supporting the bank to further consolidate its position as a Tier-1 bank well positioned to achieve its strategic leadership position," he said. The chairman said the proceeds from the offer would be used to upgrade the banks information technology platforms to enable it provide better services, upgrade the banks' branch network and improve its distribution channel infrastructure to enable it provide better and more efficient services to clients and augment its working capital and support risk growth in identified sectors. Also speaking, the Managing Director, Access Bank, Mr. Herbert Wigwe, promised the shareholders that the bank would always ensure that their concerns were duly considered and addressed. "You have been with us since 2002 and in all our engagements, we have never failed you. Today will be no different," he said.*(This Day)*

Zenith Bank Plc is divesting from Zenith Securities Limited (ZSL) in line with directive of the Central Bank of Nigeria (CBN) to banks to divest from non-banking subsidiaries. Zenith Bank, in a notification of to the Nigerian Stock Exchange (NSE) yesterday, said it had reached an agreement with some investors in respect of the sale and divestment of the bank's investment/equity interest in ZSL. Zenith Bank said it was processing necessary approvals with the Securities and Exchange Commission (SEC) for the divestments and expect that baring the occurrence of any unforeseen circumstance, the process would be completed shortly. According to the bank, after the divestment, the company's particulars of Directors (Co7) at the Corporate Affairs Commission would be updated accordingly.

Meanwhile, the Nigerian stock market recorded its seventh consecutive decline yesterday with the NSE All-Share Index (ASI) hitting a five-

month low. The ASI fell by 0.92 per cent to close at 39,681.71, breaching the 40,000 psychological line for the first time since last May. The ASI has recorded a year-to-date decline of 3.9 per cent so far. Analysts at Afrinvest West Africa Limited said the bearish trend was driven by the increasing pessimism by investors in the Banking sector, with Zenith Bank Plc and FBN Holdings Plc shedding five and 4.4 per cent respectively. Besides, the two banks, United Bank for Africa, Guaranty Trust Bank Plc, Fidelity Bank Plc, Diamond Bank Plc, Union Bank of Nigeria Plc, Skye Bank Plc and Sterling Bank Plc also closed lower in value. In all, 39 stocks shed value, compared with 14 stocks that appreciated. Ikeja Hotels Plc led the price gainers followed by May and Baker Nigeria Plc and Courtville Plc among others. However, in terms of trading activity, the volume and value of shares appreciated by 101.6 per cent and 71.1 per cent to 386.5m and N4.8 billion respectively compared to the previous day's performance.*(This Day)*

Transcorp Hotels Plc, the hospitality subsidiary of Transnational Corporation of Nigeria Plc yesterday announced the signing of an agreement with Hilton Worldwide to develop a 250 guestroom Hilton Hotels & Resorts-branded property in Port Harcoâ€‹urt. A statement explained that the Transcorp Hilton Port Harcourt would be situated at Evo Road in the city and would be a full-service, upscale hotel featuring almost 1,400sqm of state-of-the art conference facilities and meeting rooms, alongside stylish and creative leisure facilities including six restaurants and bars, a gym, spa, pools, and tennis and squash courts, all targeting Nigeria's burgeoning middle class. "This is the third partnership between Transcorp Hotels Plc and Hilton Worldwide, which is creating a portfolio of world-class hotels in the country, including the award-winning Transcorp Hilton Abuja - named Nigeria's leading hotel – along with the Transcorp Hilton Lagos, which is expected to open in 2017," it added.

The announcement comes on the heels of Trancorp Hotels' initial public offer (IPO) to raise N8 billion to partly finance the development of the new hotel projects in Lagos and Port Harcourt. The offer closes on October 17, 2014. Senior Vice President, Development, Europe & Africa for Hilton Worldwide, Patrick Fitzgibbon said: "We are delighted to once again be partnering with Transcorp Hotels Plc and further cementing our long-standing relationship to introduce our famous Hilton Hotels & Resorts brand to Port Harcourt. "In 2014 the country became the largest economy in Africa, and this fast paced growth is expected to continue for the coming years. This announcement further strengthens our growing hotel portfolio in the country – within which our core brand Hilton is at the forefront." On his part, the Managing Director/CEO of Transcorp Hotels Plc, Valentine Ozigbo said: "We are excited to have achieved such a significant milestone in our hospitality expansion plan. It fully underscores our commitment to excellenceâ€‹ andâ€‹ quality, and â€‹positions usâ€‹to deliver superior returns to our stakeholders. "Our long-standing relationship with Hilton Worldwide has been and remains very strategic â€‹in ensuring that our hotels are or will be market leaders, providing world-class guest experiences and hospitality to suit a diverse clientele base in Abuja, Lagos and Port -Harcourt."*(This Day)*

Economic News

The Securities and Exchange Commission has approved the proposed merger between the Nigerian Breweries Plc and Consolidated Breweries, the Nigerian Breweries said in a notice to the Nigerian Stock Exchange. In its report for the week ended Friday, October 10, 2014, the Exchange said the Nigerian Breweries had notified it that it "has obtained the approval of the Securities Exchange Commission to the scheme for the proposed merger of Nigerian Breweries Plc and Consolidated Breweries Plc." "With the approval, the two companies will next approach the Federal High Court for its order to enable the companies convene their separate general meetings (court-ordered Meetings) for the purpose of obtaining the approval of the respective shareholders to the proposed merger," the notice read in part. It added that the Scheme of Merger document containing the details of the consideration and other terms of the proposed merger would be sent to the shareholders of the two companies ahead of the court-ordered meeting. Nigerian Breweries also said it would keep the Exchange and other stakeholders informed of further developments particularly on the date and venue of the court-ordered meetings as soon as it obtains the said order. The Nigerian Breweries Plc and Consolidated Breweries Plc had disclosed in May this year that they were in talks over a possible merger of both firms.

