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	28-Feb-14	7-Mar-14	Local	USD	Local	USD
Botswana	DCI	9,169.50	9,155.35	-0.15%	0.44%	1.13%	0.33%
Egypt	CASE 30	8,127.44	7,949.60	-2.19%	-2.19%	17.20%	16.70%
Ghana	GSE Comp Index	2,420.91	2,419.38	-0.06%	-0.67%	12.78%	4.70%
Ivory Coast	BRVM Composite	240.51	246.37	2.44%	2.94%	6.18%	6.03%
Kenya	NSE 20	4933.41	4906.72	-0.54%	-0.76%	-0.41%	-0.53%
Malawi	Malawi All Share	12,661.60	12,662.47	0.01%	0.69%	1.05%	0.27%
Mauritius	SEMDEX	2,079.22	2,074.51	-0.23%	-0.33%	-1.01%	-1.07%
	SEM 7	401.08	399.07	-0.50%	-0.61%	-1.13%	-1.19%
Namibia	Overall Index	1,040.00	1,060.00	1.92%	3.23%	6.32%	4.67%
Nigeria	Nigeria All Share	39,558.89	38,952.47	-1.53%	-1.42%	-5.75%	-8.16%
Swaziland	All Share	294.27	294.27	0.00%	1.28%	3.01%	1.41%
Tanzania	TSI	2,928.29	2,913.40	-0.51%	-0.86%	2.46%	0.03%
Tunisia	TunIndex	4,713.72	4,624.39	-1.90%	-1.36%	5.55%	9.89%
Zambia	LUSE All Share	5,297.22	5,502.74	3.88%	0.01%	2.88%	-5.84%
Zimbabwe	Industrial Index	189.01	189.13	0.06%	0.06%	-6.43%	-6.43%
	Mining Index	39.24	36.80	-6.22%	-6.22%	-19.63%	-19.63%

CURRENCIES

Cur-rency	28-Feb-14 Close	7-Mar-14 Close	WTD % Change	YTD % Change
BWP	8.77	8.71 -	0.59	0.79
EGP	6.94	6.94	0.01	0.43
GHS	1.87	2.54	0.61	7.72
CFA	479.67	477.32 -	0.49	0.14
KES	85.00	85.19	0.22	0.12
MWK	418.64	415.82 -	0.67	0.78
MUR	29.01	29.04	0.11	0.06
NAD	10.79	10.65 -	1.26	1.58
NGN	163.92	163.73 -	0.11	2.63
SZL	10.79	163.73 -	1.26	1.58
TZS	1,588.90	1,594.50	0.35	2.43
TND	1.58	1.57 -	0.54 -	3.95
ZMW	5.78	6.00	3.87	9.26

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

Egyptian billionaire Samih Sawiris is taking a stake of 25 percent to 35 percent in FTI, Germany's fourth-biggest tour operator, the two parties said on Monday. "We aim for cooperation with an eye to the long run," Sawiris said in a statement. FTI's founder and chief will keep a majority of shares in the company, which competes with Europe's biggest travel firm TUI . FTI, which has about 3,500 employees and posted sales of 2.1 billion euros ($2.9 billion) last year, said it had been agreed not to say how much Sawiris was paying for the stake. Sawiris, a member of Egypt's richest family, runs Orascom Development Holding, operating tourist resorts and real estate projects in Egypt and Europe. *(Reuters)*

Egyptian property developer Talaat Moustafa's net profit for 2013 rose 7.2 percent year-on-year to 585.19 million Egyptian pounds, it said in a statement published by the bourse on Wednesday. Talaat Moustafa's revenues reached 4.86 billion pounds in 2013 in comparison with 4.64 billion pounds the previous year. *(Reuters)*

Economic News

Egypt's financial watchdog will allow insurance and reinsurance companies operating in the country to assign part of their investment portfolios to portfolio management or investment funds in Egypt, its chairman Sherif Samy told Reuters on Tuesday. Insurance firms previously managed their own funds and did not outsource to fund managers. The change aims to boost fees for fund managers and improve returns for the insurers. Egypt's economy has been battered by more than three years of political turmoil since a popular uprising ousted Hosni Mubarak in 2011, driving away tourists and foreign investors. "The decision is not mandatory for firms. It helps firms manage their fund portfolios in a professional manner and helps portfolio management companies and investment funds to find an additional source of income," Samy said. According to the country's official gazette, which published the decision, insurers' funds can be invested in cash deposits, bank saving certificates, government securities, bonds and sukuk or Islamic bonds as well as mutual funds and stocks. "This decision will surely increase the profits of fund management companies and financial portfolios," said Karim Abdelaziz from al-Ahly Fund & Portfolio Management. *(Reuters)*

Egypt's financial regulator, as part of a broader effort to invigorate the country's financial markets, has lifted a ban on brokerage firms and fund managers trading shares listed overseas. The markets' watchdog introduced the ban in June 2012, saying such deals exposed investors to risks it could not monitor. Traders at the time said the restriction could be aimed at limiting transfers of hard currency abroad. Egypt's foreign reserves have shrunk significantly since the 2011 uprising that swept long-time ruler Hosni Mubarak from power. Reserves stood at $17.307 billion in February, down from around $35 billion before 2011. Much of the activity in Egypt's capital markets dried up during the political instability that followed the toppling of Mubarak although the stock market has since rebounded. The new rules, effective immediately, allow brokerages and fund managers in Egypt to trade foreign shares on behalf of non-Egyptian investors who do not reside in the country and who use financing from abroad, said Sherif Samy, chairman of the Egyptian Financial Supervisory Authority (EFSA).

Egyptian firms remain banned from trading stocks that are not listed in Egypt on behalf of local investors or on their own accounts, Samy added in a telephone conversation with Reuters on Wednesday. The rules do however allow brokerages to trade global depository receipts (GDRs) listed on stock exchanges abroad on behalf of local investors. The change is aimed at allowing Egyptian financial institutions to serve foreign clients by executing transactions in markets in the region such as Saudi Arabia, the United Arab Emirates, Jordan and Bahrain, Samy said. "Companies wishing to trade foreign shares that are not listed on Egypt's bourse will commit to obtaining prior approval from (EFSA)," Samy said. Brokerage firms welcomed the decision, which should enable them to boost revenues. "This decision is 100 percent right," said Mohamed Ebeid, co-head of securities brokerage at EFG Hermes, one of the Middle East's largest investment banks. "The decision will return Egyptian brokerage firms to work within the whole region once again."

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In an effort to boost trading and attract more investment, EFSA introduced new regulations last month for companies listed on the Cairo stock exchange. Egypt's benchmark index lost as much as half of its value in the months that followed Mubarak's toppling but activity on Cairo's stock exchange bounced back after the army deposed Islamist President Mohamed Mursi. It reached a 5-1/2 year high last month at over 8,100 points, around 12 percent above its level on the eve of the anti-Mubarak revolt. *(Reuters)*

Egypt is enhancing exploration terms and striving to repay nearly $5 billion it owes to foreign oil and gas producers as it struggles to prevent them fleeing to more promising prospects elsewhere in Africa. Cairo needs them to expand exploration and bring new finds to production if it is to keep the lights on and avoid more civil unrest. But investors are hesitant - Egypt pays them barely enough to cover investment costs. The costing issue has been compounded since the 2011 overthrow of Hosni Mubarak by Egypt's inability to pay foreign firms for existing output and its decision to divert for domestic use the share of gas they normally get to export. The crisis has left BG Group, a major investor which relies on Egypt for almost a fifth of its output, unable to meet export commitments. The British firm has said it would not invest further until more debts are paid and assurances made. Low investment has seen Egypt's gas production drop to just over 5 billion cubic feet a day from 6 billion in 2012, said Martijn Murphy, analyst at energy consultancy Wood Mackenzie. But smaller players say Egypt has raised its game. Its new licensing rounds have attracted bids despite the turmoil. Ireland's PetroCeltic, which relies on Egypt for 70 percent of its output, was among three firms to sign up for new acreage last month. "They have been very creative in keeping investment flowing and keeping investors engaged," chief financial officer Tom Hickey told Reuters. "For instance, the new rounds give you the opportunity to discuss the gas price, if you find it, rather than setting it in the contract."

Hickey said onshore gas producers currently receive a maximum of about $2.75 per 1,000 cubic feet, far below the prices paid in the North Sea and elsewhere. The new leeway is attractive to investors, allowing them to push for higher prices depending on distance from shore, reservoir depth and what the discovery will cost to develop. Egypt is offering other perks too. It is allowing firms to offset the signature bonus - a one-off fee paid to seal an exploration deal - against receivables rather than pay upfront. In an important change, new concessions would be able sell directly to commercial users, such as steel or power plants, bypassing government entities, executives and analysts said. WoodMac's Murphy said these users would pay more, partly relieving the state of huge subsidies while satisfying producers' demand for prices that better reflect their costs. Such measures are vital, say analysts, if Egypt is to stop producers from fleeing to geologically better-endowed neighbours such as Algeria.

Producers welcome the promise of higher future returns, but say new investment will not materialise while Egypt struggles to pay for output, even at today's lower prices. Oil Minister Sherif Ismail said last month that Egypt had already repaid foreign producers arrears worth $1.5 billion, and would repay a further $3.5 billion by 2016. About $1.2 billion is owed to BG alone, but it says the outstanding balance has fallen on last year. Smaller firms say they have seen a larger overall share of their debts paid. Calgary-based Sea Dragon Energy, a small oil producer that relies entirely on Egypt, said it was no longer owed any money. "It has improved dramatically recently. A year ago we were 180-210 days out on receivables," CEO Paul Welch told Reuters. "And they have accelerated the approval process in the ministry... Things are getting signed on a much swifter basis." PetroCeltic said its arrears fell to $80 million at the end of 2013 from $125 million when it entered Egypt in August 2012. But others have seen the debts mount as Egypt struggles to pay back larger sums. Dana Gas, which relies on Egypt for over half its output, said it received $53 million at the end of 2013, bringing its total arrears down to $274 million. That represents a $38 million increase from the previous year, but chief executive Patrick Allman-Ward said the UAE-based company was confident a solution would be found. Dana Gas signed a new contract with Egypt last month and Sea Dragon acquired two new concessions in April 2013. Welch said the political turmoil also had a silver lining: energy firms' costs had fallen as the Egyptian pound weakened. "We are aggressive on Egypt as we think things are improving and the time to invest is now," he said.

