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AFRICA REPORT

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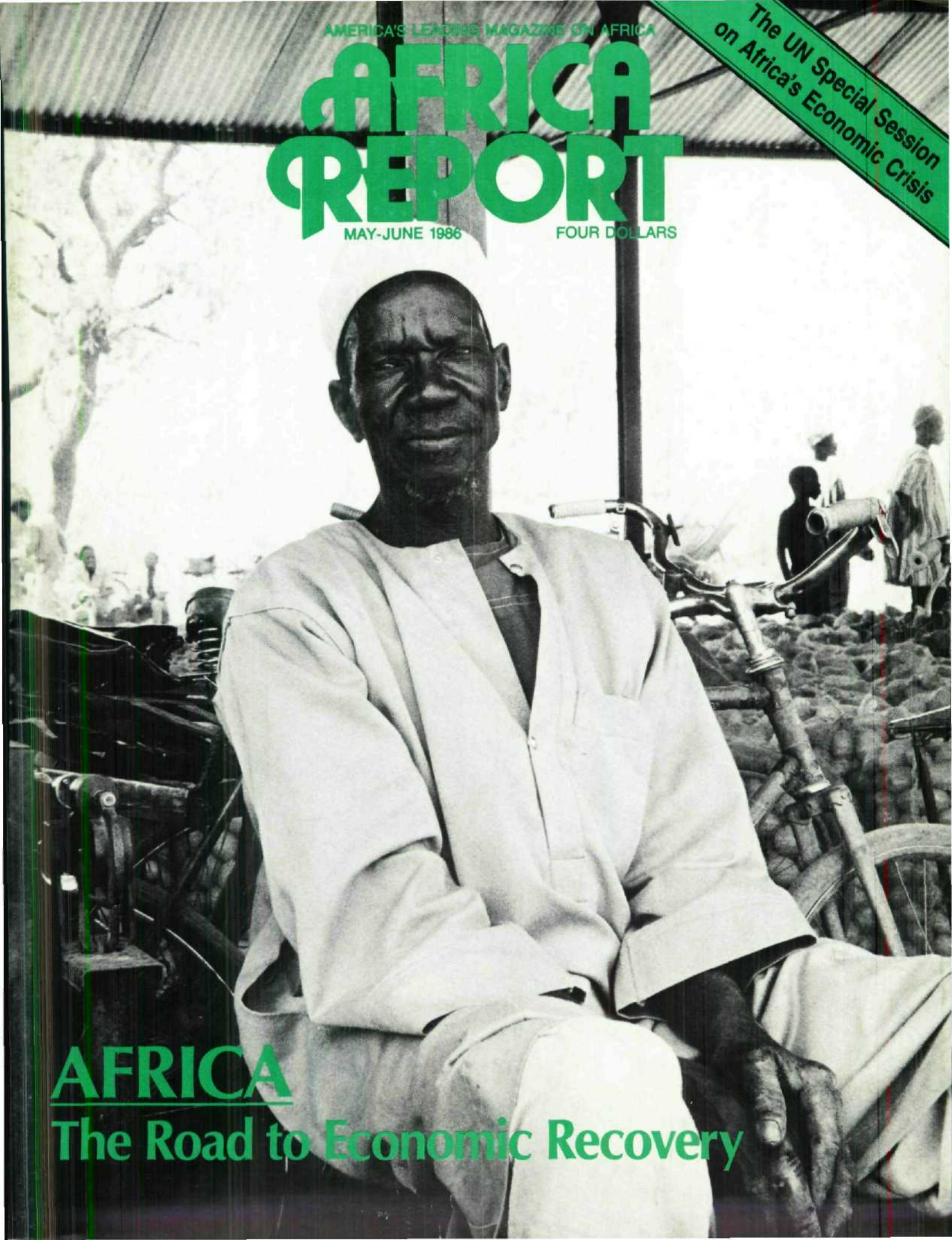
The UN Special Session on Africa's Economic Crisis



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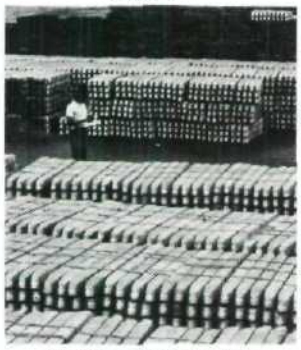

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The cover photo was taken in Diedougou, Burkina Faso by Margaret A. Novicki.

Transforming Africa's Economies

African governments have recognized that a fundamental transformation in economic policies is required to extricate their nations from the cycle of underdevelopment. As the UN prepares for its special session on Africa's economic crisis, the international community must devise new approaches in support of Africa's efforts.

BY ADEBAYO ADEDEJI

Today, the whole world acknowledges that Africa is faced with an economic crisis of unprecedented proportions. The decision of the United Nations General Assembly and the African heads of state to hold a special session of the Assembly on Africa's economic crisis testifies to this appreciation, as does the declaration on Africa's economic situation adopted by consensus at the Assembly's 39th session.

The growing concern about the continent's long-term development prospects was also manifested in the UN Economic and Social Council (ECOSOC) special debates held in 1984 and 1985. The Economic Commission for Africa (ECA) Conference of Ministers submitted to these debates two special memoranda on Africa's economic and social crisis and on the international action required to assist African states in their long-term development initiatives.

Many questions must be addressed by the international community as it prepares for the historic special session in late May. First, what is the real nature of the African development problematique? Second, what actions must African governments and people take at the national, sub-regional, and regional levels immediately and in the short, medium, and long-term to attack the problem? Third, what is the international community's role in assisting Africa on the road to development and growth? And finally, what new relationships must be forged between Africa and the international community to realize these objectives?

In other words, what kind of contract, compact, or new deal for African development must evolve in order to initiate a new era of economic cooperation between Africa and the international community?

These questions are much easier to ask than to answer to the satisfaction of the world's policy-makers. Yet, there is an urgent need for a consensus on these issues if the special session of the General Assembly is to succeed. The major components of such a new deal must be established and agreed upon during the session if Africa is to emerge from its present quagmire and achieve an economic turn-around.

An ailing Africa means an unhealthy world. A continent that remains perpetually unstable and backward economically is a threat to the viability of the entire world economic system. Recognition of the commonality of interests should therefore impel all UN member-states to seize the unique opportunity offered by the special session to lay the foundation for a new deal in economic relations between the continent and the rest of the world.

Despite the present economic crisis, no one would deny that Africa—a continent covering almost a quarter of the earth's land mass—has immense natural and human resource potential. But it must break the chains that have entrapped it in underdevelopment, poverty, and a recurring state of emergency that have stamped on it the image of a "hopeless case"—a continent with no economic future, without the resolve or will to increase its own chances for survival.

Nothing could be further from the truth. Africa has all the right elements to become a dynamic and prosperous continent. However for it to take its place as a full member of an interdependent international economic community, the

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historical trend in the development scenario must be replaced by the normative development process, which has been written about and discussed extensively at the ECA. With the full cooperation of the international community, we can transform the African economies and increase the overall level of productivity in all sectors.

The Roots of Africa's Underdevelopment

Africa's economies must undergo a fundamental structural transformation and diversification if its people and governments are to extricate themselves from underdevelopment.

Twenty-five years after independence, the basic structures of these economies remain essentially unchanged. Virtually all of them are monocultural—heavily dependent on the export of a narrow range of primary commodities for which there is very little domestic demand. The lack of specialization creates pervasive structural disequilibria on a significant scale. Subsistence production continues to overshadow commercial production.

Production is still carried on with antiquated implements and techniques which have undergone little change over many generations. The economic system is dualistic and fragmented with divisions between the export enclaves (commercial agricultural and mining sectors) and the subsistence sector, between urban and rural areas, and between industry and agriculture.

The dualistic nature of African economies also largely accounts for their rigidity and inability to adapt to changing circumstances. The structural disequilibria are manifested in the sharp division between the traditional and modern sectors, the excessive dependence on external inputs, and the external rather than domestic market as the principal mover in the development process. Therefore, a fundamental structural change is a sine qua non for putting Africa's economies on the road to growth and development.

In addition to pervasive structural maladjustments, African economies are characterized by an ubiquitous low level of productivity. There is no denying that this is the root cause of Africa's continuing underdevelopment, stagnation, and decline, particularly in the extremely disappointing performance of agriculture—its dominant sector.

Structural problems feed on low productivity, aggravating the structural maladjustments and imbalances. Together, these factors contribute to economic inflexibility, with change inhibited by obstacles, bottlenecks, and constraints and highly inelastic supply of consumer and capital goods and production factors. Hence, Africa's failure to diversify into new types of exports, the absence of domestic linkages, and the virtual inability to shift resources to reflect changing demands in world markets.

Over the years, the central problems of low productivity and the lack of structural transformation have been aggravated by a variety of factors. Among the endogenous factors are high rates of population growth, even higher rates of urbanization, poor economic management, inappropriate economic strategies and policies, traditional social values, attitudes, and practices which may hinder development, and political instability and civil strife.

The exogenous factors include the collapse in commodity prices, adverse terms of trade, stagnating and declining official development assistance, high interest rates, a heavy burden of external debt and debt-servicing obligations, sharp fluctuations in exchange rates, and increased protectionism.

As severe as these aggravating factors are, they are not the underlying causes of Africa's continuing underdevelopment. But together with structural imbalances, maladjustments, and the pervasive low level of productivity, they have so devastated and weakened Africa's fragile economies that nothing short of a fundamental break from the historical trends will save them from collapse.

Action Required to Launch Future Normative Development

If structural maladjustments and low productivity are at the root of Africa's

Yutaka Nagata/United Nations

Adebayo Adedeji: "The ultimate purpose of development is the development of man"

INDEBTEDNESS OF DEVELOPING COUNTRIES

	1981	1982	1983	1984	1985
TOTAL DEBT (US$ billion)					
Africa	103	117	123	127	130
(of which SSA*)	46	51	53	56	60
Asia	155	180	197	211	231
Middle East†	47	52	56	60	66
Western Hemisphere	284	325	339	351	357
TOTAL	589	674	715	749	784
RATIO OF DEBT TO EXPORTS‡ (percent)					
Africa	112	146	160	162	163
SSA*	168	200	217	223	231
Asia	73	86	90	86	86
Middle East†	137	151	174	176	184
Western Hemisphere	211	271	294	280	270
RATIO OF DEBT TO GDP (percent)					
Africa	31	37	39	40	40
SSA*	44	50	54	63	69
Asia	19	21	23	24	25
Middle East†	61	60	58	58	58
Western Hemisphere	35	42	48	46	46
DEBT SERVICE RATIOS§					
Africa	17	21	24	28	30
SSA*	17	20	23	23	26
Asia	10	11	11	11	11
Middle East†	21	23	24	25	26
Western Hemisphere	42	52	41	39	41

Source: IMF, *World Economic Outlook,* April 1985. Figures for recent years are estimated.

* Sub-Saharan Africa, excluding Nigeria and South Africa.

† Excluding oil exporters.

‡ The measure of exports includes both goods and services.

§ Payments (interest and capital) as a percentage of exports of goods and services.

development problematique, it is logical that they constitute the first line of attack. The 1980 Lagos Plan of Action (LPA) was the first regional effort to evolve a concerted strategy for achieving this objective. Unfortunately, very little progress has been achieved in the Plan's implementation.

Principally, the persistent failure of national development plans and annual budgets to reflect LPA strategies and priorities has perpetuated, even accentuated, the inherited colonial economic structures. Consequently, policy reforms at the national, sub-regional, and regional levels have consistently fallen short of those advocated in the LPA, and actual budgetary allocations have not reflected agreed priorities.

Thus, budgetary resources that should have been earmarked for agriculture, manpower development, industry, and infrastructure have invariably gone to foreign consumer goods, non-productive investment projects, and defense. The widespread drought of 1983-1985, recurring and destructive cyclones in the Indian Ocean, intensification of South Africa's attempts to destabilize its neighbors, and internal conflict and political instability have made matters worse in much of Africa.

Africa's Priority Programme for Economic Recovery 1986-1990 (APPER) is the most recent attempt by our governments to attack the root causes of the continent's debilitating economic crises. Although APPER is tied to the Lagos Plan, it is much more sharply focused, time-bound, and selective in its objectives.

APPER addresses Africa's structural problems by making agriculture the center of its efforts during its five-year life span. It recognizes that the structural transformation of that sector—increasing agricultural productivity—is the key to Africa's economic rehabilitation. This also requires a fundamental improvement in the quality of life of the African peasant. More than lip service must be given to the rural sector.

Recently collected data from all 50 ECA member-states by joint ECA/OAU missions in January and February 1986 confirm that these governments are seriously pursuing their commitment to the food and agricultural sector, both in terms of specific budgetary allocations and appropriate policy and reform measures.

A total of $57.4 billion has been allocated to this sector, or approximately 45 percent of the projected requirement of $128.1 billion for implementing APPER by all the countries. If the projected investment is realized, it will go far beyond last year's commitment toward the goal of raising public investment in food and agriculture to between 20 and 25 percent in each African country by 1990.

The data available to the ECA/OAU joint secretariat reveal that of $57.4 billion projected investment in agriculture, $41.9 billion (i.e. 73 percent) is planned for domestic mobilization. This is approximately 35 percent of the total planned investment for implementing APPER.

The projected allocations among the four investment categories in the agricultural sector are revealing. Arable land development and improvement is allocated 39.9 percent; livestock and animal products development, 38.1 percent; storage and marketing, and mechanization and equipment are to receive 17.9 and 4.1 percent respectively.

All of the sub-regions have allocated the bulk of planned investment to arable land development and improvement with the exception of East Africa and the Sahel, where livestock and animal products development receive the lion's share. It is significant that mechanization is allocated only a small part of planned investment—less than 2 percent in two sub-regions and below 8 percent in all other sub-regions. This belies the impression sometimes created by international organizations and donor agencies that African governments are madly in love with mechanization.

A structural linkage is clearly estab-

lished between food and agriculture and the other sectors, notably industry and physical infrastructure. The linkage between industry and agriculture is to ensure the domestic production of farm implements and tools, fertilizers, and pesticides as well as the development of agro-allied industry based on domestic raw materials and food crops.

Linkages with infrastructure are important to ensure the availability of all-weather feeder and access roads, storage, marketing and distribution, health and education facilities, and research in agricultural technologies. Not surprisingly, therefore, the sectors directly supporting and structurally linked with agriculture received the second highest priority with a sum of $60.1 billion (about 46.9 percent) in allocations.

Combating drought and desertification through massive afforestation and reafforestation programs, the development of alternative sources of energy in place of wood fuel, and better land management and conservation of water resources are given third priority, followed by human resource development.

Overwhelming importance has been attached to agriculture and the supporting sectors continentally and in all sub-regions. In North Africa, the two sectors account for over 98 percent of total planned investment under the Priority Programme during the 1986 to 1990 period. Corresponding percentages in other sub-regions are: Indian Ocean countries, 89 percent; East Africa, 90 percent; southern African states, 94 percent; Central Africa, 93 percent; and the Sahel, 93 percent.

In the non-Sahelian West African countries (Benin, Ghana, Guinea, Ivory Coast, Liberia, Nigeria, Sierra Leone, and Togo), the percentage is only 74 because some 21 percent has been allocated to human resource development. This sub-region has also allocated the largest sum (in absolute terms) to combating drought and desertification.

In addition to allocating almost half of total planned investment to the agricultural sector, African governments are determined to sharpen the policy instruments required to achieve structural reforms in agriculture and related sectors. Improving education, quality of life, and incentives for the peasant farmer is a major concern. Particular attention must be paid to the needs of women who constitute a very large proportion of the farming community in much of sub-Saharan Africa. In fact, since they represent the majority of peasant farmers, the key to achieving a breakthrough in food production lies with them.

The details of specific policy measures and reforms vary from country to country both in the short and medium-term, as well as the long-term. APPER provides an extensive list of necessary measures at the national, sub-regional, and regional levels. The general orientation is unmistakable: boosting production through appropriate grassroots organizations (e.g. producers' cooperatives), providing incentives, and eliminating pricing policies that have tended to discourage production, initiative, and enterprise.

If the development process is to be democratized, sustained attention must be focused on the individual producers. The industrial producer's participation in the development process must be facilitated to create an environment conducive to structural transformation and high-level productivity.

The democratization of development will inevitably accelerate the restructuring process and the expansion of the domestic market. The ultimate purpose of development is the development of man—the realization and unfolding of his creative potential through improvement not only in his material conditions of living which enable him to fulfil his psychological needs but also through the satisfaction of his psychic needs.

Ray Witlin/World Bank

"African governments are determined to sharpen the policy instruments required to achieve structural reforms in agriculture"

The Role of the International Community

The international community's role in helping African economies achieve fundamental transformation falls into two parts: ensuring adequate resource flows to augment domestic resources

within Africa and instituting policy measures and reforms that will ameliorate, if not entirely remove, the exogenous aggravating factors in order to facilitate a more favorable external economic climate conducive to Africa's development.

Let us deal first with the resource flows issue. Ample evidence has been unveiled by the joint ECA/OAU missions indicating the determination of the African governments and people to help themselves out of the crisis. It is imperative that the response of the international community be correspondingly positive and generous.

The donor community should commit itself to fill the gap between the cost of implementing the Priority Programme and the domestic resources available to be mobilized. The ECA/OAU joint secretariat estimates this gap to be approximately $45.5 billion for the 1986-1990 period—an average of $9.1 billion per year.

But this is not the whole resource flow problem African governments will face over the next five years. It is only one side of the coin. The other, no doubt more demanding side is the amelioration of the debt-servicing burden of African governments during the same period. According to our calculation, Africa's debt service payments are expected to rise from an annual average of $4.3 billion during 1980-1982 to between $14.6 and $24.5 billion per year during the 1986 to 1990 period.

In other words, if Africa is to lay the foundation for economic recovery during the next five years, it will require some $24 billion each year to meet the resource gap arising from both debt service burdens and the inadequacy of domestically mobilized savings to meet APPER's investment requirements.

In addition, the international community will need to establish appropriate supporting policy measures. These include stabilizing export earnings (Is a global STABEX for African produce during the five years possible?), and increasing the demand for and giving preferential treatment to Africa's exports. Any increase in resource flows to Africa will be effective only if the exogenous aggravating factors are removed. Conversely, to the extent that these factors persist or become accentuated in their effects, resource flows will be a mere recycling exercise with very limited beneficial impact on African economies.

Margaret A. Novicki

Construction of the Sahel railway, Burkina Faso: "A structural linkage is clearly established between food and agriculture and industry and physical infrastructure"

A New Deal for Africa

It is crystal clear that African governments are demonstrating a new realism and commitment in their search for a lasting solution to the continent's development problematique. Fortunately, this is occurring at a time when the international community's increasing awareness of Africa's plight is matched by a growing necessity to take appropriate collective international action to ensure that the continent's future will be as a true partner in an interdependent world. The time therefore is opportune for forging a new set of relationships—a new deal—between Africa and the international community.

Such a new deal will give the international community the political commitment to assist Africa in its economic recovery, rehabilitation, and reconstruction—with the full understanding that Africa will eventually assume responsibility for its own economic destiny. This new deal will not be limited to resource flows into Africa—important as they are during this period—but will also encompass the necessary policy measures to remove the external constraints that have impeded Africa's economic progress (as a quid pro quo for policy reforms that Africa must continue to introduce).

It will have to recognize the inevitable need for Africa to take the required measures to protect its productive sectors (agriculture and industry) against external competition in order to allow them time to develop and gain strength and vitality. The cessation of all manipulative and destabilizing acts in the continent and the non-supply of military hardware are essential to the success of Africa's new deal with the international community. Political and military interference must cease so that Africa can be allowed to pursue the goals of unhampered normative development, utilizing its resources to this end.

Africa's new deal should be built on the basic principle that the continent must be helped to help itself—that while the task of the economic transformation cannot be performed or imposed by outsiders, neither can it be undertaken single-handedly by Africans without considerable social and political risks. As time is of the essence, Africans and those who would help must act soon. □

The UN Special Session on Africa's Economic Crisis

BY JEAN RIPERT

The histories of modern Africa and the United Nations are intimately linked. Forty years ago when the UN system was created, there were only two African members—Ethiopia and Liberia. Today, with 51 African member-states in the organization, the continent is the largest single regional group represented in the General Assembly.

During its early years, the UN's major initiatives in Africa were political in nature—it assisted in the struggle to obtain independence from colonialism. The organization's role was progressively enlarged to include technical assistance and support to help the newly independent countries set up the basic administrative machinery that constitutes the state and develop the necessary human and economic infrastructure.

During the 1960s and 1970s, roads, ports, and cities were built, new industries developed, and new schools created. Since 1980, however, as a result of a very severe world recession, the economic performance of most African countries has steadily declined and widespread balance of payments and fiscal crises have become common. Many countries' indebtedness has reached unbearable proportions. And the battle for development has turned into a fight for survival.

The most important causes of the present situation are well-known. External factors have had a severe impact on Africa's economies—there was a slow-down in world trade, a drop in the price of export commodities, an increase in energy prices, along with high rates of interest and excessive variations in foreign currencies.

Domestic policies were not modified to reflect the new external environment. For example, there was a cumulative neglect of the agricultural sector in most countries. Also, the role of climatic factors in the present crisis should not be minimized. Africa is one of the world's driest continents, and deserts have been encroaching on useful agricultural land at an alarming rate. In the recent past, prolonged and persistent droughts have dramatically disrupted human and economic life. Last year's images of dying men, women, and children in Ethiopia and Sudan are still vivid in our minds.

When this tragic situation developed, the United Nations took immediate steps to assist affected African governments. In December 1983, Javier Perez de Cuellar, the UN secretary-general, started an initiative destined to create full awareness in the international community of the gravity of the situation. In 1985, he established the Office for Emergency Operations in Africa (OEOA) in order to maximize the UN's effectiveness. The UN Conference on the Emergency Situation in Africa, which was convened by the secretary-general in March 1985, resulted in the increased coordination of all relief efforts for Africa under UN aegis. However, despite these measures to address the problem, the secretary-general was well aware that underlying the emergency situation were basic structural problems.

The Organization of African Unity, at its last summit of heads of state and government in July, took stock of the critical situation and adopted Africa's Priority Programme for Economic Recovery (APPER), a five-year plan which outlines the general policy measures, actions, and programs required to deal with all aspects of the present situation. It outlines the required internal policy measures and the support expected from the international community. The OAU's newly-elected chairman, Senegalese President Abdou Diouf, then requested that a special session of the General Assembly be held to discuss Africa's economic problems.

With the adoption of resolution 40/40, the General Assembly decided for the first time in its history to devote a special session to the global problems of a single continent. The purpose of the session is clearly indicated in the resolution's text: "The General Assembly. . . decides. . . that the Special Session should focus, in a comprehensive and integrated manner, on the rehabilitation and medium and long-term development problems and challenges facing African countries with a view to promoting and adopting action-oriented and concerted measures."

The May session will be short—only five days—and needs to be well-prepared. Work began early this year

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with the establishment of a United Nations Preparatory Committee, chaired by Edgard Pisani. The African governments themselves have been involved in their own extensive preparations, particularly at OAU headquarters in Addis Ababa, with the support of the UN Economic Commission for Africa (ECA).

The Africans have already indicated the priority issues that will be at the center of discussions. Food production is the first issue, which for some time has failed to increase at the same rate as the population. Agriculture has not enjoyed the priority it should have had since independence.

The second issue is the increasing desertification of both the northern and southern regions of the continent, which requires a concerted increase in efforts undertaken by governments, with the support of the international community.

The third issue is the reconsideration of the policies needed to promote growth of the economic, human, and social infrastructures which are essential to the development effort. It will be necessary to search for new cost-effective solutions.

The fourth issue concerns inadequate external financial resources. Net transfers of financial resources to Africa, in particular to sub-Saharan Africa, fell to an extremely low level in 1984. There is an immediate need to restore African countries' ability to import. The fastest way to achieve this is through debt readjustment and debt relief.

The fifth issue relates to the need to reexamine the modalities of donor assistance in order to increase its efficiency. Until now, aid has been mostly in the form of projects, which are generally tied to major new equipment purchases. What most African countries need is program assistance to help them cover the financing of local expenditures which are indispensable for rehabilitation and maintenance. Also, with the multiplicity of aid agencies, coordination of external assistance has become one of the central problems facing African governments. It is expected that the special session will deal with the issue of follow-up. If a general framework of concerted action to assist Africa is adopted, following up on its implementation is essential.

Implicitly or explicitly, the special session on Africa will therefore express the support which the international community will be prepared to give to APPER in both its qualitative and quantitative aspects. In the face of adversity, African leaders have shown their resolve over the past two years by adopting stringent reform and adjustment measures which are starting to yield results.

African governments are determined to stem the tide and embark on a new course in their economic development. They can do it alone, but only at tremendous human and social costs and with a long delay. If the international community is prepared to assist them in their efforts in a substantial way, much of the suffering and delay can be reduced.

In the context of such a concerted effort, the UN system will continue to assist Africa through its network of specialized agencies and organizations. The ECA is already playing a central role in helping African governments to find solutions to the crisis. Last year, with the establishment of OEOA, the United Nations was able to provide both timely assistance to drought-stricken countries and an effective framework for coordination of international relief efforts. For millions of men and women scattered in many regions of the continent, OEOA's work made a great difference.

The World Food Programme also stepped up its activities—in one year, it delivered food aid equivalent to what was distributed in three years during the drought of 1973-75. Forty percent, or about $600 million, of the UN system's total annual grant assistance goes to Africa. In each African country, the resident coordinator of the UN system for operational activities (who is the representative of the United Nations Development Programme), with the full cooperation of UN organizations and specialized agencies such as UNICEF, FAO, the International Labour Organisation, and UNESCO, provides technical and capital assistance to governments, and assists them in their endeavors to improve the standard of living of their nationals.

Thanks to the World Health Organization, progress has been made in the fight against malaria, and substantial success has been registered in the control of river blindness. A global project financed by UNDP effectively halted the damage caused to crops by insects such as locusts. These examples are a small illustration of what is being done for Africa. The UN system will certainly not lessen its efforts on behalf of the continent. On the contrary, through the special session it hopes to obtain a clear mandate for increased assistance to the African governments and people. □

Supporting African Economic Reform

Donor budgets may be more restricted today than at any time in the recent past, requiring new responses to Africa's economic assistance requirements. Through the Baker Plan and the African Economic Policy Reform Program, the U.S. is proposing that donors put existing resources to better use to sustain Africa's long-term development needs.

BY M. PETER McPHERSON

The rains have returned to Africa. Soon the images of distended bellies and crying children will fade from memory as they have already faded from the TV screen. African governments and donors will turn away from managing the logistics of getting food to refugee camps and return to the more intractable problems of building viable economies. Africa is the only region in the world where sustained growth has not occurred. The average African is no better off today than his father was 25 years ago. Many of the bright promises of independence have gone unfulfilled.

While African countries have, by and large, responded to the economic crisis by undertaking major policy reforms, for many of them the future does not look bright. Perhaps one-third of all low-income countries in sub-Saharan Africa will face severe resource constraints, throwing into serious question their capacity to get their economies moving.

Donor budgets seem to be more constrained than at any time in the recent past, and the likelihood of substantially increased aid levels over the next few years is minimal at best. Moreover, declines in international commodity prices and the burden of past debt means very restricted resource availability for Africa.

M. Peter McPherson is administrator of the U.S. Agency for International Development.

But hard times bring one clear blessing. Both donors and African governments are taking major steps to better use scarce investment resources. This article highlights the responsibility of both recipients and donors to put assistance to better use, and details three approaches being employed by the U.S. government to help Africans achieve economic growth.

Even if the problems facing African countries in the short and medium-term are resolved, there is a continuing need for investments to deal with longer-term problems of population growth, the declining natural resource base, and health and education services. However, unless African economies are put on a sounder basis, they will be unable to provide the necessary domestic financial resources to sustain long-term development efforts.

To know what to do, it is important to understand how Africa got where it is today. Africa's economic difficulties are partly the result of mistakes by both African and donor governments and partly the result of a deterioration of the natural and economic environments. The period between 1960 and 1973 saw unprecedented growth in the world economy. The GDP of industrialized countries grew at almost 5 percent per year, while that of the Third World grew even faster (at over 6 percent). African countries did considerably worse than their Asian and Latin American counterparts, and higher rates of population growth meant that GDP per capita growth in Africa was about 2.5 percentage points below that of low-income Asia.

With the first oil shock in 1973 and the subsequent world-wide stagflation, African countries proved themselves incapable of adjustment. While low-income countries as a group increased their GDP rate of growth, growth rates in African countries lagged behind the rates of population growth. In part, this occurred because African countries are smaller and more dependent on foreign trade, and thus vulnerable to the exigencies of the international economy. But by far the most important reason for the failure of African economies to grow has been their political structure and the consequent economic policies adopted.

African countries adopted policies which benefited their urban and bureaucratic constituencies at the expense of peasants who comprise the bulk of the population. Those few countries which

adopted policies favoring agriculture have had the best growth records in Africa, namely Malawi, Ivory Coast, Cameroon, Kenya, Mauritius, and Rwanda.

Almost all of the others taxed agriculture and subsidized the rest of the economy, through such instruments as an overvalued exchange rate; government monopoly on agricultural marketing with producer prices being below import or export parity; wages in the formal sector above the opportunity cost of labor; excessive government spending, particularly on wages; trade policy which protects inefficient industry; and controls on interest rates, thus reducing the cost of credit for the favored few who can get it.

While these policies were both inefficient and inequitable, their cost was not recognized as long as the world economy was booming. Worse, when the international economy was thrown into shambles by the two oil price shocks, African countries not only failed to adjust, but actually borrowed "cheap" petrodollars to maintain consumption levels.

Not all the blame should be placed on the Africans' shoulders, however. Donor governments, eager to support their own commercial interests, dotted the landscape with "white elephants" and cheap food (which supported the policy bias in favor of urban areas). Much of Africa's current debt was incurred to finance a multitude of projects which failed to generate the foreign exchange needed to pay back the loans. While there is plenty of blame to go around, most of the adjustment will have to be borne by the African governments.

Agency for International Development

AID road project near Bamako: "What is needed is more program support to facilitate the use of existing infrastructure"

The present economic crisis is both a blessing and a curse. Since few people and fewer governments make hard decisions before they are absolutely forced to, the blessing lies in the fact that the financial problems now plaguing Africa have forced its governments to adopt difficult policy reforms which conflict with some strongly held—but mistaken—beliefs. They will also actually reduce the real incomes of key constituencies. The pressure that leads to reform is rooted in the difficulty of financing the old ways of behaving. And thus the curse—the present is probably the worst possible time in which to undertake major reforms because of the underlying weakness in the world economy. Yet there is no better time.

Despite the fall in oil prices, the reduction in nominal and real interest rates, and the weakening of the dollar, Africa's financial picture remains very constrained. The world economy continues to recover slowly. More important, the growth of low-income Asian countries has led to serious lower-cost competition for many African primary commodities (e.g. China in cotton, Malaysia in palm products). Post-industrial demand patterns may have permanently shifted demand downward for commodities such as rubber, iron ore, and copper. Finally, slow growth in the OECD countries has engendered protectionist pressures, particularly in those light industries, such as textiles and leather products, which are a likely source of export growth.

Therefore, even those policy reforms designed to increase export growth are likely to bear fruit slowly. Meanwhile, African countries remain burdened with unmanageable debt service. At the same time, budgetary problems in the OECD countries are likely to lead to reduced real assistance levels. As a result, the major policy reforms which African governments are undertaking may be starved of the financial resources needed to smooth adjustment and make the political cost of these reforms acceptable.

The United States recognizes these very serious problems. We believe that economic growth cannot occur in Africa without very important policy changes. Even with these changes, economic growth may not reach post-independence levels because of a much changed world economy. Budget resources for foreign assistance to Africa are likely to be seriously constrained over the next few years, and debt service obligations will continue to be onerous for another decade. Africans and donors alike operate under these constraints. Therefore, we need to make our assistance much more effective than it has been so far.

The U.S. is determined to use every instrument available to help African governments help themselves. There are three areas in which we have taken a leading role in improving the efficient

use of limited donor resources. First, we have pioneered the use of flexible, non-project resources to avoid burdening African governments with increasing numbers of investment activities of dubious worth and limited sustainability.

Second, through U.S. AID's African Economic Policy Reform Program (AEPRP), we provided the donor community with a new model of flexible budgetary resources to be used to help implement policy reform programs. Third, in the Baker Plan for low-income countries, we have provided the international community with a creative mechanism for using existing resources to promote coordinated programs of structural adjustment.

Flexible Programming

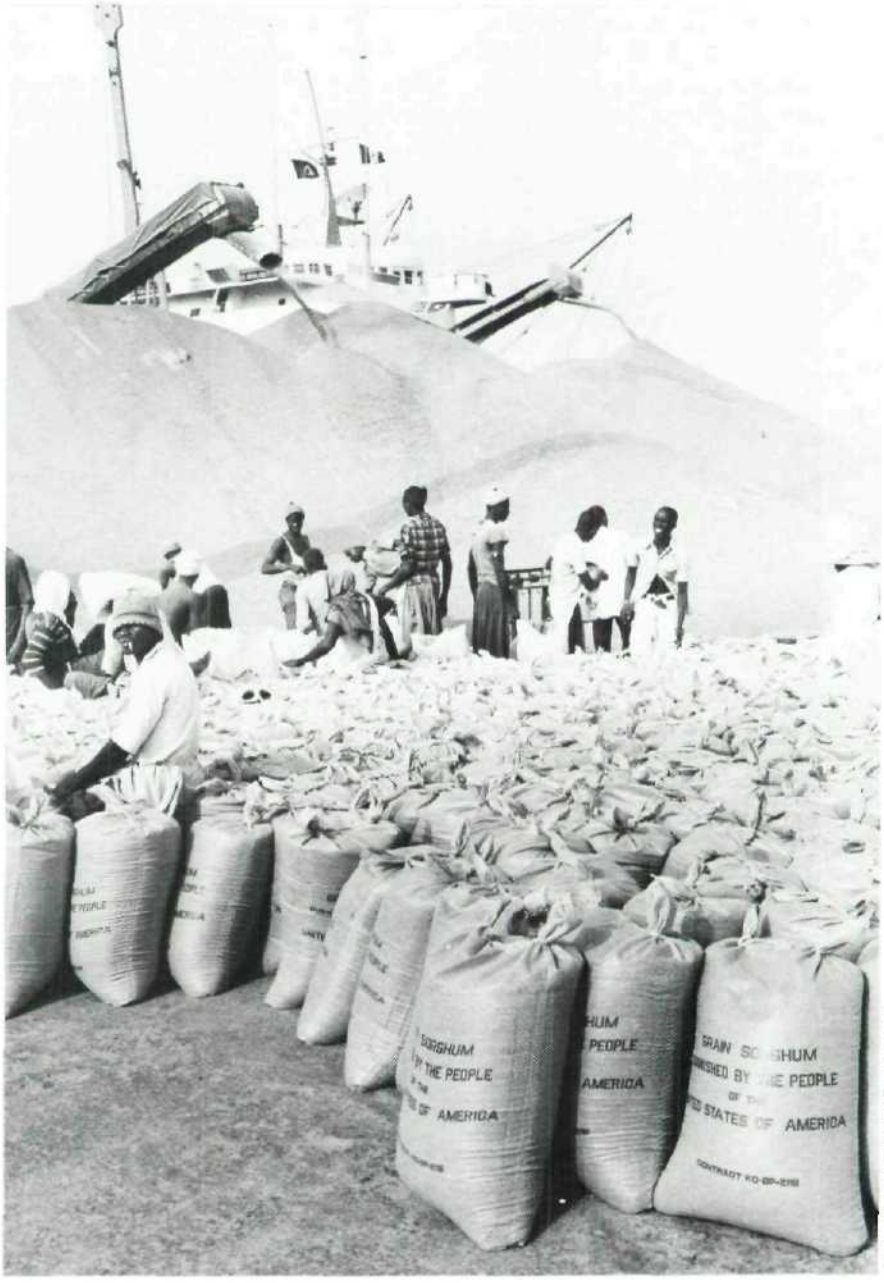
In FY 1985, 57 percent of AID's assistance to Africa, excluding food aid, was in non-project assistance. About one-third was in food aid, one-third in support for imports (primarily to the private sector), and one-third in cash transfers. This non-project assistance is a vital resource for four important reasons: It makes little future demand on host country financial or staff resources; *it is fast-disbursing; it is flexible; and it is* programmed at a macro-level, thus enabling economy-wide discussions between AID and the recipient government.

A major problem in Africa is the tendency for donors to overload the system with too many new investment projects. These projects have taxed the absorptive capacity of most governments, which have been unable to fund the recurrent costs implicit in new investments. What is needed is more program support to facilitate the use of existing infrastructure.

Second, most project assistance takes five to seven years to be disbursed. Thus, today's commitment of $10 million is disbursed at only $2 million per year. At a 10 percent inflation rate, the real resource transfer is only $8.1 million. Most project assistance is overvalued by about 25 percent (depending on the rate of inflation and disbursement).

Most projects represent a compromise between what recipients feel they need and what donors wish to provide. As a result, they rarely fulfill the expectations of either donors or recipients. Program aid, although it too has significant strings attached, is nevertheless more flexible and better able to meet the needs of recipients.

Finally, non-project assistance allows donors to speak with African governments at the macro or sectoral policy level. If it is true, as we believe, that the most important problem facing Africa is economic restructuring, then it is absolutely necessary that we discuss policy problems with African governments in the context of our assistance program, and that we use our assistance to help governments make difficult policy adjustments. This is not to say that project assistance is not vital, particularly in the areas of technology development and institution building. However, current ec-



Agency for International Development

Sorghum shipped under a Food for Peace program: "Non-project assistance is a vital part of AID's program for Africa"

onomic problems call for a greater proportion of non-project than project assistance in Africa.

The African Economic Policy Reform Program

In 1984, the president asked Congress to establish a five-year $500 million fund for AID to promote policy reform in Africa. This fund would not be subject to the normal budgetary process but would be available for flexible programming to support structural adjustment programs. In FY 1985, AID programmed the first $75 million of the AEPRP in Zambia, Malawi, Mali, Rwanda, and Mauritius. Each of the AEPRPs is divided into several tranches. Programs are authorized in FY 1985, but disbursements will occur over the 1985 to 1988 period. Before any tranche can be disbursed, recipient governments must provide AID with proof that the conditions for that tranche have been met. These conditions vary from announcing new prices which reduce subsidy levels (Malawi and Zambia), to passing legislation or announcing administrative decisions to increase access to certain credit guarantees (Rwanda), to changing tax and tariff policy (Mali and Mauritius).

All of the AEPRPs are aimed at reducing government activity in the productive sectors of the economy, reducing or rationalizing government controls on the private sector, or both:

- In Zambia, the program is designed to reduce the government's role in agricultural marketing to the level needed to ensure competition.
- In Rwanda, the program is designed to reduce government price controls, broaden access to credit, and rationalize the tax system to improve the climate for small enterprises.
- In Mali, while the major thrust of the program is to improve fiscal policy, a concomitant part of this initiative is to improve the investment climate for private sector activity through tax reform, reduction of price controls, and changes in the investment code.
- In Mauritius, the major objective of the program is to increase efficient private sector activity by reducing tariffs and marginal tax rates.
- In Malawi, major studies are to be undertaken examining the role of ADMARC, the agricultural marketing parastatal, with particular emphasis on developing a capacity to privatize many of ADMARC's current functions.

Agency for International Development

M. Peter McPherson with Senegalese village leader: "The U.S. is determined to use every instrument available to help Africans help themselves"

The Baker Plan

The U.S. is concerned that donors and multilateral institutions working in Africa join forces with African countries to develop and implement comprehensive structural adjustment programs. At times in the past, the IMF, in its concern for short-run stabilization, and the World Bank, in its concern for medium-term structural adjustment, have worked at cross purposes. Moreover, IMF resources have had very short maturities and relatively high interest rates. In a time of slow growth, IMF programs have often exacerbated debt-servicing problems, as African countries have not exhibited the growth necessary to repay their obligations to the Fund.

Accordingly, U.S. Treasury Secretary James Baker proposed in Seoul that access to IMF Trust Fund resources (with 10 year maturities and very concessional interest rates) be limited to low-income countries with serious balance of payments problems. A second part of the Baker Plan is a proposal to ensure that World Bank and IMF programs complement each other and to focus on the medium rather than the short-term. This imaginative use of international resources to support needed reforms will go a long way toward making all assistance to Africa more effective.

When African countries are able to adopt policies that provide incentives for efficient allocation to the private sector and when they are able to limit government involvement in the economy to areas appropriate to public activity, then we are confident that the private sector, both indigenous and foreign, will provide investible resources. After all, economic history teaches that the rates of return to capital are highest where capital is in relatively shortest supply. Nowhere in the world is capital scarcer than in Africa.

These efforts will not solve all the problems Africa faces. The next five years are going to be difficult ones. But surely the past must hold lessons for both the governments of Africa and for the donors. □

Africa's Debt Dilemma

Africa's debt crisis may be less severe than Latin America's, but the speed with which the debt has grown and the strains of debt-servicing have imposed a heavy burden on its already fragile economies. Debtors and creditors should take advantage of the present crisis to devise new solutions to the continent's need for additional financial resources.

BY PHILIP NDEGWA

Since African economies are still very fragile and heavily dependent on the rest of the world, efforts to address the problems of their external indebtedness must take into account special needs for further financial support, and for a more propitious international trade and financial environment.

Yet when an African commentator reaches such conclusions, he or she is at times accused of asking for unjustified sympathy and favors. Indeed, some non-Africans appear to think that if African countries would only practice a market economy, remove corruption, devalue their currencies, eliminate or drastically scale down various subsidies, and avoid import controls, their economies would work more efficiently and development would proceed apace. The scope for improvements in some of these areas is indeed large, but there is no doubt that other measures are also necessary.

For example, in both its 1981 and 1984 reports on sub-Saharan Africa, the World Bank stressed that policy reform and structural adjustment would, in most cases, neither yield high returns nor be sustainable without significant increases in net resource inflows.

The extent and nature of the indebtedness of developing nations could lead to more dangerous tensions between North and South, or it could provide an opportunity for more meaningful dialogue and cooperation, thereby leading to a more prosperous, more stable, and safer world. In fact, this indebtedness could be a blessing in disguise if certain realities are accepted.

- First, many developing countries are simply unable to repay their debts. The appearance of solvency might be preserved by rescheduling and refinancing, but realistically some of the current debt should be regarded as in default and likely to remain in default.
- The debtors themselves are anxious to meet their commitments. The preservation of creditworthiness is central to continued capital inflows, and no country enjoys undergoing the close and detailed international scrutiny required as part of debt reschedulings.
- The reasons for debt service difficulties are complex, but they include a highly unfavorable international trading and financial environment. For example, debtor countries are being squeezed by protectionism, high interest rates, and declining flows of private investment and official development assistance.
- The possibility of collapse of some of the international banks involved cannot be ignored, because it could disrupt the international monetary and trade system.
- Net negative financial transfers (interest and repayments exceeding new loans and grants) are very damaging to the economies of poor countries. Further, if they are large, long-lasting, and unlikely to be reversed, they positively invite default.
- A case-by-case approach to debt problems is not sufficient. The problems are almost universal, necessitating comprehensive changes in the international trading and financial system.
- Purely financial approaches to debt service and rescheduling do not serve either debtor or creditor economies well. For example, by forcing contraction of debtor imports, they intensify the problems already existing in international trade.
- Internal efforts to promote growth should be seen as the foundation which makes sustained debt service economically possible and politically acceptable. No country will immerse itself year after year to meet external debt obligations; on the other hand, meeting debt payments out of growing gross domestic product and export flows is socially and politically acceptable.

