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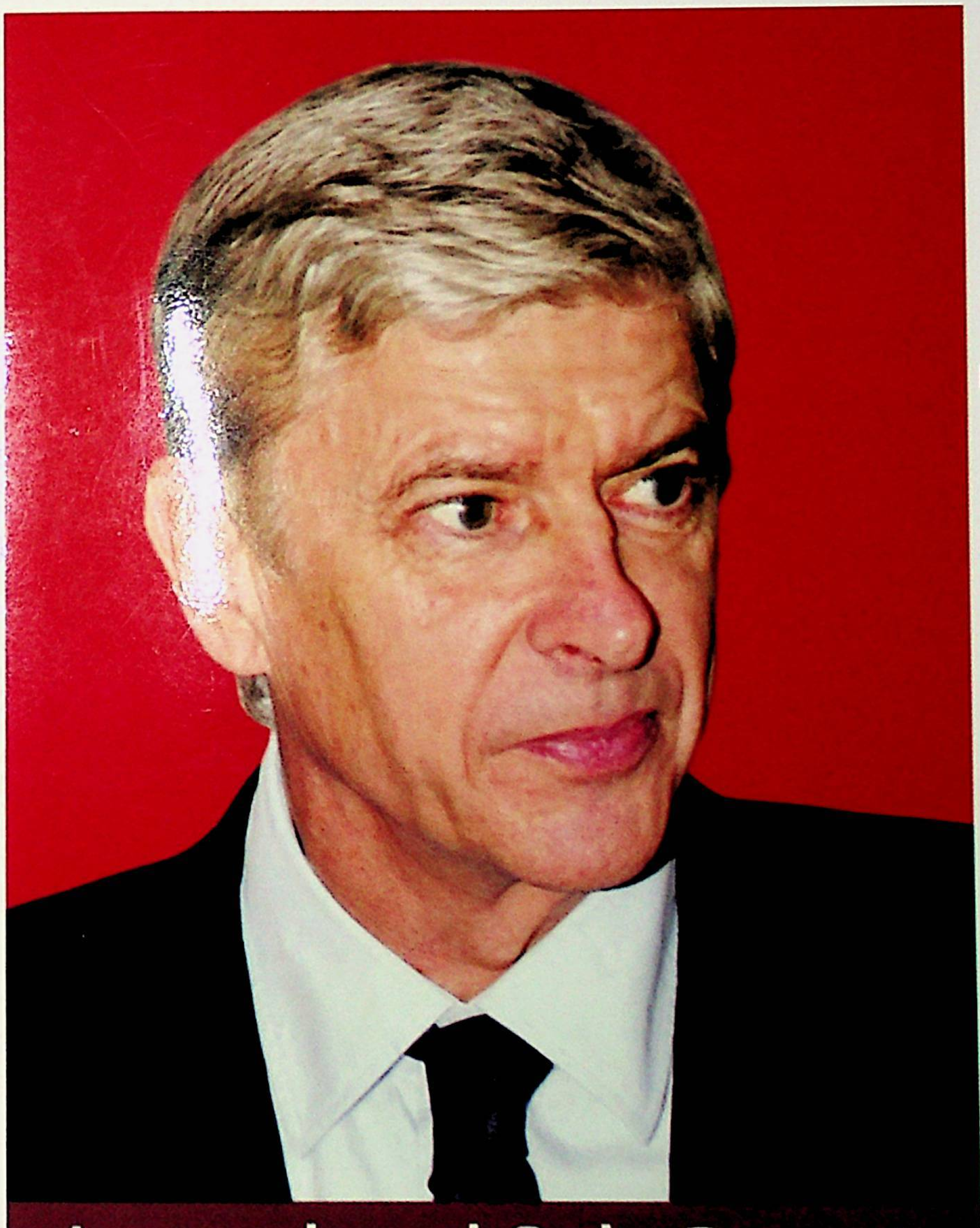

Arsenal and Sole Pursuit of Financial Bottomline

Nigeria operating 19th century health system

Money-laundering Nigeria's future

Lessons for Liberia from Ghana's early oil experience

Perceptions, risks and Donald Rumsfeld

Nigeria's power supply security (1)

6 African technology innovations that are changing lives

East Africa's business potential grows

Sub-saharan African sovereign credit update

OPIC monitoring trip to Kenya: Big plans becoming reality

Beloxxi partners AIBS on first business simulation laboratory

Can phones drive insurance markets? Initial results from Ghana

A Long Walk from a Mosquito Bite

Microsoft invests in the promise of Africa

Hellfire, morality and strategy

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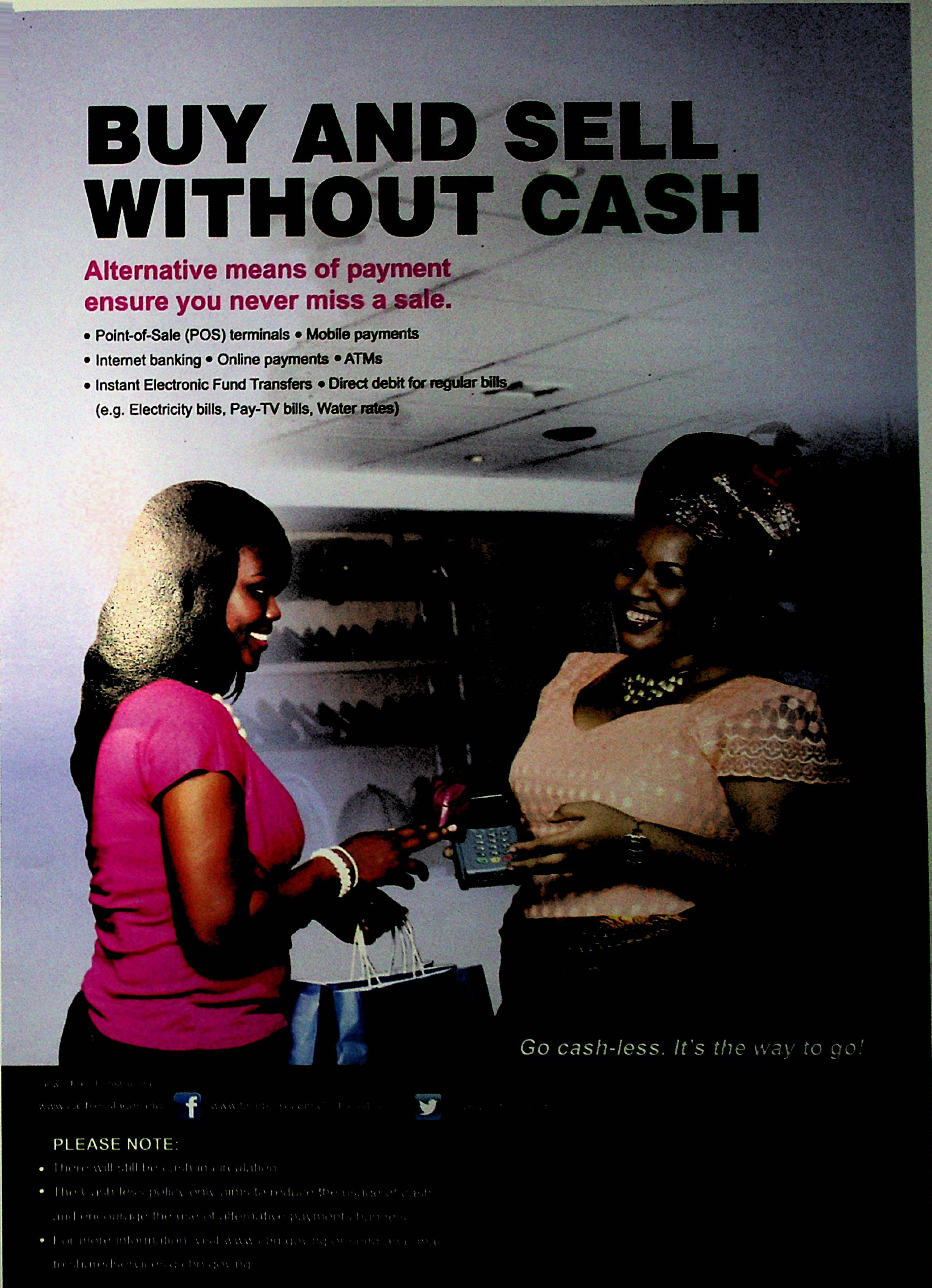
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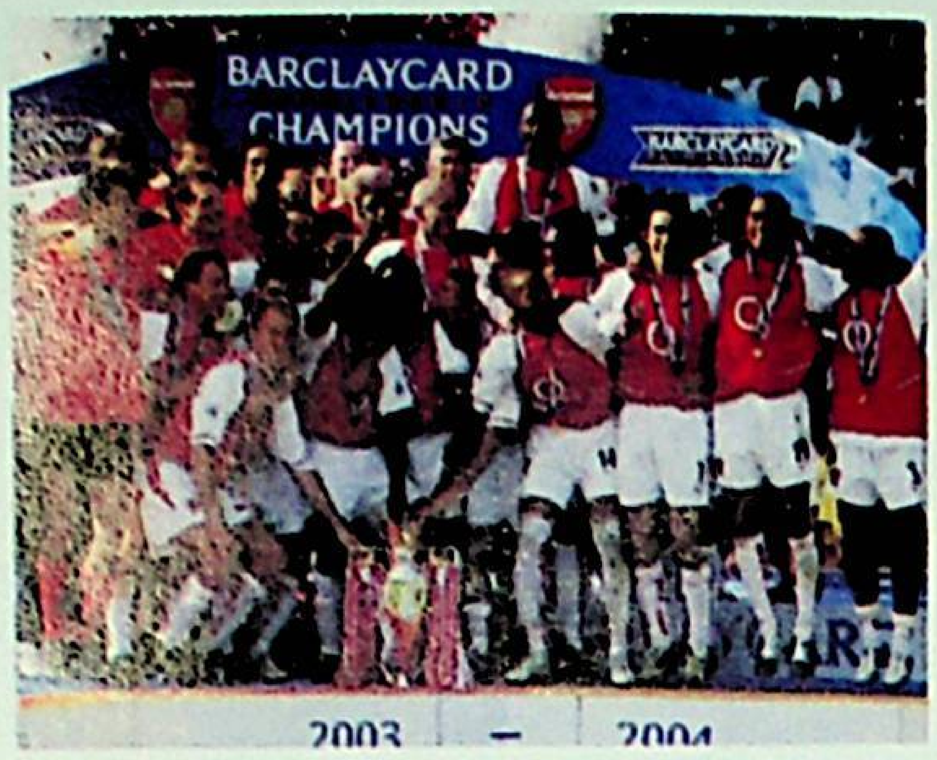

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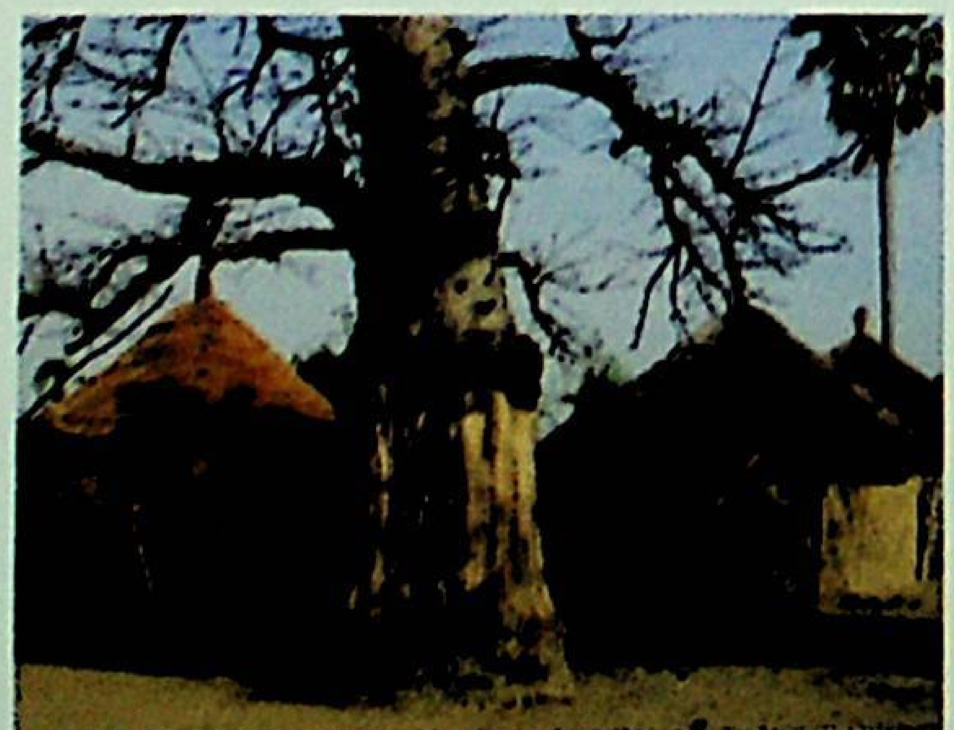

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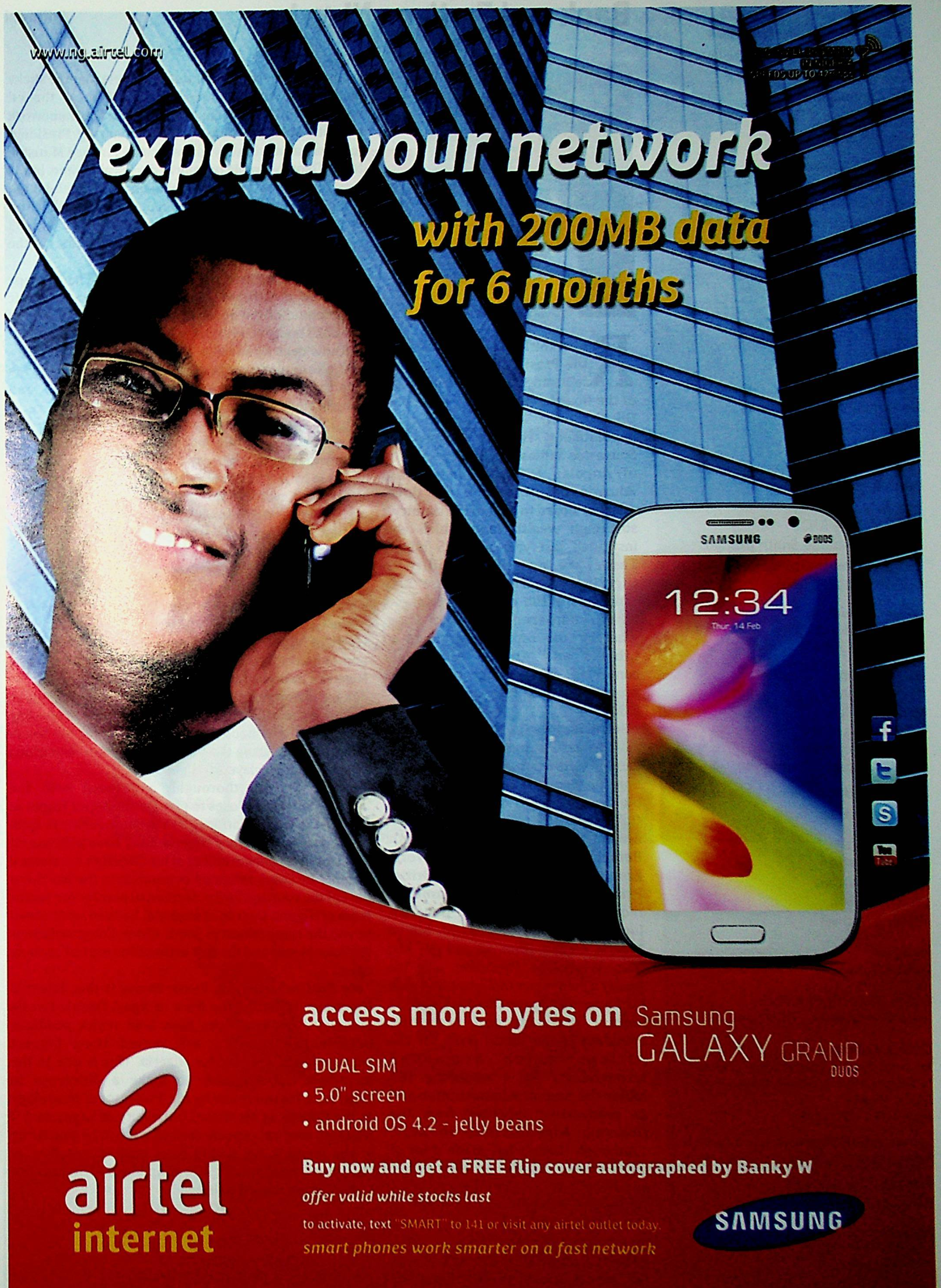
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Back and Forth on Nigeria

Robert Sirleaf, a biological son of the President of Liberia, Ellen Johnson Sirleaf, is the Chairman of the Board of the country's National Oil Company. A similarly ignoble appointment sees José Filomeno de Sousa dos Santos, the 35-year-old son of Angolan (life) President, José Eduardo dos Santos on the three-member Board to govern the country's sovereign wealth fund which was instituted last year with $5 billion. These are near-impossibility in Nigeria. The irritating first lady syndrome is the closest Nigeria gets when compared with the sham whereby the top appointments in Liberia and Angola effectively converted management of national economic assets into strictly family affair.

But is Nigeria doing very well with management of her resources by the band of government officials which doesn't necessarily maintain close biological ties? Definitely not. Former U.S. President, Bill Clinton just reminded us on this late last month. Before then, at the 2013 World Economic Forum in Davos, British Prime Minister David Cameron requested that President Goodluck Jonathan account for $100 billion Nigeria earned from oil and gas last year. While the President and his "today's men" were still grappling with Mr. Cameron's poser, Oby Ezekwesili, a former minister and erstwhile President of the World Bank for the African region, demanded accountability for a whopping $67 billion the present administration and its predecessor inherited from the Obasanjo Administration in 2007.

Although Nigeria has made a lot of strides with regard to governance reforms since the democratic dispensation beginning in 1999, a conclusive argument about the seriousness to move the country forward is difficult. Whereas one saw the transparency in the licensing regime in the telecommunication sector twelve years ago, one also saw last year the sticky malfeasance in the downstream sector of the oil industry, and the logjam in its governance framework persists. Whereas there is clear intent by President Jonathan as advised by his respected Finance Minister, Ngozi Okonjo-Iweala to reform the fiscal regime, in the last three months we have been held spell-bound wondering whether the National Assembly will let up on the padding of the 2013 Appropriation Bill with 63 billion naira to direct benefit of its members via the extra-legal constituency projects.

Overwhelming majority of Nigerians had had to cope with two months of alienation from the economic programme of the government before the passage of the 2013 budget on February 26th. Although the budget has now been signed into law with its minor deformity, will it be implemented so that the people would feel the positive impact of government's policies and programmes in the ten months left in the year?

In 2013, the Nigerian government cannot afford to deny the people the benefit of a budget that is expansionary in the way that increased matchday revenue by Arsenal Football Club since it moved to the expansive Emirates Stadium only denied them the joy and bragging rights associated with winning a major trophy. So far, Arsenal's establishment has continued to behave like the Nigerian political leadership which demand that its followers should endure pains of its bad decisions while continuing in them.

My pain as an Arsenal fan was compounded in the final of the Carling Cup (now Capital One Cup) in 2011. As I wrote, a fidgety performance of Arsenal's goalkeeper and defenders, allowed one of the *enfants terribles* of Nigeria's national team, Obafemi Martins, to tap in the ball for Birmingham City's goal and inflict the agony of losing yet another trophy on Arsenal fans, including those of us who had developed a liking for the North London club during the years the far more illustrious Kanu Nwankwo played at Highbury.

However, I am thoroughly impressed with the decision of Victor Moses to play for the Super Eagles at the African Cup of Nations 2013 in South Africa. In spite of the emotional injury Nigeria must have inflicted on him by the gruesome killing of his Christian missionary parents by some religious extremists in the Northern part of the country, Victor decided to play for the senior team of Nigeria instead of England. He then went ahead to win the competition in South Africa. Congratulations to Victor Moses and the rest of the team and its coaching crew.

My final reflection on Victor Moses is this: talented Nigerians, including the likes of Ngozi Okonjo-Iweala and Oby Ezekwesili who have held senior positions outside the country, will record their biggest achievements working for Nigeria. This is due to the incredible opportunities to make a difference in Nigeria. In his interview by me, Professor of Neurology at the College of Medicine, University of Lagos said if Nigerian medical experts abroad were to be practicing in the country, we would have positive net flow of medical tourists into Nigeria as opposed to the massive outflow from Nigeria to India.

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Nexim Bank and President Jonathan's Transformation Agenda

By Chinedu Moghalu

The Transformation Agenda of the Administration of President Goodluck Jonathan presents great opportunities for institutional renewal and performance in the Nigerian public sector. On a general note, the Transformation Agenda emphasizes that ministries, departments and agencies (MDAs) of Government must deliver intended products, services and programmes to the people. As such, the key institutions in the executive arm of government are driven by some Key Performance Indicators (KPIs) to ensure they keep their pact with the Administration and the Nigerian people they are meant to serve. Recently, the Nigerian Export—Import Bank (Nexim Bank) took its turn with the parent ministry — the Federal Ministry of Finance — to present its scorecard at a meeting of the Federal Executive Council.

Over the last three years, the executive management of Nexim Bank, which is headed by the Managing Director and CEO, Mr. Roberts Orya, had introduced private sector ethos of strategy-led performance in the way the Bank is run. Inevitably so: he had had close to three decades of experience in the very competitive Nigerian banking sector before assuming office at Nexim Bank in September 2009. The Nexim Bank he met on assumption of office was adrift; it was an institution that had veered away from its mandate to support economic diversification and performance of the external sector of the Nigerian economy. But very quickly under Mr. Orya's leadership, Nexim Bank has become a result-driven institution, taking very seriously its mandate to play a critical role in realizing the objective of diversifying the nation's economy away from oil, job creation, and a broader base of foreign exchange earnings in the economy.

Evolution of ECAs

Nexim Bank is Nigeria's export credit agency (ECA). The criticality of its role in realizing Nigeria's quest for improvement in her external trade is exemplified by strong performance of the export sector in countries with functioning ECAs. The **Export-Import Bank of the United States (U.S. Exim)** is the first established ECA in the world; founded in 1934 by an Executive Order of the U.S. President. The U.S. Exim Bank is the principal government agency responsible for aiding the export of American goods and services, thereby creating and sustaining U.S. jobs, through a variety of loan, guarantee, and insurance programmes. Generally, its programmes are available to any American export firm regardless of size. Similar banks or designated ECAs are operated by a number of the Organisation for Economic Co-operation and Development (OECD) countries.

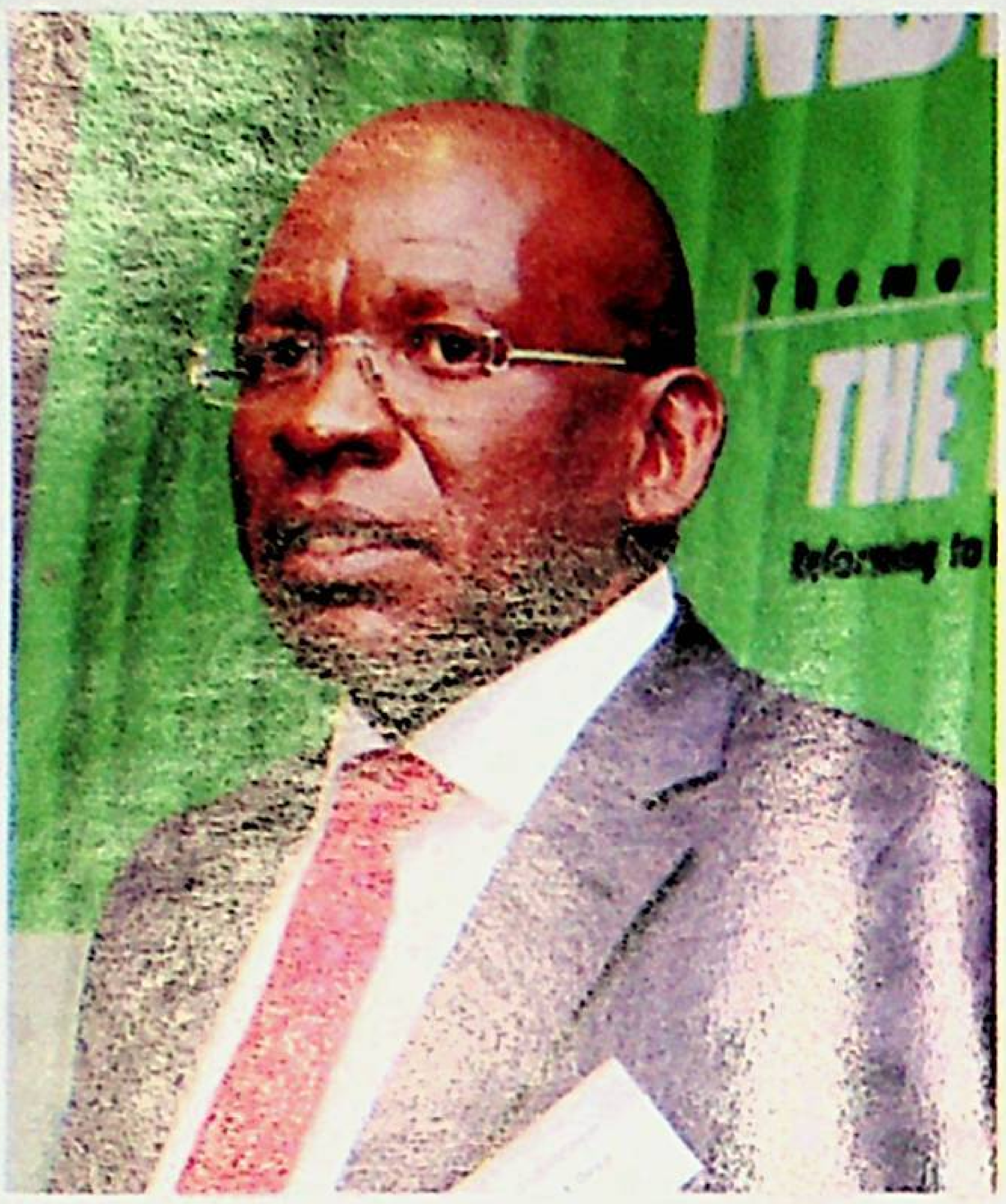
One of the younger ECAs, Export-Import Bank of China, is state-owned, and founded in 1994 before China Export & Credit Insurance Corporation was officially launched in 2001 as China's only policy-oriented insurance company specializing in export credit insurance to complement EXIM China. India similarly has two institutions that support exports: EXIM India that handles financing and ECGC, which handles export insurance and guarantee.

Since the global financial crisis, we have seen significant increases in funding to support exports from around the world. Indeed, Germany recently suffered a setback in economic growth when its exports value dipped. The same is the case with China and crisis-ridden Japan. Two relatively small countries — Belgium and Canada — achieved strong ECA-backed exports to rank amongst the 11 largest exporters, according to 2008 data compiled by the British Export Association.

This is instructive for Nigeria's GDP growth aspiration, where development of the non-oil export sector can make significant contribution. Happily, the Transformation Agenda of President Jonathan is in support of this view and the owners of Nexim Bank — Federal Ministry of Finance Incorporated and Central Bank of Nigeria — are providing institutional and funding support for Nexim Bank to support Nigerian export businesses.

Nigeria's Trade Policy Bank

Nexim Bank is Nigeria's sole trade policy bank. In that regard, the Bank provides a variety of advisory and financial products and services to Nigerian exporters and export-oriented businesses. As a development finance institution, Nexim Bank does not only invest in commercial opportunities. Much of its financing is now providing entrepreneurs with the initial funding to develop their businesses where there are opportunities for job creation and



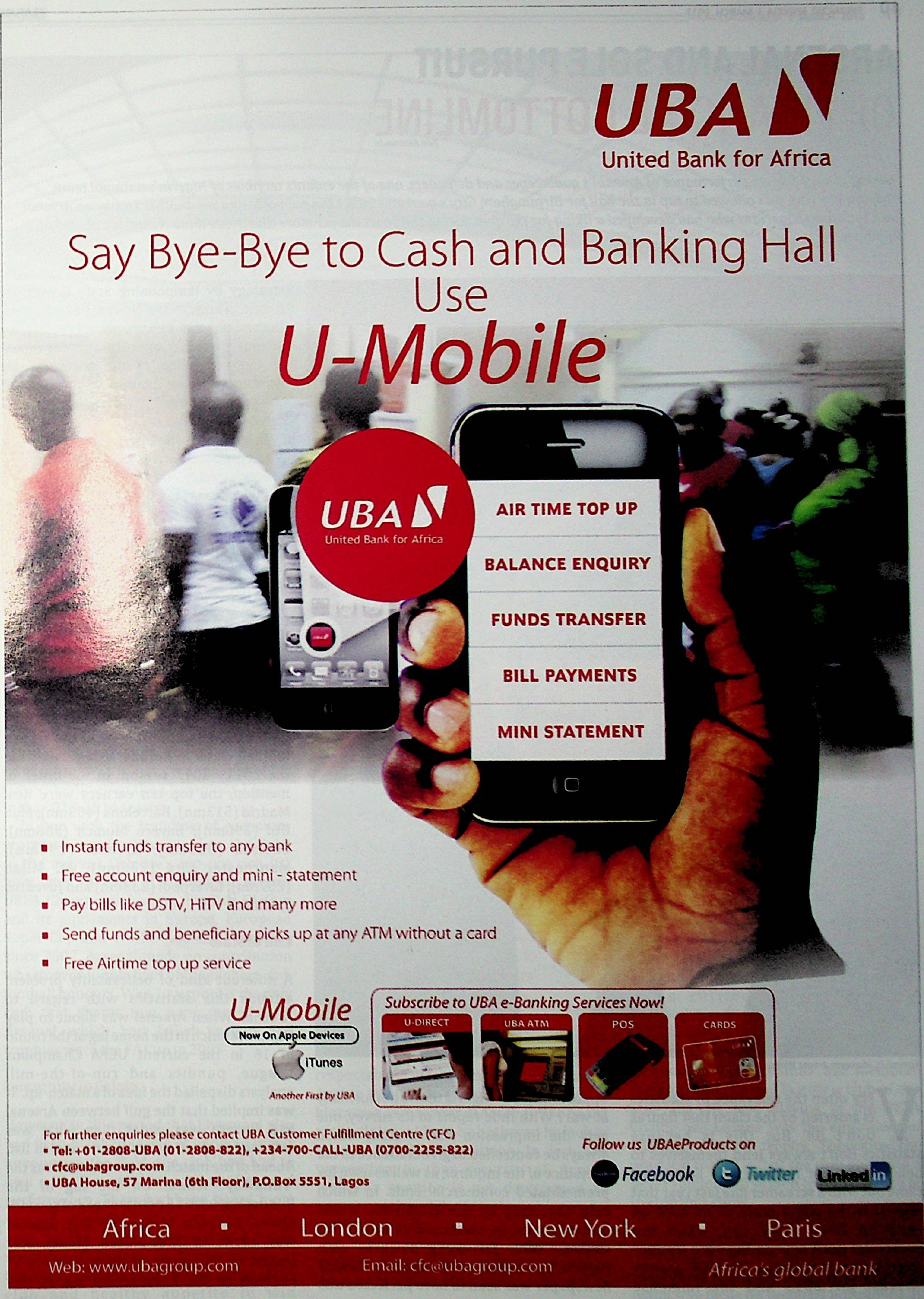
export. In fact, Nexim Bank over the last three years has deployed resources and expertise to de-risk key sectors that will contribute to growth in Nigerian non-oil exports. This is an on-going process. But in specific terms, the Bank offers risk-bearing facilities including, export credit guarantees and export credit insurance to eligible borrowers, mainly exporters duly registered in Nigeria as a limited liability company or cooperative society, as well as commercial and merchant banks.

For more effectiveness and show of clear strategic direction, Nexim Bank has identified four sectors of focus or 'the MASS Agenda'. In the last three years, we have been working with businesses in the manufacturing, agriculture (agro-processing), solid mineral and services (which include transportation, hospitality and entertainment) sectors.

Nexim Bank is determined to assist in the removal of barriers to Nigerian trade within the ECOWAS region, Central Africa and beyond. Our response to the unduly lengthy time and high cost of moving cargoes within West Africa through trans-shipment from Europe is the Sealink Project which Nexim Bank is facilitating as a private sector-driven investment. This initiative will truly integrate Nigeria with neighbouring regional markets, and provide direct maritime links with Africa and the global markets.

To the credit of the Transformation Agenda, Nexim Bank is serving the market, while at the same time providing shareholders' return.