BP said last year it had found offshore gas in Salamat, the deepest well ever drilled in the Nile Delta. It is evaluating how to proceed but a spokesman said BP remained committed to Egypt and to its major investment in the existing West North Delta project despite delays. If it is to reverse the decline in gas production and exports, Egypt must ensure it taps these large deepwater finds that are costly to develop and

require the expertise and financial clout of multinationals like BP and BG. "The Nile Delta fields are maturing and that means you have to keep drilling new wells just to stand still," Murphy said. "And there have not been significant investments in new fields because the investment climate is just not conducive to making decisions on multi-billion dollar projects." Executives said Egypt had agreed in principle to pay a higher price for gas from offshore wells which, unlike oil, only get developed with an assured market and agreed price. Murphy said prices upwards of $5 per 1,000 cubic feet had been offered in the past couple of years on the later phases of existing production-sharing contracts for major projects. Executives say talks are ongoing over large projects with the industry pushing for $7 per 1,000 cubic feet - higher than Egypt pays now but less than it would spend on liquefied natural gas (LNG) imports if its own resources lie unexploited. Egypt already expects to import an extra $1 billion of refined petroleum products and secure significant gas supplies as it scrambles to avert a summer crunch. "Developing its own resources is a lot cheaper than importing LNG," Murphy said. "The problem is Egypt needs gas now and some of these projects will take years to develop." *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Parliament has approved an agreement for the start of the Ghana Statistics Development Project aimed at improving data collection and presentation for key sectors of the economy. The project will be financed by a $30 million loan and a $10 million grant from the International Development Association (IDA). The Ghana Statistics Development Project (GSDP) is expected to strengthen the national statistical system by enhancing the capacity of the Ghana Statistical Service (GSS) at national and regional levels. Data collection techniques will be modernised through the application of new technologies and a new data centre for official statistics and improve the collection, compilation, analysis and dissemination of economic and socio-demographic statistics. Presenting the report of the Finance Committee on the loan agreement, the Chairman of the committee, Mr. James Klutse Avedzi, said in recent years, there had been some notable statistical achievements, including the implementation of the 2010 Population and Housing Census and several key household-based surveys, the rebasing of the national accounts and the development of the first set of quarterly national accounts. "However, due to poor statistical and institutional frameworks, the GSS is constrained in the production, management and dissemination of quality statistics for planning, informed decision-making and monitoring and evaluation of national and international frameworks such as the Ghana Shared Growth and Development Agenda (GRADATE) and the Millennium Development Goals (MDGs)", he added. *(Ghana Web)*

Ghana lost about $70 million over the past two years in the oil and gas sector due to her inability to apply the Capital Gains Tax provided in the Internal Revenue Act, 2000 (Act 592). The loss emanated from the sale of EO Group's 3.5 percentage stake in Kosmos Energy to Tullow Oil and Sabre Oil's sale of a 4.05 per cent share in Tullow Oil to South Africa's national company, PetroSA. Bernard Anaba, Policy Analyst of Integrated Development Centre (ISODEC), who disclosed this during a presentation of a research finding on tax incentives in Ghana, said the country might have lost about $45 million annually since 2011 due to the inability of government to apply the new fiscal rates. This, he noted, could be attributed to the stability agreements negotiated with the afore-mentioned companies. Stability agreements or clauses, he explained, were usually provisions in the contracts of mining companies which freeze the tax laws of the host country in respect of their applicability to the said companies for periods between 10 and 15 years. Anaba said the findings also revealed that as a result of trade tariff rationalization and the general tax incentive policy since the early 2000 to date, Ghana had lost about US$1.2 billion a year based on current prices and estimates. He said Ghana has one of the lowest overall tax rates in the West African sub-region as a result of a drive towards trade and investment competitiveness, its accompanying corporate abuses, especially in the extractive sector resulting from morbid contractual agreements and the incoherent and varied interpretation of the applicable laws.

Anaba said the idea that multinationals need tax incentives before they could operate in the country was not entirely true, stating that "having a stable investment climate and infrastructure such as good roads, good legal system, regular supply of water and electricity are enough to attract investors." He said Ghana as a lower middle-income country was no longer enjoying certain categories of loans and grants, and that had to be balanced by the creation of an effective tax regime to be able to generate more revenue for national development. *(Ghana Web)*

Mr. Kofi Ampim, Chairman of the Board of Directors of Société Générale (SG) Ghana on Monday said despite the temporal economic challenges, the overall economic outlook for the country is very bright. He said: "Foreign investor confidence in Ghana's economy continue to soar and there are promising investment opportunities in the oil and gas sector, the herbal pharmaceutical sector for export, agro-processing as a food business and general production increase in sectors of cocoa, gold, and other secondary minerals". "We are deepening democracy and maintaining a peaceful and stable country, where human rights and rule of law prevail." Mr. Ampim made this observation

at the commissioning of the over 20-million-dollar ultra-modern Head Office of Société Générale Ghana in Accra. He said SG would continue to collaborate with the government of Ghana, by being a vibrant force to facilitate new investments and financing of capital projects and infrastructure to accelerate economic development for the total reconstruction of the country. He said: "Our investment in Ghana is a way of saying to potential investors that Ghana is good news, business is good in Ghana, come to Ghana and be part of this dynamic safe investment regime". He said the investment in the ultra-modern Head Office Complex for SG Ghana symbolizes a solid relationship between Ghana and the SG Group and the lasting cooperation of economic development for the people of Ghana. "On behalf of the Board of Directors of SG Group, I would like to express my immense and profound gratitude to the government of Ghana for their priceless support for our operations in the country," the Board Chairman stated. *(Ghana News Agency)*

Kenya

Corporate News

Kenya's biggest power producer KenGen aims to raise 30 billion Kenyan shillings in 2014 to fund its expansion plans, double the amount the firm previously said it would seek, its chief executive said on Friday. The company, 70 percent owned by the government, has installed capacity of 1,252 megawatts (MW) out of Kenya's total 1,664 MW. It aims to add another 844 MW to the grid by 2017 as part of a broader national power expansion programme. "We are looking at being able to raise this money by June. We have financial arrangers," Chief Executive Albert Mugo told Reuters in an interview. "We have actually drawn up a programme to help us be able to get the approvals which we need from government, from the regulator," he said, adding that the expansion was focused on renewables, particularly geothermal. KenGen's expansion efforts are part of the government's broader ambitions to add 5,000 MW to Kenya's power output by 2017, with the goal of boosting growth. A faster growing economy is expected to push power demand up to 15,000 MW by 2030. The company had earlier said it would raise 15 billion shillings in a rights issue. Mugo said the firm would now be seeking 30 billion shillings for 2014, adding that the government would raise the rest. The government had not yet said how it would raise the extra funds, but Mugo the firm had proposed that the state convert some of its loans to KenGen into equity and, in future, seek other business partners. "For the fundraising we have a few ideas. For some of these projects we will be doing PPP (public-private partnership) arrangements. That means we will get some private investors who can actually do these projects with us," he said.

This year's fundraising is part of a plan to raise $5.5 billion in debt and equity by 2018 to finance plans to more than double its generating capacity. Kenyan industry regularly complains about the unreliability and high price of electricity, adding to costs and making them less competitive in the region. Most businesses run standby generators because of frequent blackouts due to a creaking grid. "When you look at our strategy, you realise that even in that 844 MW, a lot of it is just renewables, and a lot of this is actually geothermal," Mugo said. He said 280 MW of geothermal power would be added by August, while wind power would provide 20 MW more between April and November, with a further 24 MW from an already existing hydroelectric power dam. However, Kenya is trying to cut its existing heavy reliance on rain-fed dams and wants to use more geothermal and other sources to halve the cost of power generation from between $0.17 to $0.18 a kilowatt hour over three to four years. That will main involve replacing diesel generation which costs about $0.35 per kilowatt hour. Geothermal is the cheapest alternative, costing about $0.08 to $0.09 U.S. cents per kilowatt hour. KenGen posted a 25 percent fall in pretax profit in the six months to December, but forecast a stronger second half as new power plants come online. *(Reuters)*

Kenya's two biggest telecoms operators, Safaricom and the local unit of Bharti Airtel, have made a joint bid for the smallest operator, Indian group Essar Communications' Yu, the industry regulator said on Monday. The Communications Commission of Kenya (CCK) said it had received applications from the firms to allow the transaction that will see Safaricom and Airtel spend a combined $100 million. Local newspaper reports said Safaricom, which is 40 percent owned by Vodafone, will get Yu's infrastructure such as base stations in a bid to improve the quality of its network. Meanwhile Airtel is expected to acquire the subscriber base that Yu has built up since entering the Kenyan market in 2008, said The Sunday Nation newspaper. Bob Collymore, the chief executive of Safaricom, told Reuters they would make a formal announcement when the deal is finalised. *(Reuters)*

Kenya's Pan Africa Insurance Holdings recorded an 82 percent rise in full-year 2013 pretax profit to 1.52 billion shillings after higher investment income offset a slight drop in gross premiums. It said that investment income on shareholders' assets jumped to 708 million shillings from 113 million shillings, while gross premiums fell to 5.32 billion shillings from 5.44 billion shillings. The insurer reported earnings per share of 13.05 shillings, up from 6.25 shillings, and recommended a dividend payment of 4.50 shillings a share, from 3 shillings previously. *(Reuters)*

Kenyan sisal producer Rea Vipingo's majority shareholder, REA Trading, has raised its offer to buy the rest of the company's shares by 75

percent. REA Trading said in a statement it had proposed to buy the shares at 70 shillings each, higher than its original offer of 40 shillings a share in November. REA Trading said its original offer had failed to account for the value of the company's land if it were put to other uses. The latest offer is also higher than those offered by two other potential buyers, Centum Investment Company and Vania Investment Pool. Centum had offered to pay 50 shillings a share, while Vania offered 55 shillings. Analysts said the various bids were motivated by a desire to own the huge tracts of land that Rea Vipingo has in Kenya as well as strong demand and high prices in world markets for sisal used to make twine, rope and other products. Rea Vipingo, which also has sisal plantations in Tanzania, has 60 million shares issued on the Nairobi Securities Exchange. REA Trading also said shareholders who accepted its offer would be entitled to a pro-rata share of dividends or distributions of proceeds from future sale of land for up to 15 shillings per share. Rea Vipingo's shares closed at 27.50 shillings on November13, when they last traded on the bourse. The shares were suspended when REA Trading first unveiled its offer. If the deal goes through, the shares will be delisted from the Nairobi bourse. *(Reuters)*

KCB has held back Sh4.2 billion from its shareholders in order to comply with strict guidelines by the Central Bank of Kenya (CBK) on bad loans. The bank said the CBK rules forced it to provide Sh13.2 billion for dud assets compared to Sh8.8 billion that would have been required under the International Financial Reporting Standards (IFRS). "Because of the stringent measures of CBK we make excess provisions which is transferred to a reserve account — this is not distributable to shareholders," said KCB's chief financial officer Collins Otiwu. Central Bank requires banks to hold specific provisioning depending on how long a loan has gone unpaid while IFRS provides for the bank to rely on its historical repayment trends in determining how much to set aside as provisions for default. The reserves held by KCB are higher than those reported by other lenders which are attributable to the banks legacy of loan defaults. NIC Bank reported a reserve of Sh975 million, Barclays Sh973 million, Equity Sh734 million and Chase Bank Sh517 million while Diamond Trust Bank did not have money in the reserve account. KCB's bad loans were equal to 8.1 per cent of its total loans of Sh227 billion. The ratio was higher than the industry average of 5.3 per cent underlining the challenge facing Kenya's biggest lender. Under the Moi regime KCB suffered from interference from the State which saw politically connected individuals take loans from the lender without the intention of paying back.