The whole situation requires new global approaches to trade and capital flows (to mention two examples) in both debtor and creditor countries as well as the international organizations, especially the International Monetary Fund, World Bank, and large commercial banks.

Philip Ndegwa is governor of the Central Bank of Kenya. This article is adapted from a paper presented at the Institute for International Economics conference on Africa's debt and financing.

In short, a truly international effort is required, involving all parties, including the private sector. The establishment of a more active role for both the private banks and business sector in general may in fact be a blessing in disguise. In the past, international development strategies have been formulated without sufficient direct involvement of the private sector.

And yet such objectives as the UN Industrial Development Organization's goals for industrialization in developing countries and the transfer of technology cannot be achieved without greater private sector involvement. More generally, the serious levels of unemployment in the North, the promotion of a more sensible international division of labor, and the need to increase equitable trade between North and South all suggest that private sector organizations in the North and South have a major and growing role to play.

More rapid development in the South is central to the health of the world economy. The South represents a very large new frontier for international trade and investment. Its potential impact on incomes and employment in the North should be far greater than the expansion of the service industries in those economies, which to some extent have become a source of growth but which cannot alone alleviate the serious unemployment situation. The South's buoyant import demand in the mid-1970s hastened and sustained Northern recovery. Since 1979, stagnation or declines in South imports (largely the result of seeking to cope with smaller new loans and higher debt service) have been a drag on export and production recovery in the North.

Finally, if the issue of indebtedness is to be converted into an opportunity for more growth for all, then both the creditors and debtors must avoid the double standards which now prevail in economic adjustment and management. The developing countries are being asked to reduce their budget deficits, open their markets to foreign imports, and reduce their subsidies, especially for food and services. This medicine, however, does not appear to be generally acceptable to those who prescribe it. Further, imbalances in the economic policies have impeded Northern countries' adjustment to a low inflation environment, thus reducing their own economic strength and retarding the pace of international economic recovery. Resolution of international indebtedness will require balanced adjustment in all countries. As it is, there is no doubt that the South has carried a disproportionately higher share of the burden of adjustment to the international economic crisis in the last few years.

Institute for International Economics

Philip Ndegwa (right) with A.W. Clausen, World Bank president, and Babacar N'diaye, president of the African Development Bank: "Debt owed to multinational financial institutions is difficult or impossible to reschedule"

Africa's External Indebtedness

Estimates of Africa's external indebtedness, including those by the IMF, World Bank, and the UN Economic Commission for Africa, are strikingly at variance with each other. Some of the discrepancies can be attributed to differences in definition: Should short-term borrowings and/or undisbursed longer-term loans be included? And should IMF drawings be excluded, as they often are, on the grounds that they involve a rearrangement of monetary balances rather than a borrowing?

Other discrepancies are due to differences in coverage—some statistics focus on the continent as a whole, while others focus on sub-Saharan Africa. (For example, the IMF currently excludes Nigeria and South Africa from this group.) Thus, at one end of the scale, we have the IMF estimate of African indebtedness in 1985 of $130 billion, while the ECA estimate is over $170 billion.

It would of course be tidier if the definitions and estimates were more uniform. But these differences are not material to the essence of the matter: African indebtedness is a very serious problem whichever figures and concepts one has in mind. In any case, the reality is clearly worse than the very unsatisfactory situation revealed by standard debt and debt service burden calculations, since they are based on the lower estimates.

The magnitude of the problem for sub-Saharan Africa lies not just in the amount of the debt, which even in total is sometimes viewed as quite modest compared to that of some individual Latin American countries—although its total external debt exceeds that of Mexico or Brazil. The problems are severe because of the speed at which the debt

has grown, straining the monitoring functions in many African treasuries, and because the servicing burden has become very heavy given the fragile nature of most African economies.

African debt levels have more than doubled over the last eight years or so. Debt service ratios for Africa (about 30 percent) are currently second only to those of Latin America. And the debt burden for sub-Saharan Africa on most measures is worse than for Africa as a whole. Further, the terms on which new loans are given have tended to harden.

The proportion of African debt owed to private sector organizations is relatively small compared to other regions of the world. Correspondingly, the amounts owed to the World Bank and the IMF are relatively large. Africa's debt to the World Bank, including IDA, totalled over $10 billion in mid-1985, while a further $7.2 billion was due to the IMF. This means there is relatively little flexibility in adjusting Africa's repayment profiles, since debt owed to multinational financial institutions is difficult or impossible to reschedule.

Africa's debt poses less threat to the solvency of private international banks than the debt, for example, of Latin America. For this reason, its debt problems receive relatively little publicity. However, the impact on some banks of default by an individual African country—let alone several simultaneously—would not be trivial.

The amount owed to the IMF alone is almost as great as the total reserves of African countries. Further, while those reserves have tended to fall since the mid-1970s, even in nominal terms, and now average less than one month's worth of imports of goods and services, drawings from the IMF have accelerated. This indicates the extent to which Africa depends on the IMF for its international liquidity.

While private debt is on average quite modest in Africa, it is heavily concentrated in a few relatively more developed countries. Algeria, Egypt, Ivory Coast, Morocco, Nigeria, South Africa, Sudan, and Zimbabwe, for example, each has over $1 billion in private debt outstanding. These countries may therefore be very vulnerable to the recent drying up of private loan funds. Commercial banks are now actually taking money out from Africa on a net basis. The estimate for 1984 was $300 million. In this respect, the financing problems facing these countries are even more serious than in some less developed and economically weaker countries.

The fact that debt levels in Africa have in many cases become unmanageable is due to a complex range of local, continental, and international factors. After achieving independence, 20 to 25 years ago in the majority of cases, African countries began borrowing, some of them heavily, to help finance development for their people which the colonialists had neglected. In the early 1970s, indebtedness was boosted by the oil price shocks and an informal international consensus which emphasized financing over adjustment during part of that period.

The subsequent international recession curtailed export earnings, calling for further debt increases. Moreover, about 80 percent of debt is denominated in U.S. dollars, and the appreciation of the dollar (and high dollar interest rates) therefore added to indebtedness. The problems have been exacerbated in many cases by over-ambitious development aspirations, poor investment choices, and inappropriate domestic economic policies which have sometimes failed to address balance of payment and other stabilization objectives with sufficient vigor.

The rise in debt would be less of a problem if debt-servicing ability had improved in step. However, export earnings have been constrained by the recession and in some cases by protectionism, while official development assistance (ODA) flows have been curtailed and some forms of new debt flows, particularly borrowing from private creditors, have all but dried up. Interest payments have risen more than debt, reflecting higher interest rates and increased borrowing from private sources in the last few years.

Substantial repayments of capital are commencing on these private borrowings, as well as on ODA and multinational financial institution loans whose grace periods are expiring. All these factors add to debt-servicing difficulties. Net capital flows to Africa have been declining for several years now, and the


Ghana Information Services

Loading cocoa at Tema harbor, Ghana: "At present, world markets for most traditional African exports are depressed"

World Bank estimates that in the second half of the 1980s, they will be less than 50 percent of those in the first half.

The severe foreign exchange shortage that has arisen from these circumstances must be seen in the context of development needs. Africa contains 28 of the 43 countries classified by the IMF as the lowest income countries. Population growth in Africa is very rapid (averaging about 3.2 percent per year), and per capital incomes of many African countries have fallen sharply in the last few years. In fact, many African countries have suffered such acute declines in real GDP that present levels are below those of 1970.

Widespread poverty makes it difficult, to say the least, for many African governments to implement some adjustment policies of the type advocated by the IMF. The shortage of foreign exchange has forced cuts in imports, with severe implications for development and the needs of the poor, since a large proportion of African imports are required to sustain economic activity (oil, fertilizer, raw materials, spare parts, capital items) or basic living standards. Conditions in Africa are extremely critical and will further deteriorate unless urgent action is taken.

Camerapix

Mombasa oil refinery serving several East African nations: "The potential benefits from increased intra-African trade are considerable"

Dealing with the Debt Problem

A firm commitment by all relevant parties is required to overcome the debt crisis and improve African development prospects, but some important matters must be kept in mind as this effort proceeds.

First, virtually without exception, African economies are insufficiently strong to sustain reductions in economic activity even for short periods without severe human and social damage, deterioration of infrastructure, and erosion of potential for future growth. Indeed, the incidence of mass and acute poverty and the very low levels of human welfare make it very difficult to contemplate adjustment without economic growth.

The link between debt and development is immediate and direct for most African countries. Debt levels cannot be reduced by Africa alone without catastrophic losses of welfare. Further, because of the importance of imports, additional financing—including debt—will be required in the foreseeable future. Financing difficulties make it imperative that the amount of concessional support be increased.

These matters underlie the need for fundamental reforms in the international economic environment to address the problems at their heart. Debt rescheduling and other palliatives, while necessary in the short-term, are insufficient. The amount of additional funding required to support economic adjustment and development programs in sub-Saharan Africa has been estimated at $7.5 billion per year over the next five years. This is on top of existing flows which the World Bank in 1984 projected as providing approximately $5 billion per annum during the latter half of the 1980s.

The international political mood seems to be slowly changing, and the North is now recognizing the special circumstances of Africa (partly in response to the drought). There has recently been a welcome rise in planned and actual financial support for the continent. A number of donors have established special programs to assist in dealing with Africa's economic crisis. In particular, the World Bank has set up a Special Facility for sub-Saharan Africa with funds now totalling about $1.2 billion.

More recently, the U.S. government has made a number of useful proposals concerning support from IMF and World Bank sources, including use of repayments of $2.7 billion of Trust Fund loans, matching that amount from International Bank for Reconstruction and Development sources, and using the proceeds for support of the world's poorest countries. A renewal of investment flows by international banks is also being encouraged.

However, in the light of the estimated requirements mentioned above, even these bold steps will fall well short of the need. For Africa, the bottom line with respect to external balance is achieving higher import capacity, because its economic production is severely import-constrained. Similarly with respect to debt, the bottom line for Africa is net financial flows (new loans and grants less repayments and interest). How the key flow figure is improved—rescheduling, conversion of loans to grants, lower interest rates, restoration of con-

cessional flows—is not trivial but it is secondary.

In addition, domestic policies must be reformed to ensure that they do not contribute to balance of payments problems and to create an appropriate setting for growth. Top priority needs include better price incentives, improving the efficiency of markets, drastic steps to curtail unproductive government expenditures, better selection of public investment projects, containing monetary pressures, and maintaining a realistic exchange rate.

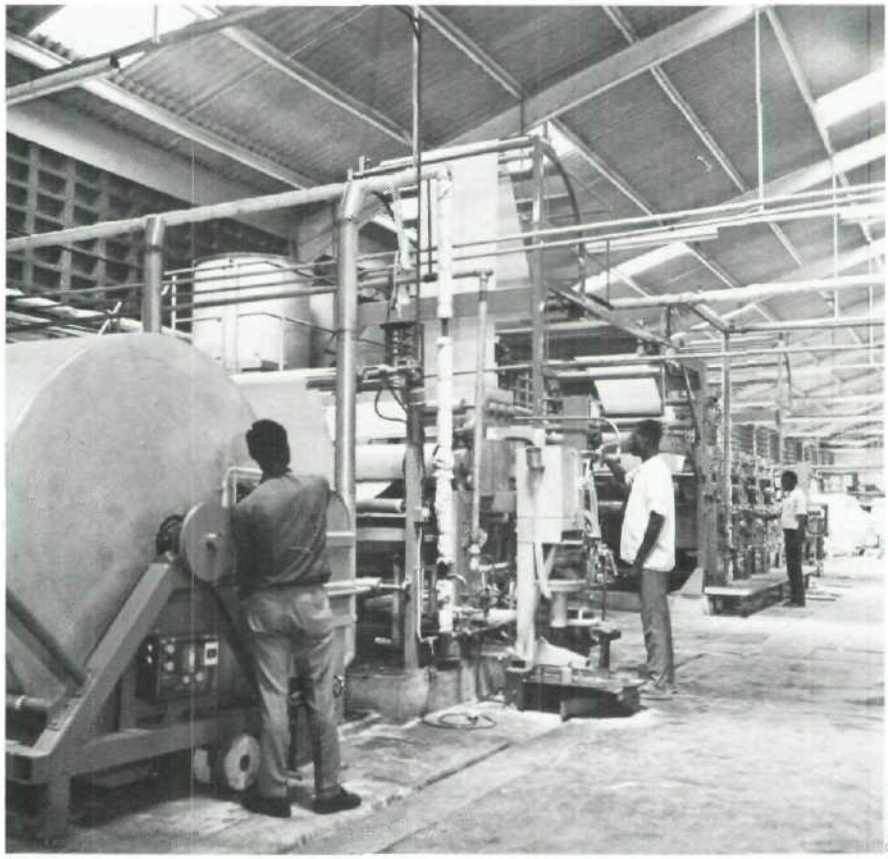
At the regional or continental level, much more emphasis must be placed on stronger coordination and cooperation on many aspects of economic development. The potential benefits from increased intra-African trade in agricultural and industrial items, in many areas of services (transport, communications, tourism), in financial matters, and on research into agriculture and health matters, for example, are considerable. Unfortunately, practical steps have been slow to evolve in these areas, but an increasing number of African leaders now recognize the overriding importance of these domestic and regional requirements.

The role of foreign private investment will be relatively minor until African countries can offer a more attractive investment climate. At present, world market prospects for most traditional African exports are depressed while the new protectionism puts question marks over investment in processing or simple manufacturing for export. Recession and import constraints limit demand and ability to produce for domestic African markets. Massive private investment inflows are therefore not attainable for reasons well beyond the control of African governments.

Views on the role of the private sector in economic development in the South differ from country to country. However, during the last two so-called UN development decades, and so far in this decade, it has become clear that governments alone cannot produce rapid and diversified development. In each continent, and even in advanced countries, reassessment of government's role in the actual production of goods and services is being undertaken, and many countries have taken measures to reduce the involvement of the public sector.

However, a greater private sector contribution in the development of the South will not be achieved if practices such as protectionism in the potential markets continue. Nor will foreign private investment be encouraged if interest rates in the developed countries remain so high that they attract funds from the developed countries themselves. Indeed, mechanisms such as the Multilateral Investment Guarantee Agency of the World Bank will not contribute until a better international economic environment is established.

If the debt and development problems of Africa are to be addressed, Africa and the North must engage in a more open and constructive dialogue. African countries must better articulate development strategies and policies. And the North must make a commitment to better understand the problems and to improve development prospects and financial strength in Africa. In particular, those steps should include subordination of narrow, short-run political, economic, and financial interests to the more appropriate and viable objective of real partnership with Africa.



Camerapix

Paper mill, Kenya: "Industrialization in developing countries and the transfer of technology cannot be achieved without greater private sector involvement"

Solutions to African development problems must be found before the recovery from the recent international recession can be considered complete. Global problems require global solutions. The origins of the African debt problem lie in policy shortcomings in Africa and elsewhere. The solutions, in the longer-term, must be found in the same areas. Aid as we have come to know it and special financing will not alone be sufficient. The present debt crisis in Africa serves to underline these points. The message is clear, and it is crucial that steps be taken now to ensure an enduring recovery for the world as a whole. □

A Commercial Partnership

African governments' willingness to address their economic failures should be matched by an equal measure of trust on the part of the international business community. American private investment is critically needed to reinvigorate the continent's modern sector, enabling Africa to become a full participant in the world economy.

BY ROBERT M. HOEN

For several years, Africa's economies have been in crisis. Some have reached a dead end. This is scarcely a shocking statement; not a week goes by without news reports suggesting that, despite large amounts of outside help in the form of grants, loans, and technical assistance during the generation since independence, Africa has fallen into a state of debilitating dependence. This regression has resulted from political instability, corruption, and mismanagement, exacerbated by adverse climatic and global economic conditions.

Today's reality is certainly grim. In Africa, per capita food production has been falling for at least a decade. This is due in part to recurrent drought and in part to the highest population growth rates in the world. Part of the responsibility also lies with government price controls, which are a disincentive to domestic agricultural production, and with overvalued currencies, which lower the price of imported food to levels that undercut sales by domestic farmers.

Africa has also suffered disproportionately from global economic distresses such as the oil shocks of the 1970s and the deep recession of the early 1980s. Terms of trade deteriorated as the price of energy and industrial goods skyrocketed, while in real terms, prices for commodity exports fell to historically low levels. Faced with recession at home, developed nations were forced to decrease their aid levels at a time when such assistance was critically needed. For a time, Africa's oil exporters escaped some of these problems, only to be caught in the recent oil price collapse.

In the global context, sub-Saharan Africa's foreign debt might seem insignificant; it totals about $70 billion, much of it from official lenders at concessionary rates. The most heavily indebted nation, Nigeria, owes about $12 billion in term debt and another $6 billion in trade arrears.

These numbers are small in comparison with the enormous overhang in Brazil, Mexico, and Argentina, but the fact remains that many African nations cannot manage the level of debt they have incurred. Most of them have had to seek emergency help from the IMF, World Bank, and traditional sources of bilateral assistance. However, despite the availability of outside assistance, it is clear that solutions must come from within if any lasting benefit is to be achieved.

During the quarter-century since independence, African governments have been the major investors in their own economies. This has served to discourage both indigenous and foreign private investment, as state-owned enterprises have been supported through policies that have minimized opportunities for private development.

Government and parastatal borrowers have also crowded out private entrepreneurs seeking what little domestic credit was available. High taxes on profits and heavy duties on imports for agriculture and industry have served as a further disincentive to private initiative.

These policies, coupled with high inflation and low interest rates offered to local depositors, have led Africans with capital to invest in non-productive trading activities where short-term returns are easier to attain—in effect establishing a hedge against uncertain government policies.

Private investment is critically needed now, especially since governments will be unable to continue their role as major investor, because depressed world prices for traditional exports have significantly lowered foreign currency revenues; new product exports are not growing fast enough to make much of a contribution; and essential domestic spending and service on

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existing foreign debt already consume a large proportion of foreign exchange earnings.

Austerity is the Order of the Day

Austerity measures on their own, however comforting to foreign creditors, will not solve Africa's systemic economic problems. The measures, imposed on a number of debtor nations by the IMF, are not the panacea for debt woes that many assumed they would be. These programs have tended to underscore the imperative of restoring a healthy balance of payments and equilibrium in domestic budget accounts to the detriment of domestic consumption and investment, thereby creating high social and political costs for debtor governments.

These costs may reach unacceptable levels in specific instances and could lead other African nations to follow Nigeria's example of attempting to solve their economic problems in isolation. Africa's economic plight and inability to meet its financial obligations will continue until such time as its countries experience sustained economic growth. Such growth can only be achieved through policy reform in Africa itself and a higher level of support and stimulus from the multilateral institutions and donor community.

Hope for Improvement

Given these conditions, the reader will be forgiven for inferring that economic prospects for Africa must be uniformly bleak. Such is not the case, however. There is hope for Africa. Although some of Africa's economic failures are traceable to conditions beyond anyone's control, it is also true that much of the stagnation results from policies actively pursued by African governments during the generation since political independence.

It follows that if Africans created problems through one set of policies, they can go far toward creating solutions by adopting new policies. It is generally agreed that Africans have run out of alternatives: No radical model remains untried, no super-power bids for their loyalties, no petrodollars wait to be recycled. The very depth of the current crisis demands a new practicality that can lead to improvements in economic performance.

One prerequisite to reform is recognition that existing policies are faulty and need replacement. Fortunately, this sort of healthy self-criticism is now widespread in Africa. For example, the African heads of state, in their declaration on the economic situation in Africa during the OAU summit in Addis Ababa last July, emphasized that "national development plans and annual budgets of most African countries have tended to perpetuate and even accentuate the dependency of our economies through reliance on foreign resources (financial and human) and has led to the misallocation of domestic resources through reduced shares for such high priority areas as agriculture, manpower, industry, and massive expenditure on foreign consumer goods and non-productive investment projects."

Putting Existing Capacity Back to Work

The easiest improvements come through calling existing capacity back into production. In order to achieve this, policy reforms must encourage domestic private sector activity by three key sets of economic actors: small farmers, the small enterprises of the informal sector, and the modern sector of large manufacturers, commercial agriculture, and agricultural processing industries.

In order to help small farmers, who in all African countries still constitute the largest group in the economy, governments are stimulating output by raising producer prices or preferably, freeing prices to seek market levels. In order to reduce severe budget deficits created by subsidized food sales in urban areas, governments have also raised consumer food prices substantially; in some cases they have abandoned food subsidies altogether. Fears of bread riots, in which disgruntled citizens would topple the political leadership, have proved largely unfounded.

With respect to the small family-based enterprises of the informal sector, governments need to change the prevailing economic philosophy and with it a whole system of legal, tax, and administrative constraints. In some countries where the government is considered to be the main engine of economic development, private production is officially unauthorized and thus morally tainted, if not outright illegal. The informal sector of craft, manufacturing, or service enterprises tends to operate on the fringes, denied institutional legitimacy and financial support.

However, if the small farmers who are benefiting from the price reform mentioned earlier are to be able to put their new earnings into seeds, tools, fertilizers, household goods, and personal belongings, as well as transport and other services, these products and services must be available on the local

United Nations

Bauxite loading plant, Guinea: "Private investment is critically needed now, since governments will be unable to continue their role as a major investor"

market. Local people are likely to be among the efficient providers, especially if realistic exchange rates reduce the unfair price advantage enjoyed by foreign competitors. African governments can stimulate informal sector productivity by allowing access to credit, reducing taxes, and simply eliminating much of the administrative interference.

The modern sector, which includes commercial agriculture, mining, commodity processing, and manufacturing, is a relatively recent phenomenon, not always well integrated with the older and more elementary levels of economic activity. Nevertheless, it has been a major component in the development of the world's industrial (and newly industrializing) nations. Despite the faulty implementation and mismanagement that has characterized many of these investments, especially in the parastatal sector, the capital investment already made provides too useful a productive base to be abandoned.

During the current period of reform, the first priority should be to rehabilitate existing productive resources rather than pursuing new investments to create additional facilities. A substantial industrial capacity now stands idle or underemployed, awaiting rehabilitation in the form of maintenance and spare parts, technical improvements, and inputs not available locally. Although foreign exchange is chronically short, this is clearly the place where it can be used most effectively.

If hard currency can be allocated to priming facilities that earn or save foreign exchange, the money can contribute both to economic development and debt reduction. African governments are beginning to see the benefit of allowing exporters to retain a substantial portion of their foreign exchange earnings for debt amortization and reinvestment; again, this policy is already bearing modest fruits in the form of increased production and more vigorous export marketing efforts.

These steps are short-term measures in the sense that they require few resources and can be implemented quickly, but they have longer-term implications as well. They are initial steps toward creating what the Aga Khan has called the "enabling environment," a set of constitutional, legislative, regulatory, and administrative principles on the one hand, and on the other, a body of shared business practices, bases for mutual trust, and ethical or moral norms understood by all. The creation of such a social fabric is the task of generations, but broad participation on the part of the people in rewarding, productive labor is essential to its evolution.

Economic policy reform thus comprises a variety of acts that governments can undertake to support and ultimately to stimulate production. These measures include the establishment of realistic exchange rates, restoration of a position of balance of payments, and a reduction of deficitary government spending. These are the policies so ardently advocated by the IMF.

African governments that pursue these reforms (Ghana and Ivory Coast, being recent examples) often see fairly rapid improvements in productivity, as measured in GDP. The institutional results are soon obvious as well. IMF facilities may be accompanied by World Bank structural adjustment programs and consultative group conferences at which bilateral donors table increases in grant aid with the regional development banks providing project loans as well. The export credit agencies of major industrial countries—America's Eximbank, Britain's Export Credit Guarantee Department, France's Coface, and the like—undertake medium and long-term financing of much-needed capital equipment. Comforted by the export credit agencies' implicit confidence (and shielded by the insurance coverage they provide), foreign commercial banks become willing to take on new risks. In some instances, the improving business climate attracts foreign private investment as well.

Ghana Information Services

Ghanaian women taking beans from cocoa pods: "In order to help small farmers, governments are stimulating output by raising producer prices"

Implications for the United States

The U.S. government is already a powerful supporter of economic policy reforms that shift responsibility for increases in productivity from the public to the private sector. In fact, the Reagan administration is such a fervent apostle of private enterprise that Africans tend to see all advocacy favoring private sec-

tor development, whether emanating from the World Bank, the IMF, or other institutions, as originating from that source.

The U.S. Agency for International Development, through its Bureau for Private Enterprise, seeks to persuade recipient governments to encourage private entrepreneurial activity; the Agency's recent conference on privatization brought together officials of developing countries to meet with critics of state-owned enterprises, advocates of private initiative, and the handful of officials and consultants who have practical experience with the transfer of state-owned institutions into private hands.

The message of private enterprise should be carried into Africa as well. President Reagan should appoint a temporary ambassador-at-large who will be a vocal advocate of the African entrepreneur (not, it should be clear, an advance agent for American or multinational corporations). This envoy should concentrate on devising programs to reinforce policy changes that build the private sector in Africa. He or she should be a senior business executive with broad experience in Africa, perceptive in identifying successes that can be replicated, and able to communicate persuasively with African leaders, regional, and national financial institutions.

In addition to advocacy, the United States can provide concrete assistance to promote and ease the policy reform process. The Baker proposals, calling for new private and public loans to help developing nations cope with the debt crises, are certainly to be applauded as a signal that Washington recognizes the critical roles to be played by OECD governments, the World Bank, and private financial institutions. The initial beneficiaries of the Baker plan, however, appear to be the Latin American countries.

African nations are likely to benefit from the new IMF/World Bank Structural Adjustment Facility, a $3.1 billion fund intended to provide low-cost rehabilitation funds to the 60 poorest nations, many of them in Africa. Representatives of India and China have volunteered to forego this aid, thus freeing a substantial portion to be used by the African countries.

The Baker proposals do not involve direct donor government grant funding or lending, but if Western governments want international banks to release new funds for developing nations, they too must show a willingness to increase resource flows to Africa. American grants and loans, either through AID or through the next replenishment of the World Bank's International Development Association funds, can help the rehabilitation of productive capacity by providing limited amounts of foreign exchange to buy the parts, supplies, and materials needed to restart or augment operations.

Margaret A. Novicki

Fence building operation, Burkina Faso: "Local people are likely to be among the most efficient providers"

The United States might help meet this short-term need by continuing the emergency relief that has been so effective in combating the recent drought and famine; as rainfall permits, this money can gradually be redirected toward food production, small, informal enterprise, and industrial support. Although African economies will ultimately return to a level at which major new development projects will require financing, the current need for rehabilitation is so urgent that it must take top priority.

Finally, if the United States wants Africa's leaders to give the private sector free rein to prove itself, we must be willing business partners. Certainly the administration should maintain the existing institutions that foster American lending, investment, and trade in Africa, such as Eximbank, the Overseas Private Investment Corporation, and AID's Bureau for Private Enterprise. These agencies should expand their role in facilitating joint U.S./African private initiative through methods such as OPIC's investment promotion missions.

Africa will grow best if its exports find responsive markets overseas, if its increasing productive efforts earn increasingly higher returns. The U.S. currently buys less than 5 percent of its imports from Africa, an amount that could be increased by a reduction in trade barriers for manufactured goods which would help Africa to move away from exporting only primary commodities. It is worth remembering that when the Eximbank was created in 1934, import promotion was one of its charter responsibilities, although soon forgotten. With minor adjustments to existing legislation, Eximbank could take on the role of financial linkage between African exporters and American importers, to the mutual benefit of each.

Eximbank, for example, provides guarantees for pre-export credits extended to African producers from American buyers or their banks. Successful African exporters are potential consumers of American goods. Today, Africa's more than 460 million people have little buying power; perhaps one day they will constitute a significant market, as full participants in the world economy.

There are short-cuts to economic development, but roadblocks and false trails can delay progress. Africa's nations have been independent for barely a generation, but much has been learned in the hardest way, by following policies based on misguided principles to bitter ends. The fresh pragmatism now guiding economic policy decisions is laudable. This pragmatism, applied in conjunction with a truly international effort involving donor governments, multilateral institutions, and the international business community, offers hope of a better material existence for Africa's people. □

Africa's Commodity Crunch

With African economies overwhelmingly dependent for foreign exchange on the export of primary commodities, the secretary-general of UNCTAD argues for concerted international action to reduce the violent fluctuations in world market prices and to improve the productivity of the African export sector.

BY KENNETH K.S. DADZIE

The production of primary commodities is the main economic activity in Africa. The bulk of the gross domestic product originates in the commodity sector, either in agriculture or in the extraction of minerals or fuels. A majority of the labor force finds employment in agriculture even in the main petroleum and mineral-producing countries.

In recent years, all major policy proposals for Africa have underlined the need to encourage agricultural production. The most celebrated examples are the Lagos Plan of Action and the subsequent Africa's Priority Programme for Economic Recovery—both of which represent the official position of the Organization of African Unity—and the various reports on sub-Saharan Africa published by the World Bank since 1981. Underlying all these proposals is one imperative: the provision of food for a growing population and the generation of foreign exchange for necessary imports.

But there is one important divergence. The OAU documents stress increasing food production for domestic consumption, while the World Bank's strategy, though "agriculture-based," is more export-oriented. These somewhat divergent approaches reflect differing emphases in economic theory and efficiency, and in social, political, and strategic factors.

Among the many factors which African governments must weigh in reviewing and designing their commodity policies, three are of special relevance in the present context, for they have an important bearing on the balance to be struck between increased food production for domestic consumption and greater export orientation. These factors are related to international trade and the current international division of labor and provide some useful insights regarding the choices available to African governments.

The first factor has to do with recent developments in international markets concerning the relative prices of Africa's main food import and export products. For example, has it become easier or more difficult for African countries to obtain a bushel of wheat for a given amount of exported commodities? It will be seen that this principal market signal is of limited relevance when making decisions concerning the resource allocation between food and export crops.

The second consideration is the proportion of Africa's export earnings spent on food imports, and in particular, its ability to finance such imports. It has become clear that the present international division of labor creates enormous difficulties for African countries which are obliged to specialize in the production of primary commodities in order to pay for food imports and to spend an increasing proportion of their export earnings on such imports.

The third factor is an important consequence of heavy dependence on commodity exports. Commodity export earnings are particularly unstable and the disruptions that this causes in African development represent an additional inducement to shift resources out of export commodities to the production of crops for domestic consumption.

Two conclusions follow: African countries will need to diversify their commodity production, and international cooperation in the field of commodity trade will help them considerably in making rational choices.

Imported Food and Exported Commodities

The relation between the prices of imported food and those obtainable for exported commodities is one of the most important considerations in assigning priorities to the production of

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export versus food crops. If over time, imported food becomes relatively more expensive in terms of exported commodities, this is a signal from the international markets that the local production of food crops is more attractive.

But it is very difficult to find a precise price relation at which point a shift from the production of one crop to the other is called for. In fact, it may well be that such a shift is not technically possible. Furthermore, possible changes in the productivity levels of alternative crops may complicate the situation as reflected by relative prices. Nevertheless, where choices are possible, the first issue to consider is the indications from the market.

Wheat is the main food imported by African countries. Wheat and wheat flour represent about 60 percent of the continent's imports of cereal and cereal preparation, while coffee, cocoa, cotton, and copper are its four main export commodities after petroleum. Table 1 shows how many units of each export item were required in each year of the period 1960-1985 to import the same amount of wheat as was obtained by one unit of the export crop in 1970. A rising trend over the period would indicate that food was becoming more expensive and that this pattern of trade was less and less beneficial for the country.

However, an important qualification has to be made. If productivity of an export crop was also rising, the pattern of trade could still remain profitable even if wheat became more expensive in terms of the exported good. The productivity situation has been the reverse, however. In Africa between 1969-71 and 1981-82, the productivity per unit area of coffee and cocoa has gone down, and that of cotton has stayed roughly constant.

The figures in table 1 highlight the difficulties faced by African agricultural policy-makers who may have sought guidance from international price signals concerning exported and imported commodities. Especially since 1970, as food imports have been steadily increasing, the price of wheat in terms of Africa's main export commodities has been very unstable and has changed radically over relatively short time spans. Over this period, the only consistent change in relative prices was the rise in wheat prices in terms of copper. Thus, international price signals have not been especially useful for policy choices between export orientation in agriculture and import substitution in food.

Trends become more significant when the entire 1960-85 period is considered. For instance, wheat has become cheaper in terms of coffee and cocoa. Hence, in the long run, an orientation in favor of coffee and cocoa production for export is in line with international price signals. But by the same token, these signals have also discouraged policies to promote food production at the expense of export crops.

"African countries must either find new export items or produce more food locally or both"

Domestic agricultural policies implemented by some major developed countries have created an additional element of uncertainty concerning price signals. For instance, the U.S. Farm Act and the EEC's Common Agricultural Policy are the main determinants of the level and variability in world prices for a number of commodities of interest to Africa, such as wheat, sugar, vegetable oils, and cotton. As these policies have often been modified at short notice in the past, they have cast a shadow over the significance and reliability of international prices as indicators for the basic long-term policy decisions by African countries.

Financing Food Imports with Export Earnings

The price relation between imported food and export crops also loses some of its importance in commodity policy-making when potentially destabilizing problems arise. In the African context, the acute scarcity of foreign exchange for importing food is one such problem, placing a binding constraint on the potential choices.

Foreign exchange earnings depend not only on export prices, but also upon quantities exported. Similarly, foreign exchange expenditures on imports are a function of both prices and volumes. As shown in table 2, the changes in the quantities of food imported and quantities of main commodities exported by Africa have shown radically divergent trends. While Africa's food import volumes have been going up sharply, export volumes have been either stagnant or falling.

Table 2 does not bring out the important differences that exist among individual countries and between country groups. For example, African oil exporters are major food importers and have had a comparatively higher rate of increase of food imports than other African countries over the past 15 years. Nevertheless, these divergences, although substantial, do not vitiate the conclusion that the quantity of Africa's food imports has soared while the volume of many African exports has declined. Thus, the rapid increase in the quantity of food imports and stagnant export volumes are serious problems for all African countries.

TABLE 1

Price indices of wheat in terms of African export commodities (1970 = 1.00)

	Wheat/ coffee	Wheat/ cocoa	Wheat/ cotton	Wheat/ copper
1960	2.16	1.27	1.11	2.29
1961	2.43	1.59	1.09	2.48
1962	2.24	1.69	1.11	2.52
1963	1.73	1.47	1.19	2.60
1964	1.39	1.64	1.22	1.77
1965	1.44	1.99	1.09	1.19
1966	1.37	1.54	1.19	1.06
1967	1.45	1.38	1.16	1.50
1968	1.38	1.08	1.04	1.31
1969	1.31	0.80	1.09	1.01
1970	1.00	1.00	1.00	1.00
1971	1.10	1.46	1.00	1.48
1972	1.16	1.36	1.06	1.66
1973	2.06	1.53	1.18	1.98
1974	2.29	1.44	1.48	2.27
1975	1.85	1.52	1.37	3.45
1976	0.78	0.83	0.92	2.45
1977	0.35	0.34	0.80	2.07
1978	0.66	0.48	0.97	2.45
1979	0.73	0.62	1.16	2.10
1980	0.90	0.84	0.98	2.07
1981	1.29	1.07	1.09	2.62
1982	1.09	1.16	1.16	2.81
1983	0.95	0.93	1.03	2.55
1984	0.83	0.79	1.03	2.83
1985	0.87	0.76	1.05	2.51
Mean	1.34	1.18	1.10	2.08

Source: Calculated from UNCTAD, *Monthly commodity price bulletin*, 1960-1984 Supplement, July 1985 and Volume V. No. 12, December 1985.

Admittedly, Africa's share in total world exports of its main export commodities is declining. At first sight, this would seem to suggest that the problem lies in the export performance of African countries themselves and not in the nature of the commodities produced and exported.

However, for each of these commodities, the total world trade volume has been either growing very slowly or declining. For instance, between 1970 and 1980, while the quantity of internationally traded wheat and wheat flour rose by almost 100 percent, that of coffee increased by less than 20 percent, and cocoa by about 10 percent. Hence, even if during this period African exporters had maintained or somewhat increased their earlier shares in world trade, their foreign exchange earnings from commodity exports would have progressively fallen short of their expenditures on food imports.

Table 3, which shows the proportion of total export earnings spent on food imports by major oil exporters and by other African countries, illustrates this point. While in the early 1970s, about 20 percent of the export earnings of those African countries which are not major oil exporters was spent on food, this proportion jumped to around 30 percent in the late 1970s and approached 40 percent in the 1980s as the impact of the drought was felt. Although this latter effect can be considered transitory, there is an obvious structural problem in that food imports have been absorbing a steadily growing part of export revenues.

For the oil-exporting African countries, the price of oil seems to be the main determinant of the proportion of export earnings spent on food products. Thus in 1979-80, when oil prices rose sharply, the proportion of export earnings spent on food by oil exporters declined, while the value of food imports went up. The current oil price declines are causing serious problems to oil exporters in financing their food imports. Thus, their need to step up domestic food production is not much less than that of the other countries.

Most African countries have been unable to keep local food production in line with the needs of their population. At

TABLE 2

Quantity indices of main food imports and selected commodity exports of Africa (1970 = 1.00)

	Food imports			Commodity exports				
	Wheat and wheat flour	Rice	Coarse grains	Coffee	Cocoa	Cotton	Copper	Iron ore
1971	140	120	131	98	106	101	96	91
1972	128	111	114	108	113	97	111	94
1973	146	141	136	118	103	95	113	103
1974	193	138	218	117	100	67	119	110
1975	214	88	198	110	94	62	111	81
1976	214	125	190	114	100	74	104	76
1977	247	223	247	87	79	66	97	66
1978	301	263	337	92	90	60	86	61
1979	289	314	310	101	68	69	92	66
1980	338	313	456	89	89	66	101	58
1981	349	345	531	95	103	59	93	62
1982	358	418	559	105	94	61	100	52
1983	379	416	460	96	97	75	104	51
1984	416	396	646	91	93	71	99	63

Source: Calculated from UNCTAD *Yearbook of International Commodity Statistics, 1985*, and UNCTAD databank.

the same time, export crop productivity has been poor, a situation that has been compounded by the glut in world markets for most commodities of export interest to those countries. Clearly, these trends are cause for grave concern.

Fluctuations in Export Earnings

Wide fluctuations in export earnings are faced by all primary commodity exporters. However, the adverse impact of these fluctuations is much greater for the African countries which are heavily dependent upon commodity exports than for countries with more diversified production and export structures.

For most African countries, export earnings from one or a few commodities provide a large part of total foreign exchange revenues. In almost all African countries, the main export commodity accounts for more than one-third of total export earnings; in the developed world, only Iceland (fish) and Norway (petroleum and natural gas) reach this proportion. Moreover, these earnings comprise a substantial proportion of the GDP. Consequently for these countries, uncompensated variations in export earnings of one or a few commodities cause serious economic problems which they have a strong interest in avoiding.

The significance of fluctuations in commodity export earnings is best seen from the perspective of their effects upon total export earnings and the GDP of the affected countries. Naturally, the more important earnings from a particular commodity are in terms of total export earnings, the larger the fluctuation in the latter when there are variations in the former. Similarly, the impact of these variations on GDP will be greater when export earnings from the commodity comprise a large part of the GDP.

Between 1962 and 1981, there are a number of instances where average annual fluctuations in the earnings of one commodity corresponded to more than 20 percent of total export earnings. (Examples are Burkina Faso with cotton, Burundi with coffee, Mauritania with iron ore, Mauritius with sugar.) In at least six cases—Benin with vegetable oils, Liberia and Mauritania with iron ore, Mauritius with sugar, Togo with phosphates, and Zambia with copper—these fluctuations resulted in a variation of more than 5 percent in GDP.

It should be added that the destabilizing effects of fluctuations in export earnings on African economies have been tempered by compensatory finance mechanisms such as those of the EEC and the IMF. Nevertheless, given the limitations of these schemes, and in light of the slow growth rates of GDP, these fluctuations have inflicted considerable damage on the affected countries.

This damage has been aggravated by the import-intensive character of the development efforts of most African countries. Furthermore, the greater the reliance on food imports, the more difficult it is to maintain consumption levels. More generally, the insecurity caused by fluctuating export earnings tends to diminish the attractiveness of export crop production in favor of the production of domestically consumed commodities whose contribution to the economy can be more insulated from oscillations in international prices.

Although the relative price of wheat

Ray Witlin/World Bank

Workers unloading sorghum in Dakar: "The quantity of Africa's food imports has soared while the volume of many African exports has declined"

TABLE 3

Proportion of total export earnings spent on food imports (percentages)

	Total Africa	Africa except major oil exporters*	Major oil exporters
1970	15	19	10
1973	16	22	10
1975	21	33	12
1976	16	28	9
1977	17	26	12
1978	22	32	16
1979	16	27	10
1980	16	30	10
1981	23	39	15
1982	23	37	16
1983	24	38	15

*i.e. Africa except Algeria, Angola, Congo, Gabon, Libya, Nigeria

Source: Calculated from UNCTAD, *Yearbook of International Commodity Statistics, 1985.*

in terms of Africa's export crops shows sharp fluctuations, historical trends indicate that the production of export crops such as coffee and cocoa should be exchanged for food, particularly wheat. However, experience over the past two decades suggests that these price signals are not very useful indicators for policy-making.

First, their fluctuations reduce their reliability as bases for decisions which have long-term implications. Secondly, regardless of these signals, the quantity of wheat imported by African countries is increasing rapidly, while the volume of their main commodity exports has not increased and probably cannot be increased significantly in the near future.

The rising proportion of export earnings spent on food needs to be reversed. The slow growth of world markets for Africa's export commodities puts effective limits on export earnings and consequently on how much food can be imported. As African countries cannot increase their traditional exports as fast as their food imports, they must either find new export items or produce more food locally or both. Because of limited export markets, greater emphasis on producing food for domestic consumption appears to be more viable; hence Africa's insistence on increased self-sufficiency in food.

The attractiveness of specializing in commodity exports has also been tarnished by the wide fluctuations in earnings, which create uncertainties and constrain development programs. Shifting resources toward domestic food production is thus a means of avoiding the destabilizing effects of international price variations.

Two considerations will nevertheless need to be carefully weighed. The first is that while it is essential for African countries to reduce their heavy dependence on commodity exports in the near to medium-term, such exports will remain the principal source of their foreign exchange earnings until viable alternatives are developed. These earnings continue to be indispensible for servicing their foreign debts and importing the necessary inputs for the implementation of their development plans. It is of crucial importance therefore that African countries intensify their efforts to improve productivity in their export sectors and to adopt horizontal and vertical diversification strategies.

The international community's increasing interest in Africa's development problems should be no less reflected in the area of commodities than in other fields. Commercial and agricultural policies should be designed to enhance rather than restrict the benefits African countries can potentially obtain from their commodity exports.

