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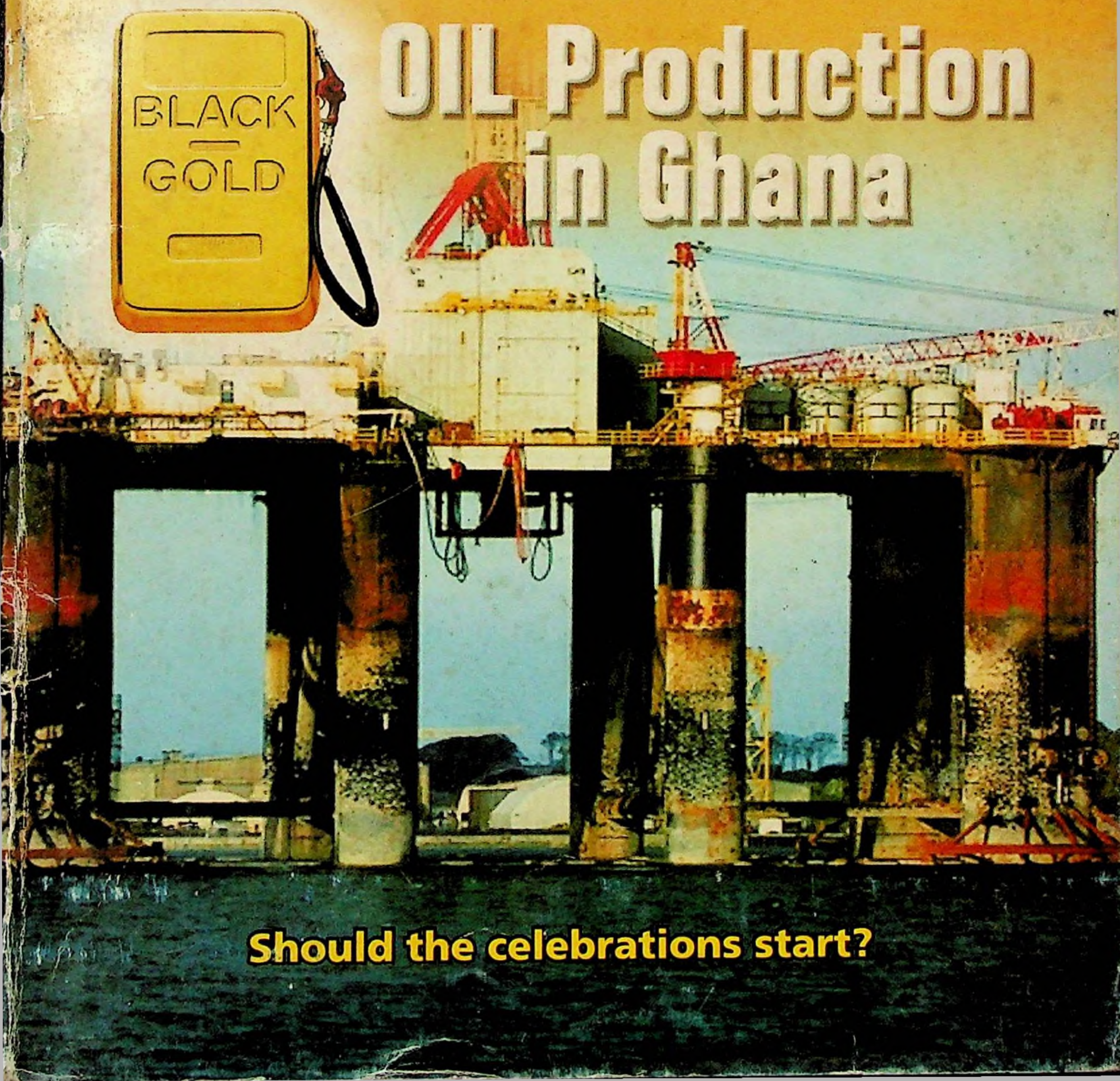
OIL Production in Ghana



Should the celebrations start?

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EDITORIAL

Oil production in Ghana:

Should the celebrations start?

The announcement that oil had been discovered in commercial quantities in Ghana in June 2007 came with great jubilation from all quarters of the country. In February 2008 the government organised a national forum on managing oil. This was in response to concerns raised by many commentators that oil production and the expected revenue stream offers no guarantee that the country's problems will go away.

Ghana's economy has seen significant improvements since the 1990s with an annual growth rate of about 4.7% over the period 1990-2007. Importantly, the growth in the economy has been associated with an appreciable reduction in the incidence of poverty. The poverty headcount index fell from 52% in 1991/92 period to about 28.5% in 2006. However, inequality has widened over this period with the *gini* coefficient increasing from 0.373 in 1992 to 0.394 in 2006.

Fiscal consolidation however remains a problem even though revenue effort plus foreign aid has improved significantly over the years. Tax revenue has increased over the years and has been able to influence the trends in Government revenue in a positive direction. However, this positive achievement with respect to revenue generation has been outpaced by Government expenditures. Total Government revenue as a percent of GDP increased from 17.7% in 2000 to 26% in 2007 as compared to Government expenditure which correspondingly increased from 24.5% as a percentage of GDP in 2000 to about 44.8% in 2007. The net result has been a worsening of the overall fiscal balance. From a deficit position of 3.0% of GDP in 1996 it increased to about 8.5% in 2000, and improved marginally to about 8.1% of GDP in 2007.

The main components of export remain cocoa and gold. Their joint contribution to total exports range from a high of 74% in 1996 to a low of 54% in 2001. There has been a worsening trade deficit especially from 2004 to date. This is a result of increasing import bill. Undoubtedly the higher oil import bill as a result of the unprecedented hikes in the price of oil in the global market is a part of the reason. Additionally however, non-oil imports have also increased much faster than exports over this same period.

n commercial quantities in Ghana is expected to start in 2010. The reserve discovered so far is estimated at about two billion barrels in total and is expected to last for twenty years in full production. In 2010 when production begins, about 120,000 barrels are expected to be produced daily. With a conservative price estimate of about US$70 per barrel, oil revenue to Ghana will be in the region of about US$1.22 billion in 2010. This is expected to increase to about US$2.54 billion by 2012 when production is expected to rise to about 250,000 barrels a day. Obviously these are quite significant inflows when compared with the fact that total grants and loans in 2007 was about US$1.34 billion. It is anticipated that oil production in Ghana will solve a number of problems including the increasing oil import bills that remain a major challenge for the economy today.

There is no doubt that the expected revenue stream from oil production in Ghana will significantly complement current efforts to move the country to middle income status. A good example is when one considers that the overall funding gap for the Growth and Poverty Reduction Strategy (GPRS II: 2006-09) is estimated to be about US$1.79 billion. This financing gap which is expected to be filled by the external inflows and resources from the capital market can be financed with a year's revenue from oil. Indeed, oil revenue is expected to become the most important export earner for the country contributing about 60% to the total exports by 2012.

Notwithstanding the numerous expected gains from oil production, a lot of reservations have been expressed over the possibility of a '*resource curse*' setting in. A significant body of research over the last twenty years has shown that natural resource endowment of many developing countries adversely affected the efficiency with which they have used their capital. This phenomenon can cause a decline in productivity in the agricultural and the manufacturing sectors, resulting in increased unemployment.

If the current underperformance of the manufacturing sector is anything to go by, then there is a higher risk of Ghana experiencing the phenomenon, known as the *Dutch disease*. For instance, it is observed that in recent years when foreign inflows have increased, it has been associated with real appreciation of exchange rate and an increasing trade deficit. Should foreign earnings double with oil production, it will definitely cause further appreciation in real exchange rate with possible adverse consequences for the real sector, particularly manufacturing and agriculture. Locally produced goods and services will eventually lose out to competition.

Resources will need to be spent in a way that ensures increasing productivity to compensate for any loss in competitiveness that will result from a real appreciation of the currency. With the current state of our democratic governance, rent-seeking activities associated with oil-producing developing countries can be minimised. Furthermore, Ghana has the benefit of learning from the experiences of other oil producing countries. It is therefore important that the country continues to grow institutions for proper economic management and governance to be able to fully reap the development benefits from the oil find.

PENTECOST UNIVERSITY COLLEGE

James McKeown Auditorium
Air-conditioned Conference Hall

INTRODUCTION

The President of the Republic of Ghana, His Excellency, Mr. J. A. Kuffuor, inaugurated the Pentecost University College on May 22, 2003, during the 34th Session of the General Council meeting held at the Sowutuom campus, under the Chairmanship of Apostle Dr. M. K. Ntumy.

VISION OF THE UNIVERSITY

To empower students to serve their own generation and posterity with integrity and the fear of God.

ROLE AND MISSION

Our mission, which represents our philosophy, is to be on the cutting-edge of the dissemination of knowledge, quality education, research and training for the purpose of producing an excellent human resource base to meet the demands of our country's development.

The University shall be governed by the highest level of integrity and ethical standards.

This shall be achieved through:

- Building on our strengths and pursuing affirmative and open door admissions policies.
- Providing a multifaceted education in Theology, Religious Studies and Mission, Business Management, Information Technology and other academic courses towards higher degrees.
- Aligning our current and future programmes to meet the aspirations of our students, society and the worldwide community.

Accreditation and Affiliation

Pentecost University College (PUC) is a Christian University accredited by the National Accreditation Board (NAB) and affiliated to the University of Ghana, Legon.

PROGRAMMES

The University currently runs the following programmes.

BSc Administration, 4-Year (Four Options):

1. Marketing
2. Accounting
3. Banking & Finance
4. Human Resource Management

BSc Information Technology(4-Year)

1. BSc Information Technology (4-Year)

3-Yr Bachelor of Arts Degree, 2-Yr Diploma or 1-Yr Certificate

1. Theology
2. Pastoral Studies
3. Mission Studies

ENTRY REQUIREMENTS

- Three Core (including English and Core Mathematics)
- Three Elective passes at WASSCE/SSSCE & with aggregate **6 - 24.**
- Three A Level passes
- Recognised Diplomas/Certificates (GBCE, O'Level, RSA III, ABCE, foundation stages of ACCA, CIM, ICA etc)

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Do Managers Think Deeply?

In this new dispensation of management, Managers are trained to admire and teach action. This has raised the question as to whether managers ever undertake deep thinking in the course of their work. Some have argued that people who rise to the top levels are very productive and very diligent individuals who tend not to reflect and are extremely efficient at deploying other people's ideas. This implies that these types of leaders are not likely to understand, encourage, or recognize deep thinking in others. In addition it is advanced in some quarters that managers are not trained for deep thinking because, persisting assumptions borne out of success serve as roadblocks to act on needed change. One Ulysses U. Pardey, was however of the view that "Time-for-thinking is a special moment which can be resource consuming and an unsafe activity." Furthermore, the 'tyranny' of technology and multi-tasking has been argued to have significantly contributed to the famine of deep thinking.

The triumph of bureaucracies and large organizations has no place for deep thinkers. In Ghana for example, bureaucracies are of the view that deep thinking is exclusively for entrepreneurs. To rise through middle management to executive positions usually requires that managers display the ability and willingness to deploy the ideas and directives of those in positions of superior authority. Deep and independent thinkers are usually perceived as threats. These people who I will refer to as *'thought generators'* use reflective thought in their work and world. However, they are often sidelined when exposed to requirements of being middle managers.

Interestingly however, deep thinkers and conformists co-exist in all organizations. The paradox of this reality is that conformists tend to be seen as valuable elements of organisations as opposed to those who would challenge the status quo and deeply ingrained corporate accepted beliefs. Conformists most often are regarded as useful corporate builders because their conduct and behaviours would not constitute a threat to anyone in position of power in an organisation.

How do we get our managers and leaders to think deeply and reflectively? Can it be taught? To answer this question in itself raises a lot of question. Frances Pratt comments, "To get deep we must be deep." The issue is complicated further by uncertainties about just what deep thinking is. Is deep thinking the pursuit of all possible options, or considering and adopting another person's position or view.

Is deep thinking difficult and painful task? What exactly are we to teach? How do we integrate it into a business and other school's curriculum? If so, how should it be approached? How do we foster deep thinking? Some suggest fostering an environment where transformation is truly value by institutionalizing it. A percentage of employee's time would have to be set aside for deep thinking. It is also proposed that, it is imperative for organizations to understand who their deep thinkers are and then make absolutely certain that they are in a position to take advantage of their rather distinctive capabilities.

What are the real obstacles to deep thinking among managers and in organizations? some suggestions to deep thinking among others are: (a) unwillingness to take risk, particularly when short-term performance and objective are at stake, (b) the fear of disruption consequential from thinking differently and deeply, (c) the probable psychological cost of varying one's psyche and (d) "the lack of information providing deep insights on which to base deep thinking."
What do you think? Keep thinking.

Kofi B. Kukubor

Big-Picture Problem Solving:
The Role of Leaders

Today's business world is global, outsourced, insourced, partnered, and supplied. Competitors can be customers. Customers can be suppliers. Everyone wants everything now. Processes are complicated. Teams are diverse, and motivational drivers are varied. Communication is often unclear. Goals sometimes conflict. Workers come from many different backgrounds so skills are varied. Hence, many problems reflect the complexity by having many root causes.

How can busy knowledge workers, tasked with problem solving, hope to find their way through the maze to discover a single cause let alone multiple causes? It requires an artful form of big-picture thinking and problem solving. Yet rarely are workers tasked with problem solving by practicing big-picture thinking. Why? Corrine Miller identifies two inhibiters to big-picture problem solving:

1. Many times those tasked with problem solving are practitioners or first-level managers who lack the work experience to see the "big picture." They have not been exposed to it, since most of them have not held positions across diverse functions. They don't know what they don't know.
2. Deep exposure in one area causes us to see things not as they are but as we are. When given a problem to resolve, the process and quality people recommend is process improvement; the training people recommend is skill development; and the organizational design people recommend is reorganization. They know a lot about what they know.

She has also found three inhibiters to problem solving that big-picture thinking can cause:

1. The problem space is so broadly defined that people are uncertain as to where to start or what to do. So the problem remains unresolved.
2. The problem space is scoped but the structure or culture inhibits the team from taking action. So the problem remains unresolved.
3. The problem space is actually narrow and complicating it by introducing a broader frame distracts from the real cause or causes. So the problem is resolved inappropriately.

What can leaders do to remove inhibiters and increase big-picture problem solving? Miller offers three steps.

- ❑ ***Periodically review.*** Review the team's thinking during problem solving by asking big-picture questions. This is not about doing the work for them, it is about leveraging your experience to point them in the right direction.

- *Enable others.* Direct a cross-functional team to develop a set of big-picture problem solving questions to identify the various aspects. Add your own. Ensure this question bank is available to all tasked with problem solving.
- ***Reward, recognize, and consequence.*** Expect big-picture problem solving. Praise those who do it. Reprimand those who do not. Consider it when reviewing performance.

Here is a question bank to get you started on big-picture problem solving.

1. **Process.** If the process had been followed, would the problem have occurred? If yes, diagnose the process. If no, examine other aspects.
2. **Boundaries.** Might boundaries be causing confusion on roles and responsibilities or communication problem due to language, cultural, or functional boundaries?
3. **Direction.** Were those involved directed in any way? For example, were they told to focus on due date or cost versus quality, or market share versus margin?
4. **Motivation.** Might there be a personal reason why those involved might not be committed to the work?
5. **Skill.** Might those involved have a skill deficit? Was a new process put in place without training or communication? Were new people hired without training or mentoring?

Discovering all the issues saves time and money. There is nothing worse than thinking you have fixed a critical problem only to find it happening again, fixing something else, and continuing the frustration cycle. Like a cat-and-mouse game.

Capt Sam Addaih (Rtd)

Mentoring:
The Most Effective Way of Developing Leaders

Leadership is a topic that is high on many agendas today, whether in politics, business, or the church. This is because of a perceived leadership crises and vacuum in our organizations, churches and country. Many people complain of the character of some of our leaders and the youth of today. These people including myself are worried about the future of our country because of lack of good and effective leaders. To address this leadership problem, this paper shares Mrs. Mary Chinery Hesse's view on "Obaa Mbo", a program on TV Africa that, Ghana needs to grow leaders if our nation is to move forward. There is an urgent need for the purposeful cultivation of quality and effective leaders to save our organizations, churches, and the country from mismanagement and total collapse.
Studies suggest that mentoring is one of the most effective means of developing leaders. Mentoring therefore can help reduce leadership failure, provide needed accountability, and produce empowerment for a responsive leadership. This article takes a look at mentoring, its importance and certain factors that make it effective (dynamics).

Mentoring Defined

Mentoring is a relational process, in which someone who knows something, the ***Mentor and transfers*** that something (the power resources), to someone else, the ***mentoree***, at a sensitive time so that it impacts Development. The power resource can be advice, support, information, encouragement, etc.

Importance of Mentoring

Mentoring is one way that ***culture is transmitted***. It is an educational strategy by which we transmit ***the culture of leadership*** from one generation of management to another. Mentoring can be a powerful tool to imprint values, change behaviors, transfer skills, and improve performance and communications as well as retain high performers in an organization. Mentoring is the only way by which leaders can impact succeeding leaders.

Mentoring also helps employees develop their career. Employee learning is accelerated when on-the-job training is supplemented with informal coaching on the side by a trusted mentor. Mentoring as well enhances relationships with employees.

Mentoring dynamics

Clinton (1991) identifies 5 (five) underlying factors that relate to effective mentoring:

1. **Attraction Dynamics** is the natural tendency for a mentoree to move toward a mentor because there is ***something seen*** in the mentor's life that is compelling and suggests the possibility of help for the mentoree or for an experienced employee to take an active interest in a newcomer to help him/her develop his/her potential. Respect for a person and recognition of something in that person that is desirable for oneself is at the heart of dynamics attraction. Mentors will not sustain an empowering relationship if the mentoree is not attracted to the mentor. You cannot force mentoring on a person over a long period of time and expect ownership of that which is being taught after the relationship. Mentors must earn respect of mentorees and demonstrate that there is something worthwhile and worth subordinating one self to.

Need itself may be the most powerful motivator that will drive a potential mentoree to see attraction that is the possibility of that need being met by someone. That is called bottom-up attraction (recruitment). A mentor type person may see need in a potential mentoree and cultivate attraction by modeling potential to meet that need the mentor may recruit the mentoree by modeling needed resources. That is called top-down attraction (recruitment).

2. **Relationship Dynamics.** This is the personal interaction between a mentor and a mentoree which grows into a bond of trust on the part of both, which is the basis upon which responsiveness, and accountability will function and which will eventuate in empowerment

3. **Responsiveness Dynamics** describes the attitude of voluntary submission that a mentoree exhibits toward the mentor. A mentoree is responsive to a mentor when he/she submits to advice, follows directions, learns needed perspective, does what the mentor suggests. Responsiveness is largely a mentoree controlled function. If the mentoree does not want to respond and is not willing to submit to the mentor's advice and assignments then the relationship will enjoy only a limited empowerment at best.

4. **Accountability Dynamics** is the responsibility of oversight that a mentor must have in order to insure that the mentoree follows through on advice and assignments and actually profits from them. The elements of accountability include what, how, when and where. What will the mentoree be responsible for doing and reporting on? How well he/she reports? How often? Where?

5. **Empowerment Dynamics** refers to the fact of progress made in the mentoree's life, that is, development of any kind whether in leadership character, leadership skills or leadership values, that results from the mentoring relationship-that is the transfer of resources from mentor to mentoree. Empowerment essentially means that the mentoree is further developed as leader than previous to the mentoring time

The leadership gap and crises in our organizations, churches and the country at large will never be met and overcome until all effective and good leaders begin to take active interest in and focus on identifying and developing leaders in the organizations, churches, schools, and colleges through mentoring. Today's great leaders create tomorrow's great leaders and leadership legacy grows out of a strong, well-organized Mentoring Program. More than likely, we already engage in informal mentoring in our organizations, churches schools etc. yet may never have had the opportunity to hone this important skill. Now is the time!

Akua Frimpong
Otema Leadership Insights

Practical Budgeting:
A Checklist of the Budgeting Process.

Introduction

In practice, the budgeting process usually starts from the Chief Executive's desk. The Chief Executive initiates a budget correspondence through a memo calling attention to the forthcoming process and setting out of the due dates.

The budgeting process commences and the Budget Officer and line Managers with the responsibility for preparing budgets for the areas under their control begin to take the practical steps enumerated below a checklist of budgeting process to ensure the finalization and approval of the Profit Plan (budget):

Checklist

1. **Budget committee:** Several members representing the various departments in the organization with the Budget Officer usually as the secretary is constituted as the Budget Committee to ensure proper budget administration. The Budget Officer ensures that time schedules are adhered to and provides technical assistance to the budget centre managers. The committee's job is to oversee the work of preparing the budget. Each member acts as a liaison between the Committee and his department.

2. **Budget Manual:** It is always advisable to have a written set of instructions and guidelines that serve as a reference data for the preparation of the budget. It should contain among others, details of the time table, responsibilities of budget, Centre Mangers, the budget format and tables as well as guidelines on the development of the various tables and commentaries.

3. **Budget Guidelines:** In order to conform to a consistent and meaningful budget preparation, it is pertinent that a set of guidelines are issued to all concerned. Such matters as periods to be covered, tables commentaries, units of measure and the amount of details required are to be covered in the guidelines. There is also the need for a wider statement of direction and commitment from top management usually referred to as Strategy Update Reports.

4. **The Principal Budget Factor**: the activities of every organization are limited by some factors; otherwise its activities could be expanded to an infinite extent. The factor which effectively limits the activities of a particular business is known as the principal budget factor.

Consider factors such as:

- Product supply/production capacity
- Customer demand
- Competition etc
- The economy
- Cash

5. **Environmental Report**: Within the context of global industry developments, local political, economic and industrial environment, the business can swim or sink. It is therefore essential to review and identify the factors at play.

6. **Competitive Evaluation:** Review major competition. Identify strengths and weaknesses. Review industry leader and pacesetter. The company's survival depends on how it can survive under competitive forces.

7. **Assumption:** In order to forecast the future some basic calculated guesses should be made, For example, ask yourself the following questions:

Are salaries going to increase?

- Will the exchange rate worsen?

- Will demand for the company products change?
- Will government policy change?
- What about bank lending rate?

8. Industry and National Statistics: The Company's effort represents a fraction of what is happening in the total industry therefore it helps to know the Total Trade industry Demand (total Trade Sales). Ascertain the percentage of the Total Trade sales represented by your company's own sales (the company's market share). Is there room for growth? The answer to this question determines the complexion of the Budget to be prepared.

9. The Prior years Performance: A detailed analysis of the past is a good start. Information on the past two years will suffice.

10. Production Forecasting: All manufacturing businesses must produce within the resources available to satisfy the total customer demand. Therefore the production budget is of prime importance. There is need the to review internal as well as external resources. Review by product, by unit of measure with market share assumptions in mind.

11. Sector Budgeting: the teamwork Approach: it is important that possibilities for implementing the eventual budget be linked to its evolution. Therefore each budget centre should review its operations and provide realistic forecasts. This way the final product becomes the result of team work.

a) **Sales Budget**: The sales manager and his staff should review and plan within the available cash and production resources. Plan for volume, cost rate and realization.

b) **Income Forecast:** this should be the combined effort of the Purchasing Department, Production Department, Sales Department, Operating Department, and Accounting Department.

c) **Expense Budget:** Each department should review and plan the respective items.

d) **Other income**: whoever is responsible for its generation should review and plan the respective items.

e) **Interest Income Expense**: this is related mainly to the banking policy and the Accountant should review and plan.

f) **Inventory Budget:** Reconcile to avoid tying up capital. Review slow moving/off specification products.

g) **Manpower Budget** : Ask yourself the following questions:
- What is the present head count?
- Do we need all these people to achieve the anticipated results?
- What is the quality of the personnel?
- What is the total manpower cost?

h) **Advertising and Sales Promotion Budget** The following questions will help in the preparation of this budget.
- Could the sales effort benefit from the advertising?
- What will be the incremental sales?
- Is the advertising cost effective?

i) **Contribution and Membership:** society requires that the company behaves as a good corporate citizen. Therefore donations and other project supports cannot be ignored. Plan within the tax laws and support other trade organizations eg. Chamber of Commerce.

12. The Financials:

a) **Income Statement:** this reveals the bottom line. Profit can be managed, therefore the bottom line should represent the best efforts.

b) **Balance Sheet:** Plan the corporate Balance Sheet as at the end of the Budget period. Focus on Fixed Assets, Proprietors Interest, and Working Capital etc.

C) **Cash Budget or Cash Forecast**-The Cash Budget indicates the effect of the budgeted activities on the cash flow of funds. Such budgets are normally developed over short base periods, usually monthly. The end result should indicate the periods when cash resources are likely to be inadequate or surplus will accrue. Critical decisions are based on these results.

d) **Trade account Receivable**: A sale is not a sale until proceeds are received. Prepare age-analysis.

e) **Dividend Policy:** shareholders expect a return on their investments. It is a sensitive issue and should be planned.

f) **Capital Budget:** This is the investment programme and should embody all items for expansion as well as good housekeeping.

g) **Taxation:** The taxation effect should be determined as distributable profit is net of tax.

13. **Sensitivity Analysis:** It is helpful to anticipate other deviations from the basic assumptions and determine its effect on the bottom line. Consider some of the following possibilities:-
    - Reduction in industry demand
    - Reduction in margins
    - Higher inflation and its effect on expenses.
    - Worsening exchange rate.

14. **The Master Budget - Profit Plan**: Corporate Budget Consolidation results in the Master Budget which consolidates the total plans of the business. It is usually prepared in the form of a booklet and deals with all aspects of the business. A good Profit Plan should have the following Table of contents:

Section A: Executive Summary. This should be a two page summary of the highlights of the Profit Plan. Use bull-points instead of polished prose. Provide key indicators.

Section B: Environment Review
Political
Economic
Industry

Section C: Review of Current Year Operation
Section D: Assumptions
Sections E: Production Budget
Section F: Earnings Data and Commentaries

a) Earnings: Actual (prior years), Plan (current year), Projection (current year), plan (Budget year)
b) Commentaries: Current Year Projections V Current Year Plan, Current Year Projection V Prior Year, Forward Year Plan V Current Year Projection.

Section G: Revenue
Section H: Expenses
Section I: Other income / expenses
Section J: Financing Items
Section K: Trade accounts Receivable
Section L: Inventories
Section M: Investment Programme (Capital Budget)
Section N: Major Projects
Section O: Capital Budget Status Report (Current Year)
Section P: Listing of Carry-overs into forward years
Section Q: Cash Forecast.
Section R: Corporate Investment Portifolio
Section S: Third Party Borrowing
Section T: Manpower
Section U: Staff training
Section V: Expenses Containment Programme
Section W: Principal Corporate Objectives
Section X: Sensitivity Analyses

15. **Budget Presentation**: This is the thorough defence of the budget before the Executive Committee or Board of Directors, who have the prerogative to amend the Budget.

16. **Approval of Budget**: upon presentation, the budget is approved either as presented or as amended. Such approval should be communicated in writing. The budget then becomes the blue print for the activities over the planned period.

Prof. B. Omane-Antwi

Biography of a failure

- Difficult childhood
- Had less than one year formal schooling
- Failed in business in 1831
- Defeated for legislature in 1832
- Again failed for business in 1833
- Elected to legislature in 1834
- Fiancée died in 1835
- Defeated for speaker in 1838
- Defeated for elector in 1840
- Married, wife a burden in 1842
- Only one of his four sons lived past age 18
- Defeated for congress in 1843
- Elected to congress in 1846
- Defeated for congress in 1948
- Defeated for Senate in 1855
- Defeated for Vice-President in 1856
- Defeated for Senate in 1858
- Elected President in 1860

The failure: - Abraham Lincoln

Prof. J. B. K. Aheto

MAIN ARTICLES

Innovation and Management of Financial Institutions in Ghana. A review of Related Literature

Daniel Agyapong

Abstract

Financial innovations (FIs) have become the bedrock of financial institutions management. This reviewed literature looks at the reasons, effects and forms of financial innovations in the developed market and in the Ghanaian context. It was found from the reviewed literature that the reasons sparking financial innovation are the need to shift from the traditional spectrum of acquiring funds as well as old modes of service delivery by financial institutions - to look for a more attractive mode of satisfying clients. The shift in consumer demand, lifestyle and sophistication has also caused financial institutions to look for a more strategic approach to satisfy customer taste and needs. **It can be concluded that FIs have major impacts on the performance and management of financial institutions including** improved efficiency, facilitating the payment system, quality service and increased revenue. Moreover, different people benefit from financial products including **investors, shareholders, customers, issuers and other stakeholders.**

Introduction

The turbulent nature of the financial environment recently has imposed obligations on financial institutions to search for alternative means of managing their risks. The changes in the financial environment have stimulated the search by financial institutions for innovations that are likely to be profitable. Changes in the financial environment have not all the time favoured financial institutions, hence the need to look for alternative strategies to circumvent the possible threats of environmental changes on their operations. In view of this, to maximise profits, financial institutions develop new products and process to satisfy their own needs as well as those of their customers.

The idea of financial innovations (FI) dates back to 1961 when the first effective Negotiable Certificate of Deposit (NCD) was introduced by

National City Bank of New York (now Citibank/Citicorp) to permit banks to purchase funds and manage their liabilities (Sinkey, 1989). This set the platform for the dynamic process of FI. But compared to the 1960s and 1970s the rate of innovation is faster in the 1990s and 2000s. This has been attributed to the current pace of technology as well as the quest to gain competitive edge over other firms in the industry.

In Ghana the first real effort at encouraging FI may be linked with the restructuring effort under the Financial Sector Structural Adjustment Programme (FINSSAP) launched to address the weakened, financially distressed, the insolvency and the significantly non performing loan books in the financial sector in the mid 1980s. To address these problems, FINSSAP was launched to restructure distressed banks, clean up non performing assets (NPA), restore banks to profitability, reform legislation and the banking supervisory system, allow the entry of new banks and financial institutions and develop the money and capital market. This effort led to the liberalisation of the financial sector to make it more competitive and attractive to investors. From this point, firms in the industry tried to develop more effective means of satisfying their clients hence the need to develop new products. The Trust Bank introduced one of the innovations that changed the phase of banking, the Automated Teller Machines (ATMs), in the country. Since then there has been a diffusion of this process in the Ghanaian financial institutions with the banking sector dominating. The general picture in the financial sector is that there seems to be acceptance of financial innovation.

The dynamic, uncertain and competitive nature of modern day business and for that matter, financial institutions means that firms devise means of staying ahead of competition through the development of new products and new processes. Financial Institutions are using their product offerings to attain product differentiation in a conventionally undifferentiated era. Financial institutions are allocating both financial and non financial resources to enhance service delivery, branding, employee dedication, and quality customer service. Developing financial products among other things are meant to provide more choice, convenience and economy for consumers, if the firm is to reap its side of the benefits of financial product innovation (profitability, growth and survival). However, the objective of ensuring consumer satisfaction by using new financial products has been very difficult to achieve if not impossible most especially for emerging financial sector as that of Ghana.

Also the advent of new financial services development is stimulated by deregulation of the financial services, increasing customer needs and expectations, advances in technology and new forms of competitions. Such developments are phasing out the traditional banking practices. Ghana has gone through such development, but to what extent has it affected the operations of its financial institutions? Have financial institutions embraced the idea of financial product innovations; and what effect has it had on their performance. The ensuing text is reviewed literature on this important and topical issue.

The rest of the study is organized into the following; first, a look at Ghana's financial market and banking industry; then the theories, reasons, impact, forms and categories of FI; next is the findings and conclusions drawn from the reviewed literature.

Ghanaian Financial Market and the Banking Industry

The Ghanaian financial system includes the banks, insurance companies, discount houses, finance houses, leasing companies, savings and loan associations, credit unions, and a stock exchange. However, the banking system is by far the largest component of the financial system.

According to Aryeetey (2001) the interventionist approach began under "self-rule" in 1953 with the establishment of Ghana Commercial Bank for both political and economic objectives. As the existing banks were less responsive to the needs of the indigenes the National Investment Bank, the

Agricultural Development Bank, the Bank for Housing and Construction, Cooperative Bank, National Savings and Credit Bank, Social Security Bank were setup. However, the feature by the 1980s was an economy dominated by state controlled banks.

Nevertheless, such development created a financial industry plagued with uniform accounting standards; without any legal obligation to build up loan-loss reserves, excessive concentrations of risk, insufficient capital, unrecognised loan losses, and reported inflated profits, failure to efficiently mobilise resources for growth and development, failure in its supportive role to the development of the monetary sector among others. As a result various policies became dysfunctional and were often ignored in the operations of the institutions. Broader macroeconomic indicators showed that Ghana lagged behind other African nations in terms of financial depth. Indeed, the negative impact of repressive policies on financial sector development was most clearly seen in the halving of financial depth (World Bank, 1994).

The idea of bank restructuring took turns in 1989 with the support of legal and regulatory framework, and the supervisory capabilities of the central bank, as well as the support from the World Bank-funded Financial Sector Adjustment Programme. The Banking Law was amended to provide a stronger prudential base in terms of minimum capital, reporting and lending guidelines. A new Bank of Ghana law in 1992 provided stronger regulatory and supervisory powers. At the same time, entry of new banks and non-bank financial institutions was encouraged, especially through new laws in 1993 to support development of leasing, housing finance, and nine categories of non-bank financial institutions. Indeed, state control over banks has been reduced considerably. *Among the reforms policies include interest rate liberalisation.* Ghana's removal of restrictions on lending was much more rapid than it was in most other countries (Soyibo, 1997).

There has also been the privatisation of state-owned banks to strategic buyers who took over majority shares in large commercial banks. Though the state has chalked up some gains in the area, the full benefit is yet to be derived as most of these investors think of profit repatriation than reinvesting in the domestic economy for economic development.

The reform has also led to the granting of licenses to the private sector to register financial institutions. From the 1994 figure of 17 banks, the number by May 2008 was 23 with all the new ones being private. The growth of NBFIs also needs to be mentioned as the development of finance houses, leasing companies, savings and loans companies, etc. has been on the increase.

In effect the reform aided the sector to gain expertise in areas such as human resources; regulatory issues; operating processes and procedures; supervision, proper accounting and auditing principles; capital and money markets developments among others. It also led to the generation of an active policy on *informal and microfinance*. While formal finance has not responded as expected to reforms, there has been a more positive response from informal finance agents in terms of savings mobilisation. But it is also acknowledged that this has not led to significant increases in the flow of credit to growing small borrowers (Nissanke and Aryeetey, 1998).

Theories of Financial Innovation

In Silber's constraint theory of innovation (1975), FI was attributed to attempts by profit maximizing firms to reduce the impact of various types of constraints that have the impact of reducing profitability. This may involve innovation in order to circumvent constraints that restrict the operation or market opportunities of the firm. Besides Kane's market technology and political theory of innovation (1984) saw financial innovation as an institutional response to financial costs created by changes in technology, market needs and the political sphere particularly laws and regulations. Regulations create institutional responses that are designed to avoid the impact of regulation which in turn, provides the seeds of a new round of regulation. This could be seen with off-shore banking which has led to new regulations springing up to curb anti-money laundering and criminal activities.

In another development, Miller (1991) proposed the "regulation and taxation theory of innovation". He recognizes that major innovation in the last two decades or so has been exclusively due to changes in tax laws and regulatory changes. He attributes the development of many new financial claims to attempts to alter the amount and timing of taxable income. He also notes that many of the innovations were the result of regulator barriers and the desire of financial firms to avoid the impact of regulatory constraints. Obviously every change in the tax laws is a major event for tax lawyers, accountants and investment bankers to try to profit by finding new ways to reduce the tax burden.

Financial Innovation discussions have centred on the quest to develop new financial products and delivery system or the emergence of new kind of financial providers. The motivation for FI has been to circumvent government regulations and loop holes in corporate tax systems, curtail risk in the market place and others (offer variety, improve efficiency, competitive advantage etc.). So Tufano (2002) posted that if the world were free of all "imperfections" e.g. taxes, regulation, information symmetries, transaction costs, and moral hazard, and if markets were complete in the sense that existing securities spanned all states of nature, one could arrive at an M&M-likc corollary regarding financial innovation. In the mist of market imperfection therefore means the need for financial innovation. Because imperfections prevent participants in the economy from efficiently obtaining the satisfaction they require from the financial system.

Reasons for Financial Innovations

Several reasons have been assigned to the need for financial innovations. This may include the need to take advantage of a market opportunity (to have a competitive edge over rivals) or solve a problem (e.g. such as incomplete markets that prevent risk shifting or asymmetric information).

According to Merton (1992), the reasons for FI include moving funds across time and space; pooling funds; managing risk; extracting information to support decision-making; addressing moral hazard and asymmetric information problems; and facilitating the sale or purchase of goods and services through a payment system.

Different writers use slightly different lists of functions, but there is much overlap in these descriptions. Finnerty (1992) identifies a set of functions, two of which correspond closely to Merton's functions (reallocating risk and reducing agency costs), and a third increasing liquidity, which is an amalgam of Merton's movement of funds and pooling functions.

However, BIS (1986) identified the transfer of risks (both price and credit), the enhancement of liquidity, and the generation of funds to support enterprises (through credit and equity) as one of the reasons for FI. Each researcher strives to describe the functions in an economical fashion, but it is probably fair to say that no commonly accepted and unique taxonomy of functions has been adopted. Even if it were to exist, no functional scheme could avoid the complication that a single innovation is likely to address multiple functions.

Impact of Financial Innovation

According to Tufano (2002), while most authors acknowledge that innovation has both positive and negative impacts on society, their conclusion regarding the *net* impact of FIs reflect a diversity of opinions. For Merton (1992) FI is the engine driving the financial system towards its goal of improving the performance of what economists call the real economy. The development of international markets for financial derivatives and the growth of the mutual fund and investment industries are examples where innovation has produced enormous social welfare gains. Innovation leads to materially lower mortgage rates charged to borrowers (Jameson, Dewan and Sirmans, 1992). But, others are of contrary opinion, citing costs of innovation that defer and evade taxation, giving rise to loss of tax revenues, loss of confidence in government, a sense of inequity, and extensive resources devoted to this activity which does not enhance social welfare. More so, innovations lead to complexity that in turn leads to bad business decisions and social costs.

Ross (1989) put forth one of the conventional views on FIs as allowing users to exploit arbitrage opportunities, thus, facilitating the completion of financial markets. It is shown that not only do these instruments provide favourable reported earnings, but they also enable issuers to show lower gearing, thereby helping them to pursue dual accounting objectives through one instrument.

Robert (1987) outlined the usefulness of other FIs including off shore deposits, zero coupon bonds, swaps, market indexes among others. Thus, FI helps investors by giving them an intermediary to manage their investments. Swaps - reduce foreign exchange risk. However, some participants have taken on unusually large risks; these participants have been attracted by the combination of the low margin and prospective high returns.

Also equity market indexes enable investors to specialize in carrying different risks; for example, the buyer of an index is willing to pay a small amount for the low probability of a high return, while the seller of the index receives this same amount (less the payment for intermediation) as a way to enhance the total return associated with the securities that form the basis of the call. The impact of financial innovation and liberalization is to reduce the barriers among financial institutions within each country and the boundaries among national financial markets. The likely result is a centralization of financial activities and consolidation of the number of banks and institutions (Aliber, 1987). Also FI leads to variety of products in the market thus varied needs of specific customers are met as well as serving as an insurance against the future in terms of savings. So Miller (1991) refuted the contention that innovations have increased market volatility and then argues strongly that attempts to regulate innovation will be counterproductive.

Tufano (2002) outlined some of the criticisms of FI as being the site of battles between those who see innovation as a good or bad influence on social welfare (e.g. derivative market); and contributing to high levels of market volatility (market crashes). Also, FI leads to complexity that in turn leads to bad business decisions and social costs; reduce shareholder value of the firm e.g. offshore banks have increased their share of the worldwide market for bank deposits at the expense of domestic banks, largely because offshore banks are not subject to interest rate ceilings on deposits or reserve requirements, and thus pay higher interest rates than domestic banks (Aliber, 1987).

Moreover, because FIs are complex and difficult for consumers to understand, lenders take advantage of this and trade low performing financial instrument to the borrowers. Also, speculation under derivatives markets introduces more risk into business (Pianalto, 2007). It is a fact that loss of jobs for Tellers is due to the use of ATMs. Employees institutions using these innovations but have not received needed training will become outmoded. In addition FIs will promote fraudulent acts in terms of credit cards and with off-shore banking it will promote money laundering. Since these innovations involve the use of computers and electronic devices, a breakdown will have a huge spill over effect in the financial institution. However, it is still difficult to measure the social cost of financial innovation though the argument rages on.

