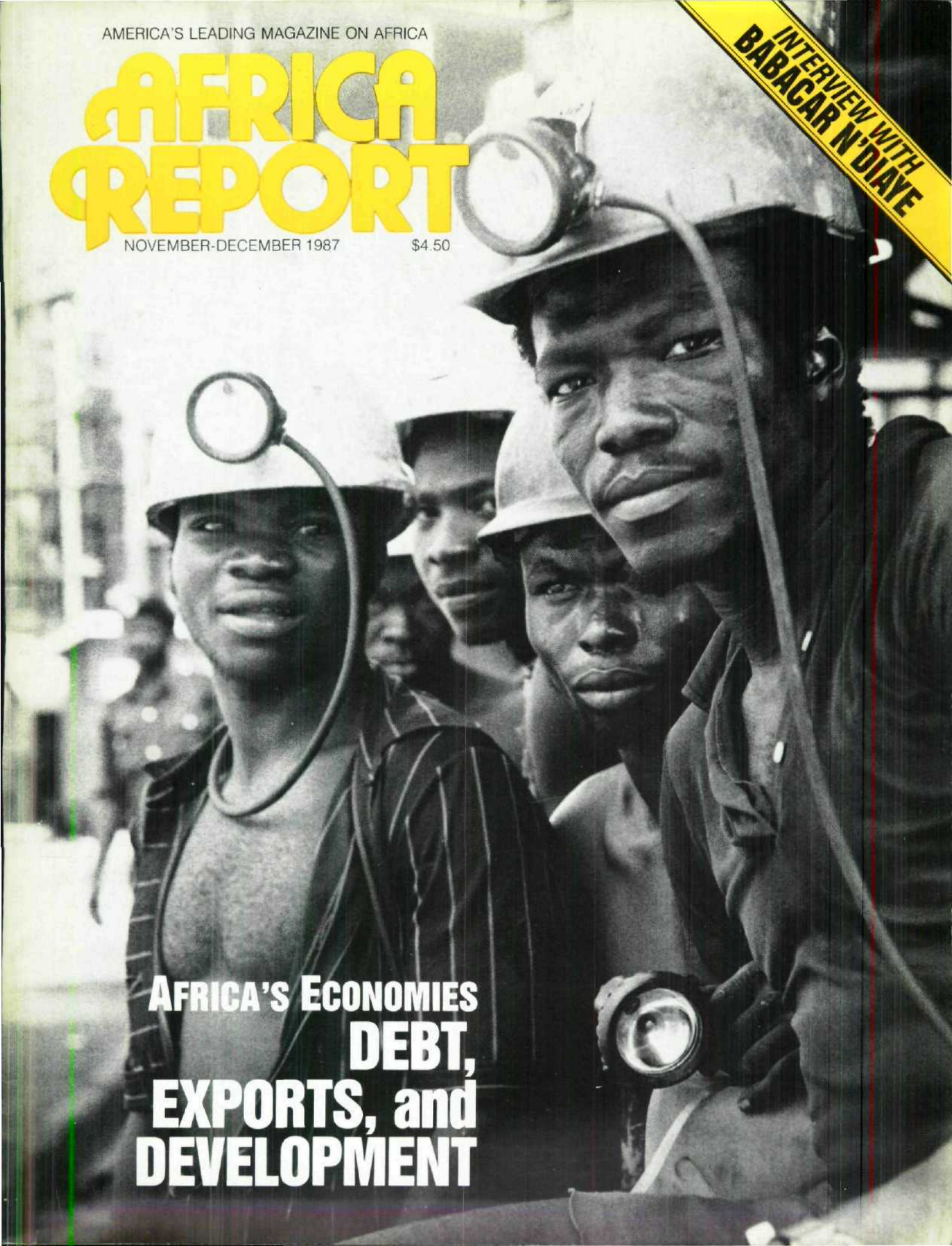
AMERICA'S LEADING MAGAZINE ON AFRICA

AFRICA REPORT

NOVEMBER-DECEMBER 1987 $4.50

INTERVIEW WITH BABACAR N'DIAYE



AFRICA'S ECONOMIES DEBT, EXPORTS, and DEVELOPMENT

NOVEMBER-DECEMBER 1987

AFRICA REPORT

AMERICA'S LEADING MAGAZINE ON AFRICA

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Photo Credit:
The cover photograph of gold miners at the Ashanti Goldfields Corporation in Obuasi, Ghana, was taken by Margaret A. Novicki.

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Letters to the Editor

A Moroccan Defense

To the Editor:

The story, "Africa's Forgotten War," by Jon Marks (September-October 1987), injected some balance into your previous coverage of events in the Western Sahara.

We are pleased to see that Mr. Marks, after visiting both the Western Sahara territory and Polisario bases in Algeria, managed to demystify the drummed-up Algerian propaganda about the reality of the so-called "SADR," showing that if the SADR exists at all, it exists only outside of the territory of the Western Sahara and well inside Algeria.

We have to disagree, however, with Mr. Marks' assumption that Polisario can survive without Algeria. We believe that Polisario is a special unit of the Algerian army, and that all its military actions are conceived, planned, and ordered by the Algerian army headquarters.

Polisario's diplomatic and propaganda campaigns are equally planned and financed by Algerian diplomats and journalists, and by the power of the Algerian petrodollar. Without this help, which accounts for 98 percent of Polisario's effort, this "movement" could not have survived.

We regret the fact that the author did not shed light on other aspects of the problem, such as the alien origin of Polisario's leadership. He also wrote too little about the big Moroccan development scheme which is currently underway in the territory—which once was a "barely developed colony."

We need more of this quality of balanced coverage.

Saad Eddine Taib
Head, Africa Department
Ministry of Foreign Affairs
Rabat, Morocco

Update: Guinea

To the Editor:

The Embassy of the Republic of Guinea wishes to formally deny the tendentious information printed in your May-June 1987 issue ("Update"), alleging that Guinea had "finally agreed to a three-year deal with leading aluminum companies in late March, abolishing a $13 per ton export levy on supplies from the Compagnie des Bauxites de Guinée. . . "

On November 18, 1986, after a year of negotiations, the Republic of Guinea and its Halco partners, which respectively constitute Groups A and B forming Compagnie des Bauxites de Guinée, signed a Protocol of Agreement concerning among other issues, the pricing of bauxite as of January 1, 1988.

Before their conclusion, these negotiations had been the object of several articles in the media with special interest in bauxite, alumina, and aluminum. The articles were mostly inspired by the Halco groups, and were aimed at pressing the government of Guinea to abolish the special tax levied in accordance with the provision of Law No. 010/AL/75, dated January 13, 1975.

The Protocol of Agreement, signed on November 18, 1986, and scheduled to come into effect January 1, 1988, provides the following: 1) The new price of bauxite will be based on the cost of production at Kamsar and the price of alumina and aluminum; 2) The Compagnie des Bauxites de Guiné will continue to pay the country a special tax equal to 0.75 percent of the price of the aluminum ingot as provided by Law No. 011/AL/75; 3) All arrangements of the Protocol of Agreement shall be implemented during the years 1988, 1989, and 1990.