Furthermore, concerted international action in this area should be directed more purposefully and deliberately at reducing the insecurities involved in commodity exports, such as those caused by violent fluctuations in prices and/or revenues. Not only would policy reorientations of this type assist African countries to make better use of their resources, but they would be a positive factor in maintaining an orderly flow of supplies from Africa and other developing country producers to the consumers. □

Cameraplix

Kenyan cotton ginnery: "The U.S. Farm Act and the EEC's Common Agricultural Policy are the main determinants of world prices for a number of African commodities such as cotton"

After the Emergency

With the support of the world community, the UN Office for Emergency Operations in Africa successfully managed the task of supplying relief to the 35 million affected by last year's drought and famine. But the widespread perception that the emergency is over may impede efforts to mobilize the aid still required and to move on to the next stage of recovery and development.

BY MAURICE STRONG

Today, the greatest problem facing all of us who are dealing with the emergency situation in Africa is the perception that the emergency is over. The latest drought has been broken by the best rains for some time and on the whole, the crops that this has produced are the best in years. Much of sub-Saharan Africa now has a small surplus in local food grains. Perhaps this might suggest that the emergency is over. But it is not, because like so many things in life, the rainfall was not spread equitably over the entire population or the whole productive area of Africa. In many areas where the rainfall was good, the people did not have the agricultural inputs—the oxen, seeds, and tools—to plant crops.

The emergency is not over. The UN Office for Emergency Operations in Africa estimates that some 19 million people, most of them in four countries, are still acutely in need of emergency relief, compared with the 35 million people who were at risk a year ago.

It is a cause for some satisfaction that the emergency effort was quite effective. Despite the stories about port congestion, roads clogged with transport, and railways breaking down, the real story of 1985 is that most of the aid did get through. Most of the 35 million people whose very survival was in doubt a year ago did in fact survive. The deaths that occurred were at the front end, when the local capacities of the governments and the agencies in the field were overwhelmed.

In human terms, the events of last year were equivalent to averting a major war. The job of mobilizing and orchestrating assistance from literally hundreds of sources in the industrialized world to literally tens of thousands of destinations in 20 African countries under the kind of conditions which prevailed was no easy task. The emergency effort was a large-scale enterprise and a great deal more deserves to be known about it.

Not only did most of the 35 million survive, but some $2.9 billion of international assistance was mobilized and deployed last year. That was a little short of the $3.3 billion that we estimated was needed, but on the whole, it did the job. However, we should not congratulate ourselves for very long because a good many of the 19 million people who continue to need relief supplies are still on the edge of survival. The fact that many of them did not receive the necessary food, medical supplies, sanitation facilities, and water access has taken a tremendous human toll, with the result that many of the survivors are weakened by the effects of malnourishment and disease. They could slip back into the abyss very abruptly.

In 1986, we estimate that some $1 billion will be necessary (compared to the $2.9 billion raised last year) to effectively deal with the 19 million people still in need, of whom approximately 3 million are displaced from their homes and a little over a million are refugees. That may sound like a much easier job; in fact, it is tougher to raise money than it was a year ago. Why? Primarily because of this widespread public perception that the emergency is over.

It has been very difficult raising the money now urgently needed. The situation in Sudan and Ethiopia is becoming critical. The prospect of rains in May may produce good crops again, but it will also create horrendous problems of transport. Relief must be shipped and positioned in the various areas of need before the rains come if we are to avert the kind of tragedy we have faced over the last few years. And that is not easy to do. The controversies over resettlement in Ethiopia are having a significant effect on our ability to mobilize funds for Ethiopia.

Much of the $1 billion will be used to buy and transport food from surplus areas that have now recovered. In our experience, it is much more difficult to raise money to purchase food than it is

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to get food aid which donors provide from their own surpluses. Yet, the problem with foreign food aid—so necessary when food was unavailable—is the threat it poses to the capacity of the African farmer to re-build his own local food production capacity. In many cases, foreign food aid can be a disincentive for local food production.

Clearly, the magnitude of last year's task of delivering relief was such that we simply had to concentrate on emergency relief. While we do not wish to perpetuate emergency relief, it would be tragic if, in our understandable desire to move into recovery and development, we were to neglect the emergency needs of those whose survival we helped to assure. It would be a negation of everything that was accomplished during the last year.

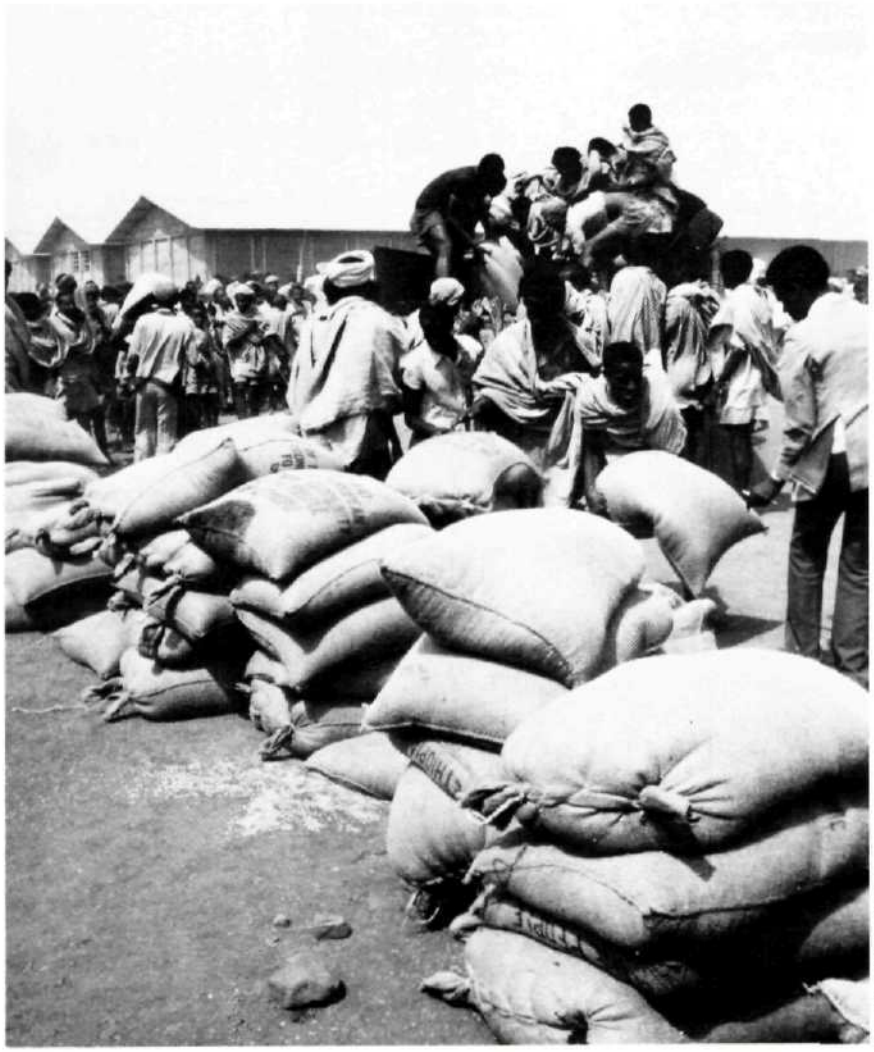
Yet there is a great problem in finding ways of administering relief that do not encourage dependency and that facilitate recovery and development. Food aid is addictive—to governments who rely on it for budgetary support and to people who rely on it to feed themselves. It is much easier to be given food—even food for work—than it is to grow it oneself under the conditions existing in Africa. This year, the emergency relief effort must be closely attuned to recovery and development needs.

The drought may be broken, but the famine is not. Many people are still in a state of famine. It is a paradox: The year of famine without drought. But droughts are a recurrent phenomenon. Until this year, Africa had 17 years of below average rainfall. Reaching back further than that, the continent has had a history of droughts for as many years as there are records. With the increasing population growth in Africa and the consequent pressures on the fragile ecological systems, much of sub-Saharan Africa is now in a state of ecological breakdown. The capacity of the land has been literally overwhelmed by the numbers of people and animals and the intensity of the activity which they generate.

The result of repeated droughts is poor and impoverished countries unable to maintain their infrastructures or to provide significant support and incentives for the peasant farmer to produce food. Also, the recession has been very tough on the low-income countries of Africa. Even before the drought, these countries had experienced severe blows to their economies. For the most part, the commodities on which they depend for export earnings are at the lowest prices they have been for almost 30 years. Because they have also had to absorb the higher costs of oil and imports, they have incurred debts which are now at intolerable levels of debt-servicing. The drought came at a time when these countries were extremely vulnerable.

Famines result from poverty and underdevelopment. In a world literally awash with food, Africa is an anomaly. Africans simply are not producing the food they need. Even under normal conditions, Africa has not produced as much as it consumes and since 1970 food production has been declining by about 2 percent per year. In the future, the only way to prevent famine during periods of drought is to take a new approach to development—not just a resumption of past development practices, but a genuine shifting of gears and priorities in favor of the rural sector and supporting the peasant farmer.

The peasant farmer—who is primarily a woman—is a good farmer. In arid land conditions, the African farmer has increased productivity at almost double the rate of the Australian farmer over the past 30 years. On an hour of labor expended and the amount of calories that is generated from this, the African farmer produces more efficiently than the Asian rice farmer. So the problem is not the farmer.



Ian Steele/United Nations

"The job of mobilizing and orchestrating assistance from hundreds of sources in the industrialized world to tens of thousands of destinations in Africa was no easy task"

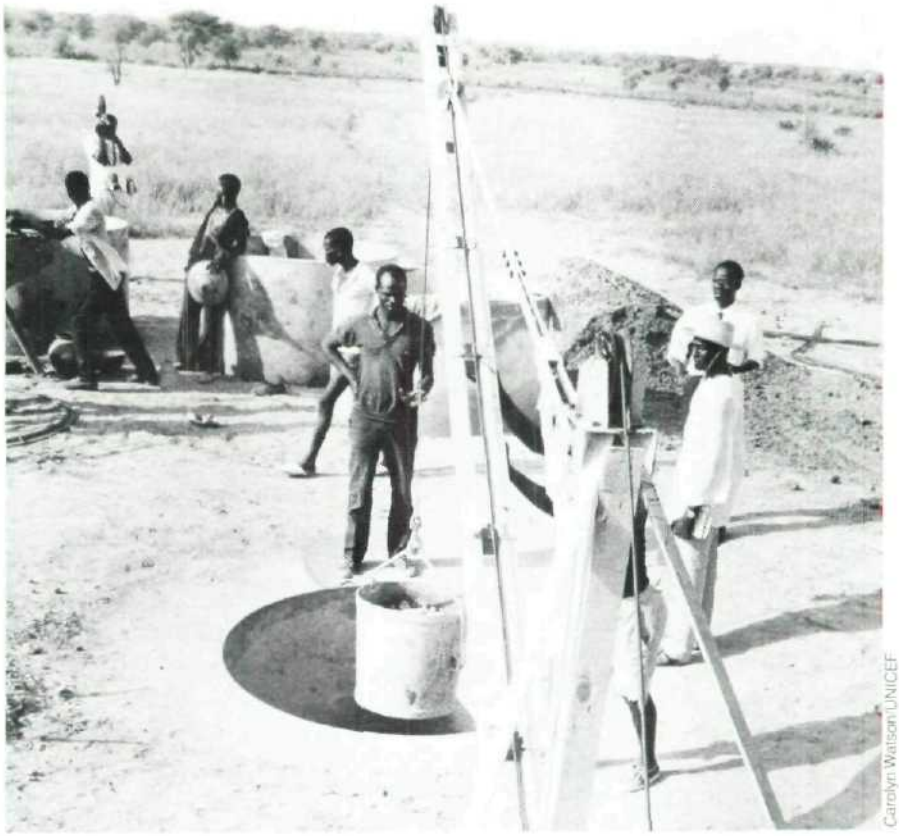
The problem is that the farmer does not receive support. She hasn't had local roads and infrastructures, good marketing arrangements, price support, or incentives, and has often been the subject of confiscatory taxation practices. There has been virtually no research or extension back-up for improved seeds or inputs. The peasant farmer is the basic element in the economy of these countries, producing most of the food for domestic consumption and a considerable amount of the export crops as well. Therefore, the best thing government and international donors could do to increase Africa's economic growth is to revitalize the agricultural sector.

The recent emergency in Africa has taught us that the real cause of the problem is a systemic breakdown. And the worst thing we can do is to continue what we have done in the past—in effect providing an environment that constrains the farmers' incentives and capacities to increase production. We know that development is a systemic process. But in practice, we do very little about it. It is a problem everywhere, but even more so in Africa where there is a limited resource base, a low base of poverty and underdevelopment, many constraints, and a cycle of periodic droughts which impose heavy additional burdens.

There are many examples of how policies and projects, undertaken with the best of intentions but without a full understanding of the total causes and effects which these interventions in the development process trigger, have created a tremendous wastage of precious resources and often counter-productive results. Even when the results have been positive, the full potential effect has been reduced.

For example, the very act of drilling water wells creates deserts when not accompanied by good land management practices. Food aid and subsidized meat excludes local pasturalists from their normal urban markets, resulting in larger herds, because they are not going to slaughter cattle for no reason. The result is increased pressures on the land—and increased deserts.

If we want to help revitalize African development, we must do a better job of assisting Africans to appreciate and take into account in their own resource allocations, development planning, and management the total cause and effect relationships of the various policies and projects which they undertake.


Carolyn Watson/UNICEF

Well in Senegal: "The very act of drilling water wells can create deserts when not accompanied by good land management"

One of the best tools we developed in dealing with the emergency operation was a sophisticated information system. A good deal of information was produced on what was needed, where, in what form, and how best to deliver it in terms of emergency relief in Africa. This information was used by virtually all donors, governmental and non-governmental, as the basis for their emergency resource allocation decisions. A similar system is needed in development. Central coordination cannot be imposed on people. But we must strongly support the kind of systems which will increase the flow of information within the development process.

In his capacity as chairman of the preparatory committee, Edgard Pisani is bringing a new and fresh approach to the preparations for the UN General Assembly's Special Session on Africa's Economic Crisis. He has become a key actor in the next phase of Africa's recovery and development. But one thing is clear: Not many donors, certainly not in the United States, are in a mood to be as generous as they need to be. Most of them are far more generous with their advice for Africa than with their commitment of new resources. New resources are hard to come by. Hopefully, the special session will provide the kind of impetus to development that we have tried to foster with the emergency. I hope it will—but it won't happen unless there are some very special efforts made.

There is a strong and compelling case in development terms for giving priority to Africa in the next two decades. More so than any other area of the world, Africa deserves our development priority. Although aggregate development budgets are less, Africa should receive the greatest share in allocations. The Africans themselves have set out a program which I believe everybody can generally agree with. Last July's OAU heads of state meeting in Addis Ababa adopted a

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recovery program for Africa. In terms of general priorities, it is in accord with what most friends and observers of Africa believe is the right direction. It conforms broadly with World Bank and other expert diagnoses. It provides a basis for creating a consensus for the kind of partnership or "compact" (as the recent Council on Foreign Relations and Overseas Development Council study pointed out) that is essential.

The basis for such a partnership was established in the emergency. There was a new momentum, spirit, and sense of partnership that came out of this emergency which helped Africa survive the greatest single drought and famine that it has ever experienced. That is a hopeful beginning for the new kind of partnership that must now be extended into development.

The African problem will be with us for a long time. First, the process of dedevelopment in Africa must be reversed. African governments have had a healthy shock. Africa is not homogenous—there are going to be some countries that will prosper while others will be in deep tragedy. We will have to support good leadership and good management wherever we see it and provide a supportive base to help it take root in those areas where it doesn't exist. It will take a continuous helpful hand. Africa will have a difficult time for several decades and we will have to share in those tough times. Our commitment to Africa must be maintained under extreme conditions. But the kind of will and spirit with which the Africans survived the emergency gives us real hope for what Africa can do with the future.

The U.S. role is key to any attempt by the Western world to create a solid, enduring, and continuing partnership with Africa. With 11 percent of the American population being African in origin, there is a real reason for this. But outside of the emergency period, Africa does not rank as a priority in the minds of most Americans—or in the minds of administrators and legislators. We need a better understanding of Africa's problems in America and greater support on the part of Americans—not only at the governmental level, but in the private sector—for Africa's development challenge. □

From Reform to Recovery

With the precipitous drop in the world price of copper—Zambia's major export—the government has been required to diversify its economic base. One of the architects of Zambia's new economic approach argues that the success of the reforms now in place hinges on the country's access to foreign exchange.

BY L.J. MWANANSHIKU

Over the past two to three years, the government of the Republic of Zambia has adopted a wide range of measures aimed at restructuring the economy and stimulating production, especially in agriculture and industry. The measures are in response to the prolonged deterioration of the country's economic performance.

The main purpose of this article is to describe and analyze the major elements of Zambia's economic reform program. As will become clear, virtually all of the policy reforms have already been implemented. The remaining reforms deal with institutional changes necessary to bring economic management and development administration in line with the new policy environment. The policy and institutional reforms must be seen in the context of the evolution of the economy during the first two decades of independence.

Economic developments in Zambia since 1964 fall into two distinct periods. The first decade of independence was one of relative prosperity. The ensuing decade has been marked by serious economic difficulties. The fundamental weakness of the economy lies in its near-complete dependence on the production and export of a single commodity, copper.

The mining sector, which is dominated by the copper industry, accounted for nearly 50 percent of the gross domestic product in 1964. In the same year, the mining sector provided 97.2 percent of merchandise export earnings, with copper alone accounting for 90.8 percent of total receipts. The contribution of the sector to tax revenue was well over 50 percent. Moreover, the mining sector was the single largest employer in the country.

During the first 10 years of independence, both copper output and copper prices were on a rising trend. Copper exports reached a peak of 825,000 tons in 1969. Although the upward trend was temporarily reversed during 1971-72, prices recovered strongly during the next two years, reaching a peak of $0.93 per pound in 1974.

The favorable conditions in the copper industry during 1964-74 enabled the country to achieve satisfactory rates of growth. The annual average rate of growth of real GDP during this period was close to 5 percent. Since population was growing at about 3 percent during the period, there was some assurance that per capita income was rising steadily.

As a result of high copper output and prices, Zambia's balance of payments position was remarkably healthy. With the exception of the years 1968, 1971, and 1972, the current account was in surplus during the 1964-74 period. The country maintained a high level of international reserves. In 1970, the foreign exchange reserves were sufficient to cover 12 months of imports on an f.o.b. basis.

The government's fiscal operations were strongly underpinned by the buoyant conditions in the mining industry. For most years, revenue exceeded expenditure, with the result that government was a net lender to the banking system. Furthermore, the abundance of foreign exchange ensured that the country's foreign borrowing requirements remained very low. A large proportion of government expenditure during this period was devoted to the construction of the nation's social and economic infrastructure.

The period of relatively high economic growth, combined with a strong balance of payments and budgetary position, came to an abrupt end in 1975. The collapse of copper prices that year

L.J. Mwananshiku, formerly Zambia's Minister of Finance and National Commission for Development Planning, is Minister of Foreign Affairs.

had a very devastating effect on the economy. The situation was akin to depriving a living creature of oxygen. Suddenly, the current account of the balance of payments showed a massive deficit; foreign exchange reserves fell to a level where they were sufficient to provide only two months of import cover; and government revenue from the mining industry virtually disappeared.

500,000 tons of copper for the first time since independence.

The difficulties facing the mining industry resulted in a continuous contraction of the economy. In real terms, gross national income fell by 23 percent between 1974 and 1984. The corresponding decline in per capita income over the same period was much steeper; per capita income is estimated to have fallen by 44 percent.

Zambia Information Services

Zambian copper: "The five-year plan aims to restore previous levels of efficiency and arrest the decline in copper production"

As a result of the collapse of copper prices, the copper terms of trade fell by 50 percent within one year. There were, however, other adverse factors at work. These included the four-fold increase in oil prices during 1973-74, the acceleration in world inflation, and the record rise in interest rates. The combination of these unfavorable developments in the world economy completely destroyed Zambia's balance of payments.

As the country was attempting to adjust to the prolonged depression in the world copper market, the mining industry began to experience production difficulties. At first, the decline in copper production was perceived to be a temporary phenomenon. By 1981, the downward trend had become firmly established. The decline became so sharp that in 1985, Zambia produced less than

While it was recognized that external factors were primarily at the root of Zambia's economic difficulties, it became increasingly clear that shortcomings in domestic policies were feeding upon these external factors to produce an irreversible trend toward economic decline. The situation therefore called for a domestic response to both the external and internal imbalances in the economy.

The structural and policy weaknesses of the economy had been masked by the dominant position of the copper industry. These weaknesses only became fully exposed when the copper industry itself entered a period of permanent decline. The policy weaknesses fall into three broad categories:

- pricing and subsidy policies which encouraged consumption at the expense of investment and production;
- tax and interest rate policies which led to a pattern of capital-intensive investment;
- trade and exchange rate policies which discouraged the use of labor and local raw materials, and production for export.

The trade, exchange rate, and pricing policies which prevailed until 1984-85 had the most damaging effect on the economy. These policies were rooted in a past which differed markedly from the situation that emerged after 1975.

From the second half of the 1970s, foreign exchange became increasingly scarce as export earnings from the mining industry contracted. The response to the foreign exchange shortage was to impose controls on imports and external payments, resulting in shortages of goods which in turn led to the imposition of price controls. As the shortage of foreign exchange and goods intensified, so did controls on economic activity. As time went by and the economy continued to decline, it became obvious that the controls dealt with the symptoms rather than the causes of the country's economic problems. The necessary policy changes could not be delayed any longer.

The core policy reforms adopted over the past two years encompass the following:

- exchange rate and trade policies which rely largely on market forces in the determination of the exchange rate, the allocation of foreign exchange, and the regulation of imports;
- a pricing system devoid of administrative controls, with two commodities—maize and fertilizer—being the only exceptions;
- the removal of interest rate controls.

The key element of the exchange rate and trade system is the foreign exchange auction introduced in October last year. Since then, the exchange rate of the kwacha has been determined at weekly auctions conducted by the Bank of Zambia by the marginal bid which exhausts the supply of foreign exchange. All foreign currency transactions are valued at the prevailing exchange rate determined at the auction.

In order to ensure a smooth transition to a market-determined exchange rate and payments system and avoid undue fluctuations in the rate, selected trans-

actions have been temporarily excluded from the auction. To start with, the foreign exchange requirements of the Zambia Consolidated Copper Mines (ZCCM), the government, Zambia Airways, and the Tanzania-Zambia Railways (TAZARA) have been allocated outside the auction. Similarly, the commercial banks' working balances, payments for crude oil and related port charges, and debt service have been excluded from the auction.

The number of transactions subject to administrative allocation has already been substantially reduced by bringing the foreign exchange requirements of ZIMOIL (for crude oil and related port charges), Zambia Airways (for IATA bills), and TAZARA into the auction.

The introduction of the foreign exchange auction was accompanied by the liberalization of the trade and payments system. Liberalization has been accomplished by:

- changing the system of export licensing to one of registration;
- amending the exchange control regulations to permit inward transfers without the obligation to declare the source of the funds;
- issuing import licenses without restriction;
- abolishing import prohibitions designed to protect local industry;
- permitting the repatriation of profits and dividends declared after October 30, 1985, through the auction, subject to the limits established by the Bank of Zambia, and facilitating the externalization of expatriate remittances on a current basis.

Interest rate controls were abolished last September. Thereafter, the commercial banks have been free to determine lending and deposit rates in accordance with money market conditions. The Bank of Zambia is now only able to influence interest rates through daily open market operations in treasury bills.

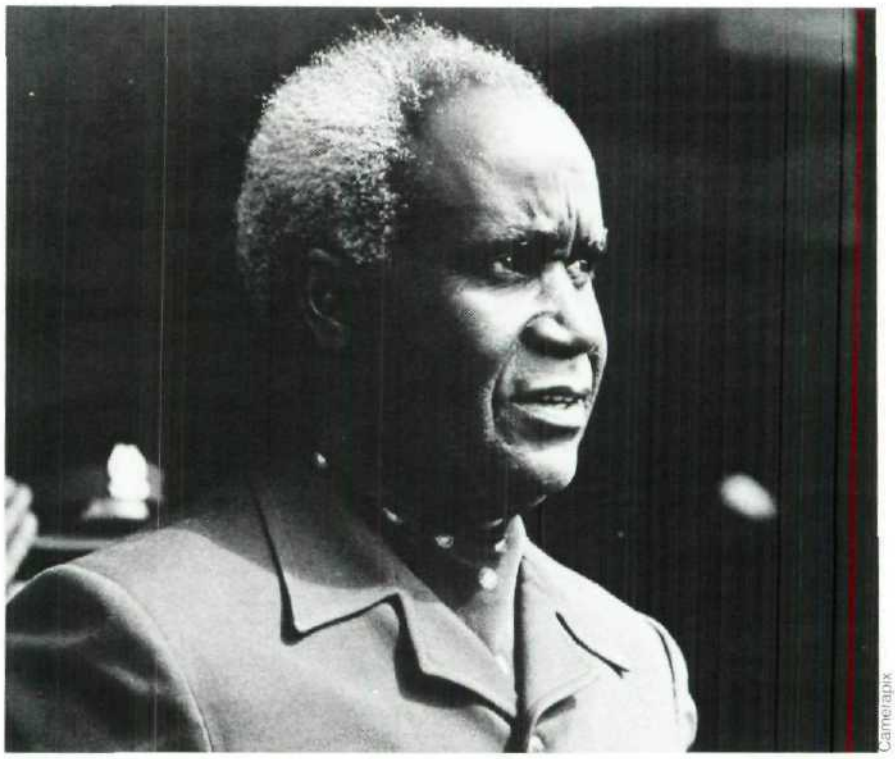
The removal of price controls began as far back as 1983. By the time the foreign exchange auction was introduced in October, price controls of all commodities other than maize and fertilizer had been phased out. The controls on maize and fertilizer are intricately linked with the marketing arrangements for these commodities. The government has already taken significant steps toward liberalizing the maize and fertilizer marketing system, thus setting the stage for the abolition of the price controls affecting these two important commodities in the not-too-distant future.

These policy reforms have brought about profound changes in the economic environment in Zambia. Their negative impact on living standards was immediate and severe, as reflected in the depreciation of the kwacha and the consequent rise in prices. In foreign currency terms, the kwacha depreciated by 60 percent against the dollar between October and December 1985, i.e. from $0.45 to $0.14. At the same time, the commercial bank lending rate rose from 17.5 percent to over 30 percent. Domestic prices were promptly adjusted to reflect the weakness of the kwacha and the increase in interest rates. In this way, the new policies had the effect of forcing the country to live within its means.

In economic literature, it is often suggested that in an economy characterized by a prolonged shortage of foreign exchange and goods, the resulting scarcity premiums are invariably absorbed by traders. From this, it is deduced that the freeing of prices and the exchange rate would not by themselves cause a big jump in prices. From the Zambia experience, it is clear that, at least in the short-term, the hypothesis is not correct. The scope for price increases following the introduction of the foreign exchange auction was considerable. What is true, however, is that the removal of controls on prices, interest rates, and the exchange rate would not by itself set off an on-going process of inflation.

The policy reforms have undoubtedly had a beneficial impact on the economy. Their positive impact may be measured by the following:

- the regular injection of foreign exchange into the economy through the auction, in contrast to the previous stop-go mechanism for allocating foreign exhange;
- the increase in capacity utilization resulting from the above;
- the big improvement in the profitability of exports in general and non-mineral exports in particular;
- the increased pressure on domestic industry to become internationally competitive, to utilize domestic raw materi-



President Kenneth Kaunda: "The economic reforms essential for the recovery of the Zambian economy are now in place"

als, and to employ labor-intensive rather than capital-intensive methods of production;

- the reduction or elimination of the import price premium charged by foreign suppliers as compensation for delays in paying for imports.

The economic reforms are intended to achieve four main objectives: the acceleration of non-mineral exports; an increase in domestic production, especially in the agricultural sector and in domestic savings; and an improvement in resource allocation.

The government recognized at an early stage that the policy reforms would not be complete or successful without supporting institutional reforms. Measures are therefore being taken to bring about institutional changes in the economy. In the agricultural sector, these measures are directed at improving research and extension services and credit administration and at introducing a competitive marketing system for maize and fertilizer. In the mining and industrial sectors, the emphasis is on the rehabilitation of existing productive assets. To this end, ZCCM has prepared a five-year production and investment plan which is aimed at restoring previous levels of efficiency in the industry and arresting the decline in copper production.

In other areas, such as budgeting and planning, foreign exchange forecasting and budgeting, the management of public enterprises, and the administration of external assistance, the necessary institutional reforms are well-advanced. The objectives of these reforms are to progressively reduce the imbalances in the government budget; to redirect resources into the productive sectors; to place public enterprises on a sound and profitable footing; and to make efficient use of external assistance.

Where necessary, legislative action has been taken to back up the policy and institutional reforms. In this respect, two important pieces of legislation may be cited—the Export Development Board Act, and the Investment Act. As the name implies, the first act established the Export Development Board which will coordinate assistance to the export sector. The Investment Act, which replaces the former Industrial Development Act, is intended to create a stable policy framework for the business sector. The new act is designed to provide a well-defined system of incentives for foreign investors. The act's emphasis is on the promotion rather than the regulation of business activity. Through this legislation, Zambia has given a strong signal to those who wish to invest in the country.

Given the severe shortage of resources, especially foreign exchange, Zambia's economic reform program could not proceed very far without substantial assistance from the international community. External assistance has taken three main forms: loans and grants mobilized through the Consultative Group; debt relief provided by the Paris Club, the London Club, and other creditors; and a standby arrangement with the International Monetary Fund.

The Consultative Group, under the chairmanship of the World Bank, has become the focal point for mobilization of external assistance for Zambia. Since 1984, three Consultative Group meetings have been held in Paris. The reforms described here have been the subject of intensive discussions at these meetings and have consistently received the endorsement of the Consultative Group. Within the Group, the World Bank is the single biggest donor. The Bank has acted as a catalyst in generating donor support for policy-based assistance to Zambia.

Debt relief is the second important form of external assistance to Zambia. The country's medium and long-term debt, including the undisbursed portion, is estimated at about $5 billion as of the end of 1985. Difficulties have arisen in debt-servicing, not so much because of the size of the debt, but because of the rapid decline in export earnings.

The third form of international assistance is provided by the IMF. The IMF provides both financial assistance and the seal of approval necessary to unlock resources from other sources. The Fund approved a two-year standby arrangement for Zambia, together with a purchase under the Compensatory Financing Facility, in February this year. The new agreement with the Fund paved the way for the rescheduling of the debts owed to the Paris Club in March. The conclusion of the agreement with the Fund was in turn facilitated by the far-reaching economic reforms adopted by the government.

The economic reforms essential for the recovery of the Zambian economy are now in place. The speed at which the reforms bear fruit will depend critically upon the availability of foreign exchange, which is the most binding constraint on production. Government's commitment to the reforms is firm and I am confident that the international community will be equally resolute in its support for Zambia. □

"The government has already taken significant steps toward liberalizing the maize and fertilizer marketing system"

The U.S. Private Sector and African Development

The H.J. Heinz Company's investment in Olivine Industries of Zimbabwe represents a model of successful private enterprise in Africa. The president of Heinz describes how its profitable partnership with the Zimbabwe government has prompted the American corporation to seek further investment opportunities in southern Africa.

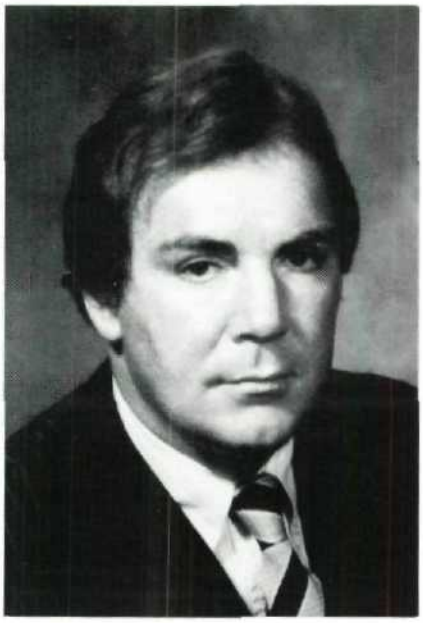
BY A.J.F. O'REILLY

In the late 1980s, Africa will reach a watershed in its struggle for self-sufficiency. On one side, there are options that may lead to famine, war, and progressive desertification. On the other are options for greater productivity, stability, and prosperity. What happens in Africa within the next 10 years will ultimately affect the rest of the world, favorably or otherwise.

The complex problems that face African nations vary from region to region, but there are certain striking features in common. Prominent among them is the fact that over-zealous nationalism is all too frequently accompanied by economic degeneration. Hopeful young nations justly proud of their hard-won independence are reduced in a few short years to abject poverty, their laudable pre-independence goals withered in the winds of famine and unemployment.

While the rest of the world accepts that each sub-Saharan African nation must have the freedom to define its own economic priorities, there is nonetheless a useful role to be played by nations which have suffered the same processes in the past. Foremost among them is the United States. For the sake of illustration, it is also useful to consider Ireland in this context, since its economic struggles are more recent and relevant to the fiscal constraints of today's world.

Dr. A.J.F. O'Reilly is president and chief executive officer of the H.J. Heinz Company.



A.J.F. O'Reilly: "If Heinz wanted to continue to grow as a company, then the Third World, including Africa, had to be a vital part of that strategy"

Although small and geopolitically unimportant, Ireland nevertheless earned an historical place in the pantheon of nations which have fought and triumphed against colonialism. Ireland's historic struggle against imperialism and foreign rule bestowed on the people of that small island a sense of national pride undimmed by its subsequent difficulties, many of which were self-inflicted and brought unnecessary hardship upon a people who trusted their leaders to set them on the path to prosperity.

There is a form of Irish economic dogma which has apparently taken root in the post-colonial Africa of today. It is narrow, blinkered, bureaucratic, and inefficient. It took Ireland nearly 40 years to relinquish this narrow philosophy. Only in 1960 were the doors opened to dynamic foreign investment, and there followed a period of rapid economic growth and an export boom which has transformed the small economy into one of Europe's most vigorous. The Irish example illustrates how important it is for young nations to adopt flexible and imaginative policies for their capital investment programs.

But it is one thing to be able to isolate a problem, and another to be able to remedy it. Recent events in Africa demonstrate with chilling clarity the inade-

quacy of superficial and short-term stop-gap measures. Africa's difficulties require serious and longer-range solutions. To this end, there is a call for action from two quarters: first, from the African states themselves, to create an economic environment that will encourage investment; and second, to the world of finance to direct their investment toward Africa.

For long-term growth, effective restructuring of the economy depends critically on raising investment in the productive sectors—agriculture, manufacturing, and mining. This will require a combination of measures including improved access to foreign exchange, adequate credit, a rational tax structure, and greater security over the flexibility of price adjustments.

Attention should be given to incentives for attracting outside capital, such as tax holidays, training allowances, remittability of dividends, and availability of loan capital at favorable rates of interest. Investment capital has one very simple and universal characteristic—it is scarce. It will go where it can get the best returns. All too often the investment codes drawn up by African states mimic in painful detail the Eccevaria Laws which have crucified capital investment in Mexico, and indeed which mirror the Irish experience of 1920 to 1960.

Nevertheless, there are hopeful signs in Kenya, Ivory Coast, Cameroon, Botswana, and most recently in Zambia and Mozambique. The H.J. Heinz Company is considering proposals in many of these countries. Clearly, if Africa's nations are to be assisted and indeed liberated economically, they will require broader budgeting reserve operations rather than project lending; they will need the help of privateers; they will need to invite bankers to join hands with them; they will need manageable debts, even though they may be large; they will need high-level domestic investment; and above all, they will need the participation of foreign equity holdings.

One of the unfortunate legacies of the colonial era is the mistrust with which African states view private enterprise. It must be emphasized that a vital and flourishing private sector provides the most lucrative source of government revenues. This point is illustrated graphically by the Heinz Company's investment in Zimbabwe, where Heinz has not only invested in business, but in many social projects as well.

In 1982, Heinz made a medium-sized investment in a company producing soap, candles, and edible oils and fats. Fifty-one percent of the shares are held by Heinz and 49 percent by the government of Zimbabwe. It is a happy partnership that is working well for both of us. The company, called Olivine Industries, holds the leading position in the market. In the outflow of monies from Olivine to the Zimbabwean government, 78 cents of every pre-tax dollar of profit is paid to the government, while the remaining 22 cents goes to Heinz in the form of dividends remitted to Pittsburgh. This does not take into account the additional benefits which accrue to the government in the form of taxation, both direct and indirect, from the 1,400-odd employees of the company, for example.

Quality control lab: "Olivine Industries holds the leading position in the market"

The significant factor here is that all dividends remitted came from profits. It is very pertinent for African states to consider the relative costs of such equity investments vis-à-vis the only other source of monies available, namely loans, where a fixed rate of interest has to be paid on a regular basis, whether or not the monies borrowed are put to profitable use. In dealing with a loan, the day inevitably arrives when the original sum has to be repaid, frequently in a depreciated currency.

One of the phenomena of the economic world is that trust breeds trust and mistrust breeds mistrust. If the African states can demonstrate their trust by the introduction of appropriate investment policies, then it is logical for Western investors to reciprocate. It needs to be borne in mind that the longer U.S. investors withhold their capital from Africa, the greater will be the skepticism, indeed the cynicism, with which African countries will view U.S. policies, both economic and political. Social disorder and economic collapse go hand in hand, and others in the world will not be reluctant to make political capital out of Africa's economic instability. It is unreasonable to allow a potentially friendly trading relationship with Africa to evaporate by maintaining a woodenly inflexible attitude toward investment there.

Any business venture involves an element of chance and it has never been in the nature of the world's greatest entrepreneurs to leave the risk-taking to others. A positive approach to investment in Zimbabwe has served to underscore this point, and it could be useful to trace the background that led Heinz to arrive at its decision.

Heinz involvement in Africa began with a review of the investment potential in the entire sub-Saharan region, an exercise prompted largely by a World Bank study. Its projections highlighted the fact that while the U.S. share of the world GNP was declining, that of developing countries was dramatically on the increase. Coupled with this was the knowledge that in 1980, Heinz had no production or distribution in the countries that contain 85 percent of the world's population. If Heinz wanted to continue to grow as a company, then the Third World, including Africa, had to be a vital part of that strategy.

Nevertheless, when one thinks of Af-

rica, and particularly of a country with a declared socialist policy, one has to question what the future is for private enterprise. Zimbabwe has certainly had setbacks since it attained independence in April 1980. The government has had to contend with the world recession and a slump in the price of its minerals, not to mention three years of drought.

Due to these factors, the Zimbabwean government was forced to introduce certain drastic and unpalatable measures: cuts in public spending and food subsidies, restricted wage increases, and reduced foreign spending. Olivine Industries still has trouble obtaining local and imported raw materials and foreign currency to purchase plant equipment and machinery.

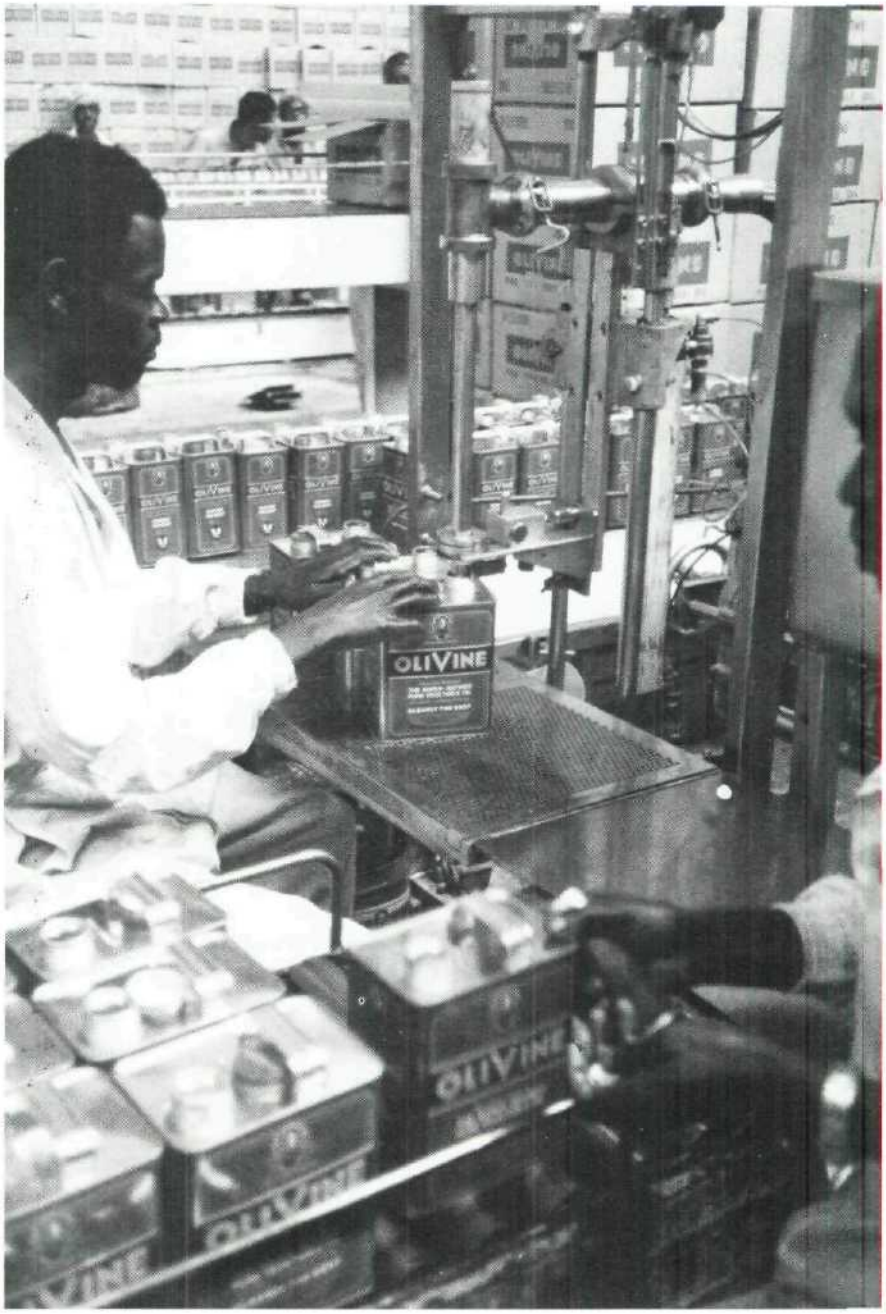
And yet—and here is the really exciting feature of Heinz's investment in Zimbabwe—despite all these difficulties and apparent drawbacks, the return on capital invested in Zimbabwe not only brings Olivine into the blue chip category, but also enables it to compare very favorably with any other company in the Heinz group.

Since the joint acquisition of Olivine Industries by the government of Zimbabwe and H.J. Heinz, the company has increased its share of the edible oil market, the soap and margarine markets, and has doubled the capacity of its oil extraction and soap manufacturing plants. Local demand for Olivine products has risen so steeply that despite our increased capacity, the market is still unsatisfied. Since our investment in 1982, the company's net sales have soared by a spectacular 124 percent.

