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Report: Tobacco Use In Africa On the Rise



Cigarette vendor

African nations are poised to undergo the highest increase in the rate of tobacco use among developing countries, with nearly 90% of people on the continent remaining without meaningful protection from the effects of secondhand smoke, a new report states.

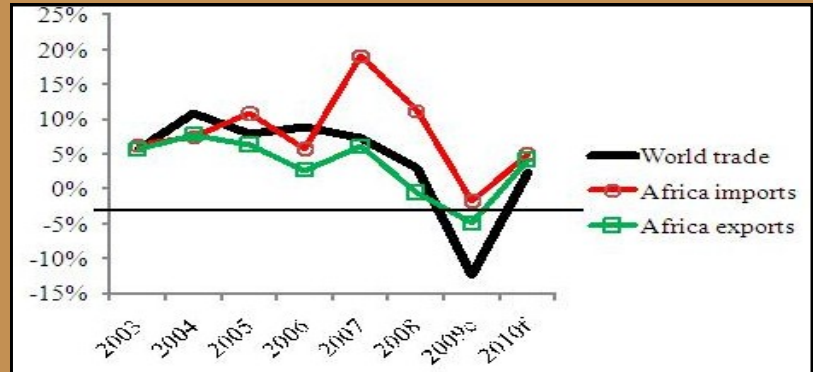
Meanwhile, several African countries are fighting against the tobacco industry's aggressive efforts to stop public health interventions by putting smoke-free laws into place, protecting more than 100 million more people since 2007.

Within the last year, Kenya and Niger have enacted national smoke-free policies, and South Africa, which has been smoke-free since March 2007, continues to play an important role in the region, demonstrating that smoke-free laws can work in Africa.

In a first for the region, Mauritius recently passed a law that is close to meeting the Framework Convention on Tobacco Control standards, ranking among the most robust anti-smoking measures in the world.

Implementation remains a challenge in many places, including Democratic Republic of Congo, Ghana, Uganda, according to the report. Obstacles include identifying resources for implementation, and opposition to smoke-free laws by the tobacco industry.

Facts and Figures



Source: SAIIA

The decline in export volumes experienced by African economies as a result of the financial crisis was not as severe as the global average, reflecting the fact that African economies do not participate in the manufacturing processing trade which rapidly deteriorated.

Uganda Oil Fields To Sell at \$1.35B



Buckingham

Heritage Oil, an independent upstream exploration and production company, has agreed to sell two of its oil fields in Uganda's Albert Basin to Eni Spa for \$1.35 billion.

Under a proposed agreement, Eni will also pay an additional contingent, deferred consideration of either \$150 million in cash or an interest in a mutually agreed producing field independently valued at a similar amount.

Transaction is expected to complete in the first quarter of 2010.

Heritage has spent approximately US\$150 million on its oil and gas interests in Uganda, since being awarded its first license in 1997.

Tony Buckingham, the CEO of Heritage, said the company recognizes the very large multi-billion dollar investment which is required to develop the Albert Basin and the related infrastructure.

Following completion, the London-listed Heritage will consider returning a portion of the disposal proceeds to shareholders in the form of a special dividend, which could be in

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Foreign investors are acquiring huge tracts of land in Africa. Is it time to panic? Pg. 2

Protecting African Lands

Foreign investors are acquiring huge tracts of land in Africa for agricultural purposes, and many policymakers on the continent and elsewhere, understandably, are concerned about this trend.

Germany's Federal Ministry for Economic Cooperation and Development believes that industrialized countries have acquired in recent years some 22 million hectares of agricultural land — land about the size of Great Britain — in developing countries.

For many experts, there's real fear that these acquisitions could force land prices to increase dramatically forcing out small farmers and landowners in Africa off their lands. There are concerns that increased land grabbing could spur land conflicts and displacement of local population.