The firms confirmed in a joint statement that their respective boards of Directors had agreed to explore a combination of the two businesses "by way of a scheme of merger subject to regulatory approvals." The firms had also confirmed that a pre-merger application had been filed with the Securities and Exchange Commission for approval, while Nigerian Breweries Plc had duly lodged a notification with the Nigerian Stock Exchange, on which it is listed. The statement read in part, "On receipt of the regulatory approval, both parties will take further steps to consummate the proposed merger, including obtaining the approval of their respective shareholders to the scheme of merger at separate court-ordered meetings. "Until regulatory and other approvals are obtained, both companies (who are majority-owned subsidiaries of Heineken NV) will continue to operate as usual." According to the statement, the proposed merger of both companies is expected to create value for all key stakeholders, particularly shareholders, and drive benefits from increased economies of scale, and enhance operating and administrative efficiencies. Also in May, the shareholders of Nigerian Breweries approved the move at the companies annual general meeting.*(Punch)*

In spite of falling oil prices, the federal government has proposed an oil benchmark of $78 per barrel for the 2015 budget, 0.50 cents higher than the $77.50 per barrel approved by the National Assembly in the 2014 budget. The federal government's rather optimistic oil benchmark is bound to raise eyebrows, as market analysts are predicting that the price of crude would fall below $80 a barrel due to slowing global demand and the rise in US shale oil production. The 2015 oil benchmark was reflected in the Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) sent by President Goodluck Jonathan to the National Assembly on Monday and read on the floor of the Senate yesterday. In the MTEF/FSP, the federal government has also proposed a budget of N4.817 trillion for the 2015 fiscal year that will be predicated on the oil benchmark of $78 per barrel and an exchange rate of N160.00 to a dollar. The proposed 2015 expenditure plan translates to almost a N100 billion increase from the N4.724 trillion appropriated by the National Assembly in 2014. The MTEF and FSP are also proposing a reduction in capital expenditure and a rise in recurrent expenditure in 2015. Capital expenditure has been pegged at N1.436 trillion as against N1.552 trillion in 2014 budget, while recurrent expenditure was pegged at N2.622 trillion as against N2.40 trillion in the 2014 budget.

The government also projected N4.896 trillion and N5.028 trillion as expenditure for 2016 and 2017 respectively. Also, recurrent expenditure was pegged at N2.657 trillion in 2016 and the same amount in 2017, while capital expenditure including Sure-P was pegged at N1.531 trillion in 2016 and N1.662 trillion in 2017. It also projected N3.867 trillion as its revenue target for 2015, against N3.731 trillion targeted in 2014, while it equally projected N4.016 trillion and N4.279 trillion targets for N2016 and 2017 respectively. The document also put oil production in 2015 at 2.2782 million barrels per day. This figure is lower than the 2.3883 million barrels per day target for the current 2014 budget. It as well projected 2.3271 million barrels per day and 2.4067 million barrels per day for 2016 and 2017 respectively. Explaining the reason for pegging the oil benchmark at $78 per barrel in 2015, the document said: "Our proposal is also driven by the need to be cautious in our revenue projections given the volatile nature of oil prices and the need to rebuild our fiscal buffers which have been very useful in periods of revenue shocks. It should be recalled that the country has had painful experiences with regards to crude oil price swings."

The government said with prudent management of the 2014 budget, the Excess Crude Account (ECA) now stands at $4.09 billion, adding that Nigeria's public debt stock as at March 31 this year stood at about $65.26 billion. A breakdown of the debt was put at $9.17 billion and $56.09 billion as external and domestic debt stock, respectively. Of the debt profile, the document said the federal government owes about 80 per cent of the stock while 20 per cent is owed by the 36 state governments and the Federal Capital Territory (FCT). According to it, this implies a debt to gross domestic product (GDP) ratio of 12.8 per cent. The government also lamented the rampaging activities of crude oil thieves as the major threat to oil production, noting that "the activities of crude oil thieves and oil pipeline vandals remain the main risks to oil production". It added: "The potential implications of their activities are a reduction in government revenue with further impact on government revenue, with further impact on government debts and fiscal deficits, as well as pressures on the exchange rate." The government added that whereas the 2014 budget had a revenue projection of N3.731 billion and an expenditure outlay of N4.724 billion, as at June, "the prorated revenue inflow was N1.552 billion or 83.23 per cent of the target, relative to the N1.8655 budgeted as oil and non-oil revenue sources fell short of their budget targets".

It added: "Oil production averaged 2.25 million barrels per day due to pockets of setbacks in the industry." The federal government also pledged to maintain the development strategy it has applied in recent times by focusing expenditure on the completion of ongoing projects in the next fiscal year and limiting the introduction of new capital investments in the 2015 budget. Meanwhile, with Saudi Arabia, which has long been a swing producer of crude oil, showing no signs of intervening in the oil market in the near term, Libya and Nigeria have emerged as nations that could alleviate recent downward pressure on prices, reported the Financial Post yesterday. Both countries posted large output gains during the summer, amid a backdrop of softening demand and accelerating US shale oil production. Ms. Helima Croft, head of commodity strategy at RBC Capital Markets, pointed out that the unanticipated return of Libyan exports was the initial catalyst for the downward move in oil.

She also noted that Libya and Nigeria contributed nearly one million additional barrels per day to the market over the three-month period. "In both cases, production has increased in an environment where the overall security situation has deteriorated, seemingly placing them at risk for a sudden reversal in export volumes that could help lessen the burden on the other big producers to turn off the spigots," Croft said in a report. Despite the remarkable recovery in Libyan exports, the security situation has significantly worsened since the summer as regional leaders warn that the country is at risk of becoming a failed state. "For now, though, oil has been spared from the rising unrest," the strategist said, noting that the elected government has managed to keep control of oil infrastructure and oil accounts at the central bank. "How long they can maintain this advantage, however, is very much in question."

Nigeria's oil surge was primarily attributed to a decline in crude theft and force majeures by companies operating in the volatile Niger Delta. However, Croft warned that the oil region will likely become more difficult to control as national elections set for February 2015 approach.
"The Nigerian military, underfunded and overextended by the virulent Boko Haram insurgency in the north, will be hard pressed to deal with any uptick in election-related unrest and criminal activities in the oil region," she said. "In our view, the recent gains in output could quickly become a casualty of Nigeria's looming game of thrones." Oil prices continued to sink in yesterday's trading, with Brent light crude selling at $82 a barrel while US' WTI fell to $80 a barrel. The boom in US oil output has sharply cut the amount of crude the US imports from leading petroleum producers, freeing up more oil for overseas markets and putting pressure on prices. In July, the US imported no oil from Nigeria for the first time since 1973. "There's no reason for it now, because we have more light oil from the Bakken, Eagle Ford and the Permian Basin," said James Williams, energy economist for WTRG Economics. "We have too much light oil."