Today, we have a superb, profitable, and dynamic partnership in Zimbabwe that has exceeded all our mutual expectations and even more importantly, one which has prompted plans for further investments in that country and indeed, in all of the surrounding territories.

Africa possesses tremendous natural assets. All African nations ought to be able to feed themselves, but they need the skills, technology, and capital of major investors. They need better health facilities, schools and training centers, bridges and roads, and transport systems. Without a profitable and efficient private sector, no African country can hope to acquire the revenue to shoulder these tremendous burdens.

The United States is Africa's logical economic partner because the people who came to America have a special distinction—they were victims. They fled from famine, pestilence, economic deprivation, tyranny, and religious oppression. Enshrined in American culture are notions of tolerance and respect for others' rights to independent thought and action, the concept of equal rights to property, and the belief that man's endeavors may be directed toward improving his lot. The United States has created an environment that encourages people to be diverse, flexible, vital, and imaginative. The American investor is thus equipped with the understanding necessary to participate in the economic development of Third World nations. And since the United States has created the modern world economy as we know it, it is appropriate that it should use its economic power to promote prosperity and stability in Africa. □



Olivine plant in Harare: "The return on capital invested in Zimbabwe enables Olivine to compare very favorably with any other company in the Heinz group"

The African Crisis: Whose Challenge?

An awareness of the obligations shared by Africa and its industrialized partners for the continent's economic growth inspired a group of 40 Americans to develop the *Compact for African Development*. Its 12 recommendations present a package of proposed U.S. actions demanding a greater commitment of resources than the Reagan administration is currently providing.

BY DONALD B. EASUM

It is fashionable to pontificate that Africa's problems can be solved only by Africans. Outsiders cannot do it. Whether the issue is human rights in southern Africa, refugees in the Horn of Africa, or economic survival in the Sahel, the only durable solutions are those designed and implemented by Africans themselves.

This line of argument is usually well intended and often substantially valid. But it provides too many Americans with an excuse for indifference. In other cases, it encourages the kind of charitable responses that make the donor feel good but that address symptoms rather than causes and engender dependence rather than self-sustaining progress.

When directed to the economic crisis facing Africa today, such logic can obscure the interdependence of the American and African continents, the degree to which the industrialized North must share blame for the plight of the less developed South, and the important ways in which American policy can in fact facilitate African economic recovery.

Those who preach the thesis of African responsibility must be prepared to respond when African governments adopt the tough economic and financial policies that expert analyses may indicate are essential, but that local reality renders politically risky at best and a threat to the stability of the nation at worst.

Successful joint approaches by Europe/America and Africa to African economic recovery should presuppose a common understanding of the need for action and of the major components of the problem. Fortunately, a congruence of views on these issues is increasingly apparent.

What is less clear is the extent to which Africa's industrialized partners, and particularly the United States, are prepared to recognize and support the important economic policy and management decisions that African leaders are increasingly taking. It may well be, as argued in the World Bank's latest assessment, that Africa's impressive attempts to help itself will fail without additional resources in the form of new aid and debt relief. It is ironic that budgetary and other constraints threaten to dilute the U.S. contribution to these efforts at precisely the time when African need and public American concern about that need have never been greater.

Margaret A. Novicki

Senegalese President Abdou Diouf, OAU *chairman: "Africa's economic crisis has* been described in harsh terms by African heads of state at the OAU summit"

Donald B. Easum, a member of the Committee on African Development Strategies that produced the Compact, *is president of the African-American Institute. He was U.S. ambassador to Upper Volta (Burkina Faso) 1971-73, assistant secretary of state for Africa 1974, and U.S. ambassador to Nigeria 1975-79. Copies of the* Compact for African Development *can be obtained without charge from the Overseas Development Council, 1717 Massachusetts Ave., N.W., Washington, D.C. Copies of the fuller study, to be issued in Spring 1986, may be ordered directly from the publisher: University of California Press, 2120 Berkeley Way, Berkeley, CA 94720.*

Recognizing the Crisis

The crisis was described in stark terms by African heads of state at the Organization of African Unity summit meeting in Addis Ababa last July. The declaration issued by that assembly stated: "We are most gravely concerned by the continued deterioration of our economies which have been severely affected by the deep world economic recession and penalized by an unjust and inequitable international economic system. This situation has been aggravated by unprecedented severe persistent drought and famine and other natural calamities, such as cyclones and floods. These developments, added to some domestic political shortcomings, have brought most of our countries near to economic collapse."

A similar conclusion comes from the Committee on African Development Strategies, a group of 40 Americans who were brought together a year ago to assess Africa's development future. Sponsored by the Council on Foreign Relations and the Overseas Development Council, the committee, chaired by former Ambassadors Lawrence Eagleburger and Donald McHenry, commissioned and reviewed 20 studies on African development by African, American, and European authorities. Views were also obtained from a score of American private and voluntary organizations and from political leaders in the U.S. and Europe.

The committee's December 1985 report, *Compact for African Development*, depicts Africa's economic crisis in the following categoric fashion: "What has happened to Africa in the past two decades can be compared to the effects of a world war. Its crisis is different from anything else found anywhere in the world: No other continent is suffering such acute famine and environmental loss, and nowhere else do institutions and skills lag so far behind the problems. No other region of the developing world finds itself in such a steep and steady decline as Africa."

Ingredients

The principal ingredients of the crisis are not in dispute. At present growth rates, Africa's population will quadruple in the next 40 years. Whereas in Asia and Latin America per capita food production is increasing and population growth is decreasing, exactly the reverse is true in Africa. Per capita food production in sub-Saharan Africa is going steadily downward and is now at an index of 80 relative to a base of 100, 20 years ago; Latin America and Asia, on the other hand, have a per capita food production index of 115 today—and rising—compared with the same base.

The spectre of ecological disaster threatens an increasing proportion of Africa's non-tropical landscape. Overuse of land for crops as well as overgrazing by livestock is depleting the natural wealth and resilience of Africa's soils. Forests continue to be stripped of wood for fuel. A self-generating process of moisture deficiency and intensified desertification is underway that threatens to destroy vast areas of the continent.

The World Bank estimates that 60 percent of all Africans consume fewer calories each day than thought to be necessary for normal life. Malnutrition and hunger kill 5 million children in Africa every year and permanently cripple another 5 million. Africa hosts half of the world's estimated 10 million refugees. Africa's urbanization rate is higher than that of any other world region, with many cities growing at a rate of 7 to 10 percent a year. The quality of life in these cities is characterized by shanty towns, hunger, poor health, unemployment, and crime.

According to the OAU, 36 percent of Africa's gross domestic product in 1984 was consumed by debt-servicing obligations. By the end of 1986, the payments required to service Africa's debt will equal two-thirds of all the money the continent receives in foreign aid. Many African economies have been further devastated by the decline in commodity prices, the reduction in official development assistance in real terms, high interest rates, sharp fluctuations of exchange rates, and increased protection-

Karen Durlach

"The specter of ecological disaster threatens an increasing proportion of Africa's non-tropical landscape"

ism. Half of the countries have been recording negative income growth per capita since 1979.

How can one approach the issue of economic recovery when human as well as financial resources continue to be squandered in political and military strife in the Horn of Africa, Western Sahara, Chad, Sudan, Uganda, Liberia, and in southern Africa where the South African government's continuing destabilization activities against its neighbors make a mockery of rational planning for this key region?

The Need to Restructure

There are thus some heavy negatives in the balance sheet to be placed before the Special Session of the United Nations convened in New York in late May to examine the critical condition of Africa's economies. But need we accept as inevitable the dismal prognosis for Africa's future propounded by many economists, demographers, and ecologists?

I would like to suggest that a generation from now, Africans and their friends abroad may look back upon 1985 as marking the beginning of a turn-around in Africa's development condition. I base this hope on new attitudes that are being demonstrated by African leaders and Africa's industrial and financial partners.

OAU ministers of planning issued a declaration in April 1985 that stated: "What our governments are seeking is a complete restructuring of the African economies so that progress is based on the use of the region's own resources and potential." Three months later, the July OAU summit took a similar approach, calling for a "structural transformation of African economies" with emphasis on the development and mobilization of the human skills and financial resources necessary for the priority development of agriculture, transport and communications, energy, mining, and construction.

These are not merely changes in theory and policy. Actions are replacing words. Burkina Faso is engaged in a nationwide process of fundamental economic and social change. Ghana has taken courageous steps to attack its financial and production problems. Nigeria has announced an austerity budget that accepts IMF conditions without borrowing IMF money. Zambia has recognized the folly of its short-sighted reliance on copper. Zaire has devalued its currency, abolished virtually all state trading monopolies, and cut back public expenditures.

Tanzania has accepted the failure of the nationalization of its sisal plantations. Madagascar has liberalized rice marketing. Togo doubled cotton production by providing higher price incentives and effective extension services for farmers. Somalia has eliminated all producer price controls and internal agricultural marketing restrictions.

Botswana and Cameroon have demonstrated impressive financial management in keeping imports within the limits of export revenues. Malawi, Zimbabwe, and Ivory Coast have made significant strides in agricultural development. Eleven countries have begun to reform their parastatal systems. In Guinea, a set of 150 public commercial enterprises is expected to be reduced to a total of 10 to 15.

The U.S. Response

It is the thesis of the *Compact* cited earlier in this article that a fresh approach is needed from African nations and from Africa's industrial partners. The key to this approach is a recognition and acceptance of mutual obligations. The *Compact* argues that the donor community should take certain actions provided African governments demonstrate a willingness to attack the impediments to development that are under their control.

Incremental economic and financial assistance will, in effect, be triggered by "reformist" economic behavior by African states. The same rationale is reflected in the "conditionality" requirements of the International Monetary Fund and in the criteria applied by the World Bank's new Special Facility for sub-Saharan Africa.

The philosophy of the *Compact* is not substantially different from the strategy of the U.S. government, which is to support African economic growth by encouraging reforms, agricultural production, and human resource development. What distinguishes the *Compact* from the U.S. government's position on African economic recovery is its 12 recommendations. These recommendations present a package of proposed U.S. actions that constitute a significantly more substantial response to African needs than the administration is prepared to put to Congress.

Following are the *Compact* recommendations and the administration's responses to each of them.

Recommendation One: *Using food from the United States and other donors, African states should initiate food-for-work and other food programs to foster agricultural development and increase productivity.*

The administration's official response includes the following: "In recent years, we have made great progress in making our food programs more developmental, by using them to foster needed policy reforms, by more carefully integrating food programs into our entire portfolio, by being much more cognizant of the potential disincentive effects of food aid on local production, and by using local currency generation to support our entire development program. Food-for-work programs are one important element of our food program."

Recommendation Two: *The United States and other donors. . . should negotiate longer-term food aid arrangements in Africa. . . [for] those governments that are working vigorously to reform policy and increase investment for higher agricultural productivity.*

Multi-year food assistance agreements are already in effect with four Sahelian countries; several others are being negotiated. Congress recently authorized the new Food for Progress program which provides multi-year food assistance on a grant basis in return for policy reforms encouraging indigenous food production. It is expected that 75,000 tons of food aid will be provided to selected countries in the program's first year.

Recommendation Three: *In exchange for the reaffirmation by African states of responsibility for their debt, the United States government should reprogram, or stretch out over an extended period of time, its share of most African debt.* (Other donors have forgiven a significant amount of their official African debt. The U.S. has not, although legal authority is available to do so.)

As part of the Paris Club, the U.S. in concert with other donors has agreed to

reschedule debt on a case-by-case basis. It is doubtful, however, that the extent of any such rescheduling or reprogramming will be on the scale envisaged by the *Compact*.

Recommendation Four: *The United States should pledge $250 million to the World Bank's Special Facility for sub-Saharan Africa.*

In FY 1985, the administration obligated $75 million for the first set of African Economic Policy Reform Programs (AEPRP). This grant was to provide assistance to five African countries undertaking major policy reforms (Mali, Malawi, Rwanda, Zambia, and Mauritius). It was hoped to continue this program for the next four fiscal years with total authorizations amounting to $500 million. The administration argued that given the existence of this new U.S. bilateral program, the U.S. need not contribute to the Bank's Special Facility. Congress disagreed, insisting on a contribution of $71.8 million to the Special Facility in FY 1986. This allocation was made at the expense of reductions in the U.S. contribution to the International Development Association (IDA) and in the AEPRP program for FY 1986.

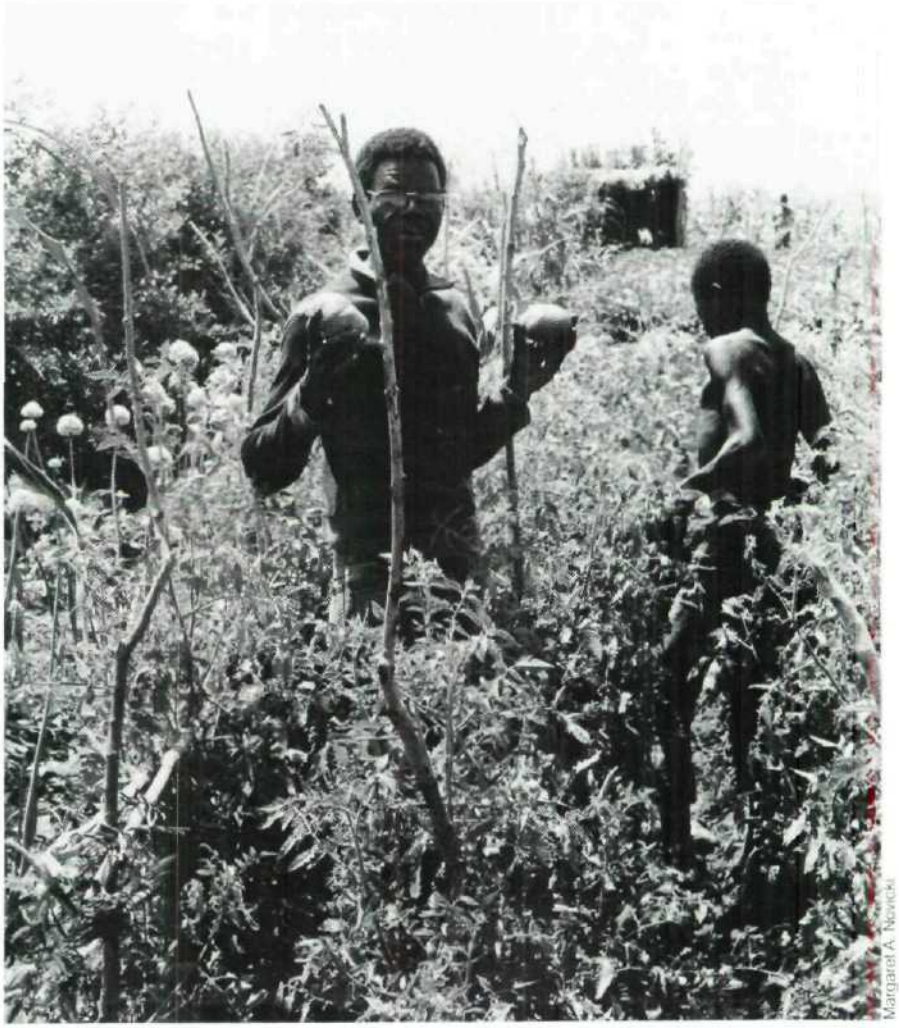
Recommendation Five: *The United States should lead a drive for increased investment in environmentally sound African agricultural development with special emphasis on small farms and the women farmers who have previously been neglected by aid programs.*

The administration endorses this recommendation.

Recommendation Six: *In cooperation with African governments that are moving to increase productivity, the United States should launch a major and sustained campaign in research and training to create the human and technical building blocks needed for a "green revolution" in Africa.*

AID's new Plan for Supporting Agricultural Research and Faculties of Agriculture in Africa outlines a long-term program of assistance to develop African institutions of agricultural research and training.

Recommendation Seven: *The United States should work with the International Planned Parenthood Federation and the United Nations Fund for Population Activities to institute major population programs in each African country that has a bilateral U.S. aid program.*



Margaret A. Novicki

Tomato harvest in Burkina Faso: "The thesis of the 'Compact' is to support African economic growth by encouraging reforms, agricultural production, and human resource development"

AID is providing population program support to 11 African nations. The current level of assistance is approximately $30 million a year. The U.S. has, however, cut back its support of these two key organizations. Further, the U.S. government has made clear that no support will be provided to organizations that sponsor abortion as a method of birth control.

Recommendation Eight: *The United States should help Africa unleash the creativity of its own private sector through technical help, improved procurement practices, and trade reform.*

Private enterprise development in Africa is a central feature of AID policy and program activities. The question of procurement procedures, which at times hinder our African assistance programs, is one that the administration may, upon further consideration, wish to take up with Congress. Trade agreements are also an important area of concern and are under continuous review within the administration.

Recommendation Nine: *The United States should make a full contribution of $1.33 billion a year over the next three years to the eighth replenishment of IDA, the "soft loan" window of the World Bank, to assure more adequate long-term multilateral financing for African development.* (The implication of this recommendation is a total IDA VIII replenishment of $16 billion over a three-year period, compared with $9 billion for IDA VII and $12 billion for IDA VI. Current indications are that the replenishment level for IDA VIII may be decided

at between $10.5 billion and $12 billion, with Africa receiving up to one-half of the total.)

The U.S. position is still being developed, but the administration intends to ask Congress for an IDA VIII contribution.

Recommmendation Ten: *Congress should amalgamate security and development aid monies for Africa into a single account clearly designated for development purposes to demonstrate that U.S. assistance is geared to African development performance.*

AID press guidance on this issue reads as follows: "This recommendation comes from a misunderstanding of the roles of security assistance and development assistance. In accordance with congressional mandates, we use security assistance in as developmental a way as possible. Much of our Economic Support Funds [security assistance] is provided in the form of non-project assistance especially relevant to Africa's financial needs, and instrumental in encouraging needed policy reforms."

Recommendation Eleven: *Repayments from the past U.S. foreign aid loans should be used to help finance new initiatives for Africa.* (This would require legislation. The annual amount is more than $600 million and rising substantially.)

The administration notes that current law does not permit such recycling and that the overall amounts involved are in any case small.

Recommendation Twelve: *The United States should triple the long-term U.S. finance going to Africa through a combination of bilateral and multilateral programs to reach a new level of $3 billion per year.* (The bilateral U.S. aid program to Africa was $836 million in FY 1985. The administration has requested $750 million for FY 1987. To these sums should be added food aid and U.S. contributions to multilateral institutions that benefit Africa.)

The $3 billion target is closer to double than triple current assistance levels. The recommendation is nonetheless unrealistic given the financial constraints currently affecting all U.S. government activities. It is hoped, however, that more resources may be channeled to Africa as a result of the "Baker Initiative," by which IMF Trust Fund reflows in conjunction with World Bank resources and possible bilateral contributions would be provided in support of structural adjustment programs in selected countries.

How Much is Enough?

This comparison of *Compact* recommendations and administration responses reveals the lack of muscle behind AID's projections for assistance to Africa. The strategies are similar, i.e. reward growth-oriented adjustment programs. But the administration has to deal with the reality of financial constraints and other congressional concerns, whereas the drafters of the *Compact* were under no such limitations.

Since publication of the *Compact*, an additional and more powerful voice has been heard on the side of increasing resources from the donor community. In its *Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90*, the World Bank cites a resource gap of between $1.5 billion and $2.5 billion per year. This gap must be filled by new bilateral money or more liberal debt relief in order to restore Africa's growth level to the mediocre level of 1980-82. The OAU calculation of the "gap" that must be met by additional international assistance is $7 billion. Whatever the figure, it is clear that without major additional infusions of financial resources, the commendable steps taken by African leaders may come to nothing.

In testimony before Congress on March 18, U.S. Assistant Secretary of State Chester Crocker referred to the *Compact's* recommendations as follows: "Some prominent elements in the U.S., most notably the recent report of the Council of Foreign Relations and the Overseas Development Council, have urged that we do much, much more in Africa. But we are very much aware of budget constraints and have shaped our proposals in the context of what we believe is our proper share of our international effort, both bilateral and multilateral."

Crocker told Congress that he would not argue for a gap-closing exercise. "What is needed," he said, "is a combination of donor concentration of assistance programs to produce results in those countries in Africa seriously engaged in adjustment and to provide incentives for the future to other countries that must eventually take this path."

This is an admirable statement of general policy, but are sufficient resources available to back it up? The administration's economic assistance request for Africa for FY 1987, roughly $1 billion, is in fact 10 percent below actual expenditures in 1985.

What message does this send to other donors? To what extent does this level of official aid encourage and buttress the role of U.S. corporations and voluntary organizations in Africa? What reaction can one anticipate from African leaders who have demonstrated the political will to take controversial actions in the face of severe political consequences? Is it perhaps more in Washington than in Africa that political will is now needed?

The major contribution of the *Compact* may be the impulse it has given to the longer-run possibilities of more substantial economic assistance to Africa. INTERACTION, a coalition of American private voluntary organizations, has prepared draft legislation based in part on the *Compact* analysis. Senators Kasten and Kennedy have introduced Bill S 2208 that calls for a new U.S. response to Africa's long-term development requirements. INTERACTION is planning an educational campaign in support of the legislation.

INTERACTION's campaign will tap the concern engendered by last year's remarkable work of the Band Aid Trust/Live Aid Foundation and USA for Africa. It will also benefit from the awareness of African need evoked by Sport Aid's "Race Against Time," which begins May 17 when a lone African runner leaves an African refugee camp and carries a campfire's charcoal ember through the centers of 12 European cities to arrive at the doorstep of the United Nations on the eve of the General Assembly's first-ever special session on Africa.

Activities such as these should encourage the formation of "compacts" between the industrialized nations and the developing nations of Africa. The national interest of the United States demands that Americans join hands with Africans to work together toward such an objective. □

UPDATE

Black SA students struggle for people's education

One of the most widely representative black activist gatherings ever held in South Africa has urged students to end a nationwide boycott of classrooms and instead fight the country's educational system from within.

The watershed conference in Durban, set up by the National Education Crisis Committee (NECC) in late March, was attended by more than 1,500 delegates from educational, community, political, and trade union organizations who called on black students to enter a new phase in the struggle for "people's education." NECC spokesmen, however, were quick to point out that this decision did not preclude the possibility of future class boycotts. But for now, they said, black activism should focus on work stoppages, rent strikes, and consumer boycotts, while the schools—which were empty for most of last year—could be used as "centers of strategic planning and organizational development."

Keynote speaker, Zwelakhe Sisulu, son of jailed African National Congress leader Walter Sisulu, argued, "We will not defeat apartheid while the youth alone carry on the struggle against Bantu education or other aspects of racist rule. Our task is to look for strategies which continually strengthen and enlarge the ranks of the people and constantly weaken, divide, and isolate the ranks of the enemy."

The militant spirit in which the move to return to school was made was reflected in many of the resolutions passed by the NECC. The conference defied the Pretoria government by calling for a May 1 national work stoppage in solidarity with the country's fledgling trade union movement, and a three-day general strike on June 16-18 to mark the 10th anniversary of the Soweto uprising. The delegates also decided to unilaterally lift the ban against the Congress of South African Students and to support attempts to forcibly occupy schools which the authorities had closed because of student political activity.

The stage for the conference was set last December when a "crisis committee" was formed by parents, teachers, and activists concerned with the implications of an uneducated generation of youths on the streets. The students had agreed to return to school on condition that the NECC support a resumption of the boycott if the government failed to meet its demands by the end of March.

In assessing the situation as the deadline expired, the NECC acknowledged that the demands—including lifting the state of emergency, the release of all detainees, and the withdrawal of troops from the townships—had been "inadequately met," but opted for a shift in strategy to seize control of the educational system. Delegates argued that students would be better able to organize and develop campaign strategies while in class than dispersed during a long-term boycott. Whether the majority of students heed the directives of the NECC, however, remains to be seen.

But the display of solidarity at the

Continued on next page

Sudan juggles the ballot box in the north with the bullet in the south

Sudanese voters went to the polls for the first multi-party elections in 18 years, taking a major step toward fulfilling President Abdul Rahman Sawar-Dahab's promise to return the country to civilian rule by the end of April. But the long-term success of the elections—one year after the Transitional Military Council (TMC) toppled former President Gaafar al-Nimeiry's regime—depends on the ability of Sudan's leading political parties in the north to end the civil war in the south.

As expected, the country's two main groups, the Umma Party (UP) led by Sadiq Mahdi and the Democratic Unionist Party, won the lion's share of the 264 contested seats in an assembly whose main function will be to draft a new constitution and appoint a prime minister and a state council. Between them they gained more than 75 percent of the seats, creating the basis for a centrist government coalition. Meanwhile, the fundamentalist Islamic National Front (INF) won a sizeable number of seats but suffered a setback when its leader Hassan Turabi lost his Khartoum seat.

The balance of forces should leave the door open for the new coalition to negotiate a peace pact with John Garang's Sudanese People's Liberation Army (SPLA) in the south. However, talks with the SPLA have accomplished little in the past, and Garang has said he would reject any winner of a "partial election." Voting had to be postponed indefinitely in 37 of the 68 southern constituencies where Garang vowed to prevent all polling.

The UP political program calls for an end to the Sharia laws pushed through by Turabi in September 1983 under Nimeiry. Similarly, the SPLA has argued for the creation of a secular state and fought for the repeal of the Islamic legal code in the predominantly Christian and animist south where at least 300 Sudanese have suffered amputations for petty theft.

On the other hand, the pro-Western UP has also maintained good relations with Libyan leader Col.

Continued on next page

Sudan. . . continued

Muammar Qaddafy, who provided refuge to party followers during the Nimeiry era. This could prove to be a sticking point if the new government seeks to make a deal with the SPLA, since Tripoli offered military assistance to the Sawar-Dahab government in its bid to crush the rebels.

In early April, Libya sent a delegation to Khartoum to propose a unity agreement with Sudan in exchange for the loan of two Soviet-made Tupolev 22 bombers to the TMC, later used to attack SPLA-held towns in the Eastern Equatoria region. Sawar-Dahab and various political leaders indicated that any decision to merge with Libya would have to be made by the future government.

During the run-up to the elections, the SPLA scored a series of military successes against TMC forces, highlighted by the capture of Rumbek, a key provincial capital. The escalating war, which is costing Khartoum $1 million a month, provided the impetus for negotiations in Addis Ababa between Garang and a large delegation from the National Alliance for the Salvation of the Country (NASC) in mid-March. A loose but influential coalition of civilian politicians and trade unionists organized after the April 1985 coup, the Khartoum-based NASC agreed to lobby for an end to Islamic law and to cancel Sudan's defense pact as well as its economic and political integration treaty with Egypt.

NASC President Khalid Yagi announced that both sides had consented to form a committee to promote national reconciliation and agreed on an agenda for a proposed constitutional conference in June. SPLA leader Maj. Arok Thon Arop confirmed that the rebels had "agreed in principle" to such talks and would accept a cease-fire on condition that the new government was not hostile and providing that "a conducive atmosphere for holding such a national constitutional conference is created." In the meantime, stressed Arop, "The war will continue." ■

SA students. . . continued

conference was marred by violent clashes with Inkatha vigilantes loyal to Chief Gatsha Buthelezi, whose Zulu-based movement is dominant in Durban. Two busloads of Zulus armed with sticks and spears stormed the conference hall and battled with student militants in the streets. One attacker was shot dead while another was burned to death with a gasoline-filled tire around his body.

The NECC formally condemned Inkatha—seen by some South African whites as a moderate alternative to African nationalism—as a "fascist organization in league with the government." Buthelezi denied that he had organized the attack but added: "If there were Inkatha youths with Inkatha uniforms involved in the eruption of anger, why must I be blamed for their behavior? The NECC itself came here to court anger."

Black consciousness organizations held a National Forum (NF) conference in Durban at the same time, revealing other divisions among African nationalists. The NF accused the NECC of being dominated by the United Democratic Front and condemned its principle of non-racialism as a ploy to "smuggle whites into the black national liberation struggle."

Nevertheless, the NF agreed with the NECC on some strategies concerning the future of black education. The NF conference called for a 10-day stayaway from June 16-26 to commemorate the Soweto insurrection while similarly pushing for the implementation of people's education and intensifying community action on grassroots issues. ■

WESTERN AFRICA

Parties demand Doe's resignation

A coalition of four Liberian opposition parties has embarked on a campaign to remove Gen. Samuel Doe from the presidency, charging that he has continuously violated the new constitution and abused human rights. Encouraged by the recent ousting of dictatorships in the Philippines and Haiti, the coalition is preparing for an interim government which would take over in the event of a leadership vacuum.

The Liberia Action Party (LAP), the Liberian Unification Party (LUP) and the Unity Party (UP)—the three that were permitted to participate in the elections last fall—together with the United People's Party (UPP), led by Baccus Matthews, have pressed for the unconditional release of all political prisoners detained since the bungled coup in November. The coalition specifically demanded the release of Ellen Johnson-Sirleaf, a LAP leader and former finance minister, who was indicted on treason charges in early April and accused of "full participation" in the aborted coup. The coalition is also calling for fresh elections and an investigation into the government's post-coup clampdown in which more than 1,500 Liberians were reportedly killed.

Rejecting Doe's calls for national reconciliation, the parties have pressured their members to stop cooperating with the government. In March, two senators and eight representatives resigned from the LAP in response to a party ultimatum to quit Parliament or lose their party membership. The UP expelled three members who had accepted parliamentary seats.

"When Doe calls for reconciliation, we don't think he means it. He simply wants the pressure taken off from him," Byron Tarr, a coalition spokesperson, told *Africa Report*. "He has not honored any commitment he has made during the past six years. Each time he has made a commitment, it has been to get out of a difficult situation, not because he was truly interested in a democratic, civilian, political process."

The press, civil servants, and other groups have also stepped up their opposition to the Doe regime. The UPP and the *Daily Observer* recently announced they would resume operations despite their ban-

The Nana Benz drive to the top

Togo's Nana Benz—a consortium of wealthy and powerful market women—are delighted that the Benin-Nigeria border has reopened for the first time since 1984. Always eager for fresh business opportunities, they welcome the prospect of additional clients from populous Nigeria.

Business challenges are nothing new for the Nana Benz—so named because they are chauffered around the city in Mercedes Benzes. Mavi Franklin, one of 10 to 15 leaders of the group, recently recounted her struggle to establish herself in business as a young woman.

"You start very, very small. All you do at first is sit and wait for clients. You go home in the evening without selling anything. You climb bit by bit," she recalled after returning home from a long day in Lomé's bustling three-story *Grand Marché*. It was the day after her 78th birthday.

Like her counterparts in the marketwomen's trade association, Mavi Franklin lives in a relatively luxurious home, helps to support her extended family, travels abroad for business and pleasure, contributes to charity, and boasts of her many children—most of whom live in Europe.

The success of Togo's marketwomen is built on shrewd business acumen and an extraordinary ability to keep complicated accounts in their heads. "Most of them have never been to school but they have formidable memories," explained a younger marketwoman—one of the many "Nanaettes" who are considered a step down the economic ladder from the Nana Benz.

In recent years, the Nana Benz have branched out into a wide variety of business interests, including restaurants, bakeries, boutiques, trucks, taxis, canned goods, and real estate—especially the construction of high-priced rental homes in Lomé.

The commodity that established them as the wealthiest merchants in the country, however, is colorful fabric made in Togo, Europe, and the Far East, and sold from enormous bolts on the upper floors of the *Grand Marché*. Years ago, they gained exclusivity over popular patterns by purchasing the entire stock of a particular design and later reordering it. Thus, each of them acquired a "personal trademark."

The power of the Nana Benz extends to the political sphere, especially via their strong voice in the National Women's Union. When a price control proposal once threatened their profits, President Gnassingbé Eyadema overruled it, arguing that the government must not disturb the Nana Benz.

Their powers are widely respected in Togo, where most people eke out a living through subsistence farming. And at a time when the private sector is being hailed as an answer to some of Africa's economic problems, their entrepreneurial talents are receiving increasing international attention.

ning orders, citing their rights under the new constitution. Until its latest banning in January 1984, the *Daily Observer* was considered Liberia's best produced newspaper and Doe's harshest critic.

Within two days of the announcement, fire broke out in the newspaper's offices. The arson incident and efforts to prevent the publication of two other newspapers—the *Suntimes* and *Footprints Today*—by intimidating their printer, prompted the press to stage a three-day protest strike.

Public school teachers, who have not been paid since November, struck in early March, later defying a government order to return to work. Thousands of students subsequently took to the streets in solidarity with their teachers. They marched on the Ministry of Education and attacked a French community school, shouting anti-Doe slogans, smashing windows, and whipping parents who came to pick up their children. (Private school teachers, who were still being paid, did not join the strike.) Riot police clashed briefly with the students, but were generally restrained, reportedly because many of their own children were among the demonstrators. In mid-April, however, the government allegedly used brutal tactics in arresting some 200 participants at a UPP meeting.

Meanwhile, the Reagan administration continued to withhold FY 1986 funding for Liberia—a total of $63 million. The U.S. Senate and House had passed non-binding resolutions urging suspension of the aid in December and February, and the Brooke Amendment, under which U.S. foreign aid cannot be disbursed to countries that default on their debt payments to the U.S. for six months or more, took effect March 31. The International Monetary Fund and the World Bank have also suspended payments to Liberia. Most of the Liberian army and civil service have not been paid in months, banks are not honoring each other's checks, and government administration is at a virtual standstill. ■

THE GAMBIA
Dissidents found new party

Three former cabinet members have resigned from the ruling People's Progressive Party (PPP) and formed a new party to contest the elections scheduled for May 1987.

The Gambia People's Party (GPP) will have a socialist orientation and more grassroots involvement than the PPP, according to its founders. Following the announcement in Banjul, Assan Musa Camara, who was chosen as the GPP leader, began a tour of the provinces to gain political support for the new party.

Camara is a member of Parliament and was vice-president for seven years before falling into disfavor with President Dawda Jawara in 1981. Lamine Saho—also a member of Parliament and GPP founder—served as attorney-general for 15 years and had once been favored to become vice-president. He was passed over, however, and appointed as interior minister instead. His link to the detentions and trials that followed the abortive coup of 1981 could be an obstacle in the party's campaign for popular support. Howsoon Semega-Janneh, former information minister, also resigned from the PPP to found the new party.

Camara said the GPP's goal is to restore discipline and improve the management of The Gambia's affairs, while Saho maintained that the PPP is "breaking up at the seams because it is no longer a political party but a one-man show under Jawara." In an interview with *West Africa*, Camara criticized Jawara for using the national radio to launch personal attacks on the GPP founders.

The GPP is one of only a handful of political parties to emerge since The Gambia gained independence 21 years ago. Two Marxist parties—the Gambia Socialist Revolutionary Party and the Movement for Justice in Africa—have been banned, while the United Party has dissolved. The National Convention Party is still active, but its policies are similar to those of the PPP. ■

GHANA
Coup plot sinks in Rio

The Brazilian government's seizure of six tons of arms aboard a Panamanian-registered freighter in mid-March thwarted yet another plot by Ghanaian dissidents to overthrow the government of Flt.-Lt. Jerry Rawlings.

The crew of 10 Argentines and eight Americans—who admitted they were Vietnam war veterans serving as mercenaries—told local police that the secret cargo of weapons discovered on the *Nobistor* had been loaded in Buenos Aires. The veterans said they had been recruited for the coup plot through advertisements in a U.S.-based magazine.

According to Accra Radio, the $1 million worth of munitions and military equipment was purchased by Godfrey Osei, who had been working closely with various foreign intelligence agencies and powers. Osei was arrested in Ghana in February 1983 for his involvement in an aborted CIA-linked coup against the Rawlings government, but later escaped with other accomplices during the June 1983 attempt to overthrow the Provisional National Defense Council (PNDC). Since then, Osei has allegedly been engaged in clandestine activities in the U.S. to destabilize the Ghanaian government.

The Rawlings government had instructed its ambassador to Brazil, Kofi Awoonor, to alert the Brazilian foreign ministry that a shipment of "clandestine arms" was passing through its waters. When the ship anchored in Rio de Janeiro for repairs, police seized the vessel after raiding a night club where its crew members were found without Brazilian visas. An arsenal of rifles, machine guns, grenades, and inflatable launches with outboard motors were confiscated in what was apparently intended to culminate in an assault on the PNDC by sea.

The Rawlings government revealed that a larger ship with more than 80 Ghanaian dissidents was also heading for Accra. The rebels were allegedly planning to rendezvous with the *Nobistor* to transfer the weapons before taking action.

The *Ghanaian Times* claimed that the aborted coup only confirmed that the arrest of Joseph Henry Mensah in the U.S. last December had been "simply another

Islamic link divides Nigeria in two

The controversial decision by President Ibrahim Babangida's government to join the Organization of Islamic Conference (OIC) earlier this year has sparked a religious storm between Nigeria's largely Muslim north and mostly Christian south. The issue has produced the government's first major crisis since taking office in August 1985, effectively polarizing the country into hostile religious camps.

In response to the initial outcry from the Christian community, Babangida explained that the decision to formalize Nigeria's membership in the OIC after 15 years as an observer was not an attempt to assert the supremacy of one religion over another. The OIC facilitates financial, scientific, and technical cooperation among members, said Babangida, which in no way jeopardizes Nigeria's status as a secular state. "This administration endorses the constitutional provision on religion and has no plans of any kind to promote, canvas, or impose religion on this country. To do otherwise will not only be unconstitutional but also an invitation to chaos," he argued.

Nevertheless, Babangida appointed a 20-member committee of Muslim and Christian leaders "to examine the implications of Nigeria's membership"—leaving the door open for a reversal in the government's position should religious tensions continue. He encouraged panel members to avoid polemics that might stir Nigerian passions and to confine the debate to what is in the nation's best interest.

The government is acutely aware that the public exchange of religious views is likely to lead to a dangerously volatile situation, as northern cities twice have been torn apart by rioting Muslim extremists in the last five years. The army intervened on both occasions, resulting in about 5,000 deaths.

The present OIC controversy has surfaced at a time when demands from the north for the gradual Islamization of the country are gathering steam. Appeals by northern religious leaders to extend Islamic sharia courts to the south have increasingly gained popular support. There have also been calls to declare Friday a work-free day to enable Muslims to worship.

The government's decision to join the OIC without allowing for a public debate has added to fears in the Christian community that Nigeria's secular status is already threatened. As one Christian leader said, "Such a partisan action gives credence to the emerging belief that the government favors Islam. It supports the efforts of those whose vision is that Nigeria should one day become an Islamic state." Catholic Archbishop of Lagos Anthony Okogie went further: "We feel that this is a trespass and a slap in the face."

Supporters of OIC membership, however, counter that other officially secular nations have joined the body without turning into Islamic states. Besides, say many Muslim leaders, it serves to "even the score," since Nigeria has enjoyed full diplomatic representation in the Vatican since independence.

public relations gimmick by the White House to throw Ghanaians off their guard." Mensah, the leader of the London-based Ghana Democratic Movement, was detained by the U.S. along with two other Ghanaians for conspiring to purchase weapons to arm a 100-man dissident army in Ghana. The editorial concluded that Osei had been "the hub around which the wheel of conspiracy against the people of Ghana revolves" with the likely knowledge of American security agencies, since his destabilization efforts and the recruitment of mercenaries were "planned and executed" in the U.S. ■

IVORY COAST
Comebacks in Abidjan

Emmanuel Dioulo, the former mayor of Abidjan who was once considered the most likely successor to the presidency, returned to the capital in March, a year after fleeing the country to evade criminal charges in connection with a major political and financial scandal.

Dioulo arrived on the jet that brought the presidential entourage back from a two-week trip to Europe, indicating that he had President Félix Houphouët-Boigny's blessings for his return. He was embraced by senior politicians who had gathered at the airport to welcome the president. But the national press, which had repeatedly attacked him as the scandal unfolded last year, made no mention of his arrival.

Houphouët-Boigny's declaration last year of a general amnesty for thousands of prisoners and individuals facing criminal charges cleared the way for the return of the former mayor. Dioulo still faces fines of $70 million handed down by a civilian tribunal late last year in connection with the failure of his Coffee and Cocoa Exporting Firm (COGEXIM) to repay interest and loans advanced by the state-owned National Bank for Agricultural Development (BNDA). Part of the money was reportedly used to purchase fictitious coffee stocks.

Dioulo, 49, has consistently denied the charges against him, claiming that he was framed by his political enemies. His return to presidential favor gives rise to speculation that he may reenter national politics, possibly through a ministerial appointment.

Another formerly prominent Ivorian—Philippe Yacé—is also on the comeback trail, following his election to the presidency of the Economic and Social Council—considered one of the most powerful posts in the country. Yacé had fallen from presidential favor in 1980 after two decades as National Assembly president, but is now considered one of the most popular politicians in the country. His highly favorable reception at the party congress last fall and the recent election place him in the running with National Assembly President Henri Konan Bedié as the likely successor to the aging president. ■

NIGER
Economic reforms initiated

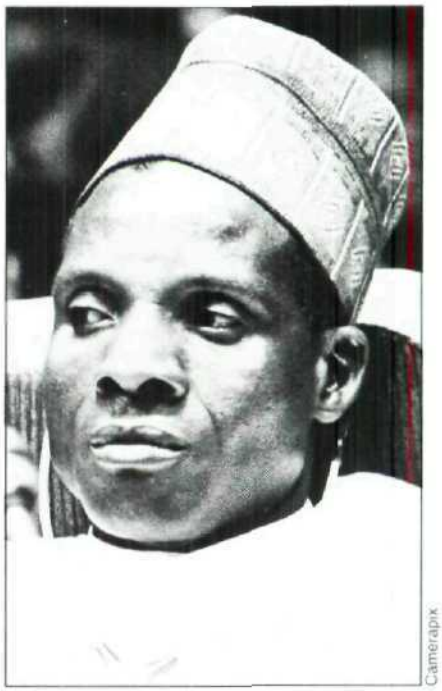
President Seyni Kountché's government has launched a structural adjustment program with $60 million in credits recently granted by the World Bank.

The funds—$20 million from the International Development Association and $40 million from the Special Facility for Sub-Saharan Africa—are the first non-project aid that Niger has received from the Bank. The additional funding will finance foreign expenditures and alleviate balance of payment problems, while facilitating financial, agricultural, and parastatal reforms.

The wide range of Nigerien officials involved in preparing the structural adjustment program was unusual and impressive, according to a World Bank representative, who added that the broad-based nature of the effort would help ensure that the program was understood by those who have to implement it.

IDA has also provided an additional credit of $27.8 million for health policy reforms—the first application of the structural adjustment program to a specific sector. Improvements will be made in maternal and child health care, health education, and community initiatives.

Government and World Bank officials emphasize that more long-term assistance is needed and expect major commitments of grants or concessionary aid to be made at a donors' conference on Niger later this year.



Cameraprix

Kountché: Gets nod from World Bank

The government has also received a $17 million loan from the African Development Bank to finance a clean-up project for Niamey, which will include improvements in the sewer system and construction of trash containers, public toilets, and showers throughout the capital. ■

NIGERIA
AFRC takes a tough stand

"In the military, the punishment for treason is death," declared Defense Minister Maj.-Gen. Domkat Bali on national television in early March. Ten military officers who were found guilty of plotting to topple President Ibrahim Babangida's government in December, said Bali, "were executed about an hour ago."

