SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	14-Jun-13	21-Jun-13	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	8,621.60	8,648.00	0.31%	11.51%	15.15%	16.70%
Egypt	CASE 30	4,651.76	4,603.86	-1.03%	14.07%	-15.72%	-15.68%
Ghana	GSE Comp Index	1,165.84	1,172.39	0.56%	3.11%	-2.28%	-4.09%
Ivory Coast	BRVM Composite	211.37	209.01	-1.12%	-8.51%	25.47%	16.89%
Kenya	NSE 20	4806.52	4706.80	-2.07%	-0.10%	13.88%	18.13%
Malawi	Malawi All Share	6,807.30	6,902.60	1.40%	20.99%	14.75%	37.62%
Mauritius	SEMDEX	1,926.17	1,931.55	0.28%	-2.41%	11.52%	11.70%
	SEM 7	377.73	378.57	0.22%	-2.47%	12.24%	12.43%
Namibia	Overall Index	897.28	873.16	-2.69%	16.46%	-11.47%	-8.76%
Nigeria	Nigeria All Share	37,249.90	36,494.39	-2.03%	-0.92%	29.97%	29.81%
Swaziland	All Share	289.42	289.42	0.00%	20.50%	1.31%	4.72%
Tanzania	DSEI	1,563.48	1,569.71	0.40%	3.83%	5.66%	7.71%
Tunisia	TunIndex	4,604.20	4,614.80	0.23%	0.38%	0.76%	-3.11%
Zambia	LUSE All Share	4,454.92	4,540.93	1.93%	11.89%	21.90%	29.38%
Zimbabwe	Industrial Index	219.59	217.66	-0.88%	-0.88%	42.82%	42.82%
	Mining Index	74.36	71.45	-3.91%	-3.91%	9.72%	9.72%

CURRENCIES

Currency	14-Jun-13 Close	21-Jun-13 Close	WTD % Change	YTD % Change
BWP	8.39	8.52	1.46	11.29
EGP	6.97	6.98	0.13	15.36
GHS	1.87	2.00	0.75	5.26
CFA	491.93	494.95	0.61	- 0.08
KES	84.19	84.22	0.04	- 1.61
MWK	319.36	320.38	0.32	- 0.19
MUR	29.68	29.77	0.29	- 2.56
NAD	9.84	9.92	0.81	17.07
NGN	158.07	159.68	1.02	2.29
SZL	9.86	159.68	0.79	17.51
TZS	1,597.85	1,610.64	0.80	2.26
TND	1.61	1.63	0.77	4.96
ZMW	5.36	5.45	1.66	5.13

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's consumer inflation slowed to 6.1 percent year-on-year in May from 7.2 percent in April, the statistics agency said on Monday. On a month-on-month basis, consumer inflation eased to 0.3 percent, from 0.6 percent in April, Statistics Botswana said in a statement. *(Reuters)*

Botswana's central bank cut its lending rate by 50 basis points to 8.5 percent on Tuesday, reducing rates for the second time this year as it tries to stimulate slowing economic growth. "The current state of the economy, which is characterised by output growing below potential and high unemployment, provides an opportunity for non-inflationary stimulus to the economy," the Bank of Botswana said in a statement on Tuesday. *(Reuters)*

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TRADING

Egypt

Corporate News

Egypt's biggest steel producer Ezz Steel, will resume construction of its new steel plant in Suez's Ain Sokhna with total investments worth some LE3.7 billion (roughly $0.53 billion) after reaching a loan deal amounting to LE2.8 billion (roughly $0.40 billion) from local banks, the firm stated Wednesday. National Bank of Egypt and Bank Misr are among the lenders that will be repaid over six years of quarterly installments starting 2015, the statement added. It is expected that the factory will start production operations by end of 2014. Ezz Steel — among the leading steel producers in the Middle East and North Africa (MENA) region, with an annual capacity of 5.8 million tons — said its 2012 net profit fell by more than half from the previous year to LE250.4 million ($35.7 million).

Economic News

Egyptian opposition activists said on Thursday that they had reached their target of 15 million signatures in a high-profile petition campaign calling for the ouster of President Mohammed Morsi. The website of the Tamarod, or Rebellion, campaign quoted spokesperson Mahmoud Badr as announcing the figure officially ahead of a planned 30 June sit-in at the presidential palace to call for immediate presidential elections. The group aimed to beat the 13.2 million votes that brought Morsi of the powerful Muslim Brotherhood to victory in last June's presidential election. Egypt is increasingly tense ahead of the planned June 30 demonstrations, which the country's main opposition forces have pledged to join. The Muslim Brotherhood and hardline Islamist allies have called a major demonstration for Friday in support of the president, vowing that he will see out his four year term. *(SAPA)*

Ghana

Corporate News

Dubai private equity group Abraaj said on Wednesday it will acquire African dairy firm Fan Milk International, tapping into fast rising consumer spending in six west African countries. Abraaj, which has $2.2 billion invested in Africa, did not give a value for the transaction. Fan Milk's operations include Nigeria, Ivory Coast and Ghana, where it owns a 56.6 percent stake in listed unit Fan Milk Ltd, which has a market value of $337 million, according to Thomson Reuters data. Private firms are increasingly looking to Africa for deals, drawn by rising middle classes and growing consumer spending. Abraaj, founded in 2002 by Group Chief Executive Arif Naqvi, has about $7.5 billion in assets. The firm acquired UK-based specialist fund manager Aureos Capital last year, to beef up its emerging market presence, especially in Africa. Fan Milk, which was originally set up by a Danish family in the 1950s, also has operations in Togo, Burkina Faso and Benin. At 1330 GMT, Fan Milk's shares were unchanged on the Ghana Stock Exchange at 5.70 cedis. *(Reuters)*

Economic News

The International Monetary Fund said on Tuesday it saw strong growth potential in Ghana if macroeconomic vulnerabilities are addressed and urged the country to take decisive action to rebuild fiscal and external buffers and reduce public debt. "Directors underscored the need for decisive action to rebuild fiscal and external buffers and reduce public debt, and in particular, stressed the importance of regaining control over the public wage bill," the IMF said in a public information notice. The Fund also recommended Ghana introduce higher minimum capital buffers to contain vulnerabilities in its banking system. Ghana, considered one of Africa's economic stars, saw GDP growth of 8 percent in 2012 but its fiscal deficit grew unexpectedly to 12.1 percent, nearly double the government's target. The West African state is the world's number two cocoa producer and Africa's second biggest gold miner. It also began producing oil in 2010. *(Reuters)*

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Kenya

Corporate News

Tetra Pak Kenya is targeting 30 million Kenyans with low cost packaging materials for consumer goods in the dairy and juice processing sectors. The packaging materials' manufacturer said the high cost of packaging materials has made it difficult to capture the low income segment of the milk and juice consuming market. This segment, the firm said, consume raw instead of packaged products. Addressing players in the dairy and juice sector at a conference in Nairobi, Tetra Pak Eastern Africa managing director Marcelo Queiroz said there is a growing demand for packaged affordable and convenient dairy and juice products by the low income earners, who cannot afford the products. "We are targeting 100 million people in East Africa including South Sudan. In Kenya alone, we are targeting 30 million," Mr Queiroz said on the sidelines of the conference. He said the rapid growth in emerging markets over the past decade continues to put consumer goods within the reach of millions of low-income households in East Africa .This huge consumer base, has, however, not been fully exploited, largely by the dairy and soft drinks industry despite the great opportunity it poses. New KCC chairman Matu Wamae said this is an important segment that should be targeted with appropriate packaging they can afford. "This is a very big market. They are consuming hawked milk because it is cheaper," he said. *(Daily Nation)*

Economic News

The Kenyan shilling traded little changed on Tuesday but looked vulnerable to pressure from foreign investors selling local stocks and demand for dollars from importers. By 0723 GMT, commercial banks quoted the shilling at 85.75/85 per dollar per dollar, barely changed from Monday's close of 85.65/85. "The shilling is weakening following the sell-off on the stock market. There are signs of importers coming in to buy dollars," said Sheikh Mehran, a senior trader at Kenya Commercial Bank. The shilling has fallen 1 percent since June 6 as foreign investors took profits from a 20 percent rally in stocks this year. The currency is still up 0.7 percent against the dollar so far in 2013. Kenya's finance minister said on Thursday that East Africa's largest economy planned to reintroduce a tax on capital gains, a move analysts say could deter foreign investors and put pressure on the shilling. Traders said the shilling was also tracking weaker emerging markets due to uncertainty surrounding central bank monetary stimulus programs. *(Reuters)*

Although the dust raised by the upcoming financial year's budget speech is yet to settle down, the National Treasury will soon have to buckle down and begin work on the 2014/2015 budget. In line with constitutional provisions that call for greater fiscal transparency, the Public Finance Management (PFM) Act 2012 outlines a budget process that calls for the National Treasury to begin its work at least 10 months before the end of the financial year. "No later than August 30 in each year, the Cabinet Secretary shall issue to all national government entities a circular setting out guidelines on the budget process to be followed," reads the Public Finance Management Act in part. Upon receiving the circular, government agencies are then expected to provide information to the National Treasury on their budgetary requirements within certain deadlines. The PFM Act also makes provisions for public participation in the nearly year-long process that culminates in the approval of the budget by the National Assembly before June 30. After failing to adhere to the letter of the law in terms of the budget process last year, the National Treasury was under pressure this year to meet various constitutional deadlines. The Constitution requires the Cabinet Secretary to submit budget estimates to the National Assembly at least two months before the end of the financial year. However, by April 30, Kenya did not yet have a Finance Cabinet Secretary. The dilemma was narrowly evaded following a ruling by National Assembly Speaker, Mr Justin Muturi, that the President could submit the estimates on behalf of the National Treasury. The budget speech was read in parliament last week. The National Assembly now has until June 30 to iron out contentious issues and to pass the budget as well as the accompanying bills. A timeline of Kenya's new budgetary process. *(Daily Nation)*