According to AFP, the boom has also spawned calls from oil industry players to ease the US embargo on crude exports, which has been in place since the 1970s oil shocks. Some manufacturers also endorse the move. A report Tuesday by the Aspen Institute said lifting the ban would boost durable goods production by some $8 billion by 2017, in part due to greater sales of mining and construction equipment. Even as the crude exports ban remains in place, US regulators have shown leniency in allowing more oil-based exports. Exports of diesel and other petroleum products have soared over the last five years. The International Energy Agency (IEA) has projected that US oil production will continue to increase through 2020, but will level off soon thereafter. However, continued growth depends heavily on commodity prices and US output could suffer disproportionately from a big retreat in prices. Surging US production has been a major factor in the 20 per cent decline in oil prices since June, even though political tensions have remained high through many parts of the oil-rich Middle East and North Africa region. Analysts note that high expenses for key shale technologies like horizontal drilling and hydraulic fracturing, or fracking, mean the cost of production in major shale stands at three to four times the level in the Middle East. "If crude oil prices continue to drop, it won't be economical to produce oil out of the Bakken and Eagle Ford," Williams said. "If they were to drop another $10 or $15 a barrel, our production growth would come to a stop." *(This Day)*

WEEKLY AFRICAN FOOTPRINT

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TRADING

Tanzania

Corporate News

Norwegian oil firm Statoil has made its seventh gas discovery off Tanzania and said there could be more in place, the firm said on Tuesday. The latest discovery in Statoil's block 2 amounted to 1.2 trillion cubic feet, bringing the total gas volumes discovered in the region to 21 trillion cubic feet, it said. "This discovery has proven the gas play extends into the western part of block 2, which opens additional prospects," the firm said in a statement. Statoil is the operator of block 2 and has a stake of 35 percent. ExxonMobil holds the other 35 percent. *(Reuters)*

Economic News

Tanzania may borrow more to help finance its budget this year after foreign donors said they will withhold funding because of a corruption scandal, Finance Ministry Permanent Secretary Servacius Likwelile said. The U.K., Japan, Germany and other development partners including the World Bank announced last week they will keep back about four-fifths of the $558 million pledged for the country's 2014-15 budget. Foreign loans and grants account for about 15 percent of Tanzania's budget, and the withheld funds may derail major spending plans in an election year, said Ahmed Salim, senior analyst at Teneo Intelligence in Dubai. "I cannot discuss more details of the alternative financing plans, but we have borrowing arrangements with the central bank," Likwelile said in a phone interview on Oct. 15 from the commercial capital, Dar es Salaam. "We can do more borrowing both internally and commercially." Tanzanian Finance Minister Saada Mkuya Salum in June unveiled a 19.6 trillion-shilling ($11.6 billion) budget with plans to borrow 2.96 trillion shillings from the domestic market and about $800 million from external markets to help finance development projects. The country is expanding and building new ports, constructing power plants and laying roads under a 42.9 trillion-shilling five-year development plan to help it become a middle-income economy by 2025.

Donors are withholding aid pending an investigation into how payments were made to Pan Africa Power Solutions Tanzania Ltd., a closely held company that acquired Independent Power Tanzania Ltd., an electricity producer, the Dar es Salaam-based Citizen newspaper reported on Oct. 8. The decision by donors to withhold the pledged funds was a surprise to the government, which had already earmarked the money for development expenditure, Likwelile said. The Controller and Auditor-General has been assigned by parliament to investigate the issue, he said. Donors had been expected to release about 90 percent of the pledged funds in the first quarter of the current fiscal year, which began on July 1, though so far they've only disbursed about $71 million, Likwelile said. "We are learning one thing that we need to have strong local revenue collection to cover our budget and avoid unnecessary pressure like this," he said.

"The donor money was supposed to help in many development activities like health and the preparation for the next general elections." The East African nation is scheduled to hold general elections next year. Tanzania still expects to be assigned a sovereign credit rating by the end of the year as it works toward offering its debut Eurobond, he said. The government, which had planned to offer $700 million of debt in the financial year that ended on June 30, postponed the sale after a delay in getting a risk assessment slowed the issuing of the rating. By December, the country "will have achieved something" on the rating, said Likwelile. Tanzania's government expects the size of the economy to increase by a fifth after rebasing the country's gross domestic product data to factor in expanding industries such as mining and natural gas. The revised data will probably be released by the end of this month, according to the government. *(Bloomberg)*

Tanzania expects mobile phone operators to list on its stock exchange next year under mandatory rules aimed at enabling its citizens to take a stake in one of Africa's fastest growing industries. Like other African countries, mobile phone use has rocketed in Tanzania over the past decade, with telecoms the fastest expanding sector in east Africa's second biggest economy. January Makamba, deputy communication, science and technology minister said the government was in the final stages of getting telecoms companies listed on the

Dar es Salaam Stock Exchange (DSE). "Listing is expected early next year," Makamba told Reuters. The government, which still has a relatively tight control over the economy, passed two separate telecoms and mining laws in 2010 requiring the companies to list on the stock exchange as it sought to boost the nascent bourse's value and improve corporate governance and transparency. The law required existing telecoms companies to list on its stock exchange by 2013, but officials said implementation of the legislation was delayed by legal and regulatory procedures. Mobile phone operators in Tanzania include market leader Vodacom Tanzania, a unit of South Africa's Vodacom; Bharti Airtel; Tigo Tanzania, part of Sweden's Millicom; and Zantel, a unit of Etisalat.

Major telecoms companies operating in the country said they were in talks with the government over the mandatory listing requirements, declining further comment. "We are participating in the consultation process on the draft regulations being conducted by the Ministry of Communications. At this stage, we cannot comment further," Vodacom Tanzania's managing director, Rene Meza, told Reuters. Tanzania's mobile telecoms sector has grown rapidly over the past decade. The nation of 45 million people has 28.88 million mobile subscribers, representing a mobile penetration of 64 percent, the regulator says. Under the 2010 law, new telecoms companies would also be required to list on the exchange within three years after acquiring their operating licences. Tanzania granted a licence this year to Vietnam-based telecoms operator Viettel to build a third-generation (3G) mobile phone network in the country. The chief executive of the DSE, Moremi Marwa, said the planned listing of telecoms companies would be a big boost to the exchange. "The implementation ... will result in more listings on the exchange, which will then increase the market depth and liquidity into our local exchange and hence generally help to grow our capital market industry," Marwa told Reuters. "This will also fundamentally allow for more transparency, good corporate governance and more accountability by telecoms." Tanzania last month also set aside a rule that barred foreign investors from buying more than 60 percent of shares in a listed company on its bourse. Analysts said the move to open up the capital market was expected to lure more foreign investors to the exchange. The stock exchange, which has a domestic market capitalisation of 10.4 trillion shillings ($6.2 billion) , currently has 13 domestic listed companies and seven dual-listed companies.*(Reuters)*