These legitimate concerns, notwithstanding, the interest in African lands presents an opportunity for the continent. First and foremost it provides a chance for African governments to strengthen land ownership laws that incentivizes local participation in land acquisition.

African countries, particularly those suffering from chronic food shortages, also have a rare opportunity to attract capital to the agricultural sector, as well as potentially gain technology and employment through joint partnerships with foreign investors.

With the right contractual agreements and proper oversight, governments can protect their citizens from the kinds of abuses and corruption that all too frequently occur at the expense of local farmers.

Governments must insist that these transactions involving private land public lands provide full disclosure and transparency to avoid any untoward actions or even the appearance of such of behavior.

Go Mustang!



Ford has won the Kenya Airways East African Safari Classic Rally 2009 for the second time in succession. The Ford Mustang was prepared and driven by Kenyan, Ian Duncan. The event, which covers a marathon 4100 kilometers, kicked off Nov. 22 and ended on Dec. 1.

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Standard Bank taps Phaswana to replace Cooper

Derek Cooper, is expected to step down as chairman of the board of directors of Standard Bank Group following the annual general meeting in May 2010.

Cooper, who has been chairman of Standard Bank since January 2001, has reached retirement age.

Tshamano Mohau Frederik Phaswana will replace Cooper as chairman, subject to regulatory approval. Both Saki Macozoma and Kaisheng Yang will continue as joint deputy chairmen of the group.

Fred Phaswana, 65, currently chairs Anglo American South Africa, Anglo Platinum Limited and Ethos Private Equity Limited and serves on the boards of Brimstone



Phaswana



Cooper

Investment Corporation Limited, Naspers Investments Limited and Media24 Limited.

In addition he chairs the South Africa Institute of International Affairs and serves as an Advisor to the Prince of Wales Business and Environment Program.

Phaswana was previously regional President of BP Africa, chaired Transnet Limited, the South African National Energy Association and the Cape Town Graduate School of Business Advisory Board, and held directorships in the World Wildlife Fund South Africa and the Cape Town Press Club.

He will review his current commitments in the light of his pending chairmanship of Standard Bank Group.

Alto Group selects Ghana for first mining venture

California-based Alto Group Holdings has chosen Ghana as its first location to explore and develop gold resources.

Alto Group is now conducting due diligence on five mining concessions in a 200-square kilometer region of Ghana. With gold prices at over \$1,050 per ounce, the company said it is very pleased to have the opportunity of exploring and developing the large concessions in the Ashanti Belt.

Alto Group said it chose Ghana because the country's mining industry

has experienced explosive growth from the late 1980's until today making it Africa's second largest gold producer after South Africa.

The Ashanti Gold Belt is one of the world's most prolific gold regions. Production of the country's leading mineral resource gold increased from 287,124 ounces in 1986 to 1.58 million ounces in 1996 and in 2005 production was at 2.14 million ounces.

In the last few years there has been over \$1.5 billion in mining investments with current production at 9 million

ounces and a current resource of 78 million ounces.

Alto Group said the favorable investment climate in Ghana together with the country's well known mineral endowment has attracted hundreds of local and foreign companies into mineral exploration and development.

Also, the company said Ghana has very favorable mining laws as well as tax policies for mining companies. For instance, import taxation is excluded on equipment for foreign mining companies.

ECP Expands Stake In Sub-Saharan Power Producer

Private equity firm Emerging Capital Partner has acquired a majority stake in Finagestion, a holding company that operates several major water and power production and distribution concessions in Cote d'Ivoire and Senegal.

Finagestion's consolidated annual turnover exceeds \$500 million, servicing one million water subscribers and one million electricity clients. Water production amounts to 300 million cubic meters per year and annual electricity production stands at more than 3,400 GWh.

The Bouygues group was previously the majority owner of Finagestion.

