

In Brief

Kenya's stolen funds reach US\$3 billion

The Kenyan Government has announced the discovery of further US\$2 billion allegedly stolen and placed abroad by the members of the former KANU Government.

Vietnamese pig breeding farm expands

A major extension has been made to an industrial pig breeding farm in Ho Chi Minh City at a cost of US\$6 million, reports the Vietnamese News Agency.

US\$146 million Africa fund ready to go

Actis, the London based fund manager, has been selected to co-manage the \$US146 million Canadian Investment Fund for Africa. The other co-manager will be the Canadian company IFPT Management.

Cotton is Zimbabwe's top source of foreign exchange

Cotton has overtaken tobacco as Zimbabwe's top foreign exchange earner, with expected 2004 exports of between US\$120 and \$US150 million.

Mozambique moves into soya

Mozambique expects to export its first soya as part of the Ministry of Agriculture's crop development plan, says the national AIM news agency. The 800 tons will be exported to Norway.

China oil consumption high despite price rises

China's crude and fuel oil consumption remained high in April despite high international prices, reports Reuters. It imported 10 million tons of crude in the month.

New Zimbabwe farm seizures - by Barclays Bank

In a new twist to the story of Zimbabwean farm occupations, the High Court has ordered a state run company to hand over large amounts of equipment on one of its farms to Barclays Bank. The Agricultural and Rural Development Authority (ARDA) will have to surrender machinery and other equipment on Kondozi Farm, in compensation for US\$1 million in arrears owed to the bank.

Acute loss of revenue

Kondozi was occupied under the Government's land reform program last month. The horticultural section closed, leading to an acute loss of revenue. ARDA inherited the agricultural equipment and its finance debt owed to Barclays. It is not clear how the other financiers, Zimbank-Syfrets and African Banking Corporation, will proceed.

World's worries heavy on Bank Negara Indonesia

Bank Negara Indonesia may have to increase the rate it pays to investors on its planned US\$200-300 million bond issue, its director of treasury said last week. Fero Poerbonegoro was speaking after rising oil rates and concerns relating to Chinese growth prospects lead to worries about Asian corporate performance.

The Indonesian Government will hope that their planned issue of \$4.4 billion in debt this year will not be affected in the same way. Investors may see risks affecting the whole economy and demand higher returns from Government bonds, or they could see them as a safe haven from the uncertainties of the stock market.

Guaranty Trust Bank: Growth today, growth tomorrow

Nigeria's Guaranty Trust Bank said on Monday that it would pay US\$16 million in final dividends to shareholders this year, around half a US cent per share. It has already paid an interim dividend of \$5.8 million this year, and says that it still intends to open thirty new branches this year. The company's chief executive, Tayo Aderinokun, said the results were due to efficiency and a customer service culture.

Mr Aderinokun revealed that Guaranty intends to expand in West Africa as well, where it already has Gambian and Sierra Leonean subsidiaries, and announced that the bank has been particularly active in the financing of the oil and gas sector.

US\$ 36 million for rural projects in DR Congo

The African Development Fund has approved funding of US\$36 million to the Democratic Republic of Congo, for the support of the Government program to improve food security and reduce poverty. The \$26 million loan and \$10 million grant will be spent predominantly in the Bas-Congo and Bandundu regions near to the capital Kinshasa. The two regions produce a quarter of the DRC's agricultural output.

The funds will be spent on capacity building, training, distribution of improved seed varieties, road reconstruction, and marketing infrastructure.

Nokia makes major Chinese commitments

Nokia, the mobile telecommunications multinational, announced on Friday that it intends to increase substantially its presence in China. The company will be expanding its research and development facilities, and establishing a technology platform unit for the purposes of licensing and cooperation with local developers.

The company intends to fund postdoctoral research programs at the Nokia Research Centre, and support other studies at Chinese universities. It will also finance research in Beijing on CDMA, a cellular technology common in Asia and North America.

Russia and Lao, where Vietnam investors want to be

Russia and Lao are the leading recipients of Vietnamese investment, according to figures made available last week by the Vietnamese Ministry of Finance and Investment. Russia has received US\$34 million in investment, while Lao has \$19 million, although this number is set to increase significantly with the completion of the Sekhaman hydropower plant. Total overseas investment by Vietnam is US\$217 million.

Major job losses in Kenyan state sector

Employees at the Kenya Power and Lighting Company were told last week that there would be retrenchments among the workforce, in an effort to reduce the company's wage bill. The chairman of the Electricity Regulatory Board said that the layoffs are necessary to return the parastatal company to profitability.

It has been a difficult time for workers in the Kenyan state sector, following the loss of 21,000 civil service jobs earlier in the month. The Kenyan Government is attempting to balance its budget and reduce expenditure as part of its agreement under the recent IMF loan package. An IMF team are currently in Kenya to review the agreement's progress.

Bargain hunters lead market recovery

Concerns over worldwide economic prospects and rising oil prices lead to declines on many of the world's stock markets on Monday and Tuesday last week. Favourable corporate results and reported buying of bargain shares resulted in recovery in some markets, but uncertainty continued to weigh down many.