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Kenya sought to assuage concerns over a planned review of capital gains tax, saying it was too early to say what asset classes will be targeted in a measure aimed at compelling the rich to fund development. Finance Minister Henry Rotich told lawmakers in his budget speech last week there would be a review of the tax, suspended in the 1980s, to allow the wealthy to make a token contribution to the development of the country. Since the budget there has been speculation that the capital gains tax will affect property and gains on equity investments, but the finance ministry said plans were at an embryonic stage. "We have not even worked out how (the tax) will be implemented, the rates or even which areas will be taxed," Geoffrey Mwau, economic secretary at the Treasury, told reporters on Wednesday, promising consultation on any measures. Shares had dropped to a 14-week low on Tuesday as investors fretted the tax plans might sap the appeal of equities. The shilling currency came under pressure and is still at a 13-week low of 85.65/85 against the dollar, also reflecting concerns of possible damage to the economy. One local investor said the government had to find a balance between raising funds for development projects and supporting economic growth through private investments. "Investors are not criminals. They should be encouraged to invest more and not to have punitive taxes that punish and discourage investments, driving investments from one country to another," Chris Kirubi, who has substantial holdings in real estate and shares, told Reuters. Mwau said the Treasury expects the plan to firm up within the next six months, but rejected concerns that a sales or value added tax (VAT) law to be tabled in parliament this year would sharply increase the price of basic items such as food. The VAT bill will seek to erase distortions in current legislation, following years of piecemeal revisions that led to exemption of goods like rice, milk, bread and wheat. Caviar, rarely found in Kenya, is also exempt. "VAT is not about food alone. There are a lot of products ... for the rich that are exempt at the moment," Mwau said. Plans to issue a debut $1 billion Eurobond to fund a range of infrastructure projects, including a second port at Lamu, were on course, Mwau said. "We plan to (launch the bond) ... in the last quarter of this calendar year. So far is it the $1 billion target for us. As much as we would like to get a bit more, we still have to worry about our external exposure," he said. Kenya faces a large infrastructure deficit, which requires sustained expenditure of almost $4 billion per year over the next decade or about 20 percent of gross domestic product to be able to meet its infrastructure needs, the Treasury says. *(Reuters)*

The top price of Kenya's benchmark coffee grade AA fell to $308 per 50-kg bag at this week's auction from $319 at last week's, the Nairobi Coffee Exchange (NCE) said. The east African nation is a small producer of the commodity but its specialty beans meet high demand from roasters who blend it with coffees from other nations. Some 23,353 bags were offered at auction on Tuesday and 10,368 bags were bought, NCE said, compared to 16,238 bags offered last week and 6,961 bags bought. The coffee sold this week had a total value of $1.7 million with an average price of $133.31 per bag for all the grades, up from an average price per bag of $125.91 last week. Earnings from coffee sold through Kenya's weekly auction fell by more than a third in the first half of the growing season as poor quality beans and low international prices weighed, casting doubt on full-year targets for the crop. *(Reuters)*

U.S. company Camac Energy will invest 3 billion Kenyan shillings to prospect for oil and gas in four blocks in Kenya, it said on Thursday. Commercial quantity oil discoveries in Uganda, promising oil finds in Kenya and gas found off Tanzania and Mozambique have drawn explorers to east Africa, now seen as a potentially major new producing region. Camac's blocks cover an area of about 37,000 square kilometres and two of them, L27 and L28, are located in waters more than 3,000 metres deep in the Lamu Basin of the Indian Ocean. "This is quite significant considering that undertaking oil and gas exploration operations, particularly in deep waters, is very capital intensive," said Kenya's cabinet secretary at a ceremony to open the local offices of Camac. London-listed Tullow Oil is testing the commercial viability of a promising oil find it struck in the far north county of Turkana. Tullow's partner in two blocks in Turkana is the Canadian-listed Africa Oil Corp.

Kenya will undertake only six projects in the first five years under the public-private partnerships out of the 160 projects identified as important to help the country become a middle income state by 2030. The decision, according to the head of public-private partnerships at the Treasury, Mr Stanley Kamau, is informed by logistics involved and lack of adequate fund to undertake all projects. According to World Bank Kenya needs to invest at least Sh178 billion annually to eliminate "a chronic infrastructure deficit that weighs on productivity and competitiveness." "We have agreed with the World Bank on six projects for the first five years," Mr Kamau said. World Bank is expected to co-fund the public part of the projects with the government. The team is currently assessing a shortlist of 16 projects that has been picked as critical to agree on the top six to be undertaken in the next five years. Mr Kamau was speaking on Thursday during a two-day conference hosted by the World Bank and government on financing and managing public-private funded projects. Experts from other countries said their countries were only able to undertake about three to four projects in a span of five years due to the complexity of the process of implementing them. Ghana, for example was able to undertake only five projects of the listed 20 projects that they intended to implement in the period. The project development process takes about three years before implementation commences. "Political will is very important for the PPPs to succeed. When you talk to politicians they are in a hurry and see (some of the processes) as delay. But when you ask them the project situation they will not tell you much," Director of Public Investments in the ministry of finance and planning in Ghana, Ms Magdalene Apenteng. Experts said countries have to make a decision whether they go for value for money or a complex instrument where private sector mitigate risks through grant financing when implementing PPP projects. *(Daily Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

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Mauritius

Corporate News

AfrAsia Bank Ltd., a closely held Mauritian corporate lender, said it's considering expanding inKenya after acquiring a stake in a Zimbabwean financial company last year. "We are actively looking at Kenya as a first priority," AfrAsia's Chief Executive Officer James Benoit, 47, said in an e-mail yesterday. Many "imports and exports from surround countries transit through Kenya" giving the country a key role in the region, he said. Kenya, East Africa's biggest economy, had its growth forecast raised to 5.7 percent for 2013 by the World Bank today from an earlier estimate of 5 percent. That compares with an estimate for growth of 2.4 percent this year for South Africa, the continent's biggest economy, according to the Reserve Bank of South Africa. Operating in Kenya will allow the lender to get into the eastern African market faster with more opportunities for structured finance, according to Benoit. "We are already hiring corporate and private bankers to cover that market and raising specialized investment funds to provide a full range of banking," Benoit said. AfrAsia owns about 40 percent of AfrAsia Kingdom Zimbabwe Ltd, a Harare-based financial group and has operations in South Africa. "We are in our very early days of expansion in Africa," Benoit said in a separate interview in Johannesburg on June 14. "It will take one more year before we see the big results" at Kingdom Bank as new technology is added and employees are trained, he said. Mauritius's GML, the country's biggest company by revenue and assets according to the Top 100 Companies compiled by Business Publications Ltd., is AfrAsia's biggest shareholder with about 39 percent at close of fiscal 2012, data from the lender show. Intrasia Capital Pte Ltd. And France's Proparco hold a combined 23 percent.*(Bloomberg)*

The weighted yield on Mauritius' five-year Treasury bond rose to 4.29 percent at auction on Wednesday from 4.08 percent at a previous sale in April, the central bank said. The bank sold all the 1.2 billion Mauritius rupees worth of bonds on offer. *(Reuters)*

Economic News

No Economic News this week

Nigeria

Corporate News

Union Bank of Nigeria Plc has submitted its results for the first quarter ended March 31, 2013 to the Nigerian Stock Exchange. According to the result sent to NSE, the gross earnings for the group for the first quarter of 2013 totaled N29.8 billion, while gross earnings for the bank stood at N25.4 billion. Profit before tax for the group was N7.7 billion, up 40 per cent from N5.5 billion in first quarter 2012, while the bank recorded profit before tax of N4.6 billion, up 16 per cent from N4 billion in first quarter 2012. Profit after tax for the group was N7.8 billion, up 49 per cent from first quarter 2012. Profit after tax for the bank was N4.8 billion, up 21 per cent from first quarter 2012. Earnings per share for both the group and the bank improved, with the group recording 52 kobo in first quarter 2013 compared to 28 kobo in first quarter 2012, and the bank recording 28 kobo in first quarter 2013 as against 23 kobo in first quarter 2012. Customers' deposits with the bank stood at N483 billion at the end of first quarter 2013, versus N482 billion at the end of 2012. The bank's shareholders' funds at the end of first quarter 2013 stood at N176.8 billion, versus N171.7 billion at the end of 2012. The bank's total assets stood at N851.2 billion while group total assets stood at N997.3 billion. Operating expenses improved for both the group and the bank, with the group recording N16.2 billion in overhead expenses as against N18.4 billion in first quarter 2012, and the bank recording N14 billion compared to N15.6 billion in first quarter 2012. (*Daily Trust)*

Nigeria's Liquefied Natural Gas company (Nigeria LNG) said on Tuesday it had gone to court to seek "judicial clarity" over levies it believes are unlawful, a month after authorities blocked some of its ships from accessing the Bonny terminal. Nigeria LNG said it was now complying with a government directive to pay freight levies to maritime security agency NIMASA, but that it had protested that they did not apply to it under the NLNG Act. The row caused Nigeria LNG's exports to be delayed from May 3 to May 5, when NIMASA blockaded its ships. "Following this blockade incident ... the Federal Government (instructed) ... NLNG to pay the NIMASA levies. NLNG has thus commenced installment payment, under protest ... but without prejudice to its right to seek judicial interpretation in the court of law," spokesman Kudo Eresia-Eke said in a statement. The Nigerian National Petroleum Corporation owns 49 percent of Nigeria LNG with Shell holding 25.6 percent, Total 15 percent and Eni 10.4 percent. Nigeria ships more than 250 cargoes of LNG a year, contributing around 7 percent of global supply and accounting for 4 percent of GDP in Africa's second largest economy, according to NLNG, although it is sometimes disrupted by sabotage of Shell gas pipelines. Buyers of Nigeria's LNG include Spain's Repsol, Italy's Enel, Britain's BG Group France's GDF Suez and Portugal's Galp. "Nigeria LNG... still firmly believe in the rectitude of their earlier position that NLNG is duly protected by the provisions of the NLNG Act against the payment (of the levies)," the statement said. *(Reuters)*

The Nigerian stock market has gained N5.183 trillion one year after Alhaji Aliko Dangote returned as the President of the Nigerian Stock Exchange (NSE). Dangote was elected as the NSE president but stopped by the court. He was, however, re-instated by an appellate court June 15, which led to his resumption on June 19, 2012. Between then and Tuesday the market capitalisation has added N5.183 trillion, growing from N6.712 trillion to N11.895 trillion. Similarly, market capitalisation rose by 76 per cent from 21,028.39 to close at 37,024.72.
Market operators and shareholders, who spoke on the development hailed Dangote leadership strategy, which they said engendered the growth. The Chief Executive Officer of Lambert Trust and Investment Company Limited, Mr. David Adonri, said: "Dangote has successfully restored a firm order to affairs of the NSE within the past one year. The Board room crisis that he inherited from the previous Council has become a thing of the past. The NSE is once more poised to taking its rightful position in the process of capital formation for the Nigerian economy." Also, the Chief Executive Officer of Investment Centre Limited, Mr. Ifeanyi Odunwa, noted: "The market that defiled various corrective policies put in place since the meltdown years suddenly started responding positively on a sustained basis since his return as the NSE president. Dangote personifies investment, hard work, integrity, resilience, humility, the Nigerian can-do spirit, goodwill, transparency, trust and confidence which are necessary ingredients that positively drive a stock market."

