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AFRICA DUE DILIGENCE, REGULATORY AND POLITICAL RISK ADVISORY SERVICES

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ABOUT THE COMPANY

DaMina is a preeminent independent frontier markets risk advisory, research and consulting firm.

With a special focus on African capital and commodities markets, DaMina provides exclusive, highly-tailored, 360-degree and around-the-clock regulatory and political risk advisory and consulting services to a range of marquee global corporations and investment firms.

Damina Advisors LLP is registered in the UK, NY and Ghana as a limited liability partnership.

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FRONTIER MARKETS SPECIALISTS

2ND AUGUST, 2012 CLIENTS EDITION

- GHANA: New president picks technocrat central banker as VP increasing chances of opposition win at December polls
- NIGERIA: Collaboration between Obasanjo and Babangida over Boko Haram may pose threat to Jonathan's 2015 re-election ambitions
- ZIMBABWE: New bank capitalization requirements to lead to major financial sector consolidation

GHANA

New president picks technocrat central banker as VP increasing chances of opposition win at December polls.

Ghana's new president John Mahama on 1 August picked reclusive central bank governor Paa Kwesi Amissah-Arthur as his nominee for Ghana's vacant vice presidency. Mahama took office on 25 July when President John Atta Mills succumbed to years of ill health and died suddenly in Accra. Mahama replaced Mills and left his office of vice presidency vacant.

Amissah-Arthur has in recent months come under attack for the double digit slide in the value of the local currency and increased monetization of short-term government debt. Despite this chequered economic record Amissah-Arthur is now poised to lead the ruling party's economic team as Ghana's new vice president.

While Amissah-Arthur hails from the same southern coastal Fante ethnic group as Mills, he unlike Mills has no domestic political constituency and at 61 years has been a quiet technocrat, economic consultant and economics lecturer for most of his life – without cultivating any known political base. Amissah-Arthur's nomination however pairs him against the opposition center-right New Patriotic Party vice presidential candidate Dr. Mahamudu Bawumiah, a former central banker himself and a respected international monetary economist. With both the ruling party and opposition vice presidential candidates, former central bankers, monetary policy, the falling value of the cedi and inflation may become centerpieces of the debate between the parties ahead of the December 2012 polls.

Amissah-Arthur recent record at the central bank will be examined closely. While he will be praised for halving inflation over the past four years, the fast sliding cedi and the increased monetization of large quantities of government debt are topics which may hang around his neck by the opposition. With no clear political advantages to Amissah-Arthur's candidacy, the scales of victory in the December polls have now tilted firmly towards a likely opposition win in December. The sympathy vote for Mills will likely dissipate by December.

(For more Ghana in-depth political risk analysis contact our chief analyst Sebastian@daminaadvisors.com who is on the ground in Accra, Ghana)

NIGERIA

Collaboration between Obasanjo and Babangida over Boko Haram may pose threat to Jonathan's 2015 re-election ambitions.

The rare recent coming together of the normally squabbling former Nigerian heads of state Olusegun Obasanjo and Ibrahim Babangida to proffer a joint solution to solving the menace of Boko Haram, may portend well for helping arrest the growing lethality of Islamist terror group, but may hold within that collaboration the seeds for a united opposition to Jonathan's 2015 re-election bid. Jonathan faces re-election in 2015, however there is growing disquiet among the former presidents that a Jonathan re-election may empower Boko Haram even further, and therefore a northern Muslim president ought to be run in 2015 to help pacify that increasingly restless country.

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However with the former nemesis, Obasanjo and Babangida now joining hands, Jonathan's position within the party may grow increasingly tenuous as their collaborate to help douse the agitations sparked by book Haram may also allow them to forge a common united opposition to his reelection in 2015.

(To obtain a copy of our in-depth security analysis and political risk Outlook for Nigeria in 2012 contact us directly by email)

ZIMBABWE

New bank capitalization requirements to lead to major financial sector consolidation

Fearing a major bank run, Zimbabwe's central bank has promulgated new capital requirements for the country's 26 local banks. The new rules require a tenfold increase in tier 1 capital under the Basel II rules. Under the new regime to be introduced gradually between this year and 2014, commercial banks will be required to raise their minimum capital from the current $12.5mn to $100mn.

Merchant banks must also raise their capital from the current $10mn to $100 million. Non-bank building societies must raise their capital from $10mn currently to $80mn; finance houses from $7.5mn to $60mn and microfinance banks from $1mn to $5mn. All financial institutions must comply with 25% of the new minimum equity capital by December 31 2012, rising to 50%by June 30, 2013, and 75%by December 31, 2013. All banks must be in full compliance by June 31, 2014.

Zimbabwe currently has 26 banks, 16 asset management companies and 172 microfinance institutions. Banks most likely to be immediately affected by these new rules and unlikely to survive as stand-alone entities include: Renaissance, TN Bank, Kingdom Bank, ZABG, Genesis Investment Bank and Royal Bank.

Read new bank law -- http://www.rbz.co.zw/

'CURRENT TRENDS IN MERGERS AND ACQUISITIONS IN AFRICA' - BY NIXON PEABODY LLP

Over the last decade, mergers and acquisitions in Africa have surged, at one point reaching a record high value of US$44 billion in 2010. While companies in developed markets face slowing prospects, some countries on the African continent have experienced growth rates of 7 percent or more. Combined with an expanding middle class and increasing trade with Asia, investors see in Africa the potential for fast and sustainable growth.

Seven of the ten world's fastest growing economies are in Africa. This trend of increasing investment in Africa continues, despite a slight dip in activity in 2011, mainly attributable to political upheavals in North Africa and economic weakness in Western markets. The revolution in Egypt, where 20% of merger and acquisition activity on the continent takes place, contributed significantly to the 9.5% drop in total activity in 2011. On the other hand, some M&A activity has endured throughout the Arab Spring. Libya had three deals worth US$371 million, and Tunisia announced two deals worth US$800 million.

As confidence in developed markets remains weak, some investors have taken advantage of opportunities in commodities such as gold, resulting in greater interest in Africa's mining sector. Mining deals in 2011 totalled US$6.54 billion, and the largest deal was Jinchuan Group International's acquisition of Metorex Ltd for US$1.39 billion. Despite the risks of working in countries with political instability, mining activity is expected to remain strong, especially as manufacturing in China, India, and Europe push demand for non-precious metals and coal. Between 2000 and 2009, China's demand for copper increased by 242%, aluminium by 295%, and coal by 130%. PricewaterhouseCoopers expects Africa to be one of the most important mining M&A geographies of 2012 because of its resource potential and increasingly investor-friendly climate.

Full Report here - http://www.nixonpeabody.com/files/151492_Africa_Alert_08_2_2012.pdf

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