Forms of Financial Innovation

According to Drucker (1984) innovation may be incremental (making alterations to existing products to meet current demand or market pull); radical (technology push, where a firm achieves a complete breakthrough); and general purpose (one that describes the really big innovations). FIs may take similar forms.

Tufano (2002) posits that FIs are divided into product and process. Product innovation is exemplified by new derivative contracts, new corporate securities or new forms of pooled investment products; process innovation is typified by new means of distributing securities, processing transactions, or pricing transactions. He added that innovation includes the acts invention (ongoing research and development function) and diffusion (or adoption of new products, services or ideas).

According to Buame (2004) the forms of innovations range from completely creating new kinds of product or process to the revitalisation of an existing product (product extension). An innovation may fall under: extension - the firm finds new use or different application for the product; duplication: creating a reproduction of an existing concept, to enhance or improve upon it; Invention - creating totally new products or synthesizing combining existing concepts.

Also, Kane (1983) submitted some primary distinction of innovation (autonomous and induced), invention, diffusion and the spread of financial innovations. Invention was seen to be an unfolding technological opportunity; innovation was seen to be the profitable application of an invention. The lag between an invention and its embodiment in an innovation is the innovation lag. The lag reflects the time it takes to reduce the operating costs of the new technology or generate the sales volume to make retail applications profitable.

Also whereas autonomous innovations are those that just happen, induced innovations are caused by some outside forces market forces (price or interest rate movements) or regulatory forces (geographic, price or product restrictions). Sinkey (1989) following Kane's work concluded that most major environmental factors driving the process of financial innovations is captured by the TRICK model Technology, Regulation Interest rate risks, Customers and Kapital adequacy.

Categorization of Financial Innovations

Finnerty (2001) has created a list of over 60 securities innovations, organized by broad type of instruments and their functions; including debt, preferred stock, convertible securities, and common equities. Others include warrants, convertible bonds and municipal securities. Also Graham and Dodd (1934) submitted a variety of innovative bonds including the following contingency equity contracts, alternative risk transfer, credit and weather derivatives among others (see Table one).

Table1 Financial Innovations by Financial Institutions in General

Financial Innovation	Function
Pay – in – kind Bonds	Issuer may choose to pay interest either in cash or additional bonds with the same face value.
Step Up Bonds Putable Bonds	Do pay coupon interest, but the coupon rate is low for initial period and then increases (steps up) to higher coupon rate. A kind of option; If the bond's coupon rate exceeds current market yields, the holder may choose to extend the bond's life
Bonds with Stock Dividends	Entitle holders to receive dividends like other shareholders.
Inflation Indexed Bonds	Payments tied to the general price index or the price of a particular commodity.
Voting Bonds	Unlike other bonds, this gives the holder a right to vote in the company
Non Voting Shares Preferred Stock MICR System	Holders do not have voting rights It gives the holder a claim on divided if declared Facilitate cheque clearing at the central bank
Collable Bond	Gives the issuer the option to extend or retire the bond at the call date

Source: Graham and Dodd (1934)

In the area of foreign exchange transactions, Duffie and Rahi (1995) identified some innovations in exchange-traded derivatives, over-the-counter derivative contracts as **credit derivatives, equity swaps, weather derivatives** and alternative risk transfer contracts/ **contingent equity contracts**

Bodie et al (1999) outlined the recent innovations called the exotic over-the-counter options (customised instruments traded on the OTC markets). They include Asian options that has payoff that depends on the average price of the underlying assets at some portion of the option's life; Barrier options that have pay offs that depend not only on some assets price at its expiration, but also on whether the underlying assets price has crossed through some barrier; Lockback has payoffs that depend in part on the minimum and maximum price of the underlying assets during the life of the option; and Binary options that have fixed payoffs that depend on whether a condition is satisfied by price of the underlying assets.

Additionally, Saunders (2002) identified FIs in wholesale banking to include:

- **Controlled Disbursement Accounts** - for quicker account checking to give early insight into net cash positions;
- **Accounts Reconciliation** - with a checking feature to provide a record paid cheque;
- **Wholesale Lockbox** - centralised collection service for corporate-payments to reduce the delay in check clearing;
- **Electronic Lockbox** - for receiving online payment;
- **Funds Concentration** - for redirecting funds from accounts in a large number of different banks or branches to a few centralised accounts at one bank;
- **Electronic Fund Transfer for** - Includes overnight payment via fed wire;
- **Others** include Electronic Initiation of LCs, Treasury Management Software, and Electronic Data Interchange.

Retail banking products, identified included ATMs, point-of-sales debit cards, home banking, preauthorised debit/credit, telephone bill paying, e-mail billing, on-line banking, and smart cards (store value cards).

In Ghana, some of the notable financial innovations used by financial institutions are classified under general and exclusive. The general ones are those that are common to almost all financial institutions. Exclusive ones pertain to individual financial institutions. Some of the general ones are ATM, MICR and Money Transfer Systems. The exclusive FIs are in Table 2.

Table 2: Financial Innovations by Financial Institutions in Ghana

Institutions	Some Exclusive Financial Innovations
Agric. Development Bank	Gold Drive Motor Loan, Farmers Drive Motor Loan
Amalgamated Bank	Kids and Teen Savings Accounts
Barclays Bank	Off-Shore Banking, BusinessMaster International
Databank Ghana	EPACK
CAL Bank	All - in - One Accounts; SMS Banking
Ecobank	Regional and Electron Cards
Fidelity Bank	Margin; Salary Backed, Employer Guarantee & Auto Loan, Call, Premium & Royal current account, Premium & Royal Reserve account
Ghana Commercial Bank	BONDEX; Express Money Transfer, Fodem and Royal banking
Guarantee Trust Bank	E-Products, Slip Free banking, GeNS, Target Savings & Easy Savers Accounts, Max Advance, Triple "A"
HFC Bank	Students Plus & Life Starter Accounts; Educational Loan, Mortgage Product; Bill Pay Point and SMS Banking

Institutions	Some Exclusive Financial Innovations
Merchant Bank National Investment Bank	On –line Banking, O-shore Banking, and Off-shore Banking Bancassurance Product
Prudential Bank	Business Savings Accounts, Fixed/CALL/CDs
SG-SSB Bank Stanbic Bank	Visa & Master and Sika Text, Priority Banking and Money gram Customer Access Terminal System (CATS) Africa provides a comprehensive range of banking services and management information.
Standard Chartered Bank	Telephone Banking
The Trust Bank	TTB Gold Account is a Hybrid of Savings and Current Account.
Unibank	Quick Deposit Services, Employee Privilege Loan
UBA Zenith Bank Ghana	Zero Account for 30 days Mobile and Corporate Internet Banking, Z Prompt and Mobile, Automated Cheque Writing

Source: Fieldwork, 2008

Findings

It was found that the reasons sparking financial innovation are the need to shift from the traditional spectrum of acquiring funds as well as old modes of service delivery by financial institutions - to look for a more attractive mode of satisfying clients. Also FI is stimulated by deregulation of the financial services, increasing customer needs and expectations, advances in technology and new forms of competitions. FIs are attempt by firms to reduce the impact of various types of constraints that have the impact of reducing profitability; an institutional response to financial costs created by changes in technology, market needs and the political sphere particularly laws and regulations. It is an attempt to alter the amount and timing of taxable income; curtail risk in the market place and others (offer variety, improve efficiency, competitive advantage etc.)

The first real effort at encouraging financial innovation may be link with the restructuring effort by policymakers under the FINSSAP initiative as part of the ERP.

It is also found that FI is beneficial because it enables firms to take advantage of a market opportunity or solve a problem; aids in the transfer of risks, enhances liquidity, help generate funds to support enterprises; leads to materially lower mortgage rates charged to borrowers; improve efficiency, facilitating the payment system, quality service and increased revenue of financial institutions; allows users to exploit arbitrage opportunities, thus, facilitating the completion of financial markets.

It was also revealed that FI leads to deferment and evasion of taxes, giving rise to loss of tax revenues, loss of confidence in government, a sense of inequity, and extensive resources devoted to this activity which does not enhance social welfare. More so, innovations lead to complexity that in turn leads to bad business decisions and social costs; allows lenders take advantage of this and trade low performing financial instrument to the borrowers; it is a fact that loss of jobs for Tellers is due to the use of ATMs.

Conclusion

Financial institutions are susceptible to several socio-cultural, legal, economic, political, technological and institutional influences. Inflation and interest rates rise and the firm's inability to be predicted occasionally have caused changes in the demand conditions in financial markets. The shift in consumer demand, lifestyle and sophistication has also caused financial institutions to look for a more strategic approach to satisfy customer taste and needs. In addition, institution and professional regulations more often than not become burdensome, hence the need to circumvent these regulations with the development of new products.

Moreover rapid advancement in technology has changed the financial assets supply conditions.

It is concluded that FIs have major impacts on the performance and management of financial institutions including improved efficiency, facilitating the payment system, quality service and increased revenue. Moreover, different people benefit from financial products including investors, shareholders, customers, issuers and other stakeholders. It has increased globalization of financial markets as result of enlarged competitive markets. FI can thus be described as the engine driving the financial system towards its goal of improving the performance of what economists call the real economy.

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Entrepreneurship Practice in Developing Countries: A look at some Distinctive Attributes

Daniel Haizel (Ph.d.)

Abstract

The Global Entrepreneurship Monitor (GEM) has set the agenda for researching the differences between entrepreneurship in developed and developing countries. Particularly significant has been the emergence of the GEM 2003 Executive report (Reynolds et al 2004) that has helped us understand the diversity in the formation of new firms in developed and developing countries. Entrepreneurship in developing countries is distinctive from that practised in more developed countries. A better understanding of these distinctions is critical to policy formulation and private sector development in developing countries. Of particular interest are new and growth-oriented enterprises, which have a greater capacity to create sustainable economic growth than micro enterprises or long-established SMEs with limited growth prospects. The purpose of this paper is to identify some of the distinctive attributes of entrepreneurship in developing countries that either help to improve the probability of success or hold back growth-oriented firms.

Introduction

Entrepreneurship is considered a crucial mechanism of economic development. The centrality of entrepreneurship in the current economy, or even society, is expressed as such in scientific and policy discourses as 'the entrepreneurial economy' and 'the entrepreneurial society' (Ministerie van Economische Zaken 1999a; Von Bargen et al. 2003). At the macro level entrepreneurship is seen as a driver of structural change and job creation. At the micro level entrepreneurship is the engine behind the formation and subsequent growth of new firms. The wealth and poverty of developing countries has been linked in modern times to the entrepreneurial nature of their economies. In countries where entrepreneurship exists in high proportions it has played an important role in economic growth, innovation, and competitiveness and it may also play a role over time in poverty alleviation.

Yet, entrepreneurship in developing countries is arguably the least studied significant entrepreneurship economic and social phenomenon in the world today. Over 400 million individuals in developing countries are owners or managers of new firms. Of these, over 200 million are found in China and India alone compared with just 18 million entrepreneurs in the United States. Yet, in one of the best general books on the state of research on entrepreneurship, China is mentioned on two pages and India is not mentioned at all (Bhidé 2000).

Existing specialist literature has focused on describing the attributes of entrepreneurship in developing countries, rather than providing a framework in which entrepreneurs and policy makers alike can more rationally plan and execute innovative business models. Existing models of entrepreneurship, (such as Bhidé's uncertainty-/investment/profit diagram), are based largely on research conducted in the United States and other developed countries and do not adequately describe how entrepreneurship is carried out in developing countries. Not much literature exists on entrepreneurship in developing countries, particularly the characteristics of new and growth-oriented firms. Scholars and practitioners alike have implicitly assumed that entrepreneurship was largely the same the world over and driven by the same impulses or factors.

More recent empirical researchmost notably based on the World Business Environment Survey (WBES) and the Global Entrepreneurship Monitor (GEM) projecthave brought to the fore the diversity, if not the dynamics, of new firm formation in developing countries. Even though methodological weaknesses may limit the robustness of the GEM data, they offer the first broad cross-country comparisons of entrepreneurship and, in particular, allow comparisons of the levels and possible drivers of opportunity-based entrepreneurship. Recent research has suggested that new firms are more likely to grow. Whilst growth-oriented firms, are more likely to create new employment opportunities than stagnant ones. Reviewing available literature by specialists and the outcomes of recent research by the Global Entrepreneurship Monitor (GEM), gives the notion that entrepreneurship in developing countries, is distinctive from that practiced in developed countries, and that understanding these distinctions is critical to private sector development in developing countries. This paper seeks to illustrate what some of these distinctions might be and their implications on new and growth oriented firms, which recent research strongly suggests are more likely to contribute to economic growth and provide important new sources of higher quality employment.

What is Entrepreneurship?

While it has become widely acknowledged that entrepreneurship is a vital force in the economies of developed countries, there is little consensus about what actually constitutes entrepreneurial activity. Scholars have proposed a broad array of definitions, which when operationalised, have generated a number of different measures in the development of the entrepreneurship literature. There is no generally accepted definition of entrepreneurship for the developed countries of the OECD. The failure of a single definition of entrepreneurship to emerge undoubtedly reflects the fact that it is a multidimensional concept. The actual definition used to study or classify entrepreneurial activities reflects a particular perspective or emphasis. For example, definitions of entrepreneurship typically vary between the economic and management perspectives.

From the economic perspective, entrepreneurship is distinguished between the supply of financial capital, innovation, allocation of resources among alternative uses and decision-making. Thus, an entrepreneur is someone encompassing the entire spectrum of these functions: "The entrepreneur is someone who specializes in taking responsibility for and making judgmental decisions that affect the location, form, and the use of goods, resources or institutions" (Hebert and Link, 1989, p. 213). By contrast, from the management perspective, "entrepreneurship is a way of managing that involves pursuing opportunity without regard to the resources currently controlled. Entrepreneurs identify opportunities, assemble required resources, implementation of practical action plan, and harvest the reward in a timely, flexible way," (Sahlman and Stevenson, 1991, p.1). The most prevalent and compelling views of entrepreneurship focus on the perception of new economic opportunities and the subsequent introduction of new ideas in the market. As Audretsch (1995) argues, entrepreneurship is about change, just as entrepreneurs are agents of change; entrepreneurship is thus about the process of change. This corresponds to the definition of entrepreneurship proposed by the OECD, "Entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas....Entrepreneurs not only seek out and identify potentially profitable economic opportunities but are also willing to take risks to see if their hunches are right" (OECD, 1998, p. 11).

While the simplicity of defining entrepreneurship as an activity fostering innovative change has its attraction, such simplicity also masks considerable complexity. Entrepreneurship is shrouded is complexity for at least two reasons. The first reason emerges because entrepreneurship is an activity crossing multiple organizational forms. Does entrepreneurship refer to the change inducing activities of individuals, groups of individuals such as networks, projects, lines of business, firms, and even entire industries, or even for geographic units of observation, such as agglomerations, clusters, and regions? Part of the complexity involved in entrepreneurship is that it involves all of these types of organizational forms. No single organizational form can claim a monopoly on entrepreneurship.

The second source of complexity is that the concept of change is relative to some benchmarks. What may be perceived as change to an individual or enterprise may not involve any new practice for the industry. Or, it may represent change for the domestic industry, but not for the global industry. Thus, the concept of entrepreneurship is embedded in the local context. At the same time, the value of entrepreneurship is likely to be shaped by the relevant benchmark. Entrepreneurial activity that is new to the individual but not the firm or industry may be of limited value. Entrepreneurial activity that is new to the region or country may be significant but ultimately limited. By contrast, it is entrepreneurial activity that is new across all organizational forms, all the way up to the global, that carries the greatest potential value. Thus, one of the most striking features of entrepreneurship is that it crosses a number of key units of analysis. At one level, entrepreneurship involves the decisions and actions of individuals. These individuals may act alone or within the context of a group. At another level, entrepreneurship involves units of analysis at the levels of the industry, as well as at spatial levels, such as cities, regions and countries. The function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention, or more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way...To undertake such new things is difficult and constitutes a distinct economic function, first because they lie outside of the routine tasks which everybody understand, and secondly, because the environment resists in many ways."

Economists have long believed that entrepreneurs push back the business frontier by challenging existing practices and technologies. The role isn't necessarily glamorous, but it's extremely valuable. And it is often the missing performance factor in poor countries, where economies are stagnant or regressing. Developing countries trapped in economic droughts need to be irrigated by the entrepreneurial spirit. As IMF analyst Philippe Beaugrand points out, being an entrepreneur essentially comes down to "doing new things" or "doing things differently" .Entrepreneurship, then, basically means thinking outside of the box, which is exactly what participants in the economies of developing countries need to do in order to improve their situation.

Entrepreneurship is not a well-developed component of modern economic theory. Many neoclassical economists find it difficult to reconcile the requirements of rational decision-making with the functions ascribed to entrepreneurshipcoor-dination, arbitrage, innovation, and uncertainty bearing (Barreto 1989). Entrepreneurs have been described variously as bearers of risk, agents that bring together the factors of production, or organizers of innovation. However, none of these thinkers distinguished between entrepreneurs operating in different business environments or considered differences between entrepreneurship in wealthy and poor countries at various stages in economic history.

Academic interest in entrepreneurs in developing countries began in the wake of decolonization, with interest until recently concentrating mainly on small-scale industrialization and microenterprises. Four types of entrepreneurial firms have been identified in developing countries: newly established, established but not growing, established but growing slowly, and graduates to a larger size (Liedholm and Mead 1999). With respect to the study of the subset of new and growth-oriented firms in developing countries, an important step forward has been the rich output of the GEM project.

Some distinctive attributes of entrepreneurship in developing countries

Some distinctive attributes of entrepreneurship in developing countries appear to improve the probability of success for growth-oriented firms, while others appear to hold back these firms.

Opportunity

Opportunities for entrepreneurs in developing countries are broader in scope than in developed markets, allowing firms to pursue a portfolio approach to strategy that can efficiently manage the higher levels of business and market risk. Entrepreneurs in developing countries face a different set of circumstances than their counterparts in developed economies. These differences are rooted in the underlying economies in which they operate. Emerging markets lack the stableness of mature markets and the consistency that such markets offer. Consequently, the opportunity for entrepreneurship in emerging markets is pervasive. While Western entrepreneurs operate at the fringes of the economy, emerging market entrepreneurs operate closer to the core the needs and opportunities are more widespread. While the competitive threat to these entrepreneurs from well-established incumbents is reduced, the risks posed by economic, political and regulatory uncertainty is heightened often outweighing direct competitive threats.

The rational, though counter intuitive, response (especially for those trained in Western business strategy) is for entrepreneurs in developing countries to spread resources across several separate but related businesses in order to mitigate systematic risk. In effect, the entrepreneur operating in segmented markets (a feature of many developing countries) often plays a surrogate role as a financial investor who manages risk through portfolio diversification. He manages portfolio risk by operating several diverse businesses in lieu of investors who might otherwise do the same. Lacking alternative sources of financing, the successful entrepreneur may use internally generated cash flow from one business to fund his other businesses. The keiretsu system in Japan and *chaebols* in Korea are examples of highly developed conglomerates with interlocking ownerships and business partnerships that developed in this manner. In addition to risk mitigation and a source of funding, interlocking businesses provide a source of informal information flow, access to a broader pool of skills and resources, and, when well implemented, a brand name that can be leveraged across all businesses. If interlocking business conglomerates are common in emerging markets, how do they start? Inadequate access to capital and fragmented retail and distribution often require entrepreneurs to begin businesses downstream with direct access to the end customer.

Starting downstream businesses reduces initial capital requirements as working capital is much reduced and permits access to customers and information flow that is frequently lacking. Access to such information is often overlooked as a key success factor. Lack of access to the end customer is a primary reason for the failure of South American businesses to move beyond commodity markets into higher value added activities (Fairbanks and Lindsay 1997). Having achieved success in retail and distribution, successful entrepreneurs often leverage the domain experience, information flow, and cash flow generated to vertically integrate and move into upstream businesses.

Financial Resources

While entrepreneurial opportunities are broader and resultant strategies are naturally self-hedging in developed countries, limited personal and family savings and an absence of financial innovation severely limits the growth prospects of promising startups in developing countries. The nature of entrepreneurial opportunities in developing countries plays a critical role in the market for entrepreneurial finance in these countries. To a greater extent than in developed countries, new entrant entrepreneurs must answer the following fundamental financial questions: if the odds of a new enterprise surviving its first five years are less than 50%, is it rational for an entrepreneur to commit financial resources (her own or others) to a new firm? If not, how can we understand the persistent tendency of entrepreneurs to start new businesses? Reflecting the unpromising odds of entrepreneurial success, internal finance comprises the majority of financing for small and medium enterprises in most developing countries. Entrepreneurs in emerging markets rely very heavily on informal sources of finance to start their businesses; these sources provided between 87% and 100% of the outside capital raised by entrepreneurs (Bygrave 2003). Other sources of financing typically targeted by development finance institutions interested in improving access to finance in the emerging marketsbank lending and venture capitalplay a very limited role at present in financing entrepreneurs, at least in the startup stage.

Very little is understood about the mechanisms by which potential entrepreneurs in developing countries gather the capital necessary to start a business. How do entrepreneurs save funds from their own sources of income in order to start a business? Recent evidence suggests that startup capital requirements could be quite modest in developing countries (for example, Bhidé 2004 and Johnston et al. 2004). There are two issues here: sources of income, and appropriate depositories for savings until the new business is started. Sources of income can include retained earnings from a previous business, often in the retail or distribution sector. In countries where well-paid government positions are still available (such as the Middle East), some potential entrepreneurs are able to save start up capital from their salaries. Research on the determinants of private savings in developing countries suggest that countries that have experienced economic instability are more likely to have higher rates of private saving, maintained as an insurance mechanism (Loayza, Schmidt-Hebbel, and Servén 2000). Crisis represents opportunity; at least as far as forming the pools of private capital necessary for startup finance is concerned. Moreover, while successful entrepreneurship is correlated with urbanization, urbanization also results in an increase in individual consumption and a concomitant decrease in private savings. Thus, successful entrepreneurs are likely to find ways to access the greater pools of private saving in the countryside in order to start their businesses. This highlights the possible importance of well-developed family networks that span both urban and rural areas. How such private rural savings are intermediated into urban entrepreneurship is not at present well understood and almost certainly will vary by country.

In theory, microenterprises could also play a role in creating a pool of savings from which a larger, more sophisticated enterprise might be launched. However, a shortage of attractive savings mechanisms (including negative real interest rates on bank deposits) in the formal and informal financial sectors and the difficulties associated with investing in land or real estate as a savings vehicle (including land tenure issues) have severely limited savings. Other forms of de facto savings, such as inventory accumulation, are also limited by the absence of secure premises .These are some of the many reasons why microenterprises have not generally served as launching pads for growth-oriented entrepreneurship in developing countries.

Finally, an important, but overlooked and undocumented, development is the increasingly consumerist nature of developing country economies, which has caused personal savings rates to fall and personal consumer-related indebtedness to grow. Anecdotal evidence from regions such as the Middle East and North Africa suggest that inappropriate levels of personal indebtedness may severely constrain an entrepreneur's willingness and capability to start a new firm. Once established, new firms use a wide variety of unconventional techniques and strategies to obtain finance. Given the underdeveloped nature of financial markets in many developing countries, bootstrap financing may have become the predominant form of early stage financing in these countries. For example, small-scale Chinese entrepreneurs have designed a wide variety of techniques and institutions to provide informal finance (Tsai 2002).

Why have outside, formal sources of financing, particularly forms of risk capital finance required by growth-oriented entrepreneurs in emerging markets, failed to materialize in substantial quantities? One major reason is that the macroeconomic conditions in many emerging markets militate against the high IRRs that investors require in order to compensate them for their risk (Leeds and Sunderland 2003). As a result, while there are no industry-wide statistics on private equity investing in emerging markets, it is estimated that realized IRRs are roughly breakeven for the first generation of such funds (those started in the early 1990s). It goes without saying that such returns are insufficient to attract large amounts of new investment into the next generation of risk capital vehicles.

Risk capital finance is particularly important for growth-oriented entrepreneurs in the developing world, because it aligns the incentives of entrepreneurs and outside investors. Each is properly motivated to maximize economic value of the enterprise, rather than playing zero-sum games designed to benefit at the expense of the other. Such zero-sum games are typical of commercial bank lending to entrepreneurs in developing countries. In addition, properly designed and staffed fund management organizations can add substantial post-investment value to the growth-oriented entrepreneurial enterprise. Lenders do not have incentives to provide such post-investment assistance. Post-investment value creation is often a key to the development of growth-oriented entrepreneurial enterprises.

While risk capital finance has been an important component of the entrepreneurial process in a number of developed countries, it has not realized its promise in the developing world. The American model of venture capital has had limited applicability in these markets, but has often been the first approach taken by fund managers focused on developing countries. Venture capital funds are able to work with only small numbers of companies, limiting their development impact. Venture capital and private equity funds have been unable to exit many of their investments, due to the illiquidity of local stock markets in developing countries. Successful venture capitalists possess relatively rare skills that can generally be acquired only through experience, rather than through education and training, thus limiting the number of risk capital organizations that can be organized. Current forms of risk capital finance require the setup of new institutions (usually both a fund and a fund management company) before commencement of investment operations, thus slowing the investment process and causing funds to invest too late in the investment cycle in many cases. How might some of these hurdles be overcome? Surprisingly, despite the revolution in finance that has swept through developed capital markets over the past fifty years, little financial innovation has made its way to entrepreneurial firms in developing countries. As one example, income-linked loans (loans, the repayment of which is tied to a borrower's future income) were first introduced to finance higher education in the United States (Shiller 2003), but could be applied to other classes of borrowers, including entrepreneurial firms in developing countries.

Lenders (commercial banks, non-bank financial institutions, fund managers, and others) could offer long-term (10 years or more) loans to entrepreneurial borrowers. The repayment terms of these loans would be tied to both the firm's future income and some index of aggregate incomes. This index of aggregate incomes might include borrowers from the same sector throughout a region (for example, all garment manufacturers in Indonesia), corporate borrowers from any sector but in the same geographic region (for example, all corporate borrowers in Brazil), or a combination of the two.

Apprenticeship and Human Resources

Technical, industry-specific training is an important component in the creation of globally competitive firms. These firms often form into geographically focused industrial clusters (Porter 1998). Indeed, this has been found to be a powerful model that can be extended to the emergence of globally competitive industries in developing countries. The software cluster in India, the animation outsourcing cluster in the Philippines, and the wireless market in China each conform to varying degrees with the specifications of clustering.

However, the clustering model is of limited value for the vast majority of entrepreneurial opportunities and those involved with public policy in markets where essential preconditions do not yet exist and may not be construed. It is not clear that clustering is a precondition for the creation of globally competitive firms in developing countriesJollibee and Cemex are examples to the contrary. In addition, what is to be done about industries in which the market size is national and sub-national and business conditions are essentially homogenous? How does one operate in emerging markets without the normal avenues of preparation and mentorship? What does one do when in mal-developed or corrupt economies where leading companies do not necessarily serve as the best guides for new businesses? How do businesses achieve scale in the absence of certain skill sets domestically such as financial management?

Entrepreneurship is a lonely profession rendered more difficult without the benefit of mentorship and apprenticeship. Leading hotspots of innovation such as Silicon Valley have a broad pool of well-trained talent, a culture that encourages innovation and new businesses, and marquee companies that serve as informal finishing schools for entrepreneurs. Even in the absence of these ideal situations, apprenticeship and entrepreneurship may be developed in tandem. At the most rudimentary level, micro lending organizations have found that repayment and business success rates increase markedly with even the most basic business training and local support groups of like-minded entrepreneurs. Unfortunately, few of these enterprises scale to regionally competitive levels, let alone national or global levels. At a higher level, multinationals have played a leading role as training grounds for prospective entrepreneurs. Given that foreign direct investment by multinationals is often directly related to the general business environment, and that apprenticeship in these firms can be an important road to entrepreneurship, we shall need to reconcile these observations with the lack of correlation of levels of entrepreneurship with the general business environment. In those markets where entrepreneurship has flourished, successful local businessmen may serve as mentors and outside advisors.

As a business expands, corporate governance supersedes mentorship as requisite guidance and oversight; a mix of savvy local businessmen and industry experts, even if attracted from abroad, play an important role during this expansion stage. Emerging markets require revolutionary change but have few people with the requisite skills and experience to effect such change. High potential businesses in developed economies assemble executive teams with common experiences but diverse, complementary skills. Potential stakeholders look for thoughtfully selected, complete teams that include experienced executives in sales, marketing, finance and operations. In emerging markets, these skills are equally valid but often in short supply. As a result, entrepreneurs look for other characteristics that are pertinent to the local market environment, including the ability to see through the fog of politics and economics in crisis-prone developing countries. Trust is even more highly regarded in these situations than in developed markets where arms-length transactions are well established. Family owned and operated businesses are even more common in emerging markets than in Western economies.

Conclusion

It is generally acknowledged that there are differences in the distribution of entrepreneurship across countries. Studies exploring differences in entrepreneurship across countries often focus on the incidence of new firm registration or self-employment which may not be reliable indicators when applied to developing countries with significant informal economies and fewer alternatives to self-employment. The contribution of entrepreneurial activity to economic growth has been found to be stronger for highly developed countries as compared to developing countries. This may be due to the distinct differences between the two in relation to availability of financial resources, apprenticeship and skilled human resource and an appropriate legal frame work that support new firm formation and growth oriented firms.

Due to the important economic, social, and political roles new and small firms play in most economies, governments at all levels federal, state/regional, and local especially those in developing countries must design strategies to support entrepreneurial activity. One of the most important questions regarding entrepreneurship policy is whether to stimulate new firm formation, to help existing firms survive, or to focus on (potentially) growing firms (cf. Reynolds et al. 1994). Next, it is also important to decide on whether to aim for generic policy or to focus on particular regions or industries (cf. Stam 2005). Of course prior to any public policy should be the establishment of a legal framework, a "rule of law" (cf. De Soto 2001). This legal foundation is often taken for granted, but is often not in place in developing and transition countries. Perhaps the first question must be whether governments should be involved in supporting entrepreneurs at all. Why should governments do more than enhancing the general investment climate? So-called market failures are often used to legitimize entrepreneurship policy.

Entrepreneurs may not undertake projects which, whilst in the interest of society as a whole, yield the firm insufficient returns. The role of public policy (e.g. subsidy) is to make it privately worthwhile for the firm to undertake the project, enabling society as a whole to benefit. In the context of high growth firms, it might be that entrepreneurs do not pursue certain projects, because the risks are too high (new technology), or because they cannot fully appropriate the returns (innovation). Public policy could raise the private benefits of these projects in order to produce the social benefits, e.g. job creation and improved national productivity.

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Performance Analysis of Ghanaian Banks with Mergers and acquisitions noise

John G. Gatsi

Abstract

Mergers and Acquisitions have been identified as an important strategy for corporate inorganic growth in the banking industry. SG-SSB Ltd has recorded impressive operating performance since 2003. It has therefore become a reference entity in the Ghanaian banking industry. Banks with merger and acquisition noise are also performing well with the Agricultural Development Bank, one of the banks with the most recent M&A noise recording impressive sustainable growth rate. Alberts (Decomposed) return on equity model was used to study the operating performance of Cal Bank, ADB and SG-SSB Ltd from risk return perspective to indicate whether the attractiveness of these banks as M&A candidates is due to poor performance. The study indicates that the banks with M&A noise in Ghana are attractive to potential acquirers because of impressive performance and high possibility of improved performance.

Keywords: Mergers and Acquisitions Noise, Mirror Bank and Alberts Return on Equity Model.

Introduction

Corporate entities can grow through organic or inorganic means. Mergers and Acquisitions (M&As) are important inorganic growth strategies being deployed in banking and non- banking corporate entities in recent times. Inorganic growth strategy because, the bank does not grow through the normal business operations such as increase in bank products and efficient services which may lead to increase in number of branches and complexity of operations. According to Casu et al. (2006), a merger as it relates to banking is a business transaction that combines two distinct legal entities usually with similar size to form a new operating single bank to derive mutual economic and strategic benefits. In mergers there are equal ownership stake.

Acquisition or takeover- is a business combination in which one entity called the acquirer owns more than fifty percent stake in the target or acquired firm. Grinblatt and Titman (2001) explain that in acquisition, one firm acquires the other but the terms merger and acquisition are used interchangeably in many instances.

Economies of scale, economies of scope, deregulation and competition have been identified as the main reasons for banking M&As (Molyneux, 2003). The role of the central bank in reviewing the minimum capital base of banks in Ghana upward may further increase competition that may lead to some M&As if individual banks can not raise the required capital alone. This creates a fertile operating environment for some foreign banks with good capital base and strategy to operate in the banking industry by merging with or acquiring existing banks that do not have the capacity to raise the required new minimum capital. The interesting issue is that mergers and acquisitions are intended to generate better performance hence there is the need to be satisfied that the banks with M&As noise can deliver the expected returns. Even though finance literature is replete with research findings on M& A

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performance, the performance analysis of Ghanaian banks with M&A noise from the perspective of risk - return relationship has , however, not been studied to the best of my knowledge and this paper provides the research findings to inform the relevant stakeholders.

Mergers and Acquisitions Noise

Any time an important entity (with promising performance or underperformance) is to engage in M&A deal, it normally generates public discussions. The public discussions concentrate on the motives of the deal, the effects on shareholders and other important stakeholders on one hand and the general economy and the specific industry on the other hand. In Ghana these discussions receive inputs from politicians (especially when the target is state owned), academics, professionals, journalists and the public. Discussions about M&As motives and effects on stakeholders and the macro economy is herein referred to as M&As noise. When the possible M&A is hostile the noise concentrates on social motives normally initiated with the hidden hands of management to allow the public to speak against the deal. M&As noise involving state- owned firms becomes very difficult to decide on the benefit to the state because economic arguments are sacrificed for social and political reasons.

Bank M&As in Ghana

M&As have taken place in almost all industries globally. In recent times some M&A activities have been recorded in Ghana. Notable among them are Guinness Ghana Ltd and KBL, Societele Generale and SSB Ltd, MTN and Areeba, Intercontinental Bank and City Savings and Loans Company Ltd. Possible M&As are Stanbic Bank and Agricultural Development Bank (ADB). Cal Bank and ADB Ltd are examples of important Ghanaian owned banks with M&A noise.

Berger et al. (2004) and Buch and Delong (2002) explain that the surge in M&As over the past two decades was due to globalization, deregulation, improvement in technology and competition in the banking industry. Ghana has gone through reforms in the financial services sectors which removed the administrative inefficiencies in the banking sector and introduced competition as a consequence. Lindblom and Koch (2002) indicates that geographical diversification to take advantage of improved financial markets in emerging economies is one of the motives for cross border M&A. This has been the main strategic motive of Societel generale at the time SSB Ltd was being taken over. Improved macroeconomic environment which demands that sector specific capital investment should be increased, can lead to M&As when individual local banks can not raise enough capital to meet new required minimum capital.

There is inconsistent statement on the outcome of M&As in the banking industry. Mueller (1999), Schenk (2000) and Ulrich et al. (2005) argued that M&As normally end up in failures irrespective of the industry. However, Cornett et al. (2006) argued that M&As can produce successful results if they focus on revenue enhancing activities and adopt cost saving measures as replicated in SG-SSB Ltd (Gatsi , 2006).

Performance Measurement of Mergers and Acquisitions

Mergers and Acquisitions are seen as investment that must produce returns. M&As are normally measured using event studies or operating performance of the new entity. It is normally difficult to use event studies since the researcher must monitor and collect stock price performance of the bank from the date of announcement of the deal on daily basis until the time of the research (Cornett et al., 2006). The operating performance approach is handy and more comfortable because it uses accounting data of the banks over the period covered by the study and they are often available in the annual reports (Saunders and Cornett, 2004). In using the operating performance related ratios such as return on equity (ROE), return on assets (ROA) and equity multipliers are computed for the analysis. The operating performance approach is hereby favoured for this paper.

Decomposed Return on Equity Model

In using the operating performance approach to analyse the performance of Ghanaian banks with M&As noise, the decomposed return on equity (ROE) model is used because it incorporates all the relevant measures of operating performance such as return on asset (ROA), asset utilisation (AU), profit margin (PM) and equity multiplier (EM). The model was first published by Alberts (1989) and has since been utilised by many researchers. Over the past few years many M&As noise was heard in Ghana about some banks. Cal Bank Limited and Agricultural Development Bank were prominent. The study therefore focused on these two banks with SG-SSB Limited as a mirror bank in which the performance of the selected banks were seen. The reason is that SG-SSB Ltd is the first cross-border example of M&A in the Ghanaian banking industry ever since the restructuring of the industry in the late 1980s and has improved its products and services with modern payments systems within the past five years. It has also maintained consistent improvement in ROE since 2002 (Ghana Banking Survey, 2006).

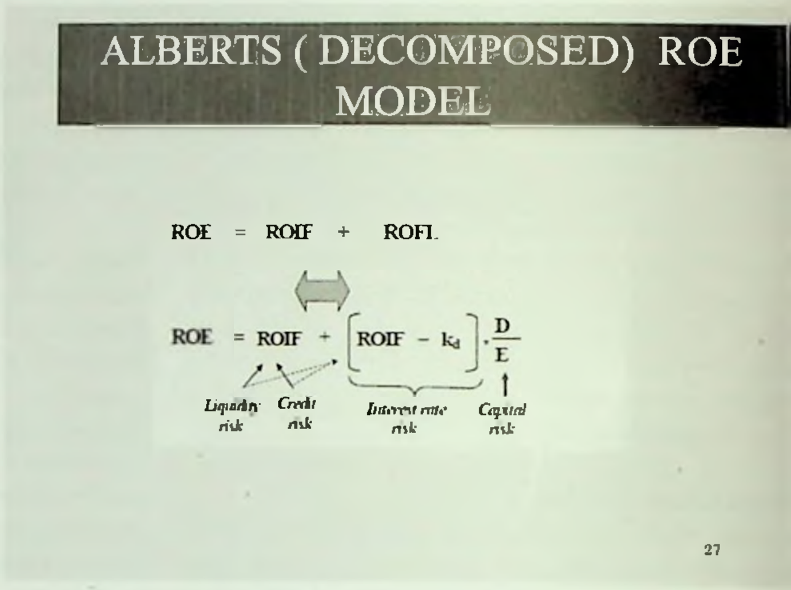
Derivation of the Model

The ROE is the rate of investment return to shareholders which is deduced by the ratio of operating income (OI) and equity capital (E). The operating income is made up of interest income and other income less non interest and interest expenses (Saunders and Cornett, 2004). According to Casu et al. (2006) the ROE is the most important measure of bank profitability and growth potential. The ROE is therefore the difference between the ratio of operating income and equity and the ratio of interest expense (IE) and equity. Also the extent of OI is dependent on the size and quality of the bank's assets (A) and the interest expenses are related directly to the total debts (D). The object of the decomposed ROE is to show that it relates to return on invested fund and return on financial leverage. The ROE model is not time bound; it is the researcher who chooses the time period within which to measure performance. For this study the period from 2002 to 2006 is considered. The relation deduced from the above is presented below:

ROE = OI/E - IE/E = OI/E *A/A IE/E*D/D

ROE = OI/A*(E+D)/E - IE/D*D/E = OI/A + (OI/A-IE/D)*D/E

We can state the ROE as OI/A + (OI/A-IE/D)*D/E while OI/A is the operating income on assets, the average interest expense is IE/D (Kd) and D/E is the debt equity ratio. Again OI/A is the return on invested fund (ROIF). This implies we can rewrite the ROE as ROIF + (ROIF- Kd)*D/E. But (ROIF- Kd) is the leverage spread while the product of the leverage spread and the debt- equity ratio is the return on financial leverage (ROFL) .



Source : Adapted from Lindblom (2001)

The model does not only talk about the ROE but also liquidity risk as well as credit, interest rate and capital risks. This is relevant because we are informed about different kinds of risks to help stakeholders in making important decisions.

Results

The performance of SG-SSB Ltd from 2003 when it was acquired by Socitele Generale of France has improved steadily. On average the three banks have performed beyond the industry average in terms of ROE but the associated risk was higher than the industry from 2002 to 2006. Considering ROIF , Cal Bank performed slightly better than ADB but below

SG-SSB Ltd . However, in terms of risk Cal Bank took the lowest risk while SG-SSB Ltd was associated with the highest risk. ADB recorded the lowest leverage (equity multiplier which is total bank asset per equity capital) and SG-SSB Ltd recorded the highest. The leverage spread of Cal Bank was associated with the highest risk (capital risk) with SG-SSB Ltd recording the lowest. Cal Bank has the lowest ROFL but the highest risk while SG-SSB Ltd recorded the highest ROFL but the lowest risk. Cal Bank recorded the lowest risk in terms of leverage spread implying the lowest interest rate risk while ADB recorded the highest risk and thus the highest interest rate risk.