Chinedu Moghalu is Head, Corporate Communication, NEXIM Bank.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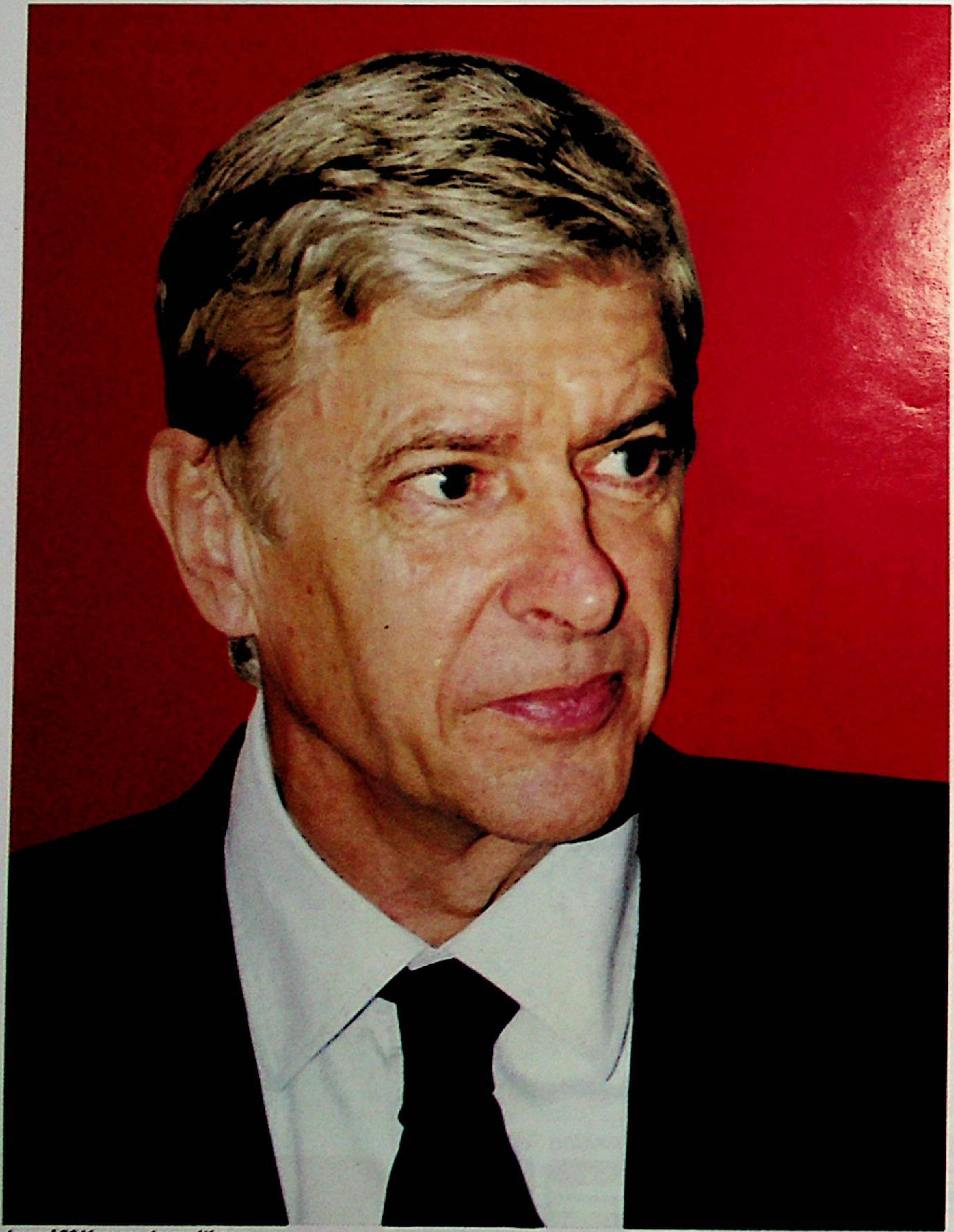
ARSENAL AND SOLE PURSUIT OF FINANCIAL BOTTOMLINE

Jide Akintunde

Owning to very fidgety performance of Arsenal's goalkeeper and defenders, one of the enfants terribles of Nigeria's national team, Obafemi Martins, was allowed to tap in the ball for Birmingham City's goal and inflict the pain of losing yet another trophy on Arsenal fans, including Nigerians who had developed a liking for the club during the years the far more illustrious Kanu Nwankwo played at Highbury.



Arsenal FC Manager, Arsene Wenger

Very often the relevance of statistics is asserted by the claim that figures don't lie. But this is because statistics don't always lend themselves to believability. For instance, the Economist came out with a screamer late last year that Nigeria is the worst place to be born on earth in 2013. How can, when the Economist itself affirms Nigeria's frontier emerging market status, 7% GDP growth forecast for 2013 and the immense opportunities in Nigeria that is not formally at war? With thde report of its survey, one gets the impression that a study could always be controlled to give credence to the prejudice of the inquirer, as well as used for premeditated commercial ends. In which case, the study by the Economist, which comes across as blackmail, is one of its strategic tools for doing business with Nigeria. Up until recently, Nigeria's Thisday newspaper was seen to have perfected this strategy by lampooning State Governors from January to November. But in December, the newspaper provides, on commercial basis, opportunities for repair of the reputation of the governors by [illegible] to name them as winners of the "[illegible] governor" award [illegible] several categories.

In spite of the believability [illegible] that is associated with flawed statistical process, today, there is no doubt that knowledge is best exemplified by the evidence of research findings [illegible] data. In fact, we make qualitative assertions on the basis of quantitative analysis. Overtime, some institutions have developed the skill and networks for data gathering and production of statistics that provide unquestioned insights into various areas of life's endeavour. In this regard, Deloitte has supplied knowledge of the business side to European elite club football.

According to Football Money League 2013 report by Deloitte, Arsenal Football Club placed sixth in the log of the richest football clubs in Europe, using data from the 2011 2012 season. In the order of mention, the top ten earners were Real Madrid (513mn); Barcelona (483mn); Man Utd (396mn); Bayern Munich (368mn); Chelsea (323mn); Arsenal (290mn); Manchester City (286mn); AC Milan (257mn); Liverpool (233mn) and Juventus (195mn).

End of Stats

A different kind of believability problem attends this statistics with regard to Arsenal. When Arsenal was about to play Bayern Munich in the home leg of the round of 16 in the current UEFA Champions League, pundits and run-of-the-mill analysts dispelled the idea of a match-up. It was implied that the gulf between Arsenal and Bayern was wider than what was reflected in the Deloitte's current rich list. Ahead of the match, Bayern Munich was the "runaway" leader on the log of the Bundesliga with 15 points ahead of second-placed Borussia Dortmund. But Arsenal was adrift of first-placed Manchester United by 21 points at its precarious 5^{th} position on the Premiership log. At this

Arsenal Home Ground, The Emirates Stadium, London

position with not more than 12 games to the end of the season, and lack of enough top quality players in the team, Arsenal faces a prospect of not even qualifying for the next edition of the Champions League in the 2013 2014 season.

In line with the trending of corporate scorecard over five years to date, the clubs in the current Deloitte's top ten rich list have won 38 major (i.e. domestic league, UEFA Champions League, English FA Cup and its equivalents in Europe, European Super Cup and World Club Cup) trophies since 2007. Arsenal made no contribution whatsoever to this haul of the highest club football honours. Well, Liverpool is the only club that shares that poor record with Arsenal which had failed to gun any trophies since the FA Cup in 2005.

Immunity to Crisis

However, in this period that Liverpool also had fired blank in terms of winning major honours on the field, the club had had to deal with the crisis of poor nonfinancial performance. There had been board room turmoil at Anfield. Four managers have been at the helm. Liverpool had made sensational signings, in demonstration of the respect for the excellent tradition of the club and healthy appetite to win

> Without practical actions at doing enough to win trophies, Arsenal's move from its 38,500 seatingcapacity stadium at Highbury to the gigantic over 60,000 seater Emirates Stadium has become no more than an aim at the pockets of more Arsenal fans on matchdays.

respectable laurels. On the other hand, Arsene Wenger is serving the 16th year of his career as manager of Arsenal. The board of the club could not be bothered by lack of success in all competitions. In fact, the perception is that security of Arsene Wenger's position is not determined by success on the pitch. He is the only one who can fire himself.

In the meantime however, the tradition of the competitiveness and superiority of Arsenal has been rubbished to no end. In the last five seasons, the club has lost invincibility to mid — bottom-of-the-table teams in the Premier League when playing away matches. However, the desecration of Arsenal's history happens right inside the Emirate Stadium these days. More recently, Arsenal has been humiliated and dumped out of cup competitions by lower league clubs. The scandalous loss to Blackburn Rovers in the FA Cup is the most recent episode in Arsenal's poor play.

I guess because all seems so calm inside Arsenal in spite of the agonies of its supporters and bewilderment of its rival fans and wider publics, but with no feather being ruffled among Arsenal's establishment, British journalists are making efforts to jolt the calm. In the process, they have pushed Arsene Wenger to provide insights into his mediocre thinking that Arsenal is now a club of the also-rans. He said playing in the UEFA Champions League was the equivalent of winning a major trophy. Therefore, the practical reality is that the club goes into a new Premiership season to finish as one of the top four clubs.

Financial Bottomline

Awareness of sustainability principles has made sole focus on financial bottomline as

Arsenal...Cont'd

Arsenal's "Invincible" Squad of 2003/2004 Season

bad for business continuity. Indeed, businesses of today wishing to still remain in business tomorrow and more distant future need to imbibe the principle of the triple bottomline. Social and environmental bottomlines are as important for business continuity as financial performance. But at Arsenal, single-minded pursuit of financial performance for shareholders and top-of-the-range compensation package for top management has been prioritised. Therefore, without practical actions at doing enough to win trophies, Arsenal's move from its 38,500 seatingcapacity stadium at Highbury to the gigantic over 60,000 seater Emirates Stadium has become no more than an aim at the pockets of more Arsenal fans on matchdays.

The strategy for paying for the stadium has been disconcerting. Arsenal had to become a net-seller of top footballers. The club captain, Patrick Vieira was dazed when he was told he could move to Juventus when the club in Turin came asking for his service in 2005. Gilberto da Silva was allowed to go. These high profile departures have since left a big hole in front of Arsenal's back four till date; a hole that Bayern Munich and other clubs (big or small) have exploited.

Since the departure of Viera, young talents including Fabregas and Song were kept until they became mature for other big, rival clubs. A sale of an Arsenal star player only inspired future sales, since the money was good. Therefore, Henry was sold to Barcelona; Abebayor was sold to Manchester City; so also Kolo Toure, Nasri and Gael Clichy; Fabregas and Song were sold to Barcelona. The most scandalous sale was Robin Van Persie to Manchester United last summer, just after the first season the Dutch revealed himself as a true goal poacher.

Perhaps because of repayment of debt amassed in building the Emirates Stadium, Arsenal also became known, for good or for bad, with the stringent wage structure it

> Arsenal must reform. Its establishment cannot continue to behave like the Nigerian political leadership which demand that its followers should endure pains of its bad decisions while continuing in them.

maintains. This ensures that the club does not match what other big clubs pay for talented, star players. In effect, Arsenal as a business refused to motivate its core staff (players) with industry-level wages. Incidentally, the remuneration and transfer glass ceilings were being shattered by European big clubs. This presented both incentives and challenges for Arsenal with regard to its self-conceited concrete ceilings. Arsene Wenger simply embraced the opportunity, selling a player left with one year in his contracts for as much as £23 million and playing a hard bargainer with players seeking wage increases.

Social Discount

While its profile on the field was on a downward spiral, Arsenal became the most expensive club in the Premiership for fans. I became aware of this situation in January when Arsenal hosted Manchester City. Fans of the blue team from Manchester returned 900 tickets to Arsenal, protesting they were too costly. Indeed, Arsenal fans have begun to complain that snacks and drinks are sold at premium prices at the Emirates Stadium.

Matchday revenues have consistently contributed the most to Arsenal's revenue. In the 2011/2012 season, Arsenal grossed €117 million in matchday revenues, the third highest among Europe's elite football clubs. Reflecting its good share of football fans around the world, including Nigeria, Arsenal also made a steady performance in broadcasting revenue.

In other words, and because of the dismal performance of the team over the last five years, Arsenal basically undermines the goose that lays the proverbial golden eggs. Its fans are routinely heartbroken and deprived of bragging rights in the face of opposing fans. This is akin to the way multinational oil companies in Nigeria carry out oil production to the utter neglect of the host communities and spite of the third world country. So doing, Shell is notorious for inflicting the heaviest of social and environment costs of doing business on its Nigerian host communities.

The other unfortunate point of note is that the Emirates is not that welcoming for Arsenal's past players beyond the *Igwe* , Thierry Henry. Past players like Martin Keown, Tony Adams, Nigel Winterburn and Ian Wright have become pundits of the game. But their honest views on how pathetic Arsenal has become will or have invariably turned them into critics of their former club something that is mutually inconvenient. Thus, these Arsenal legends are alienated from the club. And it is in this regard that one sees the awkward situation whereby Patrick Vieira had to take a role at Manchester City. The continuing depreciation in the social capital of Arsenal FC will ultimately damage its healthy financial bottomline over the long run, except its management is reformed.

Full Brunt of Foolhardiness

How easy would it be for Arsenal to return to winning ways? It will be very difficult. The team is no longer used to winning trophies. Now known as Capital One Cup, Arsenal lost the final of the 2011 Carling Cup to lowly Birmingham City. Owning to very fidgety performance of Arsenal's goalkeeper and defenders, one of the *enfants terribles* of Nigeria's national team, Obafemi Martins, was allowed to tap in the ball for Birmingham City's goal and inflict the pain of losing yet another trophy on Arsenal fans, including Nigerians who had developed a liking for the club during the years the far more illustrious Kanu Nwankwo played at Highbury.

There is massive loss of confidence in the Arsenal team. But this is not merely a mental problem as Arsene Wenger has misdiagnosed it for more than half a decade. Indeed, when it was apparent that Arsenal defenders lacked the height and physicality of defending the brand of football Stoke City and teams coached by Sam Allardyce play, the Arsenal manager said the height of his defenders was inconsequential to defending. It was about who jumped [illegible] according to the coach [illegible]y affect[illegible] called the professor, who [illegible]ecome irritatingly [illegible]ctionab[illegible]ding the reality every often.

After many [illegible] of denial and being [illegible]shed by [illegible]al conceding goals from set pieces an[illegible]ls flighted into the box, Arsene Wenger had to make a panic purchase of Per Mertesacker in 2011 for no reason other than that the slowpoke, out-of-favour player with the German national team has some presence in the air. With him arrived the comedian Brazilian defender André Santos, the little known South Korean forward, Park Chu-young and hard working Spanish attacking midfielder, Mikel Arteta who Wenger saddles with the defensive role played by Patrick Vieira a player who has no semblance whatsoever with the former Everton player. Indeed, there is a long list of bad purchases by Wenger because he hunts for good players who come cheap or at no transfer fee. That combination is largely illusional these days. Thus Marouane Chamakh, Gervinho, Bendtner, and a player like Denilson, who was unrecognisable when you looked for the skills of Brazillian players, were arrivals at the Emirates Stadium to no good end.

Arsenal's Squad for the 2012/2013 Season

There is massive loss of confidence in the Arsenal team. But this is not merely a mental problem as Arsene Wenger has misdiagnosed it for more than half a decade. Indeed, when it was apparent that Arsenal defenders lacked the height and physicality of defending the brand of football Stoke City and teams coached by Sam Allardyce play, the Arsenal manager said the height of his defenders was inconsequential to defending. It was about who jumped first..

Going Forward

For me, a clear out at the Emirates is inevitable for Arsenal to return to winning ways. Its rigid financial structure is not realistic for a top team. This reality will not shift even under the financial fair play rule which is set to kick in. Big clubs with the best players will continue to make the biggest income. It was for its going all the way and winning the Champions League last season as well as the FA Cup that Chelsea leapfrogged Arsenal on revenue.

Apart from the money factor, Mr. Wenger has shown loss of the tactical plot in match situations so often. Even in terms of prioritising importance of matches, the choice he made by starting his best players on the bench against Blackburn in the FA Cup fifth round ahead of the clash with Bayern Munich only to lose both matches, was merely a repeat of lack of sagacity by Mr. Wenger in the past few years. And by equating qualification for the Champions League for trophy clearly tells he has lost his appetite for winning important competitions. If he has any iota of respect for Arsenal fans, it is definitely honourable if he decides to choose the exit door since they say he is the only one who knows where it is. Wenger's exit will force reform of the club on the ownership and the top echelon of its decision-making organs.

Should the status-quo be maintained, Arsenal will only continue on a slide. Lack of qualification for Champion League next season will mean Arsenal will not be able to attract quality signings in the summer to take advantage of its healthy cashflow. Should that be the case, the club will inevitably lose matchday revenues, even if a walk out by the fans doesn't happen. That will be ironic pointer that there is a limit to financial bottomline in keeping a club competitive at the very top.

Conclusion

Like most critical but fair critics of the debacle at Arsenal have maintained, I make no attempt to take away due credit from Arsene Wenger. He introduced the pleasant style of play at Arsenal. He won many trophies for the club before the 2006 season. He has overseen perhaps the most solvent club in Europe. Arsene Wenger is one of the thought leaders of the game. My point is that he cannot continue to undermine his personal achievements in the game while at the same time Arsenal fans are saddened by the decline of the club in major competitions, while asserting the business side.

The Emirates Stadium cannot continue to be a successful hunting ground for both small and big clubs. When a nearly insolvent club like Malaga is doing better than Arsenal, we should look no further for evidence that financial health of a club is not all that is required for success.

Arsenal must reform. Its establishment cannot continue to behave like the Nigerian political leadership which demands that its followers should endure pains of its bad decisions while continuing in them.

Jide Akintunde is Director, Nigeria Development and Finance Forum

'Nigeria Operating 19th Century Health System'

The key to quality medical care is the availability of highly knowledgeable health practitioners and not necessarily sophisticated equipment.

Mustapha Danesi

Interview of Mustapha Danesi, Professor of Neurology, College of Medicine, University of Lagos. Interviewed by Jide Akintunde, Managing Editor, Financial Nigeria magazine, and Director, Nigeria Development and Finance Forum.

Q The high contribution Nigeria is making medical tourism in India a developing untry like Nigeria - speaks eloquently of e decadence in the healthcare policy, overnance and practice in Nigeria. What ctors are driving Nigeria's contribution to global medical tourism at the expense of developing local capacity and knowhow to deliver quality and even affordable healthcare to the teeming Nigerian population?

A I would class Nigerian healthcare policy, governance and practice as under-developed rather than decadent. Nigeria's healthcare policy since 1960 has remained static apart from introduction of Primary Healthcare policy in the 1980s and the Nigerian National Health Insurance policy in 2005. Implementations of both policies have been abysmally poor, and so they have not made any impact.

Nigeria's health governance since independence remains the same. Government provides "free" or subsidized healthcare in competition with private providers who "charge money" for healthcare. There is no 'Integrated Healthcare System' that is all embracing, where government and private providers work in synergy, as is done in many developed and developing countries. Therefore, in Nigeria, over 90% of common folks go to government hospitals for "free or highly subsidized medical care". However, statistics show that not more than 10% of doctors practicing in Nigeria are employed by government health institutions. Access to the government "free healthcare" is therefore unacceptably cumbersome. Patients may line up in a government hospital from 9.00 am to 4.00 pm before they can see a doctor for diagnosis and treatment. This is because there are many patients and very few doctors: there may be over 120 patients and only 2 or 3 doctors available to see them. In contrast, doctors working at the surrounding private hospitals may be quite idle with very few patients to see.

On our healthcare practice, Nigeria is still in stage one healthcare development with practice characteristics of the 19th or 20th century health system. Stage one healthcare development is characterized by highly fragmented delivery system with physicians, hospitals and other healthcare organizations functioning autonomously. Patients rely on physician training and experience for guidance and physicians rely on their own experience to make best decisions. Patient's role is passive and they have no control over treatment decisions. Information technology and tools are entirely absent.

Medical practice in many developed and developing countries is now in stage 4 healthcare development which is the health system of the 21st century. In stage 4 healthcare practice, healthcare organizations have the characteristics of high performing organizations and focus on the *six aims for improvement:* safety, effectiveness, patient-centeredness, timeliness, efficiency and equity. Patients have as much control as they want over treatment decisions and services are coordinated across practices, with generous use of information systems. A lot of hard work will need to be done to move our health care system to stage 4. It will require training and retraining of our medical practitioners, our nurses and other health workers, healthcare administrators and educating the populace. According to criteria of the Institute of Medicine in U.S.A. for Characterising 21st century stage 4 healthcare practice, healthcare should be:

- **Safe**: avoiding injuries to patients from the care that is intended to help them.
- **Effective**: providing services based on scientific knowledge to all who can benefit.
- **Patient-centred**: providing care that is respectful of and responsive to individual preferences, needs, and values.
- **Timely**: reducing waits and undue delays.
- **Efficient**: avoiding waste of supplies, ideas, energy.
- **Equitable**: providing health service that does not vary in quality because of personal characteristics, gender, ethnicity or socioeconomic status.

Our healthcare system should be geared towards meeting the above criteria.

Q What are the factors driving Nigeria's contribution to medical tourism in India?

A The first factor is patients' choice. Rightly or wrongly, going to India has become a fad among Nigerians who can afford it. Even those who cannot afford it beg for money. This is the nature of health-seeking behaviour of Nigerians today. All over the world, health-seeking behaviour has not always been rational or based on doctors' advice. Booter and Bachuk in U.S.A. reported in 1972 that in United States of America, more patients tended to consult lay persons in kin and friendship network than to consult medical persons when about to decide how to seek medical help and that the lay person tended to provide advice based on their specific knowledge or bias. In our studies and that of Igun in Nigeria, most persons sought the type of treatments they need for their illness usually on advice of friends or neighbours. Social network therefore has a powerful influence on health-seeking behaviour and this is what is partly driving the India fad. Many Nigerians believe that India is the place to go for specialist treatment and usually advise their friends or neighbours to do so.

> **Equipment shortage is not the problem in Nigeria. The weakest link in our medical system is availability of highly skilled experts. Nigerian government should therefore invest in training highly skilled medical experts, and then give the experts the equipment they need and pay them well. At present, Nigerian governments and Nigerian political elites have no respect for skilled Nigerian professionals and little interest in training highly skilled medical experts for Nigerian health system. They undervalue highly educated professionals hence many of them are outside Nigeria.**

The second is doctors' factors. Many doctors in Nigeria need re-training to upgrade their practice from stage 1 to the current 21st century stage 4 healthcare system. Many doctors should be taught to know when to refer patients to other experts and where the experts are in Nigeria; some doctors refer directly to India instead of Nigerian experts partly because they do not know them and partly because they are given generous incentives to do so by way of commissions from the Indian hospitals.

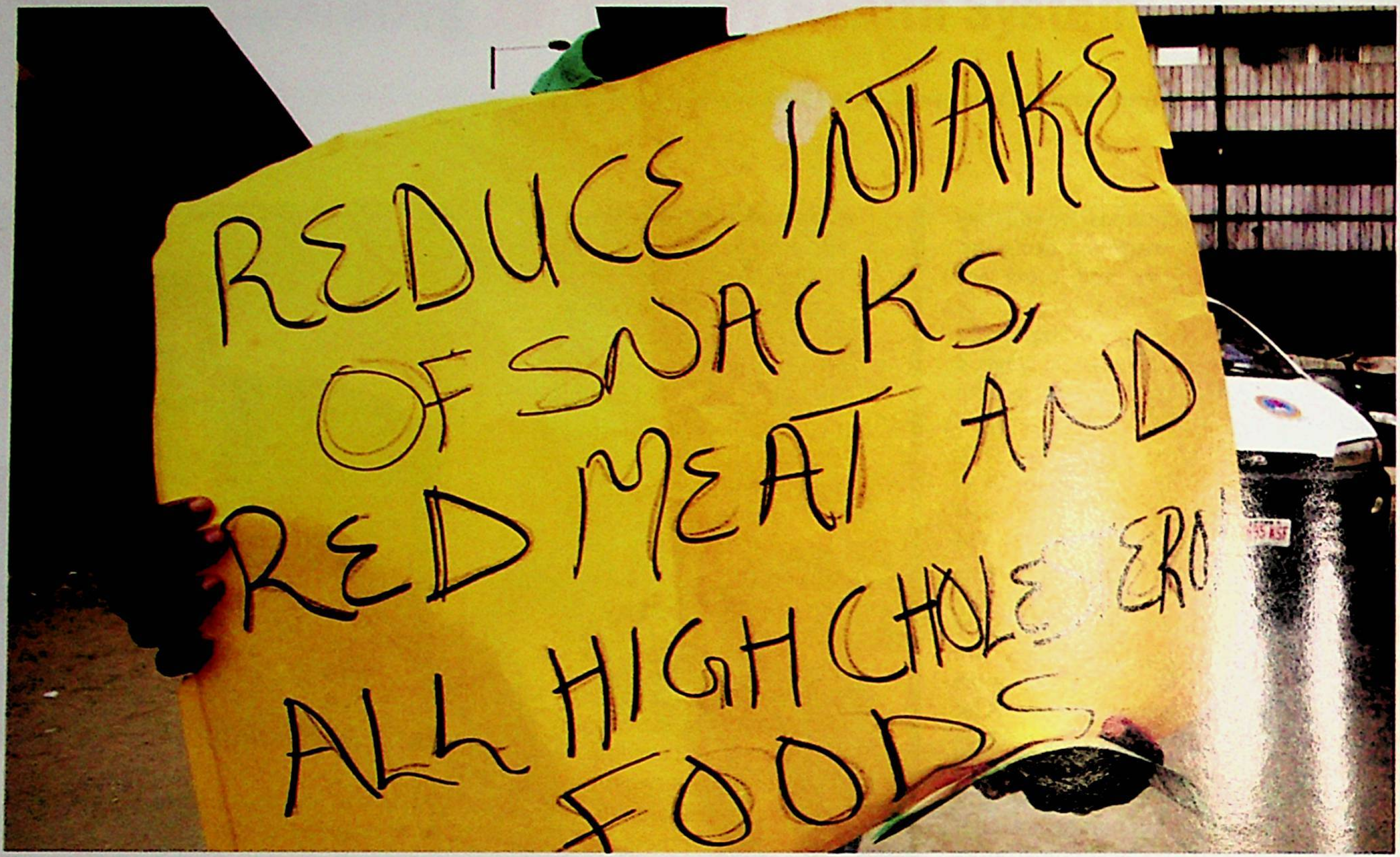
Q On the one hand, there are probably more Nigerian doctors practicing abroad than those working in the country, and we have issues around inadequate knowledge and skill by practicing Nigerian doctors in the country. But on the other hand we have an expert like yourself who is among the world's best in your specialty. What perspectives do patients need to have regarding this seemingly contradictory state of medical practice in the country with regard to outflow of medical tourists?

A It is true that more Nigerian doctors are practicing abroad than those working in Nigeria. If all these Nigerians were to be working in the country, many people from other countries in Africa would have been coming to Nigeria on medical tourism. Many of these Nigerian doctors abroad have world-class knowledge and skills.

The question one will ask is why so many highly skilled Nigeria experts abroad?

The answer is obvious: practice of medicine is not rewarding in Nigeria. Most doctors employed in Government services are poorly paid. For example, a young consultant, after six years of undergraduate training, 2 years of house job and Youth Corp Service, and six years of post graduate residency training (a total of 14 years), earns less than N300,000.00 (three hundred thousand naira) per month in a government hospital or even less in a private hospital, while his school mate who did other course would have graduated several years back and would be earning, sometimes, well over N1 million naira as a senior manager in a company. On the other

'19th Century Health System'...Cont'd



hand, Saudi Arabia for instance can employ such a young consultant on a starting salary of sometimes, over N1.5 million per month. In such cases the doctor simply emigrates. Medicine in Nigeria has not yet been developed as a viable business, so there are very few opportunities in private hospitals for young specialists. Despite the above, some of us who had opportunities to practice abroad, left our lucrative jobs and decided to come home as a sacrifice in the interest of the country. Although not many, there are such Nigerians who are world-class medical experts, practicing in the country.

Nigerian patients should know this fact and should seek out these experts. The Nigerian public has the perception that Indian hospitals are more equipped and have more experts. The key to quality medical care is the availability of highly knowledgeable health practitioners and not necessarily sophisticated equipment. It is the availability of the experts that determines success in treatment of complex illness. Where such experts are available in Nigeria, patients do not need to go to India.

Q Some might think equipment shortage is a big problem here. But in a wider context, are we having enough public and private investments in the Nigerian health sector?

A Equipment shortage is not the problem in Nigeria. The weakest link in our medical system is availability of highly skilled experts. Nigerian government should therefore invest in training highly skilled medical experts, and then give the experts the equipment they need and pay them well. At present, Nigerian governments and Nigerian political elites have no respect for skilled Nigerian professionals and little interest in training highly skilled medical experts for Nigerian health system. They undervalue highly educated professionals hence many of them are outside Nigeria. Private providers would have been an alternative but healthcare business in Nigeria is at present not viable in general. We cannot have adequate private investment in Nigerian healthcare until healthcare becomes a viable business. This may happen when we have a viable health insurance system and integrated health care systems where private and government health systems work in synergy. At present, only 3.5% of Nigerians are covered by health insurance.

Q When doctors employed in government hospitals go on strike, we get the impression of the dominance of the role of government in providing healthcare in the country. In that sense, maybe government should get the blame for the state of healthcare provisioning in the country. But what are Nigerian doctors and their professional bodies doing to lift their profession?

A The various Governments (Federal, State and Local) play a dominant role in healthcare provision in Nigeria since they promise to provide free or subsidized healthcare for the ordinary Nigerians who cannot afford private clinics or hospitals and attempt to do so. These Governments are therefore partly to blame for the state of healthcare in the country. It is politically expedient to promise free healthcare during campaign for votes. It is not however, possible, in all honesty, to provide viable "free medical care" from basic government budget.

The near-collapse of our healthcare is as a result of poor financing of the so-called "free healthcare". The better option is to have a health financing arrangement that takes care of everyone. This can be done with a credible health insurance system where all workers are covered and self-employed or unemployed persons covered by a community health insurance system where people pay premium and government subsidizes the premium of those who are poor and unemployed. The medical profession should fight for this. This will make healthcare, a viable business where both private providers and government institutions work in synergy

Non communicable diseases such as hypertension and diabetes are on the rise in Nigeria as a result of changes in eating habits to Western-type diet including fast food, lack of exercise and obesity.

as partners. At present many State Governors are not interested in the National Health Insurance System and those who entertain the idea of community health insurance want to run it themselves the way they are running their "free healthcare" system.

Q We are aware that some HMOs who operate in the nascent National Health Insurance Scheme (NHIS) have begun to de-risk by deregistering some registered individual accounts, despite current low [illegible]ge of the [illegible]eme. One of the bigger [illegible] saw [illegible] usage by individual [illegible]bers as [illegible]fitable. Do you see any [illegible]ne in [illegible]plementation of the [illegible]

A [illegible]Os dr[illegible]e Nigerian health [illegible]nce syst[illegible] Nigeria. Insurance is [illegible] pooling r[illegible]rces of a large number of people togeth[illegible] give a cover to those of them who might be ill. By actuarial principles, the larger the number in a group, the smaller the viable premium each may pay. An individual who insures for N1, 500 a month may use up over N5, 000 just for one illness. However, for 10,000 people who pay the same premium, the amount will be N15 million. This may suffice to take care of some of them who may fall ill that month. Employers insure their workers and their families as a group and this may constitute a viable insurable number. Self-employed individuals should therefore come together in a community such as "organized health cooperative group" to form a viable insurable group.

Mustapha Danesi, Professor of Neurology, College of Medicine, University of Lagos.

Q As a result of rising economic and social stresses, very likely the cases of neurological diseases might be on the rise in Nigeria. What is the situation and what is the nature of the data you are confronted with as a neurologist practicing in Nigeria?

A Non communicable diseases such as hypertension and diabetes are on the rise in Nigeria as a result of changes in eating habits to Western-type diet including fast food, lack of exercise and obesity. Neurological diseases such as stroke may result from hypertension or diabetes mellitus. Unlike psychiatric illness, social stress does not really cause neurological diseases which usually arise from damage to the brain. Stress can however aggravate existing genetically determined conditions such as tension headache, migraine or sleep disorders. Social stress causes all manners of psychosomatic illnesses and many doctors and especially psychiatrists in Nigeria are confronted with these. Neurologists also see these patients as doctors, not necessarily because they are neurologists.

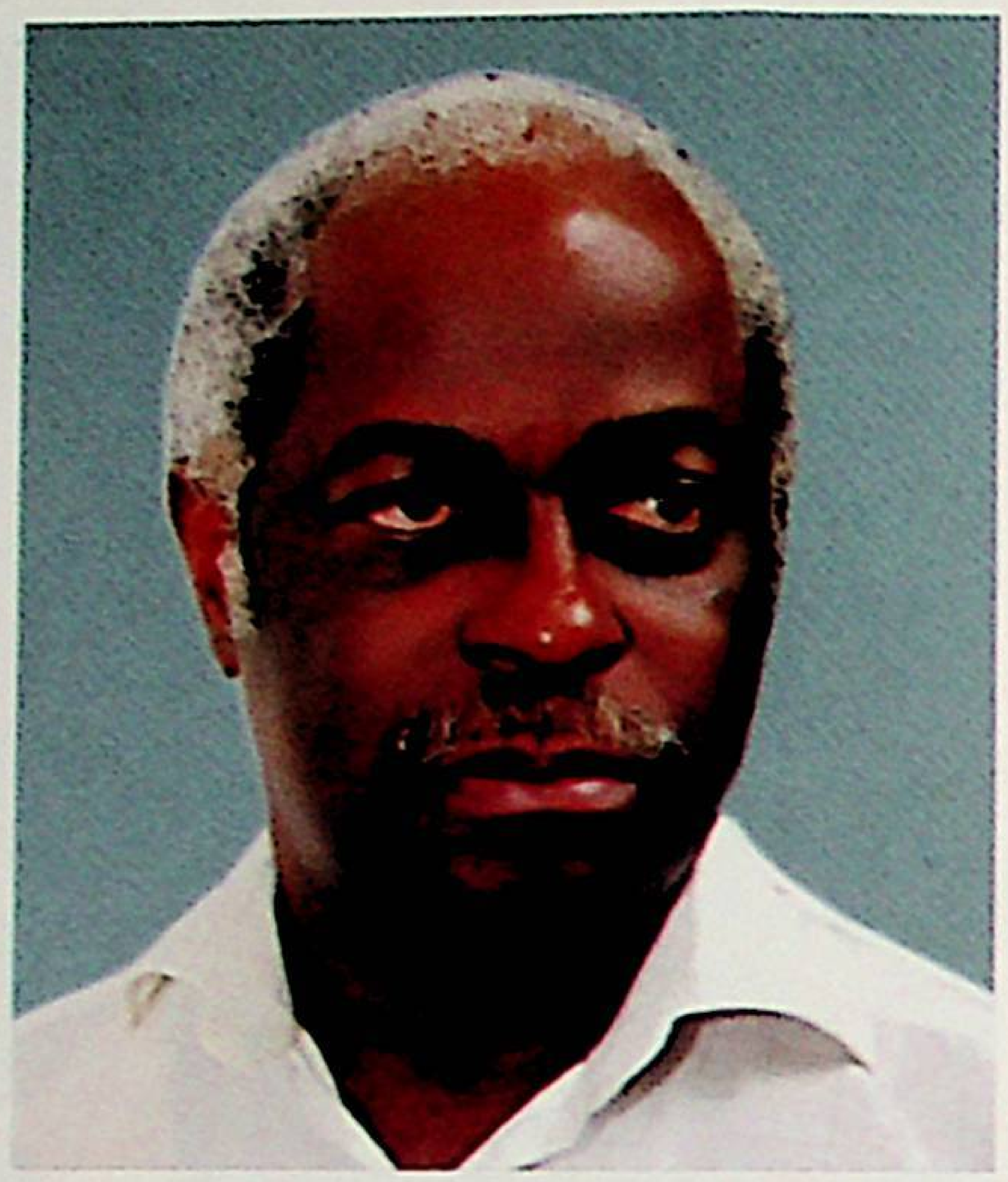
Q I am aware of your initiative to use technology to leverage access to quality continuing medical education by doctors practicing in Nigeria. Are we getting it right with re-certification of doctors as part of the strategies to improve healthcare delivery in the country?