Tanzania's public audit office is extending its investigation into corruption in the energy industry, a move likely to further delay financial aid to the east African nation. A group of 12 international donors has withheld aid payments until the investigation's findings are released and appropriate action taken by the government. The move followed allegations by the opposition that senior government officials fraudulently authorised payment of at least $122 million of public funds. They said the money came from an escrow account held jointly by state power company TANESCO and independent power producer IPTL and went to IPTL's owner, Pan Africa Power (PAP) in 2013. PAP said the transfer was legal. The government denies charges of graft. It says it investigates all such allegations and takes action when any cases are uncovered. Tanzania has made big discoveries of natural gas, but its energy industry has been dogged by allegations of corruption in the past. Businesses have long complained graft is one of the main reasons for the high cost of doing business in Tanzania. The donor group - comprising Finland, Germany, Britain, Norway, Sweden, Denmark, the European Commission, Ireland, Canada, Japan, the World Bank and the African Development Bank - has so far paid $69 million of $558 million pledged. "The extension of the time limit for the completion of this audit has been caused by the need to gather sufficient information and evidence that will help the auditor to fulfil the terms of reference of this audit," the auditor general, or CAG, said in a prepared statement The CAG said in May it would conclude its audit into the escrow account in 45 days, but no findings have been made public so far. The government's anti-graft agency, PCCB, is still conducting a separate corruption investigation. The CAG's office said it was investigating transactions made from the escrow account and would submit its findings to Tanzania's parliament and the energy ministry. It did not say when the investigation would be completed.

The east African nation of 45 million people has said it expects donors to contribute about 15 percent in both grants and concessionary loans to its 2014/15 fiscal budget. The Finance Ministry said linking financial aid to the IPTL case was affecting budget implementation. The chairman of the watchdog parliamentary public accounts committee (PAC), Zitto Kabwe, said in a statement on Thursday the findings of the CAG's investigation would be tabled in parliament next month, despite the extension of the probe. "It is true that the CAG has not completed the special audit ... The report (of the CAG) will be debated in parliament in November," said Kabwe, who is also a leading opposition figure in Tanzania. One analyst said the financial aid delay by donors was unlikely to seriously undermine the government's budget implementation. "While a full-blown aid strike is unlikely and will thus limit fiscal risks, the fallout from the scandal could trigger the

dismissal of key officials," said Ahmed Salim, senior associate at consultancy Teneo Intelligence in a note to clients on Wednesday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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TRADING

Zambia

Corporate News

Zambia's largest foreign investor, Canadian mining group First Quantum Minerals, warned on Tuesday that the country's decision to raise mining royalties from 2015 would discourage future ventures and hit jobs. Zambia will increase underground mining royalties to 8 percent from 6 percent from next year as part of an effort to revamp the industry's tax system, Finance Minister Alexander Chikwanda said in his 2015 budget speech last week. "On the face of it, the new system doesn't incentivise investment in new capital projects," First Quantum Minerals Zambia government affairs manager John Gladston told Reuters. Gladston said the new tax system in Africa's second-largest copper producer - affecting both underground and open cast mining - would inevitably lead to fewer new jobs and less opportunities for wealth creation for Zambians. First Quantum had already delayed investment projects worth more than $1 billion in Zambia due to uncertainty over the fiscal regime, a director said in June. "The budget address served to confirm the sagacity earlier this year of First Quantumâ€™s postponement of additional major capital projects in Zambia," Gladston said. First Quantum would wait for the actual implementation of the 2015 budget in order to analyse the full impact of the new tax system, he said.

Zambia's Chamber of Mines said in a statement last week that the hike in royalties would have a negative impact on operations, as the mineral royalty tax was on gross revenue, not companies' bottom line. That means it does not take into account operating costs, which have risen sharply for the sector. The new system aims to collect revenue from the industry at different stages of the production pipeline by introducing a 30 percent corporate processing and smelting tax. Another 30 percent tax will be applied to income earned from "tolling", industry-speak for an agreement to process another producer's raw materials. Open-cast mining operations in Zambia will also now be subjected to a 20 percent mineral royalty as a final tax. Zambia's mine tax system was already in focus in a simmering row with producers over VAT refunds. Zambia has been withholding $600 million in VAT refunds owed to mining firms after companies failed to produce import certificates from destination countries. The finance ministry has since said it plans to waive the requirement because it is impractical, but no refunds have been made yet. Other mining companies operating in Zambia include London-listed Vedanta Resources, Glencore and Barrick Gold. *(Reuters)*

Economic News

THE 2015 national budget announced by government was undoubtedly drawn up with the aim of growing the economy and alleviating poverty. Among the plans Government has laid out as a way of growing the economy is to increase the mineral royalties payable by the mining companies operating in Zambia. In the budget speech, Minister of Finance Alexander Chikwanda announced Government's proposed replacement of the current two-tier mining fiscal system by a simplified mining tax structure. The redesigned mining tax structure includes an eight percent mineral royalty for underground mining operations as a final tax, a 20 percent mineral royalty for open cast mining as a final tax, 30 percent corporate income tax on tolling income, and a 30 percent corporate tax rate on income earned on processed purchased mineral ores, concentrates and other semi-processed minerals. We have no doubt that the redesigning of the mineral tax regime for the mine companies has been done in good faith and in order to provide for a more equitable distribution of Zambia's mineral wealth between the mining companies and the Government. One of the intentions to note is that Government wants to help the mining houses be transparent in their operations but better still, it is the desire of Government to equitably distribute wealth from the mines. The diversification of the economy is a long-term plan which will not bear fruit just now. That is why Government has continued to depend on the mining operations to raise revenue through taxes.

We take cognisance of the concerns raised by the Chamber of Mines over the new tax regime but we wish to state that all the players and stakeholders in the economy were given an opportunity to make proposals and government is now implementing the outcomes of a consultative process that did not begin today. Government is aware that the mines operating in Zambia and those that wish to set up new

companies in Zambia need to invest and we believe there is no way it can take measures that will hurt further economic growth. We know that the principal aim of anyone setting up a business is to make a profit and those profits should be made in a transparent manner. And these profits should be shared equitably. Further, considering that 75 percent of the 2015 budget is expected to be financed from domestic revenue, government has to improvise other measures of meeting its target. When Government came up with the new tax regime, it had in mind that it has its stake, in this case, the employees in the mines and these are its important asset. When imposing taxes against the mines, Government does so under the consideration that the mines are major players in the economy of Zambia and it is undeniable that anyone in that position has to do their part in the economy. It is in this vein that the mine owners should work together with Government in the equitable distribution of the mineral wealth and for the development of the nation. We hope mining houses can embrace the new tax regime and contribute to national development. *(Daily Mail)*

ANGOLA has expressed interest in becoming a major supplier of oil to Zambia following expansion of its oil refineries. Angolan Minister of External Relations Georges Rebelo Pinto Chikoti said yesterday that the two countries should develop transport infrastructure to facilitate the movement of oil from that country to Zambia. Dr Chikoti was speaking yesterday on arrival at Kenneth Kaunda International Airport for a two-day visit. Angola is developing a new oil refinery in Lobito and Lua borders, which would greatly enhance oil supply in that country and Zambia stands to greatly benefit from this. The minister said there was need to improve the railway transport system between Zambia and Angola to facilitate for the transportation of oil between the two countries. "We have a railway line from Angola up to DRC but there is hope for Zambia and Angola to discuss a shorter rail line to facilitate the transportation of oil so that Zambia can benefit," Dr Chikoti said.