RETURN ON EQUITY

The performance of ADB and Cal Bank from 2002 to 2006 has been impressive using the decomposed ROE Model. ADB and Cal Bank are more exposed to risk than SG-SSB Ltd. The sustainable growth rate of ADB is the most impressive due to continuous high retention rate to finance increasing investment opportunities in the agricultural sector.

Dataset and Analysis

The data for the analysis was collected from the annual reports of the banks and the Ghana Banking Survey (2006). Such a high standard deviation implies high risk and low standard deviation indicates low risk.

In terms of ROE, SG- SSB Ltd performed better than Cal bank and ADB and was above the industry average. At the same time the risk measured by the standard deviation shows that SG-SSB Ltd took the least risk. Both ADB and Cal bank performed above the industry average but took higher risk than the industry average. The ROE of the banks are presented in the bar chart above:

From the principle of risk and return, it is expected that higher returns correspond with higher risk but the standard deviation which is a measure of risk is lower for SG-SSB Ltd than ADB. This implies some level of management efficiency and risk management by SG- SSB Ltd. The shareholder value creation of the banks is a trade off between banks' return and their risk taking. As a result, the main components of the ROE are further analyzed with respect to risk.

Table 1

ROE AND STANDARD DEVIATION (%) 2002- 2006

BANK	2002	2003	2004	2005	2006	Average	S.d
CAL	48.09	45.91	33.22	41.91	53.11	44.448	7.465609
SG-SSB	90.1	80.95	85.21	89.51	82.53	85.66	4.084103
ADB	49.7	49.94	58.87	46.75	58.4	52.732	5.535654
**INDUSTRY	32.6	30.8	31.9	26.9		30.55	2.543619

** Adapted from Ghana Banking Survey (2006)

Table 2.

	ROIF AND STANDARD DEVIATION (%) 2002 - 2006						
BANK	2002	2003	2004	2005	2006	Average	S.d
CAL	13.71	13.08	12.3	13.23	11.6	12.784	0.833685
SG-SSB	17.16	16.77	15.8	14.9	13.77	15.68	1.382877
ADB	13.83	10.94	13.98	11.54	12.59	12.576	1.350344

From table 2, SG-SSB Ltd recorded the highest average ROIF (15.68%) and was associated with the highest risk as indicated by the standard deviation (1.38%). Cal Bank took the least risk (0.83%) but higher returns than ADB. Using ROIF, SG-SSB Ltd performed better than Cal Bank and ADB. It is, however, difficult to associate this performance to the acquisition since the pre-acquisition performance of SG-SSB Ltd was equally better than Cal Bank and ADB. From table 2, the highest standard deviation associated with SG-SSB Ltd implies its customers were exposed to the highest liquidity and credit risks. From the table, it implies the customers of Cal Bank were exposed to the least liquidity and credit risks over the same period.

deviation. SG-SSB Ltd seem to be cautious in taking in more debt as seen in the reduction in its leverage from 2005 to 2006 which recorded the lowest standard deviation. On average, SG-SSB Ltd recorded the highest leverage of 5.83 which is possibly responsible for the improved ROE. The lowest standard deviation of SG-SSB Ltd implies, the bank was associated with the lowest capital risk even though the average debt to equity ratio was the highest.

From table 3, SG-SSB Ltd recorded the highest average ROFL (69.97%) while Cal Bank registered the lowest (31.66%) from 2002 to 2006. Cal Bank recorded the highest risk associated with the ROFL

	D/E AND STANDARD DEVIATION 2002 - 2006						
BANK	2002	2003	2004	2005	2006	Average	S.d
CAL	6.29	6.94	3.97	4.3	6.32	5.564	1.335152
SG-SSB	5.61	5.4	5.62	6.34	6.19	5.832	0.408375
ADB	3.74	5.45	5.53	4.53	4.9	4.83	0.734405

The debt to equity ratio of ADB is the lowest on average but second in terms of risk. The debt to equity ratio of Cal Bank kept increasing from 2004 to 2006 with the associated highest standard deviation. ADB, however, consistently reduced its debt to equity ratio over the same time period from 5.53 to 4.9 and was ranked second by the standard

And SG-SSB Ltd the lowest. This implies over the period, Cal Bank was most exposed to leverage risk and interest rate risk (7.58%) while SG-SSB Ltd was least exposed to same risks (4.04%).

Table 3.

	ROFL AND STANDARD DEVIATION (%) 2002 - 2006						
BANK	2002	2003	2004	2005	2006	Average	S.d
CAL	34.38	32.82	20.92	28.67	41.51	31.66	7.583769
SG-SSB	72.9	64.18	69.41	74.61	68.76	69.972	4.044017
ADB	35.87	38.99	44.9	35.21	45.81	40.156	4.966526

Table 4.

	LEVERAGE SPREAD AND STANDARD DEVIATION (%) 2002 - 2006						
BANK	2002	2003	2004	2005	2006	Average	S.d
CAL	5.46	4.73	5.27	6.67	6.56	5.738	0.845086
SG-SSB	13	11.88	12.35	11.77	11.11	12.022	0.70347
ADB	9.6	7.15	9.92	7.78	9.34	8.758	1.218614

The leverage spread reinforces the analysis of the ROFL because the product of the leverage spread and the debt to equity ratio is the ROFL. SG-SSB Ltd recorded the highest leverage spread and the lowest risk implying that it recorded the lowest interest rate risk when compared with Cal Bank and ADB.

	** DIVIDEND PAYOUT % (2002 - 2005)			
BANK	2002	2003	2004	2005
CAL	50.5	16.9	25.1	30.8
SG-SSB	45	56.7	60.4	69.1
ADB	6.1	6.3	13.1	20
	** RETENTION RATE (2002- 2005)			
BANK	2002	2003	2004	2005
CAL	49.5	83.1	74.9	69.2
SG-SSB	55	43.3	39.6	30.1
ADB	93.9	93.7	86.9	80

The high retention rate of ADB and Cal Bank indicate their forward looking investment to expand their activities. Thus SG-SSB Ltd has engaged in less expansion over the period.

	SUSTAINABLE GROWTH RATE (%) 2002- 2005) [ROE *RETENTION RATE]				
BANK	2002	2003	2004	2005	Average
CAL	23.80	38.15	24.88	29.00	28.96
SG-SSB	49.56	35.05	33.74	26.94	36.32
ADB	46.67	46.79	51.01	37.4	45.47

In terms of sustainable growth rate ADB performed better than SG-SSB Ltd and Cal bank. Sustainable growth rate indicates the level of growth that existing shareholders can finance. However, if SG-SSB Ltd retains the same level of net income, its sustainable growth rate may be far above that of ADB. ADB is compelled to retain more than 80% of its earnings because it has a cycle of investments opportunities especially in the agricultural sector to finance. This argument is reinforced by the mandate of ADB to focus on the agricultural sector at a time when other banks invest less of the funds in agriculture.

Conclusion

The performance of Ghanaian banks with M&A noise has been studied by decomposing ROE into ROIF and ROFL to indicate the trade off between the return and risk taking of these banks. The performance of Cal Bank and ADB has been measured with that of SG-SSB Ltd because this is the only example of M&A in the banking sector with operation beyond five years. SG-SSB Ltd is therefore referred to as the mirror bank.

The performance of SG-SSB Ltd, Cal Bank and ADB in terms of ROE is better than the industry performance from 2002 to 2006. The sustainable growth rate of ADB is higher than Cal Bank and SG-SSB Ltd due to the high retention rate of ADB consistently in excess of 80% over the period. Both Cal Bank and ADB took more liquidity, credit, interest rate and capital risks than SG-SSB Ltd.

The attractiveness of ADB and Cal Bank to potential acquirers is mainly due to their impressive and potential performance over the period.

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Women in Management: Gender Inequality and the Glass Ceiling

Emmanuel A. Yarquah

Abstract

All through the corporate world, women have been instrumental in the drive for business success in many ways, yet there are social barriers and conceptions about their gender that tend to influence their place in management.

This paper looks at major causes of gender inequality in our society the psychological and sociological factors. It is a reflective study based on the concept of the Glass Ceiling. It is drawn from a study done in 2007 using organisations in Ghana's Club 100 listing of 2005.

The strongest common factor named as the cause of societal discrimination against women is that of social stereotyping. This influence cannot be overlooked, especially in light of the fact that societal stereotyping stems from physiological/natural characteristics of women.

Introduction

The term 'Glass Ceiling' was coined in the 1970s in the United States of America to describe the invisible artificial barriers created by attitudinal and organizational prejudices barring women from occupying top executive jobs. According to an ILO report "Breaking through the Glass Ceiling: Women in Management" (Wirth, 2001), it is an apt definition for an ongoing problem. And despite recent progress the Glass Ceiling in Ghana is still relatively intact.

"All human societies divide themselves into two social categories called 'female' and 'male'. Each category is defined on the basis of varying cultural assumptions about the attributes, beliefs and behaviours expected from males and females. The gender of any individual depends on a complex combination of genetic, body, physiological and social elements, none of which are free from possible ambiguity or anomaly. Traditionally, sexual differences have been used to justify a male dominated society in which women have been given inferior or secondary roles in their working lives." (Price, 2004, p. 458) It is an undeniable revulsion that the woman, right from birth has seen herself counted among the low esteemed in the traditions of society (there are variations here depending on the society one is coming from). Opinions are that:

1. The woman as an 'item' is bought and owned by her husband (Nash, 1981, p. 107).
2. Her place in life is the management of the home even that subject to the man.
3. She is an 'element of pleasure' (George Aggudey, Presidential aspirant of the Conventions People Party for the 2004 General Elections) an assertion which was widely condemned by women activists in Ghana and beyond.

Some Causes of Gender Inequality

A number of studies have shown that society holds some views about women which eventually lend support to the glass ceiling, itself a product of gender inequality. There are three levels of studies here: The Individual, The Social Psychological Level and The Sociological Levels.

The Individual Level

Theories drawn in this level are largely physiological. Much of the argument in these theories is with the inequality in the division of labour. As far back as we have acknowledged, human societies have to some degree practiced a division of labour so that not everyone in society performs the same set of tasks. Views under this level of study include **the conventional anthropological** and the **bio sociological views**.

The Conventional Anthropological View—This theory holds that in a small primitive society, the vital task of having babies could only be assigned to women. Other tasks assigned to women tended to be work that was compatible with the focal responsibilities of pregnancy and child rearing. This left to the males the tasks requiring absence from home and freedom from caring for children. There could be variations from society to society in precisely how men and women divided the tasks, but this is a generalisation. Males took over and claimed such important responsibilities as hunting, defence and offence. Such physical differences gave males an initial advantage, an advantage they exploited into a system of structured inequality (Richmond Abbott, 1992).

As society shifted from subsistence living to industry, the family gradually ceased to be the site of economic production. Jobs were increasingly found outside the home in workshops and factories. The men ventured out into the work world and women were tied to the home. This made men better of economically than women who had by now come to be all the more economically dependent on men.

The Bio Sociological View —This group made a simple but significant input into this whole argument for the source of gender inequality. According to proponents of this theory, gender stratification in society is not so much as caused by gender determination. They contend that biological contributions shape what is learned and that there are differences in the ease with which the sexes can learn certain things. This theory is in consonance with that of Dr. Gary Smalley and Steve Scott (Smalley & Scott, 1982; Ritzer, 1986). The issue here is that biology plays a role in gender role differentiation.

The Social—Psychological Level

Childhood socialisation—Socialisation for sex roles play a causal role in sex role inequalities in that we tend to socialise children into stereotypical male and female characteristics. Boys are taught at a tender age to possess instrumental personality traits which involve being industrious, decisive, dominant, aggressive, competitive, logical, tough, strong and unsentimental. On the other hand, girls are made to believe they must be sympathetic, compassionate, sensitive, aesthetic, followers and more moral.

We must appreciate the fact that most parents have these stereotypes in mind when they are raising their children. Boys are given the toy gun and car as Christmas gifts and the girls tend to have dolls (telling them that they will grow to raise children). The consequences of such stereotyping in the future life of every child cannot be ruled out.

Jack Sattel has argued that boys are generally socialised to be inexpressive; unable to show such things as affection, tenderness and emotion. He further contended that inexpressiveness is a characteristic that is needed to exercise power and that is what males learn during the process of socialisation. (Sattel, 1982)

Sociological Level

The Schools —The educational system also contributes to sex stratification in society. The treatment of males and females in children's textbooks depicts stereotyped sex roles. Even in pre school books, boys are pictured doing active, industrious and adventurous things. When girls are pictured they are shown in more passive, unproductive and generally inconspicuous postures. Boys are the 'doers'; girls are passive supporters. These are the forerunners of the instrumental and expressive dimensions of traditional roles.

At Work—Institutional sexism at work is typically portrayed in the gender segregation of occupations. This means that certain jobs have been traditionally assigned to women, while others have been reserved by and for men. Heidi Hartmann has examined the root of the question of occupational sex segregation. She sees this division of labour as the combined product of capitalism and patriarchy (Hartmann, 1975).

Hartmann sees patriarchy or the hierarchical relation between men and women in which men are dominant and women subordinate as preceding capitalism. In Patriarchical systems, men controlled the labour of women (and children) through a system of personal control. However, with the advent of capitalism and its large scale economic units, such personal control was no longer adequate. What was needed in capitalism was more indirect and more impersonal methods of control. Although the capitalist control is not replacing Patriarchical control, in the name of maintaining the patriarchal system, men have acted in a variety of ways to keep women in a subordinate position.

The Glass Ceiling at the Work Place

A number of factors have been espoused as specifically contributing to why fewer women are found in leadership positions in the corporate world.

1. First, the fact remains that the nature of women's career paths blocks their progress to top positions. At lower management levels, women are typically placed in non strategic sectors and in personnel and administrative positions rather than in professional and line management jobs leading to the top. This means most women will be left out of the opportunity to do stretch assignments which provide the experiences necessary for successful promotions.

2. Often, these initial disadvantages are compounded by women being cut off from networks, formal and informal, so essential for career advancement. Exclusions from informal networks range from women not being invited to play golf with male colleagues to being left out of key discussions in the "men's rooms". The latter happened to Dr. Jacquelyn Kosecoff, an Executive Vice President of Pacific Care Health Systems Incorporated (USA) when she was the only female board member at another publicly held company. In the middle of a debate about a proposed acquisition, some Directors and the investment bankers reached a tentative agreement about important aspects of the deal during a bathroom break.

3. For women with family responsibilities, their upward movement may be hampered as they juggle time to devote to both career and family. An important feature of professional and especially managerial work is the long working hours that seem to be required to gain recognition and eventual promotion. A recent ILO report revealed that removing one's wedding ring before a job interview has become commonplace among women, along with hiding details about family plans.

Mrs. Elizabeth Adjei, Director of the Ghana Immigration Service observed that:

> *The blunt fact is that women face multiple social and professional challenges. There are many social and professional barriers militating against women's ability to realize their full potential. There is the pressure to live up to the expectation of womanhood; the pressure to marry, procreate and mother children. But ironically, fulfilling this role, that is, being a mother or a potential mother is a major obstacle to women's professional mobility, because no one wants to have people who are likely to be absent for long hours, weeks and months in the name of procreation.*
>
> *Further, some professions are simply not women/feminine friendly, both in terms of job content and work environment. In the security services for example, the job structure and content, working hours, transfers, etc do not help women to improve themselves. Being unable to leave your family to go on transfer or to undertake physical activities gives the impression that women are less committed to their advancement than men. Yet appraisals about performance and promotion are dependent on how much time you can avail to the job. And in this case, women, by virtue*

of their natural roles will always be disadvantaged because the systems are unsympathetic to family considerations. (Adjei, 2006).

In 2007, a survey was conducted (by the author) involving women managers and non managers as well as men managers (to provide a balanced view) from the Ghana Club 100 listing of 2005. A summary of the survey revealed that:

100% of women managers and non managers said it did exist;
76.9% of men managers admitted that the Glass Ceiling existed.

Again, while majority of respondents affirmed that there were barriers to women's advancement in the business world, just a little over 55% admitted that it was due to natural factors such as family life, career tendencies and the biological disposition of women that makes them very much at the centre of human reproduction. The remaining percentage attributed the glass ceiling effect to artificial causes such as unfair workplace tendencies and societal prejudices against women.

Call to Action

1. The level of stratification based on gender in our school literature could be adjusted to ensure that children do not grow up with the notion already inculcated in them that men lead in society and women are meant for raising families. School textbooks, especially those at the lower levels of Basic Education should be made to include pictures/drawing of women taking active leadership roles in society or doing the 'blue collar' jobs like mining. These mental frames when built up in the young girl child will certainly not make her behave as if certain jobs are the preserve of men or that leadership is reserved for men. That will also help boys to raise their regard levels for girls and avoid viewing girls as 'subordinates'.

2. In Management Development, one strategy that can well be used to develop successors is Mentoring. Organisations should make concerted efforts at providing mentoring for women in Middle Level Management. The problem here will be: how many organisations have women in Top Management Positions? The answer then will be to make conscious attempts at promoting qualified and capable women to fill vacancies in Top Management positions. This will give other women managers Role Models to look up to.

Childbearing, as a natural part of women, should be treated as a National Asset. This is in the sense that it is a means of providing the human resource base for National Development. Countries such as Singapore and Sweden place value on child birth and child development. It is the developed human resources that can channel material resources into real development.

3. Corporate Institutions are also admonished to provide women in management positions with stretch assignments. This will provide opportunities for them to explore and improve upon their managerial and leadership skills. ICT should be used to help reduce loss of man hours during Maternity leave. Telecommuting with the aid of the intra/internet will enable a woman on leave to perform some duties that may not necessarily be stressful.

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Short Essay on Empirical Finance Research: Current Trends and a Call for Future Studies

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Abstract

Corporate finance practice is a function that deals with the financing needs of a company. In this paper, a critical survey was conducted to identify the key literature in order to isolate the leading theoretical and empirical issues surrounding company financing and capital structure that are particularly relevant for developing economies. The paper aims to take stock of existing knowledge in the area and identify the main strands of theoretical and empirical literature, considering the policy implications of existing knowledge, and spelling out the current policy problems which should be addressed by future research. The suggested areas resulted purely from a PhD research conducted in the area of construction finance in Ghana. The methodology adopted for the main PhD work involved multiple research approach. The empirical investigation was conducted using structured interviews and survey questionnaire. The interviews were conducted prior to the survey to solicit in-depth information about the financing practices and constraints of these large contractors. The interviews led to the identification of key issues which were not mentioned in literature. These concerns were later investigated and tested using survey questionnaires. Conforming to the orthodoxy of purposive and cluster sampling techniques, the dataset was obtained from 49 large construction firms operating in Ghana. The consideration of overlapping aspects of the study largely motivated the use of factor analysis to analyse the data which made it possible to make scientific deductions, descriptions and built explanations from the results. The development of regression models using explanatory variables such as financial condition of the firm, macro-economic indicators, bankruptcy cost, financial risk, transaction cost and financial policy to establish the relationship between the corresponding dependent variables (thus, equity finance and debt finance) together with the management and sustainability of suitable financing programme for construction firms in Ghana recommended policy problems further research.

Keywords: Capital Structure, Corporate Finance, Financial Practices, Further Research

1.0 Introduction

Corporate finance practice is a function that deals with the financing needs of a company (Graham and Harvey, 2001). According to Heaton (2002), corporate finance is the realm of tactics used to increase cash flow as well as make practical investment decisions in such a manner that the company starts registering growth in all spheres. Lamont (1997) stated that project cash flows could not be sole contributors of cash, which is required to realize essential financing needs of the company. This would mean that the financial structure of a company arises from the ways in which it finances new investment. There are three main funding choices which are then reflected in a firm's capital structure: employ retained earnings, borrow using debt instruments or issue new shares (Owusu, et al 2008). These components of capital structure also reflect firm ownership in the sense that retentions and equity correspond to shareholder interests while borrowing gives rise to claims by debt holders (La-Porta, *et al* 1999). Capital structure also affects corporate behaviour (Hutton and Kenc, 1998).

Thus financial structure is concerned with the closely-linked relationships among financing policy, capital structure and firm ownership. The development of these relationships is a key factor in explaining how economic agents acquire and utilize assets through firms and capital markets, and creates returns, whether in the form of direct remuneration, capital gains, debt interest or dividends. Fawthrop (1969) reported that the decision to use one method of financing a particular project would usually interrupt the decisions as to the financing of other projects, which the firm may wish to implement sometime in the future. Although these financial decisions may vary depending upon the nature of the company, all of them are concerned with enhancing the corporate value of the company by ensuring that the return on capital always exceeds the cost of the capital, without taking excessive financial risks (Levy and Marshall, 1990). Corporate finance decisions could be segregated into two categories *viz*. long-term decisions, also called capital investment decisions, and short-term decisions, commonly known as working capital management (Levy and Marshall, 1990).

While the former is concerned with decisions on fixed assets and capital structure, the latter includes decisions that manage short-term assets and short-term liabilities in such manner that the company has sufficient cash flow to fulfil the maturing short-term debt as well as forthcoming operational expenses (Larrain and Matias, 2005). Long-term corporate finance decisions comprise of an investment decision, a financing decision and a dividend decision (Myers and Majluf, 1984). The investment decision relates to the selection of assets in which the company will invest funds. Thus, the investment decision is broadly concerned with the asset mix or the composition of assets in which the company must make the investment (Levy and Marshall, 1990). The second component of capital investment decisions is the financial decision, which relates to the choice of the proportion of debt and equity capital sources to finance the investment requirements (Graham and Harvey, 2001). Dependent upon the financial decision is the dividend decision where the corporate finance decision-makers decide whether to distribute the company's profit as dividends to shareholder or to retain for investment in the company itself (Baker and Wurgler, 2002). This decision depends upon the dividend payout ratio, preferences of the shareholders and the investment opportunities available, and the dividend policy of the company (Koutsoyiannis, 1982; Mwenda, 1993).

Obviously, there is no doubt about the numerous volume of research on company financial structure and financing practices in developed countries, but virtually no work has been done on developing countries (LDCs), apart from a limited amount of empirical research pioneered particularly by Singh: for example, Hamid and Singh (1992), Singh (1995) and Brada and Singh (1999). It is scarcely an exaggeration to state that, until recently, corporate finance did not exist as an area of research for LDCs. Some of the reasons for this are clear. Many LDCs initially chose a state-sponsored route to development, with an insignificant role assigned to the private corporate sector. In the poorer countries, irrespective of development strategy, there is only an embryonic corporate sector and most corporate financing needs have been met by regional and international development banks. However, in almost all these countries, development banks have experienced serious difficulties (Murinde, 1996; Murinde and Kariisâ-Kasa, 1997). Thus there is a conspicuous gap in the empirical research on corporate finance in LDCs; this gap requires urgent attention, given that the research is likely to have profound policy implications for promoting poverty-reducing economic growth. It is against this backdrop that this paper is initiated to identify the possible researchable areas for the consideration of future studies.

In this paper, a critical survey was conducted to identify the key literature in order to isolate the leading theoretical and empirical issues surrounding company financing, capital structure and ownership that are particularly relevant for developing economies. The paper aims to take stock of existing knowledge in the area and identify the main strands of the theoretical and empirical literature, considering the policy implications of existing knowledge, and spelling out the current policy problems which should be addressed by future research. The literature as a whole is fragmented, and there are numerous ways in which a review could be organized. As the subject area is vast, the survey is highly selective. Well-known theories are not discussed at length; only the main arguments within the literature are summarized.

The paper does not cover the numerous topics, such as dividend policy, which indirectly relate to capital structure but which are the subject of a substantial literature in their own right. In the empirical part of the survey, the paper again concentrates on research involving the direct description and analysis of possible areas that need urgent attention. The paper mainly reports on suggested future study areas which evolved from a PhD research conducted by the author himself. The paper is carefully structured as follows; first, it begins by drawing lessons from current finance studies relevant to developing countries. These lessons made it possible to identify the main strands of research directions in finance studies and where deliberation is needed. The paper continues by discussing the abstract of the main PhD research. This was intended to provide a summary of the main research that made it possible to derive the policy problems presented in this paper. The abstract is concise and informative and focuses primarily on findings of the research and the methodology that drove the research process. The final section deals with the policy problems with invitation directed to experts and researchers to join hands in producing knowledge to fill the empirical research gap in the field of construction finance in Ghana.

2.0 Recent Trends in Corporate Finance Research

The recent corporate finance literature reflects two major evolutionary trends, and two rather significant departures from prior work. One major trend is the integration of industrial organization theories into finance. This linkage is obvious when one is discussing the merits and demerits of internal and external capital for the firm. The second major trend is the continued refinement of ideas related to the impact of taxation on corporate decision making. One of the sharp departures from prior paradigms is the literature's increased focus on law and finance, especially on corporate governance issues.

The second sharp departure is evidenced by many authors' willingness to adopt behavioural approaches, including a willingness to assume that informational inefficiencies are an important determinant of managerial choices. In addition to changes in its underlying theoretical paradigms, the corporate finance literature has also experienced several notable methodological changes with particular emphasis on capital structure of the firm. Finance and capital structure research has gone through three phases in a half-century since Modigliani and Miller's (1958) pioneering work introduced arbitrage proofs into finance and remains one of the most important focuses of corporate finance research. Modigliani and Miller (1958) assume market efficiency and treat operating decisions as exogenous when analyzing corporate finance decisions. The first phase of research focused on relaxing assumptions regarding the "perfect market" assumptions about taxes, inflation and interest rate. Theoretical developments in the 1980s were affected by the increasing use of game theory in corporate finance. In this golden age of asymmetric information models in finance, the assumptions of exogenous operating decisions and semi-strong form market efficiency continued to prevail. The second phase of capital structure research began with the publication of Jensen and Meckling (1976) and Myers (1977).

The takeover battles of the 1980s, and Jensen's (1986) free cash flow analysis suggesting that financial policy's effect on managerial incentives was the primary motivation for leveraged buyouts and debt-financed takeovers changed the paradigm. The dependence of operating decisions on financial policy is explicit in literature on contracting and on product market-financial structure interactions. But almost all of the analysis maintains the assumption of semi-strong form market efficiency. The third phase of capital structure research dropped the assumption of market efficiency.

Following the publication on the long-run performance of initial public offerings (Ritter, 1991), many studies have examined corporate financial decisions where existing shareholders can create value for themselves not only by having the firm undertake positive projects, but also by timing external financing decisions to take advantage of time-varying relative costs of debt and equity caused by market asymmetry. **Graham and Harvey (2001),** survey practitioners about their views on capital structure, securities issuance, payout policy, and other central questions of corporate finance. In general, the practitioners' opinions reflect tax and other traditional literature views of the forces shaping these financial decisions.

But the respondents also report strong support for market timing based upon temporary mis-valuations, a consideration dismissed in most literature. **Heaton (2002)** developed several predictions based on the assumption that managers are over-optimistic about their abilities and their firm's prospects. Heaton predicted that managers are loath to issue external equity because they think that their firm is undervalued, and that they are inclined to acquire other firms because they think that their superior managerial abilities will create value. **Baker and Wurgler (2002)** demonstrate that a firm's debt ratio today is heavily dependent on its market-to-book ratios in the distant past. They interpret this finding as consistent with firm's successfully timing the market to take advantage of overvalued external equity. Baker and Wurgler (2002) and Welch (2004) both argue that, as with the pecking order theory of capital structure, inertia is of first-order importance in explaining observed capital structures. While an active literature in recent years deals with the determinants of capital structure, relatively little work considers what managers *should* consider in setting capital structure.

This paucity of analysis is apparent in literature, which contain few prescriptions on how to determine the optimal debt ratio for a firm with specific characteristics. One of the few papers that tackle the difficult issue of what managers should do is **Stein (1996).** Stein identifies the managerial decision rules and argues that what a manager should do depends upon 1) whether the firm is financially constrained or not, and 2) whether managers have a short-term or long-term objective function. Although some of the most exciting recent work on capital structure and securities issuance has dropped the assumption of market efficiency, traditional approaches remain relevant. While the traditional static model of capital structure that trades off the tax advantage of debt financing and the costs of financial distress has been in literature for some time, most studies have little to say about the empirical estimates of these two factors. Opler, et al (1999) investigates the determinants and implications of corporate cash holdings. They interpret their findings as consistent with excessive caution on the part of corporate managers, with only slight tendencies to boost payouts.

3.0 Précis of The Empirical Findings from the Main Research

The study of financing practices of construction firms is largely considered an important subject in relation to the growing number of projects that demand considerable financial input and equipment investment. It is clear that firms' financing issues play a significant role in their day-to-day business operations. However, it is hard to find any empirical research which investigates and analyses the financing practices of construction firms in Ghana. In addition, knowledge on how best to engage stakeholders towards suitable financing options for construction firms is lacking. This study thus, advanced knowledge on strategic decision choices in relation to large construction firms' financing practices in Ghana and examined the factors that influence the financing strategy adopted by these large Ghanaian construction firms. A review of literature on corporate finance practices in terms of capital structure and financing decisions revealed some gaps in knowledge, which guided the setting of the objectives and the key research questions in this study.

The philosophical position of the research influenced the methodology adopted for this study. While taking an idealist view in ontological assumptions, it holds social constructionist stance in epistemological traditions with value laden axiological undertakings. Adopting multiple research approach, the empirical investigation was conducted using structured interviews and survey questionnaire. The interviews were conducted prior to the survey to solicit in-depth information about the financing practices of these large contractors. The interviews led to the identification of key issues which were not mentioned in literature. These concerns were later investigated and tested using survey questionnaires. Conforming to the orthodoxy of purposive and cluster sampling techniques, the dataset was obtained from 49 large construction firms operating in Ghana. The consideration of overlapping aspects of the study largely motivated the use of factor analysis to analyse the data which made it possible to make scientific deductions, descriptions and built explanations from the results. By the performance of this research, *four major findings have emerged with regard to the problems inherent in contractors' equipment finance practices, which were manifested in* legal policy gap, information gap, repayment gap and credit gap. The study established that finance gap exists between construction firms and financial institutions in Ghana, mainly because of the imbalance between the demand and supply side of finance. With regard to the causes of the finance gap; lending policy gap, management gap, financial strength gap and information gap were observed by the study as the main origins. The study provides fresh contribution to knowledge and fills the empirical research gap by deriving six new brands of uncorrelated variables that better explain firms' financing practices and decisions. These variables were manifested in the financial condition of the firm, macro-economic indicators, bankruptcy cost, financial risk, transaction cost and financial policy of the firm. Several policy measures have emerged by the performance of this research and explained in terms of establishing specialized construction bank, constitution of adequate fiscal legal framework, formation of reliable information bureau system, establishment of credit guarantee scheme, development of strategy for financial capability and introduction of diminishing partnership formula.

4.0 Recommended Policy Problems for Future Research

This research is a pioneer study that endeavoured to investigate the financing practices of construction firms in Ghana and has opened up several directions for future studies. The following research areas and themes are therefore suggested for future studies to enrich the empirical research in Ghana and other developing countries. Invitation is therefore thrown to the entire research community in this field to join hands in embarking on this endeavour.

4.1 Development of Regression Models

Five new brands of independent (explanatory) variables that explain the choice between equity and debt finance (dependent variables) of construction firms in Ghana were established by the study as earlier stated. Regression models could be developed using these variables to examine and establish the relationship between the explanatory variables (financial strength, financial policy, financial risk, bankruptcy cost and transaction cost) and dependent variables (equity finance and debt finance). This would be a valuable contribution to the body of knowledge. Again, regression models could be developed using the macro-economic indicators (i.e. interest rate, taxation and inflation), which have been used to explain firms' financing behaviour in developed countries. Such a study would validate and establish the relationship between theoretical models and empirical findings in the context of developing countries.

4.2 Management, Sustainability and Success Factors of Construction Bank

Establishing a specialized construction bank was highly recommended by the PhD research as a policy direction. It should be recognized that this would require investment in time, expertise, systems and methodologies, and organizational structures. Research would have to be undertaken to identify institutions and organizations that would want to participate, and the role they could play. Critical to the success of the proposed bank would be effectiveness of the board in guiding senior management and analyzing its plans and reports. There are no easy answers to effective governance. An essential ingredient, however, would be to clearly outline the functions of the board to enable selection of members. Considering the diversity of the construction process, and the need for several interrelated factors to be addressed, it would be necessary for the board to comprise diversity of expertise. It must be recognized that, past experiences should give as a clue on future possibilities and should give us a sense of vision that will direct us onto strategic actions to achieve corporate success tomorrow. By this, it is reasonable to suggest a research to probe into what led to the eventual liquidation of the defunct Bank for Housing and Construction. The findings of such a study would give insight into areas such as profitability, productivity, project evaluation and monitoring techniques, management and stakeholders, marketing, recruitment of manpower, among other variables.

4.3 Review and Modification of Financial Regulations and Policies in Ghana

Another important issue emerging from the study is the role of legislative policies as a major constraint to the development of accessible financial market for construction firms. It would be a valuable type of insight if the influence of these policies on the financing behaviour of construction firms could be studied. In particular, a research effort to explore and examine the impact of the various clauses, articles and sections of the existing financial regulations on the financing behaviour and choices of construction firms would be commendable. This would help unearth the hard rules and conclusively suggest possible amendments to the identified problem rules.

4.4 Investigate the Impact of Financial Ratios on Financing Behaviour of Firms

Little is known about the impact of financial ratios upon the financing behaviour and financial choices of firms. This study has been among the pioneering studies to introduce the topic of financial variables into empirical studies. There are hardly any empirical studies covering these topics. It is therefore recommendable to conduct a further research to examine whether any significant differences exist between financial variables such as liquidity, profitability, gearing and asset base of the firm with regard to their financing practices.

4.5 Define Framework for Achieving Financial Capability

This study has established that financial capability of managers is essential in achieving corporate financial success. However, there are no indications of how managerial financial capability could be achieved. Though this study has attempted to provide possible directions and policy implications for achieving financial capability, this would merit further empirical probe to define a framework for achieving financial capability for managements. The results of such a study would be a valuable contribution to the body of knowledge.

4.6 Criteria for Setting Financial Policies

Firms' financial policies might be a grey researchable area. So far there are no empirical evidences about the determinants of financial policies of construction firms in Ghana. However, literature suggests that firms in developed countries set their financial policies under the following thematic topics, thus, operating management policies, capital management policies, debt management policies, reserve policies, and financial reporting policies. A study tailored to investigate the criteria for setting financial policies for construction firms in developing countries, particularly with Ghana would significantly contribute to the empirical debate. The findings of such a study would provide deep insights into how firms could develop strategic actions to achieve corporate financial targets.

4.7 Assessment of Financial Conditions of Firms

The study has endeavoured efforts to establish that financial conditions of firms have influence on firms' decision to use equity or debt to finance their investment activities. However, the study failed to establish the real financial conditions of construction firms in Ghana and the factors that determine financial conditions. This lack does not give any clue on whether the current financial position of construction firms would be able to accommodate financing their investment activities by debt. A clue about their past and current financial position would also provide evidence to lenders about their ability to service their debt if external finance is granted to them. A further study channelled to identify specific factors that affect firms' financial conditions and analysis of these factors to test performance of the firms against the identified indicators would provide informative tools for monitoring the financial conditions of the firms thereby, allowing managements to be alert and derive better understanding into the forces that affect the *cash and budgetary solvency of* the firms and the obstacles associated with measuring the firms' financial condition. This would be a meaningful contribution to the finance literature pertaining construction finance.

4.8 Determinants of Lending Strategy

The study has given keen attention to one side of the equation, that is, the demand side of finance without looking at the supply side of finance. This was intentional because the time allotted for the study could not practically allow the consideration of both the demand side (i.e. construction firms) and the supply side (i.e. financial institutions) simultaneously. However, the literature review exhaustively considered both sides of the equation. To better contribute to the understanding of empirical debate on the topic and construction finance literature and how financial institutions respond to construction firms regarding provision of external finance to construction firms, an empirical study engineered to investigate the determinants of lending strategy would be a meaningful contribution to knowledge. Such a study would provide the necessary information about lending criteria of financial institutions, which positioned the potential borrower to meet set financing requirements.

5.0 Conclusions

This paper confirms the recognition that no research work, comparative or otherwise, is really complete or will provide answers to all questions. This stems from the fact that research is a continuous process, and a logical and scholarly answer to a research question is a stimulus to other research problems. Throughout the course of this research, a number of areas were identified and therefore opens many opportunities for further investigations, which could provide fruitful results if investigated further. The areas suggested are relevant and hoped to directly contribute to knowledge.

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ECONOMIC AND FINANCIAL REPORT

Databank

Leadership

Africa Stock Markets

2008 Half Year Review & Outloo

Group Research July 2008

Africa: An Oasis For Investors

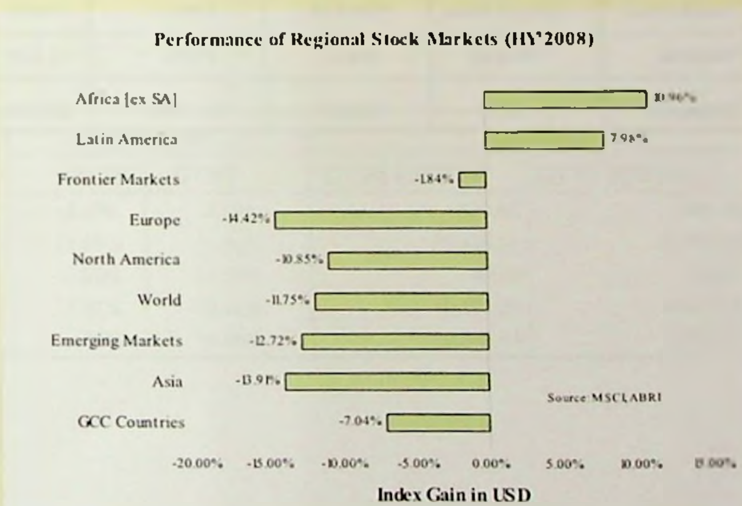
Against the backdrop of economic challenges such as the ever increasing crude oil price on the global market, rising food prices on the global markets and attendant inflation, African stock markets posted remarkable growth during half year 2008.

Africa progressively offers an imperative prospect for many investors in global investment allotment. This is attributable to their strong performance and potential especially in view of steady and fast economic growth throughout the continent.

Deepening economic restructuring in recent years has ensured robust GDP growth in countries such as Zambia, Ghana, Uganda, Nigeria, South Africa and Kenya. In spite of volatile peace situations in sections of the African continent, Africa entrenched its stock market growth as countries across the region posted remarkable half year 2008 performance.

Out of the top ten performing stock markets in the world, four are African Stock Markets (Zambia at no 3, BRVM at no 5, Ghana at no 6 and Tunisia at no 8). These four averaged a HY return of 28 per cent.

Excluding South Africa, Namibia and Botswana which posted abysmal performance, the other countries averaged a return of 15 per cent. Average return for the entire continent was 10%, comparing



Source: Africanfinancialmarkets.com

much favorably with the -11.75 per cent for the world. Average PE for 11 out of the 15 markets at the end of HY 2008 was 18.95x.

African stocks are forecasted to continue their rally and stay ahead of the rest of the world. This will be on account of fundamental economic growth and high patronage of African markets by European, Asian and American investors who wish to circumvent their low yield markets and enjoy high growth presented by the African markets.

Nigeria, South Africa and Kenya will albeit proceed at a subdued pace since most stocks on these markets are trading at rich price earnings multiples and market correction is anticipated in the short term.

Africa investors should diversify their portfolios across the continent with fewer holdings in the southern markets. Financial stocks in the southern parts of Africa are not expected to yield exciting returns due to their high exposure to mature markets.