A Continuing professional development and medical education of Nigerian doctors to keep abreast of current development in medical practice are compelling necessities. As I had said, the weakest link in provision of quality healthcare in Nigeria is the knowledge of the practicing doctors and not necessarily availability of sophisticated equipment. The Medical and Dental Council of Nigeria made Continuing Medical Education a requirement for recertification since 2011. It is still too early to evaluate the effect of this since enforcement of the re-certification scheme has only just started. It was implemented for the first time in December 2012. Although all manners of sharp practices accompanied this initial implementation, as time goes on, I believe they will be sorted out.

I am using technology to leverage access to quality continuing medical education. MDCN accredited the e-learning platform of Medical Tutors Limited which is my company. The e-learning platform is potentially capable of providing continuing medical education, online, to a very large number of Nigerian doctors who have access to the internet. Materials there are up to date and prepared by notable experts in their field and there are self-scoring multiple choice questions which participants interact with as feedback to how much has been learnt or absorbed.

MONEY-LAUNDERING NIGERIA'S FUTURE

Nigerians must insist that President Goodluck Jonathan answer the question posed to him by David Cameron: What happened to the $100 billion dollars earned in 2012?



In 1987, at a reception in honour of President Ibrahim Babangida at the Waldorf Astoria, New York during his visit to the United States, I had an interesting conversation with Alhaji Abubakar Alhaji, then Permanent Secretary, Federal Ministry of Finance. He said he had just been to the World Bank where he was asked what happened to the $12.8 billion Nigeria had made from windfalls in the oil market as a result of the Iran-Iraq war. I said to him: "What did you tell them, Sir." Alhaji Alhaji is a naturally blunt no-nonsense man. He replied: "I told them to ask the military."

More recently, David Cameron, Prime-Minister of Great Britain, as reported to have asked President Goodluck Jonathan what happened to the $100 billion dollars Nigeria made from oil and gas exports in 2012, insisting that "lack of accountability and transparency is a big problem in Nigerian oil and gas industry."

Before you ask what business it is of David Cameron's how we spend our money in Nigeria, let me point out that the question apparently came up because President Jonathan went cap-in-hand to the Group of Eight industrialized countries (G8) to solicit loans in international multilateral institutions for unspecified infrastructural industrial restructuring in Nigeria. The fact that his request was rejected outright tells me our President could not give satisfactory explanation to the G8. Why give aid to Nigeria when it is clear the money would largely be pocketed by strategically-placed pen-robbers within the Nigerian government?

> Grandstanding Western moralists like David Cameron who lecture Nigeria about the corruption of our leaders are themselves inherently corrupt. If they were really against theft by government officials in developing countries, they would not readily accept stolen money in their countries. However, while they rail against corruption, they create frameworks which permit them to receive stolen money with thanks.

Questions without answers

These questions about the routine disappearance of Nigeria's billions just won't go away, even though the presidency provides no satisfactory answer. When I heard of David Cameron's query, the first question I asked was whether Nigeria actually made that kind of money in 2012. Who knew? Not too long ago, our total income was not more than $5 billion a year. I phoned a financial expert who confirmed that, based on the number of barrels of oil Nigeria was selling, and by the OPEC average price basket for 2012, that amount was very likely.

So we are back to the question; what happened to the money? What did we do with it? I live in Nigeria. If we made that kind of money in 2012, I should know about it. I should be able to point to one or two things done with the money. But I cannot. In 2012, to all intents and purposes, the Nigerian economy was in some kind of recession. The business climate was dull. Unemployment was high. Yes, the economy grew statistically by 7.1 percent. But statistics often have little relationship with the actual situation on the ground.

The nagging questions about the theft and squandering of Nigeria's patrimony do not let up, and they are not only being asked by foreigners. Oby Ezekwesili, a former World Bank Vice President for Africa, stirred up the hornet's nest by declaring that the combined administrations of Umaru Musa Yar'adua and Goodluck Jonathan misappropriated literally billions of dollars. She pointed out that Obasanjo left $45 billion in Nigeria's foreign reserve account and another $22 billion in the excess crude account when he left office in 2007; being direct savings from increased earnings from oil under his administration. These savings have completely disappeared without trace. Where did these monies go?

The government has no explanation and would not accept Ezekwesili's challenge to engage in a public debate on the matter. What is particularly galling about all this is that while this revelation of monumental governmental corruption is being unearthed, we are also being told of the president's seeming resolve to fight for re-election in 2015. This shows blatant contempt for Nigerians, indicating that, as far as the government is concerned, the people would be irrelevant in the so-called democratic choice of their next president.

Capital of money-laundering

As a country, Nigeria has a tendency to excel in the negatives. One of these is in the league of international money-launderers. According to Global Financial Integrity (GFI), a Washington D.C. based research and advocacy organisation, Nigeria comes first among the African countries that have suffered from massive outflows of illegal funds between 1970 and 2008. In a study entitled: "Illicit Financial Flows from Africa: Hidden Resource for Development," GFI maintains Nigeria lost $165 billion, nearly 19 percent of the total $854 billion outflows from Africa, to the developed market-economy countries. GFI also placed Nigeria seventh out of the 20 largest exporters of illicit funds worldwide, with a total figure $129 billion from 2001 to 2010.

With the exit of General Sani Abacha, the former Nigerian head of state (1993-1998) who died in office, we suddenly discovered that money was looted directly from the Central Bank and transferred into secret bank accounts abroad. In all, Abacha alone reportedly looted and laundered over $4 billion.

What this means is that, a considerable amount of Nigeria's income is round-robined back to our trading partners. They

City of London Financial District

get back part of what they pay us for our exports as our officials steal the money and funnel it back to them. That means a significant amount of Nigeria's earnings never benefits Nigeria or Nigerians. Nigeria's oil and gas income is used to develop further our trade partners in the developed market economy countries.

This money laundering puts pressure on money markets as corrupt Nigerian officials buy up foreign-exchange for export. The Chairman of the Economic and Financial Crimes Commission (EFCC), Mr. Ibrahim Lamorde, revealed that as much as $14 billion in cash was taken out of Nigeria from January to August, 2012 through the nation's airports. This was corroborated by the Governor of Central Bank of Nigeria, Sanusi Lamido Sanusi, who puts his own estimates at about $11 billion.

If some of these monies happen to come back, it is with diminished value. They are not used to create real wealth or to enhance job opportunities. They are not, in any case, in the hands of the industrious or the enterprising. Instead they are laundered back into the less productive sectors of the economy, such as the overvalued real estate sector. Little wonder then that some houses in Lagos and Abuja are as expensive as those in New York.

Money launderers import goods at sub-market prices. Since it is stolen money and their primary objective is to re-integrate their ill-gotten wealth stealthily back into the national economy, they don't care if the goods are sold at a loss. Therefore, their activities hinder domestic production because local producers cannot compete with the depressed prices of money-laundered imports.

Western double-dealing

Grandstanding Western moralists like David Cameron who lecture Nigeria about the corruption of our leaders are themselves inherently corrupt. If they were really against theft by government officials in developing countries, they would not readily accept stolen money in their countries. However, while they rail against corruption, they create frameworks which permit them to receive stolen money with thanks.

Some of this money end up in choice real estate. Others are hidden in fake offshore companies and investment entities whose ownerships are suitably disguised. This makes it very difficult, if not impossible, for investigators to trace the monies, let alone recover them. The GFI report said the massive outflows of illicit money out of Africa to the West was facilitated by "a global shadow financial system comprising tax havens, secret jurisdictions, disguised corporations, anonymous trust accounts, fake foundations, trade pricing, and money laundering techniques."

Money-laundering Nigeria's future...Cont'd

In a series of articles, the Financial Times of London revealed that much of the money stolen by corrupt soldier-politicians of Nigeria's past military regimes ended up in British banks. In an article entitled "Money laundering probe targets London" it said: "Banks in London played a key role in enabling former Nigerian dictator Sani Abacha to launder more than $4bn (£2.76bn) looted from the country during his four and a half year rule. The trail has led to accounts at London offices of 15 banks." It is estimated that over £1.5 billion looted from the Nigerian treasury is currently being kept in British banks.

The British have imposed no sanctions on these banks for laundering "lucrative" stolen money. They are not even that enthusiastic about facilitating the return of the monies to Nigeria. Rowan Bosworth-Davies, a former Fraud Squad officer, is quoted as saying that a lot of people in the City of London are convinced that if proper legislation is enforced to facilitate the recovery and return of stolen money: "It will be bad for UK Plc."

Nigerian President, Goodluck Jonathan

In short, Nigerian money-laundering has been good for Western economies, funnelling funds for them through back-doors deliberately opened to attract those funds. Abacha's loot did not only go to Britain. It also went to banks in the United States, Germany and especially Switzerland, without any intervention from financial regulators in those countries. Some of these countries are now concerned that those same backdoors may be used to finance terrorist activities. But, at the same time, they are mindful that concern for terrorism should not militate against their status as citadels of international finance, be it legal or illicit.

The way forward

Money-laundering is a major problem for the Nigerian economy, especially because a lot of the money ends up abroad and those that return are used unproductively. If the modest earnings of the country over the years had remained in Nigeria, it would have made a considerable difference to the economy. But looting has now reached epidemic proportions. If millions were being stolen before; billions are being stolen now, ensuring more than 70 per cent of the population of 170 million is trapped below the poverty-line. This portends a bleak economic future for Nigeria.

The British have imposed no sanctions on these banks for laundering "lucrative" stolen money. They are not even that enthusiastic about facilitating the return of the monies to Nigeria. Rowan Bosworth-Davies, a former Fraud Squad officer, is quoted as saying that a lot of people in the City of London are convinced that if proper legislation is enforced to facilitate the recovery and return of stolen money: "It will be bad for UK Plc."

It is naive to expect the Western nations to help us to police the theft of our patrimony. In many ways, they benefit from our corruption. It is also not possible to expect the Nigerian government to police itself. The government itself is the problem. Nigerian politicians, both military and civilian, capture government with the intention to prepare for their personal futures while mortgaging Nigeria's future. Therefore, there is need for Nigerians themselves, through public enlightenment processes and through insistence on accountability by Nigerian officialdom, to grab the bull by the horns. These issues must be at the forefront of any democratic election campaign and those involved must be brought to book.

Nigerians must insist that President Goodluck Jonathan answer the question posed to him by David Cameron: What happened to the $100 billion dollars earned in 2012? He must also be required to answer Oby Ezekwesili: What happened to the $45 billion foreign reserve account and the $22 billion excess crude account left by the Obasanjo administration? We need to know.

Femi Aribisala, a Financial Nigeria Columnist, was the Special Adviser to Professor Bolaji Akinyemi as Foreign Minister, Ministry of External Affairs, Federal Republic of Nigeria. He holds a PhD in International Relations from Oxford University. He also writes a popular column on the Christian faith in one of Nigeria's newspapers.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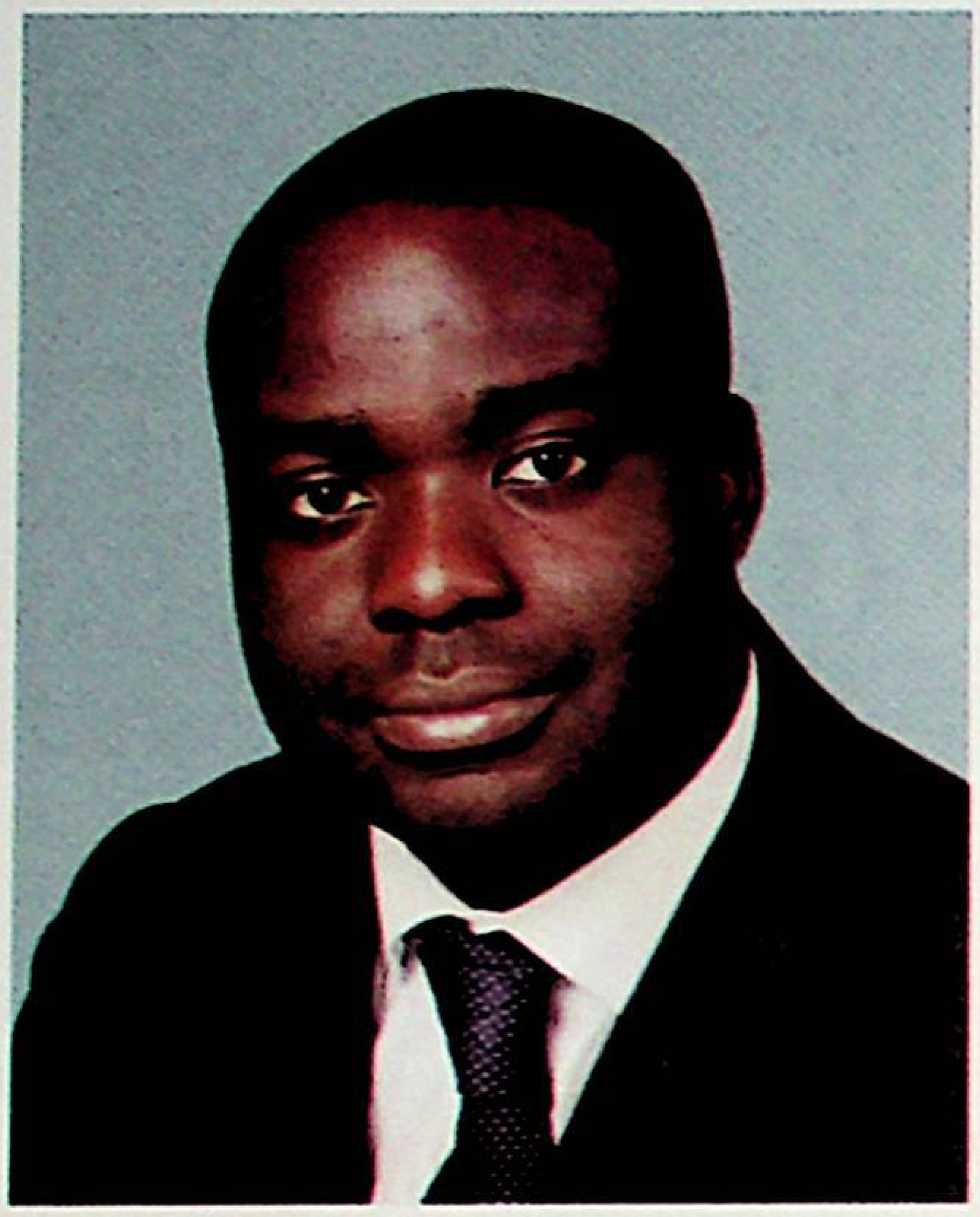
Lessons for Liberia from Ghana's Early Oil Experience

Should Liberia become an oil producing nation, it is important that it has financial management legislation and culture in place that will prevent profligacy.

On 20 February, African Petroleum, an Australia-listed exploration company, announced another oil find in Liberian waters. This latest Bee Eater 1 well/ Block LB-09 discovery comes less than a year after the 'significant' Narina 1 well discovery in the same block. At this point, the company was projecting recoverable reserves of 500 million to 1 billion barrels of oil.

However, although exploration activity by African Petroleum and other E&P companies including Anadarko, Repsol and Chevron continues, the commercial viability of Liberian oil finds is unconfirmed and the Bee Eater-1 well itself appears to have been less impressive than Narina. Meanwhile, Liberian authorities have suspended the licensing of new oil blocks while the legislature works to create the sort of framework that will guarantee the public interest.

Since Liberian oil and gas resources are an unknown quantity and institutional terms are under review, forecasts of if and when Liberia will begin oil production and how it will affect the economy, government resources and developmental goals all look premature. But this uncertainty leaves the country a strategic opportunity to learn from its neighbours and plan.



Key Transparency Provisions of the Petroleum Revenues Management Act:

- Quarterly publication of petroleum receipts in national newspapers and government website
- Creation of Public Interest Accountability Committee as independent monitor and evaluate compliance with the new legislation and promote public debate.
- Ministerial justification and parliamentary oversight requirements for any information or data declared confidential by the Minister.

Current Key Institutions and Personalities:

- Ellen Johnson Sirleaf (President)
- Robert Sirleaf (National Oil Compay of Liberia) – NOCAL – Chairman
- Patrick Sendolo (Minister, Lands Mines and Energy)
- Cletus Segbe Wotorson (Senate Committee on Lands, Mines, Energy, Mineral Resources and Environment; Senate Committee on Intended Petroleum Transformation

Lessons Next Door

Ghana made its Jubilee Field discovery in September 2007 and began producing in December 2010. Inasmuch as this experience will have excited interest in West African acreage including Liberia, it also holds lessons on opportunities to be taken, pitfalls to be avoided.

Ghana was able to move from discovery to production in record time. The country has been lauded for the strong transparency requirements foisted on government but as a result of the race to production, the reorganisation of the sector its regulation, revenue management, the participation of state-owned entities and local content policy has lagged behind. Some politically and operationally significant pieces of legislation are still absent more than two years after production e.g. new Petroleum Exploration and Production, and Local Content legislation. Additionally, there appear to be slippages in some of the best loved aspects of the petroleum sector legislation that has been successfully enacted.

For example, the Public Interest Accountability Committee, a public body created under the 2011 Petroleum Revenues Management Act, reported in 2012 that oil companies in Ghana had not paid corporate income tax in the first half of that year as required but no punitive action had been taken by government. And in February 2013, the Bank of Ghana described a 'shortfall in tax revenues...especially from oil companies" as a major contributor (on the revenue side) to the 12.1% of GDP fiscal deficit for that year (up from around 4% of GDP the previous year).

Local content legislation is now being debated in parliament but there is scepticism in the industry as to the utility of the legislation and whether at all it may be implemented. Some of the targets outlined in Ghana's tentative policy document include 50% local provision of goods and services for the industry in 5 years and 90% in ten years. On management and technical staff the goal is similarly 90% within 10 years. As stated by senior staffer at an Africa-focussed investment agency, "if you go to Aberdeen right now you'll still hear Texan accents and how long ago did they [the British] start producing".

Looking Forward

The commercial viability of recent oil discoveries is unknown and bidding for oil blocks has been suspended since 2011 in anticipation of a new regulatory framework, which is still under construction. This may not sound like a selling point but the reality is far more positive.

It is encouraging that Liberia like Ghana is a member of the Extractive Industries Transparency Initiative (EITI). Shining a light on the flow of monies between commercial parties and governments is an important means of policing behaviour. Of course, this becomes increasingly important where a new potential source of

Liberian President, Ellen Johnson Sirleaf

government revenue such as oil is on the table. And particularly since both countries struggle to exert control over public expenditure. Ghana's slippages have been highlighted in the surprise 12.1% of GDP fiscal deficit in 2012. Much larger than the previous 'fiscal crisis' of 2008/9 when the fiscal deficit jumped to 8.5% of GDP. Whereas over the past 30 years generally and in 2010-11 in particular, an increasing share of government expenditure in Ghana has gone to spending on items supportive of long term economic productivity e.g. roads and ports; in 2012, the trend reversed on the back of hikes in public sector wages, fuel subsidies and the like. Fiscal indiscipline around elections is a well-worn feature of the Ghanaian political cycle but this latest turn is particularly large. It is possible that decision makers have been emboldened by new found oil producer status.

In Liberia too there is potential for slippage. A House of Representatives committee noted in 2012 that government revenues from certain activities were being sent to an escrow account rather than the government's consolidated account as directed by law. The IMF has described the mining sector tax structure as 'adequate' but criticised the preponderance of 'ad hoc' tax breaks reducing government yield. Execution and efficiency in the completion of spending projects is relatively low also according to Liberian authorities themselves and their development partners meaning that development expenditure plans are not being completed to the ideal pace and quality. Should Liberia become an oil producing nation, it is important that it has financial management legislation and culture in place that will prevent profligacy.

The next step in maintaining public probity is the independent investigation and prosecution of abuse of position. There is room for improvement in both countries in this regard, which also becomes only more important as and when oil receipts hit government coffers. For example, both countries' auditor generals have produced reports highlighting misallocation of funds and possible abuses that have not been taken up by prosecutorial authorities. In Liberia's case the General Auditing Committee has pointed the finger at the state owned operator itself (though it is worth noting that the National Oil Company of Liberia is now led by new management including the President's son, Robert Sirleaf). There have been additional accusations e.g. nepotism and illicit payments lobbying parliament, the executive and NOCAL carried by the domestic press, as yet unproven, and to which NOCAL staffers have responded. Robust prosecuting anti-corruption agencies are an important means of maintaining public trust. The present trend whereby the President has dismissed officials is noteworthy but insufficient.

Liberia appears to have time, more so than did Ghana, to create a strong institutional framework for the hydrocarbons sector. At the moment, the 2002 Petroleum Act is the major piece of legislation governing the sector. The 2009 National Energy Policy outlines plans to replace NOCAL with a

Lessons for Liberia...Cont'd

Waterside District, Monrovia, Liberia

Liberia National Oil Corporate (LNOC) representing the government interest in upstream and downstream activities and an Energy Regulatory Board with oversight. At this stage, it seems that it will still remain the case that licensing requires parliamentary approval, with strong transparency provisions that parliamentary debate is a powerful means of holding decision-makers and operators in the sector to account. All the more so if, investigative and prosecutorial agencies such as the Liberia Anti-Corruption Commission or the Economic and Organised Crime Office in Ghana's case are directed and empowered to do a rigorous job.

But even where prosecution in Ghana or Liberia is lagging, ansparency provisions could affect the behaviour of ernational companies on their territory. The Foreign and rupt Practices Act of the United States, the Anti-Bribery Act in UK and similar legislation in other OECD Convention countries ve been designed to operate with a long arm. As stated above, Liberia is an EITI member; it also has stepped ahead of Ghana by passing a freedom of information bill into law in 2010. Domestic civil society, together with their international counterparts may make use of the proceeds of local transparency provisions to pursue corrupt payments in FDI source countries.

Conclusion

Under the existing long term economic development plan, Liberia hopes to reach middle income status by 2030. Comparatively fast economic growth since 2006 serves that goal well. However, as stated by the Liberia government in its 2012 IMF Letter of Intent, "infrastructure funding needs far exceed the available resources". Donor funds plug the gap at present and receipts from iron ore exploitation are expected to become more important over the medium term, but export earnings generated by oil production should they arrive would be a welcome supplement also.

Things to look out for in that regard include the results of ongoing exploratory activity by African Petroleum, Anadarko, Chevron and others. Production potential remains an unknown at this point. The passage and content of a new petroleum act, now expected before close of 2013, will also be important. In an ideal world, the new regulatory authority would be ready to do its job before one of the existing exploration companies announces the commercial viability of its finds and production gets underway. Equally, it is extremely difficult to change resource exploitation terms after the fact, so better that a new model 'production sharing contract' is put in place now. Additionally, what if any local content measures and savings mechanisms were to be inserted in the law?

Proactive anti-corruption agencies are an important means of making sure funds are used as intended but in reality, inserting stringent transparency requirements a la Ghana into the petroleum law may be the low hanging fruit in terms of preventing corruption in the allocation of operating licences and in the transfer of monies between oil producing companies and the Exchequer.

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Perceptions, risks and Donald Rumsfeld

Risks in project finance have to be looked at differently to risks in "ordinary" commercial transactions.

As I sit at my desk looking out at the cold, grey, Tupperware skies of London, my thoughts drift wistfully to the past week and the warmth of an African city. Working at the airport whilst waiting for the "red eye" back to London with CNN droning in the background, I looked up as one piece of reporting caught my eye.

It was about an organization called Mama Hope (http://www.mamahope.org). This is an organization that aims to transform African communities.

The piece showed a short video of 4 young Kenyan men. The central tenet of the video was that Hollywood portrays African men as violent, machine gun toting, grenade launching, violence loving, unsmiling, uncontrollable crazies. My favourite [selective] quotes from the video are the following:

"we shoot our machine guns from trucks; we shoot our machine guns from boats; when we run out of bullets we shoot rocket launchers; we don't like smiling; one thing is for sure, a day without war is a day not worth living".

Of course this was tongue in cheek and the video clip ends with the four young men saying that they are "likeable and friendly guys" and "lets change the perception of African men". They were just 4 ordinary young guys studying and working with the hopes and ambition to build a better future for themselves and their families. They were as far away from the Hollywood stereotype of the African man as you could ossibly get. So where am I heading? Let e try and explain.

hat is Africa?

o many people Africa is still seen as one large (scary?) country. When of course, Africa is a continent and home to 54 independent, unique countries. Each with its own heritage, culture, legal systems, opportunities, problems, risks etc.

So when I saw the Mama Hope clip, it reminded me of Richard Balenzi. Richard was a young lawyer from Rwanda who worked at SNR Denton at the end of 2012 as part of the International Lawyers for Africa (ILFA) programme [http://www.ilfa.org.uk]. Richard penned a piece at the end of 2012 called "An African Renaissance" when he was working with us on the perceptions and reality of investing in Africa.

> An older and wiser man once said to me that developing infrastructure projects in Africa requires patience, deep pockets and certain parts of your anatomy being made of steel! Unfortunately my experience of advising on infrastructure projects in Africa does not provide any evidence to the contrary. Developing and investing in these projects is not for the faint hearted.

In brief, Richard's piece was about the perceptions that the developed world has about Africa. Fuelled by news of the armed conflict in Mali, pirates in Somalia and Boko Haram in Nigeria; the media often portray Africa as a risky place to be, never mind to invest in. However Richard's observation was that there is a growing talk of an African economic renaissance in the Western media. Countries such as Angola (through its use of oil money to develop its economy and to invest abroad) and Rwanda (which was ranked first in the World Bank Doing Business reform

rankings 2010) are some of the success stories that are changing the perceptions of Africa and investing in Africa in the eyes of the world.

Risks and major infrastructure projects

Just as Hollywood portrays African men as crazed war-mongers and certain sections of the media still portray Africa as the "dark continent", private sector participation in infrastructure projects also suffers from certain perceptions.

These perceptions come to the fore on major infrastructure projects in Africa in the way risks and investors in these projects are perceived. We all know that any project has a whole bunch of risks that need to be dealt with. These risks need to be allocated in a sensible fashion. Nothing

controversial. Ask anyone involved in project finance, and they will roll out the well-rehearsed mantra of "risks should be allocated to the party best placed to manage them". But what does this mean?

Risks in project finance have to be looked at differently to risks in "ordinary" commercial transactions. In a true project finance transaction, certain risks can only be allocated to the public sector (Government in short hand). The more risky the political, regulatory and physical environment is in a country, the more the pendulum swings to the Government taking the risks.

And this is where the perception of some governments of risks and how they should be allocated and the role of the private sector can have a negative impact on project delivery. Sometimes these perceptions come from not understanding that certain risks can never be taken by the private sector and that risks translate into costs/money. At other times these perceptions come from a view that the private sector is there to "get one over the government", to "rape and pillage" or to make "super profits".

A risky business?

The reality is that private development of infrastructure projects is a risky business where returns are far from what most people would categorise as "super profits".

For example, in the PPP/projects world, income to the project is normally regulated (whether payments from the Government, payments from the end users or a combination). So if there is a change that affects the costs or income of a project and the risk allocation in the contract does not compensate the project company, then this risk is borne by the private sector. Compare this to the free market private sector. If a change of law affects the cement industry, Dangote, Lafarge and other cement manufacturers just pass these onto their customers, as the Government does not regulate the price of cement. That is one of the reasons why these infrastructure PPP contracts are long and complex. Both private and public sector are trying to legislate for all known and unknown risks.

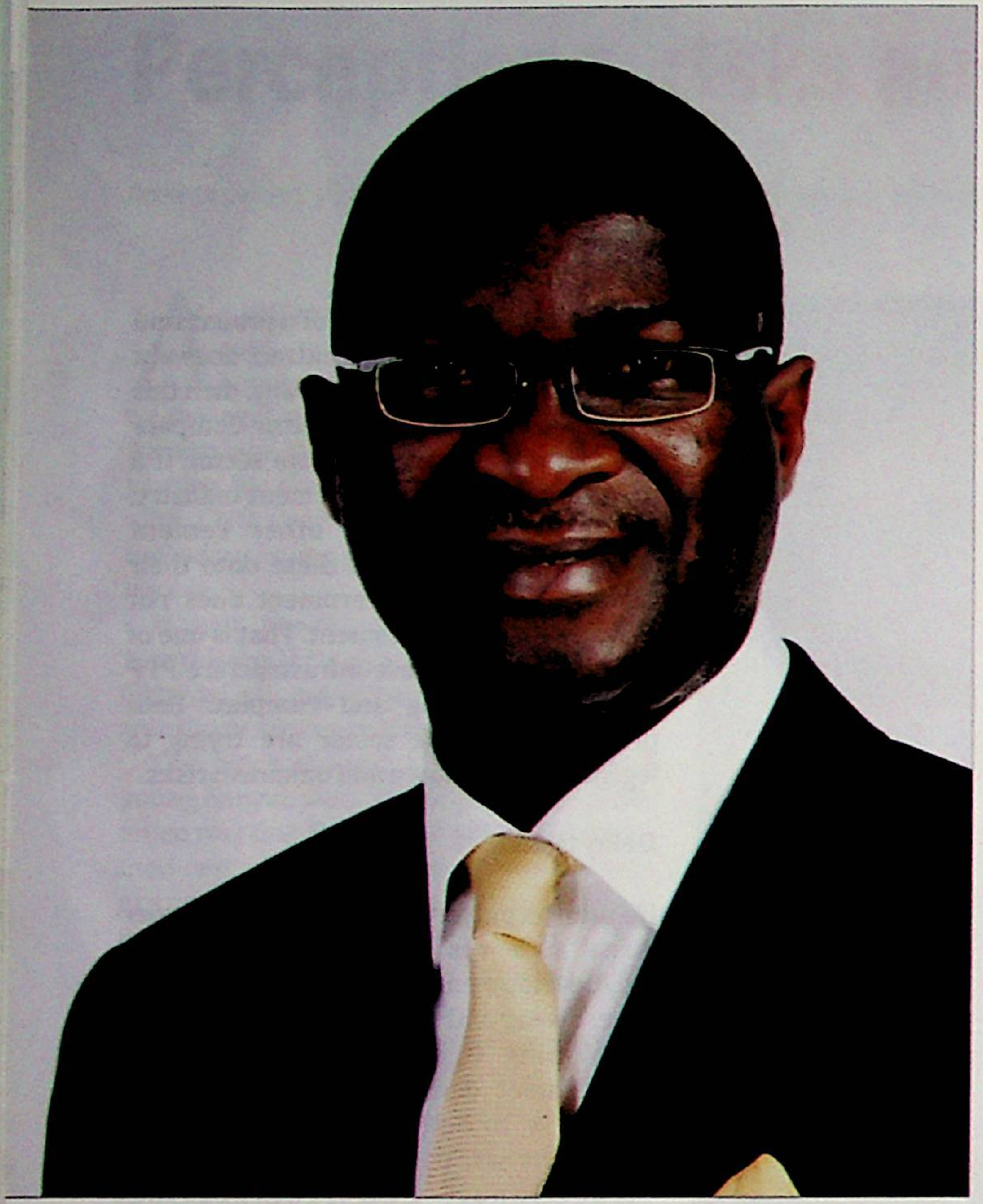
Delay risks

Up until a contract is signed, the developer runs the risk of losing all his bid/development costs. Never mind the time, sweat and tears he has invested in developing it. For example, if the Government decides not to pursue the project or to deliver the project using a different method e.g. awarding a "traditional" EPC (engineering, procurement and construction) contract.

Bid/development costs on major infrastructure projects are one of the biggest limiting factors on companies bidding for these projects. These costs can run into millions of dollars. For example the UK government recently agreed to reimburse £40 million ($60.7 million) to four companies for the cost of their bids on the West Coast Main Line rail franchise project. Bids for this project had to be cancelled for irregularities in the bidding process.

Bid costs for these projects are high because the bidding and development process for infrastructure projects is not straightforward. It includes bidders having to develop outline designs, engage financial, legal and technical consultants, create a financial model, obtain consents, purchase land, engage and negotiate with sub-contractors and suppliers etc.

An older and wiser man once said to me that developing infrastructure projects in Africa requires patience, deep pockets and certain parts of your anatomy being made of steel! Unfortunately my experience of advising on infrastructure projects in Africa does not provide any evidence to the contrary. Developing and investing in these projects is not for the faint hearted.