The regulator requires banks to set aside an amount equal to loans that have not been serviced for more than six months, termed as doubtful loans. They have to set aside cash equivalent to 20 per cent of loans whose installments have not been paid for three to six months or sub-standard loans and three per cent of those that have not been serviced for between one and three months. The provisioning impacts the banks' profit and loss accounts. If the provisioning required by CBK is higher than IFRS demands for, the difference is retained in the balance sheet as a statutory reserve, however, if the IFRS requires higher provisions the bank is expected to make an additional charge that will increase the CBK provisions to the IFRS levels. The Kenyan banks have in the past been accused of under-stating their non-performing loans and under provisioning resulting in them over-stating their profits. Central bank has responded by tightening rules on how to treat bad loans and increasing their provisioning. CBK now requires lenders to classify as non-performing all loan accounts of a borrower who defaults on the repayment of any one of their multiple loans for more than three months. This provision saw banks' bad loans for 2013 jump 30.9 per cent to Sh80.6 billion, the highest in more than six years, even outpacing growth in new credit advanced by the lenders. *(Business Daily)*

Kenya's Bamburi Cement reported a 23 percent drop in its annual pretax profit to 5.5 billion shillings on Thursday, due to poor demand in the first half of last year. Controlled by French firm Lafarge SA, Bamburi is the biggest cement maker in Kenya, where high demand has been fuelled by a construction boom in recent years. Turnover fell last year to 33.9 billion shillings from 37.5 billion shillings in 2012 and earnings per share slid to 9.55 shillings from 12.17 shillings. However, it raised its final dividend to 9 shillings a share from 8.50 shillings per share in 2012 having paid an interim dividend of 2 shillings a share in October and said it was optimistic for 2014 due to an improved business environment after last year's peaceful elections. It also said it expected demand for cement to pick up in countries surrounding Uganda, which it serves from its plant there. *(Reuters)*

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Economic News

Kenya's central bank held its benchmark lending rate at 8.50 percent for the fifth policy meeting in a row, its Monetary Policy Committee (MPC) said on Tuesday. East Africa's biggest economy has enjoyed a relatively stable exchange rate since 2012, after it raised lending rates to combat high inflation and market volatility. An improving economic growth outlook and a lack of significant foreign investor participation in the local bond market has helped Kenya withstand recent volatility seen in other emerging markets. Inflation, which slowed to 6.86 percent in the year to February from 7.21 percent in January, was within the upper band of the medium target of 5 percent, plus or minus 2.5 percentage points, the central bank said. "The Committee concluded that the monetary policy measures had continued to deliver the desired price stability," the MPC said in a statement after the policy meeting. It said credit to the private sector grew by 20.47 percent in January, compared with growth of 20.08 percent in the previous month, in line with the government target, meaning the growth was not feeding inflation. Kenya's economy is likely to expand 5.8 percent in 2014 after below-target growth of 5.1 percent last year, the Ministry of Finance has forecast. *(Reuters)*

Kenya's financial regulator has proposed a separate regulatory framework for Islamic financial institutions as part of a broad ten-year strategy designed to boost capital markets in east Africa's biggest economy. A draft of the strategy was circulated early this year and the plan is now in its final stages of preparation. It aims to promote more sophisticated financial services in Kenya such as asset management, venture capital, private placements and Islamic finance. "It will be launched in coming weeks," a spokesman for Kenya's Capital Market Authority (CMA) told Reuters. Sharia-compliant structures are seen as important to support funding of Kenya's infrastructure projects, with the CMA dubbing Islamic finance a "priority". Most estimates put the number of Muslims in Kenya at only about 15 percent of the population of 40 million. But Islamic finance, which is also being developed by several other sub-Saharan countries in Africa such as Nigeria, could help Kenya attract investment from cash-rich Islamic funds in the Gulf and southeast Asia. Islamic finance, which follows religious principles such as bans on interest and gambling, is currently offered by two full-fledged Islamic lenders in Kenya - Gulf African Bank and First Community Bank (FCB) - as well as the Islamic windows of several conventional banks. They will be joined this year by the country's first retakaful (Islamic reinsurance) firm, as Kenya Reinsurance Corp ventures into the sector, the CMA said in its draft plan. Takaful Insurance of Africa, the first full-fledged takaful company in the country, was launched in 2011. The CMA has also approved Genghis Capital to operate an Islamic collective investment scheme, joining FCB Capital; the regulator has introduced rules allowing the creation of sharia-compliant real estate investment trusts.

In the short term, the CMA plans to create a regulatory framework of its own for Islamic capital markets, focusing on corporate governance, information disclosure, a policyholder compensation fund and responsible pricing. In the long term, however, the CMA would engage the central bank and national Treasury to develop a separate policy, legislative and regulatory framework for Islamic finance. "This is a long-term project, but this framework should provide the legal basis for the Islamic finance sector by giving explicit recognition for Islamic financial services in all relevant financial sector legislation." This would include creating and giving legal recognition to a single national sharia advisory board to set rules and policies for the entire industry, a centralised approach which mirrors regulation in countries such as Malaysia and Oman. The plan would also create an industry lobby group and work with standard-setting bodies such as the Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions and the Malaysia-based Islamic Financial Services Board. The CMA would seek help in developing Islamic finance from industry hubs in Malaysia and London. It has existing agreements with Malaysia's regulator and a working relationship with the London Stock Exchange. Last month, the central bank-owned Kenya School of Monetary Studies started offering courses related to Islamic finance. The central bank has been working with its Malaysian counterpart in an effort to offer sharia-compliant instruments such as Treasury bills. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

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Mauritius

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TRADING

Nigeria

Corporate News

Lafarge Country Chief Executive Officer (CEO) Nigeria and Benin Republic, Mr. Guillaume Roux, has said that the company has invested more than €1 billion (about N214 billion) in the country since 2008, adding that an additional €1billion would be injected to double its operational capacity within the next three to four years. He said Lafarge had through the years earned a reputation for products of impeccable quality and differentiated itself through innovation, value adding services and contribution to industrialisation of the country. He said plans are underway to double the number of plant it currently has in the country. Speaking at an interactive session with journalists in Abuja, Roux, who is also the company's Group Executive Vice-President said going forward, Lafarge planned to deploy various innovative solutions which are tailored and adapted for the Nigerian environment with a view to addressing customers' varying needs. He said it intends to make a big difference in the industry by having a nationwide coverage with a strong push to develop the people boost their economic power. Specifically, he said there are plans to install construction development laboratories to cater for different solutions for different types of customers. He also said there are ongoing plans with the ministry of works and housing to promote the use of concrete for road construction in the country. He said:"We are keen at supporting the industrialisation of the country and region in which we operate." He noted that efforts had been made to development the country's human capacity by ensuring 98 percent of staff are Nigerians.

Lafarge is a French industrial company specialising in four major products including cement, construction aggregates, concrete and gypsum wallboard. It is currently one of the leading private sector companies which is sponsoring Nigeria's centenary celebrations. "We want to bring different solutions to our customers, we are not just selling cement powder, we are selling products and solutions for different types of customers," he said. Reacting to allegations that the increasing incidence of building collapse in the country due to the prevalence of substandard cement products, Roux, while regretting the trend however argued that building collapse has no direct bearing to quality of cement. Notwithstanding, he said Lafarge puts quality control at the forefront of its operation stressing that "we have a high quality cement with is consistent with local and international standard." Rather, he blamed the collapse of buildings on the misapplication of building materials and low level of construction education adding that cement manufactured in the country are of international standard and best practice. He said it had been proven globally that cement has no direct link with building collapse, adding that there was the need for enhanced education programme on proper usage or cement application.

Roux said:"Cement quality is not cause of building collapse, this has been proven internationally. What causes building collapse is related to the way concrete is being made; the way the materials are being applied; Andy designs of buildings that could be faulty. Those are the main causes of building collapse that is why we are focusing on the education and training of our people." He further noted that the control of construction activities was also key to stopping buildings collapses. According to him, among other initiatives, Lafarge is currently working out modalities for giving training to block makers on usage of cement in relation to other building materials. He said the company would continue to work with the works and housing ministry to help more people understand the benefits of complying to set standards. He said the current policy of backward interest anion in the industry had been a success by helping to create more jobs and better products and innovation as we'll as stability in the environment leading to decrease in price of cement to the benefit of consumers. *(This Day)*

Ecobank Transnational (ETI) Inc. said its biggest shareholders withdrew a motion to create a smaller interim board, which would have overseen the implementation of measures to improve corporate governance. Investors decided to retain the existing 12-person board, Mwambu Wanendeya, a spokesman for the bank, told reporters after an extraordinary general meeting in Lome, Togo. While declining to comment further on the board, he said shareholders had approved a governance action plan following recommendations by Nigeria's Securities and Exchange Commission. "The vote on the governance action plan was unanimous," said Wanendeya. Nigeria's regulator investigated Ecobank after former Director of Finance Laurence Do Rego told the SEC in August that Chief Executive Officer Thierry Tanoh and former Chairman Kolapo Lawson planned to sell assets below market value. Both Tanoh and Lawson deny any wrongdoing. At today's meeting, shareholders voted to limit the maximum size of the board to 15 members and to ensure that no directors can serve more than

nine years in total. A motion to raise capital was rejected after getting the backing of 68 percent of shareholders, short of the 75 percent required, Wanendeya said.

South Africa's Public Investment Corp., the biggest shareholder in Ecobank, said on March 1 that it wanted CEO Tanoh to resign immediately. The CEO used "strange tactics" to stop Ecobank's board meeting on Feb. 25 and continues to use the "Ecobank platform and shameless abuse of the judicial system of Togo to pursue what we believe to be his own political and personal interests," Dan Matjila, the money manager's Pretoria-based chief investment officer, said in a letter to Ecobank interim Chairman Andre Siaka. The PIC owns more than 18 percent of Ecobank, while the International Finance Corp. holds about 6 percent directly and a further 8 percent indirectly. Asset Management Corp. of Nigeriaowns about 8.6 percent. Founded in 1985, Ecobank operates in France and 35 African countries and has representative offices in Beijing, Dubai and London. Ecobank reported in October that profit increased 65 percent to $250 million in the nine months through September as its businesses in Nigeria and Ghana expanded.

Under the new articles of association approved at today's meeting, Ecobank shareholders agreed that the bank shall not undertake any acquisition, merger or disposal of the company's assets whose value is equal to or above 20 percent of the book value of the lender without the approval of a majority of investors present in a general meeting. Nedbank Group Ltd. (NED) CEO Mike Brown said on Feb. 24 that the South African lender controlled by Old Mutual Plc would consider governance issues before deciding whether to exercise an option to buy a stake in Ecobank. Nedbank has until the end of November to convert the $285 million loan it made to Ecobank in 2011 into an equity holding and then increase the stake to as much as 20 percent.*(Bloomberg)*

TRANSNATIONAL Corporation of Nigeria Plc (Transcorp) has recorded a turnover of N18.8 billion in its 2013 operations, against N13.2 billion achieved in the corresponding period in 2012. Besides, the directors of the company, for the first time since inception, are recommended a dividend of N1.93billion, culminating to five kobo per share due to every shareholder of the company. Specifically, the company's performance for the 2013 financial year showed that turnover stood at N18.8 billion, representing 42 per cent rise over the N13.2 billion recorded in the corresponding period in 2012 while Profits before tax rose by 129 per cent, from N3.9 billion in 2012 to N9.0 billion in 2013. The Group Chief Executive Officer, Obinna Ufudo, stated: "Our full year audited accounts reflect our commitment to our long term strategic plan, translating into strong and sustainable growth. We are excited about the achievements we recorded across our businesses within the past year. "Our entry into the power sector has been a significant driver and we are already running ahead of our 2014 estimates. We expect significantly better results this year, as our diversification and growth strategies continue to gain momentum." The Chairman of the company, Tony O. Elumelu added: "We are particularly pleased to be able to recommend a dividend to shareholders for the first time in the company's history. This is the beginning of a very bright future for all our patient and loyal shareholders. "With the tremendous progress we have already recorded in our power business – taking the Ughelli plant's power output from 160mw when we took over on November 1, 2013 to 360mw within three months – 2014 promises to be a very rewarding year for the company and our 300,000 shareholders."*(Guardian)*

About 14 different global financial lenders including Nigeria's First City Monument Bank (FCMB) have collectively pulled about $1 billion to finance the 450 megawatts (MW) Azura-Edo Independent Power Plant (IPP) being developed in Edo state by Azura Power Holding Limited (APHL). The IPP is being developed by Aldwych International, Africa Infrastructure Investment Fund (AIIM), and Asset and Resource Management (ARM) in conjunction with the government of Edo state which has about five per cent equity stake in the project. The Azura-Edo IPP is a project-financed Greenfield power generation plant that will generate 450MW of electricity when commissioned by late 2016. It is expected to cost about $700 million to build, while an additional $300 million will be expended on developing gas supply infrastructure that will solely service the plant. The Managing Director of APHL, Dr. David Ladipo, told reporters Monday in Abuja that as much as 14 global lending institutions have rallied financial resources to fund the power project. Ladipo disclosed at a meeting with the Minister of Power, Prof. Chinedu Nebo, that the financiers include Standard Chartered Bank, Rand Merchant Bank, Siemens Bank, KfW Bankengruppe of Germany, Stanbic IBTC, First City Monument Bank (FCMB), The Netherlands Development Finance Company (FMO) and International Finance Corporation (IFC).