The transaction successfully realizes Bouygues' objectives to restructure Finagestion's capital base to encourage greater participation of local stakeholders through the introduction



Le Guennou

of a leading financial partner. Throughout sub-Saharan Africa, more than 600 million inhabitants lack access to electricity. Moreover, the region remains off-track in the Millennium Development Goal to provide acceptable levels of potable water to its population.

According to Vincent Le Guennou, Executive Vice President of ECP, "ECP would like to render Finagestion an efficient solution provider for the water and power sectors in Sub-Saharan African by capitalizing on the existing technical and managerial capacity within the operating companies.

BRIEFS

Marriott Plans New Facilities

Marriott International (NYSE: MAR) today announced the signing of five hotels for its newly established Middle East & Africa Region, including its first properties in Algeria, Ghana and Morocco. The hotels are scheduled to open under long-term management contracts over the next 36 months and represent the company's Marriott Hotels & Resorts and Marriott Executive Apartments brands. The properties announced add 1,126 rooms to Marriott's Middle East & Africa development pipeline, which now totals 44 hotels and 10,800 rooms under construction or in advanced planning.

Opening between now and year-end 2015, these new properties will boost Marriott's Middle East & Africa regional presence to more than 70 hotels across six lodging brands, totaling nearly 20,000 rooms in 12 countries. The portfolio includes JW Marriott and The Ritz-Carlton hotels in the luxury tier; Marriott and Renaissance Hotels & Resorts in the upscale segment; Courtyard by Marriott in the moderately-priced tier and deluxe Marriott Executive Apartments for extended stay travelers.

Wavion in Rwanda Wi-Fi Deal

Wavion Ltd. a company transforming the Metro and Rural Wi-Fi market with a new category of Wi-Fi Base Stations, Balton Uganda Ltd, a system integrator in Uganda and Rwanda and MTN Rwanda, a leading cellular operator in Rwanda, announced the initialization of a large scale Wi-Fi network deployment based on Wavion WBS-2400 Base Stations in the city of Kigali, Rwanda. The Base Stations will provide high-speed wireless (Wi-Fi) connectivity to medium and small businesses and residences in Kigali.

Wavion's WBS-2400 spatially adaptive beamforming base stations provide extended range, improved indoor penetration, non-line-of-sight (NLOS) operation and better interference resilience. In this first phase of the project, about 100 WBS-2400 base stations are being installed on MTN Rwanda cellular sites and roof-tops, and will jointly cover the city of Kigali

ExxonMobil, Cameroon Oil Eye Women Leaders

ExxonMobil and Cameroon Oil Transportation Co. has launched the Global Women in Management program in Douala, Cameroon.

The training program will focus on enhancing the organizational and entrepreneurial skills of African women leaders.

The Global Women in Management program is designed to prepare women leaders to assume increased responsibilities and accountability in their personal, institutional and community lives by bolstering skills in

program and financial management, leadership, fundraising and proposal development, strategic communication, supervision, and advocacy.

The four-week program, the first training initiative of its kind to be held in Cameroon, will be offered to 26 mid-career women managers from Africa.

The participants – 10 from Cameroon, 10 from Chad, and six from Equatorial Guinea – will examine and adapt best practices that advance women's economic opportunities and meet the needs of their own communities and countries.

Best Affirms East Africa Reinsurance Co. Ratings

U.S.-based insurance rating agency A.M. Best Co. has assigned a financial strength rating of B (Fair) and issuer credit rating of "bb+" to East Africa Reinsurance Company Limited (EARE) (Kenya). The outlook for both ratings is stable.

The ratings of EARE reflect its solid level of risk-adjusted capitalization and stable overall profitability. Offsetting factors are the company's vulnerable competitive market position, restricted opportunities for growth and marginal underwriting profitability.

In A.M. Best's opinion, EARE's current level of risk-adjusted capitalisation is solid and benefits from a relatively good level of capital and surplus. The company's capital position has been strengthened over the past three years through the full retention of profits.

