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AES SONEL restructures and appoints new chief executive

AES SONEL, the Cameroonian electricity producer and supplier, has appointed a Cameroonian national, Jean David Bilé, as its new chief executive. Mr Bilé replaces Helen Tarnoy, having formerly served as her deputy. The change was announced by the Board of Directors on February 24.

The appointment of Mr Bilé comes at a time when AES SONEL is facing notable challenges. Its operational losses last year have been estimated at US$50 million, from a total turnover of US$185 million. Fraud is alleged to be a major issue, and power cuts are common. The US owners have made large investments in infrastructure since taking a majority shareholding during the privatisation in 2001, but the benefits have not fully reached consumers. The appointment of a Cameroonian chief executive may reduce public discontent to a small extent, in an industry where expatriates may earn many times the salary of local workers. Ms Tarnoy is not Cameroonian.

As part of the restructuring, Justin Ndioro will take over as chair of the board of directors. Mr Ndioro is an engineer, and, like Mr Bilé, a former deputy chief executive of AES SONEL. A number of changes of regional managers were announced at the same time. The Government of Cameroon remains a minority shareholder in the company.

Sparks fly… AES SONEL is restructuring

Dairibord content with current position in Malawi

Dairibord, the Zimbabwe based dairy producer, is reported to be content with its 60% holding in Dairibord Malawi. Speaking at the start of March, Chief Executive Antony Mandiwanza indicated that the company would be unlikely to seek to expand its shareholding further when the remaining 40% is sold by the Malawian Government.

The Malawian Government, operating through the National Investments Trust Limited, is intending to dispose of its remaining assets in order to achieve wide Malawian share-ownership. It would be possible for Dairibord to operate on the secondary market to acquire more shares in the Malawian company. Such a strategy could be desirable for Dairibord in order to shelter it from economic uncertainty in its domestic market, but it is likely that foreign exchange shortages present major difficulties for cross border expansion. Dairibord showed a profit in 2003, despite challenging operating conditions in Zimbabwe, particularly relating to farming and high inflation.

Coca-Cola production in Angola

Coca-Cola production will begin in Angola in April at the factory of the SOBA drinks company, reports the AngolaPress news agency. An agreement was signed between the multinational and the Angolan company in 2003 to license SOBA for production of the drink in Benguela province. The factory will also be responsible for bottling.

Coca-Cola has been bottled in Africa since 1929, and it is found in the most isolated parts of the continent. The company and its partners claim to be the largest private employer on the continent. Sales grew by 5% in 2003, and account for around 4% of global net operating revenue. Coca-Cola achieved strong growth in its main markets of South Africa and Nigeria, following high advertising expenditure.

Scomi Group Berhad focuses on core business

Scomi Group Berhad, the Malaysian investment holding company, will suspend its shares on the Kuala Lumpur Stock Exchange on 22 March, in preparation for an announcement on disposal of its non-core businesses. Scomi's main holding is KMC, the engineering and services provider to the oil and gas industries, with other assets in the transportation sector.

KMC has taken expanded internationally in the last two years, selling drilling fluids directly or entering into partnerships with local operators. Shah Hakim Zain, the group president, is quoted as saying that partnership is the preferred method of entry into markets where strong competition exists. Whilst KMC has emphasised expansion in the ASEAN region, it has also contracted business from Sudan and China, amongst other countries, and is actively pursuing new business throughout the Middle East and South Asia.

Last November, the group purchased Oiltools International Limited, the Malaysian drilling waste management company. The purchase was funded by bond issues, to the value of Ringgit 304 million, which raises questions about whether the company can finance future takeovers in the same way. The proceeds from the disposal of the transportation business may support further vertical integration.

In Brief

Profit repatriation for CAR companies
Timber and mining companies in the Central African Republic have agreed to repatriate their profits and conduct transactions through local banks, reports the UN IRIN news agency. The agreement was reached on March 11 between industry and the Government, which is looking to expand its revenues.

Kagame visits Mozambique
Rwandan President Paul Kagame visited to Mozambique last week for three days of discussions on investment and security with his Mozambican counterpart Joaquim Chissano. The benefits of knowledge exchange were stressed, and further visits by business delegations planned.

Offshore West Africa conference in Abuja
Offshore West Africa, the annual meeting of petroleum executives, experts, and politicians, was held in Abuja on March 17-19. The conference theme was capacity enhancement of the African offshore industry, and the technical challenges of achieving it were discussed.

New ADB office in Kabul
The Asian Development Bank opened a resident mission office in the Afghan capital on Tuesday. The Bank resumed lending in Afghanistan in 2002, and is currently processing a $50 million loan.

Inaugural session of the Pan-African Parliament

The inaugural session of the Pan-African Parliament was held in Addis Ababa on Thursday, under the chairship of Joaquim Chissano, the President of Mozambique. The Parliament was established in the Constitutive Act of the African Union.