Other global financiers that on the funding party for the project as stated by Ladipo are the German Investment Corporation (DEG), French Investment Corporation, Emerging Africa Infrastructure Fund, the World Bank Group and Swedfund of Sweden amongst others. He explained that the financial sources has unlocked more than $700 million of project-financed investment for the IPP and an additional $300 million worth of investment for gas processing which will be constructed and operated by indigenous firm, Seplat Petroleum. According to him, the project is also being supported with guarantees and insurance coverage by the World Bank and the Multilateral Investment Guarantee Agency (MIGA) while the federal government is currently reviewing the various consets and approvals such as the Power Purchase Agreement (PPA) and Put-Call Option Agreement needed by Azura prior to financial closure which is expected in May, 2014 and the subsequent issuance of a notice to proceed to the Engineering Procurement and Construction (EPC) contractor. "The Azura power project has over $700 million in capital for the project and in addition to that, there has to be investment in gas processing to supply the gas molecules that will used. Part of what we have on the gas supply side is a Nigerian independent gas supplier which is Seplat Petroleum Company. It has done a fantastic job since it took over the Oben gas plant from Shell and turning the gas plant around to double its productivity within a couple of years, they have been working with us negotiating gas supply agreement with us and have currently taken the contract to NPDC (Nigeria Petroleum Development Company) which will need an approval from it. They are going to be making significant investment in gas infrastructure to supply the needed gas to us," Ladipo said.

Nebo in his remarks explained that the project underscores the confidence of investors in Nigeria's power sector. He added that the project also reflects the positive multiplier effects created by the capitalisation of the Nigerian Bulk Electricity Trading Company (NBET) and the associated provision of Put Call Option Agreement being provided by the federal ministry of finance. The Coordinating Minister for the Economy and Minister of Finance, who also played host to the investors in her office in Abuja, said the Azura-Edo IPP is a totally fresh Greenfield project that will be developed from the scratch by the investors, as opposed to investing in existing facilities, adding that this underscored the huge confidence of the investors in the prospects of the Nigerian economy in general and the power sector in particular. According to her, the Azura-Edo project reflects the positive multiplier effects created by the capitalisation of the Nigerian Bulk Electricity Trading Company (NBET) and the concomitant provision of the Put Call Option Agreement being provided by the Federal Ministry of Finance. "Through this project, the combination of these two sources of lender security simultaneously has unlocked more than $700 million of project-financed investment in large scale IPP and more $300 million worth of investments in gas processing, for a total $1 billion worth of investments," the minister said. *(This Day)*

President of the Dangote Group, Aliko Dangote has disclosed that his conglomerate is planning to build a $600 million cement plant in Kenya. The Group Chief Executive made this disclosure during the visit of the Kenyan Deputy Prime Minister, Wiliam Ruto, to Dangote Cement Obajana plant in Kogi State last weekend. Mr. Dangote said the three million metric tons factory may start operation very soon because preparatory arrangements have commenced. He expressed satisfaction with the level support and partnership from the government of Kenya. Speaking, Kenyan Deputy Prime Minister said he was impressed with what he saw at the Obajana factory, which is considered to be one of the biggest cement factory in the world. He said: "I am now convinced that we are dealing with the right person. I am really impressed with what I have seen here. I am convinced that as soon as the remaining two licenses are secured and the company is established it will create jobs for our people back home. "I also want to assure Alhaji Aliko Dangote that Kenya is a peaceful and friendly country to do business," he said. On the entourage of the Deputy Prime Minister are: the Kenya's Secretary of Information and Communication, Dr Fred Natiang; Secretary of Industrialization Mr. Adam Muhammad; Chief of Staff to Deputy PM, Mr. Marrianne Keitanany, Director of Communication Mr. Emmanuel Talam, Secretary of Policy Mr. Peter Karinki, member of parliament Hon. Annah Kenyata and Special Adviser to the Prime Minister Mrs. Phannie Mogaka. Dangote Cement Plc has three plants in Nigeria. They are the Obajana Cement Plant which produces about 10.25million metric tons, the Ibese plant which produces 6million metric tons and the Gboko plant which produces about 4million metric tons. The cement company also has presence in some 13 African countries which include: Tanzania, Niger Republic, Ghana, South Africa, Cameroon and Zambia among others. Other African leaders have also been visiting Dangote cement to appreciate the business mogul's claim on his preparedness to expand the cement business to their countries. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Commodity trader and miner Glencore confirmed on Tuesday its interest in buying oil assets that oil major Shell is selling in Nigeria. A source said last month that Glencore and commodity trading house Mercuria were among the short-listed consortiums expected to make final bids on Nigerian energy assets worth around $3 billion that Shell and another two oil majors are selling. Shell is selling its 30 percent stake in four oil blocks, with France's Total and Italy's Eni also looking to divest their 10 percent and 5 percent stakes. The Nigerian National Petroleum Corporation (NNPC) owns the remaining 55 percent. Shell is also selling the 97-km (60-mile) Nembe Creek oil pipeline, which has been regularly attacked by oil thieves. "We are always interested in every assets that comes for sale. We always look at it and check if we can satisfy our returns criteria," Glencore's chief executive Ivan Glasenberg said, when asked about the Nigerian assets at a presentation of results.

Together with Macquarie Group Glencore had also made an unsuccessful attempt to buy Shell's downstream Australian assets, which were then sold to oil trader Vitol and the Abu Dhabi Investment Council for about A$2.4 billion last month. "It's no secret we were looking at Shell's disposal in Australia but we couldn't compete. The number they bought at did not meet our return (criteria)," Glasenberg said. Among other assets the trader and miner would look at is BHP Billiton's loss-making Nickel West business in Australia, which Glencore said has some synergies with its own nickel operations in the area. *(Reuters)*

Fitch Ratings has affirmed the Long-term Issuer Default Ratings (IDR) of Zenith Bank Plc, FBN Holdings Plc and eight other financial institutions. The others are First Bank of Nigeria Limited, United Bank for Africa Plc (UBA), Guaranty Trust Bank Plc (GTB), Access Bank Plc, Diamond Bank Plc, Fidelity Bank Plc, and Union Bank Plc. However, Fitch assigned Standard Bank IBTC Holdings Plc (SIBTCH) a Long-term National Rating of 'AAA(nga)' which is in line with the rating of company's 100 per cent owned and primary operating entity - Standard IBTC Bank (SIBTC). Fitch pointed out that despite the market volatility and uncertainty created by the suspension of the governor of the Central Bank of Nigeria, it does not believe there would any weakening in the Fitch-rated banks. A statement from the global agency yesterday explained that the Long-term IDRs of FBN, UBA, Diamond, Fidelity and Union were driven by Fitch's perception of support available from the Nigerian authorities if required. Furthermore, it noted that Zenith, GTB and Access Bank's IDRs were driven by their intrinsic creditworthiness as defined by their Viability Ratings (VR). "All the IDRs have stables outlooks. Fitch considers the authorities' willingness to support to be high, but its ability to support is constrained by Nigeria's sovereign IDR of 'BB-'. "Support for the banking sector by the Nigerian authorities has been clearly demonstrated, most recently since the 2008/2009 banking crisis.

"Fitch assigns Support Rating Floors (SRF) based on each bank's systemic importance, generally given their size, market share, franchise and importance to the real economy," it added. SRFs are derived from Support Ratings. All the banks (apart from SIBTC) have Support Ratings of '4' which indicates a minimum SRF of 'B'. In Fitch's view, the most systemically important banks are FBN, Zenith and UBA, which all have SRFs of 'B+'. GTB, Access, Diamond, Fidelity and Union have SRFs one notch lower at 'B'. Due to their institutional ownership, Fitch did not assign SIBTC or SIBTCH a SRF. "FBNH is the holding company of FBN. Its Support Rating of '5' and SRF of 'No Floor' reflect Fitch's view that while the Nigerian authorities' propensity to support the local banks is high, the same level of support would not apply to holding companies," it added. *(This Day)*

Transnational Corporation of Nigeria of Nigeria Plc was incorporated on 16 November 2004 with the objective of creating a truly Nigeria Conglomerate with the ability to compete successfully on a 'global scale. Today, Transcorp is a publicly traded conglomerate with a diversified shareholders base of about 290,000 investors; the most prominent is Heirs Holding Limited, a pan- African propriety investment company. The company's portfolio comprises strategic investments in hospitality, agriculture and energy sector. Transcorp has 38.72 billion shares outstanding, with shareholder funds standing at N86.67 billion at the end of December, 2013. Financial Performance for the year ended December 31 2013, Transcorp Plc for the financial year ended 31 December 2013 grew gross revenue by 42.14 percent to N18.82 billion as against N13.25 billion it recorded in the corresponding period of Q4' 2012. In the period under review, the company through effective cost control was able to reduce cost to sales ratio to 23.64 percent this compares with 26.37 percent recorded in 2012FY.
The impressive results in earnings was as a result of remarkable reduction in input costs of the company as reflected in the cost to sales ratio aforementioned thus spiking gross profit margin to 76 percent in the period Q4 : 2013 from 73.5 percent Q4: 2012. Expenses to sales ratio

also reduced to 48.92 percent in the review period compared to 56.71 percent recorded in Dec' 2012. Profit before tax (PBT) for the year ended 31 December 2013 surged by 128.13 percent to N9.0 billion compare to N3.94 billion recorded in the corresponding period of December 2012.

Transcorp was able to achieve a satisfactory return on shareholders' funds as net profit margin rose to 61 percent in Q4:2013 as against 36.3 percent recorded Q4:2012. It means that the company is able to turn N61 of its sales into profit for the period, hence placing it in an advantageous position. The resources of the owners (shareholders') have been well managed by the management of Transcorp as return on equity (ROE) increased to 8.02 percent in 2013FY from 4 percent in 2012FY. What this means is that the company was able to accrue N8 to the profit position for every N100 earned in 2013, up from N4 in 2012. Return on assets (ROA) followed a similar pattern. ROA in the year under review increased to 4.60 percent from 2.53 percent in 2012. This implies that of every N100 worth of assets deployed contributed N4 to after-tax profit for the year, higher than the N2.53k recorded in 2012. The company recorded a sales turnover of 0.21x in 2013FY compared to 0.20x recorded in 2013FY. This means that Transcorp is producing 21k of sales for every one naira of capital employed in net asset. The firm is in a position to meet its short term obligation unencumbered as liquidity ratio increased to 1.73 xs in 2013FY as against 1.48x recorded in 2012FY despite falling below the industry average of 2.1 xs. Earnings per share EPS for the year ended December 2013 jumped to 12.17k from 3.19k recorded in the corresponding period of Q4' 2012.

The 290,000 shareholders of Transcorp have had their wealth maximized as the share price increased by 135.44 percent in the past one year to close at N3.48k on March 4, 2014 on the floor of the Nigeria Stock Exchange. The company had a market capitalization N139.78 billion on the same day. In order to improve efficiency in operation and boot productivity, the company, in 2013, acquired Ugheli Power plant paying N51.30 billion($300 million) . Transcorp's Board of Directors gave the approval for the payment of a dividend of 5k per share. If approved, payment will be made on April, 2014, the company said in a statement released February 28, 2014 on the website of the Nigeria Stock Exchange.*(Business day)*

Ecobank Transnational Incorporated (ETI) will hold a board meeting in Cameroun on March 11 to look critically at the action plans passed by the shareholders at the extra- ordinary general meeting held in Lome early this week, the Togo-based lender's biggest shareholder said. "The current board urgently needs to meet to map a way forward," Daniel Matjila, Chief Investment Officer of South Africa's Public Investment Corporation (PIC), which owns more than 18 per cent of Ecobank told Bloomberg. The board will "discuss the implementation of resolutions approved at" the extraordinary general meeting on March 3, he said. The spokesman for ETI, Mwambu Wanendeya couldn't immediately confirm the board meeting when contacted by phone. Investors decided at the EGM earlier this week to retain Ecobank's 12-person board and withdrew a motion to create a smaller interim grouping. Shareholders approved a plan to improve corporate governance following recommendations by the Securities and Exchange Commission. The PIC, Ecobank's biggest investor, yesterday repeated a call for Chief Executive Officer Thierry Tanoh to quit. SEC had investigated Ecobank after former Director of Finance Laurence do Rego told said that Tanoh and former Chairman Kolapo Lawson planned to sell assets below market value. Do Rego had said she was pressured to write off debts owed by a business headed by Lawson and manipulate the bank's results. Both Tanoh and Lawson deny any wrongdoing. *(This Day)*

Economic News

Plans to resuscitate Oku Iboku Pulp and Paper Mill in Akwa Ibom and Cross River States in Southeastern Nigeria were concretized on Wednesday, February 26, 2014 in Tunis, where Executive Directors of the African Development Bank (AFDB) approved a US $30-million loan to finance the rehabilitation project. A statement by AFDB said the Oku Iboku Pulp and Paper Project (OKIPP) entail rehabilitation and upgrade of an integrated pulp and paper mill which makes newsprint and related papers in the two Nigerian states. Sponsored by Negris Group, an indigenous engineering company servicing the energy and industrial sectors in Nigeria, the main assets consist of pulp and paper mills, a wood concession and a gas-fired power generation plant. The complex was established as a Government-owned company, shut down in the 1990s and acquired by Negris following a privatization process in 2008. In line with the bank's long term strategy, the project supports inclusive and green growth, by contributing to a better management and use of forestry resources and generating linkages with

local economy.