In his own assessment, the President of Association for the Advancement of Rights of Nigerian Shareholders, Dr. Faruk Umar said "Dangote's ability to support the election of a first vice president who may likely succeed him, indicates the kind of solid foundation Dangote is laying.

The fact that he is the richest person in Africa and the 25th richest in the world gives international investors the confidence to invest in the Nigerian capital market." In his reaction, the President, Proactive Shareholders Association of Nigeria, Mr. Oderinde Taiwo, said the performance was worth celebrating because while the market capitalisation rose by 77 per cent, there are some other stocks that have recorded higher growth within one year that Dangote assumed office. *(This Day)*

Sterling Bank Plc will from next week, begin to shop for N12.5 billion from existing shareholders via a rights issue. Directors of the bank and other professional parties on Monday signed the deal for the offer to open next week. Sterling Bank is seeking to raise N12.5 billion through a rights issue of about 5.889 billion ordinary shares of 50 kobo each at N2.12 per share. The offer is being made on the basis of three new ordinary shares of 50 kobo each for every eight ordinary shares held as at May 20, 2013. Speaking at the completion board meeting in Lagos, Chairman, Sterling Bank Plc, Alhaji Suleiman Adegunwa, said the new equity funds would be used to finance the bank's growth plan including expansion and modernisation of its branch network and information technology as well as to support the bank's growing retail and corporate banking businesses. "The rights issue will provide our bank with the required funds to execute projects that will enhance the bank's growth and profitability," Adegunwa said. Also speaking, the Managing Director of Managing director, Sterling Bank, Mr. Yemi Adeola, said the rights issue marked the beginning of the bank's capital raising plan, which is meant to put the bank on stronger footing and further position it to compete effectively and deliver better returns to shareholders. He said the board and management of the bank had over the past seven years optimised the initial modest capital of the bank to build a leading mid-tier bank with strong and stable fundamentals. "If with the modest capital that we have, we were able to stabilise the bank, deliver consistently better returns to shareholders and build up to become the a top tier bank, imagine what we would do with more capital. Our shareholders have no reason whatsoever not to be excited in participating in the rights issue. You can't regret it," Adeola said. *(This Day)*

Mobil Oil Nigeria Plc (MON) is one of the two petroleum products marketing firms where foreign investors have controlling interest. The second company is Total Nigeria Plc. However, unlike Total Nigeria, MON has a Nigerian as chairman/managing director. He is Mr. Adetunji Oyebanji. Although this could be said to be a sign of confidence the foreign investors have in the ability of Nigerians to run the firm, the combination of chairman/managing director by one individual is not in consonance with the good corporate governance requirement that stipulates the separation of the two positions. MON was incorporated as a private limited liability company in 1951 and converted to a public limited liability company in 1978. The company got listed on the Nigerian Stock Exchange (NSE) in 1979. MON is a subsidiary of Mobil Oil Corporation of the United States of America, which controls 60 per cent equity stake. The company has over 200 retail outlets spread across the 36 states of Nigeria and owns three plants located in Apapa, Lagos State, that manufacture lubes, petroleum jelly, and insecticide. Apart from Oyebanji, who is the chairman of the board and managing director, other directors include: Alhaji Abba Kyari, Henry Obih, Alastair MacNaughton, John Bell and Mayen Adetiba. MON's performance in recent times has not been stable in terms of turnover and profitability. However, looking at the 2012 results, while turnover increased, profit fell. Specifically, a turnover of N80.8 billion was recorded, up from N62 billion in 2011. But profit declined by 29 per cent. A further look at the results showed that cost of sales outpaced sales growth with 40 per cent increase to N72.59 billion in 2012 as against N51.96 billion in 2011. This lowered gross profit by 19 from N10.14 billion to N8.21 billion. Stable total operating expense moderated the mid-line at N6.68 billion in 2012, compared with N6.52 billion in 2011. Non-core business income increased by 12 per cent from N2.55 billion to N2.85 billion. This was impacted negatively by 80 per cent increase in interest expense from N166 million to N299 million. Thus, profit before tax declined to N4.1 billion as against N6 billion in previous year. After taxes, net profit for the year dwindled to N2.88 billion compared with N4.1 billion in 2011. Basic earnings per share dropped from N13.58 in 2011 to N7.98 in 2012, a dip of 41 per cent. The company retained a dividend per share of N5, the same rate paid for the 2011 business year, but the 20 per cent increase occasioned by bonus issue for 2011 led to an increase in gross dividend from N1.50 billion to N1.80 billion. Meanwhile, net assets per share improved by 22 per cent from N14.97 to N18.28.

Addressing the shareholders last month at the annual general meeting of the company in Lagos, Oyebanji said the tough operating environment affected the company's operations in 2012. According to him, despite this, the company managed to stay afloat, thus increasing the dividend pay-out to shareholders. He said: "In the face of these challenges that affected our financial performance, we maintained our focus on the base business, and continued to lead the industry in safe work practices and operating control. We had zero accidents related to distribution trucking and work-related employee or contractor activities. "Our control environment remained robust with continued strong results in all internal audits and unit internal assessments completed in 2012. Our efforts did not go unnoticed. In November 2012, and for the second year running, the company won the Pearl Award for the best downstream petroleum marketer in Nigeria for 2011. "As we continue to plan for the challenges ahead, the directors recognise the need to constantly focus on shareholder returns that are competitive and of long-term value. We are therefore pleased to declare a dividend of N5 and this represents an increase of 20 per cent over last year and is consistent with our vision of delivering robust returns to our shareholders."

Despite the claim of the chairman of good performance, an analysis of the key underlying profitability and return ratios showed a downward trend. The bottom line performance impacted negatively on its return on equity (ROE) and return on asset (ROA). For instance, ROE and ROA deteriorated to 43.68 per cent and 8.58 per cent in 2012 from over 90 per cent and 13 per cent in 2011. This implied that MON's profitability did not increase in line with its net assets and this further means that the growth in the company's net assets did not translate into improved profitability. The 2012 financial year was the first in four years running company's ROA would come in below 10 per cent
Analysts at Dunn Loren Merrifield, an investment banking firm, said it might take the company's ROA a longer time to revert to double digits if the company does not as a matter of urgency implement strategies to markedly improve its earnings potential. They added that MON's ROE might continue to trend below historical levels if the company does not improve on its operating profitability and efficiency, and if its debt is not put to optimal use. The shares of MON closed at N119 last Friday, second to Total Nigeria Plc at N165. However, when DLM analysts evaluated the shares when there were N114, they said the stock had 7.00 per cent unrealised potential loss given its current market price relative to our estimated price target of N106.03. Given the current price, the 7.00 per cent potential loss has widened further. Based on their estimate, the analysts had placed a SELL recommendation on the stock of MON. Explaining the basis for their valuation and recommendation, they said they employed the average of a mix of valuation methodologies to arrive at our per share target price of N106.03 for MON. According to them, these methodologies could be broadly classified into absolute and relative valuation methodologies.
"For the absolute valuation methodology, we employed the dividend discount model and a 5-year discounted free cash flow model. For the relative valuation methodology, we adopted the price to book, price/earnings and (enterprise value/ earnings before interest, taxes, depreciation and amortisation (EV/EBITDA) relative valuation methodologies."

The analysts said putting these together gives 2012 estimates of days inventory outstanding, average collection period and days payables outstanding of 28 days (2011: 33 days) 25days (2011:.46 days) and 46days (2011: 64days) respectively. These resulted in a cash conversion cycle of seven days for 2012, down from 15 days in 2011. "This means the company spent less time, relative to the previous year, to convert purchases from customers to final cash and meet creditor obligations in-between. This is important because a reasonably short cycle allows a firm to acquire cash which can be used to explore new opportunities. Again, this demonstrates MON's strong operational efficiency. Nonetheless, MON in our view, is cost burdened and its current financial health belies its organic financial and operational potential. Its operating performance is below average due to its dwindling operating profitability. We, however, note that it's operatingefficiency is not inadequate; its efficiency indicators are continually improving and remain among the most competitive in the industry. The analysts explained that the stock, having returned 8.63 year-to-date, has a book value per share of 18.23 which means its market price of N114.00 has a premium of 96 kobo (now N100.77-considering last Friday's closing price of N119 relative to its net assets per share. "The stock has a dividend yield of 4.38 per cent and trades at a current price earnings ratio and price to book value of 13.32x and 5.82x respectively, relative to peer weighted median of 9.71x and 2.71x. These ratios, in our view, constitute a high premium on earnings and net assets which MON's current levels of profitability and financial outlook cannot justify, hence our investment position and recommendation," they said. *(This Day)*

Shell Nigeria said on Thursday it had shut its Trans Niger pipeline (TNP) after an explosion and fire at a crude oil theft point, deferring 150,000 barrels per day. It said in a statement the explosion occurred at a section of the pipeline running through Bodo West, in Ogoniland, an area already heavily polluted by oil spills. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Ecobank Transnational Incorporated (ETI), the parent company of Ecobank Nigeria Limited would not make new acquisition in Nigeria but would rather grow its operations organically, the Chairman of the bank holding company, Mr. Kolapo Lawson, said in Lome, Togo Thursday. ETI had acquired former Oceanic Bank and merged its operations with Ecobank Nigeria Limited, which boosted its market share in Nigeria from outside the top 10 to number six position as at the end 2012 financial year. Industry watchers had expected that, based on the successful impact of the acquisition and need to improve on its position from six, ETI would bid for any of the three bridged banks-Mainstreet Bank Limited, Keystone Bank Limited and Enterprise Bank Limited-that would soon be sold by Asset Management Corporation of Nigeria (AMCON). But speaking to THISDAY on the side line of ETI's Annual General Meeting in Togo, Lawson declared that the firm would not buy new bank in Nigeria. "We are not buying new ones (banks). We can grow what we have. It is very challenging integrating new acquisition. We are growing what we have now. We are not interested in new acquisition now," he said.

