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In Brief

Vodacom no longer seeking control of EWN
Vodacom, the South African telecoms operator stated on Wednesday that it was no longer looking for an equity or loan participation in Econet Wireless Nigeria. Discussions on a takeover have been long-running, and subject to many legal obstacles.

Desert locusts in North Africa
Swarms of locusts are growing rapidly in Northern Africa, despite intensive control efforts, reports the UN Food and Agricultural Organisation. The situation is worst in Morocco, Mauritania, and Western Sahara, where breeding occurs.

ITC tobacco company buys paperboard business
The India Tobacco Company has purchased the paperboards business of Bilt Industrial Packaging. The purchase continues ITC investments in cigarette packaging and production facilities.

BCM fraud trial
The results of the Commercial Bank of Mozambique fraud trial will be known within two months. The alleged theft of millions of dollars took place in the 1990s, and has already resulted in a related prosecution for murder of the investigative journalist Carlos Cardoso.

Stock options on Bombay Stock Exchange
Stock options for several of the largest companies on the Bombay Stock Exchange were converted on reaching maturity on March 19. Infosys, Gujarat Ambuja Cements, and HDFC sold equities to their employees on a number of option schemes.

Mark-ups on medicine prices to be controlled by SA Government

The South Africa Ministry of Health has reacted angrily to warnings by the pharmaceutical manufacturer Boehringer Ingelheim, that they may withdraw from the country if the Government's proposed medicine pricing reforms are enacted. The reforms would control the prices at which manufacturers could sell to retailers and intermediaries, and limit the mark-up which the latter could charge on reselling. Speaking on Friday, Health Minister Manto Tshabalala-Msimang called the warnings "bully tactics".

The Ministry claims that the reforms will reduce medicine prices by up to 70%, and bring the costs more in line with other countries. The Pharmaceutical Manufacturers' Association of South Africa, representing the industry, has alleged that the proposed reductions of 50% on manufacturer prices are unrealistic. They have suggested 15% as a more reasonable average figure. Other industry sources have claimed that the viability of manufacturers and pharmacies is threatened by the measures.

If the Government is right, it can ignore the concerns, and its success may depend on whether the industry can operate as a block to implement supply restrictions, but the incentive for individual companies to cheat would be strong. The best workable alternative for the industry may be protracted negotiation or legal recourse, although a court action against earlier Government plans was unsuccessful.

Developing countries lose up to 15% of their brainpower through lack of nutrients

Large losses of child intelligence and millions of deaths result from vitamin and mineral deficiencies, says a report published on Wednesday by UNICEF and The Micronutrient Initiative. "Vitamin and Mineral Deficiency: A Global Progress Report" highlights a problem it believes is little recognised, but easy to address.

The report finds that vitamin A deficiency results in 1 million deaths annually, and innumerable illnesses due to compromised immune systems. Iodine deficiency in 60 countries results in a 10 to 15% decrease in intelligence in 60 developing countries. Iron deficiency is estimated to cost national economies up to 2% of GDP. Deficiencies of iron and folate in pregnant women result in millions of cases of mental or physical disability among their babies.
Solutions are offered, in the form of food additives, nutrient tablets, education, and control of diseases which destroy nutrients. The report argues that these interventions are cost-effective. Their economic value is likely to be particularly high among developing nations with current low intakes, or those trying to establish a niche in the industrial or modern service sector.

Village doctor… good quality nutrition can save millions of lives

Photo: FAO/14155/F.Botts

HIV the most serious challenge to African economies

The Second Meeting of the Commission for HIV/AIDS and Governance in Africa was held last week in Mozambique. The Meeting was attended by representatives of multinational agencies, governments, and civil society.

A key note for the whole event was the economic effects of the disease. The Chairperson of the Commission, Dr. K. Y. Amoako, is also the head of UN Economic Commission for Africa. He used his introductory speech to emphasise that HIV is the most serious challenge to economic development in the continent today. The Commission committed itself to providing data and information on the best practises for limiting its effect, following a series of a country studies.

The economic theme will be continued in the 7th International AIDS Impact Conference, to be held in South Africa next week.

Shell Nigeria to cut jobs

Shell Nigeria is to cut jobs, and move to more capital intensive production, the company confirmed last week. The decision follows a troubled period for the oil giant, in which its proved reserves were downgraded, and chairperson and managing director resigned. Shell hopes to boost production by 500,000 barrels a day by 2006, a 50% increase, with substantial savings in the cost of production.

The job cuts, which some sources estimate to be up to 30% of the workforce, have not been confirmed by Shell. The company has had difficult relationships with the communities where it works, and is currently involved in a public argument with the Government about incentive payments. Further disagreements with labour unions seem to be inevitable.

The Nigerian job losses follow similar reductions in the European workforce announced earlier this month. The cuts have occurred in regions where Shell was forced to reduce its estimates of reserves from proven to probable. The impact of the reserve downgrade on Shell's share price, initially dramatic, has been offset by its recent discovery of oil in offshore Malaysia, and the signing of a partnership deal with the Libyan state oil company.

Ports Authority invests in Mombasa, but surcharge remains

The Kenyan Ports Authority will invest Shillings 5 million in new cargo handling equipment, its Managing Director announced on Thursday. The investment will help to reduce delays in loading and unloading, which resulted in the imposition on March 15 of a surcharge of US$70 per twenty foot standard container.

The surcharge has been periodically introduced at Mombasa in the past, in an effort to reduce delays through the price mechanism. The secondary effects on the wider economy, both in Kenya and regionally, lead to opposition and the removal of the surcharge after a time. Mombasa serves as the point of sea access for traders as far west as the Democratic Republic of the Congo.