It is aligned with Nigeria's newly approved Agricultural Transformation Agenda, the Bank's Country Strategy Paper for Nigeria and the Bank's Regional Integration Strategy for West Africa by contributing to the modernization of agriculture and infrastructure development, increasing intra-regional trade as well as promoting local entrepreneurship. Ultimately, the project is expected to deliver annual savings on newsprint paper imports to Nigeria and tax revenues to both State and Federal Governments. In addition to its strong contribution to job creation in the region, OKIPP will develop pulp and paper technological skills through a planned transfer of specialized skills and development of SME linkages. With an estimated total cost of US $200 million, the project will be financed on a 60:40 debt to equity ratio. The debt will be sourced from DFIs and Nigerian commercial banks. The bank will provide a senior loan of US $30 million and is acting as the mandated lead arranger. *(This Day)*

Nigeria will accept offers from 42 prequalified bidders for 10 state-owned power plants on March 7, the privatisation agency said on Monday, in a continuation of one of President Goodluck Jonathan's most important policies. Private buyers took ownership of the bulk of the state electricity company in September, ending a slow and costly $2.5 billion selloff, which nonetheless could be the best chance yet to unblock a major bottleneck to development. If successful it could seal Jonathan's legacy, although significant improvements are unlikely before elections next year. Now Nigeria is selling 10 gas-fired power plants nestled in the Niger Delta, which holds a large portion of the world's ninth-largest natural gas reserves. "The joint meeting chaired by Vice President Mohammed Namadi Sambo, directed that the bids be opened on Friday, March 7," the Bureau of Public Enterprises said in a statement, in line with plans to sell the plants by mid-2014.

Chronic power shortages are the biggest constraint on business growth in Africa's second-largest economy and one of the primary complaints of 170 million people who are provided with only a few hours a day of electricity, if any. Jonathan pledged more than three years ago to privatise the bulk of the state-owned electricity sector as he looks to boost power output tenfold by 2020. Experts say this is unrealistic although improvements could be felt in around two years. The 10 plants will have combined electricity generation output of around 5,000 megawatts, which amounts to more than Nigeria currently produces, although some of the plants are not yet finished and others require renovation. These power plants make up the National Integrated Power Project (NIPP), a plan set up in 2004 by then-President Olusegun Obasanjo as a "fast-track" solution. Nigeria has so far spent $15 billion to $20 billion on the mismanaged NIPP, industry experts say. It is unlikely the sale of the plants will come close to recouping these funds, which could prompt wrangling among disgruntled politicians. A lack of investment in the transmission network, which remains in public hands, poor gas supply and labour disputes threaten to delay progress in boosting power output further. *(Reuters)*

The Central Bank of Nigeria (CBN) is set to liquidate no fewer than 83 licenced microfinance banks (MFBs) in the country, following a recent discovery that the financial institutions were merely set up to defraud Nigerians. The Managing Director of Nigeria Deposit Insurance Corporation (NDIC), Alhaji Umaru Ibrahim, made this disclosure yesterday while appearing before the Senate Committee on Banking, to defend the corporation's 2014 budget. Ibrahim who also highlighted plans to regulate mobile banking in the country with a view to curbing fraudulent practices by operators in both the banking and telecoms sector, added that the 83 MFBs lacked the required stamina to survive. While disclosing that as many as 900 MFBs operate in different parts of the country, Ibrahim explained that 83 of them would be liquidated because they "existed only on paper while some are used to defraud Nigerians." He also noted that NDIC had put machinery in place towards determining the number of depositors in microfinance sector as well as how much of depositors' funds are with such banks.
He added: "Some assets of the banks will also be sold. There is no doubt that operations of some of the microfinance banks have become epileptic." Ibrahim also told the committee that a whopping N105 billion had been provided in the 2014 budget with the intention to pay off depositors of MFBs to be liquidated. "Funding gap is what we do to prepare for the rainy day. We hope and pray that the rainy day does not come but any insurance should prepare for the rainy day. As we speak, no bank benefited from the fund in 2013," he said. While lamenting "the dollarisation of the economy by speculators," Ibrahim who said the Central Bank of Nigeria (CBN) was already addressing the matter, added that after operating for 20 years, NDIC is now prepared to rebrand itself for more effective service delivery.

Furthermore, he said: "In 2013, we maintained confidence and stability of the banking system through a continuous effective supervision and regulation of the system. We have also tried to pay depositors of institutions that had been liquidated. "We have stepped up awareness and campaigns about our activities to make sure that members of the public put up claims of their locked up deposits in liquidated financial institutions. We appointed some banks as agents with the assistance of our various zonal offices that we had established in various parts of the country." Continuing, he said: "Our plan for this year is to continue to protect depositors' funds and to enhance the supervision. To promote financial literacy, consumer protection so as to make sure we enhance financial inclusion so that millions of Nigerians that do not have access to banks for any form of financial system or outlet are assisted in various ways. "For instance, we are partnering with the CBN to discuss the ways and means of protecting depositors of mobile banks and depositors of mobile phone system." He noted that seven banks had been licenced by the CBN to get involved in mobile banking, saying that there are 11 non-banking telecommunications related institutions that had been licenced to offer mobile money service. He stressed the need to properly regulated mobile banking services, saying that there was need to protect bank customers. "The whole essence of this is that if we have millions of such people sending and collecting money through mobile banking system, we want to ensure that in the event of any crisis, they are covered. "Unless they have that assurance of being covered, you don't expect them to accept to participate in this revolutionary project that is coming on board," he added. *(This Day)*

Foreigners stayed away from Nigeria's latest Treasury bill auction, the first since the suspension of the central bank's graft-fighting governor, in a sign that investor confidence is yet to recover after the banker's removal. Nigeria offered 180 billion naira ($1.10 billion) in Treasury bills on Wednesday, with a similar amount maturing this week. It sold 275.09 billion naira, with yields on the 182- and 364-day papers rising further above 13 percent, the central bank said on Thursday. Traders said foreign buyers remained on the sidelines and demand was dominated by less risk-averse local investors drawn by the attractive yields. Foreign participation was "very marginal," said one analyst. "It's probably that as those bills mature some international investors won't roll over the position in the new auctions, so they'll just take their FX and leave," he said, asking not to be named.

Further debt redemptions of at least 320 billion naira are expected in Nigeria this month, providing a barometer of foreign investor sentiment since Feb. 20 when President Goodluck Jonathan suspended respected central bank chief Lamido Sanusi, citing "acts of financial recklessness". Many saw the suspension as an act of political revenge by the president, who removed an outspoken critic of his government's record on corruption in Africa's top oil producer. Offshore investors had been pulling back from Nigeria before Sanusi's suspension amid a broader retreat from emerging markets. But the president's action further undermined faith in policy stability in Africa's second-biggest economy at a time of heightened uncertainty before elections in February next year. Sanusi had been due to step down in June. Jonathan has nominated Godwin Emefiele, the managing director of Zenith Bank , Nigeria's third-biggest lender, as his successor. With more debt due to mature in the weeks ahead and limited liquidity in the secondary market, more outflows are likely this month as investors await the return of their money, said Ayo Salami, chief investment officer of asset manager Duet Group's Africa Opportunities Fund.

"You don't have sufficient liquidity to be able to exit by selling in the secondary market," he said. "The worst of the outflows has not happened." Another concern is that interest rates could rise if the central bank feels that current policy efforts are failing to stabilise the naira, which has weakened this year amid emerging market volatility and after Sanusi's removal. Rate rises would push down prices on the secondary market. "Given this scenario any investor (foreign or local) looking to exit via the secondary market would likely make a loss. So, better to be out of the market completely rather than risk making a loss if forced to exit swiftly," said Angus Downie, head of economic research at Ecobank.

Investors will need more reassurance about the naira's stability and the pre-election policymaking environment before being lured back. "Our February client survey shows investors having moved underweight FX in Nigeria for the first time in over two years," JP Morgan said in a research note. Sanusi had warned that fiscal leakages, including what he said was the state oil company Nigeria National Petroleum Corporation (NNPC) failing to remit $20 billion it owed to federal government coffers, were undermining the central bank's ability to stabilise the naira. Although the bank has defended the currency by selling dollars, there are doubts about how long that can last as foreign

exchange reserves have fallen to a 19-month low of $39.72 billion. Jeremy Brewin, head of emerging debt at ING Investment Management, said he had reduced his exposure to Nigeria even before Sanusi left. "We moved out of Nigerian risk late last year and so far have not been tempted back," he said. "You are giving up high yield but the possibility of currency depreciation cannot be underestimated." Nevertheless, despite the upheaval at the central bank, Nigeria's economic fundamentals remain strong compared to other frontier markets given a relatively low debt-to-GDP ratio and budget deficit, said Philippe de Pontet, Eurasia Group's Africa director. The economy is forecast to grow around 7 percent this year. "Nigeria still has a pretty positive story to tell," he said. "If you look at other markets in sub-Saharan Africa, by and large they're facing pretty significant twin deficits. They also have currency pressures, thinner FX reserves." Still, investors would be more comfortable sitting and waiting if elections weren't imminent, said Michael Cirami, an emerging markets fund manager at Eaton Vance Corp. He noted that many who poured into Nigerian bonds after the country was included in a key JP Morgan emerging market bond index in October 2012 are unfamiliar with the country and may be more skittish. "The natural reaction is to cut and run," he said. "I don't see why you wouldn't see more outflows given some of the changes that have taken place." *(Reuters)*

Nigeria plans to sell 90 billion naira of bonds with maturities of three years and 10 years on March 12 at its third monthly debt auction this year, the Debt Management Office said on Friday. The debt office said it would issue 45 billion naira each of the three- and 10-year bonds, maturing in August 2016 and March 2024 respectively, using the Dutch Auction system. The notes are re-openings of previous issues. *(Reuters)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's earnings from gold exports fell by 18.2 percent in 2013, undermined by lower output and declining global prices of the precious metal, a central bank report said on Friday. Africa's fourth-largest gold producer earned $1.73 billion in 2013 from the metal, down from $2.11 billion a year before. "The value of gold exports declined following a fall in both export volume and unit price," the Central Bank of Tanzania said in its latest monthly economic review. "The price of gold declined mainly on account of India's action to restrict importation of gold in efforts to control its current account deficit." Tanzania's gold output fell after the Golden Pride mine, owned by Australia's Resolute Mining, and the Tulawaka gold mine, majority owned by London-listed African Barrick Gold, reached the end of commercial production last year. Earnings from gold accounted for 37.3 percent of total goods exports last year, down from 41.3 percent in 2012. "Despite the decline, gold continued to dominate non-traditional exports, followed by manufactured goods," it said. Tourism overtook gold as the biggest foreign exchange earner in 2013, fetching $1.88 billion, higher than $1.71 billion a year ago, helped by higher tourist arrivals.