Lagos State Governor, Babatunde Raji Fashola

Whenever I use this quote in the context of an infrastructure project, it is to emphasize the following. That whilst the private sector can take certain risks that are known knowns, risks which fall into the "Rumsfeldian" categories of known unknowns, unknown unknowns risks can only ever be taken by the Government.

Delays heighten risks

A study conducted for the World Bank [Unit Costs of Infrastructure Projects in Sub-Saharan Africa by Africon - June 2008] reviewed the delays in a sample of infrastructure projects in Sub-Saharan Africa. The study concluded that these projects suffered from delays that ranged from one to five years with an average of 22 months. To state the obvious [a penchant of mine!], the longer it takes to execute a project, the greater the risks of costs and prices increasing, the greater the risk of project delivery and the higher are bid costs. The chances of risks and financing options changing adversely against the project developer also increase, much more, the longer the delay.

Delays of any sort are not good for a project or a country wanting to encourage private sector participation in its infrastructure sector. Where the delay runs into years rather than months, this will not only have an adverse impact on the project - the subject of the delay -- but also have an impact on the perceptions of investors and potential investors investing or looking to invest in infrastructure projects in a country.

Of course, sometimes delays are inevitable but in many cases delays occur because of the lack of proper preparation and structuring of the project.

Please invest in infrastructure projects in my country!

Countries throughout the world are screaming for infrastructure and greater private sector investment in infrastructure. There is in fact a global competition to attract infrastructure investment where the best prepared and structured deals in the jurisdictions that offer the most (e.g. in terms of investment returns balanced against risks, reimbursement of bid costs etc) are the ones that will attract the most investment.

Developing countries in need of infrastructure should be bending over backwards to attract the private sector and be much "softer" on risk allocation between public and private sector. Risk allocation in projects in developed countries should not be followed slavishly. The priority should be to get projects signed, financed and delivered and if the private sector makes money in return, so be it!

Change in the "real" balance of risks

Irrespective of how risks are allocated in a contract, once the infrastructure has been built, the "real" balance of risks shifts in favour of the Government. What can the private investor do, if the Government reneges on (say) a road project, when the road has already been built? Litigation is a long, painful and expensive route (when only the lawyers make money!!) and the investors can't take the road away. This in itself would put off many investors from investing in major infrastructure projects in developing countries.

Donald Rumsfeld

Whenever anyone talks about risks, it always reminds me of one of my favourite quotes (readers would have worked it out by now that I love a good quote!!) on risks:

There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know.

It was Donald Rumsfeld who said this in response to a question at a press briefing where he addressed the absence of evidence linking the government of Iraq with the supply of weapons of mass destruction to terrorist groups.

Whenever I use this quote in the context of an infrastructure project, it is to emphasize the following. That whilst the private sector can take certain risks that are known knowns, risks which fall into the "Rumsfeldian" categories of known unknowns, unknown unknowns risks can only ever be taken by the Government.

Conclusion

So allocating risks to the party best placed to manage them is not a fixed formula. It should be tailored sensibly to match the requirements of the country. Moreover, we should look behind any pre-conceptions of private sector involvement to identify what the ultimate objectives are which is to deliver infrastructure to better the lot of the public, to drive economic development and to lift people out of poverty. Perceptions and risks need to be divorced!

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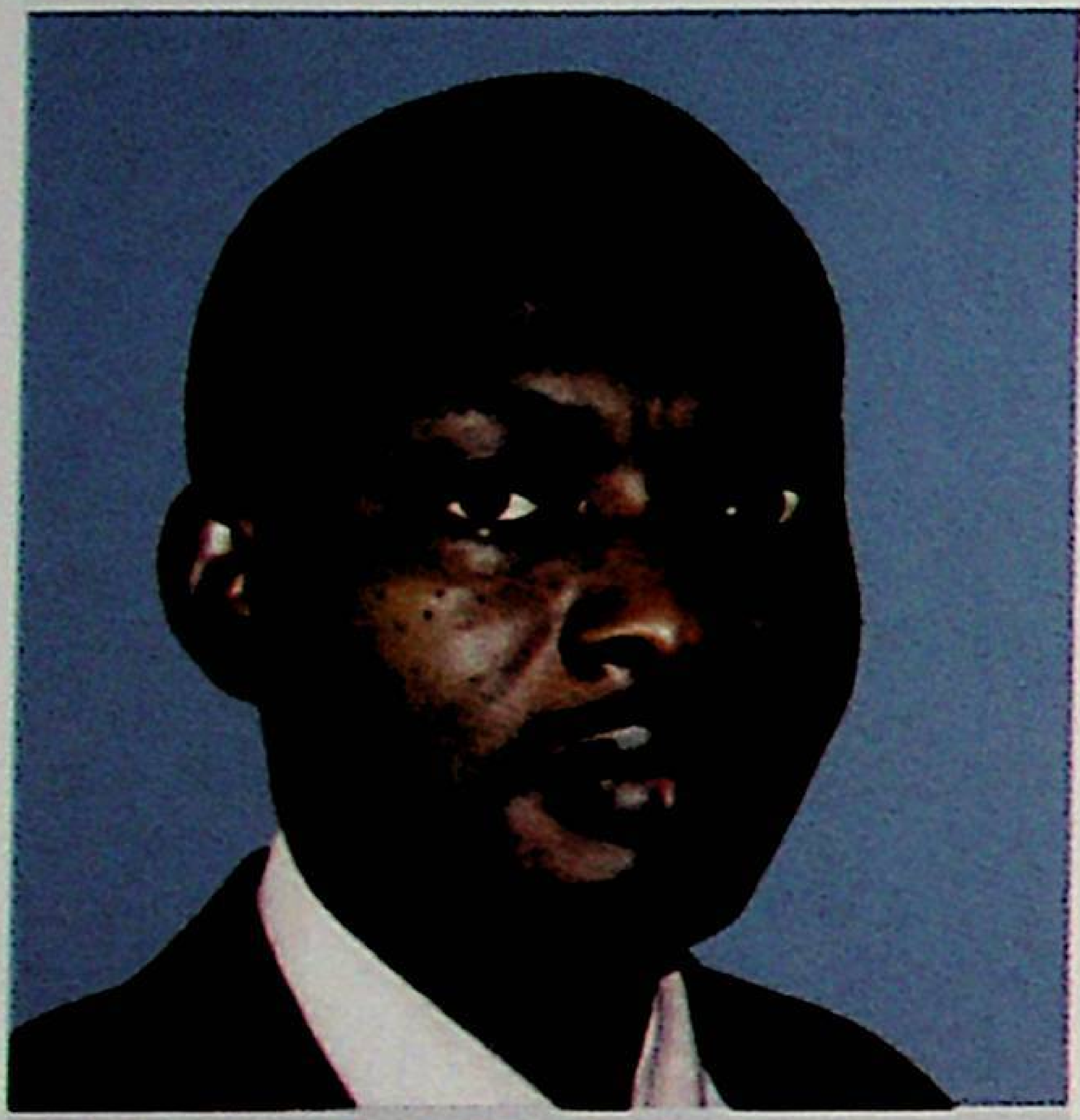
Nigeria's Power Supply Security (1)

By Wole Abayomi

Deliberate strategies are required at different points of the power supply chain.



It is generally accepted that improved power supply will engender higher economic productivity, which implies productive engagement of a larger pool of otherwise teeming unemployed populace. The nexus between National Security and Power Supply Security is therefore not far-fetched. It is in fact arguable that the year 2012 colossal budget on national security might have been substantially lower if power supply security had been assured.

ground

rn energy supply goes hand in hand development in many societies. It is en an indispensable component of daily fe; sometimes next only to air and water. For Nigeria, the importance of electricity supply is perhaps best appreciated in absentia as alternative power supply has proven to be the single most expensive component of manufacturing. Commercial and domestic customers have also had their undesirable share of escalating power costs over the years both in operating and infrastructure outlay.

Laudable steps are already being taken towards supply improvement by relevant agencies including the Nigerian Electricity Regulatory Commission (NERC), Nigeria Infrastructure Advisory Facility (NIAF), and others. The Power Sector Roadmap of the Federal Government is one of such, though its implementation is well behind the original schedule. This two-part article series throws up perspectives by way of analyses and suggestions to enhance value for all stakeholders in the Power Supply Chain, from promoters, financiers, customers, to regulators and statutory agencies. Perspectives cover infrastructure, energy mix, cost, strategy, risks, enablers, etc.

The Real Price of Private Power Supply

While there have been recent positive developments in the sector with regard to availability of official data on the cost of alternative power generation on a national scale with some official estimates putting it above the trillion naira mark, there is need to appreciate that the comprehensive costs to society are far beyond commercial. For example, the environmental impact of distributed generator exhaust fume from several million domestic and industrial power generating sets across the country cannot be expressed simply in monetary terms. It also bears mentioning that unmitigated generator noise pollution at places of business and residences, sometimes exposing people to chaotic round-the-clock noise, has immense medium- to long-term health implications. In addition, recurring incidents of loss of lives to generator fume, sometimes of entire families, and fire outbreaks, may never find accurate commercial valuation.

Another major but often overlooked cost perspective of poor power supply is security. It is generally accepted that improved power supply will engender higher economic productivity, which implies productive engagement of a larger pool of otherwise teeming unemployed populace. The nexus between National Security and Power Supply Security is therefore not far-fetched. It is in fact arguable that the year 2012 colossal budget on national security might have been substantially lower if power supply security had been assured.

Above are some of the real prices paid individually and collectively in varying degrees for lack of adequate grid power supply. There is little to suggest these high prices will not continue or even escalate except the situation is confronted more strategically, promptly and with deeper commitment.

Strategic Approach

Deliberate strategies are required at different points of the power supply chain, with all sub-level strategies guided by a central energy strategy at the national policy level. Care should be taken to anticipate and provide for necessary improvement and guided-flexibility at the national energy strategy level in view of the dynamism required to respond to emerging realities across the different sub-levels. For the Electricity Sector, NERC appears to be doing quite well in flexibly responding with policy position to unfolding scenarios in the power sector from time to time.

On a broader scale, finding answers to some pertinent questions would help provide a well thought-out strategy that will be sustainable and capable of addressing the intended end. Some of the pertinent questions could include what issues are short-term, medium-term or long-term; what should constitute the primary energy mix, how can investors and operators have revenue assurance; what are the risks, and what mitigations can be provided, among others.

Primary Energy Matrix

Serious and prioritized attention must be paid to primary energy sources that hold requisite promise if the daunting and poor supply outlook is to be tackled. There should be clear understanding on the part of key stakeholders regarding what issues are short-term, medium-term or long-term. For example, high level engagements on matters like *Smart Grid* should hardly find space in any serious attempt at locating short-term solutions to the current power supply crisis. There should be a pragmatic approach to indentifying and focusing on resources that should constitute the primary energy mix bearing in mind vital factors like availability, technical and commercial feasibility, sustainability over medium to long term, and other relevant indicators. The urgency of addressing the precarious situation can ill afford mere academic postulations; it requires deliberate and strategic actions that put all considerations in clear perspective, well in advance.

In our current circumstances, hydro and fossils (particularly gas), for example, should prominently feature on the short-term dial of commercial-scale primary

Serious and prioritized attention must be paid to primary energy sources that hold requisite promise if the daunting and poor supply outlook is to be tackled. There should be clear understanding on the part of key stakeholders regarding what issues are short-term, medium-term or long-term. For example, high level engagements on matters like *Smart Grid* should hardly find space in any serious attempt at locating short-term solutions to the current power supply crisis.

energy mix. Although primary energy sources like solar, wind, biomass, etc, have their place in the total energy matrix, it is important to objectively analyze their relevance within the context of vital factors earlier mentioned and properly identify where and how they fit in the whole energy picture.

Infrastructure

The Role of Proper Industry Data: A properly conceived strategy on power infrastructure cannot be complete without correct industry data. What is the actual power requirement, and over what period is the requirement anticipated? What are the likely sensitivities over the time projection? At what points should the transmission and distribution infrastructure be consolidated or expanded in view of major load points and generation points on the network? What technical scalabilities or redundancies should be built into the overall system in view of capacity growth and availability targets? Etc.

The list may be long but without the right answers proffered to these concerns and many more, any attempt at formulating sustainable power supply strategy may not materialize. At the other end of the lever is the need to balance strategic drive with reality. Irrespective of whatever sincerity, official pronouncements or commitments made towards power supply security without taking all practical issues into account may end only in disappointment or embarrassment.

Different official figures have been released as real and projected demand levels; the reliability of those figures is as good as the quality of research upon which they are predicated. There may be the temptation of applying comparative tools that tend to adapt figures from other demographies whose lifestyles, environment and cultures are divergent from Nigeria's. But applying such foreign templates may bear little relevance to our local realities, and data from such exercise can be misleading. The wider implication is that an investor that is attracted essentially by the promise of a large and ready market may wake up to a rude shock of glut if the data forming this opinion is inappropriate. Institutional guarantors or financiers may be similarly exposed to the spillover effects of the situation.

No doubt, there is ready market, but it is important to determine the actual market size and projected growth based on detailed inputs like housing / customer units, customer segments, cultural practices and lifestyles, current consumption, predicted lifestyle changes based on empirical considerations, etc. Also, load profiles across existing substations and power plants including captive ones should form critical inputs in the process.

In addition, analytical tools can be employed to determine suppressed load levels which in turn can give a good picture of medium-term load projections. The objective is not to achieve laser-point accuracy but to assure highest levels of data integrity and ensure that industry figures are not akin to shooting in the dark. Investors willing to go the necessary extra mile may consider industry data assurance as part of their due diligence call, even if only for their target territory.

With well coordinated inter-agency collaboration, national programmes like the census or national identity management can present huge opportunities to reasonably profile targeted national energy data of which electricity is a part. Careful profiling of the energy data capture format should provide raw information that can serve as input to national energy planning.

Infrastructure Planning & Development: Arising from proper data is proper power infrastructure planning. The gaps become clear, deliverables are better appreciated; then technical and commercial requirements to meet them are no longer guesswork. Also, delivery timelines become matters of fact rather than mere conjecture or campaign promises.

It becomes easy to empirically and objectively set technical targets like additional generation capacity over given timelines, determine the investment outlay, determine what size of the populace it would serve, what revenues to expect from such investment and over what time, how many direct employment positions will be created as well as estimated indirect opportunities. Taking it further, macro economic impacts can also be estimated with valid bases.

The concluding part of this article focuses on analyzing and getting around critical issues like Revenue Assurance for investors in the sector, fuel and feedstock supply security, policy, operating environment, among others.

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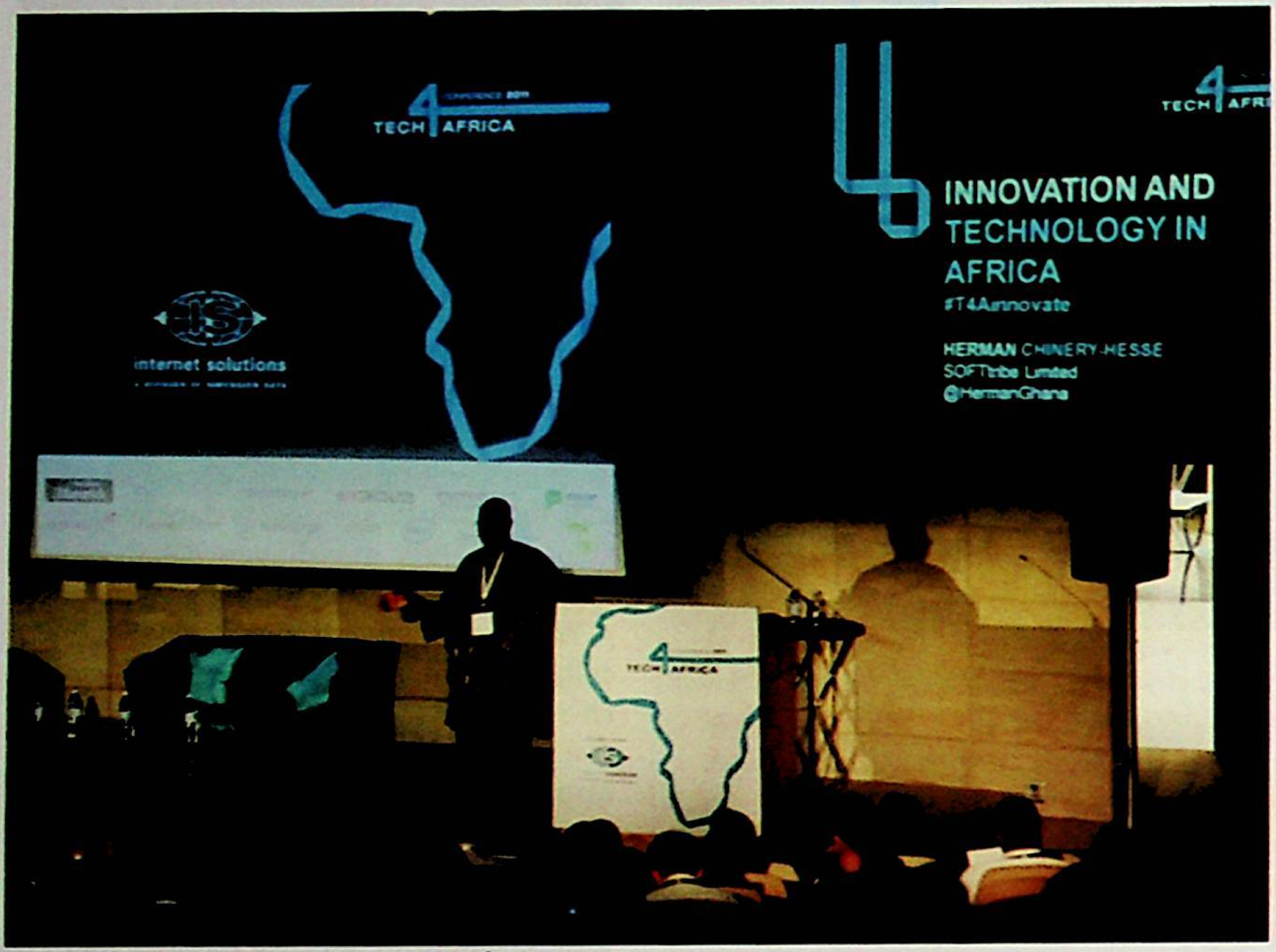
6 African Technology Innovations that are Changing Lives



African technology innovations are not mere gadgets. They are life enhancing tools that contribute to a more productive economy and mprovements in quality of African people. ican entrepreneurs who are leading the ge in the technological revolution are creating jobs and new income ns.

re are just six examples of quality, life nging innovations from among the ores of African technology innovations hat have been introduced in the past ouple of years. They come from the nportant economic segments of finance, ealthcare, and agriculture.

Finance

Pesa Pata by Paddy Micro Investment

Pesa Pata means "get money" in Swahili. Joyce Wangui, head of Paddy Micro oversees this big, mobile money application out of Kenya. In a recent visit to Kenya, I sign billboards and placards on shops advertising the availability of this micro-loan facility.

Here is how it works. A vender, normally a small shop or kiosk owner, gives a trusted client a scratch card worth between Ksh 250 ($3 USD) and Ksh 5,000 ($63). The client scratches the card to reveal a secrete number that they then load onto their mobile phone and are credited a short-term loan in their Safaricom M-Pesa account. They must repay the loan principle, plus a five to ten percent interest, in less than thirty days. The kiosk owner derives income from the interest.

Such short term loans, procured in a matter of minutes, was impossible in the past. With these short term loans borrowers buy new inventory for their roadside stand, purchase produce for resale, or pay for a prescription at the chemist opening a whole new realm of possibilities for improving life.

Healthcare

The healthcare sector is getting more attention by innovative entrepreneurs. Here are three of the most interesting African technology innovations in that space.

Teleradiology by Medisoft East Africa Ltd

Dr. Emmanuel Mukoya, Dr. Ndii Kanake and Ruth Wangari are the brains behind Medisoft's Teleradiology, a set of technologies that allow radiologists to remotely read medical images. In many parts of Africa, when an x-ray or other medical image has been taken there is no guarantee that the image will be looked at by a technician or physician who is qualified to correctly read it and make a diagnosis.

Teleradiology erases the boundaries between image acquisition, reporting and referring doctors. It speeds up the process of getting the images before the knowledgeable eyes of licensed radiologists, who live and work in the major cities of Africa. The technicians can then provide reports and consultation services for many doctors and hospitals in rural areas or small towns. The remote doctors can then read the reports that are forwarded to their computers in their clinical office or homes.

This application gives medical imaging centers and hospitals all over the continent the freedom to outsource interpretation services to offsite radiologists around the clock, with ease. Patients' lives have been saved by Teleradiology by truncating the time from scan to diagnosis.

MedAfrica by Shimba Technologies

MedAfrica is a vast, virtual library of medical information available on a smart phone. One data set allows hospitals and clinics, even patients for that matter, to validate a doctor's credentials. Patients or rural clinicians can employ another data set to locate hospitals or physicians who provide care for specific ailments. Doctors and other practitioners can list symptoms they have observed and a menu of possible diagnoses will be returned on the smart phone screen.

MedAfrica also contains collections of diet and drug related material. Shimba Technologies is adding data sets regularly.

Cardiopad by Himore Medical

Marc Arthur Zang Adzaba is the Cameroonian entrepreneur who invented Cardiopad, a computer tablet that enables heart examinations like electrocardiograms (ECG) to be conducted at remote, rural locations that have never before been able to offer such crucial diagnostic tests.

CardioPad utilizes electrodes, fitted with bluetooth, that are placed on the patient's chest sending a signal to the touch screen tablet that can then wirelessly transfer the readings to one of the few cardiologists who is normally located in the capital city. The heart specialist then interprets the ECG and renders a diagnosis and forwards it to the nurse or examining physician who saw the patient.

Cardiopad is currently only available in Cameroon, but Himore Medical will soon market it in other African countries. With less than a score of cardiologists in many African countries, this innovation will allow many heart patients to receive a prompt diagnosis that was a luxury that they could not receive at any price, if they were unable to travel to an urban center.

Agriculture

Agriculture is the largest and most important sector of the economy in the majority of African countries. Yet, African technology innovation in this sector remains wide open. Here are just two innovations that are assisting product producers and marketers in Kenya.

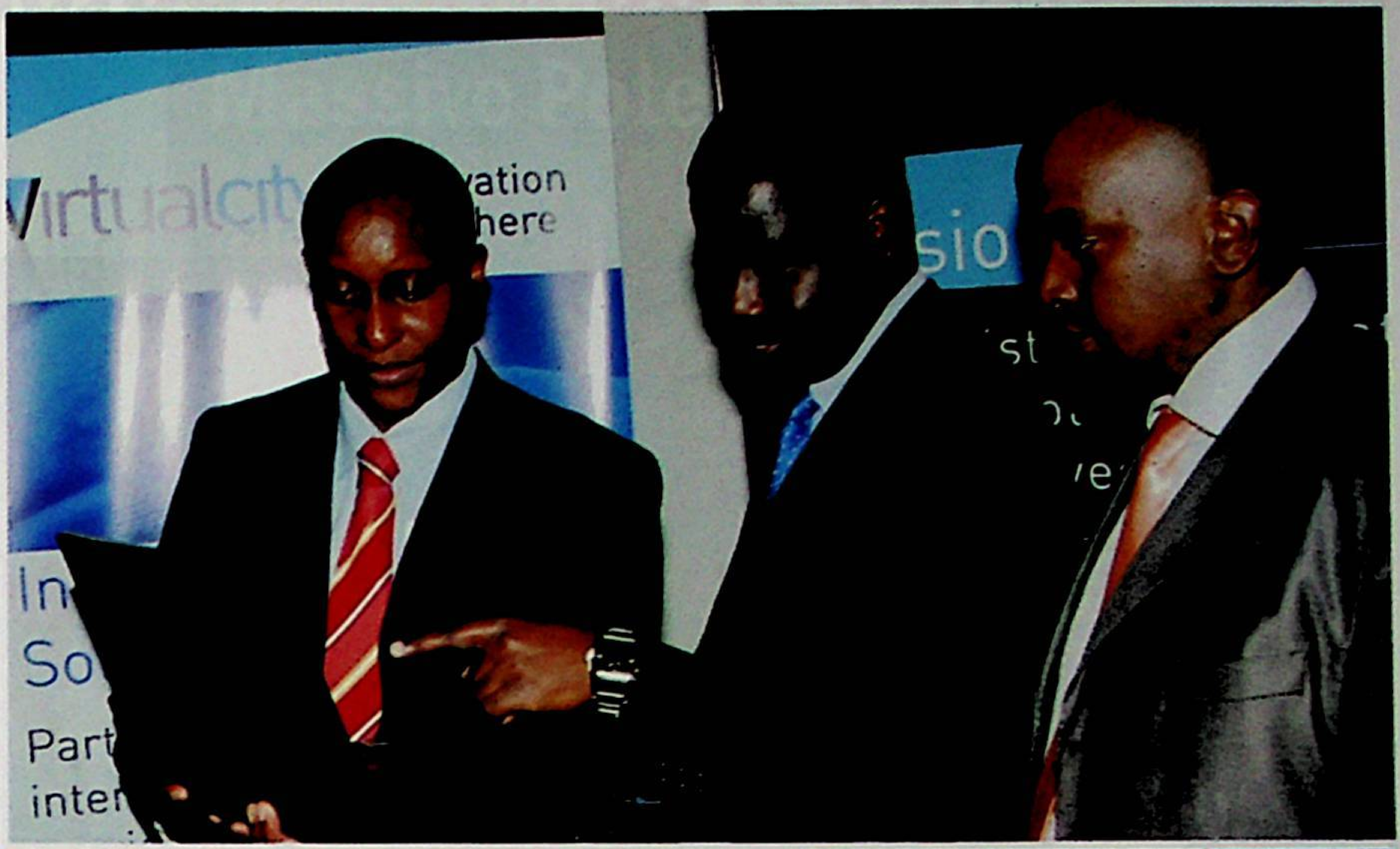
AgriManagr by Virtual City Group

John Waibochi, CEO and founder of Kenya's Virtual City Group, developed AgriManagr a mobile app and associated programs that assist farmers and middlemen by automating produce purchasing transactions.

AgriManagr facilitates the weighing, grading and receipting of produce gathered from farmers at rural or urban collection centers throughout the country. The app goes beyond mere record keeping to allowing purchasing agents to pay the farmers via cashless transactions through M-Pesa accounts on their phones. The app is complete with the ability to automatically reward frequent and favored suppliers with bonuses and premium services.

Produce purchasing agents who combine AgriManagr with an electronic weighing scale can send the weight information directly to the AgriManagr app via Bluetooth technology. A complete report of the transaction, including quantity, quality of the produce, the farmer's details, collection point, and the payment due, is sent to the purchasing agent's headquarters which can then make payment.

Having real-time information about purchases in the field gives the headquarters an accurate understanding of how much total produce, by type, they will have available to supply to their retailers in the next day or two.



Kilimo Salama

Kilimo Salama is n example of the marriage of two essential components of modern development in Africa technology and partnership. This African technology innovation is a crop insurance scheme put together by UAP Insurance Company of Kenya, Safaricom Ltd. (a telecommunications company), and two crop input providers (MEA Fertilizers and seed company Syngenta Foundation for Sustainable Agriculture). It scheme currently covers farmers who grow maize, wheat, beans, sorghum and potatoes.

Here is how the Kilimo Salama pay-as-you-plant system works. A shop owner is supplied a cell phone. When a farmer buys seed or fertilizer and wishes to purchase insurance, the shop owner scans the bar code on the products, collects an additional 5 percent of the retail purchase. The seed and/or fertilizer company chips in another 5 percent. The combined payment is sent to the insurance company via the phone.

Farmers do not have to file individual claims. The weather situation is monitored by 40 small weather stations that Kilimo Salama has installed throughout the country where the insurance is currently being offered. If the rains fail, or are too great, payments are automatically made to accounts that the farmers have installed on their cell phones.

In June 2012, Kilimo Salama won the Financial Times/IFC award for Technology in Sustainable Finance.

These are just a few of the many African technology innovations that are already enhancing the lives of people on the continent. Others are being developed. Some of the innovations still in the development stage or ready to expand are in need of investors and expert partners. Africa Mentor can assist parties who are interested in participating and profiting from the technology boom that is rapidly growing on the continent.

Source: Africa Mentor

East Africa's business potential grows

By Kamanda Morara

A large regional market will attract more international investors into the region

Nairobi Central Business District

This has got to be one of the best times in history to be an East African. Since 2000, the region has experienced the fastest growth rate since independence. Oil has been discovered in Uganda and parts of Kenya. Huge natural gas reserves have been discovered off the coasts of Kenya and Tanzania.

Each of the six countries that comprise the East African community is now led by a democratically elected president. If there was ever a golden moment for the region, then it is now. An unprecedented era of peace is spreading to the greater East and Central Africa region. Somalia is beginning to get some semblance of government; the Democratic Republic of Congo is stabilising while Southern Sudan is now an independent country. The opportunities for trade in the region are enormous.

This is an opportune time for East Africa to take maximum advantage of the benign business environment that is unfolding before her. There has been talk of a monetary union among the East African community countries that initiative should be pursued vigorously. At the very least, efforts should be made to enhance the convertibility of our regional currencies. As things stand, there is a very wide bid-ask spread when trading East African currencies partially because trading between our currencies is generally done as a cross trade with the US Dollar as the denominator.

> East African governments will incur minimal costs to enact the trade initiatives outlined in this article. The resultant increase in wealth in the region as a result of increased trade will improve the living standards of all East African citizens.

This has made it unviable for many Kenyan investors to participate in recent initial public offers by companies in Rwanda and Uganda. Businessmen trading across our borders face this impediment on a more regular basis. After a recent trip from Ethiopia, I was shocked that I could not convert Ethiopian BIRR to Kenya Shillings at any of Nairobi's numerous Foreign Exchange bureaus and local banks. The reason I was given for this was the low volume trade between Kenya and Ethiopia. Kenya's exports to Ethiopia in [illegible] were only USD54 million compared to almost USD1 billion worth of exports to Uganda. The Special Status Agreement signed on November 21, [illegible] by the two heads of state (Kenya and Ethiopia) will hopefully address this imbalance in the next few years.

Trading partners

Until recently, most of the East African countries' biggest trading partners were their former colonial masters. For Kenya, Tanzania and Uganda, the biggest trading partner for most of the past century has been the United Kingdom. United Nations figures show that as at the end of 2009, Burundi's main source of imports was Belgium, and Belgium was the second biggest destination for Rwanda's exports. According to the 2012 data from Kenya's National Bureau of Statistics, imports from the European Union were 68 per cent more than imports from the whole of Africa. Imports from Asia were five times those from Africa.

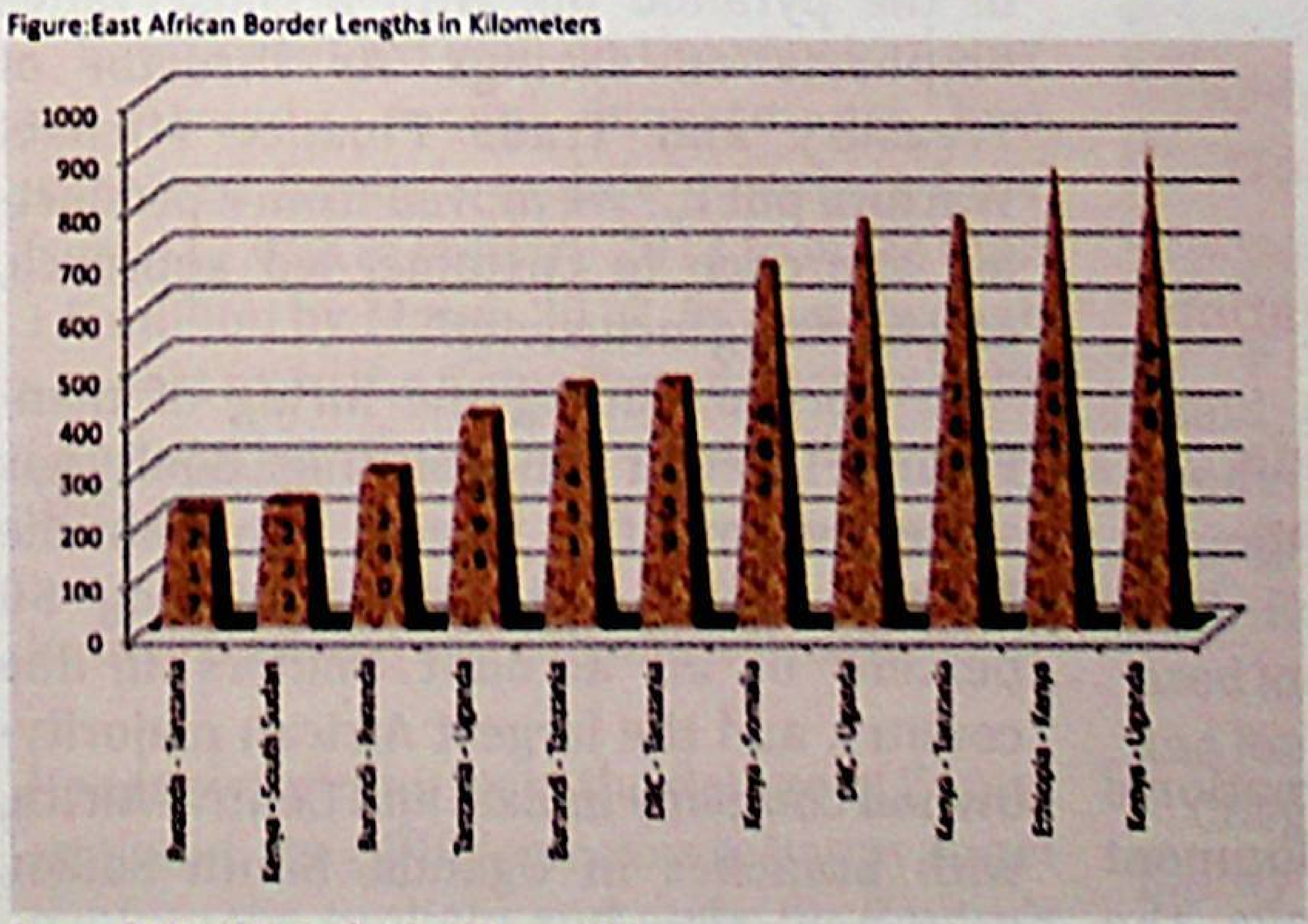
The biggest trading partners for most European countries are other European countries. The increased regional integration is an opportunity for East Africa to trade more with herself. Enhanced regional trade should bring us increased benefits and economic wellbeing; international trade within the region will also come at much lower costs than trading with other continents. Additionally, a large regional market will attract more international investors into the region looking to profit from the potentially larger market. It will be to East Africa's great advantage if the application by South Sudan to join the EAC trade block is fast-tracked.