The execution of the dissidents,

including the prominent "soldier-poet," Maj.-Gen. Mamman Vatsa of the ruling Armed Forces Revolutionary Council (AFRC), immediately followed the expiration of their seven-day stay to appeal the verdict. Three of those condemned to death by the Special Military Tribunal headed by Maj.-Gen. Charles Ndiomu had their sentences commuted to life imprisonment.

The executions went forward despite pleas for clemency on humanitarian grounds from a number of Nigerian newspapers and several of the country's well-known literary figures, including Wole Soyinka. In rejecting appeals for leniency, the AFRC left itself open to charges that it had rushed the executions to forestall public criticism, and that such a move ran counter to Babangida's stated commitment to human rights.

But the government evidently considered the harsh measures necessary to discourage future coup attempts in a country with a long history of military intervention in political affairs. Said Bali, "It must be admitted that seven coups in 20 years in this country are just too many for the stability and orderly progress of the society. By discouraging investments and growth in the Nigerian economy, especially at a time of serious economic difficulties, the coup plotters must be seen as callous and unpatriotic traitors."

Ndiomu revealed that the tribunal had evidence that the plotters intended to hijack Babangida's executive jet before exiling or arresting the head of state. The purported scheme involved the bombing of selected areas in Lagos, including Babangida's residence at Dodan Barracks and bridges in the city to immobilize counter-attacks from the mainland. ■

SIERRA LEONE
Coup attempt thrown overboard

William Sutton, a British ship captain who reportedly helped plan a coup attempt against the government of Maj.-Gen. Joseph Saidu Momoh, was released by the French counter-intelligence service on $5,600 bail in late March. He had been arrested with 12 other crewmen off the coast of Brest several weeks earlier when French customs officials discovered a large cache of military equipment on board the Panamanian-registered *Silver Sea*, which was heading for Freetown.

The ship was to sail to Yugoslavia to collect more weapons before proceeding to a neighboring West African country, according to a report in *West Africa*. Along the way, it was to pick up dissidents including Edison Gorvie, leader of the London-based opposition Sierra Leone Democratic Party (SLDP), and ex-army captain Abdul Kamara.

Once ashore, the mercenaries were to have joined forces from the army and the Internal Security Unit. While the rebels consolidated their position, the ship's communications equipment would have jammed radio transmissions and broadcast Gorvie's taped message announcing the overthrow of the government. The written plans also called for the assassination of ex-President Siaka Stevens and former second Vice-President Christian Kamara-Taylor who died nearly one year ago—which suggests that the operation had been planned for some time.

The crew members, who were released in early March and subsequently returned to Britain, denied involvement in the plot. Said one, "We were a bunch of divers, that's all. But for some reason we have been mixed up in suspicion of terrorism." Sutton, however, admitted he was "undertaking the transportation of the military equipment on behalf of the SLDP."

The British Foreign Office disavowed any connection to the mercenaries and pledged support for Momoh's government. According to Momoh, however, "The ship was definitely coming to Sierra Leone on an invasion." He suggested that the apprehended Britons had "some big powers behind them." Because the seamen were unemployed and "down and out," concluded Momoh, they were incapable of financing the expedition without external aid.

Nevertheless, Gorvie vehemently denied complicity in the bungled coup attempt, adding that he was committed to giving Momoh's administration a fair chance to succeed. A spokesman for the SLDP—formed in 1984 to oppose the Stevens government—was more ambivalent, claiming, "There is no legal government in Sierra Leone in accordance with the 1961 constitution. It is therefore wrong for people to talk about mercenaries threatening the government of Sierra Leone." ■

EASTERN AFRICA

Recovery first, then a new constitution

Ugandan President Yoweri Museveni focused on national reconciliation and economic recovery as the priorities of his interim government, following the National Resistance Army's late March takeover of Kitgum and Arua—the last two northern strongholds of forces loyal to Brig.-Gen. Basilio Okello. Elections will be held and a new constitution adopted after three or four years, Museveni said.

Renewed flows of donor aid are expected to spur the economic recovery. The World Bank has announced a donors' conference on Uganda to be held in Paris in the near future. World Bank, European Economic Community, and bilateral assistance—much of which was frozen in the turbulent months preceding Museveni's takeover—is being released. In the meantime, Museveni has launched an international appeal for $160 million in short-term aid to help rehabilitate 1 million displaced Ugandans and to restore services disrupted by the war.

Museveni estimated that restoring the industrial sector, a substantial portion of the road system, and the production of exportable crops will take at least two years. Eliminating corruption—a task closely tied to economic recovery—can be accomplished during the same period, he added.

Debate rages on Mau Mau in history

Were the Mau Mau guerrillas illiterate youths with little idea of what they were rebelling against, or were they freedom fighters who played a key role in Kenya's struggle for independence?

These opposing viewpoints were argued recently in letters to the *Weekly Review*—continuing at the grassroots level a controversy that has been preoccupying academic and political circles in Kenya.

The Mau Mau veterans themselves set off the debate with a campaign to gain greater recognition for their role in Kenya's struggle for independence. Recently they met with President Daniel arap Moi, who reportedly encouraged their plans to publish a book and produce a film presenting their view of the Mau Mau movement.

Moi subsequently decided that the controversy was getting out of hand and ordered politicians to stop squabbling over the issue. In the town of Nyeri, former Member of Parliament Waruru Kanja recently blasted local party officials for organizing a meeting that conflicted with his gathering of ex-Mau Mau guerrillas. MP for Eldoret North William Saina subsequently condemned "leaders who organize tribal groups that claim superiority because they played a more important role than others in the fight against colonialism."

The Mau Mau's place in national history has become a contentious issue at annual conferences of the Historical Association of Kenya. Mwangi wa Githumo of the University of Nairobi argued before the association in January that Mau Mau was a "monumental and revolutionary" nationalistic movement. David Throup of Cambridge University supported this view, adding that the struggle actually accelerated progress toward independence in Malawi, Tanzania, Uganda, and Zambia.

Other academics charged that Githumo's view was "over-ambitious and romantic," according to the *Weekly Review*. "Mau Mau was both a civil war and a revolt against colonial rule. But it had nothing to do with our independence," said Henry Mwanzi of Kenyatta College. He reasoned that Ghana, Nigeria, and Uganda achieved independence without similar movements, and that Mau Mau was quite different from the liberation movements in Angola, Mozambique, and Zimbabwe, whose leaders assumed the reins of power in the new governments. Instead, the Mau Mau fight was defeated and its leaders executed, he pointed out.

Another hotly debated issue has been the contribution of Kenyan author, Ngugi wa Thiong'o, to an understanding of the era. Ngugi went into exile after the government banned the performance of one of his plays, which set former Mau Mau heroes against ex-loyalist villains. Mwanzi charged that Ngugi glorifies the Mau Mau role. Other conferees strongly defended Ngugi, stating that a novelist should not be judged by the criteria of historians.

The Mau Mau movement of the early 1950s—almost entirely Kikuyu in membership—was both a resistance to white settler colonialism and a civil war between some 25,000 Mau Mau guerrillas and the same number of British-led Kikuyu home guards. It was also a struggle between the Kikuyu and other peoples of Kenya who served in the police and army forces that were set against the Mau Mau. More than 13,000 Africans and 32 Europeans died in the struggle. After suppressing the uprising, the colonialists put more than 80,000 Kikuyu in detention camps and executed the leaders of the movement.

The new president also assured financial institutions that his government would honor the obligations of past regimes. "When you inherit your father's farm, you also inherit his debts," he said at a meeting with a World Bank representative. He also indicated that his government is interested in negotiating with the International Monetary Fund.

The job of reconciling Uganda's diverse regional interests may be more difficult than reviving the economy. The Baganda have initiated demands to reintroduce the kabakaship—one of three small kingdoms abolished in 1966. Other ethnic groups, especially the northern Acholis and Langis, vigorously oppose this proposal.

One of Museveni's strategies for reconciliation is to suspend political party activities—which he describes as a major source of strife in Uganda. Though he claims the parties themselves are not banned, members cannot hold rallies, wear party colors, sing party songs, or display party flags or emblems, and the press cannot publish party statements.

"If you ban a political party from holding a rally but allow it to say through the press what it would say at a rally, there would be no point in banning the rally in the first place," reasoned Information Minister Abu Mayanja, who had earlier pledged that the new government would uphold press freedoms. In mid-March, Ndiwalana Kiwanuka, an editor at Radio Uganda, was arrested in connection with charges arising from his report a month earlier that the NRA had encountered rough going in northern Uganda.

The Uganda National Liberation Front is the only group openly critical of the new government. The sole party excluded from the government, the UNLF has called for an immediate return to civilian rule and an end to militarism. Museveni dismisses the group as Idi Amin supporters who have been sabotaging Uganda's liberation struggle for years. ■

ETHIOPIA

Villagization spawns refugees

Tens of thousands of Ethiopians have fled to northern Somalia in recent months to escape the government's compulsory villagization program.

The number crossing the border each day reportedly ranges from 600 to 1,500. By early April, some 50,000 new refugees had swollen the ranks of more than 800,000 Ethiopians who had previously sought refuge in Somalia, according to the UN High Commissioner for Refu-

gees.

Government officials say that up to 30 million peasants throughout the country will eventually be shifted from their scattered homes to village centers. Some 1 million persons have already been moved in Hararge province, and the program is now being implemented in Shoa and Gemu Gofa provinces.

Overzealous local representatives of the ruling party reportedly pushed ahead with the program, though it was supposed to be carried out by the Ministry of Agriculture with more sensitivity to local needs. Because the program took peasants away from their crops during the growing season and because rainfall was sparse this year, the harvest failed, and famine was anticipated in large areas of Hararge in April.

Critics contend that villagization is the government's means of denying the Oromo Liberation Front access to the peasants. The Front, which advocates self-determination for the Oromo people, has been fighting a guerrilla war in Hararge and neighboring provinces since the mid-1970s. Government officials, however, state their intention is to group the peasants together to better provide education and medical assistance, but so far, the promised services have not materialized.

In the meantime, approximately 3,000 Ethiopians recently crossed the border into southern Sudan to escape the more widely publicized government program which aims to resettle 1.5 million people from the drought-stricken north to the more productive and sparsely settled south. The newly arrived refugees complained of shortages of food, water, and medical assistance, as well as forced labor, and a high death rate from diseases, including sleeping sickness and malaria, in the resettlement areas.

In early March and again in early April, Lt. Col. Mengistu Haile Mariam was said to have assured Western donors critical of the resettlement that it would be suspended, but in late March, Addis Ababa radio announced that the program was being expanded and intensified. ■

KENYA
Detentions arouse concern

At least nine men were recently detained without trial on charges of being linked to a clandestine organization called Mwakenya.

Some of the detainees were accused of conspiring to overthrow the government, while others were charged with possessing or distributing the group's publication—*Mpatanishi*—or failing to report Mwakenya's activities to authorities.

Little is known publicly about the group except that it was founded in 1981 in the Kikuyu division of Kiambu district outside of Nairobi, though recruitment did not begin until 1984. One detainee told the court that he was unable to report on its activities because, along with other recruitees, he had been required to take an oath of secrecy on penalty of death.

Amnesty International (AI) has issued an urgent statement of concern about the detainees and is considering designating them as prisoners of conscience. Two of the prisoners—Ngotho wa Kariuki, a former University of Nairobi dean, and Kariuki Gathutu, a lecturer at the university—are being held incommunicado without access to family or counsel under the Preservation of Public Security Act, according to AI.

Six other detainees, who had been arrested in late March, were each sentenced to 30 months in prison on charges of circulating pamphlets critical of the government. Two of them—Oyangi Mbaja and George Chitechi Osundwa—are business associates of former vice-president and opposition leader Oginga Odinga whose son, Raila Odinga, has been detained without trial since 1983, along with journalist Otieno Mak'Onyango.

Among recent detainees who apparently have no connection with Mwakenya are Julius Mwandawiro Mghanga, a former student leader at the university who led the boycott of classes last year that culminated in a violent confrontation with police. Mwandawiro, whose brother and cousin were also arrested, had been released from jail in December.

The arrests appear to be part of a recent wave of detentions without trial in Kenya. An estimated 100 former Kenya Air Force personnel, who were dismissed after the 1982 aborted coup, have been arrested in Western Province, while disbanded armies of the ousted regimes in Uganda have reportedly sold large quantities of arms to groups in Kenya. ■

CENTRAL AFRICA

Chad's eleventh hour agreement fizzles

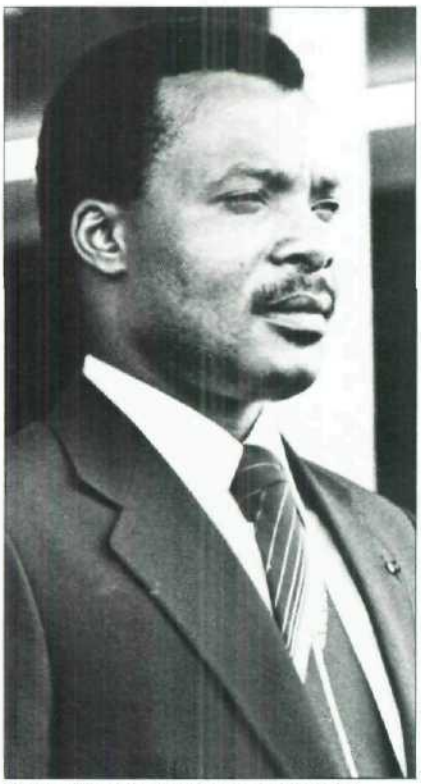
The much publicized meeting between Chadian President Hissène Habré and Goukouni Oueddei, leader of the Transitional Government of National Unity (GUNT), scheduled for Brazzaville in late March, failed to materialize—once again dashing hopes of ending the 20-year-old civil war.

This latest attempt by the Organization of African Unity (OAU) to bring the two factions together for peace talks broke down, according to Goukouni, because Habré insisted on being received as the "head of state." The opposition leader, however, said he would be willing to meet Habré "anywhere, anytime, without preconditions."

Against the backdrop of renewed clashes between GUNT forces and government troops in northern Chad since mid-February, Congolese President Denis Sassou-Nguesso—mandated by the OAU to coordinate the mediation efforts—has called on both parties to make an "historic compromise" producing an "honorable peace in which there are no winners or losers." Habré, however, has preferred to build on recent personal successes than to place his faith in another OAU-sponsored peace plan. "The OAU has so far not settled a single conflict, and it would be a miracle if it could resolve the question of Libyan aggression,"

claimed Habré.

Several influential opposition leaders have rallied to the government side, including Gen. Djibril Djogo, head of the Chadian Democratic Front (FDT), and Col. Alphonse Kotiga, the key leader of the "Codos Rouges" in southern Chad. The reconciliation with Kotiga has enabled Habré to secure control of the predominantly Christian south for the first time in years, and allowed the government to concentrate the majority of its troops on the northern flank to battle the increasingly isolated GUNT forces.



Cameraplix

Sassou-Nguesso: Presses for compromise

Habré also received a big boost when France dispatched a new "deterrent force" of some 1,000 troops backed by air force units, known as Operation Sparrowhawk, to help repel a GUNT offensive in mid-February. Following a two-week lull, fierce fighting again broke out, this time at Kalait near the strategic government-held outpost of Oum Chalouba on the 16th parallel, which divides the country in two. GUNT forces reportedly suffered heavy losses at the hands of government troops bolstered by French logistical support and a new influx of U.S. military aid.

President Reagan ordered $10 million in emergency military assistance for the Habré government in addition to $6 million previously earmarked for 1986. "Chadian troops have been forced to expend large amounts of military equipment and supplies in repelling the Libyan-backed attacks," argued a State Department spokesman. "Our assistance, complementing French efforts, will provide a resupply of critical items needed for Chad's defense."

Meanwhile, Libya has stepped up efforts to create an Islamic Legion to supplement GUNT units, composed primarily of southern Chadians and other north Africans, according to *Jeune Afrique*. Tripoli has established an extensive recruiting network in neighboring countries, allegedly offering Africans up to $2,000 to enroll. In Benin, the Libyans have reportedly set up a transit camp for refugees from southern Chad, while in Nigeria, Djibouti, and Sudan, recruitment has also accelerated. Although the governments have officially denied the existence of such operations, several thousand men have apparently already signed up. ■

CAMEROON
U.S. opens door for Biya

President Paul Biya received a rousing welcome from President Reagan, World Bank officials, and a wide array of American businessmen during his first official U.S. visit. The trip was scheduled primarily to promote his "open door" policy encouraging American investment in Cameroon—particularly in the agricultural sector.

Reagan praised Biya as a "highly respected leader in Africa," whose commitment to private investment policies has been "a boon to his people." He described Cameroon as "a shining example of how much can be accomplished when a realistic and human approach is taken to political and economic development," concluding, "Cameroon is an exciting country for Americans."

The two countries signed a bilateral investment treaty which included such key provisions as most favored nation treatment in Cameroon, compensation in the event of expropriation, and free transfer of capital and profits. Biya also signed five development aid agreements totalling more than $18 million with Peter McPherson, administrator of the U.S. Agency for International Development. As a result, U.S. bilateral assistance is expected to rise to $31.4 million in 1987, including $21.9 million in development aid.

In addition, Biya promised to revise Yaoundé's tax system to encourage petroleum exploration by U.S. oil companies. He told Mobil Oil and Shell Oil officials that his government would lower taxes to ease the impact of plummeting oil prices as "an incentive for oil companies to stay in Cameroon or for new ones to set up operations."

Although Cameroon's oil production has increased rapidly from 5 million barrels in 1978 to 65 million barrels last year—making it the third largest oil producer in sub-Saharan Africa behind Nigeria and Angola—Biya's effort to lure U.S. companies comes at a time when most groups are reassessing their overseas holdings and cutting their exploration budgets. Nevertheless, the fall in oil revenue will have less impact on Cameroon's diversified economy than on its oil-dependent neighbors, since petroleum accounts for only about 10 percent of the country's gross domestic product.

"Cameroon has been careful to separate oil income from management of the economy, unlike other oil-producing countries," said Minister of Commerce and Industry Edouard Nomo Ongolo. "We feel that oil revenues should come in only as an additional source and not a major source of income," he added. Government officials have stressed that agriculture remains the country's top development priority. As Mines and Power Minister Michael Kima Tabong recently pointed out, "We learned from the experiences of others who made oil the mainstay of their economies." ■

CENTRAL AFRICAN REPUBLIC
Jet crash provokes hostility

A fierce anti-French demonstration erupted in late March when a French Jaguar fighter crashed into a school in a Bangui suburb shortly after take-off. A total of 35 people were killed—many of them children—and more than 20 were injured when the air force jet, suffering from a "technical breakdown," plowed into the heavily populated Muslim neighborhood known locally as "kilomètre 5."

Demonstrators took to the streets in a violent two-hour protest, throwing rocks at vehicles driven by Europeans. According to French Consul General Albert Couloud, several foreigners were hurt before peace was restored. Fifty French citizens reportedly were forced to take refuge in the French embassy for several hours. Following the demonstration, security forces arrested a dozen students.

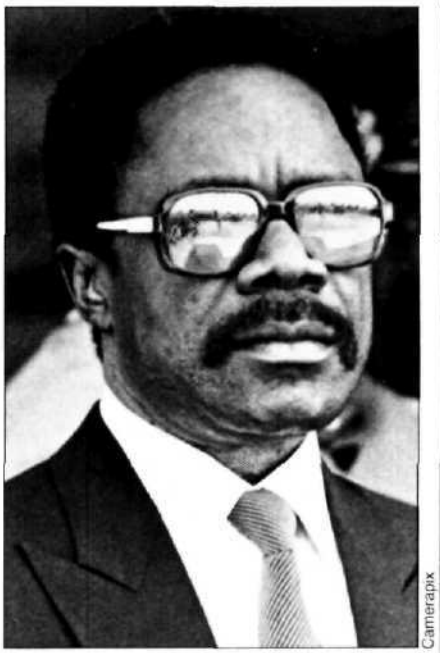
President André Kolingba appealed for calm in an address on state radio, asking the 4,000 French residents in Bangui to remain in the safety of their homes. He said the accident should not lead to an "outburst of violence and racial hatred," and declared a day of national mourning for the victims whom he called the "martyrs of peace" in the context of the Chadian war. Michael Aurillac, the new French minister of cooperation sent condolences, promising that France would do all it could "to compensate the parents of the victims of this accident."

It was not the first time in recent years that the Chadian conflict has triggered strong anti-French sentiment in Bangui. The 1,000 French soldiers stationed there have been a source of repeated tension with the local people, particularly since the Central African Republic became the key rear base for Operation Manta in Chad in August 1983. ■

GABON
Oil drop augurs austerity

In response to the sharp decline in world oil prices and the depreciation of the U.S. dollar, Gabon has slashed state expenditures by 11 percent in 1986 and proposed additional spending cuts over the next three years.

Gabon boasts a per capita annual income of $4,000—the second highest in Africa after Libya, but remains highly dependent on oil revenues which account for 85 percent of its export earnings. Gabon also counts on a strong dollar, the currency in which it is paid for its major export.


Cameraprix

Bongo: Singing the oil blues

Half of the 1986 budget reduction of $270 million will be accomplished by freezing all state investment contracts currently under discussion, President Omar Bongo announced. In 1987, the freeze is expected to save even more—an estimated $244 million. Projects to be put on hold are likely to include construction of a new Ministry of Foreign Affairs building, a mineral terminal at Owendo port, and a new highway project set to begin in 1987. Exceptions will be granted for implementing a national telecommunications project and completing the second phase of the Trans-Gabon railway (from Booue to Franceville)—the largest infrastructure project currently underway in West Africa.

Further savings will be achieved by freezing the wages of Gabon's 22,000 public sector workers at 1985 levels. A special commission for economic and financial coordination will examine spending decisions by all state-funded bodies, giving priority to productive investment such as agriculture and mining.

Foreign debt repayment and debt servicing will be unaffected by the cuts, remaining at 15 percent of the budget. As a percentage of export earnings, foreign debt repayment is expected to rise by only about 17 percent this year, compared to increases of 25 to 35 percent in many other African states. ■

ZAMBIA
Economic team replaced

Luke Mwananshiku, a key force behind the introduction of Zambia's currency auction system and its recent agreement with the IMF, was shifted from finance minister to foreign minister in early April—part of a major cabinet reshuffle.

Central Bank Governor David Phiri, Special Economic Advisor to the President Dominic Mulaisho, and other top economic advisers were also replaced. Finance Minister B.R. Kabwe will lead the new economic team charged with solving problems arising from the auction system introduced last October. While Kabwe has held several other cabinet posts, he is said to be relatively inexperienced in highly technical financial matters.

In announcing the shake-up, President Kenneth Kaunda stressed that Zambia remains committed to the economic reforms favored by the IMF, including the auction, which has succeeded in making more foreign exchange available and ending shortages of consumer goods.

However, Kaunda has grown increasingly critical of certain side-effects of the auction system, especially the inflow of luxury imports from South Africa, which have been competing with domestic products. Local companies are also having trouble competing with the multinationals and other large firms in bidding for foreign exchange. Moreover, the effective devaluation of the kwacha by more than two-thirds has pushed the cost of basic com-

modities beyond the reach of low-paid workers.

The government's reintroduction of primary and secondary school fees after two decades of free education has further strained family budgets. The new fees are intended to cover the cost of student meals, according to a government spokesman, who said the free education policy was never intended to cover board and clothing. This justification did not deter students from staging protests against school fees, however. ■

ZAIRE

Extensive abuses reported

Amnesty International (AI) has charged the Zairean government with detaining, torturing, and killing its political opponents, following mass arrests last year.

In a recently released report, AI says that at least 100 persons were arrested between mid-October and the end of January 1986, primarily in Kinshasa and the Kasai Oriental region. Severe beatings at the time of the arrests, ransacking and burning of detainees' homes, and harsh or cruel conditions of detention were said to be commonplace. Most of the detainees remain in prison. At least one of those arrested last October in Kinshasa died in custody after maltreatment, according to the report. The deaths of four others are suspected but not confirmed.

Many of the detainees are members or supporters of the Union for Democracy and Social Progress (UDPS), which has been seeking to establish a second political party since 1982. President Mobutu Sese Seko's ruling People's Movement for the Revolution (MPR) is the only legal party under the Zairean constitution.

In addition, AI reports widespread human rights violations in early 1985 in the southeastern mining region of Shaba, particularly the town of Moba, which has been the scene of several uprisings, including a guerrilla strike in mid-1985 and a two-day takeover by anti-Mobutu forces in late 1984. In retaliation, dozens of Zaireans were arrested, whipped, starved, and executed without trial or hearing, and homes were looted and burned, AI said.

Two leading members of the UDPS—Tshisekedi wa Mulumba and Kanana Tshiongo—were sentenced to 18 months in prison in January but released a month later. They belong to the "Group of 13"—former members of Parliament who have been repeatedly banned to isolated villages or detained since signing an open letter criticizing Mobutu's government in 1980.

Government officials denied the allegations, noting that detention and torture of political prisoners are forbidden. In response to earlier reports of similar abuses, President Mobutu had taken personal charge of the Ministry of Justice in January 1985 and named a high-level commission to investigate prison and judicial performance. Nevertheless, arbitrary arrest and prolonged detention without charge remain common in Zaire, affecting most people who come in contact with the criminal justice system, according to the U.S. State Department's February 1986 report to Congress. ■

NORTHERN AFRICA

Riot compounds Egypt's economic ills

The security police mutiny that flared up in Cairo's tourist district in February represented another blow to President Hosni Mubarak's government—already battered by precipitous revenue declines.

Economic discontent fueled the uprising, though it was sparked by rumors that the low-paid police conscripts would be forced to serve extra time beyond their initial three-year term. An estimated 10,000 conscripts, in a force numbering nearly 300,000, went on a rampage, burning luxury hotels and nightclubs in Cairo, smashing cars, and looting tourist shops before regular army forces subdued them.

Following a government investigation, officials concluded that no political or foreign conspiracy was involved. Initially they had indicated that Muslim fundamentalists might be responsible, citing the speed with which the riots had spread to other towns and the fact that political prisoners, including a number of fundamentalists, had been released from the prison at Tura.

The government also announced in April that 1,236 people, including 31 civilians, would be brought to trial on charges of mutiny, murder, and sedition, in connection with the uprising. Meanwhile, Maj. Gen. Zaki Badi, who replaced Ahmed Rushdy as interior minister and head of security, promised to improve the living conditions of the conscripts.

As plans were initiated for reconstruction of the hotels, the government embarked on a campaign to halt the devastating decline in tourism, which previously produced $1 billion in annual revenues. In the weeks after the mutiny, many foreigners cancelled their trips to Cairo, resulting in a 40 percent drop in tourism. Revenues had already slumped in recent months as a result of terrorism in the region. The campaign suffered a setback, however, when local authorities decided to close down the nine nightclubs along Pyramid Road that the rioters had burned and looted, and to not renew the licenses of nightclubs, casinos, and drinking places in the area.

The Mubarak administration is seeking to revive tourism to partially offset major losses in oil revenue. Egypt's oil earnings are expected to drop by $700 million this year from $2.9 billion in 1985. The oil crisis has also undermined receipts from Egypt's two other chief sources of revenue—Suez Canal fees and remittances from Egyptians working in oil-exporting countries. From about $4 billion a year, remittances are expected to drop to $1.6 billion this year. An estimated 400,000 of several million Egyptians working in North Africa and the Persian Gulf were laid off in 1985. They have returned to an economy beset by high unemployment, a serious housing shortage, and inflation running at 30 percent.

Concern for the stability of the Mubarak government prompted the Reagan administration to release $150 million that had been withheld from the $1.3 billion in 1986 civilian aid to Egypt to demonstrate its displeasure at Mubarak's failure to deal with Egypt's fast deteriorating debt service position and his reluctance to push through economic reforms, especially massive cuts in food subsidies. The International Monetary Fund is also pushing for reform of the subsidy system, as well as a substantial devaluation, in discussions regarding a standby facility. ■

ALGERIA
Chadli puts on the squeeze

President Chadli Bendjedid launched a full-scale austerity campaign in early March, calling on all Algerians to tighten their belts to preserve the "fruits of the revolution," which are threatened by falling oil prices and dwindling dollar values.

Revenues from hydrocarbons—representing 97.5 percent of the country's exports—have dropped by 80 percent, according to Chadli, prompting him to criticize Algerians for their "overconsumption of goods and their wasteful attitude." Other government officials and the state-controlled news media jumped on the bandwagon to mobilize public opinion for leaner times.

Chadli announced the first in a series of austerity measures to counteract a 50 percent drop in crude oil prices in the past six months and the decline of the dollar against other currencies in which Algeria pays for its imports. The government imposed a ban on the popular cash-on-delivery purchase of imports that has enabled Algerians to obtain goods not locally available for the past four years.

A second decree tightened restrictions on the money that Algerians are permitted to carry abroad. The official newspaper, *El Moudjahid*, pointed out that the sum of money presently leaving the country every year is equal to the sale of 5 million tons of oil.

Chadli made clear that other unpopular measures should be expected—including the probable restriction of imports to absolute necessities—but promised that the "austerity policy would affect not only the homes, but also and especially the state apparatus." The weekly *Algerie-Actualité* put it more bluntly: "It is not an exaggeration to say that we will be living in an economic state of war." ■

OPEC unity hits bottom of barrel

"OPEC today stands naked like a faded striptease queen," said one senior Arab consultant commenting on the state of the oil cartel. "First we let prices go, pulling off layers like a stripper. Now we let go of production, and that is like dropping our clothes on the stage."

The fundamental problem for the once-prosperous cartel is that it can no longer afford to sufficiently reduce its oil production to bring world supplies in line with demand. The oil glut, together with OPEC's inability to keep its production in check, has driven down prices by more than 50 percent since last December, at one point crashing below the $10 a barrel level. As a result, the 13 OPEC members are expected to lose about $60 billion in export revenue this year.

Although OPEC countries agree that the key to stabilizing oil prices is to slash production, they are divided on how each member would cut back, and by how much. The issue has split the oil body into hostile camps, pitting Saudi Arabia and its Gulf allies against Iran and the cartel's African members—Algeria, Gabon, Libya, and Nigeria.

OPEC's poorer, more populous states have borne the brunt of the price war and accuse the Gulf countries of conspiring with the West to reduce oil prices and imposing intolerable hardships on some of its members. There is mounting suspicion among African OPEC members with their more limited oil supplies that Saudi Arabia, with its low production costs and huge reserves, prefers ensuring long-term demand for its crude to helping meet revenue demands of its indebted colleagues.

During emergency talks in mid-March, the cartel tried to win commitments from five non-OPEC producers, including Egypt and Angola, to reduce their combined output by 20 percent. This strategy failed when the independents insisted that OPEC first agree on its own cuts. Saudi Arabia said it would continue the price war to avoid being undercut by Britain, Norway, and other major rivals outside OPEC, forcing them to recognize that their economic interests required cooperation with the cartel to curb output and allow prices to rise.

In the meantime, OPEC is likely to remain paralyzed—a disaster for its African members who normally account for nearly 20 percent of its output. Particularly threatened are the populous oil exporters like Algeria and Nigeria, whose living standards will be seriously undermined and whose debt-servicing ability will be jeopardized.

In an effort to defend their interests during the current crisis, the four African OPEC members have established the African Hydrocarbon Association. Following a two-day summit in Algiers in late February, they called on non-OPEC African oil exporters to join the new regional grouping. Angola, Congo, Egypt, and Tunisia have all been invited to a mid-May ministerial planning meeting in Lagos to help devise a joint strategy for dealing with the economic catastrophe created by the oil price crash.

MOROCCO
25 years on the throne

Signalling a return to the traditionally close ties between Washington and Rabat, the Reagan administration sent a high-powered delegation, led by CIA chief William Casey, to attend the lavish celebrations marking King Hassan II's 25 years on the throne in early March. Hassan, whose relations with the White House were strained after he signed a pact of political union with Libyan leader Col. Muammar Qaddafy in August 1984, has

subsequently succeeded in allaying U.S. fears that such "irrational behavior" threatened the country's stability. At the anniversary ceremonies, the King announced that he would visit the U.S. in the coming months and promised to meet with President Reagan.

Over the past two years, Hassan has consolidated his rule by keeping the main threats to his sovereignty—the Islamic fundamentalists, the left-wing parties, and the army—firmly in check. He has relied heavily on Driss Basri, in his roles as minister of the interior and minister of information, to neutralize his opponents. Basri's dual function has enabled him to keep the opposition under tight control, arresting dissidents and manipulating the media while orchestrating a series of political trials.

In February, 26 left-wing activists were sentenced to prison terms ranging from three to 20 years for "distributing leaflets challenging the legitimate struggle of the Moroccan people to defend and protect the Saharan provinces." The university-based militants had been arrested last year on charges of belonging to the outlawed Ilal-Amaan group which had taken part in the price protests of 1984. The prosecution focused on the 27 defendants' "close ties" with the Polisario Front, which is leading the war against Moroccan occupation in Western Sahara. Basri branded them as traitors, even though they were arrested only for handing out tracts condemning the latest government price hike.

Fifteen additional activists recently received three and four-year sentences for "disrupting public order" during the bread protests. The defendants were members of the progressive National Union of Moroccan Students (UNEM) and the National Union of Teachers (SNE), but were also charged with belonging to Ilal-Amaan.

According to International Movement of Catholic Jurists observers at the trial, the accused were physically mistreated while in police custody to extract the desired "confessions." One of the detainees, Amine Tahani, died in prison, allegedly from an asthma attack, although a Moroccan human rights group claimed he succumbed as a result of torture.

A recent Amnesty International report adds weight to this allegation, accusing the Moroccan authorities of systematically torturing political prisoners and denying them access to their families, lawyers, and doctors. Illegal detention and torture, concludes the report, have continued unabated in Morocco since the 1970s. ■

WESTERN SAHARA
Ten years after

Polisario leader Mohamed Abdelaziz recently celebrated the 10th anniversary of the Saharawi Arab Democratic Republic (SADR) by calling for international pressure to force Morocco to negotiate a peaceful settlement.

"Our experience and past experiences of peoples struggling in the world strengthen our conviction that a solution will inevitably have to be found at the negotiating table," said Abdelaziz during the celebrations attended by a large number of international delegates in Tindouf, southwest Algeria, in late February. He suggested that the four Maghreb countries not directly involved in the dispute could work out a means to bring Morocco and the SADR together for peace talks.

Abdelaziz reaffirmed Polisario's willingness to implement the Organization of African Unity (OAU) resolution calling for direct talks with Morocco, a cease-fire, and a referendum on self-determination. He virtually ruled out the possibility of victory on the battlefield—which he described as "more than difficult, if not impossible." The SADR leader pointed out that the military stalemate could be broken if Western nations such as France, Spain, and the U.S. pressured King Hassan II to negotiate an end to the conflict in return for their continued political, military, and financial backing.

Although Polisario has succeeded in deadlocking the much larger and better equipped Moroccan army for the past 10 years, it is on the international diplomatic scene that it has made its greatest impact. The SADR was admitted as a full member of the OAU in November 1984 and is now recognized by 64 countries as the legitimate government of Western Sahara. No less significant was Abdelaziz's election as OAU vice-president last year, signalling that the state is fully recognized by a majority of African nations. Rabat's decision to withdraw from the OAU and to boycott United Nations debates on Western Sahara has won Morocco few friends and highlighted its international isolation on the issue.

Margaret A. Novicki

Abdelaziz: Decade of successful diplomacy

Hassan, who previously paid lip-service to settling the dispute through a referendum, now appears to have changed his mind, recently concluding that "the people do not want one." Instead, he seems content to rely on his army-built, 1,000-mile-long Saharan wall manned by 100,000 Moroccan troops to maintain control of the key towns in the phosphate-rich territory and to push ahead with development projects like the Club Mediterranean holiday resort in El-Ayoun. As an Arab observer noted, "For the Saharaoui, that is roughly equivalent to installing a Turkish belly-dancer next to the Vatican."

Despite having mustered the support of a majority of Moroccans—including the communists—for the annexation of Western Sahara, the battle against the SADR's war of attrition poses a longer-term threat to his rule. The occupation does not come cheap, costing Rabat an estimated $1.5 million a day. Combined with Morocco's $13 billion external debt, high unemployment, and widespread poverty, the risk of internal upheaval is growing—a central component of Polisario's strategy which it hopes one day will turn the tide in its favor. ■

SOUTHERN AFRICA

The ups and downs of the unity talks

The rollercoaster ride toward a political merger between the ruling Zimbabwe African National Union (ZANU-PF) and Joshua Nkomo's opposition Zimbabwe African People's Union (ZAPU) is presently on the upswing.

The unity talks—which had been stalled ever since an "agreement in principle" to fuse the two parties was announced last October—were given a dramatic boost in late March when Nkomo and his arch-rival, Home Affairs Minister Enos Nkala, held an unprecedented joint political rally in Matabeleland. Speaking to several thousand people in Kezi, an area plagued by dissident killings and heavy army patrols, Nkomo described the meeting as an "historic turning point" which would bring "peace, unity, and progress to the province and the country."

The reconciliation rally marked his first public appearance with a government official since being ousted from the Cabinet in 1982 and provided the parties with a major test of unity in one of the country's dissident strongholds. He called on the rebels to lay down their arms and urged ZAPU supporters to assist government forces by reporting their presence in the region. "We must work hard to end this dissident nonsense, and you, the people, must make it end," Nkomo advised the crowd.

For Nkala, sharing the platform with Nkomo was also a milestone on the road to national reconciliation. Nkala has repeatedly threatened to crush ZAPU for allegedly organizing the dissidents, and has detained hundreds of opposition supporters over the last year, including six of its 15 members of Parliament.

The deadlocked merger process had regained momentum thanks to a conciliatory speech by Nkomo in Bulawayo in March and the government's earlier release of two key ZAPU political prisoners. Nkomo told 30,000 supporters that ZANU-PF and ZAPU should "join hands in a one-party state" and "forget the past." Although he was greeted by some boos and calls of "sell-out" by those who continue to resent the army's brutal tactics in Matabeleland, Nkomo was able to sway the crowd by appealing to their desire for peace.

He revealed that many months of unity talks had brought agreement with Prime Minister Robert Mugabe on all issues except for how government posts should be apportioned. "The main agreement that is lacking is on leadership. We are still discussing the sharing of seats in Parliament and the distribution of Cabinet posts," said Nkomo. Persuading the ZAPU leader to take over from President Canaan Banana, whose term of office ended in mid-April, could be one means of resolving the deadlock.

For its part, the government freed Lookout Masuku, ZAPU's ex-deputy commander of the Zimbabwe National Army, and Vote Moyo, former ZAPU member of Parliament. Masuku had been imprisoned in 1982 together with ZAPU'S former military leader, Dumiso Dabengwa, following the discovery of arms caches on ZAPU-owned farms. Despite their subsequent acquittal on treason charges, they were immediately re-detained and held without charge. Moyo has been in and out of detention since 1982, although he never had formal charges filed against him.

The two were released shortly after Nkala, Minister of State Security Emmerson Mnangagwa, and Justice Minister Eddison Zvobgo visited Moyo and Dabengwa in detention. Masuku was freed because he was seriously ill, and he died in early April. But observers speculate that Moyo's release was linked to the unity talks—a hypothesis he vehemently denies: "I know I was released because there was no reason for my detention in the first place." One cabinet minister, however, said those released had been told to cooperate with the government or risk being re-detained.

Nevertheless, the imprisoned Dabengwa remains the key to the success of the unity talks, because many dissidents view him, and not Nkomo, as their leader. Dabengwa apparently told the three ministers that he would have nothing to do with the proposed merger of the two parties. The government evidently prefers to keep him in detention until he cooperates. As one official said, "There is no point in releasing a man who is still a danger to the government. He should first agree to the conditions of his release." ■

ANGOLA
Stingers alter battle outlook

The Reagan administration's recent shipment of Stinger anti-aircraft missiles to Unita represents a significant shift in U.S. policy regarding covert military assistance to developing nations.

In the past, armaments sent as covert aid have generally been inferior Eastern bloc weapons purchased on the world market to conceal the U.S. connection. The Stingers, however, are top-of-the-line American weapons—part of a $15 million aid package expected to not only escalate the war in Angola but also to intensify its character as an East-West confrontation.

The sophisticated weapons, which can fell small aircraft such as the Soviet helicopters used by Angolan forces, are allegedly being transported through southern Zaire to avoid the South African connection. Disbursement of the covert aid reportedly began in April. Both Un-

ita and the government were said to be preparing for major battles at the end of the rainy season, possibly in late April.

Meanwhile, legislation is moving through Congress that would require President Reagan to make an open request for aid to Unita—subject to public debate and congressional approval. The bill, introduced by House Select Committee on Intelligence Chairman Lee Hamilton (D-IN), was being considered by the Foreign Affairs Committee in late April. According to Hamilton, it raises the important issue of "whether Congress should be involved in major foreign policy decisions."

The Reagan administration's decision to aid Jonas Savimbi's rebels has provoked a bitter response from African leaders. The Organization of African Unity passed a resolution in March stating that it "irrefutably places [the U.S.] on the side of South Africa against the People's Republic of Angola." Leaders of the six frontline states called the U.S. action a "gross and inadmissible interference in Angola's affairs that sets back peace efforts" in the region.

According to President José Eduardo dos Santos, the covert aid is tantamount to an "act of war." He charged that it violates a secret 1984 agreement—the Mindelo Act—in which the U.S. promised not to assist Unita. However, U.S. officials said the "act" was only a "memo of understanding" signed at Mindelo, Cape Verde, which contained no such U.S. promise regarding aid to Savimbi.

Angolan Ambassador to the United Nations Elisio de Figueiredo, however, said Angola could not accept the U.S as a mediator in the Namibian negotiations as long as the Reagan administration is aiding Unita. Angola has asked the UN to resume the negotiations, effectively terminating the role the U.S. has attempted to play over the past five years.

As a result, observers do not anticipate any progress on South Africa's recent offer to begin implementing UN Resolution 435 regarding Namibian independence on August 1, provided Angola agrees to remove the 25,000 to 30,000 Cuban troops stationed in its territory.

The Reagan administration's decision to arm the rebels also prompted Holden Roberto to request covert aid for his former rebel force—the National Front for the Liberation of Angola (FNLA). Testifying before a congressional panel in early April, Roberto reasoned that it is "undemocratic" for Unita to be designated in advance as the sole representative of the Angolan people. White House officials, however, refused to meet with him. The

Loss of forests prompts policy changes

A concerted effort to reverse the destruction of Africa's tropical forests has been gathering momentum among African governments and in the international donor community.

In the past, institutions such as the World Bank and the UN Food and Agriculture Organization (FAO) have devoted only one or two percent of their development assistance to forestry, generally emphasizing timber production. But the rapid acceleration of deforestation has finally forced a policy reevaluation.

Resources devoted to forestry are expected to double by 1990, but more importantly, they will be redirected to community planting, conservation, and land management programs. A newly established forestry secretariat at the FAO headquarters in Rome is embarking on programs in countries where the crisis is especially acute. Bilateral assistance is also being redirected, and a number of African leaders are devoting top-level attention to community replanting programs.

Whether the decline can be checked or reversed, however, is seriously in question. In several countries, the forest resources have been or will soon be totally depleted. Nigeria and Ivory Coast woodlands, for example, have been reduced by more than two-thirds since 1960. Experts forecast that West African countries like Liberia, Ghana, and Ivory Coast, will no longer be major timber exporters by the early 1990s.