Hs was met at the airport by Foreign Affairs Permanent Secretary George Zulu and some Angolan officials. Dr Chikoti also said that his government would engage Angolan businesses on possibilities of purchasing agro products such as maize from Zambia. He said this in response to an appeal by Mr. Zulu for Angola to consider buying maize and other products from Zambia, which has in excess of three million tonnes of maize this year and requires a market. But Dr Chikoti said the purchase of food in Angola had been left to the private sector and called for meetings between Zambia and the Angolan private sector. There is need to have sustained production every year to avoid shortage of the commodity on the market once Angola starts buying maize from Zambia. He was glad that agriculture in Zambia was growing very fast and that Angola's open economy would greatly benefit from that sector. "Zambia and Angola should also enhance energy supply and see how best the two countries could share power, especially in border areas. There is a lot we are anxious about and open to assist," he said. Mr. Zulu said Zambia would continue to pursue the agenda of benefiting from the oil industry in Angola. He said Angola should also consider getting its food from Zambia and not Brazil because the country had excess maize available for sale. While in Zambia, Dr Chikoti is expected to meet President Michael Sata or Vice-President Guy Scott. He is also expected to hold meetings with Commerce Trade and Industry, Transport and Communication, as well as Foreign Affairs ministers. Dr Chikoti will also meet Angolan residents in Zambia. *(Lusaka Times)*

Zimbabwe

Corporate News

MBCA Bank, a unit of South Africa's Nedbank group, is next year change its name to Nedbank Zimbabwe, the Financial Gazette's Companies & Markets (C&M) can exclusively reveal. Nedbank, the fourth largest bank in South Africa by market capitalisation and customer numbers, is the majority shareholder in the Zimbabwean financial services firm, controlling 74 percent stake in MBCA Bank. Old Mutual Zimbabwe Limited owns 18,30 percent shareholding while employees, through a Share Trust, control 0,66 percent. Banca de Credito Finanziaio of Italy and Rothschild of the United Kingdom are the other two offshore partners who own 10,5 and 3,26 percent shareholding in the financial services firm respectively. Thulani Vilakazi, Nedbank Africa subsidiaries' head of strategy, marketing and communication, revealed the plans to rebrand MBCA to C&M in an interview on the sidelines of an investors conference organised by the Institute of Chartered Accountants of Zimbabwe at Legend Golf & Resort in Polokwane, South Africa. He said Zimbabwe was one of the bank's priority markets, and that rebranding of MBCA would spur growth. He said the Zimbabwean unit's trade finance was the biggest earner in the Nedbank stable. "We decided it's time to push this brand (Nedbank) into Zimbabwe and next year its (MBCA) going to be Nedbank Zimbabwe," Vilakazi said.

"We want to grow as a bank and the launch of Nedbank in Zimbabwe will provide a new platform to grow the business." Recently, the South African bank completed the acquisition of a 20 percent stake into Ecobank worth USD493.4 million as it seeks to expand its business operations into the rest of Africa. In 2013, Nedbank South Africa injected about US$75 million into MBCA to provide lines of credit to Zimbabwean agricultural and mining sectors. Banks have been finding it difficult to lend due to the short-term nature of deposits and attempts to seek foreign lines of credit have been frustrated by the country's perceived high risk profile. MBCA Bank is one of the five foreign-owned banks operating in the country. They have been under pressure from government to cede majority shareholding to locals under the contentious indigenisation law put in place in 2007. That pressure, however, appears to have subsided, with consensus in government that foreign-owned banks have a role to play in Zimbabwe's economic revival. The other foreign-owned banks are British-owned Barclays and Standard Chartered and South Africa's Stanbic Bank, a unit of the Standard Bank group and the pan-African bank, Ecobank.

MBCA recently announced that it was still negotiating with the Youth Development, Indigenisation and Empowerment ministry for an agreement on its empowerment and indigenisation programme.In a statement accompanying the group's unaudited interim financial results for the half year ended June 30 2014, Willard Zireva, MBCA chairman said all processes for the institution's indigenisation were on course. The Bankers Association of Zimbabwe (BAZ) recently revealed that foreign banks were yet to comply with Zimbabwe's indigenisation policy due to authorities' postponement in approving their compliance plans. This is despite government's pressure for the institutions to conform to the law compelling foreigners to cede majority shareholding to indigenous blacks. MBCA recorded an 11 percent decline in profit in the six months to June 30, 2014 from the US$2,1 million registered in the prior period due to an increase in employee costs on the backdrop of flat-lining interest income. Interest income for the period stood at US$7,8 million, from US$7,9 million in prior comparative period. Loans and advances were up 29 percent to US$100 million. Deposits also grew to US$160 million from US$131 million, the bank said. Employee costs rose to US$5,1 million from US$4,6 million while interest expense declined to US$2,1 million from US$2,3 million. MBCA Bank was Zimbabwe's first merchant bank incorporated in 1956 as the Merchant Bank of Central Africa. It was then converted into a fully-fledged commercial bank and adopted the name MBCA Bank in 2004. The bank currently has six branches spread in the major towns of the country including Bulawayo and Harare.*(Financial Gazette)*

DELTA Corporation saw its lager volume down by 29% in the second quarter ended September 30 as the depressed economic environment piled pressure on consumer spending, the beverages maker has said. "The lager beer volume is 29% below prior year for the quarter and down 25% for the six months," Delta said in a trading update yesterday ahead of the publication of the financial results on

November 13. Delta said the total beverage volume was down 3% and 1% on prior year for the quarter and six months respectively. However, sorghum beer recorded a growth in volume during the period under review. "The sorghum beer category continues to record growth, up 12% for the quarter and 14% above prior year for the six months. Chibuku Super has been rolled out nationally and is driving the overall category performance," it said.