Indian SEs recover but close down

Indian stock exchanges had a week of shocks following unexpected election results and the appointment of a new Prime Minister. At one point on Monday, the National Stock Exchange's main NIFTY index was down over 17%, and the exchange was closed twice during trading to stop further declines. It rallied over the week to finish down just 1.4%, although it had lost 12.3% in the previous week.

Correction

In last week's newsletter, it was stated that Thai Prime Minister Thaksin Shinawatra has bid US\$65 million for 30% of the English football club Liverpool FC. It should have read UK£65 million, or US\$116 million.

Market Watch

(Week ending 21/5/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,515 (-1.4%)
Bombay SENSEX	4,962 (-2.1%)
Cairo CASE 30	1,416 (-4.4%)
Mauritius SEMDEX	646 (-1.5%)
Nairobi NSE 20	2,594 (-1.9%)
Lahore LSE-25	2,997 (1.9%)
Indian National NIFTY	1,560 (-1.4%)

Selected currencies value to US\$1 and (strengthening in week)

Ethiopia Birr	8.8 (0.0%)
Gambia Dalasi	29.7 (0.0%)
Ghana Cedi	8,800 (0.0%)
India Rupee	45.3 (0.1%)
Indonesia Rupiah	9,042 (-0.5%)
Kenya Shilling	80.5 (-1.2%)
Malawi Kwacha	107.5 (-0.9%)
Nigeria Naira	130.0 (0.0%)
Pakistan Rupee	59.8 (0.0%)
Tanzania Shilling	1,139 (-0.2%)

Gambia is off-track says IMF

The IMF has issued a damning judgement of implementation of the Gambian Government's Poverty Reduction and Growth Facility program, saying the "PRGF-supported program is far off track." The opinion, which came in a staff report following meetings in the capital Banjul, will be unwelcome news to the Government which requires IMF support for the continuation of debt relief from the Paris Club of major creditors. Some consolation was offered by the opinion that the economy benefits from a stable political environment, anti-corruption initiatives, and future petroleum revenues.

The IMF's criticisms:

- Poor execution of fiscal and monetary policy
- Serious deficiencies in governance
- Central bank performed questionable foreign exchange transactions
- Economy remains vulnerable to external shocks

Food security heads SADC agenda

Leaders of member-states of the Southern African Development Community (SADC) met on May 15 in the Tanzanian capital Dar-es-Salaam to discuss food security in the region. The region has suffered badly from drought and floods in recent years, and an estimated 15 million people remain unable to feed themselves without support.

Delegates said that they would discuss the long-term deficit in agricultural production, and produce recommendations for alleviating the problem. Food imports and aid have increased sharply over the last decade, and former exporting countries now have to import. The impact of natural disasters and HIV/AIDS was also discussed.

US\$400,000 in prizes for best HIV/AIDS projects

The World Bank will host a competition for innovative HIV/AIDS prevention projects in South Africa from June 1-3. The best projects will be allocated a share of the prize money of \$400,000. There will be prizes allocated to various categories, including awareness promotion, private sector community programs, and income generation for HIV positive people.

The June event is the second step of the competition which commenced with preliminary applications in January. It is restricted to small-scale service providers and charities from the Southern Africa area, but other competitions will occur elsewhere.



Incentive scheme...
AIDS patients will benefit from a new World Bank competition

ADB experts call for stronger Asian credit rating agencies

Senior finance personnel attending the Asian Development Bank annual conference last week called for the establishment of stronger domestic credit rating agencies. The delegates said that rating practises were currently weaker than those of the major global agencies like Standard and Poor's, and they were too variable across the region. They said that competent agencies were critical for the development of the regional bond market.

Delegates considered that human resource development and harmonisation around best practises are important for successful agencies, and they recommended that governments should provide supportive environments. Their comments follow the launch of <http://asianbondsonline.adb.org>, a website centralising information on the region's bond markets.

Comment: Underrated

The industrial sectors of many developing states are now so large that sufficient capital for their future development is only available from private sector sources. The easiest way of raising such capital, without compromising ownership rights, is to use bond issues. But, as recognised by participants at the Asian Development Bank seminar last week, bond issues rely on enough information being available to purchasers to ensure that they can adequately assess the risk of default or late payment on the bonds. In the absence of such information, purchasers must estimate themselves the appropriate risks and charges to be made on the bonds, or apply blanket prices for the whole market. The latter strategy punishes those companies which are better risks than average, and leaves the company vulnerable to adverse selection.

The seminar's call for improved risk rating agencies is therefore well-timed. The establishment of such an agency requires the sort of information that is publicly available about companies in the West, for example in annual reports. It also requires a familiarity with the approach used by agencies like Standard and Poor's, a computer, and a good sales technique. It would be necessary to establish a working relationship with regulators and domestic companies, in order to get the rating approach widely recognised as credible. An alternative would be to sell assessments directly to major credit agencies who do not have the time, agility, or market access to provide their usual assessments in developing markets. The ADB participants have pointed out an attainable, challenging, and lucrative market niche.