But the repercussions are more serious than loss of foreign currency and jobs. Deforestation is a major contributor to drought and desertification in the Sahel. And some 50 million Africans face acute fuelwood scarcity which seriously undermines their standard of living. Seventy percent of the Third World depends primarily on wood to meet household energy needs. African women are walking farther and farther in their daily search for fuelwood, reducing the time devoted to farming, food preparation, and child care. Families are turning to crop residues and animal dung for fuel, robbing fields of badly needed organic nutrients.

Scientists also fear broader repercussions from the destruction of tropical forests which they say will deprive future generations of the chance to retain and broaden the genetic base for food crops, medicines, and other products. Forests yield a vast array of useful products, including a large proportion of modern medicines. For example, two anti-cancer compounds derive from the periwinkle plant found only in Madagascar. And the world's food supply depends on plant resistance to pests and disease, which is often restored or maintained by cross breeding with forest populations of the same species.

The single greatest cause of deforestation is the spread of agriculture, according to an international task force that published a plan of action for tropical forests last year. Rural peasants are often blamed for exploiting the land, but they are caught in circumstances beyond their control which push them onto lands too fragile to support widescale subsistence agriculture.

Governments and timber companies have also contributed to the crisis. Desperate for foreign exchange, African nations have welcomed timber as a ready source of income, but prices remain so low that there is little incentive to invest in reforestation. After timber companies clear the land, commercial farmers move in with cash crop production, clearing out any remaining woodland.

U.S. provided aid to the FNLA during Angola's civil war 10 years ago, but was later forced to withdraw its support. ■

BOTSWANA
ANC ousted from Gaborone

Under intense pressure from South Africa, Botswana has agreed to terminate all African National Congress (ANC) military and political activities in the country. Following high-level meetings between Pretoria and Gaborone, ANC representative Thami Sindelo and his associates closed their Gaborone office and left for ANC headquarters in Lusaka in mid-March.

Nobu Arakawa

Masire: Acquiesces to Pretoria's demands

In addition, President Quett Masire's government has introduced a harsh anti-terrorism act—which Parliament was expected to approve—giving police extensive new powers, including arrest without warrant.

Botswana, however, balked at additional South African demands, refusing to grant Pretoria permission to participate in the screening of refugees, or to provide information regarding Soviet-bloc personnel and South Africans in Botswana. Gaborone has also stressed that it will continue to accept South African refugees. In response to the demands, President Masire urged South African officials to bargain in a "more civilized" manner without threatening military force to achieve their goals.

Meanwhile, Britain and the U.S. have responded to Botswana's pleas for military assistance to tighten border security and repel any future South African incursions. The British Special Air Service is training the Botswana armed forces, and the U.S. is providing $10 million in counter-intelligence training and helicopters.

South African pressure on Botswana has intensified this year as a result of a series of landmine explosions near the border in Transvaal province. Fears that South Africa will use the blasts as an excuse to launch a similar raid to the one on Gaborone in June 1985 has created tensions throughout the country. ■

MOZAMBIQUE
Machel digs in against Renamo

In response to the gains made by South African-backed Mozambique National Resistance (Renamo) rebels in recent months, President Samora Machel announced a major government shake-up in late March, granting sweeping powers to three of his top aides in an effort to centralize and consolidate Frelimo's authority.

Machel created three "super ministries" to oversee the running of the country, with priority given to tackling its growing economic ills. Marcelino dos Santos, former vice-president of Frelimo and noted Marxist theoretician, was demoted in the power realignment in favor of Mário da Graça Machungo and Armando Guebuza, who together will have supreme control over economic affairs. Machungo will supervise eight ministries, including finance, banking, trade, and industry, while Guebuza will oversee the ministries of agriculture, commerce, and tourism. Jorge Rebello, Frelimo's secretary of ideology, will take over the education, health, justice, information, and culture ministries.

The changes in Maputo's power structure came on the heels of a major Frelimo Politburo decision in mid-March to reorganize the military to increase its effectiveness against Renamo. In particular, the ruling party acknowledged that the strategies used to combat the Portuguese were inappropriate in the current struggle with the rebel forces.

The Politburo concluded that more attention should be paid to guaranteeing "food, uniforms, weapons, and wages" to the troops to alleviate discontent in the army. Unlike a guerrilla movement, it noted, Frelimo soldiers are part of a regular army which answers to a ruling party that must be able to supply its troops. The party said that young officers would be given more opportunities for advancement in a military where veterans of the independence war still hold the key positions of power, and that elite "special units" would be trained to take the war behind Renamo lines.

A major source of government concern has been Renamo's expansion from small operations in Tete and Manica provinces to a major force throughout Mozambique. Renamo has recently embarked on a new offensive involving attacks on Maputo itself. The explosion of "anti-personnel devices" at a Maputo beach, early morning looting of diplomatic missions, and raids on two suburbs have drawn attention to the government's inability to repel the rebels.

The dissidents had already delivered a major blow in February when 400 heavily armed Renamo rebels recaptured their former headquarters at Gorongosa in Manica province. Casa Banana, which had been overrun by government forces in late August in a joint operation with Zimbabwean troops, reportedly fell without a fight. The poorly equipped government soldiers had received no supplies for three weeks, according to the Zimbabwean military command. ■

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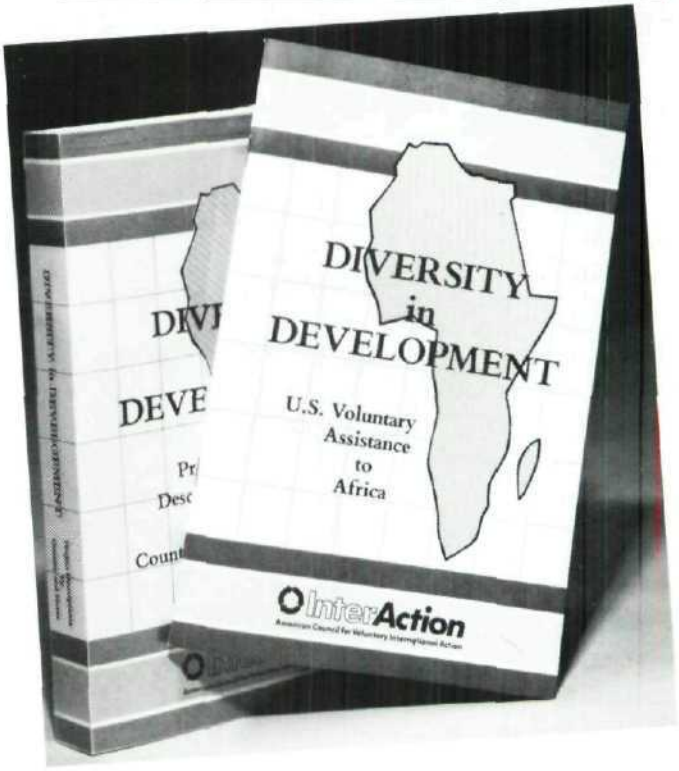
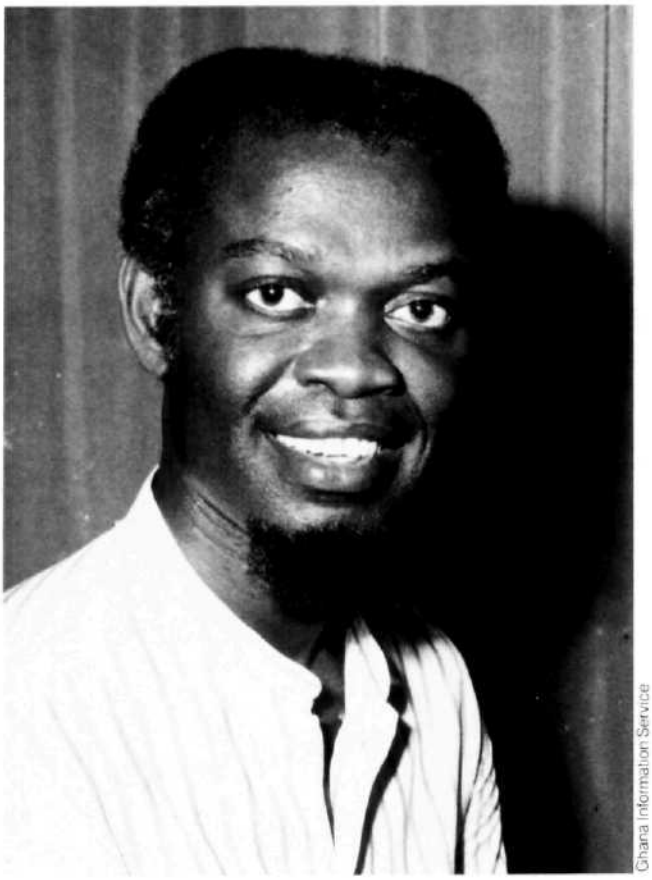


Interview

Kwesi Botchwey

Secretary for Finance and Economic Planning, Ghana

The Ghanaian government's successful efforts to reverse the country's economic decline have been widely regarded as a model for other African nations. In this *Africa Report* exclusive, Kwesi Botchwey evaluates the achievements of the Economic Recovery Program, its impact on the Ghanaian people, and the priorities for the coming years.



Ghana Information Service

Kwesi Botchwey: "My message is simple. The time to help is now, for Ghana's economy has never been managed better"

INTERVIEWED BY MARGARET A. NOVICKI

Africa Report: Ghana has undertaken one of the most comprehensive and difficult economic reform programs in all of sub-Saharan Africa. Three years into the Economic Recovery Program [ERP], are you satisfied with the results of your dramatic efforts and have you attained most of the targets you set? Are there specific areas in which you have found the ERP wanting?

Botchwey: Clearly, we have recorded some very significant achievements. These are reflected in the main economic indicators in terms of average annual percentage changes in inflation and growth in real GDP, exports, imports, and food production. The rate of inflation, which was 116.5 percent in 1981 at the onset of the revolution, and climbed to 122.8 percent in 1983 at the height of the catastrophic drought which hit our sub-region, fell to about 40 percent in 1984 and further still to just over 10 percent in 1985. In 1981, real GDP declined by -4.4 percent and exports by -35.6 percent. In contrast, GDP growth has averaged 3.3 percent for 1983-85 and 6.5 percent for 1984-85. Agriculture has witnessed a particularly strong recovery.

However, although these achievements have been significant by any standard, many difficulties of both internal and external origin have kept them below the full potential of the economy to respond to policy reforms. On the external side, we may cite the problem of slow disbursement of external commitments of official development assistance [ODA], and on the internal front, there is clearly the need for improved management and better implementation of key economic and

social programs through improved management methods and more effective mobilization of popular initiative.

Africa Report: Could you outline specifically what has been done to stimulate the productive sectors of the economy, i.e. cocoa, timber, gold, manufacturing, and how those sectors have responded?

Botchwey: A number of measures have been taken to enhance production and export incentives for key products.

For cocoa, the price paid to farmers was raised by nearly 90 percent from 30,000 cedis per ton for the 1983-84 crop to 56,000 cedis for the 1984-85 crop. This followed a 50 percent increase in the previous season. Producers now receive 50 percent of the world market price. The Cocoa Board continues to distribute free seedlings, as well as spraying materials to encourage replantings.

For cotton and tobacco, the previous system of fixing the producer price on the basis of cost plus a reasonable profit margin was replaced in favor of a price based on the need to elicit significant supply responses. Accordingly, in June 1985, the producer price for cotton was raised by 100 percent to 110,000 cedis per ton, and the producer price for tobacco was raised by 59 percent to 125,000 cedis per ton. For food crops, sizeable funds were allocated in 1985 for maize purchases at a minimum guaranteed price, in order to reduce sharp seasonal fluctuations. More importantly, to reduce crop losses a storage program was initiated under which 19,000 tons of storage space is expected to be ready by early 1986. In addition, orders have been placed for the acquisition of maize cleaners.

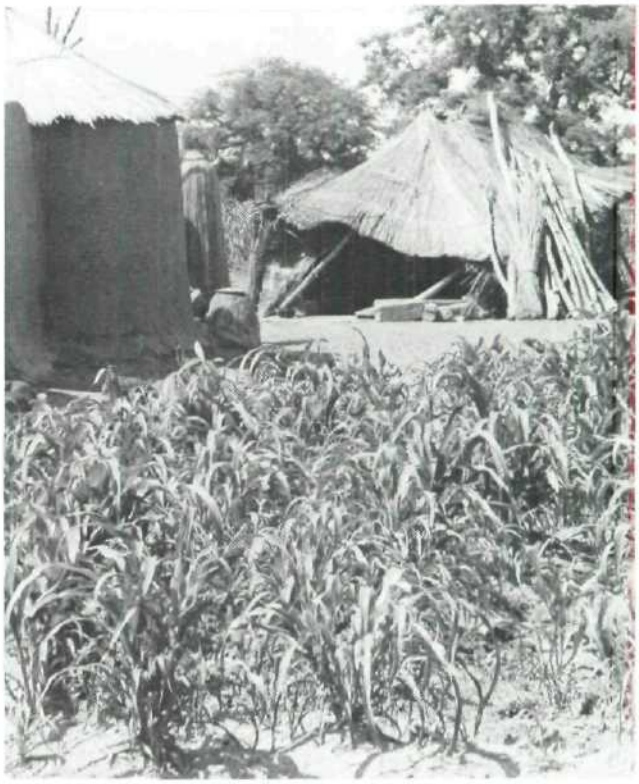
Finally, the system of automatic retention of a portion of export earnings, which constitutes a major element of the export incentive package, was expanded and the use of funds streamlined in 1985. Presently, the share of export earnings that can be retained in foreign exchange are: Ashanti Goldfields Corporation—45 percent; State Gold Mining Corporation—35 percent; timber and other exports—20 percent; and cocoa—10 percent. Retained export earnings can be used for the import of equipment, spare parts, and essential inputs, as well as for meeting the exporters' external financial obligations. Production indicators for all our main merchandise exports have registered modest increases.

Africa Report: Last November's Consultative Group meeting indicated continued donor support for your program. But Ghana's aid needs will continue for the foreseeable future. Are donors taking the necessary long-term approach to supporting Ghana's economic development? Are you satisfied to date with the donor response to your program?

Botchwey: At the last meeting of our Consultative Group in Paris last year, we urged donors to take a more medium to long-term approach in their aid programs for Ghana. Already, some donors have begun to react positively. To a certain extent, we ourselves have to help that process along, first by formulating a medium-term macro-economic program as well as a medium-term investment program. We outdoored the former in Paris last year; we are working on the latter.

As for whether donor response has been adequate or satisfactory so far, I will say that there has been a considerable increase in aid flows to Ghana since the program began, considering the rather deep trough in which we found aid flows in 1981. However, we are anxious to see further improvement, particularly in the level of bilateral flows, in order to offset the consequences of the rather large component of multilateral funds (especially IMF drawings) in total flows to date. We are optimistic that the medium-term program will benefit from more active donor support. In this connection, I must say the result of last year's Consultative Group meeting was an encouraging beginning.

Africa Report: Although the difference in the level of economic activity between even a year ago and today is dramatic,



Margaret A. Novicki

Household maize crop in northern Ghana: "Agriculture has witnessed a particularly strong recovery"

in terms of availability of goods and a general feeling of economic recovery, prices remain very high and incomes very low. Clearly, the massive devaluations have hurt the average worker. What solution do you envisage for the problem of low incomes and unemployment? Do average Ghanaians support the ERP, and what are your reactions to the criticisms of the ERP by the Trades Union Congress [TUC]?

Botchwey: As you rightly put it, there has been a "dramatic" improvement in the level of economic activity and the availability of goods generally. The primary objective of our entire recovery effort is to reduce inflation (i.e. moderate the rate at which prices increase), through monetary and fiscal discipline, through stepped-up domestic resource mobilization, through a containment of budget deficits to realistic levels and the financing of such deficits by non-inflationary borrowing, and

above all, through increased production and productivity. The workers are the main beneficiaries of reduced levels of inflation. Incomes have appreciated in nominal and in real terms over the program period. We have adjusted incomes with every budget since the program began in 1983. We just announced a substantial increase in the minimum wage in January this year.

It is a little simplistic and therefore misleading to talk of "massive devaluations" hurting the worker. It is not as if the worker would have been better off with an overvalued exchange rate. We must talk of the impact on the working people in both urban and rural areas of the *whole package* of policy reforms, and the social focus of development and investment expenditure. The worker's "hurt" cannot be seen simply in the size of his disposable income. Public expenditure in the rehabilitation and development of public transportation, in education, health, etc. are even more important elements in the worker's welfare. As for the support of the ERP by the average Ghanaian and the TUC, I would say that it has suffered a certain amount of erosion in the last year, more from ineffective education among the rank and file of the workers regarding the real aims of government policy. We are planning to shore up the program's support among the masses by improving the workings of the Committees for the Defense of the Revolution.


Ghana Information Service

A.W. Clausen, World Bank president, with Flt. Lt. Jerry Rawlings: "In discussions with both the IMF and the World Bank, we are seeking to ensure a net inflow of external financing at levels compatible with our growth objectives"

Africa Report: Until the benefits of the ERP can be felt by the average worker, what are government's plans to lessen its impact on the poor?

Botchwey: The benefits of the ERP are already being felt by the average worker, even though admittedly there is a great deal of room for further improvement. Over the medium-term, for the period 1986-88, our target is 5 percent growth in real GDP per annum, implying an increase of at least 1.5 percent per annum in per capita incomes. As you know, as much as two-thirds of Ghana's population is in the rural sector. The ERP's objective of initiating major improvements in average living standards necessarily implies a growing focus on the impact of the various macro-economic, sectoral, education, health, and other policies on the living standards of the rural populace in general, and on those of highly vulnerable groups in particular.

While the problem of rural poverty and development will necessarily be a slow one to redress, the ERP will strengthen the policy and institutional framework within which the focus on rural poverty and development will need to be developed and maintained. The ERP's policy objectives—in particular improved performance in agriculture, health, education, and targeted programs for vulnerable groups—will need to be evolved to ensure that both the rural and the urban poor are catered for within the limitations allowed for by budgetary and organizational constraints.

Africa Report: Some have criticized the extent to which Ghana has indebted itself to multilateral and bilateral lenders, citing a debt-servicing ratio of 55 percent of export earnings. Will the level of indebtedness not prove to be a handicap to future economic progress? Rather than creating a self-reliant economy, isn't Ghana more firmly tied to the international financial/capitalist system?

Botchwey: Our debt-servicing burden over the 1986-88 period will be unduly onerous largely on account of repayment (or repurchases) of IMF drawings and of the loans we have had to take to buy oil. We have not, contrary to the insinuations of grudge-ridden political opponents in self-imposed exile, gone on an irresponsible commercial borrowing spree. Even so, in our current discussions with both the IMF and the World Bank, we are seeking to ensure a net inflow of external financing at levels compatible with our growth objectives.

Our medium-term program aims at developing a self-reliant and increasingly integrated national economy. It involves structural reform in key sectors of the economy, the practical integration of agriculture and industry, and a self-sustaining export sector, nurtured by appropriate institutional and trade policy initiatives. We have made modest gains already in local palm oil production for soap manufacture and domestic use. Tobacco and cotton have good potential. Self-reliance requires a realistic time-bound strategy, it is not a slogan. We are aware, and history shows, that every social formation develops primarily on the strength of its internal dynamism.

Africa Report: What message would you want to convey to bilateral donors, especially the U.S., about your economic efforts at a time when the U.S. is cutting foreign aid back and is telling African countries to rely on the magic of the marketplace?

Botchwey: My message is simple. For those who are still sitting on the fence, wondering whether it is time to jump into the fray, my message is: The time to help is now, for Ghana's economy has never been managed better, and through sound economic management, we are laying the foundation for stable social development and political organization. This is not the time to be cutting back foreign aid. It is not even in the interests of the advanced countries themselves. As for the magic of the market place, there is of course a lot to be said for it. But it is not entirely without its limits, as American agricultural policy and the EEC's Common Agricultural Policy clearly demonstrate. □

The CEAO and "L'Affaire Diawara"

The sensational corruption trial of Ivorian businessman Mohamed Diawara and former officials of the West African Economic Community recently concluded in Ouagadougou. Thanks to the Sankara government's efforts, the CEAO has reemerged as a viable regional organization.

BY MARGARET A. NOVICKI

Facing the glare of the television cameras, the three accused, clad in flowing, embroidered boubous, rose in turn from their bare wooden benches in Ouagadougou's Palace of Justice to hear the verdicts of the People's Revolutionary Tribunal at the close of West Africa's long-awaited "trial of the century."

Their heads clean shaven by fellow prisoners in Ouagadougou jail, Moussa Ngom, Senegalese former secretary-general of the seven-nation West African Economic Community (CEAO), and Moussa Diakité, Malian former head of the CEAO's Solidarity and Development Fund (FOSIDEC), stood impassively as the tribunal found them guilty of conspiring to embezzle CFA 6.5 billion (about $1.9 million) from the regional organization, imposed sentences of 15 years' imprisonment, and ordered them to restitute the missing funds, plus interest and damages, to the CEAO.

However, tears welled up in the eyes of the star defendant, Mohamed Diawara, businessman and former Ivorian minister of planning, as his guilty verdict and 15-year jail term were read. For perhaps it was only at that moment that the impact of President Thomas Sankara's pledge a year earlier—to "shine the spotlight" on the financial misdeeds of the CEAO and to prosecute the Diawara case "up to its conclusion"—finally registered upon the urbane and self-confident Ivorian.

From as early as 1982, CEAO officials had been stitching together a trail of clues on the misappropriation of nearly half the organization's funds—money destined for development projects in some of the poorest countries in the world—which initially led them to question the probity of their secretary-general, Ngom, and FOSIDEC director Diakité.

However, as tracers were placed on the international enterprises and far-flung bank accounts into which the money had disappeared, one name disturbingly surfaced again and again—Mohamed Tiékoura Diawara, the wealthy director of the Club of Dakar, well-connected in international financial circles and close to various francophone African governments.

The scandal heated up when allegations began surfacing that not only were officials of the organization involved in the flight of funds, but that very high-ranking government officials of CEAO member-countries and/or their families may have enriched themselves from Diawara's questionable business ventures. Specifically, the wife of Malian President Moussa Traoré, herself a prominent businesswoman, was rumored to have had considerable financial interests in the Bank of Africa-Mali, set up by Diawara with funds allegedly embezzled from the CEAO.

Caught with his hands in the till, yet assuming that he would enjoy the protection of some of his powerful friends, the Ivorian businessman made half-hearted pledges to restore the fortune to the organization. When informed of the brewing scandal at the 1983 Niamey summit—and given the potential political bombshells which prosecution of the case might unearth—most CEAO heads of state advised caution, urging that Diawara be given every opportunity to return the money.

However, by the time of the CEAO's October 1984 summit in Bamako, Diawara's repeated promises that the money would be restored were proven hollow. And fortuitously for the 40 million citizens of the CEAO whose funds had melted away into private bank accounts and front companies, President Thomas Sankara of Burkina Faso assumed the rotating chairmanship of the CEAO, pledging to carry out the mandate he had received to "clean up" the community. "The next CEAO summit," Sankara predicted, "will either sign the death certificate of the organization or will celebrate its rebirth."

With Burkina's revolutionary leadership known for its principled stand against corruption, a more appropriate venue could not have been chosen for the prosecution of the Diawara case. At the conclusion of the Bamako summit, brushing aside his peers' inability to agree on the modalities for handling the

scandal, Sankara proposed that Diawara be taken to Ouagadougou, the headquarters of the CEAO, to be tried.

Accordingly, at the closure of the summit, the Ivorian businessman was taken hand-cuffed aboard Sankara's presidential plane to begin over a year under house arrest as lawyers on both sides prepared their dossiers. Following shortly after, Ngom and Diakité took up residence in Ouagadougou's high security Conseil de l'Entente quartier.

Few in West Africa, including the defendants themselves, ever believed that the Burkina government would go through with the trial, given pressures by Sankara's presidential peers to handle the case with kid gloves and the mistrust with which his revolutionary government was regarded by its more conservative neighbors.

With Sankara's rocky relations with Ivorian and Malian Presidents Félix Houphouët-Boigny and Moussa Traoré—"I am a hair in their soup" as Sankara has described his position vis-à-vis his neighbors—it was expected that the "enfant terrible" of francophone West Africa would submit to the advice and counsel of his elders, even to the point of allowing the CEAO summit to be convened in another capital.

Normally held each October, the 1985 CEAO heads of state summit was indefinitely postponed as the Diawara dossier was prepared. Efforts proceeded to smooth official feathers ruffling at the prospect of Diawara and his cohorts being tried by Burkina's unique system of justice—the People's Revolutionary Tribunals (TPRs)—where defendants are tried in public, providing their own defense, and are judged by a panel of ordinary citizens.

When the announcement finally came from Ouagadougou that the summit was scheduled for March 26-27, Sankara deftly revealed that the trial would open the day before, thereby preempting any effort to remove the case from Burkinabe jurisdiction after its tenure as chairman of the CEAO came to an end. The timing of the trial also insured maximum publicity, coinciding with the arrival in the Burkina capital of the CEAO's heads of state.

In fact, most of Sankara's peers suffered from acute ambivalence over the holding of the trial—none wanted the messy affair to unfold in their own countries, some fearing what might be exposed as the case against the accused was laid out. Yet, as the reputation of francophone West Africa's economic union had been seriously tainted by the scandal's revelations, it behooved the heads of state to support the airing of the CEAO's dirty linen, for the outcome of the process would be closely monitored not only by their own citizens, but by international public opinion.

As Burkinabe Minister of Financial Resources Justin Damo Baro put it, "I don't know of a single member country of the CEAO that doesn't want rigor in the management of its economy. If the CEAO was given birth by the countries which preach this rigor, the organization itself must follow the same principles; otherwise it will remain their bastard child."

However, the regional political climate was not propitious for assembling the heads of state in the Burkina capital. Burkina Faso's tense relations with Mali following the Christmas war—which threw into stark relief the Ouagadougou government's regional isolation—left in question its ability to successfully convene the summit, and rumors abounded that the trial would not be held.

Trip wires had been carefully lain by Sankara's neighbors, needing only the slightest misstep to detonate the tenuous peace that had been signed between Mali and Burkina Faso in January at Yamoussoukro, and hence jettison the summit. There was no question that the Malian government was looking for a pretext to foil Burkina's hosting of the summit, whose success would signify a clear diplomatic coup for Sankara.

According to diplomatic observers, the Ouagadougou government nevertheless made every possible concession to its neighbors to ensure their participation in the meeting, sending high-level envoys on a round of visits to secure promises of attendance. The Malian CEAO secretary-general, Drissa Keita, who was declared persona non grata by the Burkina authorities last July after criticizing the revolutionary government in an interview with *Jeune Afrique*, was invited back to Ouagadougou to participate in the summit in his official capacity.

It was rumored that in order to exact Moussa Traoré's attendance, the Burkina government agreed to release Malian prisoners of war and pledged that during the Diawara trial, no reference would be made to the alleged involvement of heads of state or their families. A major concession on Burkina's part was allowing the accused to be represented by lawyers in front of the TPRs, where under normal circumstances, defendants are required to provide their own defense.

Despite the conciliatory gestures, the week before the summit was scheduled to open, the Malian President, accompanied by his wife, crossed over the Mali-Burkina border to the town of Dionouga, within the contested Agacher region, ostensibly to visit the graves of Malians who had died in the war. With Malian MiGs overflying Burkinabe airspace, inflammatory speeches were made before the president's party returned to Bamako.

As a Western diplomatic source observed, Sankara displayed true statesmanship in ignoring the Malian provocation and placing the interests of the CEAO and its peoples above bilateral enmities. His refusal to be rattled and his determination to proceed with both the Diawara trial and the summit had even his harshest critics quietly applauding.

In the end, the heads of state of Benin, Ivory Coast, Mali, Mauritania, Senegal, and the prime minister of Niger, along with the Guinean president and the Togolese minister of foreign affairs as observers, joined Sankara for the two-day summit. The only sign of subterranean tensions among the heads of state was apparent in the comportment of the Malian president, who brought his own food and drink to Burkina and refused to partake not only in the customary welcoming libation at the airport, but also in the official state dinner offered by Sankara.

Although the Diawara case itself was not an official agenda item for the meeting, it certainly overshadowed the debates. Heading off the speech Senegalese President Abdou Diouf was to deliver calling for mild treatment of Diawara and his cohorts, Sankara thanked the assembled heads of state for having agreed to allow him to prosecute the case in accordance with

Burkina's revolutionary system of justice.

Playing to the gallery of visiting government officials and international observers, Sankara contrasted the wealth of the accused against the poverty of the CEAO's member-nations: "Six billion francs, an enormous sum, considering the agonizing misery of our peoples! Six billion francs embezzled by a handful of men to the detriment of the interests of 40 million people—that is not merely greed, but the rapacity of thieves without regard for honor or law, who have acted in contempt of their peoples and their governments!"

In a similarly masterful performance at the closing of the summit, the Burkinabe head of state, speaking extemporaneously, said that the CEAO had regained its vitality and dynamism thanks to the house-cleaning efforts carried out during his government's chairmanship—efforts supported by all the CEAO heads of state.

"Our victory has been to demonstrate the solidarity of our seven countries in deciding to vigorously fight the crimes that have become known as 'l'affaire Diawara.' It has been our victory because some have tried to exploit the differences between us. Happily for us, our unity has been total. Together, we have reaffirmed our faith in the TPRs to prosecute the case to its end and to punish those who have stolen."

In inimitable Sankara style, the young captain then saluted each head of state in turn to rousing applause, but the messages conveyed to the Malian and Ivorian presidents were not lost on observers. Commenting on the warm reception Traoré had received, Sankara called the Malian president "a Burkinabe," and said, "We know he will return here again."

Drawing an unspoken parallel between himself and a young Houphouët-Boigny, Sankara reminded listeners that "*Le Vieux*" too was once "an impertinent, boisterous young African, defiant of whites, who on occasion made particularly harsh statements." Critics and supporters alike agreed that Sankara had performed admirably, pulling off a potentially difficult meeting with remarkable aplomb.

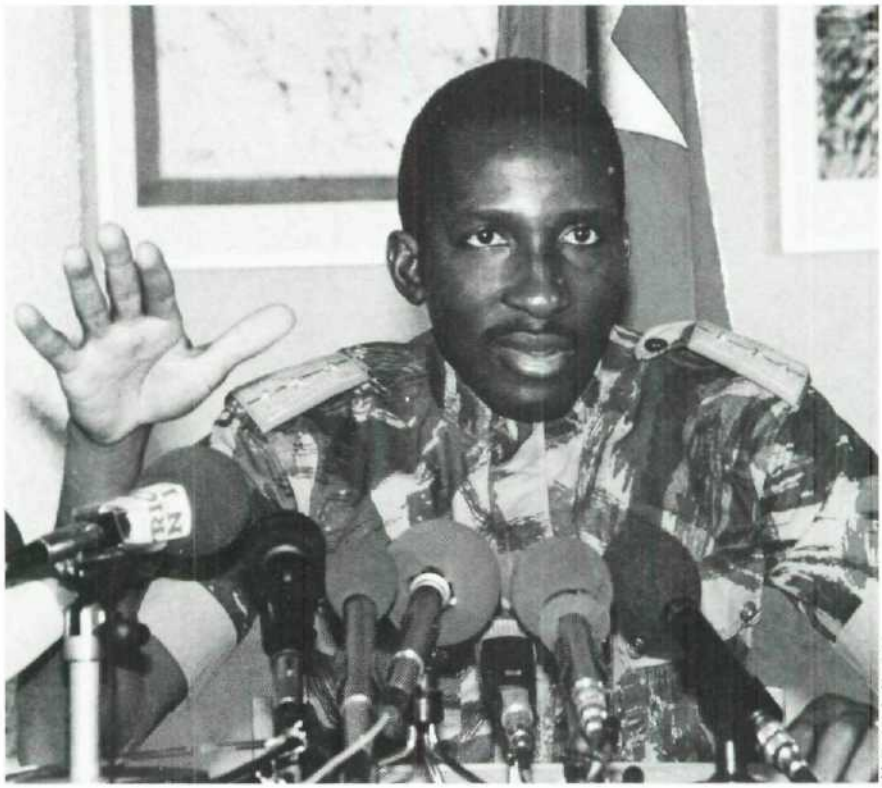
The Diawara trial resumed the following day before packed crowds, with the proceedings broadcast over the radio and television to attentive audiences. Refusing to reply to any of the questions posed by the tribunal, the three accused adopted silence as their defense. In response to their lawyers' claims that the TPRs were not competent to judge the case, international jurists attending the trial as observers remarked that the defendants would have "to accept the consequences of their silence."

The consequences were made clear when the verdicts were handed down a week later. With the accused having opted not to defend themselves, the tribunal was confined to questioning various CEAO employees on the flight of the organization's funds and ultimately, the case was judged on the merits of the dossier that had been prepared by the CEAO's civil lawyers.

Lawyers for the defense claimed that given all the publicity the case had received, it was impossible for their clients to receive a fair trial, much less by the revolutionary tribunal which, they argued, had decided the men were guilty before the trial ever began. However, most observers agreed that the case was indeed handled fairly and that the sentences were lenient compared with the prison terms the men would have received had they been convicted in any of the neighboring states.

The people of the CEAO member states are the winners—and the losers—in this sorry affair. At a time when African governments are launching new efforts to reform their economies and correct the mistakes of the past, Burkina Faso has courageously seized the initiative, setting a standard of justice and accountability not only at home, but also for the region's highest-level representatives.

Unfortunately, however, it is unlikely that the CEAO and its citizens will ever see the CFA 6.5 billion that Diawara, Diakité, and Ngom have been ordered to return. The three, meanwhile, will have ample time—15 years—to contemplate the consequences of their actions. They may even begin to understand the righteous outrage of the victims of their crime—the peoples of the region—as they sweep the streets of Ouagadougou along with the common Burkinabe with whom they are now imprisoned. □



Margaret A. Novicki

" 'I am a hair in their soup,' as Sankara has described his position vis-à-vis his neighbors."

Burkina Faso

Transforming the Statistics

In a country short on natural resources and prone to drought, Captain Thomas Sankara's government has adopted an innovative approach to economic development, relying on the mobilization and involvement of the population in its program to achieve self-sufficiency.

BY MARGARET A. NOVICKI

It is early morning in the Burkinabe countryside, 150 miles north of the capital, Ouagadougou, and the scorching sun has begun its ascent into the already white hot sky. The sparse outcroppings of green vegetation appear lifeless, choked by the fine brown dust that sweeps across the flat Sahelian plains. Only the leafless and knarled baobabs, their spindly arms scratching the sky, provide any counter-point to the barren expanse of ochre, bone-dry earth.

Shepherds drive their cattle along the unpaved road, and every 10 or 15 miles, women gather at a solitary well, filling their large round gourds to begin the long trek home—a scene repeated daily in each of Burkina's 7,500 villages. From a cursory view, little—apart from its political leadership—has changed for this overwhelmingly rural and impoverished population since independence over two decades ago.

Over the last three years, however, the government of Burkina Faso (formerly Upper Volta), led by the young, dynamic Captain Thomas Sankara, has revolutionized the nation's approach to economic and social development—a change that has touched each of its 7 million citizens.

Margaret A. Novicki

Cella's primary health post: Saidou Dabossé and Tene Bodané, the village health agent and midwife

A fundamental rethinking of the economic development process has enabled the Burkinabe leadership to put into practice a seemingly simple, but rarely realized thesis—that the key to development rests with the people themselves, not with the foreign specialists who come and go with dizzying regularity, dispensing sacks of food aid and unsustainable projects. The mobilization of the people in support of the development process has produced results which are impressive by any standard.

- For the first time perhaps anywhere in Africa, all of the population, from the smallest village to the capital city, have participated in drafting the priorities of the five-year economic plan (1986-1990).
- In "Operation Vaccination Commando," the nation's 2 million children through age 14 were immunized against three frequently fatal diseases—measles, meningitis, and yellow fever—in a period of 15 days. In the whole of 1981, only 25,000 of the country's 500,000 infants under two were innoculated.
- Each village has erected a "primary health post," staffed by a village health agent and midwife who have received training in basic health care and kits of medicines and implements.
- In the first wave of "Operation Literacy Commando," some 36,000 illiterate farmers are being taught to read, write, and calculate over a 50-day cycle, guided by the premise that increases in agricultural productivity can only come

about through access to basic skills and education.

• Between October 1984 and December 1985, under the aegis of the Popular Development Plan, 351 schools, 314 dispensaries and maternity clinics, 2,294 wells and boreholes, 274 reservoirs, and 323 cereal banks have been constructed, primarily by the voluntary manual labor of the villagers themselves. The human investment has reduced the cost to the government by an average 30-35 percent per project.

These achievements have been recorded in a land-locked country considered one of the poorest in the world and traditionally among the highest per capita recipients of donor assistance in Africa. In fact, prior to 1983, long-range economic planning and aid coordination were virtually non-existent, indicative of the hopelessness with which the future of this resource-poor nation was regarded.

In sharp contrast to the harsh natural environment, the current government is refreshingly positive about what can be achieved with careful planning and mobilization of the nation's limited material and human resources. Burkina's clearly defined economic priorities begin with food self-sufficiency, followed by rational management of water resources and development of indigenous sources of energy—objectives which make perfect sense, say donors, given the twin threats of drought and desertification. Correcting the urban bias in the provision of health and education is central to the Sankara government's approach.

The National Council of the Revolution (CNR), Burkina's ruling structure, and the predominantly civilian cabinet are composed of dedicated, motivated, and unpretentious men and women, most of whom are under age 40. The perquisites of power—chauffeur-driven Mercedes, comfortable lifestyles, and elegant offices—are noticeably absent in this country, where the official car of the president and his ministers is "Le-Car," the compact, fuel-efficient Renault-5.

Austerity and hard work are the dominant themes of the Burkinabe revolution, which, far beyond its political rhetoric, is essentially a battle for survival. "For us, the revolution is not simply words, but the radical transformation of statistics," says Sankara. "To go from *A* to 25 times *A*, to enable our country to produce much more than it currently does—*that* is our revolution."

The statistics are a telling reminder of the minimal impact an average 300 aid missions a year have had on the Burkinabe population, 90 percent of whom derive their livelihood from subsistence agriculture and cattle-raising. Annual per capita income averages just over $200, life expectancy is 44 years, and literacy is under 20 percent.

Burkina Faso possesses no oil or mineral wealth to speak of, nor is it a producer of any of West Africa's marketable primary commodities such as cocoa, coffee, or timber. In fact, its only exportable products are cotton, sheanuts, sesame, and livestock, which contribute less to the annual budget than the revenues which keep the economy afloat—foreign aid and remittances from Burkinabe workers abroad.

It is because of these dismal economic indicators that Sankara's is a revolution in a hurry, driven by a vision to transform this "rural, agricultural, and backward" country into a "self-sufficient, independent, and planned economy," as the president says, proud of its achievements and no longer bearing the stigma of a "beggar nation."

"The leaders are impatient as they certainly should be," says Leonardo Neher, American ambassador to Burkina. "They are looking for assistance and for ways of solving problems and solving them right now. They think too much time has passed that has left their country with unacceptable levels of illiteracy, poor health, poverty, and lack of an economic base and they are trying their best to find ways to accelerate development."

The enthusiasm of Sankara and his government is infectious, and it is difficult to find fault with the logic and simplicity of their approach. Bluntly honest, Sankara castigates donors and Burkinabe alike for the country's dependence on foreign aid—a drug which had turned the population into passive spectators of the development process.

"You ask me, 'Where is this imperialism that we are supposed to be fighting?' " the president says to his people. "Look on your plates when you eat imported rice, wheat, and millet—it is as close as that. We can produce enough to feed ourselves, but because of our lack of organization, we are required to hold out our hands for food aid, food aid that blocks us and instills in us the reflex of beggars. We have to make this aid unnecessary by our own production."

Sankara's unconventional style, defiant of diplomatic decorum, has unsettled Burkina's traditional Western aid partners, and in particular France, which provides 25 percent of its foreign assistance and still wields a powerful financial and political presence in francophone Africa. Relations with France, as with some other Western donors, have alternated between outright hostility and uneasy coexistence.

However, tensions with France and with Burkina's more conservative francophone neighbors, who look askance at the precedent his youthful revolution has set, have not put a damper on the Sankara style.

Bypassing the annual Franco-African summit in December—which he views as a vestige of French colonialism—Sankara utilized the occasion of an international conference on trees and forests, held in Paris earlier this year, to pay his first visit to France since 1983. During a fence-mending meeting with François Mitterrand, Sankara politely turned down the French president's offer of a defense pact, asking for an equivalent amount of assistance—in tractors.

In spite of political differences, however, most Western donors have gradually come to respect the Sankara government's probity and proven ability to get things done. Says one high-ranking diplomat, "I think the kind of integrity that we see on the part of leaders here is a model not only for Africa, but for anyone who is looking for a model. They are setting an example of incorruptibility which is very encouraging."

Indeed, although Burkinabe may grouse about the belt-tightening measures the government has imposed of its own volition—such as tithing 8 percent of each worker's salary and 50 percent of his allowances for a rural investment fund—no one doubts that the sacrifices are equally borne by all, including their leaders.

At 8 in the evening, the most likely

Margaret A. Novicki

Operation Literacy Commando in Kamboince: " 'It is not with illiterate peasants that we will be able to develop our agriculture.' "

place to find a high-level government official is his office or in one of a dozen meetings that fill a typical day. In fact, to remind government ministers that their primary roles are to serve the people, Sankara dismissed the entire cabinet last August, sending his ministers to work on agricultural cooperatives before reinstating most of them a month later.

The Burkina government's search for formulas to address the country's overwhelming development needs and its openness to suggestions from any quarter—foreign or domestic—has given second thoughts to those who viewed the government as naive and rigidly bound to its revolutionary rhetoric.

"They show a surprising capacity to come to their senses," says one foreign aid official, who cited the government's flexible approach to the private sector as an example. Elliot Berg, author of the World Bank's controversial report, *Accelerated Development in Sub-Saharan Africa*, was recently commissioned to carry out a study analyzing the role of the private sector in support of the upcoming five-year plan, the results of which have recently been presented to the ministry of planning.

Although the government has since proven its capacity to involve the population in pursuit of its development goals, the commando approach—identifying a need, mobilizing the population, and setting out to solve the problem within a short time frame—had initially been viewed with some skepticism by the donor community in Burkina.

UNICEF and the American government were among those who counseled caution when the CNR announced "Operation Vaccination Commando," a 15-day program to immunize the childhood population against three potentially fatal diseases. They warned that such an ambitious program would be logistically impossible for a government short on trained personnel, finance, and supplies.

Undaunted, the government organized vaccination committees in each village, district, and province. The Committees for the Defense of the Revolution (CDRs)—groups of young political volunteers who are active in every workplace and community—embarked on the critical task of mobilizing and educating the population on the importance of immunization. A vast publicity campaign was launched, utilizing the radio, billboards, posters, and door-to-door visits, before the vaccination posts were opened.

After two weeks, in a country with a child mortality rate of 150 per 1000 births, between 59 and 64 percent of the children were vaccinated against measles, meningitis, and yellow fever, compared to an estimated average immunization rate of 10-15 percent for the developing world as a whole.