Addressing the shareholders earlier, the chairman said revenue rose by 46 per cent from $1.196 billion in 2011 to $1.751 billion in 2012. Profit after tax grew from $207 million to $287 million, while total equity rose by 49 per cent. "On the basis of this performance, we are proposing a dividend payment for 2012 of 40 cents per ordinary share," he said. Going forward, he added, ETI is closely focused on delivering cost efficiencies for the benefit of shareholders and customers, while maintaining high levels of service and innovation. Speaking in the same vein, the Group Chief Executive Officer, ETI, Mr. Thierry Tanoh, said the 2012 results were the strongest in Ecobank's 25 years of operation, assuring stakeholders that the company's strategy would ensure that they build on this success and continue the progress. *(This Day)*

Economic News

Inflation rate has dropped to 9.0 percent year-on-year in May as against 9.1 percent recorded the preceding month, report released by the National Bureau of Statistics (NBS) has said. The report said the year-on-year changes in the Core index for the rest of the year are likely to be muted as a result of substantially higher price levels this time last year. Through the first five months of 2013, the Food Sub-index has averaged 10.0 per cent, 1.8 per cent lower than rates recorded over the same period last year, it said. NBS in its report said the May Consumer price index increased by a faster rate than that recorded in the preceding month as the index increased by 0.67 per cent compared to the 0.5 per cent in April. While the Urban composite CPI was recorded at 144.5 points in May, a 9.4 per cent year-on-year change which was lower than the 9.7 per cent recorded in April. The Rural National CPI also recorded an 8.6 per cent year-on-year change, lower than the 8.9 per cent in April by 0.3 percentage points. The Composite Food Index increased year-on-year by 9.3 per cent to 146.4 points in May, representing 0.7 percentage points lower than the 10.0 per cent recorded in April. The NBS reported that food index increased by 0.5 per cent between April and May, as food prices continue to exhibit increases across all classes in the food sub-index largely due to dwindling supplies in face of a relatively stable demand. It attributed the increases to meats, oils and fats, and potato, yams and other tubers classes whose prices rose the highest in the month under review. *(Daily Trust)*

Nigeria has spent a total of 192.5 billion naira on subsidy payments to 19 fuel importers so far this year, the finance ministry said on Tuesday. Finance Minister Ngozi Okonjo-Iweala is trying to limit the number of firms who import fuel into Africa's most populous nation to cut the waste and corruption involved in the subsidy. The programme soaked up over 1 trillion naira last year, equivalent to 20 percent of the total federal budget and exceeding a planned 888 billion naira. President Goodluck Jonathan attempted to remove the subsidy in January 2012, but was forced by a wave of strikes and protests to partially reinstate it, albeit at a price increased by 50 percent. Economists say the subsidy feeds corruption and prevents much needed investment in oil refining, but it is popular with Nigerians who see it was the only benefit they get from living in an oil-rich state rife with graft. The government has only begun to publish a running tally of how much it has paid out this year, making it difficult to compare the costs of the programme against previous years. The finance ministry said Tuesday's numbers included 135.7 billion naira for subsidy arrears for 2011 and 2012 and 56.8 billion was for 2013 claims. A parliamentary investigation last year found the administration of the subsidy had facilitated billions of dollars of corruption, with around half the fuel that marketers were claiming subsidies on never delivered. Government has since arraigned some fuel marketers suspected of false claims but no government official has been charged. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

A major leap in the ongoing efforts at providing gas as alternative automobile fuel has been taken, as Sagas Energy Company Limited, the pivot of the new technology in Africa, began the conversion of heavy-duty trucks for use of gas as fuel. Of the 5,000 trucks belonging to Dantrans, the haulage arm of the Dangote group which were scheduled for conversion as at the time of this report, about 200 have been successfully converted to the new system for the trucks to be able to run on both gas and diesel (dual fuel usage). The conversion ceremony, held in Lagos and witnessed by top officials of Sagas, Nigeria Gas Company (NGC) and the partnering Prins Autogas West Africa Limited, was in furtherance of the execution of a Memorandum of Understanding (MoU) signed three months ago between Sagas and the NGC. Under the arrangement, the NGC, a subsidiary of the Nigerian National Petroleum Corporation (NNPC) is to exclusively supply Sagas Compressed natural Gas (CNG) for 20 years while Sagas converts PMS and diesel engine vehicles with kits to adapt the engines to the use of gas as obtained elsewhere outside the African continent. Journalists and guests were conducted round the conversion centre at Ikeja by the Chief Operating Officer of Sagas Energy Company Limited, Henry Van Tienen, where the conversion process was going on, with an already converted truck test-driven to the admiration of all present. Tienen explained that the conversion was a novel technology in Africa and that the use of gas either as alternative fuel or a mix blend with diesel has advantages over any other fuel currently in use. He stated that Sagas would source gas from the NGC through its vast network of pipelines and compress it to a cheaper, cleaner and sustainable alternative fuel or dual fuel for profitable business. According to him, with the kick-off of the conversion, Nigerians are in for a new technology that would help in conserving fuel, deploy the abundant natural gas into good use with a cleaner environment. He disclosed that conversion centres would be established at various points across the federation while the gas filing stations would be located at the fuel filing stations through accredited dealers scattered across the country. Tienen said the use of the new technology is safe, convenient, cheaper and more efficient, and that as time goes on most Nigerians would prefer the technology to the tradition fuel. Speaking at the ceremony, Chairman of Sagas, Sani Dangote, expressed happiness at the commencement of the vehicle conversion soon after the agreement was signed with the NGC, saying the ceremony was meant to demonstrate to the public the capability of Sagas to deliver as promised during the agreement signing. The Sagas boss disclosed that 5000 trucks would be converted within a year and that the kit to convert 1,000 are already on ground and advised commercial vehicle owners as well as in industrial and private owners to avail themselves of the benefits of the new technology. In his remark, the Managing Director of NGC, Mr. Saidu Mohammed, described the agreement as part of the gas revolution agenda of the government, saying the nation has enough gas and that it was a good thing that the gas is being domesticated for commercial use. He stated that NGC with a network of about 1,500 km gas pipeline, Nigerians would be able to get affordable gas as fuel, safe and devoid of environmental pollution.*(This Day)*

Slowing progress on government reforms before 2015 elections in Nigeria, Africa's second-largest economy, is keeping the country from getting a better credit rating, according to Fitch Ratings. "We are clearly in a pre-election period now in Nigeria and we have seen a slowdown on the reform front," Richard Fox, Fitch's London-based head of Middle East and Africa sovereign ratings, said on a conference call today. "We judge Nigeria by what they achieve and some of their more ambitious plans may not come to fruition until after the election." Fitch's comments come a month after Moody's Investors Service said Nigeria's slow implementation of structural economic reforms is limiting its chances of a credit-rating upgrade, along with corruption, weak institutions and vulnerability to oil-price drops. Fitch rates Nigeria at BB-, three levels below investment grade. There's "no reason" why the country isn't at investment grade, Fox said. A proposed law to change regulation and funding of the nation's oil industry has been stalled in parliament since it was first sent to the National Assembly in 2008 and "it's anybody's guess if that's going to emerge this side of the election," Fox said. Fiscal provisions in the Petroleum Industry Bill seek to raise Nigeria's share of revenue to 73 percent from 61 percent, Petroleum Minister Diezani Alison-Madueke said in September. Energy companies operating in Nigeria say the terms will make offshore oil exploration unprofitable.

Royal Dutch Shell Plc (RDSA), Exxon Mobil Corp. (XOM), Chevron Corp. (CHEV), Total SA (FP) and Eni SpA (ENI) run joint ventures with the state-owned Nigerian National Petroleum Corp., or NNPC, that pump more than 90 percent of the country's oil. The reserves of Africa's biggest oil producer, worth $48.5 billion, aren't back to where they were before a 2009 banking crisis and need to improve, Fox said. While inflation, which has stayed below 10 percent this year, is a positive, Nigeria needs a longer track record of lower price increases, he said. Per-capita income estimated at $1,631 last year by the International Monetary Fund "compares badly" with investment grade countries, said Fox. Nigeria's $1 billion sovereign wealth fund, whose chief executive officer said will start investing this month, has "very little in it," according to Fox. Angola, Africa's second-largest oil producer, announced its own $5 billion fund in October. "The fiscal situation in Nigeria is very challenging to understand," said Fox. "Nigeria struggles to implement its capital spending budget and this has been a big issue politically." The government's 2013 budget, approved in February by President Goodluck Jonathan, set aside 1.6 trillion naira ($9.9 billion) for capital projects, compared with 2.3 trillion naira for recurrent expenditure. A state of emergency in three northeastern states declared last month to combat increased militancy by Islamist insurgents will probably have little negative effect on Nigeria's economy, said Fox. Jonathan imposed emergency rule in Borno, Yobe and Adamawa states on May 14 to step up the fight against militants who he said were taking over parts of the country. Nigeria has faced worsening sectarian turmoil in the north, where the government has been battling Boko Haram since 2009. The north "is not the economic power house of the country," said Fox. "As of today it's not something we're thinking about too negatively."*(Bloomberg)*