The Parliament, like the Union, will be subordinate to the governments of member states. There are provisions in the Constitutive Act for delegation of powers to it from the governments, and these may become legally binding in the future.

Market Watch

(Week ending 19/3/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,505 (-0.6%)
Bombay SENSEX	5,443 (-4.5%)
Cairo CASE 30	1,343 (-3.1%)
Mauritius SEMDEX	608 (0.4%)
Uganda All Share	386 (-4.2%)
Lahore LSE-25	2,791 (1.2%)
Indian National NIFTY	1,725 (-4.8%)

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

Ethiopia Birr	8.8 (-0.1%)
Ghana Cedi	8,700.4 (0.9%)
India Rupee	45.3 (0.0%)
Indonesia Rupiah	8,531.5 (0.7%)
Kenya Shilling	77.9 (-0.6%)
Malawi Kwacha	110.2 (-1.9%)
Nigeria Naira	137.4 (0.7%)
Pakistan Rupee	59.4 (-0.2%)
Tanzania Shilling	1,134.2 (-0.1%)

BATU and EAB dividends announced

The Ugandan stock exchange fell by 4.2% last week, mostly in the Tuesday session of trading. A contributory factor for the fall was the removal of dividend payments from the price of British American Tobacco Uganda, which announced a payment per share of Uganda Shillings 60. On the same day, an interim dividend of Kenya Shillings 3.75 per share was announced by East African Breweries. Equity trading at the Ugandan Stock Exchange occurs on Tuesday and Thursday mornings. Bonds may be traded at any time.

Coffee prices at three year highs

Three month coffee futures on the New York Board of Trade closed Wednesday at $75.75 for a 37,500 pound delivery. Prices have hovered at around the same level for a month, at close to three year highs. The arrival of the Atlantic hurricane season and consequent uncertainty for South American producers is likely to encourage price rises, although competitive supply elsewhere may moderate the effect. Coffee pries stagnated in the 1990s, and in real terms are far below their 1994 values.

Pick-me-up… Coffee pries stagnated in the 1990s

Orascom Telecom consolidates gains

Orascom Telecom, the Egyptian telecoms operator, closed the week at Egyptian£96.68 on the Cairo and Alexandria Stock Exchange. It has fluctuated between £94 and £110 for the last month, stopping at least temporarily Orascom's growth. Orascom's growth rate over the last year has made it one of the stars of the exchange, rising from £6.54 in December 2002. Its success has been built on sole distributor rights for Lucent Technologies and Nokia products in Egypt, and sales to high prestige clients like Xerox and Cairo University.

The strategy is repeated throughout the wider Orascom Technologies group, with Orascom providing Egyptian market access for some of the world's largest software and hardware companies. The company supplies to various Government agencies, a relationship which has proved critical in ensuring corporate growth in other world markets. The company is optimistic about future growth in a market which is well placed to benefit from service sector expansion domestically, in Africa, and in the Middle East.

Belgium business in D.R. Congo

The Belgian minister Serge Kubla led a delegation of business representatives to the Democratic Republic of Congo last week. They were received by the Congolese Minister of Economics Célestin Vunabandi and business leaders. The visit was aimed at promoting business and investment between the two countries.

Over 100 Belgian enterprises were represented at the discussions. Belgium was the former colonial power in the D.R. Congo, and retained interests in the country after independence.

The forty years since independence have seen underinvestment in infrastructure. Compounded with the effects of civil war, they have left many opportunities for enterprises to bring infrastructure to a better standard. Substantial efforts have been made by the Congolese authorities to attract foreign investment, and a large South African delegation secured major contracts earlier this year. Mr Kubla expressed concerns that South African business would take the initiative if Belgian firms did not respond rapidly.

Comment: Salvation through foreign direct investment

Like many children in Africa, the recent peace in the Democratic Republic of Congo was born in an unpromising environment. Warring parties are still at large, and state institutions weak. Past reform attempts have had little success. Even if the current government somehow succeeded in reform where others have failed, it has little control in the East and North, where militias and foreign governments operate at will.

The Government has implemented some domestic policy improvements, like inflation control. But a distinguishing feature of the government of Joseph Kabila has been its aggressive courting of international business. The high-level meetings this week between Belgian and Congolese business delegations continues a process which commenced with Mr Kabila's travels to European capitals as soon as he assumed the presidency three years ago. The huge agreements with South African investors earlier this year were another example.

The emphasis on international capital is only explained partially by a wish to correct the present low level of investment. Another reason is that business in the D.R. Congo has been able to operate where government has collapsed or become predatory. In the past, such business often meant small-scale private operators. Recognition of their role enabled the Mobutu regime to last beyond its natural life, as they advised the population to survive by whatever means were necessary. The strategy of the current government may be similar economic recovery through private initiative. It has two significant differences, however: the stress on large scale, rather than small scale, capitalism; and the active facilitating role assumed by the Government. The change in tactics subject to a similar strategic overview is fascinating, and plays for high stakes.

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