A.M. Best believes that EARE maintains a relatively weak competitive position within both its domestic Kenyan reinsurance market and overseas. Alongside the legal cessions commanded by several of EARE's rival reinsurers, price-based competition has historically been a challenge and limited growth opportunities exist.

Lenco Firm Markets Mobile Statement Solution

Lenco Mobile subsidiary Multimedia Solutions has signed a Long Term Partnering Agreement with Deloitte Consulting in South Africa to promote its mobile phone statement and itemized billing solutions.

Clients of Deloitte Consulting in South Africa will be able to use the mobile phone statement solution to deliver personalized statements to mobile phones in a highly efficient and cost effective manner. Besides being secure, mobile statements are measurable and can be deployed with very little lead-time. In addition, the elimination of paper statements will allow companies to significantly reduce their carbon footprint.

Riaan Groenewald, operations director at Multimedia Solutions, said the agreement is a great step towards eliminating unnecessary paper from the document flow process.

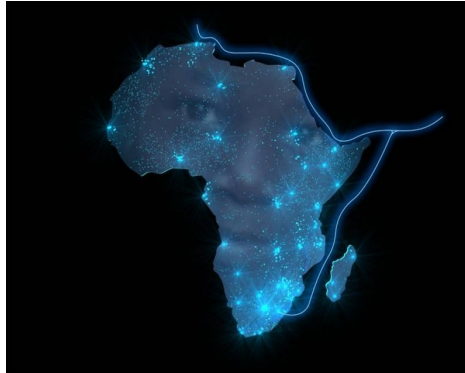
Ministers Seek to Boost ICT Penetration in Africa

Africa is still the least connected continent in the world, both from an internet penetration perspective and in terms of the total bandwidth utilized by the continent.

It is in this context that ministers and experts in information and communication technologies from member states of the African Union met in South Africa on Nov. 2 to 5.

The ministers concluded at the end of the event that member states need to come up with concrete financial and political recommendations on critical issues that will accelerate the development of the ICTs as an industry and as a catalytic tool for development, and to deal with challenges being experienced.

The significant challenges hindering ICT development include the fact that



Out of 1000 people in Africa, only 15 have a telephone line and only 7 or 8 out of 1.000 people surf on the internet.

less than one person out of five has electricity; that out of 1000 inhabitants, only 15 have a telephone line and that 7,8 out of 1.000 people surf on the internet.

Issues such as local ICT costs

which remain high; inadequate skills pool; the global economic meltdown; lack of funding and political will; harmonization and standardization of equipment and proliferation of implementing agencies, among others, are also among the challenges.

The ministerial conference was held ahead of the January 2010 Summit of Heads of State and Government whose theme will be "Information Technologies in Africa: Challenges and Prospects for Development."

It ended with the adoption of the Oliver Tambo Declaration, Johannesburg 2009 which lays out commitments by Member States of the African Union in the development of ICT, recommendations for the way forward and directives for the African Union to follow up.

African Market Integration Slowly Becoming Reality

African countries can look forward to the creation of the African Economic Community by 2027, using existing free trade areas, such as the East Africa Community or EAC, Common Market for Eastern and Southern African Countries or COMESA, and the Southern African Development Community, also known as the SADC, as building blocks.

According to Tsidio Disenyana, the deputy head of the development of the South Africa Institute of International Affairs, the three communities came closer to achieving this goal when they entered an agreement in October 2008 on harmonizing trade and investment regimes, infrastructure programs and facilitating free movement of persons.

These three communities have 26 countries, with 14 countries sporting double memberships, which, according to

Disenyana, is a dilemma which one big community like the African Economic Community could resolve. The three regional communities also show widely varying levels of economic development, though the continent's actual economic might is in the hands of very few countries.

Disenyana said South Africa and Egypt alone account for more than half of the \$712 billion GDP of the 26 countries in the three communities, with South Africa having the lion's share of 40% and Egypt having 17%. Moreover, the collective GDP per capita of EAC countries, computed from 2007 data mentioned in the study, stands at \$383, followed by COMESA, \$720, and SADC, \$1529.