We stress that the government of Guinea made no concession whatsoever regarding the abolition of the special tax as inaccurately reported by *Africa Report*.

Abdul Bah, Counselor
Embassy of the Republic of Guinea
Washington, D.C.

Editor's Note:

The article, "The Sins of Paul Simon," by Michael Maren (July-August 1987), contained an interview with Amer Araim of the UN Centre Against Apartheid. Mr. Araim intended that the interview be off the record; however, this was not the understanding of the author. *Africa Report* regrets any inconvenience caused by this misunderstanding.

Africa Report welcomes comments from its readers on issues raised in the magazine and on matters relating to African political and economic development. For reasons of space, a contribution sent in the form of a letter to the editor stands a much greater chance of publication than one submitted as an article. Letters should be as brief as possible, normally between 100 and 400 words.

The editor retains the right to abridge or otherwise alter letters for reasons of space or other editorial requirements. It is editorial policy to maintain a balance of views on controversial issues.

All letters should bear the name and address of the sender. Requests for anonymity and non-divulgence will be respected, but such a requirement may render the letter less likely to be published.

UPDATE

IN THE NEWS

A sad day for Africa

Capt. Thomas Sankara and 13 of his close associates were murdered in mid-October when Capt. Blaise Compaoré, the late president's number-two and former minister of state in the National Council of the Revolution (CNR), seized power in a bloody coup d'état that left up to 100 people dead. Compaoré, Sankara's closest friend, played a key role in the 1983 coup which overthrew the government of Jean-Baptiste Ouédraogo and brought the CNR to power.

Although the exact circumstances of Sankara's death remained sketchy, it appeared that the 38-year-old captain died at his office at the Presidency when a grenade was thrown at him and a fusillade of machine gun fire followed. Shortly thereafter, Compaoré announced the formation of a "Popular Front," supported by the other two members of the "group of four" which had led the CNR since 1983—Capt. Henri Zongo, former minister of economic promotion, and Maj. Jean-Baptiste Lingani, former minister of defense.

Claiming that Sankara was leading Burkina into "economic, political, and social chaos," the Popular Front justified the coup as a preemptive measure to "avoid an unnecessary bloodbath," alleging that the late president was preparing to "arrest and execute" his opponents in government. "It was either him or me," said Compaoré, claiming that he felt his life was in danger.

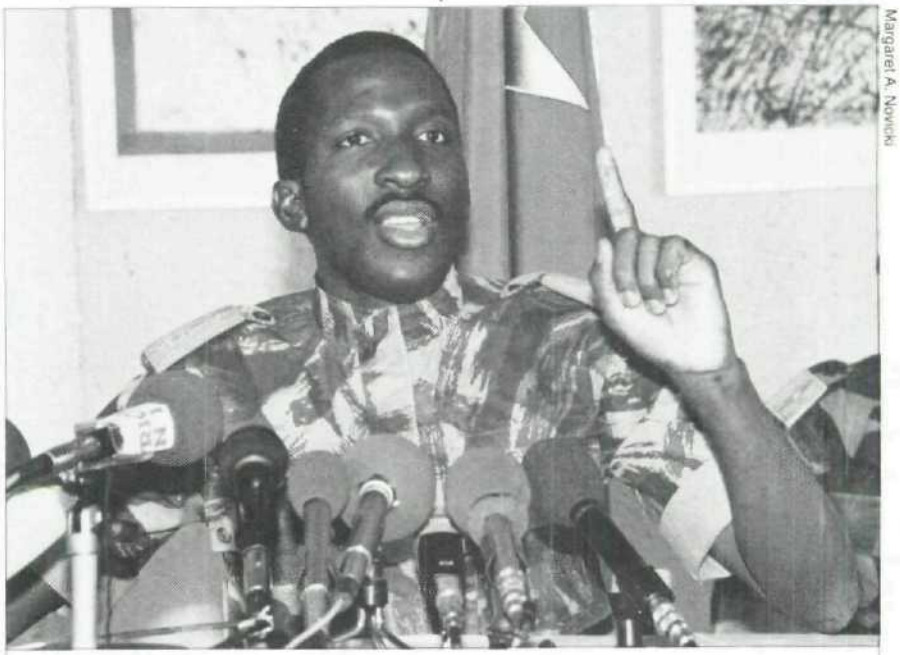
Less than 24 hours after the coup, Popular Front communiqués read on the national radio charged that Sankara had concentrated too much power in his own hands, and had become a "traitor and renegade" for encouraging the "demobilization of the masses and a degeneration of the revolution."

However, Sankara, extremely popular within the country as well as around the continent for his honest leadership and commitment to the welfare of his impoverished people, had been the main proponent of unifying the disparate ideological strands among the revolution's supporters, whose disagreements over political strategies had often degenerated into cut-throat struggles for power and influence within the CNR.

In the months preceding his death, powerful elements within the CNR had opposed Sankara's efforts to create a broad revolutionary front, in which the trade union movement, as well as the myriad civilian and military political factions, would have equal representation. Some observers therefore found it ironic that one of the Popular Front's first moves was to announce the release of imprisoned unionists and political prisoners, jailed under Sankara's "autocratic" rule.

The post-coup campaign in Ouagadougou's state-run press to defame Sankara's character was another particularly disturbing aspect of the Popular Front's attempts to provide justification for the late president's senseless and brutal murder. Even Sankara's most vocal critics would not have characterized him as a "traitor," and despite occasional political differences with Compaoré, Sankara could never have countenanced "executing" a man he regarded as a blood brother and to whom his personal loyalty was unswerving.

Compaoré was not expected to have an easy time restoring order to the country, and a week after the coup, the Popular Front was still facing resistance from troops loyal to the late president. Two of Sankara's cabinet ministers, Eugene Dondassé, minister of financial resources, and Ernest Ouedraogo, minister of territorial security, were arrested for allegedly inciting opposition to the new leadership.



Margaret A. Novicki

Sankara: Overthrown by his closest friend

Nor were the new government's relations with its neighbors expected to be smooth. A four-man delegation led by Lingani was dispatched to Accra to explain the coup to the Ghanaian government and was received by two members

of the Provisional National Defense Council charged with defense. The Ghanaian head of state, Flt.-Lt. Jerry Rawlings, was a close associate and friend of Sankara.