OUNTRIES C	STOCK MARKET		CHANGE (%)		P/E (X)	MKT CAP (US$BN)	INFLATION
	NAME	INDEX LEVEL	YTD (LC)	YTD (USD)			
Zambia	All Share	4169.03	17.99%	40.78%	22.85	9.81	10.9
BRVM	BRVM Comp	236.80	18.73%	26.19%	13.70	10.34	na
Ghana	DSI	11315.40	33.70%	25.67%	21.16	16.61	16.88
Tunisia	TUNINDEX	3057.79	16.97%	22.74%	na	na	5.3
Morocco	MASI	14191.07	11.78%	18.33%	28.96	89.68	3.7
Malawi	Domestic	4409.31	15.32%	17.28%	11.19	1.47	8.1
Uganda	ALSI	1095.87	10.57%	15.54%	18.10	4.10	12.4
Tanzania	DSEI	1105.18	8.09%	3.62%	na	2.89	9.1
Mauritius	SEMDEX	1842.14	-0.54%	3.10%	12.10	6.18	8.8
Kenya	NSE 20	5185.56	-4.76%	-1.47%	22.36	19.02	31.5
Egypt	CASE 30	9827.28	-6.85%	-4.82%	15.28	149.64	19.7
Nigeria	All Share	55949.00	-3.52%	-4.84%	33.37	91.22	9.7
South Africa	JSE All Share	30413.43	5.03%	-9.61%	na	na	11.7
Namibia	Overall	956.37	2.90%	-11.51%	9.41	147.73	9.7
Botswana	DCI	7184.07	-14.75%	-20.11%	na	4.20	12.1

Africa Sector Index Movements

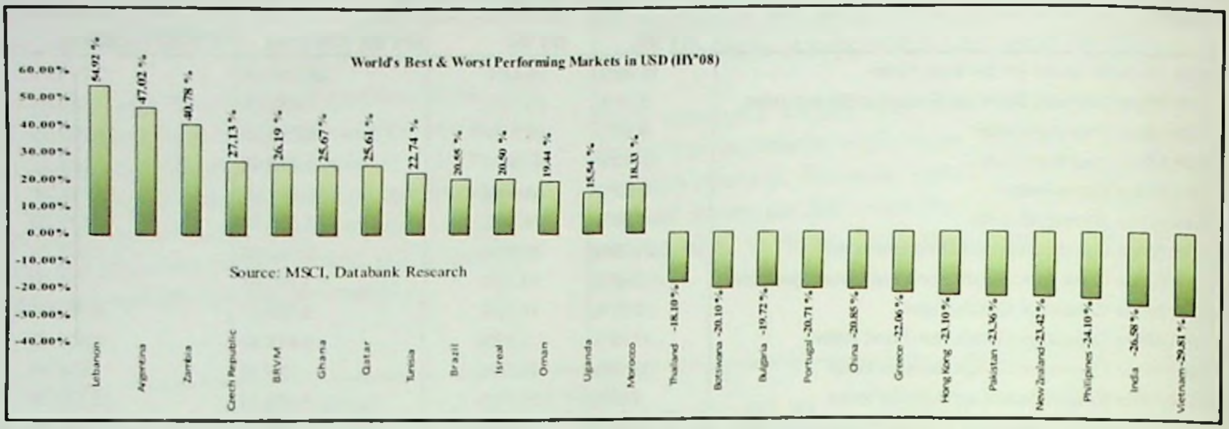
Index	Index Gains		Turnover	
	HY'08	HY'07	HY'08 (US$'m)	HY'07 (US$'m)
ABR Africa All Share (ex S-Africa) Index	10.96%	19.44%	28,810.14	13,716.47
ABR Africa Financial Services (Excluding Banks) Index	3.63%	20.16%	332.53	225.94
ABR Africa Financials Index	4.49%	54.13%	16,710.58	14,332.91
ABR Africa Insurance Index	20.14%	61.91%	1,387.47	352.57
ABR Africa Banks Index	6.69%	58.16%	10,290.15	10,018.26
ABR Africa Chemicals Index	41.09%	14.84%	1,504.57	579.20
ABR Africa Construction and Materials Index	27.36%	23.16%	5,960.85	3,537.74
ABR Africa Consumer Goods Food and Beverages Index	6.48%	19.41%	1,741.91	1,131.50
ABR Africa Consumer Goods Index	10.07%	17.38%	8,055.91	5,263.94
ABR Africa Consumer Goods Non Food Index	47.66%	-13.91%	3,674.52	1,508.83
ABR Africa Diversified Conglomerates Index	12.55%	16.68%	599.16	644.94
ABR Africa Entertainment and Leisure Index	0.65%	29.73%	1,455.14	2,275.14
ABR Africa Automobiles and transport Equipment Index	3.96%	3.83%	254.73	41.82
ABR Africa Agriculture and Raw Materials Index	41.94%	22.81%	832.03	105.90
ABR Africa Industrials Index	25.20%	21.08%	9,329.91	5,113.27
ABR Africa Large Company Index	8.57%	21.13%	19,054.05	15,033.37
ABR Africa Manufacturing Index	18.88%	15.18%	985.24	211.39
ABR Africa Media Index	14.81%	-13.63%	24.08	12.78
ABR Africa Medium Company Index	12.41%	39.32%	8,835.27	9,780.09
ABR Africa Mining and Metals Index	-0.50%	25.61%	388.15	126.66
ABR Africa Natural Resources Index	27.41%	-0.10%	1,486.98	1,267.63
ABR Africa Oil and Gas Index	30.95%	-4.45%	1,098.83	1,140.97
ABR Africa Pharmaceuticals and Health Index	5.52%	11.81%	97.57	200.75
ABR Africa Property and Real Estate Index	-9.79%	35.12%	4,700.43	3,736.14
ABR Africa Retail and General Trading Index	-13.49%	50.28%	59.99	47.23
ABR Africa Services Index	-2.75%	20.11%	103.15	97.03
ABR Africa Small Company Index	23.31%	33.05%	11,768.49	4,196.50
ABR Africa Telecommunications Index	10.98%	3.27%	3,031.17	2,570.12
ABR Africa Transportation Index	1.05%	24.82%	229.40	149.58
ABR Africa Utilities Index	-7.03%	17.39%	710.72	214.60

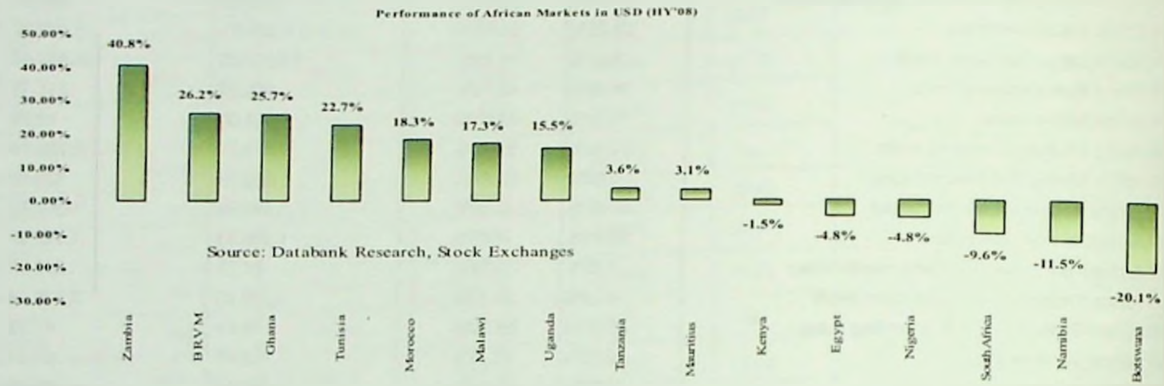
Source: ABRI

Africa Regional Index Movements

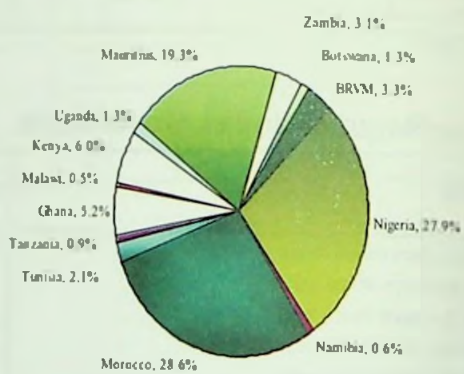
Index	Index Gains		Turnover	
	Q1'08	Q1'07	Q1'08 (US$'m)	Q1'07 (US$'m)
ABR Eastern Africa Index	6.47%	4.31%	580.66	801.84
ABR Northern Africa Index	12.99%	14.46%	29,434.82	22,197.50
ABR Southern Africa Index	-2.53%	52.40%	92.79	78.41
ABR Sub-Saharan Africa Index	7.97%	53.58%	10,223.00	6,812.46
ABR Western Africa Index	9.47%	76.98%	9,549.54	5,932.21

Source: ABRI





Market Size of African Stock Exchanges



3

Ghana

Political Outlook

Presidential and Parliamentary elections are due in December 2008 and the two major political parties; the ruling NPP and opposition NDC are going all out in what most people believe is an opportunity for Ghanaians to decide between these two parties who have both had two terms in office since 1992. The elections are expected to be peaceful this year except for concerns in the already volatile Northern Region. The decade old conflict in the volatile north continues to be a sticky point for an otherwise peaceful country established as a beacon of peace and democracy in Africa.

Economic Outlook

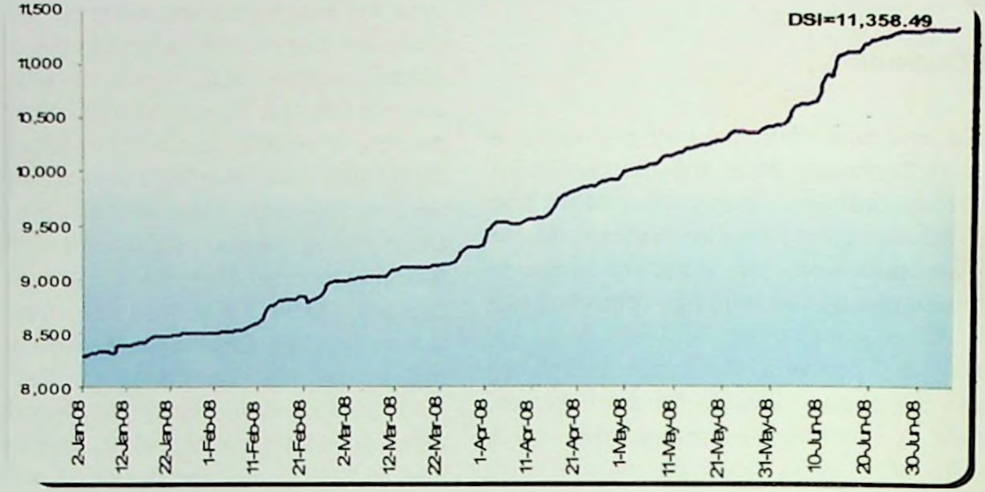
With the reversal of the disinflation process since the last quarter of 2007, the economy is likely to further suffer from price level shocks during the third quarter. Persistent strong domestic demand emanating from increased fiscal and banking sector credit expansion has led to a further depreciation of the cedi amidst capital inflows and continuing debt relief effects. The Composite Index of Economic Activity [CIEA] posted a year-to-date return of 28.5% (y/y) during the first quarter of 2008; and we expect it to further improve in the second half of the year. Consumer and business expectations, however, were on the downside by half year due to price shocks. Interest rates are likely to continue going up due to the deteriorating inflation outlook, but we do not expect domestic credit expansion to slow down in the next quarter. The Ghanaian economy remains relatively resilient and is underpinned by increased consumer demand which is facilitated by fiscal expansion and improved banking sector credit lending. Inflation is likely to remain high. The further deepening of market reforms in the absence of structural changes has worsened our current account exposure. And in the wake of the ongoing global energy and food price hikes we expect the country's inflation to close the second quarter at 18.46%.

Stock Market Review & Outlook

Once the best performing market in the world, the Ghanaian bourse continues to be upbeat among the African markets with steady returns. The GSE advanced steadily throughout the first half of 2008. At the close of the HY 2008, the DSI in cedi terms stood at 11,315.40 points reflecting a year to date gain of 34 per cent. The return on the Ghanaian market in dollar terms closed the half year at 26 per cent, placing Ghana at number three on the African continent. Capitalization for the GSE moved up from $13 billion in June 2007 to $16.6 billion at the close of June 2008. Activity on the GSE during the half year was stimulated by both primary and secondary market activity. On the primary market, rights issues by ETI, HFC and PKL contributed to robust activity on the GSE. Growth posted for FY '07 and Q1 '08 financial performance by most listed companies also helped to sustain the velocity of market activity. The volume of shares exchanged was 176.2 million down 26% from 239.4 million over the same period in 2007. ETI (28%), AYRTN (20%), SIC (12%), CAL (10%) and HFC (8%) were the most liquid stocks.

Aggregate market turnover was GH¢176.2 million, up 37% from GH¢128.8 million recorded for the same period in 2007. ETI (68%), EBG (7%), HFC (3%) and SIC (3%) recorded the highest turnovers. In the second half of 2008, we expect the GSE to continue its northward trek. Initial Public Offerings are also anticipated for Unique Trust Financial Services Limited, TV 3 and Aviance. Companies listed on the Exchange have strong fundamentals and are expected to continue to post robust growth in the remaining half of the year. The Ghanaian economy is steadfast on a firmly positive growth trajectory with real sector growth as measured by the composite index at 29 per cent. This growth is expected to be reflected by listed companies and drive stock market activity. Banking and insurance stocks are tipped to register the highest gains during the second half year because of the crucial role they play in the evolving Ghanaian economy.

DSI Trend



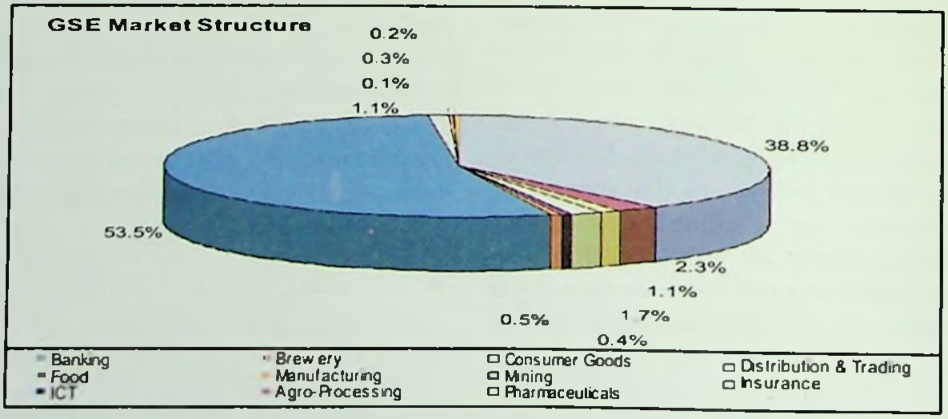
TOP 5 ADVANCERS

Company (Ticker)	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
BOPP	0.49	1.20	145	130
SIC	0.30	0.63	110	97
EBG	2.00	3.95	95	85
ETI	0.26	0.47	83	72
EIC	1.30	2.34	80	69

WORST FIVE LAGGARDS

Company (Ticker)	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
ALW	0.71	0.62	-13	-18
PKL	0.08	0.07	-13	-18
GWEB	0.06	0.05	-9	-15
SPL	0.06	0.05	-9	-15
TRANSOL	0.12	0.11	-8	-14

Market Structure



Listed Equity	Ticker	Year Open (GH¢)	HY Close (GH¢)	Year-to Date Change	Year-to Date Change ($)	KEY FINANCIAL RATIOS P/E (x)	P/BVS (x)	Div. Yield (%)	ROE (%)	Per Share Data EPS (¢)	DPS (¢)	BVS (¢)	Capitalisation (US$)	Capitalisation (GH¢)
Banking Industry (Participants, Averages)						**29.94**	**5.91**	**1.39**	**19.76**				**6,421,307,112**	**6,581,197,660**
Cal Bank	CAL	0.44	0.70	58%	45%	16.36	3.57	1.50	21.83	0.04	0.01	0.20	111,105,695.19	113,872,227.00
Ecobank Ghana Limited	EBG	2.00	3.95	98%	85%	17.26	11.57	1.71	67.02	0.23	0.07	0.34	621,366,718.70	636,838,750.00
Ecobank Transnational Incorporated	ETI	0.26	0.47	83%	72%	47.87	6.95	0.79	14.53	0.05	0.02	0.34	4,483,702,319.88	4,595,346,507.65
Ghana Commercial Bank	GCB	1.00	1.35	36%	27%	12.77	1.97	2.54	15.47	0.11	0.03	0.68	349,058,444.73	357,750,000.00
HFC Bank	HFC	0.54	0.62	15%	8%	19.23	4.23	1.61	21.98	0.03	0.01	0.15	61,497,902.23	63,029,200.00
Standard Chartered Bank	SCB	26.00	30.83	19%	11%	15.24	5.60	4.70	36.77	2.02	1.45	5.50	529,306,249.25	542,485,974.86
SG-SSB	SG-SSB	1.25	1.35	8%	1%	16.53	3.12	3.33	18.89	0.08	0.05	0.43	187,701,239.15	192,375,000.00
Trust Bank Ltd (The Gambia)	TBL	1.33	1.33	0%	-6%	55.63	7.70	0.72	13.84	0.02	0.01	0.17	77,568,543.27	79,500,000.00
Brewery Industry (Participants, Averages)						**24.55**	**5.13**	**1.86**	**20.91**				**375,038,673.04**	**384,377,136**
Accra Brewery	ABL	0.12	0.12	0%	-6%	39.02	2.85	0.87	7.31	0.00	0.00	0.04	27,989,803.88	28,686,750.00
Guinness Ghana Breweries	GGBL	1.23	2.16	76%	64%	23.84	5.49	1.94	23.01	0.09	0.04	0.39	347,048,869.16	355,690,386.00
Consumer Goods Industry (Participants, Averages)						**11.02**	**3.06**	**3.60**	**27.79**				**189,647,614.40**	**194,369,840**
PZ Cussons	PZ	0.83	0.89	7%	0%	7.20	1.36	1.18	18.89	0.12	0.01	0.65	24,314,567.27	24,920,000.00
Super Paper Products	SPPC	0.03	0.04	9%	2%	-3.74	0.36	20.83	-9.58	-0.01	0.01	0.10	682,837.35	699,840.00
Unilever Ghana	UNIL	2.11	2.70	28%	20%	11.75	3.90	3.89	33.24	0.23	0.11	0.69	164,650,209.78	168,750,000.00
Distribution & Trading Industry (Participants, Averages)						**19.43**	**2.82**	**1.84**	**14.54**				**287,441,177.42**	**294,598,463**
CFAO Ghana	CFAO	0.035	0.04	14%	7%	5.94	1.86	1.14	31.34	0.01	0.00	0.02	8,742,316.32	8,960,000.00
Mechanical Lloyd	MLC	0.21	0.21	0%	-6%	7.25	0.84	2.86	11.58	0.03	0.01	0.25	10,264,556.79	10,520,144.25
Total Petroleum Gh. Ltd	TOTAL	5.49	6.11	11%	4%	11.95	1.48	4.49	12.41	0.51	0.27	4.12	83,367,960.28	85,443,822.49
Ghana Oil Company Ltd	GOIL	0.31	0.40	29%	21%	19.35	3.66	0.00	18.92	0.02	0.00	0.11	82,031,901.65	84,074,496.00
Produce Buying Company	PBC	0.24	0.22	-8%	-14%	149.79	16.58	1.14	11.07	0.00	0.00	0.01	103,034,442.38	105,600,000.00
Food Industry (Participants, Averages)						**16.47**	**5.12**	**1.28**	**31.10**				**69,493,972.88**	**71,224,373**
Fan Milk	FML	2.39	3.60	51%	41%	16.47	5.12	1.28	31.10	0.22	0.05	0.70	69,493,972.88	71,224,372.80
Manufacturing Industry (Participants, Averages)						**-27.25**	**2.11**	**1.39**	**-7.75**				**84,850,955.67**	**86,963,744**
Aluworks	ALW	0.71	0.62	-13%	-18%	-7.47	3.43	2.42	-45.92	-0.08	0.02	0.18	25,212,513.24	25,840,304.82
Camelot Ghana	CMLT	0.17	0.16	-6%	-12%	-174.91	3.00	2.81	-1.72	0.00	0.00	0.05	1,021,321.10	1,046,752.00
Cocoa Processing Company	CPC	0.05	0.05	0%	-6%	84.94	1.83	0.75	2.15	0.00	0.00	0.03	56,926,325.22	58,343,790.72
Pioneer Kitchenware Limited	PKL	0.08	0.07	-13%	-18%	-3.03	1.21	3.57	-39.92	-0.02	0.00	0.06	1,126,406.48	1,154,454.00
Sam Woode Limited	SWL	0.03	0.03	0%	-6%	-18.05	1.53	13.21	-8.47	0.00	0.00	0.02	564,389.63	578,442.93
Mining Industry (Participants, Averages)						**-13.83**	**2.50**	**0.93**	**-18.05**				**8,852,458,440.56**	**9,072,884,656**
AngloGold Ashanti	AGA	30.00	30.00	0%	-6%	-13.73	3.58	1.01	-26.08	-2.18	0.30	8.38	8,103,518,714.02	8,305,296,330.00
AngloGold Ashanti Ghanaian Depository Shares	AADs	0.35	0.35	0%	-6%	-0.19	0.05	0.88	-26.08	-1.79	0.00	6.87	32,950,487.49	33,770,954.63
Golden Star Resources	GSR	3.00	3.10	3%	-3%	5.90	1.14	0.00	19.39	0.53	0.00	2.71	715,989,239.05	733,817,371.10
Insurance Industry (Participants, Averages)						**19.49**	**3.03**	**0.88**	**15.55**				**178,635,012.88**	**183,083,025**
Enterprise Insurance	EIC	1.30	2.34	80%	69%	22.46	3.84	0.52	17.08	0.10	0.01	0.61	58,373,182.46	59,826,674.70
State Insurance Company	SIC	0.30	0.63	110%	97%	18.31	2.75	1.05	15.02	0.03	0.01	0.23	120,261,830.42	123,256,350.00
ICT Industry (Participants, Averages)						**484.01**	**2.96**	**2.97**	**0.61**				**11,240,120.99**	**11,520,000**
Clydestone	CLYD	0.08	0.08	0%	-6%	-58.08	4.82	3.75	-8.30	0.00	0.00	0.02	2,653,917.46	2,720,000.00
Transactions Solutions Ltd	TRANSOL	0.12	0.11	-8%	-14%	124.59	2.65	2.73	2.12	0.00	0.00	0.04	8,586,203.53	8,800,000.00
Agro-Processing Industry (Participants, Averages)						**15.39**	**2.25**	**1.21**	**14.60**				**42,207,352.13**	**43,258,315**
Benso Oil Palm Plantation	BOPP	0.49	1.20	145%	129%	14.09	2.30	1.25	16.34	0.09	0.02	0.52	40,745,438.58	41,760,000.00
Golden Web Limited	GWEB	0.06	0.05	-9%	-15%	-9.88	1.34	0.00	-13.55	-0.01	0.00	0.04	1,461,913.55	1,498,315.20
Pharmaceuticals Industry (Participants, Averages)						**27.21**	**4.01**	**1.12**	**14.72**				**37,178,130.16**	**38,103,866**
Ayrton Drug Manufacturing	AYRTN	0.10	0.16	64%	53%	24.25	4.69	1.24	19.34	0.01	0.00	0.03	33,564,250.17	34,400,000.00
Starwin Products	SPL	0.06	0.05	-9%	-15%	-205.77	1.70	0.00	-0.83	0.00	0.00	0.03	3,613,879.99	3,703,865.60
Market with AGA						-45.49	3.30	1.18	-7.26	**-0.03**	**0.01**	**0.35**	**16,549,498,562.54**	**16,961,581,077**
Market without AGA						21.15	4.02	1.35	18.99	**0.03**	**0.01**	**0.15**	**8,413,029,361.03**	**8,622,513,792**
Preference Shares														
Standard Chartered Bank Preference Shares	SCB-P	0.52	0.52	0.00%										

Botswana

Political Outlook

Botswana is one of Africa's most stable countries. The highlight of the half year is the country's condemnation of Mugabe's rule in Zimbabwe. President Ian Khama's government first refused Mugabe's claims that Zimbabweans entering Botswana were doing it for political reasons and rather granted them the status of economic refugees and welcomed them. They also broke lines with other Southern African countries by refusing to export bulk fuel to Zimbabwe. Internally, President Khama has established a hold on power and is expected to win the next elections comfortably.

Economic Outlook

The economy benefited from the upsurge in the prices of its major exports during the first quarter. On annual basis, the local currency depreciated sharply against all its major trading currencies, except the South African rand. Specifically, the pula was down against the yen and the pound by 16.3% (y/y) and 2.3% respectively by April; and we expect this trend to continue into the second half of the year.

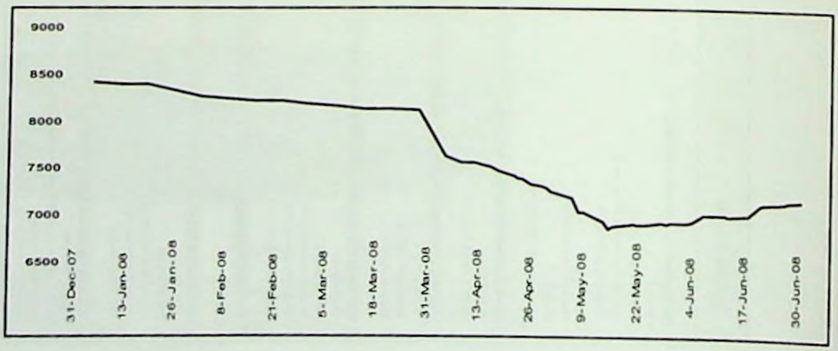
The downturn in inflation prior to October 2007 was anchored on fiscal discipline and low commercial credit growth; but with deteriorating global food and crude oil prices, inflation closed May at 12.1% compared to 11.1% for April. Increases in private sector credit and a faster growth in public expenditure led to domestic demand pressures. These pressures facilitated a higher import bill which led to a sharper depreciation of the pula. Inherently, effects of the global energy price hikes were more felt on overall inflation than the global food price hikes; as food inflation for March was down from 18.5% to 18.0%, while inflation for housing, water, electricity, gas and other fuel worsened from 3.2% to 5.1% during the same period. We expect inflationary spill over effects from neighboring South Africa and the worsening crude oil prices to worsen the economy's inflation outlook within the short term. Monetary policy is not targeting inflation within the short term, but is instead focusing on inducing real output growth; as a result we expect the underlying credit growth to facilitate further economic expansion in the second half of the year.

Stock Market Review & Outlook

The market correction that began in the last two quarters of 2007 has obviously pushed through to the half year of 2008. Profit taking has been prominent as the Domestic Companies Index (DCI) has fallen sharply losing 14.75% or 20.11%USD. Rising interest rate concerns as well as exchange rate worries have impacted negatively on the market as a whole. Although business expectations on the economy remains positive, rising costs of crude oil, input costs generated by high demand due to the regional expansion drive in the run-up to the South Africa 2010 World Cup and unexpected power cuts will continue to impact negatively on listed companies.

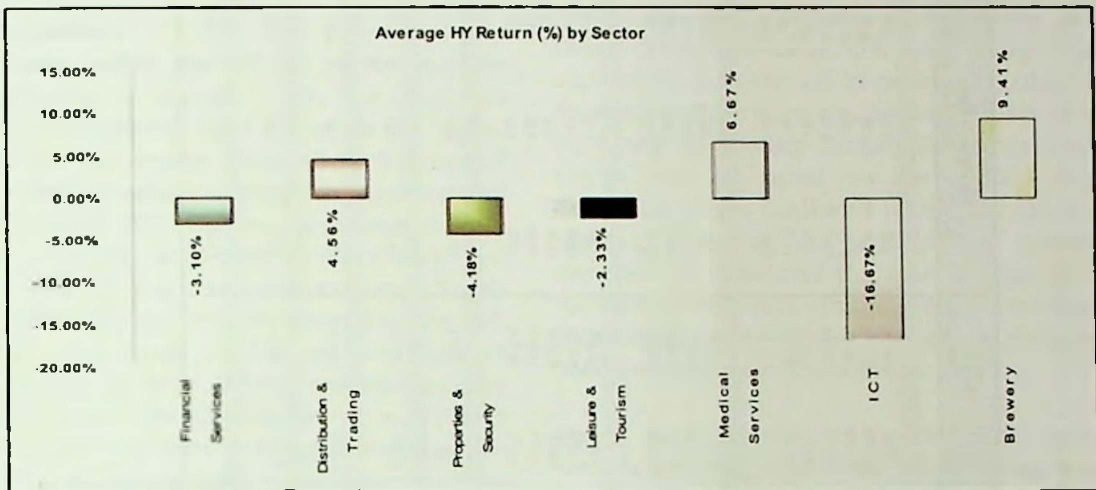
The outlook for inflation, interest & exchange rates remains gloomy. The rising rates have had companies looking to fund their own expansion. Some good results released so far have helped to cushion the fall of the index. It however remains to be seen whether companies will be able to publish good profits. Either way, we do not see a turnaround in the market's path. Full year performance of the DCI will not close above the red.

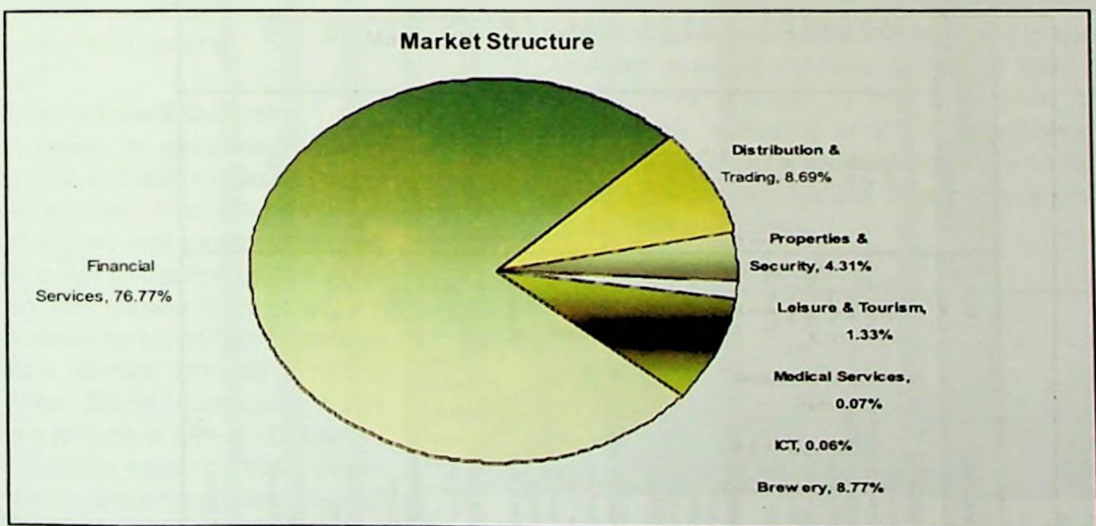
Domestic Share Index Trend Graph



TOP 5 ADVANCERS				
EQUITY [TICKER]	Year Open	HY Close	YTD (MUR)	YTD (USD)
Imara Holdings [IMARA]	7.50	13.00	73.33%	62.42%
Furniture Mart [FUNMART]	12.90	14.30	10.85%	3.87%
Sechaba Brewery [SECHABA]	17.00	18.60	9.41%	2.52%
MRI Botswana [MRIB]	1.05	1.12	6.67%	-0.05%
Engen Botswana [ENGEN]	4.85	5.10	5.15%	-1.47%

WORST 5 LAGGARDS				
Company	Year Open	HY Close	YTD (MUR)	YTD (USD)
Botswana Insurance Holdings [BIHL]	16.90	10.50	-37.87%	-41.78%
Barclays Bank Botswana [BARCLAYS]	7.49	5.50	-26.57%	-31.19%
Standard Chartered Bank [STANCHART]	18.75	15.10	-19.47%	-24.54%
RPC Data [RPC DATA]	0.60	0.50	-16.67%	-21.91%
First National Bank [FNBB]	2.70	2.40	-11.11%	-16.71%





Listed Equity	Ticker	Equity Prices Year Open (P)	Equity Prices HY Close (P)	Change YTD (P)	Change YTD (US$)	Key Financial Ratios P/E (x)	Key Financial Ratios P/BVS (x)	Key Financial Ratios Div. Yield (%)	Per Share Data EPS (P)	Per Share Data DPS (P)	Per Share Data BVS (P)	Market Cap (P million)	Market Cap (US$ million)
Financial Services													
ABC Holdings	ABCH	4.00	4.00	0.00%	-6.30%	5.20	9.50	3.00	0.77	0.12	0.42	585.68	87.32
Barclays Bank of Botswana	BARCLAYS	7.49	5.50	-26.57%	-31.19%	19.50	8.50	3.70	0.38	0.20	0.65	4,686.89	698.81
Botswana Insurance Holdings	BIHL	16.90	10.50	-37.87%	-41.78%	5.30	2.60	4.50	3.19	0.47	4.04	2,951.24	440.02
First National Bank	FNBB	2.70	2.40	-11.11%	-16.71%	18.40	9.90	3.80	0.15	0.09	0.24	6,152.88	917.38
Standard Chartered	STANCHART	18.75	15.10	-19.47%	-24.54%	16.90	14.80	4.90	1.11	0.74	1.02	4,349.74	648.54
Imara Holdings	IMARA	7.50	13.00	73.33%	62.42%	15.70	7.70	1.80	0.48	0.23	1.69	720.39	107.41
Letshego	LETSHEGO	14.50	14.50			16.30	4.80	1.50	0.89	0.22	3.02	2,197.40	327.63
Distribution & Trading													
Engen Botswana	ENGEN	4.85	5.10	5.15%	-1.47%	7.90	4.00	8.00	0.61	0.41	1.28	814.58	121.45
Furniture Mart	FUNMART	12.90	14.30	10.85%	3.87%	17.30	4.40	1.70	0.75	0.24	3.25	728.75	108.66
Sefalana Cash	SEFCASH	14.00	14.50	3.57%	-2.95%	20.50	4.10	3.90	0.68	0.57	3.54	294.79	43.95
Sefalana Holdings	SEFALANA	3.75	3.70	-1.33%	-7.55%	26.10	3.90	2.50	0.14	0.09	0.95	612.91	91.38
Properties & Security													
RDC Properties	RDCP	3.70	3.70	0.00%	-6.30%	7.40	1.10	6.20	0.50	0.23	3.36	119.78	17.86
Turnstar Holdings	TRUNSTAR	1.55	1.50	-3.23%	-9.32%	11.50	1.30	4.60	0.13	0.07	1.15	578.72	86.29
Olympia Capital	OLYMPIA	1.15	1.15	0.00%	-6.30%	12.80	1.50	2.10	0.09	0.02	0.77	32.89	4.90
G4S Botswana	G4S	27.50	25.00	-9.09%	-14.81%	14.00	5.50	3.50	1.96	0.88	4.55	200.00	29.82
Primetime Properties	PRIMETIME	1.75	1.60	-8.57%	-14.33%	2.90	1.40	5.30	0.60	0.08	1.14	287.87	42.92
Leisure & Tourism													
Chobe Holdings	CHOBE	4.30	4.20	-2.33%	-8.48%	10.30	6.90	3.80	0.42	0.16	0.61	375.50	55.99
												0.00	0.00
Medical Services													
MRI Botswana	MRIB	1.05	1.12	6.67%	-0.05%	10.50	0.20	5.30	0.10	0.06	5.60	20.26	3.02
ICT													
RPC Data	RPC DATA	0.60	0.50	-16.67%	-21.91%	10.60	1.00	0.00	0.06		0.50	15.74	2.35
Brewery													
Sechaba Brewery	SECHABA	17.00	18.60	9.41%	2.52%	17.20	16.60	5.50	0.99	1.02	1.12	2,474.08	368.88
Market Average						**13.20**	**5.49**	**3.78**				**28,200.07**	**4,204.57**

BRVM - Ivory Coast

Political Outlook

A long-awaited presidential election in the country has been postponed from June to the end of November. Violent protests against rising food cost had President Gbagbo canceling custom duties in an attempt to stem the unrest. In May however, former rebels who still have control of the northern half of the country have began disarming, offering hope that the country may have finally put the conflict behind her. Many observers are waiting to see how the elections campaign and the voting pan out.

Economic Outlook

Inflation rate within the BCEAO region remains anchored below an average of 5%. The union has been hit by increasing food prices on the global front, as well as, energy price hikes. But overall growth is likely to remain relatively strong compared to the outturn for 2007. Continuing political stability in Cote D'Ivoire is likely to facilitate the strengthening of the regional economy. Togo's poverty reduction and growth reform with the IMF, and newly revitalized aid inflows are likely to strengthen the regional block's external account within the short term. Overall, we do not expect economic policy direction to change during the third quarter. The BCEAO is likely to continue injecting fresh liquidity into the economy, in order to improve regional liquidity and facilitate economic expansion in the second half of the year.

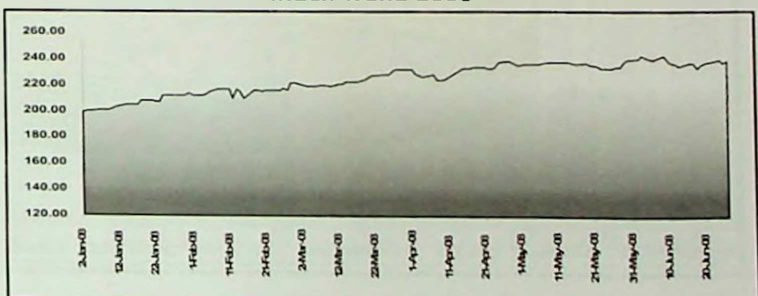
Stock Market Review & Outlook

BRVM continues to generously reward investors who are willing and able to take the risk of venturing into their market. The BRVM has experienced significant activity and growth in returns during HY 2008. At the end of the first half of 2008, BRVM had the second highest market returns in dollar terms of 26% in spite of the political turmoil prevailing in the country. The BRVM Composite Index registered a growth of 19% in FCFA terms and 26% in dollar terms to 236.8 points (0.553 points in dollar terms) at the end of the first half of 2008. Market liquidity improved significantly (55%) recording a total market volume of 7.3 million shares over the period, compared to 4.7 million shares traded between June and November 2007. Market turnover for the period increased in dollar terms by 191% on account of the appreciation in value of the FCFA against the dollar. Market turnover for the half year was FCFA 41.7 billion ($178 million) compared to FCFA 29.1 billion ($61.1 million) between June and November 2007. At the close of the half year, market capitalization had moved up 20% to FCFA 4,427.19 billion ($10.23 million).

At a price earnings multiple of 13.7x, the BRVM has sufficient room for upward momentum. We forecast a sustained growth in returns on the BRVM for the rest of the year, culminating in a solidly positive return of approximately 40% in dollar terms at the close of the year. This will be on the back of excellent financial performance posted and expected to be sustained by sterling companies across the sub-region that are listed on the regional bourse. Consumer goods (captured under the distribution sector), financial and agricultural stocks are expected to spearhead the market advance going forward as the world's financial system is becoming increasingly sophisticated and global demand for food and agro-based products increase.

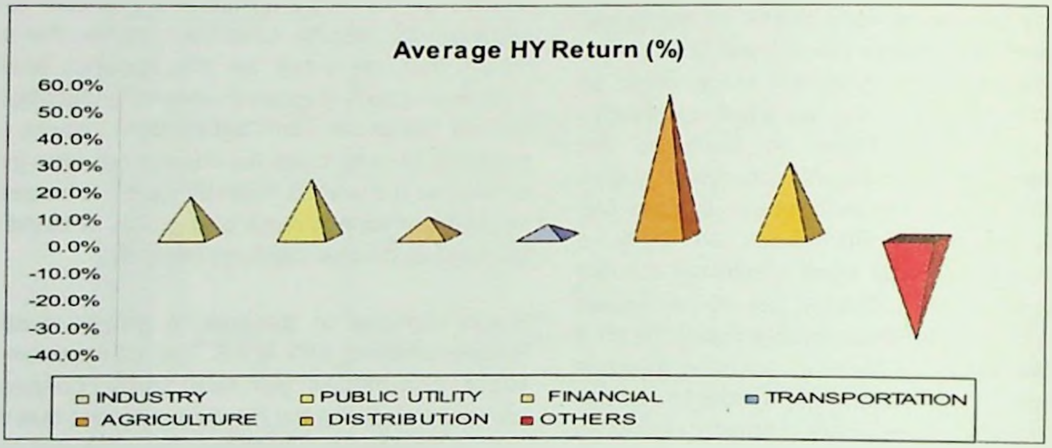
Stocks expected to continue to delight investors include Unilever, ETIT & SG. The management of these companies pursued some corporate manoeuvres during the HY and we expect that they will yield dividends in both the short and long-term. Unilever acquired the soap factory of Palm CI to entrench its position in the sub-region; ETI is aggressively spreading across the continent and acquired 75% stake in Société Burundaise de Banque et de Financement; Société Génerale is pursuing a cost efficiency strategy.