There has been a significant shift to sorghum beer as imbibers look for alternatives due to low disposable income. It said the economic performance remained depressed with significant pressure on consumer disposable income. It said the soft drinks volumes comprising both Sparkling and Alternative beverages were down 8% for the quarter and 6% below prior year for the six months. The Maheu and dairy mix beverages continued to record growth. The decline in volume would have an impact of revenue, the beverages maker said. "Revenue is down 5% for the quarter and down 4% for the six months, reflecting the notable changes in the sales and product mix in favour of value propositions. This will have a bearing on the financial performance," it said. Delta said "further interventions to stimulate volume and grow value have since been implemented". Recently, Delta slashed the prices of beer across all categories in response to the falling consumer demand.*(News Day)*

ECONET Wireless has launched a vehicle tracking system capitalising on its massive investment in the infrastructure backbone. The system, Econet Connected Car, has fleet management services, management reports, points of interest, roaming, vehicle recovery, and on-board diagnostic ports, among many others. Speaking at the launch event, Econet Services International chief executive officer Darlington Mandivenga said after spending years connecting people, the company was now shifting attention to connecting all aspects of people's lifestyles, starting with their cars. "This is the first from a very wide range of products that will offer our customers what we call connected lifestyles by ensuring that everything is connected," Mandivenga said. "This is going to be big, very big," he said. Through the range of connected lifestyles products, Mandivenga said Econet Services was offering customers an unparalleled, personal, intuitive, effortless, and instant ability to remote control, monitor, manage, protect and maintain their various assets. He said Zimbabwe has reached over 100% in mobile penetration, meaning currently there were more SIM cards than the people. He, however, said the penetration of financial services had grown by 40%. Speaking at the same event, Econet Connected Car chief operating officer Dorothy Zimuto said the company would ensure that most of the over 1,2 million cars in Zimbabwe are connected within a few months. "We have invested in the necessary infrastructure to deliver this service efficiently with over 100 installers specifically trained for the Econet Connected Car, ready to offer unparalleled installation turnaround time," Zimuto said. The service costs $100 per car as installation fees and monthly service fee of $20. Promoters of the service believe it would disrupt the vehicle management solutions industry in the same way that EcoCash did to financial services. *(New Day)*

RETAIL and hospitality group, Meikles Limited says it is in talks with a potential foreign investor who wants to inject $25 million into the company's gold mine in Bulawayo, a company official has said. The group, which holds 49 percent shares in subsidiary Meikles Centar Mining Limited – a joint venture with Centar Mining, a Guernsey-based investment group created by former JP Morgan banker, Ian Hannam has been planning to expand its mining portfolio by acquiring a 51 percent stake in a group of gold mines in Matabeleland at an estimated cost of $3 million. "We have got some visitors right now in Bulawayo they may commit up to $25 million for the gold mine," chairman John Moxon told journalists after the company's annual general meeting to which the media was barred. Moxon said the investor was from eastern Europe but declined to give more details. On the $89 million worth of Treasury Bills which the company is set to receive from government next month to retire the central bank's debt, Moxon said the terms would be disclosed by the state.

The debt was accrued since 1998 from transactions related to the group's dual listing on the Zimbabwe Stock Exchange and the London Stock Exchange. "All I can say is that the terms on the first half – the $49 million are being changed to make it more competitive," said Moxon. He said the group was talking to international financial institutions that were interested in buying the TBs. On the performance of the group, Moxon said TM Supermarkets were performing well while the hotel business was better than last year "but not quite where we would like it to be." "Overall the hotels were up 17 percent in the second quarter (to September)," he said, adding that its Victoria Falls and Cape Town hotels were performing well. Meikles Stores and Mega Market managing director, Phil Ellse said the divisions were enjoying a

growth phase with month-on-month growth averaging between 10 to 12 percent. "We want to expand into different towns throughout the country but it will take time. Before year end we should have opened eight branches," Ellse said. *(New Zimbabwe)*

Innscor Africa has effectively created a monopoly in the stock feeds sector after acquiring a 59 percent stake in the second largest feeds manufacturer Profeeds. Innscor also holds a controlling stake in National Foods. The stake in ProFeeds is being held by Innscor's subsidiary Irvines Zimbabwe. Sources say the acquisition of both Profeeds and Produtrade was made through Ashram Investments an investment vehicle jointly owned by Irvines with 66 percent and Annunaki Investments Private limited owning 34 percent. Irvines is Zimbabwe's biggest day old chick breeders who are also into large scale production of table eggs and broiler chicken meat. The transaction was taken to the Competitions and Tariffs Commission for approval. However, sources say the fact that Innscor has a stake in Natfoods and indirectly in Profeeds will expose the stock feeds industry to a monopoly. It is believed that NatFoods and Profeeds have already started synchronising their operations. "National Foods merged with ProFeeds because our marketing and sales are currently depressed while ProFeeds is doing well on the market but they don't have adequate capital to match operating costs," said an internal source. CTC confirmed having received the notification for acquisition from Irvines to The Herald Business. However, well placed sources said that according to the analysis made by the authorities it has been reviewed that the acquisition is set to create some market imbalances and approval of the acquisition has been hanging in the balance for some time.

Under the transaction Annunaki Investments a venture capital company will bring in capital into Profeeds while Irvines will oversee the management of their investment. Profeeds is a company incorporated under the laws of Zimbabwe, whose main business is the manufacturing of chicken, horse, pig, and dog feed and is a 100 percent subsidiary of ProGroup Private limited. Profeeds is the second largest stocks feeds producers and operates from a property owned by its sister company Produtrade. Produtrade ceased active operations after a restructuring exercise by the parent company, ProGroup Holdings limited around 2007 at the inception of Profeeds. "Irvines and Profeeds have a vertical relationship so it's quite possible that there are complexities that tend to arise from such transactions and there are possibilities that Innscor who now jointly own shareholding in Irvines and Natfoods will dictate things like prices and determine the companies they should trade with. "Look at Lunar chickens they have a strong chicken industry but they depend on National foods and Irvines for stock feeds so as a result of that they may have no choice but to play to the tune to whichever prices set," said the source.*(The Herald)*

Telecommunications Company Econet Wireless has diversified into the automobile industry by launching Econet Connected Car, a fleet management service. The company said Econet Connected Car will enable users to carry out regular self-diagnosis for their car and producing reports through the Econet Services' personal vehicle management service, which also offers services such as geo-fencing and driver habit monitoring. Speaking at the launch of the service, Econet Services international chief executive Mr Darlington Mandivenga said that after spending years connecting people, the company is now shifting attention to connecting all aspects of people's lifestyles, starting with their cars. "This is the first from a very wide range of products that will offer our customers what we call connected lifestyles by ensuring that everything is connected," said Mr Mandivenga. He said through the range of connected lifestyles products Econet Services is offering customers an unparalleled, personal, intuitive, effortless, personal and instant ability to remote control, monitor, manage, protect and maintain their various assets.