Hearing about the program, parents in neighboring countries crossed over the border to have their children innoculated and many posts had to requisition additional vaccines to meet the demand. At the end of the operation, the same skeptics were effusive in their praises, with UNICEF characterizing Vaccination Commando as "one of the major successes for the year in Africa."

As one official of a non-governmental organization reluctantly admitted, "These guys know how to get things done." As a result, according to Minister of Health Abdoul Salam Kaboré, few are questioning the wisdom of another major initiative in primary health care, "Operation One Village, One Primary Health Post."

Says Kaboré of his government's innovative approach to Burkina's pressing social needs, "I often tell our collaborators that we know best our setting and we are intelligent enough to envision what will be beneficial for our development; hence it is not necessary for us to copy what others have done."

Indeed, the inhabitants of the village of Cella, 200 miles southeast of Ouagadougou, clearly identified with the goals of the government's call late last year for each village to erect a primary health post (PSP)—a modest hut painted white with a red cross. They built not one, but four in a semi-circle, along with a thatch-covered waiting area to protect patients from the blistering sun.

Tene Bodané, the village's traditional birth attendant, and Saidou Dabossé, a farmer, were chosen by their fellow villagers to attend the month-long training course sponsored by the ministry of health.

Having completed instructions in the treatment of common illnesses such as malaria, bronchitis, and diarrhoea, and identification of problem pregnancies, the two returned home proudly bearing their new responsibilities as village midwife and primary health agent. With donor support, the government has supplied them with a bicycle for house calls,

and kits of medicines and instruments for childbirth.

The 7,500 PSPs form the foundation of the government's pyramid approach to decentralized and popularized health care. However, they are also intended to play a developmental role—involving the villagers in caring for their own health needs and requiring them to earn the money to purchase medications from the health agents. For the 5,000 Burkinabe in Cella, whose main means of transportation is the bicycle, there is no longer the problem of getting an ailing or pregnant villager to the nearest clinic in Tenkodogo, 21 miles away.

A similar philosophy guides the government's efforts to expand the provision of education to the rural population. Only 22 percent of the nation's children currently attend primary school, and a mere 2 percent have access to secondary education.

According to Minister of Education Philippe Somé, while the percentage of scholarization has increased from 16.7 percent in 1983 to 22 percent this year—in large part thanks to the population's positive response to the government's call to build schools—the entire development process is impeded by lack of sufficiently trained cadres, unacceptable rates of illiteracy, and shortages of educational materials.

"It is not with illiterate peasants that we will be able to develop our agriculture," says Somé, explaining the rationale for "Operation Literacy Commando," an intensive program aimed at providing rural peasants with functional literacy in one of eight local languages. Chosen by their villages to attend the 50-day course, 36,000 young agriculturalists and representatives of village organizations are learning how to read, write, and calculate, as well as basic bookkeeping and management skills.

Two weeks into their course, the 37 students—none of whom could read or write before—who are enrolled in the program in Kamboince, on the outskirts of Ouagadougou, had already mastered the lessons in *My First Book in More* (one of the most widely spoken local languages), and were eager to demonstrate their newly acquired mathematical prowess. Between the ages of 19 and 59, the students represent eight nearby villages, to whom they are expected to impart the skills they have acquired when the course is completed.

"Style has become substance," says American Ambassador Neher of these development initiatives. "If part of your style is to get everybody involved and enthusiastic about your program, if you don't have a lot of resources, and the resources tend to be their labor, then you've got your substance."

"Austerity and hard work are the dominant themes of the Burkinabe revolution, which, far beyond its political rhetoric, is essentially a battle for survival."

Take Burkina's five-year plan (1986-1990) for example, which represents the synthesis of year-long debates on national priorities conducted at the village, departmental, provincial, and finally national level. Says Neher, "Nobody spent any money on it, except for communications, paper, and people going around the country talking about it. It represents hundreds of thousands of debates and discussions that are the style here. And it has produced the substance—a five-year plan, something you can present to donors and debate."

As with its precursor, the Popular Development Program (PPD), the five-year plan, to be formally launched in August, is being prepared in line with the view that for economic planning to succeed, the people have to participate in its elaboration as well as its execution.

Explains Youssouf Ouedraogo, Minister of Planning, "The debate was organized under the rubric that no one knows our priorities better than our own people. Everyone actively participated. We put up posters announcing public debates to allow the peasants to contribute their ideas, which were synthesized first at the level of each village, then at the departmental level. The provinces then synthesized the reports of the departments, sending them to the central level, where we merged the programs of the provinces and the ministries."

The basis of the five-year plan is the PPD, a year-long interim program of sectoral investments at the regional and national level addressing basic needs in food, water, energy, and socio-economic infrastructure. Composed of two parts, the "base program" was elaborated at the provincial level, by harmonizing the priorities expressed in the villages. The capacity of the provinces not only to generate the necessary financing, but also to mobilize the population in support of its priority projects, most of which are small in scale, were the criteria used in preparing the plan.

The "support program," administered by the ministries, addresses broader national priorities such as agriculture, animal husbandry, health, education, and the environment, and includes the country's three large-scale infrastructural projects—the hydroelectric dam at Kompienga, the Bagré irrigation dam, and the Sahel railway.

Although the basic directions of the five-year plan are sound, says one aid official, financing is the critical question, as roughly three-quarters of the necessary funds will have to come from donors. Says another, "The temptation is to ask for everything and right now. That doesn't lend itself to the kind of planning and prioritizing that organizations like the IMF and World Bank and major donors are required to do to shake loose the money."

On the other hand, given the lack of aid coordination in the past, the United Nations Development Programme, which has worked closely with the Burkina government in preparing the plan's macroeconomic framework, will sponsor a donor roundtable on Burkina's development objectives, followed by a series of sectoral roundtables where specific projects will be proposed. By the end of the year or early 1987, the financing of the plan should be secured.

"The five-year plan represents a grand ambition for us," says Sankara. "It requires substantial financing and a great deal of mobilization. The mobilization of resources at the national level will not be sufficient. Thus we will have to negotiate finance abroad, which will not be easy. We are a small country which is very poor, and the financiers are much more interested in other countries with greater capacity. The result: They ask

us to wait, but the people cannot wait."

It is this impatience that has driven the government to press ahead with the large-scale infrastructural projects, such as the "Sahel Railway." The extension of the existing railway line from Abidjan—upon which Burkina depends for its imports—beyond Ouagadougou to the north has two objectives: to reach the as-yet unexploited manganese deposits at Tambao and to open up the chronically drought-stricken Sahelian region, facilitating the provision of food supplies and emergency relief.

Although the World Bank maintains that the project is not economically viable given depressed world market prices for phosphates and its likely recurrent costs, UNDP, as well as other donors, are supportive of the scheme. Some 19 miles of track have been laid over the last year by voluntary work groups in what has become known as "the battle of the railway." "The Sahel railway," says Planning Minister Ouedraogo, "is a basic infrastructure without which development cannot be sustained. We are a land-locked country, 600 miles from the sea. Do we not have a duty to create infrastructure which will open us up in the sub-region?"

The government's other big schemes—irrigation of the Sourou valley, and the Kompienga and Bagré dams—have also met with some donor resistance. However, the government maintains that without these efforts, there is little hope of reducing the country's 163,000-ton cereal deficit, let alone attaining agricultural self-sufficiency.

As Burkina's rainy season is only four months long, the construction of the two dams will provide some 35,000 hectares of irrigated land, permitting an estimated 250,000-ton annual cereal production. They will also help to reduce the burden on the balance of payments of Burkina's energy import bill, which consumes 70 percent of its export receipts. Says Ouedraogo, "The big projects are always the subject of criticism when the countries that want to establish them are short of money. In the U.S., when you want to build a dam, you don't have to seek the opinion of the World Bank!"

He adds: "What is necessary for us is to be careful not to create unnecessary indebtedness. Our indebtedness represents only 0.023 percent of Africa's total debt and that is thanks to our rational management of the national economy. We intend to develop on the basis of small projects, but a few big projects are necessary as growth poles for our economy."

Burkina's debt service currently amounts to about 25 percent of its export revenues, low by African standards. Although it has voluntarily imposed many of the austerity measures normally required for an IMF loan, such as strict discipline on hiring, cuts in civil service salaries, and reductions of subsidies, Burkina remains the only francophone African country without a Fund accord, in the absence of which a Paris Club debt rescheduling will be unlikely.

Says Minister of Financial Resources Damo Baro, "We don't have any particular problem with the IMF, but we prefer to prepare ourselves very carefully before we approach it, which is what we are currently doing. If we do strike a deal with the IMF, the main purpose will be to allow us to reschedule our debts, as most of the loans that were contracted with a 10-year grace period are now falling due."

Indeed, according to one Western aid official, Burkina is one of the rare African countries which is not suffering from massive short-term payments imbalances. Its financial problems are more long-term in nature—finding the resources needed to expand agricultural production and provide basic social infrastructure in the absence of a strong natural resource base.

Hence, it is critical that Burkina's major aid partners look ahead to address its long-term needs. Given the Sankara government's willingness to sacrifice short-term gains so that its rural population can find a better future—an emphasis multilateral and bilateral donors have been pushing for years—it is sadly ironic that in fiscal year 1987, the U.S. development aid program for Burkina totals a meager $1 million, a reduction in net terms from the previous year.

In a continent in the grip of economic crisis, Burkina Faso is a spark of hope. Its leadership has already demonstrated by what it has achieved in this resource-poor, drought-prone nation that Africa's economic prognosis need not be an unduly bleak one—if there is political will and a mobilized and motivated population. □

Margaret A. Novicki

Villagers constructing a dam in Goden: "The human investment has reduced the cost to the government by an average 30-35 percent per project"

A New Realism in Lagos?

Nigeria has implemented many of the difficult policy measures required for an IMF loan. But the need for exchange rate adjustment remains critical, as austerity alone cannot offset the effects of declining oil prices and a crushing debt burden.

BY TONY HAWKINS

Even before the collapse of the oil market, it was abundantly clear that 1986 would be the crunch year for the Nigerian economy. Since oil prices peaked in 1980-81, successive Nigerian administrations have adopted a series of ad hoc strategies designed to stabilize a deteriorating balance of payments situation without being forced to submit to IMF discipline. These policies are now acknowledged to have failed, in part because they were not fully implemented and were based on the assumption that oil prices would recover in the medium-term. But the main reason was that they failed to address the central issues, at least until the advent of the Babangida government in August 1985.

The initial response to the 26 percent decline in exports in 1981 was the adoption of an austerity program designed to limit imports and deflate domestic demand. However, Nigeria continued to live beyond its means, both domestically and internationally. A current account surplus of some $2.5 billion a year in 1979-80 turned into a deficit averaging $46 billion annually during the 1981-83 period. This was financed primarily by running down reserves and building up huge trade arrears currently estimated at around $8 billion. Domestically, Nigeria's public debt increased from 8.8 billion naira in 1980 to 17.4 billion naira two years later and to 43 billion naira in 1984.

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Andre Astrow

Maj. Gen. Ibrahim Babangida: "For the first time, Lagos has publicly accepted the need to reschedule its medium and long-term debts"

As it became increasingly evident that the oil market would not recover in the near-term, the two military administrations of Maj.-Gen. Muhammadu Buhari (1984-85) and Maj.-Gen. Ibrahim Babangida adopted harsh deflationary programs and tight import curbs that resulted in falling real incomes and escalating unemployment. Per capita incomes, which had increased some 17 percent after the first oil price surge in 1974, reached a peak in 1978 and have since declined by at least 30 percent. The average Nigerian is no better off today than he was at the end of the civil war in the late 1960s.

A key aspect of the austerity program was the priority given to servicing foreign debt, while seeking to reschedule some of Nigeria's external obligations, beginning with the $1.9 billion refinancing agreement signed with the commercial banks covering letters of credit in 1983. Short-term measures designed to improve oil exports included last year's efforts to increase Nigeria's market share by counter-trade deals and the early 1986 decision to step up oil production.

The acknowledgment that austerity on its own would fail to stabilize the economy brought Babangida to office last August with a set of more flexible economic policies. Since then, Nigeria

has gone a long way—though not far enough—toward meeting the conditions for an IMF loan. There have been modest steps toward rationalizing and simplifying the tariff structure; the domestic petroleum and fertilizer subsidies have been reduced and subsidies to parastatals have been cut; the naira has been allowed to depreciate some 48 percent against the dollar in the past three years and a two-tier foreign exchange market is being established; and for the first time, Lagos has publicly accepted the need to reschedule its medium and long-term debts.

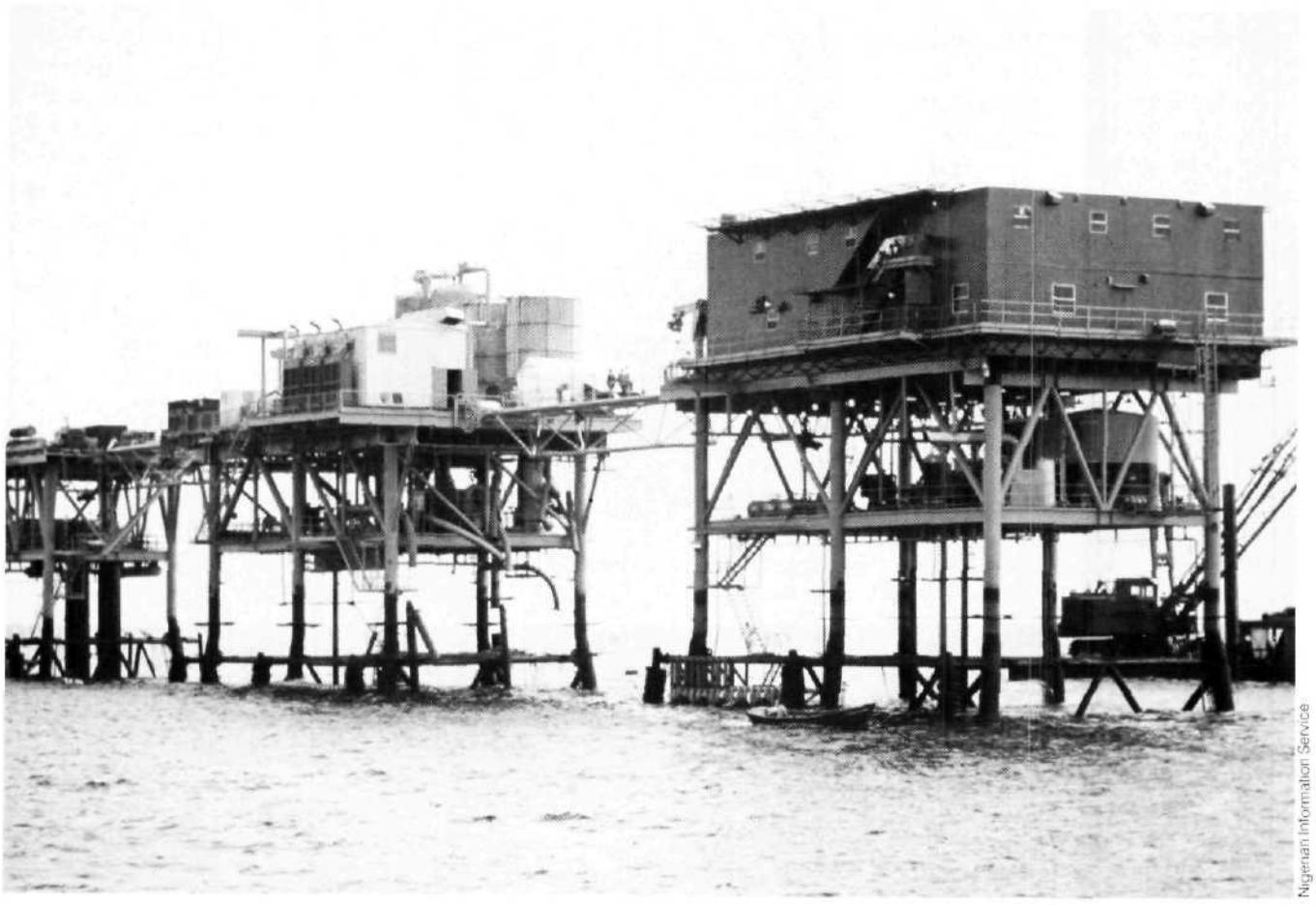
But the hand-to-mouth policies of the 1980s have come to grief as a result of the unfortunate convergence of three separate problems. The first—and by far the most serious—is the collapse of oil prices. Secondly, there is the need to meet the heavy interest and capital repayment burden resulting from the build-up of trade arrears in the early 1980s that arose from Nigeria's failure to adjust its balance of payments. Finally, there is the fact that repayments of Nigeria's medium and long-term debts—which at $12 billion are modest by Latin American standards—are bunched over the next few years when oil prices seem destined to be seriously depressed.

Given that the country is not overborrowed and stands to suffer more from the oil price slump than any country other than Mexico, many prominent Nigerians argue that Lagos has done enough to satisfy the IMF. The fact that the 11-member steering committee representing 20 of the country's largest creditor banks is advising all bank creditors to accept the Lagos request for a 90-day moratorium on debt repayments suggests that the banks too are sympathetic.

The reality, of course, is that the bankers are faced with an offer that they can hardly refuse. It has been estimated that with an oil price of $15 a barrel, Nigeria's export earnings will be effectively halved this year to around $5.5 billion. With an import budget set at $7.5 billion and debt-servicing costs of more than $4 billion, there is no way that Nigeria will be able to meet its obligations in the absence of a debt rescheduling agreement. Indeed, if oil prices stabilize around the $10 level, Nigeria's 1986 exports will fall to below $4 billion from $10.7 billion last year.

But even if, as seems probable, the commercial banks agree to the Nigerian rescheduling request, there is the vexing issue of the $3 billion of insured trade arrears and the medium and long-term debts which would require an agreement with the Paris Club of official creditors. In the past, the Paris Club, which represents the export credit agencies and bilateral lenders, has steadfastly refused to discuss rescheduling with a country prior to an agreement with the IMF.

Shortly after taking power last year, the Babangida government initiated a public debate on the IMF program—a debate that demonstrated beyond any



Nigerian Information Service

Offshore oil rig: "The decline in oil prices has underlined yet again the long-apparent need for export diversification"

doubt that Nigerians were strongly opposed to accepting the Fund's conditions, especially the requirement of a substantial 30 percent to 50 percent devaluation of the naira. IMF programs are scarcely an appropriate topic for popular debate and in the Nigerian case, the real issues were quickly submerged in an often emotional and irrational discussion.

Clearly, there is no political support for an IMF program, despite the World Bank's claim in its 1986 report on financing adjustment with growth in sub-Saharan Africa that "rarely will the poor be the principal losers from devaluation." The report highlights the locus of opposition to currency devaluation in Nigeria—that the existing order creates artificial scarcities that can be exploited by a strategically placed urban minority.

The myopic nature of much of the opposition to the IMF has been underscored by the subsequent collapse of oil prices, which has demonstrated to all—with the possible exception of the commercial banks—that Nigeria's problems are not going to be solved merely by stretching out the repayment of its trade arrears and its medium and long-term debts.

Central Bank of Nigeria figures put the 1986 debt-servicing burden at $4.4 billion, which would exceed 1986 exports. What is more, the debt-servicing burden gets worse before it improves, rising to $6 billion in 1988, before dropping back to $4.4 billion again in 1989. Essential though 1986 rescheduling is, it is hardly a lasting solution. To date, Lagos has suggested to both Paris and London Club creditors rescheduling debt repayments estimated at less than $3 billion, which is more than counterbalanced by the decline in exports. Thus, even in a strictly cash flow sense, rescheduling on its own is no more than a very partial solution.

The policy of direct control over imports, which reduced total imports from $19.5 billion in 1981 to an average of just over $7 billion annually in the last two years, has taken its toll in the form of falling output and employment and escalating prices. The Nigerian economy, especially manufacturing industry and capital investment, is heavily import-intensive and the authorities can only operate the economy at current import levels as long as they are prepared to countenance widespread and growing unemployment and stagnant, if not declining, production.

There are no meaningful unemployment statistics, but trade union leaders claim that at least 1 million people have been laid off in the last five years. In industry, estimates of capacity utilization range from 45 percent to as low as 25 percent, the main reason for which is the shortage of foreign currency to finance necessary imports of raw materials and intermediate items.

The case for an IMF agreement is two-pronged. First, it would unlock the door not only to rescheduling the Paris Club obligations, but also to resource inflows of some $3 billion annually over a three-year period. These inflows would take the form of an Extended Fund Facility from the IMF, a structural adjustment loan from the World Bank, renewed lending by commercial banks, and renewed access to export credits from the official credit agencies in OECD countries. Thus a Fund pact would ensure the orderly rescheduling of the bunched foreign debt payments that fall due between now and 1990, along with a substantial inflow of funds to sustain the economy during what looks like several years of relatively depressed oil prices.

But secondly, and possibly more importantly, structural readjustment of the Nigerian economy is essential. Rescheduling arrangements on their own that leave the economy reliant on oil earnings are mere palliatives. According to IMF calculations, although Lagos has allowed its exchange rate to slip against the dollar, the real effective exchange rate of the naira has doubled since 1980.

The decline in oil prices has underlined yet again the long-apparent need for export diversification, but with a much overvalued exchange rate, prospects for the development of non-traditional exports and the rehabilitation of the traditional agricultural export base are slim. A similar point applies to import replacement, which is deterred by the over-valued naira.

This is the crux of the issue. The restructuring of Nigeria's foreign loans will not help rationalize the economy by reducing dependence on oil. Furthermore, without an active exchange rate policy—which is the key to an IMF agreement—Nigeria's foreign payments position will be untenable, certainly for as long as the oil market is depressed. The claim that the IMF is a doctor that prescribes the same medicine to every patient regardless of illness simply doesn't hold water in the Nigerian case. The danger is that the government's essentially realistic policy package will be undermined unless the price of foreign exchange—arguably the most important price in the economy—is rationalized.

The commercial banks can justifiably argue that Nigeria's exchange rate policy is not their concern, but if they are realists, they must also acknowledge that in the absence of a major naira devaluation on the order of 50 percent, any significant improvement in Nigeria's ability to generate foreign exchange is unlikely. It may be, of course, that the oil price slump will enable Lagos policymakers to win the domestic political argument over the need for a major devaluation not necessarily linked to a Fund program.

It is conceivable, although still unlikely, that the Paris Club will agree to a rescheduling of Nigeria's foreign debt without a formal IMF standby agreement. It has often been suggested in recent months that if the Fund was prepared to bestow its "seal of approval" on Nigeria's new policy profile, the Paris Club creditors might be willing to reschedule.

In light of the oil market situation, this thesis is reinforced by the reality that if rescheduling is not mutually agreed, Lagos will have no alternative but to impose a unilateral moratorium on debt service payments. But as long as the exchange rate pulls in cheap imports while discouraging both export and agricultural activities, the fundamental problem—a severe balance of payments constraint—will remain.

For Nigeria, the policy priorities for the remainder of the decade are obvious. The rescheduling discussions in London and Paris represent some progress toward solving the immediate short-run problem—managing the balance of payments through the "humped" period of foreign debt payments and the concomitant period of depressed oil earnings. In the medium-

term, the top priority must be the development of new sources of foreign exchange—both in terms of export opportunities and import savings.

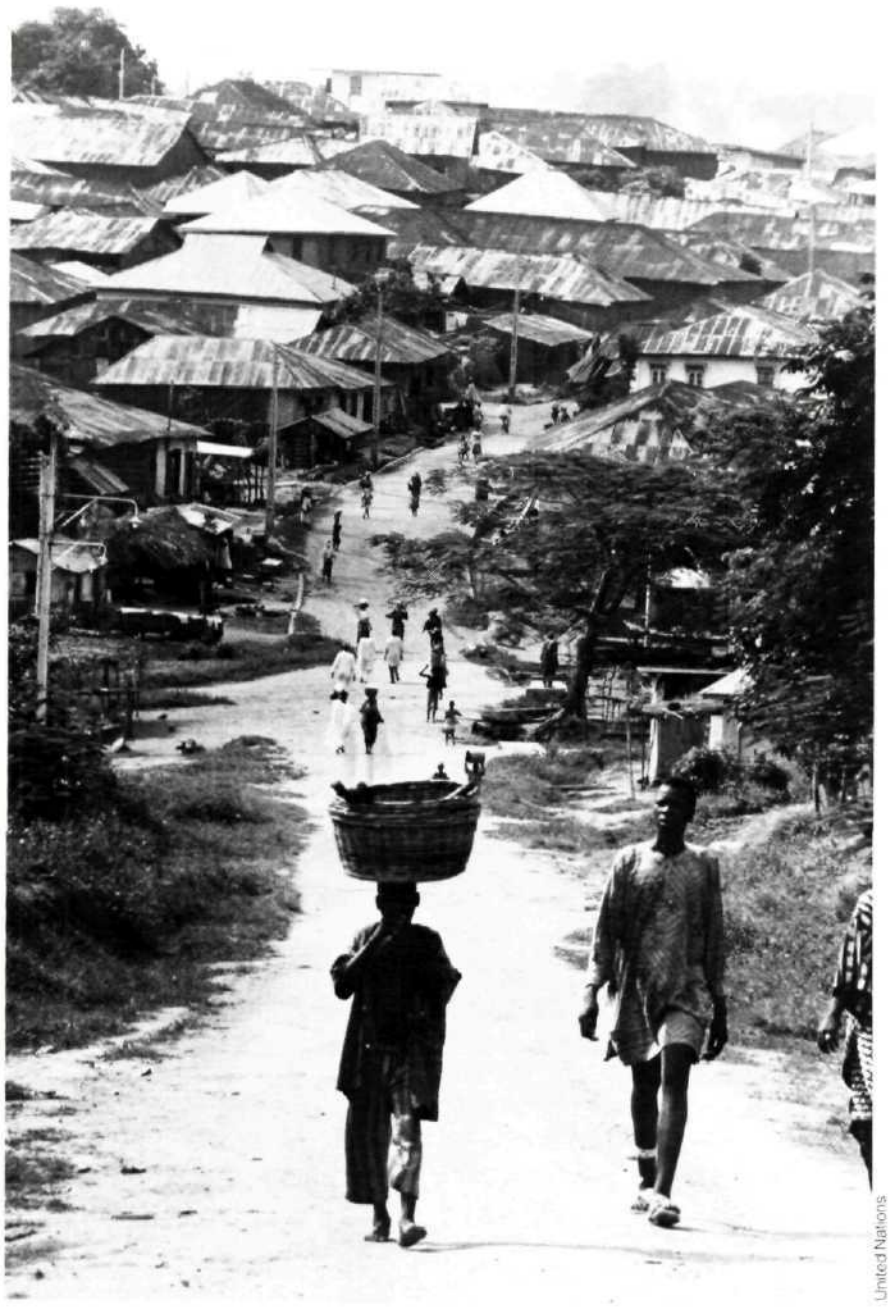
No longer can planners look to the liquified natural gas (LNG) project, that will cost at least $6 billion, as the natural successor to oil as the principal source of foreign exchange. The LNG project, which has been under discussion for more than a decade, will not be given the go-ahead at least until long-term contracts with buyers have been concluded—an extremely difficult task under current market-glut conditions.

With LNG unlikely to be a major source of foreign exchange until the late 1990s, it is imperative to develop new exports. Dependence on oil is underlined by the fact that last year, non-oil exports were worth only $300,000, of which cocoa contributed more than two-thirds. The over-valued exchange rate has stifled development of non-oil exports which last year were substantially lower than in 1970.

A similar argument applies to agriculture and the development of self-sufficiency in foodstuffs. Twenty years ago, Nigeria was a significant food exporter, but at existing exchange rates one ton of domestic maize costs more than three times the landed cost of imported maize. The net result has been to deter domestic agricultural production, channeling enterprise and initiative into trading, especially in imported items with their substantial mark-up margins. Cocoa production halved between 1970 and the early 1980s, and cocoa exports have fallen from 250,000 tons in the early 1970s to 138,000 tons last year. A more competitive exchange rate would channel investment and entrepreneurship into import replacement activities, including food production, and agricultural exports, thereby generating output and employment.

Nigerians argue with justification that there are strong grounds for the banks, the IMF, and the Paris Club to treat Nigeria as a special case. No matter how determined and efficient an export diversification policy Lagos manages to develop, it will still face a massive resource gap during the rest of the 1980s. New exports cannot be developed in only one or two years, which means that increased financial assistance in the form of debt relief, rescheduling, direct foreign investment, and bilateral and multilateral aid flows will be required.

In this situation, rather than focusing on their own short-run interests, commercial banks should join with the Fund, the World Bank, and the Paris Club to put together a package of substantially increased resource flows to Nigeria, in return for Lagos' guarantee to adopt a competitive exchange rate strategy. In this way, Nigeria will be able to meet its extremely heavy short-term foreign payments commitments, while at the same time channeling quick-disbursing loans into new export and import substitution activities—activities whose attractiveness must, however, depend on exchange rate realism. □



United Nations

"The average Nigerian is no better off today than he was at the end of the civil war in the late 1960s"

Cushioning the Shock

Although careful management of its oil revenues has helped Cameroon to diversify its economic base, the effects of falling world oil prices may severely limit the Biya government's efforts to liberalize the economy.

BY RICHARD EVERETT

The Cameroonian government has long been praised—and has congratulated itself—for its prudent management of the country's oil resources and income. Cameroon is a rare example of a country that deliberately avoided flooding its economy with oil profits, thus largely escaping the boom-to-bust phenomenon that has hit other African oil producers, most notably its neighbor, Nigeria. However, bankers and other Cameroon watchers warn that government officials may have lulled themselves into a false sense of security about the possible effects on the economy of the drop in world oil prices.

In fact, the oil situation will be a litmus test for the economy, which President Reagan called a "shining example for Africa" during President Paul Biya's recent visit to the U.S. Oil prices dropped from over $40 a barrel last year to below $10 a barrel in late March, provoking panic in OPEC countries facing a sudden loss of revenue. Cameroon, which does not belong to OPEC, produces about 185,000 barrels a day, a modest quantity compared to the 1.4 million barrels produced daily by neighboring OPEC member Nigeria, but it was enough to provide $1.4 billion in revenues last year, or about 65 percent of its foreign exchange earnings.

The country's oil policy guidelines were set during the government of its first president, Ahmadou Ahidjo, who ruled from independence until stepping down in 1982. Oil came onstream in 1978 with an initial 5 million barrels, and production rapidly rose to the current level of over 60 million barrels annually.

Ahidjo put the majority of oil revenues in secret off-shore accounts, whose existence was never officially acknowledged during his tenure. These accounts, called *"comptes hors budget"* or "off-budget accounts," held most of the country's oil wealth, but little was known about where they were or who had access to them.

Ahidjo's stringent use of oil money kept it from swamping the economy. The off-budget money was officially used only for special projects, health facilities, and infrastructure, although it is widely believed that Ahidjo and others skimmed off a portion for personal use. The money was also used to subsidize agriculture, the country's main productive sector which employs three-quarters of the active labor force. Unlike Nigeria and Gabon, where agricultural production dropped following the discovery of oil, Cameroon's agricultural sector has continued to grow, to the point where today the country is considered self-sufficient in food production.

"We learned from the experiences of others, and have continued to make agriculture the mainstay of our economy," said Minister of Mines and Power Michael Kima Tabong. Ahidjo's policy of keeping oil revenues largely out of the economic mainstream helped prevent inflation, overly high import bills, and other symptoms of a rapidly expanding economy. However, his reluctance to invest money in development projects has left Cameroon farther behind other countries, which have incurred greater debts while building their infrastructure.

Critics point to the inadequate education, health, housing, and transportation facilities, the most obvious example being the Yaounde-Douala road linking the capital with the country's largest city and major port. Despite its potential importance, the road was traditionally a low priority and was just completed late last year. It is a two-lane tarred surface, unsuitable for traveling at high speeds. In all, only 1,600 miles of Cameroon's 41,000 miles of roads are paved, a minuscule proportion for a country of 297,150 miles—slightly larger than California.

The health system is similarly undeveloped. The government has recently begun building major hospitals in Douala and Yaounde, while health facilities in smaller cities and rural areas lag behind the needs of Cameroon's 10 million people.

Cameroon is one of the few prosperous African nations that did not develop a television network early on. Cameroonian TV was introduced shortly before the 1984 ruling party congress in Bamenda, but still functions only for a few hours a week and is far from being a nation-wide phenomenon. Critics note the nation-building benefits of television for a country with over 200 ethnic

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Pete Souza/The White House

President Paul Biya at the White House: "The oil situation will be a litmus test for the economy, which President Reagan called a shining example for Africa"

groups and a history of ethnic and regional tensions.

Despite downtown Yaounde's impressive skyscrapers, living conditions for many of its 650,000 people are rudimentary at best. The crowded tin shack neighborhoods that sprawl along the city's hilly terrain lack basic water, sanitation, and electricity services, while in some areas the sole access is via deeply rutted mud tracks.

Since Biya came to power in 1982, the government has openly acknowledged the existence of the off-budget accounts, and has relied on them more heavily to increase infrastructural development. The government's budget has expanded by about 20 percent annually, sparked by increased oil revenues and the president's stated desire to spread development more evenly throughout the country. A number of paved roads have been constructed in the anglophone Bamenda region, long neglected under Ahidjo, and the road network has been extended in other regions. Hospitals, schools, housing, water supply, and other projects are underway or in the planning stages, although many may be delayed or terminated with the loss of oil revenues.

Since the advent of its oil industry, Cameroon has consistently achieved balanced budgets due to cautious planning, limited foreign borrowing, and a deliberate under-estimation of financial strength. Banking sources say government expenditures totaled about $2.15 billion in 1985, versus total revenues of about $2.18 billion of which a little over $1 billion comes from oil revenues. All figures include calculations for the added revenues and expenditures from the off-budget accounts. However, this equilibrium could change in the next year as a result of falling oil prices. The World Bank and other international lenders have cautioned the government to curb rising budget outlays.

"We have been urging them to consolidate what they have," said a World Bank official. "If they don't scale down, they will be in trouble by the end of the next five-year plan," which begins later this year. The specifics of the 1987-91 plan are still being hammered out in the various ministries, but it is expected to follow broad lines already set out by the Biya government—austerity, less government involvement in industry, support for the private sector, infrastructure improvements, and continuing development of revenue-earning sectors other than oil, such as agriculture and industry.

Much depends on the future of oil prices and the oil industry itself, which has reached a critical turning point. One of the government's immediate worries is the oil companies' freeze on further exploration. Oil industry analysts say production at existing wells could begin tapering off in the next few years and will be exhausted by the mid-1990s. The oil companies have completed a first phase of relatively easy drilling operations, but further exploitation of Cameroon's fields will require more sophisticated and costly equipment, as the oil is located in scattered deep pockets under the sea bed. Given current world oil prices, the companies have indicated that they are content to operate existing wells and to indefinitely delay exploration, unless the government can come up with attractive terms for further exploration.

"We would need additional incentives to continue," said the local head of a foreign oil company. Oil industry analysts indicate those incentives could include a substantial reduction in taxes, which are considered high by industry standards, and guaranteed write-offs for hitting dry wells, as well as easier access to work permits. The government is eager to initiate the next phase of drilling to avoid a drop in production, but is balking at granting concessions.

"We're getting mixed signals from them," said a senior oil company executive. "We know the government wants to talk, but we're getting negative signals about lower tax levels." Government officials say discussions with the oil companies have begun, but they are reluctant to talk about the terms being negotiated. Minister Tabong said one of the government's options is to bring in more operators. "We have more fields to give out, and there are other interested companies," he said, although he added that interest has waned since the recent decline in oil prices. "Everyone is taking a wait-and-see attitude," he said.

Another worrisome problem will be the effects of declining oil revenues on other sectors of the economy. The heavy budget increases are reflected in rising expenditures in various sectors of the economy, including education, social services, and infrastructure. Despite the claim that oil revenues are largely withheld from the budget, the country's 6-7 percent annual GDP growth rate is largely a result of the oil money that has been pumped directly into the economy.

The effect has been to create a boom, most noticeably in construction and service industries. This boom has been accentuated by the fact that the off-budget

money has also been used to complete projects that were under-budgeted, thus further increasing the amount of oil money circulating in the system. As oil revenues dry up and the government implements austerity measures, new investment will taper off. International lenders, including the World Bank, have already cautioned against starting any new large projects such as an international airport for Yaounde or the large natural gas project in Kribi.

Bankers say the Cameroonians may be underestimating the spinoff effects of the loss in oil revenues. The slowdown in development projects will affect industries such as construction that have benefited from the increased spending. Unemployment will rise, and demand will decrease for goods needed for the projects or bought with the wages of project workers. This is already apparent in Douala, where the halting of drilling activity by the oil companies led to a depression in other industries and import firms that had been supplying goods and services.

Government officials say they are concerned about the drop in oil prices, but that their policies will cushion them from the shocks that will be felt by other countries. Tabong said: "The situation is clear to everyone; we don't expect magic to happen." One banker noted the Cameroonian bureaucracy, notorious for its buck-passing and slow decision-making, could be caught unprepared by the quick fall in oil prices and the ensuing effects on the economy.

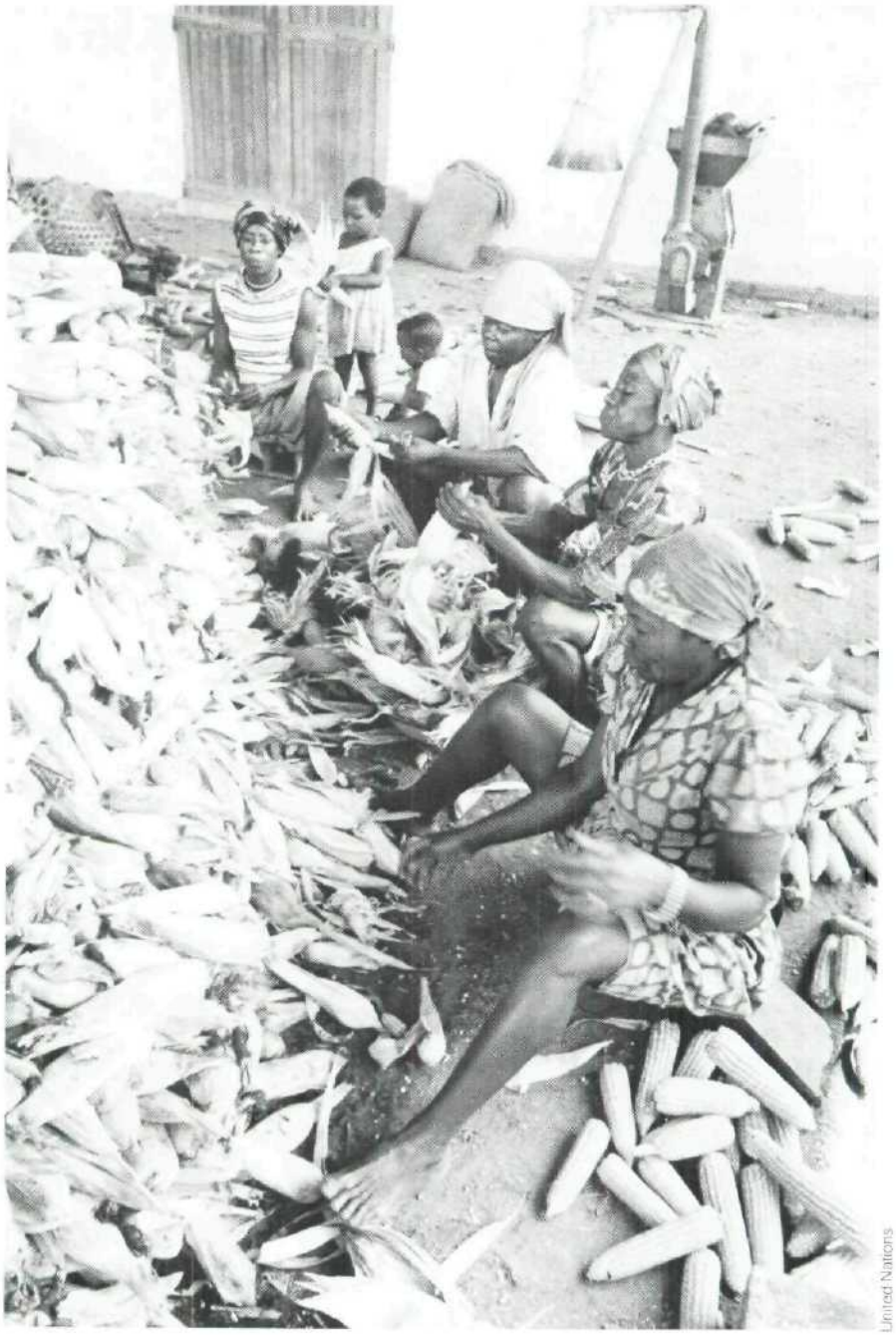
"This is one of the slowest governments to react to rapidly changing situations," he said. "How will they cope with their revenues being cut in half or more?" He also expressed concern for what he calls the "diffusion of responsibility" among the ministries.

Other international lenders are less pessimistic, but they forecast that declining revenues and increasing budgets will inevitably lead to a squeeze somewhere. They note it is highly likely that Cameroon's debt service ratio, currently one of the lowest on the continent, may rise to as high as 13 to 20 percent. Total external debt for 1985 is estimated at $3.2 billion. The country's foreign exchange reserves, officially estimated at $54 million in 1984, are probably much higher due to unreported oil earnings. However, those reserves, fed by oil royalties, could be substantially diminished if used to cover shortfalls in debt-servicing or domestic spending.

Some analysts say the world oil price situation may explode the myth of Cameroon's sagacity in managing its petroleum-derived resources, although most agree it will nevertheless come out far ahead of other countries like Nigeria or Congo.

"Cameroon is in the best position to weather the price changes," said an American banker, adding, "The country is conservatively well-managed."

Outside of oil, agriculture remains Cameroon's largest revenue earner and highest employer—about 80 percent of the country's population rely on agriculture for their livelihood. The government has sought to promote agricultural development, which is seen as having better long-term prospects than oil.



United Nations

Husking corn: "Having achieved virtual food self-sufficiency, Cameroon's goal is to expand food exports to neighboring countries"

The country's varied climate and terrain, ranging from the Sahelian north to mountainous regions and grasslands in central Cameroon to rain forests in the south, support a variety of cash and food crops.

Cameroon is the world's fifth largest producer of cocoa, the country's most important cash crop, followed by coffee. The two crops earned $246 million and $146 million respectively in 1984. However, the government faces two major problems: an aging stock of cocoa trees and a young rural population that would rather migrate to the cities than work in the fields.

The government has tried to encourage coffee and cocoa production by raising prices paid to farmers, as well as offering incentives to replant aging plantations. Plans to train and aid young farmers have been hampered by the bureaucracy which has held up needed funds. Other successful cash crops include rubber, cotton, bananas, palm oil, tobacco, sugar, and tea, as well as timber, which has been less important due to falling world demand.

Cameroon grows a variety of food crops, ranging from grains and root crops to vegetables. A government project to grow rice in the north has been labeled a success by World Bank officials, although the closure of the border with Nigeria has caused marketing problems. As much as 75 percent of the project's rice was exported, primarily to Nigeria and Chad, until the border closure in 1984. Having achieved virtual food self-sufficiency, Cameroonian authorities say their current goal is to expand food exports to neighboring countries.