News of Sankara's death provoked widespread grief throughout the country, as thousands of mourners flocked to the president's makeshift grave in a small cemetery outside Ouagadougou. Three days after the coup, more than 2,000 students gathered at the gravesite to protest his death, shouting "assassins" and "bandits" at the soldiers guarding his tomb before they were forcibly driven away. A week later, the parents, wife, and children of the late president were still being denied permission to give "the hero of the Burkinabe revolution" a proper funeral. ■

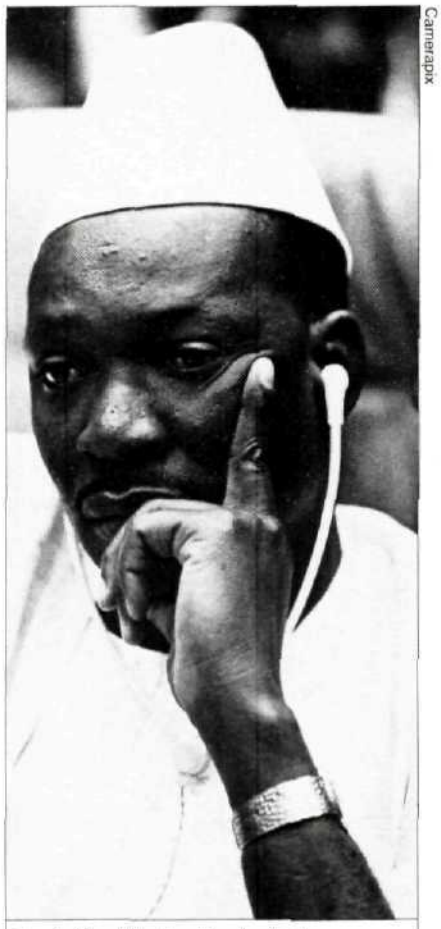
Kamikaze minister leaves his mark in Bamako

When Malian Finance and Trade Minister **Soumana Sacko** abruptly resigned in late August for having been "insufficiently supported" in his attempts to expose a major gold smuggling affair, there was a giant sigh of relief from his enemies in Bamako who believed his anti-corruption drive was getting out of control. Nicknamed "Kamikaze" for his suicidally audacious manner of unearthing and cracking down on corruption at all levels, Sacko had made quite a name for himself since being handed the finance portfolio in February.

President **Moussa Traoré** had appointed the U.S.-educated minister to spearhead the government's new drive to stamp out corruption and apparently gave him a free hand to expose those in high places who had enriched themselves illegally. The ruling Democratic Union of Malian People (UPDM) subsequently adopted a National Charter to encourage the "moralization of public life," and established a special commission of 17 members headed by UPDM Secretary **Djibril Diallo**, to assist in the anti-corruption campaign.

Critics, however, expressed reservations about the charter, arguing that although its objectives were noble, there would always be some people who would remain "untouchable." But to the surprise of many Malians—and to the distress of others—the new finance minister left no stones unturned in his war against corruption.

One case which made headlines in the capital occurred when Traoré arrived at Bamako airport from a state visit to the United Arab Emirates and disembarked with his entourage. As soon as the official welcoming ceremonies came to an end, customs officials pounced from all sides and surrounded the presidential plane in a scene reminiscent of a hijacking drama. They scrupulously went through the luggage and asked presidential aides embarrassing questions about the shopping they had done abroad. The plot, hatched by Sacko, uncovered a vast array of luxury goods that the president's entourage had hoped to sneak into the country duty-free.


Camerapix

Traoré: Short-lived backing for Sacko

Following a series of other exploits—using drastic measures to fight fraud and tax evasion—Sacko soon became the most talked-about man in Mali. He led a successful campaign against organized customs fraud, enabling him to break up a ring of car dealers, and recovered some 500 vehicles which had been illegally cleared through customs and registered under fictitious numbers. He also sacked senior officials in his own ministry and prominent individuals in the state-owned Mali Development Bank accused of corruption, while threatening wealthy businessmen and politicians to keep in line.

Sacko's popularity reached its peak in May when he gave assurances to civil servants that they would receive their salaries on time—and delivered. The "minister of salaries," as he became known, intervened following complaints that wages were regularly being paid three or four months late, but few had taken his promise seriously.

As Sacko proceeded to zealously clamp down on inefficiency and corruption, however, he inevitably made a growing number of enemies in influential circles. His downfall began when he tried to break up an important airport smuggling network by seizing a shipment of gold in order to have it taxed before being exported. Sacko had obtained evidence that large amounts of gold passed through customs undeclared, leading to a discrepancy of well over $10 million between 1985-87.

In late August, he was informed of an alleged 330-pound cargo of gold that had only been registered as 110 pounds at customs. Sacko personally led the operation to seize the shipment and ordered customs agents to search the plane. When not a single ounce of gold was found—the exporter had evidently been warned in advance—Sacko had the plane and crew grounded, but on the following day, Prime Minister **Mamadou Dembele** reversed his directive. Within days, Sacko handed in his resignation and was replaced by **Alhousseyni Touré**, secretary-general to the presidency since 1983. ■

TUNISIA

President Habib Bourguiba in effect named a new successor in early October by promoting Gen. Zine el-Abidine Ben Ali to prime minister and dismissing Rached Sfar. The 51-year-old Ben Ali, known as a hardline military man who received his training in the U.S. and France, has curried the president's favor recently with an obdurate stance against the growing threat of Islamic fundamentalism.

Although Bourguiba has appointed and dismissed designated successors in the past, Ben Ali is the first prime minister to have also been named head of the ruling Socialist Destour Party (PSD). Ben Ali—constitutionally designated to assume the position of head-of-state should the ageing "president-for-life" pass away—retained his portfolio as interior minister, a clear signal that the crackdown on Islamic militants will continue to be a government priority.

NIGERIA

President Ibrahim Babangida's recent decree to impose a sweeping ban on former politicians and military leaders from taking part in elections leading to civilian rule in 1992 has been heralded by many Nigerians as a courageous step to end a long history of government abuse and mismanagement. As Babangida explained it, the ban is not a punitive measure, but a "necessary step to give Nigeria a fair chance to develop a new and political culture and leadership."

Anyone found guilty of corruption or other crimes while in office has been barred for life, while a wide range of leaders who have held political office—including those in the current government—are disqualified from participating in any elections over the next five years. By banning the majority of experienced politicians, however, critics point out that although the measure may prove to be instrumental in cracking down on corruption, the political vacuum may allow the present administration undue leverage in shaping the future government.

CONGO

Former head of state Joachim Yhombi-Opango was arrested in mid-September following an abortive plot by a group of army officers to overthrow President Denis Sassou-Nguesso's government. Yhombi-Opango, who became president after the assassination of Marien Ngouabi in 1977, was previously under house arrest in the northern town of Owando.

His detention came shortly after government troops in Owando clashed with armed supporters of former Capt. Pierre Anga—a close friend and member of the Military Committee in power from 1977-79. Anga enlisted friends and family to barricade his house when government forces arrived to arrest him for his alleged role in the coup attempt. He managed to escape, but at least four persons died and six were wounded as the army put down the rebellion.

POLITICAL POINTERS

MAURITIUS

Prime Minister Anerood Jugnauth's ruling four-party Alliance coalition won a comfortable general election victory recently over Paul Bérenger's rival Union of Opposition grouping by capturing 49.5 percent of the vote and 46 of 70 seats in parliament. Jugnauth, who had been forced to call an early election because of a major drug scandal that had incapacitated the government, was able to retain the electorate's support largely on the strength of the island's economic record.