Econet Connected Car will take fleet management services to another level with unique value-added services such as the Connected Car Mobile Application which can be downloaded from Google Play or the Apple store. Speaking at the same event Econet Connected Car chief operating officer Mrs Dorothy Zimuto said the company will ensure that most of over 1,2 million cars in Zimbabwe will be connected within a few months. "We have invested in the necessary infrastructure to deliver this service efficiently with over 100 installers specifically trained for the Econet Connected Car, ready to offer unparalleled installation turnaround time," said Mrs Zimuto. Econet said with a once off installation fee of $100 per car and only $20 monthly service fee, the Econet Connected Car is bound to disrupt the vehicle management solutions industry in the same way that EcoCash did to financial services. Mrs Zimuto said the service is available at any Econet a shop and the many authorised Econet Connected Car dealers across the country, as well as from the Connected Car Crew. *(The Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Economic News

THE Reserve Bank of Zimbabwe (RBZ) has removed restrictions on foreigners who want to participate in the country's bond market, a development which is expected to encourage foreign investment inflows. A bond market is a market for government-issued securities and corporate debt securities. Such a market has not been very active in Zimbabwe due to a liquidity crunch and lack of confidence in government securities, but several private sector initiatives have been undertaken by the banking sector to raise cash through bonds. Usually, this is in the form of bonds but it may include notes and bills with the primary goal to provide a mechanism for long-term funding of public and private expenditures. RBZ deputy governor, Kupukile Mlambo, told the Financial Gazette's Companies & Markets recently that foreigners who before September were allowed to participate up to 40 percent in the primary market and prohibited from making purchases on the secondary market would now participate 100 percent in both primary and secondary markets.

"Before September (last month), foreigners could not participate in (the) secondary bond market," said Mlambo. "And in the primary market, the policy would only allow foreigners to participate up to 40 percent. But we are now saying as long as the money is coming from outside the country foreigners can now participate 100 percent in any of the markets (primary and secondary) in any listed counter on the Zimbabwe Stock Exchange," he said. "But that money has to come from outside the country because we don't want foreign companies to come and borrow from local banks and then buy bonds using local money. That we don't want." The Zimbabwe Stock Exchange's chief executive officer, Alban Chirume, recently said the local bourse was planning to introduce a bond market before the end of the year to enable corporate institutions to mobilise cash through bonds. Out of 67 companies listed on the ZSE, only 15 counters are currently trading positively and the rest are in the red. Analysts contend that the stock market has lost its glitter, but argue it is one of the only few options left for investors seeking to park their money long-term. For hot funds, there are just no options: a once thriving Treasury Bill (TB) market is dead, with the only TB instruments issued by the central bank having been for debts to banks, miners and farmers. Traditionally, TB has been used as a debt instrument for government to raise money for short-term projects on the domestic market. But government is too broke to borrow and able to pay in the short-term. The fact that it has defaulted in several of its payment commitments has meant that the market has been sceptical of lending to government or to support debt instruments in which it is a guarantor. The few bonds that have been issued to the market, primarily by the Infrastructural Development Bank of Zimbabwe (IDBZ) have flopped. In fact, as a result of jittery reception to its previous bond issues, the IDBZ has failed to come back to the market with a planned US$60 million bond to raise funds to bail out struggling State enterprises. *(Financial Gazette)*

THE Securities and Exchange Commission of Zimbabwe (SECZ) is scrutinising applications for asset managers and will announce the names of those allowed to operate before month-end, an executive has said. SECZ chief executive officer, Tafadzwa Chinamo, said 17 asset managers had submitted their license applications by September 30, which was the deadline for receipt of applications. "By the end of the deadline, 17 had submitted and we are going through (their applications). Most submitted at the last minute. We are looking at, among other things, meeting minimum capital requirements which should be US$250 000 or equivalent investment in a financial institutions, directors curriculum vitaes, police clearances and financials," he said. Indications were that all the 17 firms would qualify after SECZ slashed minimum capital threshold for asset managers by 50 percent to US$250 000. Some companies have been advocating a further slash to US$150 000 citing viability concerns. Last year, there were 17 asset management firms operating in the country, with an estimated US$2 billion in funds under management. Despite two asset management companies not seeking re-registration, the figure could remain at 17 after two new firms applied for licenses.

Chinamo said asset management companies should be transparent because they were custodians of substantial public funds. Some of the asset managers' financial accounts have not been audited since 2009. The Zimbabwe Stock Exchange is capitalised to the tune of about US$5 billion and US$2 billion of that figure is under the control of asset management companies. Chinamo said TSF and ZB Financial Holdings did not submit application for renewal of their asset management companies' licences as they have both indicated their intention to wind up their asset management businesses. TFS Asset Management failed to comply with the minimum capital requirements, while ZB Holdings limited is folding its asset management firm. "Of the 17 that applied, there were two new players that applied. They are Invesci Investments

and F.M.L Asset Management," he said. He said it was still premature to comment on the status of the renewal of the licenses as they were still going through the papers. Asset Management companies used to be under the supervision of the Reserve Bank of Zimbabwe, which transferred its supervisory role to the capital markets regulator. This follows amendments to the Asset Management Act and the Collective Investment Schemes Act through the enactment of the Securities and Exchange Amendment Act which was gazetted in August last year. Before the amendments, the capital markets regulator, formerly known as the Securities Commission of Zimbabwe, had limited scope, often pitching the commission on a collision course with players.*(Financial Gazette)*

The unpalatable state of the economy for business was re-emphasised in the week under review after the Confederation of Zimbabwe Industries (CZI) reported that the country's capacity utilisation tumbled from 39,6% recorded in 2013 to 36,1% in 2014. "This development comes against the backdrop of a difficult operating environment characterised by low demand and arising from a persistent liquidity crunch," EFE Securities said in the report. EFE said the result has been aggressive downsizing of operations by industry and in worst cases actual closure. "The damning statistics saw the market extend its losing streak from prior week into the current with the main stream industrial index making it a straight set of five losing sessions in which a cumulative -2,23% was shed to see the index settle at 189,14 points," the report added.