Nigeria will likely have to pay around 6 percent for a 10-year maturity on its $1 billion Eurobond if it goes ahead with the issue after a debt meeting with investors next week, an analyst and a fund manager said on Wednesday. Senior Nigerian government officials led by Finance Minister Ngozi Okonjo-Iweala started a one-week roadshow to Britain, Germany and the United States on Wednesday with book-runners for the Eurobond, with a view to issuing it this year. The timing of the bond and its maturity have not been decided yet and will depend on the market, a London-based fund manager who attended the roadshow told Reuters, asking not to be named. Nigeria's debt office had said it wanted to sell the bond by end-September and that it was increasing the amount it borrows overseas to lower funding costs. Deutsche Bank and Citigroup are acting as book-runners for the Eurobond. "If they went for a 10-year they could get one in the region of 6 percent," said the fund manager, adding that Nigeria may hold back on the sale to minimise the yield. Yields on emerging market debt have risen sharply over the past six weeks owing to lingering concerns that major central banks may start to back off loose monetary policies that kept global markets awash with cash. Yields on Nigeria's 10-year domestic bond spiked nearly 3 percent this month while stocks and the naira tumbled last week, as foreign investors dumped frontier market assets. "Nigeria is likely to pay a higher yield to launch its second Eurobond than the external funding cost that it would have secured a couple of months ago," said Samir Gadio, emerging market strategist at Standard Bank. However, Gadio said he thinks Nigeria will still be able to issue the new bond at a lower yield than the 7 percent its $500 million debut Eurobond fetched in January 2011. That 10-year paper is now yielding 5.2%, up sharply from 4 percent on May 1 and 3.3 percent above U.S. Treasuries. The U.S. Federal Reserve will meet on Wednesday and if it gives an indication that quantitative easing is to continue, that could support emerging markets and see bond yields fall. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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TRADING

Tanzania

Corporate News

Tanzania's largest commercial bank, CRDB Bank, has started offering banking services through agents like shops and petrol stations, it said on Thursday, hoping to copy a model that has helped Kenyan lenders tap new customers and cut costs. Although boasting east Africa's second largest economy and a population of 46 million, only 12.4 percent of Tanzanians have formal bank accounts, mainly due to lack of infrastructure, poverty and low literacy. "Lack of extensive bank networks have denied many Tanzanians the valuable financial services provided by banks and hence slowed our development as a country," said Charles Kimei, managing director of the bank, in a statement. Kenyan banks, which led the way in 2010 with agency banking, as the model is known, have managed to recruit more customers and to cut costs since agents use their own facilities, negating the need for a traditional bank branch. CRDB said its agents, using a telephone based platform, will offer services like cash deposit and withdrawal, repayment of loans and payment of utility bills among others. It has also reached an agreement with the Tanzania Postal Corporation to allow it to distribute banking services through its extensive network of post offices across the country. CRDB, which has over 85 outlets in Tanzania, spent $10 million to establish operations in neighbouring Burundi last December. *(Reuters)*

Economic News

No Economic News this week

Zambia

Corporate News

FIRST Merchant Bank Limited of Malawi (FMB) has acquired 100 percent shares of International Commercial Bank Zambia Limited (ICB), as part of its expansion programme. ICB company secretary Mike Machila said the new shareholders are positive about the future of the Zambian economy to growing ICB's operations in Zambia through delivery of superior service geographical expansion and innovative products. "FMB is in the process of identifying other Zambian investors and by the end of 2013, 51 percent of ICB shareholding will be controlled by Zambians, and the bank will have a minimum capital of KR104 million (K104 billion)," Mr Machila said. According to a statement availed to the Daily Mail Lusaka yesterday, Mr Machila said FMB will also change its name and rebrand during the year. "A consortium led by FMB has acquired 100 percent of the shareholding of International Commercial Bank Zambia Limited from ICB Financial Group Holdings AG. "Afility Investment Limited, a Zambian-controlled investment holding company, is part of the share acquiring consortium," the statement reads. He said ICB has already initiated the process of acquiring new state-of-the-art banking software, relocation of its head office to new premises and identifying a new branch in Lusaka. Mr Machila said FMB will ensure the growth of ICB's operations in the country through delivery of better service to customers. FMB started operations in 1995, and is the third largest commercial bank in Malawi and is listed on the Malawi Stock Exchange. It has 28 branches in Malawi and is also the largest shareholder in Capital Bank Limited of Botswana which it founded in 2008.*(Daily Mail)*

Economic News

GOVERNMENT will spend US$257 million over the next five years to enhance market access and facilitate efficient supply of agricultural inputs. The objective to enhance market access and service delivery of agro-inputs is also aimed at improving competitiveness of potential agricultural exports to fully utilise regional and international markets. According to the national agriculture investment plan (NAIP) for 2014 to 2018, this will be achieved through the support of institutional market arrangements and performance, increased access to rural and market infrastructure and rural finance, including promoting value chain integration. Out of the US$257 million, about US$93.9 million will be channelled towards the promotion of value chain integration by supporting the production of commercialised agricultural commodities through value addition on crops. It says six rural agro-processing industries for value addition will be established, including strengthening various categories of value chain groups. "At least six categories of value chain groups will be identified for capacity building following a vigorous value chain analysis of targeted major commodities," it says. It says US$91.16 million will be spent on increasing access to rural and market infrastructure by developing agricultural access roads in rural areas and supporting energy promotion. Another area is the development of storage infrastructure to increase private sector storage capacity. Part of the funds will be directed towards the development of crop output market and livestock centres, infrastructure development for fisheries by constructing 10 fish-processing centres in all provinces and train 40,000 in value addition. Under the promotion of agricultural access roads, 2,500 kilometres of rural access roads will be constructed in all the provinces with an additional 1,250km to be maintained.

It says the percentage of farmers accessing electricity through the rural electrification programme for farming purposes will be increased adding "10 sites will be established for farmers to access hydro-electricity". On increased access to rural finance, the plan indicates that US$46.87 million will be disbursed through appropriate financial institutions to boost access to credit to farmers in rural areas. Government is also expected to spend US$25.25 million to support co-operative, farmer organisations, agri-business centres, and trade associations to increase smallholder productivity. Other funds will be channelled towards the support of agricultural marketing and trade information, private sector agro-dealers, and the development grades, standards and specifications to enhance the quality of products marketed. "Co-operatives and farmer organisations are vital for integrating small-scale farmer into market. A major result under the NAIP will be to revitalise and strengthen co-operative movement. To realise this, new co-operative will be formed and strengthened as well as revive old ones," it says. Government also proposes to promote agro-dealers, which will include interventions such as establishing 2,000 agro-dealers countrywide and provide appropriate entrepreneurship training to close 3,900 dealers.(Daily Mail)

Zambia's Mopani Copper Mines owned by Glencore Xstrata Plc plans to raise annual copper output to 170,000 tonnes from 120,000 tonnes within five years after investing in new projects and upgrades, its chief executive said on Wednesday. Zambia, Africa's top copper producer, needs private investments to raise its annual copper production to about 1.5 million tonnes by 2016. Mopani CEO Danny Callow said at a mining and energy conference the projects included a new shaft in which $323 million would be invested and the upgrade of a copper smelter at a cost of $145 million. The new shaft would extend the life of Mopani's Nkana mine by 20-30 years and secure 3,000 jobs that would have been lost as a result of closure of mines starting in 2015, he said. "Apart from securing the 3,000 jobs, the new shaft will provide Mopani with access to some 115 million tonnes of ore at a grade of 1.9 percent copper," he added. Mopani had invested about $2 billion in capital projects in Zambia and expected to continue operating in the country for a long time, Callow said. Callow said increasing costs of energy, especially electricity posed a threat to the continued growth of the mining sector in Zambia. *(Reuters)*

Zambia, Africa's top copper producer, plans to double its electricity generation capacity to 2,800 megawatts in 5-6 years to ensure adequate supply of power to the mines, an industry official said on Wednesday. Christopher Mubemba, the director of transmission development at state-owned Zesco Ltd, said at a mining and energy conference that the company planned to invest about $5.3 billion in generation and transmission projects. Mubemba said there had been a lot of growth in the economy primarily driven by mining and this would only be sustained with increased investment in electricity generation. "We do have a problem arising from delayed investment. We have got a plan to invest about $5.3 billion over the next five years and those investments have started," Mubemba said. Zambia's peak electricity demand of 1,650 megawatts (MW) exceeded the country's generation capacity by about 250 MW and demand was projected to rise by 3-4 percent per year, he said. Zesco has projects such as the $2 billion Kafue Gorge Lower power generation project, the $420 million Kariba North Bank project and the $120 million Itezhi Tezhi hydro-electric project, he said. "In terms of power generation, when we finish these will double the generation capacity in the next 5-6 years." Mubemba said most of the financing would come in the form of loans and equity. He said Zesco planned to spend the rest of 2013 looking for financing, mainly for Kafue Gorge Lower. "We have an idea to visit all the big names like Tokyo, Shanghai, Beijing, New Delhi, Mumbai, London and New York and that will happen over the next six months." Zesco would also seek financing from sources such as the World Bank, the Development Bank of Southern Africa, European Investment Bank and the African Development Bank, he said. Mubemba said Zesco exported power to Namibia, Botswana and the Democratic Republic of Congo and higher generation capacity would also ease the regional power deficit. *(Reuters)*

THE Bank of Zambia (BoZ) says it has received indications from some commercial banks to list shares on the Lusaka Stock Exchange (LuSE) to raise long-term finance and afford the public ownership. Meanwhile, LuSE market capitalisation stood at US$3.8 billion (KR19 billion) as at April this year. BoZ supervision division acting director Norbert Mumba said following the increment in minimum capital requirements for financial institutions, some banks have shown interest to raise finance from the local bourse. "As you are aware, BoZ increased the minimum capital requirements for banks and as a result of this, some of the banks operating within the jurisdiction have indicated that there will be listing on LuSE to give an opportunity for Zambians to be proud owners of banks," he said. Mr Mumba was speaking at the launch of the 2013 Central African Stock Exchange (CASE) handbook organised by BankABC Zambia and Lusaka Stock Exchange. There are about 19 commercial banks operating in Zambia including Ecobank Zambia, Stanbic Bank Zambia, First National Bank, Access Bank and Finance Bank Limited, BancABC, Barclays Bank Zambia Plc, Citibank Zambia Limited and First Alliance Bank Zambia Limited. Other banks are Indo-Zambia Bank Limited, Intermarket Bank, Bank of China (Zambia) Limited, Investrust Bank, Standard Chartered Bank, Zambia National Commercial Bank, International Commercial Bank and Cavmont Bank

