The Courier

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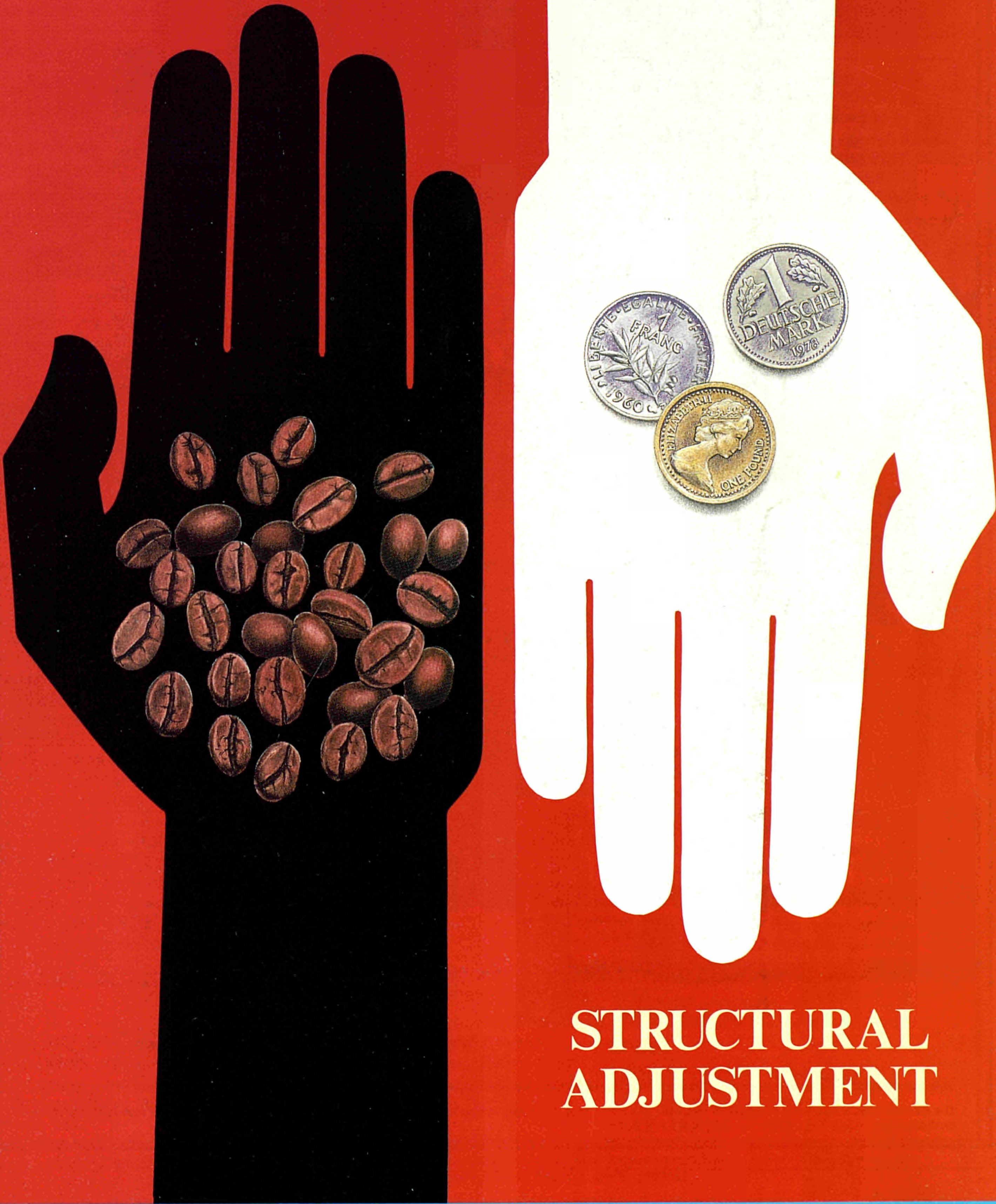

STRUCTURAL ADJUSTMENT

THE EUROPEAN COMMUNITY

BELGIUM
DENMARK
FRANCE
GERMANY (Federal Rep.)
GREECE
IRELAND
ITALY
LUXEMBOURG
NETHERLANDS
PORTUGAL
SPAIN
UNITED KINGDOM

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THE 66 ACP STATES

ANGOLA
ANTIGUA & BARBUDA
BAHAMAS
BARBADOS
BELIZE
BENIN
BOTSWANA
BURKINA FASO
BURUNDI
CAMEROON
CAPE VERDE
CENTRAL AFRICAN REPUBLIC
CHAD
COMOROS
CONGO
CÔTE D'IVOIRE
DJIBOUTI
DOMINICA
EQUATORIAL GUINEA
ETHIOPIA
FIJI
GABON
GAMBIA
GHANA
GRENADA
GUINEA
GUINEA BISSAU
GUYANA
JAMAICA
KENYA
KIRIBATI
LESOTHO
LIBERIA
MADAGASCAR
MALAWI
MALI
MAURITANIA
MAURITIUS
MOZAMBIQUE
NIGER
NIGERIA
PAPUA NEW GUINEA
RWANDA
ST. CHRISTOPHER & NEVIS
ST. LUCIA
ST. VINCENT & THE GRENADINES
SAO TOME & PRINCIPE
SENEGAL
SEYCHELLES
SIERRA LEONE
SOLOMON ISLANDS
SOMALIA
SUDAN
SURINAME
SWAZILAND
TANZANIA
TOGO
TONGA
TRINIDAD & TOBAGO
TUVALU
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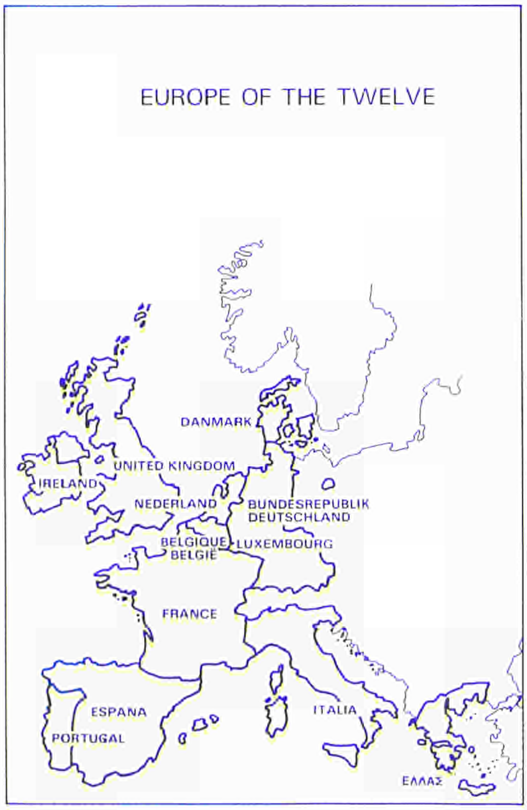
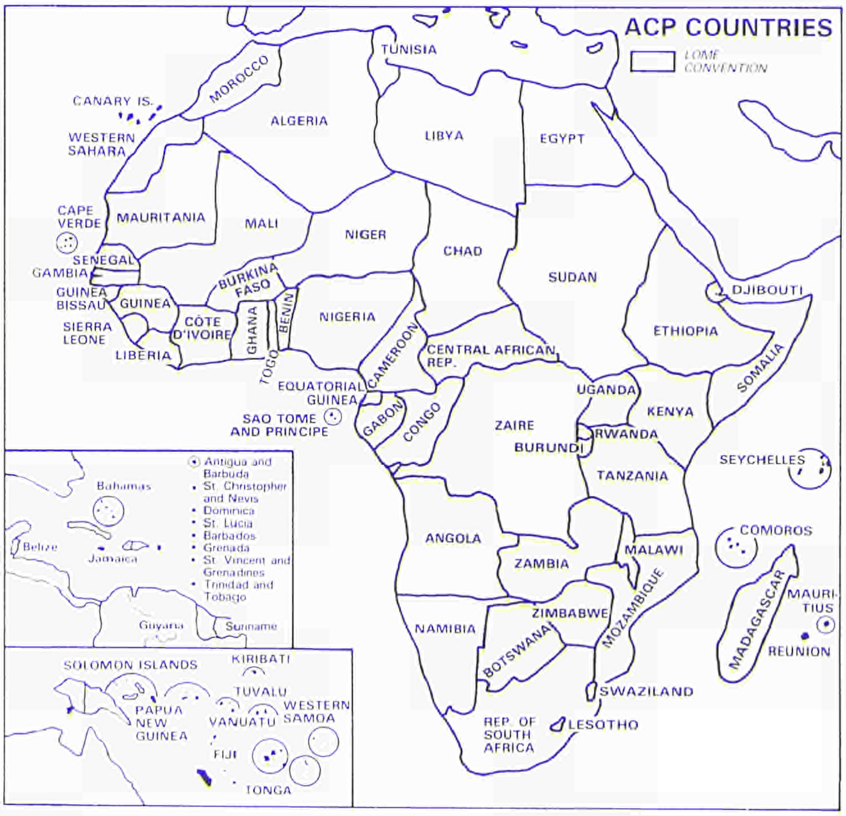




FRANCE

(Territorial collectivities)

Mayotte
St Pierre and Miquelon

(Overseas territories)

New Caledonia and dependencies
French Polynesia
French Southern and Antarctic Territories
Wallis and Futuna Islands

NETHERLANDS

(Overseas countries)

Netherlands Antilles
(Bonaire, Curaçao, St Martin, Saba, St Eustatius)
Aruba

DENMARK

(Country having special relations with Denmark)

Greenland

UNITED KINGDOM

(Overseas countries and territories)

Anguilla
British Antarctic Territory
British Indian Ocean Territory
British Virgin Islands
Cayman Islands
Falkland Islands
Southern Sandwich Islands and dependencies
Montserrat
Pitcairn Island
St Helena and dependencies
Turks and Caicos Islands

This list does not prejudice the status of these countries and territories now or in the future.

The *Courier* uses maps from a variety of sources. Their use does not imply recognition of any particular boundaries nor prejudice the status of any state or territory.

Cover: *Yves Lozach — Le Nouvel Observateur (Paris)*

MEETING POINT: Kéba Mbaye

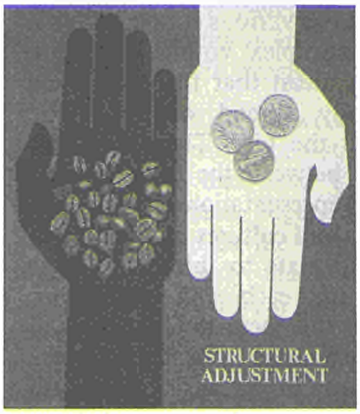
The International Court of Justice, whose seat is at The Hague (Netherlands) is one of the international community's institutions for the resolution of legal conflicts. But who really knows about it or its exact role? People only hear about it when certain types of conflict arise, for example, about frontier demarcation in Africa, or, in the case of Namibia, decolonisation. *The Courier* interviews its Vice-President. **Pages 2 to 6**

COUNTRY REPORTS

MAURITIUS: A tiny Indian Ocean island with a multi-cultural population of a million or so, put on the map by the recent phenomenal success of its Export Processing Zones, which have made it one of the fastest-growing economies in the developing world. Tourism is flourishing, too, and the sugar industry — once the island's sole suppport — is more than holding its own in an ever-tougher market. **Pages 7 to 24**

MADAGASCAR: Described by the World Bank Consultative Group as having embarked upon one of the most successful structural adjustment programmes in the developing countries, Madagascar has indeed emerged from a period of severe economic decline. The social costs, however, have been enormous — drastic falls in purchasing power, inadequate health services, homelessness, unemployment, etc. But the view in Antananarivo is one of optimism for the future. **Pages 25 to 43**

DOSSIER: Structural adjustment



Some ten years after it started, will structural adjustment become another bone of contention between industrialised countries, financial cooperation organisations and the developing countries? Or, on the contrary, as it's now being presented, could it become a new approach the better to grasp and seek efficient solutions to technical, administrative and social problems of economic development of the so-called poor countries? In other words can it provide a means "for growth with equity"? Our dossier raises some points for analysis and response on the eve of the ACP-EEC negotiations starting in October. **Pages 50 to 95**

NEWS ROUND-UP

The ACP-EEC seminar on structural adjustment, debt and commodities which was held in Dakar from 11 to 14 July was a forum for discussing a number of the major themes which will be prominent in the negotiations for the next Convention which open in October. **Pages I-IV**

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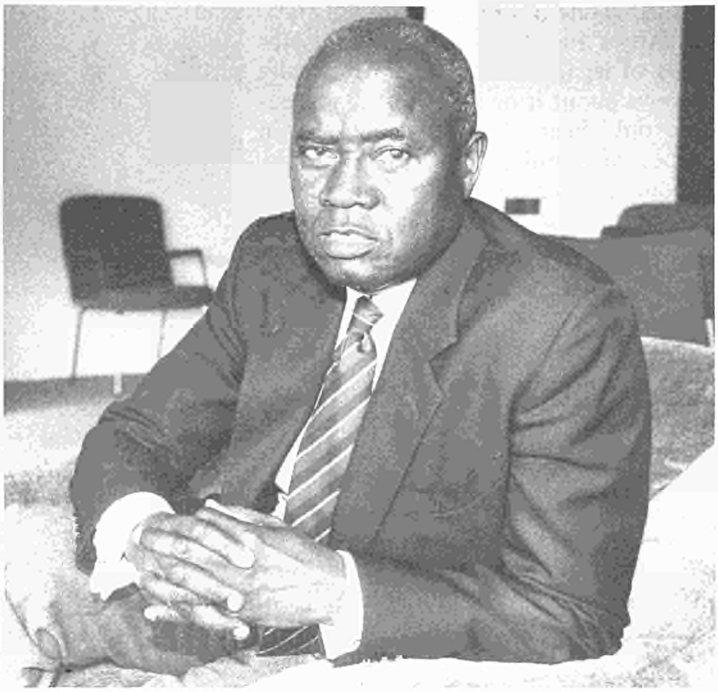
Vice-President of the International Court of Justice

"We have to fight more and more for the right to development"



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International Court of Justice? Most people have no idea what it is all about. Yet it is the UN's main legal body, a permanent international institution, with 15 elected and independent judges and headquarters in The Hague (Netherlands). The States alone are empowered to put cases before the Court, so nothing can be heard without at least the consent of the countries involved.

The 15 judges currently include three from Africa—Algeria, Nigeria and Senegal to be precise—and the Senegalese judge, Kéba Mbaye, who was born in Kaolack in 1924 and is a former First President of the Supreme Court of Senegal, has been a member since February 1982 and Vice-President since May of last year. He has an impressive career in international law behind him and the posts he holds or has held are too numerous to list here. Two things he sees as being of particular importance are human rights in general and those of Africans especially, and the right to development, an idea of which he is virtually the spiritual father. In this interview with The Courier, *he outlines the origins and work of the International Court of Justice and explains how he sees the right to development.*

▶ *Can you tell us roughly what the International Court of Justice does? Who can go before it and under what circumstances?*

— The Court was set up by the United Nations and it started working on 1 March 1946. At the time, people wondered whether the Permanent Court of International Justice which the League of Nations had formed in 1921 should continue or whether there should be something completely new. The committee of lawyers which was set up thought there had to be a new court, but that it should be a continuation of the old one, which is why, in the Charter, the UN set up the International Court of Justice as a continuation of the Permanent Court of International Justice. It is made up of judges of 15 different nationalities elected by the General Assembly and the Security Council—sitting at the same time but deliberating separately—from leading legal figures and people in top legal jobs in the various countries. This is a fairly complex voting procedure but it does mean that the 15 can be geographically spread over all the countries in the UN. There are tacit agreements between the States to ensure better representation of all the legal concepts and cultures and, although there are no texts to this effect, it is also agreed that each of the permanent members of the Security Council shall always have a judge from their country on the Court. So there is always an American judge, a French judge, an English judge, a Chinese judge and a Russian judge. The judges are independent, although, as the Charter makes clear, the Court is the UN's main legal body. And, of course, its Statute is annexed to the Charter—of which it is an integral part. Judges are elected for a nine-year term, a third of them being replaced every three years, starting work on 6 February. Since international judgements are not binding, no State can be forced to come before the Court, but States alone are empowered to bring cases to it.

Solving disputes and offering advice

The Court has authority in two main areas—for solving disputes and offering advice. States which so wish may bring their disputes before the Court, in which case they may first inform it by signing a special agreement, virtually amounting to a treaty between two or more countries, in which they define the area in which they wish to see a decision taken, putting a list of questions which they wish the Court to answer. This, if you like, is the optional side of the Court's work.

And then there is the obligatory side, although it is optional to begin with, what is called the optional declaration of obligatory jurisdiction, as provided for in Article 36(2) of the Statute. Under this Article, any State may declare that it accepts the Court's rulings as binding, without any special agreement in respect of any other State which has made a similar declaration. So far, 47 States have made such a declaration. They include 14 in Africa, 12 in Europe, one in North America, 11 in the rest of America, two in Oceania and six in Asia. And by the way, only one of the members of the Security Council, the United Kingdom, has so far made a declaration, while the USA have withdrawn their declaration. All members of the UN are automatically party to the Statute of the Court, although they still have to make the declaration for the Court's rulings to apply. And some States which do not belong to the UN are still party to the Statute, as the Charter provides. There are three of these—Switzerland, Liechtenstein and San Marino. Article 35(2) of the Statute says that the Security Council may lay down the rules whereby a State may be party to the Statute even if it is not a member of the UN. The Security Council availed itself of this possibility in 1946, with a resolution, and the Federal Republic of Germany was able to be party to the Statute before joining the United Nations.

The declarations I mentioned are the basis for a whole series of bilateral agreements between all the States which have made them—so any State which has agreed to accept the judgements of the Court as obligatory can enter a plea against any other State which has done so. There are two ways of going before the Court—on the basis of a special agreement between the parties involved, as I said just now, and via a plea. The latter is a unilateral thing, an application which one State makes against another State, the defendant. There are a number of international agreements providing for the Court to intervene and they too mean that pleas can be made.

Once a case has come before the Court, there is a two-stage procedure to go through. There is a written phase when the Court is given documents detailing facts and points of law and an oral phase during which the two parties can plead. Once all the documents have been produced, the written phase is over and the oral phase, which takes place here, in The Hague, where the Court sits, begins. And when the oral phase is over, the Court makes its judgement, applying international law, which is binding on the parties involved. Article 94 of the Charter says that every UN member has to conform to the Court's decision in any dispute in which it is involved and paragraph 2 says that the Security Council may be informed if it fails to do so. That, roughly, is what the Court does in the matter of disputes... and it can also give advisory opinions.

Article 96 of the Charter says that the General Assembly and the Security Council can ask the Court for advisory opinions and that the General Assembly can also authorise other bodies to do so. Practically all the specialised institutions have been authorised to apply to the Court in this way. This side of the Court's work includes the special procedure for reversal of judgements whereby an opinion is invited on decisions taken by the administrative tribunals of the UN and the ILO. So that is what the International Court of Justice does.

Border disputes

▶ *You have had to step in to cope with various border disputes, haven't you, with Burkina Faso and Mali, for example? What is your approach when it comes to finding a fair solution that all the parties will accept?*

— The conflict between Burkina Faso and Mali was a long-standing one and the OAU had tried to mediate, with Togo, Guinea, Niger and Senegal being appointed as the Committee of Mediation—a body made up of two sub-committees, a legal one and a military one, which came up with their conclusions back in 1974. But nothing really happened until, ultimately, the two countries came before the International Court of Justice and signed a special agreement asking for a Chamber to be set up. Perhaps you know that the Statute enables the Court to set up Chambers to investigate particular cases. The States have made very little use of this so far, but they have started to do so recently and Burkina Faso and Mali asked for a Chamber to be set up, which was done, with the African judge Mr Bedjaoui as President and Mr Ruda from Argentina and Mr Lachs from Poland as the other judges, and a judgement was issued. The Chambers' decisions are considered to be Court decisions. Both parties agreed that the Court's decision should apply the principle of intangibility of frontiers. As you know, what is called the principle of *uti possidetis juris* was adopted in the 19th century, with the independence of the Hispanic American States, which meant that the colonial frontiers of the pre-independence era had to be respected. In 1964, the first Conference of Heads of State and Government of the OAU, in Cairo, agreed—with only two exceptions and I think they were Somalia and Morocco at the time—on the principle of the intangibility of the colonial frontiers. And in the conflict between Burkina Faso and Mali, this principle was the starting point. The Court tried to be fair and I think the ruling it made in the light of the legal and cartographic information received was a very sound one—as the fact that the two countries involved accepted it proves. This, I think, is an example of proper justice.

▶ *But how does the intangibility of frontiers tie up with self-determination?*

— This is a very important issue because the principle of self determination is one of the basics of the new international law which has been evolving since the '60s. We had the famous declaration on granting independence to the colonial peoples and countries in 1960 and now all peoples have the right to decide on their own future, freely, and to choose their own method of government and their own political affiliations.

But there is more to it than taking the principle in isolation. It can only be applied in conjunction with the principle of the intangibility of the colonial frontiers, which all the African States accept. If a country becomes independent, it must stick to the frontiers assigned to it on independence. That, I believe, is something which counters the political instability in States and the risk of African nations going to war against each other.

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The seat of the International Court of Justice at The Hague

Unity of nations guaranteed by the inviolability of frontiers

So it would be wrong to put the unity of nations at risk in the name of self determination, because unity is guaranteed by the very principle of inviolable frontiers. Take the Biafran war. The African States, all of them, or the vast majority at least, thought that the territorial integrity of Nigeria, as it resulted from the colonial frontiers, had to be respected. These frontiers are administrative boundaries, of course, as in the case of Mali and Burkina Faso or they may be international and administrative boundaries or just international boundaries, depending on the case. But in the final analysis, inviolability is a basic principle.

▶ *The list of countries which have signed the Article 36(2) declaration to comply with the Court's judgements is very short. And there is the famous precedent of the Nicaragua-USA case where the USA went back on the declaration. Where does that leave the Court's scope and jurisdiction?*

— It has to be admitted that very few of the States have made the declaration mentioned in Article 36(2)—only 47 out of the nearly 160 members of the United Nations. But remember that a State can still go to the Court if it wants to, even if it hasn't made the declaration. It can sign a special agreement with the State(s) with which it has a difference, under Article 36(1) of the Statute.

It also has to be admitted that States hesitate to go before the Court because a State may not always agree to a decision being forced upon it and the Court's decision is binding. You mentioned the United States. They had made the declaration, as had Nicaragua, as the Court had decided at least, and both declarations were valid at the time the case went before the Court and Nicaragua entered a plea in accordance with article 36(2) of the Statute. The USA said that the Court was not competent to judge and they pleaded as much before the Court during a first session on its competence. They lost, because the Court decided it was competent and that was when the USA withdrew, saying they would not be attending the second session on the substance of the case. And then, when the Court issued its judgement, the USA withdrew the declaration—which they had altered shortly before to cut out some of the disputes. But I don't think that in any way compromises the principle whereby the Court's decisions are binding—although it would be wrong to forget that we are in international law here. In domestic law you can call on the police to get the Court of Justice's decisions applied, but in international law, there are no police. You depend on the good faith of the States. And of course you do have the provision I mentioned just now whereby any State which gets a decision in its favour which is refused by the other party can go to the Security Council to get the decision applied—given, of course, all the limitations international law currently implies.

▶ *Although the International Court of Justice has considerable experience of maritime law, in particular when it comes to defining the EEZ—the exclusive economic zones—and exploiting the continental shelf, the Convention on the Law of the Sea still provides for a separate court to be set up in Hamburg to deal with problems of this sort. What do you think about this?*

— Yes, the Montego Bay Convention does indeed provide for an international court. That is a sovereign decision by the States, but I personally would have liked the Court to remain competent for all questions regardless. But there is one thing I have to say and it is this. The Convention on the Law of the Sea does not exclude the Court being competent—so the States will still be able to go before it, even on differences to do with questions covered by the Convention, as they will be able to go before the international court of the Law of the Sea. Or they can also have arbitration, special arbitration or arbitration under the Convention. The supreme body will always be the body to which the case is taken, be it the court of arbitration, be it the international court of the Law of the Sea provided for in Article 6 of the Convention or be it the International Court of Justice. So the competence of the Court is not ruled out by the creation of this new court.

The Namibia mandate and the Court's credibility

▶ *The failure of the 1966 attempt when Liberia and Ethiopia, as former members of the League of Nations, tried to get South Africa condemned for failing to execute the League's mandate on Namibia properly—and the plea was considered eligible although the two plaintiffs were subsequently deemed to have no legal interest in the affair—not only generated some heated polemical argument between the lawyers but also cost the International Court of Justice a lot of its credibility in the developing countries. Has it got its credibility back since and, if so, how?*

— You're quite right. In 1966, the Court gave a decision which not only upset the politicians. It upset some of the lawyers as well. The decision in fact went through thanks to the casting vote of the President, as the Court was split down the middle. And in this 1966 decision on the case brought by Ethiopia and Liberia, both African members of the former League of Nations, the Court said that the applicants, the two African States, had no legal interest whereby they could bring this case before the Court. The decision was all the more unexpected in that four years before that, in the same case—but the part on the preliminary exceptions, not the substance—the Court had said that these two States, the very same ones were in fact entitled to take this action. South Africa indeed had brought up a third preliminary exception in which it said that there was no dispute, since neither State had a legal interest in bringing the case to Court—which the Court rejected. There, for anyone who has an ordinary way of looking at things, was a contradiction—which some lawyers refuted. "No", they said. "There is no contradiction there", since in the first case the Court had only looked at the procedural side of things and in the second, in 1966, it had looked at the substantial side of the two States' legal interest in applying for what they applied for. In fact, I think, there were two completely opposite positions and what actually happened was that the Court changed its mind between 1962 and 1966—which explains the 1966 decision. But in 1970, in particular when the Barcelona Traction case came up, the Court adopted a much more advanced position and said that there were fundamental principles in international law whereby each State had obligations *erga omnes,* applying to everyone that is, vis-à-vis all the other States. Since then, the Court has also issued an opinion which to a certain extent changed its position on the Namibia problem. I think a Belgian lawyer had a lot to do with this. Charles De Visscher it was who more or less laid the foundations of this new way of thinking in a book which came out shortly after the 1962 judgement was issued, when he said that there are interests that are so fundamental to mankind that every State must account to the other States for what it does. Part of this obligation is that each State must be able to inform the Court with a view to controlling implementation. And among these principles, to my mind and to the mind of Charles De Visscher, are indeed the mandates.

▶ *Still on the subject of Namibia, if you will, the Court has given a certain number of judgements, although none of them seem to have had any real effect on the situation in Southern Africa—where South Africa is still treading a lone path and displaying very little respect for the territorial integrity of a number of its neighbours. Has the Court a part to play here? What can be done to give more weight to the Court's opinions?*

A considerable legal role to play

— First of all, I think, the Court has to be used more and more. The Court is the UN's main legal body and its job is to help find peaceful solutions to disputes between the States. It can do this by regulating disputes or by giving advice as requested, because politically maybe, the Court has only played a relatively minor role so far, although legally speaking it has done a great deal. The international legal community takes its decisions very seriously. Teachers of law and judges take a great deal of notice of the rulings of the Court and this is something that is changing and will no doubt go on changing the outlook of our future generations.

But what we have to do is insist on using the Court. You see, it isn't always clear what the effect of a legal decision will be. It is difficult to assess and to measure. But I am convinced that legal decisions such as the Court takes and opinions such as the Court gives cannot but have an effect, even on a country like South Africa. The reason why these opinions haven't yet had any influence is that South Africa probably has the impression that it still has the support of certain States. The day it realises that all the States are going to abandon it on its continuing occupation of Namibia and its continuing policy of apartheid, I personally am convinced it will change tack.

▶ *So for the moment, the Front Line States won't get anywhere, even if they try to take South Africa before the International Court of Justice?*

— I do not believe that at all. What I think is that, with a Court decision behind them, the States most concerned, i.e. the States of Africa, will still have an extra weapon to use against apartheid and continuing South African occupation of Namibia.

Human rights

▶ *This year we celebrate the 40th anniversary of the Declaration of Human Rights. In view of all the violations, is there really anything to celebrate?*

— Yes there is. The Universal Declaration of Human Rights was a victory for mankind nonetheless, I think—and without using any high-flown language. Let me give you two examples. First of all, when the Declaration of Human Rights was adopted, it was only a declaration, as the name suggests. It wasn't thought to be a coercive legal instrument. But now, no-one would dream of saying that it wasn't an obligation—witness the fact that it is always being quoted as a set of rules to be applied the world over. Secondly, those States which abstained—not voted against, abstained—from the Declaration at the time are the first to point to it as a coercive, international legal instrument today. So I think we really have made a step forward.

▶ *Are you thinking of any countries in particular here?*

— Yes, especially the Eastern Bloc which didn't vote for the Declaration at the time. The States are gradually coming round to the idea that human rights aren't controlled by the States alone. They accept the fact that the

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"No-one thought the African Charter of Human and Peoples' Rights would ever see the light of day because 26 ratifications were called for, but there have been 35 to date!"

Court took a decision in 1970 and that basic human rights and freedoms are something for which the States ensure respect vis-à-vis the international community as a whole. Human rights are being violated. That is a fact. But I am willing to be told I am swimming against the tide when I say I don't think they are being violated any more now than they used to be. Far from it. I think that, if we carry on trying in all sorts of ways to get everyone living on this earth of ours to realise that there are fundamental principles and coercive rules whereby we all have to respect basic human rights, we will make more progress and we will get the States to accept the inviolability of the rules governing these rights.

▶ *You were a rapporteur at the OAU Conference in 1981 which adopted the African Human Rights Charter which took effect in 1966, weren't you...? What do you have to say about the situation here in Africa at the moment?*

— The process was a very long one. It was in Lagos in January 1961 that the Africans advocated an African Human Rights Commission for the first time. Lots of conferences and seminars and colloquia and so on followed and eventually, in 1979, the OAU took the decision to produce a preliminary draft of the Charter to protect human rights in Africa. This preliminary draft was discussed by a small committee of top African lawyers and then there was a fairly long process and difficult meetings, mainly in Banjul, and the African Charter of Human and Peoples' Rights was adopted in Nairobi in 1981. It provides for a Commission on the Rights of Men and Peoples to be set up. No-one thought it would ever see the light of day because 26 ratifications were called for, but there have been 35 to date! The Commission itself has been set up and it has already had three meetings—at Addis Ababa, Dakar and Libreville—and drawn up its rules of procedure. It has already had reports of human rights being violated and it will be investigating them very soon. This is a big step forward, I believe. We now have an international institution in Africa which is accepted by the vast majority of the States of Africa and which can look at complaints about the violation of human rights. This is an important event, I believe, and one which we should welcome. Above all, we should encourage the African States and the members of the Commission to pursue their drive for greater respect for human rights on the continent.

The right to development

▶ *More generally, and in view of the present economic situation in Africa, what do you think about the Africans' right to development at the present time?*

— As you may know, the idea of the right to development arose in the following way. Back in 1972, René Cassin asked me to give an inaugural lecture at the International Institute of Human Rights. Mr Cassin, a famous Frenchman, was one of the people who drafted the Universal Declaration of Human Rights and he was President of the International Institute of Human Rights which he set up with his Nobel Peace Prize. I could choose my topic, so I decided to talk about the right to development as a human right. It was the first time anyone had talked about the right to development, but today I am pleased to say that the idea is accepted by the United Nations and there is even a declaration on it.

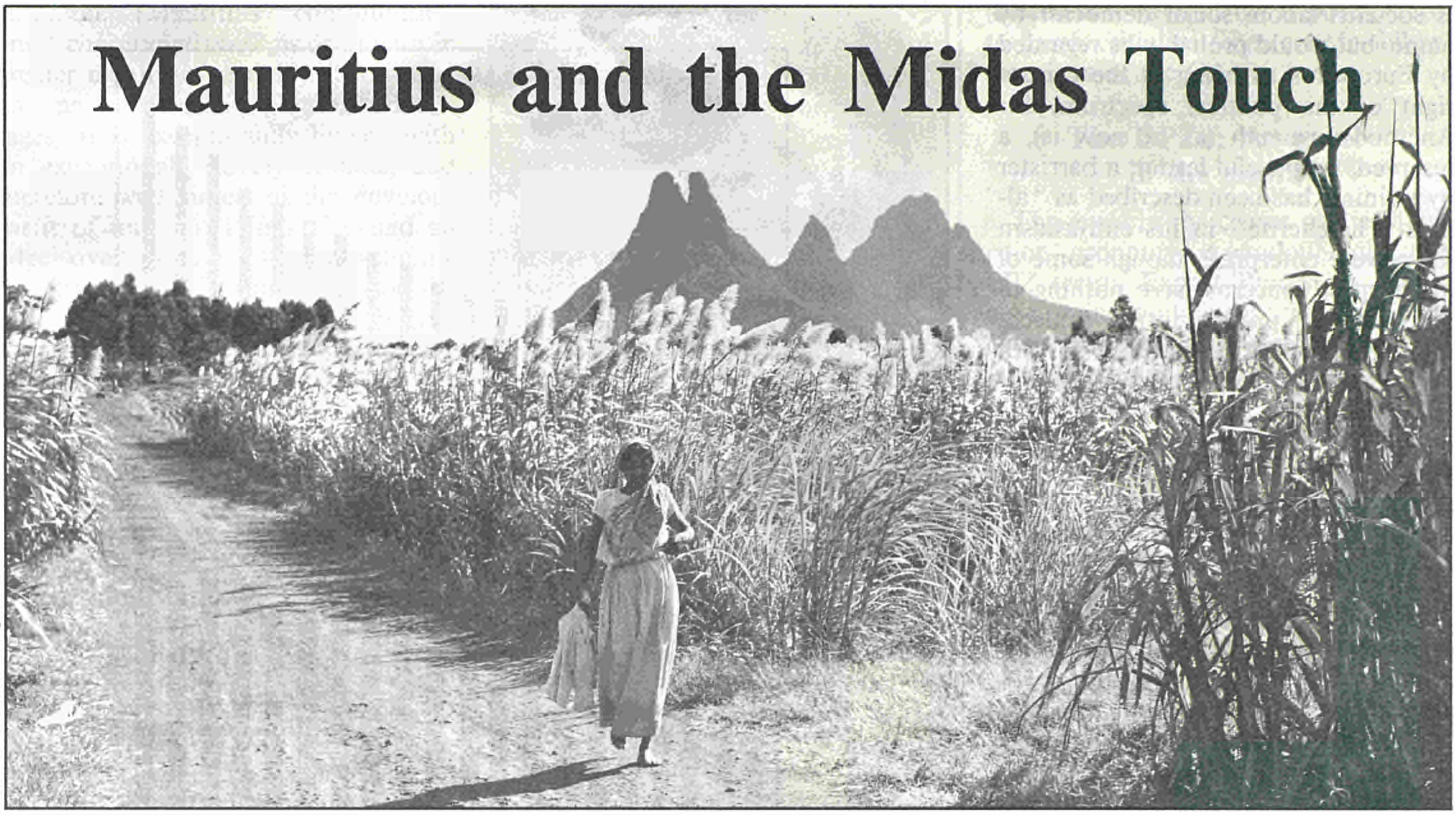
The right to development has two essential bases. First, that everyone, singly and collectively, should have a fair share of the goods and services produced by the community in which he or she lives—and it may be a regional community, a national community or a universal community. Second, that the right to development inevitably includes respect for human rights, so it is out of the question to violate human rights on development grounds—otherwise the right to development is not being respected. These are the two basic ideas I put forward in my inaugural lecture in 1972 and they are still with us today—although there is a tendency to think that the right to development is just for the States whereas in fact it is a right of peoples–although as peoples are not yet the subject of rights at an international level, it is the States which look after these rights for them. But the States do not own them. So I think we have to fight more and more for the right to development. This is a general right covering all aspects of life, be they economic, social, cultural, civil or political, and it is a fundamental right because, to my mind, this, together with the right to self-determination, is in practice a precondition of all other rights. But it also has to be seen as an obligation of the States—both together in the international community and individually. In a document published by the international community of lawyers back in 1978, at a conference in Dakar, the African lawyers went so far as to say that one of the conditions of the legitimacy of governments was respecting the right to development—which is obviously a very important thing to say.

▶ *Since apartheid is written into South Africa's laws, we are forced to admit that international law is fairly powerless when it comes to ensuring respect for people in South Africa, the non-whites in this case. Do you agree with this?*

— International law is, relatively speaking, in its infancy and it has only rudimentary means of application. The international community doesn't really have a legislative assembly. It has no executive powers and if it has any jurisdiction, it is by no means binding. That is to say that international law has very few weapons to wield against the States. But I still think that it would be wrong to give up. We have to do our utmost to try and strengthen this international law, first of all by producing more rules which the States have to abide by, and then by using means whereby these rules can be applied, using peaceful means as much as possible and, in particular, calling on the International Court of Justice as the institution which can provide a legal answer to disputes between the States. We must not despair, on the contrary, we should have more and more confidence in international law and we should do all we can to improve it, because it may be the way to salvation. The Europe of 1992 is taking shape, but it was something that was very difficult to envisage only a few decades ago. I heard on the radio that there was also an agreement between the EEC and Comecon. They are only little steps, maybe, but they are taking us in the right direction, towards the achievement of the ideal set up after World War II—the creation of a universal society of equality and solidarity.

Interview by
Roger DE BACKER

Mauritius and the Midas Touch



Mauritius Chamber of Agriculture

Ilhà do cirnà, T'Eylandt Mauritius, Ile de France, Mauritius ... so many names for so many colonisers... An island with a young history, discovered by the Portuguese in the early 16th century (possibly by Fernandez, possibly by Mascarenhas), captured by the Dutch a hundred years later, taken over by the French, ceded to the British... A beautiful island, too; lush, forested, mountain-peaked, coral-reefed, its strategic south south-west position in the Indian Ocean, en route *from the Cape of Good Hope to the riches of the Indies, earning it another name, "Star and Key of the Indian Ocean" (Stella Clavisque Maris Indici). Uninhabited when discovered, it was to be peopled by a wide variety of races and cultures. From the west there came Europeans, some destined to prosper, others to struggle, yet others to fall early victim to disease or conflict; and there came Africans—slaves in chains imported from Madagascar or from Mozambique at the instigation of these same, eminently Christian, Europeans, shipped by the thousands, one in five dying on the way, to provide servile labour for the planter-colonisers. From the east, somewhat later, came shiploads of indentured labourers, from China and, above all, from India, lured often enough by romantic but spurious representations of immigrant life.*

The raison d'être *of these massive injections of labour was sugar—the crop that demanded thousands of "coolies" and that for most of Mauritius' history dominated the island's economy and shaped its social development. Mauritius, the "dream island", Mark Twain's "island that God created", has not always been the paradise that the tourist brochures now proclaim it to be—or not, at any rate, for all its people. But now, in 1988, it is flourishing, broken out of years of stagnation by dint of hard work and astute judgement. In 1988, Mauritius seems to have acquired the Midas Touch, the gift of the fabled king of Phrygia whose touch turned all things to gold.*

Imperial Russia, it was said in the 19th century, had two generals on whom she could rely—Generals January and February [(1)]. Mauritius also had two: sugar and... sugar.

Now, however, the island has three: sugar, manufacturing industry and tourism, the former still a major industry and large-scale employer (see separate article "Sugar: the making of Mauritius" on page 16), the latter increasing its profits year by year, and the manufacturing sector one of the great success stories of the developing world. Yet in 1982, the year *The Courier* last covered Mauritius, the situation was very different. Then, economic stagnation and 20% unemployment was the order of the day. The Labour Party of the veteran politician, Sir Seewoosagur Ramgoolam, the country's first and, until then, only Prime Minister since independence in 1968, had dominated Mauritian political life for over 30 years. But disenchantment with the vacillation of its final years was such that in the elections of June 1982 it lost every single seat in the Assembly to the two-party opposition alliance [(2)], and the then opposition leader, Anerood Jugnauth, took over the mantle of Head of Government.

Mauritius is a multi-party democracy, and has been since independence. Though Mauritians do not set too much stock by left- or right-wing labels, the three-party coalition (the "Alliance") returned to power in 1987

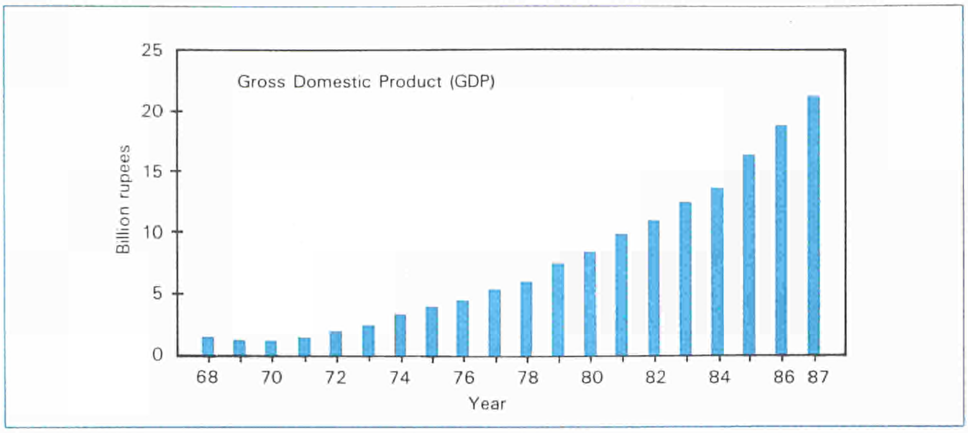
(1) It was the bitter cold that forced invaders to retreat, rather than the Russian army.
(2) Except on the island of Rodrigues, where a local party took both seats.

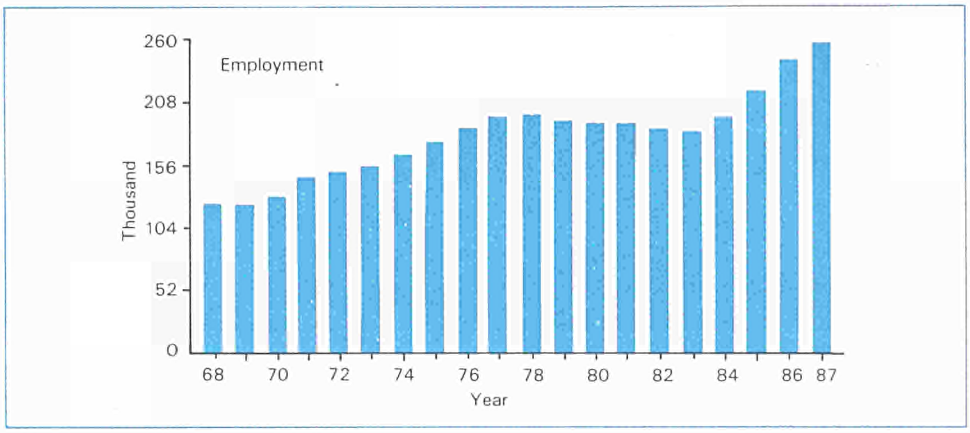
is socialist/labour/social democrat by name, but would probably be regarded by Europeans as being at the centre-right of the political spectrum. Sir Anerood Jugnauth (as he now is), a reserved, purposeful leader, a barrister by training, has been described as "almost Thatcherite" in his enthusiasm for private enterprise, though some of his deepest concerns have nothing to do with the profit motive (indeed, may go against it, as is the case with his crusade against pollution). His professed ideal is a mixed economy, the only kind, in his view, capable of ensuring healthy economic growth, but growth with equity. Whether as a result of his leadership or of the structural adjustments of the late 1970s and early 1980s or of the general *conjoncture*—or all three—the economic outlook, six years on into his premiership, is such as would turn any industrialised country (and *a fortiori* any developing country) green with envy. The graphs at right say it all.

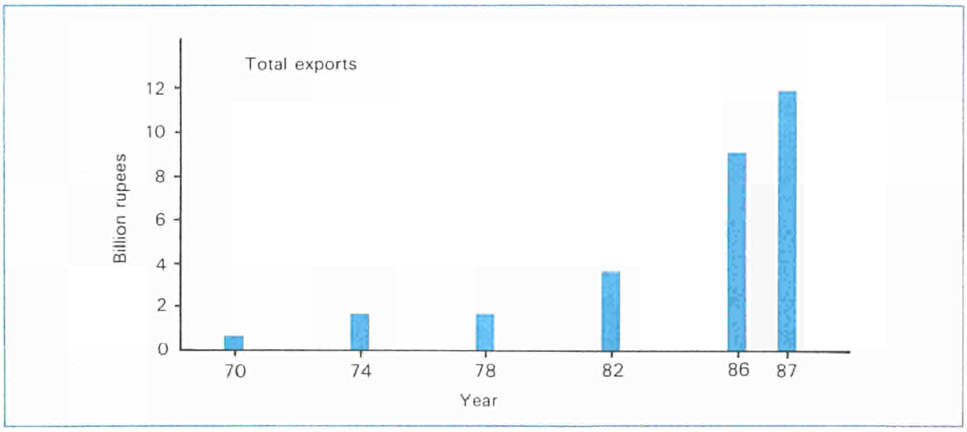
Exceptional people, exceptional success

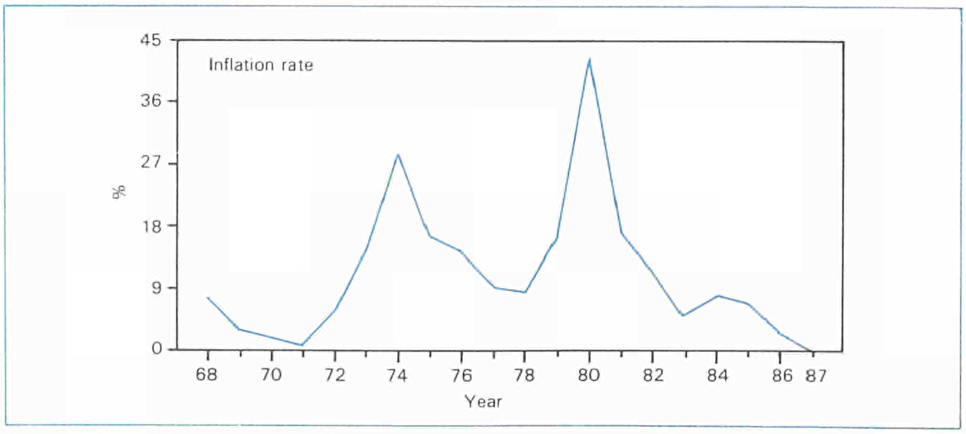
Could the "economic miracle" have happened anywhere? Well, perhaps. But why, then, has it happened in Mauritius and *not* elsewhere?

Mauritius is, of course, exceptional in many regards. It is an ex-British colony where, though English is the official language, most of the population speaks French, too (or French in preference) as well as Creole, and possibly even a fourth (Indian, Chinese or Arab) language. Its population is impressively highly educated. Virtually all primary school-age children attend school; a high proportion go on to secondary school, and some hundreds each year enter university, either at home or abroad. Education at all levels is free. It is a multi-racial, multi-cultural society from which ethnic tensions are almost entirely absent. In private life the various communities will tend to keep amongst themselves, but there is a certain amount of cultural cross-fertilisation. Mauritians of all faiths, for example, pay homage to the saintly 19th century Catholic missionary, Père Laval, and the whole Indo-Mauritian community, as well as other segments of the population, celebrate the Hindu Festival of Light, Divali. Inter-marriage is also becoming more







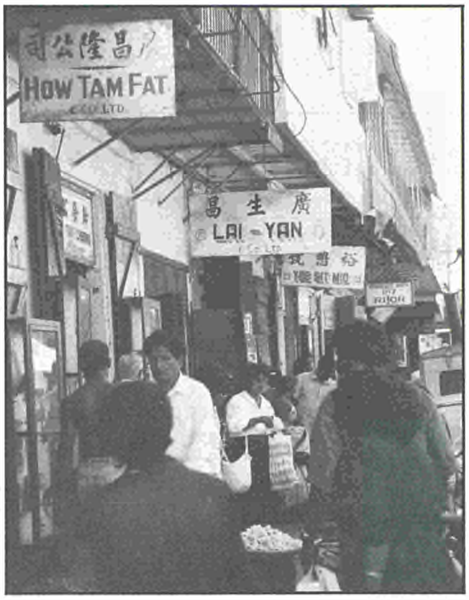


Source: Ministry of Information

common. (Mauritius' communities, and "*communalisme*", is dealt with in greater detail on page 18). The island has, as well, certain physical advantages: it is exceptionally lovely, with an exceptionally lovely climate, and therefore well suited to the development of tourism. It has also had an edge over certain other developing countries in that its sugar industry—its biggest generator of income, biggest foreign exchange earner, biggest employer—was cushioned against the worst of the rigours of the late 1970s and early 1980s by the Sugar Protocol, the agreement by which some 490 000 tonnes of Mauritius' sugar (well over half its total production) is guaranteed entry to the EEC market, at a guaranteed price—a price which, for many years, has been well above that on the world market.

The spirit of enterprise

But the single most important factor in their success lies, surely, in the nature of the people themselves. Mauritians of all levels of education are enterprising people, who seek to get on in life and are prepared to work hard to do so. Enter an office building and the receptionist will not *just* be answering the telephone, she will also be checking invoices or typing letters between calls. Goes without saying, one might think, but there are many countries where this does *not* go without saying. (And these were government office buildings!) In the private sector hard work is more likely to be institutionalised: much of the work in the



The Courier

Chinese traders in Port Louis

"There is certainly something of the spirit of capitalism in Mauritians, the merchant instinct, the desire to see money spin"

Export Processing Zones (EPZs)—in the textile factories for example—is piecework, where the reward is in proportion to the results achieved. And there is also, certainly, something of the spirit of capitalism in Mauritians, the merchant instinct, the desire to see money spin—not just at the casino or at the racecourse, but in business. They do not, either, like politics to interfere with commercial judgment, so that they import from South Africa when, given its proximity, this makes good commercial sense, and South Africans bolster both their tourism revenues and their investment incomes. (Needless to say this has exposed them to harsh criticism from certain fellow members of the OAU).

The EPZs: the jewel in the crown

The jewel in the crown of the Mauritian economy is undoubtedly the EPZ sector. Export Processing Zones are not, incidentally, geographical concepts, but legal ones. They consist of factories established singly or in groups on a site (sometimes purpose-built, sometimes using buildings vacated by the sugar industry), destined to create employment and to introduce know-how, exporting the totality of their production and bringing in necessary foreign exchange. The first such zones were created in 1970, in an effort to broaden the country's economic base. They grew steadily throughout the 1970s, slumped between 1977 and 1984, and since then have grown at an astonishing rate of 30% per annum. Records for export volumes, numbers of employees and numbers of units installed are broken every year. The manufacturing sector, which in 1982 accounted for 15% of GDP, now—thanks to the EPZs—accounts for 25%. In 1987 the value of the sector's exports reached 6 634 m Rup., (ECU 430 m), 35% above the 1986 level. By the end of 1987 there were 531 units operating, with 88 000 employees, the great majority of them (something like 85%) in the textile industry, producing knitwear in particular. Other products manufactured included soft toys, clocks and watches,

The Courier and Ministry of Information

EPZ activities. Left, model boat-building, and right, a knitwear factory. Textiles dominate the EPZs to the extent that further investment is now being actively discouraged jewellery, leather products, model boats and carnival masks.

A "pyjama republic"?

But the high concentration on textiles has led to accusations of "replacing a mono-culture by a mono-industry", of Mauritius becoming "not a banana republic, but a pyjama republic". (see Table I: Employment structure in the EPZs) Since a year of two this particular form of investment has been actively discouraged. Last year more than a third of the export enterprise certificates granted were for projects outside the textile sector, and MEDIA, the dynamic Mauritius Export Development and Investment Authority, is looking very much for investment in other, higher technology, areas when its representatives travel the world prospecting for custom.

MEDIA's "Twelve good reasons for investing in Mauritius" brochure would charm any bird off a tree: 1. A stable, democratic political environment, 2. Free access to EEC markets, 3. Excellent communications, 4. Modern infrastructure, 5. A bi-lingual, hardworking workforce, 6. Readily available industrial estates and buildings, 7. Tax advantages, 8. Minimum red tape, 9. "Exceptionally competitive salaries (about one tenth of the European rate, and one sixth that of Hong Kong)"... There are more, and there are others not even listed. One, perhaps the 13th good reason, is that Mauritians, who are "all foreigners" themselves (the words are the Prime Minister's), are used to foreigners and get on well with them. When investors arrive in Mauritius, MEDIA immediately takes them under its wing. "We welcome them at the airport," Benoït Arouff, MEDIA's current Chairman jokes, "and we don't let go of them until they are satisfied!". The "really spectacular" results must give him cause for some personal satisfaction, too, for Mr Arouff who—though he is too modest to claim paternity—was, in his days as a top civil servant, one of the founding fathers of the EPZ initiative.

There is, however, an unusual problem emerging in this apparent investor's paradise: there are too many jobs. "The manufacturing sector", the Chamber of Commerce and Industry's Economic Review reports, "was faced with a serious problem in 1987, that of labour shortage... The difficulties to find and employ skilled labour and professionals were complicated by a shortage of unskilled labour". The advertising columns of the national newspapers are, indeed, brimming with situations vacant: "Room at the Top" is the catch phrase for white collar posts, and electricians, mechanics, joiners, carpenters and *machinistes* (textile machine shop workers) are in heavy demand. The latter (they are almost all women) are frequently offered a *prime présence,* an additional 10% after a year, say, as an incentive to stay on in the job. Salaries may be low compared with Europe or Hong Kong, but they are still more than twice the legal minimum, often, in Mauritius, and sensible employer-employee relations have meant that industrial unrest has been largely avoided.

Structure and growth of employment in the EPZs

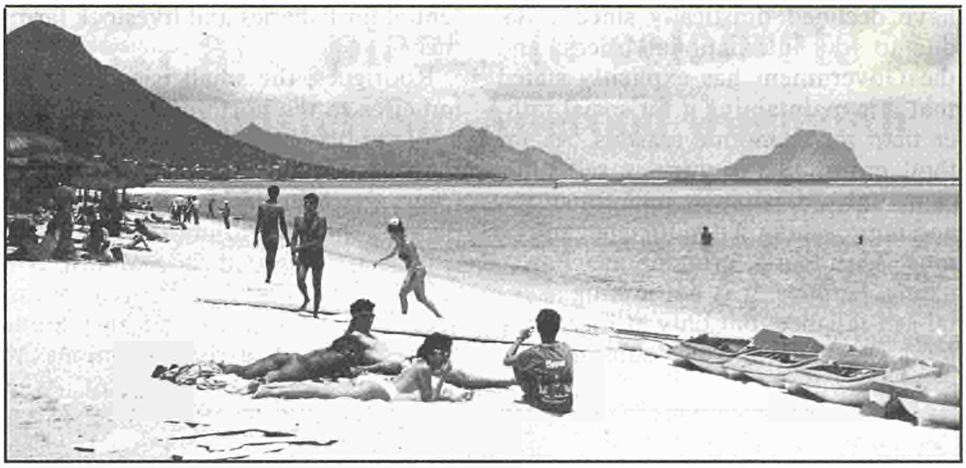
Group of products	1983		1987		Employment growth %
	Jobs	%	Jobs	%	
Flowers	157	0.6	270	0.3	14.5
Textile yarns and cloth	1 366	5.3	2 530	3.2	16.7
Pullovers	14 454	56.6	32 767	42.0	22.7
Gloves	954	3.7	1 580	2.0	13.4
Other textile items	5 45	19.8	34 475	44.2	61.7
Shoes and leather goods	284	1.1	757	1.0	27.8
Wood, furniture and paper products	484	1.9	637	0.8	7.1
Optical goods	178	0.7	458	0.6	26.7
Clocks and watches	393	1.5	621	0.8	12.1
Jewellery and related items	683	2.7	1 007	1.3	10.2
Fishing rods and flies	794	1.2	584	0.8	18.7
Toys and masks	528	2.1	672	0.9	6.2
Other	706	2.8	1 649	2.1	23.6
Total	25 526	100.0	78 007	100.0	32.2

The EPZs: adjustments crucial

The shortage of labour is having two effects: first, of course, it is pushing wages up; secondly, it is causing some of the smaller and less efficient entrepreneurs—often those Mauritians encouraged by government incentives to establish their own businesses—to go under. The great challenge for the EPZ sector in the 1990s will be to adjust its structure, to attract higher technology industries—those with a higher value-added component, and to educate the


Ministry of Information

Apprentice carpenters at a Trade Training School. More skilled workers are vital if the EPZs are to attract higher technology industries workforce to run them. This last aspect is critical, but will require a considerable effort. Technical training is not widely available on the island (there is only one major technical school, the Lycée Polytechnique) and the University is criticised openly of being too other-worldly, of having failed to keep pace with the—admittedly very rapid—development of the economy, and of having no direct link with industry. A School of Textile Technology is, however, on the drawing board (management in the industry is often non-Mauritian) which will go some way to answering such criticism.



Tourism. "Sandy beaches, coral reefs, glorious climate, friendly people ... it's all there"

Concern for the quality of life

The private sector has another major preoccupation, too, namely: where is it all leading? Development is creating employment and wealth, but it is also bringing about environmental changes—not all of them welcome. There is the danger of pollution from industry, or from beach hotels. Are there too many hotels already, or too many concentrated in the north? Are there too many tourists? Are too many of the island's wonderful beaches becoming the exclusive preserve of affluent foreigners? Won't ever-more industrial development—albeit light industrial development—irreversibly alter the character of the island? The position is by no means seen as critical yet, but the private sector, concerned about the quality of life, welcomes the alarm bells now being sounded by the government. Anti-pollution rules and regulations are not yet particularly well articulated, but self-discipline seems to be keeping the worst excesses at bay until the appropriate laws are enacted.

Tourism: phenomenal expansion

Sir Gaëtan Duval, the flamboyant, energetic Minister of Tourism, is conscious of the dangers that accompany boundless expansion. Indeed, he puts prevention of pollution as his first priority in the future development of the sector, and "not just pollution of the physical surroundings, but also pollution of the Mauritian character". He suggests 300 000 tourist arrivals yearly as the limit "beyond which the Mauritian might cease to be friendly". Three hundred thousand tourists... in a country in which the "tourism sector" in the early 1960s consisted of 20 or so rooms near the airport for visiting crews, a similar number in Port Louis, the capital, and a 12-roomed bungalow complex at Morne Brabant. In the year of independence, 1968, 15 533 tourists visited the country; in 1987 the figure recorded was nearly 14 times as great, at over 213 000. Here again, it would seem, Mauritius has hit gold.

The extraordinary growth is to be attributed first and foremost to the efforts of successive governments to attract investment and facilitate operation. Unusually high profits from sugar in the early 1970s helped, as did the dynamism of the Government Tourist Office. The product has been remarkably well sold to the better-heeled Europeans (honeymooners, jet-setters, royalty... "the publicity is useful") as well as to South Africans and the *français d'outre-mer* in neighbouring Réunion. Now, with improved air connections, other markets are emerging, too—Hong Kong, Japan, the United Arab Emirates and Australia. But in spite of the increase in numbers the country has remained very much in the luxury class of tourism—and it is the Minister's intention that this should remain so.

A first-class product

And few visitors, surely, leave the island thinking that their money has been ill-spent. The basic product as portrayed in the glossy brochures—if you can penetrate the overlay of *schmalz* inherent in the genre—is genuinely wonderful: sandy beaches, coral reefs, glorious climate, friendly people... it's all there. This latter is true at two levels—at the obvious helpful-in-the-street/courteous-in-the-shops level, but also in a more subtle form: Mauritians may not have been particularly attached to their colonial past, but they are attached to their history, and it is comforting to the tourist, as he observes the statues of Queen Victoria and Mahé de la Bourdonnais in Port Louis, to know that the people of the country have enough pride in their national identity not to be ill at ease with reminders of their past.

New emphasis on food self-sufficiency

The economy, through the development of a tourism sector and of the EPZs, is obviously far less vulnerable than in the days when sugar was its sole support. But, extraverted as it is, world recession or heightened protectionism could still hit Mauritius very badly. Diversification of the agricultural sector is vital, and particularly diversification into food crops.

Sugar dominates the agricultural economy to a phenomenal degree: no less than 92% of the island's arable land (about 90 000 hectares) is given over to cane production, and, though acreage is diminishing slightly (it is Government policy), part of the land freed is needed for the creation of industrial estates. Tea, the second agricultural activity—a long, long way behind the first—is cultivated on a further 3 700 hectares. But, though the tea is delicious, this is not one of Mauritius' success stories: export revenues have declined drastically since 1986, due to low international prices, and the Government has explicitly stated that it is maintaining it for social rather than for economic reasons. As for food crops, the country is self-sufficient only in potatoes and tomatoes, and approaching self-sufficiency in onions, garlic and groundnuts. Fortunately, perhaps, it is not aiming at total self-reliance, but only at increasing food crop production substantially.

Mapez

Sugar cane ... as far as the eye can see. Note the huge boulders, painstakingly piled together, that make mechanical harvesting virtually impossible

Maize production has increased markedly in the 1980s, and efforts are being made to better exploit the potential for fisheries and livestock farming.

Ministry of Information

Green beans being intercropped with sugar cane. Greater food self-sufficiency is what is wanted now

Rodrigues, the small island 560 kilometres to the north-east, could have a role to play as a provider of food for the parent island. In the past, as Serge Clair, the Minister for Rodrigues explained, a wide variety of food products was exported to Mauritius—salted fish, onions, maize, beans, sheep, chickens, goats and pigs. Some of these still are: garlic and onions are amongst the foods exported, and sheep, chickens and 1 000 or so head of cattle each year are sent to Port Louis. The quantities could be considerably increased, though, and the present emphasis in the country's agricultural development is very much on stepping up production.

Certain other non-food crops, such as tobacco, on which some 5 000 Mauritians still depend for their living, are suffering from the increased attention given to foodcrops, which tend to compete for the limited rotational land available. Labour in the tobacco industry—some of which is skilled—is, in line with historical tradition, being lured to work in the factories, which may be closer to home, or where the work may be less arduous. One crop in which Mauritius has made something of a reputation for itself, though its export value is still fairly insignificant, is cut flowers—particularly the waxy, heart-shaped variety known as anthuriums or andreanums. About 50 hectares are now under cultivation, though this is a crop which (like all Mauritius' crops, to varying degrees) can be devastated by the cyclones which hit the island every 15 years or so.

"A great story, of a great people"

In 20 years of independence Mauritius has attained a stature far beyond that which its physical dimensions would suggest. It is not just the economic miracle that has put it on the world map—though this has undoubtedly added weight to its position in international fora. Long before this the island was playing an important role in the OAU, as well as in ACP-EEC relations. With the Seychelles and Madagascar, it formed the Indian Ocean Commission, hosting the organisation's first ever meeting in Port Louis in 1982.

On the day of the anniversary celebrations, the Prime Minister had great and proud words to say:

> "Good people of Mauritius, I congratulate you. It is through your action, your labour, that our country has become a model of success, in harmony, in peace and in brotherhood. Today our country is 20 years old. The story of Mauritius since 12 March 1968 is an epic, a great story, of a great people, a great nation, a great democracy".

Stirring words, indeed, but not empty ones. Mauritius has found the Midas Touch and, unlike Midas, who ultimately found his gift greatly inconvenient and sought to wash it away, Mauritius is seeking to build on its good fortune, but caringly and without complacence.

Who wants the Midas Touch? Mauritius, *définitivement.* ○

Myfanwy VAN DE VELDE

Twenty years on ... and plenty to celebrate

An interview with Prime Minister Sir Anerood Jugnauth

Sir Anerood Jugnauth, Mauritius' second prime Minister since independence in 1968, has just completed his sixth continuous year in office, with his reputation as Mauritius' "strong man" still growing. A former barrister, he has been prominent in Mauritius' political life since before independence, and his coalition, the "Alliance" comprising his own Mouvement Socialiste Mauricien, the Mauritius Labour Party and the Parti Mauricien Social Démocrate, now holds 46 of the total of 70 seats in the Legislative Assembly.

A firm supporter of private enterprise—a support which has surely been more than vindicated over the years of his premiership—Mr Jugnauth is facing challenges all too rare in the developing world, such as coping with a shortage of manpower and successfully managing a highly successful economy. The "economic miracle" carries inherent dangers, though, not least of all to the environment — one of Mr Jugnauth's greatest concerns. In the following interview with The Courier *Mauritius' head of government outlines the prospects for the country which he has so successfully steered along the road from stagnation to boom.*

The Courier

The Rt. Hon. Sir Anerood Jugnauth

▶ *Prime Minister, Mauritius celebrated 20 years of independence earlier this year. Would you agree that, overall, the country has plenty to celebrate?*

— In 1968, the battle was to achieve political independence, to build up the economy and a new nation. To-day, in 1988, the battle is to achieve economic independence, and consolidate the economic progress we have witnessed in recent years. I really believe that there *is* plenty to celebrate, because Mauritius has become a model of development with a dynamic democratic system. We have become the first sugar supplier to Europe, the world's third exporter of knitwear, and the world's second exporter of anthurium flowers.

We have been able to diversify our economic base by industrialisation, solve acute unemployment and consolidate our welfare state for the wellbeing of the nation. And *the* thing to celebrate has been the nation-building process, whereby people coming from different parts of the world, with different cultures and religions, work together in harmony for the progress of the nation. What has been achieved has been the fruit of hard work, and a firm belief in democratic principles.

▶ *What do you see as the main challenge for the island's governments over the next 20 years?*

— The main challenge is to set up a sound economic base which will provide sustained growth and the betterment of the living conditions of every Mauritian. And this has to be achieved with full respect for our democratic and human values, together with the preservation of our environment. Mauritius can become a modern nation which could be an example to the world, an example of conviviality, democracy and harmony.

▶ *After your election victory in 1987 you said that your government was to embark on the "second stage in the industrial revolution". How do you picture the industrial sector of the future, and what will be the implications in the field of manpower training?*

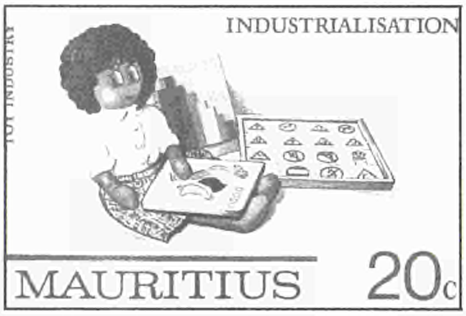
— Our industrialisation process was based until recently on the availability of an abundant, competitive and intelligent labour force. As you know, we offer an unparalleled package of incentives to foreign investors who want to set up plants in Mauritius. Most of the industries which have been set up are labour-intensive textile factories.

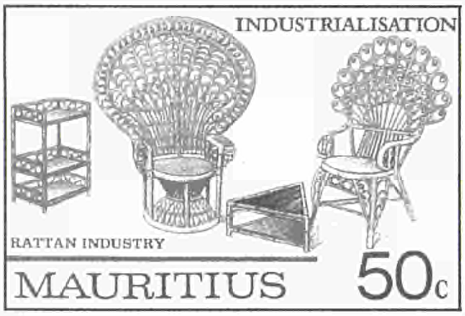
"Manpower training has become a *must*"

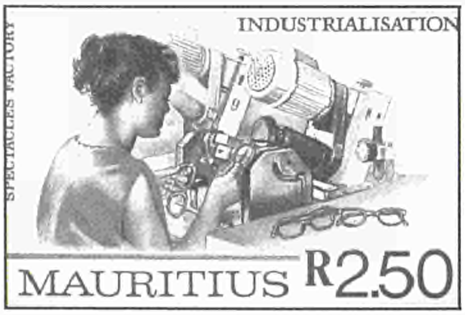
To-day Mauritius has a solid reputation as a reliable supplier of good quality products. The label 'Made in Mauritius' is fast spinning its way in the world market. Our dependence on textiles is great and we are suffering from competition from other developing countries as well as protectionism from industrialised states. The second stage in the industrial revolution is to diversify as far as possible this industrial base. New priorities and fields have been set up. We want to move to a transfer of technology in such areas as electronics, jewellery, leatherware, toys and computers. All our promotion missions throughout the world are geared to attracting investors and finding new markets for these specialised goods. Our capacity to acquire modern technology has been rightly shown by what we have achieved in the textile industry and we firmly believe our manpower can be trained to do well in these new sectors. Manpower training has become a *must* and we have set up a national strategy with the participation of the private sector, international agencies and expertise from friendly countries.

▶ *Male unemployment, especially, remains something of a problem. Will future plans be geared to alleviating this, in particular?*

— Future plans are geared towards an upgrading of jobs and skills in all fields. The unemployed males you are referring to are mostly school leavers with 'A'-level certificates. Possibilities of employment exist in new categories of jobs which are being offered on the market, such as production managers, quality controllers, customs clerks, accounts clerks, accountants and designers. Here again, the solution is appropriate manpower planning and training. So far, most jobs have been created in the factories in the field of production. To-day there are new opportunities, as the quality of goods produced in becoming more and more sophisticated.







A recent stamp issue depicting some of the fields in which industrial development would be welcome: toys, furniture and spectacles

▶ *What about investment? Are you satisfied that the country is benefiting enough from foreign investment into Mauritius?*

— I would say, certainly, yes. In 1982/83 we were in a terrible mess as far as the economy was concerned. And because of this economic crisis there was also the social problem of unemployment — which was very acute. It had reached almost 22% of the workforce. With our new policies investors came and invested in various fields. In other circumstances we could perhaps have benefited more, but in the circumstances in which we were I am satisfied that it has paid dividends. It has created job opportunities — many of those then unemployed are today employed. We now have less than 5% unemployment, which in fact does not represent real unemployment, as you know — many people want to change jobs, to get a better job, some are even self-employed but they want more security, so they want to get a job somewhere. Therefore, on that score, I would say we have gained a lot.

Exports expanding, infrastructure improving

And it's not only that: our exports have also gone up considerably, which has brought in foreign exchange. Our reserves of foreign exchange, which in those days represented about 10-12 days' needs in terms of imports, today represent about six months of imports. As it kept on improving, the economic situation also gave us the means to lay down the necessary infrastructures for future development and modernisation of the country. If you go about the country you can see many public works going on. These are the fruits of the last four or five years.

▶ *Is there, nevertheless, a tacit understanding to keep a balance—perhaps a 50/50 balance—between external and domestic investment?*

— There was a time when Mauritius could not generate, from inside, the necessary investment, so we had to appeal to foreigners to come in and invest. But luckily, side by side, our own people were taking advantage [of the growth] too: we have our own people who have also come into joint ventures, some entrepreneurs have started small businesses themselves... I think they are catching up. And when we feel that the time has come to put up some sort of restrictions, we'll consider that. But for the time being we have no restrictions whatsoever in so far as the EPZ is concerned and in so far as the hotel industry is concerned. As for other sectors, things are very different. We don't allow foreigners to acquire or invest in real estate.

▶ *Sugar still dominates the agricultural sector, but you are making a push towards higher food crop production. Is the land actually there to enable you to maintain the levels of sugar production and to substantially increase food production?*

"We want to decrease our acreage in sugar cane"

— Well, as you know, almost all our land that is productive is already under cultivation. What we have been trying to do, for a number of years now, is to try to become self-sufficient in quite a number of products—vegetables—onions, potatoes — and whatever it is possible to produce here we are determined to produce as much as we can of, for self-sufficiency. Of course, more and more, we would like to release land that's under cane cultivation, but our policy is not to jeopardise our sugar quota, which we have with the Common Market countries. There—and this has been going on for many years now—we are carrying out many experiments on cane to get new varieties, trying to increase the yield per acre. We are also investing a lot in irrigation. So that, while conserving our produce, we want to decrease more and more our acreage in sugar cane. At the same time we are also using modern methods—mechanisation—to achieve this.

▶ *On the question of sugar prices, is it realistic, in present market conditions, to argue for higher prices for the sugar you export to the Community?*

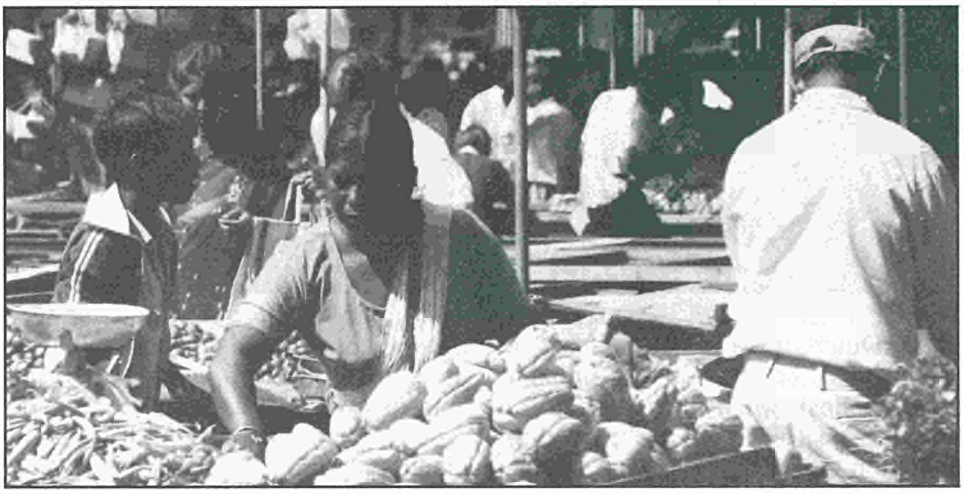
— Prices offered to ACP countries under the Sugar Protocol are to-day higher than those on the world market, but this was not the case in the 1970s. The debate is not at that level. As you are aware, there is a steady increase in the cost of production of sugar in ACP countries every year. The increase is more important for cane sugar producers than for beet sugar producers. If there is no increase in the price of sugar, it only means that there is a steady fall in the prices every year. Moreover, cane sugar has to face the competition of beet sugar on the European market. We believe that there should be a steady increase of prices of sugar, but the increase should be higher for cane sugar than for beet sugar. A price freeze can only jeopardise our sugar industry and hamper our development process.

▸ *Mauritius is now a highly fashionable tourist destination, but the upper end of the tourist market is probably more capricious than the lower end. Do you feel you can sustain your high levels of visitors and that investments will pay off?*

— Tourism, though being a fragile sector of the world economy, has known steady growth since years. Mauritius, it is true, is fast becoming the dream destination for many people in Europe, and other parts of the world. Our aggressive promotion campaign has given very good results. Besides South Africa and France, we are diversifying our tourist market with more and more people coming from the Far East and some European countries where Mauritius was not very well known as a tourist destination. We want to keep a high standard tourist industry with an infrastructure of prestige. We don't want a systematic fast increase in the number of visitors. We want to attract a steady flow of people from various markets.

▸ *Pollution is becoming a relatively serious concern here...*

— Our pollution is not as bad as people want to make believe — but in a way I'm happy that people have become conscious of it, because we don't want to reach a situation of no return. We in government have taken this matter up since last year, and have drawn the attention of the population to this crucial matter. We are working to abate whatever pollution there has already been as a result of industrialisation and other changes that have been taking place in the country. And after we have dealt with our immediate problems, we will have more time and more resources for better planning, and to make sure that we minimise pollution in future.


The Courier

Market scene in Vacoas

"We are determined to produce as much as we can ... for self-sufficiency"

Modernise with minimal pollution

But we have to be very careful, also, not to go to the other extreme. If we wanted to keep the country's natural beauty without trying to change anything, and with no pollution at all—it simply wouldn't work. Therefore what I keep on saying is that we must find an equilibrium—a middle course where we minimise pollution, while at the same time taking advantage of modernisation.

▸ *And industry is sympathetic to the need?*

— Oh yes. In fact they have shown a very responsive attitude, and they want to help and form part of these government committees that we have set up. They are as much concerned as we are. For the future of our country they want to see to it that we do not bring more pollution than is necessary to the country.

▸ *You have a big ethnic mix here — a recipe for disaster in many countries, but which in Mauritius doesn't appear to be a problem at all. Are there historical reasons for this?*

"We are all foreigners!"

— As you know, there were no natives in Mauritius. No 'aborigines'. All the people who are here have ancestors who came from abroad. So we are all foreigners! But we have a tradition of living side by side — all the different cultures, religions, cohabiting together in peace and harmony. We must thank our ancestors for that, and our previous leaders, who have done everything to consolidate that and to see to it that we preserve the harmony and peace that has so far prevailed.

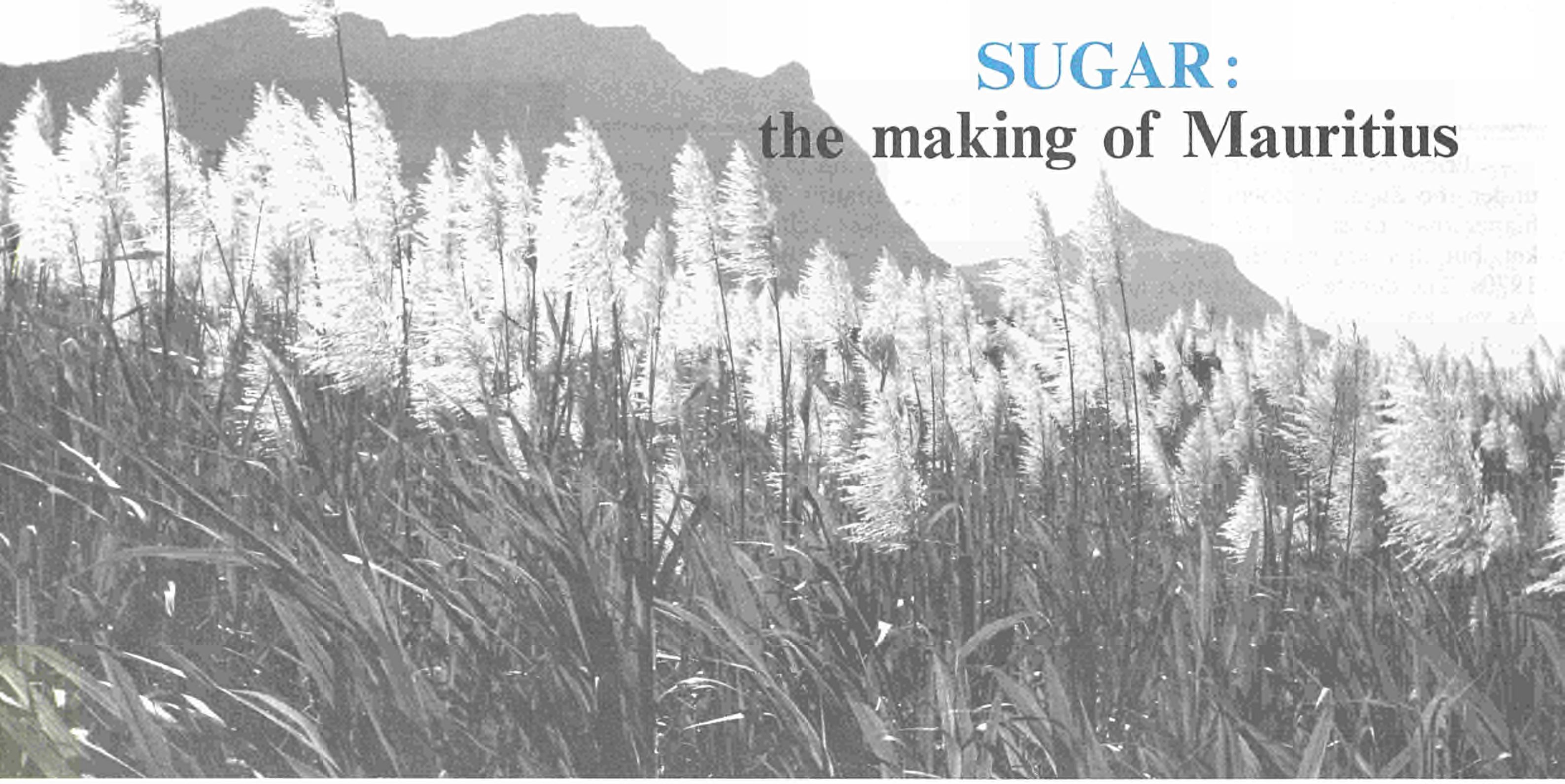
With the policy that we are following to give a chance to everybody, to have full respect and give all necessary help for all the different cultures and religions and languages to flourish — I think that is one of the main reasons why we have been able to preserve that. To me, in fact, there is no miracle in this: it simply boils down to a question of respecting one another and trying to understand one another.

▸ *How, then, do Mauritians feel? They obviously feel Mauritian, but to what world do they consider themselves as belonging?*

— Well, politically we're part of the Third World. We are a member of the OAU, and of the Commonwealth, of the United Nations, of the Non-Aligned group. But our policy is to be friendly to all nations. That's what we believe in. We believe in peace, in friendship. We try not to meddle in others' affairs and we expect that others deal with us in the same way. ○

Interview by M.v.d.V.

SUGAR: the making of Mauritius



Vivant Univers

The Dutch, it is true, did manage to exterminate the island's only inhabitants (dodos) when they landed in Mauritius in 1598, but by way of compensation they left at least two important legacies: firstly, a name for the island (lost and now regained) and secondly, a livelihood for its people — and for centuries to come.

Mauritius (named after Maurits of Nassau, a prince of the House of Orange) has for centuries lived from the growing of sugar cane, a crop that was introduced by the Dutch from Java in 1639 and which has fashioned not only the whole look of the island, but also its entire economic development. Because the sugar industry, though no longer the country's premier foreign exchange earner or first contributor to GDP, has played a major part—in the form of investment—in the success of the sector that, since 1985, has supplanted it in this role—the manufacturing sector—as well as in that of the island's other growth area, tourism. And, with 19 major estates and some 34 000 small planters, producing some 650 000 tonnes annually, sugar is still a major industry in its own right.

* * *

The island, which is volcanic, has no known mineral or energy resources, and for hundreds of years its survival depended solely on what the land could be made to produce. Various crops were experimented with through the centuries—rubber, citrus, spices... but none was found to be so suited to the climate and soil, as well as resistant to cyclones, as sugar cane. The proof of that, one of the industry's senior representatives maintains, is that the Mauritian people—who are enormously entrepreneurial—would not have made do with a crop that was only second best. But even if cane is the best possible, conditions for its cultivation are not ideal. The terrain is difficult: huge boulders strewn across the land by erupting volcanoes have had to be painstakingly assembled in heaps or in strips in the canefields, and their presence, together with the general rockiness of the soil, precludes mechanical harvesting in much of the island. Today, more than three centuries after the first crop, Mauritian cane is still harvested manually—work that is both labour intensive and laborious. There are also periods of drought, and heavy investment has had to be made in overhead irrigation.

Sugar's road to supremacy was not a particularly smooth one. Canes established in the mid-17th century were abandoned in the early days of French colonisation in favour of spices, coffee, indigo or cotton, and it was left to Mahé de la Bourdonnais, the island's mid-18th century French governor, to revive and expand production. By 1812 a tenth of the arable land was under cane, and 484 tonnes were harvested in the island that year. Fifteen years later, as a result of British import levies being lifted (as significant a measure then as now) production had leapt to over 10 000 tonnes, and it began to dawn on the colonisers that sugar could, perhaps, be the making of Mauritius...