Bérenger's Mauritian Militant Movement (MMM) and two smaller parties were expected to fare much better, but were unable to take advantage of the government scandal implicating six MPs in drug trafficking. The opposition, which had also hoped to split the vote among the powerful Hindu community by appointing Prem Nababsing rather than Bérenger as the MMM's designated prime minister, provided few alternatives to the government on key economic issues, and as a result gained only 24 seats.

UGANDA

Three of the country's exiled opposition groups announced recently that they have formed a "united front" under one military command aiming to overthrow President Yoweri Museveni's government. Otema Allimadi, chairman of the Uganda People's Democratic Movement, signed the accord with William Omaria Lo-Arapia's United National Front and Samuel Lowero's faction of the Federal Democratic Movement, which withdrew from the government coalition.

That faction's decision to break with Museveni—alleging government violation of basic human rights—virtually ends the coalition of the ruling National Resistance Movement (NRM) and the various groups which were co-opted into the government shortly after Museveni came to power in January 1986. As a result, the NRM is left as the sole political and military force in Kampala to fight the growing number of armed opposition groups. Interior Minister Paul Ssemogerere's Democratic Party—the last remaining group in the coalition—has no military wing.

ETHIOPIA

Lt.-Col Mengistu Haile Mariam became the first president of the new People's Democratic Republic of Ethiopia recently, in a move expected to consolidate the grip of the military and Communist Party "old guard" in power. The constitutional changes, making Mengistu commander-in-chief of the armed forces and enabling him to appoint the cabinet and top members of the judiciary, marked the country's official shift from military to civilian rule—13 years after radical army officers overthrew Emperor Haile Selassie. About 100,000 people packed Addis Ababa's Revolution Square in mid-September to celebrate the declaration of the new republic.

Mengistu, who has ruled Ethiopia by decree since 1977 as chairman of the Provisional Military Administrative Council, was elected unopposed to a 5-year term as civilian head of state by the 835-member parliament known as the Shengo.

AFRICAN OUTLOOK

Mahdi swallows bitter pill to revive bankrupt economy

Prime Minister Sadiq al-Mahdi's government struck a deal with the International Monetary Fund (IMF) in early October which should pave the way for much-needed financing from Western creditor nations and help bolster Sudan's bankrupt economy. In announcing the breakthrough agreement, Finance Minister Beshir Omar said the government had agreed to boost commodity prices and devalue the Sudanese pound by 80 percent—one of the major sticking points in the long drawn-out negotiations with the IMF.

The austerity pact, however, is fraught with dangers for the Mahdi government, which has to contend with strong anti-IMF public sentiment in the country and an economy that is on the verge of collapse. Already faced with growing social unrest and dissent, the government long resisted IMF-inspired austerity measures—such as the removal of subsidies—that sparked the downfall of former President Gaafar al-Nimeiry. But announcements of food and fuel price hikes in early October rapidly led to violent clashes in Khartoum between police and rioting students who burned car tires, stoned vehicles, and set fire to municipal offices.

Adding to Khartoum's woes, Mahdi was subsequently unable to form a new government of national unity that could have resolved the deep-rooted political crisis that has plagued the country. In late August, the ruling coalition had collapsed after a dispute over the composition of the five-man Supreme Council. But the Sudanese leader revealed that differences between Sudan's political groups made it impossible to form a new government, forcing him to resurrect the outgoing coalition alliance between his Umma Party and Mohammed Osman al-Mirghani's Democratic Unionist Party.

Despite the political risks, the agreement with the IMF should provide the government with a little breathing space for an economy that has been battered by drought, civil war in the south, a massive refugee problem, and an overwhelming $12 billion external debt—including a $1 billion debt-servicing bill—which ranks number-one in Africa. Only recently, Omar had conceded that with a $7.5 billion gross national product, "it will be difficult, if not impossible" to pay off the more than $4 billion in interest and principal due over the next five years.

Following the signing of the IMF pact, Omar pointed out that Sudan would now be eligible for fresh loans, having devalued the pound from 2.5 to 4.5 to the dollar. In February 1986, the IMF had declared Sudan ineligible for new credits following the government's decision to suspend payments on the estimated $600 million in arrears owed the Fund.

The new exchange rate, which covers all government dealings and remittances of the 1 million Sudanese working abroad, is expected to undermine the country's flourishing black market which has attracted most of the expatriates' money away from legal banking channels. Because the Sudanese pound's official exchange rate was so overvalued—the black market rate was as high as 7 pounds to the dollar—remittances reaching Sudan through regular banking avenues had dropped from $30 million to only $6 million in little more than a year, placing additional strain on the country's floundering economy.

The government had already reached a "tentative agreement" with an IMF delegation in August on various economic reforms as a first step toward rescheduling Sudan's external debt and attracting new capital inflows, but had refused to budge on the controversial issue of devaluation. Instead, Omar said the government had offered to repay the Fund a "symbolic" $5 million in debt arrears while agreeing to demands to cut its $1.15 billion

Continued on page 10

Buyoya topples Bagaza as Burundi military vows to ease curbs on church

The bloodless coup led by Maj. Pierre Buyoya, which overthrew President Jean-Baptiste Bagaza's government in early September, was immediately welcomed by many Burundians as well as the country's influential Roman Catholic Church, but it is questionable whether the new military takeover will ease the plight of the Hutu ethnic majority that has been kept in political and economic subjugation by the ruling Tutsi minority.

Buyoya, who seized power while Bagaza was attending a Francophone summit in Canada, promptly suspended the constitution, announced the formation of a 31-member Military Committee for National Redemption, and dismissed all government ministers in what amounted to little more than a palace coup. Several of Buyoya's colleagues who had previously helped Bagaza overthrow Col. Michel Micombero in 1976 were named to the new ruling committee, including the government's number-two in command and new army chief, Col. Edmond Ndakazi. Bagaza, meanwhile, found refuge in Uganda where he was granted temporary asylum.

Buyoya—formerly chief of operations and training in the defense ministry, and central committee member of the ruling Union for National Progress since 1982—emphasized in his takeover speech that his

Continued on next page

BURUNDI. . . continued

reasons for the coup were almost identical to those that spurred his predecessor to topple Micombero. "We could, almost word for word, trace them in the declaration which 11 years ago justified the fall of the First Republic. These statements denounced the acquisition by one person of all party and state powers, the blocking of all institutions, the

Camerapix

Bagaza: Out in the cold

constant violation of the constitution. . . and an incoherent economic policy." Concluded Buyoya, "We are unfortunately forced to note that just a few years later, the regime of the Second Republic had fallen into the same errors."

According to the new leader, however, a key factor which encouraged the group of army officers to overthrow the government was Bagaza's clampdown on political dissent in the country and more specifically, repression of the Roman Catholic Church. As a result, one of Buyoya's first moves as head of state was to release several hundred political prisoners whom Bagaza had allegedly jailed "without justification and without trial," and to promise a more conciliatory policy toward the church by pledging to guarantee nationwide freedom of worship.