According to a World Bank Report dated September 2012 and titled "Removing Barriers to Regional Trade in Food staples," only five per cent of Africa's cereal imports is provided by African farmers. The report further states that Africa's farmers have the potential through regional trade to satisfy much of Africa's rising food demand and to substitute for more expensive imports from the global market. The key barrier to food staple trade has been identified as government regulations along the value chain including export and import bans, variable import tariff and quotas.

Food security

In 2011, Tanzania had banned maize exports from Kenya, worsening an already sharp food deficiency in Kenya at the time. Partly because of the variability in weather patterns, East Africa should take a regional approach to food security. Farmers and consumers in the region will all benefit as opening trade to a larger market will reduce volatility of food prices. Documentary requirements and costs of crossing East African borders should be cut to a minimum. Across the EU European citizens can cross borders with any valid ID while across East Africa, passports are mandatory. Rwanda has taken the initiative on this issue with a recent announcement that she shall allow Kenyans to cross into Rwanda with a national ID. The other East African Community Countries should follow suit.

Figure: East African Border Lengths in Kilometers



Sources: CIA World Factbook, Ashanti Research Ltd

East African governments will incur minimal costs to enact the trade initiatives outlined in this article. The resultant increase in wealth in the region as a result of increased trade will improve the living standards of all East African citizens. The sages of old said "Timing is everything," the time for us to act is now.

This article was first published in the February 2013 issue of Management magazine – a monthly publication of The Kenya Institute of Management (KIM). It is republished under a Content Exchange Partnership between Management and Financial Nigeria.
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Massive Potential in African Mining – IFC

Africa's under-invested mining sector has huge potential, supported by increased economic growth and political stability, and could play a vital developmental role on the continent, the International Finance Corporation's (IFC's) Bernard Sheahan told the Investing in African Mining Indaba last month.

"The core message about the continent today is that Africa is rising," Sheahan, the IFC's director of infrastructure and natural resources for Africa and Latin America, told delegates in Cape Town.

Africa is expected to grow at an above-average 5.5% per annum over the next five years, and according to projections in a recent McKinsey report, Africa will have a larger labour force than China and India within the next two decades. Projections also point to rapid urbanisation, with the majority of Africa's population expected to be living in urban areas by 2023.

Increased political stability

At the same time, Sheahan said, there were signs of improvement when it came to political risk on the continent.

"There is increased political stability ... we've seen positive political transitions in countries like Guinea, Senegal and Ivory Coast. This means better economic governance. It is not perfect in some countries, but there are improved policy choices which points to progress in investment climate reform.

"Underpinned by social transformation in Africa, the continent is about to see a demographic dividend."

Sheahan said the IFC - a member of the World Bank Group - was taking advantage of the potential it saw in African mining, which now accounted for more than half of the IFC's mining investments.

Opportunities in infrastructure

He said he believed the main opportunities in Africa lay in infrastructure. The continent has a huge infrastructure deficit, which the IFC believes will need an annual investment of US$93-billion.

"Multi-user infrastructure can be an opportunity for mining to enhance the developmental impact of mining."

At the same time, Sheahan said, the mining industry could play a critical role in reducing the political risk to doing business in Africa through job creation and skills development. "We need more cooperative approaches between companies and other stakeholders, and this is where the mining industry can play a role."

He lauded the African Mineral Skills Initiative of the United Nations, in partnership with Anglogold Ashanti, for its role in skills development on the continent.

He cautioned, however, that companies should be strategic in their community investments, and make them a core part of the mine project planning process.

Local procurement was another area where the mining industry could contribute to reducing risk, he said, while stressing that a holistic approach was needed towards local sourcing.

OPIC monitoring trip to Kenya:
Big plans becoming reality

2nd from right: Equity Bank of Kenya CEO, James Mwangi being congratulated by well-wishers on [illegible] the 2012 [illegible]st & Young Entrepreneur of the Ye

An interdepartmental OPIC team travelled to Kenya in 2012 to monitor the performance of three financial institutions whose microfinance lending is supported by the agency: Musoni, the Kenya Women's Finance Trust DTM Ltd (KWFT), and Equity Bank. Over the course of three days, members of OPIC's Office of Investment Policy, Portfolio Management Department, Small and Medium-sized Enterprise Finance Department, and Office of External Affairs met with staff from each institution, microloan groups organized by each, and with individual loan recipients. The goal was to assess the financial performance and developmental impact of the institutions' microfinance lending, and more broadly, their efforts to implement the principles of the Smart Campaign, a global effort to integrate client protection into MFIs' due diligence, investee selection and loan covenants.

Day Three: Equity Bank's big plans

If Kenya's financial industry is the great laboratory it appears to be, firing off one innovation after another to draw ever more Kenyans into the formal banking sector, its nerve centre may very well be the ninth floor of the Equity Centre in Upperhill Nairobi headquarters of Equity Bank. It is difficult to imagine investment strategies being enacted anywhere in Kenya having greater impact on the country's financial future than Equity's.

Certainly Equity's presentation on the final morning of OPIC's monitoring trip brought home the stakes of guiding Kenya's financial growth responsibly. In explaining how the bank was using $8.45 million in OPIC financing as part of a $50.7 million investment by the Helios Sub-Saharan Africa Fund I a senior Equity team detailed a methodical plan to enable customers to "graduate up" from smaller products to larger transactions; adherence to a 'bottom of the pyramid' banking model that emphasizes low costs and stable funding, resulting in a non-performing loan ratio that had dropped to 2.7 percent in 2012; and the rollout of a host of customer-friendly products from agricultural and microbusiness loans to education and remittance support that had enlisted the

> Given the high levels of youth unemployment in developing countries, governments are increasingly looking for proactive approaches to help young people realize their full economic potential. Increasingly, youth represent the next wave of new clients for financial services providers, with the population expected to grow by one billion over the next decade, particularly in sub-Saharan Africa.

support of the US Agency for International Development to the UN Development Program, Visa, MasterCard, Save the Children and the Bill and Melinda Gates Foundation.

If it lacked the headline splashiness of Musoni's mobile banking revolution or KWFT's empowerment of women entrepreneurs, Equity's presentation described a model that had successfully balanced the need for profits with grassroots empowerment, and an ambitious determination to lead the country forward. It was enough to bring Dennis Aluanga, a Helios partner, up from Johannesburg on the red-eye that morning, and he seemed as impressed as the rest of us.

Group CFO Paul Njaga began with a little Equity history. Founded as the Equity Building Society in 1984, it was initially a small rural bank for older women and subsistence farmers. Equity's first decade ended badly: losses totaling 32 million in Kenyan shillings (including 54 percent in non-performing loans) prompted the Central Bank of Kenya in 1993 to declare Equity technically insolvent.

Equity re-emerged thereafter with a new business model working from the bottom of the pyramid up, with a conservative emphasis on savings. As Director of Treasury and Trade Finance Michael Wachira put it, "we moved from a product-led approach to customer-led approach, emphasizing inclusivity."

It worked. Riding the hiring of then-Finance Director James Mwangi, Equity has since become the largest bank on the Nairobi stock exchange, managing 50 percent of all account holders in the country, and the largest African majority-owned company in East and Central Africa, with branches in Uganda, South Sudan, Rwanda and Tanzania.

Having become a full-service deposit-taking institution in 2010, Equity's numbers speak for themselves:

- More than 8 million bank accounts and system with capacity to bank 35 million bank accounts, and process 300,000 transactions per minute;
- 700 ATMs, over 6,000 Equity agents and over 4,500 POS and with a card system that can handle 75 million bank cards;

- 12 billion Kenyan shilling profit in 2012;
- 136,000 loans for women since 2007 worth kshs 12.6 billion;
- 13 billion Kenyan shillings' worth of microbusiness loans issued in 2012;
- 110,000 youth loans since 2007 worth Kshs 5.2billion;
- Financial literacy training for nearly 500,000 people, with a target of one million by 2014.

For his efforts, now-CEO and Managing Director Mwangi was named 2012 Ernst & Young World Entrepreneur of the Year, becoming the first business leader from Sub Saharan Africa to win the award; he was named 2012 Forbes Africa person of the year; and Equity was awarded Best Managed Company in Africa in 2012 by EuroMoney magazine, as well as Most Innovative Bank in Africa Award at the African Bankers Awards.

Perhaps most impressive was Equity's determination not to rest on those laurels. Director of Mobile Banking and Payment Innovation John Staley, last speaker of the morning, presented a mesmerizing outline of Equity's plan to make mobile banking in Kenya more efficient and impactful than it already is. Concerned about the lack of regulation by the Kenyan government, he fears money transfer by the telecommunication providers' monopoly is inhibiting the sector's growth.

"Money transfer by telcos is an electronic medium, but it's treated as cash by customers," Stale said. "And although it has enabled the poor to do more transactions, its cost for merchants is high. What we're trying to do is make e-money more useful for merchants, by creating mental models that convince customers to use credit instead of hiding cash."

Equity seemed well on the way to doing so. Already, recent investments had increased Equity's mobile customer base from 417,000 in January 2011 to more than 1.5 million by March 2012, in part through support from the Gates Foundation and the Consultative Group to Assist the Poor (CGAP).

Equity Kawangware Branch Office

Heads swimming from the deluge of Equity statistics, the OPIC team was to happy to get out into the sunlight and make for Equity's Kawangware branch office, not far from where our Musoni site visits began two days earlier. Manager Ben Kithuli detailed a phenomenal growth record: since its 2007 launch, the branch's customer base had grown from 5,000 to 80,000, with 7,000 active borrowers within a 30-kilometer radius. The branch supported 300 students at 12 secondary schools, provided customers with training in financial responsibility, and was negotiating with area slum lords to improve local housing. "Our bankers are very skilled at identifying and delivering products quickly and with the help of technology," Kithuli said. "Kawangware is a slum that is becoming a middle class area."

Kifaru Youth Group

A short drive from the Kawangware branch office was our first site visit of the day. In a dark room adjacent to a working garage, 17 members of the Kifaru Youth Group, a microfinance loan group named after the Swahili word for rhinoceros, met to update their finances.

Kifaru chairman Godfrey Chege, a chicken dealer, says that whereas youth in Kawangware typically lack title for loan collateral, "here we can meet to guarantee each other with our savings... The need for capital is the biggest challenge, but we found that Equity had the product we needed." The group has established savings, loans and emergency accounts with Equity; a number of members have used loans both to support their businesses and for home improvements.

A Visiting Team from U.S. OPIC

Chege had touched on a salient point, for Equity Bank and beyond. According to a 2012 report by the UN Capital Development Fund, the current global youth population of 1.2 billion is the largest in history, representing approximately 18 percent of the world's population. And 85 percent of young people live in developing countries.

Given the high levels of youth unemployment in developing countries, governments are increasingly looking for proactive approaches to help young people realize their full economic potential. Increasingly, youth represent the next wave of new clients for financial services providers, with the population expected to grow by one billion over the next decade, particularly in sub-Saharan Africa.

With its great entrepreneurial energy and ubiquitous cell phone use, Kenya is an ideal crucible for innovation in youth development. The number of mobile phone subscribers below the age of 30 is predicted to increase in 2012 throughout the world; in sub-Saharan Africa, the number is projected to rise to 108 million. Youth, who are often most likely to own or have access to a cell phone may be more comfortable using cell phones to access their savings account.

Njikim's Metal Hardware Store

To the extent our lasting impression of Kenya was that of a country receiving a symbolic fresh coat of paint via the rise of mobile banking and growing access to capital for women entrepreneurs, our final stop was appropriate. Hard by a busy Kawangware corner was Njikim's Metal Hardware Store, a bustle of industry unto itself. Shelf upon shelf of paint and neat piles of powdered concrete suggested more supply than demand, but they were flying out the door. Overseeing it all was Selena Njikim, recipient of five Equity Bank loans, the most recent for 4.2 million Kenyan shillings (about $48,000).

"I started in 2001 with five tins of paint and now have 18 staff people," she said. "Equity, they pushed me, and in short my business has grown, and I'm proud of it. As a result, my children direct three other stores for me."

Her pride was evident, as was the toll of a mountainous effort.

"It's difficult as women entrepreneurs, I can tell you that," she said. "I've been able to educate my children, own some properties, and now I drive a nice vehicle. But I'm open every day from six a.m. to seven p.m. I'm looking forward to being at home within five years."

With that, the monitoring trip was over. The OPIC team climbed into its white minivan and headed back to downtown Nairobi, anxious about making our flight out. But a mile from the hotel the rush-hour traffic stopped us dead for a good 15 minutes. After much compulsive watch-checking, we decided to walk the final last stretch ourselves, against the advice of our minders. Out we hopped, onto the highway. Nairobi's bustle had gotten the best of us, and a little individual initiative seemed the Kenyan thing to do.

Source: The OPIC Blog

Bad Debt: Turnover Analysis and Forecasting Case Study (1)

This series of two articles explore a case study which incorporates historical turnover patterns to aid bad debt forecasting. Many statistical models apply the same probability factor matrix to predict the forecasts for future months. In real life business however, there are high and low turnover months, which are as a result of seasonality. Incorporation of turnover seasonal trends in statistical forecasting models will thus significantly assist with bad debt forecasting.

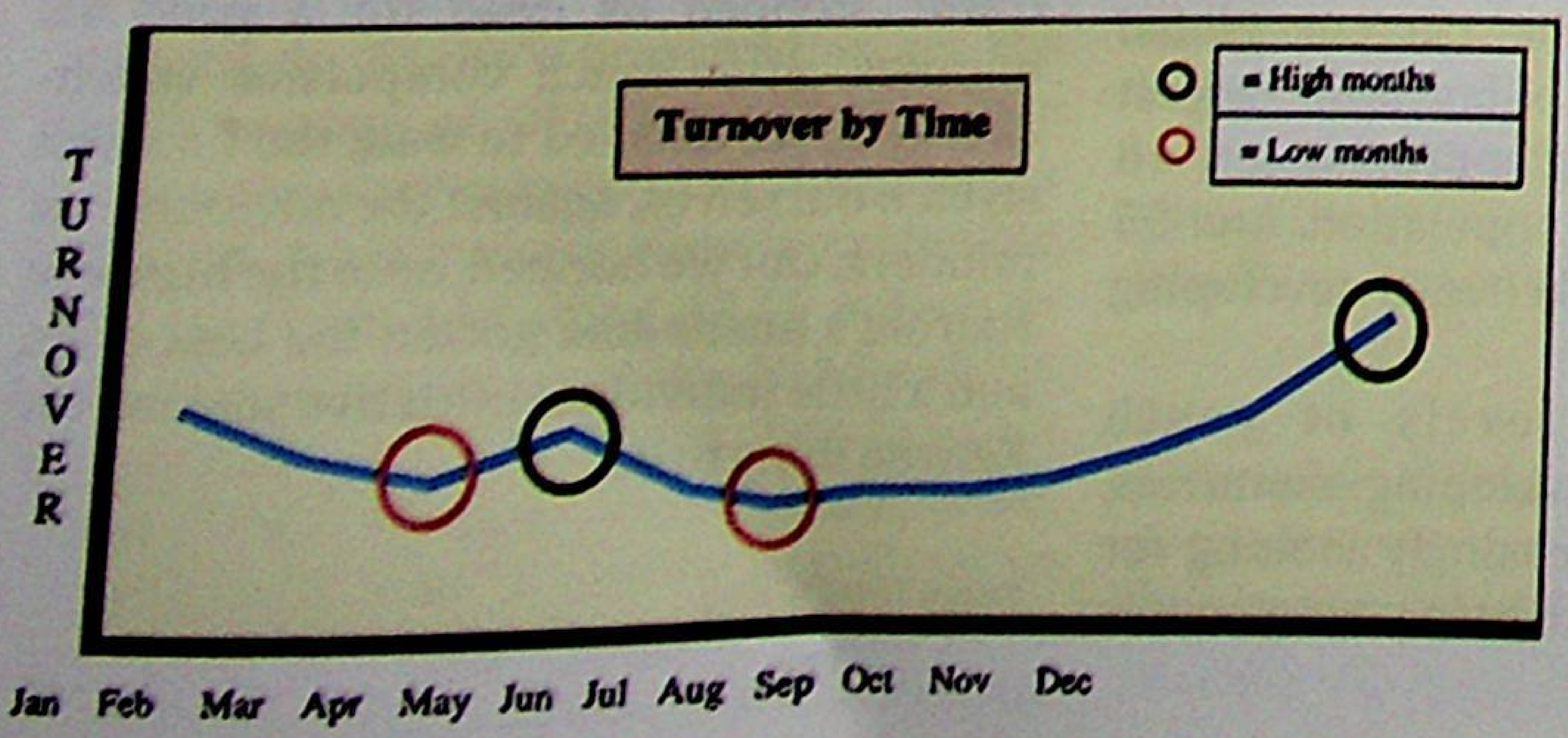
Introduction

For a business which offers consumer credit, peaks and troughs can be expected with regards to turnover. This is usually attributable to the customers' spending patterns, which are often affected by seasonality.

The consumer spending patterns may vary, based on the type of consumer credit offering, for example new car purchases versus personal loans. In the South African clothing retailer environment, the months that normally reflect high consumer spending are over the Christmas and Easter periods, which are referred to in this case study as the 'peak' months.

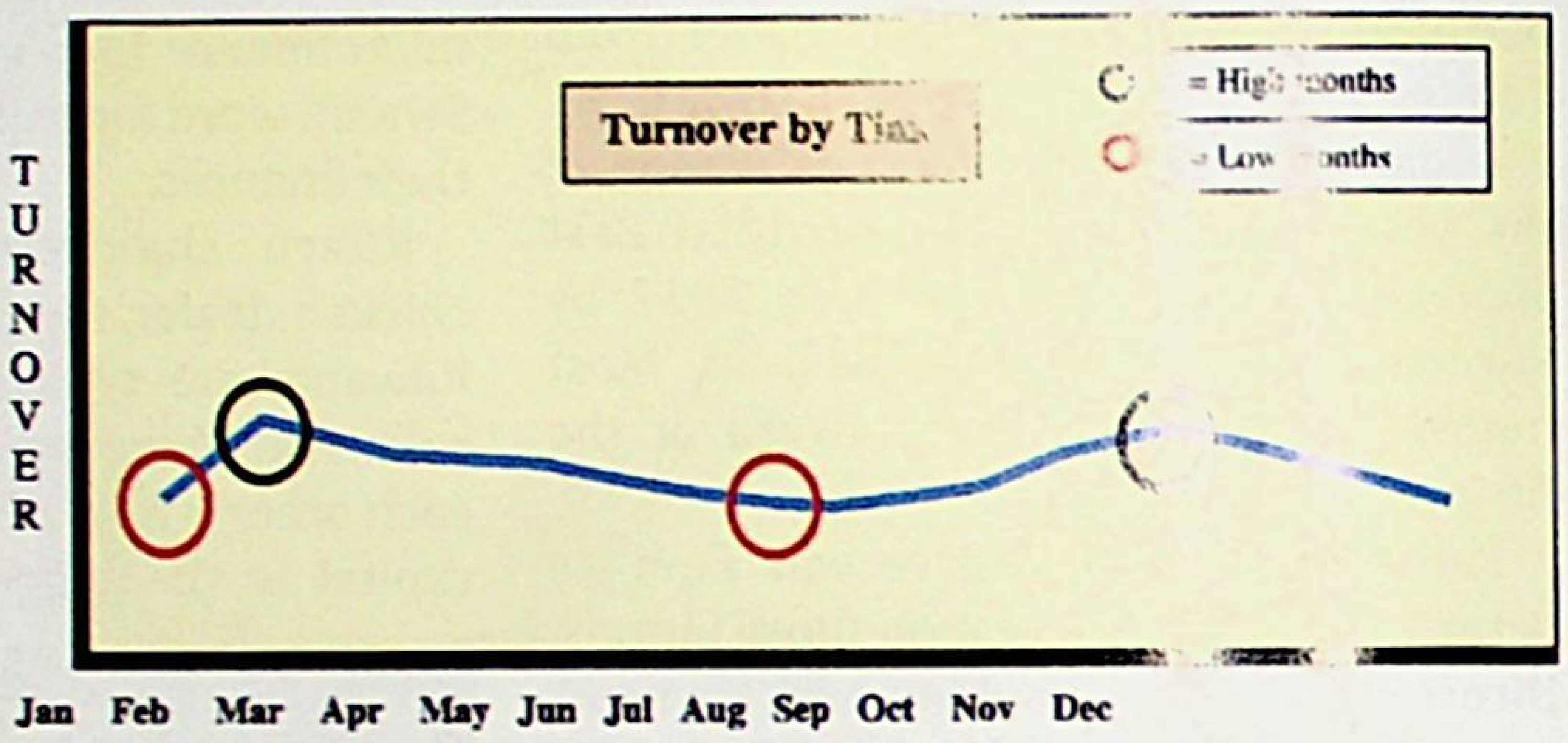
The months that reflect low consumer spending are often the months that follow the seasonal peak months and are referred to as the 'troughs' in the case study. The high and low spending months have been circled in figure 1 below.

Figure 1 High and Low Turnover Months (Clothing Retailer)



The pattern is opposite for direct mail organisations, as illustrated in figure 2 below.

Figure 2 High and Low Turnover Months (Direct Mail)



From these 2 illustrations it is apparent that customers' prefer to purchase items at the store over the Christmas and Easter periods, rather than having to wait for the items to be sent to them. In order to use the turnover trend to improve an organisation's bad debt forecasts, it is important that the peaks and troughs for seasonal consumer spending can be identified in the portfolio before incorporating the seasonal trends to aid the forecasts.

This case study is based on a major retail chain which offers its customers multiple types of credit finance including a 6 months interest free product and interest bearing plans over 12 or 18 months.

The organisation offers a range of product types: Clothing, Jewellery and Cosmetics.

Methodology

Historical Data: Nineteen months of historical data, (balances, purchases, etc.) ranging from April 2011 to October 2012 were used in the turnover analysis. The purpose of having long data periods is to assist in the analysis phase of the development. By analysing the turnover pattern over a longer period, it is possible to establish if the periods highlighted as peaks and troughs are indeed the norm and are not due to marketing campaigns or economic impacts, for example interest rate hikes, drastic changes in unemployment and foreign exchange rates.

Probability Matrix: To understand the probability matrix, let's begin by explaining the process of selecting the historical data for forecasting bad debt.

The data has been transposed into matrices which represent the movement of variables, such as balances, payments and purchases, from the previous month to the current month. The matrices are categorised into various states, for example new business, up-to-date, 1 cycle delinquent and so forth. The final probability matrix reflects the possible movements that an account could make from the state it was in last month to the various states this month.

Initial Turnover Trend Analysis

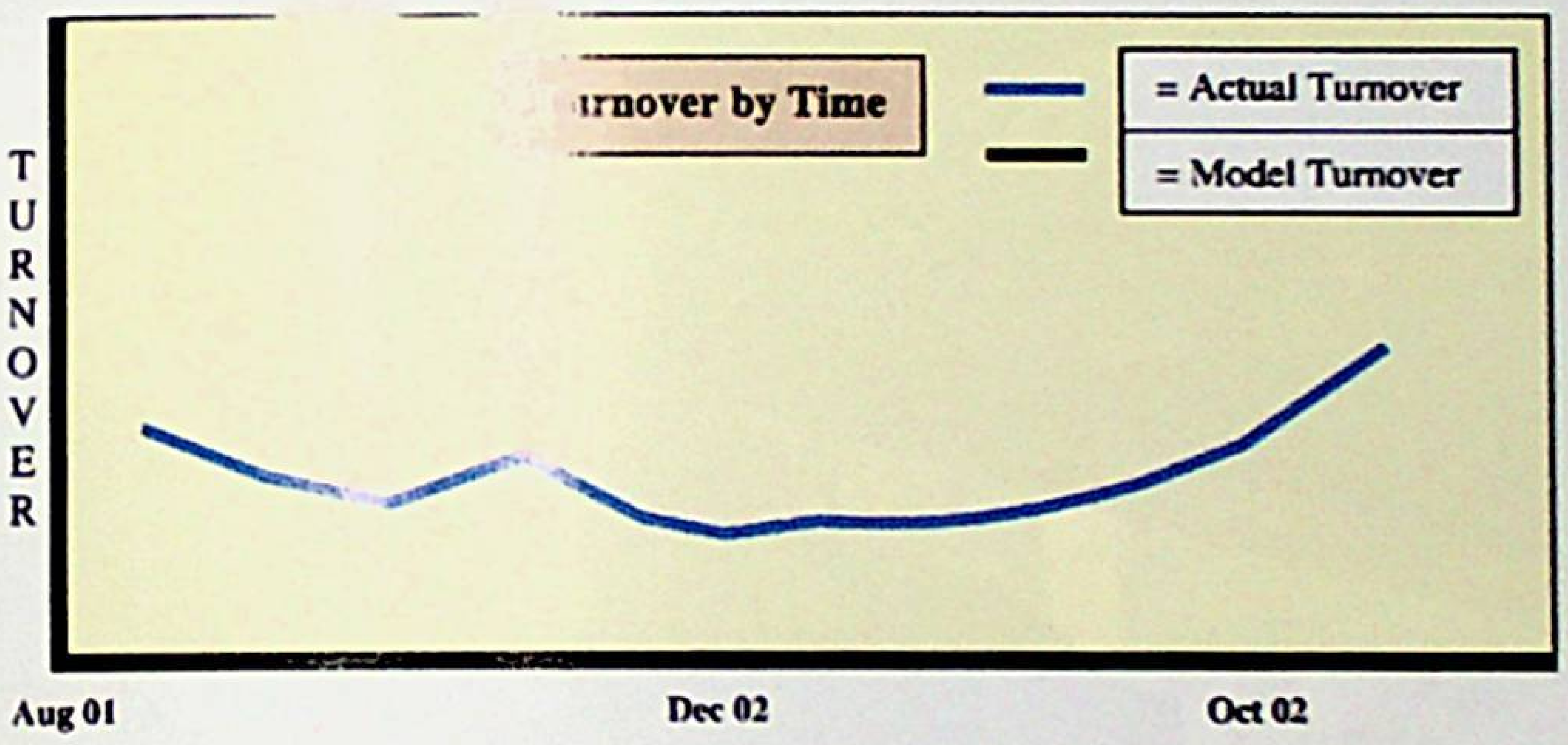
The objective of the turnover analysis is to test whether simulating the actual turnover trend within the probability matrix, which is used in the model forecasts, could enhance the current forecasting model used by the organisation.

Each risk state, for example, up-to-date, 1 payment in arrears, was extensively used in analysing turnover patterns. Using the 20 months of sales history, the key contributors of turnover were identified on a month-to-month basis.

The total monthly turnover figures were examined to determine the peaks and troughs within the time period provided to develop a trend.

Graphically plotting the month-to-month turnover values from April 2011 to October 2012 gave a preliminary view in establishing the peak and trough months.

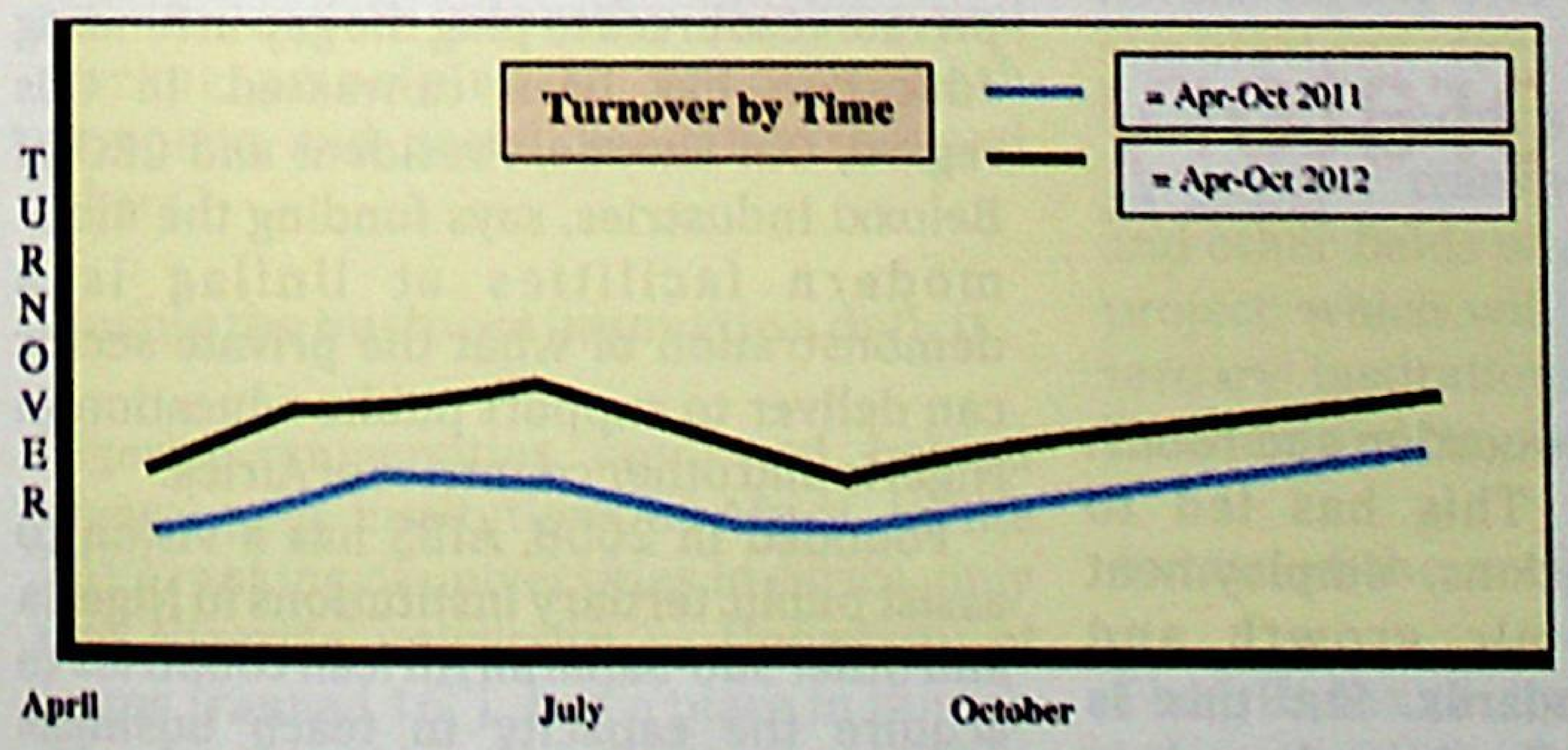
Figure 3 is the result obtained from this exercise.



The analysis reflects the change in total monthly turnover across the 19 months. The peak and trough months were selected. In order to confirm that the months selected were correct, two time periods were measured against each other to examine if the months selected were seasonal.

The periods April to October for the year 2011 and 2012 were selected for this exercise. Figure 4 shows that the turnover trend for the same periods of 2011 and 2012 is similar. It can therefore be deduced that the turnover pattern for any particular month will prevail unless a strategy change is implemented in a particular month.

Figure 4 Turnover Trend: April to October 2011 and 2012



High, Medium, Low Turnover Months

The highest turnover recorded was in January 2011 with the lowest being two months later in March 2012.

Using the trend line, table 1 shows monthly turnover split into high, medium and low turnover months for the year 2011. The months are listed in descending order of turnover.