The current account recorded a deficit of $4.67 billion in 2013, a 33.5 percent rise from a deficit of $3.499 billion in 2012. The trade surplus rose to $498.4 million last year from $326.1 million a year ago. Total exports fell by 1.8 percent to $8.519 billion, largely due to a decrease in the value of goods exports. Imports rose by 7.3 percent last year to $13.6 billion, from $12.67 billion recorded in 2012 on higher demand for oil. "The volume of imported oil grew by 25.1 percent to 4.4 million tonnes due to rising demand for thermal power generation, while prices in the world market rose by 4.6 percent," the central bank said. The external debt stock reached $13.19 billion last year, an increase of $2.6 billion from 2012, accounting for 39.9 percent of the country's gross domestic product (GDP) in 2012/13. Foreign exchange reserves reached $4.67 billion at the end of December or 4.4 months cover for goods and services imports. *(Reuters)*

Tanzania's energy regulator raised the price of petrol in east Africa's second-biggest economy on Wednesday but cut diesel and kerosene prices, citing a weaker local currency and swings in international energy prices. The Energy and Water Utilities Regulatory Authority (EWURA) raised the retail price of petrol 1.95 percent and lowered the price of diesel 3.5 percent. Kerosene prices were cut 0.9 percent in the latest price caps, which take immediate effect. Fuel prices are the second-biggest driver of inflation. "These changes have been caused by a change of prices of petroleum products in the world market and the depreciation of the Tanzanian shilling against the American dollar," EWURA said in a statement. EWURA raised the price of petrol in the commercial capital Dar es Salaam by 42 shillings to 2,187 shillings per litre while lowering that of diesel in the capital by 74 shillings to 2,040 shillings per litre. Kerosene prices in the commercial capital fell by 18 shillings to 2,051 shillings per litre. *(Reuters)*

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia's central bank increased its benchmark interest rate by 50 basis points to 10.25 percent on Friday, saying inflationary pressures remained high. "Risks to inflation are generally on the upside, and hence (the monetary policy committee) resolved to further tighten monetary policy ... in order to put inflation on the trajectory towards the 2014 inflation target of 6.5 percent," the Bank of Zambia said in a statement. *(Reuters)*

THE Bank of Zambia (BoZ) has tightened the monetary policy and increased the statutory reserves as well as policy rate in an effort to support the Kwacha which is currently under pressure. The Kwacha was yesterday trading at K6.0300./6.0400 at most bureaux de change. BoZ financial markets assistant director Isaac Muhanga said measures have been taken by the central bank to support the local currency which had been depreciating for a long time. Addressing journalist in Lusaka yesterday, Mr. Muhanga said the policy interventions taken by the central bank would help support the Kwacha as effects arising from the measures would begin to be felt by next week. Mr. Muhanga said growth could only flourish where inflation was tamed and that their mandate was to contain inflation. And Bank of Zambia director-economics Peter Banda said a number of factors had contributed to the depreciation of the Kwacha, mainly as a result of the strengthening of the United States dollar. "The USA dollar has strengthened and the reason is that the USA Federal Reserve Bank has decided to reduce the amount of liquidity that it has been injecting through its monetary stimulus programme and we have seen a lot of currencies in emerging economies depreciate against the dollar. "When you look at the price of copper, at close of 2012, it was hovering around US$8,000 per tonne but in recent time, we are talking about the price being at US$7,100 per tonne so clearly copper being our main export you would expect that supply of dollars would be relatively lower compared to over a year ago," he said. He said Zambia had been recording significant growth and imports had also been growing, thereby, a demand of foreign currency and putting pressure on the exchange rate. Mr. Banda said the economy had been growing and that the Gross Domestic Product (GDP) rate over the past years has been nothing less than seven per cent but that with the economy growing, it is expected to spur a significant increase in imports. "Our fuel import bill has been growing, if you look at the mines, they have been using significant amount of fuels and the economy in general has been using significant amount of fuel; given that scenario our imports have tended to have grown faster than the growth in exports," Mr. Banda said. *(Lusaka Times)*

The Zambian Government has signed a US$41 million concessional loan from China for the construction of a 120 kilometre transmission line between Kariba North Bank and Kafue West to boost power output. According to the agreement, the concessional loan would be provided to the Ministry of Finance through the Export and Import Bank of China. Chinese Ambassador to Zambia Zhou Yuxiao and Finance Minister Alexander Chikwanda signed the Framework Agreement on March 4, 2014. In a statement released in Lusaka today, terms of the loan shall be 20 years with a grace period of seven years and the interest rate shall be two per cent. Mr. Zhou said at the signing ceremony that the power expansion project at the Kariba North Bank, which has been under construction by Sinohydro, is almost complete by now. Two turbines with 180 megawatts each, have been added to the existing power station. The first one was completed and handed over to the Zambian Government in December last year, while the second one to start trial-operations, will be delivered anytime. "The transmission line, which is about 90 per cent complete, is meant to transmit the additional electricity at the Kariba North Bank to the Lusaka power grid. People in Lusaka and beyond can expect much less power cuts in the very near future," the statement said. Mr. Chikwanda expressed gratitude to the Chinese government's support and help towards Zambia's endeavour to develop its hydro-power industry which in turn, can power all other industries and bring better life both for city and rural population. *(Lusaka Times)*

Zimbabwe

Corporate News

Food and beverages manufacturer, Cairns Foods needs a capital injection of about US$8 million for the purchase of new machinery and refurbishments in order to boost its capacity utilisation by about 40 percent, the company's judicial manager Mr Reggie Saruchera said. Mr Saruchera said this on the sidelines of the commissioning of the company's new drying and packing plants in Harare last week courtesy of a US$1 million loan under the Distressed Industries and Marginalised Areas Fund. The machinery procured from China cost about half-a-million dollars while the remainder went towards other operational needs to boost production capacity. "The drying and packing plants were procured from China using the Dimaf funds while the remainder of the funds were utilised to eliminate bottlenecks in other operations such as water bottling, jam and baked beans canning and chocolate processing, with a small portion going towards working capital," he said. Mr Saruchera said once a new investor comes on board and injects fresh capital US$7 million would go towards the purchasing of new equipment while US$1 million would go towards refurbishments. Capacity utilisation which was at 7 percent when the company was placed under judicial management in November 2012 has since improved to 35 percent while it is targeted to further go up to between 70 percent and 80 percent after re-capitalisation. Industry and Commerce Minister Mike Bimha who was guest of honour at the commissioning ceremony commended the judicial and Cairns management team for their efforts towards rescuing the company from total collapse.

"The commissioning of this machinery is a demonstration of the good work done by the judicial management and Cairns to stir the company from a difficult position a few years ago. We have been hearing much about company closures of late and rarely do we hear about companies re-opening. The more we raise capacity utilisation in the local industry the more we would improve our competitiveness compared to imports from other countries," he said. Mr Saruchera said to date the company's staff complement of almost 700 employees are now back at work. Prior to judicial management, the company were battling huge operational challenges including an US$11 million debt burden while efforts to raise some US$20 million in new capital largely failed. Following its placement under judicial management, the company announced the need to retire its debt and to replace obsolete equipment. It was also reported that it owes suppliers about US$3 million and US$15 million to banks and considerable amounts to the Zimbabwe Revenue Authority and its employees. The judicial manager eventually proposed that the company looks for potential investors to acquire a stake in the company. *(Herald)*

ZIMSWITCH has broken the impasse with Econet Wireless Zimbabwe over restricted access to its mobile money transfer system, unstructured supplementary service data, with the latter's banking unit now connected to the sector's electronic payment platform. This indicates that the impasse between banks and Econet will soon be resolved. The mobile phone operator is currently entangled in a bruising feud with banks over its reluctance to entirely open up its network to allow them to roll out mobile money services to clients. Econet argues that the gateway to mobile phone users was not the network, but its mobile money transfer service, EcoCash, which all financial institutions were free to use. The Herald Business has it on good authority that the standoff between ZimSwitch and Econet's Steward Bank was largely a result of Econet's hard stance on banks regarding access to its USSD platform for mobile based banking services. To exert pressure on Econet, banks had used Steward Bank as some sort of hostage as it is in the same financial services industry. Banks were planning not to transact with its banking unit Steward Bank on the RTGS platform. Steward Bank's application to join Zim Switch, which is majority owned by the banks in Zimbabwe that hold varied shareholdings, was last year accepted by the board initially but it was stopped by the bankers who felt parent company Econet was not being fair over its platform.

In a letter seen by The Herald Business, Steward Bank chief executive Kwanele Ngwenya wrote to the Bankers Association of Zimbabwe president Mr. George Guvamatanga advising that the bank has been connected to the instant payment interchange technology, Zim Switch. Econet has all along been brushing aside bankers' requests for a revision of its one-sided agreement that is tilted its favour. Econet were insisting that there will be no wholesale revision of the agreement but the telephony services company said "it is willing to talk to individual banks". The banks, however, referred the issue to the Reserve Bank of Zimbabwe. Detailed communication to the most senior office of the RBZ was dispatched to sensitise them on the intransigence of the mobile network operator in question. However, following a directive

issued by the RBZ on national payments systems last week which practically outlawed exclusivity agreements for mobile banking agents, analysts in the banking sector feel the move by the central bank was a sign that more action will be taken against Econet and a further directive may be coming. Econet's strong stance against giving access to its USSD platform on reasonable terms was seen by banks as militating against efforts to drive financial inclusion in the country.*(Herald)*

Art Holdings turnover in the four months to January was down 7 percent over the comparable year ago period in tandem with the "not so great" trading conditions. Chief executive Mr. Richard Zirobwa told the annual general meeting on Friday that the current liquidity constraints in the economy are forecast to persist for the remainder of the year. The group is budgeting turnover of US$37 million for the full year but will make a loss at half year and break even at the end of the year. He said as a result of the volume decline, operating profit was lower than last year. "We do however expect to recover in the second half. We are looking at a business which will build up stock going forward" Mr. Zirobwa said in the four-month period, volumes were down across all strategic business units save for pens, which registered a 6 percent increase in sales volumes and a growth in capacity utilisation to 95 percent. Tissue manufacture sales volumes were down 13 percent leaving capacity at 50 percent. Tissue converted was down 3 percent at 37 percent capacity. Batteries were 16 percent lower with capacity utilisation at 45 percent, Battery Express dropped 18 percent and Chloride Zambia volumes were down 8 percent.

Mr. Zirobwa said margins were down to 29 percent from 31 percent but this was in line with budgets as the group had anticipated a knock as competition within the industry is stiff. Cashflows within the group were marginally positive while debt had remained constant since September 2013 at US$8,137 million from US$8,103 million. The average cost of the debt was at 18 percent against 20 percent at the last full year. Gearing was now at 78 percent from 71 percent. Mr. Zirobwa said it was prudent to look at debtors book, trying to manage the credit risk. He said the group was not in panic but recovery will be based upon recapitalisation. Funding initiatives had been put in place and technology partners had been identified. In an announcement to shareholders on Friday, Art said Taesung Chemical Company, had availed an US$18 million facility. About US$3 million of that amount would go towards working capital while US$15 million would be used for capital expenditure.