In recent years, the Catholic Church has come under fire for voicing its opposition to human rights violations and the stifling of basic freedoms. Since 1980, Bagaza's anti-clerical campaign forced

Coup ousts Pretoria's homeland puppet

For the first time since South Africa began establishing so-called "independent" black states within its borders 11 years ago, the armed forces stepped in to topple a civilian homeland government when Prime Minister Chief George Matanzima fled the Transkei in late September amid mounting evidence of widespread corruption and mismanagement. But more significantly, the turn of events in the Transkei has embarrassed the South African authorities—representing a damning indictment of its controversial homeland policy which is the centerpiece of the grand apartheid strategy to separate blacks into tribal areas and provide them with "independent" puppet governments.

The Transkei putsch has served to confirm suspicions that a wide range of apartheid-inspired institutions, from town councils in black townships to the governments of the four nominally sovereign states of Transkei, Bophuthatswana, Venda, and Ciskei, are rampant with corruption and nepotism. Pretoria's bantustan policy, which relies on handpicking pliant black leaders, has helped prop up a growing number of African collaborators lacking popular legitimacy who use the opportunity to plunder for their self-enrichment with few obligations to serve their community. Hence, despite the fact that President P.W. Botha's government has been injecting about $2 billion a year into the homelands, other than a few modern buildings, luxury housing for government leaders, and a handful of paved roads, the "independent" states are mired in abject poverty.

The coup came in the wake of a special commission of inquiry looking into the affairs of the Transkei Department of Works and Energy, which accused Chief Matanzima of having taken a $487,000 bribe from a South African construction company for the allocation of a $15 million government tender in 1985. The report of the commission also alleged that various Transkei officials may have lined their pockets with millions from kickbacks on housing contracts and the construction of a harbor that has yet to be built. The inquiry found that legally dubious directives issued mainly by the prime minister and his older brother—Transkei's former ruler, Paramount Chief Kaiser Matanzima—resulted in a total loss to the state of about $22 million since the homeland's "independence" in 1976.

Corruption charges levelled against the prime minister first surfaced in May this year when Chief Kaiser mounted a campaign to regain power from his brother, but Chief George retaliated by banishing him to his home district of Western Temboland. By the time Chief George was forced to flee, the family feud had reached an impasse, prompting Chief Kaiser to praise the army for the bloodless putsch against his brother whom he said "deserves a whipping on his bottom," adding, "I've done everything I could do for a beloved brother but nay, what a disappointment."

The commander of the Transkei Defense Force, Maj.-Gen. Bantu Holomisa, revealed that a letter demanding his resignation had been read to Chief George only hours prior to leaving the bantustan on "sick leave" in late September. Before the letter could be delivered, however, the prime minister was en route to Port Elizabeth for medical treatment. The next day, eight members of the cabinet—six ministers and two deputies—were reportedly forced to resign at gunpoint after soldiers surrounded their homes and presented them with resignation papers. They were placed under house arrest and a civilian caretaker government was installed. Two weeks later, the Minister of Posts and Telecommunications, Stella Sigcau, was elected the new prime minister of the Transkei.

more than 450 foreign priests to leave Burundi, while several other clergymen were thrown into detention for varying periods of time. The government also shut down the Catholic radio station and newspaper, prohibited religious gatherings without prior approval, abolished the church youth movement, and in June this year banned weekday Mass. In addition, Bagaza nationalized all Catholic primary and secondary schools and closed a network of church literacy groups which taught an estimated 300,000 children and adults in rural regions.

Because 65 percent of the population is Catholic, including the vast majority of Hutus, the Bagaza government was always deeply suspicious of the clergy's work to assist the Hutus in rural areas, and made clear that it considered the church as a vehicle for Hutu insurgency. With the Tutsis accounting for only 15 percent of the country's population of 5 million and the politically and economically subservient Hutus makng up the remaining 85 percent, authorities in Bujumbura have usually interpreted the church's attempts to improve education, health, and other social services as a sign of being pro-Hutu and of working to foster political discontent against the Tutsi minority.

Ever since gaining independence, Burundi has been plagued by factional strife. Ethnic conflict escalated to dramatic levels in 1972 when the Hutus killed several thousand Tutsis in an unsuccessful bid for power. Tutsi reprisals led to the massacre of about 150,000 Hutus—mainly from the educated elite—and left the minority ethnic group in firm political and economic control.

Although Bagaza pledged to heal the ethnic scars and promised to promote policies of national reconciliation when he seized power, the government introduced few reforms to counter the existing institutionalized discrimination against the Hutus. By the time Buyoya took over, three-quarters of the cabinet and National Assembly, about two-thirds of all university students, 13 of 15 provincial governors, all army officers, and 96 percent of enlisted soldiers and police were Tutsi. ■

SUDAN. . . continued

budget deficit, reduce expenditure, and reform state enterprises over a four-year period. In return, the IMF was reportedly persuaded to drop its demand for the removal of subsidies expected to cost the treasury $150 million for the present fiscal year.

But the visible disintegration of the economy, combined with the escalating war with the Sudan People's Liberation Army in the south—now costing the government about a third of the country's annual budget—ultimately forced Khartoum's hand. With most factories functioning at only 20 percent of capacity—or closing altogether because of spare part and foreign exchange shortages—businesses going bankrupt, and supplies of basic foodstuffs dwindling in stores, the Mahdi government was faced with little choice. ■

Harare puts muzzle on Zapu opposition

Prime Minister Robert Mugabe's new offensive against Joshua Nkomo's Zimbabwe African People's Union (Zapu), which stops just short of an outright ban, has dealt a serious blow to already floundering efforts to merge the country's two main political parties. The crackdown by Mugabe's ruling Zimbabwe African National Union (Zanu) follows a resurgence of rebel activity in the Zapu stronghold of Matabeleland since the breakdown of unity talks in April. Explained Home Affairs Minister Enos Nkala recently, "Zanu rules this country. Anyone who challenges that is a dissident and should be dealt with."

Nkala, a long-time critic of the minority party which has 14 seats in the 100-member National Assembly, has spearheaded the latest government attempt to muzzle the opposition by renewing his charge that "dissidents swim in the political structures of Zapu." In late September, he ordered Zapu to shut its offices throughout the country and imposed a ban on all party meetings because of its alleged links to the dissidents. Said Nkala, "Any Zapu party structure which tries to function will be met with utmost determination. We are treating Zapu as a hostile organization like Renamo in Mozambique which is inimical to good political order."

Nkomo flatly denied that Zapu had any contact with the dissidents and accused Nkala of carrying out a personal vendetta against him. "He's a political viper sucking my blood," said the Zapu leader, who added, "Zapu is not an enemy. The people don't understand it and I don't understand it."

