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Rights abuses up in extractive industry

BY MERCY GAKII

TREAD CAREFULLY: Transparency in oil and gas and mining sectors will reduce conflict.

HUMAN right abuses have increased over the past three years in tandem with growing investment inflows largely fuelled by oil and mineral finds and large scale agriculture in Eastern Africa.

Business and Human Rights Resource Centre, a UK-based non-profit organisation, reports that there has been a jump in complaints about companies in agriculture and emerging oil and gas sector in the region.

It says investments in these sectors in many cases advance with disregard for the rights of the people most directly affected, ultimately resulting in conflict. Uganda has seen a "five-fold increase in complaints" about the oil industry since the start of refinery construction and other work to exploit oil.

"If new oil finds in other countries such as Kenya and Malawi are not managed with greater transparency and community participation, we can expect to see similar concerns raised by local communities there, with possibilities of protests, violence and significant delays," the NGO warns.

The report says complaints on land rights, labour and other issues in agricultural production in Eastern Africa have increased six-fold, citing a case where a large biofuel project in Kenya stalled last year due to local opposition and violent conflict.

It says prevalent concerns in the extractive industry include transparency in revenue management, sharing of royalties with local communities, access to information, environmental degradation and lack of consultation with communities.

"The growing oil and natural gas industry has a huge potential to improve livelihoods but can be a source of conflict if these resources are mismanaged," it says.

Eastern Africa has over the last few years recorded unprecedented surge in oil and natural gas discoveries, with Uganda already signing production agreements with oil companies. Exploration in Kenya has yielded positive results, while Tanzania has discovered huge natural gas deposits. South Sudan earns 95 per cent of its revenue from oil-related activities.

"These developments have led to calls for their transparent revenue management to ensure that new oil finds realise their potential to transform the lives of East Africans," the NGO says.

In Kenya, Tullow Oil recently had to temporarily suspend activities in Turkana following protests by local communities concerned about lack of adequate consultation.

Concerns abound on transparency about payments and use of revenues by oil companies to governments, and access to information about the contracts, as huge revenue to local and national governments is expected once commercial oil and gas production starts.

The report is titled 'Steep rise in allegations of human rights abuse as boom in investment brings hope of prosperity, business and human rights in Eastern Africa: A regional briefing paper April 2014'.

It comes ahead of two major conferences starting today in Nairobi – the 5th annual Eastern Africa Oil, Gas/LNG and Energy Conference, and the 55th session of the African Commission on Human and People's Rights.

The NGO says that when Kenya discovered oil in 2012 there were fears that the legal regime was inadequate to regulate the industry and ensure that it does not fuel conflict within Kenya.

However, it says, the new constitution makes provisions for natural resource management and calls for community participation in management of natural resources.

HF gets nod for new shares, delays issue

BY CONSTANT MUNDA

HOUSING Finance shareholders have approved the mortgage lender's request to more than double its share capital, setting it on a path to a cash call.

HF got the nod at an AGM on Friday and will now raise its share volume to 500 million shares by creating 264.25 million new shares.

However, the listed mortgage company was not in a hurry to issue the new shares, according to managing director Frank Ireri.

Ireri said HF's current capital was still adequate even with the enforcement of the Central Bank's directive for lenders to have at least 2.5 per cent of total capital as a buffer to their balance sheets by next January.

"We will definitely not be doing the rights issue this year. The earliest we can do it is some time next year or even 2016," he said.

A cash call will give its shareholders a chance to increase their holding in the company for the first time since 2008 when it raised Sh2.3 billion from additional 115 million new shares.

HF's capital to deposit ratio fell to 13.41 per cent in March 2014 from 16.06 per cent a year earlier.

It has also pegged issuance of a new Sh20 billion bond to a successful government Eurobond.

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ALY KHAN'S STAR PORTFOLIO

RISING FISCAL IMBALANCE IS REGION'S ACHILLES' HEEL

LAST Thursday I attended the release of the International Monetary Fund's 2014 sub-Saharan Africa Regional Economic Outlook at the Serena Hotel. The Amani room reminded me of my days on the trading floor.

Antoinette Sayeh, head of the IMF Africa department, Cabinet Secretary for National Treasury Henry Rotich, Diariétou Gaye of the World Bank, the always sprightly Manu Chandaria were all in attendance. It's a big ticket event and an important release.

Africa, in my view, is the least linear of continents. Directionally, the continent is on the upswing and the IMF projected SSA's GDP will expand 5.5 per cent this year from 4.9 per cent in 2013. GDP growth is the condition precedent of the #AfricaRising story.

However, you have to admit there is always a lot of zig zag. The IMF's REO gives us a bird's eye view. Too often, I find we get entrenched in the reality of our own situation. The Economic Outlook gives us a chance to take a look at the bigger African canvas.

The IMF cautioned: "This solid near-term outlook is nonetheless subject to downside risks. External factors pose by far the more potent threats to the region as a whole, but domestic risks are more significant in some countries."

The risks the IMF outlined were:

1. Growth in emerging markets could prove less supportive. It is worth noting that "one-third" of non-oil exports of the region now go to the BRICs – Brazil, Russia, India, China – compared with less than 10 per cent a decade ago.
2. Tighter global financial conditions. These have already impacted African sovereign yields with Zambia and Ghana Eurobond yields now clustering towards nine per cent.
3. Rising fiscal imbalances in some countries. This for me remains the Achilles' Heel. The IMF said: "In a few cases, policy missteps, such as large fiscal imbalances, threaten to undermine the hard-won macroeconomic gains of recent years that have supported growth. In addition, important home-grown risks arise from fiscal vulnerabilities in a number of countries such as Ghana and Zambia." Ghana's cedi has been in free-fall and the Zambian kwacha not far behind. The price the markets are exacting for 'policy missteps' is brutal.
4. Security conditions remain difficult, in some areas threatening spill-over effects. The IMF has focused on the dreadful situation in South Sudan and in Central African Republic, but I would also raise the red flag around the risks posed by the likes of al-Shabaab and the Boko Haram whose leader Abubakar Shekar taunted President Goodluck Jonathan with the comment "I am in your city."

The main downside risk to this generally positive baseline scenario is the risk that growth in emerging markets might slow much more abruptly than currently envisaged.

My takeaway is; the tailwinds remain favourable but that the markets are no longer as benign and that we would be wise to look very closely how policy makers are getting crunched in places like Ghana. A more than 30 per cent collapse in a currency is a direct cause-and-effect of poor policy making. Putting Humpty Dumpty together again is not an easy thing.

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