Table 1 High, Medium, Low Turnover Months

Peak Months	Medium Months	Trough Months
May 2011	July 2011	June 2011
November 2011	October 2011	August 2011
December 2011		April 2011
		September 2011

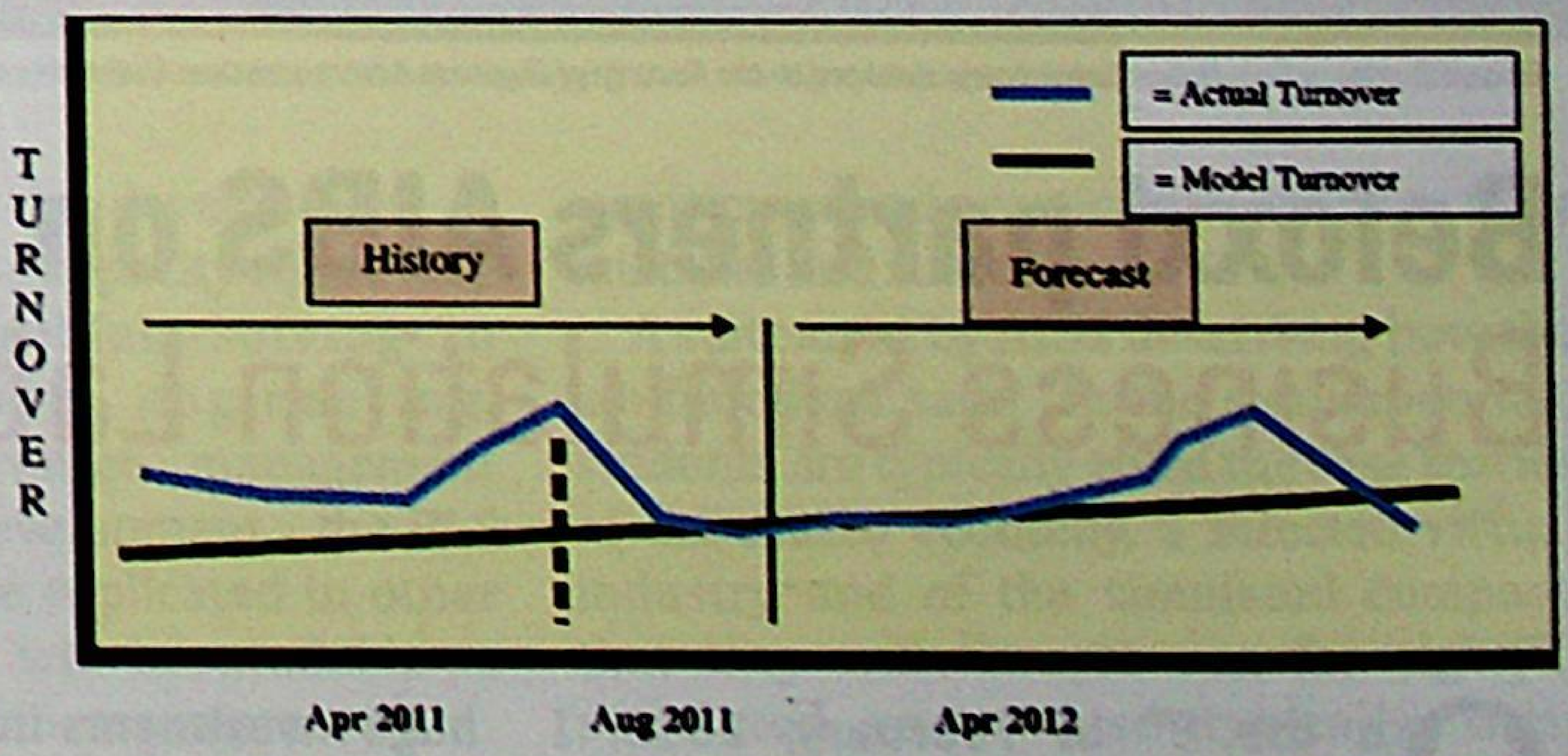
Simulating Turnover Trend

By applying the same probability matrix to forecast the monthly bad debt for the next 12 months, the turnover from the model will reflect a constant growth in turnover and not take the peaks and troughs into account in the modelling process. The model, although fairly accurate, showed higher variation in comparison to actual bad debt in the peak and trough months of the forecast.

The incorporation of the turnover trend within the new model still uses the probability matrix but offers a varied approach. The model was adjusted to take cognisance of what month it was predicting (peak month or trough month or neither of the two) and the probability matrix was adjusted to be in line with the historical trend displayed for the month being predicted.

Figure 5 represents what the model is trying to achieve. The historical month selected in the diagram was April 2011 and the month selected for the forecast was April 2012.

Figure 5 Adjusting the Probability Matrix



Historically, the provision model turnover forecast was lower than the actual turnover for April 11. By using the historical turnover trend, the same month in the future predictions can be adjusted to be in line with what was actually experienced. As shown in figure 5 the probability matrix can be increased accordingly when predicting April. To validate if this method improves the forecasts, accuracy tests were performed.

Stephen J. Leonard, a Financial Nigeria Columnist, is the Founder and Chief Executive Officer of Credit Risk Connection, a risk management consultancy and reseller of analytics, consulting, CRM, scorecards, software and training. Email: sleonard@creditriskconnection.com

Beloxxi Business Simulation Laboratory, donated to the Faculty of Business Administration, University of Lagos

Beloxxi partners AIBS on first Business Simulation Laboratory

By Martins Hile

On the 8th of February, 2013, I attended the commissioning of the Beloxxi Business Simulation Laboratory, located in the Annex Building, Faculty of Business Administration, University of Lagos. Sponsored by Beloxxi Industries Limited, the manufacturer of Beloxxi Cream Crackers, the lab was set up under a Build Operate and Transfer (BOT) partnership with African Institute of Business Simulation (AIBS).

The strength of the economies of the developed world and much of the bigger emerging markets are underpinned by huge investments in education and robust learning outcomes. This has led to technological innovations, employment generation, economic growth and improved living standards. But this is hardly the case in Africa, where there now exists a wide gulf between years of formal education acquired by university graduates and their demonstrable knowledge and skill levels, notably in Nigeria.

With the pressure on government revenue from equally important areas such as health, infrastructure and power, apart from leakages through corruption and inefficiency in the system, mobilization of private resources to plug the gap in funding education has been canvassed. In this regard, Obi Ezeude, President and CEO of Beloxxi Industries, says funding the ultra-modern facilities at Unilag is a demonstration of what the private sector can deliver to support public education in Nigeria and other countries of Africa.

Founded in 2008, AIBS has a vision to assist public tertiary institutions in Nigeria and other sub-Saharan African countries to acquire the capacity to teach business technology by building Business Simulation Laboratories (BSL) that can equip the region with manpower who can operate on the cutting-edge of business innovation.

According to Richard Obire, Founder, AIBS, many of the solutions created by these BSLs would provide "thriving Social Businesses to be run by the new generation

of African educated social business managers. They are the new examples of how to exploit innovative thinking and market principles to produce both economic and social good for self and others."

Closing the business innovation deficit

Nigerian universities are rated behind several peer institutions in Africa. In the 2012 ranking of universities in Africa, only one Nigerian university --- University of Lagos (ranked 16^{th}) had a place in the top 20. At the same time, Kenya is fast becoming Africa's technological hub and, perhaps, the next Silicon Valley, after South Africa has been the gateway for technology investment in Africa. The East African nation revolutionized the mobile payment industry which is now piggybacking other innovative solutions in the insurance and agricultural sectors.

A skill deficit resulting from poor learning achievement beyond certificates is a major reason why there is low formation of businesses in the SME sector. This, coupled with Nigeria's jobless high GDP growth rate, accounts for high youth unemployment in Nigeria today. It also results in high cost of integrating entry-level candidates into well-structured businesses. But for Nigeria to meet her economic development targets, we must have the requisite human capital to compete in the 21^{st} century global economy.

AIBS has conceived the BSL as a place where students can go to test and practice the theoretical aspects of their classwork which will equip them to become social entrepreneurs and also provide economic value. As it serves as a research and modeling centre for the development of human capital with the capacity to provide simulations for problem-solving in business, education, engineering, agriculture, transportation management and other fields of development, the BLS project, which will be replicated in other tertiary institutions, will be available to Business and Non-business majors.

A state-of-the-art facility

The Beloxxi Business Simulation Laboratory is the first BSL in Nigeria. It is a 53-seater non-traditional classroom facility designed, furnished and equipped to afford students of the University of Lagos, a conducive environment to receive practical entrepreneurship training and integrate business theory with practice, using business simulations.

Facilities in the lab include flat-screen workstations, an electronic board integrated with the workstations, motorized projector screen, multimedia systems including video and audio, independent back-up power systems, wired and wireless internet system for accessing AIBS's partner's web-based simulation software portal.

The lab is designed to seat students in clusters of six, with each cluster representing a student-business management team. By acting as real managers, each team is required to run its (simulated) company in competition against other student-companies in a (simulated) industry. The students get to see and emotionally experience the results of their business decisions from that experiment and practically learn from their mistakes and successes.

Left: Obi Ezeude, President/CEO, Beloxxi Industries Limited; Prof. Ben Oghojafor, Dean, Faculty of Business Administration, University of Lagos

A statement by AIBS describing how the lab functions says: "In the simulation lab, students are typically given the case stories of the macro economy, a selected virtual industry and of the simulated company that they will have to run for eight(8) simulated years. Also typically, their simulated companies have all kinds of problems: poor financial management, excess capacity, high inventories, declining sales, poor customer satisfaction, products failing to address the real needs of market segments, high staff turnover, etc."

The students will gain a lot of experience from running their simulated businesses which will get them equipped to implement appropriate business strategies to real market challenges.

Martins Hile is Editor, Financial Nigeria magazine.

Can Phones Drive Insurance Markets?
Initial Results From Ghana

Peter Zetterli

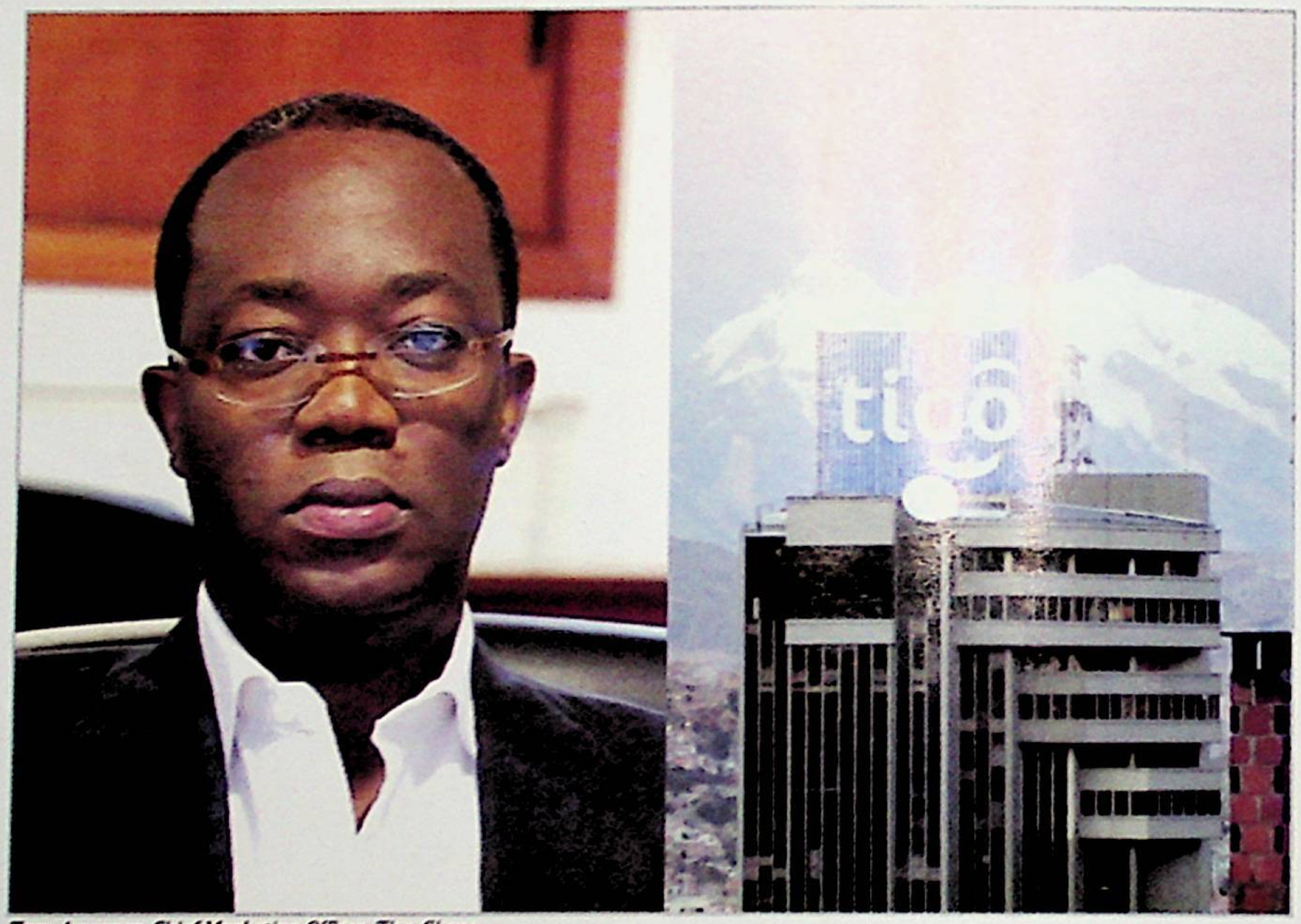
Burials in Ghana are socially very important and tend to be large and expensive affairs, often putting a strain on household budgets -- particularly among the poor. The insurance market has, however, been slow to develop and very few products exist to help mitigate these costs. In this gap, Tigo saw an opportunity to deepen customer loyalty by offering an insurance product as a value added service. The main challenge was that many prospective clients, being unfamiliar with the insurance concept, were not willing to pay for something whose value they did not readily understand or see.

Tigo made a strategic bet: if it offered the product for free as a loyalty based product, clients would learn to appreciate the offering and subsequently be willing to pay a premium for higher coverage. Believing it would work, they promoted the free insurance for 12 months before enabling the premium function in November 2011.

Four actors came together to enable the product: Tigo owns the product and has the front-end relationship with the client; BIMA owns the platform and the sales force; MicroEnsure, which helped spawn the concept, processes all claims, updates customer policy levels based on use and did the initial training of sales agents; and local insurer Vanguard Life Assurance bears the insurance risk. BIMA, it is worth noting, was set up in 2010 by Tigo owner Kinnevik specifically to deploy this type of mobile insurance product. Although Tigo Family Care in Ghana was its pilot deployment, BIMA is already active in five countries and expects to expand rapidly as mobile insurance takes off around the globe.

At the launch in 2010, only an estimated 5.4% of adult Ghanaians around 720,000 people had any kind of insurance, a quarter of which was informal. Tigo Family Care today provides insurance cover for nearly a million clients, an estimated 93% of whom have no other insurance cover. Thus Tigo Family Care has more than doubled the size of the insurance market and extended basic life coverage to 978,000 Ghanaians that are otherwise uninsured.

The product itself has been described elsewhere (both by CGAP and the GSMA MMU blog) but one of the key aspects is that it uses the type of 'freemium' model that CGAP argued for last year. In short, Tigo customers receive free life insurance for themselves and one family member, ranging from $104 to $520 depending on how much airtime they use in a month: $2.60 for the lowest level of coverage and $20.80 for the highest. The customer can stay on this free plan indefinitely provided the monthly airtime requirement is met, but can also choose to double it by paying a fee of $0.68 per month for what is called Xtra-Life, giving them up to $1,040 of insurance cover.



Tenu Awoonor, Chief Marketing Officer, Tigo Ghana

A mobile money account is not needed to register and fees are deducted from the customer's airtime balance, but all claims are paid out through Tigo Cash, giving an exposure intended to help promote the electronic wallet.

Why would Tigo do this? The primary motivation was pure business: to gain an edge in Ghana's highly competitive voice market by reducing churn and encouraging customers with multiple SIM cards to use Tigo more often, hypothesizing that people would be more loyal to a voice provider that is also giving them insurance.

So for the financial inclusion community, Tigo Family Care Insurance may be that rarest of things: a product that makes business sense but also gives access to vital services for people with little or no ability to pay. As the first year of Freemium is drawing to a close, we sat down with the companies involved to find out: did it work?

From a financial inclusion perspective, it appears safe to say that it did.

At the launch in 2010, only an estimated 5.4% of adult Ghanaians around 720,000 people had any kind of insurance, a quarter of which was informal. Tigo Family Care today provides insurance cover for nearly a million clients, an estimated 93% of whom have no other insurance cover. Thus Tigo Family Care has more than doubled the size of the insurance market and extended basic life coverage to 978,000 Ghanaians that are otherwise uninsured.

In terms of reaching the bottom of the pyramid, 22% of Tigo Family Care subscribers earn less than US$ 100 per month and 80% earn less than US$ 300. Largely ignored by traditional insurers, these customers appear happy with the Tigo service: in a GIZ study on the Ghanaian microinsurance sector, 61% of subscribers were satisfied with the product, 33% said "somewhat satisfied" and only 4% said were "not satisfied".

While the service is still in its early days, these initial results are nothing if not compelling. The Ghanaian National Insurance Commission (NIC) certainly seems to think so, awarding Tigo Family Care Insurance as the most successful microinsurance product in Ghana in November 2012.

Peter Zetterli is based in Accra and works with the Technology and Business Model Innovation Team of CGAP on understanding and catalyzing the developing branchless banking sector in Ghana. Source: CGAP

A Long Walk from a Mosquito Bite

By Mosun Layode

For micro scale business owners, everyday away from work is a huge loss for their businesses, which negatively impacts their personal and household incomes.

I sat stunned at the meeting table in the conference room as my boss announced that she planned to distribute insecticide treated nets (ITNs) to every staff and she expected us to sleep under them. Although I thought it strange for her to insist that we slept under the nets, after all, she would not know for sure if we actually did, I could understand her frustration with staff continuously taking time off to nurse malaria.

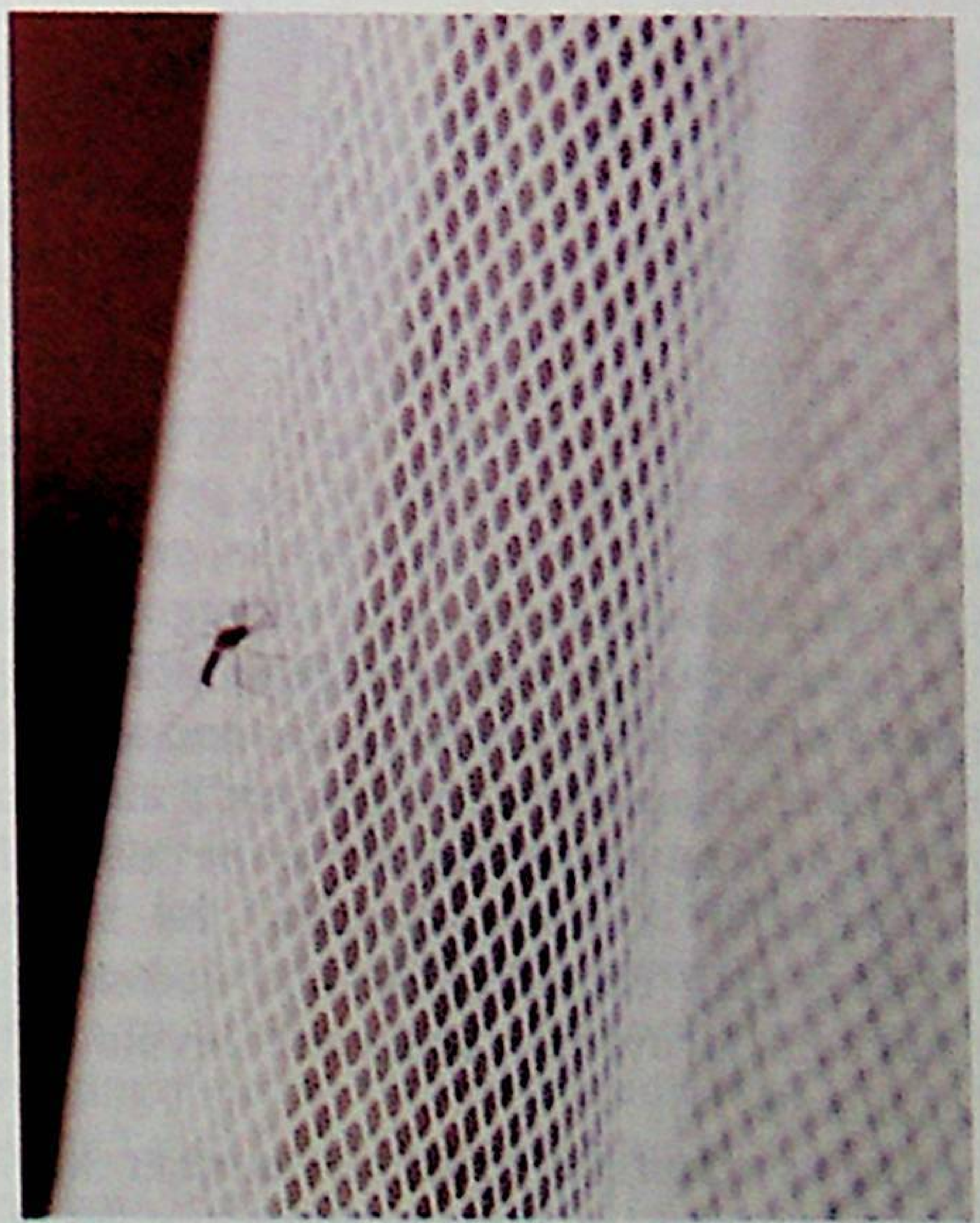
Thoughts that come to mind when we hear that anyone is down with malaria are typically health related. Unfortunately, there is more to malaria than been bedridden. Malaria infection has social and economic implications for individuals and families, companies, as well as governments. According to a report by the Millennium Development Goals Nigeria Office, in financial terms, the disease is estimated to cost the country about 132 billion Naira (US$862.4 million) every year.

When there is a malaria infection, individuals and families have to pay for diagnosis, anti-malarial drugs and trips to health centres or clinics. In addition, there is a cost to absence from school or work. Malaria can have serious effects on children's education, especially when it becomes recurrent as students tend to miss school for extended periods of time. In addition, a known side-effect of frequent malaria is anemia which causes fatigue and limits concentration levels. Sadly, there are also burial expenses associated with malaria in the event of death as a result of the disease.

Survey results by the World Economic Forum show that in sub-Saharan Africa, 72% of companies are reporting a malaria impact, with 39% perceiving these impacts to be serious. This will explain why some large organizations invest in malaria control initiatives to protect their employees from the disease.

Without a doubt, malaria limits the productivity of employees, either by time taken off work or by the slow turnaround time of sick employees. This ultimately impacts a company's output and places a demand on its human resources, given the amount of time other staff devote to handling absentees' tasks in addition to theirs. For micro scale business owners, everyday away from work is a huge loss for their businesses, which negatively impacts their personal and household incomes.

On the government front, funds are committed to prevention initiatives such as ITNs, awareness campaigns and purchase of drugs and supplies. Beyond these direct costs, there is an indirect cost to the loss of foreign direct investment and tourism due to avoidance of malaria endemic zones by travelers or tourists from areas with no malaria transmission.



It is no news that malaria can be prevented by maintaining environmental hygiene, preventive medication, ITNs and other preventive measures. However, people continue to die of the disease; as a result it should be treated with seriousness. Nigeria has an estimated 100 million malaria cases with over 300,000 deaths per year. Although many malaria patients get some form of treatment, there is the question of the effectiveness of the treatment, considering the prevalence of drug-resistant malaria.

A lot of efforts have gone into malaria prevention and treatment by the World Health Organization, donor agencies and foundations, as well as the Nigerian Government. However, there is still a lot of ground to cover as the desired goals are to achieve a higher penetration rate with ITNs, provide malaria drugs at more affordable rates, develop a vaccine and eventually eradicate the disease. As these institutions work towards reducing malaria infections and achieving zero infection, individuals can contribute by educating those in their sphere of influence about the following:

- Given the potency of anti-malaria drugs, patients suspected to have been infected by malaria parasite should be tested before commencing treatment.
- Malaria parasite has developed a resistance to chloroquine and is no longer effective for treating the disease.
- The World Health Organization has identified artemisinin-based combination therapy as the effective standard treatment of uncomplicated malaria.
- Intermittent preventive treatment for pregnant women (IPTp) is an effective means of reducing the effects of malaria in both the pregnant woman and her unborn child.
- We must continue to take preventive measures including use of ITNs and indoor spraying. These will save lives and save costs.
- Improved nutrition helps boost immunity against diseases, including malaria.

If the rate of malaria infection is drastically reduced, billions of naira dedicated to treating the disease by governments, donor agencies, families and individuals could be put to better use to improve the quality of life. Beyond this, improved productivity across the country will provide a significant boost to the national economy.

Mosun Layode is a development sector professional with extensive experience in Nigeria, specializing in initiatives that support entrepreneurs, youth and social innovators. Mosun is the Founder/Director of Social Runway, a nonprofit organization that provides a platform for social innovators to promote their ideas and raise the funds required to transform lives and improve the human condition.

Empowering farmers through SMS

By Caspar van Vark

Mobile phone services are improving agricultural yield and profits by providing farmers advice on crops, weather and market prices.

As mobile networks expand, so too are associated services such as mobile payment systems. This is opening up new avenues for using SMS to deliver ancillary services to farmers, going beyond price and weather data to allow the purchase of microinsurance, for example.

In 2011, the GSM Association (GSMA), the representative body of mobile phone network operators worldwide, reported that mobile penetration in Africa had reached 649 million subscribers equivalent to around 65% of people and was expected to reach more than 735 million by the end of 2012. It's a similar story in India, which already has 70 subscriptions per 100 people, with 53% of households owning a mobile phone.

The SMS function offered by even the most basic handset can be used to provide data to farmers that they previously would not have had access to. Instant updates on weather and wholesale crop prices, for example, can improve productivity and negotiating positions. A World Bank report in 2012 described mobile networks as "a unique and unparalleled opportunity to give rural smallholders access to information that could transform their livelihoods".

But who is driving this, and how? One trend in recent years has been the growth of large-scale, branded commercial SMS services for farmers. Reuters Market Light and Nokia Life both offer subscription-based services to farmers, using SMS to send information on crop prices, weather conditions, and general farming tips. Reuters Market Light claims to have 1 million registered users across 50,000 villages in India, while Nokia Life reports that 76 million people had "experienced" its service in India, China, Indonesia and Nigeria by August 2012.

Encouraged by the demand, India's National Agricultural and Rural Development Bank (Nabard) announced a pilot project of its own in September 2012, offering a free service to more than 50,000 farmers in the state of Maharashtra.

At the other end of the scale, there are dozens of smaller, locally-grown projects delivering SMS services to farmers. Kiwanja.net offers an open-source tool FrontlineSMS which was designed as a free SMS communications system for development projects and has been used effectively in very specific contexts: pastoralists in northern Kenya have used it to access local crop and livestock prices, for example. Its founder, Ken Banks, sees the greatest development value emerging out of these local applications. "Conditions are often different between regions and an all-purpose, blanket service doesn't always provide the most accurate or useful information to local farmers," he says. "Prices vary considerably, and access to markets provides different levels of challenge."

Banks identifies trust as another key issue: if farmers already know an NGO providing an SMS service, they are more likely to trust the information. "The NGO will likely better know the history, conditions and challenges of the area, and be better placed to collect and provide more accurate advice on cropping, crop disease, markets, market prices, and so on."

Reuters Market Light does provide very localised data, but remains broadly a top-down style of information delivery. This needn't be the case: development projects can just as easily use SMS technology as a collaborative tool. Kenya's M-Farm, for instance, charges farmers 10 Kenyan shillings (7p) to simply check local market prices by SMS, but it also has a feature that enables them to band together to buy and sell collectively, empowering them within the supply chain.

The technology can also capture and share farmers' existing knowledge. The Swiss Agency for Development and Cooperation (SDS), for example, is funding a collaborative SMS-based project between the Ecole Polytechnique Fédérale de Lausanne (EPFL), the Indian Institute of Science in Bangalore, and an Indian NGO, the Chennakeshava Trust, in which participating farmers are actively involved in providing data.

"It's about 20% delivery of information, such as weather and prices," says Hendrik Knoche, the project developer at EPFL. "The rest of the information shared is based on data entered by the farmers, on the varieties they sow, their use of fertiliser, irrigation, spraying, harvesting, and selling, including the price achieved. The data entered is shared with other farmers so they can find out more about fertilizer and pesticide use from their peers."

As mobile networks expand, so too are associated services such as mobile payment systems. This is opening up new avenues for using SMS to deliver ancillary services to farmers, going beyond price and weather data to allow the purchase of microinsurance, for example.

Kilimo Salama, a microinsurance programme developed by the Syngenta Foundation for Sustainable Agriculture, allows farmers to insure a $2 bag of seeds for 10 cents using their phone. Farmers buy the insurance from a local stockist who scans a quick-response code; the farmer then gets an SMS with the policy number. The system is linked to the M-Pesa mobile payment system. so when a payout is due, farmers receive it directly by SMS. To date Kilimo Salama (Swahili for "safe farming") has insured 73,000 farmers in Kenya and Rwanda.

Co-founder Rose Goslinga sees the system as giving small-scale farmers the confidence to grow big. "Making investments without covering risks that could endanger a good harvest is something that farmers are very aware of, and makes them wary of investing at all," she says. "Climate change has added to that, making farmers more aware of risks as rains seem more erratic than before."

The next stage, inevitably, will be a switch to smartphones, with camera and GPS features potentially strengthening small-scale farmers even further. In October 2012, Samsung announced plans for a major push on smartphone devices in sub-Saharan Africa but it may be a few years before they reach rural producers.

"SMS tools require little training, but expecting a farmer to install an app relies on him knowing how to do this from some other activity," says Goslinga. "That said, the new generation of farmers definitely know how to download a song, so if app developers can make insurance apps as simple and attractive as that, it could work."

Source: Global Development Professionals Network by UK Guardian Professional series

UNFCCC's regional collaboration centres to expand access to CDM projects in Africa

The United Nations Framework Convention on Climate Change (UNFCCC) secretariat and the East African Development Bank (EADB) have signed a partnership agreement to establish a regional collaboration centre in Kampala, Uganda in an effort to increase participation in clean development mechanism (CDM) projects.

The partnership agreement was signed by UNFCCC Executive Secretary, Christiana Figueres, and the Director General of EADB, Vivienne Yeda.

This is the second regional collaboration centre established by the UNFCCC and a regional development bank in Africa with the aim to bring the benefits of the CDM to currently under-represented regions. The first centre, which was established a few months ago in Lomé, Togo in collaboration with the Banque Ouest Africaine de Développement (BOAD), provides assistance in the development of CDM projects in Francophone Africa.

Executive Secretary, UN Framework Convention on Climate Change, Christiana Figueres

"The two regional collaboration centres in Lomé and Kampala are designed to help Africa increase its attractiveness and potential for CDM. Our goal is to build capacity, reduce the risk for investors in such projects and help make the continent an increasingly attractive destination for CDM projects," said UNFCCC Executive Secretary, Christiana Figueres.

The office in Kampala will be operational as of 1 May 2013. Besides hosting the office, the EADB is also expected to provide personnel, as well as administrative and logistical support. Commenting on the collaboration, EADB Director General Vivienne Yeda lauded the partnership between the two organizations, saying it will help bring sustainable development in the region.

"This partnership with UNFCCC is key for us at EADB as we invest in sustainable development and seek to ensure sustainability in all our operations. We hope that the new office will help increase the regional distribution of CDM projects in East Africa where there is an acute need for sustainable development," said Ms Yeda.

The new office in Kampala is expected to enhance capacity-building and provide hands-on support to governments, non-governmental organizations and businesses interested in developing CDM projects in more than 20 countries in the region. Among the countries that can seek support from the new office are Kenya, Uganda, Tanzania, Rwanda, Burundi, Angola, Botswana, Comoros, Egypt,

Equatorial Guinea, Eritrea, Ethiopia, Lesotho, Libya, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Sudan, Swaziland, Zambia and Zimbabwe.

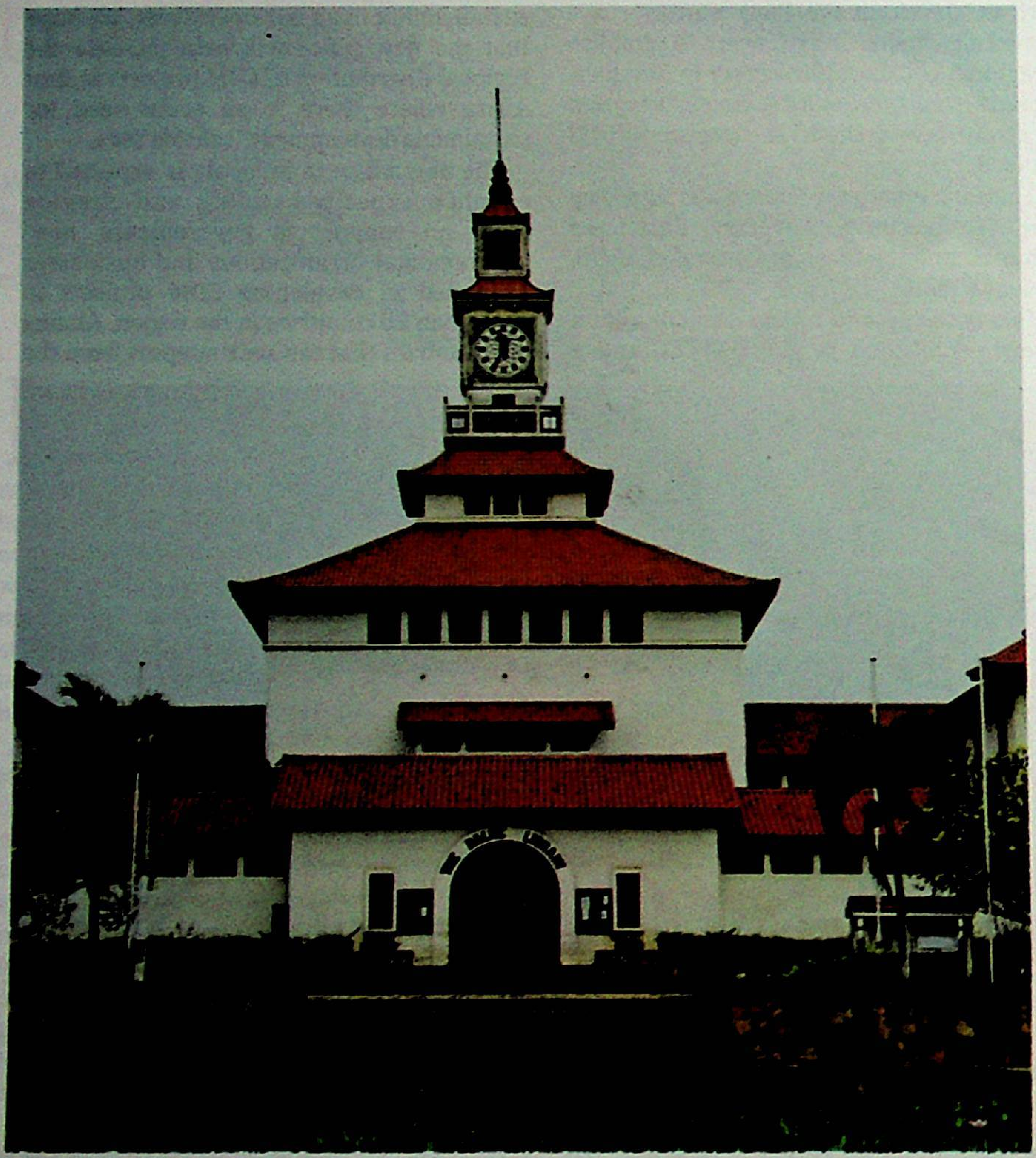
"There is a great deal of untapped potential for CDM in Africa. The regional collaboration centres aim to tap the potential of carbon offset projects on the continent," said Peer Stiansen, Chair of the CDM Executive Board.