But the government's policy toward the opposition hardened in early October when Mugabe came out in full support for the anti-Zapu campaign, announcing a "new initiative" designed to eliminate the dissidents operating in Matabeleland. He claimed that when police had closed Zapu's offices recently, they had uncovered "immense evidence" linking Zapu to the rebels, who have murdered more than 40 white farmers and government supporters since April. Nkomo, he said, was now trying to secure through dissident activity what he had lost through the ballot box. Mugabe added that Zapu offices would

Cameraphx

Mugabe: Meeting the dissidents head-on

remain shut until the police had finished their investigations.

Local Government Minister Enos Chikowore subsequently dissolved six opposition-run district councils in Matabeleland and sacked 104 councilors for allegedly having links to the dissidents. He also accused them of "unduly influencing council officials" and advising them not to cooperate with the government. Police then briefly detained several opposition leaders, including Zapu Secretary-General Welshman Mabhena and Bulawayo city councilor Nelson Sidanile.

It is not the first time that the Mugabe government has directed such an offensive against Zapu during the on-again, off-again talks for a merger, but having been unable to reach a final agreement on the unity pact, observers speculate that Zanu now simply wants to sufficiently soften up the opposition to force it to join on the ruling party's terms.

Last April, the unity talks appeared to be on the verge of success after 19 months of tortuous negotiations before being abruptly called off by Mugabe. The proposed merger apparently fell through over the failure to agree on the number of cabinet seats that Nkomo's party should be allocated, as several Zanu members reportedly balked, fearing a loss of their own jobs in the process.

Nonetheless, a series of secretive behind-the-scenes contacts were initiated by Zimbabwean President Canaan Banana, culminating in a meeting between Mugabe and Nkomo in early August. Reports again circulated of an imminent accord, but the Zanu central committee allegedly put new conditions on the negotiations. The merger would have produced a new Zanu party led by Mugabe, but with two vice-presidents including Nkomo. Places would also have been allocated to former Zapu members on an enlarged politburo and an expanded central committee, while the sensitive issue of cabinet portfolios had yet to be worked out.

The breakdown of the unity talks and Zanu's present anti-Zapu offensive, however, seem to point to a rerun of previous government campaigns to weaken the opposition before bringing Nkomo back to the negotiating table. As one observer put it, "After the mailed fist, we shall see the peace pipe." He added, "That strategy didn't work last time and it's hard to see why it should succeed in 1987." ■

A test case for Bourguiba government

When a Tunisian court handed down the death sentence for seven of 90 radical Islamic activists accused of plotting to overthrow President Habib Bourguiba's government, it brought to a close the country's most important mass trial of fundamentalists since independence. The late September verdict also produced a sigh of relief from Tunisians and Western allies who had feared that death sentences for all the defendants could spark an all-out confrontation with the Muslim opposition.

One week later, however, Bourguiba ignored appeals for a pardon and threats of reprisals against Tunisian leaders by allowing the execution of two fundamentalists—Mehrez Boudegga, who admitted making the bombs that injured a dozen tourists at resort hotels in August, and Boulbaba Dekhil, who threw acid in the face of a government official. The other five radicals condemned to death were among 37 persons tried in absentia.

Despite the death sentences and the conviction of 69 other militants to long prison terms—including Rachid Ghannouchi, leader of the outlawed Islamic Tendency Movement (MTI), who was sentenced to life imprisonment with forced labor—the court's verdict was a far cry from the demand for widespread executions favored by Bourguiba and several of his closest advisers. As one observer put it, "Apparently the government realized that it would be too dangerous to make Ghannouchi a martyr. To fundamentalists, prison does not make you into a martyr the way being executed does."

The trial marks the culmination of an unprecedented crackdown on Islamic militants who have come to pose the most serious challenge to the government since the bread riots in January 1984. According to the Tunisian Human Rights League, an estimated 1,800 fundamentalists have been arrested since March of this year, 1,400 of them sentenced to prison terms.

Islamic fundamentalism has flourished in recent years, fueled by rising unemployment and the government's growing unwillingness to accommodate any form of organized political dissent. Bourguiba's ruling Socialist Destour Party (PSD) has tightened its monopoly on power by clamping down on the legal opposition and dismantling Habib Achour's once-powerful General Union of Tunisian Workers (UGTT), leaving the MTI and other more radical fundamentalist groups to fill the political void.

Much of the highly publicized trial focused on the MTI's political strategy, as Ghannouchi denied the prosecution's charge that the organization had embarked on a course of violent confrontation to overthrow the authorities. Defendants acknowledged that although members of MTI had been involved in public disturbances and preached against the authorities in the mosques, they did not approve of violence, espousing peaceful means to change the government. They also denied any involvement in the series of hotel bombings in Sousse and Monastir for which the pro-Iranian Islamic Holy War had claimed responsibility.

Although authorities attempted to link the MTI with an Iranian plot to overthrow the government, the prosecution failed to build a convincing case. The majority of fundamentalists on trial were arrested in March, while those accused of the August bombings said in court that they had only admitted to MTI membership under police torture. Several others who initially acknowledged under interrogation to have taken part in the bombings were later found to have already been under arrest.

As a result, opposition parties and human rights organizations criticized the conduct of the trial and questioned its impartiality, not least for having Attorney General Hashemi Zemmal serve as court president with a judiciary panel made up of prosecution, military, and police officials. But Tunisian authorities dismissed suggestions of bias and asked for all 90 defendants to be sentenced to death.

LESOTHO

In a move designed to attract further South African capital to Lesotho, Maj.-Gen. Justin Lekhanya's government recently reached an agreement with Pretoria calling for the establishment of respective trade missions in Johannesburg and Maseru.

Following the signing of the pact, Lesotho said that the package deal was a means of making the landlocked country more competitive with other black African states by gaining a greater share of Pretoria's business. The Lekhanya government—which has developed close ties with the white regime since seizing power in January 1986—maintained that Lesotho has in the past "lagged behind other countries of the region that have trade offices in attracting a sufficient number of foreign investors, most of whom are based in Johannesburg."

ANGOLA

President José Eduardo dos Santos' government recently announced its intention to apply for membership in the International Monetary Fund (IMF) as part of a wider plan to win Western backing for the rescheduling of its $4 billion external debt and for $116 million in emergency aid to ease near famine conditions in urban centers. The move, which would make Angola the last sub-Saharan country to join the IMF, follows the government's decision to launch a major economic and financial restructuring program designed to encourage foreign investment and private enterprise.

Dos Santos said that Angola, now almost totally dependent upon its oil revenues and forced to spend $1 billion a year to fight the war against Unita rebels backed by South Africa and the U.S., had little choice but to initiate a profound reappraisal of its economic policies. He admitted, however, that "disorganization and bad management of state-run companies, lack of discipline, corruption, and slipshod protection of state property also contribute to Angola's difficult position."

LIBERIA

More than a year after President Samuel Doe's government announced that 11 major state-owned enterprises would be earmarked for the first privatization scheme in the country's history, initial steps were finally taken recently to take over a public company—the Liberia Petroleum Refinery Company. Liberian authorities chose the U.S.-based Link Oil International from among a group of some 20 companies to initiate moves for an "acceptable contract" to privatize the refinery.