Naturally, labour was cheap. Slaves from Madagascar and mainland Africa were still working the plantations and, when slavery was outlawed in 1833, immigrants from India brought "new blood and new sweat". By the mid-19th century output had reached 100 000 tonnes, despite cyclones and a wave of malaria which had killed a tenth of the population. Twentieth-century crises have included world wars and depressed world sugar prices, occasionally such as to lead to rioting on the sugar estates and—because the fate of sugar was so closely bound to the fate of the Mauritian economy as a whole—to provoke unrest amongst the population at large. Nowadays, happily, there are virtually no labour problems in the industry where, as Dr Gowreeshankursing Rajpati, Executive Director of the coordination and planning body, the Mauritius Sugar Authority, confirms: "Concertation rather than coercion is the *maître mot*". Nevertheless, Mauritian sugar would in all likelihood have been in considerable crisis now had it not been for two vitally important trade agreements: firstly, the Commonwealth Sugar Agreement, signed in 1951 and guaranteeing both supply to Britain and a market for Commonwealth producers and, secondly, the Sugar Protocol, a successor to the CSA, signed in 1975 between the members of the

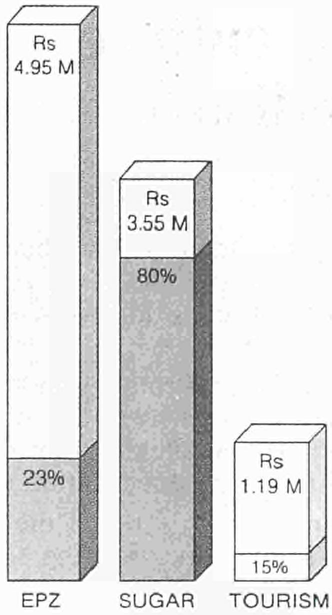
European Community and ACP sugar-producing countries.

Meanwhile, throughout the years, the pattern of estate ownership had been changing. On the one hand landlords—at least those who had survived—were increasingly sensing the advantage of "going public", forming joint stock companies; on the other hand many estates, particularly towards the end of the 19th century, were sold off in small lots and thereafter cultivated by their smallholder owners. Today, in 1988, there remain only 19 major private sector estates, and one state-owned, with many thousands of planters growing cane on their own small or medium-sized plots.

Changes were also taking place in the pattern of sugar manufacture, but rather in the form of consolidation. Where the horizons had been dotted with the chimney-stacks of over 250 sugar mills in 1850, this number had fallen to 85 by the turn of the century. Now there are only 19 mills functioning, processing the cane into raw sugar for export for the most part, with some producing plantation white sugar for the home market.

The industry's cornerstone: the Sugar Protocol

Of the 650 000 tonnes or so now produced in an average year, some 504 000 tonnes are exported to the EEC under the terms of the Sugar Protocol. The U.S. imports a small quota (now less than 10 000 tonnes) at a guaranteed price, and the remainder is sold either locally or on the world market—a market in which prices have both risen and fallen sharply in the past 30 years. The bulk of the "Protocol" sugar, some 450 000 tonnes shipped from the terminal in Port Louis' harbour—the third largest sugar terminal in the world—goes to the U.K. refiner, Tate and Lyle, for sale on the U.K. market. A smaller amount between 18 000 and 30 000 tonnes goes to the Portuguese refiners, Sores. Included in the quota are 60 000 tonnes or so of "special" sugars—demerara, golden granulateds (a highly successful Mauritian 'invention'), light and dark muscovado and molasses sugar. These are natural, unrefined products, much in demand by the health food market and on which



World Sugar Prices (1976-88)

Year	UK price (£ / tonne)
1976	153.77
1977	114.802
1978	100.76
1979	114.47
1980	291.75
1981	202.21
1982	118.92
1983	140.04
1984	103.56
1985	88.01
1986	103.90
1987	107.92
To June 88	131.92

the industry earns a valuable premium. Further income or savings on foreign exchange are provided by two of sugar's by-products. Bagasse, which is produced when the cane is crushed, is used to fire the boilers in the factories. Surplus bagasse is used to generate electricity, which is sold to the national grid and already provides something like a quarter of its needs. Molasses are, for the most part, exported to Europe or to the United States, though a small but growing proportion is retained for the local manufacture of rum, alcohol, scents and drugs.

Additional revenue sought

The industry's diversification into special sugars or into the use of bagasse is symptomatic of a constant preoccupation: the search for additional revenue in a world in which sugar is (and has every prospect of remaining) in great over-supply. True, Mauritius is no longer a monoculture economy, but the prosperity of its sugar industry remains of crucial importance. It still accounts for 20% of all employment, and represents far more in terms of value added than either the EPZ or tourist sectors (see illustration). Saturation of the world market has of course led to falling world prices—prices well below the cost of production, often—as well as to stagnation in both Protocol quotas and guaranteed prices. It has also meant that plans to increase production to, say, 800 000 tonnes p.a., have been shelved. There is some margin for greater efficiency, though not a great deal. The quality of the product is high, and the country's various sugar institutions, including the main marketing body, are recognised as amongst the most efficient in the world. But greater mechanisation is possible, both in the factories and in the fields—not so much in the preparation of land, or in the loading of cane, but in its harvesting.

The success of the Export Processing Zones (EPZs) will make mechanisation more easy to introduce, because it has taken some of the pressure off the sugar industry to maintain maximum employment. At present workers in the sugar industry are employed year round, even though much of the work is in fact seasonal: the existence of alternative job opportunities on the island will relieve the industry of a certain amount of its social burden and permit it to rationalise. The closure of factories, which, Dr Rajpati says, used to be "a taboo subject" can now be envisaged, and further closures are, in fact, foreseen in the long-term development plan drawn up by the Mauritius Sugar Authority, the Sugar Action Plan.

But finally it is the Protocol which will remain the cornerstone of the industry. It is, as Paul Eynaud, Director of the Sugar Syndicate, put it, "the goose that lays the golden eggs". But it is also a goose of which the Mauritians are the rightful owners. The Protocol, when it was signed, guaranteed Mauritius a bigger quota than under the CSA, but at a lower price than the then world market price. The islanders took a calculated risk, and it has paid off handsomely. Mauritius' golden eggs are richly deserved. ○

M.v.d.V.

Mauritius – the culture of multiracialism

by Judex ACKING (*)

Mauritius celebrates its 20th anniversary of independence this year. The time has come for a look at the many manifestations of the coming together of democracy, development and multi-culturalism—with the new emphasis on culture and history to the fore.

The international economic situation, the Sugar Protocol and other external factors have brought a certain degree of prosperity to the country. But the Mauritians have not lost their sense of fundamental priorities in this fragile and unevenly spread social and economic acceleration.

The island's 1.1 million-strong population is going through the difficult change from a primarily agricultural to an industrialising society and, rather than give in to gratuitous violence in this quest for identity, it is calling on its multiculturalism to help.

Culture today is not the culture of pre-independence. This vital stage in the process of decolonisation has given culture another political terminology. Colonisation turns out to be an undertaking with multidirectional ambitions and achievements, joint action geared to wiping out the culture of the dominated. And the time has come to take stock of this attempted destruction and of the realities of the post-colonial era—or, to be more precise, of independence. It is culture, that which makes oneself and others, which contains this perception and this difficult management of the Mauritian present and future.

The *Respek nou Kiltir* ("Respect our culture"), which goes from one ethnic ground to the next, clearly says that culture is no longer just schooling and the economic and other advantages which go with it. Some people were cultured and others were not. That went without saying. Culture is no longer just literature or artistic expression. Now it is something that is lived and thought, like the battle hymn of the identity—Who are we? Where are we going?—and the situation of the individual and the group in the community. Since one thing which partly shapes our existence is history, a chronological review is in order.

Some history

The island was discovered, so they say, by the Arabs in the 14th century. The Portuguese certainly found it in 1510 and the Dutch went there in 1623, 1644 and 1719. They it was who gave the country, which apparently had no native peoples of its own, its name and, most important, sugar cane—of which Mauritius is now the holder of the biggest (and contested) quota in the ACP Group. And after the Dutch came the French (1715-1810), and after the French, the English, from 1810 to independence.

All of them resorted to slavery and to indentured labour, which was hardly less brutal. This meant importing men and women and children from Africa (Mozambique, West Africa), Madagascar, China (in a different context) and India.

Faced with this multitude of centuries-old civilisations, the rediscovery of which explains the present modern ancestral trend, were the colonisers, administrators, planters, traders and missionaries who often treated them as one. And from this juxtaposition emerged, in spite of everything, elements of a population from which a people could be fashioned.

Communalism

It was a difficult birth. The colonials brought structures, attitudes and modes of thought that were both complex and harmful and this categorised the people. This was the end product of the doctrine of divide and rule that it would be wrong, in the case of Mauritius as elsewhere, to attribute solely to the English—although they excelled at it. This differentiation resulted in the emergence and consolidation of the communities. And an "-ism"—communalism—inevitably emerged from it, too.

The people who made the laws decided there would be four communities. And there were. There was the Moslem, the Sino-Mauritian and the Hindu community and a semantic and statistical curiosity, the "general population", the descendants of colonials, whites, slaves and other immigrants and Creoles. And, unlike in other Indian Ocean islands or elsewhere, the Creoles are the only ones to be known by the same name as the language which is spoken and understood by the whole of the Mauritian popula-

Le Mauricien

Faces of Mauritius

"All the communities want to be Mauritian, but want their individuality to be respected"

(*) Mr Acking is a journalist on the daily newspaper *Le Mauricien*.

tion. And in addition to Creole, French and English (valuable legacies of colonialism, and which have markedly influenced it), and very many of the languages of the orient. The linguistic dimension of culture very much dominates the debates and passions flare when anything is mentioned about the priority that education or the media should put on one or other of the languages—Creole having no official recognition.

Returning to the classification of the different communities, there is no doubt that this is something that could not be maintained, for neither religion nor colour of skin—those criteria of the "rules of origin"—could ensure this compartmentalisation of ethnic groups and communities deeply or rigidly. Even among the Hindus, a tribal and religious group, the caste system, perpetuated through the colonial idea of indentured labour, is disappearing. Given the context, intermarriage was inevitable. For some it meant a socio-biological miracle, for others it meant defiling the ancestral heritage of non-existent purity, but it made cultures, religions and communities intertwine. Only class distinction remains. The awareness of its existence, which can be attribued to the days of pre-independence trade union politics, is another cultural phenomenon. But communalism—or the communalisation of intermarriage—is not dead...

Le Mauricien

A Hindu ritual ceremony during the festival of Maha Shivaratree. Pilgrims from throughout the country converge on the Grand Bassin, a natural lake, bringing the water they collect back to the temples for performing 'puja'

As to the actual numbers of the various communities, it is difficult, not to say impossible, to assess it now without risk of error or offence. Since 1963, when the last census was carried out, no new data have been published—or even collected.

So, faced with this measure, which the authorities claim is intended to decommunalise, we have to look at the 1972 census, which gave the following figures—Hindus 428 167, Moslems 137 081, Sino-Mauritians 214 084, general population 236 867. Although the census form still specifies to which religious group an individual belongs, it is not really a reliable source of demographic information in view of what we call ideological mobility, as religious feelings transcend cultural and ethnic considerations.

Cultural mixing is sovereign. Although the tendency is for it to unite, it is not without its problems. Although they do not say as much, all the communities want to be Mauritian, but want that individuality to be respected—i.e. respect for their various rights and privileges. Institutions have accepted this situation. Those making attacks on others on the grounds of their racial group will now be prosecuted.

But it is the State which puts what is seen to be the official stamp on communalism with the "best loser" system, whereby candidates standing for government who get fewer votes in the elections still get seats on the basis of their performance and of the community to which they belong.

But the legislation covering this is based on equal rights and duties, so that all the communities have fair representation in parliament.

Mauritianism, the Mauritian dream

Very fortunately, the Mauritians have—thanks no doubt to their religion, their education, their state of law and their intelligent young people (44% of whom are under-21s at the last count)—have managed to go beyond the restrictive, bellicose framework of extreme communalism and live a daily life which, although not without its group demands—and they get worse during election campaigns—nonetheless holds out hope for the future. The great dream is Mauritianism, the reverse of communalism.

There are plenty of signs of this trend, in which demands go hand in hand with open-mindedness. So they try to make all religious festivals universal ones. The Government, which now has a Minister of Culture, is backing the idea of the "Rainbow Nation" and "Unity in Diversity". The parliamentary and extra-parliamentary (NGO) opposition is doing the same, although the approach is different. The taboo of the untouchableness of the communalist concept is being overturned in literature. Historians are now writing truthfully and with a critical eye. Sports clubs have dropped their communal names and affiliations. Marriages between people of different faiths and communities are now accepted, in spite of opposition caused by the generation gap. There is no exclusion in business either—quite the contrary, investments do not have the taint of communalism. People are moving towards and accepting the idea of a world united through the media, ideas, fashion and tourism.

This is how men and women live in Mauritius. ○ J.A.

PROFILE

Head of State: H.M. Queen Elizabeth II

Head of Government: Governor-General, Sir Veeraswamy Ringadoo

Ruling Party: Coalition led by the Mouvement Socialiste Mauricien

Prime Minister: The Right Hon. Sir Anerood Jugnauth.

Area: 1865 km^2, including the islands of Rodrigues (108 km^2) and Agalega (26 km^2)

Capital: Port Louis

Official language: English (French, Creole, Hindi, Chinese, Urdu, Tamil spoken)

Population: 1 017 000 (1987)
growth rate: 0.9%

Life expectancy: 64 (m), 71 (f)

Infant mortality: 23.8/^{000}

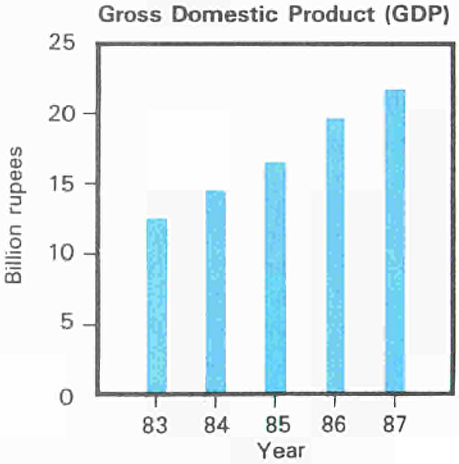
Doctor/population ratio: 1:365

Literacy: 94.5%

Currency: Mauritian Rupee
(1 MR = .35 ECU)

Per capita GDP: $ 1.435 (1987)

Gross Domestic Product (GDP)



Major contributors to GDP:

1. Manufacturing: 25% (1987)
15.7% (1983)

EPZ sub-sector: average annual growth rate 1983-87: 30%

Number of units: 531 (1987); 146 (1983)

Employment: 99 373 (1987); 38 054 (1983)

2. Agriculture: 12.3% (1987) (of which sugar 8.3%)

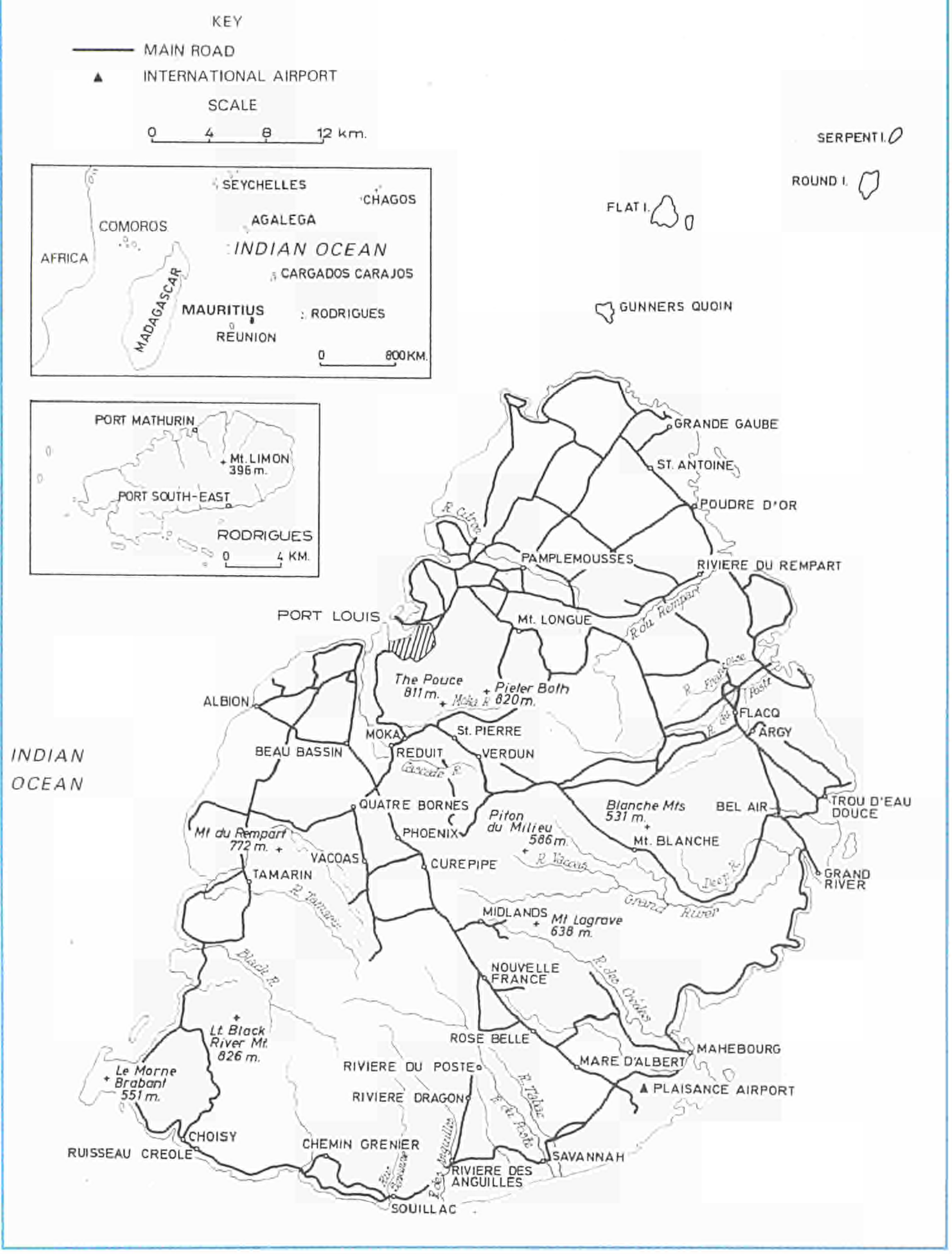
Employment: 259 000 (19.7% of total)

Production (1987): sugar (691 000 t) molasses (180 000 t); tea (7 000 t); tobacco (900 t): potatoes (15 500 t): maize (3 800 t): onions (2 145 t); tomatoes (6 800 t); cut flowers (esp. anthuriums)

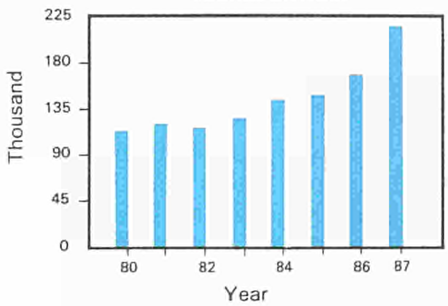
3. Tourism: Gross earnings (1987): Rs 1600 m; (1983) Rs 260 m

Employment: 15 000

MAURITIUS

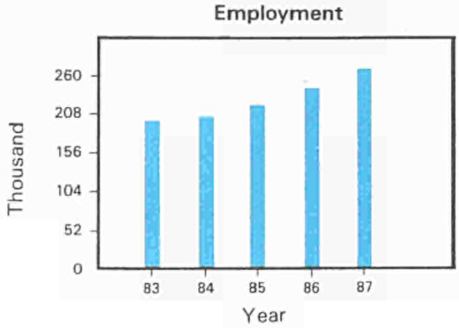


Tourist arrivals



Unemployment (official rate): 10%

Employment



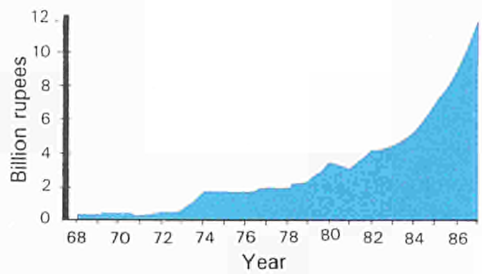
External debt service ratio: 12%

Inflation: 0.6% (1987)

Balance of payments: + Rs 2.6 billion (1986)

Exports: Total value: Rs 12 034 m
Share of export earnings: EPZ products (principally textiles) 56%; sugar 36% (1987)

Total exports



Sources: Ministry of Information and Chamber of Commerce and Industry (Mauritius).

EEC-Mauritius cooperation

By Hubertus ANGERER (*)

Cooperation relations between the European Community and Mauritius date back to 1972 with Yaoundé II — which Mauritius was the first Commonwealth country to join. Then, with the Sugar Protocol, the Community undertook to buy the bulk (about 75%) of the island's sugar output at guaranteed prices.

Cooperation 1972-1988 (ECU)					
	Yaounde II (1972-1975) 3e FED	Lomé I (1976-1980) 4e FED	Lomé II (1981-1985) 5e FED	Lomé III (1986-1990) 6e FED	Total
Convention					
1. National Indicative Programme	—	15 300 000	20 500 000	31 000 000	66 800 000
Financial & technical cooperation	5 601 000	—	—	—	5 601 000
2. European Investment Bank (EIB)	1 750 000	12 535 000	4 500 000	31 500 000	50 285 000
3. STABEX	—	—	—	2 950 000	2 950 000
4. Emergency aid	—	4 850 000	80 000	65 000	4 995 000
5. Centre for the Development of Industry (CDI)	—	65 000	—	—	65 000
Outside the Convention					
6. Food aid	4 000 000	8 810 000	3 070 000	— (1)	13 880 000
7. Schemes cofinanced with NGOs (EEC contribution)	—	781 000	250 000	38 000	1 069 000
Total	11 351 000	40 341 000	28 400 000	65 553 000	145 645 000
TE					
— Scientific cooperation (2)	—	—			
— ACP-EEC AIDS control campaign (3)	—	—	—		
— Special ecology programme in the developing countries (Article 946 of the Commission budget) (4)	—	—	—	200 000	
Regional cooperation	*See text at end of article*				
Sugar Protocol	”				
Fisheries Agreement					

(1) In view of its economic development, Mauritius is now independent of Community assistance.

(2) Biotechnology programme (Council Decision of 12 March 1985).

(3) The Mauritian Government has responded positively to the ACP-EEC AIDS control campaign which was launched with an ECU 35 million contribution from the EDF and has already suggested some priorities to the Commission for this.

(4) The Commission has granted financing of a study of Mauritius' costal ecosystem (ECU 200 000).

The Community is Mauritius' biggest trading partner. The island is highly dependent on the world economy because of the three main components of its own economy — goods from the export processing zones (EPZs), sugar and the tourist trade — and the Community takes about 75% of its exports. In 1986, for example, it spent a total of ECU 497 million on Mauritian products, mainly sugar (40% of the amount) and clothing (42%). Over the same period, Mauritius bought 35% of its imports (worth ECU 234 million), mainly manufactures, machinery and transport equipment, from the Community.

The total Community funds paid to Mauritius for cooperation over the 1972-88 period came to ECU 146 m. In addition there was money for regional cooperation, help through the Sugar Protocol and science and health schemes (on AIDS, for example) and support for the protection of the environment.

Yaoundé II

• The financial and technical cooperation resources which Mauritius was allocated under Yaoundé II (3rd EDF) were devoted, in the light of the priorities laid down by the national authorities, to:
— rural development;
— education and training;
— tourism (study).

• During Yaoundé II, the island received its first assistance from the EIB — a loan contract of ECU 1.75 m from own resources was signed in 1975. It went to the energy sector to help with electricity production.

Lomé

• The Lomé I indicative programme (4th EDF) was drawn up in May 1976 and revised in June 1981 and April 1983. It was worth ECU 15.3 m, of which ECU 10.608 m was a special loan.

The most significant schemes in the programme were the building of the Terre Rouge-Mapou road and part of the Phoenix-Nouvelle France road,

(*) Economic Adviser, Delegation of the Commission of the European Communities, Mauritius.

Economic sector	Amount (ECU '000)	%
1. Rural development	332	2
2. Infrastructure	11 868	77
3. Training	700	5
4. Industrial & trade promotion	700	5
5. Expedited programme (medicines)	1 700	11
Total	15 300	100

the building and renovating of housing for low-income home-owners, the expedited medicines and pharmaceuticals programme, trade and industrial promotion and a multiannual training programme (see box above).

• The EIB contributed, under Lomé I, particularly to electricity production, although it also gave a global loan to the Mauritius Development Bank.

• Three lots of exceptional aid went to help rebuild and repair housing, schools and other buildings destroyed by hurricanes Gervaise (1976), Céline (Rodrigues, 1979) and Claudette (1980).

Lomé II

• The Lomé II indicative programme (5th EDF) was drawn up on 24 April 1980. The original sum was to be between ECU 18.5 million and ECU 21.5 m and it was fixed firmly at ECU 20.5 m in August 1983, divided as follows:

Economic sector	Amount (ECU '000)	%
1. Development of production	7 000	34
2. Economic and social infrastructure	8 650	42
3. Training	1 100	5
4. Industrial and trade promotion	1 610	8
5. Micro-projects	2 140	11
Total	20 500	100

The main projects had to do with the island's economic and social infrastructure and the development of its productive capacity. The economic and social infrastructure schemes were to renovate, build and fit out hospitals in Port Louis, Mahébourg and Flacq, build and fit out two health centres in

Agricultural development in Rodrigues

The agricultural development project in Rodrigues, referred to in the article on Mauritian-EEC cooperation, began early in 1984 and was designed not only to increase agricultural production, and farmers' incomes, but also to improve infrastructure (especially feeder roads) and to contain the erosion from which the island suffers.

Wilson Collize, a local journalist, visited Rodrigues earlier in the year and talked about the project to some of those most concerned by it — the beneficiaries themselves.

The following are extracts from his conversations.

▶ ***Mr Casimir, (a planter and breeder from Baie Malgache), you have lived on Rodrigues for 50 years so you must have seen plenty of development projects on the island. What do you think of the EDF scheme?***

— There have only been two big agricultural development projects on Rodrigues. The one that started back in 1955 was geared to protecting the land. But my personal opinion is that the EDF project is bigger because it involves agriculture, developing the valleys and herding and grazing land, and reafforestation and, to a certain extent, by bringing us roads, and protecting drinking water sources, community and social development as well.

Farming has always suffered terribly badly from the hazards of our climate and from natural factors, disease and insects, as well. The agricultural services had pesticides to cope with them, but you had to go a long way to fetch them and your plantations were often hit while you did this. Now we have regional cooperative stores, there is no problem getting sprays and pesticide or the fertiliser and farm tools we need and there is the added benefit of agricultural service technicians on hand to give us technical advice.

▶ ***You are also a breeder, you told us. How do you see things from this angle?***

— The EDF project, as I have just said, looks to both the farmer and the breeder. Let me go back a bit and make a comparison. Cattle and sheep and goats used to be raised in a random way, with the grazing land open and the animals left on it and sold, when they were fat enough. In good times, there was plenty of grass and the animals were very selective. But when times were bad, there was nothing to eat and the animals often died.

But around Baie Malgache at least, we now have a proper reserve of good quality forage in the supervised, fenced-off areas. In ordinary times, we send the animals to the open grazing land, but when it is dry, we keep them tied up and buy forage from the reserve so we can carry on feeding them. I am planning to go on keeping my animals in if I am sure of getting enough forage from the existing reserves. That would mean I would have manure for the plantations.

▶ ***You also raise pigs, don't you?***

— It's traditional. Every farmer on Rodrigues has a whole range of domestic animals—oxen, sheep, goats, pigs and chickens—and I am a good islander so I keep pigs too, about a dozen of them.

* * *

▶ ***Mr Clair, (a farmer from the Port Sud Est area), what are your impressions now you have an asphalted road?***

— Frankly, it's a dream come true. I never expected to get a good road so fast.

The story of the road goes back to the '60s when Port Sud Est only had dirt tracks. The supplies came in by *sea and the provisions had to come by boat from Port Mathurin, all along the western and southern coast and into Port Sud Est on a donkey. We always had a good time when the supplies arrived as we knew we weren't going to starve! But often when the weather was bad, when we had rain and hurricanes and things, we had nothing to eat because the canoes couldn't go out. And then we got a dirt track to the village to make some development operations easier. But we soon realised that tracks were impracticable or even dangerous in the rain. The bridge at Port Sud was often swept away by the flood waters and the village cut off from the rest of the island. We dreamt of a road we could use all the year round for more than 20 years and in 1987 we got it.*

▶ ***Tell me what benefits you expect to get from this road.***

— Plenty. First of all, a traditional system is going to go — the sick are no longer going to be carried in 'futacons', in chairs on people's backs, as ambulances can now get here. And there will be a tremendous improvement as far as the fishermen and farmers are concerned, as the fishermen have often had to salt their fish, even, with shortages in central Rodrigues.

Port Sud Est and Mourouque have enormous food production potential as they have plenty of water, but their vegetables often had to stay put because there were no proper roads and the planters were more or less forced to cut back. Now they can sell their vegetables at Port Mathurin. We used to have to take onions and maize miles on our backs to the place where they could be loaded onto trucks. But the new road means goodbye to all that.

* * *

▶ ***Mr Boncœur, you are a typical worker on Rodrigues — a farmer, breeder and bee-keeper. Can you tell us why you went over to vegetables?***

— When I was a farmer and breeder, I had my ups and downs. Once upon a time, there weren't very many people on Rodrigues and we could farm and raise animals as we liked. I worked a lot of land and I had 50 or so oxen and about 100 sheep. But gradually the land was taken over and people even grew things on the grazing land and I had to reduce the size of my herds. Now I'm getting on, I find concentrating on vegetables is an increasingly profitable proposition nowadays.

▶ ***Would you like to go back to livestock with things as they are on Rodrigues at the moment?***

— I wouldn't mind, but I'm too old. I'm leaving that to the children. I have already advised them to build stables for one or two cows to produce the manure they need for our vegetables. And you can get forage from the EDF plots now.

▶ ***How come you concentrated on vegetables?***

— I had a piece of land at Graviers where there was water sometimes. I got the idea of planting vegetables there because the market prices were good. It went well, but getting them to Port Mathurin was a problem, so I had to keep production down as I couldn't market it all. I've got six acres out at Grande Montagne, too, that I couldn't grow anything on because there was no water. The three new pumps at Mourouque meant Grande Montagne was practically flooded with water, so I've expanded and now I sell several hundred kilos of fresh vegetables at the market on Saturdays.

▶ ***So there have been a lot of changes for you over the past couple of years —, your work is easier, I think, and your income is good, as vegetable prices are very high at the moment. Why do you think these changes have come about?***

— To my mind, it has a lot to do with the development project. But I think that things are only just beginning and have to be taken further.

I know it costs a lot, but if it's left alone now, it could well end up like other big projects have done. And I also think that we farmers and breeders should be involved as much as we can, as we will be the biggest beneficiaries in the end. ○

Cassis and St Pierre and construct part of the Phoenix-Nouvelle France road (further to financing provided under Lomé I). In addition there were industrial and trade promotion schemes and a multiannual training programme.

The development of production—including rural production in the broadest meaning of the term—got support, essentially, from the scheme to develop agriculture on Rodrigues and another to store food products on Mauritius.

Micro-projects have been developed in Mauritius in all socio-economic sectors, as an extremely valuable means of cooperation, since Lomé II.

• The EIB gave global financing of ECU 4.5 m as a loan to the Mauritius Development Bank under Lomé II.

• Three lots of emergency aid helped cope with the damage caused by two hurricanes—Damia on Rodrigues (1982) and Andry on Agalega (1983)—and by the 1983 drought on Rodrigues.

Lomé III — Accent on the diversification of production

• The indicative programme signed on 22 July 1985 is for a total of ECU 31 m, ECU 10 m of it in the form of special loans. The priorities for Community aid this time, as laid down in the indicative programme, are the campaign against unemployment and the quest for lasting improvements in the job situation. The support programme will be aimed both at industrial promotion and the development of small businesses and the diversification of agriculture, which get 80% of programme funds. When the indicative programme was signed, there was 17.2% unemployment. Employment in agriculture has been stable, but it has gone up by 25 000 jobs p.a. in industry—in the EPZs more specifically—and there is tension on the employment market. The traditional aim of the employment campaign is now to achieve a lasting improvement in the situation. Jobs in the EPZs are mainly for the unskilled, so there is a certain amount of dequalification of the labour force and a proper policy is needed to cope with it. The current tension is also generating an increase in labour costs — which could well make the EPZ sector less competitive and thus slow down the rate of growth. The need to diversify towards products with greater added value is being felt and the Government has embarked upon a development strategy involving:

— in industry, diversifying and consolidating export industries and markets and promoting small industries;

— in agriculture, reorganising the sugar sector and, alongside this, liberating land to encourage agricultural diversification.

The Community's support for this diversification of the nation's productive sectors is fully in line with Mauritian policy and will be a major contribution to its implementation.

An important financing agreement, worth ECU 10 million, for an industrial scheme in the indicative programme, was signed on 10 December 1987.

The idea is to back up the Government's industrial strategy and its drive to achieve a lasting improvement in the employment situation. The programme is in four complementary parts:

i improvements to institutions in charge of industrial promotion and vocational training — i.e. mainly the Ministry of Industry and its departments;

ii financing for industrial promotion and trade promotion schemes — market surveys, promotion missions etc;

iii a programme offering support for the development of small businesses, essentially by setting up a line of credit and opening a technology, marketing and management advisory department;

iv financing for vocational training schemes for young people and for advanced training and retraining courses.

A Mauritian craft development operation is being assessed and ECU 1.9 million is to be provided for this. A micro-project programme (worth ECU 670 000) is also at the evaluation stage.

On the agriculture side of the indicative programme, diversification schemes are being prepared and about ECU 8.5 m is to be provided for them. Agricultural development on Rodrigues, Phase II, has already received financing—ECU 3.25 m— and is being implemented at the moment. The funds earmarked for operations outside the priority sectors of industry and agriculture will be used for drainage and training schemes.

• The EIB has made three major contributions to Mauritius under Lomé III so far:

1. The first (1986) was a global loan of ECU 8 m from own resources for the Mauritius Development Bank and ECU 2 m in risk capital.

2. The second (1986) was to build a semi-integrated weaving-finishing textile plant. Financing here is ECU 10.5 m, ECU 9 m of it in the form of a loan and ECU 1.5 m as a loan on risk capital.

3. The third (1987) is a global loan of ECU 13 m to repair the electricity supply system. This comprises ECU 10 m from own resources and ECU 3 m from risk capital.

Mauritius has had one Stabex transfer, for losses on tea earnings in 1986, under Lomé III. The figure was ECU 2.95 m and the transfer agreement was signed in July 1987.

Regional cooperation

Mauritius has benefited from the Community's regional cooperation programme under Lomé I, Lomé II and Lomé III.

Under Lomé I, the states in the area—including those of East Africa—received a total of ECU 8.3 m for regional schemes. The most significant of these was the regional telecommunications system, created to assist aerial navigation, which received ECU 7.6 million-worth of regional funds. With Mauritius in this scheme were Comoros, Kenya, Madagascar, Seychelles, Somalia and Tanzania. The rest of the Lomé I regional funds went on studies to pave the way for regional schemes run under Lomé II.

The regional funds for the Indian Ocean under Lomé II amounted to ECU 20 m and there was a further ECU 1 m (regional commercial cooperation) on top of this. It was divided as follows — air transport 36%, fisheries 41%, new sources of energy 8%, craft and tourism 7% and training and research 5%. All the projects and programmes run here were of particular interest to Mauritius.

There is ECU 26 m for regional schemes in the Indian Ocean under Lomé III and in addition to this there are the resources earmarked for the regional trade promotion scheme. Almost all this money will be implemented through the Indian Ocean Commission. Two of the IOC's projects were approved by the Commission in February earlier this year. They were regional support for craft development in the Indian Ocean countries (ECU 3.5 m) and a study and inventory of medicinal and aromatic plants in the countries of the Indian Ocean (ECU 2.2 m).

The Indian Ocean Commission was set up in Port Louis, in Mauritius, on 21 December 1982. It comprised Madagascar, Mauritius and Seychelles in the first place, and was anxious for other countries to join, and Comoros and then France—to encourage Réunion's integration into the Indian Ocean family—became members in January 1985. The aim is to boost trade between the islands, stimulate the development of the potential of the individual islands to the benefit of the neighbouring countries and to encourage them to pool their resources. The members take it in turns to preside and Seychelles is in the chair at the moment (February 1988-February 1989). The IOC is now improving its structure with a permanent secretariat. Hitherto it has simply used the resources of the local administrations. The headquarters are sited in Mauritius and the Mauritian Government has provided a building to house the secretariat. The first Secretary-General is to be appointed in February next year and an expert (financed by France) was recruited recently to prepare the work of the secretariat.

The Sugar Protocol

What Mauritius has gained from the Sugar Protocol is the difference between the average world price and the guaranteed price. The amount of cane sugar currently bought by the Community is about 75% of the Mauritian output and in 1987, the island made about ECU 146 million from this arrangement. This is an indicative figure.

Fisheries agreement

An agreement is presently being discussed by the Mauritian Government and the European Community. o

H.A.

MADAGASCAR

The courage of reforms

"We have just crossed a zone of turbulence", remarked Industry Minister, José Rakotomavo in answer to my first question. Instantly it reminded me of the Air Madagascar flight which has brought the Minister and me to Antananarivo a couple of days earlier during which we had more than a fair share of turbulent zones. The Minister had been to the World Bank in Washington to discuss an energy project. His trip and his remark both denote a state of affairs and a state of mind in the Malagasy capital—the certainty that ministers and officials will, in the coming months, travel abroad a good deal to put together the means for implementing the country's IMF-backed structural adjustment programme and the feeling, meanwhile, of tremendous relief at Madagascar's emergence from what many saw as the bleakest period in its history. Indeed, 1984 to 1987 were, in the words of one official, "years when the skies seemed to be caving in on the people" with austerity measures that had begun as far back as 1980.

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Antananarivo is, of course, not Madagascar, but life in the city, rightly or wrongly, has always been used as a yardstick in measuring the nation's economic health. A year ago, the suffering of its population, especially of the poorest sections, made headlines in the international media, as purchasing power fell in a 55% devaluation. There were widespread shortages of basic commodities, disruptions to public transportation and industrial production as a result of lack of spare parts, and homelessness was at its height. Today, despite the chilly winter and often grey skies, Antananarivo has a much more cheerful atmosphere, thanks to a series of measures introduced by the Government at the beginning of this year which have brought consumer goods and spare parts back in large quantities onto the market. Rice, oil, meat, sugar, soap, cement, batteries, electrical goods, cars, etc are again available though at sometimes prohibitive prices for many households in a country where the average salary is Mgfr 30 000 (1) per month. The markets in the city centre as well as the main street, Avenue de l'Indépendence, are a beehive of activities on Fridays, the traditional shopping day, with articles on display overflowing onto the streets. Carters are again in business, running up and down. The ricefields around the capital are being made ready for this year's sowing season, as many farmers, meanwhile, turn their hands to brick making. After a 15% increase in rice production and in prices paid to them, morale among farmers is high. City buses and bush taxis are on the roads in greater numbers. Everywhere there are signs of renewal: a couple of renovations and reconstruction of major buildings here and there, city street being regularly swept, mounds of earth deposited along many potholed roads in readiness for resurfacing.

These improvements notwithstanding, a number of problems, remain intractable. Homelessness is widespread as ever in the capital which has seen its population almost doubled in less than a decade through the rural exodus. Large numbers of children are still being abandoned daily by mothers unable to cope with them. And unemployment touches every section of society.

These represent, in large measure, some of the social costs of Madagascar's structural adjustment programme about which the authorities are highly conscious and feel considerable concern, unease and regret (see interview with Minister of Finance). Austerity measures had been profoundly agonising steps to make to right an economy that was deeply in crisis. But there was no room for half-hearted measures. In not giving up when the going became very tough, the authorities showed not only courage but also realism, putting aside, as they did, strongly-held beliefs in a socialist approach to economic management. Now Madagascar is beginning to reap the rewards. The quality of public spending has improved remarkably, and the World Bank Consultative Group has passed its judgement: "Madagascar has achieved one of, if not *the* most, remarkable structural adjustment programmes in Africa".

The seeds of the crisis

The seeds of the crisis that beset Madagascar were sown in the early '70s in the Government's legitimate drive to take control over the commanding heights of the economy in a manner that benefitted national sovereignty. Outlined in the "Charter of the

(1) 1 US $ = ±1 500 Mgfr. The price of rice has fallen from Mfgr 800 per kg to 340; sugar is down at Mgfr 750 per kg from 950; oil Mgfr 1800 per litre instead of 2700; soap Mgfr 300 against 1700, and beef is down at Mgfr 1000 per kg as against 1800.

Malagasy Socialist Revolution", the strategies involved nationalisation of the key sectors— banking and financial services, internal distribution of food, import and export trade, and the establishment of parastatals to develop industry and mining as well as heavy expenditure on social and infrastructural projects. Both the Government and the nationalised industries borrowed heavily in a policy of investments "*à outrance*". By 1979, bureaucracy and inefficiency, coupled with the worldwide recession of the decade, had plunged the economy into a deep crisis with huge deficits in public spending, huge trade deficits, heavy debt burden, roaring inflation and an inefficient food distribution system.

The Courier

The price of rice has fallen from Mgfr 800 to 340

Inital contacts with the IMF in 1980 were made with caution. The first standby credit of SDR 64.5 million provided by the Fund was quickly abandoned as Madagascar's debt situation worsened. But a year later, the country was back to the Fund and has since stuck with it, taking considerable doses of its bitter remedies: devaluations, cuts in public expenditure, removal of price subsidies, etc. in return for the Fund's standy credits: SDR 109m in 1981; SDR 61m along with SDR 21.8m in Compensatory Financing Facility (CFF) in 1982; SDR 33m plus SDR 14m in CFF in 1984, and SDR 30m in 1986. The World Bank stepped in in 1982 by organising a donor's Consultative Group Conference in Paris during which pledges of SDR 50m in aid were made. France, on the other hand, has been a consistent bilateral aid donor, mostly giving "structural adjustment loans" as balance of payments support.

Despite this external assistance, all the main economic indicators pointed either to stagnation or towards decline. Real GDP growth rate has been below the population growth rate of 3% (2.2% in 1987 after recording 0.8% in 1986). External trade remains in deficit (Mgfr 32.6 billion in 1986) and public external debt is as high as $ 3.3bn, with debt-servicing representing 80% (36% after rescheduling) of the total value of exports in 1985 as against 17% in 1980. Last year, export receipts fell considerably, due to stagnation in volume and the fall in the world price of coffee. With the exception of raw materials and spare parts, all other categories of imports fell as result of high costs following the devaluation of the Madagascar franc.

Although the Paris and London Clubs have been more than willing to reschedule Madagascar's debt, doing so in 1984, '85 and '86, debt-servicing, remains one of the most important factors, weighing heavily on the economy. Lack of foreign exchange has meant inability to import adequately raw materials, spare parts and equipment needed to revamp production. This explains the failure of the first phase of the 1982-87 Development Plan which was deemed to have ended in 1985 and which was aimed at stabilising the economy. The second phase aimed to create the conditions for growth by achieving self-sufficiency in food, reducing external dependence on energy, revitalising the industrial sector and diversifying exports.

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A vehicle repair shop in Antananarivo

The availability of spare parts means that many vehicles can now be repaired and put back on the road

The reforms

It looks as though Madagascar achieved the objective of the first phase in the second, i.e. stabilisation of the economy. This coincided not only with the publication of the 1986-90 Plan but also with the Government's decision in 1986 to go ahead with far-reaching reforms which included, among other things, the adoption of an investment code and a privatisation policy, and in 1987, import liberalisation.

The investment code contains incentives to attract foreign investors whose capital is vital to the renewal and strengthening of the production base and the stimulation of exports. They include an 8-year tax holiday and import duty concessions for new ventures and a special tax incentive and access to domestic credit for small- and medium-sized enterprises. The privatisation policy sees virtually every sector of the economy, except those considered as strategic, open to the private sector. It is, however, in the area of import liberalisation that there has been a "revolution".

Madagascar operated a system of quota and foreign exchange rationing, until January 1987 when it introduced a regime of import liberalisation (RIL) with the guidance of the World Bank. Under this regime, firms involved in exports were automatically allocated foreign exchange for the import of goods essential for their production provided they deposited 10% (later reduced to 5%) of the value of their exports when applying for licences. Unfortunately only 60% of requirements were being met. In September last year a World Bank "adjustment credit for industry and commerce" of around SDR 12m enabled funding to go up to the tune of 90%. This system was replaced by a new system of import liberalisation (SILI) in February this year allowing import, under a general license, of virtually everything, including consumer goods, raw materials and spare parts. It is being financed with funds made available by the World Bank (US$ 120 million), the African Fund for Development (U.C. 30m) and the Swiss Government (SF 10m). This system is having the most profound effect not only on the supply but also on the prices of goods. By giving every firm the capacity to import, it is believed, there is competition on the procurement abroad of better and cheaper goods for the population.

Under the system that operated before the introduction of RIL it was very easy for a small group of people to control the supply of rare commodities. This group hoarded goods, forced up prices and enriched themselves. The system encouraged the development of parallel markets and the spread of corruption, especially as far as the issuing of licences and allocating foreign exchange were concerned. So the liberalisation of imports is expected to straighten things out, remove a number of bottlenecks and encourage the smooth functioning of the economy.

In the area of public finance the control of credits and the limitation of pay rises have brought excess liquidity down to the level of production. Inflation is expected to follow that trend. The World Bank Consultative Group made up of nine bilateral donors and 12 international agencies which met in Paris in February this year has, meanwhile, put up US$ 700 million per annum over three years to help Madagascar deal, among other things, with the debt of many state enterprises which will be subject to privatisation, and with some of the social costs of its adjustment programme.


The Courier

Rice fields around Antananarivo are being made ready for this year's sowing season

Now that some kind of stability has been restored, the objectives in the years ahead are the same as those outlined in the 1984-87 Public Investment Programme and which were further defined in the 1986-90 Development Plan. They include: rehabilitation of agriculture and self-sufficiency in food, refurbishment of production tools, increase in industrial output, diversification of exports, improvement in the standard of living of the population and greater reliance on internal sources of energy. The target, naturally, is for an economic growth that is the equivalent to, or higher than the 3% rate of population growth.

A variety of resources

Like many developing countries, the paradox of Madagascar's situation is that it is rich in natural resources. Add to this its wealth in qualified manpower and it becomes obvious that the wrong choices have been made in the past. An island continent of 587 000 sq.km, Madagascar has a variety of physical and climatic conditions suitable for a buoyant and diversified agriculture: the Central Plateau, 800-1800 m high, with a chain of mountains and high plains; the East Coast, made up of high cliffs and hills that are cut across in several places by marshes; and the West Coast—flat in the South but volcanic in the north with river basins and deltas. Temperatures vary according to altitude. There are dry and humid tropical zones with average temperature of between 10 °C and 20 °C and annual rainfall of between 1200 and 1500 mm, and a semi-arid zone with an average temperature of 20 °C and an annual rainfall of 400 to 600 mm. With rivers, lakes and swamps scattered all over the country there are opportunities for irrigation and hydro-electricity.

Agriculture: boosting production beyond domestic requirements

Agriculture is the mainstay of Madagascar's economy. It accounts for 80% of exports and 35% of GDP. Over 90% of the active population is engaged in it, producing a variety of food crops (rice, cassava, maize and beans) and cash crops (coffee, vanilla and cloves).

Rice is by far the most cultivated. Madagascans are its biggest consumers in the world—153 kg per adult per annum as against 83 kg for the Chinese. Eighty five percent of irrigated farmland is given over to its cultivation. Output is more than 2 million tonnes per annum. An exporter of rice until the early '70s, Madagascar has since then become a net importer:

300 000 tonnes in 1982; 184 000 t in 1983; 192 000 t in 1984; 250 000 t in 1983, and 162 000 t in 1986. Production had consistently fallen until last year when 2.2 m tonnes of paddy were recorded. The increase is attributed to the liberalisation of both imports and internal trade and the payment of higher prices to farmers. The plan is for Madagascar to become entirely self-sufficient in rice by 1990 and thereafter an exporter. The infrastructures for doing that are being put into place. As well as the incentives to farmers, more lands are being brought under cultivation. And in this regard, it is worth mentioning an EDF programme of micro-hydraulic projects in several rural districts which are proving successful because of the involvement of farmers right from the start—from the moment of identification to implementation, after which responsibility for management and maintenance are given to the farmers themselves (See Courier n° 94 on this project). The national research services, meanwhile, "are engaged in looking for rice varieties that can perform better under Madagascar's soil and climatic conditions and are trying at the moment to ensure that the use of existing varieties are maximised", says Mr René Ratsimbizafy, Director of Programming in the Ministry of Agriculture and Agrarian Reform.

According to the director, while the production of the traditional crops—coffee, vanilla and cloves—will be intensified, the emphasis will be on diversification. "We will try to revive those crops which once had export potential but which for various reasons have declined. I mean such crops as maize, tropical fruits, medicinal plants and oil seeds," he says.

There is no doubt that fisheries is an area that has great development potential. Madagascar is believed to have important resources in tuna, lobster, prawns and shrimps. Indeed, an evaluation of these resources is currently being done with partial finance from the EEC, which also has a three year fishing agreement with Madagascar permitting vessels from the EEC to catch 11 000 tons of tuna annually in return for a fee of $ 600 000. A number of other foreign fleets, especially the Japanese and Soviet, operate in Madagascar's waters. Locally there are


MIN. INF.

José Rakotomavo, Minister of Industry, Energy and Mines

four fishing companies based in Morondava, Mahajanga and Nosy Bé, which together catch 150 000 tonnes of fish annually of which virtually all are exported.

Although there are 10 million head of cattle, mainly the Zebu breed, in the country, the price of beef in the market is very high for the average family and there has been a decline in exports. The reasons are, of course, not far to seek. Livestock is reared traditionally and peasants are usually reluctant to part with their animals as they represent both an investment and a sign of wealth. Furthermore, the country's abattoirs do not meet the required health standards of the European Community where Madagascar has an export quota. The EEC is, however, assisting Madagascar to upgrade its abattoirs but it is already obvious that an increase in beef production will require a different approach to husbandry (see interview with the Director of Planning).

The overall objective in agricultural development is not so much increasing production and diversifying exports as better integrating the sector into industry, providing the domestic manufacturing sector with raw materials to save badly-needed foreign exchange and give added value to exports.

Industry: in great need of foreign investment

The manufacturing sector has always been weak. It contributes 16% of GDP and employs only 4% of the total labour force. The recent crisis almost knocked it out of existence, with little or no foreign exchange for raw materials and for spare parts to keep machines working. And, there lies the handicap of the sector, it developed on the transformation of imported raw materials like paint, textiles, food, leather, footwear and plastics. Although the food and the textile industries are now better integrated than when they started (all the domestic production of cotton for example, is now used by the local textile industry), agricultural production will need to be geared more towards the needs of the manufacturing sector. Emphasis will be on small and medium-sized enterprises, particularly on those aimed at import substitution, not only in the areas of food and clothing but also in energy, industrial inputs and capital equipment.

It should be noted that enterprises owned by Madagascans are few and far between. They are mainly small family businesses. The bigger ones are either nationalised industries or parastatals. Notable is Omnis, the agency which controls all military and strategic industry, including the Sacren naval dockyards and ship repair facilities at Diego Suarez. The poor performance of some of the state industries cannot be put down entirely to lack of spare parts and raw materials. There was also the problem of mismanagement or incompetence or lack of foresight. The Ze-Ren Fertilizer plant is a particular case in point. Built at a cost of $ 75m and opened in May 1986, the plant is already over-producing urea and ammonia without prospects of exports. This plant, along with many others, is to be privatised. Currently the plants are being evaluated prior to sale, according to Finance Minister Pascal Rakotomavo. While priority will be given to local businessmen, foreign investors are expected to acquire most of the companies. Efforts, as seen, are being made to attract them in the certain conviction that foreign capital is vital to the achievement of Madagascar's industrial strategy. The investment code, and the planned "free zone" in Antananarivo, are part of the measures aimed at them.

But are they likely to respond? It is said that the nationalisations of the 1970s are too fresh in the minds of many foreign investors for them to get involved in the country once again. The visit of a delegation of the French employer's association, the CNPF, was negative but Industry Minister, José Rakotomavo, dismisses it saying: "If you are thinking of industrialists who really want to invest, who really want to do something in their own interest and to develop North-South relations, they are already investing in three or four projects, some are about to go into operation, others are under discussion. I can give you examples in the areas of transformation of sea produce, like fish canning and in clothing. It is a movement that has actually begun and will continue... Besides, the Government has just agreed for Madagascar to become a member of MIGA (Multilateral Investment Guarantee Agreement), enough to reassure reluctant investors."

The World Bank is working closely with the Ministry of Industry, Energy and Mines to develop domestic sources of energy to reduce external dependence and meet the expected increase in demand, especially of industry. There is on the table an IDA credit of US$ 67 m in the form of a soft loan from the World Bank's special fund for Africa for Madagascar's industrial and trade adjustment. These were agreed to last year. Oil and gas exploration has been going on in Madagascar for years. Small deposits have been discovered but none appear at the moment commercially viable. The heavy oil deposits at Isimororo, estimated at 4.8 bn barrels and the 2 bn cubic metres of gas deposits off Morondava discovered earlier this year offer some prospects.

Madagascar has sizeable mineral deposits, but these are scattered and mostly inaccessible at the moment. There are, however, deposits that are being mined: chrome ore (of which Madagascar is the tenth largest producer in the world—some 120 000 tonnes of chromite concentrates annually which bring in around $ 3 m), iron ore and bauxite. There are some deposits of mica, marble, graphite and semi-precious stones which are being mined. Deposits of ilmenite, zircon and phosphates have been found. Mining is no doubt an area where the Government will again require considerable foreign investment.

Export is the operative word

Inevitably, to achieve greater self-reliance in both food and consumer goods, the country must be able to export—and that, precisely, is the operative word. Madagascar has run a large trade deficit for many years as a result of low prices, and in some cases production difficulties, and consequently it has had consistent current account deficits. These have traditionally been financed through aid and borrowings, the latter only serving to aggravate the country's debt burden.

The Director-General of External Trade, Mr Pierrot Rajaonarivelo, believes Madagascar's structural adjustment programme will almost certainly result in the boosting of agricultural and industrial output to a point where exports will be revived. Already "the June 1987 devaluation", he explained, "has rendered our products more or less competitive abroad. Previously when the Madagascar's currency was overvalued and our balance of trade was always below what we expected, it was because we could not, due to the high cost of our products, put them on the international market,". The country, it must be admitted, has not taken full advantage of the devaluation because of its dependence on a few crops constrained in volume by the world market—coffee, vanilla and cloves. But Madagascar could have export outlets other than the traditional ones. Under ICO's agreement its quota for coffee has been reduced to 760 000 bags. In 1987/88 season it produced 850 000 bags. The excess was sold to the Soviet Union and that country represents an immense market yet to be fully tapped; cloves, whose output is between 10 000 to 12 000 tonnes a year ran into difficulties last year as a result of the collapse of world prices and the liberalisation policy which saw stocks released onto the market. Madagascar, however, has an agreement for sales of around 10 000 tons of cloves to Indonesia and "all its producers are working hard to ensure that this contract is honoured and once they have done this they are free to prospect other buyers," says Mr Rajaonarivelo. "As for vanilla, let's not talk about it, its market is already well organised" he added. Indeed Madagascar and the Comores operate a kind of sales cartel on vanilla, virtually fixing the world price themselves.

It is the regional market, however, that Madagascar has set its eyes on. "We have the land," says Mr Rajaon-

The Courier

Pierrot Rajaonarivelo, Director General of External Trade

Serv. Inf.

Emyrne meat canning factory at Antananarivo

The industrial strategy aims at better integration of agriculture into manufacturing arivelo. "Madagascar within the Indian Ocean will represent a supply market for perhaps raw materials (agricultural produce) and why not later for semi-finished and manufactured products... Already within the framework of the Indian Ocean Commission, the Comores, Seychelles, Mauritius and Réunion have expressed the wish to see Madagascar become the source of supply of raw materials for their industries."

For Industry Minister, José Rakotomavo, however, it is the increasing use of cheap substitutes, particularly for sugar, and disguised protectionism in the industrialised countries against such Third World products as textiles that worries him. While he admits that Madagascar has yet to meet its quota for sugar allocated in the European Community under the Lomé Convention, he pleads for greater understanding. "Although we have to meet first our domestic needs for textiles, our ultimate aim is to export. We are making a lot of efforts to improve the quality of our products and that is where we need the understanding of Europe so that they do not close their markets. They are, after all, among the most solvent countries," he said.

Tackling the social problems

If all goes well, these strategies for economic revival will make considerable impact on the employment situation (250 000 are unemployed in the urban areas). Already one positive effect of the crisis has been the number of graduates (unemployed for years) and civil servants, who are coming together to create small businesses of their own in agriculture, industry and services. Their potential for job creation cannot be underestimated. A review of the educational system, particularly its financing, is to be made to ensure that investments are channelled to areas of priority in the training of manpower. This will help avoid the present situation where graduates are forced to remain in the University longer than necessary to acquire qualifications for which there are no jobs.

FED

As well as reducing fertility, a campaign is to be carried out to vaccinate mothers and children against common diseases

The immediate problem for the Government is the improvement of people's purchasing power and living standard. This year minimum wages and salaries of civil servants were raised by 8-12%. Inflation is over 30%. The liberalisation of internal trade and prices, if not backed by adequate increases in production in the coming months, could result in higher prices, as traders used to hoarding could revert to their nefarious practices. For rice, though, there is no problem. The Government operates a buffer stock system which could be used, as in the past, to keep prices down or to target a particular group. The stock has been strengthened recently with aid from Italy and Japan.

Although the Government, in the general reduction in public expenditure, did not touch the health service, it is still very much underfunded. Expenditure here represented US$ 3 per person in 1985. It receives only 1.4% of foreign public aid as against 3-5% for Sub-Saharan Africa. A review of funding is underway, including means of improving basic health services throughout the country. This is linked to a plan aimed at reducing the rate of fertility. A campaign is also to be carried out to vaccinate mothers and children against common diseases. Minister of Finance, Pascal Rakotomavo, says assistance will be given to local pharmaceutical firms to produce drugs to meet local needs and bring down prices.

Obstacles ahead

There is no doubt that the debt burden remains the greatest obstacle to the achievement of these goals. Indeed, the World Bank Consultative Group, at its meeting in Paris last February, drew attention to it, urging Madagascar's creditors, the Clubs of Paris and London, to be more flexible. The Madagascar Government would like to see debt servicing brought down to less than 35% of export receipts, to make more foreign exchange available for implementation of the 1986-90 Development Plan. A meeting of the Club of Paris on Madagascar's debt is planned for spring this year.

But the debt burden apart, Madagascar's geography poses another problem. Far away from the main international markets in Europe and America, its exports and imports are expensive. This has had adverse effects on the economy in the past and will continue to do so unless the regional market assumes greater importance in the coming years.

A large island continent stretching 1500 km from North to South, its road networks are in very poor condition. Of the total of 40 000 km of roads only 3 957 km are tarred (10 170 km are unpaved but maintained regularly by regional authorities, the rest are feeder roads). In the rainy season many of the roads are impassable. This poses serious constraints to an integrated approach to development and contributes to higher prices (see Interview with Director General of Planning).

Madagascar has also to contend with bush fires, most of which are criminally started. There is the problem of erosion about which the Government appears helpless at the moment because of the scale of it, and then deforestation, a process which started a long time ago and has now reached alarming proportions. There are projects throughout the country for planting eucalyptus, mainly for firewood.

Population growth is perhaps one of the most crucial of the obstacles. Income per capita is only $ 240. Madagascar's population has risen from 7.6 million in 1975 to 10.3 million in 1985. Growing at around 3% per annum it is estimated that by 2015 it would have risen to 28 million at the most or 20 million at least. Whichever is the case, the Government's overall objective of matching economic growth rate to that of population will not be easy. ○

AUGUSTINE OYOWE

Basic data on Madagascar

Land area: 587 000 km^2

Population: 10.3 million (1986 estimate); density 17 per km^2; 55% active distributed as follows: primary sector 87%, secondary sector 4% and tertiary sector 9%

Main towns
Antananarivo: 1.2 million (1986)
Toamasina: 118 000 (1985)
Fianarantsoa: 102 000 (1985)
Antsiranana: 100 000 (1986)
Mahajanga: 99 000 (1985)
Toliary: 56 000 (1985)

Climate: Tropical, cooler in the highlands

Currency: Malagasy franc (Mgfr). (1)

Languages: Malagasy, French

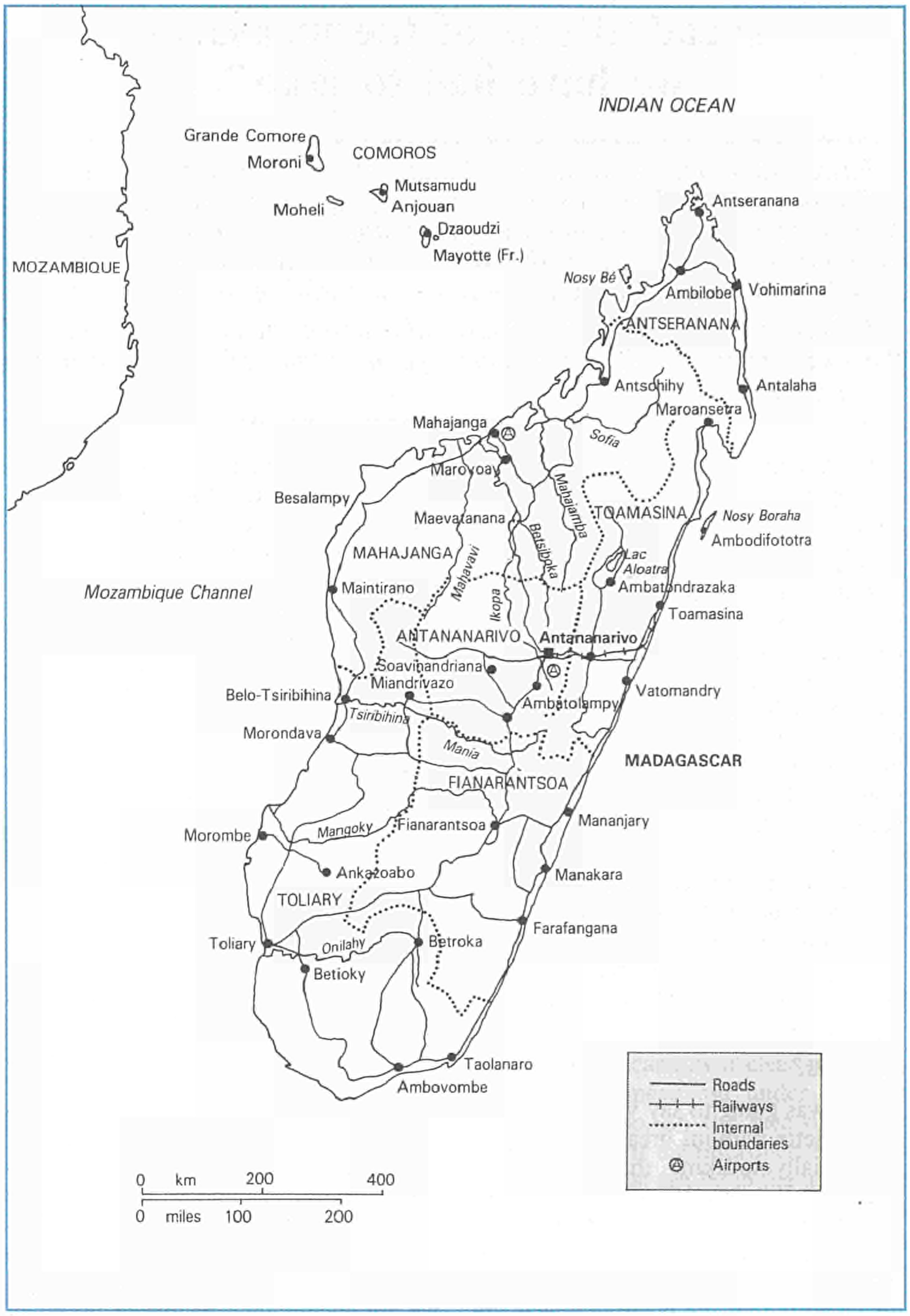
Cash crop production (2)
Coffee: 59 000 tonnes (1986 estimate)
Raw sugar: 102 000 tonnes (1986 estimate)
Cloves: 69 000 tonnes (1986 estimate)
Vanilla: 600 tonnes (1986 estimate)

Mineral production
Chrome: 68 600 tonnes (1984), 69 000 tonnes (1986);
Graphite: 14 200 tonnes (1984)

GDP (Constant prices 1987 estimate) (3): Mgfr 1950 billion; GDP growth rate: 2.2%; income per capita: $ 240

Main commodities traded by value (4)
Exports (1986): Coffee — Mgfr 93.9 bn; vanilla — Mgfr 33.6 bn; Cloves — Mgfr 24.1 bn. Total Mgfr 214 bn
Imports (1984): Raw materials — Mgfr 64 bn; Energy products — Mgfr 58.3 bn; capital goods Mgfr 49 bn; Consumer goods — Mgfr 22.5 bn; food — 15.6 bn. Total Mgfr 209.6 bn

(1) 1 ECU = Mgfr 1653,6.
1 US$ = Mgfr 1500.
(2) International Coffee Organisation and International Cocoa Agreement
(3) The World Bank
(4) Central Bank of Madagascar and the European Commission



Main trading partners (4)
Exports (1986 % estimate): France 30%, USA 17%, Japan 12%, West Germany 7%, Singapore 5%, Italy 5%, Spain 5%
Imports (1986 % estimate): France 31%, USSR 9%, USA 9%, West Germany 6%, Japan 6%, Thailand 5%, Qatar 4%

Balance of current account (1984): $ – 183 million (6)

Foreign exchange reserves (as at June 1987): $ 156.9 million) (7)

(5) IMF

(6) IMF
(7) IMF

"We genuinely deplore the social effects of the measures we have had to take"


The Courier

Pascal Rakotomavo, Minister of Financial and Economic Affairs in the Office of the President, has been in charge of structural adjustment in Madagascar for more than five years now. At its Paris meeting in February earlier this year, the World Bank Advisory Group said the island's adjustment drive was the most successful of its kind.

In this interview, Mr Rakotomavo talks about the positive results and the social effects of the adjustment operation and of the future of the country's economy.

▶ *Minister, how do you see your country's general economic situation at the present time?*

— It's rather difficult to be very precise about this, as economics is a problem. It's not an exact science. All I can tell you is that Madagascar can still count on a certain amount of positive growth as things stand. Maybe not at the level it would like, but, shall we say, the negative trend of the past five or six years is slowing down. So things are better overall. We should like to see this continue, of course, by which I mean we should like to see the economy expand at roughly the same rate as the population. We expect to manage this, if all goes according to plan, over the next year or 18 months at the latest.

▶ *Do the results so far justify the social costs?*

— I was going to say you can't make an omelette without breaking any eggs. But socially speaking, that would be a rather cynical way of putting it. We genuinely deplore the social effects of the measures we have had to take to right the economy, but the important thing for us all is that the positive effects are being felt by more and more people as the months go by. That, I hope, is what is really happening at the moment, although there is still a fair majority feeling the full force of the negative effects you mentioned, particularly in the towns. It's a vicious circle. Either you try and improve the situation overall or you try and deal with sectoral problems on a one-off basis. Personally, I am convinced that these negative effects will gradually fade as the general economic situation improves. In other words, if there are more jobs and if more industries are working and there is more production, then we are going to feel the real effects at the level of the individual. So we have to have hope. The worst thing is not having hope. Once the measures have been taken and worked out technically, then I believe there will be an overall improvement — although it has to be intensified for the effect on the individual to be noticeable.

▶ *Purchasing power has dwindled a lot over the past few years with the successive devaluations, hasn't it? What have you done to raise the standard of living?*

— Purchasing power can only be helped by a few more means of payment. That may sound a bit like a truism, but what I mean is that a few more jobs mean a bit more purchasing power for the family. That is very important and it's something we are working on at the moment. We are creating as many jobs as we can with labour-intensive projects and with the smaller businesses which are at the sort of financial and management levels we have here in Madagascar at the moment, we are encouraging people to invest in the existing firms and offering direct and indirect tax incentives too. That is the spearhead of our drive to improve the purchasing power of the people. Obviously, we also need a more far-reaching policy going on alongside so as to ensure they keep it. Inflation has to be avoided... and here I am referring to careful management of the money supply. We think that the present liberalisation is making for a better supply situation — and better supplies mean more supplies and more supplies mean lower prices. Just think, the price of rice hasn't actually moved at all over the past two or three months... that's one way of protecting purchasing power with prices. If you look at the newspapers now, you will see that things have gone down over the past three months. There have been small price cuts here and there. In extreme cases, the existence of supply has even cut out the speculators.

So much for prices... which brings us to wages. We think that if our firms are doing better, if they've got a bit more money coming in, then they can both recruit more and pay more. I used the word wages, but I should have said payment, because the basic wage isn't the only thing. There could be a housing drive, for example. This is an area in which we have in fact launched a scheme to make low-cost accommodation easier. We intervene directly on the wage front, of course, but in a fairly limited way, because we have to avoid a kind of wage-inflation spiral. So you can see that through either jobs or remuneration geared to social benefits or just through better supply, we could achieve the aim of protecting our economy. I'm not talking about improving it for the time being. We have to start by preventing it from slipping backwards.

▶ *Will the economy be run according to the dictates of the market now, without any State intervention?*

— It's not as clear-cut as that, because there is no such thing as a totally free market economy. Even in the most capitalistic, liberal countries, the police-State—and here I am speaking in economic terms, of course—still intervenes. The State is there and what we are doing is changing the direction of State intervention, trying to prevent the State from being a direct economic operator, although it still has to be the fount of general and sectoral policy. It has to control a certain environment in which the laws of the market, of supply and demand, operate better, avoiding monopolies and so on. But the State can also influence things one way or another by the specific action it takes, so it has a job to do as controller, coordinator and regulator — what I call an economic policeman rather than a coercive one.

▶ *What will the money, which the World Bank Advisory Group provided for you recently, be used for?*

— I had the opportunity of saying what I thought about this just after the Group met. The main idea is to improve the flow of capital. There are two sides to a developing country's problems. There is the purely financial side, the debt we hear so much about—and let us hope it leads to something positive and serious in the very near future. And there is the fact that, come what may, the flow of capital has to be better—along two tracks, of course, with projects run with grants such as the EEC uses for 80% of its interventions. We get European aid in the form of grants. There is no doubt that the project aid will continue to be stepped up as far as possible and we shall be working with a fair number of other countries and international organisations even. But our present problem is also a financial one, that of the balance of payments. If the country is to tick over properly, if the means of production are to work to capacity, then we have to have the foreign exchange we need. This is where aid for the balance of payments comes in.

▶ *Resheduling of your debt hasn't lightened the burden... You are still spending a lot of your export revenue on debt servicing, aren't you? What proposals have you made or would you like to make to your creditors to overcome this impasse?*

— The President of the Republic has explained Madagascar's position several times, both in the OAU and in the UN only a couple of years ago. We in Madagascar in no way repudiate the debts we have contracted. But we hope that our creditors will give us a few years' respite, a kind of medium-term moratorium, so we can improve on our economic health.

If we had the capital we needed, we think that we could cope in the medium term. And at that stage, the debt would need to be more manageable, consolidated that is, so that it can be spread over a certain number of years, over a fairly long period, so it is, or can be seen as, a debt on soft terms.

▶ *Are you planning on Madagascar going back into the franc zone at all?*

— That would mean people being willing to accept us.

▶ *Do you wish they would?*

— It's a partnership. But as things stand, we want the maximum benefit of the certain degree of freedom we currently have. So there is no question of going back into the franc zone at the moment.

▶ *The World Bank Advisory Group thinks you need rapid growth to cope with your economic problems. Does the country have all it needs to do this?*

— The Group comes under the World Bank and the economic projections were made with their help. The estimate you mentioned just now is a common one and it's one we have looked at and revised.

What is meant by rapid? Rapidity is not absolute. What is essential is to get our economy growing faster than the population as soon as we can. The whole calculation is based on that.

I don't believe in economic rapidity, because there are always limiting factors in any economic situation, particularly in an under-developed country — which isn't, to my mind, a problem that is specific to Madagascar. But growth must be sustained. And rapid is a word used a little too easily. You can't double or treble the growth rate in two years. It can't be done.

▶ *Can we look at your privatisation policy? Many people in Madagascar are afraid that the policy of encouraging foreign investment will lead to a disproportionate number of foreigners being involved in the country's economy? What do you think?*

— We've already talked about this a lot. The fear is certainly founded, I think, but although Madagascar has come up with an investment code, like other countries, it has not done so just for the sake of it. It is trying to attract foreign capital.

I mentioned the flow of capital, didn't I? Well, the idea is to get foreign capital to come to us. Of course, we must keep things in proportion. We will have to be careful. But obviously Madagascar won't accept a return to a colonial-type system of foreign domination.

We think that the people who come here will be businessmen who want to work under a general develoment policy laid down by the Government. That is a *sine qua non*. But we are not automatically wary of any foreigner coming to Madagascar. If we were, there would be no opening up to the outside world.

▶ *Will they be excluded from any sectors? Banking, for example?*

— By no means. We have just passed the Banking Law. Parliament approved it last week, on Monday (4 July). So legally speaking, banking is now open to the private sector, be it national or foreign, and even to foreign States too. In a development bank, for example, we need funds from friendly countries. There is nothing exclusive about it. So if our laws have helped this opening to the outside world, it is something really fundamental.

▶ *Now for ACP-EEC relations... As you know, negotiations for the new Convention will be starting in a few months' time. How do you see the previous Conventions? And what are you expecting from the new one?*

— Madagascar saw a clear improvement in European aid under the last Convention, so, on the face of it, my answer is that if the improvements continue, they must not be to the detriment of the others. What Europe has to do in the new Convention is to provide a large increase in its aid to the developing nations. Everyone agrees with that, I think.

But there is more to it than quantity. Schemes other than capital influx ones must be run too.

Europe has committed itself to specific exceptional aid, for example, with the balance of payments. It has already done this and we think it could concentrate a bit more on this new departure. We have ECU 15 million, I think, and I hope it will be approved in the projects we have presented. We hope it will be a bit more next time. But that isn't something just for Madagascar. It's a new EEC decision.

Europe, we think, carries a great deal of weight, vis-à-vis Africa especially, when it comes to debt. We should like to see the new Convention deal more directly and more sensitively, if I may say so, with countries affected or potentially affected by this debt problem, even if only by replenishing Stabex or something similar. This could improve Europe's direct decisions which can do so much to help the debt problem — setting up counterpart funds and replenishing Stabex funds, of course, but going beyond these specific things, there are more general problems, such as laying down a code of conduct on the debt for European countries to follow. We echo our President in hoping that Europe adopts an overall approach rather than a piecemeal one. Why can't Europe, which is more directly involved in Africa, embark upon a preferential dialogue with the African nations, particularly those south of the Sahara? Because Europe—and this is a conviction I share with my Government—will have to live with the African market. So it is in the mutual interest of us all. The future is at stake. Just think. European losses in the stock market collapse, for example, accounted for as much as the whole of sub-Saharan debt put together, yet the countries of Europe aren't poor as church mice after it. So why can't they solve Africa's debt problem? It would only have a relatively minor effect on their economies, after all. They could make a far bigger gesture towards their partners, the ACPs.

We are always talking about partnership, after all. If your partners aren't credible, then there is no partnership. That much is obvious. I think it is in the mutual interest of Africa and Europe for the Convention to have a really positive effect on this particular problem.

▸ *What do you think about the duration of the Convention?*

— Economically speaking, I think, unlimited or long periods are difficult by definition. We think the present duration is a good one, but we aren't going to fight about it. Things can always be changed and the time limits of the Convention now mean that the partners can get together fairly often. Maybe that puts a bit of pressure on everyone, because the negotiations are long and difficult, but it does mean that there is virtually a permanent dialogue going on.

Interview by A.O.

"A time for building and a time for managing"

An interview with JEAN ROBIARIVONY Director-General of Planning in the Presidency

▸ *Sir, your Government has radically changed its thinking on economic management. Have the Madagascans, who have been hearing about socialism for a long time, changed their attitude too? Are they following you, do they understand you and are they willing to make further sacrifices?*

— That's a question which I, as Director-General of Planning, who have no direct political responsibility here, find difficult to answer. The interesting thing as far as I am concerned is that, since 1975, we have been trying to do something under the banner of socialism and during that time, even when things were very difficult, we did what was needed to lay down the basic structures of what we wanted and, most important, of what the people wanted.

There is no getting away from the fact that a great deal was achieved in every field, and that the international situation prevented us from doing more. Not only that, it even prevented us from making a decent job of what we had built and this greatly distorted all our possibilities, particularly when it came to efficient management, in spite of good will on all sides, amongst both the people and the Government.

Shall we say that the international situation led us to discover a new reality—that there is a time for building and a time for managing and that management, alas, is a "thankless child" with no feelings, who forces you to make drastic cuts in what you have built up. Because management is what we call the child of the economy—which means that what counts is efficiency. So saying that the Government has changed its tune... no... I don't think that's right. Its thinking is the logical continuation of a process, shall we say.

Socialism doesn't mean you mustn't manage. Absolutely not. Socialism is a way of looking at man and management is a way of looking at the economy. At a given time, one or other must lead the way, without there having to be any opposition between the two. It's a question of what you do in the circumstances.

Can I perhaps give a personal opinion here? There is a tendency to think that when you contrast socialism and capitalism, as often happens, you are also contrasting the social and the economic. That's wrong. That's no longer the case. We're not in the 18th or 19th century any longer. We have made enormous strides in our thinking, on both what we call the capitalist side, if there still is a capitalist side as such, and on the socialist side, as it was known a century back.

I think we have reached the point where international relations are so closely intertwined that no-one is safe from upheavals that originate from other countries. So I think that, as these linkages are so strong, everyone, regardless of the system under which he lives, has to reckon with the international constraints — and advanced nations, the industrialised countries, can react faster than the developing countries can. But everyone tries to respond to the environment, regardless of his fundamental beliefs.

"Our people have a sense of good measure"

▸ *The gap between rich and poor has widened even further over the past few years of austerity. How will*

The Courier

Jean Robiarivony

you be ensuring that people get fairer shares of the national cake?

— Times are hard, as you know. I should like to set the international problem largely aside, because it is there and it has to be coped with. What is the problem at the national level? First of all, to have a bigger cake to share out. That's it, basically, and it means everyone making a bigger effort. The question, therefore, is how to share the effort before sharing out the cake, because for the moment we have to try to make a bigger cake.

I think it is very difficult to have a policy that is entirely independent, alas, because if you take, say, the products that bring in for us the most foreign exchange, what is happening at the moment is a deterioration in the terms of trade in primary products and what does it mean? That the developing countries' incomes are declining in comparison to those of the developed countries and, in particular, that the income of the peasants in the developing countries is dwindling too.

Our idea at the moment for a bigger cake, is that regardless of the effort we have to put into increasing its size rapidly, I am very much afraid that there is no ready-made policy for sharing out the effort everyone has to make. There is economic machinery for doing it, of course: there is the price policy, the subsidies policy, etc., but there again we should perhaps face up to facts — that State resources are currently limited, so the State cannot have any major effect on redistribution within the nation.

Taxation cannot really do much here. If we are to try and see that the burden is shared as fairly as possible, then I think all the State can do is correct the excessive effects of everyone's efforts a little.

One category of the population will gain by it, of that we are aware. And another category will lose out, of that we are also aware. So we will perhaps need to bring in some clearly-defined social measures geared to the category likely to be hardest hit. And later when we have a bigger cake, we shall see how we will distribute it.

But there is one principle we adhere to and it is this:" From each according to his abilities, to each according to his needs". It's not just a slogan. It's something we in Madagascar believe in, which, maybe, is why you don't see the scandal of great wealth in this country of ours, nor the scandal of too much poverty, on average, compared to other countries maybe more advanced than we are either.

Our people maybe have a sense of good measure—rich perhaps, but not too rich. And it's this collective outlook, which is not just an economic one, it is a question of society, whereby the rich take care of the not-so-rich and the not-so-rich can lean on the rich, that gives a kind of balance in a society. So there it is. But I repeat, that it is far more a question of society than a question of economics.

Exports: an opening in the countries of the South

▶ *The key word at the moment is exports. You just mentioned the deterioration in the terms of trade... isn't there any prospect of Madagascar righting its trade balance?*

— Shall we say that our idea is to go on exporting our traditional products even though we have problems on the international market, as we are well aware. But the idea at the moment—on this key word of all-out export—is far more about diversifying the products we export to the international market. We want to diversify our products and diversify our markets too, because we have tended all too often to export solely to the industrialised countries in the North. We think there is an opening for us elsewhere, particularly in countries of the South.

We have insisted on the need for these South-South relations—our President has always emphasised them—and I think that the policy we are following at the moment is in response to this and that it is in our interest to buy goods in the countries of the South where the same quality is cheaper most of the time, places such as India and Brazil. With these countries it is possible to have proper trade relations.

It may be a way of helping us reorganise our production, of redeveloping our goods and trying to combat the deterioration in the terms of trade. We are living through a period when the only way of re-establishing our ability to accumulate is to try and export more and better.

▶ *In this drive to diversify, what natural resources do you think will be better exploited or are still to be exploited?*

— Here we are concentrating on industrial products, textiles, for example, and hosiery products in general and maybe food products too as we always used to. We exported canned meat and filleted meat to the countries of the Common Market, you know. We are making a big effort now with tuna fish and we are exploiting our mineral resources — and let me mention our ilmenite sand here.

We currently have an association with a Canadian firm with a view to exploiting the ilmenite deposits in southeastern Madagascar. We are also looking at the possibility of exporting cement to the Indian Ocean area, via an association of the islands of the Indian Ocean. We are running studies on this at the moment, to see if it would be good not just for Madagascar but for the other islands of the Indian Ocean as well. I think that ideas are also evolving when it comes to offering free zone facilities to attract investments and increase production and maybe help us find better outlets for our new export products.

The outlets are there, we believe, and we are trying to run studies on them, but unfortunately it is taking longer than we anticipated. But over the next two years, I think we shall have a very clear idea of what projects we need to run in relation to the free zones and our potential outlets on the international market.