The minimum capital requirement rose from KR12 million (K12 billion) to KR104 million (K104 billion) for local commercial banks while foreign commercial banks will require KR520 million (K520 billion). Mr Mumba said the capital market has been recognised throughout the world as an important source of raising finance for businesses. He said it also presents an opportunity for foreign and local investors to participate in ownership of some companies through acquisition of shares thereby participating directly in the economic development. Mr Mumba said capital market in Zambia have performed relatively well in the past six months, with LuSE all-share index rising by 26 percent. He, however, said the market continues to be characterised by a low number of listed firms and remains third position within the region after Zimbabwe and Botswana. On the capitalisation, the LuSE market stood at US$3.7 billion, about KR19 billion (K19 trillion). Mr Mumba said while foreign investors dominate a larger share of block acquisition in most listed firms, there is an urgent need for local investors to also participate effectively. Earlier, LuSE executive director Beatrice Nkanza appealed to banks to engage with LuSE on the utilisation of the local bourse. Meanwhile, BancABC managing director Clergy Simatyaba said the bank recorded positive growth in 2012 with the loan book growing by 73 percent to KR173 million (K173 billion). Mr Simatyaba said the bank has continued to register positive growth during the first quarter of the year. The handbook profiles 130 companies from Botswana, Malawi, Zambia and Zimbabwe. It lists stockbrokers and custodial services in the four markets. *(Daily Mail)*

ZAMBIA should improve its taxation system to generate more revenue from its copper-dominated economy which would be ploughed back into growing other industries, says a new economic report on Africa. The 2013 report, released by the Economic Commission for Africa (ECA), says sectors likely to benefit from the reforms include agriculture, agro-processing, manufacturing, tourism, industrial minerals and precious stones. The report dubbed Making the Most of Africa's Commodities: Industrialising for Growth, Jobs and Economic Transformation is co-authored by ECA and the African Union. The report says copper has been the mainstay of Zambia's economy since the 1930s, contributing around 10 percent to gross domestic product and about 80 percent of export earnings. However, it says these gains have not been matched by increases in employment, mainly due to capital intensive technologies used in the mines. It says this has prompted calls for the country to ban exporting raw copper in the hope that local value addition would help revive manufacturing industries. According to the ERA report, the challenges in logistics, financing, tax and education have for a long time crippled manufacturing. Meanwhile, African countries have been urged to transform their economies through commodity-based industrialisation policy that leverages on the continent's abundant resources and current high commodity prices.

The report says such a policy is necessary if the continent is to become a global economic power that can address the challenges of youth unemployment, poverty and gender disparities. The report says the theme of the report is one of the key messages that the continent should capitalise on current high prices of commodities to create industries and break away from poverty and underdevelopment. It also argues that African nations should disregard calls for them to abandon commodity based industrialisation, pointing out that some European and South American nations had in the past used the model to successfully grow their economy. By 2015, Zambia's copper production is expected to reach 1.5 million metric tonnes or almost double the peak achieved during the boom in the 1970's. The main exports are blister copper (90 percent purity) and electrolytic copper (99.9 percent). It says open pit and underground mining process produce copper concentrate (5-25 percent purity) that can be exported in its raw form. *(Daily Mail)*

ZAMBIA was losing US$100 million monthly as a result of subsidies. This caused Food Reserve Agency (FRA) to accrue a US$300 million debt. Deputy Minister of Commerce, Trade and Industry Miles Sampa said Government removed the subsidy as it was not sustainable. "What was removed was consumption subsidy and not production subsidy. It is Government's interest to support productivity at farmer and industrial levels. "We opted to remove a bad subsidy because it was not sustainable and make Government operate as a bond scheme," he said. Mr Sampa was speaking in Lusaka yesterday at a breakfast meeting under the theme, "Commerce, Trade and Industry Issues 2013" in Lusaka yesterday organised by the Lusaka Chamber of Commerce, Trade and industry (LCCI). He said due to political appeasement, Government was buying expensive maize and selling it cheaply. "FRA will buy it expensively and selling it cheaply to the millers, not even using Government money but borrowed money and now what has been left is a huge debt contracted by FRA amounting [to] US$300 million," he said. He said the debt accrued was, however, guaranteed by Government. The debt, also called "off-balance sheet debt", was not reflected anywhere in Government books and the national budget. He said FRA borrowed from various banks and Government guaranteed it. "So now FRA failed to pay and they came and knocked on the guarantor [Government]. US$300 million is not good, we had to deal with the problem," he said.

Commenting on the fuel subsidy, Mr Sampa said Government is passing on the realistic cost to consumers as it wants to run the country prudently. Mr Sampa called for partnerships with the business community to improve the living standards of people. He said Government will continue to develop strategies and mechanisms aimed at resolving challenges regarding jobs and wealth creation. He said Government is committed to creating an enabling environment to enhance manufacturing and value addition through a well-placed vision 2030 and the job and wealth creation strategy. At the same function, LCCI member Prince Nkanta said the chamber supports Government's decision to remove subsidies on fuel and maize as consumption subsidies are not sustainable. Mr Nkanta , however, noted a number of challenges faced by the business community such as cost of finance, tax policy and administration, and regulatory requirements. He also cited land and labour issues, licensing permits and associated fees, among other logistical infrastructure. The chamber will soon prepare a position paper regarding the challenges that the business community is facing. *(Daily Mail)*

Zimbabwe

Corporate News

HWANGE Colliery Company Ltd says there has been "massive" externalisation of funds from the coal gasification unit it jointly owns with a Chinese company, Taiyuan Sanxin Economic and Trade Company. Hwange Coal Gasification was formed through a Built-Operate-Transfer arrangement in which Hwange Colliery Company owns 25 percent shareholding while the Chinese company holds the remainder. Hwange now wants the BOT deal to be revisited, with the local coal mining giant becoming a majority shareholder. "Forensic auditors appointed to carry out an investigation into the operations of Hwange Coal Gasification Company to date have established that there was mismanagement and there have been massive externalisation of funds," said Hwange Colliery company secretary Mr. Thembelani Ncube. At the company's annual general meeting on April 24 this year, Hwange recommended that HCG managing director Mr. Guo Feng and marketing manager Mr. Su Longmin be suspended pending disciplinary hearing on various charges of mismanagement, including misappropriation of funds. The business relationship between Hwange Colliery and the Chinese company were strained, with the coal mining giant accusing its partners of failing to honour some of their contractual obligations. For instance, TSETC is said to have installed a coke oven battery with annual capacity of 150 000 tonnes, half the capacity of what was agreed under the BOT deal. The Chinese partners were supposed to set up a coke oven battery with an annual capacity of 300 000 tonnes while Hwange's contribution to the investment was to provide coking coal at a subsidised price. Hwange further alleges that TSETC overstated its monetary investment, claiming it had spent US$40 million on the coke oven battery installation "when in fact it spent less than US$10 million". Furthermore, sources raised allegations of misrepresentation of financial information including under-declaration of profits by the management. Sources said Hwange "believes" the value of coal delivered to HCG could now be more than what TSETC invested, "the reason why they now need a majority stake". On Sunday, Hwange Coal Gasification issued a statement calling for an extra ordinary general meeting to be held next Monday in China to discuss matters that came out from the April AGM and to discuss representation from Hwange Colliery Company on the proposed change to the ownership structure.*(Herald)*

ZIMBABWE Stock Exchange–listed diversified group TSL Limited's after-tax profit for the half-year to April 2013 rose to $3,1 million from $2,3 million recorded during the same period last year, driven by growth in revenue on the back of a buoyant tobacco season, the company has announced. Attributable earnings per share, according to the company's unaudited results for the year ending April 30, were up 29% to 0,9 cents as the board resolved to declare an interim dividend of 0,2 cents per share. Revenue was up 31% to $20 million compared to the same period last year. Finance costs, however, rose by more than 10 times to $326 000. TSL chief executive officer Washington Matsaira said the group's subsidiaries — Propak and Tobacco Sales Floor (TSF) — contributed the bulk of revenue during the period under review. Revenue generated by Propak, according to the financial results, rose by 44% compared to the same period last year.
"The Tobacco Sales Floor benefited significantly from a bigger national crop which is expected to be 30% up on the previous year," the company said in a statement. Matsaira said Propak's customer base grew following the re-engagement of some key clients. He said the grower's scheme remained on course to deliver the targeted 2,5 million kg of tobacco. Matsaira said TSL Property group has commenced a $3 million project for the first phase of its warehouse expansion programme amid indications that the project could be completed in October. He said the second phase was expected to be completed in November. "We are putting up close to 15 000 square metres of additional warehousing space," he said. Matsaira said the group had spent over $1 million on property refurbishments to preserve property value. Revenue for Bak Logistics was 9% above the previous year while profits were subdued largely due to an ongoing restructuring exercise. *(News Day)*

TELECEL board chairman Dr James Makamba says the country's fastest growing mobile phone operator's shareholders are determined to address the shareholding structure that has raised eyebrows among empowerment groups as it is skewed in favour of foreigners instead of locals. The company's majority stake — 60 percent — is held by Egypt- headquartered Orascom Telecom while Dr Makamba, together with deposed former chairperson Dr Jane Mutasa, hold 40 percent shares through the Empowerment Corporation. Major shareholders in the Empowerment Corporation are Dr Mutasa, through Selpon Investments and Dr Makamba's Kestrel Corporation. Telecel has had serious brushes with the Postal and Telecommunications Regulatory of Zimbabwe over the current shareholding structure. However, in an exclusive interview from his base, Dr Makamba said shareholders were keen to align the structure with local laws. "All Telecel shareholders agree that there is need to comply with the laws of the land and will do everything possible to meet the requirements. "A lot is happening behind the scenes to resolve this and an announcement will be made at the appropriate time," said Dr Makamba. As a result of the shareholding structure that favours foreigners, there are allegations that the local Telecel management team cannot make any purchases beyond US$25 000 without consulting the headquarters. Dr Makamba confirmed that indeed there were situations that warrant the express authority of the major shareholders before any purchases are made. "Telecel Zimbabwe has an internal procurement committee that sits every week to evaluate POs (procurement orders) and this body is the one that makes such decisions. "Of course, there are cases where, because of the nature of the equipment being procured, Telecel might need to consult Cairo (Egypt) especially if the supplier is an international one who has a supply agreement at group level. "Such cases are treated as an exception rather than as a norm," said Dr Makamba. Meanwhile, Dr Makamba said Telecel backs the idea of infrastructure sharing that is being advocated for by Potraz since it enables mobile phone operators to cut costs and potentially pass on the benefits to subscribers. "We have always supported this initiative even before it was proposed by the regulator. For us, it makes sense to cut costs by sharing infrastructure and passing any savings back to the subscriber through lower tariffs for services," he said.*(Herald)*