West African Stock Exchange continues month long increase

The West Africa Stock Exchange BRVM-10 index closed its Friday session at 85.25, up 1.5% over the week. The increase was lead by large trading volume on the Senegalese telecommunication company Sonatel, which accounted for 81% of total turnover on the Wednesday session.

Sonatel is the biggest company on the Exchange, and the market tends to be aligned with its price movements. Sonatel is also unusual as most of the leading quoted companies are from Côte d'Ivoire. After declining by 20% in 2000, the BVRM-10 has regained around 10% of its value since 2001.

Market Watch

(Week ending 26/3/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,538 (0.7%)
Bombay SENSEX	5,529 (1.6%)
Cairo CASE 30	1,372 (2.1%)
Mauritius SEMDEX	606 (-0.3%)
Uganda All Share	386 (0.0%)
Lahore LSE-25	2,870 (2.8%)
Indian National NIFTY	1,748 (1.3%)

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

Ethiopia Birr	8.8 (0.2%)
Gambia Dalasi	29.4 (0.2%)
Ghana Cedi	8,700.4 (0.0%)
India Rupee	44.8 (1.2%)
Indonesia Rupiah	8,622.4 (-1.1%)
Kenya Shilling	78.3 (-0.5%)
Malawi Kwacha	110.2 (0.0%)
Nigeria Naira	137.2 (0.1%)
Pakistan Rupee	59.3 (0.2%)
Tanzania Shilling	1,131.5 (0.2%)

Tata and L&T negotiating over port development at Orissa

Tata Iron & Steel and Larsen & Toubro of India confirmed last week that they are negotiating over the development of Dhamra Port in Orissa. They had been linked in the Indian press with the presently small Eastern Indian port.

Major development plans for the port have been proposed for many years, and various international firms have expressed interest in involvement, notably International Seaports of Singapore. The proposals see the port as handling bulky goods, and offering sea access for goods for the whole of Eastern India. A railway is planned to connect the port with inland cities, as well as the strengthening of existing roads.

The ambitious plans have encountered problems, however. It has been difficult to maintain working partnerships, environmentalists have opposed the scheme, and competition has emerged from the large nearby Paradip port even before it has been fully designed. The participation of two more major companies in Dhamra provides another push to the scheme, but is not certain to carry it through.

In the balance… The future of Dhamra Port is under discussion

Photo: FAO/19031/R.Faidutti

Policy Growth Fund of Mauritius jumps on rights issue

Policy Growth Fund (PGF), the unit trust, increased in value by 9.0% during Thursday trading on the Mauritius Stock Exchange. Its market-leading performance was repeated on Friday with 2.4% growth.

PGF announced on Thursday that it intends to give existing shareholders the right to buy new shares at a substantial discount to their market value. PGF has shown impressive growth for two and a half years, and claims to be the best performing unit trust in Mauritius. The call for new capital may be interpreted by investors as a sign of confidence in available opportunities. The combined effect was sufficient to offset the notification at the same time that new shares would be issued to existing shareholders at no cost, to change the structure of capital holdings.

Global Witness calls for increased openness about resource revenues

The London based NGO Global Witness has called for increased transparency in the management and accounting of revenues from natural resources. In a report released last week entitled "Time for Transparency", it finds that compulsory financial disclosure by multinational companies would provide substantial protection against theft and abuse of revenues by Government. The report looks at the resource-rich nations of Angola, Republic of Congo, Equatorial Guinea, Kazakhstan, and Nauru.

Global Witness works to publicise the links between natural resource exploitation and human right abuses. Its recent reports have examined the forestry industries in Burma, Cameroon, and Liberia. The group has sometimes provoked lively responses from the parties accused in its reports, and the Angolan Government has responded particularly actively. It replied to the latest report on Friday, saying that it was without substance.

Japanese funding for fight against avian influenza

The Japanese Government has pledged US$1.6 million to the fight against avian influenza in Asia. The money will be given to the UN Food and Agricultural Organisation to provide support and equipment in Cambodia, Indonesia, Laos, and Vietnam, said the UN FAO on Monday.

The announcement comes as a new human death from avian influenza was announced in Vietnam. The disease has been contained so far, and new cases are infrequent, but the potential for human transfer and large scale loss of poultry ensure constant vigilance by health authorities. The World Health Organization reports that the prompt slaughter of the entire Hong Kong chicken stock after an outbreak in 1997 may have prevented a human pandemic. Large scale slaughter, at the cost of tens of millions of US dollars, was necessary following earlier outbreaks in Italy and the USA.

Comment: African options for African futures

It was reported in the Nigerian press this week that the national stock exchange is considering setting up a financial derivatives market. Unfortunately, the exchange website could not confirm this, as it has not been updated for several years. Whilst such small comedies and a reputation for corruption may not inspire confidence, the complexities of modern financial instruments may just suit the West Africa country. The banking sector is large and sophisticated, and has survived decades of bank runs, political pressure, and other adverse events. The stock exchange itself has a broad and diversified base of securities, with plenty of scope for derivative trading. ECOWAS financial harmonisation – admittedly unlikely in the near future – could provide scope for further expansion through partnerships with other regional exchanges.

Derivatives – contracts whose value changes depending on another asset value – allow risk to be transformed favourably. Limiting downside risk would allow investors to benefit with confidence from the high returns common in African assets. But derivatives will not revolutionise the Nigerian economy. An expensive exchange could be a white elephant, with the same fate as illiquid stock exchanges elsewhere in the continent, where days pass with no trades. An electronic exchange offers one solution, as maintenance cost would be moderate, and would be in line with developed markets around the world, where face-to-face trading is becoming obsolete. South Africa investors' interest in Nigeria may prove helpful, as South African innovations in financial information technology have often been at the cutting-edge of knowledge. A good value investment in technology could provide the exchange with its own protection against risk.

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