▶ *You mentioned meat. For a country with around 10 million head of cattle, your meat costs rather a lot on the market and you haven't yet managed to exploit all the markets available to you outside. Why aren't you developing your meat industry? We know that traditional herding is some sort of a handicap in that the peasants look upon their animals as a sign of wealth... Why can't you go in for large-scale exploitation as they do in, say, Botswana or Zimbabwe?*

— Cattle rearing has always been a problem in this country — not so much in terms of market, but in terms of the domestic organisation of both production and marketing. We still haven't found the right way of coping with cattle marketing problems because it costs a lot.

The cost of taking the cattle from the rearing point to the consumer and export centres, in particular, is excessively high. Why is this? It is because the cattle tend to walk to these centres and they lose 10-20% of their body weight on the way, which is too much. So there are extra fattening costs to try and bring them up to more or less the right weight, which makes the price of beef very high. Perhaps we should be introducing a new type of cattle, a bigger breed, which is more resistant, because we have had problems of this sort in the south.

We have, to some extent been trying to improve our present breed, but for the moment, unfortunately, we are not doing so on a really industrial scale. It's been going on gradually, over the past 20 years. We have found a breed of cattle, the N'délé breed, which is what we need and tends to give good results, but we still have to solve the transport problems.

There have been plenty of ideas about shifting cattle on the hoof. We know we will have to bring in much more rational transport arrangements than we have at present, although the initial investment is huge. If, say, you use cattle trucks, you still have to finance them. Experience in certain zones—those which have had the assistance of international finance—suggests that this really should be adopted in preference to the traditional method.

The situation, as it is, is rather odd— there are as many cows on Madagascar as people but the results are not obvious. In the outside world, our only market, practically, at the moment is the European market — with all its well-known constraints. We haven't exported beef to the Common Market for four or five years now because our slaughterhouses are not in line with its health standards.

And as for the regional market... Madagascar once supplied Comoros and Réunion, but things have changed. We are gradually improving things, but on an entirely different basis. How can you re-establish normal trade relations after the financial problems we have all had and all the political ground that has been covered? We think that the Indian Ocean Commission could lead to something viable for us all, as far as exporting our meat to the other islands is concerned. There are prospects here, I think, but I cannot tell you for the moment what they are.

Rehabilitation of the road network

▶ *Can I come back to your transport problem? Madagascar's econ-*

The Courier

Cattle on the way to Antananarivo

The animals walk from the areas where they are bred to the centres where they are slaughtered, losing 10 to 20% of their weight in the process

omy is rather handicapped by the problem of distance. If you are going for integrated development, how do you intend to develop your road network?

— It was in 1982 or thereabouts that we began trying to improve our roads. Don't forget that this country is on a hurricane path and that virtually every year we are forced to redo the work on the roads. But we have started coping with the big road deterioration problem with programmes which we think are effective, because we have now made a start on rehabilitating everything on the Tana-Antsirabe road. We have done Tana-Majunga and driving is good between Tana and Tamatave too.

Some regional highways have been rehabilitated and more are being done under the 7th regional road project financed by the World Bank and various other funders from many places.

The idea is to have a fully integrated road network, a town and country network that is better geared to trade and exchanges between people from the different parts of our country.

The state of the roads reflects our resource allocation, it is true, but we think that we have started to take the bull by the horns and we have nonetheless managed to set up what we believe to be an efficient programme which can reasonably be implemented over the next five years. Our aim was to try and finish rehabilitation of our road network by 1990, as part of our 1986-90 plan. We are about a year behind, but it doesn't matter. By 1990 we would have had 60% of our roads rehabilitated. So I think the essentials will have been done over this period.

The road west of Lake Alaotra financed by the EDF
"The state of our roads reflects our resource allocation"

The environment: an action programme

▶ *Is the Government also worried about the country's serious deforestation and erosion problems?*

— We are maybe one of the first countries of Africa to be seriously aware of the problem of deforestation and of the environment in general, which is why, back in 1985, there was an international conference on the environment here. We have thought about these problems a lot and we have an action programme. I am leaving aside the problem of the survival of rare species of animal.

What I am concerned with here is the question you asked about deforestation, which is a very serious issue in this country, it is true, and one which is maybe made worse by some of the things the people do to have loose soil when the rainy season comes.

But what I want to say is that, at the moment, in the preparation of our environmental action programme, we have a whole section on rehabilitating our forests as part of the energy production drive. Only at the beginning of this week (1) there was a seminar on biogas here.

This is one aspect of the search for alternative energy, but there is a whole series of policies in, say, the Energy I project, involving meeting energy requirements, particularly in towns such as Antananarivo, with plants turning out such things as rice husk brickettes. Now rice husks are obtained for practically nothing, but fuel you have to pay for. This is just one example of what we are doing — particularly by Lake Alaotra where we intend to set up small plants to turn out rice husk brickettes for the market, to be used in our improved stove schemes. As you know, the energy efficiency of the stoves we are using at the moment can be improved by about 30-40%. And that will no doubt mean a saving on wood. We have also improved the laws on our forests, for which we get help, and we have a whole series of programmes financed by the World Bank — Forest III.

We are channelling large amounts from the public budget, especially the National Fund for Economic Development, into reafforestation, and every year we have a big programme for the schools and the general public to protect the forests and help extend them. This country, which was once called the blue island because it was covered with trees, is now called the red island because all you can see is laterite. But the hope of all of us here in Madagascar is for the country to return to the state it was about a century ago and become the blue island of our forebears once more. ○

Interview by AO

(1) 4 July 1988.

Le Palais de la Reine *(the Queen's Palace)*

One of Madagascar's most important tourist attractions, Le Palais de la Reine (the Queen's Palace), is currently being renovated. Built in the 1830s on one of the three hills that dominate the capital, Antananarivo, the palace sums up the 19th century history of Madagascar. To those who are familiar with it, a visit can be fascinating. They could have the impression, through the documents and objects that have been preserved, that the events of that century were unfolding once more: the comings and goings of foreign ambassadors, correspondence, court intrigues, murder and usurpation. To those unfamiliar with this history there are guides on the spot to provide riveting explanations.


The Courier

The entrance

The "bloody" monarch

The palace in question is of course the big one built by Queen Ranavalona I (the "bloody" monarch as most historians have dubbed her) who, in 1828, succeeded her husband Radama I. Around it are small palaces associated with different periods of the Malagasy monarchy. Near the entrance, on the left-hand side of the courtyard, the tombs of the departed sovereigns (the Queens on the left and the Kings on the right). And just immediately after, the tall "Silver Palace" of Radama I where many royal objects and documents are now on display. A little further, in a kind of enclosure, is the royal hut of King Andrianampoinimerina, built with black wood and very well preserved. Nampoina, as he is often referred to, founded the Malagasy monarchy in 1785. One of the many princes that ruled in the island continent, he raised an army, subjugated lesser sovereigns, imposed taxes and created administrative districts in his newly established Kingdom and married 12 women from the 12 tribes that make it up to unite it. In his hut are two wooden beds, raised 2 metres above the ground and accessible by ladder, one for the King and the other for the Queen. All around the wall are untensils—large spoons, pots and mugs that were used for communal meals by kinsmen and nobles. It was Nampoina who declared: "Rice and me are but one person" and who at his death in 1810 left a political will for his son, Radama I, which says: "The sea shall be the boundary of my ricefields," meaning that his kingdom should extend to the sea.


The Courier

In the background, a side view of the Queen's Palace; in the foreground on the left, the residential quarters; in the middle, Nampoina's hut, and on the right, the palace of Radama I

"King of Madagascar"

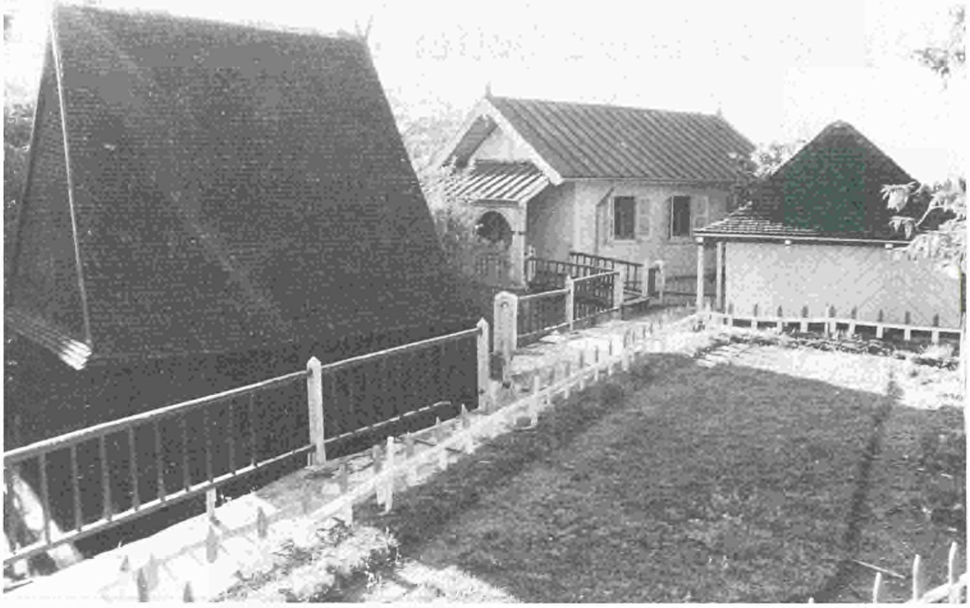
Radama I obeyed his father's will. With the help of the English Governor of the island of Mauritius, Farquhar, who wanted to see the French expelled from Madagascar, he set out to conquer the East coast, from Tamatave through Vohemar to the Antesaka country. He seized the French trading post of Sainte-Marie and assumed, for the first time the title of "King of Madagascar". A treaty was signed on 23 October 1812 between Radama I and Farquhar which stipulated, among other things, the abolition of the slave trade. A copy of the treaty is on display.

Beyond the Andrianampoinimerina's hut are the private quarters of the royal family, themselves being extensively renovated. A couple of metres towards the edge of the hill and at the left-hand side of Queen Ranavalona I's imposing palace is a small hut built in the style of Nampoina's palace where the dead monarchs were first laid in state before burial. Bottles of holy water can still be seen, as well as the open coffin.

The Queen Ranavalona's famous palace was constructed by the French engineer Jean Laborde who was also once the Queen's adviser. It was a period when the Malagasy monarchy was becoming very well known in Europe. But the Queen was soon to have a different idea of Europeans whose culture and influence she viewed with suspicion. Under the influence of the ruling class she reverted to the worship of ancestors, persecuted and murdered Christians, expelled missionaries and isolated Madagascar from foreign contacts. She sent military expeditions to quell revolts within the kingdom, but her attempts to expand her kingdom failed. She died an old woman in 1861.

Strangled

Her son Radama II, who had been brought up by Laborde in the admiration of Europe, tried to undo all his mother had done, but excessively and too rapidly for the liking of the Prime Minister and his brother, Army Commander Rainilaiarivony. They assassinated the King by strangling him rather than by shooting or stabbing, it was believed, to avoid the taboo of spilling royal blood. A painting of the unfortunate monarch, who reigned for only two years, hangs both in the private quarters of the royal family and at their summer residence at *Ambohimanga* (the Bleu Hill), a couple of kilometres from Antananarivo.



The royal summer palace in Ambohimanga (the Blue Hill)

Rainilaiarivony replaced his brother as Prime Minister in 1864 and governed for 30 years marrying successively three queens, Rasoherina, Ranavalona II (1868-1883) and Ranavalona III on whom the sun of the Malagasy monarchy was to set finally, on 30 September 1895, when she surrendered to a French expeditionary force sent to confirm a French Protectorate over Madagascar, a right which the English had conceded to the French as far back as 1890.

Queen Ranavalona III signed a peace and protectorate treaty with France on 1 October 1895. The treaty, bound in a blue velvet cover, and the small table on which this historic event took place are also on display—a treaty and a small table which ushered in the colonial era. Queen Ranavalona III was exiled to Algiers. A photograph taken of her during this period hangs at the summer residence.

Among other fascinating things on display are the gifts and the correspondence of Queen Victoria of the British Empire to the successive Queens of Madagascar. The letters speak mainly of the opening up of Madagascar to international trade. There is also a velvet red robe sent as gift to Queen Ranavalona I by Napoleon III. The Palace of the Queen is no doubt a mine of information for researchers.

Particularly intriguing in the turbulent lives of these kings and queens is the almost certain combination of traditional religion, which went by the name of custom, with Christianity. The Bible had been translated into Malgache. A copy of it is on display. Under Radama I, missionaries went about their business unhindered and Christianity spread. At the same time, at the summer residence at *Ambohimanga,* the ritual killing of the the cow and ritual baths still took place, reaching their height in the reign of Ranavalona I.

These monarchs were, nevertheless, enlightened. They took considerable interest in science and technology. It is clear from the tapestry, the wallpapers, the scale bearing the name of Galileo that still stands in the middle of the table in the balcony and the several ambassadors that they sent out to different countries, that they were in constant contact with the Far East and the West. This favoured the early spread of education in Madagascar. ○ A.O.

EEC-Madagascar cooperation

Helping to make better use of resources

by Henri SPRIETSMA (*)

At independence in 1960, Madagascar officially became associated with the European Economic Community through the Yaoundé Convention and then in 1975 through the Lomé Convention. As with the other ACP States, the idea of EEC cooperation is to help the country exploit its natural resources and improve economic infrastructure.

Madagascar is under-populated, with an estimated 10.3 million inhabitants (1985) spread over a vast, rugged territory—of which about 63% of the total (587 000 km^2) is farmed. The urban population, increasing by 5% p.a., is 21% of the total, itself increasing at the rate of 3% p.a.

Per capita GNP, at US $ 240, makes Madagascar one of the poorest nations in the ACP Group. The disorganisation and the rapid deterioration of the production facilities have altered the spread of GDP, with the share of manufacturing and services dwindling a lot since 1965 and increasing the vital importance of the rural sector.

Madagascar is no longer in the franc zone. It left in 1981, but it belongs to the Indian Ocean Commission, a regional body, and the IMF, the IBRD and the OAU.

The EEC is its main trading partner, taking 84% of its exports and accounting for 71% of imports. The main export products are coffee, vanilla and shrimp and Madagascar promotes its trade by taking part in specialised trade fairs (tourism included) with EEC help.

Financial and technical cooperation

Since 1960, Madagascar has received a total of ECU 600 million (Mgfr 970 billion at the present rate of exchange) through cooperation with the Community. Most of the schemes have been in the rural sector, infrastructure and human resources (health and training). The largest amount of aid provided for the Democratic Republic of Madagascar has been from the three Lomé Conventions.

The table gives a breakdown by sector and by instrument (global figures to June 1988).

	Lomé I (in ECU)	Lomé II (in ECU)	Lomé III (in ECU)
I. Indicative programme	69.2 m	78.0 m	125.0 m
— Rural development	41 %	41 %	45 %
— Economic infrastructure	31 %	26 %	22 %
— Social development	10 %	14 %	12 %
— Miscellaneous	18 %	19 %	21 %
II. Food aid	3.8 m	10.3 m	3.0 m (2)
III. Emergency aid	1.7 m	2.8 m	0.3 m
IV. Stabex	5.7 m	7.5 m	— (3)
V. Other (1)	9.0 m	2.8 m	2.0 m
VI. EIB	2.3 m	21.2 m	24.4 m
Total	91.7 m	122.6 m	154.8 m

(1) Special schemes, fisheries agreement and NGO cofinancing.
(2) Not including the 1988 allocation — decision to intervene in July 1988.
(3) Not including possible transfer for 1988.

Lomé I

The aid provided under the 4th EDF national indicative programme was ECU 69.2 m and 41% of it went on agriculture and rural development (micro-hydraulic schemes, rehabilitation and creation of small irrigated plots and the promotion of nut growing), 31% on economic infrastructure (especially improvements to the Manakara-Irondro, Sambava-Soanierana-Ivongo and Ankaramena-Ihosy roads and the building of three bridges on the east coast) and 10% on the social sector (a multinannual training grants programme, fitting out of six technical high schools and training for managers at the CFC in Antsirabé).

The country also had Stabex transfers worth ECU 6.7 m and benefited from regional projects for something like ECU 5 m. Combined with the ECU 5.5 million-worth of food and emergency aid and ECU 9 million-worth of special schemes, this brought the total to more than 132% of Madagascar's indicative programme.

Lomé II

The amount of the national indicative programme under the 5th EDF was ECU 78 m, broken down to reflect the nation's economic priorities. In the rural sector, schemes begun under the 4th EDF were pursued, particular emphasis being on micro-water engineering schemes to ensure village water control via small dams, bridges, culverts etc, thus increasing both the number of paddies and the rice output per hectare. Microprojects were improved and extended and this helped to raise the standard of living of the peasants and to slow down the move to the towns.

Rehabilitation of the Mahajanga, Morondava and Antanavarivo slaughterhouses, which had to be undertaken to obtain the veterinary authorisation necessary to export to the EEC, was begun in 1983. A one-off sum of Community aid went to the coconut and oil palm crops in view of the importance of these products when it comes to supplying the local market with oils and fats and pro-

(*) Economic Adviser to the Commission Delegation in Antananarivo, Madagascar.

moting exports and foreign exchange earnings.

Rehabilitation of one or two of the main highways was also continued under Lomé II, more particularly the RN5 between Ambilobe and Vohémar (bridges and culverts) and the RN7 between Ankaramena and Ihosy. Direct and indirect benefit came from the regional projects into which the Community channelled a total of ECU 20 m under Lomé II, in particular for telecommunications, aerial navigation, staff training, renewable and alternative energy supplies and commercial tuna fishing. This tuna project is the biggest 5th EDF regional programme in the Indian Ocean, with ECU 6.3 m over and above the resources of the Tuna Association of the Indian Ocean Commission (Comoros, Madagascar, Mauritius, Réunion and Seychelles) and it aims to obtain a better knowledge of the tuna resources of the area and thereby lay down the conditions for evaluation, management and exploitation that best suit the means of the region.

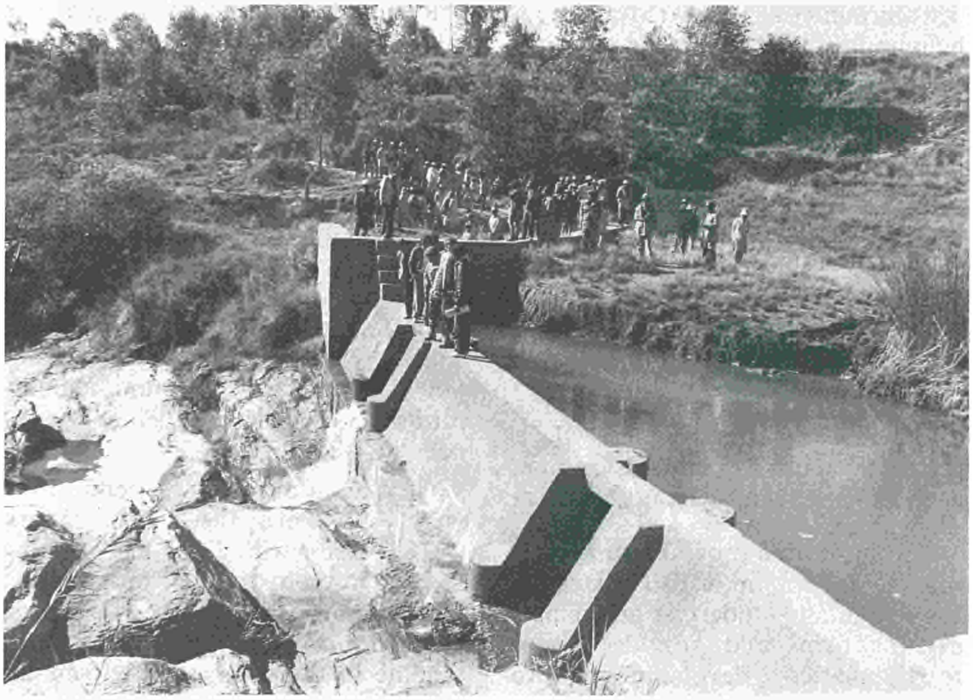
A considerable amount also went to human resources (health and training) infrastructure under Lomé II. Stabex transfers of the period of the Convention amounted to ECU 9.2 m and were to make up for losses incurred in the coffee, sisal and vanilla export sectors.

Emergency aid was supplied following various hurricanes (Justine, Honorinina and Kamisy) over the period. It was worth a total of ECU 7.8 m.

Food aid of almost 100 000 t cereals (mainly wheat), 1 650 t milk powder and 380 t butteroil was supplied under the annual programmes between 1982 and 1986 and increasingly large grants went to complement the resources of NGOs working in the country.

Lastly, the Community gave ECU 1.9 m under the special world hunger campaign programme (1984 budget) for an agricultural input and equipment (fertiliser, plough attachments, etc) import programme.

The EIB gave ECU 21.1 m for a line of credit for small businesses and industries, a textile firm, a fishing concern and a study of Bemolanga grit.



An EDF-funded micro-hydraulic project at Arivonimamo, one of many throughout Madagascar

Lomé III

The national indicative programme under Lomé III is worth ECU 125 m. This includes ECU 15 m allocated under the Special Community Programme for certain poor and heavily-indebted countries of sub-Saharan Africa, but not the EIB risk capital (estimated at ECU 20 m at the start of the Convention). The indicative programme was drawn up with the Malagasy Government in November 1985 and it is fairly different from preceding programmes in that it puts greater emphasis on supporting the sectoral policies aimed at rural development (the main idea is to achieve self-sufficiency in food, with the development of rice, maize and oilseed crops, by getting peasant smallholdings off the ground again) and at the development of road infrastructure (rehabilitating the road network). A Community contribution (with other donors) is provided for a national road plan and improvements to the rural service roads. This will take about 78% of total resources.

National priorities dictate that the bulk of the resources will be used to finance rural development projects and programmes with a view to self-sufficiency in food. Over and above the general improvement of the standard of living in the rural areas, the Government aims to restore a favourable economic environment, capitalise on existing production potential and rehabilitate agro- and agro-industrial production units. The Government has taken or will be taking the following agreed measures:

— rationalisation, reorganisation and revitalisation of the extension and supervisory services;

— reorganisation of the hydro-agricultural network management system, in particular the financial contributions of the users;

— reorganisation of the input distribution system;

— consolidation of the rice trade liberalisation measures and the periodic raising of the prices paid to the producer and withdrawal of consumer subsidies;

— implementation of a nature conservation strategy with a view to the harmonious and lasting development of the environment;

— liberalisation of marketing of export crop products;

— coordination of aid donors, in particular for the agricultural plot rehabilitation programme.

Community aid is geared mainly to helping the country become self-sufficient in food by continuing the support for the microhydraulics operation and the scheme to develop water resources in the south (including pastoral schemes), promoting food crops through support for rice, oilseed and maize production and developing fishing and herding resources, in particular with a view to improving people's protein intake.

Energy, mining, industry, craft, trade and training schemes will be getting 22% of the Commission-managed funds at Madagascar's disposal.

The indicative programme has earmarked ECU 20 m of EIB risk capital to rehabilitate, modernise and expand existing firms and provide support for fisheries development programmes.

Regional cooperation, which has taken on fresh life since the Indian Ocean Commission was formed, has received something like ECU 26 m.

Rate of commitment

The first year of implementation of Lomé III, 1986, was one during which a number of programme and project specifications were drawn up, while 1987 saw the start of a series of 6th EDF indicative programme commitments—which are being continued this year.

New commitments at end 1987 were up at the 38% mark (ECU 47 m), with ECU 8.4 m going to the microhydraulics programme, ECU 6.6 m for the microprojects, ECU 5.1 m for the water supply scheme in the south, ECU 10 m for rehabilitation of part of the RN4 (between Antananarivo and Mahajanga), ECU 4.2 m for a training support programme and ECU 12.8 m for the programme to rehabilitate small irrigated plots in Antsohihy. All these schemes were begun in 1987. Total 6th EDF commitments by end 1988 are expected to be 68%, an acceleration obtained partly by three sectoral input programmes currently being assessed in accordance with the provisions of Article 188(1) of Lomé III.

These three sectoral import programmes (SIPs) will be used as support for the sectoral policies laid down in the national indicative programme. One of them will involve Community support for the social measures accompanying a structural adjustment programme which has been going in Madagascar for the past five years. o H.S.

Industrial cooperation with Madagascar — example of a new form of assistance to the developing countries —

by Jean CARON (*)

How can we help the Third World speed up its take-off and its integration in the economy of the developed countries? How can we make a practical and positive job of the much sought-after industrial cooperation and partnership between firms in North and South?

These ideas were behind the scheme the Malagasy authorities set up with the help of the European Development Fund and the Centre for the Development of Industry. The aim was to develop the ready-to-wear clothing industry for export and the approach used was a new, three-phase one.

Phase one — the approach

First of all, openings on the big foreign markets had to be found. The demand for each category of goods—i.e. the volume of products imported, consumed and exported—had to be analysed, as did the production, import and distribution structures and motivation and demand in the import sector. This study covered both French and Belgian markets and the various sub-sectors (weaving and knitting) of the clothing trade.

Then there was a study of the local industrial network, the clothing companies as well as firms spinning, weaving, knitting and finishing further up the production process.

Diagnosis in the clothing sector concentrated on finding firms which could adapt to export requirements. For many years, these people had been working solely for the local market and they were very much out of touch with the commercial and technical demands of Europe.

The idea was to select businessmen who were in a position to envisage exporting their goods. The two selection criteria related to:

— the management being able to meet the demands of the new markets—both its ability to appreciate the new constraints and then to set up the right sort of structures to cope with them has to be assessed;

— size and the technology used. Although this criterion is important when it comes to the first contact with people abroad, as it projets the first picture of the firm, flexibility was the order of the day. If the level was just acceptable but the management's willingness and ability to export is no doubt, then it had to be helped.

It was decided not to suggest technical modernisation plans to the firms. Facilities had to be defined in the light of the types and quality of the articles to be turned out. There is no longer any multipurpose ordinary equipment. The demands of the big European and American markets are precise. The adaptation of equipment, the organisation and the facilities also have to take account of the lines that are to be produced, as the firm must be in the best position as far as international competition is concerned.

This phase ended up with examination of the general weaknesses attendant on the logistical environment

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and local regulations, followed by a study, with the local authorities, of the possibilities of improvement. The authorities' guarantees were a condition of the operation's chances of success.

A synthesis of all this work made it possible to define a strategy for approaching the European markets, showing whom to market with and how to tackle the projected clientèle.

In Madagascar's case, the goods were sportswear-type clothing and the desired clientèle the big clothing retailers who could provide models, technical assistance and product marketing.

Phase two — identifying possible partners

At this stage the potential European clientèle could be sought and informed about the new import possibilities.

The market study run in phase one was a great deal of help here.

The operation began with general information on the possibilities, putting the merits of the goods from this new place of origin to the fore. Personal contact and personalised requests for information followed this up and some European operators went out to Madagascar to get a clearer idea of what was involved.

The phase ended with declarations of intent from customers or potential partners or with regard to investment projects.

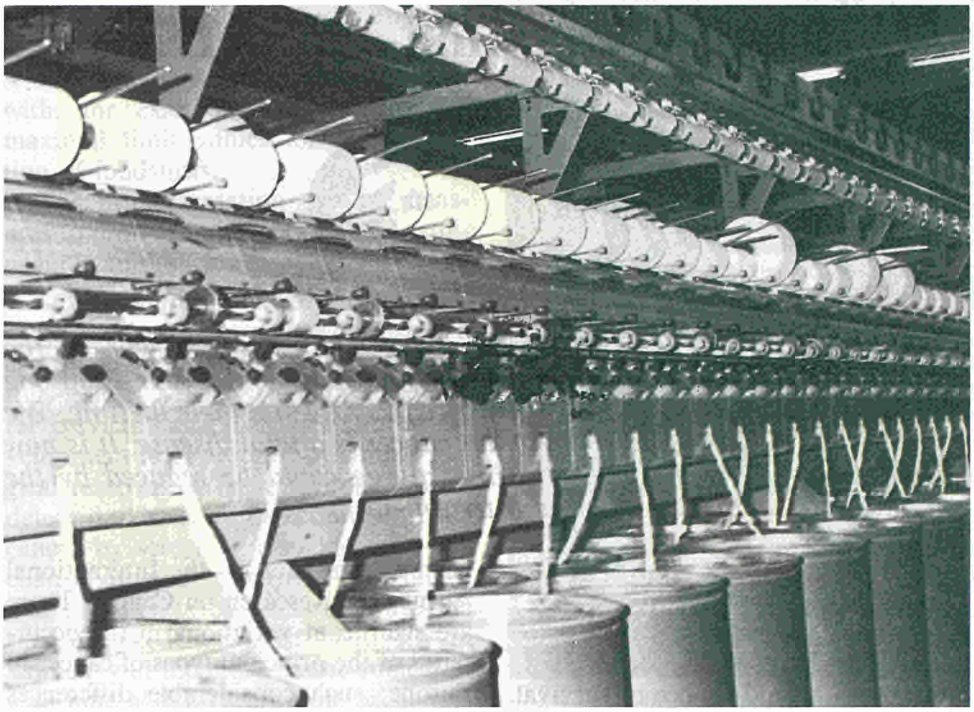
Phase three — help with concluding agreements

The project helped local and foreign operators to conclude agreements in the light of the declarations of intent. This meant assistance with the first negotiations and the production of prior studies for new investment projects.

Three sub-contracting contracts and two new Franco-Malagasy investment projects were announced at this stage.

Results

These are positive achievements and the negotiations now being held suggest that the combined figure for new turnover in the coming three years will be ECU 20 million.



A textile mill

"This study covered... the various subsectors (weaving and knitting) of the clothing trade"

The cost of the scheme, ECU 300 000, is a function of the time needed to succeed (two years) and is low compared to the initial economic spin-off—around 1% of turnover over the first three years.

This new production will mean that the clothing sector can create 500 new jobs within three years—not counting the indirect effects on the other sectors.

The additional investment will be around ECU 1.5 million, to include buildings and equipment.

The projects currently being run will saturate new and existing capacity in three years. It is hoped that by then the new "Made in Madagascar" products will attract new customers and investors to the country. The competitiveness of Grande Ile is noticeably better than that of other international clothing manufacture centres.

Conclusions

Over and above the fact that this type of scheme is fully in line with the latest recommendations of Lomé III, it represents a very pragmatic approach to the development of the private sector, as it prepares operators in the developing world for contact with operators from the developed world and paves the way for constructive dialogue.

The gap between the economies of these two groups is often such that collaboration is difficult to generate. European partners are often biased against the developing countries and they are particularly worried about the environment, which is far different from anything they are used to. And the local partners find it difficult to meet the demands of the European markets as they do not always understand what is involved.

The above process of industrial co-operation is, *per se*, often slow-maturing and difficult to quantify at the outset, particularly when it comes to helping with the conclusion of agreements in phase three. In view of the misunderstandings and biases the processes of study and negotiation, on which the decision-making depends, have to be constantly accompanied. And every contact is a special case. But the last phase is of course the most important one, for it is only then that practical results can be achieved.

Let us hope that this new approach can be developed to help close the gap between North and South. ○ J.C.

Europe against cancer (*)

Europe is taking up arms against cancer. It is a just war. If the increase observed in recent years were to continue, by the year 2000 one European in three would be stricken by cancer during their lifetime. We no longer have to accept, however, that cancer is a fatal disease. It is now established that the incidence of this scourge could be reduced by the combined effects of prevention and treatment.

Cancer can be avoided and cured

Today about 50% of persons with cancer have a good chance of survival. In addition, due to preventive action, significant reductions have been noted in the occurrence of certain types of cancer. This is particularly striking in the case of stomach cancer, where the decrease may be due to improved eating habits. In certain countries, such as the United States and the United Kingdom, the incidence of lung cancer in young and middle-aged men is now going down, thanks to the beneficial effects of the anti-smoking campaigns which started earlier in those countries than in others.

The risk of dying from cancer in Europe has been mapped for the European Commission by the International Agency for Reseårch on Cancer. There are significant variations in the occurrence of the principal types of cancer in Europe; such considerable differences between countries, even between one region and another, often indicate that differences in lifestyles, working conditions and environment play a role.

The nature of the factors responsible for differences in cancer risks is not always well understood, but it is now universally accepted that three quarters of cancers are due to external factors. These factors, when fully understood, can be modified. Today, although all cancers cannot be prevented, a certain reduction is within reach.

Europe too provides hope

At their meeting in Milan in June 1985, the Heads of State or Government of the European Community agreed in principle on a European programme against cancer, so that the Community might take more account of the concerns of its citizens in regard to health.

Since January 1986, a committee of high-level cancer experts has been advising the European Commission on the formulation of the Europe Against Cancer programme. This programme has two cornerstones: the knowledge that a substantial number of cancers can be avoided and the fact that early detection of some types can lead to a better chance of cure. The aim is to reduce mortality from cancer in Europe by 15%, between now and the year 2000.

The programme covers four areas: cancer prevention, health information and education, training of health personnel and cancer research.

Where it all begins: cancer prevention

Tobacco and alcohol are without doubt at the origin of almost a third of all cancer in Europe; diet may play a role in the development of another third. Other factors such as occupational exposures to certain chemicals, exposure to ultraviolet rays, certain viral infections and radiation also carry a risk of cancer. European activities to prevent cancer are grouped under five major headings:

—*The anti-smoking campaign.* Numerous studies of lung cancer have shown that about 85% of cases are linked with smoking. Furthermore, in smokers the risk of cancer is increased in all tissues that come directly or indi-

(*) Extracts from the document "Europe against cancer", published by the Directorate General for Information, Communication and Culture of the Commission of the EC.

Cancer deaths in Europe (1982)

Country	Total deaths	Cancer deaths		
		Total	Lung (men)	Breast (women)
Belgium	112 428	26 821	5 433	2 024
Denmark	55 114	13 774	2 170	1 145
Germany	715 857	159 958	21 326	13 327
Greece	86 349	17 035	3 278	1 171
Spain	290 672	56 854	7 476	3 3351
France	554 823	126 632	15 635	8 927
Ireland	32 877	6 220	1 046	500
Italy	545 291	123 717	20 779	8 729
Luxembourg	4 171	1 036	178	86
Netherlands	117 264	31 811	7 104	2 897
Portugal	92 551	14 727	1 232	1 148
United Kingdom	662 802	147 659	29 426	13 941
European Community	3 270 173	726 244	115 083	52 246

Proportion of European cancer deaths attributable to various factors

Factors	Best estimate (in %)	Range of estimates (in %)	Estimated annual number of deaths
Tobacco	30	25 - 35	220 000
Alcohol	4 (1)	2 - 5	30 000
Diet	30 ?	10 - 50	220 000 ?
Occupation	4	2 - 8	30 000
Infection	3 ?	1 - 10	22 000 ?
Geophysics (2)	3	2 - 4	22 000

Source: Based on World Health Organisation data.

(1) Could be higher, certainly extremely variable by country (e.g. 10 % in France).

(2) Ionising radiation and solar rays.

rectly into contact with tobacco smoke: lips, tongue and mouth, throat, oesophagus, pancreas and urinary tract. By using the powers available to it, the European Community will strengthen national activities in the fight against smoking. For example, to eliminate barriers to trade which hinder its economy, and to take fuller account of public health concerns, the European Community will, before the end of 1992:

- Align taxes on tobacco upwards, which will cause cigarette price rises—in some cases substantial ones—in southern European countries.
- Harmonise the labelling of cigarette packets, by making obligatory health warnings of the kind given in countries such as Ireland ("Smoking causes cancer").
- Prohibit cigarettes with a high tar content, as is already done in Spain and Portugal.
- Eliminate tax-free sales of tobacco products for travellers within the Community.
- Protect children against the sale of tobacco products, including "clandestine" advertising.

— *Improving eating habits.* The conclusions about tobacco smoking are unambiguous; so are the observations about the drinking of alcohol. By contrast there are still uncertainties about the influence of eating habits on the development of certain types of cancer. However, the research available points to a few important observations: excessive weight and a diet low in fresh fruit and vegetables or in fibre increase the risk of certain cancers.

Accordingly, activities of the Europe Against Cancer programme include:

- Amalgamation of existing data on nutrition and cancer and more detailed epidemiological research in Europe.
- Consumer protection through better nutritional labelling for foodstuffs, to be implemented before the end of 1992.
- Formulating nutritional recommendations and supporting health information and education campaigns.

— *Protection against carcinogenic agents.* Four major initiatives are envisaged:

- Speeding up the establishment of an inventory of carcinogenic chemical substances.
- The adoption of new directives on the protection of workers in order to reduce the number of occupational cancers, as has already been done in the case of asbestos.
- Protection against ionising radiation with, for example, the adoption of maximal limit values for contamination of foodstuffs.
- The implementation of new measures to protect consumers against carcinogenic substances.

— *Systematic screening and early diagnosis.* In certain organs or tissues, a cancer is often preceded by precancerous lesions. Thus, systematic screening for cervical cancer enables cancer development to be stopped by simple surgical removal of the cancerous lesions detected. The early detection of breast cancer by screening also increases the chance of cure. Cancer of the breast and the uterine cervix, which are the tumours occurring most frequently in women, will therefore be the subject of a specific action to promote exchanges of information on systematic screening and early diagnosis.

— *The European Code Against Cancer.* The high-level cancer experts who advise the European Commission have drawn up a few simple rules by which people can help to significantly reduce their own risk of cancer. This European Code Against Cancer has been approved by Health Ministers of the 12 Member States and by all the cancer associations. As emphasized by the European Community Committee of Cancer Experts: "If the European Code were respected, there would be a significant reduction in the number of deaths froms cancer in the Community; the decrease could be about 15% by the year 2000".

Inform and educate in order to save lives

Cancer is not necessarily a fatal disease, yet it is a subject on which obscurantism is the rule. The European Community has therefore decided to reinforce existing national activities in the health information and education field, working through those who have an essential involvement, such as the associations and leagues against cancer and family doctors.

Through these well-placed agents, the Community encourages the widest possible dissemination of the European Code Against Cancer. The Community encourages exchanges of experience between the relevant authorities in all

"Alcohol and tobacco: a deadly cocktail"
A Portuguese campaign poster dramatically illustrates the pernicious effects of drinking and smoking on health

member countries, so they can benefit from each other's successes and failures and avoid unnecessary and costly duplications of effort in the development of basic modules for health information and education.

This European campaign of health information and education is assisted by the results of a survey, "Europeans and cancer prevention". It was carried out in the spring of 1987 on 12 000 persons aged 15 years or over; they were questioned at home, in order to assess the extent of smoking in Europe and to test their knowledge of the European Code Against Cancer. The survey shows that there are still approximately 94 million smokers among the 254 million Europeans aged over 15. It indicates that the health consequences of passive smoking are not very well known, particularly in Portugal, Spain, the Netherlands and Germany. One very encouraging fact demonstrated is that the public massively supports measures against smoking envisaged at national and Community level. The survey also shows that not all aspects of the European Code Against Cancer are equally well known; knowledge of the nutritional aspects is weak, except in Denmark. As for the advice aimed at women, regarding screening for cancers of the breast and uterine cervix, there is a considerable disparity between knowledge and action.

Two essential initiatives form the substance of the European campaign of information and cancer prevention:
— The European Cancer Prevention Week, from 1 to 7 May 1988.
— The European Information on Cancer Year in 1989.

During these two periods, everybody concerned—private organisations involved in the fight against cancer, health personnel, health ministers, the European Community—have undertaken to engage in specific activities particularly aimed at promoting the European Code Against Cancer (publication of brochures or special editions of their magazines by the associations and leagues against cancer; organisation of open days in anti-cancer centres; display of the European Code in the waiting-rooms of family doctors, hospitals, etc.).

Thus, the European Community has financed television programmes to be broadcast during European Week by at least one television station in each of the 12 member countries:
— A 45-minute film "Lifestyle and cancer in Europe".
— A 30-minute studio programme "Man and cancer".

These films for the general public are available free for all non-commercial use, in particular for use in health education.

Improved training for the health professions

General practitioners and specialists, nurses, dentists and stomatologists have a decisive role to play in the fight against cancer. According to the European Community Committee of Cancer Experts, training programmes for these professions may be improved to meet the needs of cancer prevention and treatment. The aim of the European Community is to assist exchanges of experience between the Member States and to draw up the minimum content of training programmes. This last point is additionally justified by the need to allow the free movement of members of the health professions and their freedom to settle and practice anywhere in a Europe without frontiers.

The European Community also provides financial encouragement for:

— The mobility of medical students and student nurses among the different countries and between various services, so that they may acquire the multidisciplinary state of mind required for cancer treatment and prevention.
— The preparation and exchange of teaching materials, particularly with regard to mastering techniques for the early detection of certain cancers.
— The development of computer programmes for "expert systems" to enable doctors to improve the quality of their diagnosis or treatment methods.

Research: collaboration in order to go further, faster

The progress made in biomedical research has already resulted in regular improvements in the long-term survival chances of patients with certain cancers. However, the practical achievements of research in Europe may still be improved by better collaboration and coordination.

The pooling of European resources in cooperative projects is as necessary as it is appropriate, in order to achieve a truly European cancer research effort without national frontiers.

— The European Community encourages the movement of ideas and people by annually granting 50 European fellowships to research workers eager to continue their training in the laboratories of another Community country.

— In addition, the European Community fosters the coordination of research work in order to improve cancer prevention:
• Epidemiological research is being developed on five principal themes: European coordination of medical research on food and cancer; a stepping-up of research on occupational cancers; continued cofinancing of studies dealing with the prevention of radiation-induced cancers; the implementation of a European programme to investigate passive smoking.
• With regard to screening and diagnosis, two research areas in particular are being explored in depth: automated tissue analysis and medical scanning, especially nuclear magnetic resonance (NMR).

— The Europe Against Cancer programme also involves Community research on anti-cancer therapies, and in particular:
• A European network of data banks on cell cultures that produce monoclonal antibodies.
• Research into genetic engineering and protein engineering for the production of anti-cancer medicines.
• Studies aimed at reducing the general toxicity of cancer-killing drugs ("targeting").
• Research to improve the administration of anti-tumour substances.
• Clinical research, particularly within the EORTC (European Organisation for Research and Treatment of Cancer).

— Finally, the European Community is aiming for a better coordination of fundamental research. Research in the area of carcinogenic viruses has, in effect, revealed the role of certain oncogenes—genes which could be involved in the origin of a cancer. Today, more than 20 oncogenes have been recognised and their genetic code identified. In the future, the European Community should participate in exploratory research work on the genetic aspects of cancer.

The Europe Against Cancer programme is now operating in the four key areas: cancer prevention, health information and education, training for the health professions and cancer research.

In this fight against illness, suffering and death, the European Community plays a specific role by using its prerogatives in areas such as the establishment of a market without frontiers, the common agricultural policy or the policy on the environment, and by providing "added value" through synergy, partnership and exchange which are the only means of realising the full value of national activities.

The success of this European programme requires the mobilisation of numerous bodies, in particular the associations and leagues against cancer, the health professions and the media, which are all essential for spreading information among 320 million Europeans and motivating and mobilising them.

Fifteen percent lower mortality from cancer by the year 2000. That target brings a hope of life to 150 000 Europeans. Thus, in the area of health, as in others, the European Community can demonstrate the unique value of its "multiplier effect". ○

Prices of food products in Africa

by Hadi ABOU-MRAD

This article is related to the processing and interpretation of data in the "International Comparison Project" (ICP), whose objective is to compare National Accounts aggregates and the prices of some goods and services in several countries. The Statistics Office of the European Communities (EUROSTAT) was in charge of coordination of the project for Africa. The aim of this article is to describe the impact of prices on supply and demand for foodstuffs and to construct instruments for evaluation which take into account the interaction between economic and nutritional variables; the ICP provides a valuable and relevant data base for this purpose. In order not to burden the reader with technical considerations, the details of calculations and methods are contained in a working paper which is available on request [1].

The food situation in Africa

For the last two decades agriculture in Africa has been characterised by a growth rate which is slower on the whole than the growth of needs: this can be seen in the deterioration of the balance between food supply and demand, and by a continuing situation of malnutrition. These two factors, covered by the concept of food insecurity [2], constitute one of the main obstacles to development in Africa.

Price distortion has often been mentioned as the main cause of mediocre performances (over-evaluation of exchange rates, farm subsidies...). However, the complete liberalisation of farm prices does not seem sufficient to revive production, while nutritional levels, which are extremely low, may continue to deteriorate, particularly in the poorest countries and in the **vulnerable sections** of the population.

The food situation in Africa is characterised by **protein and vitamin deficiency**, as well as micro-nutrient deficiency (calcium...), which exercise a permanent effect on the growth of children, and on health, morbidity and general activity of the entire population. It would be an illusion to expect an automatic upsurge of production simply by acting on prices, while remaining aware of the impact of malnutrition and other structural obstacles on human activity and productivity.

The multiple role played by prices

The role of prices is perceived differently depending on whether one considers food production or consumption.

High prices can provide **stimulating** remuneration to producers, and contribute to strengthening food self-sufficiency. This factor was unfortunately neglected in most African countries until the beginning of the '80s, when structural adjustment programmes reversed the downward trend of farmers' nominal income. The positive impact of prices on agricultural production is still conditioned by the farmers' ability to **mobilise resources** (soil, water, labour, seed, fertiliser, tools...) or to innovate in order to increase production, which depends on the quality of the environment and of the infrastructure (loans, mobility of labour, availability of inputs). Basically, an increase in farm prices will give incentive to producers only if ordinary non-agricultural consumer goods are accessible on rural markets in sufficient quantity and at acceptable prices. If this were not the case, then an increase in income would not **increase the farmer's well-being** above the subsistence threshold. The farmer may then opt for rest or leisure, or may even use a lot of his energy in non-productive pursuits, such as a long trip into town to purchase goods essential for his well-being. The observation of **urban/rural** price ratios for a number of non-agricultural products (see table) shows that the increase of **real income** in rural areas cannot be limited merely to a higher remuneration of agricultural production, but it depends on the smoothness of marketing circuits. We also note that a large number of products are not available in shops in these areas, which makes the estimated prices in rural areas much lower than the real cost of living [3].

At the same time, low prices which are supported provide an effective instrument in improving consumption levels and in controlling malnutrition, particularly among the most impoverished sections of the population. However, political considerations and the influence of pressure groups **deflect** these measures to the detriment of the have-nots. Basically, fixing farm prices below the level of market prices is usually to the detriment of the farmers, and the difference is generally badly compensated.

Subsidies for agricultural production were instituted in order to avoid making the farmers pay for the price support policy. However, these measures are often selective and favour crops which are neither the most profitable (in terms of market value) nor the most efficient in terms of food security, as we shall see in the following pages. Price fixing, even at a level which favours both consumers and producers, is an obstacle to **self-regulation** of the market; floating prices are often a warning or an alarm signal, enabling a quick appreciation of the supply and demand situation. This can often be a source of shortages (price liberalisation in Somalia between 1982 and 1986 brought food production into line with demand and avoided a repetition of famine) or "over-storage" (particularly in export products: cocoa, coffee...).

Support of **fertiliser prices** and other inputs is another means of subsidising both production and consumer prices. However, these measures favour capi-

(1) From the Statistics Office of the European Communities, Batiment Jean Monnet, Rue Alcide de Gasperi, L - 2920 Luxembourg, Grand Duchy of Luxembourg.

(2) The difference between the concepts of self-sufficiency and food security is that the latter, apart from seeking a balance between production and consumption of food, integrates the need to satisfy food requirements of the entire population.

(3) This factor has rarely been included in the estimation of consumer prices; it should be possible to evaluate the total price to be paid by rural households to buy these goods by adding the cost of transport, or the commission paid to the middleman, to the purchasing price in town, or even in the capital; this substantially modifies the calculation of their real income.

Urban/rural price ratios for a number of locally manufactured or imported goods

Item	Congo	Côte d'Ivoire
Skim milk powder	0.81	0.94
Olive oil	0.78	–
Refined palm oil	0.89	1.00
Soluble ground coffee	0.72	0.97
Table salt	0.99	0.87
Alcohol vinegar (with colouring)	0.90	0.90
Ordinary Scotch whisky	0.90	0.85
Red table wine	1.17	0.71
Guinness beer	0.95	0.91
Ordinary toasted tobacco cigarettes	0.79	0.96
Child's sandals	0.34	0.84
Gas stove	–	0.76
Coal iron	0.93	1.09
Fork	0.88	0.54
Household soap	0.80	0.69
Polish	0.86	0.96
Aspirin (100 tablets)	0.82	0.99
Peugeot moped	–	0.99
Bicycle inner tube	0.58	0.96
Champion spark plug	–	0.93
Portable radio 2 wave-lengths	0.57	–

tal-intensive crops (wheat, rice...) to the detriment of traditional crops.

One last form of intervention aims not at dropping prices but at stabilising them with respect to international price fluctuations and to crop variations inside the country (stabilisation funds and other anti-speculation measures). However, these measures may encumber the marketing circuits because of bureaucratic red tape and the storage costs they generate.

A wrong allocation of resources, expenditure by the state budget and bureaucratic unwieldiness are three consequences of the various price support measures which frequently neutralise the expected benefits.

Price interventions then have several consequences which are sometimes mutually antagonistic. In a situation of austerity, the choice between measures in favour of consumption (immediate satisfaction of fundamental needs and encouragement of demand) and those which stimulate production (profitable prices, optimum allocation of resources and stable environment) leads us to search for more suitable statistical indicators.

Seeking a new approach

The poor results of food policy are much more the consequence of the determination of priorities and targeting of interventions than of their principle, even though they are very often double-edged.

Starting with this observation, we shall be able to proceed to a second reading of food policy through the various methods of planning and organisation of production and distribution. In a second stage, we shall build indicators to test the various alternatives in the light of their impact on nutrition and agricultural production. Prices will be considered sometimes as an instrument of food policy (fixed or authorised prices) and sometimes as an indicator of production costs and market tension (floating prices).

The approach by kinds of activity

The aim of this approach is to take into account the heterogeneity of the socio-economic environment and, in particular, **the different production and distribution systems.**

The observation of price policies on a sectoral level ensures more accurate targeting of intervention in order to develop the interaction between food supply and demand. It should therefore cover the omissions in the various approaches in terms of overall adjustment (marginalist approaches), and they have already contributed greatly to developing forecasting methods and have brought about a better comprehension of the reactions of agricultural markets. It also attenuates the urban/rural antagonism which for a long time dominated development theories: urban demand may indeed stimulate agricultural production, provided that the system of subsidies and the marketing circuits do not set up an obstacle to this form of interaction, to the benefit of imports.

For all these reasons, we have identified the kind of activity not only by branches or types of products, but also by the method of organisation. In our case, we identify the following kinds of activity: **non-market activities, traditional products, strategic products, animal production, fishing, agro-industry, luxury goods, export or cash products.** We focused the analysis on the differences between these kinds of activity and the action on prices in particular.

We have already observed **the differences, mainly between "traditional" and "strategic" products** by means of direct or indirect subsidies (fertiliser...), and the various social prejudices (imitation...). The comparison of indicators of urban/rural price ratios between products of these two kinds of activity confirms their importance. Strategic products are supported mainly in urban areas, while traditional products are strongly **handicapped by the marketing circuits**, which makes them much more expensive in an urban environment.

Agro-industries benefit from fairly strong **protection**, which is generally translated by subsidies or tariffs. The latter are gradually disappearing in the course of adjustment programmes, which at the moment entail considerable changes in price levels, as well as changes in the employment level in these sectors whose success depends on the inter-linking of the implemented reforms (this explains the very different results between Ghana and Madagascar...).

Industrial animal production, which is on the fringe of this kind of activity, has benefitted from moderate price support (e.g. authorised prices in Côte d'Ivoire...) as well as a relative freedom of imports in order to avoid shortages and price explosions in a sector which has a strong social impact (milk and meat). However, these products have been a burden on imports and subsidies of local production inputs (fodder, soya...). The substitution of plant products seems to be more efficient (this method was applied in China: to consume soya and export meat...) despite the **greater quantitative abundance of animal proteins.**

As for **export products**, they were State-supported despite very high taxation; however, their nutritive qualities have rarely been taken into account (cocoa is rich in iron and in various proteins, coconuts and avocados are rich in calories, proteins and micro-nutrients). This is most surprising in the case of industrial fishing (e.g. Mauritania exports a lot of fish and only consumes very little, but it imports a lot of meat). This phenomenon is generally explained by the pressing need for currency, but becomes less and less justifiable with the constitution of **very costly buffer stocks** to attenuate a persistently stagnant world demand, while **internal demand could absorb a part of the surplus.**

These observations enable a better comprehension of **the polarisation of food imports** in spite of the existence of branches with surpluses, and of the weak reaction of supply to pressure of demand, in spite of the existence of a strong unexploited productive potential. However, the qualitative aspect of this approach requires the help of a quantitative appreciation: this subject is covered in the remaining part of this article.

Comparison of food prices and nutritive value

The starting point of this comparison is that in countries where food security has not yet been reached, **priority** must be given to foodstuffs which will **reduce protein and vitamin deficiency at the lowest cost**. From this point of view we have calculated the unit cost of the intake of calories and grams of protein for the main foods consumed in Africa: we shall improperly name these indicators **calory or protein prices**.

These indicators will then be able to meet several objectives:

— **Compare the calory and protein prices of the main groups of products as well as for the essential foods**, so as to identify the least expensive products in terms of their calory content (sugar, margarine, noodles...) or their protein content (eggs, cocoa, pulses, milk, and to a lesser extent fish — category of very heterogeneous products) or calories and proteins taken together (cereals, bread, cassava and tubers). We identify the supported products (bread, cereals and sugar), and we observe that animal products are generally more expensive in terms of the protein price: with respect to the latter criterion, cocoa and pulses are equivalent to eggs, and cheaper than fish, while pork is listed in the very high-cost groups. For individual food products, fresh cassava and avocados are on the same level as wheat flour, sugar and palm oil, despite existing discrimination in favour of the latter products, while for protein, coconuts head the list, followed by wheat flour, maize, sweetened condensed milk, tinned sardines, and then groundnuts and other pulses, fish (grouper...), etc.

— **Assess the impact of marketing circuits on the calory and protein prices of traditional products.** The urban/rural price ratios permit an evaluation of the incidence of these circuits in the price formation of these products in urban areas. We see that the price of cassava in rural areas is four to five times lower than in urban areas and two to three times lower than the national average. The calory and protein price of cassava in rural areas is therefore much lower than for rice or bread. This product would be the least expensive in terms of the price/nutrition ratio if the marketing circuits were less costly. This same line of reasoning can also be applied to coconuts, avocados...

— **Compare the price structures between different countries in the light of different kinds of activity:** we observe a structure favouring strategic and agro-industrial products in Congo, while in Senegal the traditional products (millet, maize, dried broad beans, coconuts, groundnuts...) and fish were the least expensive, as were cereals and tropical fruit in Côte d'Ivoire, strategic products and pulses in Morocco, traditional (cassava, maize...) and strategic products in Rwanda, and tropical fruit, maize, other cereals and cassava in Kenya. These observations fully reflect the role of different forms of intervention in price structures.

— **Compare calory and protein prices between countries:** purchasing power parities of the ICP enable us to make a price comparison as well as a household consumption comparison per inhabitant using the same virtual unit called the purchasing power standard. This provides us with a summary appraisal of the relative impact of prices and income on food availability. In comparing the average prices for all kilo-calory products, we find in decreasing order, Morocco, Rwanda, Congo, Senegal and then Kenya and Malawi. This order is similar to that of per capita consumption, excepting for Rwanda, where there are very few price interventions, and Côte d'Ivoire (heavy price subsidies); Morocco and Congo have high prices despite subsidies because of the phosphates and oil boom and a very limited support of meat prices, as opposed to Côte d'Ivoire. However, a decisive criterion for the differences of (calory) price levels arises out of the differences existing in the consumption structures which are at the limit of the ICP field of investigation.

— **Study the possibilities of product substitution for the consumer, in order to improve diet and to avoid undernutrition.** This question arises particularly in the case of animal proteins whose cost at present is very high and cannot be constantly supported because of the insufficiency of local production and the burden of external constraints. Vegetable proteins, which are abundant in pulses, groundnuts, coconuts and even in cocoa, should be able to compensate for the shortage of protein by means of considerable efforts in dietary education (cooking and digestibility of pulses for infants). Research on seeds may contribute to improving strains of pulses and to their enrichment with proteins. The price and the abundance of fish of various qualities are an incentive to further development of both production and consumption.

— **Identify methods of public intervention which provide the lowest costs and the best nutritional results,** by giving priority to crops which seem to be the most efficient from the point of view of these indicators of crop yields and nutritional benefit.

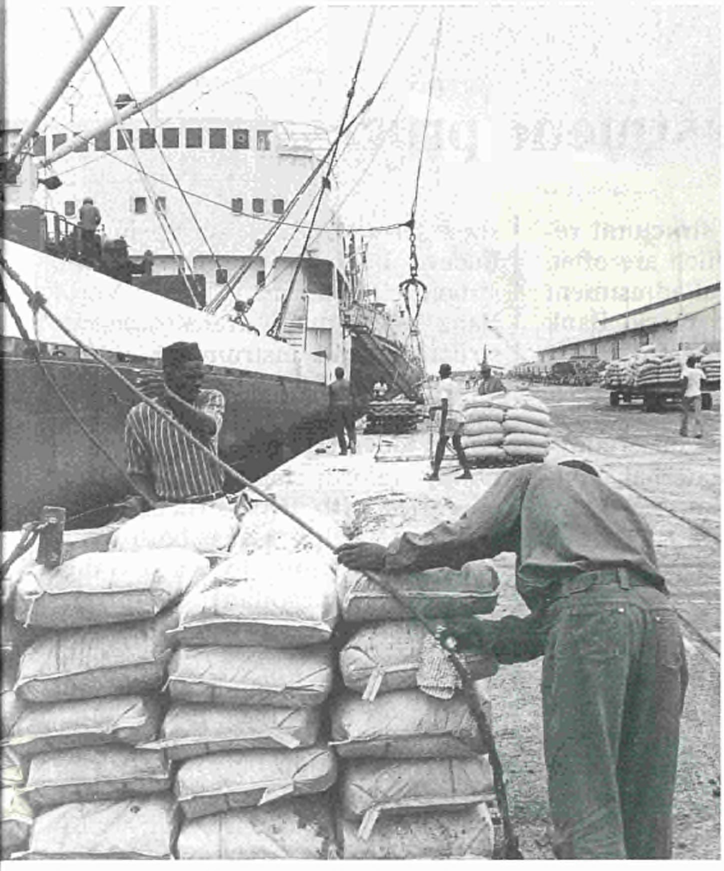
In this article we have described the **different spheres of food systems**: agricultural production, food supply, and also the different kinds of activity where social organisation intervenes in the adjustment of supply and demand. This approach by types of activity enabled us to detect the obstacles to the mutual interplay of supply and demand. It also enabled us to discover the intermediate path and to reconcile production growth with an improvement of nutrition under different constraints of macro-economic equilibrium (balance of payments and public accounts). **Prices remain an essential hinge in the connection between these different levels.** ○ H.A.-M.

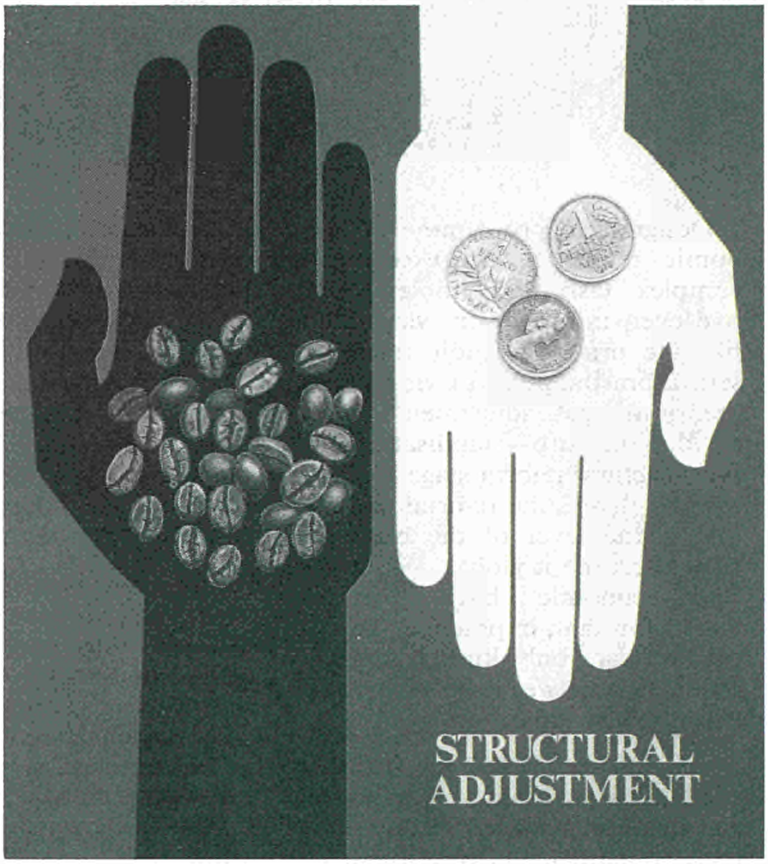
STRUCTURAL ADJUSTMENT

Structural adjustment poses the whole problem of the development of the ACP countries—which have gone straight from being just suppliers of raw materials to full partners in the international economy. So they have to abide by its (unequal and indistinct) rules in the matter of finance and trade. But all the effects of the fundamental links between the ACPs' economies and the economies of the industrialised countries are not reciprocal: the ACP countries have made less progress than could have been expected given their economic potential and the advantages reckoned to be derived from technical assistance.

The trends are differentiated, of course. But the increasing deficits in economic relations between the two groups of partners are due to profound structural distortion of the international economic system. The structural adjustment which in the early '80s clearly appeared as a search for answers to the upset balance of payments of the developing countries seems to have started rather late and it has by no means been a gradual refocusing of these countries' economies—which would have had a more positive effect on the vital long-term growth founded on the creation and development of diversified productive sectors. The rare export sectors in the ACPs are essentially mining or products from arboriculture, two sectors where the productivity of investments (mineral research, for example) is not immediate and on which no lasting development can be based.

So the idea of structural adjustment has above all been to "*re-establish the current external balance and a viable level of spending so as to reduce production cuts in the short term and preserve the economy's ability to continue growing*". So says an IMF analysis. But the problem is that, in most of the countries concerned, this growth has not always existed because, *inter alia,* the accent has long been on a conventional monetarist approach in economic policy and demand has dwindled since the early '80s. Moreover, without paying proper attention to national investments or the needs and conditions of development such as basic infrastructure, rationalisation of the use of resources and, above all, training for the labour whose quality plays an extremely important part in attracting productive capital, the design of structural adjustment programmes has not always been based on a proper definition of the relations between the instruments and the aims of the economic policy. And it would be as well to ask whether the States have defined their economic policies and whether the national and international means have been right to meet the aims. "*In the last analysis, the viability of structural adjustment programmes depends on how much financing the country gets*" and on its ability to run these policies in a climate of sound management. If investors are to decide to invest, hire and place substantial amounts of capital in the ACP States on a lasting basis, then they need to have confidence in the authorities' ability to run the economy. The ACPs cannot for the moment determine or control the instruments that are vital to their development policies both for historical and operational reasons. The revival of interest in structural adjustment may be an opportunity to broaden the concept to embrace more than just a cut in public spending and a reduction in demand





Structural adjustment should take into account the fact that, in the ACP countries, the few exporting sectors are often mining industries and arboriculture. L. to r., an open copper mine in Zambia (each of the vehicles shown costs more than US $ 1 000 000; loading cocoa beans for export in Accra (Ghana); and our cover, illustrating the concept of trade balance

and thus lead the development programmes and cooperation policies to seek greater coherence between the aims of balance and growth which adjustment implies, as well as the means of achieving these objectives. "*The external credit patterns should be compatible not just with the aims of growth, but with a position of net indebtedness which is tolerable in the long term by countries which run the programmes*", stresses an inter-Governmental report which the Group of 24 brought out in 1987 (1). Because, in fact, development programmes based on a drive to create proper national agricultural and industrial sectors need time to achieve their anticipated results, particularly in the ACP countries which have to import most of the technical equipment they need for their programmes.

At the moment, the principle of adjustment is mainly focused on the balance of payments. The consequences, and the main point of the exercise, are analysed in depth in this dossier by those in charge of this policy and its implementation. Because some of the consequences have been sudden, they have masked the vital importance of structural adjustment in the essential process of economic rationalisation in the ACP countries. And to avoid a feeling of shuffling responsibility off onto the international cooperation organisations or the industrialised countries — without of course underestimating the considerable part they play in the crisis and as creditors—the ACPs should take over the concept of structural adjustment, expand it and translate it into every area of economic—and social and cultural—life.

One of the major causes of the rather limited success of the development programmes run over the past three decades is a syncretic approach—i.e. the adoption without distinction of foreign models, which still stifles the ACPs' own capacity under certain external contributions. An eclectic approach involving borrowing the best ideas from other people would have enabled the ACPs to base their development above all on their economic and human resources and thereby make a better job of integrating the national values underlying any real economic development with proper social progress.

Structural adjustment can help here if the ACPs assimilate the concept as a new means of resetting targets and refining methods—and not just looking at it as "retaliation" which organisations or countries providing aid force upon some countries whose management has been bad. In a spirit of genuine adoption of the concept by the ACPs, it would be easier to establish the link (and the responsibility) between adjustment and financing—which should be complementary rather than mutually exclusive because of opposing approaches. This means that this sort of adjustment, which is turned more to growth, can only yield results in the long term. So it has to be implemented as part of a coherent, global economic and social policy—as has happened in Europe, the USA, the USSR, Japan and even Korea, all of which have had economic, technical and cultural ambitions of this kind which have served as fundamental supports for the efforts of everyone, both individuals and Government. o

LUCIEN PAGNI

(1) The representatives of the developing countries in the IMF and World Bank institutions.

The structural adjustment process

Designing a programme of economic reform is an exceedingly complex task and implementing one even more so—in which it is like the process of adjustment itself. From the point of view of the theory at least, adjustment can be divided into two—stabilisation and the structural reform stage. We can try and divide the reforms according to the level of the economy they affect, be it global, sectoral or micro-economic, but experience has shown that, in practice, the distinctions are only limited and the interaction between the various aspects is very close.

Economists usually separate short-term stabilisation measures and medium-term reform (or structural adjustment) programmes.

Stabilisation programmes tend to be associated with stand-by agreements with the International Monetary Fund. They cover a limited period (one or two years) and are intended to balance the current account in the short term and return to an acceptable budget deficit, usually expressed in terms of a percentage of GDP. Since supply is not very elastic in the short term, such aims can only be achieved if there is an energetic policy of reducing demand, with emphasis on the monetary and budget policy. We cannot really talk about structural adjustment at this stage of stabilisation. The very global nature of the aims and the short time in which they have to be achieved rule out any real action on the structures of the economy. The unpopular nature of the stabilisation measures and the deflation they bring about are not conducive to reforms demanding the active involvement of the economic agents and greater mobilisation of the factors of production either. By its very nature, stabilisation is an attempt to tackle the symptoms rather than the causes of the crisis.

The medium-term structural reform programmes, which are often backed up by structural adjustment loans (SAL) from the World Bank have, in principle, different bases. They are designed for longer periods of three to five years and, because of this, and of the uncertainty about trends in the external environment, they have to be more flexible.

The main idea is to re-establish the conditions needed to bring back self-sustaining growth—hence they are sometimes called growth-oriented adjustment programmes. The reforms run under the structural adjustment programmes try to do more than manage demand and encourage a return to balance by stimulating supply. When it comes to details, the measures taken of course vary from one country to another, but the range of instruments used to reorganise the economy is relatively constant. The idea of adapting the exchange rate, changing the internal price and price-fixing systems, liberalising external trade arrangements, restructuring tax and budget spending and reorganising the public sector is to achieve greater mobility of the factors of production and create and introduce incentives whereby these factors will be invested in more productive activity. So structural adjustment is aimed at dealing with the profound imbalances behind the crisis.

Although it reflects a certain economic logic, the distinction between the stabilisation phase and structural reform in fact has an increasing tendency to fade in practice—as is obvious from the trend in the roles played by the IMF and the IBRD in Africa over the past five years. With the creation of the structural adjustment facility (SAF)—and its resources have just been trebled—the IMF can now extend its interventions beyond the short term and have increasing influence over the content of the structural reforms. The World Bank has gradually transformed its structures and instruments to become more of an adjustment bank as the percentage of its transfers to Africa devoted to loans linked to policy reform has increased. In countries with IMF structural adjustment facility loans, both institutions use joint documents that have been negotiated with the Governments concerned—the policy framework papers (PFP) which combine stabilisation measures and reforms of structures.

The distinction between structural adjustment programmes (in the macro-economic sense) and sectoral adjustment programmes can also seem an artificial one. Reform of a major sector of the economy—and in Africa of the agricultural sector especially—obviously has direct implications for the structure of prices, the budget and external trade and, therefore, an effect on the major macro-economic balances. Sound knowledge of the macro-economic constraints weighing on the sector in question is vital when designing sectoral policy reform and implementation of that reform may well mean using general instruments such as the exchange rate.

However, there is no reason to think, in Africa or anywhere else, that a sector of activity can be completely reorganised if the macro-economic context remains in a profound state of imbalance. External rigidity will soon block reforms of the chosen sector or neutralise the benefits by preventing the necessary mobility of resources from one sector of the economy to the other.

Sectoral reforms and macro-economic reorganisation have, therefore, to go hand in hand. So the distinction between these two is

A poultry farm in Zambia in the 1980s. The country is still unable to provide all its meat: what is needed is to encourage a return to equilibrium by stimulating supply

still of great importance for Africa's external partners in practice, particularly the Community, which has so far concentrated its help for each ACP on a sectoral policy chosen after dialogue. More resources are needed to support a macro-economic adjustment programme. More people are involved at national level, and external partners often are too, which complicates coordination. Different instruments are needed and not all the funders have them. And lastly, it is difficult to measure the results.

But although these two levels are adequate to describe the adjustment policies, they do not reflect the realities of adjustment in the field. We have very little information about or analyses of the way this sort of adjustment operates in practice at micro-economic (individual operators) or macro-economic (social groups and the various communities of interest) level in Africa. Individual and economic behaviour there, however, is strongly influenced by social and cultural factors and by Africa's own economic structures—which are rarely those of an integrated, transparent market. But in the final analysis, these are the very kinds of behaviour on which the success or failure of adjustment measures depend.

How will small farmers react to the withdrawal of fertiliser subsidies? Will they use fertilisers more selectively or will they drop them entirely and bring back fallow periods and burning? Will lower guaranteed crop purchase prices lead to a decline in their production or to an increase in supply because they need to keep their earnings up? Under what financial conditions and rules are savings invested abroad likely to be repatriated by the holders? How does the contraction of purchasing power affect household consumption structure and spending on health and education in particular?

If effective measures are to be chosen, then these are the sort of questions that have to be answered before an economic adjustment policy is designed.

The fact that some major adjustment measures in some countries of Africa have failed to have the anticipated effects or produced unexpected detrimental effects shows that the knowledge of the environment in which the adjustment actually takes place is not equal to the macro-economic expertise—of which there is an abundant supply. o

J.-C. BOIDIN

The World Bank's assistance to Africa

Adjustment for growth and equity

by Ismail SERAGELDIN (*)

The African crisis is well known. Its severity and depth have challenged the international development community as have few other problems. The World Bank responded to this challenge by a series of in-depth studies (1) starting in 1981 and continuing to the present. It has also made assisting the African Governments in redressing the decline in economic performance an institutional priority (2).

More important, the African governments have responded to this protracted crisis with remarkable courage and fortitude. Facing squarely their internal problems and realistically assessing the possibilities of a hostile external environment, government after government has adopted far-reaching stabilisation and adjustment programmes.

Although the specifics vary considerably from country to country, most of the programmes tend to share some common features: reduction of macroeconomic imbalances, liberalisation of trade and price regimes, increased efficiency of public sector activities, severe attention to the size, composition and quality of public investment and expenditure programmes, encouragement of private initiative, emphasis on a shift to tradeables, promotion of exports and, almost in every case, a shift in the incentive structure towards the rural areas and farmers, who for decades have been discriminated against to the benefit of the urban areas.


ILO

Looking for a job, the Senegalese unemployed end up taking a nap at the factory gate. More diversified industry can create more job opportunities

Most of the time, the country's structural adjustment programme involves specific stabilisation measures supported and monitored by the IMF, along with structural adjustment measures with some form of World Bank support (e.g., a Structural Adjustment Loan [SAL], a Sector Adjustment Loan [SECAL] or other forms of finance). These measures are increasingly formally coordinated within a coherent medium-term policy framework. Concerted action by donors and creditors is then essential to provide the necessary financial underpinnings for the execution of the programme. This coordination of donor aid is undertaken with the support of the World Bank (through consultative groups and other less formal or comprehensive fora) and the UNDP (through Round Tables). The debt issue is addressed within the framework of the Paris Club (official creditors) and the London Club (commercial banks), which have usually provided some debt relief, if not fresh money.

The dire macro-economic plight of sub-Saharan African countries has dictated placing a major emphasis on restoring growth. Among the 22 low-income countries in the region for which data are available, seven recorded a negative average annual growth rate of GDP over the period 1980-85 (3). Among those that experienced positive growth, only three succeeded in achieving a GDP growth rate in excess of the population growth rate. The performance of the middle-income economies over the same period was only slightly better. Three countries recorded negative GDP growth, and in all but four, GDP per capita growth

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(1) "Accelerated Development in sub-Saharan Africa: An Agenda for Action" (1981); "Sub-Saharan Africa: Progress Report on Development Prospects and Programs" (1983); "Towards Sustained Development in sub-Saharan Africa: A Joint Programme of Action" (1984); "Financing Adjustment with Growth in sub-Saharan Africa, 1986-90" (1986), supplemented by "Population Growth and Policies in sub-Saharan Africa" (1986).

(2) The "Joint Programme of Action" (1984) and the creation of the Special Facility for Africa (SFA) in 1985 marked the institutional commitment of the Bank to its sub-Saharan Africa (SSA) initiative.

(3) 1985 World Development Indicators, exclusive of countries with populations below 1 million people.

was negative. Those four exceptions were the countries with the highest absolute GDP per capita.

There is a basic consensus that restoring adequate rates of self-sustained growth should be the primary objective of present development efforts in sub-Saharan Africa. Although growth by itself is not sufficient to guarantee improvement of the conditions of the poor, without growth there can be no sustained or successful efforts at poverty alleviation. The need to focus on the growth objective became particularly acute in the 1980s because of the series of unprecedented external shocks, the consequence of economic mismanagement in the second half of the 1970s and growing distortions in economic structures, which led to significant declines in per capita incomes across the continent. In retrospect, the "euphoric" period of the 1970s that enabled economic excesses to be financed also masked the underlying weaknesses of African economies heavily dependent on a few primary export commodities that no longer had the potential to produce the growth rates of the past.

As a consequence, in the 1980s, country after country in Africa (25 at the latest count) adopted sweeping structural adjustment programmes. These programmes were launched in a period of fluctuating and often sharp further declines in the terms of trade, high real interest rates that exacerbated the crushing burden of excessive foreign debts, and droughts that wiped out the gains in the poorer sub-Saharan countries. Nevertheless, the preliminary findings are quite encouraging. Countries with sustained adjustment programmes succeeded in achieving 0.8% p.a. real growth rates of GDP per capita over 1984-86, while those that did not adopt such programs registered a negative 2.5% p.a. growth (see Table). It is also noteworthy that both groups had registered declines in GDP per capita of −4.0% p.a. on average over the 1980-84 period (when the structural adjustment programmes were not fully operational). The FAO figures on food production provide further evidence of the benefits of the programmes: output in the sub-Saharan countries with adjustment programmes rose 4.2% (in 1986-87), versus 2.4% for those without such programmes.

These efforts must be understood as programmes aimed at making the national economies more flexible and responsive to changing world conditions, with a view to restoring real growth in the medium term. The emphasis is as much on engendering supply responses as it is on demand management. Furthermore, contrary to some critics' impressions, it has been very much a concern of both the governments and the Bank to ensure that the burdens of adjustment are equitably distributed across all population groups, and even more, that the fruits of the restored growth benefit the poor as well as the more wealthy.

Unfortunately, in some cases the poor have suffered significant hardships. It is demonstrable, however, that the poor as a group would probably have suffered considerably more if no adjustment programme had been in place. Moreover, further improvements in the situation are possible and are being actively pursued.

The Bank's recent work in Africa has increasingly addressed this issue with a comprehensive array of measures, which are described below. This paper reviews the comprehensive approach the Bank is following. It is described in terms of: *first*, the background and rationale for the basic design of adjustment programmes, which, we believe, gives due weight to the justified concern with the social effects of structural adjustment; *second*, specific actions that are being taken to address immediate, transitional and long-term issues of poverty alleviation in connection with adjustment programmes in individual countries; and *third*, the specific initiatives being undertaken by the World Bank in conjunction with the UNDP to strengthen the capability of governments to integrate the social dimension in the design of future adjustment programmes.

Per capita GDP growth rates, 1960-86
(annual average in percentages)

Country group	1960-70	1970-80	1980-86	1980-84	1984-86
Sub-Sahara: low income	0.9	−0.5	−2.1	−2.4	−0.6
Sub-Sahara: other	1.4	1.7	−4.3	−5.0	−2.9
Sub-Sahara: total	1.2	0.9	−3.4	−4.0	−1.8
Other Africa	2.8	4.1	0.8	1.3	−0.1
Total Africa	1.5	1.5	−1.9	−2.9	−1.5
Memo items:					
Sub-Sahara: Countries with adjustment programme (1)	1.8	0.7	−2.5	−3.8	0.8
Sub-Sahara: other	1.1	0.9	−3.6	−4.0	−2.5

(1) Countries with sustained and substantial adjustment programmes commencing before FY 1985: Côte d'Ivoire, Ghana, Kenya, Malawi, Mauritius, Senegal, Togo and Zambia.

Social concerns in the design of adjustment programmes

The major challenge is to develop and implement a combination of macro-economic and sectoral policies that will lead to *growth with equity*, with, as an urgent first priority, the protection of the most vulnerable groups during the initial adjustment phase, while growth gradually resumes. Such a combined adjustment and poverty alleviation strategy needs to involve an interrelated set of policy actions at three levels:

(1) macro-policy measures aimed at strengthening the foundation of self-sustained and balanced growth over the medium and long term;

(2) sectoral policies, combined with a well-organised programme of projects, aimed at fostering the participation of the poor in the process of growth; and

(3) restructuring of public finances and mobilisation of domestic and foreign resources for growth.

At the macro-level, sustaining the shift toward tradeables usually requires addressing the exchange rate issue. Further, expenditure reductions in non-tradeable sectors have to be combined with switching in favour of tradeable sectors. Measures include raising producer prices, focusing investment in support of tradeable activities (rural roads and markets), and providing economic services and inputs that raise farmers' productivity and output.

Sectoral policies include shifting new investment and maintenance expenditure towards the support of productive activities and employment-generating projects, and modifying the composition of public expenditure to favour basic primary education and basic health services. In the key sectors, systematic efforts are usually required to remove distortions in markets by eliminating monopolies, price controls and uneconomic taxation. A particular feature in the many countries with government-established producer price systems is the use of floor prices to provide incentives to farmers to produce, with flexibility above this level to reflect world market conditions.

In **resource mobilisation,** major tax system reforms are underway to replace agricultural taxation and other taxes on production with taxes on consumption and value added. Improved direct tax collection is also called for in the areas of income taxes and real estate. In many countries, economic efficiency is adversely affected by banking system failures and a lack of domestic intermediation and capital markets. These problems affect not only the capacity of the system to mobilise real domestic financial savings for development, but also hinder the development of credit schemes for small and medium-scale enterprises and farmers.

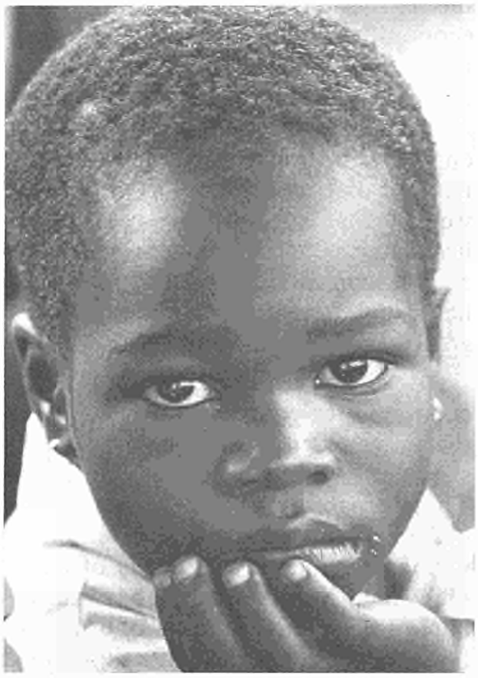
Structural adjustment in practice within this framework, the structural adjustment process as represented by specific Bank-supported operations and the associated Economic Recovery Programmes (or comparable operations) drawn up by governments with Bank assistance, should, in the medium term, contribute to broad-based economic growth and allow increases in per capita income and consumption not possible without such interventions in these countries. However, it is not expected that the costs and benefits of the programmes will be evenly distributed. In general, a major policy thrust is to promote incentive structures that encourage agriculture and increase real incomes in rural areas relative to urban areas. Since the rural areas contain the majority of the population and a disproportionately high share of the poor, the interventions should contribute to absolute poverty alleviation in the medium term, although much will of course depend on individual country circumstances, including the proportion of small-scale agriculture and mixed (cash/food) cropping. In Africa, unlike in some other regions, most farming is done by relatively small farmers, and increases in producer prices directly translate into increased incomes for small farmers. In countries such as Côte d'Ivoire and Senegal, reforms in the industrial incentive system should create the foundation for a resumption in industrial growth, which should, in turn, provide employment oportunities in the urban areas.

A second major policy thrust of the programmes—improvement in the efficiency of the public sector—should translate eventually into the public sector's absorbing a lower share of national income. It should also result in better social services as a consequence of explicit efforts to raise the productivity of government agencies. These effects would contribute to improved living conditions for all groups, and probably the urban population in particular, which is likely to remain the major beneficiary of education, health and other government services. Although the reform of public enterprises will usually involve some layoffs of redundant workers, in many cases, demonopolisation and the new incentive frameworks should permit the private sector to undertake some of these formerly solely public activities, with positive impacts on urban employment.

In the short run, however, *all groups* will feel some loss of consumer purchasing power associated with, for example, increases in water, electricity and public transport tariffs and in the retail prices of petroleum products and basic consumer goods, most of which are imported. Often the first stages of structural adjustment have necessarily coincided with demand restraint policies under stabilisation programmes that have led to reduced growth of GDP (and of sectors such as construction, which rely heavily on public investment expenditures).