COMESA countries have agreed to start a common market by 2014 and an economic union by 2025.

Heritage To Use Sale Proceeds To Fund Iraq Project

Continued from Page 1

the range of 75 pence to 100 pence per share. In the event that the dividend is paid, Heritage would expect to still have a cash position of over US\$1 billion.

Heritage will continue to have operations in seven countries and will use some of the disposal proceeds in the

exploration, appraisal and development of these areas, in particular in the Kurdistan Region of Iraq, which remains a core area of focus.

The company plans to embark on drilling programs in these territories next year, with a number of high-impact

exploration wells which could continue to generate value for shareholders.

Since the discovery of the Kingfisher Field, six wells have been drilled in Blocks 1 and 3A, which have discovered about 300 million barrels net to the company.

Fund Focus: *Citadel Capital*

By David Dankwa

Cairo-based Citadel Capital, is a private equity investor that has more than \$ 8.3 billion in investments under control, spanning 17 platform companies in 14 industries across 12 countries in the Middle East and Africa.



Heikal

Since it launched five years ago, Citadel Capital has generated more than \$2.4 billion in cash returns for its limited partners on investments of US\$ 650 million. The company is one of the largest private equity firms in Africa.

It has executed the largest private equity deal in the Middle East and North Africa to-date, the US\$ 1.4 billion sale of Egyptian Fertilizers Company

History

The company was founded in April 2004 by Ahmed Heikal and Hisham El-Khazindar. Prior to founding Citadel Capital, Heikal was an executive board member and managing director of EFG-Hermes Holding. El-Khazindar was executive director of investment banking at EFG-Hermes.



El-Khazindar

Philosophy

Citadel Capital's strategy is to acquire or create national companies that can serve as platforms for regional expansion in specific industries. For each deal, the firm raises an Opportunity-Specific Fund (OSF) to control a single platform investment.

Citadel creates value by pursuing opportunities through leveraged buyouts, distressed investments, consolidation plays or industry roll-ups, and Greenfield investments.

"Instead of relying on leverage to generate returns, Citadel Capital has always focused on deploying equity capital and smart levels of debt to create value for shareholders and limited partners alike through the patient building of platform



In June 2007, Citadel Capital invested \$640 million in Egyptian Refining Co.



A Sudanese farmer near the river Nile. Citadel believes there is significant potential in these farmlands in Sudan.

companies with regional scope, allowing us to generate superior returns at exit," says Cofounder El-Khazindar said in a recent statement.

Interests in Africa

The company's current holdings include the National Petroleum Co. in Egypt, in which it invested \$425 million in 2005. Citadel hopes NPC will use the funds to consolidate small assets in Egypt and the MENA region in order to capitalize on deregulation in the sector, as well as to grow reserves and production from its exploration assets.

In 2007, Citadel also invested in the Egyptian Refining Co., which is building a state-of-the-art \$3 billion greenfield second-stage oil refinery in the Greater Cairo Area.

In June 2007, the firm committed \$640 million in equity investment in the refinery, which is expected to produce over 4 million tons of refined products, including over 2 million tons of EURO V diesel, the cleanest fuel of its type.

Citadel Capital has also invested in Sudan's highly promising agriculture sector. Since Sept. 2008, the company has held aabina, an agricultural investment near Kosti, where it has obtained a 99-year freehold on a 255,000-feddan plot of fertile land, 37 kilometers of which are located on the Nile.

According to Citadel Capital, some 32,000 feddans of the land are already cultivated. The plot is in close proximity to a river port owned by Keer Marine, a Citadel Capital investment. Sept. 2008

Citadel owns 65% of ASCOM, a mining company that specializes in quarry operations for the cement industry as well as the exploration of precious metals.