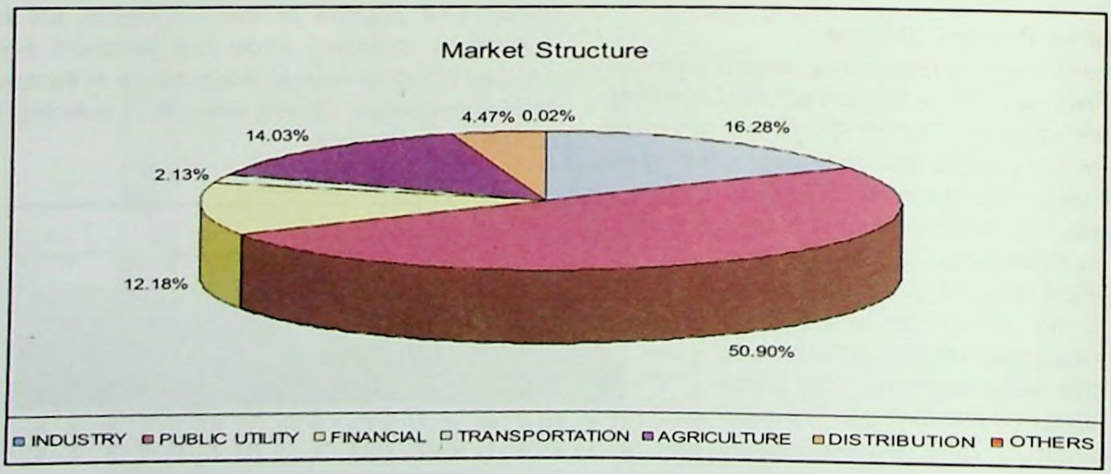
Index Trend 2008



TOP 5 ADVANCERS				
Company (Ticker	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
PALC	10,200	27,450	169	188
UNLC	38,700	95,100	146	163
UNXC	11,000	22,000	100	114
PHC	8,505	15,300	80	93
SGBC	27,600	47,700	73	85

WORST FIVE LAGGARDS				
Company (Ticker	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
SLBC	370,000	230,000	-38	-33
STAC	6,850	4,305	-37	-33
CABC	24,000	16,580	-31	-26
TTRC	5,500	4,700	-15	-8
SVOC	6,000	5,300	-12	-5





Listed Equity	Ticker	Year Open (FCFA)	Half Year Close (FCFA)	Year-to Date Change	Year-to Date Change ($)	KEY FINANCIAL RATIOS P/E (x)	Per Share Data EPS (FCFA)	DPS (FCFA)	Capitalisation (US$'m)	Capitalisation (FCFA'm)
SECTOR - INDUSTRY	**INDUSTRY**								1401	599 945.61
Société Ivoirienne de Câbles	CABC	24000	16 500	-31%	-27%	5.66	2 920	450	6	2 463.66
Centre d'Edition et de Diffusion Africaines	CDAC	7500	7 500	0%	6%	NA		630	2	673.28
Filature, Tissage, Sacs	FTSC	9950	9 015	-9%	-4%	37.70	239	280	75	32 014.94
Edition, Distribution et vente de livres et publication	NEIC	4700	4 350	-7%	-2%	NA		225	3	1 178.80
NESTLE-Côte d'Ivoire	NTLC	66400	72 300	9%	16%	NA		3 447	156	66 161.12
Société Ivoirienne d'Emballage Métallique	SEMC	37100	40 000	8%	14%	13.25	3 019	4 500	59	25 347.63
Société Abidjanaise de Gérance et d'Exploitation Commerciale	SGCC	5210	5 210	0%	6%	NA		270	1	554.37
Société Ivoirienne d'Ouvrage et d'Acétylène	SIVC	8000	12 000	50%	59%	16.59	723	495	25	12 551.42
Société de Limonaderies et Brasseries d'Afrique	SLBC	370000	230 600	-38%	-32%	NA		25 460	445	190 880.94
Société Multinationale de Bitume	SMBC	60000	60 000	0%	6%	57.65	1 041	4 932	64	29 471.32
Société Ivoirienne des Tabacs	STBC	50000	56 000	12%	19%	10.79	5 189	8 418	118	50 644.29
Société ivoirienne de trituration de graines oléagineuses et de raffinage d'huiles végétales	TTRC	5500	4 705	-14%	-8%	NA		1 410	12	4 948.37
UNILEVER CI	UNLC	38700	95 100	146%	161%	10.16	9 356	2 725	360	154 228.55
UNIWAX CI	UNXC	11000	22 000	100%	112%	NA		1 350	39	16 630.85
				16%	**23%**					
SECTOR - PUBLIC UTILITY	**PUBLIC UTILITY**								**4,383**	**1 878,178.44**
Compagnie Ivoirienne d'Electricité	CIEC	13500	18 700	39%	47%	11.37	1 644	747	123	52 704.70
Société de Distribution d'Eau de Côte d'Ivoire	SDCC	9950	11 930	20%	27%	13.70	871	540	25	10 615.55
Société Nationale de Télécommunication	SNTS	175000	180 000	3%	9%	11.24	16 008	8 210	4,234	1 812 858.68
				20%	**28%**					
SECTOR - FINANCIAL	**FINANCIAL**								**1,040**	**448,851.84**
Banque Internationale pour le Commerce et l'Industrie de Côte d'Ivoire	BICC	30000	35 000	17%	24%	12.43	2 816	810	137	58 744.28
Banque of Africa - Bénin	BOAB	37600	39 800	6%	12%	9.98	3 987	1 600	75	32 062.23
Banque of Africa - NIGER	BOAN	29670	34 000	15%	22%	7.49	4 537	1 600	19	8 302.35
ECOBANK TRANSNATIONAL INCORP. TG	ETIT	102	145	42%	51%	12.49	12	5	459	196 695.71
Société Africaine de Crédit Automobile	SAFC	25025	30 000	20%	27%	10.41	2 881	305	9	3 915.61
Société Générale de Banques en Côte d'Ivoire	SGBC	27600	47 700	73%	84%	11.37	4 194	1 910	349	149 442.25
				29%	**37%**					
SECTOR - TRANSPORTATION	**TRANSPORTATION**								**184**	**78 618.58**
Société Delmas Vieljeux Côte d'Ivoire	SDVC	47500	69 765	47%	56%	20.14	3 464	3 821	179	76 484.52
Société Ivoirienne d'Opération Maritime	SVOC	6000	5 300	-12%	-5%	NA	0	270	5	2 134.05
				18%	**25%**					
SECTOR - AGRICULTURE	**AGRICULTURE**								**1,208**	**517,154.08**
PALM - Côte d'Ivoire	PALC	10200	27 450	169%	186%	40.12	435	225	477	204 176.28
Plantation et Huileries de Côte d'Ivoire	PHC	8505	15 300	80%	91%	-2.24	-6 783	450	14	6 173.90
Société Ivoirienne de Coco Râpé	SICC	5300	5 294	0%	6%	NA		1 919	7	3 131.12
Société des Caoutchoucs de Grand-Béréby	SOGC	29200	44 910	54%	63%	NA		1 060	229	97 716.02
Société Africaine de Plantation d'Hévéas	SPHC	28000	40 000	43%	52%	13.92	2 870	1 174	481	205 906.75
				63%	**80%**					
SECTOR - DISTRIBUTION	**DISTRIBUTION**								**384**	**164,504.27**
ABIDJAN CATERING - Côte d'Ivoire	ABIC	5000	5 815	16%	24%	NA		225	5	2 046.37
BERNABE-Côte d'Ivoire	BNBC	20000	25 720	29%	37%	NA		575	20	8 582.58
Compagnie Française de l'Afrique Occidentale en Côte d'Ivoire	CFAC	19850	20 020	1%	7%	9.03	2 217	1 560	52	22 416.24
PEYRISSAC-Côte d'Ivoire	PRSC	54515	98 070	80%	91%	NA		4 050	37	15 821.54
SHELL-Côte d'Ivoire	SHLC	19000	30 250	59%	69%	6.85	4 416	1 350	90	38 623.79
Société Africaine de Représentations Industrielles	SRIC	52000	67 500	16%	24%	9.73	8 240	4 275	19	8 001.65
TOTAL FINA ELF Côte d'Ivoire	TTLC	90000	109 000	21%	29%	15.57	7 003	8 235	161	69 101.81
				32%	**40%**					
OTHER SECTOR	**OTHER**								1	**581.95**
Société d'Etudes et de Travaux pour l'Afrique de l'Ouest	STAC	6800	4 305	-37%	-33%	NA	0	0	1	581.95

Kenya

Political Outlook

Relative Political stability has returned to Kenya after the swearing in of a new coalition cabinet headed by President Kibaki and Prime Minister Odinga in April 2008. The 42-member cabinet is focused on achieving an ambitious reform agenda and working to avoid a repeat of 2008's post election political and tribal violence. This does not however mean that all is well and there are still incidences across the country of tribal related violence and in some instances, displacement of people from their towns and cities. The government is currently working on a new constitution to be launched by April 2009. We expect the coalition government to hold together for this year at least and this will help provide the leadership to heal some of the deep tribal wounds opened up by the political fracas earlier this year.

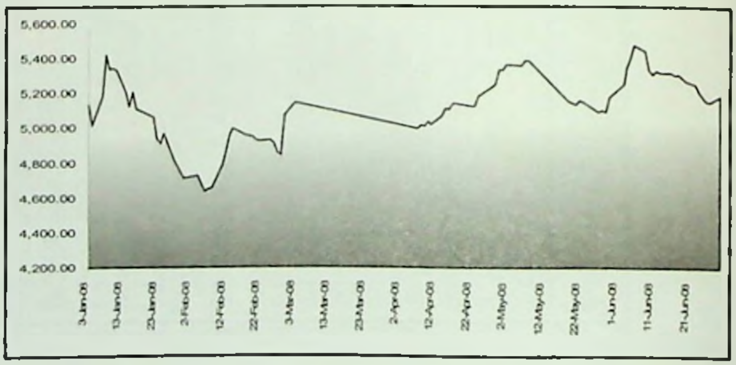
Economic Outlook

Further deterioration in consumer inflation has worsened the outlook for price level stability for the third quarter. The underlying cause for the inflation hikes are food and alcoholic price increases, but the post election crisis also led to production shocks that have added to the deterioration. We do not expect inflation to ease in the third quarter, but we believe that as the economy recovers from the post election shocks, inflation could close the year just marginally above the expected single digit. Interest rates continue to lag behind inflation. As the benchmark 91-day Treasury bill rate is currently 7.78% (June 24, 2008), inflation for May was 31.5%. Though this huge spread results in negative real rate returns for investors, it also indicates that inflation expectations remain firmly anchored within the single digit thresholds. We expect the economy to continue to battle with the reversal of capital flows during the post election crisis, and this should continue to affect the depreciation of the shilling against its major trading currencies.

Stock Market Review & Outlook

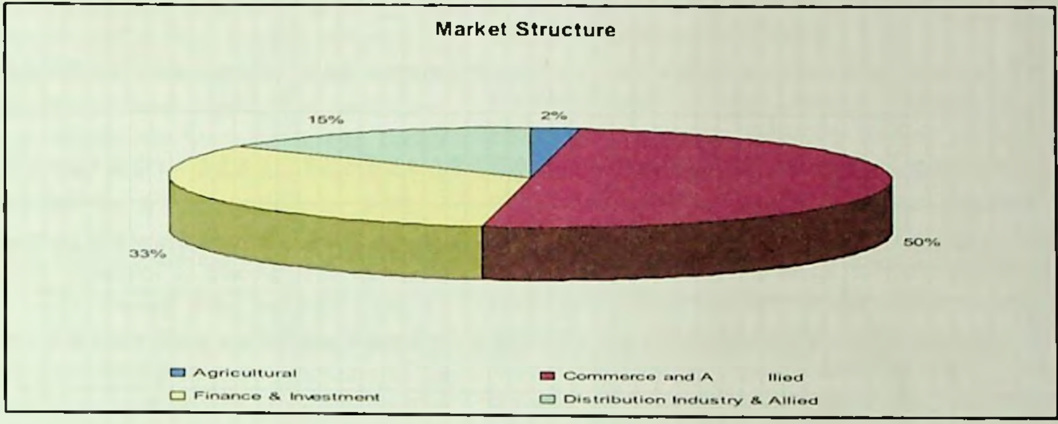
Investor confidence in the Nairobi Stock Exchange was somewhat threatened during the Q1 by civil unrest experienced in the country. The Safaricom IPO however, allayed the fears of many investors as they scrambled for shares in the gigantic Safaricom which has positively transformed the NSE. The market which had stocks with rich valuations saw many investors (especially foreign) taking profit and/or restructuring and balancing their portfolios. The ensuing sell-off and market correction translated into a 5% decline in the Nairobi 20 Stock Index (NSE 20) in Kenya shillings terms (-2% in dollar terms) for the half year. The NSE 20 is currently at a level of 5,185.56 points (in Kenyan shillings) and 79 points (in US Dollars). Liquidity on the Kenyan bourse surged by 495% (bolstered by the listing of Safaricom's 40 billion shares) to 2.6 billion shares (valued at Kshs 41.9 billion i.e. $628 million) compared to same period in 2007. Capitalization for the NSE improved by 68% from Kshs 744 billion ($11.1 billion) at the end of June 2007 to Kshs 1,231 billion ($18.9 billion) at the close of half year 2008.

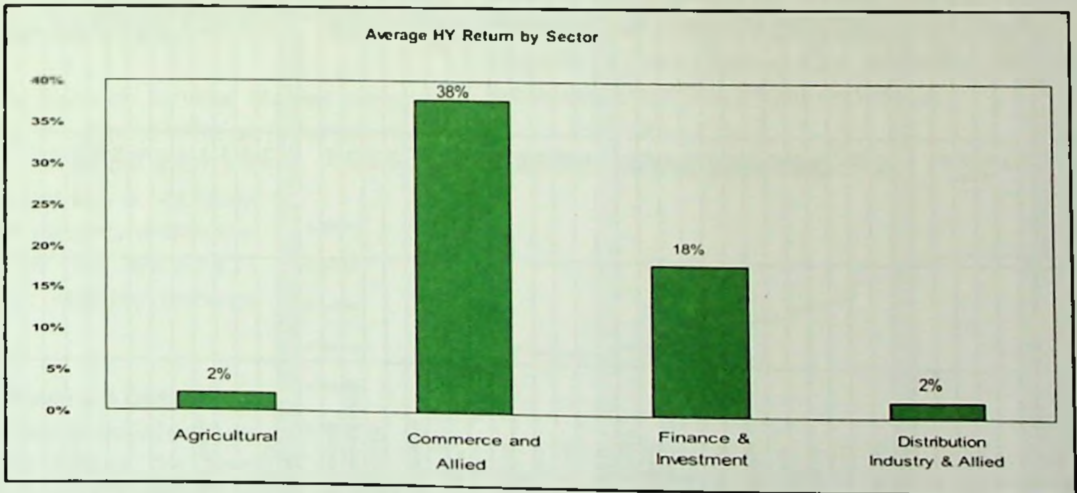
The Kenya economy has become fairly volatile post elections. Kenya's economy is currently bedeviled by rising inflation (30%), budget deficit, due to rising food and crude oil price on the global commodities market. Kenya has a resilient economy and is anticipated to absorb the short term economic shocks being experienced. We therefore expect the economy to return to its growth trajectory and reflect in the financial results of some listed companies. Nonetheless, Stock market outlook for Kenya remains weak for the second half of 2008 as we expect the stock market to continue to post declines. NSE's price earning multiple of 22.9x is rich. We anticipate a further correction of the market in the second half of the year. Liquidity is however anticipated to be sustained upwards on account of the impending Kenya Commercial Bank rights issue as well as sustained investor interest in Safaricom.



TOP 5 ADVANCERS				
Company (Ticker)	Year Open	HY Close	YTD (% Kshs)	YTD (% USD)
Equity Bank Ltd	148	321	117	136
Standard Group Ltd	30	58	92	108
AccessKenya Group Ltd	23	35	53	67
Safaricom	5	8	54	67
National Bank of Kenya Ltd	46	62	36	48

WORST FIVE LAGGARDS				
Company (Ticker)	Year Open	HY Close	YTD (% Kshs)	YTD (% USD)
Pan Africa Insurance Holdings Ltd	99	73	-26	-20
Housing Finance Co Ltd	43	32	-26	-20
Eveready East Africa Ltd	8	6	-22	-15
Sasini Tea & Coffee Ltd	18	14	-21	-14
Kenya Airways Ltd	63	50	-20	-13





Listed Equity	Ticker	Year Open (Ksh)	HY Close (Ksh)	Year-to Date Change	Year-to Date Change ($)	KEY FINANCIAL RATIOS P/E (x)	P/BVS (x)	Div. Yield (%)	ROE (%)	Per Share Data EPS (Ksh)	DPS (Ksh)	BVS (Ksh)	Capitalisation (Ksh'm)	Capitalisation (US$)
Agricultural														
Unilever Tea		64	64.00	0%	-2%	59.81	1.89	3	1.80	1.07	2.00	33.81	3128	48.13
Kakuzi		36.25	40	10%	7%	5.89	na	na	na	6.79	0.00	na	784	11.88
Rea Vipingo		22.75	19.7	-13%	-16%	10.48	na	4	na	1.88	0.80	na	1182	17.91
Sasini Ltd		18	14.25	-21%	-23%	11.44	1.12	na	8.10	1.25	0.00	12.67	2708	41.03
Average				**-6%**	**-9%**	**21.90**	**1.51**	**3.59**	**4.95**				**1950.54**	**29.74**
Commerc.and Allied												na		
AccessKenya Group Ltd		22.5	34.5	53%	48%	53.91	na	na	24.20	0.64	0.07	2.55	6896	104.49
Car & Gen		59	59	0%	-3%	9.69	na	na	na	6.09	0.67	na	1314	19.92
CMC		17	21	na	na	na	6.03	na	30.40	0.79	0.23	3.48	10197	na
Hutchings Biemer		20.25	20.25	na	na	na	na	na	na	-18.34	0.00	na	na	na
Kenya Airways Ltd		62.5	50	-20%	-23%	5.64	1.33	na	23.70	8.87	1.75	37.50	23081	349.71
Marshalls		39.5	39.5	0%	-3%	12.70	na	na	na	3.11	1.00	na	569	8.61
Nation Media Group.		323	347	7%	4%	31.55	6.83	3%	24.60	11.00	12.00	50.80	24743	374.89
safaricom		5	7.7	54%	49%	na	na	na	25.60	0.35	0.10	10.66	308000	4666.67
Scangroup Ltd		30.25	32.75	na	na	27.07	11.33	2%	43.40	1.21	0.80	2.89	5207	78.90
Standard Group Ltd		30.25	58	92%	85%	63.74	17.31	0%	106.40	0.91	0.00	3.35	4250	64.39
TPS Eastern Africa (Serena) Ltd		54	73	35%	na	na	1.96	na	9.80	3.61	1.25	37.27	6560	na
Uchumi Supermarkets		79	na	na	na	na	na	na	na	-6.8	0.0	na	na	na
Average				**28%**	**22%**	**29.18**	**7.47**	**2%**	**36.01**				**39081.76**	**708.45**
Finance & Invest.												na		
Barclays Bank		78	70	na	na	23.33	6.36	na	32.70	3.00	1.65	11.00	95052	1440.18
CFC Bank		129	115	-11%	-14%	22.82	3.83	2%	18.40	5.04	1.75	30.00	17940	271.82
Diamond Trust		92	96	4%	1%	25.33	7.52	1%	35.70	3.79	1.00	12.76	13416	203.27
Equity Bank Ltd		148	321	117%	110%	115.75	39.63	1%	56.00	2.77	2.00	8.10	87214	1321.42
Housing Finance		42.75	31.5	-26%	-29%	35.39	2.76	0%	6.60	0.89	0.00	11.43	3623	54.89
ICDC		29	27	-7%	-10%	24.55	2.33	1%	12.50	1.10	0.40	11.60	14849	224.98
Jubilee Holdings Ltd		203	189	-7%	-10%	12.88	3.88	2%	24.90	14.67	4.25	48.67	6804	103.09
K.C.B Bank		26.75	30.75	15%	11%	25.25	7.26	2%	31.20	1.22	0.60	4.23	61377	929.95
Kenya Re-Insurance Corp		16	17.1	na	na	na	na	na	32.20	na	na	na	40	0.60
National Bank		45.5	62	36%	32%	45.59	3.80	0%	19.10	1.36	0.00	16.30	12400	187.88
National Industrial Credit		63.5	59.5	-6%	-9%	10.70	1.80	5%	20.00	5.56	2.70	33.13	4904	74.30
Pan Africa Insurance Holdings Ltd		98.5	72.5	-26%	-29%	7.73	2.68	na	33.90	9.38	1.44	27.02	3480	52.73
Standard Chartered Bank		202	215	6%	3%	23.70	5.76	4%	28.80	9.07	8.50	37.35	58473	885.96
Average				**9%**	**5%**	**31.08**	**7.30**	**2%**	**27.08**				**29197.66**	**442.39**
D.Indust. & Allied												na		
Athi River Mining Ltd		93.5	107	na	na	38.77	6.87	na	24.20	2.76	1.00	15.57	10058	152.39
BOC (K)		160	160	na	na	13.83	na	na	20.6000	11.5700	11.3000	59.2600	3124	na
Bamburi		196	196	0%	na	27.22	5.19	na	20.50	7.20	5.50	37.80	71140	1077.88
British American Tobacco		139	164	18%	14%	13.66	3.93	na	29.80	12.01	12.00	41.75	16400	248.48
Carbacid		137	137	na	na	13.69	na	na	na	10.0100	5.0000	na	1552	na
Crown Berger		*49.75*	42.5	-15%	-17%	14.03	na	na	na	3.0300	1.5000	na	1008	15.28
E.A.Cables		*42*	40.75	-3%	-6%	29.11	17.87	na	75.20	1.40	0.70	2.28	8252	125.03
E.A.Portland		138	114	-17%	-20%	24.89	3.33	na	17.70	4.58	2.60	34.21	10260	155.45
E.A.Breweries		169	198	17%	13%	24.21	na	3%	33.30	8.18	5.90	26.00	130478	1976.94
Eveready East Africa Ltd		7.65	5.95	-22%	-25%	7.55	4.31	10%	na	0.79	0.60	1.38	1250	18.93
Kenol		112	89.5	-20%	-23%	10.93	na	3%	18.10	8.19	2.25	45.45	9102	137.91
K.Pow.& L.		217	214	-1%	-5%	10.30	5.67	1%	60.00	20.78	1.50	37.76	16933	256.57
KenGen		27	24.5	-9%	-12%	14.33	1.44	2%	12.20	1.71	0.55	17.05	53860	816.06
Mumias		14.3	12.7	-11%	-14%	4.25	0.86	14%	13.10	2.99	1.75	14.76	6477	98.14
Olympia Capital Holdings		14.4	15.8	10%	6%	10.68	na	0%	14.10	1.48	0.00	na	158	2.39
Sameer Africa Ltd		11.55	9.75	-16%	-18%	-121.88	1.35	na	1.40	-0.08	0.00	7.22	2714	41.12
Total		*31.5*	29.75	-6%	-9%	10.70	1.19	8%	12.40	2.78	2.50	25.00	5208	78.91
Unga		15.5	13.7	-12%	-15%	23.62	na	na	na	0.58	-	na	864	13.10
				-6%	**-9%**	**9.44**	**4.73**	**5%**	**25.19**				**19379.8 8**	**325.91**

Malawi

Political Outlook

Malawi's opposition parties have threatened not to pass the proposed national budget of the government if crisis talks yield no compromise. This feud may lead to Malawi losing millions of dollars in donor pledges for its 2008/2009 budget. Uncertainty and rumor mongering has become a part of the political fabric and both parties will need to work together to quickly resolve their political differences.

Economic Outlook

The economy remains resilient amid rising inflation. Domestic liquidity expansion deteriorated during the first half of the year, and is likely to push inflation up within the short-term. The Central Bank left its indicative interest rate unchanged, and we expect liquidity growth to further increase in the sector quarter. Despite the rise in inflation, the 'all-type treasury yields' fell by 8 basis points to 9.5% in January. This was in the wake of an apparent supply increases from investor's during the period. Government borrowing has intensified to accommodate the increase domestic liquidity position of the economy; but much remains to be done if the liquidity expansion is to be mitigated. The domestic kwacha strengthened against the South African rand, but lost grounds against the euro and the dollar though marginally.

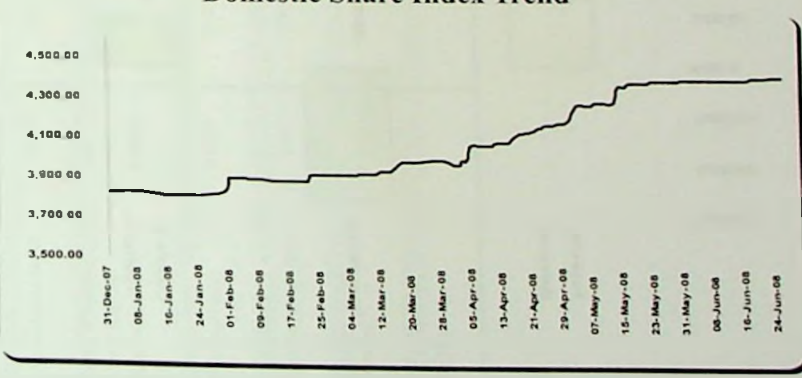
Essentially, the outlook for the Malawi economy remains strong. We expect inflation to further rise in line with hikes in global food and energy prices; but this is not likely to cause much volatility within the short-term as overall macroeconomic stability remains robust.

Stock Market Review & Outlook

The MSE enjoyed a bullish run in 2007 and was among the best performing markets in Africa. In spite of the general expectation of a cooling off, the market is still northbound, although slowly. The considerable slow down is even eminent when examined through the lens of its HY-07 performance. Year-to-HY'08, the Domestic Share Index returned only 15.32% (17%USD) which compares unfavorably to the 71.26% (69.85%USD) recorded in HY'07. Strong earnings results released by some financial and real estate companies in the second quarter of 2008 boosted activity, pushing the return on the index up by more than twice that for the first quarter. The financial industry in particular led the drive due to their improved valuations. Compared to the rest of Africa, the market is relatively cheap. Although some individual stocks have registered marginal improvements in their valuation multiples as compared to same period last year, the market, overall, has become more expensive looking at its history.

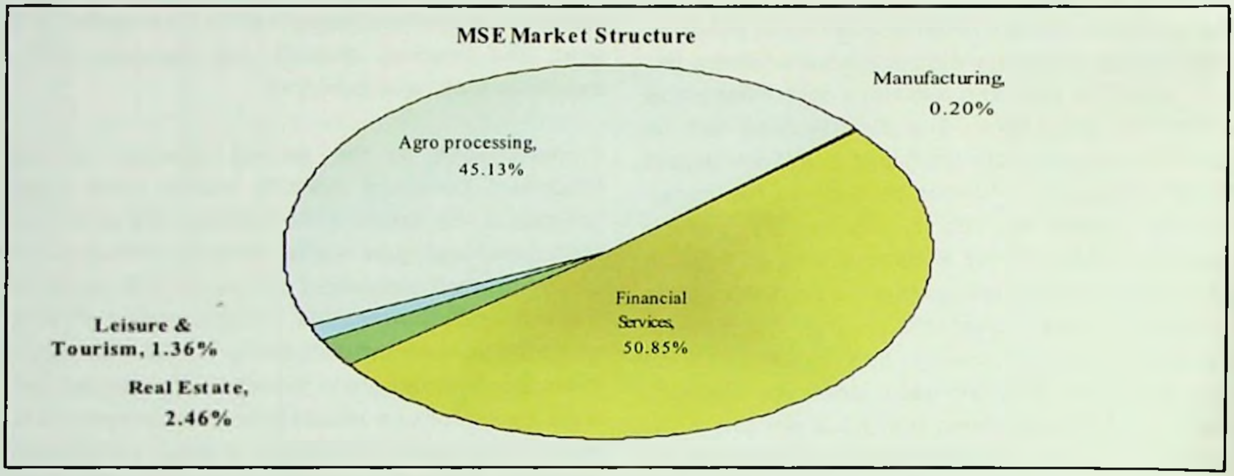
Predominantly in the second quarter, Malawi Properties Company (MPICO) traded some huge volumes which boosted the total volume of shares traded and aggregate market turnover. The slow but steady upward movement of the DSI will continue into the second half of 2008. Despite the fear of some profit taking from investors as the market is currently overvalued [compared to historical information], we expect good full year results from listed companies to provide the impetus to sustain, at least, a snail-pace clamber. Granted improved tobacco sales, the kwacha will maintain its resilience against the US dollar allowing for the safeguarding of returns in dollar terms. At its current pace, the index is likely to hit at least 30%YTD in USD by end of year.

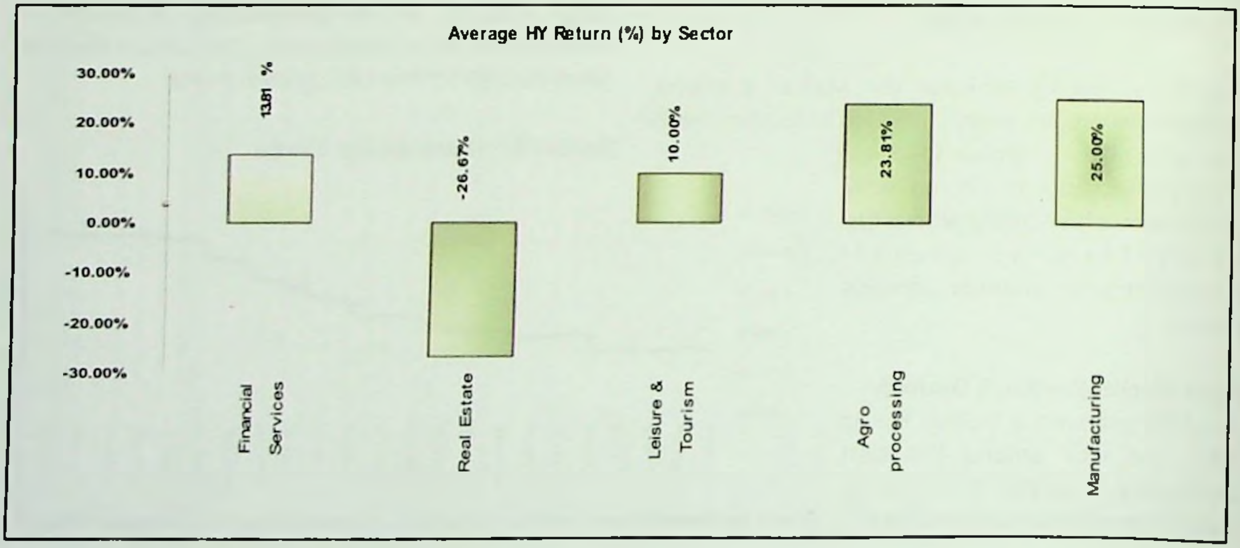
Domestic Share Index Trend



TOP 5 ADVANCERS				
EQUITY [TICKER]	Year Open	HY Close	YTD (MUR)	YTD (USD)
NBS	4.50	6.20	37.78%	55.34%
PIM	5.00	6.25	25.00%	24.83%
ILLOVO	105.00	130.00	23.81%	23.64%
FMB	8.20	10.00	21.95%	21.78%
SUNBIRD	7.50	9.00	20.00%	19.83%

WORST LAGGARD				
Company	Year Open	HY Close	YTD (MUR)	YTD (USD)
MPICO	6.00	4.40	-26.67%	-26.77%





Listed Equity	Ticker	Equity Prices		Change		Volume	KEY FINANCIAL RATIOS			EPS (Mwk)	Market Cap (Mwk million)	Market Cap (US$ million)
		Year Open (Mwk)	HY Close (Mwk)	YTD (Mwk)	YTD (US$)		P/E (x)	P/BVS (x)	Div. Yield (%)			
Financial Services												
First Merchant Bank	FMB	8.20	10.00	21.95%	21.78%	11,779,858	11.17	4.81	2.30	0.90	22,250	158.35
National Bank of Malawi	NBM	60.00	64.00	6.67%	6.52%	3,144,597	12.23	4.32	4.51	5.23	29,228	208.01
NBS Bank Ltd	NBS	4.50	6.20	37.78%	55.34%	10,745,827	13.07	2.78	3.57	0.54	3,059	24.58
National Insurance Company	NICO	8.00	8.20	2.50%	2.36%	18,422,477	5.90	2.57	2.93	1.39	8,553	60.87
National Investment Trust	NITL	24.00	26.00	8.33%	8.18%	12,114,613	3.15	1.71	1.19	8.27	3,510	24.98
Press Corporation	PCL	205.00	225.00	9.76%	9.60%	3,542,540	7.24	1.81	1.42	31.07	24,803	176.52
Standard Bank	StandardBank	62.00	68.00	9.68%	9.53%	1,730,615	10.45	3.76	4.35	6.51	13,600	96.79
Real Estate												
Malawi Properties Co. Ltd	MPICO	6.00	4.40	-26.67%	-26.77%	52,827,304	4.23	1.41	2.95	1.04	5,056	35.98
Leisure & Tourism												
Blantyre Hotels Ltd	BHL	3.40	3.40	0.00%	-0.14%	0	7.11	0.71	0.00	0.48	437	3.11
Sunbird Tourism	SUNBIRD	7.50	9.00	20.00%	19.83%	2,356,300	13.33	3.73	3.37	0.67	2,354	16.75
Agro processing												
Illovo Sugar Malawi	ILLOVO	105.00	130.00	23.81%	23.64%	8,443,563	18.46	8.49	3.77	7.04	92,748	660.08
Manufacturing												
Packaging Industries Malawi	PIM	5.00	6.25	25.00%	24.83%	4,431,200	7.59	0.67	4.50	0.82	420	2.99
Foreign Listed Stock												
Old Mutual	OLM	415.00	415.00	0.00%	-0.14%	470,900	15.89	2.37	2.54	415.00	1,590,304.68	11,318.06
Market Averages						130,209,794	11.19	3.84	3.24	2.64	206,017.34	1,469.02

Mauritius

Political Outlook

Internal divisions and criticisms have characterized consultations on electoral reforms proposed by the government, especially plans to abolish the best loser system. The best loser system practiced in Mauritius makes room for ethnic and religious considerations in who wins office. The present government now wants to do away with it. Despite these upheavals, President Navin Ramgoolam is expected to remain in power through 2009 and to push forward his proposed economic reforms.

Economic Outlook

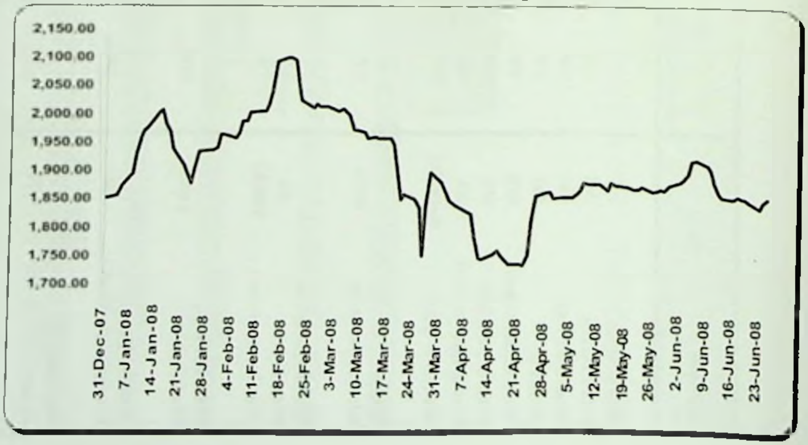
Concerns over maintaining the current level of economic activity and sustaining existing employment levels has led the Central Bank of Mauritius to leave its key policy interest rate unchanged at 8.0% in July. Despite the exposure of the domestic economy to the deepening global food and energy price hikes and an ease in the country's major exports, inflation remains largely contained; closing May at 8.8% compared to 8.9% in January. The appreciation of the rupee during the first quarter has helped cushion the economy against imported inflation. The inflow of foreign direct and portfolio investment have helped to strengthen the local currency; a trend we expect to continue into the third quarter. As the risk to the global economy further intensifies, we expect domestic growth to be more affected than inflation within the short-term. Consequently, a reduction in the cost of borrowing will be more essential for short term macroeconomic stability.

Overall, we expect inflation to remain within single digit during the next quarter, while the key policy interest rate is likely to be reduced to support real sector growth. Food inflation is, however, likely to further increase in line with global trends. The main risk to the economy's short term growth outlook is further declines in export demand, as growth in advanced economies which serve as market to their commodity exports are likely to slow in the next quarter as crude and food prices further deteriorates.

Stock Market Review & Outlook

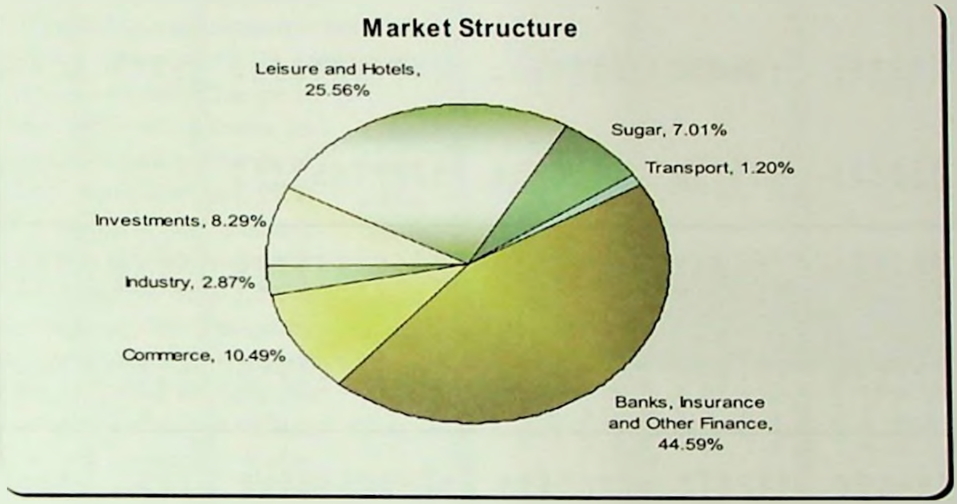
The Stock Exchange of Mauritius Index (SEMDEX) started off on quite a good note, though it lost steam half way into the first quarter of this year. In 2007, the market had a good run aided by foreign portfolio inflows, robust earnings, a friendly economic environment as well as strong and attractive valuations. Compared to its performance in the corresponding period last year, the SEMDEX yielded feeble returns of -0.54% or 3.10%USD by close of half year 2008. A number of the equities show very rich valuations and with the not-soimpressive first quarter financial results released by these companies, we do not expect the total positive impact on the market to be great. Thus we expect to see a further market correction. Again, the slow down in tourism is expected to continue deep into the second half of 2008. This is due to high costs of fuel which has filtered into the price of tickets. The Mauritius Rupee may not enjoy the kind of appreciation it experienced in 2007. Thus, the performance of the dollar SEMDEX will be greatly measured. The Leisure and Hotels sub-sector which has already taken a hit will continue to suffer on these grounds; however, the Sugar sector may provide some solace.