Uganda, where the new office will be established, is one of the Least Developed Countries that is leading by example as it has already reaped sustainable development and other benefits from the CDM. There are currently 12 projects and four programmes of activities (PoAs) registered under the CDM in the country.

The regional collaboration centres are intended to support the identification of CDM projects, provide assistance for the design of such projects, address issues identified by validators, and offer opportunities to reduce transaction costs.

IFC investment to support private higher education push into Africa

By Yojana Sharma



The Balme Library at the University of Ghana

A US$150 million equity investment by the World Bank's International Finance Corporation (IFC) into US-based for-profit education company Laureate Education will help spearhead a push into Africa, in line with World Bank aims to develop post-secondary education and skills training on the continent.

The IFC, which funds private companies rather than governments, announced its stake in Laureate billed as its largest ever investment in education recently.

IFC will invest US$100 million in Laureate "to support the growth of Laureate's global network of institutions", with an additional US$50 million coming from the IFC's African, Latin American and Caribbean Fund.

Laureate will be expanding in Africa, said Damian Olive, IFC principal investment officer. "IFC has been in Africa for a long time so hopefully we can help them expand their services there."

The focus will be on countries where there is "a large gap between education supply versus demand," he added.

The World Bank, in its latest World Development Report, has focussed on jobs and the importance of skills for employment and backs the expansion of private provision to increase skills levels. "We are focused on education for employment," said Olive.

Although Laureate's CEO Douglas Becker would not specify the countries of interest in Africa for commercial reasons, he said: "We are very serious about our interest in Africa and we are immediately engaging in a joint planning exercise with IFC relative to Africa."

Africa strategy

In the Middle East and North Africa, Laureate owns a multidisciplinary university in Morocco Université Internationale de Casablanca and institutions in Saudi Arabia and Jordan. But it has no presence in sub-Saharan Africa.

IFC investment will allow us to accelerate our development in the region," Becker told University World News on 5 February.

The IFC partnership would give Laureate credibility on a continent that can be suspicious about the commercialisation of higher education, and help steer it through the minefield of government regulations in the sector, he said.

The World Bank institution offers Laureate "contacts and experience in Africa", said Becker. "IFC is very deeply experienced in working in Africa and they will be very helpful to us as we build our Africa strategy and implement it.

"We wouldn't have the networks and contacts that we have in other markets, and that we would need in order to be successful in Africa. And we would want to make sure we had very high levels of government sponsorship in the countries where we operate."

"Higher education is typically a very regulated field. And if you don't enjoy the trust and support and engagement of local government you're not going to be successful."

IFC's stake

According to Becker, IFC also benefits from the investment. "They have seen that their approach of lending to very sophisticated local operators has not allowed them to do as much in higher education in Africa as they would like. I think that they would see that Laureate's resources and experience would be a very important missing ingredient in Africa."

Becker said the IFC's stake is less than 5%, declining to disclose the exact proportion. It does not entitle the World Bank institution to a seat on the Laureate board.

"We would not be telling them how to run [their business]," IFC's Olive said, adding that how the money would be used would be decided by Laureate and would partly be used for building infrastructure.

However, IFC would benefit from any increase in value in the company.

Becker said that although it is a for-profit company, Laureate reinvests all of its profits "in the university system that we are building all around the world".

Further expansion in Latin America

The bulk of Laureate's [illegible]5 higher education institutions around the world, providing vocational, skills and adult education, are in Latin America half its revenues come from Mexico, Chile and Brazil, according to Standard & Poor's credit rating agency in a note published last year.

Further expansion in Latin America is also planned as part of the IFC partnership.

Last July IFC announced that it would provide a US$40 million loan to Laureate to help build two new campuses of the Laureate-owned Peruvian University of Applied Science Universidad Peruana de Sciencias Aplicadas and another IFC loan to expand a college in Panama is expected to be approved this year.

Becker maintained that the company would still have access to capital even without IFC. "We generate a surplus which we reinvest and we have very strong investors that could easily put up the money for expansion.

"So for us this was very much a strategic decision to partner with an institution that we felt had common objectives and a common philosophy."

"IFC itself has a very good track record. It has been around for decades so they are in the business of vetting to make sure something is going to make an impact on poverty, inclusion and the development of emerging markets, and on social mobility.

"They are not willing to invest unless those factors are present."

Source: Universityworldnews.com

Sub-Saharan African sovereign credit update

In its new Sub-Saharan Africa Credit Overview, Fitch Ratings says that it expects regional growth to remain above 5%, retaining its place as the second-fastest growing emerging market region after Asia. Growth will remain supported by infrastructure spending, the development of mineral resources and growing consumer spending. Strengthened policy regimes, efforts to improve the business environment, and rapid credit growth in some countries as financial markets continue deepening will support the development of the private sector.

In 2013, Africa is expected to continue benefiting from an influx of foreign direct investment, while some domestic capital markets are proving attractive for international investors. Low global yields and a growing appetite for African exposure may prompt more countries to issue debut Eurobonds, following Zambia's recent success.

Fitch's two rating actions since January 2013 reflect the divergent credit patterns across the continent. South Africa was downgraded to 'BBB/Stable' from 'BBB+/Negative' in early January, reflecting a deterioration in growth prospects, a widening in the current account deficit, delayed fiscal consolidation as well as heightened political uncertainty associated with high unemployment, social inequalities and strike action. In contrast, the Outlook on the Seychelles' 'B' rating was revised to Positive due to the country's improving credit profile supported by continued fiscal discipline, the reduction of contingent liabilities as well as the authorities' success in diversifying the tourist market - the main source of foreign earnings.

Fitch believes that a number of events will shape sovereign ratings across the continent in the coming months.

Kenya's upcoming elections in March could be an important inflection point. The likelihood of a repeat of the scale of violence seen in 2007/2008 is moderate, but incidents of ethnic violence are likely to increase in the run up to the polls and immediately after. Smooth elections that bring continued stability and a favourable impact on the investment climate would bolster creditworthiness whilst a repeat of the violence seen in early 2008 would be a major setback.

Ghana's full year fiscal figures for 2012, due to be released in the coming weeks, will reveal the extent of the election-year spending overshoot, particularly on wages, and the damage to public finances. Fitch forecasts a deficit of around 10% of GDP, although there is the risk that it could be even higher. Fiscal outturns and fiscal consolidation plans to be announced in the 2013 budget will be critical rating drivers.

In Rwanda and Uganda, delays in receiving aid will complicate the management of government finances over the coming months. Rwanda is revising its budget to accommodate a USD83m shortfall in aid (equivalent to 1.1% of 2012 GDP). In Uganda, donors suspended USD300m (1.5% of GDP) of aid late last year, following a corruption scandal where USD15m of aid money was misappropriated. Fitch notes it is not uncommon for 'B' rated sovereigns to experience delays/suspensions of donor funds, and if they are temporary or relatively small, they do not have immediate rating implications and are to an extent already factored into ratings at this level.

> Ghana's full year fiscal figures for 2012, due to be released in the coming weeks, will reveal the extent of the election-year spending overshoot, particularly on wages, and the damage to public finances.

Left: Carlo Cottarelli, Director, Fiscal Affairs Dept, IMF; Uhuru Kenyatta, Kenyan Finance Minister

Microsoft invests in the promise of Africa

Last month, Microsoft unveiled its 4Afrika Initiative, a US$75mn project that is designed to scale up Africa's internet accessibility, enhance technological innovation and leverage Africa's burgeoning consumer market. Through 4Afrika Initiative, Microsoft looks to actively engage in Africa's economic development to improve the continent's global competitiveness.

By 2016, the 4Afrika Initiative plans to help place tens of millions of smart devices in the hands of African youth, bring 1 million African small and medium enterprises (SMEs) online, up-skill 100,000 members of Africa's existing workforce, and help an additional 100,000 recent graduates develop skills for employability, 75 percent of which Microsoft will help place in jobs.

Microsoft 4Afrika Initiative's General Manager, Fernando de Sousa, said: "The world has recognized the promise of Africa, and Microsoft wants to invest in that promise. We want to empower African youth, entrepreneurs, developers and business and civic leaders to turn great ideas into a reality that can help their community, their country, the Continent, and beyond."

The Huawei 4Afrika phone, which is the first in what is a series of smart devices designed "4Afrika,"is targeted toward university students, developers and first-time smart phone users to ensure they have affordable access to best-in-class technology to enable them to connect, collaborate, and access markets and opportunities online.

Fernando de Sousa also said, "The Microsoft 4Afrika Initiative is built on the dual beliefs that technology can accelerate growth for Africa, and Africa can also accelerate technology for the world."

Microsoft and Huawei introduced the Huawei 4Afrika, as a first critical step toward increasing the adoption of smart devices. It is a full functionality Windows Phone 8 which comes pre-loaded with select applications designed for Africa. The phone is initially available in Angola, Egypt, Ivory Coast, Kenya, Morocco, Nigeria and South Africa.

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To improve technology access, Microsoft also announced the deployment of a pilot project with the Kenyan Ministry of Information and Communications and Kenyan Internet Service Provider, Indigo Telecom Ltd., to deliver low-cost, high-speed, wireless broadband and create new opportunities for commerce, education, healthcare, and delivery of government services across Kenya. The deployment is called "Mawingu," which is Kiswahili for cloud. It is the first deployment of solar-powered base stations together with TV white spaces, a technology partially developed by Microsoft Research, to deliver high-speed Internet access to areas currently lacking even basic electricity.

Microsoft hopes to implement similar pilots in East and Southern Africa in the coming months to further explore the commercial feasibility of white space technologies. These pilots will be used to encourage other African countries to accelerate legislation that would enable this white spaces technology to deliver on the promise of universal access for the African Continent.

To help empower African SMEs, Microsoft announced a new online hub through which African SMEs will have access to free, relevant products and services from Microsoft and other partners. The hub will aggregate the available services which can help them expand their business locally, find new business opportunities outside their immediate geography, and help increase their overall competitiveness. As a "welcome offer," Microsoft will provide free domain registration for the period of one year and free tools for qualifying SMEs interested in creating a professional web presence. The hub is expected to open in April initially in South Africa and Morocco and will expand to other African markets over time.

To accelerate capacity building and skills development, Microsoft has established the Afrika Academy, an education platform leveraging both online and offline learning tools, to help Africans develop both technical and business skills for entrepreneurship and improved employability. Training through the Afrika Academy will be made available starting in March at no cost to recent higher education graduates, government leaders, and the Microsoft partner community. One of the first offline training sessions will take place with Microsoft managed partners in Ivory Coast in the coming months, focusing on capacity building in both business and technical skills for its partners in francophone West Africa.

The 4Afrika Initiative will be tightly connected to Microsoft's network of more than 10,000 existing partners in Africa today, a network it has built over 20 years of investing and operating in the Continent. The 4Afrika Initiative will leverage these existing partnerships and create new ones across both the public and private sectors to help advance common goals and to create value for Africans.

As part of the 4Afrika Initiative, Microsoft has established agreements with Safaricom in Kenya and Bharti Airtel in Nigeria to accelerate local adoption of the Nokia Lumia 510 and Nokia Lumia 620 Windows Phones by helping to make these smartphones better understood and therefore more desirable for consumers. In South Africa, Microsoft is hiring 30 paid student interns to staff the AppFactory. This is a center where the public can submit requests for Africa-relevant Windows applications (Windows 8 or Windows Phone). These requests are then crowd-sourced for voting, and the most popular ideas are assigned development resources to get the app built and launched into the Windows Store.

Microsoft also has a Female empowerment portal in North Africa, a mentorship programme to be launched in March. It will provide sustained engagement between Microsoft and its partners to support women in career building and to plan their role in society as female leaders.

Sanlam Group to launch Africa Real Estate Fund

Financial services firm Sanlam said it is looking to establish a new sub-Saharan Africa Real Estate Fund in March, as it expects high dividend-paying strategies to become more appealing to investors.

The fund will be listed on the Stock Exchange of Mauritius, and will exclude investments in South African property.

Sanlam aims to expose local and international investors with high quality retail and commercial real estate across select Sub-Saharan African countries.

Sanlam Investments CEO, Johan van der Merwe, said that the fund launch is happening at an opportune time. He said while the majority of the developed world is struggling to find yield, the African continent currently has seven of the top 10 growing economies in the world. This creates a unique opportunity for the Sanlam Group to take advantage of its positioning and provide the investor community with a suite of products that facilitates participation in these markets.

This fund aims to take advantage of the favourable supply and demand imbalance for quality real estate across the subcontinent, as well as its strengthening demographics and resultant return characteristics.

He said the fund forms an integral part of the Sanlam growth strategy into Africa and takes advantage of the group's large, established continental footprint which currently has substantial businesses in 11 key countries across the African sub-continent.

Sanlam Properties CEO, Thomas Reilly, said the problem for the sophisticated investor to date has largely been to find an internationally acceptable product to access this growing market. This fund has been structured to the highest international standard to provide an acceptable platform for both local and international investors to tap the growth potential of the Sub-Saharan African real estate market.

"It has taken over two years of hard work to finalise and we have been able to secure a strong pipeline of select assets with attractive returns. Investors will benefit from the first mover advantage created by the launch of this fund. We intend listing the fund from inception on the Stock Exchange of Mauritius and will target double digit US Dollar investor returns. Given the fact that the fund assumes little or no development risk, these returns are proving to be attractive to investors,

particularly when taking into account the lowered risk profile of the fund," said Reilly.

Sanlam expects to grow a portfolio in excess of US$500m over the medium term with the bulk of initial investors expected to be sourced from the US and Southern African investor markets. It plans to close the initial capital raising process on 31st March with the target audience being the larger institutions in the savings industry.

Several South African property companies, listed and unlisted, are targeting countries such as Nigeria, Ghana, Kenya, Angola, Mozambique, Zambia, Zimbabwe and Mauritius.

Meanwhile, Resilient Property Income Fund has committed R600m towards Resilient Africa an initiative with Standard Bank and Shoprite that intends focusing exclusively on Nigerian

Hellfire, Morality and Strategy

By George Friedman

At its root, the real struggle against the jihadists is ideological, and that struggle simply cannot be won with Hellfire missiles.

Airstrikes by unmanned aerial vehicles have become a matter of serious dispute lately. The controversy focuses on the United States, which has the biggest fleet of these weapons and which employs them more frequently than any other country. On one side of this dispute are those who regard them simply as another weapon of war whose virtue is the precision with which they strike targets. On the other side are those who argue that in general, unmanned aerial vehicles are used to kill specific individuals, frequently civilians, thus denying the targeted individuals their basic right to some form of legal due process.

Let's begin with the weapons systems, the MQ-1 Predator and the MQ-9 Reaper. The media call them drones, but they are actually remotely piloted aircraft. Rather than being in the cockpit, the pilot is at a ground station, receiving flight data and visual images from the aircraft and sending command signals back to it via a satellite data link. Numerous advanced systems and technologies work together to make this possible, but it is important to remember that most of these technologies have been around in some form for decades, and the U.S. government first integrated them in the 1990s. The Predator carries two Hellfire missiles – precision-guided munitions that, once locked onto the target by the pilot, guide themselves to the target with a high likelihood of striking it. The larger Reaper carries an even larger payload of ordnance – up to 14 Hellfire missiles or four Hellfire missiles and two 500-pound bombs. Most airstrikes from these aircraft use Hellfire missiles, which cause less collateral damage.

Unlike a manned aircraft, unmanned aerial vehicles can remain in the air for an extended period of time -- an important capability for engaging targets that may only present a very narrow target window. This ability to loiter, and then strike quickly when a target presents itself, is what has made these weapons systems preferable to fixed wing aircraft and cruise missiles.

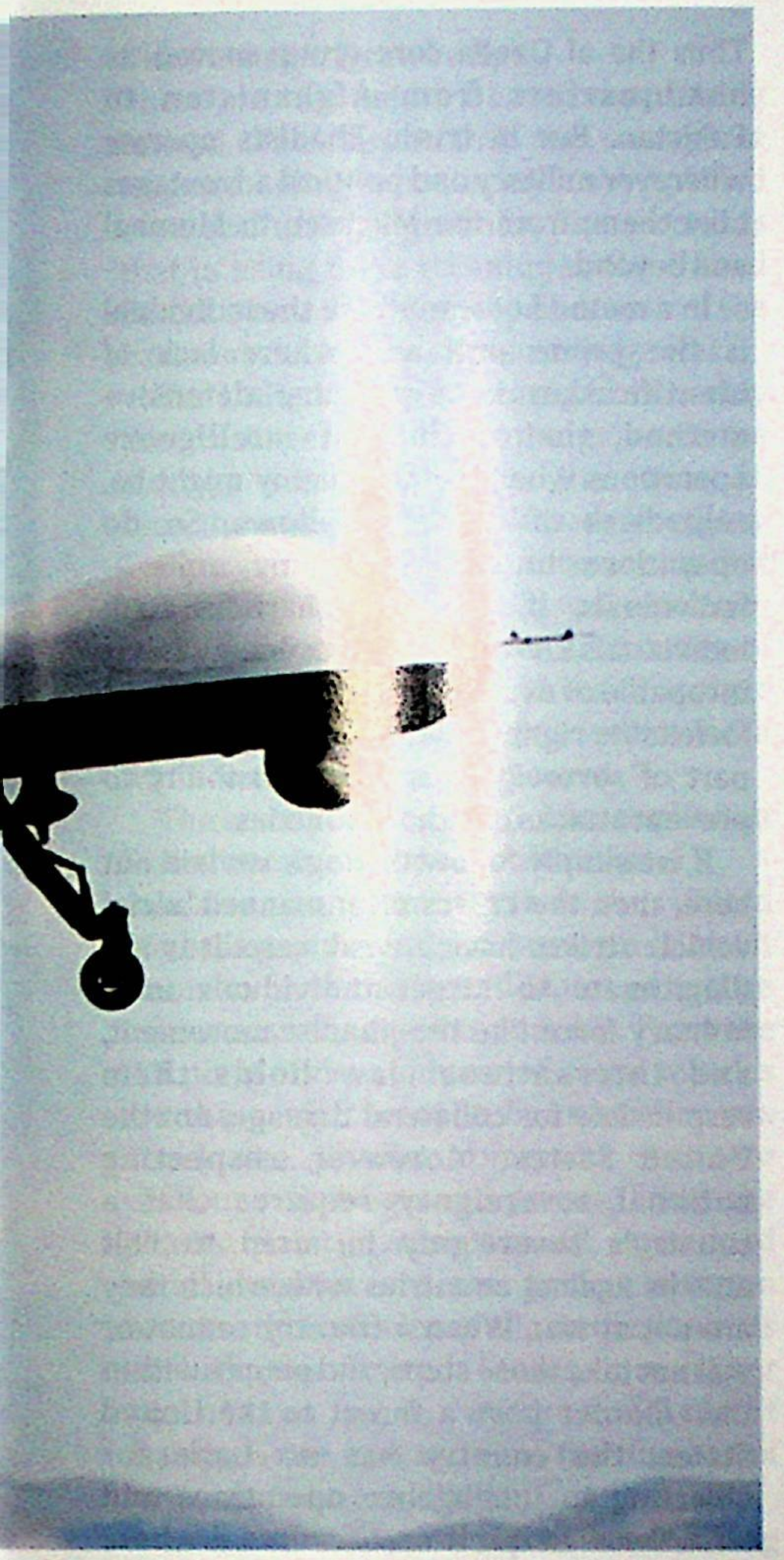
A U.S. Drone

The Argument Against Airstrikes

What makes unmanned aerial vehicle strikes controversial is that they are used to deliberately target specific individuals -- in other words, people who are known or suspected, frequently by name, of being actively hostile to the United States or allied governments. This distinguishes unmanned aerial vehicles from most weapons that have been used since the age of explosives began. The modern battlefield – and the ancient as well – has been marked by anonymity. The enemy was not a distinct individual but an army, and the killing of soldiers in an enemy army did not carry with it any sense of personal culpability. In general, no individual soldier was selected for special attention, and his death was not an act of punishment. He was killed because of his membership in an army and not because of any specific action he might have carried out.

Another facet of the controversy is that it is often not clear whether the individuals targeted by these weapons are members of an enemy force. U.S. military or intelligence services reach that conclusion about a target based on intelligence that convinces them of the individual's membership in a hostile group.

There are those who object to all war and all killing; we are not addressing those issues here. We are addressing the arguments of those who object to this particular sort of killing. The reasoning is that when you are targeting a particular individual based on his relationships, you are introducing the idea of culpability, and that that culpability makes the decision-maker – whoever he is – both judge and executioner, without due process. Those who argue this line also believe that the use of these weapons is a process that is not only given to error but also fundamentally violates principles of human rights and gives the state the power of life and death without oversight. Again excluding



absolute pacifists from this discussion, the objection is that the use of unmanned aerial vehicles is not so much an act of war as an act of judgment and, as such, violates international law that requires due process for a soldier being judged and executed. To put it simply, the critics regard what they call drone strikes as summary executions, not acts of war.

The Argument for Airstrikes

The counterargument is that the United States is engaged in a unique sort of war. Al Qaeda and the allied groups and sympathetic individuals that comprise the international jihadist movement are global, dispersed and sparse. They are not a hierarchical military organization. Where conventional forces have divisions and battalions, the global jihadist movement consists primarily of individuals who at times group together into distinct regional franchises, small groups and cells, and frequently even these groups are scattered. Their mission is to survive and to carry out acts of violence designed to demoralize the enemy and increase their political influence among the populations they wish to control.

> What makes unmanned aerial vehicle strikes controversial is that they are used to deliberately target specific individuals – in other words, people who are known or suspected, frequently by name, of being actively hostile to the United States or allied governments. This distinguishes unmanned aerial vehicles from most weapons that have been used since the age of explosives began. The modern battlefield – and the ancient as well – has been marked by anonymity.

The primary unit is the individual, and the individuals – particularly the commanders – isolate themselves and make themselves as difficult to find as possible. Given their political intentions and resources, sparse forces dispersed without regard to national boundaries use their isolation as the equivalent of technological stealth to make them survivable and able to carefully mount military operations against the enemy at unpredictable times and in unpredictable ways.

The argument for using strikes from unmanned aerial vehicles is that it is not an attack on an individual any more than an artillery barrage that kills a hundred is an attack on each individual. Rather, the jihadist movement presents a unique case in which the individual jihadist is the military unit.

In war, the goal is to render the enemy incapable of resisting through the use of force. In all wars and all militaries, imperfect intelligence, carelessness and sometimes malice have caused military action to strike at innocent people. In World War II, not only did bombing raids designed to attack legitimate military targets kill civilians not engaged in activities supporting the military, mission planners knew that in some cases innocents would be killed. This is true in every military conflict and is accepted as one of the consequences of war.

The argument in favor of using unmanned aerial vehicle strikes is, therefore, that the act of killing the individual is a military necessity dictated by the enemy's strategy and that it is carried out with the understanding that both intelligence and precision might fail, no matter how much care is taken. This means not only that civilians might be killed in a particular strike but also that the strike might hit the wrong target. The fact that a specific known individual is being targeted does not change the issue from a military matter to a judicial one.

It would seem to me that these strikes do not violate the rules of war and that they require no more legal overview than was given in thousands of bomber raids in World War II. And we should be cautious in invoking international law. The Hague Convention of 1907 states that:

The laws, rights, and duties of war apply not only to armies, but also to militia and volunteer corps fulfilling the following conditions:

To be commanded by a person responsible for his subordinates;

To have a fixed distinctive emblem recognizable at a distance;

To carry arms openly; and

To conduct their operations in accordance with the laws and customs of war.

The 1949 Geneva Convention states that:

Members of other militias and members of other volunteer corps, including those of organized resistance movements, belonging to a Party to the conflict and operating in or outside their own territory, even if this territory is occupied, provided that such militias or volunteer corps, including such organized resistance

Hellfire, Morality and Strategy...Cont'd

movements, fulfill the following conditions:

a. that of being commanded by a person responsible for his subordinates;
b. that of having a fixed distinctive sign recognizable at a distance;
c. that of carrying arms openly;
d. that of conducting their operations in accordance with the laws and customs of war.

Ignoring the question of whether jihadist operations are in accordance with the rules and customs of war, their failure to carry a "fixed distinctive sign recognizable at a distance" is a violation of both the Hague and Geneva conventions. This means that considerations given to soldiers under the rules of war do not apply to those waging war without insignia.

Open insignia is fundamental to the rules of war. It was instituted after the Franco-Prussian war, when French snipers dressed as civilians fired on Germans. It was viewed that the snipers had endangered civilians because it was a soldier's right to defend himself and that since they were dressed as civilians, the French snipers -- not the Germans -- were responsible for the civilian deaths. It follows from this that, to the extent that jihadist militants provide no sign of who they are, they are responsible under international law when civilians are killed because of uncertainty as to who is a soldier and who is not. Thus the onus on ascertaining the nature of the target rests with the United States, but if there is error, the responsibility for that error rests with jihadists for not distinguishing themselves from civilians.

There are two points I have been driving toward. The first is that the outrage at targeted killing is not, in my view, justified on moral or legal grounds. The second is that in using these techniques, the United States is on a slippery slope because of the basis on which it has chosen to wage war.

There is of course a greater complexity to this: attacking targets in countries that are not in a state of war with the United States and that have not consented to these attacks. For better or worse, the declaration of war has not been in fashion since World War II. But the jihadist movement has complicated this problem substantially. The jihadists' strategy is to be dispersed. Part of its strategy is to move from areas where it is under military pressure to places that are more secure. Thus the al Qaeda core group moved its headquarters from Afghanistan to Pakistan. But in truth, jihadists operate wherever military and political advantages take them, from the Maghreb to Mumbai and beyond.

In a method of war where the individual is the prime unit and where lack of identification is a primary defensive method, the conduct of intelligence operations wherever the enemy might be, regardless of borders, follows. So do operations to destroy enemy units -- individuals. If a country harbors such individuals knowingly, it is an enemy. If it is incapable of destroying the enemy units, it forfeits its right to claim sovereignty since part of sovereignty is a responsibility to prevent attacks on other countries.

If we simply follow the logic we laid out here, then the critics of unmanned aerial vehicle strikes have a weak case. It is not illegitimate to target individuals in a military force like the jihadist movement, and international law holds them responsible for collateral damage, not the United States. Moreover, respecting national sovereignty requires that a country's sovereignty be used to halt attacks against countries with which they are not at war. When a country cannot or will not take those steps, and people within their border pose a threat to the United States, the country has no basis for objecting to intelligence operations and airstrikes. The question, of course, is where this ends. Yemen or Mali might be one case, but the logic here does not preclude any country. Indeed, since al Qaeda tried in the past to operate in the United States itself, and its operatives might be in the United States, it logically follows that the United States could use unmanned aerial vehicles domestically as well. Citizenship is likewise no protection from attacks against a force hostile to the United States.

But within the United States, or countries like the United Kingdom, there are many other preferable means to neutralize jihadist threats. When the police or internal security forces can arrest jihadists plotting attacks, there quite simply is no need for airstrikes from unmanned aerial vehicles. They are tools to be used when a government cannot or will ot take action to mitigate the threat.

The Strategic Drawback

There are two points I have been driving toward. The first is that the outrage at targeted killing is not, in my view, justified on moral or legal grounds. The second is that in using these techniques, the United States is on a slippery slope because of the basis on which it has chosen to wage war.

The United States has engaged an enemy that is dispersed across the globe. If the strategy is to go wherever the enemy is, then the war is limitless. It is also endless. The power of the jihadist movement is that it is diffuse. It does not need vast armies to be successful. Therefore, the destruction of some of its units will always result in their replacement. Quality might decline for a while but eventually will recover.

The enemy strategy is to draw the United States into an extended conflict that validates its narrative that the United States is permanently at war with Islam. It wants to force the United States to engage in as many countries as possible. From the U.S. point of view, unmanned aerial vehicles are the perfect weapon because they can attack the jihadist command structure without risk to ground forces. From the jihadist point of view as well, unmanned aerial vehicles are the perfect weapon because their efficiency allows the jihadists to lure the United States into other countries and, with sufficient manipulation, can increase the number of innocents who are killed.

In this sort of war, the problem of killing innocents is practical. It undermines the strategic effort. The argument that it is illegal is dubious, and to my mind, so is the argument that it is immoral. The argument that it is ineffective in achieving U.S. strategic goals of eliminating the threat of terrorist actions by jihadists is my point.

Unmanned aerial vehicles provide a highly efficient way to destroy key enemy targets with very little risk to personnel. But they also allow the enemy to draw the United States into additional theaters of operation because the means is so efficient and low cost. However, in the jihadists' estimate, the political cost to the United States is substantial. The broader the engagement, the greater the perception of U.S. hostility to Islam, the easier the recruitment until the jihadist forces reach a size that can't be dealt with by isolated airstrikes.

U.S. President, Barack Obama

The counterargument is that the United States is engaged in a unique sort of war. Al Qaeda and the allied groups and sympathetic individuals that comprise the international jihadist movement are global, dispersed and sparse. They are not a hierarchical military organization. Where conventional forces have divisions and battalions, the global jihadist movement consists primarily of individuals who at times group together into distinct regional franchises, small groups and cells, and frequently even these groups are scattered.

In warfare, enemies will try to get you to strike at what they least mind losing. The case against strikes by unmanned aerial vehicles is not that they are ineffective against specific targets but that the targets are not as vital as the United States thinks. The United States believes that the destruction of the leadership is the most efficient way to destroy the threat of the jihadist movement. In fact it only mitigates the threat while new leadership emerges. The strength of the jihadist movement is that it is global, sparse and dispersed. It does not provide a target whose destruction weakens the movement. However, the jihadist movement's weakness derives from its strength: It is limited in what it can do and where.

The problem of unmanned aerial vehicles is that they are so effective from the U.S. point of view that they have become the weapon of first resort. Thus, the United States is being drawn into operations in new areas with what appears to be little cost. In the long run, it is not clear that the cost is so little. A military strategy to defeat the jihadists is impossible. At its root, the real struggle against the jihadists is ideological, and that struggle simply cannot be won with Hellfire missiles. A strategy of mitigation using airstrikes is possible, but such a campaign must not become geographically limitless. Unmanned aerial vehicles lead to geographical limitlessness. That is their charm; that is their danger.

Dr. Friedman is the Chairman of Stratfor, a company he founded in 1996 that is now a leader in the field of global intelligence. Friedman guides Stratfor's strategic vision and oversees the development and training of the company's intelligence unit.

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UITP's Mobility and City Transport
Exhibition to hold in Geneva

Bombardier's Monorail 300 System exhibited at UITP's World Congress in Dubai, 2011

Its railways are of world renown thanks to their reputation for punctuality, synchronised timetables, high quality of service and innovation. In 2017, the Gotthard tunnel, a 57km-long passage through the Alps (bored from 1998-2011) and officially the world's longest railway tunnel, will officially open.

The choice of the Swiss city as host city for the 60th UITP World Congress and Mobility and City Transport Exhibition puts both Geneva and Switzerland's public transport network firmly in the limelight. Switzerland can boast both a long and impressive history of public transport; indeed, in June 2012, the country celebrated the 150th anniversary of what is Europe's longest-serving tramway in Geneva.

Its railways are of world renown thanks to their reputation for punctuality, synchronised timetables, high quality of service and innovation. In 2017, the Gotthard tunnel, a 57km-long passage through the Alps (bored from 1998-2011) and officially the world's longest railway tunnel, will officially open. Its dense and diversified network of post buses, funiculars, cable cars, boats and integrated urban and suburban public transport systems means that Switzerland is the ideal location to play host to the world's public transport and sustainable mobility community in 2013.

Transforming urban mobility

Based on well-documented economic and technological development projections and a partnership with the International Energy Agency (IEA), UITP has developed urban mobility scenarios for 2025 which highlight the urgent need for more and better quality public transport. By 2025, 60% of the world's population will live in urban environments, leading to a 50% increase in urban journeys compared to 2005 levels.

The public transport sector therefore set itself the objective at the 2009 UITP World Congress in Vienna of doubling its market share worldwide by 2025, entailing a tripling of the number of journeys made by public transport and a stabilisation of the use of private cars. This would mean the controlling of greenhouse gas emissions; stabilising urban transport energy consumption; healthier lifestyles; the saving of human lives by safer roads and the creation of seven million new green jobs at public transport operating companies.

One of the main focal points at Geneva will be the 'i-move 2.0' concept; in other words, the radical change required in the sector's business model to meet the ambition of doubling the market share of public transport by 2025. Transforming urban mobility is becoming an urgent necessity: cities with unchallenged car dependency will find themselves losing out in competitiveness, failing to attract people and businesses. Sustainable transport can be delivered by the 'green alliance' of public transport, cycling and walking but a radical overhaul is required in order to offer services that are not only convenient, but also fit with people's lifestyle values.

The development of a healthier business model for the sector - less reliant on scarce public funding - needs to be based on sound financing with all of public transport's beneficiaries, direct or indirect, contributing towards it. Regulatory aspects of this revolution also need careful consideration too. For example, do all i-move 2.0 services need to be ruled by public service obligations? While the business model for i-move 2.0 has yet to be forged, Geneva will serve as a platform for innovative and collective thinking to help the sector move forward.