The severe lack of data on income distribution and consuming patterns makes both the design and analysis of the social impact of economic policy reforms extremely difficult. To address this situation, the World Bank is supporting projects designed to track some of the real income effects of adjustment and the *pace* of adjustment

MAPEZ

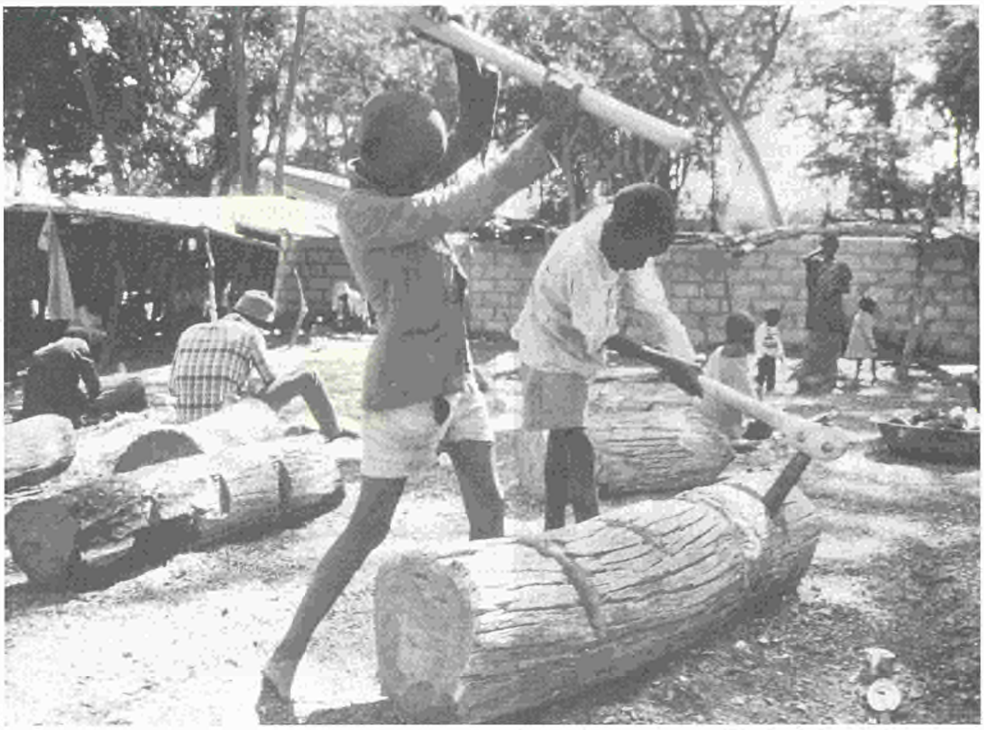


Basic tools for precarious jobs in sugar cane plantations (Swaziland) where women often have to take their children to work with them (picture). "An urgent first priority is the protection of the most vulnerable groups—women and children—during the initial adjustment phase" at the household level in representative segments of the population. Carefully designed surveys of household income and consumption patterns in selected urban and rural communities will be carried out and repeated in member countries at regular intervals.

At present, however, only qualitative observations on the probable effects of the adjustment process on various segments of the population in most countries as a whole may reasonably be made. Those populations can be divided into groups based on the nature of their economic activity. In rural areas, much depends on country-specific factors, although the sharp nominal increases in producer prices clearly lead to a significant short-term increase in gross income in certain households and, depending on world prices for export crops and other factors, may provide a significant transfer to the rural population. On the other hand, the elimination of fertiliser subsidies will cause input prices to rise, as will prices of imported food items and other goods consumed by farm families. Provided that cash crop producer prices are maintained in real terms at their current levels and climatic conditions are favourable, real per capita incomes and consumption will still improve. In fact they have improved and most probably will continue to improve for farmers in many African countries.

Non-farm households (both herders and rural traders/craftsmen) are not expected to gain directly from the changed incentive structure, although increased farm incomes should spill over into increased demand for other products and services, and the adjustment should promote a larger role for private traders in the countryside, in the capacity of input suppliers, credit agents and marketers. Migrant farmers (usually from neighbouring countries) who commonly provide farm labour for cash crops on a wage or share-cropping basis should also experience increased incomes in countries where they play a significant role.

In urban areas, somewhat less than half of employment (although a much higher percentage of income) is usually located in the formal sector. Formal sector income is primarily generated by the public sector, either through direct employment or government contracts, and in a few countries through tourism. Real incomes in the formal sector are expected to decrease in the short run as a result of the adjustment programmes and to decline relative to incomes in rural areas. Civil service reforms will result in some unemployment, as may the curtailment of public investment. In the medium term, improved incentives for the private sector, especially in resource-based industries such as agro- and fish-processing, should stimulate private sector employment and help mitigate the negative effects of the contraction in the public sector.

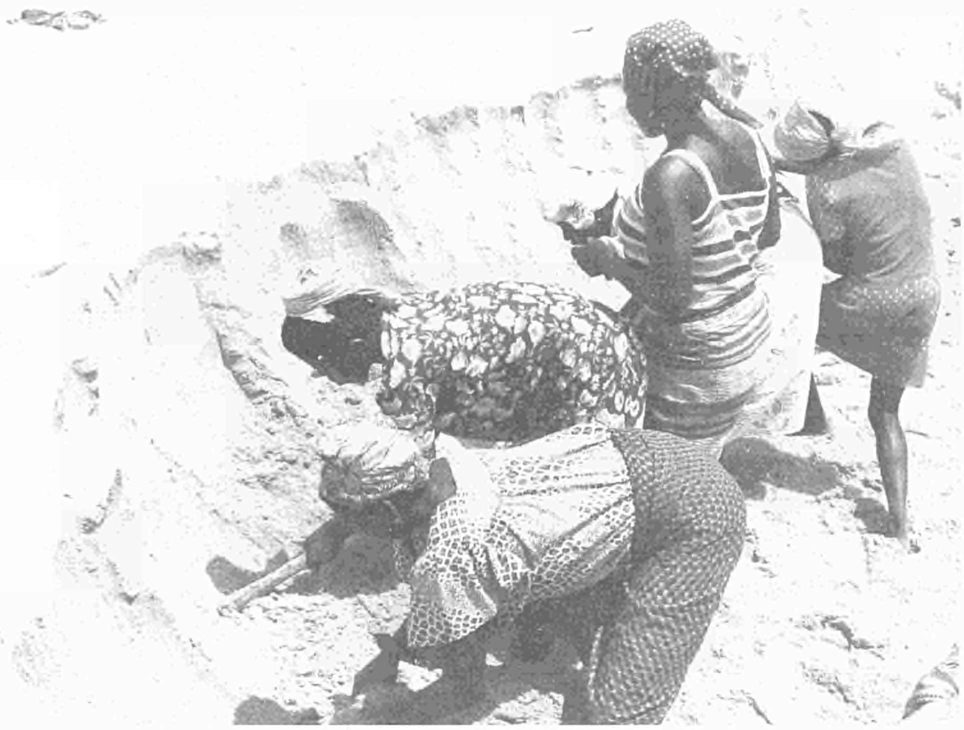

ILO

Young boys in Burkina Faso. In sub-Saharan States, desertification and deforestation underline the importance of environmental protection in a macro-economic adjustment framework

The effect of the adjustment process on urban informal sector incomes is less clear. The slowdown in urban formal sector production and income growth will hurt this sector, but may be partly compensated for by growing demand for informal sector services/products from the rural areas. In addition, most informal sector products are import substitutes (soap, textiles, etc.) whose demand will be boosted by the adjustment process. Taxi drivers, artisans and others who service the tourist industry in those countries where there are prospects for this sector may experience less income compression. However, at least initially, all urban groups will experience a loss of purchasing power associated with increased prices for tradeable food items, fuel, utility and transport tariffs, as these constitute a large proportion of the urban household budget.

The net effect of adjustment programmes on *poverty* in the urban areas is difficult to assess. The link between production units and consumption units is weaker in urban areas. For example, a consumption unit may include formal and informal sector participants. While all indicators (wages, health status, infant and child mortality, literacy, access to potable water, etc.) suggest a much higher living standard in urban areas than in rural villages, it cannot be denied that the adjustment process will be difficult for the urban poor. Some reduction in the high rate of rural/urban migration of the past decade will most likely occur as employment opportunities shrink in urban areas. Extended family networks—the welfare system of low-income countries—will have a major role to play in easing the transition. On the whole, however, adjustment programmes in Africa will probably improve the *relative* position of the poor even if they coincide with a real (though temporary) declined in per capita incomes.

It may be instructive to illustrate these general principles with a particu-



Togolese women workers in a sandpit. In urban areas, economic difficulties force women to move from their traditional tertiary activities to the kind of hard labour hitherto carried out by men

lar case study: *Côte d'Ivoire* (see box). Keeping in mind the general weaknesses in statistical analysis and the possible errors in the base data, the trends that emerge are still striking. The severe adjustment programme that resulted in a decline in per capita income from about US$ 1 150 in 1980 to some US$ 650 in 1985 (about 25% in real terms) at the same time led to substantial improvements in income distribution: the ratio of urban to rural average per capita income declined from 3.5:1 in 1980 to 2.5:1 in 1984. In 1985, an exceptionally good harvest year, the ratio was reported to be about 2:1. Within urban areas, the distribution among the income groups also improved. While in 1980 the highest income group enjoyed disposable income about 35 times greater than that of the lowest groups, by 1984 the ratio was estimated to have declined to about 18:1. The main reasons were the greater resilience of the informal sector, while most of the contractionary impact of the programme was felt by the secondary and tertiary activities in the formal urban sector. Whether these positive income distribution trends can be sustained in the face of additional external shocks and an increasingly unfavourable international environment remains to be seen. Consolidation of these trends by specific poverty alleviation programmes and projects is an important objective of present Bank-supported efforts that continue to benefit the rural sector more than the urban one, and the private sector over the public one.

Nevertheless, it must be recognised that any changes of these magnitudes produce major dislocations in the living conditions of many segments of the population and that efforts can, and should, be undertaken to minimise the social costs of adjustment policies, even if their ultimate aggregate impact is largely positive. This, in a nutshell, provides the rationale for specific interventions to ease the burden of short-term adjustment on affected groups.

Specific Bank-supported interventions

Against this general background, the Bank is supporting specific actions. These may be part of a SAL or a SECAL, or have as their vehicle other projects and instruments. Sometimes, they are fully funded by other donors but are an important part of the Bank-country dialogue (e.g., food-for-work schemes). Together, these interventions complement the adjustment process in four essential, if slightly overlapping, areas:

(1) protection of the most vulnerable groups;
(2) compensatory actions/transitional arrangements;
(3) measures to ensure that the poor effectively participate in the growth process; and
(4) protection of the long-term interests of the population.

The interventions are not all used systematically in every case. Each country, however, has adopted one or more measures of this kind to accompany their adjustment programmes. Examples of each of these types of intervention are given below.

(1) **Protection of vulnerable groups.** The most vulnerable groups in society are the poor generally, and women and children specifically. The key services that they benefit from need to be protected from the possible adverse impacts of budget cuts. This is done primarily through protecting public expenditures for key health, education, nutrition and other basic welfare services that benefit primarily the poor. The composition (quality) of expenditure is thus essential. For example, simply protecting "health" and "education" expenditures is inadequate if the bulk of these expenditures go for a posh hospital or a lavish university at the expense of basic rural health programmes and primary education. Re-

views of the composition of expenditures are integral parts of the adjustment programmes in the *Gambia, Côte d'Ivoire* and *Senegal.* In the latter, an education sector loan supports the reorientation of Government expenditure and investment in the sector, and in *Côte d'Ivoire*, the Government is establishing an action plan to improve basic health services for vulnerable groups. In *Gabon*, the Government is tightening the wage bill for civil servants in the higher income categories. In *Kenya*, health services, including family planning, are being provided in rural areas through satellite facilities.

(2) **Compensatory actions/transitional arrangements.** Compensatory actions may be appropriate for some individuals who will face substantial cost in adjustment. For example, redundant civil servants can be provided with severance pay, as well as with training and lines of credit to start a new productive life outside of public sector employment. Occasionally, special privileges (food, subsidies) may be required for fixed-income individuals in the wake of a devaluation. Other transitional arrangements are justified to help a disadvantaged group compete more effectively in the environment created by adjustment. Under this heading, we can point to the case of *Guinea*, which has a system of severance payments for laid-off public servants and has also introduced bonuses for voluntary departures from the public sector. In *Senegal*, there is the example of the retraining and rural resettlement scheme for laid-off civil servants and extension workers, while a comparable fund is also being set up for laid-off workers in the manufacturing sectors. In the *Gambia*, retraining and job counseling for laid-off civil servants are supplemented by a line of credit to fund new cooperative ventures. *Mauritania* has introduced Food-For-Work (FFW) programmes, with better targetting of food distribution to the neediest groups, and also has a system of temporary reassignment for banking sector employees to be laid off in the course of streamlining. The *Central African Republic* (CAR) has a personnel bank for redundant civil servants. In *Guinea-Bissau* and *Sao Tomé and Principe*, civil servants have access to subsidised food aid during the initial stages of adjustment and can get severance payment if laid off. In *Kenya*, an assessment of the rural/urban balance is being undertaken to identify new employment opportunities, particularly in the informal sector, while *Madagascar* is sponsoring special work programmes to provide short-term employment (for dislocated workers) and is also offering special services for needy people during the difficult pre-harvest period.

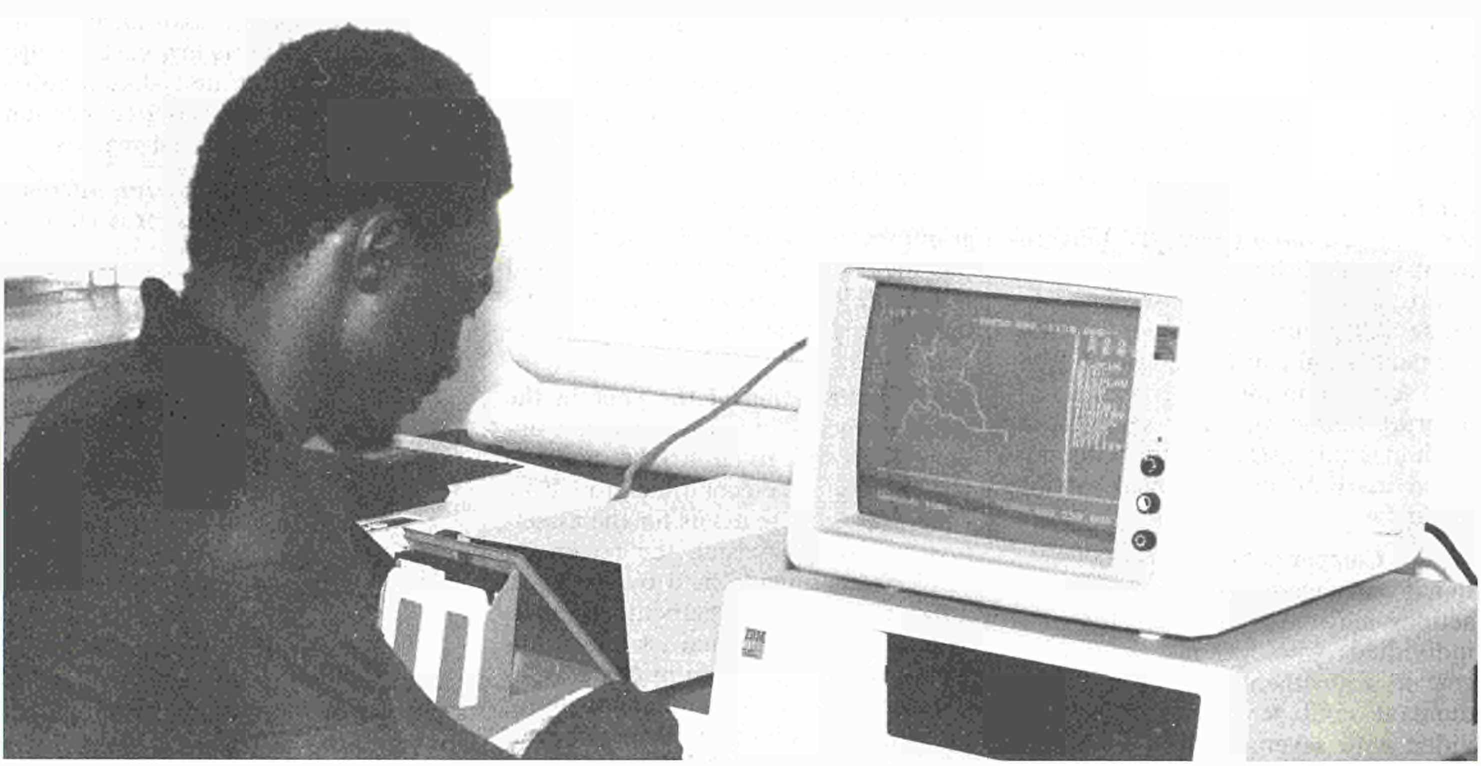
(3) **Participation of the poor in the growth process.** It is essential that opportunities be given to the poor to participate in the economic growth by ensuring access to assets for the asssetless and by increasing the return on those assets already held by the poor. Land reforms, resettlement schemes, special credit opportunities and training programmes are immediate types of interventions. Over the longer term, investments in human resource development are vital to both increasing the returns to labour and promoting social mobility. These are the usual objectives of Bank-supported Population, Health and Nutrition (PHN) and education projects.

In terms of specific immediate interventions in African countries, we can cite the example of *Côte d'Ivoire*, which has a smallholder credit scheme in the rubber sector, an improved agricultural extension scheme for small farmers, increased water supply connections to poverty areas, a rural roads upgrading and rehabilitation programme, and an informal sector micro-credit scheme. *Senegal*, on the other hand, has taken steps to ensure access by the landless to the owernship of land becoming available under irrigation projects. In the *Gambia*, a small and medium-sized enterprise operation has a special component focussing on the role of women. In *Mauritania*, a similar SME project also provides a line of credit for artisans. Similar initiatives are under way in *CAR* and *Equatorial Guinea*. *Guinea* is considering informal sector micro-credit mechanisms (with NGOs) in Conakry, and is emphasising the local administration of the renovation and construction of educational facilities. *São Tomé and Principé* is developing a credit scheme for small farmers, as well as a land distribution scheme, as part of an incentive system for cocoa workers. In *Kenya*, women have been targeted for special assistance. *Tanzania* is extending its low-cost "Iringa approach" of community-based nutrition surveillance and water connection programmes to additional regions.

(4) **Protecting the long-term interests of the population.** This protection is provided by ensuring that, within the crisis atmosphere of stabilisation and adjustment programming, debt rescheduling, etc., the long-term issues of human resource development and the environment are still addressed adequately. Far from being a "luxury", attention to overarching environmental issues such as desertification and deforestation is essential for the socio-economic welfare of the population. The poor will be those most directly affected by environmental degradation, and natural resource management is therefore an integral part of any sensible long-term development strategy.

Many of these measures are still in the early stages of implementation. In some cases, they have been grouped under a separate programme (e.g., *Ghana's* PAMSCAD programme). In other cases, they are woven into the regular programmes of adjustment. In both cases, such measures will undoubtedly raise difficult administrative and institutional problems during their execution. The effectiveness and efficiency of the programmes, therefore, still remain to be seen, but they undoubtedly represent the most thoughtful designs that Government and outside experts can put together.

Finally, the Bank has been trying to develop additional ways of *collaboration with NGOs*, whose poverty alleviation and small-scale developmental project interventions could doubtless complement the more standard Bank interventions by working more directly with the poor. Examples from *Togo* include a small-scale rural infrastructure project, a rural training project, and a maternal and child health care project, all extended by NGOs with local participation and Government approval, and all funded (on a pilot basis) through the Bank's Special Project Preparation Facility (SPPF). Schemes for working with NGOs on providing credit to micro-enterprises in the informal urban sector are in place in *Côte d'Ivoire* (Third Urban Project) and in *Guinea* (supplementa-



EDF computerisation project for Swaziland

Sprawling and indecisive civil services in the ACP countries have also contributed to a slow-down in many economic activities. Computer technology can help businesses and government services to improve their efficiency considerably, and with fewer staff

tion credit) and under discussion in *Senegal.*

Integration of the social dimension in future structural adjustment programmes

The World Bank is executing a major project that is being undertaken in conjunction with the UNDP, the African Development Bank and other donors. This project, called the Social Dimensions of Adjustment (SDA) Project, aims to: improve our common understanding of the social aspects of adjustment programmes; monitor the shifts in socio-economic conditions experienced by particular population groups; and strengthen the institutional capacity of governments to integrate the social dimension into the design of future structural adjustment programmes [4]. The project is structured around three parallel streams of output: (i) monitoring of existing and, where appropriate, identification and appraisal of new, poverty alleviation programmes and projects to accompany structural adjustment programmes; (ii) studies on the socio-economic implications of structural adjustment; and (iii) development and maintenance of adequate statistical data bases on the social dimension of structural adjustment. So far, 25 countries have joined the project, and five more are considering it. Project activities have already started in a core group of a dozen countries in sub-Saharan Africa. The project includes mechanisms for regular consultations with other agencies, donors and interested African governments.

The preceding discussion highlighted the multi-faceted nature of both adjustment and poverty alleviation in Africa. Effective poverty alleviation efforts will only be possible if the present negative macro-economic trends are reversed and growth is resumed. However, beyond this major adjustment objective, poverty alleviation *per se* will also require a broad range of mutually reinforcing actions on such disparate issues as debt, the environment, the role of women, institutional development, food security and basic social services. It requires actions that will induce policy changes at the macro- and sectoral levels, as well as support the effective implementation of programmes and projects at the micro-scale. Assisting the governments and peoples of Africa in this broad range of adjustment measures and poverty alleviation activities is a daunting task. The most encouraging signs are the courage of the African peoples and the mounting awareness of the world community.

The Bank is indeed pursuing an ambitious agenda in Africa. The complexity of the problems, the vastness and fragmentation of the territories concerned, the weakness and turmoil besetting the socio-economic structures and the hostility of the international environment represent a formidable challenge for the years ahead. Yet it is an inescapable challenge, one that the Bank is anxious to rise to. The key to success will remain the extent to which poverty alleviation becomes a central concern of programme design along with growth promotion, rather than an afterthought, and the systematic way with which this comprehensive vision of the problem and its solution is pursued.

The Bank's present approach, which it pursues in its dialogue with African governments, is as comprehensive and thoughtful as we can make it in terms of addressing the twin objectives of

(4) "United Nations Development Programme, Regional Programme for Africa: Fourth Cycle. Assessment of Social Dimensions of Structural Adjustment in sub-Saharan Africa", Project No. RAF/86/037.

promoting *adjustment for growth with equity* and of pursuing *poverty alleviation*. Clearly, more can be done, and we shall endeavour to do so. More importantly, we are increasingly trying to institutionalise these concerns in the countries themselves, while improving our own understanding of the social dimensions of adjustment. We can only hope that future programmes will benefit from these efforts and that the positive impact of these programmes will help the poor as much as, if not more than, others in the countries concerned. o I.S.

Structural adjustment, growth and income distribution in Côte d'Ivoire

Between 1965 and 1980, GDP grew at an average annual rate of 7.7% in real terms, well ahead of the annual population growth rate, estimated at 4%. Over the same period, agriculture grew by 3.9% per year, while industry and services grew by 11.1% and 10.2% per year, respectively. As a result, the share of agriculture in GDP progressively declined from 57.3% in 1965 to 34.6% in 1980, while the share of industry and services grew from 12.4% to 20.7% and from 30.4% to 44.7%, respectively, over the same interval. This rapid transformation of the economy was made possible by, and in turn induced, rapid urbanisation of the population. With an annual growth rate of about 8%, the share of the urban population in total population increased from 22% to 42% over the period.

This pattern of growth resulted in a wide dispersion of incomes amongst the various segments of the population. In 1980, per capita disposable income in the urban sector was estimated at CFAF 469 000, compared to CFAF 132 000 in the rural sector in constant 1984 terms. Nationwide, the average per capita disposable income was estimated at CFAF 242 000 in constant 1984 terms, or US$ 623 at the 1984 exchange rate. Within the rural sector, per capita disposable income was estimated at CFAF 96 000 in the North (savanna), compared to CFAF 158 000 in the South (forest). The widest dispersion was estimated among the various income groups within the urban sector. Per capita disposable income for the low-income group, corresponding to the unskilled labour category, was estimated at CFAF 136 000 in 1980, while the corresponding estimates for the middle-income group (semi-skilled and skilled labour category) were CFAF 929 000, and for the high-income group (managerial category), CFAF 4.8 million.

Between 1980 and 1984, real GDP declined by a cumulative 10.6% in real terms, translating into a reduction of 23.6% in GDP per capita. The reasons were: a 35% decline in the external terms of trade from the peak observed in 1977; the deflationary impact of rising interest payments on the external public debt and of sharp reductions in net foreign capital inflows after 1982; the impact of the 1983-84 drought on agricultural output; and, finally, the contraction induced by the cuts in public expenditure required to stabilise the economy.

As a result, per capita disposable income declined by an estimated 6.6% p.a. in real terms between 1980 and 1984. This contraction was largely concentrated in the urban sector, where per capita disposable income declined by an estimated 10.8% per year between 1980 and 1984, compared to a slight reduction of 1.2% per year in the rural sector. This decline in the rural sector was caused by the impact of the 1984 drought on agricultural output. With the recovery of agricultural output in 1985, rural per capita disposable incomes improved sharply, exceeding their 1980 level by 3.7% in real terms. Among the various income categories within the urban sector, the sharpest drop was estimated for the high-income group (−18.2% per year), compared to −10.8% p.a. for the middle-income group and −3.7% p.a. for the low-income group. Within the rural sector, per capita disposable income is estimated to have declined by −1.6% p.a. in the South, while virtually stagnating in the North.

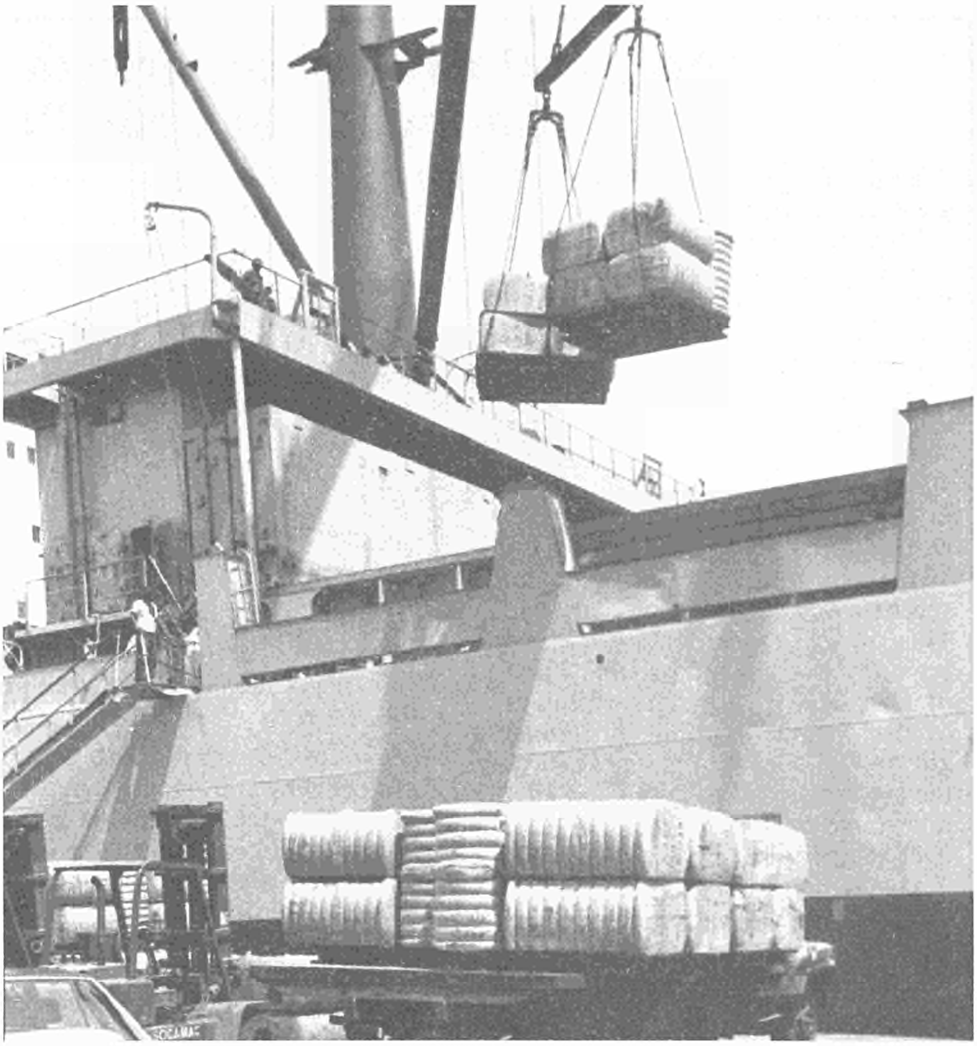
Between 1980 and 1985, the structural adjustment programme appears to have substantially reduced the gap between rural and urban per capita incomes in Côte d'Ivoire. With due caution in citing such statistics and estimates, the *trend* is unmistakeable, and the *order of magnitude* is very significant. It has been estimated that by 1984, the ratio of urban to rural per capital incomes had declined to about 2.5 to 1, compared to 3.5 to 1 in 1980. This result was obtained despite the negative impact of the drought on agricultural output in 1984. Taking 1985 as a reference, the gap between urban and rural per capita incomes is estimated to have declined further to about 2 to 1 as a result of the recovery in agricultural output in that year. At the same time, the stabilisation programme appears to have led to a substantial reduction in the dispersion of incomes within the urban sector, with the ratio of per capita disposable income between the high- and the low-income groups declining from about 35 to 1 in 1980 to about 18 to 1 in 1984. This was because the contractionary impact of the stabilisation programme was largery concentrated on secondary and tertiary activities within the formal urban sector. By contrast, the urban informal sector showed stronger resilience in the face of the economic crisis, which explains the relatively smaller contraction in per capita disposable income among the unskilled workers category, 80% of whom are employed in the informal sector.

The severe shocks to the Ivorian economy in 1987 have put in question the sustainability of these positive trends in the face of ever tighter financial constraints, deteriorating terms of trade and a hostile international environment. Safeguarding the gains of the poor and the vulnerable while deepening the adjustment measures to restore growth remains the daunting challenge for the years ahead. o I.S.

Structural adjustment and external finance

by Arjun SENGUPTA (*)

Structural adjustment in developing countries is a very broad subject that encompasses practically all the problems of development. In order to focus attention on some crucial aspects of these problems, I shall limit myself to balance of payments adjustment, and there also mainly to the external constraints on the policies of such adjustment. One of the reasons for this is that the IMF is concerned with the balance of payments and that I am concerned with the IMF approach to structural adjustment. For developing countries, the viability of a balance of payments position is integrally related to the conditions that ensure a sustained rate of economic growth which in turn is dependent on policies that ensure the adaptation of the structure of production and other economic relationships to the requirements of growth in output and capacity. The policies for structural adjustment of balance of payments, in that sense, are a subset of policies for economic growth in these countries. I shall be concerned with that subset of policies and the constraints on their effective implementation and not with the general policies of economic growth and development.



Raw cotton being exported from at Douala (Cameroon). How to move from raw material exports to competitive processed products made in African countries?

Characteristics of a developing country

First, let me define the world that we are talking about, because the characteristics of that world would to a very large extent determine the nature of the adjustment policies. This is a world of developing countries, where markets do not clear instantaneously—in fact, most markets clear sluggishly over a long period of time. Prices are not flexible; most prices remain relatively fixed or rigid downwards. Resources do not move freely from one activity to another, and much less so from one region to another. Markets are not only not perfect, quite often are not even formed; as a result, market signals through prices and profit incentives take a long time to work. Unemployment does not disappear by reducing real wages; excess capacities do not get utilised by lowering prices and increasing demand.

I think many in the industrial countries would recognise some of these features as pertaining to their world also, in spite of the resurgence of the rational expectations theory. But that is not my concern, because my world, the world of the developing countries, is unmistakably the world I have described. In addition, the per capita income and the rate of savings are too low and even if all the efforts are made to mobilise domestic savings, they would fall short of the requirements of capital accumulation necessary to make any significant dent in the rate of growth of these countries. Resource shortage is the principal characteristic of these countries, and the most important external constraint appears when such resources cannot be supplemented by external capital flows. This is so not only for the long-run development of these economies, but also for implementing the policies for adjustment in the balance of payments.

Structural adjustment and long-term development

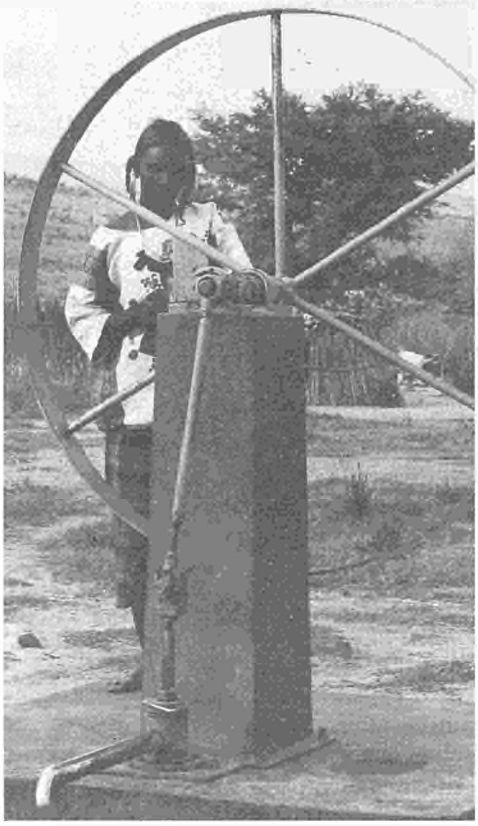
It is important to note that the requirements of long-term development and the requirements of balance of payments adjustment are not quite the same. Although in the developing countries the two reinforce each other, because the removal of production rigidities and other structural bottlenecks which are necessary for balance of payments adjustment also are essential for

(*) The author is an Executive Director of the International Monetary Fund (IMF). This paper reflects his personal views and not those of his authorities or of the IMF.

long-term development. But conceptually they are different, and external resources are required for balance of payments adjustment even if we abstract from the needs for development.

Adjustment policies are meant to correct the disequilibria or imbalances in the balance of payments. Clearly such disequilibria are not automatically eliminated, as in the theoretical flexprice and flexible exchange rate equilibrium models. They require active policy intervention. There is no dispute on that in the real world's practical policy discussions. But there is some problem about the equilibrium relations which are supposed to be restored by adjustment policies. The equilibrium values of the variables would depend upon the objectives of policy. Most developing countries have not only reasonable growth rates as objectives but also some distributional goals, between classes and groups of peoples, between regions within the country and also specific targets of poverty alleviation, health, water, and literacy improvements. Admittedly, sometimes all the targets may not be mutually consistent and the disequilibria may be caused by policies purporting to serve these inconsistent objectives. In that case, of course, the correction of these policies would be the first requirement of adjustment. But that does not mean that all other objectives besides balance of payments can be ignored, because the cost of redressing the payments imbalances, measured in terms of foregoing the values of other objectives, would then be too high.

I am highlighting these, because quite often in the adjustment policies these issues are ignored and temporary improvements in the balance of payments are achieved which cannot be sustained. For example, a sufficient demand contraction may always achieve the removal of payments deficits. But if this leads to a fall in the current output, or a rise in reduction of essential imports both of wage goods and intermediate and capital goods, or a rise in unemployment and loss of real wages, the system reacts to them either by giving up the balance of payments adjustment policies or by adopting other corrective policies that slow down or reverse such adjustments. It may therefore be necessary to adopt a package of policies, which would reduce the payments imbalances, not as a sole objective or in the shortest possible time, but gradually over a period of time, simultaneously, along with adjustments in the values of other variables, that reflect other equally important objectives of the system. This would necessarily mean that the external deficits would have to be sustained over a relatively long period, which would imply that they have to be financed during this period, and that would require increased financial support.



ILO

A wheel that brings water in a Niger village

"Most developing countries have specific targets of poverty alleviation, health, water..."

Similarly the problem can be looked at from the supply side, as the balance of payments problem is a reflection of aggregate demand exceeding aggregate supply. The structural rigidities of the system, the inelasticities of production, and inflexibilities of factor movements make most of the developing countries operate inside their production possibility frontiers, i.e., at levels below what could have been achieved given the stock of capital, labour, other factors of production, and technology. Structural adjustment is basically realising this potential, moving from inside the production possibility set to the frontiers. Growth and development would entail moving the frontier itself, by enlarging the stock of capital, skilled labour and other factors of production as well as through technical progress.

The need for external finance to support structural adjustment

The point to be noted is that adjustment and finance are not substitutes, but are essentially complementary, especially in developing countries where sustainable balances of payments require structural adjustment. When the balance of payments problems are temporary, and the equilibrium conditions are restored if the temporarily disruptive or cyclical factors are eliminated, all that is required is sufficient finance to sustain the temporary deficits for a period, and it need not call for any adjustment of policies. Where the deficits are caused by persistent or permanent factors, policies will have to be adjusted; but unless the availability of finance to cover the deficits unnecessarily postpones such adjustment, it will be difficult to regard finance and adjustment as substitutes. Indeed, when policy changes have to be undertaken in any case to correct a deficit situation, the governments may not have much reason for postponing such changes, unless a delay in introducing them improves the chance of their effective implementation. On the other hand, structural adjustment would normally include measures that would require financial support both in their design and their implementation. Adequate adjustment would then need adequate finance.

In a world that we have defined, structural rigidities cannot be removed by changes in the relative prices alone, but by specific policies, removing specific bottlenecks and relaxing inelasticities. And all these require time, and during that period, payments deficits have to be sustained, i.e., financed with external capital.

There are many empirical studies which highlight this time-lag required between the adoption and fruition of the adjustment policies in the developing countries, whether they are related to exchange rate, interest rate or price and incomes policies — the policies that are related to expenditure-switching rather than expenditure-reducing. This does not mean that expenditure-reducing policies have no place in an adjustment programme. On the contrary, where balance of payments problems are primarily due

FAO

Vegetable production in Zambia
Transforming subsistence agriculture into large scale commercial farming should by now be the major concern

to unsustainable expenditure, they have to be pursued. The trouble, however, is that in most cases, expenditure-reducing policies also reduce output and if complementary policies are not adopted to prevent that possibility, the commitment to the pursuit of these policies cannot be taken for granted, given the socio-economic compulsions and the policy objectives derived from them for the system.

This argument also does not imply that there is any less need for removing the domestic policy distortions. In fact the rigidities and inelasticities of the economies are often the result of severe policy mistakes or over-regulation, excessive physical controls and rationing of credit, capital, imports, and other scarce resources. Appropriate structural adjustment policies would then mean removing these policy distortions. But implementation of these policies would again take time, and that would be so even if all the policies are adopted at one go and not gradually. This is because the response of the system to the policy changes would be necessarily gradual, by virtue of the characteristics of the developing world that we have described.

Let me make another related point here, before I move to other aspects of the problem. The need for external financial support for the implementation of adjustment programmes follows, as we have discussed above, from the structure of the developing countries, which determines the time-frame of feasible policies, during which the external deficits have to be financed. This would be the case even if the policy interactions among the industrial countries themselves were better than they are today, with higher growth rates, a more stable pattern of exchange rates and a more open trading system, where industrial countries adjusted to their comparative advantage and vacated industries where the developing countries have comparative advantage. These would undoubtedly reduce the adjustment costs of the developing countries, but the time-lag in the response of the domestic economies of the developing countries to the policy stimuli would still be present. Nor would the need for external support for such adjustment be eliminated.

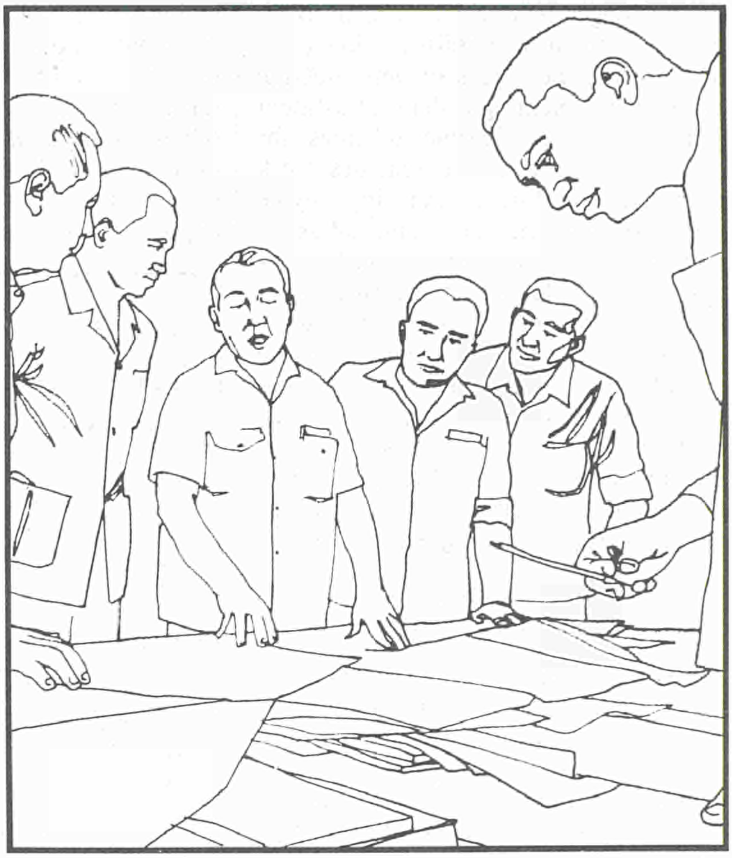
There is by now enough literature about determining the quantum of external finance needed to support the policies for adjustment. The financial programming exercises of the Fund are supposed to provide these estimates for a particular country, based on the projected behaviour of some variables and dependent upon the nature of the adjustment programmes. It was pointed out in the Report of the group of developing countries in the Fund-Bank institutions (the G-24) — on "The Role of the IMF in Adjustment with Growth" that the basic limitation of the conventional Fund approach in these exercises is that they are not able to incorporate fully the requirements of finance needed to sustain a reasonable rate of growth together with balance of payments adjustment. This is a basic lacuna, since such growth sustenance is an essential condition for bringing about the structural adjustment needed for a sustainable balance of payments adjustment. The Report provided some methods for incorporating growth exercises within the financial exercises and measuring the financial gap that has to be met from external sources. The Fund staff is also engaged in such technical exercises. There is still a long way to go to establish a workable model, because our knowledge of the working of these economies is grossly inadequate. It is, however, now clearly recognised that the conventional way of formulating the Fund programme is not an answer to these questions.

It may also be noted that the quantum of external assistance is as important as the quality of such assistance. There are two features of this quality — one is timeliness, another is about the terms of such assistance.

The timeliness of external finance

The timeliness of such assistance is most important for the success of any adjustment programme. The authorities must be certain that such assistance would be available when required, before adopting a programme, because a half-way approach or giving it up in mid-stream would often be a total waste of effort, and the fact that it can be given up in mid-stream would generate expectations about the continuity of these policies, which would prevent the actors in the economy from responding to them appropriately. Since the financial exercises of the Fund estimate the external capital flows from official as well as market sources, which have often proved to be uncertain and halting, the G-24 Report proposed that the IMF should provide an assurance that if the country is on track in implementing the adjustment programmes, and if for some reason, the projected flows of external capital do not materialise, it should come forward to bridge the gap. This has of course implications for the availability of resources to the Fund, such as the size of quotas. But the absence of this assurance should be regarded as a major constraint on the implementation of adjustment programmes.

The timeliness of assistance is also related to establishing contingency mechanisms in adjustment programmes, about which the G-24 Report made some concrete suggestions in 1987. In the Annual Meetings of 1987, U.S. Treasury Secretary Baker also admitted the need for such



The project study phase may last longer than the project itself. (Illustrations taken from IMF publications).

mechanisms, and made some proposals, for establishing external contingency facilities, which are now being considered in the Fund. These are not exactly what we wanted, but are still very welcome steps forward. If the contingency mechanisms are going to be really useful, they should be set up prior to the introduction of adjustment programmes and should be available as insurance, automatically provided to the countries if contingencies arise and if the policies are on track. There should be some agreed set of projections for a country's foreign exchange inflows over the medium term, related to the developments of external factors and base-line policies. If the actual values turn out to be different from the projected values beyond a threshold and if the policies are judged to be on track according to some agreed method of monitoring, the country should be assured that the gap will be met by the Fund, either on its own or by catalysing other sources. Indeed a contingency mechanism does not always need the pre-existence of a Fund-supported programme for the country. If the medium-term scenarios are mutually agreed upon at the time of the Article IV consultation on the basis of the pursuit of certain policies, deviations of the real situation from the projections should be an adequate basis for invoking the contingency assistance mechanism, almost in the manner of using the compensatory financing facility.

The terms of external finance

Regarding the terms of such external support, the first point to appreciate is that this is meant for supporting adjustment policies of the government and is different from development finance for supporting investment in these countries and therefore should be regarded like supplementing the reserves of these countries. There is no way of calculating the rate of return on these funds. The cost of these funds should therefore be lower than the market and although the cost of such funds to the industrial countries will have to be taken into account, it should not exceed the cost to the treasuries of these countries, in case they had to use them as reserves in their own adjustment efforts. That would be in the true spirit of international cooperation. The best course would have been an allocation of SDRs. In their absence, the use of quotas of the Fund would be the appropriate course, and for that a substantial addition to the quotas would be called for.

The actual terms of this assistance should depend on the nature of the country's problems, so that they do not add to their burden. There is therefore a case for providing these funds on concessional terms to low-income countries, so that servicing them does not add to their debt-servicing burden, complicating further their problems of adjustment. To do this in a manageable way, it may be necessary to set up a special interest subsidy facility in the Fund. This facility may be funded with additional aid resources, profits from the sale of gold or profits from the operation of international financial institutions.

There is another example of the need for appropriate modification of methods of providing such external finance. This is related to the proposal for assuming the contingent liability arising from the debt adjustment of the highly-indebted developing countries by an international debt adjustment facility. According to that proposal, the main constraint on the adjustment efforts of the highly-indebted countries is the servicing requirements of the stock of outstanding debts, which were contracted at a time when the world was different, with negative real interest rates and an expanding volume of trade, and substantial parts of which are no longer serviceable. The problem is not so much of mobilising flows, but of adjusting the stocks of debt and the proposal for creating a debt adjustment facility provides feasible schemes for such adjustment. If the schemes work properly, no additional financing may be necessary; only the book values of assets have to be adjusted to their market values. There would be some contingent liability to be assumed by the international community, and if the schemes whose probability is low do not work, these liabilities will have to be financed by the creditor government countries. This is put up as an example of a variation of the methods of providing external finance for supporting adjustment.

The prospects of international support

The final point is related to the question: granted that provision of substantial external finance is necessary to support adjustment efforts of the developing countries, is there any scope for this, in the present state of the world economy? There is, because ultimately this is related to using the savings of the industrial countries to supplement the savings of the developing countries. The total amount required for this purpose would be a very small fraction of the savings of the industrial countries, which should not find it difficult to provide, if there is sufficient political will and if there is an appreciation that such adjustment efforts in the developing countries are in the long-term interest of the industrial countries themselves. But there are some special characteristics of the present world situation, which make the conditions very favourable to such international cooperative efforts now to make external finance available to developing countries. This is the existence of huge surpluses, or excess savings, in some of the industrial countries, which have been largely absorbed by the United States up to now and which may be available for development elsewhere, if the U.S. policies of reducing the deficits are successful. According to some projections, if the real exchange rates are stabilised at the current level, and even if the growth of Japanese domestic demands is sustained at a rate substantially higher than the growth of GDP—a very difficult measure to adopt— the Japanese surplus would remain more than $ 90-95 billion dollar a year up to 1992. If the U.S. deficits really decline, the world will find a major problem of absorbing that surplus. The conventional answer is to intensify the efforts to raise the domestic demands further in the surplus countries themselves. Some of us doubt the feasibility of that approach. But even if it were feasible, this may not be the most desirable approach. The diversion of a part of the surplus to the developing countries may be much better, not only in support of the adjustment efforts of the developing countries, but also for supplementing their investible resources, even from the point of view of the growth of output and exports of the industrial countries. o

A.S.

FROM A SPECIAL WORLD BANK REPORT

Trends and characteristics of structural adjustment loans

From 1979 to 1987, 121 loans, representing $ 15 300 million have been approved of which 31 ($ 4 100 m) in 1987 as against 25 ($ 2 900 m in 1986 and 16 ($ 1 600) in 1985. The number of loans has doubled, with an annual average of 15 between 1983 and 1985 and 31 in 1987. The average size of IBRD (World Bank) loans has reached $ 180 m and of IDA about $ 40 m. During the financial year 1987, World Bank loans of ($ 300 m or more) raised the Bank's average to $ 230 m. The biggest loan ($ 500 m) was for Mexico, for the purpose of reforming its trade policy; the smallest loan (a structural adjustment facility) of $ 3 m was given to Dominica. The percentage of loans for structural adjustment rose from 13% in 1983/85 to 18% in 1986 and 23% in 1987. It is estimated that the percentage will reach 25% in 1988.

To date 50 countries, especially highly indebted low- and medium-income African states, have benefited from structural adjustment loans. Twelve ACP countries have received one loan; 7 have had 2; 6 had 3 and 4 countries have received 4 (or more) loans.

ACP beneficiaries of structural adjustment loans

Classified according to the number of loans received (1979-87)

One loan	*2 loans*	*3 loans*	*4 loans and +*
Burundi	Guinea-Bissau	Côte d'Ivoire	Ghana (6)
Burkina Faso	Niger	Kenya	Jamaica (8)
CAR	Nigeria	Madagascar	Malawi (4)
Dominica	Sudan	Mauritania	Zambia (4)
Gambia	Tanzania	Mauritius	
Guinea	Togo	Senegal	
Guyana	Zaire		
Sao Tomé & P.			
Sierra Leone			
Somalia			
Uganda			
Zimbabwe			

Classification of countries

African countries with low income		*ACP countries with average income and highly indebted*
Benin	Mali	Côte d'Ivoire
Burkina Faso	Mauritania	Jamaica
Burundi	Mozambique	Nigeria
CAR	Niger	
Chad	Rwanda	
Comoros	Sao Tomé & Principé	
Ethiopia	Senegal	
Gambia	Sierra Leone	
Ghana	Somalia	
Guinea	Sudan	
Guinea-Bissau	Tanzania	
Equatorial Guinea	Togo	
Kenya	Uganda	
Lesotho	Zaire	
Madagascar	Zambia	
Malawi		

Source: World Bank.

Adjustment, development and equity

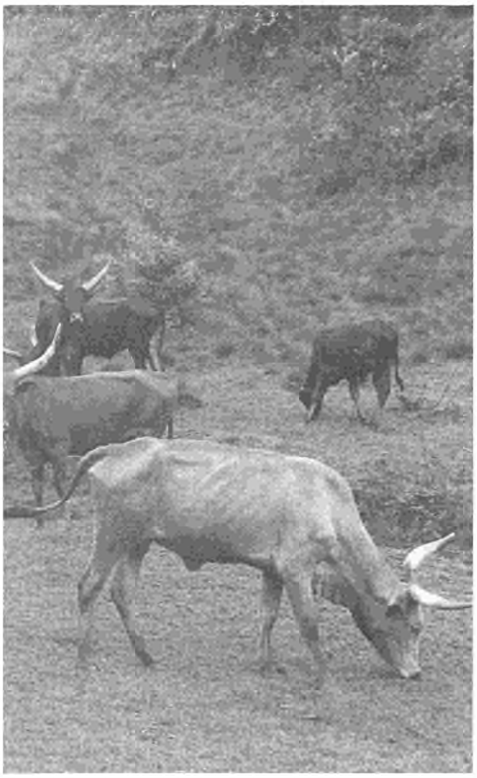
by Dieter FRISCH (*)

Since May 1986, when the special session of the UN General Assembly drew the attention of world opinion to the seriousness of Africa's crisis and the African governments' desire for a complete overhaul of their economies to achieve growth and proper development prospects, no one, least of all the African leaders themselves, has seriously doubted the need for structural adjustment in Africa south of the Sahara. Some 30 of our African ACP partners are already putting all they have into ambitious recovery programmes combining macro-economic measures and sectoral reform. And as a logical reflection of this, the problem of structural adjustment currently dominates relations between Africa and its external partners and has a profound influence over the form and content of the dialogue on all the usual questions—commodities, the debt and the amount of aid and the arrangements for it. Adjustment has become the daily bread of the vast majority of the countries of Africa and a *sine qua non* of their dialogue with the outside world.

But although there is broad agreement as to the need for adjustment in sub-Saharan Africa, many people are still undecided about exactly what the reforms should involve, how they should be run and what the chances of success are. Have the results so far come up to expectations and, above all, do they reflect the effort that has gone into achieving them? Are the stabilisation and reorganisation policies compatible with the pursuit of development aims? Is the theory behind the designing of structural adjustment programmes valid and adequate to cater for the specific nature and the diversity of the crisis situations in Africa? Are the reforms being run at a realistic and sustainable rate? Can economies be adjusted without destabilising societies?

These are the questions now facing the Community—which has not so far been directly involved in discussion or negotiation of the macro-economic questions but which, being a key partner in Africa's development, cannot ignore the economic, financial or political constraints upon the majority of the African governments today.

There can be no question of the Community having a doctrine for adjustment. Our 30 years' experience of development have given us proof enough of the fragility of economic doctrines, particularly in Africa, and of the mistakes they can lead to when they are undiscerningly applied. If there is one reproach that can be made about the debates on adjustment, it is that they have often taken a doctrinal turn that has sharpened opposing views and interfered with a proper understanding of what is at stake.



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Livestock in Burundi: The results do not reflect the country's potential and do not, therefore, remedy—as they might—Burundi's deficit in this sector

The problems which the present crisis has revealed in sub-Saharan Africa today are practical ones. The African economies are suffering from a combination of economic imbalances—deficits on their external accounts, and public budgets, an imbalance between savings and investments and export revenue and debt servicing obligations—and social imbalances too, with training not catering for employment and a disparity between urban and rural incomes, between social groupings and between population spread and economic resources, all of which means making an effort to rebalance and reorganise. With difficulties of this sort, whose nature and seriousness vary considerably from one country to another, theories are of only limited usefulness.

The important thing for the crisis-ridden countries of Africa today is to pose the problems in an open and practical manner, devise pragmatic solutions—and there is every reason to think they will differ from one country to another—and set the adjustment process in its proper context. This is a necessary step, of course, although it should not mask the prime aim of economic policies-development.

Adjustment, an economic necessity

The common starting point for most African economies is the appearance of a serious discrepancy between domestic supply and demand in the early '80s. This was reflected in growing external deficits, mounting inflationary tension and a slowing down of economic growth. Whatever the cause, demand cannot go on being greater than supply. The situation has to be righted. This is the meaning of adjustment—which can be defined as simply righting a series of lost balances.

Many countries of sub-Saharan Africa have managed to put off adjustment for several years by borrowing abroad, although they cannot put it off forever. In all but a few cases where a balance of everyday payments has been maintained, African governments today have reached the limits of their borrowing and exhausted their foreign exchange reserves. They cannot choose between adjustment and the *status quo*. Their only option is ordered, properly managed adjustment or forced adjust-

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ment. And the fact that the majority of African states have gone for the former shows their desire to get what they know to be an unavoidable process under control in the hopes of being able to define the content and the pace in the light of their own constraints and development aims.

We shall not return to the many causes of Africa's economic crisis here. They have been amply analysed elsewhere. But it is worth looking at the nature of the imbalances which it is hoped, the economic adjustment programmes will correct.

Some of them, the most visible ones, are only in fact the symptoms of the crisis—a current-account payments imbalance, a deficit in the State budget, public firms' deficits, excessive inflation, heavy external debts, a shortage of foreign exchange or imported goods and parallel markets—are found in most African economies. They reflect the crisis and, by a cumulative process, they often help make it worse. But it takes more than these indicators, the sudden deterioration of which is behind the adjustment policies, to understand and therefore handle the crisis.

Other less visible imbalances are in fact deeper and longer standing and they are rooted in the very structures of the economies of many a country of Africa. There is the protection machinery of the local market set up to ward off international competition for the import substitution industries created in the '60s and '70s. There are rigidly administered exchange rates leading to untenable over-valuation of the local currency. There is considerable and often not very effective State intervention in the economic activities of production, external trade and distribution. In comparison to investment requirements, all too few savings are cashed in and placed on the financial circuits and the productive structures of the modern sector are often too technology- and capital-intensive. All this imbalance and rigidity, which is structural and has gradually got established in Africa over the past 30 years, is far more difficult to correct.

Because these symptomatic imbalances appeared in Africa more recently and more spectacularly, on the occasion of a deterioration in the international environment, it is very tempting to tackle them first. Seeking budget aid to make up the official deficit temporarily, rescheduling the external debt or setting up price controls to try and get the better of inflation, are short-term measures aimed at coping with the most urgent problems. But they are no more than cosmetic if nothing is done about basic imbalances at the same time. The budget deficits are made up for a month or two, but they reappear at once. Inflation may be under control in the official statistics, but it reappears on the black market in the form of dramatic shortages. And a rescheduled debt piles up and mortgages the future still further. Hence the need to give priority to a really thoroughgoing scheme which will alter the economic structures that blocked the growth and fuelled the crisis in the first place. If adjustment is to last, it has to be structural. Striking a fresh balance means reorganising.

Controversial results

There are now 25 countries of sub-Saharan Africa working on structural adjustment programmes with the help of the IBRD and the IMF. Although most of them only started their reforms recently, a first assessment has been made; the results are very unequal and sometimes disappointing. The African countries' efforts have brought genuine progress with internal reorganisation, but it has to be admitted that they have managed little in terms of economic performance so far.

Among the important achievements as far as the future is concerned are the trend in the exchange rates, the reduction in the public deficits and the improvement in the terms of trade to the benefit of the rural areas.

The many devaluations since 1985 have made it possible to reverse the serious tendency to over-valuation of the African currencies and move towards more realistic parities. Actual exchange rates over the whole of sub-Saharan Africa, which had risen by 46% in 1978-84, dropped by 7% in 1985 and almost 20% in 1986. The move towards monetary readjustment began in a few of the poorest countries in 1982-83, but in 1985 it began spreading gradually to medium-income nations.

At the same time, there was an energetic drive to reorganise public spending and cut budget deficits. A series of governments managed to reduce the aggregate wage paid to their civil servants by such things as wage reductions and redeployment. And many began phasing out their subsidies on staple consumption and agricultural inputs. At the same time, the reorganisation of a large number of small public firms made it possible to reduce the amounts going into subsiding them, enabling several countries to halve their overall public deficit, bringing it down to less than 5% of GDP, over a period of two or three years.

Another important step forward was the new price policies, which were reflected in a change in the terms of trade between town and country. In countries which had embarked on structural reform, an increase in the prices paid to the producer combined with a reduction in the wages actually paid in the towns apparently led to an improvement of about 5% p.a. in the terms of domestic trade, to the benefit of the rural sector, over the 1980-85 period.

Although the Africans' adjustment drive did make it possible to even out some internal imbalances, there has been no effect on the external balance so far or—and this is most important—on growth. Debt servicing has gone from $ 10 billion p.a. in 1984-86 to more than $ 15 billion p.a. over the present period, 1987-89.

The balance of current account payments deteriorated badly in 1986 and 1987, worsening the foreign exchange shortage and further reducing the per capita import levels, which were below those recorded in 1970. Investments are still stagnating and ordinary maintenance of existing facilities cannot be assured. And with real growth rates of 3% in 1986 and 2% in 1987, we are still waiting for the anticipated take-off while per capita income is still dwindling. Mounting unemployment, the inflationary effect of devaluation and the compression of public spending have combined to worsen the situation of vulnerable sections of society and create new poverty, particularly in the towns.

It has to be admitted that, in all but rare cases, the African populations are paying for stabilisation today, although the advantages of economic recovery, which might make up for the effect of the austerity measures, are still awaited. The contraction of domestic demand has heightened social and political tension—often crystallised by price adjustment measures—in many countries. The demoralisation—modestly called "adjustment fatigue"—of some African governments and the breakdowns and the backtracking in one or two countries show the difficulty of reconciling the need for adjustment with the need for growth in practice.

So both Africans and external partners now have to learn from experience.

Realistic, differentiated programmes

Although many African countries now need adjustment, it would be a bad mistake to think they all need the same sort. Their practical situations, external constraints, levels of development and administrative abilities are very different, so it is logical for the content and arrangements of their adjustment policies and the rate at which the reforms are introduced to vary too.

The first prerequisite of the success of these reforms—and not just in Africa either—is for them to be internalised, which is to say, desired and designed by the country in question. It has to be admitted that this obvious rule has not, in practice, always been respected. For understandable reasons—a shortage of local technical resources and abilities, urgent financing requirements and a desire to present the programmes harmoniously and thus facilitate the mobilisation of external assistance—the international financial institutions have often played a decisive part not just in the dialogue, but in the design and formulation of reorganisation plans in Africa. An African minister recently pointed out that his government had had less time than the board of an international institution to look at and agree to a policy framework paper.

That is a danger and considerable risks are involved. Faced with an urgent need for financing, some governments may indeed be tempted to agree to reforms about which they are not entirely convinced or whose consequences they have not fully gauged, so it should come as no surprise if their commitment wavers along the way when serious difficulties crop up or if waning enthusiasm sometimes leads to a break. But above all, reform programmes of this kind, to a large extent designed by foreign experts, could well not really be in line with the constraints, the particularities and the capacities of the countries in question—which would threaten their viability.

If viable adjustment programmes which respect local conditions are to be designed, then the government of the country concerned must be the first to be involved in analysing the difficulties. And the economic policy choices must be properly under control. The role of the funders, however expert they may be, is to back up the local government, not replace it.

Although Côte d'Ivoire has succeeded with its Palm Plan, this has not prevented it from running heavily into debt because of world commodity price fluctuations


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The second condition for viable structural adjustment programmes is realism. The case-by-case approach recommended in other fields takes on its full meaning in the adjustment sector if the aim is to respond to Africa's diversity of practical situations. And this should lead to a relativisation of the theoretical concepts which are usually there when adjustment programmes are drawn up.

Principles such as that of comparative advantage, neutrality, protection, optimal allocation of resources by the market or flexibility of exchange rates are useful references from the point of view of theory and they make the construction of models easier. But they have to be interpreted flexibly if they are to be applied to the realities of Africa—as indeed is the case when we apply them, decently modulated, to our own economies. How good and how reliable are the statistical data we have to measure the real imbalances? Can we make a proper job of including the informal and parallel sectors—which are such a significant part of the economic activity of most countries of Africa—in our analysis? How solid are the external assumptions which are essential to the country in question, particularly when it comes to commodity prices? The experience of the past few years shows just how big a gap there is between the models of general balance and the reality of the African economies and should lead to a great deal of modesty.

The absence of viable production alternatives, the fragmentation of national markets, the weakness or disorganisation of the private sector, the distortions typical of the external markets and the non-monetarisation of a large part of the economy are also structural factors which, in many a country of Africa, restrict the extent to which the market can adjust and may also provide justification for active intervention by the authorities.

On a more practical level, one may well wonder what new specialisation would be open to a Sahelian country which, without any protection, laid itself open to food imports at the artificially low prices typical of the world market. Ricardo's rule of the relative value of commodities provides no practical answer to a question of this sort. It would also be as well to reflect on the effect of dismantling State structures in countries where there is no private sector to take over and to assess the risks of a situation in which there would be no-one to perform certain vital functions if the State abandoned them. Liberalisation and privatisation may be a way back to economic efficiency, but they are not aims in themselves.

Obviously these two dangers — programmes designed on the outside and an over-theoretical, over-standardised view of adjustment — are linked. Giving the countries of Africa the time and the means of designing their own reforms, with technical assistance that really is there to serve them, is the best guarantee of designing realistic and differentiated solutions and, therefore, of achieving viable adjustment.

Adjustment and development

Many people in the early '80s thought that structural adjustment would only be a transitional phase during which balance would be righted, a time of austerity and reorganisation which would soon lead to economic recovery. And the example of certain countries of Asia or even the ACP Group (Mauritius, for example) indeed shows that thorough adjustment can be achieved in three or four years. But experience in sub-Saharan Africa has dissipated the optimism since then and now everyone knows that the process of adjustment and reform will take far more time and resources than originally anticipated. In most African countries, the size of the transformations, the persistence of an unfavourable international environment and the burden of all the arrears will be clouding the prospects of recovery for some years to come. Even the most optimistic do not envisage a return to genuine growth of the per capita product before 1990.

So it is vital for Africa to reconcile adjustment and development.

Adjustment is a complex process because it pursues three objectives with different natures and horizons—stabilisation, growth and development—at the same time. We usually insist on the convergence of these three objectives and particularly on the fact that stabilisation is a *sine qua non* of any resurgence of growth. It is true, for example, that a minimum of price and exchange rate stability is needed to make the operators feel secure and encourage them to invest or reorganise their activities. But the practitioners also know that the two aims of stability and growth can conflict in major areas of adjustment and that difficult compromises then have to be found.

A restrictive monetary policy that guarantees price stability reduces investment capacity and can therefore impede growth. Repeated devaluation keeps the inflationary pressure up and the first effect of the liberalisation of external trade intended to stimulate growth is usually to pile up external deficits and cut budget revenue. Hence the constant difficulty of dosing the various reforms making up the adjustment programme—between cutting demand and stimulating supply and between balance and growth—which is often behind the differences in the assessments of the IMF and the IBRD. If adjustment has to take years, then it is crucial for economic policies to insist on growth and for the funders to be flexible in defining the aims of balance.

But growth itself, something which has become the stated aim of structural adjustment programmes in Africa, is not yet and not all development. Clearly, all States need economic growth for their development, but at the same time they have other, vital targets of their own and they are not purely economic ones either. They want a national identity, regional cooperation, proper income distribution, food security, environmental protection and more—all of them aims which do not add up to a real GDP growth rate but which in fact define a certain kind of growth. So, as far as the long term is concerned, economic adjustment programmes have to be constructed around these objectives and contribute to achieving them.

The experience of the past few years shows that there may be a contradiction between lasting and long-term development aims and the quest for short-term economic effectiveness alone, that the pursuit of food security (the focus of Community support in Africa) is not often compatible with the import liberalisation which would make for the cheapest supplies and that the growth some countries running adjustment drives have brought back thanks to rapid expansion of cocoa production carries risks of greater dependence on the outside world and can create extra problems for other producer countries. Going to extremes, the recent toxic waste affair cast harsh light on the conflict there can be between short-term economic gain and long-term development. The thousands of millions of dollars one West African country was offered for storing dangerous waste would have meant it could wipe out its external debt and finance major investment programmes—but at what price and what risk to the future development of the country and its neighbours?

The diversity of the African countries' development aims is one more reason for pleading for differentiated, home-made adjustment programmes. And above all, it has to lead to a more global conception of the adjustment process itself—whose aims and content are not just of an economic order.

Pace of reform and duration of adjustment programmes

When the Government and the funders agree on the nature of the reforms that should be run, there may be differences of opinion as to the rate at which they should be run and, therefore, the time the programme should take. The conditional nature of adjustment loans has as much to do with the content of the reforms as with their timetabling.

When supporting sectoral policies, the Community comes up against, say, the problem of rate of advance when the idea of moving towards realistic food prices arises (by increasing the price paid to the producer and phasing out consumer subsidies) or liberalising domestic food marketing. The same question arises in particular when it comes to adjusting the exchange rates, cutting public spending and liberalising imports.

The first structural adjustment programmes produced in sub-Saharan Africa have, typically, hard and fast timetables and last for very similar lengths of time. This was both a logical departure—it was thought that adjustment could be accomplished quickly—and a necessary one, and the available financing, IMF stand-by agreements and IBRD structural adjustment loans involved a period of disbursement of no more than three years. But this ap proach proved unrealistic in many cases. Many countries were unable to stick to the timetable or reach the stated targets and more flexible formulae had to be sought.

Considerable progress was made in 1986 with the creation of the structural adjustment facility and then the augmented SAF with the policy framework papers offering a moveable horizon of three years and total five-year cover. There is an increasing tendency for World Bank structural adjustment loans to succeed each other in any given country and to double with sectoral adjustment loans, all of which makes for a certain amount of continuity in both financing and dialogue.

But in spite of the progress, the period every time a further adjustment loan is negotiated still tends to be three years—well below what is actually required to get the reforms properly implemented. So there is a considerable amount of uncertainty for the borrower country as to what support it will have for its reorganisation in the medium term. And there is a tendency for the lender to want everything implemented straight away, as his power of incentive will disappear as soon as the last part of the loan has been paid over.

Yet choosing a realistic pace for implementation is essential to the success of adjustment. The reform timetable must also be "internalised" and adapted to local constraints and capacities. Programme duration must not be determined from the outside by the type of financing available or by funders' preferences, and care should be taken to ensure that this period fits in coherently with the internal rate at which the country is working (in its development plan). The over-tight, unrealistic programmes sometimes drawn up in the past have not done much for adjustment. On the contrary, they have generated a feeling of failure and frustration in the national administrations, caused tension and pointless negotiations on every annual assessment of performance and, above all, disoriented the economic operators—who need to be able to anticipate the scheduled reforms in full knowledge of the facts during the period of adjustment.

Once the initial phase of stabilisation is over, the reform of structures, institutions and behaviour usually has to be tackled gradually. The first reason for this is that the management ability of sub-Saharan Africa's national administrations is often very limited. Technical assistance may help get the reforms off the ground, but the country will not be able to complete and consolidate them unless it has enough time to build institutions and train its people. And the second reason is that adjustment generates costs for the various sections of society that crisis-ridden African states are unable to make up for or amortise other than by spreading them in time.

The third reason is that the reforms should not contradict their aim—which is to encourage private investment, production and initiative. Sudden adjustment programmes which do not maintain a minimum of macro-economic, social and institutional stability could, on the other hand, discourage them. There is a close link between the duration, rate and content of adjustment programmes. With longer programmes, it is easier to alter the rate at which the various reforms are implemented and it is possible to include long-term aims and schemes too—human resources, for example, and regional integration, which cannot really be accommodated in the short periods of the present structural adjustment programmes and policy framework papers.

Including the social dimension

We all now realise that structural adjustment programmes have been defined in the light of economic and financial aims and analyses and that the social aspects of adjustment have so far been overlooked. This omission poses two basic problems—by having growth as the central aim, the adjustment programmes are ignoring the aim of equity and run the risk of unacceptable social costs. And by over-emphasising economic reform, they ignore social imbalance and the social content of adjustment—which is nonetheless vital to the success of economic reform in Africa.

The social cost of adjustment is a cause of growing concern for African governments and their external partners, as is borne out by a series of recent initiatives and debates (in UNICEF, the OECD, the ECA and the ILO) and the fact that the World Bank itself has recently launched a programme of research into this.

More practically, since 1986, there has been a burgeoning of action programmes aimed at cushioning the social effects of adjustment and compensating the hardest-hit with specific aid in countries running adjustment drives (PAMSCAD in Ghana, PASAGE in Madagascar, SIRP in Guinea Bissau etc). Like other funders, the Community is being asked to help treat the social consequences of adjustment to an increasing extent.

Traditionally, there are three arguments used to counter those who are worried about the social costs of adjustment, namely that:
— the social costs would be higher—and more lasting—if there were no adjustment;
— they are temporary and to a very large extent unavoidable;
— adjustment itself makes the distribution of income fairer.

The first of these is well founded, particularly from the long-term point of view, and no-one contests it either, as everyone is convinced of the need for structural adjustment in Africa. The second, which claims that the social costs are temporary, has lost a lot of its punch now we know that adjustment will take a long time. For the African populations in dire poverty, with a standard of living that is often below what they had back in 1970, the question is not whether the latest stabilisation-related decline is temporary but whether they can cope with it at all. The data on such things as nutritional levels in the vulnerable sections of the population are disturbing here.

The third argument, whereby adjustment contributes to social fairness, has to be tested. Some adjustment measures—such as paying more to the producers of agricultural products or cutting out the unearned incomes of the privileged classes—do indeed make for a fairer distribution of income, but others can have the opposite effect. Devaluation strongly affects middle- and lower-income urban dwellers, although it favours the minorities with real assets or foreign exchange. In rural areas, encouragement to produce exportable goods and the attendant devaluing of non-tradeables puts the food producers (i.e. often the peasants in the poorest areas) at a disadvantage and widens the gap between the incomes of men and women—when the latter derive most of their revenue from products destined for the local market. The reduction of health and education budgets and the disappearance of free services have a very uneven effect on the different social classes, hitting the poorest first.

It is difficult to measure the effect the structural adjustment measures have on the distribution of incomes and workers in the households and on the living conditions of the poorest groups, but it has to be done if measures with unacceptable effects are to be brought into line.

A failure to pay enough attention to the social aspects of adjustment has generated serious social tension in several countries of Africa, sometimes leading the governments to stop their programme of reforms or go back on actions that have already been started. So, integrating fairness as an objective right at the design stage of the structural adjustment programmes is a priority. Economic reforms have to be both fair and able to be supported by the poorest. These are the essential conditions of their viability.

But the idea of the social consequences of adjustment is in itself far too restrictive. What we are talking about is the social dimension of the adjustment process, that whole series of social changes which the reorganisation of the African economies calls for or should lead to and which should therefore be taken into account in the adjustment programmes.

Over the past few years, an over-theoretical view of the process of adjustment in Africa has led to stress being laid on the economic aspects—which are, it is true, easier to model—to the detriment of the social aspects. But the two are indissociable in reality. Encouraging the transfer of productive resources to exportable commodities means, practically speaking, that the peasants have to switch crops and in some cases, regions. Liberalising trade means that many industrial firms will have to reorganise, change or close down. Cutting public spending means that the civil servants have to be laid off and become self-employed and that young people leaving education will have to look for other jobs.

Changes of this kind of course mean a whole series of economic measures (changes to the price systems, investments, credit policies and input distribution) but they will never really come about unless training, housing and social integration schemes are run alongside. The work factor—men, that is to say—is neither as mobile nor as replaceable as capital and the rigidities of the labour market are often the biggest obstacle to adjustment.

Going beyond the groups which are directly involved in the reforms, adjustment always means taking a serious look at the social sectors (education, training and health) which have to cope with greater needs with less money. Because these sectors are essential to long-term development, they must not be treated as the poor relations of adjustment. On the contrary, every effort must be made to give them high priority (when cutting public spending is on the cards) and to reform them to make them more efficient.

Would pineapple, an export product, contribute to improving trade balances to the advantage of rural areas?

The idea of integrating a social component in the structural adjustment programmes is nothing new. Some people in Africa may be tempted to forget it because of the cost or because it would make defining programmes even more complicated. But with the appearance of programmes to treat the social consequences of adjustment, people are beginning to measure the cost of an adjustment which neglects the social side... and to realise that paying greater attention to the social aspects would not just be a factor of fairness but, above all, a promise of the efficiency of reforms in Africa.

The difficulties encountered in implementing structural adjustment programmes in sub-Saharan Africa are leading both Africans and their partners to critical reflection today—and the very design of the adjustment programmes is bound to be discussed.

Without wishing in any way to doubt the need for adjustment, it is important to learn from the past and correct any errors. Structural adjustment is a long-maturing business and will be at the heart of the economic policies of the majority of the African governments for the next 10 years. So the structural adjustment programmes cannot be designed as simple stabilisation plans. On the contrary, they must be reconciled with the African states' long term growth and development targets. This is no easy task, because it implies an approach which is more realistic and more general (in its content) and more differentiated (for the different countries) than the one adopted for adjustment over the past five years.

The African countries themselves should be the first to re-examine the aims and content of the economic adjustment policies, because it is they who actually apply the reforms and live through adjustment on a daily basis. But Africa's external partners also have to join in the reflection, because their support is vital to the success of these reforms in Africa.

Macro-economic adjustment is a new challenge for the Community. It plans to use its experience in supporting sectoral policies to broaden its support for its ACP partners' drive for macro-economic reform. It obviously does not intend to define a path parallel to that of the IBRD or the IMF. But it does intend to ensure that, in the dialogue with African governments and in consultation with the other funders, these reforms are designed realistically, efficiently and with respect for the focal aim of its cooperation policy—development. ○ D.F.

The adjustment process in Africa: a European Council Resolution

The Council finally accepted at its meeting on 31 May this year the particular concept of structural adjustment policy for the ACP economies presented by the Commission. It differs from the stereotyped, often dogmatic and too exclusively economic and financial approach of the Washington institutions. The Commission called for a more realistic, pragmatic, more differentiated approach that would take into account the social dimension of structural adjustment policies as well as certain important development objectives (e.g. food security) which were in danger of being neglected in the structural adjustment approach as implemented so far.

The Commission's approach does not seek to compete with that of the IMF and the World Bank. The conclusions, summarised in the resolution (below), are destined to help the Commission to defend its point of view and its experience in its coordination discussions with the Washington institutions, and thereby to try to direct their approach towards greater realism, by adding to their concern for the economic and financial efficiency of structural adjustment, concern that, politically and socially as well, the process of adjustment be acceptable.

1. The Council has taken note of the Commission's analysis of the situation, which it shares to a very large degree. In particular it notes that, in addition to the fact that internal structures are frequently ill-adapted, the problems posed by debt servicing, the fall in certain commodity prices and insufficient external financial input are jeopardising the ability of many sub-Saharan African countries to pay for the imports essential to their development. The international financial situation of the last few years has made matters worse.

The Council notes with satisfaction that most of the countries in question have realised the seriousness of these problems and have undertaken restructuring and adjustment efforts. In that connection, it gives a reminder of the United Nations Programme of Action for African Economic Recovery and Development (1986-1990), adopted in May 1986.

2. The Community and its Member States reiterate their willingness to support the adjustment process now under way in those countries in whatever way they can.

3. After examining the problems posed by the implementation of structural reforms, the Council concludes that if viable and durable restructuring is to be achieved, the approach to be followed should take account of the following points:

- reforms should be conceived and carried out in a pragmatic and differentiated manner, with due respect for economic policy options and taking account of the peculiarities and constraints of each country. It is essential in this connection that the governments of the countries concerned be involved to the greatest extent in analysing the difficulties to be resolved and in preparing reform programmes;
- the Community's efforts to support sectoral policies should be continued within the framework of the priority given by numerous recipient countries to the objective of food security;
- although the adjustment programmes are intended to restructure the economy, re-establish macro-economic balances and bring lasting growth as quickly as possible, it is important to integrate into them other imperatives such as cultural matters or environmental protection;
- it is important, from the stage of planning any adjustment measure, to take into account its social dimension, particularly in order to reduce any negative effects it may have on the most vulnerable sections of the population and to promote simultaneously the objectives of economic growth and social justice;
- the rate at which reforms are implemented must be compatible with the capacities and resources of each country and its development objectives, and must be bearable for its people;
- it must be stressed that in these countries the continuation and the successful outcome of adjustment efforts are essential conditions for a recovery of economic growth. The medium- and long-term support of development measures and the support of adjustment measures by fast-disbursing means are complementary and both are indispensable.

4. The Community already contributes to the adjustment efforts of the sub-Saharan countries through the instruments of co-operation under the third Lomé Convention, in particular fast-disbursing instruments. It has recently added a special programme for certain poor and heavily-indebted countries which, among other things, provides for the first time, under certain conditions, for the implementation of general import programmes. Through the same special programme, the Community intends to increase and accelerate the fast-outlay sectoral import programmes provided for by the third Lomé Convention.

5. The Council invites the Commission and the Member States to ensure that the aid instruments at their disposal are used as efficiently as possible to support structural adjustment efforts as required in particular by making available fast-disbursing aid. As far as the Community is concerned, instruments such as Stabex and food aid and the SIPs mentioned above should be better co-ordinated and used with great flexibility so as to give greater support for the adjustment process.

6. The Council invites the Commission and the Member States to develop, in the States in question and in Brussels, more systematic co-ordination in the support for structural adjustment within the framework of the existing mechanisms and structures, in addition to a more systematic exchange of information, that will enable the operational measures decided on by each Member State to support the adjustment process in each country to be made more coherent.

7. The Council emphasises the need for effective co-ordination between the Community, on the one hand, and the World Bank and the IMF, which play a leading role in the dialogue on structural adjustment, on the other. Such co-ordination must develop at operational level, but also upstream, so as to ensure greater convergence of political approaches and positions. It hopes that the Commission and the Member States will impress on those institutions the Community approach defined above. o

Difficulties of structural adjustment policies

by Peter GAKUNU (*)

In the early 1970s, during the years of the so-called oil crisis, structural adjustment programmes were more appropriately relevant for the developed and for the oil-importing developing countries. The main concern was that the huge balance of payments surpluses generated by the increase in oil prices, if not recycled by lending to other countries, would inevitably cause an international reduction in aggregate demand and consequently a world-wide recession. Therefore the oil-exporting countries had to recycle these surpluses. In the oil-importing developing countries the problem was one of financing their increased import bill. In the event, the large balance of payments deficits were financed by borrowing the surpluses thus recycled by the international banking system. This assured that growth in these countries during the 1970s was sustained and that the anticipated world recession was avoided.

The reaction of the governments of the developed countries to these developments and to the consequent unemployment, rampant inflation, massive balance of payments deficits, etc., was to adopt policy actions aimed at increasing the general price levels. The effect of these policies was to reduce aggregate demand and thereby increase real rates of interest, reduce the growth of world trade and subsequently cause a sharp reduction in external credit to developing countries.

In the 1980s, generally ackowledged as being charactereised by the worst crisis in the international commodity economy since the Great Depression of the 1930s, structural adjustment has acquired a new meaning. The extreme dependence of the economies of the ACP States on primary products has exacerbated the vulnerability of their economies to the excessive price fluctuations which characterise these products. The ACP States have consequently been seriously affected by the recent economic recession. The structural situation of their economies, which is characterised by a very low level of income and a very narrow export base, and the effects of natural calamities, have further aggravated their inability to cope with the repercussions of the severe slow-down in world economic activity. Inappropriate domestic policies in these countries, particularly during the second half of the 1970s, and growing distortions in economic structures, have led to over-extension of the public sector, currency over-valuation and the accumulation of external debt. The slow and less sustained growth in the world economy, changes in consumer tastes, technological advance, increased protectionism in the markets of the industrial countries, etc. have curtailed demand for, and depressed prices of, primary products.

The industrial countries have successfully managed to reduce unemployment, correct the misalignment in their currencies, reduce inflation and reasonably manage their budget deficits. On the other hand, the continued collapse of commodity prices has exacerbated the debt burden facing most of the developing countries. Fluctuating and severely worsening terms of trade, high real interest rates which have further exacerbated the crushing burden of excessive foreign debts, declining resource in-flows, etc. have brought into focus the need for these countries to pursue structural adjustment programmes geared towards the most efficient use of their productive resources.

"Forecasts seem to suggest increased dependence on food imports and food aid"

The collapse in commodity prices has benefitted the developed countries and contributed to the reduction of inflation and to a reasonable level of economic growth. Over the same period a number of the developing countries have, since 1980, recorded a negative average annual growth rate of GDP. For the ACP States in particular, the majority have experienced a GDP growth rate less than population growth rate so that GDP per capita growth was negative. In addition, the growth rate in food production has been lower than that of population. Future forecasts seem to suggest increased dependence on food imports and on increased food aid.