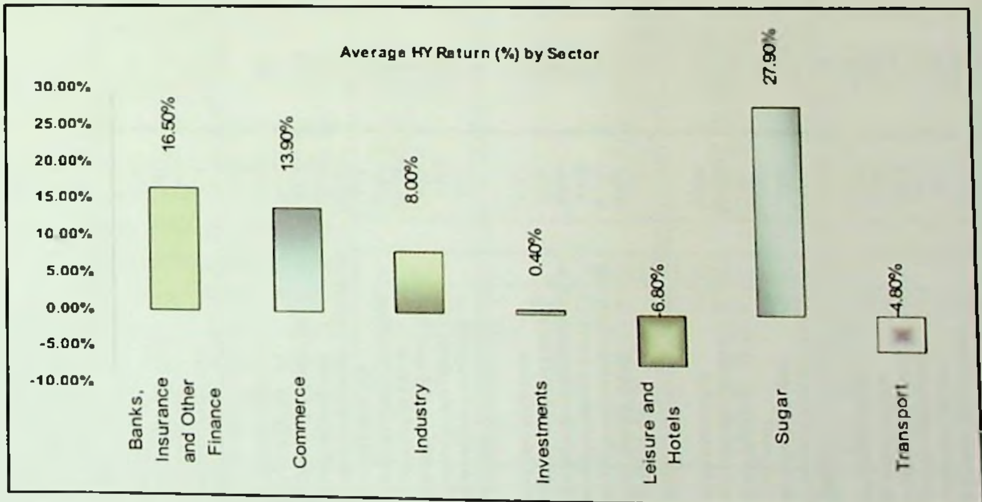
SEMDEX Trend Graph



TOP 5 ADVANCERS				
EQUITY [TICKER]	Year Open	HY Close	YTD (MUR)	YTD (USD)
Shell Mauritius Ltd [SHELL]	45.50	76.00	67.03%	73.14%
Mon Desert Alma Ltd [M D A]	430.00	705.00	63.95%	69.95%
Automatic Systems Ltd [A S L]	33.50	49.50	47.76%	53.17%
The Mount Sugar Estates Company [MOUNT]	45.00	65.00	44.44%	49.73%
The Mauritius Union Assurance [MUA]	46.00	62.00	34.78%	39.71%

WORST 5 LAGGARDS				
Company	Year Open	HY Close	YTD (MUR)	YTD (USD)
Naiade Resorts Ltd [NRL]	116.00	79.00	-31.90%	-29.41%
National Investment Trust [N I T]	38.00	26.00	-31.58%	-29.08%
Sun Resorts Ltd [SUN]	126.00	97.00	-23.02%	-20.20%
New Mauritius Hotels [N M H]	194.00	155.00	-20.10%	-17.18%
British American Investment Ltd [BAIN]	9.00	7.80	-13.33%	-10.16%





Listed Equity	Ticker	Equity Prices Year Open (MUR)	HY Close (MUR)	Change YTD (MUR)	YTD (US$)	Key Financial Ratios P/E (x)	P/BVS (x)	Div. Yield (%)	Per Share Data EPS (MUR)	DPS (MUR)	BVS (MUR)	Market Cap MUR million	Market Cap (US$ million)
Banks, Insurance and Other Finance													
The Mauritius Commercial Bank	M C B	162.00	172.00	6.17%	10.06%	17.66	3.20	1.69	9.74	2.90	53.82	43,064.60	1559.75
Mauritius Eagle Insurance Ltd.	M E I	55.00	58.00	5.45%	9.31%	11.05	1.29	2.72	5.25	1.58	44.82	464.00	16.81
Mauritius Leasing Company	M L C	3.40	4.35	27.94%	32.62%	87.00	3.10	1.15	0.05	0.05	1.41	1,305.00	47.27
The Mauritius Union Assurance	MUA	46.00	62.00	34.78%	39.71%	8.55	0.84	5.65	7.25	3.50	73.90	1,242.48	45.00
State Bank of Mauritius	SBM	79.00	96.00	21.52%	25.96%	19.09	3.06	2.19	5.03	2.10	31.33	29,159.06	1056.11
Swan Insurance Limited	SWAN	90.00	93.00	3.33%	7.11%	10.33	0.87	5.91	9.00	5.50	107.42	666.94	24.16
Commerce													
Compagnie Des Magasins Populaires	C M P L	19.00	21.10	11.05%	15.12%	5.55	0.42	7.35	3.80	1.55	50.52	46.28	1.68
Harel Mallac and Company	HML	56.00	60.00	7.14%	11.06%	6.86	0.62	3.50	8.74	2.10	97.13	675.56	24.47
Innodis Limited	INNODIS	12.70	12.90	1.57%	5.29%	21.50	0.53	4.65	0.60	0.60	24.19	473.82	17.16
Ireland Blyth Limited	I B L	60.00	60.00	0.00%	3.66%	9.49	1.30	2.75	6.32	1.65	46.05	4,286.30	155.24
Rogers and Company Limited	ROGERS	412.00	398.00	-3.40%	0.14%	14.27	1.09	3.02	27.89	12.00	364.87	10,031.40	363.32
Shell Mauritius Limited	SHELL	45.50	76.00	67.03%	73.14%	9.84	4.77	10.00	7.72	7.60	15.94	2,228.49	80.71
Industry													
Gamma Civic Limited	GCL	76.00	89.00	17.11%	21.39%	19.52	1.72	3.37	4.56	3.00	51.61	1,185.93	42.95
Phoenix Beverages Limited	P B L	99.00	96.00	-3.03%	0.52%	5.86	0.88	5.73	16.37	5.50	109.54	1,578.91	57.19
Mauritius Chemical and Feritilizer Industry	M C F I	16.00	17.20	7.50%	11.43%	4.71	0.68	5.81	3.65	1.00	25.38	378.51	13.71
Mauritius Oil Refineries Limited	M O R	12.90	14.20	10.08%	14.10%	9.73	1.38	5.63	1.46	0.80	10.28	472.58	17.12
Mauritius Stationery Manufacturers Co. Ltd	M S M	35.00	39.00	11.43%	15.50%	-	0.56	5.77	-	2.25	69.96	231.55	8.39
Plastic Industry Mauritus Limtied	P I M	39.00	41.00	5.13%	8.97%	7.35	1.31	7.32	5.58	3.00	31.38	82.00	2.97
United Basalt Products Ltd	U B P	40.00	43.00	7.50%	11.43%	27.92	0.61	4.65	1.54	2.00	70.18	949.94	34.41
Investments													
British American Investment Ltd	BAIN	9.00	7.80	-13.33%	-10.16%	6.90	0.62	6.28	1.13	0.49	12.56	741.57	26.86
Belle Marie Holding Limited	B M H	144.00	137.00	-4.86%	-1.38%	20.06	0.64	2.92	6.83	4.00	215.41	584.55	21.17
Caudan Development Limited	CAUDAN	1.75	1.75	0.00%	3.66%	25.00	0.71	2.86	0.07	0.05	2.47	1,434.16	51.94
Fincorp Investment Limited	FINCORP	19.80	19.50	-1.52%	2.09%	7.25	0.66	3.08	2.69	0.60	29.77	2,015.43	73.00
General Investment and Development Ltd	G I D C	16.00	20.50	28.13%	32.81%	13.58	0.65	1.46	1.51	0.30	31.35	598.04	21.66
Liberty Investment Trust	L I T	37.00	37.10	0.27%	3.94%	7.70	0.00	0.86	4.82	0.32	43.01	194.78	7.05
Mauritius Development and Investment Trust	M D I T	5.55	5.85	5.41%	9.26%	2.37	0.00	10.09	2.47	0.59	5.26	2,064.01	74.76
National Investment Trust	N I T	38.00	26.00	-31.58%	-29.08%	12.50	0.00	7.69	2.08	2.00	61.50	356.27	12.90
Promotion and Development Ltd.	P.A.D	101.00	105.00	3.96%	7.76%	8.34	0.64	1.71	12.59	1.80	163.95	4,080.95	147.81
P.O.L.I.C.Y Limited	P O L I C Y	8.40	8.50	1.19%	4.89%	17.00	0.78	5.88	0.50	0.50	10.85	1,447.04	52.41
United Docks Limited	UTDL	88.00	95.00	7.95%	11.90%	2.38	0.58	1.05	39.94	1.00	163.95	1,003.20	36.33
Leisure and Hotels													
Automatic Systems Limited	A S L	33.50	49.50	47.76%	53.17%	14.18	6.02	6.06	3.49	3.00	8.22	174.98	6.34
New Mauritius Hotels	N M H	194.00	155.00	-20.10%	-17.18%	12.70	2.73	3.87	12.20	6.00	56.72	25,020.65	906.22
Naiade Resorts Limited	NRL	116.00	79.00	-31.90%	-29.41%	12.08	2.88	3.80	6.54	3.00	27.44	6,814.29	246.81
Sun Resorts Limited	SUN	126.00	97.00	-23.02%	-20.20%	8.14	3.06	4.12	11.91	4.00	31.70	10,999.55	398.39
Sugar													
Harel Freres Limited	HARF	18.50	19.40	4.86%	8.70%	7.16	0.54	3.09	2.71	0.60	35.71	3,372.38	122.14
Mon Desert Alma Limited	M D A	430.00	705.00	63.95%	69.95%	-	0.74	1.84	-	13.00	952.57	1,547.12	56.03
The Mount Sugar Estates Company	MOUNT	45.00	65.00	44.44%	49.73%	10.11	0.73	3.08	6.43	2.00	88.77	726.78	26.32
Mon Tresor& Mon Desert Limited	M T M D	59.50	77.00	29.41%	34.15%	25.67	0.87	3.25	3.00	2.50	88.23	5,159.96	186.89
The Savannah Sugar Estate Company	SAVA	205.00	199.00			-	0.51	3.02	-	6.00	394.00	874.02	31.66
Transport													
Air Mauritius Limited	AIRM	21.00	20.00	-4.76%	-1.28%	2.87	2.94	7.50	6.96	1.50	81.49	2,046.10	74.11
Market Average						12.10	1.57	3.07				169,779.17	6,149.19

Morocco

Political Outlook

King Mohammed VI remains in absolute control of the country and a weak Parliament ensures that there is no serious threat to his rule. Morocco remains a stable country politically and this will not change during the rest of the year. The threat of terrorist activities still remains as was evidenced in the 2003 Casablanca bombings.

Economic Outlook

Growth outlook for the economy remains strong, with positive consumer demand expectations for the rest of the year. The percentage change in the cost of living index for the country slowed in the first month of 2008, with an increase of 2.1%, compared to 2.7% in the previous month. Change in underlying inflation, however, showed an increasing trend with a monthly change of 2.7% in January 2008, compared to 2.1% in December 2007. Consequently, treasury yields responded to the average consumer price increase, and increased from 3.3% to 3.6% during the same period. Consumer inflation is likely to increase in the next quarter due to deteriorating world crude oil prices, and we expect this put further upward pressure on treasury yields. Consumer demand growth is expected to remain robust, which should help sustain economic activity within the short term.

Stock Market Review & Outlook

The Casablanca Stock Exchange made impressive returns during the first half of 2008. The MASI registered gains of 12% in local currency terms and 18% in US dollar terms on account of the appreciation of the local currency (MAD). The MAD MASI closed the first half of the year at a level of 14,191.07 points, while the dollar MASI closed at 1,916.09 points. Liquidity on the CSE however declined during the period. Monthly turnover averaged MAD 8.5 million compared with MAD 13.5 million for 2007. Capital gains made on the bourse pushed aggregate capitalization up from MAD 598.2 billion ($76.96 billion) to MAD 674.2 billion ($90 billion). The strong Moroccan economy and a well diversified stock market proffers a good investment environment for the second half of 2008. A sturdy local currency (Moroccan Dirham) will especially support foreign investors. Our outlook for CSE during the second half of 2008 is positive. We forecast the dollar return on the market to close 2008 at 30%. Investors may consider adding some cement & construction, banking and insurance stocks to their portfolios as these sectors are expected to make a stronger recovery during the second half on the back of strong economic growth.

MASI Trend

TOP 5 ADVANCERS

Company	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
MINIERE	613	921	50	59
GAZ	1,110	1,488	34	42
IAM	147	188	28	35
ADH	1,685	2,142	27	33
LCT	186	235	26	34

WORST FIVE LAGGARDS

Company	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
MICRODATA	961	565	-41	-38
MAV	434	262	-40	-36
LGMC	749	520	-31	-27
HPS	1,460	1,060	-27	-23
ATLANTA	1,660	1,255	-26	-22

Listed Equity	Ticker	Year Open (MAD)	Half Year (MAD)	Year-to Date Change	Year to Date Change ($)	KEY FINANCIAL RATIOS P/E (x)	Div. Yield (%)	ROE (%)	Per Share Data EPS (MAD)	DPS (MAD)	BVS (MAD)	Capitalisation (MAD'm)	Capitalisation (US$'m)
[illegible]													
ITISSALAT AL MAGHRIB	IAM	146.88	188	28%	35%	20.35	4.29%	45.42%	9.24	8.06	19.90	165,269.92	22,364.9[illegible]
BANKING					6.1%	21.5							
ATTIJARIWAFA BANK	ATW	3,060.46	3,250	6%	11%	24.09	1.42%	16.35%	134.90	46.20	825.10	62,723.69	8,487.6[illegible]
BANQUE CENTRALE POPULAIRE	BCP	2,298.42	2,461	7%	13%	20.11	1.96%	15.80%	122.40	48.28	774.80	14,490.49	1,960.6[illegible]
BMCE BANK	BCE	2,815.08	3,145	12%	18%	32.79	0.81%	18.65%	95.90	25.34	514.10	49,927.32	6,756.9[illegible]
BANQUE MAROCAINE DU COMMERCE ET DE L'INDUSTRIE	BMCI	1,144.72	1,117	-2%	3%	16.16	1.74%	17.88%	69.10	19.47	386.50	11,173.07	5,734.6[illegible]
CREDIT DU MAROC	CDM	970.45	850	-12%	-7%	20.53	3.42%	15.23%	41.40	29.10	271.90	7,087.45	5,734.6[illegible]
CIH	CIH	630.23	588	-7%	-1%	15.51	0.00%	43.61%	37.90	0.00	86.90	12,832.14	1,736.4[illegible]
CONSTRUCTION & BUILDING MATERIALS						22.4							
CIMENT DU MAROC	CMA	2,540.44	2,111	-17%	-12%	18.97	2.17%	20.28%	111.30	45.81	548.90	15,237.20	2,061.8[illegible]
HOLCIM (Maroc)	HOL	2,549.21	2,590	2%	7%	24.32	2.56%	26.37%	106.50	66.30	403.80	10,903.90	1,475.4[illegible]
LAFARGE CIMENTS	LAC	1,847.75	2,136	16%	22%	29.67	1.65%	28.10%	72.00	35.15	256.20	10,176.56	1,377.0[illegible]
SONASID	SID	2,980.69	3,550	19%	26%	16.63	2.77%	29.25%	213.50	98.34	729.80	13,845.00	1,873.4[illegible]
HOLDING COMPANIES						16.0							
ONA	ONA	1,600.17	1,853	16%	22%	22.76	1.64%	11.42%	81.40	30.40	712.80	32,357.92	4,378.6[illegible]
SOCIETE NATIONALE D'INVESTISSEMENT	SNI	1,666.67	1,890	13%	20%	35.73	1.68%	7.97%	52.90	31.67	663.50	20,601.00	2,787.6[illegible]
[illegible]						34.4							
COSUMAR	CSR	854.77	1,030	21%	27%	14.37	3.90%	19.50%	71.70	40.19	367.70	4,316.79	584.1[illegible]
LESIEUR CRISTAL	LES	731.18	816	12%	18%	54.40	2.42%	3.47%	15.00	19.74	431.80	2,254.73	305.1[illegible]
BEVERAGES						15.2							
BRASSERIES DU MAROC	SBM	1,870.00	1,870	0%	6%	15.15	4.80%	19.24%	123.40	89.76	641.50	5,283.13	714.9[illegible]
OULMES	OUL	1,019.14	905	-11%	-6%	na						-	0.00
OIL & GAS						22.4							
AFRIQUIA GAZ	GAZ	1,109.62	1,488	34%	42%	26.06	3.43%	12.88%	57.10	51.06	443.30	5,115.00	692.1[illegible]
SAMIR	SAM	802.68	720	-10%	-5%	18.80	3.12%	9.54%	38.30	22.48	401.60	8,567.76	1,159.37
INVESTMENT COMPANIES						221.6							
DIAC SALAF	DIS	203.89	193	-5%	0%	643.33	0.00%	0.19%	0.30	0.00	157.90	203.62	27.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.11%	17.90%	[illegible]	[illegible]	[illegible]	[illegible]	345.9[illegible]
MAROC LEASING	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.44%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	33.8[illegible]
MINING						18.6							
MANAGEM	[illegible]	[illegible]	[illegible]	-4%	[illegible]	[illegible]	[illegible]	11.54%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INSURANCE						23.4							
LA MAROCAINE VIE	[illegible]	[illegible]	[illegible]	-40%	[illegible]	[illegible]	[illegible]	4.71%	[illegible]	[illegible]	[illegible]	451.43	[illegible]
AGMA LAHLOU-TAZI	[illegible]	[illegible]	[illegible]	-2%	4%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ATLANTA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.04%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WAFA ASSURANCE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.37%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DISTRIBUTORS						5.5							
AUTO HALL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	158.60	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41.10	[illegible]	[illegible]	[illegible]	[illegible]
FENIE BROSSETTE	FBR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49.10	12.31	[illegible]	[illegible]	[illegible]
ELECTRICAL & ELECTRONIC EQUIPMENT						15.8							
NEXANS MAROC	[illegible]	[illegible]	[illegible]	[illegible]	-4%	[illegible]	[illegible]	[illegible]	23.50	[illegible]	[illegible]	[illegible]	112.62
TRANSPORT						16.3							
COMPAGNIE DE TRANSPORTS AU MAROC	CTM	[illegible]	[illegible]	-6%	[illegible]	[illegible]	3.19%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CHEMICALS						17.8							
COLORADO	COL	[illegible]	[illegible]	2%	[illegible]	[illegible]	2.15%	[illegible]	53.10	18.50	[illegible]	[illegible]	[illegible]
MAGHREB OXYGENE	[illegible]	[illegible]	[illegible]	[illegible]	-12%	[illegible]	[illegible]	[illegible]	[illegible]	4.83	[illegible]	[illegible]	[illegible]
REAL ESTATE						[illegible]							
DOUJA PROM ADDOHA	ADH	[illegible]	[illegible]	2%	[illegible]	[illegible]	[illegible]	[illegible]	39.52	23.58	[illegible]	[illegible]	[illegible]
MATERIALS, SOFTWARE & COMPUTER SERVICES						11.4							
HIGHTECH PAYMENT SYSTEMS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	29.44	[illegible]	[illegible]	[illegible]
MATEL PC MARKET	MAT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	32.10	8.60	[illegible]	[illegible]	[illegible]
PHARMACEUTICAL						17.1							
PROMOPHARM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.20%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOTHEMA	SOT	[illegible]	[illegible]	-2%	4%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,116.00	151.01
UTILITIES						10.7							
LYDEC	LYD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.51%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LEISURES & HOTELS						[illegible]							
RISMA	RIS	[illegible]	[illegible]	[illegible]	-4%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	333.1[illegible]
CONSTRUCTION & BUILDING MATERIALS						9.4							
ALUMINIUM DU MAROC	ALM	955.18	878	-8%	-3%	9.43	4.46%	13.41%	93.10	39.16	694.50	409.11	55.36
FOOD PRODUCERS & PROCESSORS						16.2							
CARTIER SAADA	CRS	207.93	174	-16%	-12%	13.92	2.92%	8.31%	12.50	5.08	150.50	67.86	9.18
CENTRALE LAITIERE	CLT	6,301.49	7,000	11%	17%	16.74	3.42%	41.61%	418.20	239.40	1008.10	6,594.01	892.29
DARI COUSPATE	DARI	545.17	530	-3%	3%	12.24	2.37%	16.88%	43.30	12.54	256.50	158.14	21.40
UNIMER	UMR	934.31	874	-6%	-1%	21.96	4.06%	11.00%	39.80	35.49	361.80	480.70	65.05
BEVERAGES						14.9							
[illegible]	BNM	1,630.33	1,720	5%	11%	14.94	4.08%	29.01%	115.10	70.09	396.70	860.00	116.37
INVESTMENT COMPANIES						9.8							
MAGHREBAIL	MAB	640.16	614	-4%	1%	9.84	6.78%	15.83%	62.40	41.60	394.20	629.55	85.19
CHEMICALS						13.6							
STE CHERIFIENNE D'ENGRAIS ET DE PRODUITS CHIMIQUES	SCE	332.03	332	0%	6%	13.61	4.60%	7.37%	24.40	15.27	330.90	204.66	27.69
MATERIALS, SOFTWARE & COMPUTER SERVICES						12.2							
DISTRISOFT MAROC	DTS	559.96	580	4%	9%	8.57	4.78%	24.93%	67.70	27.72	271.60	153.50	26.18
IB MAROC.COM	IBMC	320.07	370	16%	22%	11.08	5.28%	13.82%	33.40	19.52	241.70	154.47	20.90
M2M Group	M2M	990.40	831	-16%	-11%	16.99	0.00%	29.23%	48.90	0.00	167.30	538.30	72.84
FORESTRY & PAPER						-22.5							
PAPELERA TETUAN	PDT	176.82	180	2%	8%	-22.50	0.00%	-173.91%	-8.00	0.00	4.60	183.49	24.83
										0.00			
CONSTRUCTION & BUILDING MATERIALS						22.7							
MEDIACO MAROC	MED	639.87	550	-14%	-9%	22.73	0.00%	16.65%	24.20	0.00	143.60	168.44	22.79
HOLDING COMPANIES													
ZELLIDJA	ZDJ	1,597.47	1,770	11%	17%	na					na	na	0.00
FOOD PRODUCERS & PROCESSORS													
LES GRANDES MARQUES ET CONSERVERIES CHERIFIENNES	LGMC	748.56	520	-31%	-27%	na					na	na	0.00
INVESTMENT COMPANIES & OTHER FINANCE						28.3							
[illegible]	ACR	1,479.59	1,450	-2%	4%	32.37	2.86%	16.64%	44.60	41.44	269.30	870.00	117.73
TASLIF	TSF	752.80	740	-2%	4%	24.26	1.74%	4.70%	30.50	12.90	649.10	302.66	40.96
MINING													
REBAB	REB	394.11	410	4%	10%	na					na	na	0.00
DISTRIBUTORS						30.3							
AUTO NEJMA	NEJ	2,990.33	3,400	14%	20%	32.44	2.20%	30.35%	104.80	74.75	345.30	2,899.25	392.32
FERTIMA	FRT	354.97	335	-6%	0%	41.88	2.97%	5.49%	8.00	9.94	145.70	385.25	52.13
REALIS MECANIQUES	SRM	760.19	640	-16%	-11%	16.46	1.26%	1543.60%	38.88	8.06	2.52	204.80	27.71
WRAPPING													
LE CARTON	LCT	185.96	235	26%	34%	na					na	na	0.00
TRANSPORT						14.7							
TIMAR	TIM	421.11	371	-12%	-7%	14.66	1.02%	10.68%	25.30	3.79	237.00	55.65	7.53
REAL ESTATE													
BALIMA	BAL	2,064.00	2,064	0%	6%	na					na	na	0.00
MATERIALS, SOFTWARE & COMPUTER SERVICES						59.2							
INVOLYS	INV	285.71	225	-21%	-17%	59.21	0.00%	2.04%	3.80	0.00	166.20	66.11	[illegible]
						67.7							
CGI	CGI	2,430.33	2,342	-4%	2%	191.97	0.21%	5.65%	12.20	4.86	215.80	43,111.34	5,833.[illegible]
STOKVIS NORD AFRIQUE	STOKVIS	779.22	775	-1%	5%	30.88	1.81%	10.95%	25.10	14.02	229.30	712.16	[illegible]
SALAFIN	SALAFIN	800.40	830	4%	10%	23.85	1.42%	17.52%	34.80	11.76	198.60	2,905.49	[illegible]
SNEP	SNEP	1,299.58	1,223	-6%	-1%	24.17	2.66%	29.94%	50.60	32.50	169.00	2,935.58	[illegible]
Delta Holding	DELTA	920.29	1,111	21%	28%							4,904.21	[illegible]
Minière Touissit	MINIERE	613.03	921	50%	59%							1,377.98	[illegible]
MICRODATA	[illegible]	960.50	565	-41%	-38%							239.46	[illegible]
DELATTRE LEVIVIER	[illegible]	728.67	614	-16%	-11%							386.91	[illegible]
						28.56	2%	40%					

Namibia

Political Outlook

In April 2008, President Pohamba undertook a major cabinet reshuffle which most observers believe was long overdue. Mr. Pohamba is expected to stand for re-election in 2009 for a second term and his party, SWAPO, is poised for victory. SWAPO is expected to win a majority in the assembly. However, if it is able to win two-thirds of the assembly seats, it will be able to control the make-up of the new constitution and form the government of its own choosing. Winning less than two-thirds of seats will mean that it will have to compromise on both the constitution and the government. So far, campaigning has largely been devoid of violence and intimidation and this is expected to continue.

Economic Outlook

Spill over effects from producer price hikes remain a major threat to imported inflation within the third quarter. The economy has been very responsive to past monetary policy tightening, as both credit expansion and monetary supply growth moderated in the first quarter. With the prime rate unchanged at 10.5%, we expect domestic credit growth to remain the same in the third quarter of the year. Inflation closed May, marginally up from 9.3% in April to 9.7%. Inflation is significantly imported from neighboring South Africa, as the Namibia currency is pegged to the rand. With inflationary pressures in South Africa still high, we expect further inflation hikes in the third quarter. The subdued domestic demand, however, is likely to mitigate the full impact of the imported inflation expected in the next quarter. Overall business and consumer confidence remains robust, and we expect this to translate into an improved economic expansion in the third quarter. With an efficient monetary transmission mechanism, we expect monetary policy to be effective is curtailing unwarranted hikes in inflation within the short term.

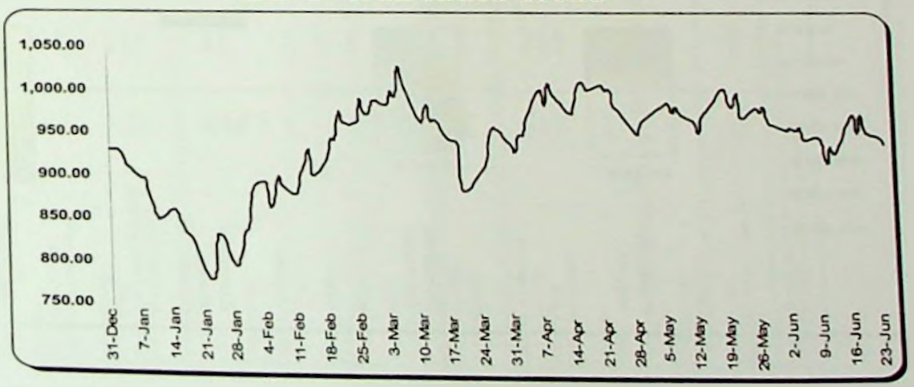
Stock Market Review & Outlook

Featuring among the worst performing markets in Africa, the Namibian Stock Exchange (NSX) recorded 16 laggards and 7 market advancers with the overall index presenting a loss of -11.51% (USD terms) or 2.90%YTD [in local currency terms] at the close of the half year. This compares dismally to the same period last year when the index returned 12.98% in local currency terms. Financial stocks were the major sufferers as their performance reflected the after-effects of the US sub-prime mortgage meltdown which started in August 2007.

Stocks within the basic materials sub-sector were on the other hand, prominent among the top advancers for the period. The basic materials subsector, the largest capitalized sector on the bourse, gained 28% during the review period. The soaring gold prices will continue to have positive ramifications especially on the mining firms. A total of 55,182,212 shares worth N$2,155,302,433 traded on the Namibian bourse. Market capitalization on the main board (excluding preference shares) reached N$1193.10 billion or U$146.48 billion.

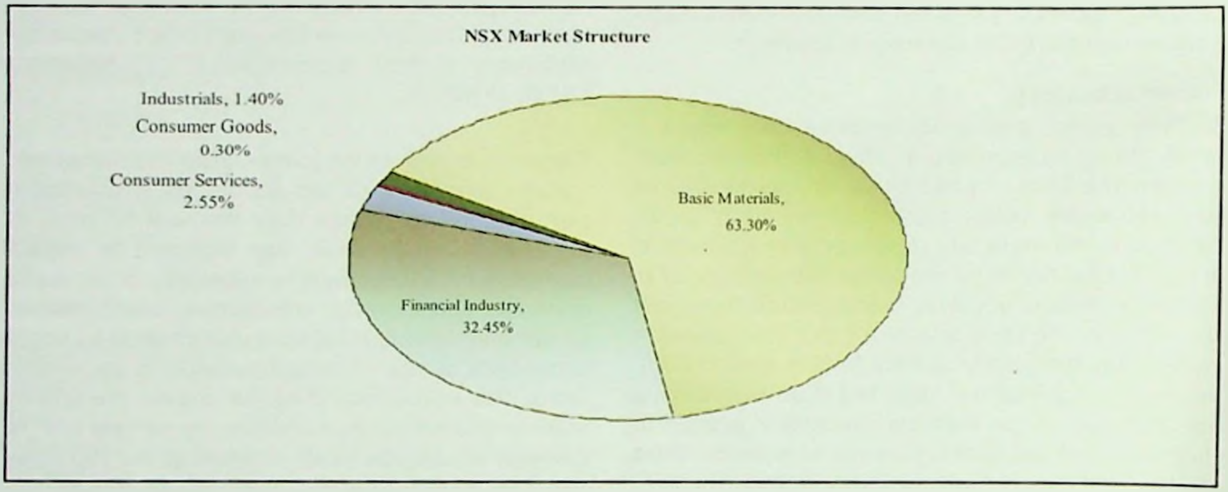
The positive outlook on commodities including basic metals, coupled with the actions by international central banks to salvage their financial systems, as per the mortgage crisis, are expected to impact positively on listed equities especially in the basic materials and financial sub-sectors. South Africa's power crisis and ESKOM's present challenges poses some level of risk of output constraints for mining firms. This notwithstanding, we expect the NSX to mark improved performance in the second half of this year sending the local index well above 2%YTD by year end. Without a doubt, the steep depreciation of the Namibian dollar against the US dollar will pose a great challenge to the performance of the dollar index. Unless the path of depreciation takes a sharp turnaround, the dollar index is not likely to see anything ranging between -5% to 1% by end of year.

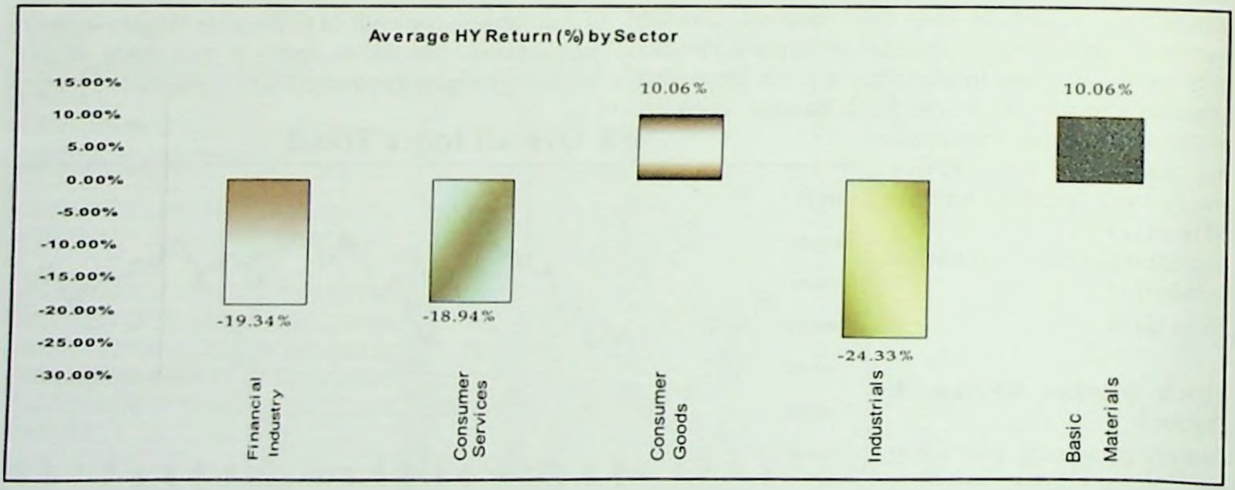
NSE Overall Index Trend



TOP 5 ADVANCERS				
EQUITY [TICKER]	**Year Open**	**HY Close**	**YTD (ZMK)**	**YTD (USD)**
Paladin Energy [PDN]	30.60	41.74	36.41%	15.92%
Anglo American [ANM]	416.16	536.00	28.80%	9.46%
Namibia Breweries Ltd [NBS]	4.52	5.09	12.61%	-4.30%
Oceana Group Ltd [OCG]	20.00	21.50	7.50%	-8.64%
FNB Namibia Holdings [FNB]	9.30	9.91	6.56%	-9.44%

WORST 5 LAGGARDS				
EQUITY [TICKER]	**Year Open**	**HY Close**	**YTD (ZMK)**	**YTD (USD)**
Standard Bank Group [SNB]	101.00	72.75	-27.97%	-38.79%
Mutual & Federal Insurance [MTF]	25.50	18.00	-29.41%	-40.01%
Old Mutual [OLM]	22.96	15.87	-30.88%	-41.26%
Nedbank Group Holdings [NBK]	136.00	89.40	-34.26%	-44.14%
Firstrand [FST]	9.30	12.78	-37.04%	-46.50%





Listed Equity	Ticker	Equity Prices: Year Open (N$)	Equity Prices: HY Close (N$)	Change: YTD (N$)	Change: YTD (US$)	Liquidity Statistics: Volume	Liquidity Statistics: Turnover (N$)	Key Financial Ratios: P/E (x)	P/BVS (x)	Div. Yield (%)	ROE (%)	Per Share Data: EPS (N$)	DPS (N$)	BVS (N$)	Market Cap (N $ million)	Market Cap (US$ million)
Financial Industry								**6.08**	**1.09**	**8.67**	**18.01**					
Banking								**8.10**	**1.68**	**12.24**	**20.79**					
FirstRand	FST	20.30	13.30	-34.48%	-44.32%	16,556,390	258,846,972	8.01	1.60	33.18	19.91	1.66	4.41	8.34	74,972.34	9,204.59
FNB Namibia Holdings	FNB	9.30	9.96	7.10%	-8.99%	905,966	8,758,947	8.77	2.15	2.61	24.51	1.14	0.26	4.64	2,665.23	327.22
Nedbank Group Ltd	NBK	136.00	91.95	-32.39%	-42.54%	463,917	52,488,087	6.29	1.19	3.81	18.91	14.61	3.50	77.27	42,834.54	5,258.93
Standard Bank Group	SNB	101.00	76.45	-24.31%	-35.67%	5,130,269	456,412,165	9.11	2.06	2.10	22.64	8.39	1.61	37.05	116,728.02	14,331.07
Nonlife Insurance								**7.66**	**1.85**	**2.87**	**24.08**					
Mut & Fed Insurance	MTF	25.50	18.00	-29.41%	-40.01%	1,320	29,100	6.48	1.43	2.47	22.13	2.78	0.45	12.55	5,296.55	650.27
Santam Limited	SNM	104.00	79.00	-24.04%	-35.45%	14,904	1,259,988	8.54	2.20	3.09	25.75	9.25	2.44	35.93	9,414.68	1,155.87
Life Insurance								**4.78**	**0.72**	**3.13**	**15.09**					
Metropolitan Holdings Limited	MTD	14.95	11.17	-25.28%	-36.50%	2,695,341	35,031,541	3.81	0.84	3.22	22.01	2.93	0.36	13.32	5,964.36	732.26
Old Mutual Plc	OLM	22.96	14.42	-37.20%	-46.63%	9,153,517	172,382,157	4.61	0.60	2.36	12.98	3.13	0.34	24.08	79,458.13	9,755.33
Sanlam Limited	SLA	22.60	16.60	-26.55%	-37.58%	267,265	5,101,894	5.43	1.24	4.77	22.77	3.06	0.79	13.42	37,185.80	4,565.42
Real Estate								**7.96**	**2.95**	**0.77**	**37.07**					
Oryx Properties Limited	ORY	12.15	12.70	4.53%	-11.17%	208,747	2,613,606	12.51	3.85	3.39	30.78	1.02	0.43	3.30	699.03	85.82
Vukile Property Fund Limited	VKN	10.57	8.00	-24.31%	-35.68%	4,153,948	42,489,808	7.19	2.76	0.00	38.41	1.11	0.00	2.90	2,364.41	290.29
General Financial								**1.70**	**0.32**	**3.65**	**19.05**					
Investec Limited	IVD	65.25	47.20	-27.66%	-38.53%	3,104,330	182,970,519	1.63	0.31	3.77	19.03	29.02	1.78	152.50	11,059.49	1,357.81
Namibia Asset Management Limited	NAM	0.25	0.25	0.00%	-15.02%	21,100	5,275	10.45	3.04	8.00	29.10	0.02	0.02	0.08	50.00	6.14
Trustco Group Holdings Limited	TSO	3.50	3.85	10.00%	-6.52%	8,019,112	29,260,282	16.32	3.78	0.65	23.18	0.24	0.03	1.02	513.91	63.09
Consumer Services								**14.28**	**5.25**	**2.59**	**36.76**					
General Retailers								**9.29**	**4.53**	**4.50**	**48.81**					
Nictus	NCT	0.80	0.80	0.00%	-15.02%	0	0	6.94	0.64	4.75	9.18	0.12	0.04	1.26	42.75	5.25
Truworths	TRW	27.00	22.95	-15.00%	-27.76%	4,550,324	114,662,826	9.30	4.65	4.50	50.00	2.47	1.03	4.94	10,380.38	1,274.43
Ellerine Holdings	ELL		Delisted on January 22, 2008													
Food & Drug Retailers								**19.32**	**5.68**	**1.67**	**29.43**					
Shoprite Holdings	SRH	43.00	39.51	-8.12%	-21.91%	4,386,123	172,323,429	19.32	5.68	1.67	29.43	2.05	0.66	6.95	21,472.87	2,636.29
Consumer Goods								**11.23**	**2.48**	**3.89**	**22.13**					
Breweries								**8.78**	**2.33**	**2.91**	**26.54**					
Namibia Breweries	NBS	4.52	5.15	13.94%	-3.17%	2,732,564	13,703,474	8.78	2.33	2.91	26.54	0.59	0.15	2.21	1,063.62	130.58
Food Producers								**12.85**	**2.56**	**4.33**	**19.93**					
Oceana Group Limited	OCG	20.00	20.00	0.00%	-15.02%	1,235,812	1,318,691	12.85	2.56	4.33	19.93	1.56	0.87	7.81	2,353.79	288.98
Industrials								**6.25**	**1.42**	**2.49**	**22.81**					
General Industrials																
Barloworld Limited	BWL	107.70	80.00	-25.72%	-36.87%	3,012,568	235,758,093	6.25	1.42	2.49	22.81	12.81	1.99	56.15	16,363.18	2,008.96
Basic Materials								**13.56**	**4.52**	**0.49**	**33.32**					
Industrial Metals/Mining								**13.56**	**4.53**	**0.48**	**33.41**					
Anglo-American plc	ANM	416.16	550.00	32.16%	12.31%	1,321,552	607,587,472	13.06	4.39	0.49	33.59	42.12	2.70	125.41	738,603.40	90,680.70
Trans Hex Group	THX	10.00	9.00	-10.00%	-23.51%	60,457	567,047	22.33	0.92	1.67	4.13	0.40	0.15	9.75	954.46	117.18
Paladin Energy Limited	PDN	30.60	45.38	48.30%	26.03%	0	0								27,818.27	3,415.34
Chemicals								**14.15**	**3.80**	**1.58**	**26.85**					
Afrox	AOX	32.21	25.30	-21.45%	-33.25%	208,464	5,925,196	14.15	3.80	1.58	26.85	1.79	0.40	6.66	8,674.18	1,064.96
Market with ANM						**67,935,069**	**2,399,496,568**	9.65	2.23	3.19	23.16	**5.82**	**1.79**	**25.12**	**1,225,607.57**	**150,471.76**
Market without ANM								6.91	1.28	7.27	18.54	**3.44**	**1.73**	**18.54**	**487,004.17**	**59,791.06**
Preference Shares																
Stimulus Investments Limited - Pref	SMSP	104.99	105.00	0.01%	-15.01%	0	0								129.86	15.94

NB: All Earnings figures have been converted to N$ using OANDA
All P/E — plus based on full year earnings

Nigeria

Political Outlook

Nigeria and Cameroon have reached an agreement on the long disputed Bakassi Peninsula and final handover to Cameroon will take place in August 2008. Corruption allegations against former President Obasanjo continue to trouble President Yar'Adua administration with two former health ministers and a daughter of President Obasanjo charged with embezzlement of public health funds. Violence in the Delta States persist causing oil production in Nigeria to be cut by as much as half. However, we note that most parts of the country remain free of the violence and strife that pervades the oil-rich areas.

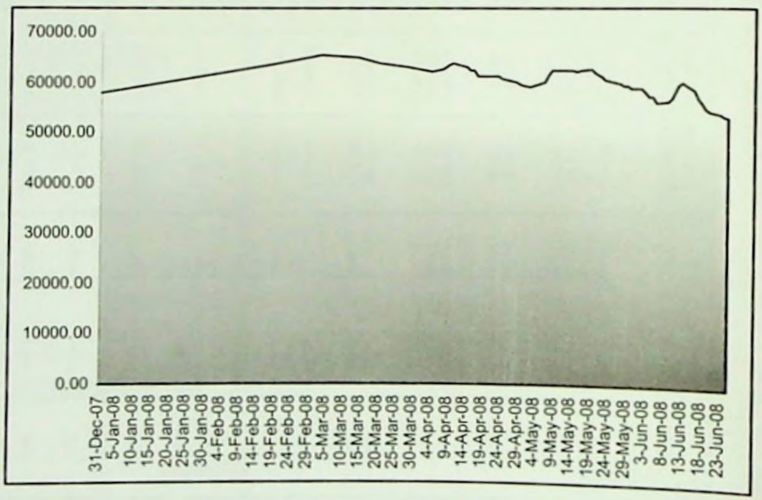
Economic Outlook

The Nigerian economy remained stable during the first half of the year amidst the ongoing crude oil and food price hikes, with inflation firming up from 8.6% in January to 9.7% in May. Inflation is, however, expected to increase above a single digit value due to worries over the intended allocation of windfall oil revenue to federal governments and to finance energy infrastructure improvement. Monetary policy in Nigeria has become more effective due to the narrow spread between the central bank's policy rate and commercial bank's transaction rates, as well as, the increased financial deepening that resulted from the financial sector consolidation. With a recent increase in the monetary policy rate from 9.5% to 10.0%, we expect inflation to increase but at a decelerating rate in the next quarter.