Mr. Zirobwa said the money would not be drawn all at once. "Just to deal with inefficiencies at the factory, we will require US$900 000, this will see a reduction in production costs and in turn our selling costs to match regional competitors who are currently an odd US$7 below us." He added: "We must be able to produce competitive batteries." On the Pens, Mr. Zirobwa said they require in total US$900 000 but only US$500 000 will automate the production process, eliminating 70 people who operate the line but reducing the cost of the pen to US4c from US6c. The Paper and Tissue business required US$5,4 million in the next two years. Mr. Zirobwa said in the short term the group requires US$500 000 to improve the quality of the waste paper. However to improve the scale of operations the group would need additional capital for a 30 tonne mill. The group uses a 15 tonne mill currently. Plans were being made to covert US$4 million short term to long term debt while the group was also working on a US$3 million working capital facility. He said overall, uplift in numbers is expected in 2015 going forward.*(Herald)*

Olivine Industries Limited requires about US$32 million to increase capacity and retool its plant, a company official said. The fast foods consumer goods manufacturer's production capacity plunged by 82 percent from about 202 330 tonnes in 2001 to the current output level of around 35 095 tonnes. Olivine, a subsidiary of the Industrial Development Corporation, is struggling to raise working capital and to attract investors who would inject fresh funding. Olivine Industries managing director Mr Jonasi Mushangari said yesterday the company has rolled out initiatives to make sure it returns to viability. "Internal initiatives have been structured to raise US$32 million required as working capital for the company," he said. Mr Mushangari said of that amount, about US$4 million is required for retooling the manufacturing plant to increase volumes. He said the management is looking at measures to ensure profitability and this includes influencing policies to create a balanced market for both imported and locally produced products. Mr Mushangari said Olivine is negotiating with investors willing to inject capital into the company on a partnership basis. "We are seeking investors and it is one of our internal initiatives. The company has engaged

advisors to run an investment portfolio for Olivine and the process is already underway," he said. "The issue of imports has been another challenge to our operations, the country has been turned into a dumping ground for genetically modified products," Mr Mushangari said. He said the slump in production was due to lack of working capital and the liquidity crisis that is affecting the economy.

Mr Mushangari said the company is currently operating at 30 percent production capacity and they are focusing on increasing volumes to meet the demand of the local market. Olivine's biggest challenge is the lack of competitiveness due to use of outdated and uncompetitive plant equipment. The majority of investors Olivine engaged believe the company requires new equipment and cost may be prohibitive and would not be justified by the resultant returns. Its borrowings and payables are in excess of US$34 million against current assets of US$21 million, US$17,2 million being inventory. It has recorded a cumulative loss after tax of US$20 million since dollarisation and capital would first retire outstanding debts to return the balance sheet to healthy position. It has also become difficult for Olivine to compete fairly against imported products from South Africa, given that the imports are manufactured using genetically modified inputs. Olivine has since suspended the production of some of its products such as Panol cooking oil and other margarine brands due to a shortage of crude oil used in production of the products. However, the company has contracted soya bean farmers across the country in an effort to expand its raw material base. *(Herald)*

AFRICAN SUN has entered into a sale agreement for Dawn Properties' linked units with Lengrah Investments, a related party. This will result in the hotel group disposing of 406 466 976 Dawn Properties' linked units, constituting 16,54 percent of the total issued linked units of Dawn Properties, to Lengrah Investments for a cash consideration of US$5,97 million subject to African Sun shareholders' approval at an extra-ordinary general meeting to be held on March 21, 2014. The group expects proceeds from the disposal to be applied towards the reduction of short term debt. Finance costs will be reduced by US$986 711 per annum going forward in addition to the US$740 000 saving in finance costs per annum from the first disposal of 12 percent of the issued linked units in Dawn Properties. The first disposal had an incremental impact on earnings per share of US$0,066 and the second will have an incremental impact on EPS of US$0,087. A cumulative reduction of the group's short term debt of 70,27 percent (from US$14,22 million to US$4,22 million) as at September 30 2013. Total debt will be reduced by 44,79 percent from (US$22,32 million to US$12,32 million). The group says gearing will reduce to 34 percent from 53 percent. "This second disposal will result in a loss on disposal of US$92 881 in the statement of comprehensive income for the six months ending 31 March 2014. "Nonetheless, it is the group's view that the benefits that will accrue from the disposal of the linked units will outweigh the impairment charge suffered by African Sun." Last week African Sun issued a retraction after they published a notice which had not been approved by the Zimbabwe Stock Exchange. "This week the transaction has been approved and hence the EGM."

African Sun, which went through a difficult period as relations deteriorated with its landlord, Dawn Properties, last year, seems to have turned a corner, helped by the restoration of cordial relations between the two parties and an improved operating environment which was topped by the hosting of the United Nations World Tourism Organisation General Assembly in August 2013 in Victoria Falls. Revenue for the 2013 financial year was up 3,4 percent to US$56,3 million despite a drop in occupancy from 52 percent to 49 percent. The drop in occupancies was largely due to the refurbishment in various properties and the decreased occupancies were mitigated by an increase in the gross margin from 71 percent in 2012 to 73 percent during the year. *(Herald)*

CABS says it will lend $100 million in mortgaging financing this year and has doubled the repayment period in a boost for the property sector. Responding to questions from NewsDay, CABS managing director Kevin Terry said the bank recently increased the tenure of the mortgage financing to 20 years from the 10 years that they have been offering since 2009, becoming the first bank to achieve such feat. "The amount of loans that will be disbursed to customers this year will be demand and deposit-driven. We will continue to seek credit lines through deposit mobilisation and support from our shareholder. We expect to lend around $100 million this year," Terry said. "The CABS mortgage tenure has been increased as a measure to try and ease the pressure of repayment to make our mortgage product more affordable. A reduction in the mortgage tenure will mean there will be a reduction in monthly installment." Terry said the bank required 25% of deposits for mortgage. Terry said non-performing loans (NPLs) were high in the market, but was slower in mortgages which "is generally considered more important by a borrower so it's given priority to other loans." The CABS boss said 500 houses would be ready for allocation

and application processes would be commencing shortly at its housing project in Budiriro. The project was launched last year and will result in the construction of 3 102 low cost houses over a five- year period. He said the building society will continue to look for lines of credit this year from financiers.

Banks are warming up to mortgage financing to get incentives from Treasury. In his 2014 national budget, Finance and Economic Development minister Patrick Chinamasa urged financial institutions to avail mortgages in line with the economic blueprint, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation. "I shall be gazetting the necessary instrument to extend the tax exemption on mortgage finance to all financial institutions that are providing mortgage finance," Chinamasa said. Zimbabwe has a housing backlog of 1,5 million people, a third of which are in Harare. According to statistics from the real investment sector, a total of $65 million was recorded for 1 127 mortgage loan applications as of October 2013. Most financial institutions in this country are offering loans that have tenure of 10 years although they face problems of defaults. In January this year 35 properties were auctioned by financial institutions to recover money owed. *(News Day)*

Mwana Africa says it has achieved major milestones in terms of operations and the financial performance of its Zimbabwe subsidiaries and this is reflecting in the group's share price. The London Alternative Investment Market-listed multi-commodity conglomerate has two major operations in Zimbabwe namely Bindura Nickel Corporation and Freda Rebecca. Mwana's share is currently trading around 1,45 pence and reached a 52-week high of 5,63p and low of 1,10p during the same period. Mwana believes the northward trend is due to the turnaround success it has achieved in the past year. "Operationally, in respect of both Freda Rebecca and BNC, we have turned major corners and this has started to reflect in share price recovery, certainly off a low base," Mwana said. "There are very few junior companies with two productive mines (BNC and Freda Rebecca) and a very successful exploration program in extremely complicated jurisdiction," Mwana said. "We believe the market will come to realise this. A stable base from which to drive strategy implementation "from the front" is now the priority, and the board fully recognises this". BNC, Mwana's Zimbabwe Stock Exchange listed nickel extractor, which also owns Africa's only integrated smelter and refinery was put under care and maintenance at the height of the economic crisis in 2008, is strongly back on its feet. Mwana's Freda Rebecca, having restarted operations in 2009, produced 65 350oz of gold in the 12 months to March 2013. Freda Rebecca produced 32 252oz of gold in the six months to September 2013 (September 30, 2012, 36 335oz). Mwana Africa Plc (Mwana) is a pan-African, multi-commodity mining and development company. Mwana's principal operations and exploration activities cover gold, nickel, copper and diamonds in Zimbabwe, Democratic Republic of Congo (DRC) and South Africa.

The restart of operations at the Trojan Nickel Mine owned by Mwana's Zimbabwe subsidiary BNC, follows four years during which all of the BNC assets were on care and maintenance. In September 2012, Bindura Nickel Corporation carried out a restructuring and recapitalisation involving US$23 million being invested into BNC which has allowed it to restart the Trojan with the First sale of concentrate to global commodity trader, Glencore taking place in April 2013. In February 2013, Mwana announced that gold resource at its Zani-Kodo project in the DRC increased to 2,6 million oz, tests carried out on samples from the Kodo main ore body found the ore to be non-refractory and showed higher than 90 percent gold extraction across all the recovery methods tested. In February 2013, Mwana signed a joint venture agreement with Zhejiang Hailiang Limited to jointly explore some of its copper licence areas in the Katanga Province of the DRC. Mwana said as at September 2013, eight targets had been delineated at Lunsano. Reverse Circulation drilling has started at Lunsano. Other targets were delineated at Kitemena East, Kawesitu North, Lutobwe, Kifita, and Lukosombi.

A joint venture agreement was signed with Greenhurst Mining and Exploration to retreat fine residue tailings at the Klipspringer (SA) diamond mine on a profit share basis. Site preparation, construction of the processing plant and erection on site was completed by the end of the interim period. Mwana said the departure of Mr. Mark Wellesley-Wood as non-executive chairman, resulted from a difference of opinion between him and the board regarding Mwana's leadership direction, structure and roles in the company going forward. "You will recall that Mark's mining and corporate finance experiences were a major draw-card in inviting him to the post of non-executive chairman, and the board is grateful to him, during his tenure, for his generous contributions in these areas, and indeed for his characteristic independence. "In our search for a permanent successor as chairman, we will seek to identify candidates with similar qualities of mining and

finance experience, given the group's focus on improving operating and financial performance through implementing agreed strategies and plans already in place".*(Herald)*

NICOZ Diamond has invested US$1,2 million as start-up capital in Mozambique and anticipates to realise good fortunes by the end of the year. Managing director Mrs. Grace Muradzikwa said the group had expanded its insurance business to Mozambique where they expect growth. The company invested start-up capital of about US$1,2 million through different partners among them BancAbc. "Gross Domestic Product in Mozambique has been constant in the 8 percent region and all the fundamentals are right for the market. The environment looks conducive for us," said Ms Muradzikwa. Steady growth witnessed in the economy since dollarisation has enabled the company to explore the export market. Nicoz has expressed interest in acquiring stake in First Insurance Company of Uganda while it also has other investments within the region. Meanwhile, the group has started developing some cluster houses in Hatfield, Harare as the short-term insurer expands beyond its core business to boost profits. The project will cost US$4 million and is expected to be completed by the end of this year. Nicoz Diamond has set the indicative price for its 58 housing units at US$110 000 per unit. Mrs. Muradzikwa yesterday said the US$110 000 per unit "indicative" price was based on tenders awarded to the projects contractors. "About US$2 million profit is expected once the project is complete," Mrs. Muradzikwa said at a ground-breaking ceremony at the site also known as "Diamond Villas." She said Nicoz has "engaged some financial institutions involved in mortgage finance" to provide loans to potential home seekers.