Geneva: the place to be in 2013

It is within this ambitious framework of transforming urban mobility that the Congress and Exhibition will take place, its purpose being to share ideas and offer a platform for idea-sharing and debate. Keynote speeches at the Opening Ceremony will be given by Dr. Joan Clos, Executive Director of the United Nations Human Settlements Programme (UN-HABITAT) and Swiss Federal Councillor Doris Leuthard, Head of the Federal Department of the Environment, Transport, Energy and Communications DETEC.

It is this calibre of speaker that will characterise the events during the course of the Congress, with more than 150 speakers from over 30 different countries set to take part, including CEOs, COOs and CFOs of some of the world's most renowned public transport operators and authorities.

On the agenda is an unrivalled programme of three days of 44 sessions and 150 top speakers coming together for a lively debate, sharing of ideas and an insight into the innovations and developments that will shape the sector in the years to come. Some of the topics include: future business models for integrated urban mobility; combined mobility; the value of marketing and social media; sourcing capital investment; performance evaluation; delivering megaprojects; achieving excellence in public transport HR, knowledge sessions from different regions around the world and much more.

Running alongside this will be the Mobility and City Transport Exhibition. The Geneva Exhibition will feature some 300 exhibitors providing public transport stakeholders with an insight into the latest innovative mobility solutions, products and services. The Exhibition continues to attract the key political, operational, technical and commercial decision-makers over the last 34 years, who come from around the world to network, place orders and discuss the issues affecting the sector. The UITP stand will be an opportunity to catch up on all the latest news from the Association.

The expected 10,000 public transport professionals making the trip to Geneva for the Exhibition will also benefit from access to the Expo Forums. The Forums provide two dedicated venues where, in seminar sessions, exhibitors will present the most advanced technologies and share their expertise and technological innovations with the Congress delegates and professional visitors.

The final day's proceedings will be given over to technical visits and offer delegates the opportunity to witness some of the host country's recent and ongoing innovations in the sustainable mobility field. Participants will be offered the chance to see the CEVA (Geneva cross-border commuter railway) construction site, the Lötschberg base tunnel (a mountain summit tunnel concept), Switzerland's largest rail hub in Zurich and more. To help delegates get around in Switzerland, VÖV-UTP and Swiss Travel Systems will offer delegates (and an accompanying person) a seven-day Swiss pass, enabling free use of the Swiss public transport network.

In challenging economic times and with the sustainable mobility sector needing fresh impetus, the 60th UITP World Congress and Mobility and City Transport Exhibition, will be the ideal opportunity, therefore, for the entire sector to come together in Geneva to exchange best practices and creative ideas in order to push the industry forwards.

Diaspora Bonds in an African Context

AfDB President, Donald Kaberuka

The Chief Economist Complex of the African Development Bank Group has released an Economic Brief on the application of diaspora bonds in an African context. Drawing lessons from diaspora bond issuances in Israel, Ethiopia and India, the paper, entitled "Diaspora Bonds: Some Lessons for African Countries", argues that tapping migration wealth could be an effective means of funding development on the continent.

With an estimated 140 million Africans living outside the continent, saving up to an estimated $53 billion in those destination countries each year, the potential for diaspora bonds is enormous. Studies have indicated that migrant remittances to African countries are second only to foreign direct investment (FDI), and surpass even official development aid (ODA).

Bonds are a debt security instruments with a maturity of more than one year, tradable on the financial markets. Diaspora bonds are issued by a country to its own diaspora to tap into their assets in the destination country, as an alternative to borrowing from the international capital market, multilateral finance institutions or bilaterally from governments. The practice goes back to 1930s China and Japan and was later followed by Israel and India in the 1950s.

Diaspora bonds are typically used to finance large-scale infrastructure development projects in the private sector and are generally used by a country to implement its development strategy. Moreover, proceeds of diaspora bonds could be earmarked to projects with appeal to the diaspora, such as infrastructure projects, housing and social amenities.

African countries rely heavily on external funding to finance their development. However, FDI and ODA have declined in recent years. Traditional donor aid is likely to wane in the future as donor countries focus their resources internally. Remittance flows have also been affected by the economic crisis and consequently developing institutions are seeking new sources of resource mobilization.

According to earlier Bank research, Africa could potentially raise $17 billion annually by using future flows of exports or remittances as collateral. Securitization of remittances could be used to raise short- to medium-term financing by African banks.

In Africa, Ethiopia is the first country to issue a diaspora bond to date, although several countries are considering following suit, including Cape Verde, Kenya and Ghana. Regular bond issuances in African countries have been available on the international market, such as the Morocco issuance (2010), and Senegalese, Nambian, Nigerian and Zambian issuances in 2011 and 2012. In this case, the shift from international bond to diaspora bond is simply a case of marketing, the paper's authors argue.

The structure and management of the diaspora bonds are further discussed in the paper, which suggests the African Development Bank's expertise and its financial instruments, as well as its interest in co-financing projects, could help leverage African migrant resources for development.

Source: AfDB

WITHHOLDING TAX: STATUTORY DUTIES AND RIGHT OF THE TAX PAYER

Nature of Withholding Tax

Withholding Tax is the deduction of the tax at source from payment made to a taxable person or company in respect of income derivable from services or investments. It is not another form of tax but simply an advance payment of the tax, as the tax deducted at source can be off-set against any subsequent tax liability that may be due in respect of such income. In certain cases, the withholding tax deducted at source is the final tax e.g. Interest and dividend.

The enabling Acts never used the phrase 'Withholding Tax' but overtime this phrase has crept into our tax language and has held fast till date. The relevant sections of Personal Income Tax Act and Companies Income Tax Act only refer to tax on identified items and not withholding tax.

Peculiarities of Withholding Tax

Taxpayer has no option as to whether to pay it or not as the person making the payment is statutorily required to deduct. Failure to deduct attracts sanction.

It is an advance payment of income tax and can therefore be utilized as tax credit against income tax liability of the year to which the income relates.

It represents the final tax in certain cases. For example, when the recipient of the income is a non-resident person and for certain incomes.

Before now, Withholding tax credit cannot be used to off-set tax liabilities of prior or future years except the years to which the income relate. One cannot use it to settle back year or future tax liabilities. However, the Companies Income Tax Amendment Act 2007 provides that unutilized withholding tax credit can be set off against future income and there is also provision for refund. No such provisions have been passed in respect of Personal Income Tax.

Enabling Laws

The authority for deduction of Withholding Tax at source is contained in Sections 69, 70, 72 and 73 of the Personal Income Tax Act in respect of individuals and Sections 78, 79, 80 and 81 of CITA Cap. C21 LFN 2004 in respect of Companies. The Tax provisions referred to above deal with deductions from rent, interest, royalties, dividends, directors' fees (PITA only) and other payments. It is under these Sections that the application of the general provisions contained in Section 73 PITA and Section 81 CITA widens the scope of Withholding Tax deductions to include building contracts, contract of supplies, consultancy and professional service, which are not specifically mentioned in the Tax Acts.

Tax Remittances and Tax Authorities

Taxes are to be withheld from payments due to corporate bodies and individuals at the rates listed in the appendix and remitted to the relevant authorities on the earlier of 30 days from the date the amount was deducted and the time the duty to deduct arose. The time within which taxes withheld are to be remitted has been reduced from 30 to 21 days for Companies as par the Companies Income Tax Amendments Act 2007. Remittance date in respect of individuals has not been adjusted. Failure to deduct or having deducted, failure to remit to the relevant authority, withholding tax deducted at source from payment due to corporate bodies is an offence punishable on conviction with a fine of 10% of the tax not withheld or not remitted in addition to payment of the tax itself plus interest at the prevailing commercial rate. Similarly, failure to deduct or having deducted, failure to remit to the revenue service withholding tax withheld from payments due to individuals is an offence punishable on conviction with a fine of ₦5,000 in addition to the tax deductible or deducted but not plus interest at the prevailing commercial rate.

Challenge of climate change adaptation in Africa

Quantifying the benefit of adaptation and converting this benefit into financial revenue is extremely complex and nearly impossible.

The Intergovernmental Panel on Climate Change (IPCC) has published several reports summarizing the underlying causes and impacts of climate change. The IPCC in their reports constantly show that developing countries and Small Island Developing States (SIDS), will be the more wounded by the effects of climate change than developed countries, because their vulnerability to climate change is extremely high.

The two main categories of measures taken to address climate change are Mitigation and Adaptation.

According to the IPCC (2001), mitigation refers to activities aimed at reducing greenhouse gas (GHG) emissions, directly or indirectly, either by avoiding GHG emissions or capturing those gases before their release into the atmosphere, or by trapping GHG already present in the atmosphere by increasing carbon dioxide sink such as forests or Carbon Capture and Storage (CCS), a new mechanism that is struggling to really start. These activities may involve Clean Development Mechanism (CDM) that entered into force in 2005, Reduction of Emissions from Deforestation and Forest Degradation (REDD+), behavioural changes, technological progress and development and dissemination of new technologies such as LED lamp, improved cook stoves, biofuel, etc.

Adaptation is the adjustment of natural or human systems in response to actual or expected climatic stimuli or to their effects, in order to mitigate the harm or exploit beneficial opportunities. The science of Adaptation is relatively new in international climate change negotiations compared to Mitigation through CDM for instance, though it is mentioned already in the United Nations Framework Convention on Climate Change (UNFCCC) negotiated in 1992 and in the Kyoto Protocol negotiated in 1997.

The Adaptation is coming with a lot of money that will benefit countries taking adaptation measures to natural disorders caused by climate change. But accessing that money might be impossible to Africa which in contrast will suffer more from the effect of climate change, because of the complexity related to adaptation finance.

Bilateral, multilateral, and private financing are all likely to be important sources of funding for adaptation activities. The "Cancun Agreements" which confirmed the "Copenhagen Accords", included a pledge by developed countries to jointly mobilise $100 billion per year by 2020 from "public and private, bilateral, ultilateral, and alternative sources of finance" to meet the needs of developing countries. This pledge has again been confirmed during the last international meeting in the "Qatar Gateways".

Why adaptation?

A straight forward answer to this question exists in two dimensions. Human beings are adapting to climate change because the science has been discovered and agreed upon too late; and the mitigation actions taken are so slow that the climate change is already destroying (and will continue to destroy) the natural ecosystems with disastrous consequences, thereby, obliging human beings to adapt.

In that regard, mitigation alone is not enough. It has to go together with adaptation to ensure whenever changes due to climate change occur people can cope with the consequences.

What is adaption actually?

It's simple to state that adaptation is a set of measures taken to adjust the natural environment to climate change effects. But many questions are still unclear on the science of adaptation, though adaptation projects are going on already.

As a set of questions like the following needs to be addressed to get a grip on what to adapt to and how to adapt: What has really changed? What is likely going to change? And when? Where? To what extent? And what measures need to be taken?

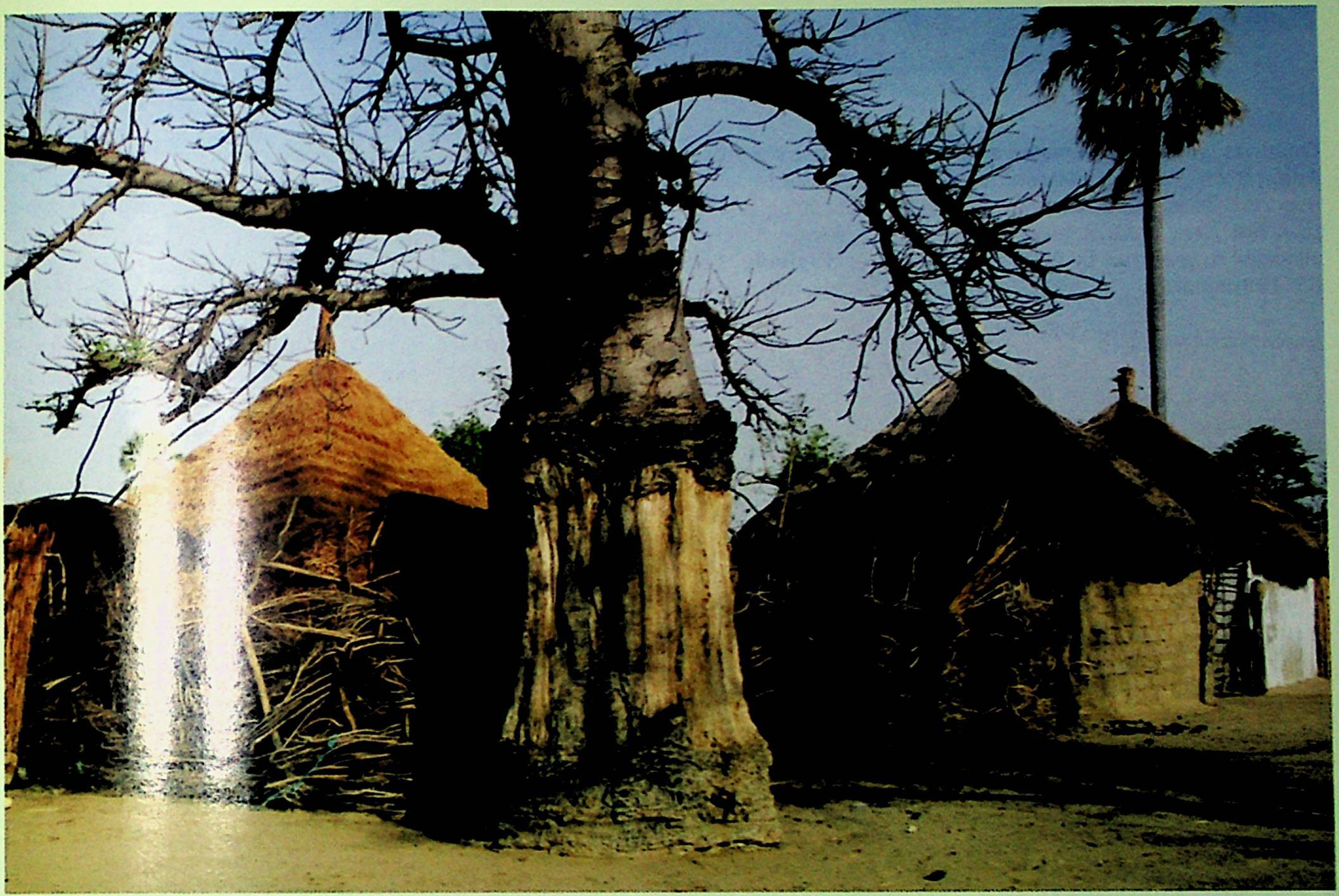
The cost of adaptation

Adapting to the impacts of climate change imposes significant costs. Three studies carried out by the UNFCCC (2007), Parry et al. (2009) and the World Bank (2010) have estimated the costs of annual climate change adaptation funding needs for developing countries by 2030. The three studies found that tens of billions of dollars may be needed for infrastructure and natural ecosystems, agriculture and fisheries, water supply and human health. These estimated tens of billions of dollars are the costs of adaption. But what are the costs of losses which have occurred to the population, if any? Total adaptation to climate change will be extremely costly.

Institutional barrier to the adaptation in Africa

The CDM has failed to work in Africa right to 2012, with less than 100 projects registered on the continent out of more than 5,000 worldwide. One of the main barriers that has been infringing the success of the CDM is the institutional barrier. This is because, though the CDM project is usually carried out by the private sector, there is a need to have a Host Country Approval delivered by governmental institutions. In the case of adaptation, this barrier is going to be even more important because measures to be taken have to be promoted and developed by the government. Developing adaptation projects or measures need constant training, a lot of time and follow-up skill that most civil servants in Africa lack.

The World Bank in the case of CDM did a lot of capacity-building in Africa to install Designated National Authorities (DNA) and set up procedures for the delivery of Host Country Approval to CDM project developers. There is a strong need in the



case of adaptation to constantly train and incentivize governments to make adaptation a reality and potentially save lives and bring people out of the treat of climate change disasters.

Privatizing the adaptation in Africa

Unlike the CDM, quantifying the benefit of adaptation and converting this benefit into financial revenue is extremely complex and nearly impossible. In the case of CDM, a ton of carbon dioxide equivalent that is avoided is converted into a carbon credit that can be traded and bring revenue to the project developer. Such direct quantification is nearly impossible with the adaptation. And even when some indication on quantification is possible (for instance, it can be measured after certain time how much actions taken in a community have reduced the increase in water level or have stabilized the precipitations resulting in the increase in agricultural production), it's impossible to transform the change into an asset that can be traded and bring revenue to the group that initiated the change. It's therefore impossible for the private sector to be involved in the adaptation. Maybe different negotiations on adaptation during international climate change meetings will find a solution to involve the private sector in the adaption.

Existing funds for adaptation

Bilateral, multilateral, and private financing are all likely to be important sources of funding for adaptation activities. The "Cancun Agreements" which confirmed the "Copenhagen Accords", included a pledge by developed countries to jointly mobilise $100 billion per year by 2020 from "public and private, bilateral, ultilateral, and alternative sources of finance" to meet the needs of developing countries. This pledge was again confirmed during the last international meeting in the "Qatar Gateways". In terms of available financing, the most important sources of adaptation funding are:

Special Climate Change Fund (SCCF)

The SCCF funds four programmes namely (i) Adaptation, (ii) Technology transfer, (iii) specific sectors (Energy, transport, industry, agriculture, forestery and waste management) and (iv) economic diversification.

Adaptation and technology transfer have a high priority according to decision 7/COP.7. Therefore, two funding windows exist: The adaptation funding covers long and short term adaptation activities in all vulnerable sectors where sufficient information is available to warrant such activities.

As far as technology transfer is concerned, it covers technology transfer activities related to both mitigation and adaptation, including, as a primary priority "the implementation of the results of technology needs assessments". The SCCF focuses on all developing countries signatories of the UNFCCC, with special emphasis given to the "most vulnerable" countries in Africa, Asia, and the Small Island Developing States (SIDS). Amount allocated to countries by 2012 was about US$ 143 million.

Least Developed Countries Fund (LDCF)

Its main objective is to "satisfy urgent and immediate adaptation priorities of Least Developed Countries (LDC) identified in their National Adaptation Plan of Action (NAPA)" (Decision 7/COP.7). The grant is avalaible for all vulnerable development sectors identified in the NAPA. Activities funded must be in line with the specific "urgent and immediate adaptation priorities" identified in the NAPA. The LDCF is available only to Least Developed

Challenge of climate change...Cont'd

Countries who have completed a National Adaptation Plan of Action, and it's important to mention not many countries in Africa have a NAPA already. Amount allocated to countries by 2012 was about US$ 189 million.

Adaptation Fund (AF)

The Adaptation Fund (AF) focuses on developing countries that are signatories of Kyoto Protocol. It's open to all vulnerable development sectors where "sufficient information is available to warrant adaptation activities". Amount already allocated to countries by 2012 was about US$ 124 million.

A large number of bilateral and multilateral donors are currently active in the area of adaptation financing and each applies its own criteria and procedures.

Adaptation was not accorded the importance it deserved at the beginning of the fight against climate change. And it's no one's fault, because the science of adaptation was too complex compared to the mitigation. Nowadays, there is a re-equilibrium because the IPCC continuous research on climate change has come to understand the importance of adaptation to the adverse effects of climate change.

African Development Fund (ADF)

The ADF is a loan dedicated to Sub-Saharan African countries managed by the African Development Bank (AfDB), with a budget of approximatively US$ 9.3 billion for the period from 2011 to 2013. The loan is open to all sectors because its overall goal is to contribute to the promotion of economic and social development in least developed African countries by providing concessional funding for projects and programmes, as well as technical assistance for studies and capacity-building activities. For the replenishment period 2011-2013, adaptation in infrastructure and agriculture investments is a key priority of the fund.

Africa Enterprise Challenge Fund: Renewable and Adaptation to Climate Technologies (REACT)

Africa Enterprise Challenge Fund is exclusively focused on supporting innovative business ideas from private entities within the areas of renewable energy and adaptation with no sector limitations. REACT is dedicated to products and services that help small farmers adapt to climate change such as weather insurance to drought resistant seeds and early warning systems. But the loan is available only for private entity applicants in the East African Community (Burundi, Kenya, Rwanda, Tanzania and Uganda). This is one of the rare funds that can directly benefit private sector.

Philip Kiriro, President, East Africa Farmers Federation

International organizations have to be encouraged to set up more of such funds for Africa.

Strategic Climate Fund - Pilot Program for Climate Resilience (PPCR)

The fund is made up of grant and loan developed in a Pilot Program for Climate Resilience (PPCR) managed by the World Bank, with a budget of about US$ 982 million. All development sectors and priorities identified in NAPAs or other relevant country studies and strategies are eligible for this fund. Therefore, a specific Strategic Program for Climate Resilience (SPCR) will be developed in each PPCR country and will guide further implementation and funding. The PPCR is active in 18 Developing countries and Small Island Developing States. More comprehensive resources are available online at www.climatefundsupdate.org, or www.climatefinanceoptions.org.

Conclusion

Adaptation was not accorded the importance it deserved at the beginning of the fight against climate change. And it's no one's fault, because the science of adaptation was too complex compared to the mitigation. Nowadays, there is a re-equilibrium because the IPCC continuous research on climate change has come to understand the importance of adaptation to the adverse effects of climate change.

Funds exist and are continuously going to be available for adaptation projects worldwide. To access these funds however, African countries have to create conditions that will attract investment projects. In its Guidebook on Policy and Financing Options to Support Green, Low-Emission and Climate-Resilient Development, the UNDP argues that developing countries can "create conditions that enable public and private investment flows to address pressing environmental problems" (UNDP, 2011). Africa has been bad in using the funding available for mitigation through the CDM. Let's hope the continent will now create more enabling conditions for investments in the adaptation.

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Flooding and a Changing Climate in Mozambique

By Phil Hay

Here in Mozambique, the rainy season has brought disaster for as many as 110,000 people living in the Limpopo Valley, as surging water over recent days has flooded their crops, capsized their towns and villages, and forced their evacuation to higher ground. Forty people are believed to have died in the floods so far. It's expected that as many as 150,000 people may ultimately be affected.

A UN reconnaissance plane that flew over the Valley on last month took photos of mile after square mile of crops and farm land under brown muddy water, a result of the Limpopo River and others nearby bursting [illegible] banks. It's at times like this that you really appreciate the powerful humanitarian role of the UN.

Mozambican President Armando Guebuza quickly [illegible] to the scene to see for himself how the flooding had turned communities upside down.

Talking with people from the town of Chokwé and surrounding areas at an emergency shelter, the President said, "we are with you, we weep with you, because we know that you have lost many of your goods including your houses, your goats, your cattle and much that is of great value."

Historical records from 1960 to 2005 point to a warming trend in central and north Mozambique of 1.1-1.6o degrees Celsius and by 2040-2060, maximum temperatures are expected to increase by 2.5-3.0oC in the country's interior. More intense droughts, hurricane-strength cyclones, unpredictable rains, floods and uncontrolled fires are expected to increase as the climate changes.

And rising sea levels, especially during the rainy seasons, are eroding the shoreline in Mozambique and elsewhere along Africa's 16,000 miles of coastline.

Further south in Maputo, well away from the inland flooding, you get a snapshot of that erosion along the Costa do Sol at Marginal, where the sea washes up against a shoreline increasingly fortified with huge stones and concrete sea walls. At one time, Maputo city leaders planted hardy Casuarina trees to shore up the land banks above the water line. But even they were eventually nibbled away by the sea, leaving their vast root structures gaunt and hollowed out, and now protected by a sea wall that was quickly built last year.

Walking along the shoreline past families playing in the ocean and enjoying the shade of the Casuarinas, you can see that one of the recent sea walls is already lurching

sideways, a constant reminder of the ocean's persistent watery strength. A short distance away, outside a new up and coming housing settlement, the recent heavy rains washed away a complete stretch of newly built-road, and now it's back to square one to rebuild the drains and culverts.

It's not surprising given the flooding and the constant erosion of Mozambique's coastline that sustainable, climate-resilient development is now a leading priority for the World Bank Group as President Jim Yong Kim declared in a recent speech to the World Economic Forum in Davos and in a recent op-ed in The Washington Post. Climate and development are inextricably twinned.

On his first official visit to Mozambique as the World Bank's Vice President for Africa, Makhtar Diop arrived in Maputo last month and pledged immediate relief to the government to help the affected areas get back on their feet, and to help fortify Mozambique's wider resilience to climate change.

Early last month, the World Bank mobilized US$50 million dollars in zero-interest financing for general climate resilience in Mozambique just as the flood waters in the Limpopo Valley started cresting. Diop assured President Guebuza and key ministers that they can use the money fast and flexibly to help families and communities recover from the devastating floods. He also encouraged the Bank's office in Maputo to restructure existing development projects to raise even more money for the flood relief if the government needs it.

The list of next steps for Mozambique looks intimidating. Roads, bridges, water systems, and other key infrastructure have been washed away and will need rebuilding. A key step will be rebuilding the levees in Chokwé and Xai-Xai. Schools will need to be rebuilt and farmers will need to start a second growing season for rice and maize as soon as they can.

Mozambique's Agriculture Ministry says that about 3% of the country's cultivated land area has been lost due to the floods. Diop offered his personal commitment to government leaders that he and his team will stand shoulder to shoulder with the country as it begins the difficult process of rebuilding.

Across the continent, it will be crucial that African voices are heard in the global debate over climate change. Diop especially wants to encourage African leaders to put their climatic reality of drought, floods, hunger, and political instability more immediately and vividly on the worldwide climate agenda. He also wants to ground the reality of what climate change means for Africa in the day-to-day impact it is having on people's jobs and livelihoods, the food they can grow and the quality of the water they drink, and whether they have electricity in their homes, schools. and health clinics, from the baked lands of the Sahel and Horn of Africa to the arid lands of Kenya, the flood plains of Mozambique and Zimbabwe, and down to the embattled coastline of the southern continent.

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Super Eagles and opportunistic giving

Does this hard-won victory deserve the swashbuckling display of cash and conferment of National Honours?

After 19 years since it last lifted the trophy in Tunisia, the Nigerian national football team on the 10th of February, 2013 won the African Cup of Nations (AFCON) hosted in South Africa. Expectedly, 160 million Nigerian fans went gaga. And with the fanfare came an outpouring of dollars and naira. At the last count, the Super Eagles had received a windfall of 900 million naira (about $5.6 million).

President Goodluck Jonathan aptly said the victory of the team has "put a spring in our steps, golden smiles on our lips and has indicated that Nigeria is a land of opportunities." But the question then arises: Does this hard-won victory deserve the swashbuckling display of cash and conferment of National Honours?

No doubt, the Super Eagles deserve the largesse for their outstanding performance. What is problematic for me is the opportunistic display of giving by government officials and so-called business leaders to a team that they all thought had no chance whatsoever of succeeding.

Ranked 5th in the FIFA World Ranking in April 1994 when it was riding on a crest of optimism after qualifying for the 1994 FIFA World Cup in the United States and going ahead to win its second AFCON title, the national team has since underperformed. It is currently ranked 30 on FIFA/Coca-Cola World Ranking.

Corruption as the bane of under-performance

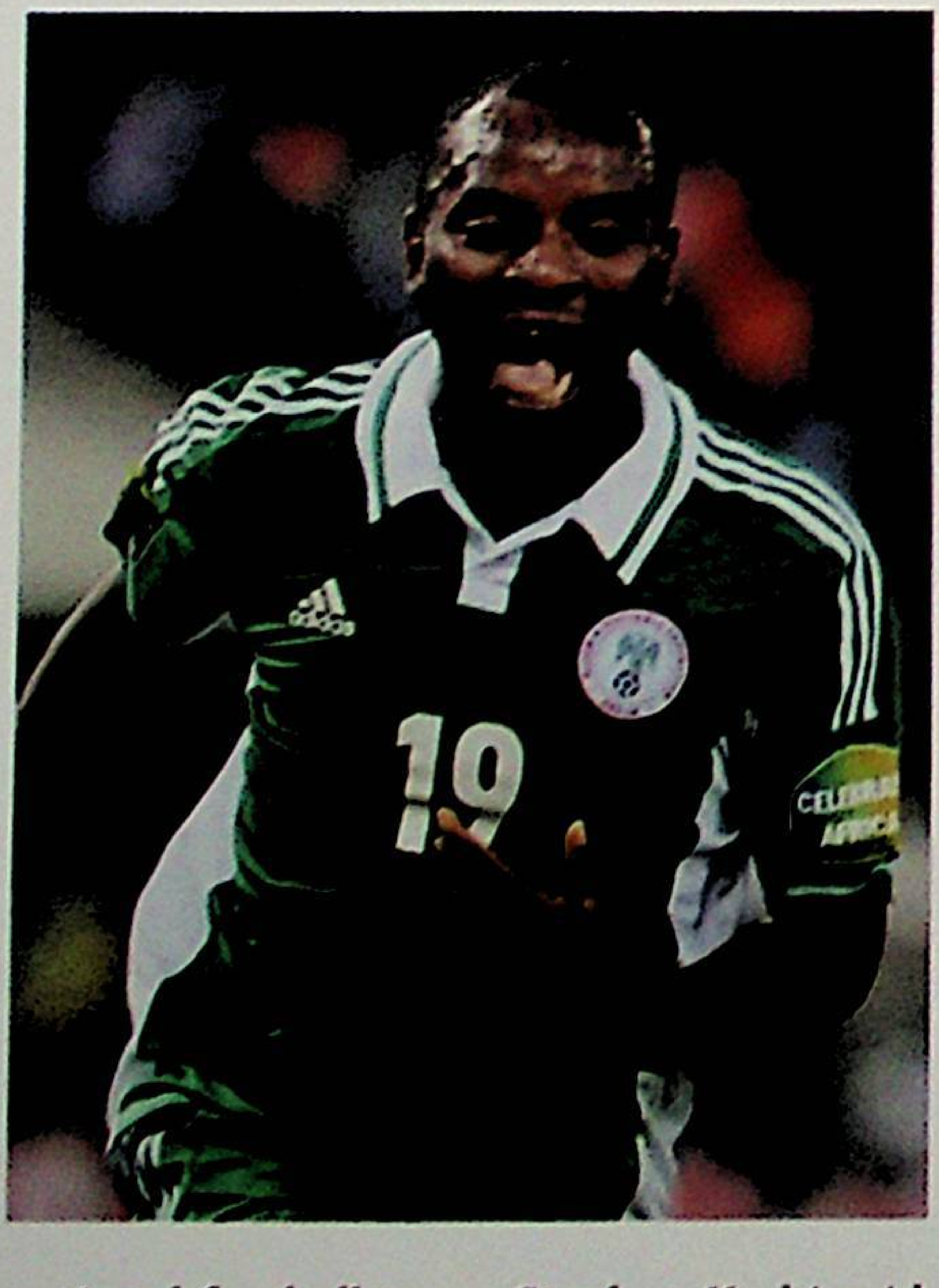
Although it is common knowledge that corruption is democratized in Nigeria, Nigeria's Senate President, David Mark, reportedly said "NFF is just the centre of corruption in Nigeria." The Nigerian Football Federation has run the football industry aground by starving all the segments of the industry of needed funding.

At 41-years-old and symptomatic of a developing nation, the professional league for Nigeria's football clubs has gone through a number of rechristening without seeing any fundamental change in the development of domestic football. It has been 6 months since the last season ended in September 2012. Players and fans alike do not know when the next season of the Nigeria Professional Football League (NPFL), as it is now called, would commence. As I write this, there are uncertainties surrounding the March 9th start of the 2012/2013 season largely due to unresolved funding and leadership issues.

While the Super Eagles have enjoyed a windfall of 900 million naira, the football league has yet to receive the 200 million naira grant required for it to commence.

Unexpected victory

On the back of this poor outlook, nobody gave the Super Eagles a chance in South Africa. At a press conference in Durban, after a 1-4 shellacking of the Malian national football team, Stephen Keshi said "1994 took us 5 years to build. This team is just 5 weeks old." Keshi has to be the singular hero of this entire narrative. With this level of preparation, even the NFF had planned to send the Nigerian contingent back home just after they barely qualified for the knockout phase of the championship.



Perhaps it was this lack of confidence in the team that animated the lads to deliver a world-class performance against the Ivorian team in the quarter-finals. Perhaps it remembered its former glory as a team that was once higher rated on FIFA World Ranking than Côte d'Ivoire — the current highest-rated African team.

A new dawn for Nigerian football?

Excellence is not a destination. It is an attitude. Excellence is not success either. It is a way of life. The Nigerian society is helplessly steeped in mediocrity. It is evident in the mindset of being satisfied by setting targets to qualify for the quarter-finals of a competition, instead of going for gold. As a matter of fact, prize monies are usually promised to incentivize this mediocre thinking. That is why when we see a rare glimpse of success; we go on an all-out celebration of it. We are not known to celebrate excellence as an attitude that drives us as a people.

We should not identify only with success. When we imbibe excellence as our ethos, it will positively impact every facet of our society and rapidly develop every sector of our economy. Nigeria can win the FIFA World Cup. But not by employing a coach a fortnight to the championship. We will win it by sheer investments in young talents across the country. We will win it by urging our billionaires, the Jim Ovias, the Tony Elumelus, the Emeka Offors, and the Aliko Dangotes not to use this opportunity to grandstand. They must start to realize that investing in the Nigerian football industry is not just a moral thing to do; it is good business. For instance, they could follow the example of Mike Adenuga whose company, Glo, has done a lot as Sponsor of the NPL.

Pepsi is also a brand that has helped in the development of Nigerian football. The Pepsi Football Academy has produced the likes of John Mikel Obi, Peter Odemwinge and Sunday Mba, the central midfielder who sparkled at the 2013 AFCON, and who, predictably, would join his compatriots to become a stock on the European football market which is valued at over 17 billion Euros -- about three-quarters of Nigeria's 2013 federal budget. Nigeria's corporate elite should go bullish on developing the Nigerian football market and putting their money where their mouth is.

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