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World Bank body eyes more deals in Kenya



NEW STRATEGY: MIGA's chief operating officer Michel Wormser concluded his Kenya visit on Friday.

BY CONSTANT MUNDA

WORLD Bank's Multilateral Investment Guarantee Agency, is seeking to scale up risk covers beyond the energy sector.

MIGA's chief operating officer Michel Wormser told journalists after his day-long scouting visit on Friday evening that the agency was eyeing investment opportunities in transport infrastructure and agribusiness.

Miga is the World Bank Group's political risk insurance and credit enhancement guarantee arm.

Transport infrastructure and agribusiness form government's priority investment areas as it seeks to achieve a stubbornly elusive double-digit growth by 2017, and are set to continually receive tens of billions of shillings annually under the public private partnership model over the medium term.

Key infrastructural projects include the Sh2.5 trillion (\$28.41 billion) Lamu Port South Sudan and Ethiopia Economic Transport (Lapsset) corridor, Kenya-Uganda standard gauge railway, the one million-hectare Galana-Kulalu irrigation project, Kenya-Uganda Crude oil pipeline, among other multi-billion projects in roads.

"We have also held talks with key government officials on how

Transport infrastructure and agribusiness are top government priority

we can provide a solution at the port (of Mombasa)," Wormser said. "We are not targeting only foreign investors coming in but also Kenyan businesses going out as they seek opportunities regionally."

The agency's presently notable involvement in Kenya is mainly in insurance risk guarantees to the four independent power producers—Or Power geothermal project in Olkaria, Thika Power, Gulf Power and Triumph Power generating companies.

Wormser, also WB's vice president, said he held talks with top government officials including the National Treasury and key private sector actors including top banks.

"Demand for insurance guarantees has increased and we have doubled our exposure in the region over the last four years," he said. "The officials we met expressed a lot of appreciation to our support and proposal."

A statement by the bank said MIGA has over the years from its inception in 1988 underwritten insurance guarantees amounting to \$500 million (Sh44 billion) in Kenya with present exposure at \$280 million (Sh24.64 billion).

"Our ongoing support to Kenya's energy sector is a strong demonstration of how the agencies of the World Bank Group can mobilise significant volumes of private sector investment to provide an essential service and be helpful in advancing the country's development agenda," Wormser was quoted in the statement.

The agency's support revolves around currency inconvertibility and transfer restrictions, expropriation, war, terrorism and civil disturbance, breach of contract and non-honouring of financial obligations.

Earlier in the week Wormser had held similar talks with authorities in the south-neighbouring Tanzania and Zambia where he said MIGA was close on deal to scale up insurance risk support in agro-based industries.

Tanzania's exposure, Wormser said, was about \$400 million (Sh35.2 billion).

MIGA is also involved in projects in Uganda, Mozambique, Nigeria and Mauritania.

Eurobond cash to help cut interest rates

BY MATHEWS NDANYI

INTEREST rates will begin to decline drastically once the government starts spending money raised through the Eurobond two months ago, Trans National Bank CEO Sammy Langat has said.

Langat said increased government spending will raise the amount of money in circulation and hence reduce the interest rates.

"We expect that to happen soon

and help to ease the interest rates," said Langat. He was speaking in Eldoret when the bank opened its refurbished branch in the area along with a new branch in Iten town.

The Eurobond was Kenya's first effort to raise capital from European and American investors. The bond was oversubscribed by over 400 per cent.

The country sought to raise \$1.5bn through the issue but even-

tually took up to \$2bn after the bond attracted bids four times its initial target.

US investors bought about two thirds of the bonds, with British investors taking up a quarter.

Langat said the government was a major catalyst in taming interest rates.

Trans National has 18 branches and plans to open more in a bid to reach all the 47 counties.

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ALY KHAN'S STAR PORTFOLIO



GREATEST BULL MARKETS CLIMB THE WALL OF WORRY

THE Nairobi all share opens today having closed at a record high every single session last week which is a record breaking winning streak. The Nairobi all share has rallied +15.5799% so far in 2014 and this year's acceleration is a part of a bull market that began in 2012. The all share has posted a +110.83% over last three years. Interestingly, it has rallied +28.55% since the Westgate attack last year. The Nairobi NSE20 soared 50.23 points to close at a more than five-year high of 5139.39.

Edwin Lefevre who wrote *Reminiscences of a Stock Operator*, a 1923 roman à clef which is the thinly disguised biography of Jesse Lauriston Livermore said:

"The tape is your telescope. You can depend upon it seven out of ten cases."

The point he was making was that you cannot fight the tape. And the point I am making is that the tape has been emitting a very compelling and incontestable signal. The rally has good breadth and in my opinion the market is headed a lot higher.

In the book *Reminiscences*, there is a fellow called Patridge who responds to every question;

"Well this is a bull market, you know!"

This is the point.

The recent shilling wobble has been uppermost in the markets' mind and touched a 31-month low of 88.90 last week before the central bank intervened and sold between \$30m-50m to stem the slide and bounced the shilling as far as 88.35, which is where the currency ended the week.

Njuguna Ndung'u described the shilling's weakness as a "paradox" to the *Financial Times*' Katrina Manson. It was not too long ago that I was referring to the "teflon" shilling. The shilling remains the second best performing currency in Africa against the US dollar. The dollar has embarked on a meaningful and broad based rally as investors anticipate a rate hike in the US ahead of all other developed economies. The shilling's recent wobble might have been in part informed by the generally stronger dollar. Overlay the fact that; "Tea prices have not been strong this year and pressure has built because there's been a cratering of hard currency tourism receipts" [my comments to the FT] and we can understand the recent wobble.

I, for one, am not prepared to buy the 90+ shilling per dollar and even 95 forecast. The shilling has confounded expectations and will confound them again. The most important [inverse] correlation for the shilling is with the price of crude oil. Crude oil has retreated more than 10 per cent over the last four weeks and this price retreat will give relief to the shilling.

History says the greatest bull markets climb the wall of worry. Well our all share index has rallied +28.55% since Westgate.



Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.