The Doe government is expected to set up a committee composed of several ministers to close the deal with Link Oil, which is to acquire 70 percent of the joint venture. The U.S. firm has sent a team of investigators to examine ways of reactivating the refinery, and may invest some $10 million of its own during the first year.

BUSINESS BRIEFS

EGYPT

President Hosni Mubarak and visiting French Prime Minister Jacques Chirac inaugurated Africa's first subway system with a great deal of fanfare in late September, marking the completion of one of the continent's most ambitious development projects. A consortium of 17 French and two Egyptian construction companies spent six years building the Cairo Metro's 12 miles of tunnels and six stations which will transport 60,000 passengers each way every hour and help relieve the overcrowded capital's infamous traffic problems.

The Metro opening was delayed by nearly two years because of the massive difficulties French engineers encountered building a subway system in a city without detailed maps of underground water pipes, communications cables, and sewage lines. As a result, the Metro—which is a carbon copy of its counterpart in Paris on a reduced scale—cost nearly $660 million in French soft loans and an assortment of credits.

COTE d'IVOIRE

A dozen members of the Secondary School Teachers Union (SYNESCI) led by Secretary General Laurent Akoun were rounded up by security police in early September after having been ousted from the leadership by a pro-government faction. SYNESCI, one of the few non-government-backed unions in the country, has long been critical of President Houphouët-Boigny's educational policies. The union has frequently denounced the policy permitting only 5 percent of secondary school students to qualify for university entrance, and has regularly pushed for more funds and better facilities.

According to Akoun, government maneuvering enabled nonmembers to take over SYNESCI's annual congress. Fighting broke out between the opposing factions, leading Akoun to suspend the meeting. But a group of pro-government participants remained, and elected a more conciliatory executive. Eight government ministers attended the congress' closing ceremony and praised the new leadership for being "loyal and mature."

CAMEROON

President Paul Biya recently pushed through a far-reaching austerity program to reduce state expenditure by cutting the salaries of government workers by nearly a third. The new law is in line with the government's decision to slash the country's 1987-88 budget by 19 percent—a move which was presented to Cameroonians as "the last alternative" before turning to the International Monetary Fund.

With the oil boom apparently a thing of the past, and cocoa, coffee, and cotton prices tumbling, Yaoundé's export earnings last year fell by 50 percent. As a result, Biya has embarked on a campaign to streamline the bureaucracy—commonly referred to as "the war against Pajeros" in reference to the luxurious Japanese vehicle driven by many government officials—and ordered drastic cutbacks in a civil service well-known for abusing the system.

Interview with Babacar N'Diaye

President, African Development Bank

As the ADB prepares to celebrate a quarter-century of service to African development, President N'Diaye discusses the Bank's current lending priorities vis-à-vis the continent's economic crisis. In this *Africa Report* exclusive, he also outlines new approaches to Africa's debt problem, promotion of trade and the private sector, and the ADB's role in supporting structural adjustment efforts.

Economies

INTERVIEWED BY MARGARET A. NOVICKI

Africa Report: As the 1987 ADB/ECA Annual Economic Report indicated, Africa's economic prospects remain bleak, with collapsing commodity prices, heavy debt burdens, and declining commercial and concessional flows. Against this background, how successful has the African Development Bank been in achieving its goal of accelerating Africa's economic development and what are the Bank's current priorities vis-à-vis the economic crisis?

N'Diaye: To answer whether the African Development Bank has been successful in addressing these problems, I would say that the success has to be measured after some years. But we have taken all the problems in hand—debt, resource flows, environmental problems, women and development—in order to integrate all of them into a coherent program of action. We have also taken account of the African Priority Programme for Economic Recovery and the resolutions at the UN last year. Based on all these different elements, we have now laid down our own program of activities for 1987 to 1991.

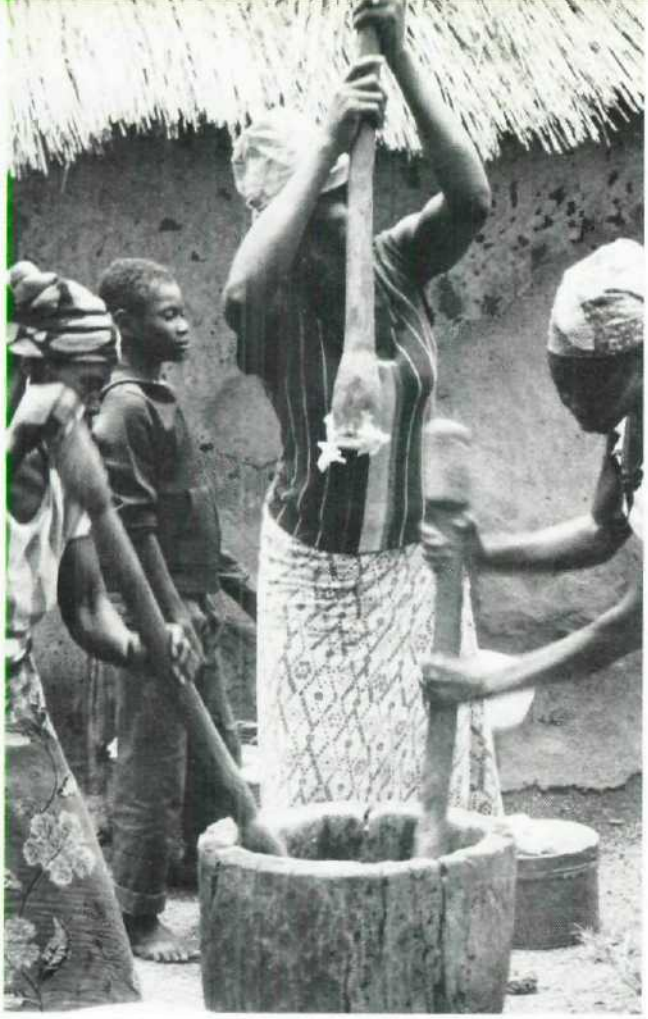
One of the main sectors we are most concerned about—as are all Africans and donors—is how to increase agricultural production. This is the main thrust of our current program. We also have a qualitative approach, for instance, in addressing the debt problem. We will not be injecting resources per se, in order to alleviate the debt problem, but will rather give thought and orientation as to how to support the debt burden of African countries. As an institution which finances development projects, we have recorded successes. In 1986, we financed more than $1.6 billion in investments—the main emphasis on agriculture and related infrastructure. That is a great landmark, if you consider what the Bank was at its beginning.

Margaret A. Novicki

"We need to have a clear understanding of our situation so that we can meet our partners in development—the North—with a clear agenda"

Africa Report: African countries have shown their determination to address their economic problems, as was evidenced at last year's UN Special Session and the program of action that came out of it. However, since the needed donor support has not been forthcoming, what prospects does Africa really have to succeed in its endeavors? As the only African-controlled multilateral lending institution, does the ADB have a special role to play?