Stock Market Review & Outlook

The Nigerian stock market encountered a glitch during the half year. This was however, necessary for market correction following the bull run in 2007. At the close of half year 2008, the ASI had declined by 4% and -5% in naira and dollar terms respectively to 55,949.00 points and 446.13 points respectively. Monthly market volume averaged 27,000 shares while monthly turnover averaged N 393.7 billion ($3.3 billion). Capitalization for the Nigerian bourse closed the half year at N 213.8 billion ($88.6 billion). Against the backdrop of civil unrest in the oil rich Delta region, our outlook for the second half of 2008 is gloomy. The Nigerian economy derives its sustenance from oil income. Curtailing state income from the region spells disaster which will filter through all economic activities within the economy, especially those that are exchange rate sensitive. A computer hitch which forced shares to trade up only in June may temper investor confidence in the Nigerian market and engineer a sell off. We therefore expect market correction to proceed through the rest of the year.

NSE ASI Trend



TOP 5 ADVANCERS

Company (Ticker)	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
Eterna Oil and Gas	16	27	67	68
Presco (Palm Oil)	15	26	77	78
International Energy Insurance	2	4	81	82
Chevron Oil Nigeria	160	339	112	112
Cappa & d'Alberto	44	113	157	158

WORST FIVE LAGGARDS

Company (Ticker)	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
Lafarge WAPCO	80	49	-38	-38
United Bank for Africa	49	31	-38	-37
Oceanic Bank	37	23	-37	-37
Cement Co. Northen Nig	23	14	-37	-37
Intercontinental WAPIC	9	6	-31	-31

Listed Equity	Ticker	Year Open (GH¢)	HY Close (N)	Year-to Date Change	Year-to Date Change ($)	KEY FINANCIAL RATIOS P/E (x)	P/BVS (x)	Div. Yield (%)	ROE (%)	Per Share Data EPS (N)	DPS (N)	BVS (N)	Capitalisation (N'm)	Capitalisation (US$'m)
						2007	2007	2007	2007	2007	2007	2007		
Company														
Banks														
Access Bank		23.00	17.09	-26	-25	15.54	1.60	3.10	10.28	1.1	0.53	10.70	263,422.15	2,217.10
Afribank		30.50	24	-21	-21	18.00	1.92	1.80	12.00	1.5	0.43	12.50	249,416.00	2,099.21
Diamond Bank		19.32	15.3	-21	-21	15.30	1.77	2.90	11.60	1.0	0.44	8.62	192,018.06	1,616.12
Ecobank Nigeria		7.95	7.5	-6	-5	25.00	5.90	2.60	23.59	0.3	0.20	1.27	186,225.00	1,567.37
Ecobank Transnational		43.40	40	-8	-8	4.00	0.77	4.30	19.24	10.0	1.72	51.99	53,804.00	452.84
FCMB		18.89	16.39	-13	-13	18.21	2.45	2.90	13.44	0.9	0.48	6.70	267,717.90	2,253.25
Fidelity		11.83	10.22	-14	-13	34.07	5.46	1.10	16.04	0.3	0.11	1.87	158,464.51	1,333.72
First Bank of Nigeria		44.72	38.8	-13	-13	21.56	2.00	2.90	9.29	1.8	1.13	19.37	761,607.36	6,410.08
Guaranty Trust Bank		34.63	25.51	-26	-26	17.01	2.30	2.30	13.53	1.5	0.59	11.09	346,828.66	2,919.09
Stanbic IBTC Bank		19.89	15.15	-24	-24	37.88	2.11	1.40	5.57	0.4	0.21	7.18	297,777.04	2,506.25
Intercontinental Bank		40.59	33.92	-18	-16	22.81	3.39	1.50	15.01	1.5	0.51	9.99	608,172.03	5,118.69
Oceanic Bank		37.38	23.38	-37	-37	15.59	5.88	1.60	37.76	1.5	0.37	3.97	273,265.44	2,299.94
Platinum Habib Bank		25.50	28	10	10	23.33	5.95	1.60	25.50	1.2	0.45	4.71	182,182.00	1,533.34
Skye Bank		17.19	14.52	-18	-15	20.74	3.92	1.50	18.91	0.7	0.22	3.70	114,438.34	963.17
Union Bank of Nigeria		43.05	32.99	-23	-23	20.62	2.47	2.90	11.96	1.6	0.98	13.38	457,295.01	3,848.83
United Bank for Africa		49.48	30.9	-38	-37	18.25	2.08	1.40	12.78	1.9	0.43	14.86	348,698.37	2,934.83
Zenith International		46.08	42	-9	-9	21.00	3.44	1.20	16.39	2.0	0.50	12.20	394,375.80	3,319.27
Indicative Average or total for sector					-17	20.28	24.30	24.30	24.30			24.30	5,155,707.86	43,393.10
Insurance														
AIICO Insurance		3.43	4.44	29	30	14.80	1.18	-	7.96	0.3	0.00	3.77	9,308.24	78.33
Cornerstones Insurance		4.60	3.9	-15	-15	13.00	4.34	0.40	33.42	0.3	0.02	0.90	21,910.20	184.41
Custodian and Allied		4.83	4.09	-15	-15	13.63	3.53	1.80	25.87	0.3	0.07	1.16	12,501.77	105.22
International Energy Insurance		1.93	3.5	81	82	nm	1.62	-	6.31	0.0	0.00	2.16	18,491.38	155.63
Intercontinental WAPIC		9.29	8.37	-31	-31	21.23	2.40	0.70	11.30	0.3	0.04	2.66	24,293.06	204.46
Niger Insurances		6.70	6.72	0	1	33.80	3.71	-	11.03	0.2	0.00	1.81	23,029.44	193.83
Prestige Assurance		6.90	10.48	18	18	34.93	12.61	2.00	36.09	0.3	0.21	0.83	20,932.05	176.17
Royal Exchange Assurance		5.25	5	-5	-4	50.00	5.02	-	10.05	0.1	0.00	1.00	17,915.00	150.78
Continental Reinsurance		3.86	3.1	-20	-19	31.00	1.78	0.50	5.73	0.1	0.02	1.75	20,977.70	176.56
Indicative Average or total for sector					5	26.53	4.02	0.60	16.42			1.78	169,358.83	1,425.39
Beverage														
7-Up Bottling Company		46.11	54.46	18	19	15.56	4.95	2.50	31.79	3.5	1.36	11.01	27,815.06	234.11
Guinness Nigeria		130.04	121.51	-7	-6	16.88	8.61	2.40	51.04	7.2	2.92	14.11	180,425.47	1,518.55
Nigerian Bottling Co		56.72	49.01	-14	-13	20.42	3.14	2.20	15.38	2.4	1.08	15.61	64,652.36	544.15
Nigerian Breweries		49.01	49.5	1	1	19.80	10.12	2.30	51.13	2.5	1.14	4.89	375,051.60	3,156.63
Indicative Average or total for sector					0.1	18.16	8.71	2.35	37.33			11.40	647,944.49	5,453.44
Consumer & HealthCare														
Cadbury Nigeria		36.84	33.07	-10	-10	10.67	-22.18	-	nm	3.1	0.00	-1.49	36,014.30	303.11
Dangote Sugar		38.97	30.24	-22	-22	14.40	11.92	4.20	82.75	2.1	1.27	2.54	309,291.84	2,603.16
Dangote Flour		15.75	22.5	43	43	45.00	5.57	1.50	12.39	0.5	0.34	4.04	123,489.00	1,039.35
Glaxo Smith Kline		23.50	22.75	-3	-3	25.28	4.60	1.90	18.20	0.9	0.43	4.95	21,154.97	178.05
Nestle Foods Nigeria		276.71	232	-16	-16	28.29	24.11	3.80	85.22	8.2	8.82	9.82	153,948.98	1,295.71
PZ Cussons		26.51	26.16	-1	-1	23.78	2.67	2.00	11.23	1.1	0.52	9.80	86,458.80	727.68
UACN		51.01	46	-10	-10	19.17	3.45	3.20	18.02	2.4	1.47	13.32	58,611.87	493.31
Unilever Nigeria		21.85	23.13	6	6	77.10	23.22	1.00	30.12	0.3	0.23	1.00	99,952.44	841.25
Indicative Average or total for sector					-1	30.46	6.67	2.20	36.85			6.47	888,921.99	7,481.63
Cement & Construction														
Ashaka		53.14	38.74	-27	-27	18.45	5.16	3.30	27.95	2.1	1.28	7.51	68,411.43	558.95
Benue Cement Company		50.98	49	-4	-4	122.50	15.97	-	13.03	0.4	0.00	3.07	153,394.50	1,291.05
Cement Co Northen Nig		22.99	14.48	-37	-37	144.80	12.25	0.50	8.46	0.1	0.07	1.18	20,054.80	168.79
Flour Mills		82.56	78	-6	-5	12.79	3.99	1.40	31.24	6.1	1.09	19.53	120,724.82	1,016.08
Lafarge WAPCO		79.80	49.2	-38	-38	13.30	0.46	2.20	3.48	3.7	1.08	106.44	148,657.14	1,251.18
Cappa & d'Alberto		43.90	112.73	157	158	20.13	7.37	-	36.60	5.6	0.00	15.30	22,006.51	185.22
Costain		18.89	24	27	28	18.46	-3.55	1.10	nm	1.3	0.26	-6.76	3,847.38	32.38
Julius Berger		84.64	114.6	35	36	22.04	6.48	1.10	29.40	5.2	1.26	17.68	34,355.76	289.16
UAC Properties		23.38	22.5	-4	-3	22.50	1.13	1.90	5.04	1.0	0.43	19.83	24,052.50	202.44
Indicative Average or total for sector					12	43.84	5.47	1.28	19.40			20.42	593,504.83	4,995.24
Petroleum Marketing & Oil Services														
African Petroleum		207.03	293.98	42	42	40.83	88.37	2.40	216.43	7.2	7.06	3.33	232,734.17	1,958.81
Chevron Oil Nigeria		160.00	338.59	112	112	43.97	24.99	2.50	56.83	7.7	8.46	13.55	85,746.82	721.69
Conoil		84.21	99.8	19	19	31.19	5.75	2.00	18.42	3.2	2.00	17.37	68,964.92	580.44
Eterna Oil and Gas		16.00	26.8	67	68	(89.33)	2.08	0.70	-2.30	-0.3	0.19	13.04	12,104.67	101.88
Japaul Oil & Maritime		8.00	10.14	27	27	50.70	3.12	1.50	6.14	0.2	0.15	3.25	19,169.67	161.34
Mobil Nigeria		179.92	196.87	9	10	41.89	16.41	2.00	39.18	4.7	3.94	11.99	47,332.57	398.38
Oando		122.61	199.5	63	63	31.67	3.18	1.80	10.03	6.3	3.59	62.82	150,575.00	1,267.32
Total Nigeria		179.97	250	39	39	26.04	13.90	3.70	53.36	9.6	9.25	17.99	84,635.42	712.34
Indicative Average or total for sector					48	22.12	19.72	2.08	49.78			17.92	701,263.23	5,902.19
Miscellaneous														
Betaglass		21.42	19.05	-11	-11	10.03	1.72	1.70	17.13	1.9	0.32	11.09	8,685.80	73.10
CAP (paints)		64.03	54.15	-15	-15	31.85	19.35	5.50	60.75	1.7	2.88	2.80	11,196.31	94.23
Okomu Oil (Palm Oil)		36.12	28.46	-21	-21	94.87	2.90	0.90	3.06	0.3	0.26	9.81	13,282.36	111.62
Presco (Palm Oil)		14.55	25.8	77	78	258.00	4.44	0.20	1.72	0.1	0.05	5.81	9,623.40	81.00
RT Briscoe (auto)		29.16	21.5	-26	-26	16.54	3.89	1.70	23.53	1.3	0.37	5.52	10,083.50	84.87
Vitafoam Nigeria		9.82	10.79	10	10	21.58	7.92	2.40	36.71	0.5	0.26	1.36	9,480.09	70.79
Indicative Average or total for sector					3	72.14	6.70	2.07	23.82			6.07	62,331.46	524.61

South Africa

Political Outlook

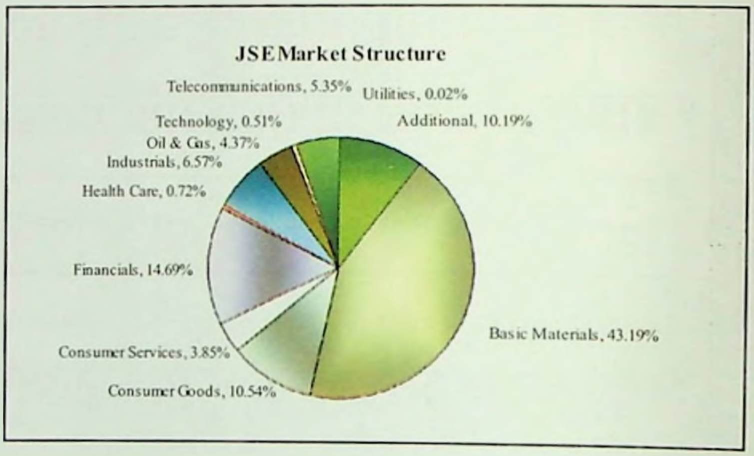
President Mbeki still has some months to go and is saddled with an energy crisis and violence against immigrants which forced him to deploy troops to restore order. Criminal activities remain a major challenge to South Africa's stability but we do not expect any major political upheavals during the rest of the year.

Economic Outlook

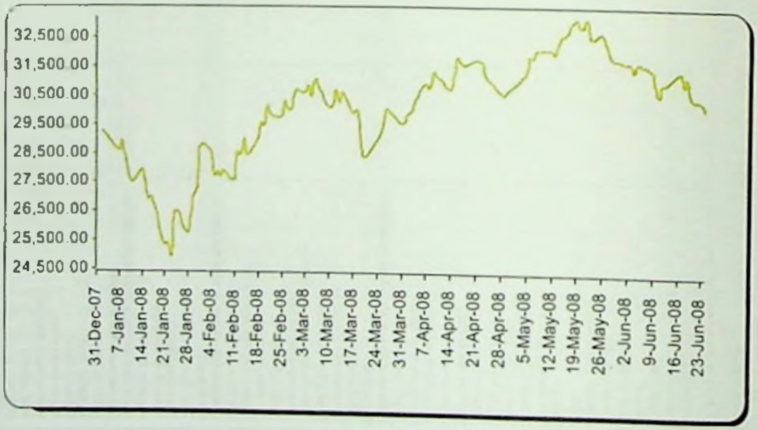
The economy is very sensitive to global commodity and food prices hikes and this has worsened inflation outturns during the first quarter; as volatility in the world economy intensifies. The slowing of credit in response to monetary policy tightening to contain inflation is likely to affect gross domestic output growth for the country within the short-tem. Headline inflation closed April higher at 11.1%, the highest since 2003. The South African economy has been hard been hit by increasing energy cost which is underpinned by domestic electricity supply disruptions. With increasing crude oil price hikes, we expect domestic production cost to worsen as companies resort to use alternative power generating plants that use fuels. With current crude oil price above US$140 per barrel, we expect private sector growth to moderate within the short-term. Overall we do not expect any expansion in infrastructure to offset private sector growth slow down in the third quarter. Consequently, we expect gross output growth to moderate during the period. The inflation outlook is likely to worsen as the rand is likely to further depreciate and crude oil price hikes remain a threat.

Stock Market Review & Outlook

The JSE closed HY'08 at 5.03% (-9.61%USD). This is in sync with the performances of global markets which also posted unimpressive returns. The unimpressive outturn re-emphasized the depth of the impact of the credit crunch on companies, especially those in the financial and insurance industries. Liquidity improved over the half year as the number of trades recorded, aggregate volume and turnover all pointed north. At half year close, total shares traded stood at 37.65 billion, a mark up of 15% over that recorded in the relative period in 2007. Aggregate turnover spurred up 22% to R1,572.73 billion. In spite of the poor performance posted by the JSE in the half year, we expect the market to improve during the second half of 2008. The growth is expected to be driven first by the basic materials sector, then the financials. The JSE has direct exposure to international markets and thus is susceptible to global trends. Given that the JSE stocks are currently fairly priced, we expect the JSE All Share index to close the year well above the red line



JSE All Share Index Trend



Tanzania

Political Outlook

President Jakaya Kikwete has taken bold actions in tackling corruption; undertaking a major cabinet reshuffle and appointing a new head and Board of Directors of the Bank of Tanzania. President Kikwete's appointment as head of the African Union and his role in mediation efforts in Kenya has enhanced Tanzania's stature on the international scene. Tanzania will be looking at consolidating its gains in democracy and political stability in the coming months.

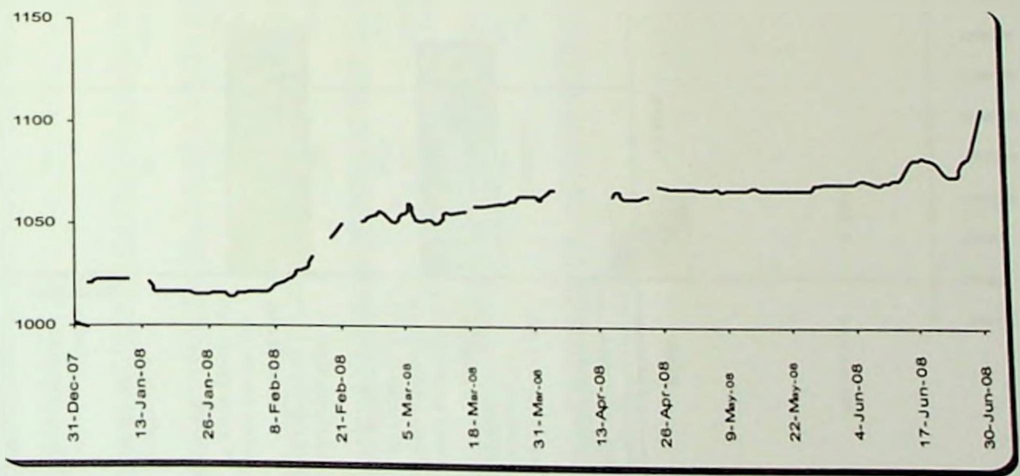
Economic Outlook

Outlook for growth remains strong, with promising short-term prospects in the mining, tourism, and telecoms industries. Though the economy has been hit by worsening global crude oil price, real GDP growth is likely to close the year at 6.9% as projected by government. The local currency weakened slightly during the first quarter, depreciating to TSZ.1, 186.5 per USD. Against the backdrop of high food, fuel and power prices, inflation closed March 2008 at 9.0%. We expect inflation to further increase, but the economy is likely to remain resilient to the global price shocks within the short term. We expect economic performance to remain strong, underpinned by a strong commitment by the government to on going policy reforms.

Stock Market Review & Outlook

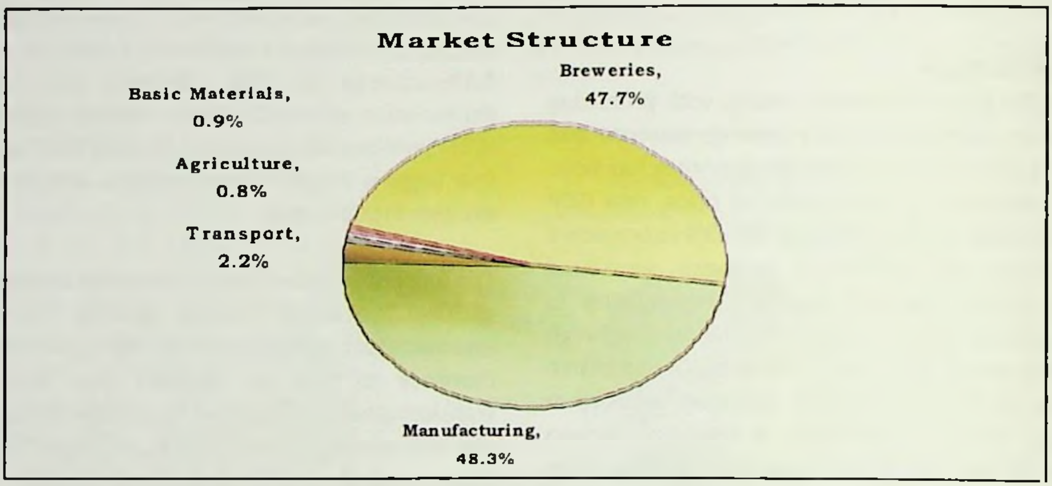
The Dar Stock Exchange Index (DSEI) closed the half year at a gain 8.09%. The depreciation of the Tanzanian shilling scooped off some of the gains made leaving the dollar denominated index at 3.62% at the end of the period. During the half year, activity mainly centered on the manufacturing stocks; while Tanzania Portland Cement (TWIGA) recorded the highest volume of trades accounting for over 33% of total volume of shares traded and market turnover, Tanga Cement Company Ltd (SIMBA) offered investors the highest returns at 41%YTD or (35.20%YTD USD). Agricultural stock, Tanzania Tea Packers Ltd and the cross listed stocks [East Africa Breweries Ltd, Kenya Airways Ltd, Jubilee Holdings Ltd] recorded absolutely no price change. The quartet subsequently registered a 0% gain and a -4.1% change in USD reflecting the rate of depreciation of the Tanzanian shilling against the USD. Swissport Tanzania Ltd (SWISSPORT) was the sole laggard in local currency terms and the worst decliner in USD terms.

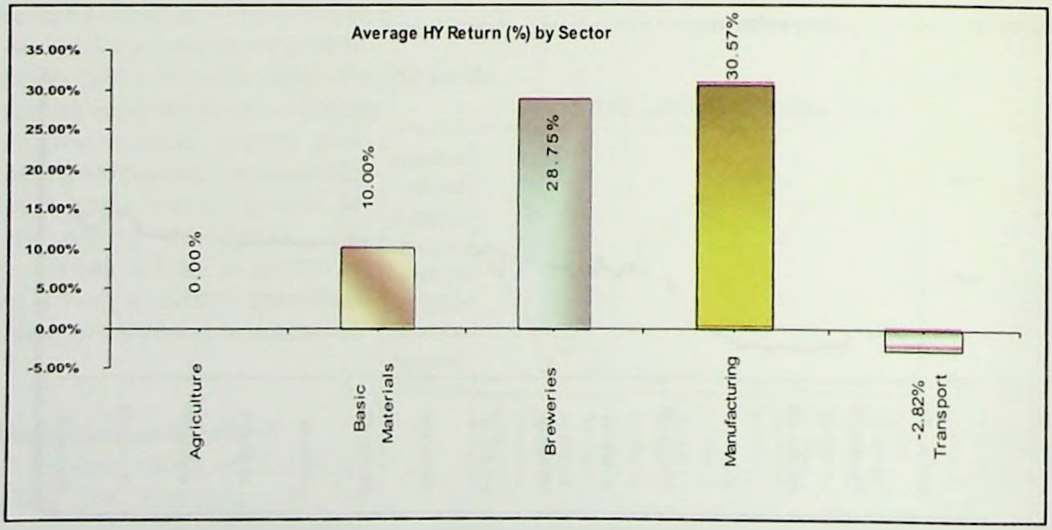
The Bank of Tanzania is poise to curtail depreciation of the Tanzanian shilling against the major international trading currencies. We expect the local currency to firm up towards year end, thus translating into a better year-to-date performance of the DSEI in dollar terms. Overall, we expect the DSE to have a good run in the second half of 2008.



TOP 5 ADVANCERS				
EQUITY [TICKER]	Year Open	HY Close	YTD (ZMK)	YTD (USD)
Tanga Cement Co. Ltd [SIMBA]	1220.00	1720.00	40.98%	35.16%
Tanzania Portland Cement Ltd [TWIGA]	1140.00	1480.00	29.82%	24.46%
Tanzanian Breweries Ltd [TBL]	1600.00	2060.00	28.75%	23.43%
Tanzania Cigerette Co. Ltd [TCC]	1340.00	1620.00	20.90%	15.90%
TOL Gases Ltd [TOL]	300.00	330.00	10.00%	5.45%

WORST LAGGARD				
Company	Year Open	HY Close	YTD (ZMK)	YTD (USD)
Swissport Tanzania Ltd [SWISSPORT]	710.00	690.00	-2.82%	-6.83%





Listed Equity	Ticker	Equity Prices Year Open (TZS)	HY Close (TZS)	Change HY Chg (TZS)	HY Chg (US$)	Liquidity Statistics Volume	Turnover (TZS)	Market Cap (TZS million)	Market Cap (US$ million)
Agriculture									
Tanzania Tea Packers Ltd	TTP	510.00	510.00	0.00%	-4.13%	28,948	15,942,480	9,110	7.71
Basic Materials									
TOL Gases Ltd	TOL	300.00	330.00	10.00%	5.45%	54,565	17,653,950	10,560	8.94
Breweries									
East African Breweries Ltd	EABL	2,000.00	2,000	0.00%	-4.13%	0	0	1,317,960	1,116.06
Tanzania Breweries Ltd	TBL	1,600.00	2,060.00	28.75%	23.43%	1,049,685	1,969,914,960	607,556	514.49
Insurance									
Jubilee Holdings Ltd	JHL	5,860.00	5,860.00	0.00%	-4.13%	0	0	210,960	178.64
Manufacturing									
Tanga Cement Co. Ltd	SIMBA	1,220.00	1,720.00	40.98%	35.16%	799,963	1,256,362,920	109,510	92.73
Tanzania Cigarette Co. Ltd	TCC	1,340.00	1,620.00	20.90%	15.90%	1,244,373	1,944,614,540	162,000	137.18
Tanzania Portland Cement Co. Ltd	TWIGA	1,140.00	1,480.00	29.82%	24.46%	3,073,125	3,785,336,600	266,285	225.49
Transport									
Kenya Airways Ltd	KA	1,500.00	1,500	0.00%	-4.13%	100	15,000	692,420	586.35
Swissport Tanzania Ltd	SWISSPORT	710.00	690	-2.82%	-6.83%	2,963,323	2,213,956,950	24,840	21.03
Market with cross-listed stocks						**9,214,082**	**11,203,797,400**	**3,411,202**	**2,889**
Market without cross-listed stocks								**1,189,862**	**1,008**

Tunisia

Political Outlook

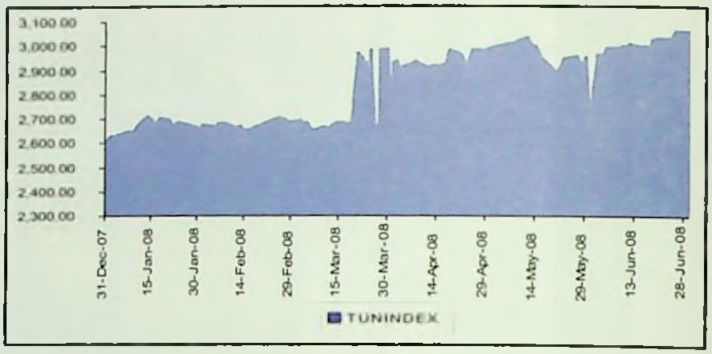
Tunisia has been warned by its neighbours, Algeria, of an imminent terrorist attack from Al Qaeda. Al-Qaeda has said the attack will be in retaliation for supporting the West and its antiterrorist activities. President Zine el Abidine Ben Ali's government has banned women's head scarves in public buildings, considering them to be a political statement. Despite these, President Ben Ali is poised to be re-elected in 2009 and the local political scene remains stable.

Economic Outlook

The economy remained exposed to the global food and energy price hikes. The value of foreign trade for the first quarter of the year was lower than that of the same period in 2007. The surge in commodity prices during the quarter has affected production cost, and import cost has deteriorated. These developments have put pressure on domestic prices, with inflation for March increasing by 40 basis points over the previous month's outturn. Essentially, the economy is suffering from the deteriorating global food and crude oil prices. Domestic liquidity remains relatively high, with money market interest rates fluctuating within the margin of 5.1% and 5.4%. The performance of the local dinar is expected to remain mixed; with further depreciation of the local currency against the dollar, but appreciation against the euro. Overall, outlook for growth remain relatively strong; though we expect inflation to further increase and put pressure on short term yields to move up. This is also likely to increase the cost of borrowing for the private sector.

Stock Market Review & Outlook

The Tunisia Stock Exchange outperformed most of the African markets during the half year. The TUNINDEX registered a year-to-date return of 17% in dinars and 23% in dollar terms. The dinar made a strong showing on the back of a robust economy against the backdrop of a weakening dollar. An aggregate of 116.5 million shares valued at D 1.9 billion ($1.6 billion) were exchanged during the half year. Market capitalization stood at D 8 billion ($6.7 billion) at the end of June. We expect Tunisia's strong economic growth to fuel corporate fundamental growth for listed companies during the second half of 2008. Fundamental growth is therefore expected to be the main driving force fuelling activity on the bourse during the second half of the year. The banking and insurance industries should sustain investor interest since they play a key role in economic growth and are projected to record the highest capital gains.

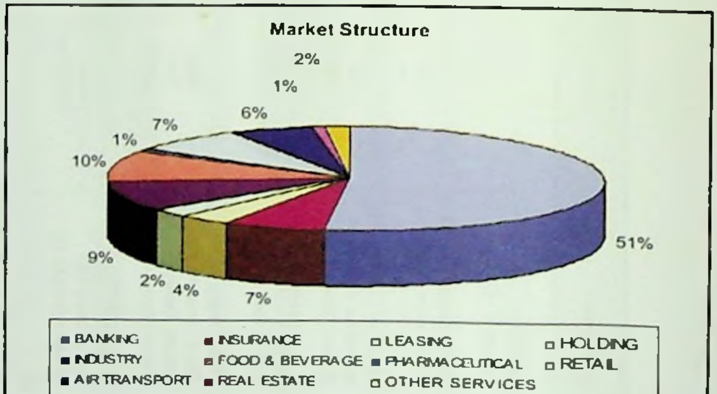


TOP 5 ADVANCERS

Company (Ticker)	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
ASTREE	23	87	274	286
STAR	35	106	208	218
ASSAD	4	11	155	163
TUNISIE LEASING	14	26	86	92
ADWYA	3	6	81	87

WORST FIVE LAGGARDS

Company (Ticker)	Year Open	HY Close	YTD (% FCFA)	YTD (% USD)
ELECTROSTAR	12	10	-19	-16
STB	11	9	-18	-16
ICF	59	49	-18	-15
SOMOCER	3	3	-17	-14
SOTRAPIL	24	20	-16	-13



Listed E quity	Ticker	Year O pen (TND)	HYClose (TND)	Year-to Date Change	Year-to Date Change ($)	Capitalisation (US$)	Capitalisation (TND)
BANKING				**12.90**	**40.76**	**4154.06**	**3470.10**
AMEN BANK	AMEN BANK	26.8	32.20	20	45	275.21	229.9
Arab Tunisian Bank	ATB	5.3	6.60	25	55	404.62	338.0
Banque de l'Habitat	BH	24.6	35.90	46	79	658.41	550.0
Banque Internationale Arabe de Tunisie	BIAT	36.9	35.10	-5	18	616.99	515.4
Banque Nationale Agricole	BNA	8.5	7.80	-9	20	170.47	142.4
Banque Attijari de Tunisie	ATTIJARI BANK	7.3	11.50	58	98	360.21	300.9
Banque de Tunisie	BT	94.8	103.10	9	40	825.04	689.2
Banque de Tunisie et des Emirats (ADP)	BTE(ADP)	30.3	31.80	5	30	32.56	27.2
Société Tunisienne de Banque	STB	10.8	8.80	-18	1	224.46	187.5
Union Bancaire pour le Commerce et l'Industrie	UBCI	36.3	43.50	20	48	446.64	373.1
Union Internationale de Banques	UIB	14.0	12.80	-8	13	139.46	116.5
INSURANCE				**240.65**	**312**	**1470.04**	**1228.00**
Compagnie d'Assurances et de Réassurances	ASTREE	23.3	86.92	274	347	345.48	288.6
Société Tunisienne d'Assurances et de Réassur	STAR	34.5	106.20	208	277	161.97	135.3
LEASING				**37.84**	**74**	**301.79**	**252.10**
Arab Tunisian Lease	ATL	3.3	5.08	53	94	53.39	44.6
Compagnie Internationale de leasing	CIL	13.9	19.28	39	74	50.04	41.8
ATTIJARI LEASING		10.5	11.12	6	36	25.14	21.0
TUNISIE LEASING	TUNISIE LEASING	14.2	26.39	86	139	160.53	134.1
EL WIFACK Leasing	EI WIFACK	5.9	6.17	5	30	12.69	10.6
HOLDING				**16.63**	**45**	**185.43**	**154.90**
PLAC. TSIE		34.6	37.19	8	33	38.19	31.9
Sté de Place. et de Dévelop. Indus. et Touris. - S	SPDIT	3.9	4.90	25	55	135.39	113.1
Société Tunisienne d'Invest. à Capital Risque	TUNINVEST SICAR	10.2	11.95	17	46	11.85	9.9
INDUSTRY				**25.40**	**57**	**756.09**	**631.60**
AIR LIQUIDE TUNISIE	AIR LIQUIDE	159.7	205.10	28	59	155.98	130.3
Société Chimique	ALKIMIA	35.4	38.74	9	31	75.18	62.8
Société l'Accumulateur Tunisien Assad	ASSAD	4.1	10.50	155	242	93.73	78.3
Société Générale Industrielle de Filtration	GIF FILTER	2.7	2.90	9	33	18.08	15.1
Société des Industries Chimiques du Fluor	ICF	59.4	48.60	-18	-2	43.69	36.5
Société Industrielle d'Appareillage et de Matérie	SIAME	1.9	1.70	-12	8	24.42	20.4
Société Tunisienne de Verreries	SOTUVER	14.6	19.99	37	73	26.46	22.1
Société Tunisienne des Industries de Pneumatiq	STIP	3.0	2.87	-3	15	11.85	9.9
Société Moderne de Céramique	SOMOCER	3.1	2.61	-17	2	55.67	46.5
Société Tunisie Profiles Aluminium	TPR	4.5	7.59	67	108	251.03	209.7
FOOD& BEVERAGE				**-7.35**	**20**	**764.11**	**638.30**
Societe Frigorifique et Brasserie de Tunis	SFBT	13.9	12.70	-9	14	733.46	612.7
TUNISIE LAIT	TL	3.9	3.65	-6	27	30.65	25.6
PHARMACEUTICAL				**33.80**	**63**	**91.22**	**76.20**
Société Adwya	ADWYA	3.2	5.82	81	119	64.40	53.8
Société des Industries Pharmaceutiques de Tun	SIPHAT	16.6	14.50	-13	8	26.82	22.4
RETAIL				**12.36**	**39**	**594.24**	**496.40**
ARTES	ARTES	9.7	11.81	22	51	310.65	259.5
Société Magasin Général S.A.	SMG	27.5	34.00	24	53	58.42	48.8
Societe Nouvelle Maison de la Ville de Tunis	MONOPRIX	80.6	99.00	23	52	188.18	157.2
Société Tunisienne des Marchés de Gros	SOTUMAG	2.0	1.92	-3	20	17.72	14.8
Société Tunisienne d'Equipement	STEQ	13.9	13.40	-4	19	19.27	16.1
AIR TRANSPORT				**7.05**	**24**	**446.88**	**373.30**
Societe Tunisienne de L'Air	TUNISAIR	3.8	4.13	9	38	353.62	295.4
KARTHAGO AIRLINES	KARTHAGO AIRLINES	8.7	9.20	5	9	93.25	77.9
REAL ESTATE				**-3.60**	**18**	**192.49**	**160.80**
Société ESSOUKNA	ESSOUKNA	4.6	4.20	-8	12	12.69	10.6
Société Immobilière et de Participation	SIMPAR	31.3	31.64	1	24	19.39	16.2
Société Immobilière Tuniso-Séoudienne	SITS	2.2	2.11	-4	19	28.37	23.7
OTHER SERVICES				**-12**	**6**	**132.04**	**110.30**
ELECTROSTAR	ELECTROSTAR	12.0	9.75	-19	-3	17.00	14.2
PALM BEACH HOTELS TUNISIA	PBHT	4.5	4.61	2	27	11.49	9.6
Société Tunisienne d'Entreprises de Télécommu	SOTETEL	22.2	19.00	-15	6	45.25	37.8
Société de Transport des Hydrocarbures par Pip	SOTRAPIL	23.9	20.06	-16	-7	58.30	48.7

Uganda

Political Outlook

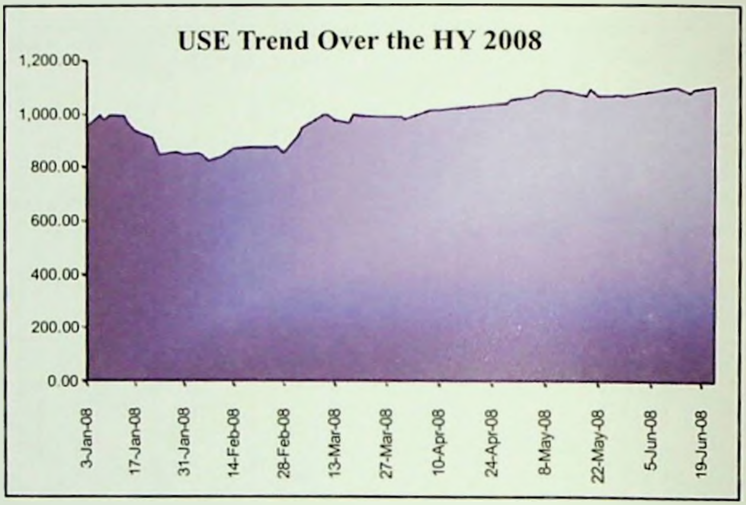
The resignation of the chief negotiator for the Lord's Resistance Army, a rebel group in Uganda means that two years of negotiations have stalled leaving President Museveni with the hard task of reviving peace talks aimed at a permanent end to the stand-off. President Musevini is also under some pressure to deliver on a long-term solution to the energy crisis. Uganda will remain stable politically with a thriving economic outlook.

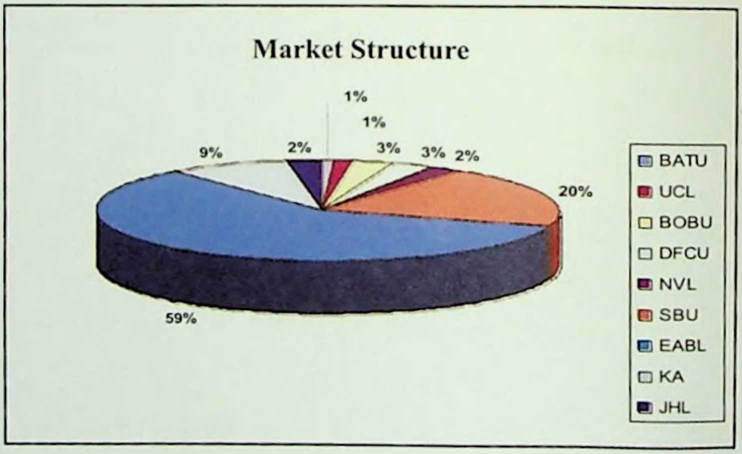
Economic Outlook

Inflation concerns remain the major threat to the economy's growth outlook within the short-term. Despite the slower monetary expansion during the first quarter of the year compared to the last quarter of 2007, inflation continued its up tick underpinned by oil price hikes. Inflation for May was 170 basis points higher than the outturn for April. Inflation closed May at 11.2% and was the fifth consecutive monthly rise during the year. We expect monetary policy to respond to the upturn by further tightening domestic liquidity. The strengthening of the capital account during the period is likely to ease depreciation pressures on the domestic currency and sustain the average appreciation trend of the shilling. Going forward, we expect economic activity to remain robust; but inflation is likely to further deteriorate within the short term.