The structural adjustment programmes being implemented by most ACP States require changing the incentives so as to ensure the most efficient use of the factors of production, retrenchment of the public sector and a comprehensive restructuring of the external debt. The success of structural reforms requires the implementation of a combination of macro-economic and sectoral policies. In most of the countries, the major programmes of structural reform include policies to keep real effective exchange rates competitive, increase agricultural reforms, maintain budgetary and monetary restraint, reform public enterprises and improve the allocation of public funds. These programmes demand a reordering of expenditure priorities and the continuous implementation of cost-saving policies in all the sectors of the economy.

Success of adjustment in developing countries requires trade policy reforms geared towards increasing their competitiveness in world markets. Carefully designed trade policy reforms which require the lowering of trade barriers, replacing quantitative restrictions with tariffs and adopting realistic exchange rates could assist in improving resource allocation, and force domestic firms to become more efficient and to compete with foreign ones and to open the economy to new opportunities.

In certain developing countries, these measures have been relatively successful. In other countries however, these policies have had catastrophic effects.

To support trade policy reforms, developing countries must also ensure that government expenditure is brought under control. Past expansionary fiscal policies in the developing countries, however, led to inflation, which in turn distorted relative prices, raised nominal interest rates and the real exchange rate, discouraged savings and stimulated capital flight. However, a balance must be

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struck between cutting government expenditure and the protection of essential spending on health, education and the maintenance of infrastructure.

Fewer price controls would allow prices to reflect the true costs of resources and would encourage the expansion of activities in line with changing incentives. Fewer investment regulations would help to reduce barriers to entry, encourage foreign direct investment, and ease technological progress. Fewer labour market regulations, such as high minimum wages, would promote labour market flexibility and high employment.

The continued shortage of export earnings derived from commodities, the dramatic cutback in foreign resource in-flows to the developing countries and the consequent adoption of structural adjustment programmes has meant a severe cutback in public expenditure on, among others, education, health, agriculture and infrastructural development. The adoption of measures geared towards de-controlling producer prices and thereby liberalising economies of production has particularly affected developmental programmes in these countries. Countries undertaking these programmes have found it difficult to undertake further reforms in the face of stagnating or declining per capita consumption.

Low commodity prices, high interest rates and sluggish growth in the industrial countries has rendered structural reforms in the developing countries difficult. The implementation of structural adjustment programmes has resulted in severe cutbacks in social services, including health and education in a number of developing countries. Cutbacks on these sectors of the economy have impoverished the countries affected and have resulted in rural migration to urban centres which has seriously eroded the rural fabric essential for the development of these countries.

Governments pursuing structural adjustment programmes have been forced, in a number of cases, to undertake reforms which have rendered domestic projects unviable. Thus countries engaged in food production for the domestic market have, in implementing their structural adjustment programmes, been forced to remove subsidies granted to domestic producers and thereby have become more dependent on imported cheap food from abroad. Other countries like Niger and Zambia have found it impossible to pursue policies which have required them to abandon their efforts to sustain self-sufficiency in food production. Yet the success of structural reforms requires the strengthening and the support of the fragile political consensus which provided the initial momentum.

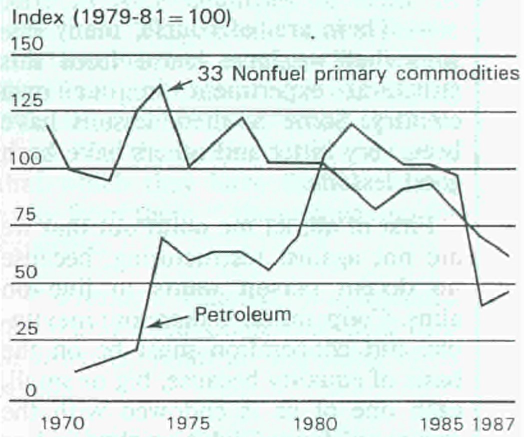
Negative growth in a number of these countries has discouraged investment and technological transfer. The result has been the migration of skilled labour to those countries where economic growth has stimulated investment and eased the absorption of new technology. The result has been the depletion of the entrepreneurial class needed to ensure continued economic development in the country.

The structural adjustment programmes in the developing countries assume that the industrial countries have themselves adopted a variety of adjustment policies, including the reduction of fiscal and international payments imbalances so as to maintain growth in their countries, and the halting of protectionism, thereby increasing international trade flows and improving the efficiency of their economies.

However, the developed countries have tended to assume that the current economic difficulties in the developing countries are a direct result of inappropriate policies pursued by these countries and the collapse in commodity prices has had nothing to do with them, since it is purely related to market forces. It is to be noted that, while on the supply side developing countries have maintained their level of production, on the demand side commodity prices have remained depressed. Thus the market forces (exchange rates, interest rates, etc.) and other policies within the influence of national governments of the developed countries have been left free to continue to inflict damage on the economies of the developing countries.

Failure of structural adjustment policies has been attributed to the reluctance of the governments in these countries to continue with further structural adjustment programmes. Therefore while the developing countries have, out of necessity, fully endorsed structural adjustment as the only avenue for their future economic development, the developed countries have not yet started to act on those actions which they have to take to support the efforts of the developing countries. In this regard, the developed countries should pursue less restrictive monetary policies so as to lower real rates of interest, stimulate growth of world trade including that of the export markets of developing countries and increase external credit to these countries. The theory of comparative advantage and/or import substitution and the concept of protection for infant industries no longer seem relevant in the context of structural adjustment.

Real commodity prices, 1970 to 1987



Note: Real prices are annual average nominal prices in dollars, deflated by the annual change in the manufacturing unit value index (MUV), a measure of the price of industrial country exports to developing countries. (Source: World Bank, 1988)

It should be emphasised that the success of structural adjustment programmes depends on a cooperative approach of all countries, developing and developed, as well as those of multilateral agencies including those of multinational corporations, for a viable international solution to the debt crisis. It also depends on how these programmes relate to the domestic problems in the developing countries. Their success therefore depends on the commitment of all these organs to the alleviation, on a permanent basis, of the poverty confronting the developing countries. ○ P.G.

President Kenneth Kaunda of Zambia: "We want to develop our own resources"

During his visit to Brussels where he attended the World Food Conference meeting last April, the Zambian President Kenneth D. Kaunda was interviewed by *The Courier* on the structural adjustment measures implemented in his country.

▶ *President Kaunda, Zambia has experimented with the structural adjustment measures presented by the IMF and World Bank as a means to economic recovery in Africa. What lessons have been drawn from this experience in Zambia?*

— There are, of course, many lessons that we have learnt from this structural experiment in our own country. Some of these lessons have been very bitter and others have been good lessons.

First of all, let me point out that we are not against restructuring, because no decent person wants to live on alms. Cooperation is therefore inevitable. But cooperation must be on the basis of equality because, big or small, each one of us is endowed with the same soul from God Almighty and as such we want equality in all that we think, say and do. What others do to us, what we do to others, must be on the basis of equality. This, I am afraid, in our world economic order today, is missing.

The IMF and the World Bank have been working with us for some time. The IMF specifically joined us in 1976. We have since then been rescheduling every year and we have noted that we are not making any progress at all. The reason for that is easy to see.

Ever since the oil prices went up one night in 1973 — on the eve of that night we were paying $ 17 m for our oil needs, the following morning we were required to pay $ 252 m. Now just take a look at that jump. We have never truly recovered because, as if that were not enough, all that we sell to the developed North markets we sell at a complete loss to ourselves; and everything that we buy from them we have to pay through the nose for. So, adjustment in that framework is virtually impossible because you must adjust on the basis that when you sell something you would gain something in return. Up to this point we have been losing all the way, with the exception of the last six months when copper prices have been going up a bit. Only a few weeks ago we had problems with cocoa. The ACP countries who depend on cocoa found that its price had slumped. This has been going on all the time and any structuring that doesn't take into account that weakness in our economy will not do at all.

MAPEZ

President Kaunda

"We don't wish to live on debt, borrowed money and borrowed time"

"... We were structuring every year, gaining nothing and getting weaker and weaker"

In December 1986 Zambia was dried out and we lost 15 of our dear people (1), 15 as a result of wanting to change more when in fact we had tightened our belts to the point of breaking. In May 1987 we agreed to start on our own programme based on development of our own resources. This is what we have been doing.

(1) Reference to the riots provoked by the maize price increase (more than 100%) under the IMF structural adjustment measures. Ed.

I wish to emphasise that we are still a member of the World Bank and the IMF. We are, however, saying: no, let us try our own method first. We have decided to pay 10% to cover all that we owe to our creditors. We agreed to pay all but we first have to recover so that we can gain strength enough to be able to pay back what we owe. Up until the present we were structuring every year, gaining nothing and getting weaker and weaker.

The IMF comes from time to time to see us and review what we are doing. We hope that the time will come when they will see that there is sense in what we are doing and then they can help us. We want to reduce the deficit, which is very serious. We don't wish to live on debt, borrowed money and borrowed time. We wish to pay for our living but in order to do that we should be helped to strengthen the basis of our economy. These are some bitter lessons we have learnt from the structural adjustment programmes implemented in Zambia.

The brighter lesson is the one where we have to start planning for our economic development. I think that that is good lesson because ever since copper prices went down and oil prices went up we have been believing that we could continue to borrow and strengthen ourselves that way. We don't want to do that anymore. We want to develop our own resources. What will come out of that will be the very strength that I believe in. It does need a lot of hard work and tightening of our belts.

▶ *What would you ask today of the IMF, to bring more funding and to let you operate yourselves?*

— What we would ask of the IMF today is to help all developing countries, including Zambia, to find new money on better terms. Better terms in this respect means coming in with a good grace period of at least 10 years or so. On past debts also. Help us to reschedule not yearly but on the basis of, say, 10 years and, once we begin to recover, we can pay our own way for our own living and donor countries should bear the same point in mind.

Better conditions which enable us to strengthen the basis of our economies and then we could from there pay our own way through.

As it is now you bring money today and you ask for repayment from the next year. In this way there is no chance that an economy can develop. We remember some years back the British Government borrowed from the IMF, and of course many countries came to their assistance and they paid their way almost immediately, because those economies are already developed. Ours are not. Look at Zambia, we have been producing copper for the last 60 years and yet, until we took over, the mines were feeding the investors and nothing else was left for us except a few taxes here and there. We have natural resources which are being exploited for the beauty of other people. We now need those natural resources to be developed for the good of our own people. That is why I have been calling for investors and for joint ventures. They produce the capital and the know-how and we produce the labour and the natural resources. All these four put together will strengthen our economies and build firm bridges between the "haves" and the "have-nots" to uplift the standard of living of the "have-nots" of this world. This is how I think we should go about this.

▶ *One of the problems facing African countries is expertise. This subject was raised in 1978 during the negotiations for the Lomé II Agreement. How do you see the utilisation of ACP expertise in the ACP-EEC as well as the international cooperation framework?*

— First and foremost, this weakness has been recognised for some time. This is exactly the reason why we have established the South Commission of which my dear old friend, former President Julius Nyerere of Tanzania, is Chairman. He is currently going around the South countries to canvass this idea to see what can be done. First of all to see if we can find expertise, in this respect within the ACP States themselves and when we have failed to find that expertise, can we go beyond the ACP countries and the South countries.

The reason for this is not to discriminate against the developed North. It is because the expertise that we find in South countries will understand more the problems that their fellow men face today, because they have faced the same problems. So when you find an expert from India, China, Pakistan and all these places coming to Africa, they will have gone through a similar stage of development. When you have a Caribbean going to the Pacific, an African going to the Caribbean or someone from the Pacific going to Africa or *vice versa*, you are looking for someone with the same idea of the problems that we face.

A food aid operation in Zambia: "At the moment some food aid is killer aid"

"The gulf of having nothing is a dangerous thing"

On the other hand if you get an expert from the North, he or she will have to first learn about the country; they will not understand the problems that we face. But, as I said earlier on, I, myself have been talking about joint ventures ever since 1967. I wrote this in a document called "Humanism and a Guide to its implementation, Part I", where I said to my countrymen that we have to, first and foremost, build bridges between the haves and the have-nots because, if you don't do that, there is going to be a conflict. Whether we are speaking of one nation or between the North and South or North/North, the gulf of having nothing is a very dangerous thing. It must be put right. I am delighted to note that China is now singing the same song. We all agree that it is the right way to approach these problems.

I wish therefore to urge the ACP countries to first of all look to see what is there among their own ranks and only if they fail should they approach the Europeans. The Europeans should take this approach as a way of helping us. They should not send experts to ACP countries in order to milk them. They should send expertise at a cost we can manage. We would therefore go back to the old saying "To those who have, more shall be given. To those who have not, even that which they have shall be taken away from them " through paying for expertise.

▶ *President Kaunda, you attended the World Food Conference held here in Brussels. What do you think of its results?*

— I have no doubt at all that it was very important and I am delighted that I was able to come. The contribution that that group of people (committed human beings) are making is very correct indeed. So I think it was worthwhile. In my contribution I made various points, one of which is in reference to food aid.

At the moment we have some food aid which is killer aid. I urged the Food Conference to look at this again and make doubly sure that the aid they give us doesn't fuel hunger. I am referring to the type of aid that kills the productivity of the people on the land, and [the argument] was widely accepted. Indeed I quoted a saying "You give a man some food, you feed him for a day. You teach him how to produce his own food, you feed him for a lifetime". That's the type of approach I am making here. o

Interview by
LUCIEN PAGNI

Problems and prospects of economic structural adjustment in Zambia

by Kapembe NSINGO (*)

Zambia, with a population of slightly over 6 million people, and an area of 752 620 km^2, gained independence on October 24, 1964. Recently it has been a country focussed on because of its 1 May 1987 decision to break away from a string of standby arrangements it had with the International Monetary Fund and the Fund's attendant monetary policies which began in 1976. With a 10-year record of working with the Fund on stabilisation programmes, followed by structural adjustment initiatives that were carried out recently in association with the World Bank and OECD countries, Zambia is perhaps one of the most experienced of the African countries on the exigencies of managing an externally-monitored economic reform programme. The discontinuing of the implementation of an IMF-monitored reform programme announced by President Kaunda on 1 May 1987, came as a surprise to some observers.

However to appreciate the reasons for this decision it is important to reflect upon the various reform-associated endeavours the country initiated before and after 1986. There is need to shed light on the difficult economic situation prevailing at the time the decision was taken, in the light of the historical evolution of the existing economic structure that was and is in need of reform. Before doing so, a few aspects regarding Zambia's stand on reforms have to be clarified in order to fully appreciate the rationale behind the 1 May decision.

Firstly Zambia has not broken away from the IMF as an organisation. Zambia is still a member of the Fund, effectively contributing to an onerous task of reshaping the organisation's policies so as to ensure the evolution of structural adjustment programmes that have a "human face". This is a costly exercise, nay, a struggle that entails sacrifice on Zambia's part.

Secondly, Zambia believes that the World Bank is a development institution and not an institution designed for correcting short term monetary disequilibria. While the Fund and Bank must work together, there should be a clear demonstration of the knowledge of the right balance between that which is necessary for long term development and for short term monetary stabilisation. If the Fund and Bank abdicate their historical roles, there shall be no one to take care of both problem areas; each may end up spending more time dealing with "his cousins'" business. This is a serious policy issue viewed by Zambia with concern.

The third aspect to note is that Zambia believes in structural adjustment or economic reforms. There is however, a lack of specificity as to what one calls the right type of form and content of structural adjustment. There is no evidence to prove that the road to reform is the same for all societies at all times, irrespective of the geo-political and domestic socio-economic conditions of each society or region. For example, Zambia cannot cut its defence budget to zero when South Africa is able to bomb it at will. The IMF gave a facility to South Africa, that had a defence budget and programmes growing at an unprecedented pace, to create the very conditions for which, in part, we needed the economic assistance. While South Africa could get away with its defence budget, our deficits, created mainly by our worsening debt service, constituted slippages and breaches for which the Fund would periodically stop payments. In fact Zambia did not draw from the Standby Facility due in 1986.

Zambia had implemented some of the most difficult measures which only a few countries in its position would have undertaken. Zambia has therefore the experience to continue to engage in deliberately planned reform efforts *with growth and development* as the motive and not simply to pursue theoretical statistical balances that do not produce growth. Zambia shall continue to explore the most effective and most suitable methods, mechanisms and instruments that can take it to the ideal, while retaining political stability and social progress of the poor in society. It must remain as "One and not Several Nations". That is all that Zambia is concerned with — whether this shall be done with the help of the Fund or not, is not material. A pragmatic formula does exist. Our task is to discover it. All concerned with man as the agent and cause of development should appreciate this fundamental principle.

Finally we all must reform. The Fund, The Bank and indeed the donor community must adjust too. There is no other option if the world economy is to progress out of its current poor performance. Our task is how to grapple globally with the actual problems encountered in the process of doing so within given realities.

The background to the decision to reform

Zambia, as we ourselves say, was born with a huge copper spoon in its mouth. The main economic interests that had shaped the economic structure we inherited in 1964 had simply carved an enclave for copper extraction using cheap labour as part of the extended Southern African economy, whose economic "capital" was Johannesburg, in South Africa. Zambia was merely an extension, an outpost for trade financed by its cheaply-produced copper. In 1964 at Independence, Zambia imported vegetables, bread, milk, beef, sugar, coffee, tea, cotton, clothes and all basic essentials. It had a few kilometres of tarred roads, just over 1 000 secondary school graduates, 100 University graduates, foreign police and army officers, no Zambian pilots, a single indigenous medical doctor, etc. It also inherited parastatals, controls, and an ill-developed

(*) Zambia's Ambassador to the European Community and to the Kingdom of Belgium.

Open-cast copper mine at Nchanga. "Zambia was born with a huge copper spoon in its mouth"

financial sector. For almost a century an imbalanced, dislocated economy depended upon imports. After independence in 1964, a structural reform programme was necessary.

We did not use the word "Reform". Nor did we call it structural adjustment. We used the words development and revolution to mean reform. We began from almost nothing to build new institutions and infrastructures, evolving one of the relatively best managed civil administrations in Africa in less than 10 years. From 1964 Zambia began its reform and structural adjustment programmes. The difference is that the adjustment in the first 10 years was carried out under conditions of *favourable financial resources.* Copper prices were good and the mines brought in about 54% of Government budgetary resources. The country embarked on a virtual reconstruction of what became one of the most resilient, fast-growing manufacturing economies (manufacturing value added grew at 39.1% between 1970 and 1984). The second phase of adjustment was at a time when financial resources were not adequately available. What had to be done entailed sacrifices, a lower quality of life and a shedding of approaches that no longer could be possible with the mines having reduced their contribution to the budget from 54% to zero in two years, 1974-1976.

Phase one of the reforms: reconstruction under conditions of scarce resources

We did what we had to do, with the available means, through development plans. We could not see what the mid '70s and '80s had in store for us. We believed in freeing people from poverty and most of our expenditure could be justified economically in terms of sound, long-run returns. The following are the steps we took and the reasons for taking them:

1. All education was free (non-fee paying) from primary school to university. This was so in order to build upon the paltry figure of university graduates and secondary school leavers we had in 1964. The local Zambian was too poor to go to school and talent remained locked up. Data on the rate of returns on investment in education are well known. We managed in 10 years to fly our own jets and we had aeronautical, mining, civil and all types of engineers of international standing born out of our progressive educational policies. The foreign exchange savings from the investment in our current 4 000-strong total university student population out of a population of 6.5 million more than justified the free educational system. There is currently no area where we do not have skilled manpower — external skills, though still necessary in highly specialised mining operations and in health and finance, are a paltry figure compared to total Zambian manpower. We built a university from public donations, at least five primary schools, a minimum of one secondary school in each of the 56 Districts and a Teacher Training College in each Province. Private operators are welcome to build their own structures and those of our people who want to pay fees in these schools are free to do so.

2. We freed medical services to all and we built at least one provincial hospital in each Province. Child mortality dropped, life expectancy increased and the population doubled.

3. We built tarmac roads to every provincial headquarters and 95% of the District Headquarters established telecommunications to every corner of the country to an extent where you can direct dial from most of the towns and watch television in 90% of the country. We went further to build hydropower to give us self-sufficiency in electricity, some of which we export. The mistake we made was not to electrify some of our industrial operations because oil was equally cheap. We had considered such a programme but the cost of doing so was high.

4. 60% of commercial agricultural products are produced by Zambian peasants — of the products we imported in 1964, wheat and vegetable oils are the only remaining major food imports. Our food bill is 5% of our total imports. We now export cotton garments, jerseys, tea, coffee, soya cake, some vegetables, day-old chicks and sugar, to mention those of the products which we were importing at the beginning of this first phase. We import maize, our staple food, only when we have a drought. We established institutions for providing equity resources to indigenous and foreign companies to invest and created government-owned companies to go into those areas where private companies could not invest.

Phase two of the reforms: consolidation under conditions of scarce resources

In 1973 the oil prices began to go up. In 1974 the copper prices were at their highest level in real terms since the Second World War. In 1975 the oil prices were already accelerating upwards at a rate never known since

1960; from US$ 2.48 per barrel in 1973 (Saudi prices) they shot up to US$ 34 per barrel in 1983. The copper prices fell, not to rise again until 1987. At that point (1975) Zambia had a negative trade balance for the first time in its history. To date Zambia has had a surplus trade balance. Whatever is to be said about demand management of foreign exchange, let it be on record that Zambia never imported merchandise over and above what it sold to the outside world for 99% of its 24-year history as an independent country. The current account deficit is attributable to investment earnings that were allowed to be remitted, debt servicing, etc., in order to sustain our credibility in the financial world. As for debt, when we had our money we paid our dues with honour.

The United National Independence Party (UNIP) National Council decided in 1975 to begin reducing Government subsidies. We in fact eliminated subsidies we paid on numerous products except for fertiliser and maize-meal, our staple food. This was before the IMF programmes. In 1976 we invited the IMF. Even then we hoped oil prices would fall and copper prices would go up. The IMF thought the same and so did the donor community. The situation went from bad to worse. Before 1980 the IMF programme brought with it less austere measures, although successive devaluations were undertaken from 1976 onwards. On our own, with their approval, we began working hard to diversify the economy, kept budget deficits low enough, controlled the growth of broad money, restricted credits and adjusted bank rates. In 1983/84 the situation in terms of oil prices worsened, copper prices were below their lowest levels since the Second World War and the net outflow of capital continued. The crunch had now matured.

More measures had to be taken. In the main these took the form of the restructuring of Government expenditure, a further devaluation and control of the foreign exchange management regime. An additional factor began to emerge in the difficult scenario that had now come to stay — debt. Most of our debts were becoming mature, debt servicing was increasing at a very fast pace under conditions of falling foreign earnings. Over 80% of this debt was official and most of it owed to IMF and the World Bank arising from the very Fund programmes meant to ameliorate future disequilibria. Successive consultative group meetings with the donor community did not stop debt service reaching a proportion of our export earnings of about 105% as it finally did in 1986.

The ramifications of the foreign exchange shortage and the attendant budgetary problems include the accumulation of external payments arrears, with commercial arrears estimated at $ 450 million as at the end of 1985; the progressive decline in imports from $ 1.158 m in 1982 to $ 752 m in 1985; very low levels of capacity utilisation (25-35%) in industry prior to 1986; the disappearance of mineral revenue until the introduction of the mineral export tax. There was also an inadequate maintenance of existing infrastructure and productive assets simply because movement revenue was limited; the repeated breakdown of the administrative system of allocating foreign exchange, and the growing divergence between the official exchange rate and the parallel market rate and the consequent channelling of foreign currency into parallel market transactions.

The economic adjustment programme mainly designed by Zambia itself besides the IMF conditions was designed to overcome the above problems and related ones. The main objectives of the programme were to promote the rapid growth of non-traditional exports and thereby reduce the country's excessive dependence on copper; to increase domestic production and thus reduce dependence on imports, especially imports of food and raw materials; to promote domestic savings and thereby reduce reliance on foreign investment, and to promote efficiency in the allocation and use of both foreign exchange and local resources within Government, the parastatal sector and the private sector, including individual households.

In order to achieve the above objectives, the Government adopted and implemented a number of economic policies and measures which included the decontrol of prices, with the exception of the prices of maize and fertiliser; the introduction of the auction system of determining the exchange rate and allocating foreign exchange. The only foreign exchange allocated outside the auction system was that for the use of Government and ZCCM [1]; the abolition of import restrictions and the ending of import licensing as an instrument of control.

These measures were followed by the adjustment of import tariffs for the purposes of protecting local industry, discouraging capital intensive methods of production, encouraging the development of local materials and raising more revenue; the removal of administrative controls on interest rates and the creation of a daily Treasury Bill market as the main means of influencing the demand and supply of credit and the growth of the money supply; the payment of remunerative producer prices to the farmers and the reduction and eventual elimination of mealie meal and fertiliser subsidies; the abolition of Namboard's monopoly over maize and fertiliser marketing and the pruning of the civil service; the reduction of the Government budget to a level which, in the medium and long term, can be financed without excessive borrowing from the banking system and heavy reliance upon foreign loans and grants; the increased allocation of available budgetary resources for programmes such as agricultural credit, research and extension which stimulate production; for the maintenance of roads and other infrastructure, and for social services such as health and education which satisfy basic human needs; improvements in the efficiency of the parastatals in order to reduce their dependence on Government and foreign finance and to increase their contribution to Government revenue; and the strengthening of the planning and budgetting system.

The foreign exchange auction

Most of the adjustment policies and measures were introduced during the period 4 October 1985 - 1 May 1987. Among these were the foreign exchange auction system, the removal of controls on interest rates, the restructuring of import tariffs and the abolition of import restrictions. In other cases the policies and measures were implemented in stages. This was true

(1) ZCCM: Zambian Consolidated Copper Mines, which earns most of the foreign exchange.

Coffee production in Zambia

"60% of commercial agricultural products are produced by Zambian peasants"

of subsidies, the civil service pruning exercise, the budget deficit, parastatal restructuring, etc. The Fund insisted at the end of 1986 that these subsidies had to go within a single budget. The implementation of some of the adjustment measures proceeded smoothly. There were slippages in the implementation of some measures. The policy of price decontrol was maintained in spite of the sharp and widespread price increases which followed the introduction of the foreign exchange auction. There was a full pass-through of the initial exchange rate adjustment to even petroleum products, used to the tune of 80% by industry, which resulted in the doubling of pump prices overnight. However, there were delays in making subsequent adjustment to petroleum prices to bring them in line with changes in crude oil prices and the value of the Kwacha *vis-a-vis* the US dollar.

From its inception in October 1985 to January 28, 1987 the auction provided the sole mechanism for determining the exchange rate and allocating foreign exchange to users other than Government and ZCCM. Except for a brief period during July/August 1986 when additional documentary requirements were introduced, the auction was free of administrative measures aimed at influencing the exchange rate of the allocation of foreign exchange.

The auction system was, however, not free of problems, one of which was the delay in channelling IATA bills through the auction. By the time the exchange rate protection for Zambia Airways was withdrawn at the end of July 1986, foreign exchange losses of K102 million had been incurred. These losses were charged to the Government budget. Excess liquidity and indeed capital flight were associated with the possibilities to externalise resources at all costs inherent in an auction system.

Concerns about the decline in the value of the Kwacha against the US dollar led, in August 1986, to the introduction of the "Dutch" auction system. This did not achieve its basic aim of deterring high bids but it generated revenues of K82 million for Government during 1986.

The sale of foreign exchange in excess of the normal weekly allocation of $ 9 million succeeded in driving the exchange rate down to K5.1 per dollar at one stage, but only at the cost of creating arrears to successful bidders. In order to clear these arrears the weekly amount of foreign exchange made available for auction was reduced by almost one-half to $ 5.5 million from October 1986. This precipitated a virtual run on the available foreign exchange. The result was seemingly endless decline in the value of the Kwacha *vis-a-vis* the dollar. At the auction held on November 29, 1986 the Kwacha dropped to an all time low of K15.25 to the dollar, a rate which was reached again at the 60th auction. On account of the rapid decline in the value of the Kwacha during the last quarter of 1986 the auction system was suspended on January 28, 1987. When the system was revived the exchange rate depreciated at a consistently fast rate to a level where the Kwacha became unrealistically undervalued by 1 May 1987.

As a mechanism for allocating foreign exchange and as an instrument for promoting exports, especially non-traditional exports, the auction worked well. The auction brought about increased capacity utilisation in the economy. Together with the removal of import controls, it resulted in a general improvement in the supply of goods and services. As a means of achieving an all-round realistic exchange rate the auction system was a failure.

Until October 1986 the auction market valued the Kwacha at rates which were generally indicative of the fundamental scarcity of foreign exchange relative to demand. The reduction of the weekly amount to $ 5.5 million seemed to have pushed the supply of foreign exchange to the auction below the point where the rate could be stabilised. The key problem at the time the auction was suspended was therefore *inadequate funds* from the donor community and its consequential effect on the rate, its instability and its being over-undervalued.

The abolition of import controls and the ending of import licensing as an instrument of control formed part of the liberalisation of the exchange rate and external trade system. These measures reduced somewhat the administrative cost of policing imports. In fact the retention of 5% import licence levy brought about a substantial increase in revenue from this source. The sum of K82 million was collected in one year.

The adjustment of import tariffs proceeded in stages. The major changes were the increase in the minimum duty from 10% to 15% in January 1986; an increase of up to 100% in the rates of duty on certain imports competing with local products and luxury goods in August 1986, and the increase in the import sales tax from 15% to 20% in January 1987.

With regard to agricultural producer prices, the Government demonstrated its commitment to the payment of remunerative prices by raising the maize producer price from K28.32 per bag to K55 in 1985 and then to K78 in 1986. The floor prices of other crops, which are not controlled, were also increased substantially.

The producer response to the maize price in 1985-86 and 1987/88 seasons was very good given the favourable weather conditions that prevailed throughout the country. Marketed maize production rose from 7.2 m bags in 1984-85 to 10.2 m bags. The 1988 harvest is expected to be 15 m bags (90 kg). There is however, concern about the methodology for setting the maize producer price. The price is still based on the commercial farmers' costs of production.

As originally planned, maize and fertiliser subsidies were to be phased out. An attempt to implement this aspect of the reforms, after serious consideration of the likely effects and having no alternative source of external resources led to the strong public reaction to the decontrol of breakfast meal prices and the shortage of roller meal at the time. Riots took place along the line of rail/urban centres and 15 people died.

Much more progress was made in increasing fertiliser prices. The average price was K75 per 50 kg bag compared to K26.70 in 1985.

"Concerns about the decline in the value of the Kwacha (national currency) as against the US dollar led in August 1986 to the introduction of the 'Dutch' auction system"

The liberalisation of the marketing system was also initiated, so as to exert competitive pressure on Namboard and the Coooperative and Marketing Unions to cut costs. In principle, private traders, including the millers, could participate in maize and fertiliser marketing. But the existence of big subsidies served as an effective deterrent to potential private traders.

Zambia also decided to reduce the size of the Civil Service in order to hold down the growth of personal emoluments, while paving the way for the improvement of the remuneration of civil servants, especially those with professional and technical skills. 6 000 classified daily employees, 2 000 civil servants and 20 politicians have been retired. In spite of this retrenchment, coupled with wage restraint, expenditure on personal emoluments still grew rapidly. The 1987 estimate was K800 million compared to K675 million in the previous year. These figures do not include the wages and salaries of other categories of employees at a District level.

The real incomes of civil servants fell to the point where further wage restraint would be counter-productive. It was already very difficult to recruit or retain people with professional and technical skills which were in high demand in the private and parastatal sectors. Improvements in the operations of the parastatals was a key feature of the economic adjustment programme. Considerable progress was made in the implementation of ZCCM's medium-term Production and Investment Plan which aimed at making ZCCM more efficient and viable. Measures already taken included the restructuring and streamlining of the management establishment; closure of some uneconomic operations; reduction in the labour force by some 3 000 workers; reduction in the number of operating divisions; improvements in mine planning, maintenance and corporate planning; and restructuring of the subsidiary companies. In spite of these measures, together with a higher allocation of foreign exchange during 1986, copper production declined from 479 446 tonnes in 1985 to 459 172 tonnes in 1986. During 1987 production was expected to increase to around 500 000 tonnes provided an increased allocation of foreign exchange of US$ 330 million (as com-

"Now look, Mr Prime Minister, are you sure you understand exactly what structural adjustment entails?"
"Sure...

... riots, riots, riots!"

pared with US$ 270 million during 1986) was received.

The financial performances of ZCCM were not satisfactory in 1986/87. A profit, before tax, of K300 million was achieved during the financial year ended 31 March 1986. However, after paying Mineral Export Tax of K357 million, ZCCM recorded a loss, after tax, of K56 million. The results for the 9 months ended December 31, 1986 showed a loss of K718 million after appropriating K540 million towards Mineral Export Tax.

The financial and operational performance of the Industrial Development Corporation (Indeco) during 1986 was satisfactory. Average capacity utilisation in Indeco improved to 45% in the period October 1985 to March 1986 but dropped to 40% thereafter. A number of steps were taken to restructure and revamp the operations of Indeco. Some 600 workers were declared redundant in 1986; plant efficiencies were improved through both technical and managerial reforms.

The restructuring programme at Nitrogen Chemicals of Zambia (NCZ) was implemented smoothly. Capacity utilisation improved from 23% in 1985 to 32% in 1986 and had been planned to reach 49% in 1987. More measures to deal with the rehabilitation of NCZ were still, however, needed.

In the transport sector, the cost reduction and revenue maximisation programme of Zambia Airways has largely been implemented. Following the re-financing of the DC 10-30 aircraft, a saving of US$ 1.7 million per annum had been achieved, bringing about significant savings in foreign exchange costs to Zambia Airways. The IATA, bill, too had been reduced from US$ 44.04 m in 1985 to US$ 29.8 m in 1986. Zambia Airways recorded a surplus in 1987 and hence no further subsidies were required.

The problems of the passenger transport company (UBZ) was considerably worsened by the impact of the exchange rate on external debt service. A restructuring programme including capitalisation of loans and the revamping of the operations was envisaged and is about to be followed through.

During 1987, Zimoil[(1)] imported 720 000 tonnes of crude oil which included strategic stocks required for storage and on account of the rehabilitation of the pipeline. The oil price reductions greatly assisted the corporation which would have faced an even more difficult financial position.

In 1987 the main area of disagreement with the Fund was the question of controlling the deficit, the Fund and World Bank arrears and subsidy levels for maize that had been reinstated following the riots in December 1986. The external debt service programme which amounted to K2 740 million by 1986 was a major contributing factor to the deficit. Indeed, this was compounded by the introduction of the Foreign Exchange Auctioning allocating system in 1985 which, as stated, resulted into a massive devaluation of the Kwacha between October 1985 and April 1986. It became impossible to service this debt. Most of it could not be rescheduled in order to reduce the deficit, since the bottom line in terms of resource levels for maintaining the country had been reached. Copper prices could allow us to manipulate the situation. Domestic inflation arising from auction-related devaluations had risen from about 20% in 1984 to 60% in 1986. The inflation rate adversely affected investments as well as employment both in the formal and informal sectors of the economy.

There being no compromise, the way out was to abandon discussions on the programme and announce what was felt to be the only way out of the impasse. Thus, as stated earlier, on 1 May 1987 the Government ushered in a New Economic Recovery Programme in the form of an Interim National Development Plan (INDP).

Strategies of the Interim National Development Plan

The Interim National Development Plan aims at increasing real Gross Domestic Product by 2.2% between

(1) Oil company, part of the Zambian Industrial and Mining Holding (Zimco).

May 1987 and the end of 1988. It also aims at bringing down the inflation rate from 60% to about 15% by the end of 1988. In addition to that, it seeks to reduce the proportion of Government deficit financing from around 18% of GDP in 1986 to about 5% by the end of 1988. Subsidies will also be reduced.

Given that most of the factors which hindered growth in the economy, like inefficiency in the management of enterprises, scarcity of raw materials, spare parts and machinery, smuggling of goods and drought are unlikely to be eradicated completely, it is unlikely that a real growth rate of 2.2% can be surpassed. It is, however, possible to achieve that rate if the rainfall turns out better than last year, the price of copper continues to be above £ 100 000, and if FEMAC continues allocating foreign exchange with a view to increase capacity utilisation of existing industrial facilities. There will also be need to keep imports of luxuries down and restructure the distribution of GDP by end use in a way which will facilitate rehabilitation of the socio-economic infrastructure by raising the proportion of Government budget in GDP to at least 40% and that of Government consumption to at least 28% of GDP. This would facilitate a rise in the proportion of gross fixed capital formation in GDP from 7.8% to at least 16%. Net investment will, however, have to be kept to the minimum.

The Interim Development Plan calls for improvements in the capacity of the state to manage the economy through improved conditions of service by retaining competent and skilled personnel. It also calls for improved performance of existing state institutions like hospitals, schools, etc., by providing sufficient operating funds. Attainment of these objectives is likely to increase Government consumption as a proportion of GDP from 21.3% in 1987 to 28% in 1988.

The above calls for implementation of commensurate fiscal and monetary policies. Target taxation to support specific programmes like education, health and basic goods subsidisation will be strengthened. Tax incentive will be provided, bearing in mind the need to improve Government finances. More ways of raising revenue will be explored and help will be rendered to institutions which show consistency in funding the state budget.

Prospects for 1988

Under this plan, in order to release resources for the reactivation of the economy, imports were to be severely restricted except for essential items, services, and raw materials as well as machinery required for increasing selective capacity utilisation. Except for new loans which will be repaid in accordance with their terms, debt service was to be limited to 10% of net export earnings after deducting payments in respect of ZCCM, Zimoil, Zambia Airways (IATA) and fertiliser imports.

Despite the fall in the level of employment by 1.1% and a fall in the level of real GDP proportion of the fixed capital formation, 1987 indicated some positive developments. The rate of inflation (GDP deflator) fell from 83.2% in 1986 to about 39.6% in 1987 while the increase in prices of consumer goods fell from about 60% during 1986 to about 41% in 1987 (October 1986 to October 1987). The figure for the period May-December is less than 40%. The current account balance of the balance of payments also improved remarkably. The deficit as a proportion of GDP fell from 8.1% to 4%, while copper output and prices rose by 5.6% and 20.8% respectively.

Causes for the decline in GDP include the severe drought during the December 1986 to April 1987 period which badly affected the agricultural sector, the commitment of most investment to rehabilitation of industrial facilities, and inefficiency among certain categories of enterprises. On the other hand the stabilisation of the exchange rate at K8 per US$ 1, fixing of interest rates at 15-20%, increased allocation of foreign exchange to industries and rise in copper prices led to the above-stated improvements. Overall capacity utilisation also rose to between 40% and 50% during 1987.

The foreign exchange stringency during 1987 kept the volume of imports down. Consequently, the estimated trade balance was K2106.9 million or 121% of that attained in the previous year. The estimated current account, on account of the large trade balance, swung into a deficit of K817.6 million. This represented an upswing of K852.4 million from a deficit of K1670.2 million incurred in 1986.

It should be placed on record that Zambia's programme to restructure its parastatals has been one of the most successful and has led to Zimco, the State holding company, contributing 50% of Government revenue.

The debate on the problems and prospects of Zambia's reform programme shall *come to pass*. At the end of the day what shall have worked is a basic equation which many a Third World country shall have to solve.

The main equation to solve in the Zambian case is how the growth of an externally and internally oriented manufacturing sector assisted by an agriculture that feeds its own people and earns foreign exchange can be brought about under conditions of low foreign resource inflows; a high debt service ratio beyond available resources; inward-oriented, extremely dependent existing manufacturing sector and budgetary imbalances difficult to redress and extremely low real incomes of those who have to give up subsidies. The dispute is not about what the problem is, but rather what shall constitute the pragmatic details of a realistic adjustment programme and its management in order to attain the desired growth. We believe we should start with debt relief, to release money for investment in critical growth areas that alter the supply side of the economy. Prior to the upswing of the supply side, we shall inject elements of monetary and fiscal policies that will ensure that money supply remains in control until the supply side is more or less sustained. New investment must go into areas of export growth, food self-sufficiency and in developing greater sectoral linkages to produce an internal dynamic for resilience and responsiveness to the negative global economic developments, while simultaneously appropriate fiscal and monetary policies are pursued within the limits imposed by social and economic realities. Above all, regional integration is an indispensible facet of the programme. o K.N.

Ghana: the recovery "involved a major reorientation of economic and financial policies"

by Dr K. BOTCHWEY (*)

Ghana's Economic Recovery Programme (ERP) was launched in 1983 against the background of over a decade of unprecedented decline in economic performance caused by a combination of adverse economic conditions and inappropriate domestic policies. Between 1970 and 1982, the domestic savings rate fell from 12% to 3% of GDP, the rate of investment fell from 14% to 2% of GDP, per capita income fell by 30%, export earnings by 52%, while inflation measured on an annual basis by the consumer price index averaged about 44% per annum.

On the balance of payments side, gross official reserves were all but depleted, and very large payments arrears had accumulated, amounting to well over $ 500 million at the end of 1982.

Against this background the recovery effort involved a major reorientation of economic and financial policies to enable the creation of the necessary conditions for sustained growth and the attainment of external payments viability over the medium term. To this end the programme aimed to achieve four principal objectives: (a) the realignment of relative prices in favour of productive activity and the progressive relaxation of administrative controls on prices, (b) the restoration of monetary and fiscal discipline to reduce inflation, (c) the promotion of private investments through improved incentives and better financial intermediation, and (d) the rehabilitation of economic and social infrastructure through increased public investment.

Judged by the normal criteria for assessing economic performance the achievements of ERP I have been impressive. After a slow start in 1983, real GDP growth averaged a full 6.3% per annum from 1984-1986. This period indeed marked the first time in over a decade and a half that Ghana has recorded three consecutive years of robust growth in income per head of population.

On the external side, the overall balance of payments deficit saw a substantial reduction from $ 243 million in 1983 to $ 57 million in 1986. Despite the faster growth of imports and adverse commodity terms of trade over this period, Ghana not only paid all maturing debt, but actually also reduced the stock of arrears and at the same time increased gross official reserves.

Exports and imports still remained low

But despite these inpressive achievements Ghana still faced difficult macro-economic and structural problems at the end of ERP I in 1986. Although the external payments position had improved significantly, exports and imports still remained below historic levels; the debt service burden was especially heavy; the respectable 6.3% annual growth in real GDP still did not permit a high enough level of labour remuneration and improvement in the quality and range of social services available to the bulk of the population. Moreover, agricultural production was still well below potential, the employment creation potential of the recovery remained rather weak, with the public sector shedding labour which the private sector could not absorb because it now had to adjust to a more competitive environment under a liberalised trade and tariff regime. Finally, although the precipitous decline in holdings of financial assets had been reversed and domestic savings had risen to about 10% of GDP, the financial system, especially the banking system remained under considerable strain.

To address these problems, to consolidate the important gains made under ERP I and, to begin to build on this foundation a dynamic, increasingly self-reliant and nationally integrated economy, we have undertaken a major review of our objectives and development priorities and are now pursuing our adjustment efforts in the context of an economic and financial framework covering the period 1987-1990. Following successful implementation of the 1987 programme, we have set the following objectives and strategies for the period 1988-1991 (i) growth in real GDP of 5% per annum, (ii) a reduction in the rate of inflation as measured by the consumer price index from about 39% in 1987 to 5% in 1991, (iii) an overall balance of payments surplus averaging $ 120 million per annum which would enable us to liquidate remaining external payments arrears, increase reserves and at the same time ensure an adequate level of imports.

Key objectives

In pursuance of these key objectives, the programme will aim to achieve (i) further improvements in incentives for efficient production, for import substitution and for export, through a continuation of a flexible exchange policy, exchange and trade liberalisation, and more remunerative prices in agriculture, (ii) increased investment in rehabilitation and restructuring of productive capacity, (iii) reform of state-owned enterprises, (iv) improvement in public sector management and (v) financial sector reform designed to promote savings to strengthen the banking system.

We expect domestic savings in relation to GDP to increase substantially from about 10% of GDP in 1986 to 15% in 1991, which would permit a rise in the ratio of gross investment to GDP from 12% in 1986 to 18% in 1991. To make this achievable, the role of the private sector, both local and foreign, in the development of productive activitites will be crucial. The growth target of 5% per annum will require strong performance and increased investment in agriculture which accounts for about one half of GDP, and also in industry. Consequently, we have taken steps already to improve the legal regime governing

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private investment. These include the introduction of (i) a Petroleum Exploration and Production Law (1984) (ii) a new Investment Code (1985) and (iii) a Minerals and Mining Law (1986). These laws provide a stable framework for investment promotion and also offer generous incentives to the prospective investor.

In addition to our own domestic resources, which have grown substantially since the programme began, we have also benefited from significant flows of external financing from multilateral sources—mainly IMF and World Bank and the Community — as well as from bilateral, mostly EEC sources, as the international community began to appreciate the soundness of the programme and the determination and resolve with which it was being implemented. The Community, through its Indicative Aid Programmes, and its member countries through their bilateral programmes of official development assistance have been the principal sources of external assistance.

The objectives of the continuing programme are being pursued in the context of policies and strategies that would vigorously address the social dimension of the adjustement process by systematically meeting the needs, especially of the poorest and most vulnerable groups, for it is in our firm belief that growth and stability should be evidenced by real visible improvements in the living standards of the working people.

A young and beautiful Ghanaian girl when the going was good. Will the country, after its economic recovery, once again become the prestigious African state it was in the '50s?

A special programme called by a rather lengthy acronym — Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) has been designed to address the short-run, transitional problems of vulnerable groups and to enhance the social benefits of the recovery. In the longrun, there can be no doubt that a healthy economy with high rates of growth will benefit the vast bulk of the people especially if, as in the Ghana case, the income distributive effects are watched constantly. Thus the PAMSCAD is not some afterthought designed to remedy some loopholes in the main programme. On the contrary by focusing on a set of carefully chosen actions designed to improve and increase access of the poor to basic services, improve their productivity and their opportunities for obtaining gainful employment, the programme seeks to provide a catalyst to the poverty alleviation potential of the adjustment process itself.

Target groups identified include (i) rural households, especially in the Northern and Upper Regions whose productivity is low, who have little or no access to social services or employment opportunities and who suffer hunger during lean seasons; (ii) low income unemployed or underemployed urban households who suffer especially from the short-run effects of changes in relative prices, and (iii) retrenched workers from the public and private sectors alike. Among the criterion for selection of projects was a strong poverty focus, and the ease and speed of implementation.

Thanks to donor support including substantial assistance from the Community and local community initiative, the PAMSCAD is gradually taking root. At the same time, we are taking steps to tackle the problem of employment generation especially in agriculture in the mainstream of the Recovery Programme itself.

Ghana, of course is still a poor country. What our experience over the past five to six years shows however is that given the necessary external support, recovery programmes that are informed by an understanding of the political economy of the national situation and are supported by an organised and mobilised people can succeed in providing the foundations of increasingly integrated and self-reliant economies. o K.B.

Structural adjustment in the Caribbean

The ACP states of the Caribbean are, at different levels, also concerned with structural adjustment measures, whether these are undertaken with IMF/World Bank backing or on a national basis. But it is Jamaica and Guyana especially, with high external imbalances, who are most involved with adjustment programmes. Both have limited export sectors (bauxite and sugar for Jamaica and sugar and rice or timber for Guyana) and both face problems similar to those in the ACP states of Africa. Trinidad and Tobago (oil producing country) and Barbados (economically based on sugar and tourism) are also implementing economic recovery measures aimed at reducing imbalances and increasing export production while the evolution of the other smaller islands is likely to follow trends observed in the leading states of the region.

To put the region's problems and experiences into perspective, we are publishing below extracts from a speech of the Jamaican Prime Minister, Edward Seaga, at an IMF/World Bank meeting, and from a paper by Mr DeLisle Worrell, Director of Research and Information at the Central Bank of Barbados, on economic management in the Caribbean. Mr DeLisle Worrell was addressing the Association of Caribbean Economists.

"Not the policy, but the pace" E. Seaga, PM of Jamaica

This is how the Prime Minister of Jamaica described the main objectives of structural adjustment policy. He said:

" Oddly enough, so important is the programme of adjustment, so vital is the need for stabilisation, that every force within the political and social system needs to be harnessed to ensure success, to keep the lifeline of credit open without which conditions would be incalculably worse. Yet the severity of austerity in the programme design, carries its own seeds of counterproductive action which limits success. It is as if the prevailing wisdom dictates that since there is no path of painless change, it matters not how painful the process may be. But, it does matter...! We do not adjust economic systems; we adjust the lives of people who make these systems work. It is short-sighted, in the least, to ignore the human element.

These intense social and political costs often lead countries with IMF programmes, in search of an easier path, to query the ultimate benefit of the programme, and in doing so, to mistakenly denounce the whole adjustment process.

Too often, it is not recognised that when economic circumstances dictate the need for IMF programmes, at that point the level of adjustment required is inevitably drastic and no moderate course of change will then suffice to restore economic health.

But at the same time, accepting the need for drastic levels of change, does not automatically imply an equally drastic pace of change, and this is the essential factor overlooked in the framing of the time-table for adjustment.

The difference is one of approach but is critical to the end result, determining whether change proceeds with meaningful popular support because the level of austerity is more manageable in human terms, or whether the inhuman features of severe austerity eventually prejudice any positive achievements by the emergence of negative forces which are unmanageable and counterproductive. It is here that the seeds of success or failure of IMF programmes are generally sown.

The reasoning behind the need for severe austerity and drastic change is the short term nature of IMF agreements—a maximum of three years. These short term programmes are invariably extended to twice and three times the length of the initial period as a result of the inability of the countries involved to meet the targets dictated by policy prescriptions for rapid short term change.

What is worse, every year of extension of these programmes simply extends original targets set on the same course of a drastic pace of change. Inevitably, what begins as a three year adjustment programme has to struggle to accomplish the same ends over seven years or more, (...). Yet if these programmes were originally designed to be achieved over seven years they could be achieved with much greater popular support and less social cost, producing a welcome change of goodwill for IMF programmes.

Whether the current IMF policy to impose drastic short term change, rather than gradual medium term adjustment, is successful, can readily be ascertained if we note that this policy of short term arrangements has few real success stories to show to its credit. Something is lacking, and I repeat the observation, that what is at fault, is the pace, more so, than the substance of adjustment. (...)

Transfer of resources to developing world

The resource flow is currently a negative drain rather than positive gain in the transfer of resources from the developed to the developing world. The whole purpose of global development strategy is to increase, not decrease, these flows.

Yet debtor countries experienced a negative flow of resources to commercial bank creditors, and this is likely to be increasingly so as long as commercial banks restrain new lending as they now do.

I need hardly repeat here the many calls for reviews of international debt obligations. It is wrong to believe that the debt problem has been really contained. It has been contained in global accounting terms, but at great cost to growth and to the human services which are intolerable and not sustainable in the medium term.

A major step could be taken to restore a positive flow of resources to debtor countries from commercial banks if the repayment of commercial loans were rolled-over by the banks into trade credits for raw materials and capital goods imports. This programme of roll-overs of current debt payment and rescheduled payments, would constitute invaluable additional credit support to debtor nations without a requirement for new money to be found. The commercial banking community would be well advised to seek the goodwill which can be generated by a programme of re-lending the proceeds of repayment so as not to be regarded as champions of the concept of honouring the primacy of debt over all other considerations.

This is as valuable a collateral in terms of international security as the enhanced value of gradually substituting trade credits for term loans would realise in banking security. It would be a welcome sign of recognition by the banking system that, in the light of the prevailing crisis, this is no time to reduce exposure when all other players on the stage are seeking new ways to increase involvement and are themselves making new commitments. This is no time for any player to fall out if we are to ensure that the performance proceeds to a satisfying end.

Global trade—the reality behind the figures

I hope too much reliance will not be placed on global figures of performance whether in world trade or global growth. Experience has told us that global accounts mask serious underlying areas of weakness.

Three years ago world trade grew by an astounding 8.8%, up from a very weak 2.1% in 1983. By that account most debtor countries should have experienced revived export earnings to enable them to better service debt. If this were so, there would have been fewer calls for unilateral debt limitation or cancellation.

The fact is, of this 8.8% in world trade, most of the performance was a result of increased trade among the industrial group and a small number of developing countries. Increased world trade by itself is no panacea. Nor indeed, will global growth be such a panacea.

What is required is to devise programmes which target resources to the specific areas of need in a manner which can be utilised, case by case. It is in this light that the proposals in this presentation are made, none of which requires additional funding, only relaxation of present policies to enable the better and more meaningful utilisation of what exists. Let us clearly recognise that the path forward poses no easy, painless way to restore economic health. Demand management to improve financial health must continue and austere measures cannot be avoided. But a balance must be struck so that what we gain in improved financial health is not lost in reduced growth.

The IMF has played an important role in enabling countries with severe deficits to buy time in the process of recovery while the World Bank assists these economies to be restructured to achieve sustained growth.

The policy reforms on which these institutions base their lending programmes are essential disciplinary measures to lay a surer foundation for economic health. But the road to recovery is not a short one; for many it is a path that stretches well into the medium term future. For this reason, the commitment of national populations is essential to the programme of adjustment and recovery. No sustained march to these goals can be achieved without the prospect of total commitment and support of the human resources of the nation.

This support can be forthcoming if the programmes of change adopt a more human face; if the process of change is measured in terms which people can more readily absorb, and if this process recognises that, in the final analysis, change is not merely a process which generates a greater yield from each machine; it is more so, above all, the means by which we adjust and restructure the beliefs, the attitudes and values of the men behind the machine." o E.S.

"The adjustment was draconian"

Explaining economic difficulties in some countries of the region—Mr DeLisle Worrell suggests some solutions to cope with the present crisis. Mr Worrell said:

Except for Guyana and Jamaica, the English-speaking Caribbean states made modest economic gains in the years 1976-79. Terms of trade losses abated, tourism revived, and intra-Caricom trade grew, offering new opportunities to manufacturers. Apart from Trinidad-Tobago, countries' foreign exchange earnings were only moderate, so there were continuing attempts to contain expenditure. The measures used—credit and exchange controls for the most part—had slight impact. The Trinidad-Tobago economy was inflated by oil revenues, and the policy of maintaining a substantial portion of government surpluses in a long-term development fund fell by the wayside. Instead government used oil revenues increasingly to expand civil service employment.

The Jamaica government introduced many policies in vain attempts to restore external balance and renew economic growth. Government failed to cut national expenditure in the early years of disequilibrium when this might have been achieved with relatively little pain. They hoped to increase foreign exchange earnings instead, so as to support the levels of spending of the export windfall years. In the interim, Government borrowed to fill the foreign exchange gap. The attempts to earn more foreign exchange failed, and output and exports in fact declined. By the end of the decade, lower exports provided even less foreign purchasing power, while the borrowings left the country with a heavy burden of debt service.

The Guyana Government made a determined effort to cut national spending through an austere fiscal budget, but the move came two years after the balance of payments deficit had exhausted foreign exchange reserves. The adjustment was draconian, and it might have restored external balance, albeit at lower average living standards, if the country had not been overtaken by the second international economic crisis. (...)

Everyone agrees that economic growth and balance of payments equilibrium in the Caribbean cannot be secured immediately. A time horizon for the adjustment must be set, which might vary from country to country. We might begin with a five year target in every case, and explore the feasibility of attaining a stable growth path in that period, taking account of the severity of the current disequilibrium, the foreign financing which may be expected, the levels of borrowing that would be prudent and the pain of adjustment that would be imposed on the population. The target might then be adjusted to suit the circumstances. o

D.W.

Structural adjustment in sub-Saharan Africa
The World Bank's Economic Development Institute (EDI)

by Guy de LUSIGNAN (*)

Can financing operations, whether in the form of a project or of a structural adjustment programme, be carried out, and in particular can they be sustained without prior or parallel explanatory and training actions? Without policy analysis and implementation capacity building? Without strengthening institutions and public services? In the light of the activities of the Economic Development Institute, I am convinced that a dialogue between policy decision-makers, special exchanges of views and meetings for them, and training of middle and high-level staff must be among the priority actions of any developing country government, as well as of multilateral and bilateral assistance.

While reflecting my own personal views, the remarks below result from the experience gained, especially in the context of the policy seminars organised by EDI for senior officials from sub-Saharan African countries. First of all, however, let me very briefly summarise some key facts about the Economic Development Institute, which is a quasi-autonomous department of the World Bank.

The purpose of EDI is to assist in meeting the training needs of the middle- and upper-level officials and managers and the policy-makers of World Bank member countries in the management and development of their economics. These needs are immense. On the one hand, there is a need for strengthening the capacity of the developing countries to analyse their development scenarios and options, given their national constraints and the international economic environment. On the other, there is a need to formulate and implement programmes that will ensure growth and equitable and sustained development.

This article will refer primarily to seminars for sub-Saharan African decision-makers, which take the form of "sensibilisation" seminars, of exchanges of views and experiences, of round tables on the major problems affecting their countries' economic development, especially those relating to economic growth and structural adjustment. In these seminars EDI is addressing ministers, secretaries-general, directors-general and directors of Ministries of Finance, Planning, Agriculture and Industry, senior civil servants, advisers to the Heads of State, and also university professors, bankers, presidents of chambers of commerce, trade union leaders, chairmen of professional associations, etc.

"To ensure a more rational resource management" (1)

These seminars aim at assisting the authorities to better identify and assess issues of political economy facing their countries. Analysis and evaluation of State intervention are currently assuming growing significance in the majority of African countries. The expansion of the role of the State in the economy of most African countries makes the assessment of these interventions imperative with a view, through more rigorous policy choice criteria, to ensure a more rational and stricter resource management and to facilitate better supervision, follow-up and monitoring of the use of these resources. Moreover, the slowing down of economic growth and the far-reaching changes in the structure of the world economy have led all African economies, as dependent on external trade as they are, to adjust.

In view of the circumstances currently prevailing in Africa, certain key remarks come up at each seminar:

1. Since economic development is a dynamic concept, how can a climate of progress and growth be created in an international economic environment characterised by constant and extreme fluctuations, in an environment in crisis.
2. This crisis is even more acute in sub-Saharan Africa where the situation is more complex than elsewhere. In a special effort to resolve the crisis, restore deteriorating balances of payments and lay the foundations for a return to economic and social growth, some African countries have agreed to follow the advice of the IMF and World Bank with a view to re-examining their structures and development policies. In doing so, they showed courage and drive. They realised how important it was to try to eliminate the distortions resulting from 25 years of policies which had not helped the interests of agriculture, agro-industries, small industries and the informal sector at all. This resulted in the launching of adjustment programmes in an ever-growing number of countries. To such an extent that governments became convinced that these programmes were the sole means for obtaining adequate financial assistance, albeit at the cost of measures, or rather "conditionalities", that they had to accept for lack of any other alternative. And even though, in some countries, courageous measures have been implemented, it has not ultimately proved possible to sustain them, given their too-high social and political cost.

This latter observation came out very strongly in the course of our seminars. It should be worthy of more in-depth discussions in the future. Countries should actually "internalise", or as some have put it, "nationalise" the adjustment process so that it takes due account of conditions proper to the countries themselves. International organisations appear to have a somewhat narrow concept of adjustment. They view it from too economic and financial a standpoint, while minimising or neglecting the real political, social and cultural conditions of the countries concerned.

The concerns of African leaders appear to be at two levels. Firstly, the policymakers and top officials consider that while the adjustment measures recommended are technically valid, they are tied to preconditions that are politically and socially hard to accept because they are impossible to satisfy or observe. They would accordingly really like the conditionalities to be

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(1) Editorial subtitles.

dropped or to be more realistic, that is taking the countries' capacity for reform into account. Certain adjustments just cannot be carried out in accordance with the time-table proposed by the donors. The schedule is too tight; it does not allow time for preparation of the population to accept the measures envisaged, assuming that the will for reform is present at the highest level.

Then adjustment programmes have, for some, too liberal an approach. Emphasis on pricing policies, on privatisation, as often underlined by participants, is inadequate because it implies abandoning basic sector policies in the social sphere in particular. It puts at stake the whole concept of the strategy of self-reliance adopted after independence in order basically no longer to be dependent on the structures inherited from the colonial era. In short, for these political policy-makers the programmes did not line up with their countries' nationalist concerns. Furthermore, they insist that these programmes should not have the appearance of being blueprints presented to any country without due respect to each country's own characteristics and constraints.

Mr Kebby S. Musokotwane, Zambian Prime Minister, and Guy de Lusignan, during a Senior officials Seminar on structural adjustment in Lusaka, April 1987

"Shocks following on from the oil shocks"

True, there is by no means a consensus among the policy-makers themselves regarding these points. For some of them, the key question is not knowing whether or not to opt for openness or autarky, but determining how the countries can find their niche in the world economy, since openness to international trade is today a necessity. Whether they are large or small, all developing countries need to expand their international trade. This is vital considering their domestic resources that are insufficient to finance rapid growth. There are also economies of scale that can be gained by developing exports, the greater efficiency imposed by openness, and the problem of access to foreign technologies. In all these cases, experience shows that extreme solutions advocating an inward-looking strategy taken to the extent of almost forcing a breaking of relations with the developed countries have not produced the expected results; their social and economic costs were too high. However, one must hasten to add that this openness runs into what can be termed the shocks that follow on from the oil shocks, namely the problem of terms of trade that fail to improve and that of currency fluctuations that are every bit as unpredictable.

In view of the magnitude of the internal slippages due in part to the external shocks and to errors or weaknesses in past economic policies, there is no alternative to adjustment: reconsideration of the strategies and policies followed in the past is essential. Moreover, policies aimed at lessening budget and balance of payments disequilibria, combating inflation, offering greater incentives to producers, particularly in the agriculture sector, and finally, re-establishing confidence on the part of their creditors in the quality of their economic management, have been implemented just about everywhere by African governments. Programmes of this sort should be—and are in fact being—undertaken *with or without* the support of international institutions.

Adjustment is a process that must above all be realistic and pragmatic. The weakness and fragility of African economies with respect to external shocks, whatever the cause of these shocks, call for adjustment policies aimed at modifying the present economic structures to make them more efficient and spurring stronger growth. Only the most diversified economies will be able to play a dynamic role in international trade. In many countries, financial recovery and elimination of the worst internal distortions are essential prerequisites for restructuring of the type envisaged here. This is why any reform policy incorporating structural adjustments has to be a long-term policy that anticipates, if possible, all domestic and external shocks, and must necessarily be based on institutions and trained staff capable of analysing the different growth or deceleration scenarios and establishing solid bases for a strategic development function.

The role of exchange rates

Two more observations must be made before concluding. Discussion of exchange rate policies is no longer the taboo that it was four or five years ago. But it is still a subject on which opinions are sharply divided. Many of our participants are often sceptical about the efficacy of an active exchange rate policy in the context of African countries. They consider that there is a certain inelasticity of exports and that devaluation has a number of undesirable effects while requiring other measures that are difficult if not impossible to implement. For example, the government authorities are not always able to resist demands for wage and salary increases, so that the expected effect on production and the trade balance is by no means certain.

On the other hand, for many economists the protracted maintaining of an overvalued exchange rate contributes to deterioration of the equilibrium with the outside world and seriously compromises the growth and diversification of the economy. To correct this overvaluation a set of consistent measures is called for. A system should first be set up to determine the real exchange rate. What is needed is to establish the real adjustments required and then make them hold. For several African countries, exchange rate adjustments are inevitable to render their economies competitive once again, to regain international markets lost over the past 20 years and boost domestic production while improving balance of payments. For these adjustments to succeed, however, they will have to be accompanied by other measures, especially cautious currency, credit and finance management practices. It is perhaps necessary to underscore here that devaluation or exchange rate adjustments are not the unique answer to payments difficulties or a remedy for payments crises caused by drought or war. However, any other alternative to an exchange rate policy would present more serious drawbacks, chiefly in the way of negative effects on resource allocation and growth. Exchange control, for example, engenders corruption, smuggling and black markets. At the same time, any administrative adjustment of the rate becomes politicised. Adjustments are depoliticised if the exchange rate is determined by the market. As to export subsidies and import surtaxes, they always entail a certain degree of distortion and are in general difficult to administer.

One final observation: on north-south and south-south relations. There are fewer passionate declarations on the North-South dialogue than there were at the time when global negotiations and the role of the Bretton Woods institutions were under consideration, perhaps because "the South" is a less homogeneous and uniform entity and is made up of a group of countries of highly variable economic performance. Having said this, there is still a feeling of resentment in many developing countries, and especially among those with adjustment programmes, against the developed nations. Why, they say, are we the only ones who have to restructure ourselves, to apply rigorous fiscal, budgetary and trade measures, to make changes and costly sacrifices, while the developed countries don't do anything of the sort? In actual fact, we observe that the donor countries and especially the commercial banks tend "to hide" behind the IMF and the World Bank. Opinions voiced regarding the South-South dialogue also reflect disillusionment. This is not something that is talked about openly. The international economic environment tends to inhibit South-South relations, since the countries find that they are competing in the international markets both for the same commodities and their industrial products. Would regional or subregional integration scare? Would not integration be an effective means for reconciling national policies on such important questions as exchange rates, free-trade areas and diversification of agricultural and agroindustrial products? As I see it, regional or subregional integration seems essential for sub-Saharan Africa.

"A fundamental prerequisite"

At the end of the day and despite the imperative necessity of reforms in Africa, policy based lending raises basic problems. In the course of the seminars organised by EDI to date it has become apparent that there is a problem primarily with the formulation and execution of adjustment programmes. For the adjustment process to be sustainable, a realistic implementation time-table has to be set to ensure control, follow-up and effective monitoring of the execution of the policies and measures that "condition" adjustment. There is a fundamental prerequisite for this. A country that commits itself to and signs an adjustment programme should be sufficiently satisfied that it has had a real say in the setting up of this programme, and *that the programme is its programme*, in other words that it has participated in its formulation and in the drawing up of its conditions and is convinced that, whatever the cost, it will be able to meet these conditions. Or put another way, it does not feel that the programme has been imposed on it and is satisfied that it is consistent with the aspirations of those who will have to apply it.

If not, as has unfortunately happened in more than one country, the adjustment measures have a positive impact to begin with and the operation is hailed as a success; then obstacles arise, growth falters, commodity prices nosedive once again after a heartening increase, and exchange rate adjustments—by the auction system, for instance—no longer work or do not work well. A situation of this sort creates a climate of bitterness, and resentment even. Tensions become inevitable and in the final analysis everybody pays and particularly the lowest income groups. Whereas with more careful formulation of the programme, more realistic scheduling, an effort to present and explain policies and measures to the people, implementation of the adjustment could produce positive and above all sustainable results.

Finally, there is the weakness of institutions either unprepared or ill prepared to apply adjustment measures, the lack of policy coordination between the Office of the President, the Ministries of Planning, Finance, Public Enterprises, Agriculture and Industry, and the Central Bank and civil service, and also the decision process and the rigidity of the administrative procedures involved. Then, too, there is the internal division of power within the administration. Being commonly appointed, promoted or dismissed for essentially political reasons, senior administrative and technical officials are not unusually more concerned to further their career prospects than to engage in reforms so disruptive for the government as those currently called for (and therefore disruptive for them, too). Hence the conformism and lack of imagination observed in many services.

We are convinced in EDI that improvement of the African countries' economic performance requires a very long-term effort, in fact virtually a continuous one, in order to create or strengthen the capacity to analyse, formulate and execute economic development policies. It is accordingly necessary to envisage the creation of centres of excellence or to strengthen the existing institutions with this aim in mind. After all, to ensure growth, not just financial resources are needed but also sound, efficient and well-managed structures and human resources. o

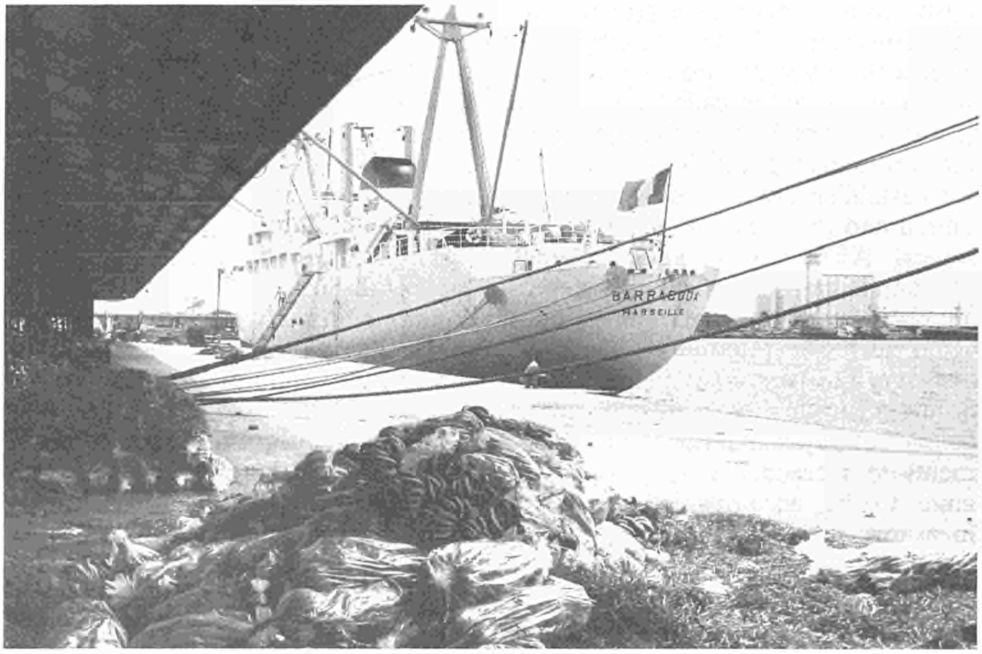
G. de L.

Off the peg doesn't suit everyone

by Volkmar KÖHLER (*)

Ghana has had a structural adjustment programme since 1983. Devaluation of the national currency (1) and an increase in producers' prices have clearly helped cocoa exports, which have increased more than 80% over the same period, from US$ 270 m to US$ 500 m. Those benefitting most were the peasant farmers producing export crops. At the same time, the supply situation on the markets has improved. Perhaps most importantly, the country has found hope once again and is looking confidently to the future.

For Côte d'Ivoire, the tale is very different. Complete liberalisation of imports did help consumers, but harmed many companies. They could not compete with lower import prices, and had to close down. In May 1987 the country with western Africa's model economy could no longer keep up the payments to its creditors. Ghana and Côte d'Ivoire are used here simply as examples of African countries where structural adjustment programmes have led to seemingly contradictory results. The reasons are varied.



FAO

Exporting bananas in Côte d'Ivoire

Compared to the extent of investments, how much does this bring in?

Trial and error

Firstly, developing countries began implementing structural adjustment programmes when the world recession began to ease off at the end of the 1970s. The World Bank made its first structural adjustment loan to Turkey in 1980, and the vast majority of such loans in Africa are even more recent. It is only natural, then, that trial and error is the order of the day rather than tried and tested methods.

There is also the constant difficulty of finding methods to assess the programmes. Did Côte d'Ivoire's difficulties stem from the structural adjustment programme or from the drop in prices for export commodities (cocoa, coffee and cotton) at the same period? Would the Ghanaian Government have introduced the programme for economic reform without being forced to do so by the conditions stipulated in the World Bank's structural adjustment loan?

Such questions show that years of experience are still required before structural adjustment programmes can be finally evaluated. But because policies—and above all people in Africa—cannot wait that long, the Federal Government in Germany is helping developing countries to implement structural adjustment programmes. Since 1987 it has been possible to give specific support to structural adjustments and economic reforms in developing countries, by means of capital contributions from the development budget. In 1988 a possible DM 600 m can be provided as structural assistance and general commodity aid.

There are no patent recipes for how these funds are to be used; together with the developing countries, we must be prepared to act according to interim results.

One lesson emerging from such interim results is so simple that it could easily go unnoticed: structural adjustment programmes must be made to measure.

"Programmes for economic reform are not aimed simply at getting the sums to come out even"

In true textbook fashion, a currency devaluation was proposed to correct Malawi's balance of trade. The result was disappointing—not because the laws of economy do not operate on the shores of Lake Malawi, but because the political situation in southern Africa meant that the traditional transport routes through Mozambique could no longer be used and that the transport and insurance costs rose to 40% of the shipment value. That was one hindrance to competitiveness which the exchange-rate policy was not able to overcome.

In other ways, too, Malawi was ill-suited to an off-the-peg approach for structural adjustment. In order to increase groundnut exports, not only was the currency devalued, but prices to the producers were also cut. Although, individually, both measures were sensible, when combined they made production of maize for domestic consumption fall, as producers were attracted to exporting groundnut. At the same time, small farmers switched to a less costly, but also lower-yield

(*) Parliamentary State Secretary, Ministry of Economic Cooperation — Bonn. Article reproduced from "Entwicklung & Zusammenarbeit", January 1988.

(1) The Cedi.

variety of maize because of increased fertiliser costs. Given the specific characteristics of the country the combination of economic measures, which when viewed in isolation seemed sound, led to a worsening in the supply of foodstuffs.

Lastly, we have learned that the best programme is condemned to fail if the country's government does not have the administrative means to implement the decisions it recognises to be correct. Our own assistance must also provide technical assistance along with financial support for structural adjustment measures via capital contributions, wherever this may be required to implement a programme.

Cocoa, the main export product of Côte d'Ivoire

The question most frequently asked about structural adjustment is: What social impact do the reforms have? The aim of every structural adjustment programme is to improve the economic, and therefore in the end the social situation of the poorer groups in the population. More particularly in Africa, the aim is to remove the disadvantage the rural population has compared to those living in the towns (a well-known method is to cut prices for agricultural producers). And yet experience to date has shown that some groups have to accept losses, at least temporarily. This is true, for example, in the case of public sector workers, who have their wages cut or even lose their jobs because of austerity measures:

— the poorer urban population, most hard hit by the removal of subsidies and budget cuts in health and education.

Those living at subsistence levels cannot survive a cut in income:

— rural households not working in agriculture, which are affected by the removal of subsidies but cannot benefit from improved incentives being offered for agricultural production.

Even for farmers, a pure doctrine of structural adjustment does not solve all the problems. The virtually total liberalisation of Niger's agricultural policy led to a paradoxical situation described in the *Frankfurter Allgemeine Zeitung* in May 1987: with the country's grain stores overflowing, people prayed in desperation that the harvest would not be a good one.

"Did Côte d'Ivoire's difficulties stem from the structural adjustment programme or from the drop in prices for export commodities"?

We could weigh those in the population who have to accept short-term losses against those who benefit directly from adjustment programmes, but such a calculation would be neither appropriate nor comprehensive enough to justify adjustment measures. Programmes for economic reform are not aimed simply at getting the sums to come out even. The stabilisation period which requires sacrifices is a prerequisite for lasting growth, where everyone's income can increase at the same time.

In structural adjustment programmes, as elsewhere, the end does not justify the means. The prospect of future income growth is scarcely sufficient to offset a loss in income in the present, even in affluent countries; in countries where present income is close to subsistence levels, the sacrifice is unacceptable. This is particularly true now that it is becoming evident that the restructuring of an economy takes longer than the three to five years thought to be sufficient until now.

Accompanying social measures

To avoid jeopardising programmes aimed at economic reform, accompanying social measures must be provided for in good time. Individual development aid projects in the traditional sense are hardly suited for dealing with cases of social hardship, which may be brought about by job cuts in the public sector or price increases for foodstuffs. Adult bridging programmes and retraining programmes are needed, or a specific subsidy for foodstuff prices, and financing such measures requires more flexibility than the traditional development aid instruments provide. We have drawn the obvious conclusion from this, and in Mali we are making available counterpart funds which come from the sale of German foodstuffs in order to subsidise local foodstuff prices.

We have learned much since the beginning of the 1980s, and have even more to learn in the future. Already today, even for farmers, a pure doctrine of structural adjustment does not solve all the problems. There is growing recognition that structural adjustment is a medium- and long-term task and that, as a result, cuts in income for the poorer sections of the population must be offset by accompanying measures.

One of the topics which in coming years will claim our attention increasingly is the effects a reform of economic framework conditions has on the social structure of African countries:

To what extent can we cut down the country's administrative machinery, without endangering the country itself?

What risk is there that privatisation of public companies will not lead to a revival of competition but simply to a shift in gilt-edged securities?

Questions such as these show that "structural adjustment" is in the end nothing more than a new word for an old subject: development. ○ V.K.

The poor: bearing the burden of adjustment

by Michel FROMONT (*)

The hunger riots which killed 15 people in Zambia last year could not apparently be compared to the violent demonstrations which accompanied the re-election, a few months later, of the President of Senegal, forcing the government to declare a state of emergency.

But there is little doubt that the root cause of these events was the same: the suffering and frustrations generated by the deep economic crisis affecting the African continent and the austerity measures which governments have been forced to turn to to tackle the crisis. It was the steep rise in the price of maize which triggered the troubles in Zambia, while the Senegalese outburst was touched off by the high cost of living and in particular the rise in the price of rice.

Each month, during the first half of the present decade, close to one million persons across the world have been pushed below the poverty line as a result of measures aimed at fighting inflation, recession and the debt crisis. The immediate consequences of programmes intended to restore the balance of payments in the low-income countries of Africa as well as in the heavily indebted countries of Latin America and the extremely vulnerable small island states of the Pacific were suppression of credit, weakening of trade and stagnation of wages.

Rising unemployment

Adjustment, revival, restructuring: in all, no less than 30 African countries have proceeded, since the beginning of the '80s, with far-reaching reforms of economic policies, judged to be essential to revive the development process. Most of them did this within the framework of loan agreements concluded with the IMF, the World Bank or other institutions.

By the end of 1987, implementation of these reforms—and the return, in 1986, of more favourable climatic conditions—had enabled the continent to achieve progress after years of decline, ranging from 3% to 5% respectively for food and manufactured goods.

Unfortunately, the prices of raw materials having dropped to their lowest level in 30 years, the income from African exports fell from US$ 64 billion in 1985 to US$ 45 billion in 1986. On the social level, a report published, in 1987, by the ILO noted: "The per capita incomes in Africa are 7% lower than in 1978, real wages in the non-agricultural sectors have declined and employment opportunities have not kept pace with the growth in population."

However, an analysis of the situation makes it very difficult to distinguish, on balance, the effects of the recession proper from the consequences of the adjustment programmes. Says the ILO: "In spite of numerous analytical complexities, the available data indicate that the poor are extremely vulnerable during periods of structural adjustment because they are frequently affected by lay-offs of unskilled labour, steep increases in food prices, reduction of public expenditure and falls in real wages."

Almost everywhere, the decline in employment is the first visible consequence of adjustment measures. Thousands of employees of the public sector have been laid off without any plans being drawn up for their reemployment. In Sudan, for example, the implementation, at the end of 1986, of an economic restructuring programme led, within a few days, to the laying off of some 9000 employees of the national railways. In Senegal, the medium and long-term adjustment programme (PANL) adopted at the end of 1984 by the government led to the disengagement of the state from the agricultural sector, resulting in turn, in the total or partial failure of rural training organisations; the number of people affected by this slowing down is expected to total 2 580 by 1989. At the same time, the new industrial policy aimed at increasing productivity and competitiveness will, according to estimates, lead to losses of between 1 000 and 5 000 jobs.

Overall, open and hidden unemployment in Africa has risen by 8% between 1980 and 1985, according to ILO estimates. Urban unemployment rose from approximately 10% in the '70s to 30% in 1985. A small decline in wage employment can be noted and within this, a relative decline of industrial employment could point to the start of a large-scale de-industrialisation process.

Each year, some 3.3 million Africans, most of them young, leave the rural areas to try to find work in the towns. Their number will rise to 5 million by the year 2000 if this trend continues. It is not difficult to imagine the extent of the problems of unemployment and poverty that will follow.

Already, in many countries, one can note a stagnation of new employment opportunities in the informal sector which employs approximately 15% of African labour and which seems to have reached the limit of its labour absorption capacity.

Prices, wages and services

Rising unemployment is only one facet of the general deterioration of the living standards of the African populations. The following few facts will be enough to substantiate this analysis:

The decline in real wages has exceeded 10% per year since 1980 in nine out of 22 African countries for which data are available; for the entire region, this decline averages 7% per year. Among the countries recording steep declines are Uganda, Sierra Leone, Ghana, Tanzania and Somalia.

The spectacular fall in minimum real wages indicates that the workers at the lower end of the wage ladder have been the hardest hit. In Kenya, for example, the average wage was 3.5 times higher than the minimum wage in 1983, compared to only 2.7 times in 1980. Food prices have tended to rise faster than those of other goods during adjustment periods. The poorest households spending up to two thirds of their income on food are forced to restrict their food consumption in quantity and in quality.

(*) Information Directorate, International Labour Office (ILO), Geneva (Switzerland).

Reports indicate a worsening of child malnutrition in Ghana, Kenya, Ethiopia and Botswana; consequently child mortality has ceased to decline and is even rising in certain countries like Ghana where it has gone up from 100 to 115 per thousand between 1980 and 1984 and Ethiopia (155 to 172 over the same period).

The share of national budgets allocated to social services has been reduced substantially in several countries: in Madagascar, for example, it dropped from 6.3% of GNP in 1980 to 4.3% in 1984; over the same period, GNP declined by 8% while the population increased by 12%; as a result the per capita social expenditure has fallen by 44% in four years. The same trend has been observed in Senegal (−48% between 1980 and 1985) and in Somalia (−62% between 1980 and 1986).

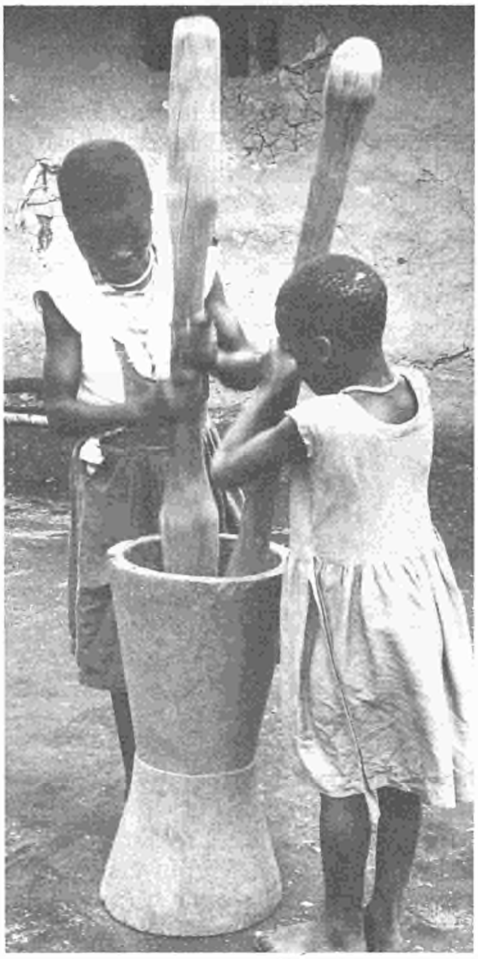
Health and education services are often distributed inequitably, with urban dwellers, and more particularly the well-off families, benefitting from considerable advantages compared to the rural populations. For instance, in Sudan in 1985, there was one rural health centre for every 3 270 persons while the urban population had one hospital bed for every 240 persons.