DAIRIBORD Holdings has joined the race to acquire a controlling stake in Cairns Holdings Limited, which plans to de-list from the Zimbabwe Stock Exchange to simplify the process of getting fresh investment. A total of four suitors are vying for a majority interest in Cairns and the others include local private company, Judah Holdings Limited and South African firms Vasari Global and Eastern Trading Company Limited. The investors are largely targeting to acquire Reserve Bank of Zimbabwe's 67 percent shareholding in the group. The RBZ is selling its investment to pay-off debts. Judar Holdings is into agriculture, brick moulding and mining, Vasari Global is a multi-strategy investment firm and Eastern Trading is into canning and related products. Dairibord flirted with Cairns when it bought and later sold 40 percent shareholding in Charhons, a subsidiary of Cairns Group. Majority of shareholders and creditors of the Cairns Holdings yesterday approved the judicial manager's proposal for a scheme of arrangement to bring in the new investor. Yesterday's meeting was organised to allow for proof of claims, consider delisting the group from the ZSE and giving shareholders and creditors an update on the investor. "The judicial manager proceeded to invite bidders to tender for the acquisition/investment in the CHL group. The submission of bids closed on April 26, 2013 and bids were opened on the same day in the presence of all bidders," said judicial manager Mr. Reggie Saruchera in his report. Following evaluation of the bids, Mr. Saruchera told the shareholders and creditors, bilateral discussions had commenced. Cairns Holdings was put under judicial management in November last year after facing liquidity and working challenges, which the new investor is expected to ameliorate. The investor would be selected on the basis of the amount he will offer to pay creditors, number of employees taken over and amount set aside for once off payment of workers not required for continuing operations.

The investor would also be assessed on the amount set aside for working capital, refurbishment or replacement of plant and equipment in the medium to short term, their ability to turnaround the group and proof of funding. Cairns owed creditors and financial institutions about US$11 million and planned to use proceeds from the disposal of some non-core assets to pay-off some of its debts. Among the assets initially earmarked for disposal, Cairns would for now hold in abeyance the sale of factories in Mutare, Bulawayo and Charhons in Harare in the wake of the bidding process. However, the judicial management has secured US$1 million Dime loan from CABS for working capital and capital expenditure, which would double sales in the snacks, fruits and vegetables divisions as well as at Charhons. Mr. Saruchera said there had been notable improvement in the operations of the company since he took over last December. Profitability improved from a US$116 loss to profit before tax of about US$1 million, working capital shot to US$653 000 from US$120 000 and capacity utilization grew from 5 percent to 20 percent (30 percent snacks). Monthly turnover has grown to US$1,4 million in May 2013 from US$400 000 in December last year while 75 percent of the staff has been returned to work. Initially, 50 percent of the group's workers had been put on unpaid leave. However, remaining challenges include old machinery, inefficiency of machinery, working capital and raw material shortage, regular power cuts and lack of credit terms from suppliers. *(Herald)*

BARCLAYS Zimbabwe, a unit of United Kingdom-based Barclays PLC, has overtaken CBZ Holdings as the largest capitalised banking concern on the Zimbabwe Stock Exchange, as consumer-facing companies continue to drive ZSE market growth. This has seen Barclays becoming the 10th largest capitalised company on the ZSE ahead of CBZ Holdings, which, however, remains the country's largest bank group by assets and revenue. Uncertainty surrounding the indigenisation and empowerment regulations compelling foreign-owned companies to sell controlling stakes that analysts say could have held back Barclays. There have also been calls to list international banks such as Stanchart, Stanbic, Ecobank and MBCA — a unit of South Africa-headquartered Nedbank — on the local bourse. Stanchart is listed in Botswana and Kenya while Standard (which operates as Stanbic) is listed in South Africa. According to figures availed by the ZSE yesterday, the top 10 most capitalised firms on the local bourse include eight companies from consumer-facing industries and two from the financial services sector. The companies that dominated the ZSE market capitalisation include Delta, OK Zimbabwe, Econet Wireless, Innscor Africa Limited, National Foods, Hippo Valley Estates, Seed Co, British American Tobacco, Old Mutual and Barclays. Market capitalisation is a measurement of the size of a business enterprise (corporation) equal to the share price times the number of shares. Leading the game is consumer beverages manufacturers, Delta with a value of $1,8 billion, followed by Econet-$636 million, Innscor-$534 million, OK Zimbabwe-$271 million, Hippo Valley-$212 million BAT-$185 million, NatFoods-$171 million, Seedco Limited-$167 million, Old Mutual-$131,8 million and Barclays Bank-$118 million.

In February this year Delta was valued at $1,3 billion. Since the country dollarised in 2009, consumer-facing firms have been performing well compared to other sectors of the economy. "This notion is premised on the view that companies that are in the business of selling basic goods and services are likely to have sustainable earnings that are of higher quality. "This has been the case in Zimbabwe hence the interest in business with exposure to retail revenues," MMC Capital said in a written response to NewsDay. "Of late, we have noticed the resurgence of demand in the stock of Barclays probably on the back of the rumours in the market that the bank's indigenisation proposal has been accepted by the government. "Also there is a possibility that the challenges being experienced by the indigenous bank will benefit the foreign banks of which Barclays will likely be beneficiary." The ZSE's total market capitalisation stood at $5,6 billion as of Wednesday this week despite the industrial index shedding 0,68 points to close at 219,45 points. Counters that recorded losses on the day included Dairibord, Delta, Innscor, CBZ and PGI, Colcom, Meikles, Fidelity Life and Seed Co recorded gains. The mining index remained flat at 72,97 points with three mining companies Falgold, Hwange and RioZim at previous levels. Finance minister Tendai Biti in his 2013 budget presentation said in 2012 the market capitalisation averaged $3,4 billion in 2012, but closed the year at $4 billion. The ZSE reopened at a market capitalisation of $1,67 billion in 2009. *(News Day)*

Economic News

FINANCE minister Tendai Biti has disclosed that government does not have funds for elections despite President Robert Mugabe's push to have them held by end of next month. "There is no poll funding at the moment," Biti said in an interview with NewsDay last night. "When Zec (Zimbabwe Electoral Commission) says it is ready, my understanding of that statement is they are ready to execute a constitutional mandate if they are asked to hold elections on a particular date. "(Sadc secretary-general Tomaz) Salomao will be going into the region soon talking to heads of state on election funding and I am willing to accompany him on the trip. The region, however, will not fund a flawed process. The United Nations is still willing to fund the election, but they are being frustrated by the chaotic faction of Zanu PF." The latest development comes as Sadc leaders remained silent on funding the polls at their just-ended summit in Maputo, while the UN has indicated it was no longer keen to fund Zimbabwean polls over government's failure to request for the money in time. Top United Nations Development Programme officials in Harare who declined to be named told NewsDay yesterday that government's reluctance to meet conditions set by the UN and the parties' failure to reach consensus over the source of poll funding were the reasons the world body had withheld assistance. Zec has indicated that it requires about $120 million for polls, but Zanu PF insists the money should be sourced locally, saying foreign funders would push regime change agendas. On the other hand, the MDC formations want the international community to intervene as government is literally broke. "Since the disagreements, nothing has transpired," the source said. "Usually, we come in if the member state agrees and in the Zimbabwean case, they did not reach a consensus with the need assessment team. The initiative should come from the government and not the UN," a UN source said. "Even if government decides to re-engage now, there is no time for us to intervene because it is short notice to provide the funds. It's a process and we do not have funds ready in the system to give immediately because we have to prepare necessary things first before releasing funds." Last week, UN Secretary-General Ban Ki-Moon's spokesperson Martin Nesirky confirmed that the UN had backed off. "Regarding the role of the United Nations in the election, the UN is not providing assistance to these elections," Nesirky said. "Following discussions between the government and the UN, the government announced that it would no longer seek UN electoral assistance. That's the reason why the UN does not plan any UN electoral assistance because there was no agreement on the conduct of a standard UN needs assessment." *(New Zimbabwe)*

ZIMBABWE'S electricity generation is expected to improve in 2017 after the completion of expansion works at Hwange Thermal Power Station, a report by the energy regulator has shown. According to the Zimbabwe Energy Regulatory Authority (Zera) Cost of Service Study on electricity supply completed in April, the country's perennial power crisis is expected to ease in four years due to increased capacity at Hwange. The report, however, said electricity generated from Kariba Hydro Power Station would during the same period decline due to anticipated water constraints when Kariba South comes on line. The report shows that a cumulative capital expenditure of $2,5 billion over five years — focused primarily on Hwange and new capacity (Hwange and Kariba Extensions, Gairezi Hydro and ZPC Solar) — is required to improve electricity generation in the country. The country currently has an energy deficit averaging 600 megawatts (MW) due to obsolete machinery and limited investment in the energy sector. "Zimbabwe Power Company, (ZPC) capacity is projected to remain essentially flat till 2017. ZPC production projected to increase steadily on the back of improved performance at Hwange until the substantial jump in 2017," reads the report in part. "Hwange is projected to deliver steady performance improvement as demonstrated by the higher capacity factor. Kariba South production levels are at acceptable levels dropping off in 2017 due to anticipated water constraints when Kariba South Extension comes on line. Performance levels of the small thermals are sustained at current low levels." Expansion works which commenced this year at Kariba South, according to government, were expected to be completed in 2017, adding 300MW to the national grid. The project is expected to cost $400 million. The report further stated that quality and lack of consistency in information provided by ZPC and Zimbabwe Electricity Transmission and Distribution Company (ZETDC) needed to be improved to reduce access to information challenges in the sector, the Zera said in its report. "Inconsistencies apply both between ZPC and ZETDC and internally in each of the two entities. Problems include technical and commercial parameters (sales, customers numbers, operation and maintenance costs)," the report reads. *(News Day)*