ASCOM recently acquired a 9% stake in GMA Resources, a UK-listed gold exploration and production company that owns 52% of an exploration and production operation in Southern Algeria.

Project Focus: Africa's First Bullet Trains

By David Dankwa

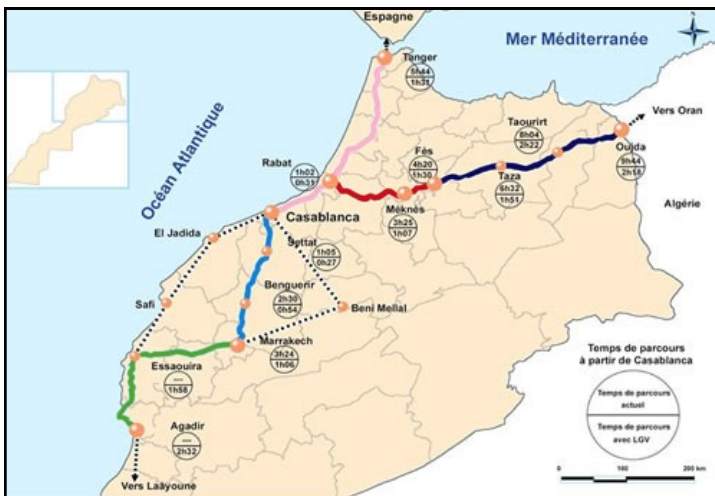
Morocco plans to complete the first phase of a long-awaited high-speed rail line, covering 191 mile distance from Tangier in the north to Casablanca, the country's largest city and commercial centre, by 2013.

Upon completion, the so-called bullet train is expected to cut the journey time from 5 hours to just over 2 hours.

This very high speed rail link project has been studied since 2004. The idea is part of a master plan to meet the strong increase in passenger traffic, which has increased 10 to 15% per year. Road congestion has become a serious problem in Morocco with 650,000 people travelling daily by road between the two cities. Indirectly the project may also help reduce a relatively high death rate among road users.

The project aims to increase rail usage from its present level of 52 million passengers, to 133 million by 2030.

The Moroccan railway master plan provides for the construction of 1,500 km of high speed rail lines by 2030 to 2035, which will be capable of carrying 120 million travelers on two routes – the Tangier-Marrakech-Agadir “Atlantic



The so-called bullet train is expected to cut journey time from Tangier in the north to Casablanca 5hrs to just over 2hrs.

High Speed Line	2007	2030	Gain
Casablanca - Tangier	5h45	1h30	4h15
Rabat - Tangier	4h45	1h	3h45
Casablanca - Marrakech	3h15	1h05	2h10
Rabat - Marrakech	4h20	1h40	2h40
Rabat - Fez	3h30	1h	2h30
Casablanca - Agadir	-	2h35	-
Tangier - Fez	5h30	1h40	3h50
Fez - Oujda	5h10	1h20	3h50



Designed for speeds of up to 350 kph, the high-speed line is initially due to operate at 300 kph.

link” and the Rabat-Fez-Oujda “Maghreb link”.

As a result, Morocco will be the first country in Africa to have a technologically advanced rail transport infrastructure, using the same very high speed global standards as in France, which are a referenced throughout the world.

About half the estimated construction cost of would go to French group Alstom, makers of the high-speed TGV train, as well as French rail operator SNCF and network manager RFF.

Designed for speeds of up to 350 kph, the high-speed line is initially due to operate at 300 kph. Two new stations could also be built: Settat-TGV and Benguerir-TGV.

The line will be fully dedicated to passenger traffic, with freight trains running on the conventional track, thus alleviating the over-stretched Casablanca-Marrakech line.

Earlier this year, Morocco's state-owned railway company ONCF signed a deal with French firms to build and run the high-speed train line at a cost of MAD 20 billion.

France has dispatched dozens of experts to Morocco to share their know-how in the field of high-speed technology with ONCF personnel.