One could go into more detail and broaden these observations to cover what is happening in other parts of the world. For example, a recent ILO report on Jamaica indicates that the need for the government of that country to cut public spending led to the dismissal of 27 000 civil servants and that the imposition of new taxes combined with the increase in existing taxes have reduced the possibility of domestic savings and forced households to cut back on their daily consumption.

Adjustment with a human face

The question is to what extent and under what conditions can a policy of financial stabilisation and of structural adjustment be socially acceptable? The conclusions of the High Level Tripartite Meeting convened by the ILO on this theme in November 1987 provide a detailed answer to this question. It is not the purpose of this article to dwell in detail on this, but it is worth referring to the recommendations concerning actions of the governments concerned, those of the lending institutions and of the international community as a whole.

The most important factor is the political will to protect the standard of living of the population, particularly the poorest groups. The example of Tanzania shows that such a will, when decisions are taken and implemented in the field, is necessary to avoid the worst; it is not enough however.



Preparing meals and fetching water are children's as well as adults' tasks in Africa. "To what extent can a structural adjustment policy be socially acceptable?"

An understanding attitude on the part of the lending institutions whose excessive stringency has often been criticised, can play a decisive role. It is worth noting, in this context, the evolution of policies followed by the IMF and the World Bank. Recognising the intolerable social cost of certain adjustment measures, the latter now pays particular attention to the transfer of funds in favour of the poor. In Niger, for example, higher education and health services proper have now to be paid for and the funds thus released are utilised for the expansion of primary education and for preventive health care in the rural areas.

One of the central points of any national action is the preservation and promotion of employment. The Social Commission of the Organisation for African Unity, at its 1987 meeting in Arusha, made this issue the major theme of its deliberations. Several ACP countries—among them Nigeria, Kenya, Cote d'Ivoire and Guinea—have also given this top priority. In this framework, rural development policies assume vital importance.

The majority of governments also adopt a more open and more sympathetic attitude towards the urban and rural informal sectors, recognised as an important factor in developing economic activities and in creating employment. Measures are being taken—in the fields of credit, equipment, professional training, management of the search for openings—to help this sector and promote self-employment. In the same way, emphasis is placed on supporting small and medium-sized enterprises, often with the help of the ILO.

The reinforcement and restructuring of Labour Ministries are also essential, to enable them to pursue dynamic policies in all fields of their competence and in the face of the often disproportionate impact of the economic over the social.

For its part, the ILO believes that no miracle formula exists that would make it possible to carry out successfully a painless structural adjustment operation. One of its major preoccupations is to stress, as it did on the occasion of the High Level Meeting, the human dimension of adjustment in order to promote cooperation between governments, social partners and international organisations, and so prepare the ground for a progressive evolution, within the global context of national adjustment efforts.

A general change of attitude in both the industrialised and developing countries to restore concern for the wellbeing of the population to a central place in decisions of an economic or monetary nature is, in the final analysis, the one and only condition for adjustment with a human face. ○

M.F.

Eldoret Polytechnic

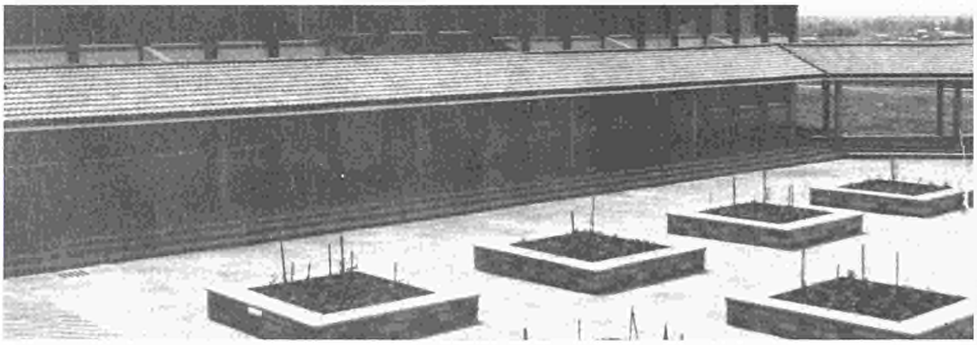
Responding to Kenya's skilled manpower needs

In October last year, Commission Vice-President and Commissioner for Development Lorenzo Natali opened Kenya's third polytechnic, at Eldoret, describing it as an "excellent" utilisation of funds made available to the country under the Lomé Convention.

Built at a cost of KShs 75 million, the polytechnic is both a response to Kenya's increased requirement for skilled manpower and a support of its new 8-4-4 educational system [1]. Kenya, before then, had two polytechnics, one in Nairobi and another in Mombasa, which, together with the Jomo Kenyatta College of Agriculture and Technology and Egerton College, provided higher technical education in the country. Their combined annual intake was about 800 students. With the country's annual requirement for qualified engineers and technicians in the 1990s estimated at around 1200, according to a manpower survey carried out recently, it was obvious that a third polytechnic was necessary if only to avoid large numbers of students without places in the available institutions going abroad for studies and remaining there after qualification. Kenya switched over in 1985 to the 8-4-4 system which saw primary pupils spend an additional one year at school. This, in the short term, will reduce the number of students needing further education but in the long term will give rise to greater numbers needing higher education.

(1) System in which pupils spend 8 years at primary school, 4 years at secondary school and 4 years at university.

Another powerful argument in favour of the establishment of a third polytechnic, especially at Eldoret, was the need to fill gaps in the demand for manpower in the region: in civil, mechanical and electrical engineering; maintenance and process engineering; technical teachers and instructors; and accounts assistants. Eldoret is located in Western Kenya which, though covering one third of the whole country, accounts for half of Kenya's population. It harbours a variety of industries — tea, sugar, textile, paper, food processing and hotel industries. The region lacks adequate facilities for the training of technicians. Eldoret itself has 85 000 inhabitants. A majority of the medium to large employers in the town and in the region welcome the establishment of the polytechnic, declaring their readiness to support it.



EEC Del.

A section of the Polytechnic's buildings

Although the project was identified as far back as 1980 it was not until 1983 that it was presented to the Commission. It was found to fit well into Kenya's 1984/88 National Development Plan as well as being in line with the priorities outlined in the country's Lomé II Indicative Programme.

Considerable thought was also given to how realistic it was to Kenya's overall educational reforms and how complementary it was to other educational projects planned or being funded by other donors. The impact of the Eldoret Polytechnic on Kenya's budgetary resources, for example, was studied and found to be small, no more than 2% of Kenya's forward recurrent budget for education, and therefore sustainable. The Kenyan Government had to undertake to ensure "adequate funding to cover the recurrent cost and staffing" of all three polytechnics in the country and to keep that recurrent cost "as low as reasonably attainable, while ensuring the required maintenance of investments".

The financing agreement was signed in May 1985 for a grant of ECU 6.5 million: ECU 3 855 000 for the building of an administrative block, classrooms, workshops, laboratories, catering facilities, student dormitories and staff houses; ECU 1 700 000 for furniture and equipment — teaching aids and machines for mechanical engineering, plant for agricultural engineering, workshops and laboratories, computing and machine accounting and scientific equipment; ECU 945 000 for works supervision.

The EEC, in addition, provided ECU 400 000 under the Lomé II Multi-Annual Training Programme to enable 10 newly recruited members of the staff to be trained in the United Kingdom and Ireland (five in chemical engineering and analytical chemistry and five in business studies, distance learning, agricultural engineering and computer science) and 13 others to be sent on attachment to local industries and institutions (Bamburi Cement, Pan African Paper Mills, Mumias Sugar Company, Rivatex, Kenya Breweries, KIRDI and Kenya Railways).

It should be noted that the Commission required the Kenyan Government to provide at least 75% of the necessary local teaching staff before endorsing the contracts for the supply of equipment. The Polytechnic requires some 116 staff (29 academic, 17 academic support, 17 administrators, 23 domestics and caterers, and 30 maintenance staff).

A gradual expansion of the polytechnic is planned from the initial intake of the first phase of no more than 210 full-time students, through some 600 students in the 1990s to around 2500 by the turn of the century. There are at the moment four departments: Engineering, Chemical Process Technologies, Business Studies and Distance Learning. Courses lead to a diploma after two years of study and the relevant industrial training. o A.O.

World Bank: World Development Report 1988 (*)

Two important trends are highlighted in the 11th IBRD yearly report, published in July 1988: the continuing economic uncertainty and the need for adjustments in fiscal and other policies. Despite increasing optimism about the short-term economic outlook in the industrialised economies, slow growth and uncertainty about medium term prospects persist in both industrial and developing economies as the 1980s draw to a close. The continuation of fiscal and trade imbalances create serious downside risks for the world economy. Unless governments take further action to reduce these imbalances and restructure economic policies, opportunities for sustaining and increasing world economic growth—essential to improving the growth prospects of the developing economies—will be lost.

This prospect is presented in Part I of *World Development Report 1988,* published by the World Bank. Part II is dedicated this year to the role of public finance policies in development and concludes that reducing fiscal deficits to sustainable levels, reforming tax and expenditure policies and accelerating government decentralisation are essential to long-term growth in many developing countries.

The world economy

Since 1983, governments in industrial countries have managed to reduce inflation and maintain a positive growth rate. But significant problems remain: high real interest rates, low rates of investment, volatile exchange rates, large current account imbalances, rising protectionism, and in Europe, high unemployment. Growth of per capita GDP has slowed from 3.6% in the late 1960s, to 2.1% in the 1973-80 period and to only 1.9% in the 1980s. Growth has also slowed substantially in the developing countries. Indeed, development in many countries has gone into reverse: per capita GDP in the highly indebted middle-income and the sub-Saharan African countries actually declined from 1980 to 1987 by 1.3% and 2.9%, respectively. In some developing countries the prolonged economic slump is already more severe than it was during the Great Depression in the industrial countries. The tide of poverty and misery in those countries is rising, not receding.

As usual, the Report presents alternative paths of future growth based on policy changes that need to be adopted by both developed and developing countries. If such changes are adopted, under the High case scenario, annual growth in real per capita GDP in the industrial countries for the period 1987-1995 could average 2.5%. According to this scenario, developing countries could average a real per capita GDP annual growth of 3.6%. In the absence of reform, the Low case scenario projections drop to 1.8% for the industrial countries and to 2.2% for the developing countries. (See Table I).

Table 1: Growth of real per capita GDP, 1965 to 1995
(annual percentage change)

Country group	Actual			Projected, 1987-95	
	1965-73	1973-80	1980-87	Low	High
Industrial countries	3.6	2.1	1.9	1.8	2.6
Developing countries	3.9	3.2	1.8	2.2	3.6
Exporters of manufactures	4.8	4.0	4.6	3.4	4.9
Highly indebted countries	4.2	2.9	−1.3	1.0	2.5
Sub-Saharan Africa	3.8	0.5	−2.9	0.0	0.7

Note: All growth rates for developing countries are based on a sample of 90 countries.

Under the High case, three main steps are needed to improve prospects for growth and reduce the risks of further instability in the financial market, and possibly, of a sharp slowdown in activity beyond the near term. The first is credible action to reduce the U.S. federal budget deficit in the United States which is essential to bring about a lasting reduction in the current account deficit and lower real interest rates. Second, Japan should maintain, and West Germany accelerate, the growth of domestic demand through appropriate macroeconomic and structural policies. Third, those newly industrialised economies (NIEs) of East Asia running sizeable current account surpluses could do even more to accelerate the growth of domestic demand, appreciate their currencies against the U.S. dollar and reduce the degree of protection of their domestic producers. In addition, developing countries should continue to reform internal policies (1), and net transfers from developing to industrial countries should be reduced.

Further adjustment by industrial and developing countries will help. But debtors and creditors will also have to continue the search, case by case, for ways to reduce the debt overhang. For the poorest countries, especially those in sub-Saharan Africa, concessional debt relief and increased aid are necessary to facilitate resumed growth.

Without concerted policy action, the global economic outlook is more likely to conform to the Low case. Per capita incomes in many parts of the developing world would continue to stagnate or, at best, the dramatic declines of the past few years would be reversed only very slowly. Trade would remain sluggish (Table 2 details the evolution of LDCs exchanges) and commodity prices depressed. Negative net resource transfers would continue to drain financial resources from the highly indebted countries. More serious downside risks, such as further

(*) Source: World Bank.

(1) The box gives the example of India. As far as Africa south of the Sahara is concerned, the World Bank quotes Mauritius, and as second best Togo, as examples of countries having positive results from their reform programme (Ed. note).

disruptions in financial markets, higher interest rates and a more severe slowdown of the world economy would all be possible.

The role of public finance in development

The Report documents the rapid growth of the economic role of government in almost all countries during the past 100 years, beginning around 1880 in the industrial countries and after 1940 in the developing countries. From a share of 5-10% of gross national product (GNP), central government spending has grown to an average of about 25% of GNP in developing countries and to 30% in industrial countries. In some countries, this share exceeds 50%. The public sector affects the economy not only through its taxation and spending, but also through interventions such as price controls and licensing. Although country experiences vary widely, the Report concludes that the public sector now appears to be as important in developing countries as in the industrial countries.

The Report stresses the importance of fiscal balance in achieving economic stability and growth in developing countries, most of which have faced fiscal crises during the past decade. Whatever their economic circumstances—whether low-income, middle-income, oil exporter, oil importer, planned or market economy—many countries saw public sector deficits rise to unsustainable levels in the years before 1982. Since the early 1980s, the reduction in deficits has been impressive, though in many countries it is still insufficient. The challenge is to contain deficits without falling further into recession. Table 3 gives figures about the evolution of expenditures and receipts of central administrations in most ACP countries.

The costs of revenue mobilisation can and must be reduced in the interests of more efficient resource allocation and growth. Tax reform in certain developing countries shows that governments can simplify overly complex and costly tax systems, broaden tax bases, lower tax rates, and improve tax administration, while maintaining or even increasing revenues. Greater reliance on user charges will also lead to a more efficient and equitable allocation of resources.

Where fiscal deficits are excessive, public spending generally has to be cut. Setting careful priorities when public spending is cut is as important as when it is increased. Good fiscal planning, budgeting, and project evaluation are important tools to ensure that public spending conforms with sound sectoral strategies and complements rather than competes with private initiatives. Although the capacity to carry out medium-term fiscal planning and comprehensive annual budgeting is limited in most developing

Economic policies and internal reform in India

As well as striving for greater efficiency, competitiveness, and productivity, India's main challenge is to alleviate poverty and provide employment. The Seventh Plan, for 1985-90, addresses these problems directly. Overall, it calls for maintaining the growth achieved under the Sixth Plan and aims for real GDP growth of 5% a year. In agriculture the plan gives the highest priority to completing irrigation schemes; in industry it emphasises improvements in productivity. The plan stresses the need to keep food supplies up and prices down, both to protect the real income of the poor and to raise employment and productivity. It also emphasises changes in economic policy. Unlike its predecessors the Seventh Plan calls for a greater role for the private sector and promises to provide the incentives needed to encourage private industrial investment. Measures taken during the Sixth Plan have already given entrepreneurs greater freedom. The Seventh Plan envisages further progress by easing licensing requirements and introducing more flexibility into pricing. It also calls for continued trade liberalisation and emphasises the promotion of exports.

In line with this Plan, several major initiatives have been undertaken to reform trade, industry, and public finance, for example by liberalising imports of high technology products. Joint ventures with foreign investors are also being encouraged. The government is promoting exports by simplifying procedures, reducing export taxes, and facilitating forward cover of foreign exchange receipts. ○

Table 2: Change in volume of trade in developing countries, 1973 to 1995
(average annual percentage change)

Country group	Exports of goods				Exports of manufactures				Exports of primary goods				Imports of goods			
	1973-80	1980-87	1987-95		1973-80	1980-87	1987-95		1973-80	1980-87	1987-95		1973-80	1980-87	1987-95	
			Low	High			Low	High			Low	High			Low	High
Developing countries	4.7	5.4	4.0	5.6	13.8	8.6	5.8	8.3	1.2	3.1	2.2	2.8	5.9	1.1	4.6	6.3
Low-income countries	4.7	6.8	5.2	6.7	8.2	8.9	7.4	9.9	2.8	5.3	2.9	3.4	5.6	6.4	5.0	6.6
Middle-income countries	4.8	5.2	3.9	5.5	14.8	8.6	5.6	8.1	1.1	2.8	2.1	2.7	6.0	0.1	4.5	6.3
Oil exporters	−0.9	1.6	2.2	3.2	3.4	17.3	8.3	11.3	−1.0	0.5	1.3	2.0	10.3	−6.0	1.9	3.1
Exporters of manufactures	9.8	9.3	5.1	7.1	14.0	9.6	6.0	8.5	3.4	8.4	2.8	3.2	5.6	5.8	5.8	7.9
Highly indebted countries	1.1	1.4	3.2	4.3	10.2	2.1	5.9	8.5	−0.4	1.1	2.4	3.0	5.5	−6.3	3.3	4.9
Sub-Saharan Africa	0.1	−1.6	2.7	3.4	5.6	4.7	4.6	7.0	−0.1	−2.0	2.5	2.9	7.5	−6.9	2.6	3.0

Note: All data are based on a sample of 90 developing countries.

Table 3 a: Central government expenditure

	Percetage of total expenditure												Total expenditure (percentage of GNP)		Overall surplus/deficit (percentage of GNP)	
	Defence		Education		Health		Housing amenities social security and welfare		Economic services		Other					
	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986
Ethiopia	14.3	..	14.4	..	5.7	..	4.4	..	22.9	..	38.3	..	13.7	..	−1.4	..
Burkina Faso	*11.5*	*19.2*	*20.6*	*17.7*	*8.2*	*6.6*	*8.3*	*15.5*	*13.9*	*37.6*	*34.7*	*11.1*	*13.2*	*0.3*	*1.6*	..
Malawi	3.1	*6.0*	15.8	*11.0*	5.5	*6.9*	5.8	*1.9*	33.1	*30.5*	36.8	*43.7*	22.1	*31.5*	−6.2	*−8.4*
Zaïre	11.1	..	15.2	..	2.3	..	2.0	..	13.3	..	56.1	..	..	−3.8	..	..
Mali	..	*8.1*	..	*9.0*	..	*1.7*	..	*6.2*	..	*7.7*	..	*67.3*	..	*34.0*	..	*−9.6*
Madagascar	3.6	..	9.1	..	4.2	..	9.9	..	40.5	..	32.7	..	20.8	..	−2.5	..
Uganda	23.1	26.3	15.3	15.0	5.3	2.4	7.3	0.8	12.4	14.8	36.6	40.7	21.8	9.4	−8.1	−2.8
Burundi	*10.3*	..	*23.4*	..	*6.0*	..	*2.7*	..	*33.9*	..	*23.8*	..	*19.9*	..	*0.0*	..
Tanzania	11.9	*13.8*	17.3	*7.2*	7.2	*4.9*	2.1	*1.4*	39.0	*24.0*	22.6	*48.6*	19.7	*23.9*	−5.0	..
Togo	..	*6.9*	..	*11.7*	..	*3.6*	..	*9.2*	..	*23.5*	..	*45.2*	..	*42.3*	..	*−5.1*
Somalia	23.3	..	5.5	..	7.2	..	1.9	..	21.6	..	40.5	..	13.5	..	0.6	..
Rwanda	*25.6*	..	*22.2*	..	*5.7*	..	*2.6*	..	*22.0*	..	*21.9*	..	*12.5*	..	*−2.7*	..
Kenya	6.0	*8.7*	21.9	*19.7*	7.9	*6.4*	3.9	*0.5*	30.1	*27.6*	30.2	*37.0*	21.0	*27.8*	−3.9	*−6.7*
Zambia	0.0	..	19.0	*16.0*	7.4	*7.2*	1.3	*2.6*	26.7	*16.1*	45.7	*58.1*	34.0	*38.2*	−13.8	*−16.3*
Sierra Leone	..	*3.4*	..	*12.8*	..	*5.8*	..	*2.0*	..	*15.4*	..	*60.4*	..	*13.6*	..	*−8.9*
Sudan	24.1	..	9.3	..	5.4	..	1.4	..	15.8	..	44.1	..	19.2	..	−0.8	..
Lesotho	*0.0*	*9.6*	*22.4*	*15.5*	*7.3*	*6.9*	*6.3*	*1.5*	*21.4*	*25.5*	*42.7*	*41.0*	*14.5*	*24.2*	*3.5*	*−2.6*
Ghana	7.9	6.5	20.1	23.9	6.3	8.3	4.1	7.3	15.1	15.7	46.6	38.3	19.5	14.0	−5.8	0.1
Senegal	..	..	..	..	..	..	..	..	..	..	..	..	*18.8*	..	*−2.8*	..
Chad	24.6	..	14.8	..	4.4	..	1.7	..	21.8	..	32.7	..	14.9	..	−2.7	..
Liberia	..	7.7	..	14.2	..	5.7	..	1.8	..	34.5	..	36.2	..	27.1	..	−9.0
Zimbabwe	..	*15.2*	..	*20.9*	..	*6.2*	..	*4.7*	..	*26.0*	..	*27.0*	..	35.2	..	−7.0
Nigeria	40.2	..	4.5	..	3.6	..	0.8	..	19.6	..	31.4	..	10.2	..	−0.9	..
Papua-New Guinea	..	*4.5*	..	*17.0*	..	*9.6*	..	*2.0*	..	*18.6*	..	*48.3*	..	*34.8*	..	*−2.6*
Côte d'Ivoire	..	*3.9*	..	*20.5*	..	*4.0*	..	*1.8*	..	*31.5*	..	*38.3*	..	*31.2*	..	*−3.1*
Botswana	0.0	*6.4*	10.1	*17.7*	6.1	*5.0*	21.5	*7.3*	27.9	*29.7*	34.3	*34.0*	33.6	*49.4*	−23.8	*31.8*
Cameroon	..	*8.8*	..	*14.4*	..	*5.1*	..	*11.4*	..	*33.8*	..	*26.6*	..	*22.4*	..	*0.8*
Congo, People's Rep.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Mauritius	*0.8*	0.8	*13.5*	13.4	*10.3*	7.7	*3.1*	1.6	*13.9*	12.4	*58.3*	64.1	*16.3*	24.9	*−1.2*	−3.5
Gabon	..	..	..	..	..	..	..	..	..	..	..	..	*40.1*	*41.0*	*−12.9*	*0.1*

Table 3 b: Central government current revenue

	Percentage of total current revenue												Total current revenue (percentage of GNP)	
	Tax revenue										Nontax revenue			
	Taxes on income, profit, and capital gains		Social security contributions		Domestic taxes on goods and services		Taxes on international trade and transactions		Other taxes					
	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986	1972	1986
Ethiopia	23.0	..	0.0	..	29.8	..	30.4	..	5.6	..	11.1	..	10.5	..
Burkina Faso	*16.8*	*12.4*	*0.0*	*7.6*	*18.0*	*13.8*	*51.8*	*33.9*	*3.2*	*6.1*	*10.2*	*26.2*	*11.4*	*15.1*
Malawi	31.5	*34.6*	0.0	*0.0*	24.3	*28.5*	20.0	*21.5*	0.4	*0.5*	23.9	*14.9*	16.0	*22.3*
Zaïre	22.2	*26.8*	2.2	*0.7*	12.7	*19.2*	57.9	*37.3*	1.4	*1.6*	3.7	*14.4*	14.3	*19.9*
Mali	..	*9.2*	..	*3.6*	..	*31.2*	..	*21.7*	..	*19.6*	..	*14.7*	..	*16.3*
Madagascar	13.1	..	7.2	..	29.9	..	33.6	..	5.5	..	10.8	..	18.3	..
Uganda	22.1	5.5	0.0	0.0	32.8	19.1	36.3	75.3	0.3	0.0	8.5	0.0	13.7	5.9
Burundi	*18.1*	..	*1.2*	..	*18.3*	..	*40.3*	..	*15.6*	..	*6.5*	..	*11.5*	..
Tanzania	29.9	..	0.0	..	29.1	..	21.7	0.5	..	18.8	..	15.8	..	..
Togo	..	30.3	..	6.2	..	7.6	..	32.1	..	1.1	..	22.6	..	32.4
Somalia	10.7	..	0.0	..	24.7	..	45.3	..	5.2	..	14.0	..	13.7	..
Rwanda	*17.9*	..	*4.4*	..	*14.1*	..	*41.7*	..	*13.8*	..	*8.1*	..	*9.8*	..
Kenya	35.6	*30.2*	0.0	*0.0*	19.9	*38.9*	24.3	*18.0*	1.4	*0.6*	18.8	*12.3*	18.0	*21.5*
Zambia	49.7	*28.4*	0.0	*0.0*	20.2	*40.2*	14.3	*22.6*	0.1	*1.3*	15.6	*7.5*	23.2	*23.9*
Sierra Leone	..	*28.0*	..	*0.0*	..	*25.0*	..	*40.4*	..	*1.0*	..	*5.6*	..	*6.5*
Sudan	11.8	..	0.0	..	30.4	..	40.5	..	1.5	..	15.7	..	18.0	..
Lesotho	*10.3*	*11.1*	*0.0*	*0.0*	*2.5*	*10.3*	*74.0*	*67.8*	*5.4*	*0.2*	*7.8*	*10.5*	*15.4*	*21.9*
Ghana	18.4	19.4	0.0	0.0	29.4	28.4	40.6	40.8	0.2	0.2	11.5	11.2	15.1	13.9
Senegal	*20.0*	..	..	..	*25.9*	..	*42.7*	..	*7.5*	..	*3.8*	..	*17.0*	..
Chad	16.7	21.0	0.0	0.0	12.3	8.5	45.2	46.2	20.5	12.7	5.3	11.6	10.8	..
Liberia	..	39.7	..	0.0	..	24.9	..	28.6	..	2.5	..	4.3	..	17.8
Zimbabwe	..	*42.8*	..	*0.0*	..	*30.6*	..	*15.6*	..	*1.1*	..	*10.0*	..	*26.8*
Nigeria	43.0	..	0.0	..	26.3	..	17.5	..	0.2	..	13.0	..	11.6	..
Papua-New Guinea	..	*47.9*	..	*0.0*	..	*14.3*	..	*24.1*	..	*1.9*	..	*11.8*	..	*22.4*
Côte d'Ivoire	..	*11.4*	..	*4.4*	..	*15.7*	..	*26.7*	..	*41.7*	..	..	..	*28.2*
Botswana	19.9	*29.8*	0.0	*0.0*	2.2	*0.9*	47.2	*13.9*	0.7	*0.1*	29.9	*55.2*	30.7	*82.6*
Cameroon	..	*57.2*	..	*5.4*	..	*10.9*	..	*15.2*	..	*3.3*	..	*8.0*	..	*24.3*
Congo, People's Rep.	19.4	..	0.0	..	40.3	..	26.5	..	6.3	..	7.5	..	18.4	..
Mauritius	*22.7*	9.1	*0.0*	0.0	*23.3*	19.9	*40.2*	56.4	*5.5*	4.4	*8.2*	10.1	*15.6*	21.5
Gabon	*18.2*	*44.2*	*6.0*	*0.0*	*9.5*	*6.5*	*44.9*	*16.2*	*4.2*	*1.9*	*17.2*	*31.2*	*28.3*	*42.0*

countries, the Report cites many examples of improvement in individual countries.

According to the Report, many developing countries would benefit from increasing the responsibility of state and local governments for certain public functions. Decentralisation can increase public accountability and responsiveness to local preferences. The scope for decentralising is greatest in urban areas, but broadening the involvement of rural communities in water supply, irrigation and rural roads can also improve the quality of public services. Yet state and local governments frequently face restrictions in raising resources to finance present or potential spending. Central authorities often regulate the few local sources of revenue by controlling tax rates, prohibiting increases in user charges and limiting the means for revenue collection and enforcement. As a rule, these restrictions can be safely eased, which would increase the revenue-raising capability of sub-national governments and reduce their dependence on central transfers.

The Report also addresses the public finance issues surrounding state-owned enterprises (SOEs). Many governments now see the critical importance of reforming SOE financing as part of broader fiscal reform. The first step is to reduce SOE claims on the government budget by improving operational efficiency and ensuring that charges cover costs. Transparency in financial relations between the government and SOEs is also critical. If all subsidies to SOEs are explicitly budgeted, their cost can be subjected to annual reviews, rather than hidden or simply forgotten. Increasing the availability of reliable information on the financial and operational performance of SOEs, eliminating arrears between public agencies and controlling government guarantees of SOE borrowings will also help restore fiscal discipline. Finally, involving the private sector can often improve the efficiency of SOE operations thus reducing the drain on fiscal resources. As the barriers to full and rapid privatisation are often daunting, intermediate solutions—such as subcontracting, leasing or allowing private competition—are often more feasible.

Directions for reform

Prudent budget policies, reduced costs of raising revenue, efficient and effective public spending, strengthened decentralisation in government, and policies in public finance consistent with the alleviation of poverty — these are the five broad directions which public finance policies should strive to pursue. Simultaneous progress on all fronts will be difficult to achieve in most countries. Nonetheless, neglecting any one area can easily lead to problems in any other. A comprehensive approach to public finance reform is therefore essential to provide consistent policy advice and to implement sustainable reform. o

How to attract private capital into LDCs

by Montague KEEN (*)

With all the ardour of the newly converted, African countries are dragging their parastatals from the stagnant pools of government control and throwing them into the deep waters of privatisation. Some of the hazards attending this process have come under close scrutiny (in June) at an international conference. The factors inhibiting greater investment by overseas private organisations in the newly-burgeoning private sector of LDC economies were the subject of some very blunt, even startling, speeches.

The ninth annual International Agricultural Forum was held as usual in Geneva under the aegis of an NGO charitable trust, the Agri-Energy Round table. Its principal mission is to encourage both dialogue and business on co-operative energy and agricultural projects between industrialised and developing countries. What dominated the conference was the lure, and the technique, of debt/equity swaps (1). Concentration was on ways by which African countries in particular could profit from the example of some Latin American states whose chronic indebtedness, or debt repudiation, had been followed by a remarkably successful bail-out through the conversion of sterile bank loans offering slender repayment prospects, into productive, export-orientated, hard currency earning domestic industries.

No loser

Uncomfortably, the most challenging contribution came from a buccaneering American entrepreneur. Having grasped debt/equity swapping with both hands, notably in Chile and Mexico, he did his best to present it as a device which could bring in "the thousands of successful agro-businessmen needed to solve the problems we have been talking about". Those problems had centred on means by which overseas expertise and management, aided by private risk capital, could be encouraged to develop productive, agriculturally-based enterprises which would supply the technology and administrative experience lacking in so many countries, and generate both employment and overseas earnings.

Mr Karl Schakel, chairman of Western Agri-Management, a company owning or running extensive agricultural enterprises throughout the world, and which is now undertaking two or three major debt/equity swap operations annually, listed benefits from which, surprisingly, no-one appeared to emerge as loser. Although there are many methods by which debts can be used to re-finance defaulting enterprises, or create new ones, the typical deal which Mr Schakel arranges is to borrow an unpaid loan note from a banker, take it to the central bank where he trades it for soft currency, i.e., of the country where the investment is to take place, and undertake, when he does so, that all the money will be used to build and run an export-oriented project. This greatly reduces his risk. If the bank has been prudent enough to check his company's performance record, its risk is small, too. As the business succeeds, so the bank supplying the original note is paid off until the entrepreneur owns the business free of encumbrances. The host country gets its foreign debt reduced. New local employment is generated. The central bank receives hard currency back every year to convert into local money. The businessman makes a lot of money.

The suspicion that this was unrealistically optimistic was partly dispelled by a recitation of the runaway successes which had attended an operation of this nature in Chile, where an intensive horticulturally-based estate, costing US $ 15 million to set up, was returning $ 10 million every year in hard currency. Where the gap between the official and the black market was large, and the currency in consequence weak, then, Mr Schakel admitted, there had to be "one hell of a discount".

(*) Agricultural journalist and farmer, specialising in the problems of developing countries, Pentlow, UK.

(1) On debt/equity swaps, see The Courier, no 109, May-June 1988, pp. 94-95.

In most African countries, nearly all the equipment, fertilisers, fuel, etc., had to be paid for externally. All of this meant that if African countries really wanted to attract major private investors—and there were several government ministers present affirming as much—they would have to make conditions more attractive. Lots of countries were queueing up for debt/equity projects. Those with the weakest currencies and the least developed industrial base, he clearly inferred, would be pushed to the end of the queue.

Difficult conditions

The conditions which people like Mr Schakel required were difficult for African representatives to stomach, however. Not only must they become very much faster in making business decisions, and granting visas (one hour, not three weeks, demanded Mr Schakel), they must get donor agencies to set aside a modest proportion of their funds to do two jobs. One is to pay half the cost of a feasibility study—but only to firms able to undertake the job themselves, not to pure consultants who would never have to carry cans; secondly to offer a financial package aimed at reducing the inherently high risk. That meant lending at least 80% of the total, preferably more, and charging 5% cumulative interest for the first three years.

The LDC for its part must offer the entrepreneur tax exemption for 10, preferably 20, years, and the right to retain profits outside the country for the first five years. It must allow everything required by the business to be imported duty free, and make sure it could clear customs promptly; allow land ownership and 100% ownership of corporations to foreigners, nearly all of whom would have a local partner anyway.

What most startled the non-business section of the conference, however, was Mr Schakel's insistence that planning for a moderate profit margin was bad business. He aimed at a 40% return, and would unashamedly defend this as not merely necessary but essential. Reasonable expectation of high profits was necessary to attract risk capital, including the time and expertise of busy executives, and to leave margins comfortable enough to ride out those hazards inherent in Third World investments: monetary and political instability, fluctuations in export returns, and climatic disasters. Those who earned only moderate profits would succumb in any of these situations, and either go under or require bailing out by impoverished exchequers.

Qualified support for this bold approach came from Giovanni Vacchelli, the International Finance Corporation's European representative. There had been a decline in economic activity, a preference among many highly skilled companies to act as managers rather than investors, and a general drying-up of the flow of foreign capital into developing countries.

Mr Schakel, however, accused developing countries of threatening to kill the goose currently laying golden eggs. If businessmen were "staying away in droves" from the seminars which agencies and LDCs were promoting to attract investment, then it was because they didn't fancy the high risk-low return offer. By considering profit a dirty word, and seeking to impose restrictions on ownership or on repatriation of earnings, or requiring an undue proportion of risk capital to be provided and guaranteed by the overseas investor, LDC governments were deterring the very people they needed to attract.

Maybe, but Mr Ahmed Diraige, managing director of the Middle East Financing Company and a former governor of Darfur province in the Sudan, questioned whether it made sense to talk in terms of high profits from any major agricultural enterprise in Africa, where the vital need was for more food for domestic consumption. Export earning commodities required, and had received, heavy investment, but the produce was tied to world export prices and these, he affirmed, were fixed by buyers to suit their own interests.

Nor, it seemed, were all African countries comfortable with the assurances that 100% foreign ownership of a major enterprise was always benign, if only because a foreign government would try to ensure that its nationals' investments were safeguarded. Uganda's Minister of Animal Industries and Fisheries, GMKJ Kagonyera, spoke feelingly of his country's struggle to honour a US $2 billion debt incurred by the previous regimes as a result of an open-door policy which had submerged the country with imports of no enduring value to the nation.

Is debt/equity swapping adapted to poor countries?

UNCTAD's representative, Mr Klaus Netter, feared that some of the easy solutions would not work when the 40 poorest countries were getting a total of only US $ 10 million a year in private capital, and when the tendency was for investment to flow into the more progressive countries. In most of these poorer countries, super profits were simply not available. He wanted to see more effort by aid agencies to encourage and enable indigenous businessmen to set up in business, and not to be wholly dependent on foreign investors.

The dilemma of poorer African countries was encapsulated in an exchange between Gambia's Minister of Agriculture, Mr Saihou Sabally, and Britain's chief cocoa buyer, Mr Paul Williamson. While Mr Williamson acknowledged the harmful impact of western food subsidies, he argued that any attempt to employ periodic subsidies to put a bottom in the market at a level which ensured adequate returns to West African cocoa producers would simply encourage growers in the Far East to plant more cocoa, and that could kill cocoa production in countries like Ghana.

However, the gap between the profit-seeking overseas investor and the defender of the heavily indebted countries could be remarked from a contribution from Mr Diraige, who had blamed recklessness and selfishness on the part of both lenders and borrowers for the vast sums lent, with little regard for ability to pay back, and which were products of the need to find outlets for surplus, oil-generated cash. If IOUs were being sold to businessmen abroad at a discount of 40%, thereby giving them total possession of assets in developing countries, why could the discount not be given to the Third World state?

Mr Schakel was there to tell him why not. But both agreed that debt/equity, used wisely, could be, in Mr Diraige's words, a blessing in disguise. For many, however, the disguise was too good to penetrate. ○ M.K.

Information services on agriculture in the ACP countries

by Thiendou NIANG (*)

One of the prerequisites for the agricultural development of the ACP countries is adequate access to the information originating from research and development activities. Identifying the right information sources is therefore the first step towards knowledge of science and technology.

With the objective of fulfilling its principal mission to improve the access of the ACP countries to agricultural information, CTA has been working on a series of directories of information sources on agriculture and rural development.

The first volume in this series covers information sources on tropical agriculture in EEC countries. The present publication, covering ACP countries, was prepared with the collaboration of C.A.B. International, U.K., and CIDARC (the Centre for Information an Documentation on Agriculture in Hot Countries), France. The main objectives of this publication are: to provide agricultural researchers, training officers, extension workers, planners and documentalists with a guide in their search for information; and to facilitate the exchange of information among the ACP countries on the one hand, and between the ACP countries and the European Community on the other.

Furthermore, the directory is a tool to assist decision-makers in the planning of national policy on scientific and technical information. This directory lists 337 agricultural information services (libraries, documentation centres, database producers and information networks) of research institutes, teaching establishments, and development organisations in the ACP countries.

It deals with agriculture in the broadest sense, including agronomic research, training and extension, economics and rural sociology, animal and vegetable production, forestry, aquatic sciences and fisheries, agricultural engineering, natural resources, food science and nutrition, and the environment. Table 1 analyses the centres by their areas of activity.

Table 1: Distribution of information services by area of activity, following the AGRIS classification scheme

Subject	Percentages
Plant science and production	29%
Animal sciences, production and protection	19%
Agricultural economics and rural sociology	18%
General agriculture	10%
Natural resources and the environment	6%
Agricultural training and extension	5%
Fisheries and aquaculture	3%
Mechanisation and agricultural engineering	2%
Agricultural processing	2%
Plant protection	1%
Post-harvest technology	1%
Forestry	1%
Human nutrition	1%
Systems	1%

As well as the directory proper, arranged alphabetically by country, this publication also includes an index of the main subjects covered by each centre and a list of acronyms. Each entry comprises the following elements: name of the service, name of parent organisation, address, date of establishment, name and title of contact person, number of staff, subject and geographic coverage, literature holdings, users, services, equipment and cooperative activities.

The index is based largely on AGROVOC (an EEC-FAO venture), the multilingual thesaurus of agricultural terminology, and on the AGRIS (FAO's International Information System for Agricultural Sciences and Technology) list of categories.

A detailed analysis of the data contained in the directory reveals some interesting trends in agricultural documentation in the ACP countries (see below).

Years	N° of services established
Pre 1900	1
1900 - 1920	6
1920 - 1940	24
1940 - 1960	51
1960 - 1980	169
1980 - 1987	86
Total	337

(*) Information Specialist, CTA, Wageningen.

It shows that the ACP countries began to develop agricultural information services many years ago. As far back as 1876, the Jamaican Ministry of Agriculture had already established a national agricultural library. Its example was followed at an ever-increasing rate by other countries.

Table 2: Geographic distribution of information services

Geographic Zone	N° of services
West Africa	121
East Africa	65
Central Africa	60
Southern Africa	48
Caribbean	26
Pacific	17

If the present rate of growth continues, one could hope that there will be 500 agricultural information services in the ACP countries by the end of the century.

The geographic distribution of the services listed (Table 2) shows a definite concentration in West Africa, which accounts for more than 36% of the overall total for the ACP countries. This is in proportion to the relative involvement of the active agricultural population.

Generally, the documentation centres listed offer the usual services: bibliographic bulletins, current awareness lists, accession bulletins, catalogues and serials lists, as well as the selective dissemination of information and bibliographic searches. Though valued by the information users, review journals and progress reports do not attract much attention. The same is true of the services which consolidate, evaluate and repackage information.

It is equally notable that the growth of such centres is concentrated in the capitals of these countries, to the detriment of the rural areas which are potentially the most important users of information.

Though scientists, teachers and students, who form the main target group of these information centres, are capable of sifting through and analysing the information themselves, there is a great demand for review journals. The existing shortage of these can be explained in part by the lack of competent staff. The collections on which the information services are based are relatively small, although some centres have quite appreciable documentary resources.

On average, the holdings per centre are as follows:
8 217 books
1 534 reports
375 publications issued by parent organisation
169 current serial titles
495 microfilms

In terms of equipment, it is comforting to note that, although the ACP countries are the least computerised, almost one third of the information centres have data processing hardware, notably microcomputers of various makes: Apple, Goupil, IBM, Micral, Wang, etc. This variety of equipment is no doubt due to local availability, and sets the standard for software. In the context of documentary cooperation, this divergence of systems can cause problems of compatibility and difficulties in exchange of data. In the reprographic area, analysis of the data reveals that there is more activity than one might have expected. While only 7.4% of the information services have a microfilming unit, 55% own microfilm readers of some kind.

Networking

Finally, the most notable phenomenon in the development of information services in the ACP countries over the last decade has been the emergence of documentation networks, the exchange of information and the sharing of experience. All possible avenues for cooperation and economy are being explored: interlibrary loans, production of union lists of serials and reference works, standardisation of working methods and the promotion of joint information resources.

National sector networks are being developed in Congo (REDICA), Côte d'Ivoire (REDACI) and Senegal (REDAS).

At the regional level, the recommended approach is the establishment of networks reflecting the main socio-economic and geopolitical interests. Of note in this respect is PADIS, concerned with the socio-economic development of Africa; POPIN-AFRICA, dealing with the population problems in Africa and the Sahelian network for Scientific and Technical Information (RESADOC, Sahel), which specialises in the problems of drought and desertification and environmental protection.

At international level, AGRIS and CARIS (Current Agricultural Research Information System) stand out as the main world information networks.

Whatever their level of operation, the emergence of properly equipped networks, which is apparent from this directory, provides solid evidence of the vitality and potential of documentary resources in the ACP countries. However, there is no doubt that these emerging structures remain fragile and receive neither the attention they deserve nor the funding they need.

A new objective should be added to the existing activities of these centres: the analysis of agricultural information so as to offer products and services which perfectly match the real information needs of their users. In this area, as in many others, success will depend on the availability of human resources. ○ T.N.

Copies of the Directory (published in English and French) may be obtained through Mr Niang at the CTA's address below.

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The Courier's mailbag

Kiswahili: Bantu not Arab

Your article on Tanzania (July-August issue) is balanced and well written, but I and a number of friends, along with numerous other Africans, note certain inaccuracies which shock us rather.

If you are not fully informed about the origins of the language, Kiswahili, it would be better to find out, perhaps through Unesco or through one of the various African cultural centres.

Firstly, Kiswahili is in no way a so-called Arab-derived language. The word "Kiswahili" does not come from the Arab "Alsuhail", as you claim. Kiswahili is a language whose roots are 100% African—a Bantu language, with many words in common with other Bantu languages such as Lingala or Zulu. Its structure is completely different from Arab. It does contain some Arab words, but they are Africanised. But in Portuguese, for example, one finds African terms, and no one would claim that, on this basis, Portuguese was an African or oriental language. I am sure that what you wrote was well-intentioned, but it would be useful to correct these errors.

Matambeke-Mata-Modimo, Paris, France

Superficial analysis

The May/June edition of The Courier carried an article comparing African and Asian performance in agriculture. The figures in that article were interesting, but the analysis extremely superficial (even perhaps derogatory "The Africans have never tried to understand..."). Does India really support the view that "Asia has technocractic rather than bureaucratic systems?"

In particular, it cannot be argued that "Both continents set off in similar or identical conditions of development in the 1960s". Differences in agricultural performance surely relate especially to (a) Asian agriculture having more intensive use of land and labour than African (population density being much higher); (b) African governments having less human and financial resources to implement extension, marketing and infrastructure programmes; (c) poor soils and irrigation potential in Africa; (d) lack of technical innovation in dryland maize, sorghum and cassava to rival the new varieties of rice and wheat.

The response in Africa should therefore not be to ape the technical advances of irrigated parts of Asia. Rather, the focus needs to be on what Robert Chambers calls "low resource agriculture", adaptive farmer-directed research, and conservation measures that pay in the short-term. New varieties may be needed—such as SADCC's adaptive research on sorghum/millet, or Nigerian work on varieties that mature early enough to defeat striga. Some chemical fertiliser may be required. But evidence suggests targetting efforts on dryland smallholders, male and female, who are most of Africa's farmers. Supporters of very intensive agriculture in Africa tends to mean large landowners or state farms, neither of which will boost incomes for the poor, nor even, on past track records, be economic in their own terms.

Paul Spray, Christian Aid, London, U.K.

The Low Countries: not as low as we thought

At a recent meeting in Brussels of the European Standing Conference of Associations of Geography Teachers, participants received a copy of the January/February 1988 issue of "The Courier" entitled "The Future of Europe".

There is a series of short descriptions of the Member States of the Community (under the heading "A journey through the Community") and during the conference the representatives of a number of Member States found inaccuracies in these outlines of their countries.

Since our IDG Centre has the role of ensuring that accurate information about the Netherlands is conveyed to other countries, I take the liberty of referring to two points in the description of the Netherlands,

1. It is not true that over half of the country's total area is below sea level. If there were no dunes, dikes or pumping stations, about two-thirds of the country would regularly be flooded, but no more than 27% is actually below sea level.

2. It is incorrect to include coal among the mineral resources, since no coal has been mined in the Netherlands since 1975.

H. Meijer, Administrative Director,
Information and Documentation Centre
for the Geography of the Netherlands,
Utrecht, The Netherlands

More detailed information

"We would like to be informed, as objectively as possible, of projects implemented—of their geographical context, the money/techniques/personnel put into them, the methods used, what was planned in the way of distribution and sale of the products obtained, what obstacles or other difficulties had to be faced and what were the results (figures should be put on them and they should be evaluated) whether when the project was handed over to the local population to run (where the results were positive) or when it was abandoned (i.e. failed). Such a study should conclude by evaluating the real prospects for the project and the effect it is likely to have on the people concerned.

What is needed is that, with more detailed information, we should no longer have to wonder how so many fine speeches (taking up so much time), so many promising projects, so many wonderful conferences, so much money spent for so many years have produced—in general—such disappointing results."

Louis Dekoster, Brussels, Belgium

ACP-EEC

Structural adjustment, debt and commodities discussed in Dakar

The ACP seminar on structural adjustment, debt and commodities in Dakar on 11-14 July was undeniably a first. Although MPs, ambassadors and ministers get together several times a year, this is the first time the partners have met outside the Convention framework for free and frank discussion of subjects fundamental to the development of the ACP countries, with representatives of the Member States and the Bretton Woods organisations (i.e. the World Bank and the International Monetary Fund).

But, on the eve of the opening of negotiations on the renewal of Lomé III, the ACP Group had said it thought that debt, commodity prices and structural adjustment should be the bases of the new agreement. Hence the first difficulty—of all parties avoiding thinking like future negotiators.

How far could they say what they thought at this juncture, when they might well have to account for their opinions during the negotiations? Could they really forget the organisations and authorities to which they belonged—and without which they would not even be in Dakar, even though they were in fact only supposed to be giving their personal opinions? What was there new and original to say about issues that have been worrying the international organisations for years and even (in the case of commodities, for example) decades? Surely more time was needed—and many people deplored the fact that the meeting was so short—and a framework other than the ACP-EEC one required for detailed discussion of these topics, for which, at best, obviously, only a partial answer could be found?

These were just some of the ambiguities which the meeting—chaired by Seydina Oumar Sy, Senegal's Trade Minister and one of the main promotors—had to handle. And they are behind the fact that no formal conclusions were reached. The ACPs did not want to be tied by a set of recommendations so the ACP Secretariat simply produced a summary of the meeting.

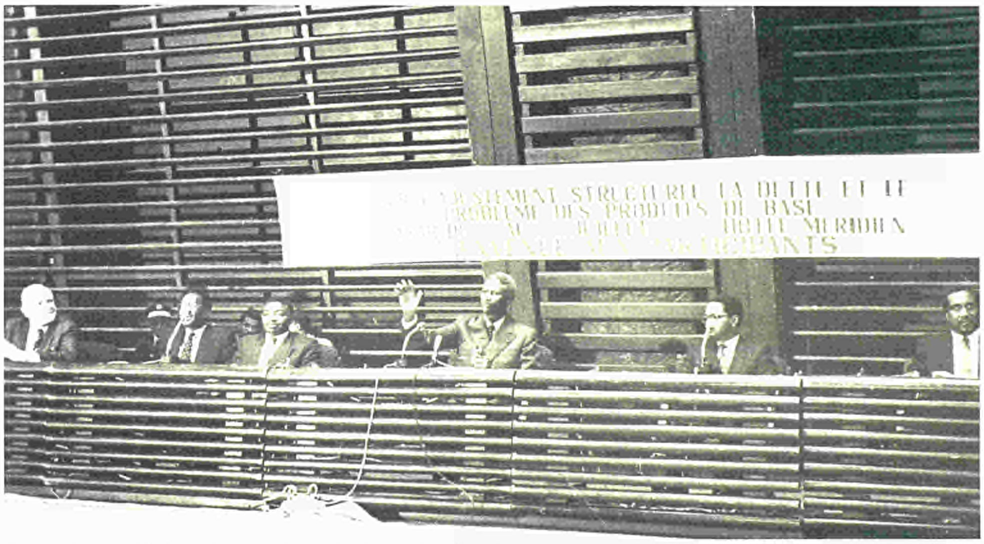
Designing innovatory strategies

No time was wasted. The Chairman made frequent pleas for brevity so that as many people as possible could speak, and the opening speech by Abdou Diouf, the President of Senegal—fitting proof of the importance the national authorities attached to the conference—went straight to the point. "This", he said, "is a time of general economic and financial crisis for the ACPs, one of unbearable external debt and dramatic losses due to the unprecedented slump in the price of their commodity exports. The future, for Community and ACP Group alike, is the single European market of 1992. Radical changes in international trade relations are heralded for every country in the world by the Uruguay Round now being run under GATT. And the future is also—and this is most important—somewhere between these two, with the talks the EEC and the ACPs will be holding to negotiate renewal of the Lomé Convention".

What has to be done, Abdou Diouf went on, is to design resolutely innovatory and efficient strategies that can facilitate and speed up the process of adjustment and bring about the strong, healthy economic growth without which it would be impossible to guarantee the peace and cohesion on which future progress depends.

Secondly, he said, there was the problem of the external debt and the ACP debt in particular, a most painful topic which was on the agenda of most international meetings at the present time. The debt was now so large that it threatened the international financial balance and the very survival of the ACP economies—which were being bled dry by their repayments.

Also in the yellow pages



President Abdou Diouf (with hand raised) opens the seminar, with (l to r) Dieter Frisch, Director-General for Development, Seydina Oumar Sy, Senegal's Trade Minister, Almoustapha Soumaïla (Niger), outgoing President of the ACP Council of Ministers, Djibo Kâ, Senegal's Minister of Planning, and Edwin Carrington, Secretary-General of the ACP Group

Lastly, the President said, the meeting would be taking a hard look at commodities and particularly at the disastrous consequences of the world price slump on the development of the ACP nations. This was one of the vital issues for economies which derived 90% of their export revenue from commodities. It was particularly important because the figure had remained more or less constant over the past couple of decades. This meant, that "we have to design and implement measures that will improve the commodities sector and make for better marketing conditions".

ACP dependence and vulnerability

Commodities were the first item on the agenda. Peter Gakunu, from the ACP Secretariat, gave a short introduction, stressing the fact that the ACPs depended on commodity earnings to finance their development and service their debt and pointing out that the constant price drop over the 1980-87 period had cost them $ 147 billion. Mr Van den Abeele of the EEC Commission provoked discussion by deliberately putting the cat amongst the pigeons. The developing nations, he said, were neither the main producers nor the main exporters of commodities (the trade was worth something like an annual $ 200 billion). There were no ACPs in the world's top 10 food exporters (annual sales worth $ 120 billion) and there was only one, Côte d'Ivoire, in the top 10 exporters to the OECD countries. There were only two or three developing countries among the world's 10 biggest mineral exporters ($ 40 billion)—they included Zaïre in 5th place and Zambia in 9th place—and only Côte d'Ivoire got into the top agricultural exporters (6th place) whose trade is worth an annual $ 38 billion.

So the ACPs, Mr Van den Abeele maintained, not only depended on their commodity exports, but their commodity output was not enough to get them well up in the world ranking. Kenneth Dadzie, UNCTAD Secretary-General, stressed their want of power too. Many ACPs are small and vulnerable and have very little room for manoeuvre on the world stage. The developing countries, he felt, needed to get new markets, but they came up against protectionism. There should be no illusion about the small improvement in commodity prices recently either. The tiny, temporary increases of the past few months could not make up for losses incurred over the years. But hope was held out by the product agreements—when they worked, as the rubber one did—although the International Cocoa Agreement was going badly—and the entry into effect of the common commodity fund now that the requisite number of ratifications had been obtained.

Realistic prices were the subject of Serigne Lamine Diop's speech. The Senegalese Minister of Economic and Financial Affairs spoke out against the deterioration in the terms of trade and told of his country's failure to capitalise on its raw materials (phosphates). He appealed for a fight against protectionism, called on all Member States of the EEC to bring in mandatory import preference for ACP products and said he wanted to see Sysmin eligibility thresholds lowered and Stabex replenishment done away with.

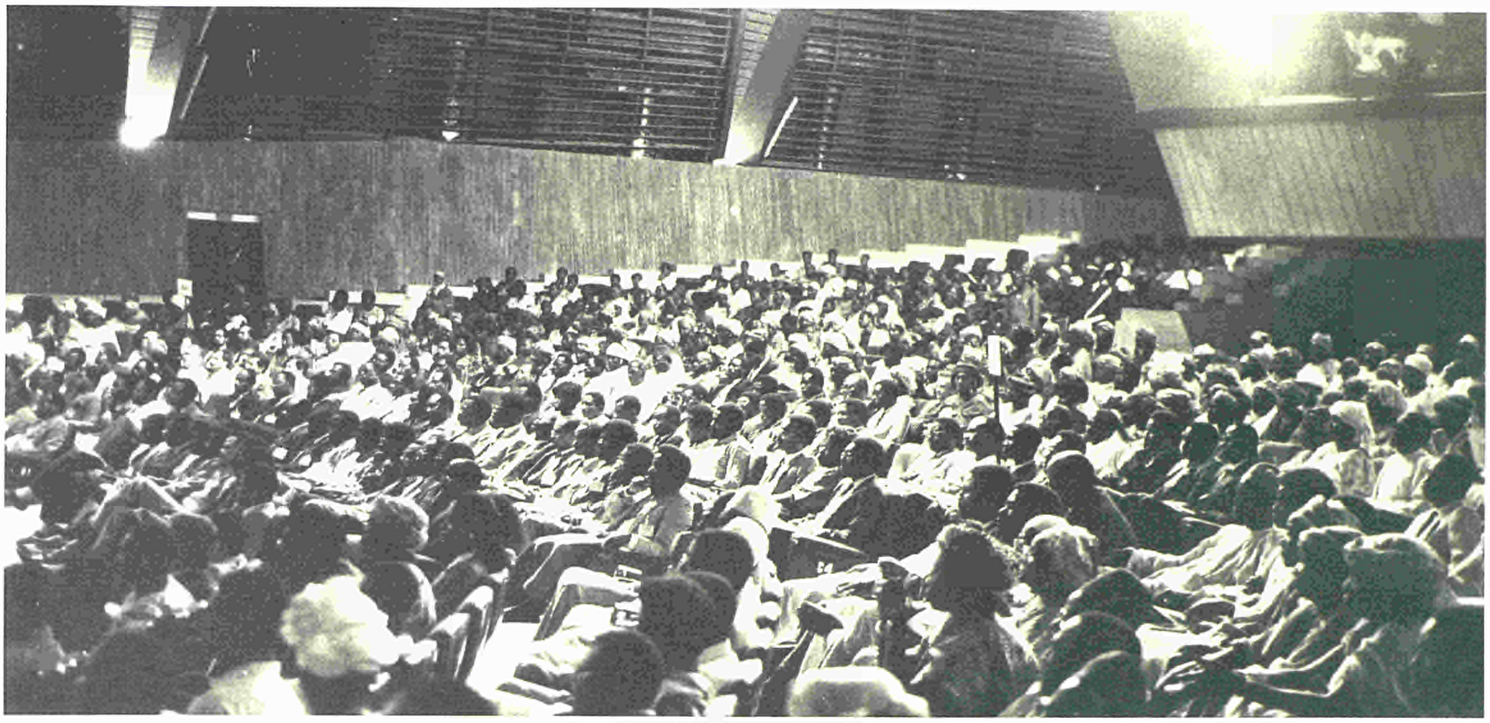
This left aside the ACPs' dwindling competitiveness in relation to certain Asian and Latin American exporters on the industrialised markets. This subject was taken up by Pierre Servan, Deputy Director at the French Cooperation Ministry, and then by Siaka Coulibaly, technical adviser to the Ivorian Foreign Minister and former Ambassador to Brussels. Where Asian products exist, "African products don't make it", he said. And this is why he wanted the Community to help the ACPs develop active regional and sub-regional cooperation. "We have to sell to our neighbours", he maintained, "because there will be a lot of problems on the European market".

There is no doubt that the ACPs are worried about the changes expected in Europe in 1992. CARICOM's Byron Blake said the Sugar Protocol had cushioned the shock and the Banana Protocol was very important, particularly for small islands in the Caribbean, and 1992 should not affect banana producers. Mauritius' Minister of Agriculture, Fisheries and Natural Resources, Murlidas Dulloo, said Stabex had not made up for losses in export earnings and that the future of the system was in doubt. It might even collapse entirely. And Edwin Carrington added that Stabex could well discourage the ACPs from processing their commodities as, in many cases, it was the raw materials and not the processed product which was protected. He felt it would be a good idea to look at Sysmin, too, and see how it and the rules of origin could be altered to offer more help for the local processing of ACP products.

Specific nature of the African debt situations

Day two began with debt, the subject of many a debate, especially in ACP-EEC circles (see the Iroha Report of the Joint Assembly). Mr Mohamed, IMF director, reminded the meeting of the three parts of the consensus on resolving the debt of the poorest countries—the absolute primacy of combined donor country action, maintenance of an environment conducive to growth and the opening of markets and an increase in flows of finance, including rescheduling. The recent developments at the Toronto Summit of the seven most industrialised nations were positive, he felt. However, some people displayed moral reluctance, he stressed, when it came to helping countries which had been lax with their economic management, particularly if it looked like penalising those developing countries which had managed to avoid repeated rescheduling and easy credit.

But the international community was increasingly aware of the specific nature of the African debt situation and of the need for specific ways of handling it. How big was the debt? Development Director-General Dieter Frisch provided one or two figures—a dangerous thing to do when no two sets of statistics are alike. By the end of 1986, he said, the total ACP debt was $ 112.5 billion (it almost doubled between 1981 and 1986), $ 102 billion of it in sub-Saharan Africa. The long-term official (State-guaranteed) debt accounted for $ 90.4 billion of this, with 70% owing to public lenders and 30% to private ones. The 70% were divided into 30% multilateral debts (two thirds for the IBRD and IDA and



The inaugural session

1.2% for the EEC) and 40% bilateral (Member States, 14%).

Dieter Frisch's conclusion was clear. The EEC could be of no direct use here, as it was not a major creditor. And the debt went beyond the bounds of Lomé. What the Community could do, however, was to use rapid methods of payment to help the balance of payments of the indebted nations. This meant such things as Stabex (ECU 375 million this year), food aid (ECU 200-250 million p.a. for Africa) and the sectoral import programmes (ECU 300 million, including ECU 100 million-worth of additional funds for the 25 low-income, heavily-indebted nations involved in adjustment programmes. Mr Frisch felt that thinking should be geared to ways of extending the SIPs in the new Convention, increasing the use of food aid counterpart funds and developing ACP trade (ECU 14 billion not including petroleum—i.e. 70% of their exports to the industrialised world). All this would lighten the burden of their debt.

Out of the international ghetto

Then came one of the high spots of the conference—a speech by Momoudou Touré, Senegal's former Minister of Economic and Financial Affairs but just an ordinary citizen since retirement. This frail old man in a sky-blue *bubu*, who as IMF representative supervised Zaïre's structural adjustment in the early 70s before leading the drive to right the Senegalese economy, made the meeting sit up, a heartening example of a free man, speaking authoritatively of his experience of the rescheduling of debts and subjects as difficult as conditionality and the dialogue on policies. Lenders and borrowers must be coordinated, he said.

Momoudou Touré preferred to use the term co-responsibility in relation to the ACP debt (an allusion to the generous loans of a particular period). The short postponements of the Clubs of London and Paris are not enough, he felt, for the limits of rescheduling are soon reached, as the IMF, the World Bank, the ADB and the Arab Funds are not willing to go along with it. What is needed is for everyone involved, borrowers, lenders, international organisations and private banks alike, to collaborate on a final solution whereby fresh credits are provided and used—Momoudou Touré boldly announced—on certain conditions. After light-heartedly recalling a meeting of the Club of Paris ("where they are all gentlemen except the debtor"), he called on ACP-EEC bodies to say exactly what the Toronto Summit proposals on lightening the debt involved before issuing a warning to those who wanted the lenders simply to wipe out the developing countries' debts. "We must be careful", he said, "for we still need capital for our development. There is no point in leading us up a blind alley after wiping $ 100 billion off the slate... No one can solve our problems for us. We have to unite, to have the will together to overcome and take our continent, the pariah of the world, out of the international ghetto".

Countries will have to start by managing their debts with an eye to the future and thus avoiding "any unpleasant surprises". Such is the advice of Ndjim Sylla, former Secretary-General of the AASM and a consultant for many years. What interests the bankers, he said, is getting back the interest on their loans. But why does the Club of Paris not just reschedule, but provide some "new money" to pay the interest due to the creditors in the Club of London?

How have the countries managed to pile up debts of this magnitude? Momoudou Touré had spoken of co-responsibility in certain debt situations and Farouk Abdal Rahman Eisa, Sudanese Ambassador to Brussels, now echoed him. His country owed $ 10-12 billion and he wondered where it had all gone. Some of it has just been used to bolster the previous régime and foster corruption. "Although there is no question of not paying back the debt", he said, "for we are responsible for the misuse of the sums borrowed, the lenders must also shoulder some of the responsibility".

What did the ACPs derive from the debate? ACP Secretary-General Edwin Carrington outlined some of the conclusions. First, there has to be better cooperation amongst the creditors (some of them refuse to wipe off what is owing, unless their neighbours do likewise). Second, there is a problem among the borrowers, as no country is willing to be left out of the debt cancellation process. Three, debt statistics have to be harmonised and the Community asked to wipe off its own and the EIB's debts. Four, debts have to be avoided in future, as they lead to a net transfer of resources from South to North. We must be careful, Serigne Lamine Diop said, that none of the Member States gets a net transfer of capital from the ACPs during the course of the next Convention.

The ACPs, of course, will put the debt to the fore in the forthcoming negotiations. This is something Seydina Oumar Sy once more made clear when he said that this was an issue that could only be dealt with in conjunction with commodities and structural adjustment.

The social cost of adjustment

This was the last item on the agenda. Adjustment, the third topic discussed, was an opportunity for Ismaël Serageldin, the head of the IBRD's Western and Central Africa Department, to paint a particularly gloomy picture of the continent where "the situation has got worse and worse in spite of 25 years of development cooperation". Sub-Saharan Africa is the only part of the world to have had constantly dwindling incomes, with two thirds of the rural population and a third of the urban population below the poverty line. Infant mortality was 104‰ in 1985 although only 71‰ in the developing world as a whole and the per capita calorie intake every day is down at 2024, as against 2470.

Many African governments have brought in programmes of reform in an attempt to overcome this profound crisis and achieve real economic growth in the long term, with the help of the World Bank and the IMF. Have they worked? The preliminary conclusions are encouraging, Mr Serageldin claims, and countries which have introduced adjustment programmes have managed to achieve actual increases in their per capita GDP of 0.8%—while those which have not show negative rates of 2.5%. But these results, alas, have been obtained at the cost of social programmes, affecting the most vulnerable groups of society.

The World Bank, Mr Serageldin said, is increasingly aware of the social costs of adjustment and of the need to make them bearable.

This, of course, was well received by the representatives of the African governments which are haunted by the spectre of popular uprisings and street fighting attendant on some of their reorganisation policies—particularly since most of the countries know they have no choice in the matter. They have to bring in adjustment programmes and their only worry is keeping the social costs down.

This is the Community's aim too, said Dieter Frisch, who wants the new Convention to help the partners over the hump and—who knows?—move on to a new generation of adjustment policies. As he saw it, these programmes should be differentiated and not stereotyped. They have to take time (not just two or three years) and take the social side of things, education and health included, into account. They have to maintain coherence between macro-economics and certain sectoral objectives such as food security (which may conflict with the liberalisation of trade) and they have to take regional cooperation into account.

Adjustment programmes also have to have more money behind them. This is what the IMF thinks—and Mr Mohamed, its representative, said it had $ 20 billion aid with the two concessional aid facilities, to do this. But, Momoudou Touré said, if these and other funders' monies were to be released, then there had to be just one document covering every area so as to avoid a conflict of conditions.

It was interesting to see how countries running adjustment programmes lived with them on the inside. The Governor of the Bank of Ghana, Dr G.K. Agama, set out the four lessons his country had learned. First of all, the duration of the adjustment had to be laid down and this could of course be done by the forces of the economy, although the speed of reform had to be decided on in the light of any social consequences.

Second, relying on market forces had to be seen as a means rather than an end.

Third, the market could not reflect the social costs of adjustment. And fourth, the main donors, the IMF especially, insisted on being reimbursed, which was a burden on the balance of payments. And since these payments were a fixed obligation, they entailed a certain amount of rigidity in financial management and led to too much capital leaving the country.

The structural adjustment programme which Guinea (the other country to relate its experience to the meeting) was running had been based on two major policies since 1986—stringent management of public finances and monetary reforms coupled with realistic prices. Kerfalla Yansane, the Governor of the Central Bank of Guinea, said that agricultural output, particularly of food products, had expanded rapidly as a result, although the technical limitations as regards the formulation and piloting of the process had been quick to appear. The statistics used to design the programme had not been reliable and when certain targets were not reached, "the doctor (i.e. the World Bank and the IMF) blamed the patient, not the cure, for the failure to get better". Furthermore, Mr Yansane said, the books do not get completely balanced and the authorities are often faced with the alternative of paying back their debts or financing imports—and they opt for the latter.

The meeting was a clear opportunity to air plenty of ideas. Those participants who will soon be negotiating the new Convention will now be trying to translate some of what emerged from two days of intense discussion into proposals. There are many meetings like the Dakar one, it is true. One of the delegates, Mr Matua Kihu (Kenya) had no hesitation in saying that: "The greatest minds of Africa spend their time at conference tables". But if Lomé IV benefits from this meeting, then it will not have been in vain. ○

A.T.

DEPARTURE

On the occasion of the retirement of H.E. Seydina Oumar Sy as Ambassador of Senegal to the European Communities and dean of the ACP diplomatic corps in order to take up the post of Minister of Trade in Dakar, Development Director-General D. Frisch sent him the letter reproduced here.

EEC

Seydina Oumar Sy

FAREWELL, SEYDINA

Your friends have long suspected it, but now it has happened, and after 15 years as Senegal's Ambassador to Brussels, and for a good part of that time doyen of the ACP Ambassadors, you are leaving us to become a Minister.

You weren't always an easy negotiating partner: your firmness and tenacity made us feel the full weight of 66 ACP countries, and when things needed to be said unequivocally, you were quite prepared to say them...

But you were a frank and loyal partner: open and direct with us, loyal to your group—which goes without saying—but also loyal to the European partner: an agreement or a hard-won compromise was never gone back upon...

You brought a good deal to the ACP Group and to "Lomé": you were one of the bridge-builders between the English-, French- and Portuguese-speaking groups, and it is thanks to personalities like yours that the ACP Group remains homogeneous despite its diversity. I have always respected your convictions but I have also admired your tolerance towards the convictions of others and your constant willingness to discuss things.

You were more than a partner—you were, and you will remain, a friend.

Thanks for everything!

Dieter Frisch

EDF

The Commission has just taken these financing decisions, following a favourable opinion from the EDF Committee.

All ACPs

Financing of experts and consultants
6th EDF
Grant: ECU 7 200 000

This project is to enable financing of various consultants and experts to continue, from 6th EDF resources, to help the ACP General Secretariat over a period of three years (1 January 1988-31 December 1990).

Belize

Hummingbird Highway improvement scheme
6th EDF
Grant: ECU 2 400 000
Loan: ECU 3 000 000

Belize's main road network comprises:
— the 156 km Northern Highway (NHW);
— the 130 km Western Highway (WHW);
— the 90 km Hummingbird Highway (HBHW);
— the 168 km Southern Highway (SHW).

Both the NHW and the WHW are 6.7 m wide and have double surfacing. The SHW is a dry gravel road, with several low, narrow wooden bridges, which can be used all the year round.

The HBHW is narrow, partly closed and in very bad repair. Between Middlesex and Dangriga it is in fact a former railway track with narrow railway bridges 50-75 years old which were converted into road bridges during the creation of the HBHW in 1953.

Since the HBHW is the only link with southern Belize, it is vital for the road and its bridges to be reliable. During Stage One, the project will replace five bridges and renovate the worst stretch (22 km).

Togo

Rural development in Bassar
6th EDF
Grant: ECU 10 300 000

This is part of the drive to develop agricultural potential in the Kara region by striking a fresh balance between land use and land potential and, in particular, by reducing agricultural intensity on the eastern plateau and making full use of existing resources in the west, particularly in the Prefecture of Bassar.

It is proposed to cover the whole of the Prefecture (6 100 km^2 in area and a population of 135 000) and to gear operations to suit the potential of each part.

The main fields of activity are:
— training and monitoring of supervisory staff to improve the content and methods of agricultural extension work throughout the Prefecture;
— improving farming and animal husbandry activities so as to boost production and raise peasant incomes;

— soil protection via both tree planting and shielding schemes and development studies in areas of potential immigration;
— infrastructure development to encourage trade (tracks) and meet the essential needs of the people (water, and health, including family planning, and education);
— support for basic initiatives and promotion of the peasant's ability to form associations with different kinds of economic and social groupings (to maintain the rural installations).

São Tomé and Principé

Sectoral import programmes
5th & 6th EDFs
Grant: ECU 1 150 000

With a per capita GNP of US$ 310 in 1985 (before further decline), 55% devaluation, 141% debt servicing, a structural adjustment loan with the IBRD and discussions with the IMF, São Tomé and Principé is a recipient (ECU 1 m) of the European Community's special programme to lighten the African debt burden.

It is proposed to meet certain of the country's particularly urgent needs by adding ECU 150 000 from the indicative programme funds for a sectoral import programme covering the energy sector and some staple requirements.

Nigeria

Development of the arid north west
6th EDF
Grant: ECU 6 000 000
Loan: ECU 29 000 000

The Nigerian Government has officially declared agriculture the top development priority and particular emphasis is being placed on smallholdings and encouraging a complete sector of agricultural production based on integrated rural development. The idea of developing production is to raise the standard of living and improve the quality of life of the rural population and to ensure that there are enough food supplies and agricultural output to meet domestic demand. The arid north is a region where drought and desertification are the main causes of dwindling farm incomes and, therefore, a cause of concern.

The programme is based on northwestern Bornu State in northern Nigeria. This region, the central part of the River Yobe Basin, is primarily one of subsistence crops and nomadic herding. Flood irrigation means that rice and vegetables can be grown and cash crops produced. The current cereal output is 85 360 t, while the vegetable output is 5 404 t and there are 14 425 t of minor crops. In the herding sector, there are 1 750 head of tropical cattle and there is a forestry sector turning out 200 000 m^3 every year. Net demographic growth is 1.8% p.a., so the pressure on the land can only increase.

The programme will finance the development of this dry zone, using a population-oriented approach whereby the output of both dry and irrigated crops can be increased and agro-forestry and herding developed. The development of infrastructure and a system of aid for agricultural production, plus training and research, will complete the project, back up agricultural production and make for development of the region on a sound and integrated basis.

Senegal

Petroleum product import programme
5th & 6th EDF
Grant: ECU 11 500 000

Senegal is making a big effort to handle the persistent and serious crisis it has been undergoing since the late 70s (mounting domestic and foreign deficits) with its medium- and long-term adjustment programme (PALMT). The present programme will collaborate with the other funders, to help keep the country on the road to structural adjustment without interfering with the process of gradual economic liberation (one of the basics of the PALMT) by reducing the balance of payments deficit and the deficit in the groundnut sector where the situation is particularly critical this year.

This programme will be run in conjunction with direct budget aid, aid for the balance of payments and import programmes financed by the IMF, the World Bank, the CCCE, USAID, the Netherlands and Switzerland.

Mozambique

Support for the fisheries sector
6th EDF
Grant: ECU 2 750 000

The idea here is to cope with the acute shortage of qualified middle and higher technical staff in the fisheries sector, a sector whose potential is far from being developed and which has gradually become more important since independence. It has an increasing part to play in the country's present difficult situation as a source of foreign exchange and supplies for the domestic market.

The sector is currently being reorganised (management of the productive activities is being decentralised and the central technical and coordination structures are being improved) and the drive took on fresh life with the launching of the economic rehabilitation plan (PRE) in early 1987. The project, which is to provide 12 experts to work in the central and local technical coordination structures (State Secretariat for Fisheries), is part of this.

Vanuatu

Development of coconut palms
6th EDF
Grant: ECU 1 800 000

Modernisation of the coconut plantations is one of the main aims of Vanuatu's national indicative programme.

The idea is to spend four years planting 1390 ha with selected coconut palms, thereby creating the conditions for autonomous revival and intensification of the plantations.

A dozen regional nurseries and the farmers' own nurseries will be used to distribute selected coconut palms and small plants and to supply input to 2800 smallholders. This will be accompanied by a training scheme for extension staff and producers, the introduction of a system of control and the creation of small demonstration plots, in particularly to test mixed crops.

Cayman Islands

First grade university institute
6th EDF
Loan: ECU 1 500 000

The aim of this project is to back up one of the basic aims of the Islands' development strategy—to ensure that the best possible use is made of human resources. The authorities intend doing this by giving the public access to educational establishments suited to their particular abilities and able to help them exploit their potential and occupy their rightful place in the community.

The idea is to build and fit out a first grade university institute for 250 full-time students and as many as 500 part-timers. The teaching staff will also be developed and trained and consultants will go out on short missions to help design the programmes of study.

Sierra Leone

Artisanal fishing
6th EDF
Grant: ECU 6 000 000

This programme aims at helping the artisanal sea fishing sector, which accounts for about 90% of the nation's supply of fish and provides direct employment for at least 20 000 people.

Development of the sector has been held up in the past by the lack of investment and infrastructure.

The idea of this programme is to do something about the structural shortcomings in north western Sierra Leone. It follows on from a smaller experimental project at Yelibuya (in the same region), which was financed under Lomé II. The aims are to:
— increase the fish output of the artisanal fishing concerns;
— improve living conditions and job possibilities in the fishing communities, thereby reducing the move to the towns;
— encourage the conservation and rational exploitation of mangroves and firewood resources;
— improve the Government's capabilities of evaluating, protecting and managing fish resources.

Uganda

Rural health programme
6th EDF
Grant: ECU 2 500 000

This involves consolidating and exploiting the results of Phase One (run in seven districts in south-western Uganda) to return the primary health network to full capacity. It will mean that better treatment can be provided for a population of about 1.6 million and a sound health structure, based on each community, can be set up. Phase Two will both improve the treatment offered by the primary health network and boost preventive care, in particular via a multi-level scheme to train the community to manage the health services. The project will also help combat the contagious diseases which are rife in this region, TB and AIDS in particular.

Uganda

Special debt programme — aid for imports
5th & 6th EDFs
Grant: ECU 15 000 000

The 6th EDF import support scheme was the first aid for imports to be provided in 1987. It offered timely and successful assistance for the recovery programme. The bulk of the funds went on rehabilitating the industrial sector and the balance was used to improve maintenance potential in the transport sector. Permanent aid in the form of a general import programme is vital if the rate of the import support scheme is to be kept up. It is also vital if other, hitherto neglected, sectors are also to be improved.

The aim of the new programme is to help the sectors of industry and transport and to ensure that agriculture has the means it so much needs. Assistance, although to a lesser extent, will also be given with assessment.

Ethiopia

Development of smallholdings in central Shewa
6th EDF
Grant: ECU 51 900 000
Loan: ECU 1 500 000

Ethiopia has a serious structural food shortfall and the Lomé III national indicative programme is helping the country get nearer self-sufficiency by concentrating on agricultural development. This aid is geared to the smallholding sector in particular, because this is the one with the greatest potential. Geographically speaking, the Lomé III national indicative programme focuses on the Shewa region where good land and climatic conditions mean considerable potential when it comes to expanding the production of basic cereals.

It is with this in mind that the programme to develop smallholdings in central Shewa was devised. It is being put forward at the same time as the rural development programme based on the conservation of land and natural resources in southern Shewa and the idea is to improve the agricultural services and develop farming techniques that will boost both the yield and the income of the region's peasant smallholders.

The central Shewa programme will be run in 45 Woredas (or sub-districts) with surplus production, belonging to five high-potential Awrajas (districts) in central Shewa—Selale, Menagesha, Jibat/Mecha, Yerer/Kereyu and Tegulat/Bulga. It is to include a series of integrated schemes to improve the existing national and local institutions helping the region's smallholders. The investments and means of production will include the building and civil engineering, equipment, vehicles, agricultural input, the development of cooperatives, credits, technical assistance and training and aid with recurrent costs. There will also be a social and rural services section aimed at improving the quality of life in rural areas.

Ethiopia

Rural development based on protecting southern Shewa
6th EDF
Grant: ECU 25 150 000
Loan: ECU 1 050 000

This development programme covers 34 sub-districts in the districts of central and southern Shewa—Cheba, Hadiya, Haycock and Butajira. It comprises a series of integrated schemes aimed at improving the local institutions helping the region's peasant smallholders, together with some land protection activities. Schemes include construction and civil engineering, soil and water protection operations, the delivery of equipment, vehicles and agricultural input, the development of cooperatives, credit facilities, technical assistance and training, plus aid to cover increasing recurrent expenditure.

Niger

Major irrigation programme in the Niger Valley
6th EDF
Grant: ECU 63 600 000

The main idea here is to develop and capitalise on a further 2000 ha of land divided into five plots in the Niger Valley, producing irrigated rice crops. It will affect 50 000 people and 4 000 farms.

It is hoped to improve the food security of both the rural population of the area and the urban population as well, raise the income and investment potential of the producers and improve their organisation and management abilities.

Another aim is to use the production of wood to build anti-erosion devices to combat desertification.

The main sections of the programme are:
— studies of the chosen plots;
— the creation of production, marketing and storage infrastructure;
— electricity supplies for existing and future plots;
— the supply of pumping equipment;
— the provision of a revolving fund to fit out farmers and supply input;
— training for producers, technical service staff and primary teachers and pupils;
— improvements to the health service in the programme zone.

Congo

Programme of regional schemes in Pool and Cuvette
6th EDF
Grant: ECU 26 000 000
Loan: ECU 10 000 000

The idea of the Programme of Regional Schemes is rural development in two parts of Congo-Pool, with its 184 000 inhabitants, in the Brazzaville hinterland, and the non-flooded part of Cuvette, with a population of about 100 000, in northern Congo. Both these regions have, typically, a big rural exodus and farming there is gradually switching to subsistence, primarily because of the shortcomings of the marketing system.

The main aim of the programme is to give the producer back his confidence and help make the rural environment a dynamic one once more. Food supplies to the big towns will also be improved.

The programme will start by repairing the main roads supplying the capital and opening up the rural sector. Then a series of schemes will be run with the villagers, in particular in the village centres in the rural areas of Boko and Boundji. This will mean setting up social and commercial infrastructures, opening tracks, running village water engineering operations to improve the living environment and organising agricultural, trade and craft promotion schemes—which will benefit, in particular, from the agricultural decisions the Government took in the development sector in March this year.

Nigeria

Oil Palm Belt rural development programme
6th EDF
Grant: ECU 9 500 000
Loan: ECU 59 340 000

One of Nigeria's main aims is to develop productive employment in the rural areas, since this should make it possible to raise the standard of living and improve the quality of life and make for proper supplies of food and agricultural raw materials to meet domestic demand. Two geographical areas have particular problems—the dry region in the north has drought and desertification and the southern coastal area not only has difficulties with population pressure, poverty and the environment, but is hampered by the absence of rural infrastructure too.

This project focuses on southern Nigeria, a major producer of palm oil, which, with an estimated production of 500-600 000 t p.a., is the main source of agricultural income. Demand outstrips supply by something like 180-200 000 t p.a. and the shortfall, forecasts suggest, will be up at 300 or 400 000 t by the year 2000.

The programme will provide flood protection, carry out drainage operations in the Niger Delta and develop the social and economic infrastructure in the focal area of the programme and the surrounding zone. It will also concentrate on training and applied research in the rural development sector and there are plans for the EIB to finance the expansion of palm oil processing and the oil refining facilities in this region at the same time.

Côte d'Ivoire

Collection and grouping centres
6th EDF
Grant: ECU 500 000
Loan: ECU 1 650 000

This project is part of the country's strategy which puts priority on food security, a constant concern since 1980 and one in which the food product sector figures largely.

The project, with its choice of geographical areas, schemes and sectors, will be a test factor in implementation of the food product marketing programme. The idea is to generate a substantial improvement in food product marketing via the creation of three collection and grouping centres at Kotobi (vegetables), Sinematiali (mangoes) and Meadji (cooking bananas).

Kenya, Sudan & Zambia

Tsetse fly and cattle tick control campaign
6th EDF
Grant: ECU 2 000 000

This is Phase Two of a programme of research into two of the main animal diseases of eastern Africa—sleeping sickness and tick-transmitted complaints—which had regional fund support under Lomé II. The International Centre for Insect Physiology and Ecology (ICIPE) will receive a grant every year for three years.

The project will provide support for technical and research staff, materials and services, equipment, vehicles, training, seminars and follow up.

Nigeria

Rural electricity supply project
5th EDF
Grant: ECU 7 500 000

This is a project to supply and install transformers, conductors, poles, cables and the extra equipment needed for links to the national network (300 km in all). The service of consultants to supervise and evaluate the work is also included.

Malawi

Industrial product import programme
5th & 6th EDFs
Grant: ECU 12 500 000

In 1987, Malawi launched a sectoral adjustment programme geared to trade and industry. This was both a response to the international shocks of 1985-86 and an attempt to revitalise the economy. The recent programme follows on from the three structural adjustment programmes run between 1981 and 1986 with the help of the World Bank, the IMF and other donors.