"We can take care of our neighbors' food deficits and become the granary of Central Africa," said Benjamin Kouesseu, secretary-general in the Ministry of Agriculture. Central African Republic and Congo are potential clients once the road infrastructure is improved. Gabon already imports large quantities of Cameroonian vegetables, while Nigeria is virtually a bottomless market for foodstuffs.

Manufacturing is Cameroon's weakest sector, and it has suffered most in the recent years, after substantial growth from 1978 to 1982. Factors that hampered growth include the effects of the down-turn in world economies, shortages of raw materials, rising labor costs, and high import bills for inputs. In addition, the border closure with Nigeria cut demand by up to 50 percent for many small manufactured goods, such as batteries and aluminum pails. Despite its weakness, the manufacturing sector is fairly large and covers a variety of industries, including food processing, breweries, chemical, cement, metallurgical, mechanical, and other businesses.

The least successful industries have been the parastatals, which with few exceptions have been consistent money losers. The two most glaring examples are the CELLUCAM pulp and paper plant and the ALUCAM aluminum smelting company, both of which are now acknowledged to be white elephants, despite initial approval and funding assistance from the World Bank and European lenders. President Biya recently appointed a new head for the Société National d'Investissement (SNI), the government holding company responsible for the parastatals, and a five-year limit has been set on SNI participation in existing state companies in an effort to halt the tremendous subsidies needed to keep them afloat.

The government says it is aiming to reduce its involvement in the economy and foster the growth of private enterprise and joint ventures. A number of trade missions, including one led by the U.S. government's Overseas Private Investment Corporation, have recently visited Cameroon in search of investment projects. Despite the increased effort to lure foreign investment, investors remain daunted by a variety of factors, including expensive tax codes, lack of suitable Cameroonian partners, and the problems of corruption and bureaucracy in the government. A banker said the government bureaucracy was both "a blessing and a curse."

"It protects their policy of slow growth, but gives the impression of liquidity problems." He noted that payments to government creditors can be delayed by months and occasionally a presidential order is needed to cut through the red tape.

Minister of Industry and Commerce Edouard Nomo Ongolo, a former banker, says he too is exasperated by the slow decision-making in a system where a dossier often must be approved at several levels in half a dozen ministries before a decision is rendered. "We have tried to cut the time a dossier stays in our ministry," said Ongolo, adding that he has reduced the number of signatures needed for certain activities and transferred much of the decision-making to the regional level, thus bypassing the Yaounde bureaucracy.

Unlike many other African countries, where the commercial sector is dominated by Lebanese, Indian, or other foreigners, Cameroonian commerce is largely controlled by the indigenous Bamileke ethnic group, originally from the west, who have substantial holdings in small businesses—groceries, hardware stores, and bakeries, as well as the country's breweries, hotels, real estate, and import-export firms. Commerce was adversely affected by the Nigerian border closures and the general economic down-turn, and businessmen are unwilling to make substantial new investments, despite government encouragement.

After four years in power, Biya gets passing marks from almost everyone for his effort to liberalize the economy. Nonetheless, many Cameroonians are impatient for quicker changes, improved living standards, and more equitable wealth distribution, especially given the promises Biya has made since coming to power. He is seen as indecisive by many Cameroonians who expected sweeping changes, especially after he successfully put down an April 1984 attempted coup.

A series of at least six cabinet reshuffles have replaced a number of Ahidjo cronies with younger technocrats; however, the numerous changes have increased bureaucratic paralysis as functionaries hesitate over unfamiliar dossiers, afraid to take adventurous and possibly dangerous decisions. The president seems almost powerless to get even his supporters to override the traditional bureaucracy and he has occasionally intervened with a presidential order to get things done.

Nonetheless, despite a climate of unfulfilled expectations, Cameroonians say Biya is undoubtedly an improvement over Ahidjo, and if people are critical it is more over his slowness than his overall course of action. □

Adjusting to the IMF?

Tanzanian President Mwinyi is not expected to deviate substantially from the economic policies of his predecessor, Julius Nyerere. But donors' continued reluctance to provide the concessional aid necessary for poverty alleviation may push the new leadership toward accepting IMF loan conditions.

BY TONY ADDISON

Ali Hassan Mwinyi's accession to the presidency in November 1985 has re-opened speculation that Tanzania will reach agreement with the International Monetary Fund this year. Tanzania's relationship with the IMF has been strained since a financial package negotiated in September 1980 broke down after the government failed to meet the loan conditions, having drawn only a small part of the available facility.

Policy changes over the last 18 months have been widely interpreted as moving the government toward the preconditions required for an IMF agreement. In turn, Julius Nyerere's decision to relinquish the presidency after nearly 24 years of uninterrupted rule was viewed as allowing a new government to move further toward an IMF deal. Nyerere has long been one of the Third World's sternest critics of the IMF, and many observers argued that he would be unable to compromise his principles sufficiently to obtain an IMF loan.

Tanzania's main disagreement with the IMF is over its insistence that economic growth and a viable balance of payments can only be restored by reducing the government's budget deficit, limiting money supply expansion, and undertaking a substantial devaluation of the Tanzanian shilling. The IMF also wants consumer price controls to be phased out, and the World Bank is pressing for further increases in prices paid to agricultural producers and a rationalization of inefficient state enterprises.

With its June 1984 budget, the government took steps toward the IMF's recommendations. A 26 percent devaluation (against the dollar) combined with some fiscal restraint and government rationalization restored the basis for serious negotiations with the Fund, leading to rumors throughout 1985 that an agreement was imminent.

Nevertheless, predictions that the new president will seek an IMF deal must be cautious. While the president has considerable executive powers, the ruling party, Chama Cha Mapinduzi (CCM), is supreme under the constitution with regard to policy formulation. Since Nyerere retains the party chairmanship until at least 1987, he can overrule Mwinyi on major issues. In any case, it is unlikely that Mwinyi will deviate from Nyerere's policies since the new president is generally recognized as a loyal supporter of his predecessor.

His selection as the party's candidate was regarded as a compromise following fears that either the CCM secretary-general, Rashidi Kawawa, or then Prime Minister Salim Ahmed Salim could badly split the party and the country if either assumed the presidency. Kawawa has a strong base among senior party members, who in turn have close connections with the state bureaucracy. The latter have benefited considerably from state intervention in the economy, and have much to fear from a reformist group, based around Salim, which seeks greater reliance on market forces in determining policy.

In this context, Mwinyi will probably spend 1986 consolidating his position and can thus be expected to exercise caution in both political and economic matters, unless Nyerere advises him to do otherwise. Nyerere has stated that he will relinquish party leadership in 1987, and at that time the president will assume the chairmanship as well. From then, Mwinyi will have greater autonomy, although it can be expected that Nyerere will continue to exert considerable political influence.

* * *

Despite the first oil price shock and the subsequent adjustment problem, Tanzania achieved an average annual growth rate of 5.2 percent in real GDP between 1973 and 1978. This is about average for sub-Saharan Africa as a whole, although per capita GDP growth at 2 percent per annum was above the region's average.

However, the second oil price shock, the subsequent world recession, and the consequent deterioration of the prices of its major export commodities have been the main causes of the econ-

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omy's poor performance in the 1980s. The purchasing power of Tanzania's exports has fallen by 38 percent since 1979 (and by over 60 percent when compared to 1970) according to World Bank estimates. Although drastic, this is by no means the largest deterioration in Africa and three of Tanzania's neighbors, Kenya, Mozambique, and Zaire, have all suffered larger falls in export purchasing power. Real GDP fell by 3 percent during 1980-83, with some recovery of lost output in 1984 with 2.5 percent real growth. There remains a widespread shortage of both consumer and capital goods.

Adverse developments in the world economy were compounded by the financial burden of the Uganda war, repeated droughts, and the Ujamaa villagization program of the early 1970s. More controversially, from the mid-1970s onwards, prices paid to agricultural producers have increasingly lagged behind inflation, reducing real production incentives to smallholders, although higher prices were allowed for food crops relative to export crops. The latter reflected the greater priority given during the 1970s to attaining national self-sufficiency in food, with emphasis on establishing regional food security (for instance by planting drought-resistant crops).

The World Bank cites low producer prices as a major cause of the poor production performance of most export crops. Certainly, a greater proportion of cash crop earnings have been absorbed by the state marketing organizations whose costs have escalated due to the rise in fuel prices, falling output, and mismanagement.

This has reduced the amount available for payment to producers. In addition, the unavailability of even the most basic consumer goods reduces the incentive for farmers to raise production, and the lack of transport equipment, fuel, and spare parts has contributed to difficulties in both the collection of crops (leading to high wastage rates) and the distribution of essential inputs, such as fertilizers and implements.

Real income per capita fell by 8 percent between 1978 and 1982, with a further fall of 6 percent during 1982-84. Given the high population growth rate of 3.3 percent, a relatively fast rate of economic growth is required to maintain per capita income growth. Rural incomes have fallen and urban real wages have plunged despite the government's minimum wage policy. Poverty levels have undoubtedly increased, and the government's ability to deliver health care and other essential social services has been severely affected.

The inability of the export base to generate sufficient foreign exchange is the binding constraint limiting economic recovery. The export base is highly import-dependent and thus the economy has become trapped in a situation of low production and inadequate foreign exchange generation. Exports fell from $505 million in 1980 to $340 million in 1985, although an increase in export earnings is predicted for 1986 following the sharp rise in world coffee prices. The current account deficit peaked at $536 million in 1986 following the second oil price shock, declining to $375 million by 1985.

Tanzania has dealt with its unsustainable balance of payments deficits mainly by severe import compression. Imports were reduced from $1.2 billion in 1980 to $972 million in 1985. Imports of consumer goods have been heavily squeezed, but this has not prevented a fall in imports of essential intermediate inputs, resulting in low capacity utilization in industry (as little as 30 percent in many factories) and extensive disruption of the government's agricultural services.

Tanzania has a poor credit rating with international banks and must rely on aid donors to provide both project and import support. However, concessional assistance disbursements from bilateral and multilateral donors have fallen from $765 million in 1981 to $624 million by 1984, with further falls since then. This partly reflects the contraction (in real terms) of most aid donors' budgets, but also represents their pressuring Tanzania to reach agreement with the IMF.

After the collapse of the last IMF program, the government increased its efforts to develop an adjustment program to act as an alternative to the IMF measures. This was formalized in the structural adjustment program (SAP) launched in 1982. The "alternative strategy" includes some elements of the IMF and World Bank recommendations,

with differences over the magnitude of the policy actions required, e.g. on the size of the devaluation and producer price increases.

However, the IMF strategy places greater emphasis on achieving adjustment mainly through demand management over a short period (with devaluation acting as a supporting measure). The government emphasizes transformation of the economy's supply side through investments in key sectors to remove current bottlenecks constraining output expansion. The time frame for adjustment is correspondingly longer.

While the World Bank places much emphasis on getting "prices right," it also focuses on the economy's structural problems. Its structural adjustment loans (SAL) are implemented over a longer time period and are better suited to low-income economies than IMF programs which are more appropriate for developed countries. However, from past experience, a World Bank SAL is unlikely to become available unless an IMF program is first in place.

Regarding producer prices, the Tanzanian strategy has moved toward the World Bank's recommendations since 1984, with substantial producer price increases, particularly for export crops. While food self-sufficiency is still emphasized, export crop production has become a more active priority since 1980.

The recent producer price increases have contributed to the partial recovery of crop output, although some of this is due to better weather after the 1983 drought. While price incentives are important in generating a producer response, there remain important structural constraints on the expansion of output which could limit the sustainability of any production increase. Although in principle the recovery of output remains possible, it will depend on the rehabilitation of supporting infrastructure and sufficient foreign exchange to import more transport equipment and fuel.

Priority foreign exchange allocations are now allowing increased production of agricultural implements, insecticides, and fertilizer, although distribution to rural areas remains a problem. However, agriculture is dominated by smallholder families operating with a low level of technology and yields are low. Therefore, moving beyond the recovery of lost output and into a sustained expansion of agriculture will require major investments in technology, irrigation, and services. As in most of Africa, programs to combat soil erosion and deforestation are urgently needed but are limited by a lack of resources.

Apart from devaluation, the main disagreement with the IMF is over the size of the cutbacks required in public expenditure, although some rationalization of the public sector has been implemented since 1983. The restructuring of the agricultural parastatals and the abolition in 1984 of the subsidy on maize meal (the main consumer staple) have reduced these large claims on the budget. Responsibility for crop purchase and collection was transferred from the state crop authorities to producer cooperatives. The latter were disbanded in 1976 but reintroduced in late 1984 in an attempt to improve the collection of crops from villages.

The resources available for new development projects, the recurrent costs of existing projects, and expenditure on the maintenance of essential infrastructure have all been reduced, due to reductions in both the government's own revenues and the availability of concessional aid. The shrinkage of the tax base due to the stagnation of economic activity has made control of the budget deficit more difficult. An annual "development levy" (a form of poll tax to be paid by every able-bodied person) was introduced in 1984 in an effort to increase government revenues. This has proved to be very unpopular since it does not take into account different income levels.

Agreement with the IMF would provide much needed balance of payments support and would release a fresh injection of finance from the World Bank and most of the bilateral aid donors. Last November, Nyerere expressed his fear that blind acceptance of the IMF policy conditions would lead to riots. He argued that devaluation, which would increase prices, and further cuts in government expenditure will harm the poor. The leadership has played on this factor before and government-organized anti-IMF demonstrations were a feature of the early 1970s.

The IMF insists that the policies pursued by the government as an "alternative" have in fact increased poverty by driving the economy into stagnation. Further, the IMF and the World Bank argue that measures such as producer price increases will reduce poverty by raising rural incomes and that increasing the public sector's efficiency will reduce the burdens placed on the poor by costly and ineffective services.

Within the leadership, there is now much disagreement over how far Tanzania should go to meet the IMF's requirements. Ghana and Zambia's experiences with the IMF are being assessed. In the cabinet, Finance Minister Cleopa Msuya is one of the main proponents of an IMF deal. Those in favor of an agreement argue that shortages have undermined the effectiveness of policies such as price controls and many "controlled" goods are being sold on the black market (often with the connivance of government employees). They point to the absence of any urban unrest following the abolition of the maize subsidy in 1984, despite dire predictions to the contrary. In fact, most maize was being sold at higher "free" market prices so that the subsidy's abolition had little effect on consumers.

The principal problem in implementing an alternative to IMF programs is that the Tanzanian SAP requires large amounts of external financial assistance for its success. Current levels of aid are insufficient for this purpose and thus the main reason for the SAP's failure to meet its targets. Those who favor an IMF deal have the advantage that such a program will secure additional finance from the World Bank and bilateral aid donors. In addition, better "targeting" of poverty alleviation programs to vulnerable groups can potentially offset some of the adverse effects of IMF measures on the poor.

In that regard, the government could press aid donors to finance specific poverty alleviation measures to be implemented along with the IMF policies. Tanzania's poverty limits the government's room for maneuver in economic policy. Although the recent fall in oil prices will provide some relief, the key to recovery lies in increased external assistance, but at the moment this can only be bought on the IMF's terms. □

Kenya

The Aid Bargain

In an effort to limit donor control over its investment programs, Kenya has become one of the first African countries to reassess the purposes of foreign aid. But by reducing the number of aid projects, will Kenya be able to sustain development efforts for its rapidly expanding population?

BY COLIN S. CLARK

Perenially touted as one of Africa's economic and political success stories, Kenya is changing how it uses foreign aid and what kind of aid it will take. In *Sessional Paper Number 5*, issued last July, the Kenyan treasury declared it wanted:

- to cut the number of aid projects in half;
- to increase funding for recurrent project costs, e.g. fuel and spare parts;
- to cut back on conditions attached to project funding—in World Bank parlance, "reduced conditionality";
- to restrict the percentage of project aid which goes toward expatriate salaries; and,
- to choose projects which utilize more appropriate technology and lower administrative costs.

Looming over these issues is the simple fact of Kenya's population growth—at 4 percent, the world's highest. As one American aid official said, "Kenyans now perceive that they are an important actor in the region. In order to continue to play that role, their economy must prosper." International aid officials and bilateral donors believe that Kenya must increase the productivity of its industries and agriculture in order to create enough jobs for a population more than half of which is under 16.

Blair Seitz/UNICEF

Windmill project in Northeast Province: "Kenya has proposed cutting the number of projects from 150 to 80"

Kenya is one of the first African countries to reassess the purposes of foreign aid. Traditionally, aid has been viewed by donor countries, recipients, and the international financial community as a source of incremental capital creation—the U.S. builds the road and Kenya fills the potholes. But even when the donor meets most of a project's costs, the host country must provide the ongoing support. In reevaluating aid requirements, the Kenyans realized that projects do not come free of charge for the recipient, and according to a Nairobi-based international banker, "Kenya cannot meet its support costs."

The other side of the aid bargain is less obvious. Donor countries dominate the investment programs of most African states and must be responsible for the effects of those investments. Yet there are no national or sectoral plans for distributing donors' money. To support existing projects and reduce inflation and the size of its national budget, Kenya has blocked overall increases in aid and has proposed cutting the number of projects from 150 to 80.

It is perhaps encouraging that several Western aid officials expressed concern that the International Monetary Fund and some of the major donors may be punishing Kenya for simply doing too good a job of reducing inflation and the size of the national budget. Again, there is a converse side to this: The Kenyan government is pressing to make foreign aid part of its national development program instead of having an aggregation of disconnected donor programs. For example, there are several research stations dealing with cattle in Kenya each of which is funded by a different govern-

Colin S. Clark reports from Nairobi for the London Guardian, *Radio Australia, and Voice of America.*

ment or private foundation. The Kenyans hope to consolidate those diverse funds into a single national program for cattle research.

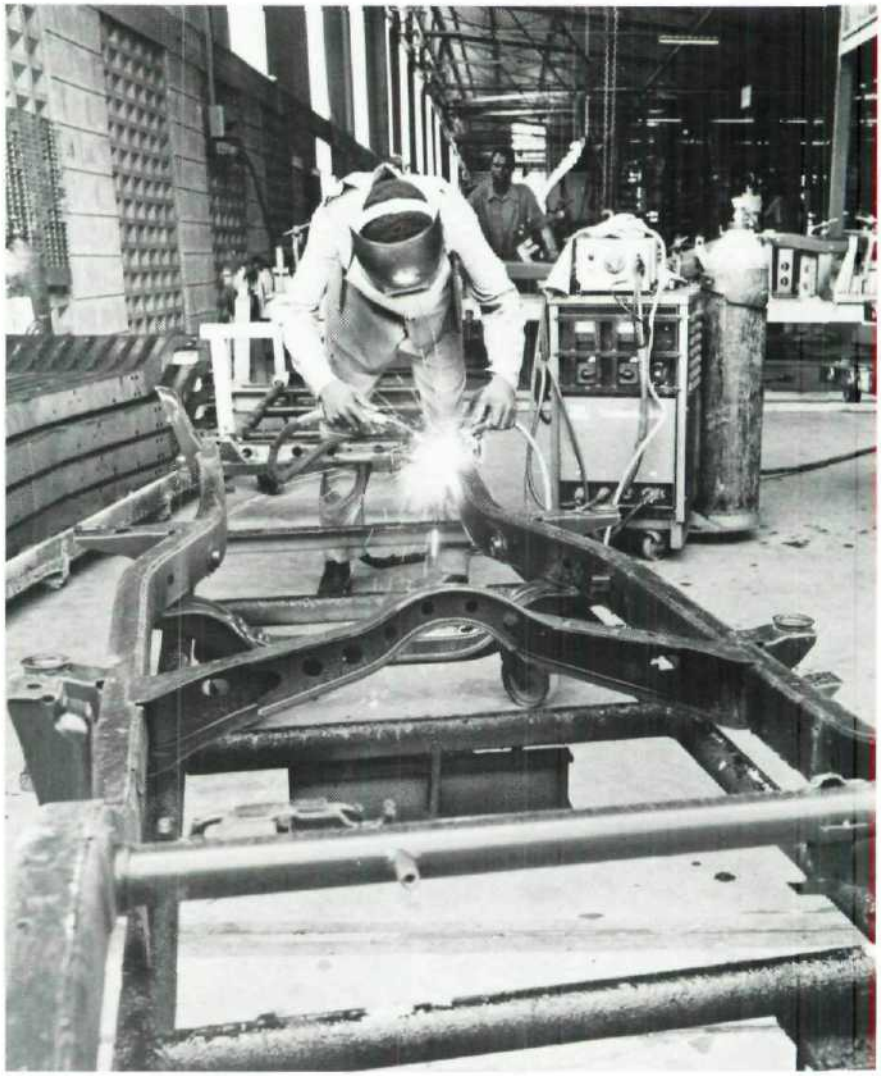
Another example of Kenya's aggressive economic reform is that publicly owned companies are being turned over to the private sector or are simply being closed down, despite the temptations of patronage and political control of funds. The Kenya Travel Company (KENATCO) is in the process of winding down. The government grain monopoly was recently cracked. Government warehouses and mills are allowed to distribute their products according to price and supply, whereas government agencies formerly imposed rigid bag limits. And Upland Bacon is to be returned to its original private owners.

Officials from the U.S. Agency for International Development describe Kenya's new policies as privatization designed to affect sweeping structural adjustments in the country's economy. But most observers say Kenya is simply trying to use its resources as efficiently as possible. An international economist said AID wants Kenya's policies to be "private sector-oriented" because that is what the Reagan administration is pushing. But as anyone who has visited the country knows, Kenya's relatively thriving private sector has never been in danger, except from corrupt officials.

Are Kenya's new foreign aid policies more effective and politically "correct" than those of other African countries? In the words of one official, "It is still the budget season here," and thus it is not possible to ascertain the government's degree of commitment to this new direction. Official aid guidelines have been distributed to the line ministries, and regular seminars are being conducted to help explain and sell the new policies to the civil service.

But the donors themselves may undermine Kenya's new policies. Many smaller donor countries are extremely concerned that they will be cut out of Kenya's aid scene because of project rationalization. If Kenya does cut 70 projects, the consensus is that the big-money donors will emerge with a much larger presence.

In Nairobi, officials involved in multilateral aid worry that Kenya will reduce not only the number of projects receiving money, but also its total level of aid. Also, small donors tend to be somewhat better at funding recurrent project costs and utilizing appropriate technology. Since Kenya has stressed the importance of both these factors, forcing the small donors from the scene might be regarded as self-defeating.



Camerapix

Automobile assembly line, Kenya: "A new, locally assembled car costs more than many imported four-door cars"

But aid officials admit that it is easier for donors to run away from small projects once they are implemented. For example, a rural health clinic—complete with road, radio, nurse, paramedic, and initial supply of surgical instruments and drugs—is erected in northern Kenya. When the project is finished—as far as the donors are concerned—Kenya must pay the cost of the health workers' salaries, replacement drugs, and general maintenance, thus providing large sums of money which are not normally part of the national budget.

One particularly sensitive aid issue is salaries of expatriate personnel. The government says expatriate advice and supervision consumes 40 percent of all aid. But several international economists involved in multilateral negotiations with Kenya suggest that the government figure is not accurate. A more reliable number reportedly is being researched by the World Bank and the government. In the meantime, all parties are attempting to restrain the

growth of personnel costs as percentages of projects.

Kenya is fortunate in having fairly reliable sectoral statistics to judge project effectiveness. Unfortunately, it is difficult to obtain accurate overall figures.

Cameraprix

Turkana fishermen's cooperative, funded by the Norwegian government: "Many smaller donor countries are concerned that they will be cut out of Kenya's aid scene"

An official from a major donor country said that macroeconomic planning in Kenya is very weak, partly as a result of the poor aggregate statistics.

Several aid officials also bemoan the gap between the intentions of Kenyan officials and their actions. Specifically, they speak of a deep lack of confidence among Kenyans on the question of trade liberalization. One Kenyan reportedly confessed to being terrified that Japan and India would overwhelm the Kenyan economy.

Local industries are subsidized and tariff barriers are very high. For example, a new, locally assembled car, the *Uhuru*, costs more than many imported four-door cars because it uses imported parts which draw high duty. The cumulative effect of the tariffs on many small parts outweighs the lower costs of assembling the car in Kenya, even though a substantial percentage of locally manufactured parts are used.

Such policies must be considered together with the more topical questions of what to do with foreign aid if Kenya is serious about changing its role in the national economy. When Kenyan officials finish drawing up specific aid policies, several questions will need to be answered. Will they have the discipline to enforce policies which could cut the total aid level, as well as public sector patronage? Will donors have the flexibility to divorce themselves from "nameplate" projects? For example, could the U.S., Yugoslavia, and Australia jointly contribute to one animal research project without the usual identification of the project as "American" or "Yugoslav?" Will donors be willing to fund a greater proportion of recurrent costs which carry little prestige and are notoriously difficult to monitor? One aid official simply said, "These problems haven't been faced elsewhere."

And always the Kenyans are driven by the special population problem. Just to keep pace with its growth, Kenya must do better than its neighbors. A more problematic approach was voiced by a high-ranking Kenyan official, "If the private sector is doing its job well, then they would be doing all sorts of things I'd want to put them in jail for."

The new aid policies are long-term. One well-informed international aid official estimates it will be four to five years before they have a major impact on either the budget or the economy. There are uglier issues, too. Why do the Kenyans so enthusiastically support fewer controls on aid money, and how will donors ensure that their money is being used as intended? A number of donors have told the Kenyans that they must be allowed to audit project funding. This will be more difficult with sectoral project funding.

Donors and international aid officials clearly support the Kenyan government's overall aims. The problems remain in the implementation, because, as one source said, "I think they're well ahead of any other country in Africa," but no one is quite certain what Kenya's new aid policies will mean five years from now. □

Letters

To the Editor:

I think your readers will agree with me that the article, "The MNR: Opponents or Bandits?" by Mota Lopes [*Africa Report*, January-February 1986], presents a rather confusing view as to the precise date when the Renamo movement was formed.

At one stage, the author says Renamo was initiated in 1968, but only started operating four years later, in 1972. He then mentions that "the presence of the armed aggressors in [Mozambique] can be traced back to 1976," but subsequently gives yet another date when he states that Renamo has existed for 12 years, that is, since 1974. The author adds further confusion to the whole issue when he elaborates on the origins of the name, Renamo.

The movement Resistência Nacional Moçambicana (Mozambican National Resistance) was referred to for the first time by the clandestine Voice of Free Africa radio station in November 1976. The station, which had been in operation since July of the same year, told its listeners at the time that conditions had been created to move from a political to an armed campaign against the Frelimo government.

In May 1977, the station broadcast the first war communiqué issued by Renamo, disclosing that the movement had stormed the Sacuze re-education camp in Mozambique, releasing its inmates. The raid was carried out single-handedly by André Matadi Matsangaisse, himself a former Sacuze inmate who defected to Rhodesia in October 1976. According to the station and various Renamo publications, the event marked the beginning of what was described as "the second struggle of national liberation."

I do not dispute the claim that the Rhodesians formed a group of Mozambican operatives in 1968 but the latter and Renamo are two distinct things altogether.

It is not correct to say that former members of the *Flechas* and other units of the Portuguese colonial army were in the ranks of Renamo, although a number of such elements had settled in Rhodesia after the political changes in Mozambique. In the book, *Selous Scouts Top Secret War*, by Reid Daly and Peter Stiff (Alberton, South Africa: Galago Publishing, 1982), the authors state that when the Portuguese government collapsed, some 40 *Flechas* fled to Rhodesia with their commander, Oscar Cardosa, but that the unit was never reactivated as the men were not that keen to commence fighting after having lost their country, and also because many *Flechas* were either shot or imprisoned by Frelimo.

It is interesting to note that despite the claim that Renamo is formed by former Portuguese army units, not a single *Flecha*, PIDE, or any other group has so far been identified as such among Renamo men who have been captured by or surrendered to Frelimo.

With regard to the name, Resistência Nacional Moçambicana, it has always been known as such except for the acronym Renamo. Due to confusion created by journalists over the movement's name, which was either referred to in its English form, MNR (meaning Mozambican National Resistance Movement) or MNRM (Mozambican National Resistance Movement), the organization decided in 1983 to adopt the acronym Renamo, instead of the initials RNM, though both stand for the same thing. Prior to this, all Renamo publications, both in English and Portuguese, carried the initials RNM. Nevertheless, confusion still persists today, and the article, "The MNR: Opponents or Bandits?" is one of the latest examples.

Fabião Massavanhane
Mbabane, Swaziland

To the Editor:

The article, "The MNR: Opponents or Bandits?," by Mozambican journalist Mota Lopes, does not differ in any way from the official Frelimo view of the current civil war in Mozambique. This is explained by the fact that Lopes, an official of the Mozambique state-run news media, must comply with the guidelines laid down by Frelimo chief ideologue Jorge Rebelo, whereby journalists "must reflect and disseminate the party's political line." A dedicated Marxist, Lopes is a former National Media Director in the Mozambican government. In addition to his present post with the Eduardo Mondlane University in Maputo to which he was appointed by presidential decree on 15 July 1983, Lopes is also the chairman of the party-created and controlled National Organization of Journalists.

In his article, Lopes resorted to that stale and worn-out argument that there is no opposition in Mozambique and that the Resistência Nacional Moçambicana (Renamo) does not depend on the support of the Mozambican people. The truth is that Renamo stems from an internal conflict of which the root cause is the totalitarian nature of the Marxist-Leninist regime led by President Samora Machel.

Although not freely elected by the people, it is an undeniable fact that Frelimo enjoyed the overwhelming support of the population. However, the essence of its economic, social, and political policies and the manner in which they were introduced in the country at the time of independence resulted in Frelimo rapidly distancing itself from the people.

Any economic development plan for Mozambique must be based on the premise that the country is predominantly agricultural, with 85 percent of the population living in the rural areas and therefore extremely conservative. Frelimo's program ignored this, thus clashing with the interests and aspirations of the Mozambican peasantry for a better life, free of the exploitation and oppression they experienced at the hands of the Portuguese. Their expectations went far beyond the concept of a centralized economy as envisaged by the Frelimo government.

The forced removal of entire peasant families from their traditional residences, with total disregard for centuries-old customs and beliefs; their subsequent internment in communal villages where they were transformed overnight into mere means of production owned by the state; the disincentives applied to those peasants living outside communal villages, who either had to work on state farms (*machambas estatais* or *colectivas*) for ridiculously

low wages or got unrealistic prices for the produce derived from their small holdings; the disrupture of traditional authority, derogatorily referred to as "tribalism," as a means to justify its replacement with a centralized Marxist rule, and the systematic campaign to eliminate its components, particularly the mediums and healers, dubbed as "witch doctors"; and the repressive methods that accompanied this process are among the reasons for the dissatisfaction toward the regime, and ultimately paving the way for a state of revolt against the new masters.

In the urban areas, Frelimo also made its iron-fist rule felt. The arbitrary arrests of innocent people; the brutal methods of interrogation employed by the various security services; the internment of thousands upon thousands of Mozambicans in "re-education centers," which are nothing but Frelimo's version of the Stalinist Gulag labor camps, and where many were executed or died of starvation or sickness; the violent crackdown on religious institutions accompanied by defamatory campaigns in the media; and the merciless wiping out of leading dissidents are only a few in a long list of brutalities that Frelimo perpetrated in the first few months of independence.

It is, therefore, contrary to reason to state that there is no legitimate opposition in Mozambique or that Renamo's anti-Marxist line is only aimed at attracting sympathy and support from the West. It would indeed be a very strong phenomenon previously unrecorded in history, whereby the systemic disregard of basic human rights and the continuing brutalities by a regime in power fail to bring about discontent among the people.

Benedito Tomas Muianga
Nairobi, Kenya

Editor's note:
The decision to use the acronym, "MNR," in Mota Lopes' article was made by the editors based on Americans' familiarity with the common English translation of the Mozambican National Resistance movement, and not by the author, whose Portuguese original referred to "Renamo" throughout.

ERRATUM

To the Editor:

In my article on the press in South Africa ["The Media Blackout," *Africa Report*, March-April 1986], I made a slip of the pen. The passage as published read: "It is an offense to publish any false or untrue material about police or defense without taking reasonable steps to check. . . " The word "defense" should, of course, have been "prisons." The context made it clear that defense was covered by the Defense Act which involves a total restriction on publication without ministerial permission.

A.H. Heard
Cape Town, South Africa

Books Received

(Inclusion in this list does not preclude the review of a book at a later date.)

Benson, Mary. *Nelson Mandela: The Man and the Movement.* New York: W.W. Norton & Company, 1986, 269 pp., $7.95 paper.

Commins, Stephen K., Lofchie, Michael F., and Payne, Rhys (eds.). *Africa's Agrarian Crisis: The Roots of Famine.* Boulder, Colo.: Lynne Rienner Publishers, Inc., 1986, 237 pp., $23.00.

Coplan, David B. *In Township Tonight!: South Africa's Black City Music and Theatre.* New York: Longman Inc., 1985, 278 pp., $29.95 cloth, $12.95 paper.

Falola, Toyin, and Olanrewaju, S.A. *Transport Systems in Nigeria.* Syracuse, N.Y.: FACS Publications, 1986, 175 pp., $15.50.

Farley, Lawrence T. *Plebiscites and Sovereignty: The Crisis of Political Illegitimacy.* Boulder, Colo.: Westview Press, 1986, 179 pp., $22.50.

Lee, James A. *The Environment, Public Health, and Human Ecology: Considerations for Economic Development.* Baltimore, Md.: The Johns Hopkins University Press/The World Bank, 1985, 288 pp., $14.95.

Lewis, John P., and Kallab, Valeriana (eds.). *Development Strategies Reconsidered.* New Brunswick, N.J.: Transaction Books, 1986, 190 pp., $19.95 cloth, $12.95 paper.

Loughran, Katheryne S., et al. (ed.). *Somalia in Word and Image.* Bloomington, In.: Indiana University Press, 1986, 175 pp., $32.50 cloth, $17.50 paper.

Ojo, Olatunde J.C.B., Orwa, D.K., and Utete, C.M.B. *African International Relations.* New York: Longman Inc., 1985, 186 pp., $12.95.

Okpewho, Isidore. *The Heritage of African Poetry.* New York: Longman Inc., 1985, 279 pp., $8.95.

Penouil, Marc, and Lachaud, Jean-Pierre. *Le developpement spontane: les activites informelles en Afrique.* Paris: Editions A. Pedone, 1985, 299 pp.

Prussin, Labelle. *Hatumere: Islamic Design in West Africa.* Berkeley, Calif.: University of California Press, 1986, 306 pp., $75.00.

Rotberg, Robert I., et al. *South Africa and Its Neighbors: Regional Security and Self-Interest.* Lexington, Mass.: Lexington Books, 1985, 174 pp., $20.00.

Rush, Norman. *Whites.* New York: Alfred A. Knopf, 1986, 176 pp., $14.95.

van der Post, Laurens, and Taylor, Jane. *Testament to the Bushmen.* New York: Viking Penguin Inc., 176 pp., 1986, $10.95.

Walker, Brian W. *Authentic Development in Africa.* New York: Foreign Policy Association, 1986, 70 pp., $4.00.

Walrond, Grantley W., and Kumar, Raj. *Options for Developing Countries in Mining Development.* New York: St. Martin's Press, 1986, 190 pp., $29.95.

Wheatcroft, Geoffrey. *The Randlords: The Exploits and Exploitations of South Africa's Mining Magnates.* New York: Atheneum, 1986, 314 pp., $17.95.

White, Landeg, and Couzens, Tim (eds.). *Literature and Society in South Africa* New York: Longman Inc., 1984, 220 pp. $14.95.

Witt, Steven C. *BriefBook: Biotechnology and Genetic Diversity.* San Francisco, Calif: California Agricultural Lands Project, 1985, 145 pp., $12.50.

Wright, Moorhead (ed.). *Rights and Obligations in North-South Relations: Ethical Dimensions of Global Problems.* New York: St. Martin's Press, 1986, 196 pp., $27.50.

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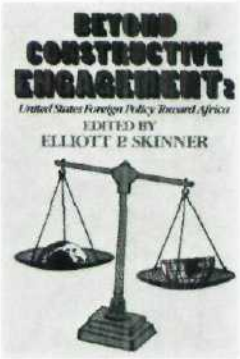

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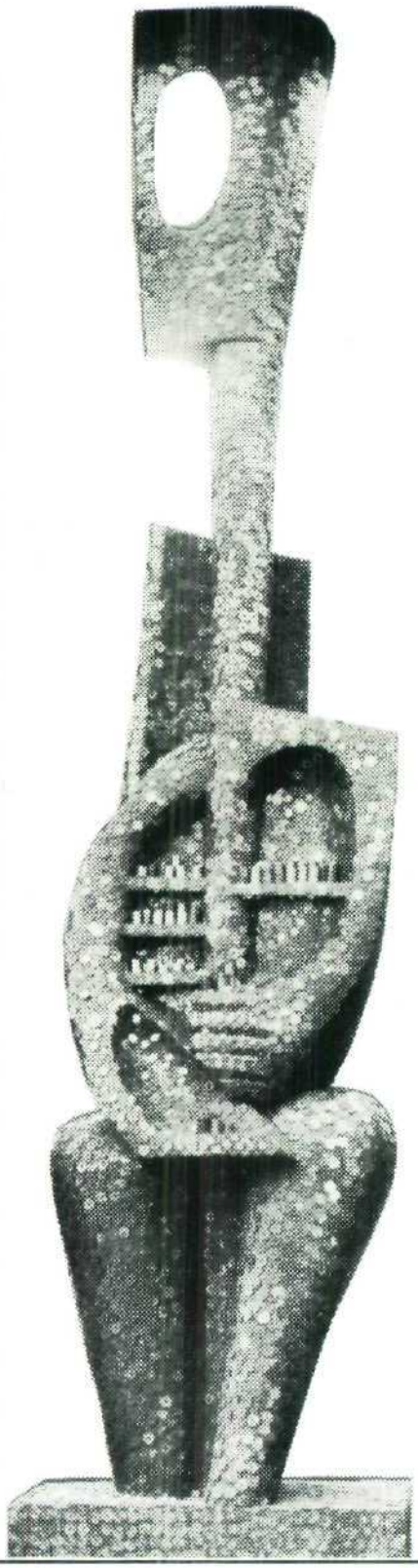

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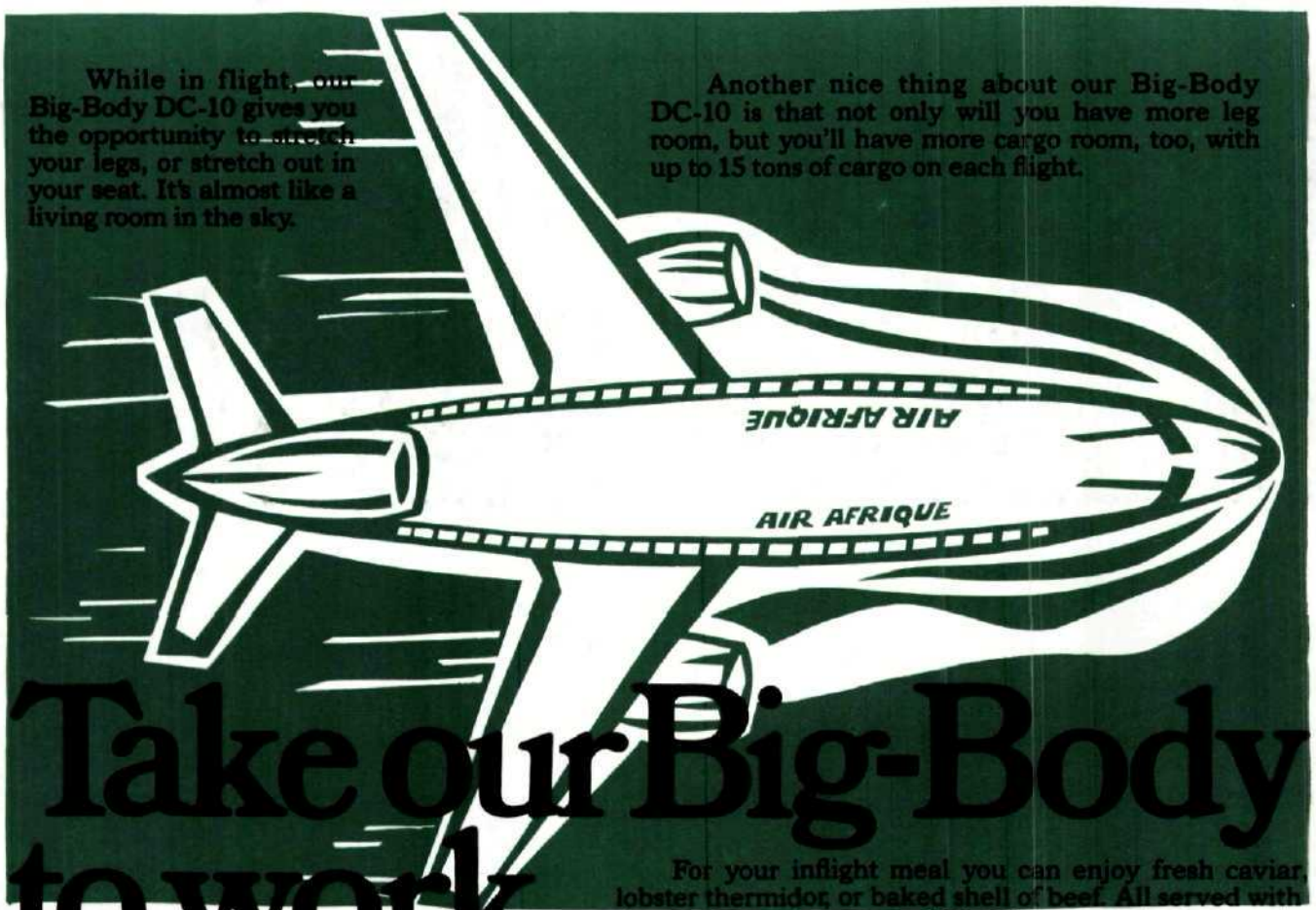

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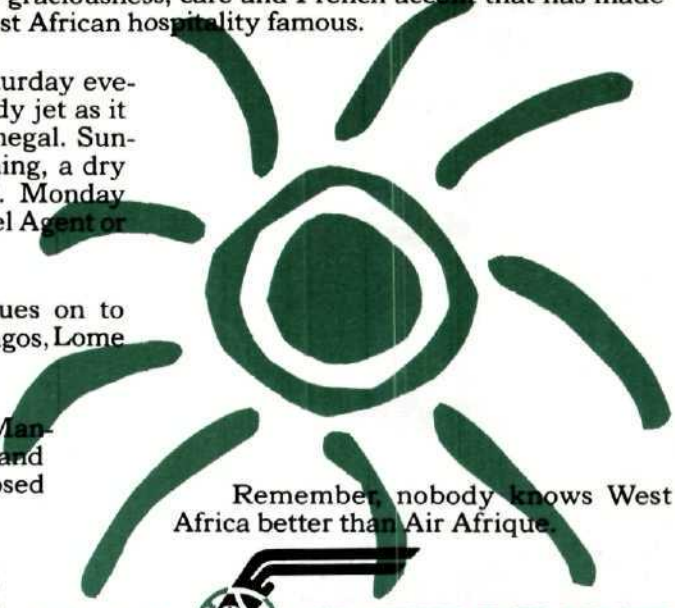

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