The TGV in Paris was the world's third commercial high speed train service, after Japan's Shinkansen, which first connected Tokyo and Osaka on Oct. 1, 1964, and Britain's Intercity 125, intended for the UK's main lines such as the East Coast Mainline and which entered service in 1976.

The TGV currently holds the world speed record for conventional, wheel/rail trains. In 2007 a modified TGV POS train reached 574.8 km/h under test conditions. Currently there are about 100 stations spread out over the 1 907 km on the ONCF network in Morocco. For instance, 8 railway stations in high density industrial and population districts provide surface transport offering 36 trains from 5:00 a.m. to 10:00 p.m.

Country Focus: *Senegal*

By Asha Attoh-Okine

In this month country focus, we take a look at the second phase of Senegal's Poverty Reduction Strategy Program (PRSP) covering the period 2006-10 in the light of the current world economic and financial climate.

The second PRSP builds upon the mistakes and achievements during the implementation of the first PRSP period 2003-05. The objective of the second phase of PRSP is to achieve an annual economic growth of 7% in order to halve poverty level by 2015.

Pillars

The second phase of PRSP is based on four pillars: (a) wealth creation, (b) capacity building and provision of social services, (c) protecting vulnerable groups, and (d) promoting governance and a participatory process. Achieving the goals of PRSP will be challenging given the current economic context and Senegal's budgetary problems.

Challenges

The global economic and financial crisis has emerged during the time of domestic shocks which has impacted economic activity. Some of the possible side effects included reduced aid flows due to budget constraints of donor countries, financing inflows and remittances.

Senegal experienced a sharp rise in import bill due to run-up in international food and energy prices during 2006-08. The high budgetary costs due to untargeted government subsidies in response to the



Table shows the key economic ratios and trends.

Selected Economic Indicators						
	2005	2006	2007	2008 (est)	2009 (proj)	2009 (proj)
Output and Prices						
Real GDP Growth %	5.6	2.4	4.7	2.5	3.0	3.4
CPI Inflation, % change	1.7	2.1	5.9	5.8	1.1	2.2
Public Finance						
Overall fiscal deficit, % of GDP (incl. grants)	-3.0	-5.7	-3.7	-4.3	-4.4	-4.0
Tax Revenues to GDP	19.3	19.7	21.1	19.4	19.1	19.2
External Sector						
Current Account Balance (incl. transfers), % of GDP	-7.8	-9.4	-11.0	-12.3	-11.9	-10.0
External Public Debt, % of GDP	42.4	17.7	17.9	19.7	22.8	23.3
Gross Reserves	4.1	3.8	3.4	3.2	3.6	3.0
Other Indicators						
Public Investment, % of GDP	10.0	9.7	11.2	10.0	10.4	10.6
Private Investment, % of GDP	19.6	18.5	19.7	20.2	18.3	17.8
GNI per capita (\$) Atlas based	770	800	870	970

Source: World Bank

price increase lead to accumulated large unpaid bills to the private sector.

Some donor countries suspended budget support because of the extra budgetary spending without budgetary appropriations and delays in payment to the private sector. Business activity has been at a snail's pace with tax revenues lower than expected during 2008.

Optimism

Despite some of economic setbacks, Senegal has taken bold steps to pursue appropriate economic policies which would set the country toward the path of sustain economic growth.

Senegal has been able to meet most of its economic benchmarks. The pile of government's unpaid bills within the regular expenditure process has been normalized and reforms to improve public financial management are underway.

In terms of the key pillars of PSRP, some achievements have taking place including promoting a competitive investment climate; improving the quality of and access to basic education has been mixed; and good progress has been made on improving the quality of life through better management of natural resources and access to water and sanitation.

The Africonomist, launched in Feb. 2009, is a financial newsletter focused on investments and economic development in Africa.

Our primary goal is to inform our readers about developments shaping the economic landscape in Africa.

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