The World Bank should be helping finance the new programme via the Industrial and Trade Policy Adjustment Credit (ITPAC)—US$ 80-85 million. The USA, Japan, the UK, the African Development Bank and the European Community could provide cofinancing.

The Community contribution will be made under the special programme for certain poor and heavily-indebted countries of sub-Saharan Africa.

The Community contribution to Malawi is in the form of a sectoral import programme (SIP). Financing will cover industrial equipment, raw materials and spare parts of EEC-ACP origin. The ultimate users will be private and semi-State firms.

Gambia

Upper River Division development support
6th EDF
Grant: ECU 7 000 000

The idea here is to back up Gambia's drive for greater self-sufficiency in food so as to improve the balance of payments and raise the standard of living, especially in rural areas. It is part of a larger support operation by many funders, including several Member States of the Community, continuing the process of economic recovery begun in 1985.

The programme involves developing more productive rain-fed agriculture in a better ecological, economic and social environment, with the emphasis on cereal production. It is focused on the Upper River Division in the far west of the country where the development potential is considerable.

Grenada

Eastern Main Road, Phase Three
6th EDF
Grant: ECU 725 000

The 50-km EMR is the most important of the country's three main highways and considered a priority for EDF assistance under Lomé III. Repairs to the first two sections of the road, each about 16 km long, were financed with ECU 1.44 million from the 4th EDF and ECU 1.55 million from the 5th. Repairs to the third section, which is 17.6 km long, are covered by a project financed jointly by the EEC (ECU 3.5 million from the 6th EDF) and the Grenada Government (ECU 0.8 million).

However, the present economic situation is such that the Government cannot fulfil all its commitments.

This decision is to finance repairs to the remaining 4.5 km, completing the rehabilitation of this major road.

Caribbean ACPs & Montserrat

CARICOM Regional Trade Development Programme
5th EDF
Grant: ECU 6 100 000

CARICOM, the Caribbean Common Market, which combines the Caribbean ACPs and Montserrat (an OCT), is running a regional structural adjustment programme, in accordance with the Nassau Agreement of 1984, to improve production and productivity, promote inter-regional trade, boost investment and competitivity in the export sector, encourage diversification and cut the tax and balance of payments deficits.

The aim of the Regional Development Programme is to support this, both by improving the commercial environment via aid for political reform and the creation of institutions and by providing support for trade inside and outside the region.

The EDF's main contribution is to be technical assistance with trade policy reform, the setting up of institutions, training and export development. Aid will also go to organise seminars and workshops, attendance at trade fairs and missions and trade promotion for CARICOM products.

EIB

Guinea: ECU 3.55 m for granite quarry

The European Investment Bank (EIB) is lending a total of ECU 3.55 million for working a granite quarry in Guinea. The funds, advanced in the form of two conditional loans for ECU 3 m (interest rate: 2%; term: 15 years) and ECU 550 000 (2%, up to 20 years), have been drawn from risk capital resources provided for under the third Lomé Convention and managed by the EIB.

The borrower is the Republic of Guinea which will pass on the proceeds of the first loan to Société des Granits de Guinée (SGG), while the second loan will enable the State to acquire a number of shares in SGG for eventual transfer to private Guinean investors.

The Maferinyah granite quarry, located 40 km south-east of Conakry, will allow a total of 15 000 m^3 of large granite blocks to be extracted each year for export, while crushed granite will also be produced for the local market.

SGG, responsible for working the granite mass at Maferinyah, is a limited company incorporated in Guinea; its capital is owned by French and Belgian promoters through SIGMAR, a firm which they have established for this purpose, as well as by the State, private Guinean investors and the International Finance Corporation (IFC-World Bank group). The project will also be financed by IFC and by Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern (DEG), Germany.

Papua-New Guinea: ECU 15.5 m for palm oil production

The European Investment Bank is lending ECU 15.5 m for an oil palm plantation and oil mill on the island of New Ireland in Papua-New Guinea under the third Lomé Convention.

One loan, for ECU 12 m from the EIB's own resources, is being made to Poliamba Pty Ltd for 18 years at an effective rate of 5% after allowance for an interest subsidy from the resources of the European Development Fund. A second, conditional loan for ECU 3.5 m (2% for up to 25 years) is granted to the State of Papua-New Guinea from risk capital resources provided for under the Convention and managed by the Bank.

Poliambi Pty Ltd (PPL) is a private company already managing almost 4 000 hectares of cocoa and rubber plantations. Its share capital is to be taken over by the Commonwealth Development Corporation, London, the State, the New Ireland Development Corporation (NIDC) and a number of local private investors, and will be increased to a level compatible with plans to expand PPL's activities. The State will onlend the proceeds of the conditional loan to NIDC to finance the latter's participation in PPL's capital.

The project, costing an estimated total of around ECU 40 m, concerns the establishment of 4 300 hectares of plantations over a three-year period starting from 1989 (it also includes the establishment of around 835 hectares of new cocoa plantations) and the erection of an oil mill in the centre of the palm plantation, some 75 km from the port of Kavieng, the island's capital. The mill should come into operation in 1991 and will be capable of handling up to 30 tonnes of fresh fruit bunches per hour. Once the plantation is mature and fully productive by around 2000, it will produce 22 500 tonnes of oil, 5 200 tonnes of palm kernels and 760 tonnes of cocoa beans; the whole of this production will be exported. A programme of village plantations with a combined area of 1 200 hectares is also being studied by the Asian Development Bank; if necessary, the oil mill will be able to handle this additional output too. Also under Lomé III, the EIB in 1986 lent ECU 17 m in Papua-New Guinea for the Yonki hydro-electric complex.

Swaziland: ECU 3 m for a spinning mill

The European Investment Bank is lending ECU 3 m, under the third Lomé Convention, to support the transformation of an existing spinning mill into an integrated weaving-finishing plant near Manzini, in central Swaziland.

The funds will be made available to Swaziland Industrial Development Company Ltd (SIDC) for 12 years, in the form of a conditional loan drawn from risk capital resources provided for under the Convention and managed by the EIB.

The funds will be granted in the form of equity and loan to the final beneficiary NATEX Ltd., which was established in 1985 and has previously received EIB funding through an EIB global loan to National Industrial Development Corporation of Swaziland.

The EIB provides the funds at 2% for the equity participation component and 4% for the part to be onlent to NATEX.

After completion, the integrated mill will have a total production of 3 700 tons of yarn, half of which will be used to produce 13 million m^2 of fabrics per year. It is expected that most of the factory's output in yarn and fabrics will be exported to the area of the South African Customs Union of which Swaziland is a member.

This investement will contribute to increased value added to local resources, to a diversification of Swaziland's exports and a significant increase in employment. Commonwealth Development Corporation (UK) and International Finance Corporation (World Bank Group) have a significant presence in both equity and loan financing with Natex Ltd.

Africa: ECU 15 m for air traffic control

The European Investment Bank (EIB) announces a loan of ECU 15 m, under the third Lomé Convention, to the Agence pour la Sécurité de la Navigation Aérienne en Afrique et à Madagascar (ASECNA) — Agency for Air Traffic Control in Africa and Madagascar) for renewing and modernising radiotelecommunication, meteorological, radio beacon, energy supply and runway lighting equipment.

The funds have been advanced in the form of a conditional loan for 20 years at 2% from risk capital resources provided for under the Convention and managed by the EIB. The operation complies with the objectives and guidelines spelt out in the Convention, notably with regard to cooperation between ACP States.

ASECNA was created in 1959 and embraces 16 Member States: 14 States in Western and Central Africa plus Madagascar and France. The main purpose of this Dakar-based international public agency is to guarantee the regularity and safety of flights in the airspace of the African Member States and Madagascar.

The project centres chiefly on the acquisition of equipment for 11 Member States with a view to enhancing air traffic safety in the Agency's airspace. The scheme is costed at a total of ECU 17.4 m, of which 2.4 m will be financed by ASECNA self-generated funds.

Mali: ECU 11 m for power line

The European Investment Bank (EIB) announces a loan of ECU 11 m, under the third Lomé Convention, for constructing a 220 km high-voltage power line in Mali to supply Ségou, the country's second largest town, as well as localities between Ségou and Bamako, the capital.

The funds have been advanced in the form of a conditional loan (term: 20 years; interest rate: 2%) to the Republic of Mali from risk capital resources provided for under the Convention and managed by the EIB. The State will pass on the proceeds to Energie du Mali (EDM), a limited company majority-owned by the State.

The project, costed at a total of around ECU 27 m and scheduled for completion by end-1990, is being cofinanced by Kreditanstalt für Wiederaufbau (Germany), the Canadian International Development Agency and the World Bank; the works form part of a broader-based energy programme being coordinated by the World Bank.

Sudan: EIB lends ECU 10 m to National Electricity Corporation

As part of ongoing support for improving and extending electricity generation at the Roseires hydro-power station 500 km south-east of Khartoum, the European Investment Bank (EIB) is advancing ECU 10 million in the form of a conditional loan to the Republic of Sudan. The finance (20 years, 2%) comes from risk capital resources provided for under the third Lomé Convention and managed by the EIB. The State will pass on the funds to the National Electricity Corporation (NEC).

The project comprises the rehabilitation and uprating of three 30 MW generators; while it does not increase the firm capacity of Roseires power plant it is designed to use additional seasonal hydro potential replacing annually up to 30 GWh which would otherwise be generated by diesel plants using imported fuel.

STABEX 1987

Strong variations in the price of ACP exports on the Stabex list should have meant transfers of almost ECU 580 million to countries in the Group for 1987. But since only ECU 255.4 m were available, there was a gap of almost ECU 324 m to make up.

The problem was discussed at a meeting of the ACP-EEC Committee of Ambassadors in Brussels on 7 July, when partial agreement was reached, as outlined in the final communiqué.

The ACP-ECC Committee of Ambassadors, it said, pursuant to the powers given it by the ACP-EEC Council in Mauritius, had looked at the report produced by the Commission in accordance with Article 155(4) of Lomé III.

The ACP-EEC Committee of Ambassadors had used the report as a basis for assessing the situation—one in which the amounts of the eligible requests totalled more than the resources available—and had looked at the provisions to be taken under the present Convention, with a view to solving the problem.

The Committee concluded by recording that the two parties agreed that an additional ECU 120 m should be allocated to the ACP States concerned, as follows:
- ECU 80 m from the remainders of Lomé I and II;
- ECU 40 m from the reserves available from the funds earmarked for national and regional programming uner Lomé III;
- this global amount of ECU 120 m was to be added to the Lomé III Stabex funds available for 1987;
- this ECU 120 m was to be divided between the ACP States concerned on a proportional basis, in the light of eligible requests.

The Community said that the above global amount was an extra one-off contribution which neither constituted a precedent nor implied any obligation for the Community in respect of transfers for 1987 which could not be covered by the funds the Convention allocated for Stabex. The Community proposed these provisions for 1987 to the ACP States as a definitive and final offer.

The ACPs were unable to agree to this, claiming that a restrictive interpretation of Article 155(4) was involved.

They called for a solution that was fair to both parties and which made up the current ECU 200 m gap. ○

SYSMIN

Niger

Research into coal and gold mining
Loan: ECU 12 450 000

In November 1985, the Government of Niger applied for Sysmin aid. A favourable decision on eligibility was taken in November 1986 and the papers were signed in February 1987.

The nature and aims of the Sysmin financing are such that priority should go to projects to diversify the economy, of the kind that will help balance the external trade figures. Two research projects—Liptako gold and Aïr coal—have been chosen following evaluation.

The main aim of the gold research project is to diversify the exploitation of mineral resources and increase revenue. It involves:
— a preliminary phase during which all the available data will be revised;
— regional exploration, including strategic prospection in one or two areas;
— tactical prospection of the most promising sites;
— installation of a pilot factory.

The coal research project also aims to diversify mining, but above all to help combat desertification by replacing firewood by coal in the home. There are to be two schemes:
— the development of coal from Anou Araren for domestic purposes (a two-phase study);
— a study of the Anou Araren-Solomi coal bed to define economically exploitable deposits (two phases).

The programme also includes technical assistance with the supervision of both projects and training for national management staff and technicians.

VISITS

Vice-President Lorenzo Natali goes out to Ethiopia

Lorenzo Natali visited Ethiopia from 16-19 June where he talked at length with President Mengistu Haile Mariam, PM Tesfaye Dinka and Foreign Minister Berhanu Baye.

The main purpose of the visit was to convey both the solidarity of the EEC and the personal solidarity of Mr Natali with the drought victims and to take stock of the problems attached to actually supplying the humanitarian aid paid for with Community funds (aid for Ethiopian drought victims to date totals ECU 125 million).

It was with this in mind that Lorenzo Natali, accompanied by Berhanu Jembere, of the Relief and Rehabilitation Commission, visited northern Ethiopia and the distribution centres in Mekelle and Asmara.

He found that, thanks to the combined efforts of the various people involved, the food aid was being distributed in fairly satisfactory conditions in spite of the considerable difficulties involved.

Following Mr Natali's talks with the Ethiopian authorities and representatives of the other donors, a certain number of measures that would facilitate aid distribution were identified. They began to be applied in early July.

At the end of his trip, Mr Natali paid public tribute to the exemplary action of the organisations here, especially the Ethiopian and foreign NGOs in charge of distributing the relief.

Mr Auclert in Burkina Faso

André Auclert, Deputy Director-General for Development at the EEC Commission, and a large delegation paid a friendly working visit to Burkina Faso on 17-27 June.

He had talks with several members of the Government and visited a number of EDF-financed projects in the Provinces of Kadiogo, Séno, Oudalan, Yatenga, Passoré, Sourou, Houet and Comoé.

At the end of the stay, on 27 June, Mr Auclert signed a protocol with Youssouf Ouedraogo, the Minister of Planning and Cooperation and the country's National Authorising Officer.

Under the protocol, the two parties updated the 6th EDF national indicative programme. This has just been raised to ECU 107.5 m (CFAF 38 billion) in addition to which there is the ECU 12.5 m (CFAF 4.375 billion) managed by the EIB.

The schemes include:
- Improvements to the Yako-Ouahigouya road—ECU 18.946 million (CFAF 6 631 b).
- The supply of ballast to complete the Ouaga-Kaya railway track—ECU 1.7 million (CFAF 600 million).
- Capitalising on wood cut to build the Kompienga HE dam via the purchase of four truck-trailers. The main idea is to gather the wood and sell it on the Ouagadougou market to reduce wood-cutting around the town.
- A preparatory study for the national museum project.

Dr Chrispus Kiyonga

Uganda's Finance Minister in Brussels

Dr Chrispus Kiyonga, Uganda's Finance Minister visited the Commission on 13 July during the course of a European tour which included London, Brussels and Rome. The main preoccupation of Dr Kiyonga, in the light of the budget which he announced just prior to his departure for Europe, was the anticipated shortfall in external financing of about ECU 40 m up to December 1988.

Dr Kiyonga paid a courtesy call on Vice-President Natali and took the opportunity to express his government's satisfaction with the Community's role in supporting the National Economic Recovery Programme. During working sessions with Commission staff, aimed at easing the consequences of the lack of external financing, four possible additional areas were looked at, namely:

a. an increase of 15% in the Sectoral Import Programme;
b. a speeding up of procedures for the signature of Financing Agreements in the pipeline;
c. emergency food aid for the north, and;
d. a schools microproject programme in the north.

Burundi's Foreign Minister in Brussels

Burundi's Foreign Minister, Cyprien Mbonimpa, met Commission Vice-President Lorenzo Natali, and discussed the improvement in the situation since the new government came to power in September 1987, as well as the country's structural adjustment programme—supported by the EEC. Other aspects raised during this meeting included the EEC's efforts to help the poorest and most indebted countries of sub-Saharan Africa.

Mr Frisch meets the Foreign Minister of Niger

During a meeting with Niger's Foreign Minister, Sani Bako, following the OAU summit meeting, the European Commission's Director-General for Development, Dieter Frisch, stressed the European Community's concern over the situation in Ethiopia and Sudan. Other areas discussed included bilateral cooperation and prospects for "Lomé IV".

Mauritania's Planning Minister meets Commissioners Natali and Cheysson

Mauritania's Planning Minister, Hamoud Ould Ely—who is also responsible for coordinating the Maghreb's campaign against locusts—gave an account of the situation during meetings held in Brussels with Commissioners Cheysson and Natali. They were able to confirm the Commission's attendance at the coordination meeting between the five countries concerned (Mauritania, Algeria, Morocco, Tunisia and Libya) scheduled for 27 June in Nouakchott.

New Caledonian Delegation visits Brussels on 20 June

A delegation from New Caledonia, the French overseas territory, visited Brussels on Monday 20 June. It comprised Jean-Marie Tjibaou and Léopold Jorédié of the FLNKS and Mr Wamytan.

Mr Tjibaou wanted to take the opportunity of his stay in Paris—at the invitation of the French Government—to re-establish contact with the Commission and express his development concerns. He mentioned the talks which he, Mr Larfleur and Mr Christian Blanc's mission were having in Paris on the territory's future. A new division of New Caledonia was being discussed and a vote whereby the inhabitants would decide on their own future was on the cards.

During the talks, Mr Tjibaou was anxious to investigate the possibility of more voluntary investment that would make for better development of the Melanesian environment. He emphasised training and extension work, public health, infrastructure (electricity supplies to the north) and communications, especially transport between the islands and Grande Terre.

The Commission is planning an official mission to the New Caledonian authorities, probably in October 1988, to decide on practical proposals for an indicative programme.

ACP EMBASSIES

St. Vincent and the Grenadines

A new ACP Ambassador, Mr Alan Gunn of St Vincent and the Grenadines, presented his credentials to the Presidents of the Council and the Commission of the European Communities.

After school in St. Vincent and higher studies at the Southern College of Art, Portsmouth, UK, Mr Gunn worked in the private sector in St. Vincent, and from 1974 has been Managing Director of Property Investments Ltd. He has been President of the St. Vincent Chamber of Commerce and is Director of the Caribbean Association of Industry and Commerce. In addition to his duties with the EEC, Mr Gunn is High Commissioner in London for the Organisation of Eastern Caribbean States (OECS). He is married with three children.

Mr Alan Gunn

EMERGENCY AID

Ethiopia

The Commission has just decided on emergency humanitarian aid, worth ECU 7 000 000, for Ethiopia.

This is part of the previously adopted programme of ECU 42 million and follows the visit which Commission Vice-President Lorenzo Natali made to Ethiopia on 16-19 June, when he took stock of the situation and saw what needs were still to be covered.

The funds will be used to pay for goods and services that are vital to the population's survival—spare parts, storage facilities, domestic transport costs etc.

Rwanda

The Commission has just decided to send ECU 200 000 to Rwanda, where torrential rains have caused flooding and landslides, destroying more than 4 000 dwellings and leaving 20 000 people homeless.

The aid is to go through Caritas Belgium and the Belgian Red Cross. It will be used to buy food locally which will then be distributed to the disaster victims.

Mozambican refugees in Malawi

The Commission has just decided on ECU 635 000-worth of emergency aid to help Mozambican refugees in Malawi. There are 530 000 of them at the present time and there could well be 750 000 by the end of the year. The aid, to be implemented by the Red Cross League and the Malawi Red Cross, in collaboration with the UN High Commissioner for Refugees, involves supplying basics such as blankets, saucepans etc.

China

The Commission has just responded to an international appeal by the Chinese Government and decided to send China ECU 500 000 in emergency aid. Torrential rains over 360 000 ha of northern Fujian Province at the end of May wiped out 1.9 million t grain, destroyed 63 000 dwellings and swept away 370 bridges. There were 99 dead and 700 injured. About 3 million people were affected in all. The aid, which is to be channelled through Médecins sans Frontières (Belgium), is to go to supply drugs, medical equipment, tents, tarpaulins, extra food etc.

FOOD AID

The Commission has just decided to make the following allocations of food aid as part of the 1988 programme.

	Cereals	Milk-powder	Butteroil	Sugar	Vegetable oil	Other
Madagascar	20 000					
Lebanon	10 000	800	200			3 000 h
Sri Lanka	40 000					
Peru	12 000	1 600			600	
Bolivia	13 000	1 000	200		500	1 000 h
Sierra Leone		400				
Guyana	1 000	350	150			
Kenya	15 000					
Tanzania	15 000					
Tunisia	30 000					
Somalia	13 000	300			400	
NGOs/WFP	60 000	12 500	2 000	700		682PS
Honduras	7 000	1 200				2 900 h
Nicaragua	7 000	2 000	600		1 500	5 000 h
Zaïre	15 000					
Angola	30 000				500	
Mozambique	110 000			1 000	2 000	4 000 h
Total	398 000	20 150	3 150	1 700	5 500	15 900

(h = beans / PS = dried fish)
This amounts to a total of around ECU 126 million.

The following allocations were also agreed:

Tunisia: 3000 t milkpowder. ECU 3.15 m

There is a twofold aim here:
- to increase the milk available to meet expanding demand;
- to use the counterpart funds accruing from the sale of these products to the dairy industry, to help finance projects in the milk and meat self-sufficiency strategy in the VIIth Plan with a view to reducing Tunisia's dependency on the outside world.

Bangladesh: 150 000 t cereals and 2 000 t vegetable oil. Total value ECU 24.9 m

With per capita GNP at US$ 170, a continuing decline in per capita daily food intake and aid covering 45% of total foreign exchange requirements (a fifth of which goes on food imports), Bangladesh is one of the poorest LDCs (least developed countries) in the world. The Community's projected food aid is needed to make up a shortfall which, forecasts suggest, will be up at 2.5 million t cereals and 180 000 t vegetable oil next year. As in previous years, part of the food aid (120 000 t) will be sold and part (3000 t) distributed, as payment in kind for work and aid to the most vulnerable groups of the population, by the increasingly efficient public food distribution system.

Lesotho: 7 000 t cereals. ECU 1.7 m

Lesotho, a small and particularly poor country which is landlocked in South Africa, cannot achieve food security as things stand without food aid from abroad. Less than 10% of the land is arable and erosion is eating it away at the rate of 2% p.a. After the 1987/88 harvest, 39 224 t food aid is required. It is to be sold, as in the past, and the resulting conterpart funds will be used to boost Lesotho's food production drive.

São Tomé and Principé: 2 000 t cereals, 50 t vegetable oil and 100 t beans. Total value ECU 400 000

Falling cocoa prices have aggravated São Tomé and Principé's economic situation further and the country is faced with a structural adjustment programme with the IBRD. The food aid will be used to maintain food intake and reduce social tension.

China: 5 000 t cereals

This aid, worth ECU 1.2 million, is for people in Fujian Province in south western China where, since the beginning of the summer, hurricanes and flooding have destroyed harvests, caused serious damage to roads and housing and claimed many victims.

Emergency food aid for Mozambique

The Commission has just decided to send ECU 2 712 t of emergency food aid (cereals) to Mozambique.

This aid, which was requested by the Deutsche Welthungerhilfe, will be delivered to schools and orphanages (14 000 recipients) in Manica Province and 20 000 refugees in two camps in Sofala Province.

Agreement between the EEC and UNRWA (United Nations Relief and Works Agency for Palestinian Refugees in the Near East)

The Commission has just decided to allocate food worth ECU 14.3 million to UNRWA for free distribution to Palestinian refugees. This is part of the food aid programme for 1988. The Agency is being allocated a further ECU 4 m to cover the costs of its additional food programme.

UNRWA looks after the health, education and relief of something like 2.2 million Palestinian refugees in Lebanon, Syria, Jordan and the Israeli occupied territories.

The EEC-UNRWA agreement, which covers 1987-89, also provides for the Community to give an annual ECU 20 m for the Agency's education programme.

The latest allocation brings the value of the Community aid to UNRWA under the agreement to ECU 38.3 m (the figure was ECU 35.1 m in 1987), which is 22% of the Agency's budget this year.

Allocations worth ECU 1.06 m have already gone to "special measures" in the occupied territories under the 1988 food aid programme. Note too that, at the beginning of the year, the Commission responded to an UNRWA appeal by providing ECU 650 000-worth of emergency aid to buy food and medicines for Palestinian refugees in the Gaza Strip and on the West Bank. These amounts are in addition to those laid down in the agreement.

Commission sets the record straight on the state of a consignment of radioactive milk sent from Europe to Mozambique

The EEC Commission was surprised to hear news from Mozambique claiming that a Community consignment of skimmed milkpowder was very radioactive.

The Commission wishes to stress that all consignments of food aid are in conformity with the radioactivity standards which apply in the Community (370 becquerels per kg for reconstituted skimmed milk and 600 per kg for other products). This is indeed the case of the 45 t consignment sent out to Mozambique. Analyses run in Italian laboratories at the request of the Mozambican Red Cross confirmed the following ratings:

— caesium 134: 8.4 becquerels per kg;

— caesium 137: 94.4 becquerels per kg,

giving an overall figure for caesium of 102.8 per kg.

There is no question of these facts being contested by the Mozambican Red Cross—contrary to certain allegations made in the press. The question which the Mozambican Red Cross raised very recently (May) is how far people with food deficiencies can consume this milk.

The Commission has confirmed that the Community standards were laid down in the light of the fact that these products may constitute a very large percentage of the diet of young children. But, without the appropriate medical examination of the population in question, it was not in a position to say what percentage of these people's diets could be based on skimmed milk—the low becquerel content in no way affecting this assessment.

However, in order to satisfy the Mozambican authorities, the Commission has already decided that:

— samples should be taken at once (this is already being done) to examine the state of conservation of this milk after nine months in storage;

— as soon as the results of this are available, an expert mission should go out to explain the basis of the Community standards to the Mozambican authorities and to give them any dietary advice they require.

DC-ALA

The Commission has just decided to finance the following projects in countries of Asia and Latin America:

Bangladesh

Study of road building standards and materials
ECU 2 200 000

This study is part of a project to renovate and maintain the roads (RRM) worth US$ 102 million. It is a relatively small but nonetheless important part of the maintenance action plan. The aims are to:

- produce an inventory of materials which could be economically and efficiently used in the building and upkeep of the roads in Bangladesh;
- develop surfacing and maintenance techniques making better use of the materials available locally (river stones, bricks, sand etc) and cutting transports costs as far as possible.

Bhutan

Development of agricultural support activities
ECU 3 400 000

This is to improve the national drive to support agricultural development.

It provides installations, soil analysis facilities, extension programmes, applied agricultural research and operational aid and will back up the effort the Government is making with its 6th Five-Year (1987-91) Programme to boost agricultural incomes and ensure self-sufficiency in food.

India

Development of continental fishing
ECU 22 100 000

This project is to increase the output of carp in the cooperative sector, using lakes and small reservoirs in Rajasthan, Gujarat, Karnataka, Tamil Nadu and Andhra Pradesh.

It covers installations and equipment to produce 43 700 t of fish and should involve about 87 000 fishermen. It also includes basic marketing infrastructure, pilot sales outlets and training and extension services.

The final cost of the project is expected to be ECU 25.2 m and ECU 22.1 m of it will be provided by the Community.

Pakistan

Baluchistan Agricultural College
ECU 18 000 000

The idea here is to give Baluchistan a group of people qualified in agricultural and trained to work in the particular farming, climatic and social conditions of the province. The project aims to reduce the necessity for potential students of agriculture to go to other parts of Pakistan to get their training, where the approach and subject matter do not always suit the needs of Baluchistan, the country's least developed province.

An agricultural college will be built at Quetta, the provincial capital. Basic educational assistance will also be supplied.

JUNAC-Andean Pact

Technical cooperation — Speeding up regional integration
ECU 7 300 000

The regional programme consists of a series of preinvestment (expert opinions, studies, analyses and recommendations) and training schemes to provide support for regional integration in various areas of special interest when it comes to implementation of the Quito Protocol. After trying for regional integration, concentrating on industrialisation, for several years, the Andean Pact countries signed the Quito Protocol in 1987, gearing their efforts to a better balance between the rural sector, industrial development, the promotion of sub-regional trade, the harmonisation of economic and scientific and technical cooperation policies and greater involvement of the private sector.

The programme is to be run at subregional level by the Junta del Acuerdo de Cartagena (JUNAC), the Andean Pact's technical and administrative body.

Andean Pact

Andean satellite telecommunications system
ECU 2 200 000

This project is to prepare the technical specifications for SATS, the Andean satellite telecommunications system. It will enable the transitional administration of SATS to carry out all the stages involved in getting the system off the ground—the construction, installation, launching and starting up contracts.

More specifically, the schemes to be financed are:
— design of SATS;
— the production of specifications;
— organisation of the Andean satellite telecommunications organisation (OATS);
— training for local staff;
— help with the negotiation of contracts and the analysis of tenders;
— support with contract negotiation.

Ecuador

Reconstruction programme
ECU 3 500 000

Ecuador had a series of earthquakes on 5 and 6 March 1987. They were in the northwest of the country and caused damage in both urban and rural areas in the provinces of Picninchla, Imbabura, Napo and Carchi.

This programme is to rehabilitate 5 140 homes, 2 570 of them needing complete rebuilding and 2 570 repairs. Basic infrastructure work (on drinking water and drainage networks, roads and social facilities) will also be carried out.

GENERAL INFORMATION

African Cultural Fortnight

An African Cultural Fortnight was held in Brussels from 10-25 June. It was organised by Ambassadors from the OAU (Organisation of African Unity) and the ACP Group and by the ACP-EEC Cultural Foundation, taking the opportunity of the OAU's 25th anniversary to "assert Africa's cultural personality in the heart of Europe"—in the words of Raymond Chasle, Mauritian Ambassador and Secretary-General of the Foundation.

The idea was to "help paint a new picture which restores to African man his dignity", through history, fashion, poetry, music, dancing, oral tradition, gastronomy, film, painting, architecture and photographs. It involved using culture, and especially film, to put across the anti-apartheid message on the eve of the 70th birthday of the imprisoned ANC leader, Nelson Mandela, and several of the biggest events were on this theme. The "South African Chronicle" showed South Africa from the inside, "Amok" portrayed a black schoolmaster discovering racialism and apartheid in a South African village, "Classified People" described the absurd system of racial classification and "Come Back" was the first film of African singer Miriam Makeba. There was a lecture on the historical, psycho-religious and socio-cultural roots of apartheid and an evening of homage to Nelson Mandela, when a film on the life of the ageing leader was shown and the ANC's cultural troup, Amandla, performed.

Raymond Chasle felt the fortnight was the opportunity for a collective awakening to the fact that some of the life forces of African culture were working in Europe and that this was also a time for fruitful meetings between representatives of black culture in Brussels. Lastly, it was proof that it took only a minimum of means to start spreading ACP cultural productions.

Raymond Chasle hopes that other cultural event organisers will take over. And he is thinking here of the Europalia promotors who, by spotlighting Austria this year, have reached beyond the frontiers of the European Economic Community. It is perfectly possible, the Ambassador maintains, for them to choose to put the spotlight on African culture next time.

EUROPEAN COMMUNITY

Toronto Summit

The world's seven most industrialised countries met in Toronto, Canada, on 19-21 June to discuss various international economic problems, including the debt of the poorest developing nations.

Like the previous Summit in Venice, the Toronto meeting placed particular emphasis on the exceptional measures still to be taken to help the poorest countries with the biggest debts to run their reform and adjustment programmes.

The final communiqué welcomed the progress notched up since Venice—i.e. replenishment of ODA resources and the African Development Fund; a trebling of the resources of the IMF's special adjustment facility; a special World Bank programme in which the Community has been involved from the outset, playing (through its own ECU 500 million programme adopted in November 1987) a major and recognised role as catalyst for the Member States' efforts; a significant increase in the annulment of ODA loans; and extension of the grace periods and repayment times in debt rescheduling operations in the Club of Paris.

Participants also noted their agreement as to the principle of further improvements in the Club of Paris' rescheduling conditions by enabling creditors to choose between a number of options—lower rates and shorter terms; normal rates and longer terms; partial write-offs; and a combination of a number of these as long as those options would entail comparable efforts.

Lastly, they called on the Club of Paris to come up with technical arrangements, reflecting the consensus thus obtained, by the end of the year.

The Commission's comments on this outcome emphasised the political importance of this agreement, particularly for the poor countries of sub-Saharan Africa, on the eve of the opening of negotiations for the next ACP-EEC Convention.

More holes in the Iron Curtain

East-West relations, though obviously a less closely-watched phenomenon in *The Courier* than North-South relations, nevertheless took a remarkable turn on 25 June. For more than 30 years, ever since its foundation, the EEC has been snubbed by its "sister" organisation the Council for Mutual Economic Assistance, which groups together the Soviet Union, its East European Warsaw Pact allies, and Cuba, Mongolia and Vietnam. The Cold War ended and the Iron Curtain slid aside, when, on 25 June, in Luxembourg, a Joint Declaration was signed between the EEC and the CMEA, establishing representatives. The Declaration was signed, on behalf of the EEC, by Hans-Dietrich Genscher, President of the External Relations Councils, and Willy De Clercq, External Relations Commissioner, and for the CMEA by Rudolf Rohlicek, Chairman of the CMEA Executive Committee and Mr Viacheslav Sytchov, CMEA Secretary.

Whether this dramatic breakthrough is due to the winds of change sweeping from Mr Gorbachev's reform and restructuring campaign in the Soviet Union, or due to the dynamic new impetus given to the Community by the Single European Act, is not actually clear. But Hungary and Czechoslovakia are currently negotiating trade agreements with the EEC and the USSR and German Democratic Republic are seeking to establish diplomatic relations. On both sides of Europe, it seems, things are looking more optimistic.

The European Summit in Hanover

Close on the heels of the Toronto Summit came the European Heads of Government meeting in Hanover, on 27 and 28 June. It was a meeting dominated by the realities of the internal market, the opening up of Europe for freer internal trade, movement and growth, the completion of which is to be achieved by 1992. But there were also the kites to be flown—what are the prospects for a European Central Bank, for example? And there was some additional impetus for environmental protection to ensure that economic gains were not to be won at the cost of quality of life.

The German Presidency of the Council presented the main conclusions of the Hanover Summit in an 11-page document from which the contentious items had been very largely cleared. The European Parliament's increased role in decision-making was recognised, "not only in order to achieve a better institutional balance, but also to enable Community decisions to be better understood by citizens of the Community".

The internal market was the jewel in the Council's crown. A recent study had been completed which estimated that the economic benefits of going for the internal market could be as high as ECU 200 bn, together with a substantial boost to employment. Over a third of the measures set out in the Commission's White Paper had been agreed, and it was encouraging to see decisions made, or in the pipeline, on such strategic matters as full liberalisation of capital movements, the mutual recognition of diplomas, the opening up of public sector contracts, insurance and road and air transport. The green light for completion of the internal market was also given in the areas of intellectual property, approximation of standards, and banking and financial services. But, the Council agreed, "the internal market should not close in on itself", but must "be open to third countries".

An interesting little paragraph entitled "Peoples' Europe" stressed the importance of relaxing border controls to ensure that people could move freely from one country to another, but not at the cost of opening the doors to "terrorism, drug abuse and organised crime". The completion of the internal market was not just about economics—the Council stressed the importance of employment, health and safety regulations and vocational training. On the environment, the Council "welcomed the conclusions adopted at the Toronto... Summit".

Economic and Monetary Union was the most contentious point, since the proposals provided a test of the "Europeanism" of each Head of Government. Nobody wanted to be seen as a "bad sport", but several Member States expressed reservations about the speed and direction of some of the proposals. In the end, the Council entrusted a study of concrete steps to be taken to a committee chaired by Commission President Jaques Delors who would report in a year's time. Having done this, it was no surprise to learn that the Council had extended Mr Delors' presidency for a further two years!

The Council also made a number of statements on foreign policy issues, including East-West relations, Afghanistan, the Middle East, Latin America, Angola, Namibia and South Africa, including, in the last-named, an appeal for the release of Nelson Mandela and other political prisoners.

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REGIONAL INDUSTRIAL COOPERATION MEETING

Caribbean: Manufacturing for Export

The Regional Industrial Cooperation Meeting for the Caribbean was held in Castries, St. Lucia from 13 to 17 June 1988 and was attended by over 90 participants from the 13 Caribbean countries, 10 of the 12 European Community States, the EEC Council of Ministers, the ACP Secretariat, the EC Commission, and 6 regional and international organizations. Observers from Europe and the Region also participated.

The organization of Industrial Cooperation Meetings is one of the functions assigned to the Centre for the Development of Industry (CDI) under Lomé III with a view to giving ACP and EEC industrial policy makers, entrepreneurs and industrial promotion agencies the opportunity to discuss practical problems and measures in the area of industrial cooperation and development.

The CDI, with the cooperation and support of its 13 antennae in the Caribbean, decided to convene this third regional meeting of its kind for the Caribbean Region, on the specific theme of "Manufacturing for Export". In this context, it is recalled that among CDI's priorities under Lomé III is the assistance to the marketing of ACP manufactures.

The conclusions and recommendations of this Industrial Cooperation Meeting for the Caribbean are expected to enable CDI and the ACP participants to better assist manufacturing industries in their export drive and to assess the problems and requirements of industrial development in the Region.

The Meeting was officially opened by the Hon. George Mallet, Deputy Prime Minister and Minister of Trade, Industry and Tourism of St. Lucia, after a speech of welcome to the participants by CDI Director, Dr. I. A. Akinrele. After a brief presentation, the Chairman of the Session, Mr. Wilhelm A. de Jonge, Deputy Chairman of CDI's Joint Governing Board, introduced the other speakers of the opening ceremony. These were Mr. Charles Murdock, representing the EEC Council of Ministers, Mr. Charles Angelo Savarin, Ambassador of the Commonwealth of Dominica to the European Communities and Chairman of the ACP Committee of Ambassadors, Dr. Eberhard Stahn, Delegate of the Commission of the European Community (CEC), and Mr. Herman G. Rohlehr, representing the CARICOM Secretariat.

Ten technical papers were presented in Castries. They formed the basis for three plenary sessions and two working groups, the individual themes of which were the following:

1. "Setting-up the Scene" and "Some Key Sectors of Caribbean Manufacturing industries".
2. "Opportunities and Constraints".

Most of the major recommendations which resulted from the discussions of the technical papers during the Working Group Sessions, are presented below for the benefit of readers; although there is some normal overlapping in certain cases. At the closing ceremony, Dr. I. A. Akinrele, in summing up the discussion, emphasized the importance that CDI places on these recommendations. Daniel Nairac, CDI's Programme Officer for the Caribbean Region, gave the final vote of thanks.

(Continued on page 2)

H.E. M. Charles A. Savarin, Ambassador of the Commonwealth of Dominica to the EC and at the time Chairman of the ACP Committee of Ambassadors, delivering a speech at the opening ceremony of the Regional Industrial Cooperation Meeting in Castries, St. Lucia. Also pictured are (from left to right); M. Eberhard Stahn, Delegate of the CEC to Barbados and the Eastern Caribbean, M. Clement D.M. Duncan, CDI's Joint Governing Board Member for the Caribbean, the Hon. George Mallet, Deputy Prime Minister and Minister of Trade, Industry and Tourism of St. Lucia, Dr. I.A. Akinrele, Director of CDI, M. Wilhelm A. de Jonge, Vice-Chairman of CDI's Joint Governing Board, M. Charles Murdock, representing the EEC Council of Ministers and M. Herman G. Rohlehr, representing the CARICOM Secretariat.

(Continued from page 1)

SETTING-UP THE SCENE AND SOME KEY SECTORS OF CARIBBEAN MANUFACTURING INDUSTRIES

PAPER 1

Performance of Manufactured Caribbean Exports

Mr. Pat Thompson, Caribbean Association of Industry and Commerce (CAIC)

RECOMMENDATIONS

A. At the Regional Level

1. Governments in the Region should be prepared at the earliest opportunity possible to ratify the agreements relating to the CARICOM Enterprise Regime and the CARICOM Industrial Programming Scheme (CIPS), both of which are intended to provide incentives at the regional level to support the manufacturing sector in general, and the export of products generated in particular.

2. Special attention needs to be given to strengthening the representation of the private sector in the formulation of regional policy, using not only the umbrella representative organizations like the chambers of commerce and manufacturers' associations, but equally importantly those organizations which reflect the views of specific sectors. Since small and medium – scale enterprises represent the major thrust in the industrialization drive, Governments need to be more conscious of that fact in permitting them a greater say in such regional issues pertaining to economic development.

3. While welcoming the priority Caribbean Governments have given to export development in the allocation of financial resources and for the provision of technical assistance to export trade activities under the Lomé III Convention, special effort must be made to implement such measures as the reduction and/or removal of all taxes and duties against regionally produced goods, removal of negative lists against CARICOM produced exports, and removal of the requirement to obtain licences for the purpose of importing CARICOM manufactured exports, all of which are intended to liberalize and facilitate intra-regional trade. In addition, Member States should provide direct assistance to their exporters especially in the area of export marketing.

4. Member States of CARICOM should, in the preparation of investment incentives, take fully into account that the Region is competing with other parts of the world for foreign investment. Consideration should be given to reviewing the existing incentive packages to determine whether they are attractive enough to foreign investors and whether they provide the states with a competitive edge over other locations. In this regard, there may be need to extend the range of harmonized incentives to include other areas such as lower company taxes.

5. The Group has identified during the discussion of the needs of the Caribbean industry, several possibilities of technical assistance and investment promotion actions that the CDI can provide. Although some of these services are already in place through CDI interventions in the Region, there is further demand for the intensification and expansion of these assistance programmes to reach more private sector companies, particularly those in the small and medium-sized industries manufacturing for the domestic, regional and external markets. Having been informed of the budgetary constraints of the CDI to meet these further demands for its services, the Group hereby requests the National Authorizing Officers, the ACP-EEC Committee of Ambassadors and the European Commission to urgently address the problem of access to the Lomé III funding programmes, namely the regional fund, the trade promotion fund, the national indicative fund and the risk capital assistance fund with the EIB to enable the CDI to respond to these requests.

B. At the National Level

1. National Governments must create the institutional mechanisms and data banks to correct the paucity of information availability with respect to market, scientific and technological data, preferably in consort with the relevent bilateral or multilateral agencies, which is critical to support their desires to accelerate export – led growth. In this way, knowledge would be gained of the precise nature of extra-regional market requirements, particularly specific market niches, to inform the productive effort in a more rational and structured way.

2. There is also the necessity for Governments in the Caribbean Region to be conscious of the need for diversifying their extra-regional export destinations, especially from their heavy dependence on the US market, in view of shrinking product and commodity quotas presently being experienced as a consequence of international protectionist pressures. With the assistance of the CARICOM Secretariat, it is desirable for Governments to turn their attention to providing the resources and institutional support required to develop and implement the appropriate marketing strategies for penetration of European, Latin American and Far Eastern markets.

3. Regional manufacturers and exporters, as part of a conscious marketing strategy, need to clearly concentrate their energies on the development of resource-based export oriented products, where there are distinctive cost and supply advantages. Initial research work completed tends to suggest that the agro-processing and chemical sectors may provide some States with the momentum for product development work to commence in accessing extra-regional markets.

4. Prefential market access exists under negotiated trade agreements such as CBI, LOME and CARIBAN. The fact that greater efforts must be made to fully utilize their provisions and maximize the benefits that can be derived from them should not detract from the necessity for Governments of the Region to develop long range plans to diversify out of the negotiated quotas. Efforts must be made as a part of the diversification strategy to expand the market base both within the same extra-regional market and in other extra-regional common market unions such as Puerto Rico and the USA and the Scandinavian countries.

5. The Group recognized the level of growth of certain high-technology areas, such as electronics related products. Whilst fully appreciating the significant short-term contribution which such industries make to some national economies, the Group felt that Governments needed to be sensitive to difficulties which can accrue if undue dependence is placed on this sector. Competitiveness of international labour rates, coupled with increasing sophistication in production methods, could result in foreign companies removing their business from the Caribbean to other more cost efficient areas of the world.

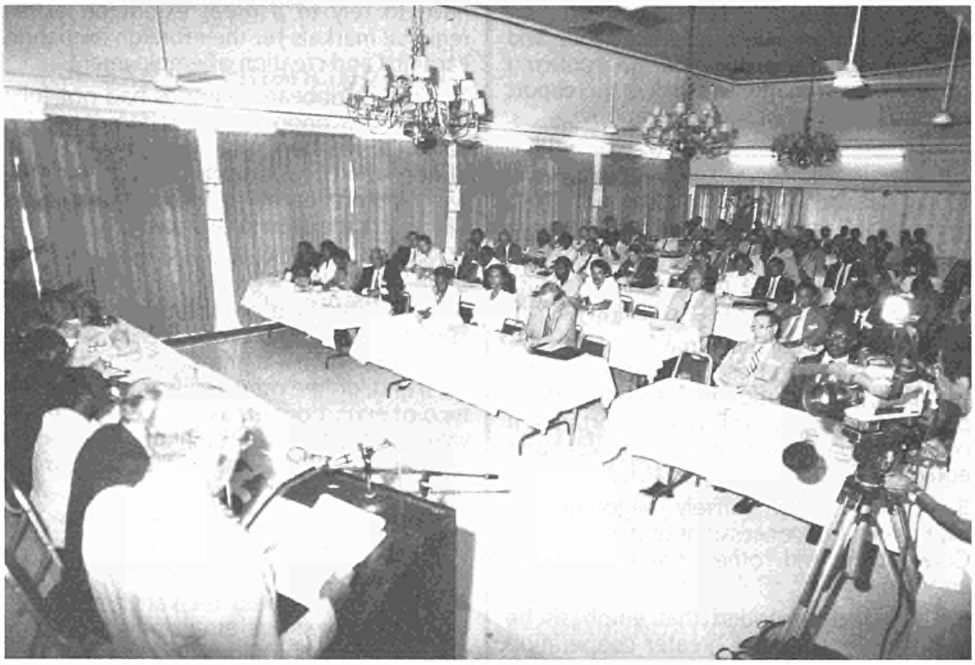
C. At CDI Level

1. The CDI should be conscious of the policy and strategy perspectives of the Caribbean Region, especially as it relates to industrialization matters and be prepared to assist regional/national institutions through specific outreach programmes on its non-technical assistance capabilities in supporting their respective initiatives. Undoubtedly, greater coordination between the CDI and the European Comission is required in rationalizing the various technical assistance interventions, with particular emphasis on enlarging the financial resource base for greater levels of technical assistance.

2. Since the antennae represent the main contact between the CDI and the Region, it is necessary for all antennae to be strengthened organisationally to discharge their respective responsibilities in an efficient and effective manner. The CDI should make a determined effort to help in raising the technical and administrative competencies of antennae institutions by providing direct support to human resource development programmes, expanding and modernizing their information bases and being prepared to support and upgrade national consultancy organizations and agencies.

3. As a matter of priority, the CDI should be prepared to assist national institutions and individual manufacturers to considerably strengthen their respective marketing information bases in respect to addressing the extra-regional market requirements and in translating that information to regional manufacturers and exporters so as to enhance their knowledge in targetting external markets in the most cost-efficient way.

4. The CDI should be prepared to work along with other bilateral and multilateral agencies in supporting training and development activities in the Region. A number of specific areas have been identified for such assistance and they involve:
- entrepreneurial development programmes;
- production and productivity improvements to existing enterprises;
- export product development assistance;
- quality control management.



Participants at the Industrial Cooperation Meeting for the Caribbean.

PAPER 2

Food Processing

Mr. Willam H. Needham,
Resource Development Associates

RECOMMENDATIONS

A. At the National Level

1. National Governments should clearly establish an attractive investment package where due emphasis is placed on providing appropriate fiscal and industrial incentives as a priority for exporters.

2. Greater attention must be paid by Governments to increased public sector investment in appropriate technical/vocational training establishments.

3. The establishment of an internationally acceptable bureau of standards at the national or regional level is required to ensure product quality considerations.

4. National Governments should encourage the development of artistic talent at an early age to generate new ideas for packaging design.

5. Great effort is required by Governments in encouraging primary producers of raw materials to become oriented towards agro-processing activities and to provide technical assistance in specific areas such as production planning and quality control.

B. At CDI Level

1. The CDI is being requested to provide technical assistance to the sector in the following areas:

a) identification of market opportunities in the EEC Region with special attention being paid to unique products and special market niches;
b) identification of joint venture partners where necessary to develop markets which are product specific and to facilitate technical transfer arrangements.

2. The Group recommends that the CDI could be extremely helpful in the area of training and developing assistance for:

a) product development and design;
b) plant maintenance;
c) industrial and process engineering;
d) quality control and quality assurance.

PAPER 3

Wood Processing

Mr. William Vernon, Consultant

RECOMMENDATIONS

A. Recommendations arising from the paper presented on the wood sector:

1. The establishment of a regional training centre/institute to develop and improve the skills of joining, machining, tooling, finishing, etc.

2. Introduce appropriate instruments which will improve the use of wood with particular emphasis on the supply needs of the wood processing sector. Among the specific measures identified are:

a) the control of the outflow of raw and sawn logs by the imposition of selective taxes. This should effectively discourage this activity and thereby promote primary and secondary processing with more value added benefits.
b) to encourage research into the wide variety of tropical timbers with the ultimate objective of determining the best uses for the various species.
c) facilitate the easy importation of essential raw materials and allow tax free exports extra-regionally.

B. At the national level, the following recommendations were deemed appropriate:

1. The implementation of forest management programmes to ensure that reafforestation proceeds simultaneously with extraction.

2. The establishment of a group/committee responsible for the administrative and logistical coordination of activities pertinent to production and marketing of wood products for export.

C. Recommendations for the CDI concerning the wood sector:

Assistance to be provided towards a coordinated marketing thrust in this sector.

PAPER 4

Textiles and Garments

Mr. Ralston Smith,
Jamaica Manufacturers' Association

RECOMMENDATIONS

A. At the National and Regional Level

1. A stronger effort is required at the regional level for encouragement to be given to investment in backward integration.

2. Legislation is required along with effective monitoring mechanisms to be put in place to counter the relatively high level of illegal trade occuring in the Region. It is desirable for Governments to be sensitive to the question of extra-regional imports in order to protect Caribbean manufacturers from unfair competition.

3. Need to urge multinational commercial banks which are operating locally in respective countries to pay much greater attention to the financial needs of manufacturing enterprises in terms of more modest interest rates and longer term repayment periods.

4. Need to develop export credit schemes at both the national and regional levels were clearly understood to ease cash flow pressures and should be implemented.

5. Individual Governments should request assistance from the European Commission, possibly as a regional CARICOM initiative, for the establishment of a Caribbean study centre for textile and apparel sector which would attempt to do the following things:

a) establish a monitoring base for highlighting developments in the industry;
b) provide a profile for the Region and interested parties to achieve short, medium and long-term development trends;
c) determine the best possible approach the Region should adopt in moving away from the present dependence on 807 subcontracting.

B. At CDI Level

1. The CDI should be prepared to assist in the financing of a study, pertinent to the problems being faced by the sector and geared to address the following issues:

(Continued on page 4)

(Continued from page 3)

a) reasons for the under-utilization of the Lomé Conventions by regional manufacturers;
b) defining the future prospects and possibilities open to regional exporters;
c) identifying the barriers needed to be overcome in exploiting the EEC market;
d) formulating a programme through which regional garment manufacturers could begin to improve on exports to EEC markets.

2. The Group strongly recommends that the CDI should be prepared to sponsor a regional workshop which would permit companies within the Region to examine problems peculiar to the industry and to facilitate greater levels of collaboration among companies.

PAPER 5

Metal, Electric/Electronic, Engineering, Ceramics

Mr. Patrick Fordham, Consultant

RECOMMENDATIONS

1. The importance of joint ventures in the field of metalworking and engineering was recognized with a view to utilizing existing foundry and metalworking shops already in existence in the Caribbean.

2. The necessity of further developing the tool and die facilities in the Region was recognized. Efforts to help this development by joint ventures or technical assistance to the existing tool and die companies (in Trinidad and Tobago and Jamaica) should be pursued by the CDI.

3. A regional foundry facility should be developed as a basic centre for the development of metal and engineering industries. CDI assistance in this field could be sought in conjunction with other agencies.

4. A survey of the possibilities of developing ceramic – based industry and building materials should allow the CDI to intensify its present efforts in this field.

OPPORTUNITIES AND CONSTRAINTS

PAPER 6

Marketing Manufactured Products

Mr. Donald Moore, International Marketing and Economic Services (IMES)

RECOMMENDATIONS

1. CARICOM Member States should identify indigenous companies whose production has export potential, and investigate and seek to upgrade, expand, and improve those operations to the level, in terms of consistent quality, relialibility of supply etc., which enables them to export.

2. Greater emphasis should be placed on the upgrading of production facilities and skills of companies/individuals producing for the tourist market, realizing the export earning potential of such operations.

In addition, attention should also be paid to encouraging backward linkages for the tourist industry via supplies to hotels, etc.

3. Commercial/trade attachés in foreign countries should be utilized to obtain relevant market data from accessible data bases e.g. SMIL, City Business Library, et al.

4. Efforts should be made at proper market evaluation (research, customer/distribution, identification/needs, competition, packaging, design). This is as important – if not more so – than investment in plant and equipment.

5. Promote and actively negotiate for expanded tariff concessions under the Lomé Convention and other prefential trade arrangements.

6. It is recommended that emphasis be given to encouraging greater cooperation between Export Promotion Agencies (EPAs) and industrial development organizations to ensure effective delivery of their specialist support services to individual manufacturing exporters.

7. It was recognized that there were disparities in the levels of development of the manufacturing sector in the Region, and that particularly in the OECS (Organization of Eastern Caribbean States), some States may not be in a position to participate fully in extra-regional marketing strategies and programmes. For the forseeable future, these States would continue to depend largely on the regional market as the principal outlet for their exports. It is recommended therefore that in the development and provision of assistance and the expansion of exports by the CDI and other such institutions and agencies, attention also be given to the promotion of intra-regional trade.

8. The CDI could usefully contribute by:

a) more *in-depth, specific,* market research designed to identify *niches* and specific customers;
b) by continuous contact with promotion programmes already existing.

PAPER 7

Special Status for Export Processing Activities in the Caribbean, and a Comparison with Mauritius

Mr. Philippe Hein, Island Economy Specialist, (UNCTAD)

RECOMMENDATIONS

1. While it was agreed that the national and intra-regional markets within CARICOM and the OECS should be utilized to the maximum extent, diseconomies of scale in manufacturing and marketing and the similar resource endowments of many Caribbean countries imply that they would have to rely to a great extent on extra-regional markets for their foreign exchange earnings and creation of employment.

2. The Caribbean countries had not fully utilized the opportunities offered by the Lomé Convention, and an increased share of non-traditional exports going to the EEC was thought desirable. The assistance of the CDI should be seen in this context.

3. A distinction was made between, on the one hand, the promotion of industries which were based on natural resources or already existing production for the domestic/regional market (e.g. food, furniture) and, on the other, subcontracting 807 type of export oriented activities where the value added tends to be higher, aiming at up-market product ranges rather than mass production items.

The latter, in spite of its instability, was a potential source of employment creation and domestic income generation.

4. The Group noted the variety of forms which EPZs or special status for export processing activities could take.

This type of system might not be suitable to all Caribbean countries, and would be particularly relevant where wage costs were moderate and significant unemployment existed.

Where this system was implemented, it was thought advantageous not to necessarily concentrate it in a particular geographic location.

Every effort should be made to enable and encourage local entrepreneurs to participate in export processing activities.

PAPER 8

Export Promotion of Manufactured Products

Mr. Winston Ali, Export Development Corporation (EDC)

RECOMMENDATIONS

1. The Group recognized the need for the upgrading of skills and expertise of regional industries to enhance competitiveness, taking into consideration that a reduction of wages would not be feasible. On the contrary, there is a recognized need to keep a close check on wage increases.

2. There is the need to explore the development of new markets (e.g. in West Africa) where products are more likely to be competitive.

3. Regional manufacturers should further exploit joint venture and sub-contracting arrangements. (In this regard, further study of the Mauritius experience would be useful, although it is recognized that the situation is not directly comparable).

4. Ethnic markets in the United States and Europe should be investigated for opportunities to further develop exports.

5. An analysis of the trade incentives should be undertaken with a view to maximizing the benefits which may be derived.

6. A rationalization of industrial standards within the Region is recommended.

PAPER 9

Export Financing

Mr. Lennox Osbourne, Export Credit Insurance Company (EXCICO)

RECOMMENDATIONS

1. Review the situation regarding export credit insurance within the Region focussing on intra-regional trade, taking into account the experience already gained from regional institutions e.g. Jamaica Export Credit Insurance Company (EX-IM Bank).

2. With reference to export credit financing:

a) part of such requirements should be considered in the context of regular working capital for existing export oriented enterprises, and therefore could be financed from regular sources of investment funding, i.e. development banks and investment banks.

b) whereas for significant export trade expansions and for particular export orders, specialized new facilities (e.g. export credit funds) should be envisaged to be allocated through local commercial banks or eventually a regional export funding institution (for which the need is recognized), provisions available in this respect under the present Lomé Convention should be pursued to the fullest extent. The need for the proposed Caribbean Export Bank to commence operations as soon as possible was recognized.

3. Recognizing the historical preference for trading operations, it is recommended that incentive schemes aimed at encouraging investment in the productive sector be strengthened.

4. In the context of the negotiations for the successor Convention to Lomé III, the Meeting noted the need for additional European Investment Bank (EIB) funds to be channelled through local and regional development banks e.g. CDB, so that these institutions could increase their operations to cover export financing requirements.

PAPER 10

Financing and Marketing: CDI's Assistance

Dr. Eckhard Hinzen, CDI's Finance Export and Mr. Berhanu Kidane, CDI's Marketing Adviser

RECOMMENDATIONS

A. Financing

1. It is recommended that CDI-assisted projects should obtain more direct access to risk capital sources in the EEC, suitable for direct private sector lending. This requirement is borne out by the fact that equity funds among ACP promoters and EEC partners are limited and further that, in a number of EEC countries, Development Finance Corporations with equity funding sources are non-existent.

2. It has been recommended that the eligibility criteria as well as terms and conditions for investment loans be reviewed by funding institutions in general. (The access by new manufacturing ventures to funding sources is restricted, particularly for smaller investments with weak equity capital bases).

3. Various forms of cooperation besides joint ventures with equity participation, e.g. licensing, franchising and sub-contracting arrangements are recognized as desirable alternatives and should be considered as qualifying for DFC-lending.

B. Marketing

1. The need to assist existing companies to develop an effective export marketing strategy was recognized. The CDI, through its local antennae, should liaise with export marketing institutions within the Region to identify specific requirements and coordinate resultant action. For institutional assistance (i.e. support for trade promotion agencies), the export marketing facilities provided by the Commission of the European Communities (CEC) should be utilized.

2. The Group recognized the value of short-term market and product design development schemes geared for small and medium-sized enterprises (e.g. that operated by the British Department of Trade and Industry). It was recommended that the CDI, in collaboration with regional trade promotion agencies, conduct an analysis of these schemes, with a view to determining the feasibility of the CDI offering assistance along those lines.

CDI Antennae send Staff to CDI

In April and May last, under CDI's Industrial Promotion Attaché Programme, senior staff from CDI's antenna organisations in six ACP countries spent three weeks at CDI's offices to study CDI's operations at first hand, to carry out project promotion and to work on project files for their countries.

The six people concerned were:

- Ms. O.W. AJAYI of the **Nigerian** Industrial Development Bank (NIDB);
- Ms. A. SIAMOMUA of the **Tonga** Development Bank;
- Mr. J. KUMAR of the **Fiji** Trade and Investment Board;
- Mr. J. KUTSON of the Department of Trade and Industry of **Papua New Guinea**;
- Mr. G. SANSPEUR of the **Mauritius** Chamber of Commerce and Industry;
- Mr. G. TROIAN of the **Seychelles** Department of Planning.

Ms. A. Siamomua of the Tonga Development Bank receives a certificate from CDI Director, Dr. I.A. Akinrele, following her participation in the CDI's Industrial Promotion Attaché Programme.

ACP documentalists receive training

Documentalists from five ACP countries recently underwent a four-week training programme, sponsored by CDI, in industrial information and documentation techniques.

The programme particularly dealt with sources of industrial information, information processing and information technology. The participants were able to gain hands-on experience of information retrieval techniques for on-line data bases such as Dialog, the European Space Agency Information Retrieval Service and Systems Development Corporation (SDC).

The training programme was carried out in April and May, in English and French, by the National Centre for Scientific and Technical Documentation (CNDST), in Brussels, Belgium.

The documentalists who benefitted from this training were:

- Ms. Maria Amaral Oliveirra, librarian at the Centre for Industrial Information, Luanda, **Angola**;
- Mr. Stephen A. Abiola, librarian at the Nigerian Industrial Development Bank, Lagos, **Nigeria**;
- Mr. Callixte Demokarasi, documentalist at the Chamber of Commerce and Industry of Rwanda, Kigali, **Rwanda**;
- Ms. Catherine Rose Namuwanga, librarian/documentalist at the Uganda Export Promotion Council, Kampala, **Uganda**;
- Ms. Lillian Akokwa Nyambe, librarian at the Small Industries Development Organisation, Lusaka, **Zambia**.

CDI staff meet the ACP documentalists, at the start of their training course in Brussels.

OFFERS FROM ACP SPONSORS
EEC INDUSTRIAL PARTNERS WANTED

EEC industrialists are invited to contact CDI, quoting the reference number, in response to any offer outlined in this section. However, CDI will reply to enquiries only if EEC industrialists give brief descriptions of their current operations and are prepared to provide the kinds of cooperation requested by the ACP sponsors.

Organisations reprinting these offers in their own publications, are asked ALWAYS to include the corresponding CDI reference numbers.

Gari Production
GHANA **GHA 8011 FO 01**

A private company established in Accra, manufactures gari, a popular African food, from cassava tubers cultivated on its 2 000 acres farm. The current production capacity is 2 500 tonnes per year.

The promoter seeks an EEC partner able to manage the factory and the farm after the upgrading and rehabilitation has taken place. An equity participation of Ecu 350 000 is proposed, representing 20% of the capital.

The company enjoys the advantages and priorities given by the Ghanaian Investment Code.

Manufacture of Electric Components and Products for the Electronics Industry
ANTIGUA **ANT 7275 EL 01**

A well established private company, manufacturing electronics components – magnetics, printed circuit boards components and 3 phase power transformers (UL) – has been very successful in exporting its entire output to the USA. Having earned a reputation for quality and competitive prices, it would now like to expand and start manufacturing a wider range of products for US markets to which it has duty free access via the Caribbean Basin Initiative.

The company is looking for a suitable European joint venture partner who is already in the electronics business and will be willing to participate with up to 30% of the equity.

Foundry
CONGO **CON 8025 MT 01**

A private promoter intends to establish a foundry in Pointe Noire with a production capacity of 2 000 tonnes per year of various items in ferrous castings for the local market.

The promoter seeks an EEC partner who would be able to offer technical and training assistance on a long-term basis. An equity participation of 20% is proposed.

Manufacture of "Canvas Shoes"
BURUNDI **BUR 7224 TE 02**

A private sponsor supported by the local Development Bank wishes to set up a company in order to manufacture canvas shoes.

The overall envisaged production capacity is approximately 100 000 pairs/year to supply the local market which is currently satisfied by importing some 250 000 pairs/year.

There is no local production for the moment and the sponsor is looking for a joint venture partner willing to take a participation of 20% in the equity and to provide technical assistance.

Training Seminars in Uganda for Brick- and Tilemaking Technology

Two seminars in brick and tile production technology of 3 weeks each were organized in Uganda between January and March 1988.

The seminars were jointly sponsored by the Centre for the Development of Industry, the Walloon Region of Belgium and by CERATEC S.A. The training seminars were led by Mr. Daniel Deconinck of CERATEC, assisted by two Ugandan technicians previously trained in Belgium.

From different places all over the country, 44 technicians, representing 42 of the biggest companies already involved in this type of production, participated in the seminars.

Those larger companies employed all together some 1 200 persons and produced daily about 25 tonnes of bricks from which more than the half (140 tonnes) was produced in the traditional way with wooden moulds. They represent 90% of industrial brickmaking in Uganda.

Once could expect that in the near future, thanks to the seminars, over 1 700 persons will be employed in these companies, and that the daily production will exceed 108 tonnes of roofing tiles and 570 tonnes of good quality bricks produced with modern industrial equipment in appropriate technology.

The production of bricks and tiles up country in small-scaled units with modern

Training sessions at the seminars which took place in Uganda for brick- and tilemaking technology.

equipment should expand very much and productivity should improve drastically. Consumption of fire wood should also be reduced by using better kilns and other types of fuel, and production of stabilized soil blocks will start in different places.

These seminars have been a very important event in Uganda. It was intensively covered by the press (articles in the newspapers, TV, broadcast, etc.) and different personalities participated in the opening and closing ceremonies: the Deputy Minister of Industry, the Deputy Minister of Housing, the Assistant District Administrator of Bushenyi, a representative of the CEC Delegation, etc.

The seminars were higly successful in upgrading present production technology, and contributed a lot to the development of the concerned industry. They directly led to the creation of the "National Moulders Guild", a national association of brickmakers and to the sensibilization of government authorities and the public to the brickmaking industry as a whole.

It was hereby proven that a concentrated and directed effort in one particular industry of an ACP country can have a tremendous effect in upgrading technology and boosting production in several tens of medium-sized companies. Well organized grouped training seminars can, at a low cost per enterprise, have a large impact on a whole industrial sector of our ACP country.

INDUSTRIAL PROPOSALS FROM EEC FIRMS
ACP ENTREPRENEURS, PLEASE REPLY

The proposals outlined below have been put forward by EEC firms interested in setting up production in ACP countries, under joint venture, franchising, licensing, sub-contracting, marketing, management or other agreements with local businessmen.

ACP entrepreneurs interested in any proposal are invited to write to CDI quoting the reference number. However, CDI will not be in a position to act upon letters received unless ACP entrepreneurs provide all the information requested at the bottom of the page.

Where a joint venture is proposed, the EEC companies are willing to consider contributing (depending on the country and the project) some 20% of the equity investment. For other proposals, the companies are committed to entering into long-term agreements for the creation of profitable ventures.

Where second hand equipment is suggested, CDI may sponsor an evaluation by an independent expert of the quality, cost, suitability and conditon of such equipment.

All equipment costs are quoted in Ecus (European currency units). The value of the Ecu may easily be ascertained from its relationship to other European currencies. Thus, on 1 July 1988: 1 Ecu = £ 0.66, or FF 6.99, or DM 2.07.

Please ALWAYS mention the CDI reference numbers when reproducing these proposals.

88/76 EX *PORTUGAL*

Mirrors and Glass for Household Furniture

Minimum capacity: 500 tonnes/year with an investment of Ecu 120 000.
Proposed cooperation: equity participation, technical assistance, supplying of equipment, training.

(Continued on page 8)

(Continued from page 7)

88/32 FO *BELGIUM*

Palm Oil, Coffee, Rubber

Minimum capacity: 1000 tonnes/year of palm oil, 500 tonnes/year of coffee and 1000 tonnes/year of rubber with an investment related to capacity.
Proposed cooperation: assistance with the plantation, processing and marketing; a joint venture may be considered in the context of the establishment or rehabilitation of a plant.

88/43 FO *BELGIUM*

Margarine and Recombined Butter

From vegetable and butyric oils permitting the manufacture (without any by-products) of all types of butter and margarines.
Minimum capacity: 500 kg/hour with an investment of Ecu 600 000.
Proposed cooperation: industrial franchising by which the company guarantees consistent quality, lets the partner benefit from any new development and assists him in all his technical problems. In exchange, the ACP partner will get his supplies from the EEC company and will pay a royalty on a basis to be negotiated.

88/96 FO *FRANCE*

Peanut Paste or Butter

Minimum capacity: 288 tonnes/year of paste from 480 tonnes of groundnuts with an investment of Ecu 120 000.
Proposed cooperation: equity participation, technical assistance, export marketing agreement.

88/80 FO *PORTUGAL*

a) Beer and Non-Sparkling Drinks
b) Malt

Minimum capacity: a) 5 000 000 litres/year, b) 700 tonnes/year. The investment depends on the project. Second hand equipment is available.
Proposed cooperation: equity participation, franchising, technical assistance, management, training.

88/81 FO *PORTUGAL*

Canned Fish

Minimum capacity: 500 tonnes/year with an investment of Ecu 1 500 000 based on new equipment.
Proposed cooperation: equity participation, management, marketing, training.

88/84 FO *PORTUGAL*

Concentrated Fruit Juice

Minimum capacity: 3 tonnes/hour with an investment of Ecu 800 000.
Proposed cooperation: equity participation, technical assistance, management, training.

88/91 MT *PORTUGAL*

Foundry

Valves and fittings, galvanized pipes for drains, bathtubs, cooking pots, irons, centrifugal pumps, etc.
Minimum capacity: 10 000 tonnes of pipes/year and 1 200 to 2 000 tonnes of castings/year with an investment of Ecu 885,000 for the pipes and Ecu 1 470 000 for the foundry.
Proposed cooperation: equity participation, licence, technical assistance, marketing, training.

88/86 MI *PORTUGAL*

Telephones

Telephones, PABX, telecommunication systems.
Minimum capacity: 35 000 to 50 000 telephones/year and/or 15 000 PABX lines/year with an investment of Ecu 300 000 for the telephones and Ecu 900 000 for the PABX system.
Proposed cooperation: equity participation, transfer of know-how, technical assistance, equipment, training.

88/88 PL *PORTUGAL*

Fibreglass Items

Boats and other products.
Minimum capacity: 70 tonnes/year with an investment of Ecu 470 000.
Proposed cooperation: equity participation, technical assistance, marketing, training.

88/90 PL *PORTUGAL*

Plastic Products

For offices, schools (files, plastic folders, etc.).
Minimum capacity: 10 000 files/month with an investment in new equipment of Ecu 50 000 and of Ecu 21 000 in second hand equipment.
Proposed cooperation: equity participation, licence, technical assistance, management and training assistance.

88/95 RU *BELGIUM*

Rubber Stamps

From a workshop manufacturing photopolymeric printing plates.
Minimum capacity: A4 film producing approximately 100 stamps with an initial investment of Ecu 20 000 in equipment.
Proposed cooperation: equity participation, provision of know-how, training, raw materials and equipment.

88/92 TE *PORTUGAL*

Cotton and Viscose Yarns

Minimum capacity: 3 000 tonnes/year with equipment costing 2 000 000 Ecu.
Proposed cooperation: equity participation, technical assistance, sub-contracting, marketing and training.

Information required of ACP entrepreneurs when replying

- **Show why it would be worth-while to manufacture the products in question in your country, e.g. give market data, indicate that raw materials are available locally, etc.**
- **Describe your present activities plus your industrial and/or commercial experience, enclosing any available information such as your latest balance sheet.**
- **State how much capital you yourself could contribute.**
- **State the maximum portion of the equity your country legally allows to an EEC partner.**
- **Can you obtain finance and if so from where?**
- **If you need a foreign loan or supplier's credit, can you obtain a local guarantee?**
- **Is your project a national priority?**
- **Outline the incentives your country offers to foreign investors.**

OPERATIONAL SUMMARY

No. 47 — September 1988

(position as at 25th August 1988)

EEC-MEDITERRANEAN
EEC-ACP
EEC-ALA
DEVELOPING COUNTRIES

EEC-financed development schemes

The following information is aimed at showing the state of progress of EEC development schemes prior to their implementation. It is set out as follows:

Geographical breakdown

The summary is divided into three groups of countries, corresponding to the main aspects of Community development policy:

— the ACP countries (Africa, the Caribbean and the Pacific), which signed the multilateral conventions of Lomé I (28 February 1975), Lomé II (31 October 1979) and Lomé III (8 December 1984), plus the OCT (overseas countries and territories) of certain member states of the EEC, which get the same type of aid as the ACP countries;

— the Mediterranean countries (Maghreb and Mashraq), which signed cooperation agreements with the EEC in 1976 and 1977;

— the ALA developing countries of Asia and Latin America, beneficiaries since 1976 of annual aid programmes.

The information within each of these groups is given by recipient country (in alphabetical order).

Note

As the information provided is subject to modification in line with the development aims and priorities of the beneficiary country, or with the conditions laid down by the authorities empowered to take financial decisions, the EEC is in no way bound by this summary, which is for information only.

Information given

The following details will usually be given for each development scheme:

— the title of the project;

— the administrative body responsible for it;

— the estimated sum involved (prior to financing decision) or the amount actually provided (post financing decision);

— a brief description of projects envisaged (construction work, supplies of equipment, technical assistance, etc.);

— any methods of implementation (international invitations to tender, for example);

— the stage the project has reached (identification, appraisal, submission for financing, financing decision, ready for implementation).

Main abbreviations

Resp. Auth.: Responsible Authority
Int. tender: International invitation to tender
Acc. tender: Invitation to tender (accelerated procedure)
Restr. tender: Restricted invitation to tender
TA: Technical assistance
EDF: European Development Fund
mECU: Million European currency units

Correspondence about this operational summary can be sent directly to:

Mr. Franco Cupini
Directorate-General for Development
Commission of the European Communities
(ARCH.25/1/1)
200, rue de la Loi
B-1049 Brussels

Please cover only one subject at a time.

DESCRIPTION SECTOR CODE

A1 Planning and public administration

A1A Administrative buildings
A1B Economic planning and policy
A1C Assistance to the normal operations of government not falling under a different category
A1D Police and fire protection
A1E Collection and publication of statistics of all kinds, information and documentation
A1F Economic surveys, pre-investment studies
A1G Cartography, mapping, aerial photography
A1H Demography and manpower studies

A2 Development of public utilities

A2A Power production and distribution
A2Ai Electricity
A2B Water supply
A2C Communications
A2D Transport and navigation
A2E Meteorology
A2F Peaceful uses of atomic energy (non-power)

A3 Agriculture, fishing and forestry

A3A Agricultural production
A3B Service to agriculture
A3C Forestry
A3D Fishing and hunting
A3E Conservation and extension
A3F Agricultural storage
A3G Agricultural construction
A3H Home economics and nutrition
A3I Land and soil surveys

A4 Industry, mining and construction

A4A Extractive industries
A4Ai Petroleum and natural gas
A4B Manufacturing
A4C Engineering and construction
A4D Cottage industry and handicraft
A4E Productivity, including management, automation, accountancy, business, finance and investment
A4F Non-agricultural storage and warehousing
A4G Research in industrial technology

A5 Trade, banking, tourism and other services

A5A Agricultural development banks
A5B Industrial development banks
A5C Tourism, hotels and other tourist facilities
A5D Export promotion
A5E Trade, commerce and distribution
A5F Co-operatives (except agriculture and housing)
A5G Publishing, journalism, cinema, photography
A5H Other insurance and banking
A5I Archaeological conservation, game reserves

A6 Education

A6A Primary and secondary education
A6B University and higher technical institutes
A6Bi Medical
A6C Teacher training
A6Ci Agricultural training
A6D Vocational and technical training
A6E Educational administration
A6F Pure or general research
A6G Scientific documentation
A6H Research in the field of education or training
A6I Subsidiary services
A6J Colloquia, seminars, lectures, etc.

A7 Health

A7A Hospitals and clinics
A7B Maternal and child care
A7C Family planning and population-related research
A7D Other medical and dental services
A7E Public health administration
A7F Medical insurance programmes

A8 Social infrastructure and social welfare

A8A Housing, urban and rural
A8B Community development and facilities
A8C Environmental sanitation
A8D Labour
A8E Social welfare, social security and other social schemes
A8F Environmental protection
A8G Flood control
A8H Land settlement
A8I Cultural activities

A9 Multisector

A9A River development
A9B Regional development projects

A10 Unspecified

PABLI — Blue page informatics

Direct access to the blue pages via on-line terminal or telex

The blue pages are on computer and available either directly via a terminal or micro-computer.

Selected extracts of the blue pages may be obtained.