Nicoz will also provide cover for the home owners. The investment is part of the company's efforts to create more value on the assets already on disposal. Nicoz Diamond purchased 60 000 square metres of barren land about five years ago and now they wish to dispose it as a developed asset. Mrs. Muradzikwa said stability in the economy continues to create an enabling environment for the company to invest more in infrastructure development. "We have secured enough funds for the project and completion is scheduled for next year. The operating environment continues to be favorable to our operations. This is just the beginning; more projects are still in the pipeline." Zimbabwe's insurance industry nearly collapsed at the height of hyperinflation around 2008 which wiped insurance companies' capacity to settle claims while corporate and individual policyholders were forced to review their positions following the liquidity challenges to prioritise their immediate concerns at the expense of insurance cover. Despite liquidity constrains biting many insurance firms adversely affecting their cash flows, Nicoz Diamond has continued to flex its investment muscle in the sector and is one of the leading insurers in terms of assets and market share.*(Herald)*

Lafarge Cement expects full year revenue to improve by 10 percent from the US$67,6 million reported last year. According to the group, last year was characterised by liquidity constraints and high costs of borrowing which had an adverse impact on business activities. The same trend had continued this year with overall cement demand for the first two months 1 percent ahead of the same period last year. The construction sector's contribution to revenue increased 1 percent from last year to close at 9 percent. The market still remains predominately retail at 76 percent. Finance director Mr. Farai Matanhire said domestic sales volume for the first two months of the year declined 12 percent compared to the same period last year. This was due to delayed start ups by some construction companies following the construction sector's annual shut-down and the excessive rains. "Although the economy is likely to continue facing severe liquidity constraints, the construction sector is expected to register some growth arising from specific funded construction projects." Mr. Matanhire said sales revenue to date is adverse to the same period last year due to low export sales volume. "However, the company will more than offset the loss in export sales volumes through increased local sales volume during the year." In the two month period, profit margins at 9 percent are in line with 2013 performance.

Margins are expected to improve following the successful completion of the annual kiln shut-aims down that is currently in progress. Revenue from non-cement products is 9 percent ahead of the same period last year. US$7 million will be spent on capital expenditure during the year. This is expected to improve plant efficiencies. Last year, the company spent US$10,7 million in 2013 on Capex projects with US$6,9 million going towards mines development. Mr. Matanhire said cash generation is also expected to improve in line with improved operating margins and working capital management. In the year to December, the company reported a 3,3 percent decline in turnover to US$67,7 mln while operating income dropped to US$68 million from US$5,6 million due to community donations in line with the group's indigenisation

plans. The pre-tax margin declined 1,6 percentage points to 7,6 percent. Earnings per share was down to US$0,04 from US$0,06 in 2012. *(Herald)*

INNSCOR Africa Limited says its bakery operations recorded a 10% decline in sales in the six months ended December 31, 2013 due to low disposable incomes and depressed economic activities. In a statement yesterday, Innscor Africa chairman David Morgan said the group experienced a challenging six months due to depressed economic activity and poor control of overheads in certain core businesses. "As a result of current market conditions, (confectionary) production in Harare will now be consolidated at the Graniteside facility which houses four most recent lines, the remaining site in Harare will be moved onto care and maintenance programme until such time as demand improves," he said. Morgan said the bakery and fastfoods operations were undergoing review of their overhead base so that profit efficiencies are restored. He said fastfoods operations profitability and customer counts were similar to the same period last year but profitability was affected by lower margins and increased overhead costs. Innscor posted an increase in profit of $27 million in the six months to December 31 due to an increase in revenue during the period under review. The group's profit was up from $26 million over the same period last year. Morgan said the group recorded $525 million revenue during the half-year period compared to $338 million over the same period last year. The holding's company subsidiary, National Foods output increased by 7% to 257 000 metric tonnes during the period under review although margins remained under pressure.
National Foods profitability was slightly reduced to $6,8million from $7,6 million in the six months period. Colcom recorded a 17% increase in volumes although pork operations volumes were down by 33% due to the rationalisation of product lines. TV Sales and Home recorded a 14% growth compared to the same period last year due to additional stores. The company declared an interim dividend of 0,60cents. *(News Day)*

Economic News

Turkish investors will soon pour in millions of dollars through investments into key sectors of the economy as they seize opportunities under the Zimbabwe Agenda for Sustainable Socio-Economic Transformation. Speaking in an interview here yesterday, Turkish Confederation of Industries (Tuskon) representative in Zimbabwe Mr. Yuksel Bayrak said investors from his country were keen to partner Zimbabweans in agriculture, mining, construction, textile and clothing and tourism. "The interest on Zimbabwe by our businessmen is amazing," he said. "So many firms from here are working on establishing businesses in Zimbabwe. We are talking about huge amounts of money which they are ready to bring into the Zimbabwean economy." Discussions were already underway on modalities to do business in Zimbabwe, with Government officials expected to visit Turkey soon. Turkey, a previously timid investor, has over the past decade become aggressive, with businesses from that country exploring opportunities in other parts of the globe, particularly in Africa. At least 40 percent of Tuskon's trade and investment missions are headed for Africa, with Zimbabwe emerging a strong contender for Turkish investment given political stability and opportunities under the Zim Asset framework. The peaceful July 2013 harmonised elections, that ushered in a new Zanu-PF Government has enhanced confidence in the country, particularly from countries that are not too entrenched in Zimbabwean politics, but were keen on opportunities that give them a good return on investment.

Under Zim Asset, the economy is expected to grow by an average of 7,2 percent over the next few years, driven by exploitation of minerals and other natural resources and foreign direct investment. "Some of the companies, especially in agriculture, would like to bring in equipment, creating facilities where Zimbabwean firms can access machinery and pay for it after a grace period," said Mr. Bayrak. "Much more is in the pipeline as Turkey and Zimbabwe strengthen economic ties." President Mugabe has repeatedly encouraged investors to come into the country through joint ventures with locals on a 51-49 share ownership, with exceptions where the Government deems it necessary. In such instances, timeframes by which compliance with the rule should have been attained are also agreed upon, contrary to fears that the indigenisation programme is meant to scare investors. With a Gross Domestic Product of US$800 billion, the Turkish economy is the 16th biggest in the world and boasts of the world's second largest construction export industry. Statistics show that in 2012, Turkey's

construction sector conducted business worth US$26,1 billion abroad, while building material exports registered US$20 billion the previous year. The country ranks 8th in the world in terms of cotton production and is the 4th in world cotton consumption. These statistics augur well for the Zimbabwean economy which requires foreign direct investment to augment local initiatives as it implements Zim Asset.*(Herald)*

Zimbabwe and India have signed a Memorandum of Understanding to promote technology transfer in the local SMEs sector. The MoU is also meant to strengthen bilateral co-operation in technological projects that enhance employment creation. Speaking at the signing ceremony in Harare on Monday, SMEs and Co-operative Development Minister Sithembiso Nyoni said, "We are pleased to enter into partnership with global friends such as India, who have taken the lead in the area of information technology as we seek to achieve our goal of building a skill-based society upon which modern economies are anchored. "This MoU shall be instrumental in fulfilling our shared objectives with National Small Industries Corporation through the establishment of an India-Africa Incubation or Vocational Centre consisting of 27 projects set to promote technological transfer to enhance employment creation." Minister Nyoni said the MoU dovetailed with the recently launched economic blueprint, Zim Asset, which is concerned with sustainable development. "We are grateful that the project will go a long way in championing value addition and beneficiation of local resources which the country is abundantly endowed with," she said. The 27 agreed projects will include manufacture of nails, tomato canning and honey processing. The projects will be co-ordinated by the ministry through the India-Africa Incubation Centre, which is the first regional facility established by the Indian government in Southern Africa to provide institutional support to SMEs. (*Herald)*

Several banks in Zimbabwe have started opening accounts for transacting in the Japanese yen, Chinese yuan, Australian dollar and Indian rupee following the expansion of the foreign currency regime by the Reserve Bank of Zimbabwe (RBZ). In January the RBZ added the Indian Rupee, Australian Dollar, Chinese Yuan, and Japanese Yen. The country was already using the Botswana Pula, British Sterling Pound, Euro, South African Rand and United States Dollar. FBC Holdings group chief executive Mr. John Mushayavanhu is quoted saying "We have already started. If anyone wants to transact in the Chinese yuan, Japanese yen or Australian dollar, we are ready for them." Mushayavanhu said although the transactions in the additional currencies were still low as the transacting public was still used to doing business especially in the US dollar, signs were that business would pick with time. Zimbabwe abandoned the use of its own currency in 2009 after world record inflation levels precipitated an economic collapse under the Zanu PF government. It was a coalition government in 2009 that introduced the multi-currency system that brought stability.*(Nehanda Radio)*

ZIMBABWE should diversify its export basket and avoid primarily relying on the mining sector to drive economic growth in the short to medium term, a study commissioned by the World Bank has shown. A report presented at a World Bank seminar on Wednesday showed that while mining has overtaken agriculture as the key economic driver since 2009, accounting for over 50 percent of total exports, the capital intensive sector unlike agriculture does not create many jobs. "Relying principally on mining as a source of growth is likely to mute the poverty-reducing effects of growth without offsetting measures," read the report titled "Trade in Zimbabwe: Changing incentives to enhance competitiveness." The report said that Zimbabwe's tourism earnings were higher than Tanzania's throughout the 1980s and early 1990s, but by 2011 they had fallen to 10 percent. Services exports, the World Bank said were a logical source of new growth and diversification for landlocked Zimbabwe. "The country has a relatively well educated and English-speaking labour force and numerous tourist attractions, and services are a rapidly growing segment of the global market. However, while other countries in the region have harnessed services export to their growth, services have largely stagnated in Zimbabwe," it read.

Lack of long term capital to retool has made the manufacturing sector–which at peak in the 1990s contributed a fifth of the gross domestic product– become less competitive on the global market. Speaking at the same seminar, World Bank country director for the International Growth Centre, Richard Newfarmer said the country requires tariff reforms to improve competitiveness. He said lack of clarity on the indigenisation and empowerment regulations compelling foreign firms to sell 51 percent stakes to locals is discouraging foreign direct investments. "The country remains dependent on a few commodity exports – and has seen an erosion of technological sophistication and labour intensity – exposing Zimbabwe to trade shocks and slow job creation," Newfarmer said. "The underlying reasons for this can be found in Zimbabwe's policy framework – in investment climate, tariffs, ownership policies, transport, and services. Better policies can reverse

these export trends," he said. Responding to questions on indigenisation and empowerment regulations, Industry and Commerce director, Stanslous Mangoma said government was ready to lower the empowerment thresholds on a case by case basis. *(New Zimbabwe)*

Zimbabwe is holding gold coins valued at $501,390 as its only reserves, enough to buy only 1,400 tonnes of maize, the finance minister said on Wednesday, highlighting the parlous state of the country's finances. The economy of the southern African country, which has slowed to 4-6 percent growth after four years of near-double digit growth, is the biggest challenge to veteran President Robert Mugabe, who was re-elected last July in elections disputed by the opposition. "The (central) bank does not hold any gold reserves except for gold coins, which were valued at $501,390 as at the end of January 2014," Chinamasa said. Zimbabwe produced 13 tonnes of gold last year, well below the all-time record of 29 tonnes in 1998. The cash-strapped and impoverished country plans to spend 70 percent of its $4.1 billion budget on paying salaries this year. Shunned by traditional Western donors, the International Monetary Fund and World Bank over outstanding arrears and lack of foreign investment, Zimbabwe is struggling to grow the economy with its own meagre resources. *(Reuters)*

THE European Union (EU) yesterday launched four agriculture projects at an estimated cost of $28 million to assist smallholder farmers to improve food security. Speaking at the launch, EU ambassador Aldo Dell'Ariccia said implementing partners contributed an average 10% of their own resources on top. He said the projects were aimed at supporting irrigation, livestock, food security and nutrition. "All these interventions align closely to government's priorities and policies," he said. "Before contracting we have had many discussions with staff from the Ministry of Agriculture, Mechanisation and Irrigation Development in order to ensure that priorities are shared and aligned." Netherland Development Organisation will implement $5,5 million on integrated food, nutrition and income security for Binga and Hwange, while $5,5 million will be used by Welthungerhilfe for sustainable intensification of market-based agriculture projects in Gokwe South District. Dell'Ariccia added that the EU would resume full co-operation with Zimbabwe in November. Speaking at the same function, Agriculture minister Joseph Made said lack of collateral security remained a major challenge in the sector. Official statistics show that the sector requires $2 billion to produce competitively. Made said the support would help communities. The EU has delisted most people on its targeted sanctions list, but retained President Robert Mugabe and his wife Grace. *(News Day)*

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