Stock Market Review & Outlook

The Uganda Stock Exchange posted a modest return for the half year 2008. The USE ALSI moved up by 11% in the Ugandan shillings terms to 1095.87 points. In dollar terms the index gained 16% to 0.64 points in dollar terms. Liquidity on the smallest bourse in Africa however jumped 475% from the 14 million recorded between April and September 2007. Aggregate market turnover for the period stood at Ushs 42.6 billion ($26.9 million) compared to Ushs 2.1 billion recorded for the six months ending in September 2007. Market capitalization moved north by 31% from Ushs 5.1 trillion (Ushs 2.9 billion) to the year opening to Ushs 6.7 trillion (($4.2 billion). Apart from British American Tobacco Uganda which posted a loss, all the equities listed on the USE have strong fundamentals. Some of Uganda's equities are trading at attractive price earnings multiples. Our outlook for the second half of the year is positive albeit not stupendous. Bank of Baroda is anticipated to garner in significant capital gains in the second half, while Uganda Clay and New Vision presently trading at rather rich PEs are expected to continue to sustain the interest of growth investors.





Listed Equity	Ticker	Year Open (Ushs)	Half Year Close (Ushs)	Year-to Date Change (Ushs)	Year-to Date Change ($)	KEY FINANCIAL RATIOS P/E (x)	P/BVS (x)	Div. Yield (%)	ROE (%)	Per Share Data EPS (Ushs)	DPS (Ushs)	BVS (Ushs)	Capitalisation (Ushs)	Capitalisation ($)
Local						8.85	2.00	23.31					1,922,623,021,447	1,212,246,546
British America Tobbacco	BATU	780	1,245	59.62%	72.7%	9.96	(401.61)	-	(4,032.26)	125	-	(3)	61,104,600,000	38,527,490.54
Uganda Clays Limited	UCL	5,375	10,160	89.02%	104.5%	43.41	8.56	0.22	19.68	234	2,219	1,189	91,440,000,000	57,654,478.67
Bank of Baroda	BOBU	2,263	4,270	88.52%	99.7%	15.47	4.40	1.70	28.45	270	7,089	950	167,200,000,000	105,422,448.41
DFCU Limited	DFCU	700	780	11.43%	21.3%	22.91	3.72	1.69	16.25	34	1,330	211	195,151,678,947	123,046,455.83
New Vision Limited	NVL	1,150	2,510	118.26%	136.2%	38.61	7.57	0.60	19.60	65	2,002	332	128,010,000,000	80,712,484.24
Stanbic Bank Uganda	SBU	230	240	4.35%	17.6%	24.13	12.69	2.43	53.42	10	606	19	1,279,716,742,500	806,883,191.99
Cross Listed						14.79	4.04	4.05	27.46	-	-	-	4,587,957,231,152	2,892,785,139
East African Breweries Limited	EABL	4,344	4,996	15.00%	21%	20.03	7.60	4.20	37.96	243	20,447	641	3,855,945,107,120	2,431,231,033.49
Kenya Airways	KA	1,597	1,262	-21.01%	-15%	5.41	1.02	3.65	18.89	231	4,555	1,221	576,096,124,032	363,238,413.64
Jubilee Holding Limited	JHL	5,698	4,768	-16.31%	-18%	11.88	2.38	1.86	20.00	364	8,061	1,822	155,916,000,000	98,307,682.31
Total Market						17.95	4.81	3.44	26.80	53	3,294	199	6,510,580,252,599	4,105,031,685

Zambia

Political Outlook

The dominant issue in Zambia's politics is the feuding over the drafting of a new constitution. Political stability in the country has seen a dramatic improvement with the resolution of conflicts in neighbouring Angola and Democratic Republic of Congo. There are however reports of growing anti-China sentiments and some violence in the Copperbelt where there are a number of Chinese-owned mines. President Mwanawasa's economic reform program, the new constitution and a hike in taxes and mineral royalty rates for mining companies are expected to define Zambia's political environment.

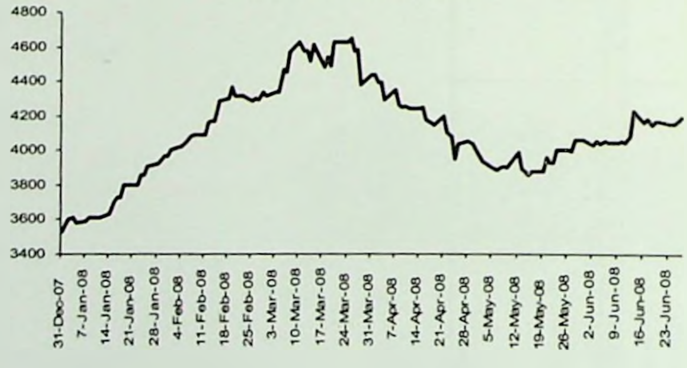
Economic Outlook

Despite the deterioration in external accounts across most African countries, the Zambian economy posted an improved balance of payment surplus in the first quarter. The strong outturn was underpinned by increased capital inflows into the domestic economy and favourable metal prices. Consumer inflation closed April at 10.1% (y/y) compared to 9.8% in March. Though the outlook for inflation remains positive on the back of improved domestic production in May, a 150 basis point reduction in value added tax and an appreciation of the local currency; the upside risks posed by increased production and transport cost resulting from ongoing power shedding remains a threat. Overall, we expect growth in the economy to remain strong. Foreign investor's interest in government securities is likely to further improve the financial account of the country which is likely to result in an appreciation of the kwacha against the pound and the dollar.

Stock Market Review & Outlook

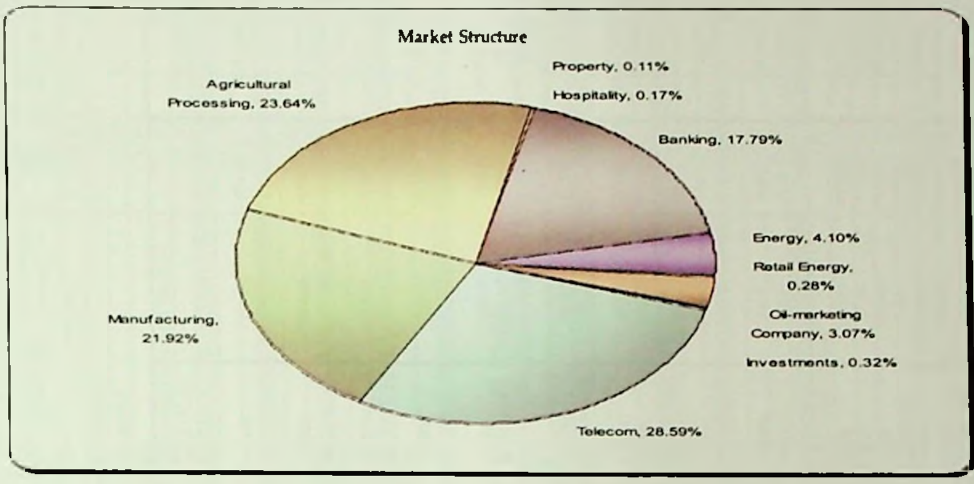
The Lusaka Stock Exchange currently ranks as the most expensive market on the continent. In line with our expectations, the seemingly splendid performance of the LuSE is mainly being driven by the technical momentum garnered during its rally in 2007. Currently, the listed companies have quite high price earnings ratios making them targets for profit-taking. Should this happen, the market will head south. These notwithstanding, the fresh injection onto the market by Celtel Zambia, and some expected good results by some companies would sustain the markets current advance. Again, rising copper prices and the subsequent strengthening of the Zambian kwacha will continue to lift the index in dollar terms higher. The LuSE All Share Index returned 17.99% in the first half of the year which compares unfavorably to the 63.34% recorded in the corresponding period of 2007. In dollar terms, however, the index has done at least 40.78%YTD, currently making it the best performing market in Africa and the third best in the world. The market continued to remain liquid trading 1,227,078,023 shares during the half year with each listed stock averaging about 5% of total volume of trades executed.

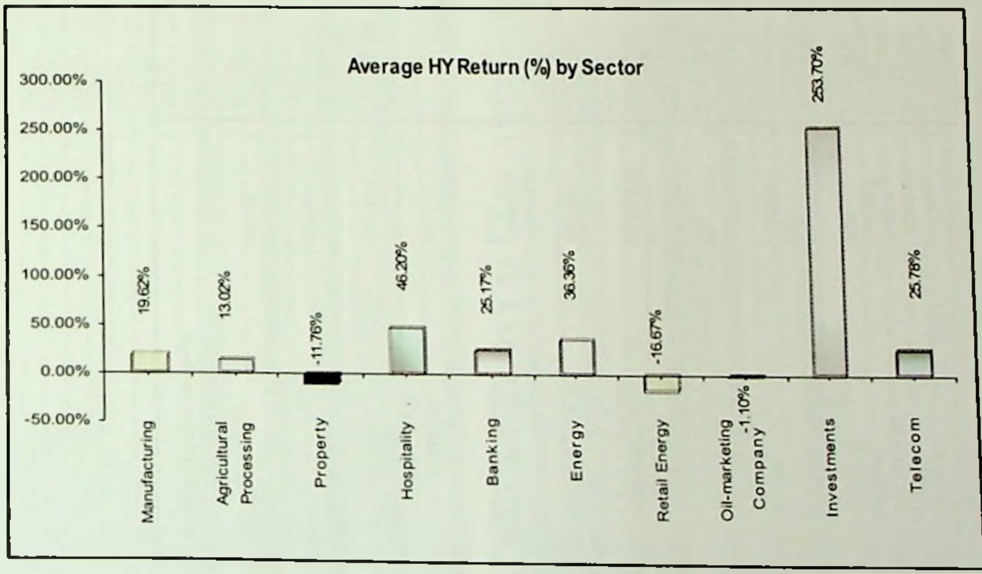
LuSE All Share Index



TOP 5 ADVANCERS				
EQUITY [TICKER]	Year Open	HY Close	YTD (ZMK)	YTD (USD)
ZCCM Investment Holdings plc [ZCCM]	4500.00	28000.00	522.22%	642.03%
Bata Shoe Company plc[BATA]	74.00	180.00	143.24%	190.08%
Pamodzi Hotels plc [PAMODZI]	171.00	250.00	46.20%	74.35%
Standard Chartered Bank plc [SCZ]	438.00	600.00	36.99%	63.36%
Copperbelt Energy Coporation [CEC]	440.00	599.99	36.36%	62.62%

WORST 5 LAGGARDS				
Company	Year Open	HY Close	YTD (ZMK)	YTD (USD)
Zambian Breweries plc [ZAMBREW]	2400.00	2300.00	-4.17%	14.29%
Farmers House plc [FH]	1700.00	1500.00	-11.76%	5.22%
Cavmont Capital Holdings Zambia plc [CCHZ]	13.50	11.50	-14.81%	1.59%
Shoprite HoldingsLimited - RSA [SHOPRITE]	18000.00	15000.00	-16.67%	-0.62%
Metal Fabricators Of Zambia plc [ZAMEFA]	511.64	400.00	-21.82%	-6.77%





Listed Equity	Ticker	Equity Prices		Change		Volume	P/E (x)	EPS (Zmk)	Market Cap (Zmk'mn)	Market Cap (US$'mn)
		Year Open (Zmk)	HY Close (Zmk)	YTD (Zmk)	YTD (Zmk)					
Manufacturing										
African Explosives Zambia Plc	AELZ	2,100.20	2,200	4.75%	24.99%	296,591	7.43	296.20	44,894.52	13.73
British-American Tobacco - Zambia	BATZ	1,550.00	1,800	16.13%	38.56%	1,349,969	26.27	68.52	382,421.35	116.99
Lafarge Cement Zambia Plc	LAFARGE	6,220.00	6,320	1.61%	21.24%	47,237,652	23.32	271.00	1,264,252.19	386.78
National Breweries Ltd Plc	NATBREW	8,200.00	8,000	-2.44%	16.41%	2,508,742	19.09	419.06	504,000.00	154.19
Metal Fabricators of Zambia Plc	ZAMEFA	511.64	400	-21.84%	-6.74%	6,001,174	14.03	28.50	108,332.91	33.14
Zambian Breweries Ltd Plc	ZAMBREW	2,400.00	2,300	-4.17%	14.35%	1,579,334	18.92	121.59	837,200.00	256.13
Bata Shoe Company Plc	BATA	74.00	180	143.24%	190.23%	2,724,574	22.39	8.04	68,496.84	20.96
Agricultural Processing										
Zambia Sugar Plc	ZSUG	420.00	490.00	16.67%	39.20%	16,390,319	26.29	18.64	2,659,199.64	813.53
ZAMBEEF Products Plc	ZAMBEEF	6,400.00	7,000.00	9.38%	30.50%	7,009,762	34.22	204.54	802,686.15	245.57
Property										
Farmers House Plc	FH	1,700.00	1,500	-11.76%	5.28%	235,914	18.86	79.54	16,029.72	4.90
Banking										
Standard Chartered Bank Plc	SCZ	438.00	600.00	36.99%	63.45%	16,721,014	33.76	17.77	2,457,000.00	751.67
Investrust Bank Zambia Plc	INVESTRUST	44.10	50.00	13.38%	35.28%	99,618,460	16.23	3.08	148,200.00	45.34
Hospitality										
Pamodzi Hotels Plc	PAMODZI	171.00	250.00	46.20%	74.44%	192,830	462.96	0.54	25,000.00	7.65
Investments										
ZCCM Investment Holdings Plc	ZCCM	4,500.00	28,000.00	522.22%	642.42%	110	18.67	1499.40	19,320.00	5.91
Cavmont Capital Holdings Zambia Plc	CCHZ	13.50	11.50	-14.81%	1.64%	959,900,716	17.97	0.64	27,953.47	8.55
Energy										
Copperbelt Energy Corporation Plc	CEC	440.00	540.00	22.73%	46.44%	15,665,258	19.99	27.01	540,000.00	165.20
Retail Trading										
Shoprite Holdings Ltd - RSA	SHOPRITE	18,000.00	15,000.00	-16.67%	-0.57%	9,338	13.77	1089.50	40,500.00	12.39
Oil-Marketing Company										
BP Zambia Plc	BPZAM	910.00	800.00	-12.09%	4.90%	1,590,335	13.23	60.46	400,000.00	122.37
TELECOMS										
Celtel Zambia Plc	CELTEL	640.00	815.00	27.34%	51.94%	62,165,010	17.80	40.72	4,238,000.00	1,296.54
Market Average [Ex. FH Preference Shares]						1,241,197,102	22.85		14,583,486.79	4,461.56

AFRICA'S TOP 25 GAINERS – HALF YEAR 2008

Stock	Country	Sector	Gain ($)	P/e (x)	P/bk (x)	Div Yield (%)	Mkt Cap ($)
ZCCM Investment Holdings Plc	Zambia	Investments	642.42%	18.67	na	na	5.91
Compagnie d'Assurances et de Reassurances	Tunisia	Insurance	346.85%	na	na	na	288.6
Société Tunisienne d'Assurances et de Réassurances	Tunisia	Insurance	276.75%	na	na	na	135.3
Société l'Accumulateur Tunisien Assad	Tunisia	Insurance	241.78%	na	na	na	78.3
Bata Shoe Company Plc	Zambia	Manufacturing	190.23%	22.39	na	na	20.96
PALM - Cote d'Ivoire	Ivory Coast	Agriculture	185.80%	-63.12	na	na	476.94
UNILEVER CI	Ivory Coast	Industry	160.97%	10.16	na	na	360.26
Cappa & d'Alberto	Nigeria	Cement & Construction	157.71%	20.13	7.37	na	185.22
TUNISIE LEASING	Tunisia	Leasing	138.61%	na	na	na	134.1
New Vision Limited	Uganda		136.15%	38.61	7.57	0.80	80.71
Benso Oil Palm Plantation	Ghana	Agro-Processing	129.37%	14.09	2.30	1.25	40.75
Société Adwya	Tunisia	Pharmaceutical	118.85%	na	na	na	53.8
UNIWAX CI	Ivory Coast	Industry	112.39%	NA	na	na	38.85
Chevron Oil Nigeria	Nigeria	Petroleum Marketing & Oil Services	112.36%	43.97	24.99	na	721.69
Equity Bank Ltd	Kenya	Finance & Invest.	109.60%	115.75	39.63	0.01	1321.42
Société Tunisie Profiles Aluminium	Tunisia	Industry	107.84%	na	na	na	209.7
Uganda Clays Limited	Uganda		104.52%	43.41	8.55	0.22	57.65
Bank of Baroda	Uganda		99.67%	15.47	4.40	1.70	105.42
Banque Attijari de Tunisie	Tunisia	Banking	98.38%	na	na	na	300.9
State Insurance Company	Ghana	Insurance	96.68%	18.31	2.75	1.05	120.26
Arab Tunisian Lease	Tunisia	Leasing	93.89%	na	na	na	44.6
PEYRISSAC-Côte d'Ivoire	Ivory Coast	Distribution	91.04%	NA	na	na	36.96
Plantation et Huileries de Côte d'Ivoire	Ivory Coast	Agriculture	91.04%	-2.26	na	na	14.42
Standard Group Ltd	Kenya	Commerc.and Allied	85.29%	63.74	17.31	0.00	64.39
Ecobank Ghana Limited	Ghana	Banking	84.97%	17.26	11.57	1.71	621.37

Sources: Databank Research, Stock Exchanges; Excludes South Africa and Egypt

AFRICA'S WORST 25 LAGGARDS - HALF YEAR 2008

Stock	Country	Sector	Gain ($)	P/e (x)	P/bk (x)	Div Yield (%)	Mkt Cap ($)
National Investment Trust	Mauritius	Investments	-29.08%	12.50	0.00	7.69	12.90
Naiade Resorts Limited	Mauritius	Leisure and Hotels	-29.41%	12.08	2.88	3.80	246.81
Barclays Bank of Botswana	Botswana	Financial Services	-31.19%	19.5	8.5	3.7	698.81
Intercontinental WAPIC	Nigeria	Insurance	-31.22%	21.23	2.40	na	204.46
Afrox	Namibia	Chemicals	-33.25%	14.15	3.80	1.58	1064.96
Société d'Etudes et de Travaux pour l'Afrique de l'Ouest	Ivory Coast	OTHER SECTOR	-33.26%	NA	na	na	1.36
Société de Limonaderies et Brasseries d'Afrique	Ivory Coast	INDUSTRY	-33.81%	NA	na	na	445.88
Santam Limited	Namibia	Nonlife Insurance	-35.45%	8.54	2.20	3.09	1155.87
Standard Bank Group	Namibia	Banking	-35.67%	9.11	2.06	2.10	14331.07
Vukile Property Fund Limited	Namibia	Real Estate	-35.68%	7.19	2.76	0.00	290.29
LA MAROCAINE VIE	Morocco	INSURANCE	-36.23%	na	na	na	65.15
Metropolitan Holdings Limited	Namibia	Life Insurance	-36.50%	3.81	0.84	3.22	732.26
Cement Co. Northen Nig.	Nigeria	Cement & Construction	-36.80%	144.80	12.25	na	168.79
Barloworld Limited	Namibia	Industrials	-36.87%	6.25	1.42	2.49	2008.96
Oceanic Bank	Nigeria	Banking	-37.24%	15.59	5.88	na	2299.94
United Bank for Africa	Nigeria	Banking	-37.33%	16.26	2.08	na	2934.83
Sanlam Limited	Namibia	Life Insurance	-37.58%	5.43	1.24	4.77	4565.42
MICRODATA	Morocco		-37.85%	na	na	na	32.40
Lafarge WAPCO	Nigeria	Cement & Construction	-38.13%	13.30	0.46	na	1251.18
Investec Limited	Namibia	General Financial	-38.53%	1.63	0.31	3.77	1357.81
Mut & Fed Insurance	Namibia	Nonlife Insurance	-40.01%	6.48	1.43	2.47	650.27
Botswana Insurance Holdings	Botswana	Financial Services	-41.78%	5.3	2.6	4.5	440.02
Nedbank Group Ltd	Namibia	Banking	-42.54%	6.29	1.19	3.81	5258.93
FirstRand	Namibia	Banking	-44.32%	8.01	1.60	33.18	9204.59
Old Mutual Plc	Namibia	Life Insurance	-46.63%	4.61	0.60	2.36	9755.33

Sources: Databank Research, Stock Exchanges; Excludes South Africa and Egypt

CHEAPEST STOCKS ACROSS AFRICA BY P/E RATIO - HY 2008

Stock	Country	Sector	Gain ($)	P/e (x)	P/bk (x)	Div Yield (%)	Mkt Cap ($)
Investec Limited	Namibia	General Financial	-38.53%	1.63	0.31	3.77	1357.81
Mauritius Development and Investment Trust	Mauritius	Investments	9.26%	2.37	0.00	10.09	74.76
United Docks Limited	Mauritius	Investments	11.90%	2.38	0.58	1.05	36.33
Air Mauritius Limited	Mauritius	Transport	-1.28%	2.87	2.94	7.50	74.11
Primetime Properties	Botswana	Properties & Security	-14.33%	2.9	1.4	5.3	42.92
National Investment Trust	Malawi	Financial Services	8.18%	3.15	1.71	1.19	24.98
Metropolitan Holdings Limited	Namibia	Life Insurance	-30.50%	3.81	0.84	3.22	732.26
Ecobank Transnational	Nigeria	Banking	-7.50%	4.00	0.77	na	452.84
Malawi Property Co. Ltd	Malawi	Real Estate	-26.77%	4.23	1.41	2.95	35.98
Mumias	Kenya	D.Indust. & Allied	-14.18%	4.25	0.88	0.14	98.14
Old Mutual Plc	Namibia	Life Insurance	-46.63%	4.61	0.60	2.36	9755.33
Mauritius Chemical and Fertilizer Industry	Mauritius	Industry	11.43%	4.71	0.68	5.81	13.71
ABC Holdings	Botswana	Financial Services	-6.30%	5.2	9.5	3	87.32
Botswana Insurance Holdings	Botswana	Financial Services	-41.78%	5.3	2.6	4.5	440.02
Sanlam Limited	Namibia	Life Insurance	-37.58%	5.43	1.24	4.77	4565.42
Compagnie Des Magasins Populaires	Mauritius	Commerce	15.12%	5.55	0.42	7.35	1.68
Kenya Airways Ltd	Kenya	Commerc.and Allied	-22.69%	5.64	1.33	na	349.71
Société Ivoirienne de Câbles	Ivory Coast	INDUSTRY	-26.64%	5.66	na	na	5.75
Phoenix Beverages Limited	Mauritius	Industry	0.5[illegible]%	5.86	0.88	5.73	57.19
Kakuzi	Kenya	Agricultural	6.63%	5.89	na	na	11.88
Golden Star Resources	Ghana	Mining	-3.22%	5.90	1.14	0.00	715.99
National Insurance Company	Malawi	Financial Services	2.36%	5.9	2.57	2.93	60.87
CFAO Ghana	Ghana	Distribution & Trading	7.64%	5.94	1.86	1.14	8.74
Bidvest Limited	Namibia	Industrials	-36.87%	6.25	1.42	2.49	2008.96
Nedbank Group Ltd	Namibia	Banking	-42.54%	6.29	1.19	3.81	5258.93

Sources: Databank Research, Stock Exchanges; Excludes South Africa and Egypt

MOST EXPENSIVE STOCKS ACROSS AFRICA BY P/E RATIO - HY 2008

Stock	Country	Sector	Gain ($)	P/e (x)	P/bk (x)	Div Yield (%)	Mkt Cap ($)
African Petroleum	Nigeria	Petroleum Marketing & Oil Services	42.50%	40.83	88.37	na	1958.81
Mobil Nigeria	Nigeria	Petroleum Marketing & Oil Services	9.80%	41.89	16.41	na	398.38
Uganda Clays Limited	Uganda		104.52%	43.41	8.55	0.22	57.65
Chevron Oil Nigeria	Nigeria	Petroleum Marketing & Oil Services	112.36%	43.97	24.99	na	721.69
Dangote Flour	Nigeria	Consumer & HealthCare	43.37%	45.00	5.57	na	1039.35
National Bank	Kenya	Finance & Invest.	31.68%	45.59	3.80	0.00	187.88
Ecobank Transnational Incorporated	Ghana	Banking	71.75%	47.87	6.95	0.79	4483.70
Royal Exchange Assurance	Nigeria	Insurance	-4.46%	50.00	5.02	na	150.78
japaul Oil & Maritime	Nigeria	Petroleum Marketing & Oil Services	27.20%	50.70	3.12	na	161.34
AccessKenya Group Ltd	Kenya	Commerc.and Allied	48.18%	53.91	na	na	104.49
Trust Bank Ltd (The Gambia)	Ghana	Banking	-6.34%	55.63	7.70	0.72	77.57
Société Multinationale de Bitume	Ivory Coast	Industry	6.20%	57.65	na	na	68.73
Unilever Tea	Kenya	Agricultural	-1.85%	59.81	1.89	3.13	48.13
Standard Group Ltd	Kenya	Commerc.and Allied	85.29%	63.74	17.31	0.00	64.39
Unilever Nigeria	Nigeria	Consumer & HealthCare	6.24%	77.10	23.22	na	841.25
Cocoa Processing Company	Ghana	Manufacturing	-6.34%	84.94	1.83	0.75	56.93
Mauritius Leasing Company	Mauritius	Banks, Insurance and Other Finance	32.62%	87.00	3.10	1.15	47.27
Okomu Oil (Palm Oil)	Nigeria	Miscellaneous	-20.92%	94.87	2.90	na	111.62
Equity Bank Ltd	Kenya	Finance & Invest.	109.60%	115.75	39.63	0.01	1321.42
Benue Cement Company	Nigeria	Cement & Construction	-3.54%	122.50	15.97	na	1291.05
Transactions Solutions Ltd	Ghana	ICT	-14.15%	124.59	2.65	2.73	8.59
Cement Co. Northen Nig.	Nigeria	Cement & Construction	-36.80%	144.80	12.25	na	168.79
Produce Buying Company	Ghana	Distribution & Trading	-14.15%	149.79	16.58	1.14	103.03
Presco (Palm Oil)	Nigeria	Miscellaneous	77.94%	258.00	4.44	na	81.00
Pamodzi Hotels Plc	Zambia	Hospitality	74.44%	462.96	na	na	7.65

HALF YEAR 2008

PERFORMANCE OF GLOBAL STOCK MARKETS

Country	Level		Year-to-HY	
	Year Open	HY Close	(%)	(%USD)
LEBANON	1,022.801	1,563.243	52.84%	52.90%
ARGENTINA	2,918.834	4,187.658	43.47%	49.43%
Zambia	3,533.520	4,169.030	17.99%	40.78%
CZECH REPUBLIC	828.875	905.647	9.26%	30.80%
BRVM	199.450	236.800	18.73%	27.09%
Ghana	8,463.210	11,315.400	33.70%	25.67%
QATAR	848.771	1,069.333	25.99%	25.32%
Tunisia	2,614.070	3,057.790	16.97%	22.74%
BRAZIL	3,867.159	4,292.501	11.00%	22.39%
ISRAEL	264.020	277.568	5.13%	20.04%
OMAN	1,321.698	1,584.311	19.87%	19.87%
Uganda	991.120	1,095.870	10.57%	18.38%
Morocco	12,694.970	14,191.070	11.78%	18.33%
Malawi	3,823.490	4,409.310	15.32%	15.19%
JORDAN	252.898	286.265	13.19%	12.96%
BAHRAIN	1,148.061	1,295.674	12.86%	12.59%
KUWAIT	1,194.546	1,244.979	4.22%	7.59%
PERU	1,248.697	1,320.887	5.78%	6.92%
NORWAY	4,348.865	4,313.310	-0.82%	6.01%
COLOMBIA	619.260	607.104	-1.96%	5.29%
MEXICO	5,992.137	5,947.251	-0.75%	5.15%
DENMARK	6,036.589	5,915.893	-2.00%	5.02%
Mauritius	1,852.210	1,842.142	-0.54%	3.10%
Tanzania	1022.5	1,105.180	8.09%	1.83%
RUSSIA	1,536.372	1,492.787	-2.84%	1.64%
HUNGARY	1,137.407	1,004.704	-11.67%	1.32%
KAZAKHSTAN	1,048.427	1,057.225	0.84%	0.77%
SWITZERLAND	4,237.343	3,857.739	-8.96%	0.66%
TAIWAN	293.976	276.220	-6.04%	0.40%
CANADA	1,930.056	1,993.565	3.29%	0.32%
AUSTRIA	3,273.183	3,057.294	-6.60%	0.19%
POLAND	1,501.169	1,303.110	-13.19%	-0.23%
AUSTRALIA	998.799	903.108	-9.58%	-0.83%
JAPAN	3,034.399	2,838.517	-6.46%	-1.01%
Kenya	5,444.830	5,185.560	-4.76%	-3.71%
SINGAPORE	4,212.703	3,795.165	-9.91%	-4.41%
Egypt	10,549.740	9,827.280	-6.85%	-4.82%
Nigeria	57,990.220	55,949.000	-3.52%	-4.84%
FRANCE	2,275.125	1,958.827	-13.90%	-7.65%
CHILE	1,802.836	1,714.688	-4.89%	-7.76%
SPAIN	863.953	732.976	-15.16%	-9.00%
UNITED ARAB EMIRATES	641.387	582.689	-9.15%	-9.15%
South Africa	28,957.970	30,413.430	5.03%	-9.61%
INDONESIA	677.577	597.370	-11.84%	-9.95%
GERMANY	2,520.744	2,116.050	-16.05%	-9.96%
SWEDEN	6,746.020	5,662.908	-16.06%	-10.07%
Namibia	929.410	956.370	2.90%	-11.51%
SRI LANKA	155.411	136.687	-12.05%	-11.73%
CROATIA	1,096.110	883.197	-19.42%	-12.75%
ESTONIA	1,033.829	827.826	-19.93%	-13.04%
ITALY	652.964	527.708	-19.18%	-13.31%
IRELAND	441.791	352.232	-20.27%	-14.48%
UKRAINE	1,055.180	793.307	-24.82%	-16.60%
MALAYSIA	408.563	331.777	-18.79%	-17.39%
BELGIUM	2,141.624	1,625.886	-24.08%	-18.57%
SLOVENIA	1,039.841	780.075	-24.98%	-19.53%
FINLAND	985.105	738.928	-24.99%	-19.54%
THAILAND	267.350	238.364	-10.84%	-19.99%
Botswana	8,426.770	7,184.070	-14.75%	-20.11%
BULGARIA	985.678	721.123	-26.84%	-21.67%
PORTUGAL	233.996	169.180	-27.70%	-22.45%
CHINA	84.914	61.720	-27.31%	-22.64%
GREECE	1,036.082	743.843	-28.21%	-22.99%
HONG KONG	9,966.940	7,639.051	-23.36%	-23.34%
PAKISTAN	187.118	149.565	-20.07%	-28.16%
NEW ZEALAND	153.873	109.789	-28.65%	-29.92%
PHILIPPINES	363.350	221.673	-38.99%	-43.81%
INDIA	668.886	390.262	-41.65%	-46.30%
VIETNAM	985.573	417.037	-57.69%	-59.72%

Source: MSCI, Databank Research

GHANA
Outlook & Analysis
THE MPC REPORT (July 21, 2008)

Sampson Y. Akligoh

Monetary Policy Highlights

- *The key monetary policy rate used by Ghana's central bank, the prime rate, has been increased by 100 basis points to 17%; amidst growing domestic demand and liquidity pressures, fiscal expansion and volatile crude oil prices which are likely to push inflation further up in the short term.*

- *Despite the persistent increase in the prime rate since the last quarter of 2007, credit to the private sector continues to surge; growing by 50.3% by the end of the first half of 2008 compared to 47.8% during the same period in 2007.*

- *The external account for Ghana was pressured during the first half of the year, with gross international reserves closing the period at 2.4 months of import cover. The overall balance of payment deficit outturn stood at US$782.7 million as at the end of June 2008, compared to US$124.3 million during the same period in 2007.*

Overview

The inflation shock during the first half of 2008 has clearly strained monetary policy; and as risk to inflation remains on the upside the central bank has further adjusted the prime rate up by 100 basis points to 17% in its recent announcement. Economic growth for Ghana remained above 6% for the first half of the year, underpinned by increased fiscal spending and credit lending by commercial banks to the private sector. Fiscal deficit for Ghana closed June at GH¢0.62 billion, which accounts for 3.8% of GDP; while credit flows from commercial banks to the private sector increased by GH¢1.2 billion above the 2007 outturn of GH¢0.78 billion for the same period.

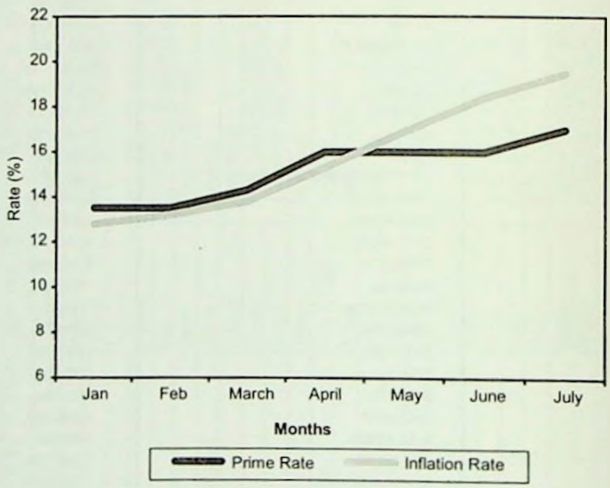
Key Policy Indicators

INDICATORS	HY 2008	2008F	2008T
Real GDP Growth	n.a	6.80%	7.00%
Headline Inflation	18.40%	18.50%	6%-8%
Core Inflation	12.80%	14.80%	n.a
M2+ Growth (y/y)	36.10%	41.80%	17.00%
Total Credit Growth	50.80%	65.00%	n.a.
GH¢/US$ Y-T-D	6.00%	11.50%	n.a
Fiscal Expenditure GH¢'b	2.80	7.50	7.10
Fiscal Revenue GH¢'b	2.20	4.80	5.60
Fiscal Bal. % of GDP	3.80	11.30	4.00
Import Cover	2.40	2.60	3.00
Trade Balance US$'b	-2.10	-4.30	-3.70
B.O.P Bal. US$'m	-782.70	-650.90	834.10

Source: MPC Reports, Databank Databases

Inflation & Prime Rate Trend

Ghana: Prime Rate & Inflation Rate Dynamics



We expected the central bank to increase the prime rate higher than the 17% that was announced to reflect economy wide risk; but the marginal increase seems to be a compromise decision to support private sector borrowing. The challenge, however, will be the extent to which commercial banks will increase their base and lending rates after the new rate announcement.

Commercial banks are more likely to price credit to reflect inflation rate risk exposure, and this may lead to a further widening of the spread between the prime rate and banking sector transaction rates. We expect average lending rates to increase by 200 basis points from 24.8% to 26.8% during the third quarter of the year.

Credit & Money Supply Outlook

Banking sector credit to the private sector and government continues to increase despite the persistence lending rate increases in line with the upward adjustments in the prime rate. Essentially, households continue to borrow more, thus decoupling the effects of interest rate increases on domestic money supply growth. Credit to private sector increase by 50.3% as at the end of May, 2008, compared to 47.8% during the same period in 2007. M2+ grew by 3.9% during the second quarter of the year compared to a lower outturn of 3.3% in the first quarter.

Overall, monetary expansion remains a threat though annual broad money supply growth (M2+) slowed to 36.1% (y/y) in May 2008, compared to the higher outturn of 37.7% outturn in the same period in 2007. The rate of return on capital seems higher than the cost of borrowing, and this is likely to facilitate further credit growth despite the 1% increase in the prime rate to 17%.

Fiscal Policy Outlook

Fiscal policy remains unconsolidated during the first half of the year after the slippages in 2006 and 2007 which were mainly due to wage increases, the energy crisis, and the floods that affected the food production regions of the country. While total government revenue grew by 5.6% (y/y) to GH¢2.2 billion as at the end of first quarter of the year, government expenditure grew by 20.8% during the same period to GH¢2.8 billion. This translated into a tax revenue to GDP ratio of 13.5% compared to a government expenditure to GDP ratio of 16.7% during the first half of the year. Government fiscal deficit closed the first half of the year at GH¢0.62 billion, which translate into 3.8% of GDP and higher than the 2.9% outturn for the first quarter of the year. Fiscal pressures are likely to continue during the second half of the year due to expected increases in social expenditures like the Livelihood Empowerment Against Poverty (LEAP), the continuing excise tax and petroleum levy reliefs, among others. We expect overall fiscal deficit to GDP ratio to close the year higher at 11.3% compared to the 9% outturn for 2007.

Inflation Outlook

Inflation remains a major threat to short term macroeconomic stability for Ghana. Consumer inflation closed the first half of the year at 18.4%- the highest in the immediate three years. Inflation opened the year at 12.7% and increased to 13.8% by March. Inflation further increased to 18.4% in June. As the economy remains overly exposed to external shocks, the continuing volatility in crude oil prices, higher global food inflation and the sharp depreciation of the local currency will continue to filter into consumer inflation. Increased domestic demand induced by fiscal expansion is also inducing demand led inflation.

Inflation is likely to further increase marginally during the rest of the year until the domestic harvest season sets in. We expect inflation to peak at 21% unless crude oil price hikes ease. Essentially, crude oil prices have eased from its record highs of above US$145 per barrel during the second half of July to below US$130 per barrel. This could revert the economy to its disinflation process if fiscal expansion is consolidated.

External Sector Outlook

The external sector of the economy was pressured during the first half of the year due to a higher than expected import bill, with gross international reserves closing the period at 2.4 months of import cover. While total merchandised exports grew at 34.7% (y/y) to US$2.89 billion, total merchandised imports was up by 42.4% (y/y) to US$4.95 billion; which translated into a merchandised trade deficit of about US$2.06 billion. Though the key exports of the country enjoyed favourable prices, these windfall gains were more than counterbalanced by increases in crude oil imports bill, as well as, non-oil imports bills. We expect the overall balance of payment to be strained by moderating financial inflows and further deterioration in imports bill in the short term. This could push gross international reserves further below 2.4% by the end of the year. The challenge to improving the economy's external sector requires an improvement in export revenue and the slowing down of import demand which is not likely within the second half of the year.

Consequently, we expect some further deterioration in both the current and overall balance of payment position of the country by the end of the year.

Exchange Rate Outlook

The depreciation of the local currency against its major trading partners as at the end of the second quarter of this year was sharper than expected. From the beginning of the year to July 23, 2008 the local currency fell by 7.39% against the dollar, 7.11% against the pound, and 13.42% against the euro; compared to 0.65% against the dollar, 5.03% against the pound, and 5.10% against the euro during the same period in 2007. The key factor that facilitated the decline was the inability of external financial flows to support the higher than expected import bill and the increasing foreign component of broad money supply. We think that any potential stability on the exchange rate market within the short term will depend on crude oil price dynamics. Overall, the threats to further depreciation of the Ghanaian currency are high and we expect the cedi to close the year at a depreciation rate of 11.5%.

Policy Outlook & Financial Market Implications

The sustained expansion of economic activity during the first half of the year, as indicated by the Composite Index of Economic Activity [CIEA], gives room for the central bank to further tighten monetary policy in the second half of the year. Though the prime rate has been increased to 17%, in our opinion, it still does not reflect economy wide risk; especially as the risk to inflation is on the upside. The prime rate is likely to close the year marginally above 18% unless the onset of the domestic harvest season facilitates an early slow down in inflation by the end of the third quarter. We think the recent upward adjustment was a compromise decision to sustain credit growth and at the same time anchor inflationary expectations to the downside. But the challenge will be the extent to which commercial banks will increase their base and lending rates.

We expect commercial bank transaction rates to further move up by 200 basis points during the third quarter. While the prime rate increases are markedly below the rate of increase in inflation, benchmark treasury yields are moving up significantly to reflect both government borrowing pressures and inflation risk. Keeping benchmark interest rates below expected inflation outturns encourage excessive government borrowing and also facilitate the misallocation of credit to the private sector. It also facilitates excessive liquidity in the stock market, which can leads to overvaluation of equities; as the associated demand driven price increases are not backed by fundamentals.

Essentially, we expect fixed income market activity to be more brisk in the second half of the year than in the first half. Money market fund managers will seek to lock in on treasury instruments as their yields peak during the period. But investors' are likely to tilt their portfolios towards the short end of the market due to the current yield curve dynamics of the country. We expect the sharp depreciation of the cedi during the first half of the year to slow down the participation of foreign investors in Ghana's Treasury bond market. Overall, the economy remains relatively stable despite the price level shocks and the deterioration in fiscal and external accounts.

Fiscal policy remains a major threat to short term macroeconomic stability in the wake of the external pressures; and we expect both inflation and interest rates to further firm up in the next quarter, amidst the continuing volatile world economy.

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