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L-1471 LUXEMBOURG
Tél.: 352/48.80.41
Télex: 2181

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ACP STATES

New projects are printed in italics and offset by a bar in margin at left

Projects under way are marked with an asterisk and with words or phrases in italics

ANGOLA

Sectoral Import Programme. Resp. Auth.: Ministère du Plan. 35 mECU. Supply of seeds (maize, potatoes, for market garden crops) fertilizers, tools, vehicles, raw materials, rural equipment. T.A. and evaluation. ★Project in execution. ***2 int. tenders for supplies launched in August 88.*** 6th EDF.
EDF ANG 6005 A3a

Somar plant rehabilitation in Namibie. Resp. Auth.: Ministère de la pêche. Estimated cost ± 2 mECU. Rehabilitation works. Project on appraisal. Works: acc. tender (conditional) foreseen in June or July 88. Date for financing foreseen in September 88. 6th EDF.
EDF ANG 6008 A3d

Rehabilitation of the Americo Boavida Hospital. *Resp. Auth: Ministry of Health. Estimated total cost ±25 mECU. EDF 19.5 mECU. Italy 5.5 mECU. Works, supply of medical-technical equipment. T.A. for installation, maintenance and training. Works: int. tender (conditional) foreseen in September-October 88. Project on appraisal. Date foreseen for financing October 88. 6th EDF.*
EDF ANG 6004 *A7a*

BELIZE

Belize City Hospital. Phase I. Estimated cost 7.494 mECU. Work constructions and supply of equipment. 4th and 5th EDF. Project stage: identification.
EDF BEL 4007-5002 A7a

Hummingbird Highway. Estimated cost 5.4 mECU. Road reconstruction. Works by ★int. tender. Supervision. ***Date financing July 88.*** 6th EDF.
EDF BEL 6001 A2d

Community Development Programme. Resp. Auth.: Ministry for Social Services. 0.150 mECU. Project preparation study. Short-list done. Project on appraisal. 6th EDF.
EDF BEL 6002 A6b

BENIN

Upgrading of health service infrastructure. Resp. Auth.: Ministère de la Santé Publique. Estimated cost 14.3 mECU: renovation and construction of the hospital building and equipment. Project in execution. 5th and 6th EDF.
EDF BEN 5010 A7a

Mono rural development programme. Development of the rural production. Cofinancing with BAD. Estimated total cost 51.8 mECU. EDF 32,5 mECU, BAD 14.4 mECU, local 4.9 mECU. Project on appraisal. Date ★foreseen for financing ***4th quarter 88.*** 6th EDF.
EDF BEN 6003 A3a

BOTSWANA

Kasane airport. Resp. Auth.: Ministry of Works and Communications. Estimated total cost 10.6 mECU. EDF 6 mECU, Italy 1.5 mECU, local 3.1 mECU. Construction of 2 000 m runway, bush clearance of 170 ha, buildings, two main apron stands, air traffic control equipment, telecommunication network, crash fire and rescue equipment, car ★park. Works supervision. ***Int. tender launched in August 88.*** Project in execution. 6th EDF.
EDF BT 6002 A2d

Support programme for dry land agriculture. Resp. Auth.: Ministry of Agriculture and Ministry of Lands. 3 mECU. Masterplan for Pandamatenga, soil laboratory, Pandamatenga Research Farm, price study. Works, supply of laboratory equipment, agricultural machinery, studies and T.A. Studies: Pandamatenga masterplan. Price study: short-lists already drawn up. Project in execution. Supplies: int. tender launched in April 88. 6th EDF.
EDF BT 6005 A3a

Manpower development for sustainable resource utilisation. Resp. Auth.: Ministry of Finance and University of Botswana. 4.4 mECU. T.A. and training for basic science, ground water exploration and management, environmental resource and sustainable agriculture. Project in execution. 6th EDF.
EDF BT 6003 A6

BURKINA FASO

Rural integrated development programme in the provinces of Sourou, Yatenga and Passoré. Resp. Auth.: Ministère de l'eau, Ministère de l'Agriculture et Elevage, Ministère de la Santé, Ministère de l'Education Nationale. 44 mECU. Development and security of rural production, land capital protection, drinking water supply, rural health improvement, training and monitoring, planning and coordination at regional level. Works for water control, training, T.A., supplies, coordination and follow-up. Project in execution. 6th EDF.
EDF BK 6001 A3a

Ziniare town electrification. Resp. Auth.: Ministère de l'Equipement. 0.520 mECU. To connect Ziniare with the Ouagadougou network. Project on appraisal. 5th EDF.
EDF BK 5025 A2ai

Ouagadougou-Kaya Railway. *Resp. Auth: Government of Burkina Faso. 1.7 mECU. Supply by restr. tender of 96.000 T of ballast (25-55 mm granit or dolerite) local origine. Project on appraisal. Date foreseen for financing October 88. 5th EDF.*
EDF BK 5019 *A2d*

Hydro-agricultural development in the Douna plain. (Intermediate phase). *Resp. Auth: Ministère de l'Eau. 2.1 mECU. Improvement of 400 ha. Construction of quaternary canals, training and monitoring. Project on appraisal. Date foreseen for financing October 88. 6th EDF.*
EDF BK 6005 *A3a*

BURUNDI

Rural development in the Mosso Buyogoma. Resp. Auth.: Ministère de l'Agriculture et de l'Elevage and Département des Eaux et Forêts. 34.815 mECU. Improvement of the feeder roads and secondary roads, rural hydraulics, rural stock-farming and reafforestation development. Support to cooperatives. Feasibility study for secondary roads and hydraulics: short-list done. Project in execution. 6th EDF.
EDF BU 6001 A3a

Rehabilitation of the R.N. 1-Bujumbura-Rwanda border. Resp. Auth.: Ministère des Travaux Publics. Estimated cost 22 mECU. Rehabilitation works plus the town section up the port of Bujumbura. Study to be done: technical study for the execution and int. tender dossier preparation. Short-list already drawn up. Project on appraisal. 6th EDF.
EDF BU-REG 6305 A2d

Support to the Mugamba tea communities. Resp. Auth.: Ministère de l'Agriculture et de l'Elevage and Office du Thé OTB). Estimated total cost ±21 mECU. EDF 18 mECU, EIB 3 mECU. Works, supplies, T.A. and training. Project on appraisal. 6th EDF.
EDF BU 6008 A3a

General import programme. Resp. Auth.: Banque République du Burundi. 12 mECU. Special programme debt. Hard currency allowance to finance import and to establish counterpart fund in Burundi Francs. ★Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF BU 6014 A1c

CAMEROON

Rural development programme in the Bénoué basin. Resp. Auth.: Mission d'études pour l'aménagement de la vallée supérieure de la Bénoué (MEAVSB). Total estimated cost 30 mECU, EDF part 25 mECU. Roads network, schools, health centres, rural water supply. Support to crop production and fishery. Irrigated agricultural areas, fight against soil and surface vegetation degradation. Works, supplies, T.A. and training. Study to be done: sectoral studies to implement different sectors of the programme. Short-list already drawn up. Project in execution. 6th EDF.
EDF CM 6002 A3a

Special import programme for fertilizers. 15 mECU. Supply of ±24 000 t of NPK, urea, ammonium phosphate by int. tender ★(conditional) ***launched in July 88.*** Project on appraisal. Date foreseen for financing September 88. 6th EDF.
EDF CM 6015 A3a

Yaounde-Ayos road. *Resp. Auth: Ministère des Travaux Publics et des Transports. Direction des Routes. 58 mECU. Works: road and bridges. Supervision of works with geotechnical control. 145.7 km. Works after prequalification. Prequalification foreseen in August, September 88. Project on appraisal. Date foreseen for financing September 88. 4th, 5th and 6th EDF.*
EDF CM 6014 *A2d*

CAPE VERDE

Town development of Praia. Estimated cost 19.8 mECU. Works and supply of equipment, T.A. and supervision of works. Project in execution. 6th EDF.
EDF CV 6001 A2d

Sectoral Import Programme for building materials and equipments. *Resp. Auth: Ministère du Plan et Entreprise Publique d'Approvisionnement (E.M.P.A.). 4 mECU. To purchase cement, iron, medical equipment and pavings. Project on appraisal. 6th EDF.*
EDF CV 6002 A4c

CENTRAL AFRICAN REPUBLIC

National Livestock Programme. Supply of agricultural inputs, monitoring training, T.A. Feeder roads. EDF part 10 mECU. Cofinancing with France, EIB, local, IFAD. Project in execution. 6th EDF.
EDF CA 6001 A3a

Conservation programme for the ecosystem in the North. National game and natural reserves. Supervision for protected areas. Monitoring, management. Supply of infrastructures. EDF 25 mECU. Project in execution. 6th EDF.
EDF CA 6002 A3a

Development programme of the Central and Southern region. Resp. Auth.: Ministère du Dév. Rural. 20.3 mECU. To strengthen coffee plantations in the villages and the infrastructure, diversifications in ex-cotton zones; rural health and human hydraulics, T.A., studies, following and evaluation. ★ ***Short-lists already drawn up apart for rural health.*** Date financing July 88. 6th EDF.
EDF CA 6005 A3a

CHAD

Rural development priority programme in the concentration zone. Resp. Auth.: Office National de Dév. Rural (ONDR). 15 mECU. Hydro-agricultural works, infrastructure, education, health. Works, supplies and T.A. Project in execution. 6th EDF.
EDF CD 6002 A3e

Strengthening of the health sector in the Sahelian prefectures. Resp. Auth.: Ministère de la Santé Publique. 12 mECU. Supply of essential medicines, training programme and T.A. Project in execution. 6th EDF.
EDF CD 6003 A7e

Rural development programme. Phase 2. *Resp. Auth: Office National de Dév. Rural (ONDR). 25 mECU. Works, feeder roads, scholar buildings, agricultural equipment, pumps, T.A., follow up and evaluation. Project on appraisal. 6th EDF.*
EDF CD 6005 A3a

CONGO

FEDAR (EDF regional action for the Pool and Cuvette). Resp. Auth.: Ministère du Plan. Estimated cost 36 mECU. Roads, wells, rural infrastructure, supervision of ★ works, line of credit, monitoring. ***Date financing July 88.*** 6th EDF.
EDF COB 6002 A3a

COTE D'IVOIRE

Rural oil palm plantations for the 2nd palm plan. Resp. Auth.: Ministère de l'Agriculture. EDF 20.850 mECU. 22,945 ha in rural areas. Project in execution. 6th EDF.
EDF IVC 6001 A3a

Collection and grouping centres. Building of 3 centres in Kotobi (vegetables), Sinematiali (mangoes) and Meadji (plantain bananas). Works by acc. tender. Supplies by restr. tender. T.A., animation, promotion, training, follow up and evaluation. 2.150 ★ mECU. ***Date financing July 88.*** 4th and 5th EDF.
EDF IVC 5027 A3a

DJIBOUTI

Rural development programme. Resp. Auth.: Ministère de l'Agriculture. EDF part estimated at 4.8 mECU. Improvement of the rural development, farm and livestock monitoring, rural hydraulics, palm-tree plantations, pump-station maintenance. Studies to be done: evaluation of the rural development programme; study on possibilities to improve rural development. Short-lists, already drawn up. Project stage: identification. 6th EDF.
EDF DI 6001 A3a

Urban development programme. Resp. Auth.: Ministère des Travaux Publics, de l'Urbanisme et du Logement et Ministère de l'Intérieur. 4 mECU. Rehabilitation, construction of waste water controlled network, works and supplies, road assessments to improve rain waters. Studies for rehabilitation and to prepare int. tender dossiers (drainage, roads, drinking water, fire protection): short-lists already drawn up. Project in execution. 6th EDF.
EDF DI 6002 A2d

Health programme. Resp. Auth.: Ministère de la Santé Publique. Estimated total cost 1.016 mECU. EDF 0.855 mECU, France 0.116 mECU, local 0.045 mECU. Building of the training centre for health care staff, and of Rural Health Centres. Supply of mobile health care equipment, T.A. to the Health and Epidemiological service. Project in execution. 4th and 6th EDF.
EDF DI 6003 A7a

★ **Support for information.** Resp. Auth.: Secrétariat Général à l'Information. ***1.1 mECU.*** Establishment of a Documentation Centre. Supply of equipment and staff training for the National Printing Office. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF DI 6005 A1e

Training programme. 2 mECU. New vocational training actions for adults. T.A. for training centres. Training, scholar-ships and training courses. Works and supplies. Project on appraisal. 6th EDF.
EDF DI 6101 A6d

EQUATORIAL GUINEA

Rehabilitation of the cacao-tree plantation in the Bioko Island. Resp. Auth.: Ministère de l'Agriculture, de l'Elevage et du Développement Rural. 0.900 mECU. 2nd phase. Supply of agricultural inputs. Project in execution. 5th EDF.
EDF EG 5008 A3a

ETHIOPIA

North Shewa rural reclamation and development programme. Resp. Auth.: Ministry of Agriculture. Total cost 28.5 mECU. EDF 24 mECU, local 4.5 mECU. Soil and water conservation, reafforestation, rural infrastructure development and feeder roads. Works, supply of equipment, vehicles, T.A. and line of credit. Project in execution. 6th EDF.
EDF ET 6001 A3a

Central Shewa peasant agriculture development programme. Resp. Auth.: Ministry of Agriculture. Estimated cost 53.4 mECU. Buildings, roads, rural infrastructure, agricultural inputs, consumer goods, equip- ★ ments, T.A., studies, credit line. ***Date financing July 88.*** 6th EDF.
EDF ET 6002 A3a

South Shewa conservation-based rural development. Resp. Auth.: Ministry of Agriculture. Estimated cost 26.2 mECU. Buildings, roads, rural infrastructure, agricultural inputs, consumer goods, training, T.A., ★ micro-projects, credit line. ***Date financing July 88.*** 6th EDF.
EDF ET 6005 A3a

FIJI

Vanua Levu Road. Phase 3. *Resp. Auth: Public Works Dept. 1.935 mECU. Section of 25 km and bridge. Project on appraisal. 6th EDF.*
EDF FIJ 6002 A2d

GABON

Experimental rural rubbertree cultivation programme Mitzic/Bitam. Resp. Auth.: Ministère de l'Agriculture et du Développement Rural. 2.3 mECU. Special loan to support development of rural rubber tree cultivations in the concentration area assisted by the EEC. Works, supplies and T.A. Project in execution. 6th EDF.
EDF GA 6004 A3a

GAMBIA

Brikama College, Phase II. Resp. Auth.: Ministry of Works and Communications. 1.925 mECU. Construction and equipment of academic and residential buildings. Works by mutual agreement. Equipment for phase II: int. tender, 2nd half 88. Project in execution. 4th EDF.
EDF GM 4005 A6b

Development of the non-industrial fisheries. 3 mECU. Works and supplies. Project in execution. 6th EDF.
EDF GM 6003 A3d

Fuel import programme. Resp. Auth.: Ministry of Finance and Trade. Estimated cost 5 mECU. Supply of petrol (15 million litres, ron 93-95) and gasoil (25 million litres). Supply by int. tender launched in May 88. Project in execution. 6th EDF.
EDF GM 6008 A4f

Development support for the "Upper River Division". Resp. Auth.: Ministry of Economic Planning. 7 mECU. Rehabilitation and improvement of feeder roads, rebuilding and equipment of 6 health centres, rehabilitation of 18 primary schools and 2 vocational training craft centres, rehabilitation of 20 new wells. Credit lines. Works by acc. tenders, supplies by int. tenders. T.A. ***Date financing June 88.*** 6th EDF.
EDF GM 6004 A3a

GHANA

Programme for the improvement of the transport infrastructure in the South Western part. First actions. 21 mECU. Rehabilitation of the Axim-Axim junction road, construction of a road link (including bridge) to Enchi and studies. Feasibility and design study for Wiawso-Awaso-Mim corridor, short-list drawn up. Project in execution. 1st in tender launched in May 88. 6th EDF.
EDF GH 6001 A2d

Support to Ghana Regional Appropriate Technology Industrial Service (GRATIS). Resp. Auth.: Ministry of Industries, Science and Technology. EDF part estimated at 1.200 mECU. Supply of equipments, vehicles, T.A. and training. Project in execution. 6th EDF.
EDF GH 6004 A4g

Rehabilitation of Dawhenya smallholder rice irrigation scheme. 2,4 mECU. Rehabilitation works over 244 ha. Provision of agricultural equipment and other inputs. Project in execution. 6th EDF.
EDF GH 6005 A3a

Accra Plains Livestock Development Project (APLDP). Estimated total cost 4 mECU. EDF part 3 mECU, local 1 mECU. Provision of veterinary and animal husbandry extension services, including construction of cattle treatment centres, water points and other inputs. Project on appraisal. 6th EDF.
EDF GH 6006 A3a

Transport infrastructure programme. Phase II. Resp. Auth.: Ghana Highway Authority. 5 mECU. Rehabilitation of drainage structures and minor bridges of first priority on trunk and feeder roads. T.A. and supervision of works. Technical study: short-list already drawn up. ***Int. tender launched in July 88.*** Project in execution. 5th EDF.
EDF GH 5030 A2d

Twifo oil palm development. Maintenance aid 1988-1991. Resp. Auth.: Ministry of Finance and Economic Planning (M.F.E.P.). Total estimated cost 12.6 mECU. EDF 5 mECU, local 7.6 mECU. Works, supply of equipment and T.A. Project on appraisal. 6th EDF.
EDF GH 6007 A3a

Sectoral import programme. Resp. Auth.: Ministry of Finance and Economic Planning (MFEP). 20.5 mECU. 1st phase: supply of 25 000 t of fertilizers and vehicles. 1st int. tender (conditional) foreseen in ***September 88.*** 2nd int. tender for 30 000 t fertilizers foreseen in July 89. Hard currency allowance (11.5 mECU) for import. Project on appraisal. 6th EDF.
EDF GH A3a

GUINEA

Rural development programme in Upper-Guinea. Resp. Auth.: Coordination team composed by representation from: Ministère du Plan et de la Coopération internationale, Ministère du Finances, Secrétariat d'Etat à la Décentralisation, Ministère du Dév. Rural, 30 mECU. To modernise agricultural systems and to improve the way of living. Development of the crop production, infrastructure (roads, social, rural hydraulics), micro-projects, lines of credit, T.A. and training. Supplies: int. tender launched in February 88. Project in execution. 6th EDF.
EDF GUI 6002 A3a

Rural development programme in Maritime-Guinea. Resp. Auth.: Coordination team (see EDF GUI 6002). 40 mECU. Crop production and fishery, road network, social infrastructure, rural hydraulics, micro-projects, lines of credit, research actions, vulgarisation, T.A. and training. Supplies: 2 int. tenders launched in March 88. Project in execution. 6th EDF.
FED GUI 6001 A3a

Strenghtening of health infrastructure. Resp. Auth.: Ministère de la Santé. Estimated cost 9.4 mECU. Continuation and achievement of the Ignace Deen hospital rehabilitation. T.A. and training. Project in execution. 6th EDF.
EDF GUI 6005 A7a, e

GUINEA BISSAU

Minor bridges. Resp. Auth.: Ministère de l'Equipement Social. Estimated total cost 3.7 mECU. Construction of 4 bridges to open four agricultural regions. Works and supervision. Project on appraisal. 5th EDF.
EDF GUB 5011 A2d

Rural development programme. 23.8 mECU. Improvement of the food and fishery production, line of credit, micro-projects, T.A. and training. Project in execution. 6th EDF.
EDF GUB 6001 A3a

GUYANA

Economic infrastructure sector support programme. Resp. Auth.: Ministry of Finance. 15 mECU. Rehabilitation of sea defences, quarries, transport, water supplies. Supply of equipment, training. First int. tender for supplies foreseen in the ***4th*** quarter 88. ***Project in execution.*** 6th EDF.
EDF GUA 6003 A2b, d

Sysmin-Rehabilitation of the Bauxite Industry. *Resp. Auth: Guymine. EDF part 31.5 mECU. Supply of equipments, spare parts, T.A. at Linden and Kwakani. Project on appraisal. Date foreseen for financing October 88. 5th EDF.*
EDF SYS GUA 5024 A4a

JAMAICA

Rural water supplies. Phase I. Resp. Auth.: National Water Commission. ***6.7*** mECU. Extension, upgrading of five existing water supply schemes: South Manchester, Elderslie/Niagara, Castleton, South Chapelton. Works and supplies. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF JM 6003 A2b

Montego Bay airport. Charter terminal. Resp. Auth.: Airports Authority of Jamaica. 7.1 mECU. Works and supply of equipments. Works by acc. tender. Supplies by int. tender. Supervision. Project in execution. 6th EDF.
EDF JM 6004 A2d

Cocoa rehabilitation and expansion. Resp. Auth.: Cocoa Industry Board. Estimated cost 4 mECU. Supply of farm and processing plant, research, management, T.A., marketing. Project on appraisal. 6th EDF.
EDF JM 6007 A3a

Boundbrook wharf reconstruction: Port Antonio. Resp. Auth.: Jamaica Port Authority. Estimated total cost 2.630 mECU. EDF 1.5 mECU, local 1.130 mECU. Demolition of the existing wharf, construction of 100 m pier, crane rail, storage facilities, navigation aids, provision of services, paving of storage yard. ***Int. tender (conditional) launched in July 88.*** Project on appraisal. ***Date foreseen for financing September 88.*** 4th EDF.
EDF JM 4010 A2d

KENYA

Minor roads rehabilitation and maintenance programme. Estimated cost 5 mECU. Works by direct labour. Project stage: identification. 6th EDF.
EDF KE 6002 A2d

Agricultural research programme. 20 mECU. Soil and water management research. Soil fertility and plant nutrition. Civil works and libraries. Project in execution. 6th EDF.
EDF KE 6003 A3e

Development of commerce and industry. Estimated cost 5 mECU. Export promotion and marketing, trade development promotion and support to informal sector and small scale industries. Studies, short-lists already drawn up. Project stage: identification. 6th EDF.
EDF KE 6004 A5de

Cereal sector reform programme. Resp. Auth.: Ministry of Finance, Agriculture and Supplies and Marketing and NCPB. National Cereals and Produce Board. 65 mECU. T.A., studies, training. Storage and rolling stock, sectoral import programme purchase of agricultural inputs, short and longterm T.A., cooperatives and reserve funds. Studies, T.A. and training: short-lists not yet drawn-up. Works by int. tender and acc. tender. Supplies by int. tender. Project on appraisal. Project in execution. 6th EDF.
EDF KE 6008 A3a

LESOTHO

Mphaki area development. Phase II. Resp. Auth.: Ministry of Agriculture. 3.7 mECU. Feeder roads, livestock, veterinary and marketing installations, supplies and T.A. Project in execution. 6th EDF.
EDF LSO 6002 A3a

Asparagus expansion programme. Resp. Auth.: Ministry of Trade and Industry. 4.75 mECU. The project aims to increase within 10 years smallholders asparagus growing areas from present 80 to 670 ha. Works: wells, tracks, houses and other infrastructures. Supplies: vehicles, tractors and farm equipments, T.A. and training. Project in execution. Int. tender for supplies launched in June 88. 6th EDF.
EDF LSO 6003 A3a

Manpower development project to support Lesotho's natural resources sector. Resp. Auth.: National Manpower Development Secretariat (NMDS). Ministry of Planning Economic and Manpower Development. 7.7 mECU. Construction of schools, class-rooms, laboratories, supply of T.A., scholar-ships and training. Project in execution. 6th EDF.
EDF LSO 6007 A6b

Mekaling-Quthing road. Resp. Auth.: Ministry of Works. Estimated total cost 11.450 mECU. Reconstruction to bituminous surfaced standard of 26.5 km. Works, T.A., training and supervision. Project in execution. 6th EDF.
EDF LSO 6008 A2d

LIBERIA

Rural health training centre. Estimated cost 2.5 mECU. Provision of services, supplies and equipment (including drugs), T.A. for management and training. Project in execution. 5th EDF.
EDF LBR 5020 A7a

Bong Mining Company. Rehabilitation project. Resp. Auth.: Government and BMC. 49.3 mECU. Supply of specialized equipment, shovels, conveyor belts, dumpers, locomotives, spare parts. Project in execution. 5th EDF.
EDF LBR/SYS 0000 A4a

South-East development programme. Estimated cost 27 mECU. Works, supplies and T.A. Project in execution. 6th EDF.
EDF LBR 6002 A3a

MADAGASCAR

Microhydraulic programme in the village sector: consolidation and extension. Programme to improve the management of water in the village sector on 21 000 ha of small enclosed irrigated rice fields. Works by direct labour. Acquisition of equipment and supplies by int. tender and tech. assistance by restr. tender. 8.35 mECU. T.A. Short-list done. Project in execution. 6th EDF.
EDF MAG 6001 A2b

Rehabilitation of the R.N. 4 road (PK 58 to PK 177). Resp. Auth.: Ministère des Travaux Publics. 10 mECU. Int. tender for rehabilitation works. 119 km. Supervision. Project in execution. 6th EDF.
EDF MAG 6005 A2d

Small irrigated areas in the North: rehabilitation and support programme for rice-growing in the region of Antsohihy. Resp. Auth.: For rural part: Ministère de la Production Agricole et de la Réforme Agraire (MPARA) for feeder roads: Ministère des Travaux Publics. 12.8 mECU. Works by acc. tender. Supplies by int. tender. Feeder roads by int. tender. Supervision of works: restr. tender. T.A. and training. Project in execution. 6th EDF.
EDF MAG 6007 A3a

Maize development programme in the Middle West. Resp. Auth.: Ministère de la ★Production Agricole. ***9.5 mECU.*** Building of a nursery and farmers training. Works, supplies, T.A. evaluation and training. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF MAG 6006 A3a

Development of the Andapa Basin. Phase 3. *Resp. Auth: Ministère de la Production Agricole et de la Reforme Agraire (MPARA). 2.3 mECU. Rehabilitation of rice growing areas, agricultural advisory actions, road works. Works by acc. tender. Equipments by int. tender. T.A., training, follow-up and evaluation. Project on appraisal. Date foreseen for financing September 88. 5th EDF.*
EDF MAG 5039 A3a

MALAWI

Strategic fuel reserve. Resp. Auth.: Office of the President and Cabinet. Contingency Planning Unit. 4.2 mECU. Construction of tanks for diesel, petrol, ethanol. Associated infrastructure and equipment. T.A. Project on appraisal. 5th EDF.
EDF MAI 5020 A2a

Smallholder agricultural input support programme. Resp. Auth.: Ministry of Agriculture. 28.2 mECU. Establishment of fertiliser buffer stock of 70 000 tons, building of 3 warehouses + auxillary facilities, T.A. Int. tender for fertilizers launched in February 88. Project in execution. 6th EDF.
EDF MAI 6005 A3a

Rural health programme. Resp. Auth.: Ministry of Health and Ministry of Community Services (MOH and MOCS). 9.3 mECU. Construction of an hospital, two health centres supply of equipments, T.A. Works by acc. tender. Supplies by int. tender. T.A.: short-list drawn up. Project in execution. 6th EDF.
EDF MAI 6009 A7a, e

Programme for industrial products im-★ports. 12.5 mECU. Supply of industrial equipment, raw materials and spare parts. ***Date financing June 88.*** 6th EDF.
EDF MAI 6019 A1c

MALI

Support programme to the food strategy. 19.5 mECU. Project in execution. 6th EDF.
EDF MLI 6001 A3a

Stock-farming in North-East Mali. Resp. Auth.: Ministère des Ressources Naturelles et Elevage. 2.2 mECU. Improvement of water points, building construction for cooperatives, supplies, training, follow-up, logistics. Project in execution. 5th EDF.
EDF MLI 5006 A3a

Rice-growing intensification programme in the large irrigated areas. Resp. Auth.: Ministère de l'Agriculture. 66 mECU. Improvement of the irrigated areas, roads. Supply of equipment for maintenance and for agriculture, study, T.A., training and experimentation. Study: short-list done. Project on appraisal. 5th and 6th EDF.
EDF MLI 6004 A3a

Food security programme in the 5th region. Resp. Auth.: Gouverneur de la région. 24 mECU. Soil and ground water resources, rehabilitation of Bamako. Mopti road. Works, supplies, supervision, study, T.A. training. Project in execution. 5th and 6th EDF.
EDF MLI 6005 A2b, d

Import programme for essential goods. *Resp. Auth: Ministère des Finances et du Commerce. 25 mECU. Purchase of 28,000 T white sugar, weed-Killers and sprayers and 38,000 m^3 of oil and natural gas. All by int. tender. Project on appraisal. Date foreseen for financing September 88. 6th EDF.*
EDF MLI 6007 *A 1c*

MAURITANIA

Aioun El Atrouss hospital. Resp. Auth.: Ministère de l'Equipement. 1.050 mECU. Renovation and supply of equipment for 3 buildings. Works by acc. tender. Supplies by int. tender. Project on appraisal. 5th EDF.
EDF MAU 5012 A7a

Rehabilitation of Nouakchott National Hospital. Resp. Auth.: Ministère de l'Equipement. 4 mECU. Renovation and upgrading for building, supply of medical-technical and surgical equipment. Project on appraisal. Date foreseen for financing 2nd half 88. 6th EDF.
EDF MAU 6003 A7a

Road maintenance programme. Resp. Auth.: Direction des Travaux Publics. 15 mECU. Upgrading strenghtening of the road Nouakchott-Rosso (93,5 km) and 78 km of the road Boutilimit-Aleg. Supply of equipment for a road maintenance brigade. Supervision, T.A. and training. Works and supplies by int. tender. Project in execution. Works: int tender launched in April 88. 6th EDF.
EDF MAU 6004 A2d

Rehabilitation programme for the "SNIM". Resp. Auth.: Société Nationale Industrielle et Minière (SNIM). 18 mECU. Renovation of railway track equipment and wagons. Modernization of the repair-shops. Supply of equipments and spare parts by ★int. tenders ***launched in July 88.*** Project in execution. 6th EDF.
EDF SYS MAU A4a

Support programme for the development of the Gorgol region (PDRG). Estimated cost 35 mECU. Improvement of the irrigated areas, support to the traditional crop, regeneration of the natural habitats, rural infrastructure, sanitation of Kaedi. Proj-

★ ect on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF MAU 6007 A3a

MAURITIUS

Development of Ile Rodrigues — Phase II. Resp. Auth.: Ministry of Agriculture. 3.250 mECU. Development centred on agricultural production. Works and supplies. Project in execution. 5th EDF.
EDF MAS 6003 A3a

Programme to diversify productive sectors to improve, employment prospects (1st part: industry). 10 mECU. Actions to strengthen export and industry promotion institutions, actions to incite development of small enterprises. Project in execution. 6th EDF.
EDF MAS 6002 A5e

Craft industry development. Resp. Auth.: Ministère de l'Emploi et du Tourisme. Estimated cost 1.9 mECU. To set up workshops: training and products promotion.
★ Project on appraisal. ***Date foreseen for financing October 88.*** 6th EDF.
EDF MAS 6005 A4d

MOZAMBIQUE

Import support programme for rural development. Resp. Auth.: Ministry of Commerce. 40 mECU. Direct support to the agricultural production and consumer foods production, development of the rural marketing and infrastructure. Importation of seeds, fertilisers, pesticides, raw materials for light industry: textiles, food, tobacco, shoes, soap. Purchase of vehicles and trucks, cranes, loading platforms (containers), importation of raw materials for manufacture of tyres, building materials. T.A. and
★ valuation. Supplies by int. tender. 2 Int. tenders launched in June 88. Project in execution. 6th EDF.
EDF MOZ 6008 A1c

Eduardo Mondlane University. Basic science courses. Resp. Auth.: Universidade Ed. Mond. (UEM). 2.3 mECU. Construction works, supply of furnitures and pedagogical equipment. T.A. Works by acc. tender. Supplies by int. tender. T.A. by restr. tender. Project in execution. 6th EDF.
EDF MOZ 6015 A6b

Institutional support for fishing. Resp. Auth.: Secrétariat d'Etat à la Pêche. 2.750 mECU. Supply of 12 T.A. high and medium level specialized in: finance administration and management (5 T.A.); procurements and stock management (3 T.A.); civil and naval engineering (4 T.A.). T.A.: short-lists
★ not yet drawn up. ***Date financing July 88.*** 6th EDF.
EDF MOZ 6017 A3d

Rural rehabilitation in the Inhambane Province. *Resp. Auth: Ministère de l'Agriculture. Direction Nationale du Développement Rural (DNDR). 4.5 mECU. Dry and irrigated agriculture, marketing for rural inputs and crop production, rural hydraulics, training and education. Works, supply of agricultural equipments, T.A. Works: acc. tender or direct labour, supplies by int. tender. Project on appraisal. Date foreseen for financing September 88. 6th EDF.*
EDF MOZ 6019 A3a

NIGER

Rice-growing in the river valley. Resp. Auth.: Ministère de l'Agriculture. 63.6 mECU. Cultivation of 1,800 ha, electrification, feeder roads, T.A. for management. Project preparation study: short-list already
★ drawn up. ***Date financing July 88.*** 6th EDF.
EDR NIR 6001 A3a

Small irrigation programme. Resp. Auth.: Ministère de l'Agriculture. 21.560 mECU. Rehabilitation of the Tarka down valley, irrigation, boreholes and wells. Feeder roads, environmental protection, T.A. Works and supplies. Studies: short-lists already drawn up. Project in execution. 6th EDF.
EDF NIR 6002 A3a

Road maintenance on R.N. 1. Resp. Auth.: Ministère des Travaux Publics. 15 mECU. Maintenance works for 160 km and supervision. Project in execution. 6th EDF.
EDF NIR 6003 A2d

Mining research: gold and coal. Resp. Auth.: Ministère des Mines et de l'Energie. 12.450 mECU. Gold: photogeological and photomorphological study on existing aerial photos. Revision of all available data. Strategic prospecting. Site exploration and pilot plant. Coal: study and building of a washing plant. Study on the coal field of Anou Araren-Solomi. T.A. and training. Drillings by int.
★ tender. Supplies by int. tender. ***Date financing July 88.*** 6th EDF.
EDF-SYS-NIR 6011 A4a

Rehabilitation of the electric network of the National Hospital in Niamey. *Resp. Auth: Ministère de la Santé et des Affaires Sociales. 0.715 mECU. Works and electrical supplies with stand-by plant. Project on appraisal. 5th EDF.*
EDF NIR 5034 A7a

Training programme. *Resp. Auth: Ministères de l'Education, Commerce, Culture, Plan, Agriculture. ±5 mECU. Three priority sectors: rural development, business development, cultural development. Supply of equipments, T.A. and scholarships. Project on appraisal. 6th EDF.*
EDF NIR 6101 A6b, c,i

NIGERIA

Rural electrification project. Resp. Auth.: National Electric Power Authority (NEPA). 7.5 mECU. Supply and installation of transformers, conductors, poles and cables and ancillary equipment for connections totalling 300 km. Supervision and evalua-
★ tion. ***Date financing June 88.*** 5th EDF.
EDF UNI 5017 A2ai

Oil Palm Belt Rural Development Programme (OPBP). Resp. Auth.: Ministry of Agriculture, Water Resources and Rural Development. 68.840 mECU. Flood protection and drainage works in the Niger Delta. ±20 000 ha. Rural infrastructures, microprojects, T.A., training, research, supervi-
★ sion of works, management. ***Date financing July 88.*** 6th EDF.
EDF UNI 6001 A3a

North East Arid Zone development programme. Resp. Auth.: Ministry of Agricul-
★ ture. ***35 mECU.*** Increase of rural production, livestock development, afforestation and environment control, rural infrastructure development (health, education), commercial services (inputs, credit and marketing system), manpower development, training and research. Works: irrigation, drainage, buildings, supply of seeds, chemicals, fertilizers, dozers, drilling rigs, T.A., training, research. ***Date financing July 88.*** 6th EDF.
EDF UNI 6002 A3a

Research and Training programme. *Resp. Auth: Ministry of Finance and Economic Development. Training Support Unit (TSU). 30 mECU. Scholarships, seminars, T.A. Teacher training, cooperation betweeen Nigerian Training Institutions and European Training Institutions, exchanges between nigerian and european research institutions. Purchase of equipment. Project on appraisal. Date foreseen for financing October 88. 6th EDF.*
EDF UNI 6004 *A6a, b, c, d, e, f*

PAPUA NEW GUINEA

Vailala-Rigo Road. *Resp. Auth: Dept. of Works. 7.2 mECU. Works and supervision. 26 km. Works by int. tender. Project on appraisal. Date foreseen for financing October 88. 6th EDF.*
EDF PNG 6002 A2d

Brown River-Veimauri Road. *Resp. Auth: Dept. of Works. 11.8 mECU. Works and supervision. 28 km. Works by int. tender. Project on appraisal. 6th EDF.*
EDF PNG 6003 A2d

Smallholder Cocoa and Coconut Rehabilitation Programme. *Resp. Auth: Dept. for Agriculture and Livestock. 4.7 mECU. Feeder roads, housing, supply of vehicles, boats, motorcycles, equipments, T.A. and training. Project on appraisal. 6th EDF.*
EDF PNG 6005 A3a

RWANDA

Food strategy support programme. Resp. Auth.: Ministère du Plan. 51 mECU. Development of the rural activity, monitoring, training, maintaining of natural environment stability. Infrastructures, supply of agricultural inputs, vehicles, T.A. studies and training. Project in execution. T.A.: Short-list done. 6th EDF.
EDF RW 6001 A3a

ST. LUCIA

Roseau agricultural resettlement and diversification project. Phase II. 1.4 mECU. Works, supply of equipment and T.A. Project in execution. 6th EDF.
EDF SLU 6001 A3a

★ ***Rural development. Social Infrastructure.*** Resp. Auth.: Central Planning Unit. ***3.645 mECU.*** Works and supply of equipment and T.A. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF SLU 6002 A3a

ST. VINCENT & THE GRENADINES

Orange Hill development. Resp. Auth.: Rabacca Farms Ltd (RFL). Estimated total cost 8.350 mECU. EDF 3.080 mECU, UK 1.118 mECU, Caribbean Dev. Bank 1.258 mECU, local 2.854 mECU. Land surveys, settlers housing sites, feeder roads, marketing and trade. EDF part: construction of farm roads, building rehabilitation and refurbishment, monitoring and evaluation. Roads by acc. tender. Building by direct labour. Supplies by Caribbean Dev. Bank. T.A. by UK. Project in execution. 5th and 6th EDF.
EDF SVG 6001 A3a

SAO TOMÉ & PRINCIPE

Riberia Peixe rural development. Resp. auth.: Ministère de la Coopération. Development of agricultural output (palm oil) and industrial exploitation. Estimated total cost: 6.79 mECU as follows: EDF 4.00 mECU, EIB 2.00 mECU and local 0.791 mECU. T.A., works, training and supplies. T.A.: Short-list done. Project in execution. 6th EDF.
EDF STP 6001 A3a

Strengthening of the electricity production capability. Supply and installation and works for electricity production of ★ ± *1 000* KVA. Estimated cost ***1.150 mECU. Date financing July 88.*** 6th EDF.
EDF STP 6002 A2ai

Improvement of the Port of São Tomé. Resp. Auth.: National Authorizing Officer of STP. 1 mECU. Supply of fixed equipment and off-shore equipment. T.A.: LACKNER (D). Project partly regional. Project in execution. 6th EDF.
EDF STP-REG 6002 A2d

SENEGAL

Consolidation of the livestock development programme. Resp. Auth.: SODESP. Estimated cost 1.6 mECU. Study under way by Bessel Ass. (UK). Project on appraisal. 5th EDF.
EDF SE A3a

Support programme to the development of the Podor region. Estimated cost 97 mECU. Rural hydraulics, support to promote S.M.E., micro-irrigation, road and urban infrastructures, telecommunications, electrification, health, training, promotion of women, fight against desertification. Int. tender for works launched in July 87 and int. tender for supplies launched in September 87. Int. tender for pumps launched in March 88. Project in execution. 6th EDF.
EDF SE 6002 A3a

Building, development and management of two regional vocational training centres. Resp. Auth.: Ministère de l'Education Nationale. 2.3 mECU. Works by acc. tender, or direct labour. Equipments: furnitures, pedagogical equipment, workshop equipments, vehicles. T.A. to follow works, equipments and training actions. Project in execution. 5th EDF.
EDF SE 5041 A6d

Sanitation of Dakar. Phase 3. *Resp. Auth: Direction de l'Hydraulique Urbaine et de l'Assainissement. 2 mECU. Sanitation of Medina and Gueule Tapée districts. Works by acc. tender (conditional). Supplies by direct agreement. T.A. Project on appraisal. Date foreseen for financing October 88. 5th EDF.*
EDF SE 5043 A8b, c

Petroleum products import programme. *Resp. Auth: Ministère de l'Economie et de Finance. Société Africaine de Raffinage (S.A.R.). 11,5 mECU. Supply of 100,000 T crude oil by int. tender foreseen in August-September 88. 5th and 6th EDF. Date financing July 88.*
EDF SE 6005 A4a,i

SIERRA LEONE

Tourism development project. Estimated cost 0.850 mECU. T.A. for Ministry of Tourism and supply of equipment. Project stage: identification. 5th EDF.
EDF SL 5026 A5c

North Western artisanal fisheries and community development programme. Resp. Auth.: Ministry for Agriculture and Natural Resources (Fisheries Division). 6 mECU. Infrastructures, supply of equipments, line of credit. T.A. ★ ***Date financing July 88.*** 6th EDF.
EDF SL ***6004*** A3d

Rehabilitation of the Telecommunications network. Phase 2. *6 mECU. Works, supplies and T.A. Project on appraisal. 6th EDF.*
EDF SL 6006 A2c

SOLOMON ISLANDS

Coconut industry development project. Resp. Auth.: Ministry of Land and Natural Resources. Study under way by Agrar und Hydrotechnik (D). Project stage: identification. 5th EDF.
EDF SOL 5009 A3a

Rehabilitation programme after cyclone Namu. Resp. Auth.: Ministry of Economic Planning. 1.722 mECU. Works and supply of equipment. Project in execution. 6th EDF.
EDF SOL 6002 A7a

Development of human resources in the rural sector. Resp. Auth.: Ministry of Economic Planning. 4 mECU. Supply of equipment, T.A. and training. Project in execution. 6th EDF.
EDF SOL 6003 A3a

Small holder development project. Resp. Auth.: Ministry of Agriculture. 3.32 mECU. EDF 3 mECU, local 0.320 mECU. Works, supplies, T.A. and training. Project in execution. 6th EDF.
EDF SOL 6006 A3a

SOMALIA

Bardheera Dam. Resp. Auth.: Bardheera Dam Authority (BDA). 600 mECU. (Estimated) Dam Project 500 mECU. Powerline to Mogadishu 100 mECU. Funding: EDF, Italy, Germany, France, Saudi Arabia, Abu-Dhabi, Kuwait Funds, FADES, Isl. Dev. Bank. Local. Power and river regulation for agricultural development. Construction of a concrete gravity dam with hydro-power station, associated infrastructure and electrical transmission lines. The dam will provide water, flood protection and power for up to 223 000 ha of irrigated agriculture in the Juba Valley, and energy to Mogadishu. Civil works: first int. tender launched in 1984. Transmission lines int. tender in 1988. Equipment: powerhouse main equipment and auxiliary equipment, int. tenders in 1988. Gates, valves, intake equipment, int. tender in 1989. Int. tender with prequalification launched in February 86 for hydraulic tests. Project in execution. 5th EDF.
EDF SO 5003 A2a

Upgrading of the road Afgoi-Shalambot-Goluen. Resp. Auth.: Ministry of Public Works. Works by int. tender. Supervision of works. Studies: AIC. PROGETTI (I). Project on appraisal. 5th EDF.
EDF SO 5017 A2d

Hargeisa airport rehabilitation. Resp. Auth.: Ministry of Land and Air Transport. Estimated cost 3 mECU. Works and supply off equipment. Project on appraisal. 6th EDF.
EDF SO 6001 A2d

Satellite telecommunication links with Europe and the Gulf States. Resp. Auth.: Ministry of Post and Telecommunications. 5 ★ mECU. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF SO 6003 A2c

Sectoral Import Programme (SIP). Resp. Auth.: Ministry of Finance. 15 mECU. Provision of a hard currency facility to the public and private sectors for imports: agriculture, livestock, fisheries, industry and ★ transport. T.A. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF SO 6006 A1c

Juba valley road. Resp. Auth.: Ministry of Public Works. Estimated total cost 74 mECU. EDF ± 61 mECU. Construction of an all-weather unsurfaced road from Gelib to Baardheere (230 km) prior to the construction of the Baardheere dam. Project on appraisal. 6th EDF.
EDF SO 6007 A2d

SUDAN

Programme of assistance to spontaneoysly settled refugees in Sudan. Resp. Auth.: Commission of Refugees (COR). 16.33 mECU. Rehabilitation of 12 hospitals, 48 schools and construction of one school. Supply of equipment, T.A. and training. Project in execution. 6th EDF.
EDF SU 6104 A8a, b, c

SURINAME

Biomass energy project at Wageningen. Resp. Auth.: Government. Installation of an energy generator on the basis of rice husks. Project stage: identification. 5th EDF.
EDF SUR 5009 A2a

Artisanal fishing centre Nickerie. Estimated total cost 1.3 mECU. Works for of-

fices, repair shop, jetty, cold stores. Supply of ice making unit, vehicles, fishing gears, spare parts for engines. Training and evaluation. Project in execution. 5th EDF.
EDF SUR 5013 A3d

Sectoral import programme. Estimated cost 5 mECU. Creation of a revolving funds for imports of inputs (fertilizers and chemicals for the rice sector). Project on appraisal. 6th EDF.
EDF SUR 6001 A3a

New Nickerie Secondary School. Estimated cost 1 mECU. Construction and supply of equipment. Project on appraisal. 5th EDF.
EDF SUR 5014 A6a

SWAZILAND

★ **Rural water supplies programme.** Ministry of Natural Resources. 2.6 mECU. Works and supply of equipment for village drinking water supply scheme. ***Project in execution.*** 6th EDF.
EDF SW 6008 A3a

Human resources development programme. Resp. Auth.: Ministry of Education. 8 mECU. Works and supply of educational equipment, T.A. and training. Project in execution. 6th EDF.
EDF SW 6010 A6a, b

★ **Rural dam rehabilitation programme.** Resp. Auth.: Ministry of Agriculture. ***4mECU.*** Works and supervision. Project on appraisal. ***Date foreseen for financing September 88.*** 6th EDF.
EDF SW 6012 A3a

TANZANIA

Agricultural sector support programme. Resp. Auth.: Ministry of Finance and Planning. 94 mECU. Measures to improve food security, support for coffee production and processing, assistance to co-operative unions, repair and maintenance of vehicles and tractors, feeder road maintenance and assistance to institutions implementing the programme. Supplies by int. tender/restr. tender or direct agreement. T.A.: Short-list done for restr. tenders. Project in execution. 6th EDF.
EDF TA 6001 A3a

Incentive goods production programme. 6 mECU. Provision of imported row materials and other inputs, spare parts, bicycles. ***Project in execution.*** 6th EDF.
EDF TA 6003 A4b

Sectoral Import Programme. Resp. Auth: Government of Tanzanie. 24.5 mECU. Allocation of currencies to import raw materials and spareparts for agriculture, transport and the production of basic consumer goods. Purchase of trucks spareparts for the transport sector. Project on appraisal. Date foreseen for financing September 88. 5th and 6th EDF.
EDF TA 6010 A1c

TOGO

Support to the draught animals cultivation. Resp. Auth.: Ministère du Développement Rural. EDF 5.47 mECU. Extension of the Adelé ranch, introduction of new techniques, line of credit. Works: feeder roads, bridges, wells, housing. Supply of vehicles, equipments, veterinary products, T.A. and training, research. Project in execution. 6th EDF.
EDF TO 6005 A3a

Rural development programme in the Savannah region. Resp. Auth.: Ministère du Développement Rural. 6.784 mECU. T.A. for training, research, vulgarization and farmers responsabilization. Works by direct labour, supplies by direct agreement. Project in execution. 6th EDF.
EDF TO 6003 A3a

★ **Rural development programme in Bassar.** Resp. Auth.: Ministère du Dév. Rural. EDF ***10.3*** mECU. Rural intensification and diversification, soil protection, improvement of infrastructure, support to the small-farmer association, marketing improvement. Works, studies, research, evaluation. ***Date financing July 88.*** 6th EDF.
EDF TO 6006 A3a

TONGA

Vava'u Airport Development Project. Resp. Auth.: Ministry of Civil Aviation. 2.130 mECU. Works, supply of equipment and training. Works by direct labour, supplies by int. tender. Project on appraisal. 5th and 6th EDF.
EDF TG 5003-6001 A2d

Integrated regional development study for Vava'u. Short-list done. Project stage identification.
EDF TG A3a

TRINIDAD AND TOBAGO

St. Patrick water supply. Resp. Auth.: WASA (Water and Sewerage Authority). 5.5 mECU. Construction of 9 tanks by acc. tender. Supply of pipes for 63 km by int. tender. Project in execution. 4th EDF.
EDF TR 4003 A2b

UGANDA

Forestry rehabilitation programme. Resp. Auth.: Government of Uganda. Estimated total cost 32 mECU. EDF part 8.5 mECU. Natural forest protection and management; reafforestation; improved charcoal production, fuel wood plantation preparation. Works, supplies, T.A. and training. Project in execution. 6th EDF.
EDF UG 6003 A3c

Tea rehabilitation programme. Resp. Auth.: Government of Uganda. Estimated total cost 97 mECU. EDF part 8 mECU. Project will rehabilitate tea factories, estates outgrower tea areas, repair roads, improve fuelwood supplies and assure inputs to the tea sub-sector. Works, supplies and T.A. Int. tender (conditional) launched in March 88. Project in execution. 6th EDF.
EDF UG 6002 A3a

Makarere university renovation. Resp. Auth.: University and National Authorising Officer. 8 mECU. Renovation of 9 faculties, staff housing, supply of printing and library equipment, supervision. Int. tender for supplies launched end of March 88. Project in execution. 6th EDF.
EDF UG 6006 A6b

★ **Rural health programme. Phase 2.** Resp. Auth.: Ministry of Local Government. 4 mECU. Rehabilitations, supply of equipments, training. ***Date financing July 88.*** 6th EDF.
EDF UG 6012 A7a

★ **Special programme debt.** Resp. Auth.: Ministry of Planning. Bank of Uganda. Delegation of the Commission. 15 mECU. Provision of hard currency to import agricultural inputs, spare parts, vehicles, printing equipment, building materials. Supplies by acc. tenders and int. tenders. ***Date financing July 88.*** 6th EDF.
EDF UG 6016 A1c

VANUATU

★ **Coconut development project. Phase II.** Resp. Auth.: Ministry of Agriculture. 1.8 mECU. Works, supplies and T.A. ***Date financing July 88.*** 6th EDF.
EDF VA 6004 A3a

WESTERN SAMOA

Afulilo hydro power project. Estimated total cost 18 mECU. EDF part 7.5 mECU. Construction of a dam, reservoir, penstock, 4 MW power station, 40 km transmission lines, T.A. and training. Cofinancing under discussion with EIB, IDA and Asian Dev. Bank. Project stage: identification. 6th EDF.
EDF WSO 6001 A2a

ZAIRE

Goma-Beni high-voltage transmission line. Technical study to be done. Short-list already drawn up Project on appraisal. 6th EDF.
EDF ZR 0000 A2a

2nd intervention Sysmin. Gécamines Working and SNCZ. EDF part 41 mECU. Supply of mining equipment, machine-tools, engines. Int. tender for SNCZ launched in January 87. Project in execution. 5th EDF.
EDF ZR-SYS 5001 A4a

Kivu programme. 40 mECU. Action for crops (coffee, corn, palm-tree, rice) environment (Parc de la Virunga), lines of credit. Project in execution. 6th EDF.
EDF ZR 6002 A3a

Kinshasa hinterland programme. Estimated cost 35 mECU. To improve crop production. Project on appraisal. 6th EDF.
EDF ZR 6003 A3a

Matadi-Kinshasa-Kenge road. Resp. Auth.: DG Travaux Publics et Adm. Territoriale. 22.5 mECU. Road rehabilitation and training for the staff of " Office des routes ". Project in execution. 6th EDF.
EDF ZR 6006 A2d

ZAMBIA

Rehabilitation of 3 grain silos. Resp. Auth.: Ministry of Agriculture. NAMBOARD. 9.6 mECU. Works, supplies and work supervision. Project on appraisal. Date foreseen for financing decision 2nd half 88. 6th EDF.
EDF ZA 6007 A3f

ZAMSTEP. Zambia Mathematics and Science Education Project. 3.5 mECU. Supplies, training and management. T.A.: Short-list done for restr. tender. Project in execution. 6th EDF.
EDF ZA 6002 A6a

Agricultural inputs import support programme. Resp. Auth.: Ministry of Finance and Nitrogen Chemicals of Zambia. 40 mECU. Procurement after int. tender of raw materials, catalysts and other chemicals required for the production of fertiliser by NCZ. Supply of agric. inputs, equipments and spare parts. 2 int. tenders for fertilizers launched in July 87. Project in execution. 5th and 6th EDF.
EDF ZA 6003 A3a

Smallholder development in copper belt province. Resp. Auth.: Ministry of Agriculture and water development. 12 mECU. Basic infrastructure by acc. tender. Supply of vehicles and materials by int. tender. T.A. Project in execution. 6th EDF.
EDF ZA 6004 A3a

Smallholder development in central province. Resp. Auth.: Ministry of Agriculture and water development. ***12.35 mECU.*** Basic infrastructure and social facilities. Works, supplies and T.A. ***Project on appraisal. Date foreseen for financing September 88.*** 6th EDF.
EDF ZA 6005 A3a

Batoka cross-breeding ranch. Phase II. Resp. Auth.: Ministry of Agricultural and water department. Veterinary Dept. 1 mECU. Provision of further equipment and refurbishment and continued T.A. ***Project in execution.*** 6th EDF.
EDF ZA 6006 A3a

ZIMBABWE

Zimbabwe export development programme. Resp. Auth.: Ministry of Trade and Commerce, Export Promotion Dept. Estimated total cost 6.3 mECU. EDF 4.4 mECU. Sector and market development, human resource development and institutional development and T.A. Project in execution. 6th EDF.
EDF ZIM 6001 A4a

Land Use Project for Kanyati and Gatshe-Gatshe Communal Lands. 3 mECU. Cultivation and development and proper utilisation of wildlife potential. Works, supply of vehicles and rural equipment and T.A. Project in execution. 6th EDF.
EDF ZIM 6004 A3a

Assistance to the Agricultural Finance Corporation (AFC). Resp. Auth.: A.F.C. Estimated cost 23.5 mECU. Line of credit (10 mECU), T.A. training supply of vehicles, motor-bikes and computer by int. tender. Project in execution. 6th EDF.
EDF ZIM 6005 A3a

Overseas Countries and Territories (OCT)

NETHERLANDS ANTILLES

Tourism improvement. Curaçao. Phase I. Otrobanda sewerage. Resp. Auth.: Ministry of Public Works. 6 mECU. EDF. Sewage, road works, piping, supervision. Int. tender (conditional) launched in April 88. Project on appraisal. ***Date foreseen for financing October 88. 5th EDF.***
EDF NEA 5013 A5c

St. Eustatius airport, extension of runway. *Resp. Auth: Dept. of Dev. Cooperation. 4.7 mECU. EDF 2 mECU. Netherlands 2.7 mECU. Extension of the runway, supervision of works. Project on appraisal. Date foreseen for financing October 88. 6th EDF.*
EDF NEA 6003 A2d

ARUBA

Investment and export incentive programme. Resp. Auth.: Ministry of Economic Affairs. Estimated cost 0.690 mECU. Pilot scheme to help the industries to develop their exports. Studies, training. Project on appraisal. 6th EDF.
EDF ARU 6001 A5d

NEW CALEDONIA

Inventory of the mineral resources. Resp. Auth.: Direction des Mines et de l'Energie du Territoire. Estimated total cost 1 mECU. EDF 0.800 mECU, France 0.200 mECU. T.A. by restr. tender. Project in execution. 6th EDF.
EDF (SYS) NC 12 A4a

WALLIS AND FUTUNA

Electrification of Futuna. Resp. Auth.: Administration Supérieure de Wallis et Futuna. 1 mECU. Supply of cables and pylons for L.T. and M.T. Project on appraisal. 6th EDF.
EDF WF 6001 A2a

CAYMAN ISLANDS

Community college. Works and supply of equipment and T.A. ***Date financing July 88.*** 6th EDF.
EDF CI 6001 A6d

TURKS AND CAICOS ISLANDS

Replacement of Grand Turk Dock. Resp. Auth.: Ministry of Works. 2.290 mECU. Works and T.A. Project on appraisal. 4th, 5th and 6th EDF.
EDF TC 6001 A2d

Regional Projects

NIGER BASIN AUTHORITY

Protection and reafforestation in the "Haut Bassin Versant du fleuve Niger en Guinee". Works, supplies and T.A. Estimated total cost 1.5 mECU. Project stage: identification. 5th EDF.
EDF REG 5112 A8f

BURKINA — NIGER

Timber development in the future reservoir of the Kompienga Dam. Resp. Auth.: Ministère de l'Environnement du Burkina. EDF 5.9 mECU. Timber trees recuperation and processing to obtain building and service timber, fuel-wood, charcoal for their commercialisation. Works, supply of equipment and T.A. Project in execution. 6th EDF.
EDF REG 6102 A3c

ZAIRE — CONGO — GABON — SAO TOME AND PRINCIPE — EQUATORIAL GUINEA — CAMEROON

Fishery development in the Gulf of Guinea. 6.7 mECU. T.A. to prepare these projects: Short-list done. Project in execution. 5th EDF.
EDF REG 5206 A3d

PACIFIC ACP COUNTRIES

Pacific Regional Aircommunications. Stage I. Resp. Auth.: SPEC. 4.6 mECU. Buildings, runways and supply of navigational aids. Project in execution. 5th EDF.
EDF REG 5717 A2d

PIACC — Pacific Islands Association of Chambers of Commerce. Stage 2. Resp. Auth.: PIACC, Suva, Fiji. 1 mECU. T.A. and training. Project in execution. 6th EDF.
EDF REG 6021 A5e, g

Regional agriculture development programme. 6.8 mECU. Ten pilot project. T.A. works and supplies. Project in execution. 6th EDF.
EDF REG 6704 A3a

Regional telecommunications. Resp. Auth.: SPEC. 5.550 mECU. Coastal radio stations, earth satellite stations, T.A., training. Equipments by int. tender. Works by int. tender and direct agreement. Project in execution. 6th EDF.
EDF REG 6705 A2c

Regional tourism development programme. Phase II. Resp. Auth.: SPEC and TCSP. Development of tourism and tourism related sectors of the Pacific ACP States and OCTs. Estimated total cost ***7.4 mECU.*** Works: implementation of programme components, supply of films, promotion and teaching materials, T.A., support for TCSP and project. Project on appraisal. ***Date foreseen for financing September 88. 6th EDF.***
EDF REG 6027 A5c

MEMBER COUNTRIES OF CILSS

Provisional survey of natural renewable resources in the Sahel. Resp. Auth. : CILSS Secretariat. Setting up of an observation unit to forecast crop production. Remote sensing by satellite, air survey and ground control. Project in execution. T.A. : Sodeteg – (F). 5th EDF.
EDF REG 5116 A8f

Millet, maize, sorghum and niébé project. Resp. Auth. : CILSS Secretariat. Estimated cost 2 mECU. To provide improved varieties for farmers. Local tests. Purchase of vehicles and equipment and to take charge of local test control staff. Project stage : identification. 5th EDF.
EDF REG 5116 A3a

Improvement of permanent diagnostic instruments for regional food security. Resp. Auth. : Secrétariat Exécutif Ouagadougou. EDF and Italy cofinancing. EDF 7.705 mECU, Italy 2.795 mECU. Supplies, T.A. and running costs. Project in execution. 6th EDF.
EDF REG 6110 A3a

Programme to utilize photovoltaic solar energy. Resp. Auth. : CILSS. Total estimated cost 30 mECU. Supply of 1 500 units for pump, refrigeration and light. Supply by restr. tender after prequalification. Prequalification launched in March 88. Project on appraisal. 6th EDF.
EDF REG 6116 A2ai

MEMBER COUNTRIES OF U.A.P.T.

Satellite telecommunications project. Resp. Auth. : U.A.P.T. Secretariat in Brazzaville. R.P.C. Parametric study under way by national organisations of I, UK, F and D. Project stage : identification. 5th EDF.
EDF REG 5307 A2c

INDIAN OCEAN ACP COUNTRIES

Inventory and study of medicinal and aromatic plants. 2.2 mECU. T.A., training and evaluation. T.A. and training already in place. Project in execution. 6th EDF.
EDF REG 6501 A3a

Regional assistance to the handicraft. 3.5 mECU. T.A. training, supply of equipment. Project in execution. 6th EDF.
EDF REG 6502 A4d

EAST AFRICAN COUNTRIES

Statistical training centre for Eastern Africa in Tanzania. Resp. Auth. : Secretariat of the centre. 2.0 mECU. Widening of the capacity. Construction of class-rooms, offices and housing. Project stage : identification. 5th EDF.
EDF REG 5311 A6b

BURUNDI — RWANDA — TANZANIA — UGANDA — ZAIRE — KENYA

Northern Corridor : Masaka-Mbarare-Kabale Road Rehabilitation. 48.5 mECU Reconstruction of 277 km of road including drainage work lime stabilised base course and double surface dressing. Supervision. Project in execution. 6th EDF.
EDF REG 6304, (UG 0000) A2d

Northern corridor transport programme, Kenya. Resp. Auth. : Ministry of Transports and Communications, Kenya. 37 mECU. Works (rehabilitation) of 105 km. Supervision. Project in execution. First int. tender launched in February 88. 6th EDF.
EDF REG 6303 (KE...) A2d

Central corridor (emergency programme for T.R.C.). Resp. Auth. : Tanzania Railway Corporation. T.R.C. 13 mECU. Supply of railway equipment. Wagons, locomotives, spare parts, T.A. Project in execution. 6th EDF.
EDF REG 6306 (TA 0000) A2d

SOMALIA — DJIBOUTI

Djibouti-Zeila (Somalia) road. Resp. Auth. : Ministère and Ministry of Public Works. Estimated cost 26 mECU. Construction of a road between Djibouti town and Zeila town in Somalia. Project on appraisal. 6th EDF.
EDF REG 6301 A2d

SADCC

Maseru Container Terminal. Resp. Auth. : Government of Lesotho and SADCC. 1.350 mECU. Construction of container terminal and supply of containers, handling equipment. Study required : detailed design of works. Short-list already drawn up. Project on appraisal. 5th EDF.
EDF REG 5421 A2d

Land and water management project. *Resp. Auth : SACCAR. EDF 2.636 mECU. UK (ODA) 1.562 mECU. Training programmes and T.A. Building of a resource center. Works and supply of equipment. Project on appraisal. 6th EDF.*
EDF REG 6415 A3a

ANGOLA — MOZAMBIQUE — *SADCC*

Training of railways staff. Resp. Auth. : ★ Ministry of Commerce. Estimated cost ***7.3 mECU.*** Training of Inhambane school and in the Northern regional centres, Southern and Central. Project on appraisal. ***Date foreseen for financing September 88. 6th EDF.***
EDF REG 6409 A6d

MALAWI — ZAMBIA — ZIMBABWE

Regional Tsetse and Trypanosomiasis Control Programme. Resp. Auth. : Technical and financing responsibility : Zimbabwe national authorising officer. 19.150 mECU. Works by direct labour. Vehicles, veterinary products, aerial spraying and equipment by int. tender. T.A. by direct agreement. Project in execution. 5th EDF.
EDF REG 5420 A3a

KENYA — SUDAN — ZAMBIA

Field oriented research on the control of tse-tse and livestock ticks. Resp. Auth. : ICIPE (International Centre of Insect Physiology and Ecology. 2 mECU. Support to the ICIPE for the research on two parasites. ★ *Date financing July 88.* 6th EDF.
EDF REG 6022 A3a

KENYA — TANZANIA — UGANDA

Victoria Lake. Fishery research. Resp. Auth. : Committee composed by Directors of Nationals Research Institutes and/or by National Directors for fishery. 1.5 mECU. Supply of equipment and fishing gears, vessel, laboratory equipment, T.A. training and evaluation. Project in execution. 5th EDF.
EDF REG 5316 A3d

CARIBBEAN AND ACP COCOA PRODUCERS

Cocoa Research Unit (CRU), Phase II. Resp. Auth. : CRU in Trinidad. 2.624 mECU. Works, supply of equipment and agricultural inputs, T.A. and training. Study : I.R.C.C. (F). Project in execution. 5th EDF.
EDF REG 5043 A3a

CARIBBEAN ACP COUNTRIES AND MONTSERRAT

Regional trade development programme. Resp. Auth. : CARICOM Secretariat. Estimated total cost 10 mECU. EDF 6.1 mECU, CARICOM 3.9 mECU. Short and long term experts, seminars, training, market ★ promotion activities, evaluation. ***Date financing June 88.*** 5th EDF.
EDF REG 5681 A5de

West Indies university. Resp. Auth. : UWI and National Authorising Officers. 5.398 mECU. Renovation and rehabilitation works, supply of technical and scientific equipment, T.A. and training. Project on appraisal. 6th EDF.
EDF REG 6601 A6b

MEDITERRANEAN COUNTRIES

ALGERIA

Scientific cooperation programme with "Ministère de l'Enseignement Supérieur" (MES). Resp. Auth. : MES. EEC contribution 2.5 mECU. Supply of technical and scientific equipment, training and T.A. Project in execution.
SEM AL A4g

Technical and scientific programme with HCR " Haut Commissariat à la Recherche ». Resp. Auth. : H.C.R. EEC contribution 12.1 mECU. T.A., training and evaluation. Supply of equipment by int. tender : test micro steam power plant, pilot plant for desalination, solid waste treatment, biomass, wind energy, computers, solar and nuclear laboratory. Project in execution. 3 int. tenders launched in April 88.
SEM AL A4g

Integrated training programme on forestry. Resp. Auth.: Ministère de l'Hydraulique, de l'Environnement et des Forêts. 2.5 mECU. T.A. long-term and short-term, equipments, scholar-ships. Project in execution.
SEM AL A3a

EGYPT

Egyptian Renewable Energy Development Organization. EREDO. Resp. Auth.: Egyptian Government. EEC contribution 7.7 mECU. Construction and equipment for the centre. Works and supplies: int. tender with prequalification foreseen in 2nd half 88. T.A.: GET/KFA (D). Int. tender dossier: Phoebus (I).
SEM EGT 1002 A2a

Training Institute for Egyptian Labour Representatives. "Workers University". EEC contribution 1.970 mECU. T.A. and supply of kitchen, cafeteria and laundry equipment by int. tender. Project in execution.
SEM EGT A6d

LEBANON

Printing plant for school books. Resp. Auth.: Council for Development and Reconstruction and Centre de Recherches et de Développement Pédagogiques (C.R.D.P.). 28 mECU. Procurement of machinery and consumables for a printing plant. All by int. tender. Int. tender launched in April 88. Project in execution.
SEM LE A6i

JORDAN

A.T. to the Royal Scientific Society-Phase II. 2 mECU. Supply of equipment, training, scholarships and seminars. Project on appraisal.
SEM JO 2006 A6a

Upgrading Primary Health Care Services in Kerak Governorate. Resp. Auth.: Ministry of Health (MOH). EEC Contribution 1 mECU. Project in execution.
SEM JO A7b

Wala and Nukhelia dams studies. Resp. Auth.: Ministry of Hydrology and Irrigation. 2 mECU. First phase A: financial and economical aspects and technical faisability. Phase B: final procedure for design and conception and preparation tender dossier. Phase C: T.A. and supervision. Phase A: ★ short-list done. *Date financing June 88.*
SEM JO A2a

MALTA

Tourism industry modernisation. 2.4 mECU. Tourism development plan, promotion, institut for hotel management and tourism, restauration of the St. Jean Cathedral. T.A. and works. T.A.: short-list not yet ★ drawn up. Works by acc. tender. *Date financing June 88.*
SEM MAT A5c

Improvement of infrastructure. 3.1 mECU. T.A. and supply of equipments. Management of natural water resources, long term development plan for "Telemalta Corporation", Marsaxlokk port project and "Malta Dev. Corporation". T.A.: short-list not yet drawn up. Supplies by int. tender.
★ *Date financing June 88.*
SEM MAT A9b

SYRIA

ISSAT. Institut Supérieur des Sciences Appliquées et de Technologie. Resp. Auth.: State Planning Commission. Estimated total cost 70.3 mECU. EEC part: supply of teaching and training equipment for the institute and T.A.: 8.250 mECU. Project in execution.
SEM SYR 2002 A6b

Rural Water Supply Suweida Region. Resp. Auth.: Ministry of Local Administration and Ministry of Housing and Utilities. EEC 3.8 mECU. Project in execution.
SEM SYR 2001 A2b

TUNISIA

Date-palm plantations study project in Régime Maatoug. Resp. Auth.: Banque Nationale de Dév. Agricole (B.N.D.A.). 1.9 mECU. Feasibility study, drillings and access roads. Works by direct labour. Study: Short-list done. Project in execution.
SEM TUN 2001 A3a

Improvement of rural enquiries system. Resp. Auth.: Ministère de l'Agriculture. Direction de la Planification, des Statistiques et des Analyses Economiques (DPSAE). 0.400 mECU. Purchase of micro-computers by direct agreement. T.A. by the CESD with the responsability of the OSCE. Project in execution.
SEM TUN 3001 A1b

Sejnane-Joumine water-main. Resp. Auth.: Direction Générale des Grands Travaux Hydrologiques. EEC contribution 10 mECU for supply of pipes and ancillary equipments. German participation (KFW) ±23 mECU for works and supplies. Soviet Union funded revision of studies. EEC part ★ by int. tender. *Date financing June 88.*
SEM TUN A2b

Rural development project for the South-West of Kef. Resp. Auth.: Office de mise en valeur du Kef. Ministère de l'Agriculture. EEC contribution 10 mECU. Purchase of 3 bulldozers, 2 motograders, 5 tractors with 5 t trailers, 5 tanks (3 000 litres each) 2 4×4 vehicles by int. tender. Works by di-★ rect labour. *Date financing June 88.*
SEM TUN A3a

TURKEY

Geothermal energy in Western Anatolia. Resp. Auth.: MTA — Institut de Prospection et Recherches Minérales. EEC contribution 8 mECU. Supply by int. tender of specialized equipment for wells, boreholes and for laboratory analyses. T.A. and training. Project in execution.
SEM TU A4a

WEST BANK AND GAZA OCCUPIED TERRITORIES

Assistance to the Palestinian population in the occupied territories. EEC contribution 2.971 mECU. Various projects, lines of credit, supply of equipment, T.A. and training. Project in execution. First int. tender for supplies launched in October 87.
SEM OT A8a, b, e

A.L.A. developing countries ASIA and LATIN AMERICA

ASEAN

Aquaculture development and coordination programme. 6,77 mECU. Project in execution.
ALA ASN 8604 A3d

Industrial standards and quality control programme. 5 mECU. Project in execution.
ALA ASN 8609 A4a

Marine fisheries resources assessment. Resp. Auth.: South-East Asian Fisheries Development Centre (SEAFDEC). EEC contribution 0.652 mECU. Supply of equipments and T.A. Project in execution.
ALA ASN 8618 A3d

BANGLADESH

Rehabilitation after floods. 6.5 mECU. Repairing of health centres, schools reconstructions, road repair, supply of "bailey" bridges, trucks, ambulances four wheels drive, follow up and supervision. Supply by int. tender. Project in execution.
ALA BD 8720 A3a, A8g

Road materials and standards study. Resp. Auth.: Ministry of Communication and Roads. Roads and Highway Dept. (RHD). EEC contribution 2.2 mECU. Short-list not ★ yet drawn up for restr. tender. Date financing July 88.
ALA BD 8808 A2d

BHUTAN

Water supply. Resp. Auth.: Inter dep. Commission on water and sanitation. Works by direct labour. 4.5 mECU. Supplies int. tender or direct agreement. T.A.: UNICEF. Project in execution.
ALA BHU A2b

Development of agricultural support activities. Resp. Auth.: Ministry of Agriculture. EEC contribution 3.4 mECU. Building of regional centres, soil analyses laboratory, supply of equipments and vehicles, T.A. and ★ training. *Date financing July 88.*
ALA BHU 8809 A3a

BOLIVIA

Flood protection programme. Santa Cruz. EEC 9 mECU, NL 1 mECU. Works, supply of equipment. T.A. for NL. Project in execution.
ALA BO 8510 A8g

Rural self-development programme. Resp. Auth.: CORDEPO-CORDEOR. 20 mECU. Supply of equipment, materials, line of credit, T.A. Project in execution.
ALA BO 8701 A3a

Regulation-prevention programme of the TDPS basin. Resp. Auth.: CORDEOR for urgent works. 5 mECU. T.A. by EEC expert for 2 years for works and T.A. by a multidiscipline team for TDPS study. Purchase by int. tender of 2 dredgers, equipments and specialized equipment for study. Works by direct labour. T.A. direct agreement after restr. tender. Project in execution.
ALA BO 8723 A3a

BURMA

Foot-and-mouth disease fight project. Resp. Auth.: Ministry of Agriculture. Animal Husbandry Dept. EEC contribution 3.45 mECU. Purchase of equipment, vaccins, vehicles, T.A. training and evaluation. Project in execution.
ALA BA 8718 A3a

CHINA (PEOPLE'S REP.)

Pilot project to develop irrigated sector in the Gansu Province. Resp. Auth.: Water Resources Bureau of the Gansu Province. EEC contribution 3 mECU. Supply of equipment, T.A. training, evaluation. Supplies by int. tender. Project in execution.
ALA CHN 8631 A3a

Assistance to the EEC food aid dairy development project. Resp. Auth.: Ministry of Agriculture, Animal Husbandry and Fisheries. Bureau of Animal Husbandry. EEC contribution 4.5 mECU. T.A. by restr. tender after short-list. Specialized equipments and semendoses $\pm$30 000 by int. tender. Evaluation. Project in execution.
ALA CHN 8711 A3a

COSTA RICA

Productive projects programme for refugees in Costa Rica. T.A. and line of credit. 3.6 mECU. Project in execution.
ALA CR 8501 A8b

Integrated rural development of the region of OSA/GOLFITO. Total cost 21.635 mECU. EEC 9.95 mECU. Supply of equipment, infrastructural works, maintenance, lines of credit and T.A. Project in execution.
ALA CR 8506 A3a

ECUADOR

Rural development in the region of the Chambo river. Resp. Auth.: Institut Equatorien des Ressources Hydrauliques (INERHI). EEC 9 mECU. T.A. and training, irrigation works, line of credit, supply of equipment. Project in execution.
ALA EC 8701 A3a

Reconstruction Programme. (After March 87 earthquake). *Resp. Auth: Banco Ecuatoriano de la Vivienda (BEV). EEC contribution 3.5 mECU. Housing and T.A. Date financing July 88.*
ALA EC 8810 A8a

EL SALVADOR

Programme for the Development of Handicrafts in deprived areas. Resp. Auth.: Interministry Committee with the leadership of the Ministry of Culture and Communication. EEC 6 mECU. T.A., studies and supply of equipment and vehicles. Project in execution.
ALA ES 8710 A4d

Construction of a hospital in Zacamil. Construction and equipping of a 200 beds hospital. 12 mECU. Works and supplies by int. tender. T.A. for supervision and management. Project in execution.
ALA ES 8712 A7a

GUATEMALA

Support to the rural diversification in the Pacific Region (Montellano and San Carlos Malaga. EEC 5.5 mECU. Supply of equipment, infrastructural works, lines of credit. T.A. and training. Project in execution.
ALA GU 8707 A3a

HONDURAS

Water supply, health in the rural sector. Resp. Auth.: Consejo Directivo de Saneamiento (CODISA), and Ministerio de Salud Publica. EEC contribution 14.5 mECU. Supply of equipment, materials, vehicles, T.A. and training. Project in execution.
ALA HO 8620 A8bc

INDIA

Stock-farming development in Tamil-Nadu. Resp. Auth.: Animal Husbandry Dept. of the Government of Tamil Nadu. EEC contribution 6.1 mECU. Works and supplies, T.A. and evaluation. Supplies by int. tender. Project in execution.
ALA IN 8704 A3a

Coconut development, Kerala. Resp. Auth.: Kerala Kera Karshaka Cooperative Federation (Kerafed). EEC 45 mECU. Supply of equipments, oil plants, T.A. and evaluation. Project in execution.
ALA IN 8709 A3a

Inland Fisheries Development. *Resp. Auth: National Cooperative Dev. Corp. (NCDC) with Dept. of Fisheries (DOF). EEC contribution 22.1 mECU. Works, T.A. and supply of equipments. Project on appraisal.*
ALA IN 8804 A3a

Tank Irrigation System, Tamil Nadu, Phase II. *Resp. Auth: Dept. of Agriculture. EEC Contribution 24.5 mECU. Works, supplies and T.A. Project on appraisal. Date foreseen for financing October 88.*
ALA IN 8811 A3a

INDONESIA

Evaluation of the pelagic fishery in the Java Sea. Resp. Auth.: Agricultural Agency for Research and Development (AARD) and RIF. Cofinancing with France. EEC contribution 2.20 mECU, France 1.20 mECU, local 0.45 mECU. Supply of equipment, T.A. and training. Project in execution.
ALA IND 8717 A3a

Rural electrification project (hydroelectric micro-power stations). Resp. Auth.: Ministry of Energy and Mines. Electricity and new energy Dept. EEC contribution 18.9 mECU. Works, supply of turbines, generators, adjusters of 10 KW, 25 KW and 100 KW, vehicles and other equipment, T.A. and training. Project in execution.
ALA IND 8719 A2a

LAOS

NAM NGUM water, pumping irrigation. Resp. Auth.: Ministère de l'Agriculture, Forêts, Irrigation and Coopératives Nationales (MAFIC). EEC 5.5 mECU. Building of 4 irrigation networks and drainage. Studies, construction of 4 pumping stations, supply of equipments and T.A. Project on appraisal.
ALA LA 8802 A3a

NEPAL

Rural Development in Gulmi. Resp. Auth.: Ministry of Panchayat and Local Development (MPLD). EEC 2.710 mECU. Works, supplies and T.A. Project in execution.
ALA NEP 8706 A3a

NICARAGUA

Rural integrated development in San Dionisio and La Meseta. Estimated cost 8.5 mECU for the EEC contribution. Supply of equipment, vehicles, T.A. and training. Project on appraisal.
ALA NI 8614 A3a

Crop production development in the La Meseta region. EEC contribution 5.6 mECU. Works, supplies, T.A. and training. Project in execution.
ALA NI 8630 A3a

PACTO ANDINO MEMBER COUNTRIES

Regional programme for technical co-operation: APIR (Accelerate Process on Regional Integration). Resp. Auth.: JUNAC. EEC participation 7.3 mECU. T.A. for studies, training and advising. Supply of small equipment. ***Date financing July 88.***
ALA JUN 8806 A1b

Satellite Telecommunications Andean System (SATS) Preparation – Phase 2. *Resp. Auth: JUNAC. 2.2 mECU. Date financing July 88.*
ALA JUN 8803 A2c

PAKISTAN

Buner development project. EEC contribution 10.6 mECU. Works, supplies and T.A. Supplies by int. tender. Project in execution.
ALA PK 8715 A3a

Primary education in rural areas. Cofinancing with CIDA and IDA. EEC contribution 15 mECU for works, T.A. and scholarships. Project in execution.
ALA PK 8716 A6a

Baluchistan agricultural college. Resp. Auth.: Baluchistan Department of Agriculture. Directorate of Agricultural Education Services. Estimated total cost 28 mECU. EEC contribution 18 mECU. Design and construction of the college. Supply of pedagogical equipment and vehicles. T.A. to prepare tender dossiers for works and supplies. T.A. for supervision of works. Works by ★acc. tender. Supplies by int. tender. *Date financing July 88.*
ALA PK 8807 A6ci

PANAMA — COSTA RICA — NICARAGUA — HONDURAS — EL SALVADOR — GUATEMALA

Regional programme to strenghten cooperatives. Cofinancing with Spain. EEC contribution 22 mECU. Spain 2.5 mECU, local 15.5 mECU. Supply of T.A., lines of credit, training. Project in execution.
ALA REG 8714 A5f

EL SALVADOR — GUATEMALA — HONDURAS — NICARAGUA

Regional programme to eliminate rabies in Central America. Resp. Auth.: Pan-American Health Organisation (PAHO). EEC contribution 2.9 mECU. Supply of equipment and materials and T.A. Project in execution.
ALA REG 8625 A8c

PERU

Lake Titicaca. Reconstruction-prevention programme. Resp. Auth.: Corporacion de Desarrollo de Puno (CORPUNO). EEC contribution 5 mECU. Studies, works and supplies. Project in execution.
ALA PE 8603 A3a

PERU — ECUADOR — COLOMBIA (PEC)

Regional programme: fishing technical cooperation EEC/PEC. Estimated EEC contribution 6 mECU. T.A., supply of equipments and training. Project on appraisal.
ALA REG 8721 A3a

PHILIPPINES

Cordillera development programme. Resp. Auth.: Ministry of Agriculture and Food (MAF). EEC part 18.5 mECU. Rural micro-projects in the Northern Luzon. Irrigation, roads, bridges, water supplies, rural credit. Supply of equipment, T.A. and train-Project in execution.
ALA PHI 8616 A3a

SRI LANKA

Integrated rural development of the Mahaweli right bank region. System B. EEC contribution 25 mECU. Works and supplies. Prequalification for works foreseen in the 2nd half 88. Project in execution.
ALA CE 8703 A3a

THAILAND

Mae Kok water resource study. Resp. Auth.: Electricity Generating Authority of Thailand. EGAT and Royal Irrigation Dept. (RID). EEC contribution 2.8 mECU, local 0.45 mECU. T.A. and training, supply of equipment. Project in execution.
ALA TH 8708 A3a, A9a

Joint secretariat Office. Resp. Auth.: Ministry of Agriculture. EEC contribution 1.8 ★mECU. T.A. and supply of equipment. *Date financing July 88.*
ALA TH 8805 A3a

YEMEN — ARAB REPUBLIC

Rehabilitation and maintenance of Al Mahwit road network. Supply of equipment and materials by int. tender. T.A. and training. EEC contribution 7.5 mECU. Project in execution.
ALA YAR 8611 A2d

YEMEN — PEOPLE'S DEMOCRATIC REPUBLIC

Rural development of Al Mahwir. Estimated cost 6.5 mECU. Project on appraisal. Date foreseen for financing decision 2nd half 88.
ALA YDR A3a

INTERNATIONAL CALLS FOR TENDER

All international calls for tender (int. tenders) referred to in this Operational Summary are notified in due time in the Official Journal (O.J.) of the European Communities' «S» supplement. This information is also available by computer link via the "TED" data base.

Subscriptions to the O.J. «S» supplement should be addressed to the «Office for Official Publications of the European Communities», L-2985 Luxembourg, Tel.: 49 00 81. For "TED" contact ECHO (see box page II).

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Louis EMMERIJ (editor) — **Les politiques de développement et la crise des années 1980** (Development policies and the crisis of the '80s) — OECD, 2 rue André Pascal, 75775 Paris, Cédex 16 (France)

Although the data of under-development in the non-industrialised countries are similar, the sociological and technical conditions of implementation of development programmes often differ. There are however a number of important constants in the results of economic policies grafted onto societies that are unsuitable for the chosen models.

The seminar on which this book is based looked at the continent of Africa, examining two bases for economic growth—agriculture and mineral resources. The latter has little effect on the development of the countries concerned because of the strongly capitalistic nature of mining where the direct advantages in terms of job creation are extremely limited.

"The negative effect of mineral exports on the other sectors of marketable goods is well documented", says Emmerij in the chapters on Africa. For this phenomenon operates "via a revaluation of the real exchange rate of the currency of the country. And, in the African context, the absorption of the rare technical and management resources by the fast expanding sectors further emphasises the permanent exodus which robs the rural areas of their youngest, best educated and most enterprising elements." Nigeria, Congo, Gabon and Botswana are unfortunate examples of these policies. The results of their agriculture, which employs 54-78% of the population, have been uniformly bad when it comes to boosting production. And although things may look better in Cameroon, it is partly because oil resources only appeared later on in the country's overall process of growth. Côte d'Ivoire, Kenya and Malawi have not yet tried to base any growth on their mining sectors.

This OECD analysis shows the crucial importance of a framework of sound, properly designed development and growth policies and that it is those countries which have managed to strike and maintain a balance and a decent degree of efficiency in all they do which have ensured sustained expansion of their agricultural production.

ooo

L'état du Tiers Monde (The state of the Third World)—edited by Elio Comarin—Editions La Découverte, 1 Place Paul Painlevé, 75005 Paris/CFCF, 42 rue Cambronne, 75015 Paris—377 pages—1987

This is a subject on which it would be practically impossible to cram more into so few small pages. It is a collection of writings by 60 or so experts and journalists and the diversity of the authors and the decision to keep the articles short mean that, in spite of the density of the subject matter, the work is an easy one to consult.

The four main sections cover:
— "The Third World and the Third Worlds". This presents the geographical characteristics of the southern continental units, together with three syntheses—"The Unity and Diversity of the Third World", by Yves Lacoste, "Inventing New Societies", by Georges Balandier and "Three Worlds, One Planet" by Alfred Sauvy.
— "Strategic Questions", of which there are 15. This is a very diversified approach to the big problems of today, from culture and religion to the major social, political and military conflicts, through demography, training, housing, the environment, health and agriculture.
— "The Third World and the Others". This section deals with the colonisers, non-alignment, cooperation, North-South trade and South-South relations.
— "Initiative and Solidarity". This deals with emergency aid, development aid, human rights and information.

The basic articles are often supplemented by the individual points of view of such people as Edgard Pisani, Bernard Langlois, Christine Ockrent and Bernard Kouchner.

This mass of information covers some very varied and sometimes surprising subjects—the spread of the desire for democracy, the development of highly advertised terrorism as a substitute for guerilla warfare, the fact that the Third World countries have to create 47 million jobs every year for the next 40 years to meet current demand and absorb unemployment, the extraordinary rise of sects alongside the major religions etc.

Lastly, the reader who wishes to know more can consult the chronology (1945-86), bibliography, review of reviews (not including The ACP–EEC Courier!) and list of useful addresses at the back of the book. ○ A.L.

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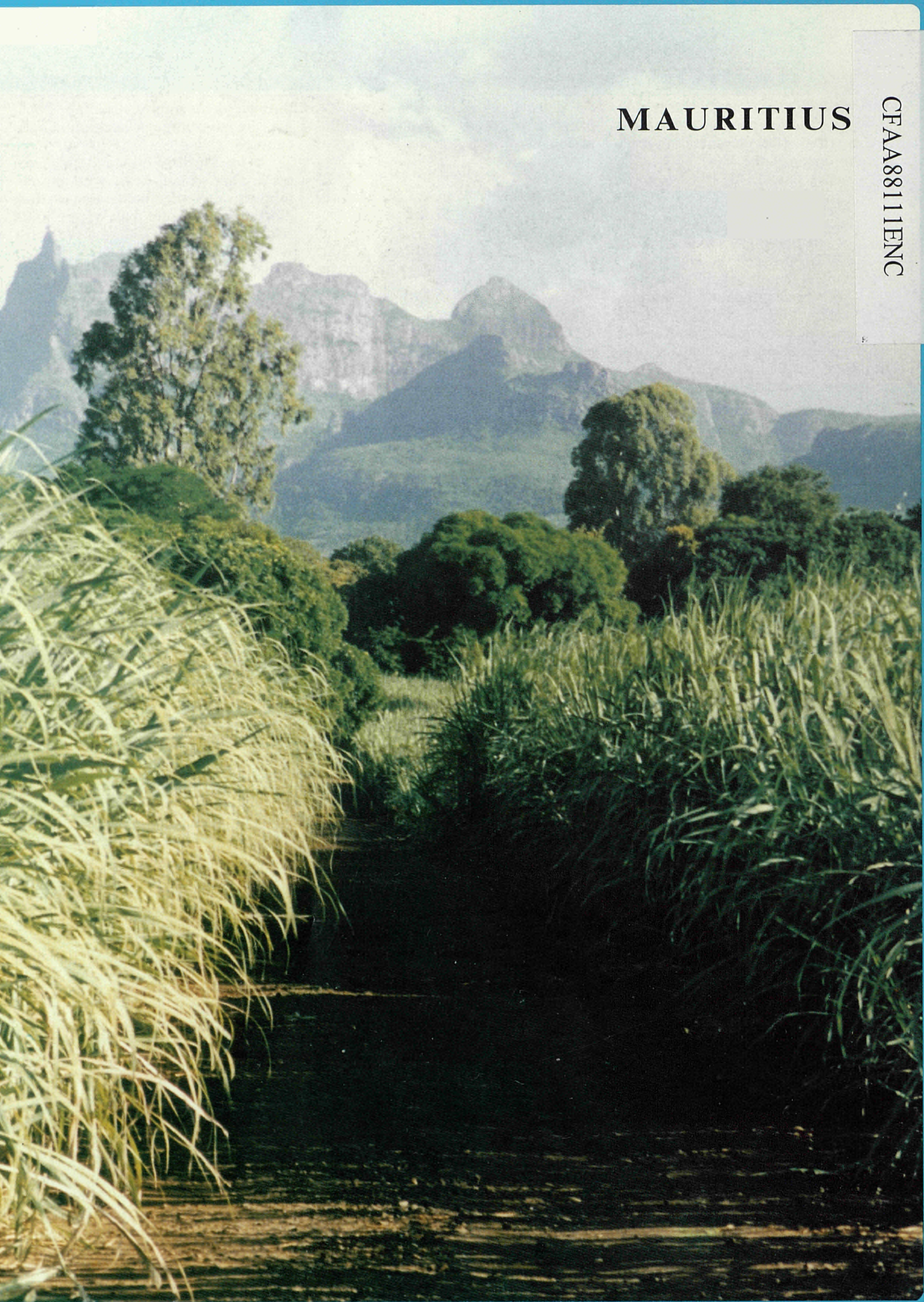

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