The five session losing streak also saw the index's downward trek bring up eight successive losing sessions while extending the year to date losses for the main stream index to -6,42%. Losses were also witnessed in the resources where the mining index fell by a similar margin to the industrials of -2,23% to close the week at 87,17points. The drop in the minings follows a -12,5% softening in coal miners Hwange to 7c despite reports of the company receiving new equipment to boost operations. Rio Zim also weighed on the minings after shedding 10% and closed at 18c ahead of a planned rights issue which is expected to be done at an offer price of 20c. The research group also reported an increase in foreign spending which spurred market activity. A couple of block trades in Zimplow highlighted the trading sessions over the week helping the weekly turnover aggregate of $8,9 million to marginally surpass the prior week outturn by 3,75%.

"The turnover was achieved from trading in 60,52 million shares that were marginally lower than the previous week by -2.45%," the report said. Foreign demand remained the major source of liquidity on the bourse as inflows of $5,53 million were registered which represented 62% of the total spend on the market. The total foreign purchases were, however, -15,47% softer than the total spend by foreign players in the prior week. "Aggregate portfolio disposals took the hardest knock shedding -68,25% for the week and closing at $1,17 million being a mere 13% of the week's value of trades," according to the report. Econet emerged the market favourite after accounting for 34% of the total value for the week while Zimplow was a surprise second with a 29% contribution thanks to the block trades. Delta was the other notable most sought after stock as 21% of the total funds invested found a home in the beverages group.*(News Day)*

Sovereign Wealth Funds have been attracting a lot of attention in recent years as more countries establish funds and invest more capital in a wide range of assets. At least US$6 trillion in assets are being held by these funds globally. But the question is, should every country set up their own and for what purpose? Is there a rationale to rush to join the bandwagon? A sovereign wealth fund (SWF) is a fund owned by the state that is invested in various financial assets (such as shares, fixed income instruments, and properties). A SWF is a form of a national savings account with a specific purpose(s), but mainly for the benefit of its current and future citizens. The core purpose of a SWF is to invest a country's excess income and to generate wealth for its future generations with a view of long-term wealth and tax smoothening. A SWF is typically funded from a national budgetary surplus. It all started in the 1950s when the Kuwait Investment Authority fund was established to invest excess oil income. In addition to other smaller funds, major funds, Abu Dhabi's Investment Authority, Singapore's Government Investment Corporation and Norway's Government Pension Fund, were established in 1976, 1981 and 1990 respectively. The rest is history — the size and number of SWFs has increased dramatically.

Currently, there are over 50 SWFs and the Sovereign Wealth Fund Institute puts their value at US$6 831 trillion at end-September 2014. SWF play an important macroeconomic role and are closely linked to the operations of public finances (funding and withdrawals), monetary policy, and external accounts variations. Sovereign wealth funds are usually distinguished based on their stated policy objectives and

consequent asset allocation. Though there are many SWFs with multiple objectives, under the IMF and the Santiago Principles classifications, we can identify five types of SWFs, viz stabilisation SWF (e.g. Chile's Economic and Social Stabilisation Fund), savings (e.g. Russia's National Wealth Fund), development (UAE Mubadala) and reserve investment corporations (e.g. China Investment Corporation). Some funds serve a hybrid of objectives, like stabilisation/savings (Botswana Pula Fund), saving/pension reserve (Australia Future Fund), or stabilisation/saving/development (Kazakhstan's Samruk-Kazyna JSC). Santiago Principles are a set of International Working Group of Sovereign Wealth Funds' generally accepted guidelines that govern governance, accountability arrangements and conduct of investment practices by SWFs. African states have joined the frenzy in establishing their own funds and most of these funds are commodities-based as they are being established by resource-rich countries.

Given the wealth of natural resources that African countries are endowed with, it makes sense that these countries set-aside a portion of their surplus income arising from the extraction of their resources. 59,5% of global SWFs are funded by oil and gas revenues. There were 15 African countries with SWFs, namely Algeria, Angola, Botswana, Chad, Equatorial Guinea, Gabon, Ghana, Kenya, Libya, Mauritania, Nigeria, Rwanda, Sao Tome and Principe, South Sudan and Tanzania as of end of 2013. The oldest African SWF, the Pula Fund, was established in 1994 by Botswana to invest excess diamond revenues for the benefit of future generations. It currently has assets worth US$6,9 billion. The largest African sovereign funds are the Algeria's Revenue Regulation Fund and Libyan Investment Authority with total assets of US$77 billion and US$66 billion respectively. Angola (Fundo Soberano de Angola), Nigeria (Nigeria Sovereign Investment Authority), and Ghana (Petroleum Fund) set up their own sovereign wealth funds over the past three years, managing US$5 billion, US$1,4 billion, and US$75 million worth of assets respectively. The discoveries of oil and gas around the continent is set to fuel the launch of several other funds. Mozambique and Tanzania are the most likely candidates. Zambia is said to be considering setting up their own fund to stimulate investment in strategic non-mining industries and diversify its economy from copper mining. In Zimbabwe, the senate on 23 September 2014, passed the Sovereign Wealth Fund of Zimbabwe Bill (H.B. 6A, 2013) that will see the establishment of a Zimbabwean SWF.

The proposed SWF will be funded from up to a quarter of mining royalties in respect of gold, diamonds, coal, coal-bed methane gas, nickel, chrome, platinum and such other mineral that may be specified, mineral dividends and government grants. The Zimbabwe fund will support fiscal or macroeconomic stabilisation, including long-term economic and social development objectives, and smoothen national income of Zimbabwe during times of commodity fluctuations. The key ingredients to a successful SWF include transparency and accountability. Citizens, who are the ultimate beneficiaries, need to be appraised continuously before and after a SWF is set up. Public awareness and support is of paramount importance. The other key consideration is that there is no need to rush into creating a fund if there are other critical and pressing demands that will require huge capital injections — these include investment in social and economic infrastructure. My research shows that most countries that set up SWFs were in a budget surplus position. It does not make sense to create a SWF and fund it by increasing the budget deficit. SWF should effectively be used to generate wealth for future generations, provide a buffer against external macroeconomic shocks and to support specific developmental goals. Outside of these objectives, the motives for establishing a SWF become questionable. Countries establishing new funds can learn from those that have managed successful funds e.g Norway, which has assets close to US$900 billion. As exemplified by Nigeria's experience with the Excess Crude Account, it is not enough just to set money aside — there is need for SWF good governance and clear investment mandates. Adopting Santiago principles is one way to achieve that.(*The Standard)*

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