The Zimbabwe Stock Exchange (ZSE) has stepped up its efforts to automate as the local bourse plans to shift from the current paper-based trading platform by year end, the exchange has said. The ZSE announced that it was currently recruiting an automated trading system consultant tasked with improving efficiency of the exchange as well as catch up with regional peers. The exchange, according to terms and conditions of the consultant, embarked on an automated trading system (ATS) project for implementation by December 31, 2013. An ATS is a computer trading program that automatically submits trades to an exchange. Automated trading systems are created by converting a trading system's rules into code that computers can understand. The computer then runs those rules through trading software, which looks for trades that adhere to prescribed rules. The trades are then automatically placed with the stockbroker. ZSE currently utilises a call-over system to execute trades. Critics say paper-based operations of the exchange were fraught with inherent risks. Clearance and settlement is done between stockbrokers with payment against delivery of physical scrip on a T+7 calendar days basis. The ATS project, according to the ZSE, involves identification and acquisition of suitable software, hardware and networking infrastructure to deliver a solution based on the requirements defined by the exchange. The consultant will have a six-month contract. "ZSE announces that it wishes to recruit a consultant for its Automated Trading System Project," the exchange said. Expressions of interest, the exchange said, were being sought from suitably qualified persons with appropriate experience, inter alia, membership of a professional body; previous consultancy in financial services sector in implementation of ICT systems; minimum of three active reference sites; and proven project management skills. The current recruitment exercise comes at a time when government last month gazetted a new statutory instrument giving legal effect to the setting-up of the country's first ever Central Securities Depository (CSD) following delays that have slowed down changes as capital markets embark on far-reaching reforms. A CSD is an organisation holding securities either in certificated or uncertificated (dematerialised) form to enable book entry transfer of securities. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

THE government has issued a three-year special grant for a joint exploration between the Ministry of Mines and New Zim Minerals in a bid to allow full disclosure of iron ore deposits at Mwanesi, Mines secretary Prince Mupazviriho has said. Speaking before the Parliamentary Portfolio Committee on Industry and Commerce, Mupazviriho said the government is carrying out a study to evaluate the value of iron deposits in Mwanesi amid indications that the $750 million Essar Africa Holdings deal could soon be finalised. "We are going into a joint exploration once we have established what it is (beneath), and once that has happened, it is now up to that company to apply for a concession licence to do mining," Mupazviriho said. He said New ZimSteel will takeover mining claims owned by ZiscoSteel and Bimco once the ministry transfers the mining titles to the company. "We are waiting for them to come and pay for the transfer fees once the transfer is done," Mupazviriho said. "Do we have the responsibility to append a signature to the agreement? No, the agreement is between our sister ministry and Essar, but our responsibility as a ministry is to give the mining title." Last week, a five-member delegation was expected to travel to Redcliff to spearhead the resuscitation of New ZimSteel. *(News Day)*

THE banking sector has been exempted from complying with indigenization and empowerment regulations compelling foreign owned firms to sell controlling stakes to locals despite earlier warnings of interference ahead of general elections, Finance minister Tendai Biti has said. In an exclusive interview with NewsDay on Tuesday, Biti said the banking sector would be safe in the run up to the elections after he teamed up with Reserve Bank of Zimbabwe governor Gideon Gono to shield the fragile sector from the regulations as Zanu PF intensified its takeover. Under the indigenization and empowerment laws, foreign-owned companies operating in the country should dispose 51% stakes to locals. Already, major mining and manufacturing firms such as British American Tobacco have partially complied with the law. "When we started working together (with Gono), at first it was tentative, but we realised the benefits of working together. We have stood together on the issue of indigenization," Biti said. "There can be no indigenization of banks because it's a historical and stupid. We have managed to wade off any indigenization of banks. We didn't do any megaphone fights, we fought quietly. This can't happen, it doesn't make sense. So I think that is one of the pluses of the inclusive government. The banks are safe, hear it from me—one of the things in the law anyway is that any sectorial plan has to be agreed with the line minister. I haven't agreed with the Minister of Indigenisation (Saviour Kasukuwere) on anything." Biti's utterances came after the Economist Intelligence Unit, a research unit which has offices in London, New York and Hong Kong last month warned that the banking sector could likely be affected by political expediency ahead of the next watershed elections which will mark an end to the inclusive government. Kasukuwere has been on a collision course with Biti, accusing foreign banks of starving agriculture and small and medium enterprises of funding. Targeted banks include Standard Chartered, Barclays, Ecobank, Stanbic and MBCA, a unit of South Africa's Nedbank. "Political risk is set to rise in the run-up to elections. In previous polls, Zanu PF has maintained its position through a combination of intimidation and electoral manipulation, and there is little sign that its strategy will be substantially different in the next elections," EIU said. "State interference in the financial sector continues with ministers demanding that foreign banks cede 51% of their shares to black Zimbabweans by mid-2013. However, a number of foreign-owned banks are looking to expand operations." Turning to the setting up of a credit bureau, Biti said the central bank was currently holding discussions as local banks sought to ascertain the credit worthiness of individuals and companies amid a high level of non-performing loans.*(News Day)*

ZIMBABWE'S lost decade of economic meltdown, which ended in 2009, has been blamed on a host of problems. For Zanu PF, economic sanctions imposed by the United States and the European Union have triggered this collapse. Prime Minister Morgan Tsvangirai-led MDC and other likeminded parties, however, contend that the country's poor debt record as well as ill-informed economic policies triggered this meltdown. Currently, saddled with a $10,7 billion external debt and an increasingly unsustainable internal debt, Zimbabwe's future remains bleak unless the debt issue is addressed, analysts argue. Reality has finally sunk on the shaky inclusive government that the country badly needs concessionary funds from international finance institutions despite vast natural resources. Zimbabwe has the second known largest platinum reserves after South Africa. The non-payment and accumulation of debt began in 1999 due to balance of payment constraints, with a large proportion of the debt, according to government estimates, being inherited after Independence in 1980. Last week the International Monetary Fund (IMF) approved a staff-monitored programme on Zimbabwe paving way for re-engagement with the Bretton Woods institution. This came after the government adopted the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDS), a debt plan to deal with the country's debt trap which has been blamed for disqualifying the Southern African country from accessing long-term capital. The staff-monitored programme is an informal agreement between the IMF and authorities from a country to allow approved by the IMF to monitor the implementation of the authorities' economic programme. The approval is the first agreement that the country has made in more than a decade. Noble the development may be, the IMF was, however, quick to point out that the programme does not entail assistance or endorsement by the IMF executive. "IMF staff will remain engaged with the authorities to monitor progress in the implementation of their economic programme, and will continue providing targeted technical assistance in order to support Zimbabwe's capacity-building efforts and its adjustment and reform programme," the IMF said in a statement. In an interview World Bank country manager Nginya Mungai Lenneiye said: "Arrears clearance is the main issue. We want to see if Zimbabwe can embark on the road to recovery and we are watching the ministry and where the economy is going." Zimbabwe's economy began a growth trajectory in 2009 when the country introduced the multicurrency system, becoming one of the fastest growing economies in the world. The economy took off at 5,4% in 2009, 9,6% in 2010, 10,6% in 2011 and 5,6% in 2012. The inflation rate began at -7,7% in 2009, 2010 inflation was at 3%, 3,5% in 2011 and 2012 3,7. The country managed to maintain inflation below its target of 5% in the past four years. *(News Day)*

PRESIDENT Robert Mugabe has criticised the banking sector for charging high transaction fees but failing to award interest on deposits and starving local small to medium enterprises of funding. Speaking at the official launch of the Finscope Zimbabwe 2012 Small and Medium Enterprises Survey report in Harare, Mugabe said people had lost confidence in the banking sector, hence there was an urgent need to change that perspective. The report shows that 5,7 million people were employed by the sector amid concern of low financial inclusion. "I urge our financial sector, including our financial institutions, to improve their honest handling of their services and especially the deposits brought to banks by clients," Mugabe said. He said improving clients' confidence in the sector was beneficial to banks as the banking public would not hesitate to deposit their hard-earned money. "This is the confidence that the banking sector should bestow in the clients so that small and medium enterprises (SMEs) will start banking with them," he said. The Reserve Bank of Zimbabwe has already signed a memorandum of understanding with local banks to lower bank charges as well as pay reasonable interest on deposits to promote a saving culture. Mugabe said the banking sector should design products and schemes that attract the SMEs to bank with them. "It is necessary to mop up liquidity from small businesses which, in turn, is used to increase cashflow. Part of creating the necessary environment to attract these SMEs to bank is to lower bank charges," he said. Mugabe went on to say that although there was need for more deposits in the financial sector, people needed to feel confident that their money would be safe and would attract interest. He also urged SMEs to formalise all operations so that the country could compete with developed economies. He added that the report highlighted that only 15% of SME owners have businesses registered and 71% of these are registered with local authorities and other statutory bodies, indicating that 85% of SME businesses were not registered. Speaking during a panel discussion at the same event, AfrAsia Kingdom Holdings founder Nigel Chanakira said a high appetite by local entreprenuers to borrow seed capital from banks was in some cases resulting in a high level of non-performing loans. *(News Day)*

GOVERNMENT has amended the Electricity Act to give effect to the restructuring exercise of the country's State-owned power utility. According to the latest Government Gazette published last Friday, the new Bill gives legal effect to the unbundling of the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) into two companies. "This clause provides for the unbundling of Zimbabwe Electricity Transmission and Distribution Company into two companies responsible for transmission, marketing and systems operations of electricity and the distribution and supply of electricity respectively. "It also provides for the transfer of assets and liabilities of the ZETDC to successor companies," reads the Government Gazette in part. The move is aimed at creating a level playing field for independent power producers to assist meet the ever-increasing electricity demand in the country and to improve efficiency. Under the current structure, ZETDC,

Zimbabwe Power Company (ZPC), Zesa Enterprises (Zent) and PowerTel report to the holding company that makes the overall decisions for the subsidiaries. The new structure will result in a new company, the National Grid Services Company and also a separate distribution business, Zimbabwe Electricity Distribution Company, would be formed from the unbundling of ZETDC. The Bill stands to amend the Electricity Act chapter 13:19 and to provide for matters connected with or incidental to the foregoing. "With effect from the date of commencement of the Electricity Amendment Act, 2013, or no later than six months thereafter, the ZETDC shall be unbundled and two companies shall be incorporated," reads the Government Gazette in part. Zesa Holdings, according to the restructuring blueprint, which includes ZPC, ZETDC, PowerTel and Zent, will be unbundled into commercial units which will all report to the Ministry of Energy and Power Development. *(News Day)*

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