N'Diaye: First, for Africa to achieve the economic recovery program, it is absolutely



Margaret A. Novicki

Women pounding grain, Zonaayili, Northern Ghana: Support for women and development remains a priority of the Bank

necessary that we have the support of the international community, and for the international community to change the trends in resource flows—to increase concessional flows and the participation of the private sector. We have to keep awakening the conscience and the awareness of the international community on this. One of the best ways of doing so is to undertake structural adjustment programs. There is no way we can correct the economic trends in our countries if we don't continue to implement courageous structural adjustment efforts.

About 25 African countries are now doing so. Some have even gone beyond what the World Bank, IMF, or any donor could have imagined to put their economies into order. But that effort has to be encouraged by the international community. They have to recognize that it's very hard for a poor country to keep tightening belts without any prospect of improving its condition. There is a moral and humanitarian obligation to help. But this should not be based on emotion, but rather on pure economic calculations. When the North realizes that the expansion of its industries and economies will depend a great deal on better economic conditions in the Third World, when policy-makers realize that there is interdependence in the economic development of the world, then they will come up with a better concept of aid and cooperation.

Does the ADB have a special role, you asked? Because we are an African institution, because we feel everything that is happening in Africa in our flesh and blood, we have a different sensitivity and we must try to come up with our own solutions to the problems. Our solution and our role is to provide direct financing of projects. And thanks to our capital increase, we have the capacity to mobilize resources and to play an intermediary role at a higher level. But we also have to play a catalytic role—to increase resource flows by calling for co-financing of some of our projects, by trying to get more interest from non-governmental organizations, bilateral sources, and others, to focus attention on Africa. Our role is not to sing the same song as others, only crying over our difficulties. We have to show that despite these difficulties, Africa has great potential. What are the success stories in Africa? We have some on which we can build. That is part of the role the ADB has to play.

Africa Report: What do you consider as some of Africa's success stories?

N'Diaye: That's a quite interesting point. Maybe the most striking success story is the African Development Bank! The ADB is essentially an African institution, backed by 50 African countries. Today we are recognized by international capital markets as one of the strongest, soundest financial institutions. We have received a triple A status. The last rating of our subordinated operation—our second tier instrument—has been rated the highest given to an instrument in the market by Standard and Poors, Moody, and Fitch.

A success story: At the beginning, we had a capital of about $250 million; today we are talking of almost $20 billion. A success story: In 1967, we financed only one project of $2.3 million; by the close of 1986, we had 963 projects, equivalent to $8.4 billion. Here is an institution set up by Africans, which remained in character, composition, and equity purely African until 1982. Because of the need to increase our resources in the continent, we opened up our Bank to the non-regionals in early 1983. And we are very happy to have this cooperation, because it has given us more leverage in the capital markets, in our modus operandi, and so forth.

Your readers may expect to hear which individual African countries are success stories. If we isolate countries from things that they cannot control, such as the drop in commodity prices for our main crops, there is no doubt that our host country [Côte d'Ivoire] is a success story. The same could be said for Cameroon or Kenya, Morocco and Malawi. We can go on and on to illustrate that, but what I'd like to say is that Africa should not be identified with famine or with mismanagement. We recognize that those things exist, but they are not the main characteristic of the entire continent. You can hardly charge some of these countries' current difficulties to bad management. They are rather due to exogenous factors. On the balance sheet, however, from independence to today, we have accrued more assets than would have been the case if these countries were really mismanaged.

Africa Report: Will the Bank's recent capital increase allow you to implement new lending strategies?

N'Diaye: The recent capital increase, which will take our equity from $6.9 billion to about $19.5 billion, will help us to finance, strictly from the African Development Bank resources, about $8 billion of project and non-project, structural adjustment loans over the next five years. It's important to

match this $8 billion against the ADB's total financing from its inception to 1986—$8.4 billion. In five years, only from the Bank itself, we will achieve about 90 percent of what our total financing was over 20 years. In addition, we are expecting a new replenishment of the African Development Fund—our soft window. We hope that donor countries will realize that the ADB group is considered by African countries as their institution—and that we have a particular role to play. If so, we hope they will come with a level of replenishment at least between $2.5 and $3 billion, which will enable us to finance at least $10 billion in projects over the next five years.

While we will remain basically a project-financing institution, about 20 or 25 percent of that package will be used for new activities, such as promotion of the private sector, development of intra-African trade, environmental projects, and women and development. We will also be financing structural adjustment and sectoral adjustment loans. So those are the new things we will cover by the capital increase.

Africa Report: What strategy would you like to see both on the part of the creditor community and on the part of African countries to address the continent's debt crisis?

N'Diaye: If you read the communiqué from the Venice summit, one could say there is no more that Africa could ask if what was said was to be applied. I salute those countries who had the initiative of tabling this kind of proposal, which recognizes that African countries are in tremendous difficulties and special treatment must be tailored for them—lengthening maturities, a grace period, increasing concessional resource flows, reducing interest rates, and converting some loans into grants.

The donor countries are sensitive to the African problem and are of good will to try to bring about an appropriate solution. But how do you translate all this into concrete terms? There they are slow at leaving the statement to come to its application. We need to take the spirit of this declaration and translate it into practical solutions. We at the ADB are in search of that kind of approach. We have developed some initiatives which we will discuss with donor countries, the main thrust of which is to provide mechanisms to save us from year-to-year rescheduling exercises, which take a lot of time from our ministers in negotiations. A good minister of finance is now a minister of renegotiation or refinancing!

The Paris Club solutions so far applied have not succeeded in solving Africa's debt problems. They are short-term, assuming that in a year, two, or three, recovery will come. But we have to address the problem on a longer-term, structural basis. No solution has been proposed thus far which takes into account the real ability of the country to pay. So far, figures are proposed which are intellectually acceptable for everybody, but which are not reflective of the real potential capabilities of the country. We are proposing something which may take account of that. Also, no solution so far has been addressed to the principal of the debt, but rather to the interest rate. We don't pretend that we have the panacea to the debt problem in Africa. But we do have a certain sensitivity as Africans.

If solutions are not found, will more countries go the way of Zaire, Côte d'Ivoire, and Zambia? My perception of those countries is that they have not said they will not pay. They are rather saying they *cannot* pay. I know that in at least two of those countries, the head of state has made it a religion that he must honor his commitments—not only at the national level, but also at the international level. But having said this, they are facing a concrete situation in which they don't have the means to pay. Will we have more countries like them not in a position to pay? There are potentially many more if we don't address this question properly. Alleviating debt is not enough. What is needed is to inject new funds to support growth and development. That is the key.

Africa Report: Should the ADB sponsor a conference of African countries and creditors on the debt issue?

N'Diaye: I have to be careful before I answer your question. I was going to say that I don't believe in conferences. When you mean business, you have to do it either on a bilateral basis or in a small group. And I mean business when I say we have a proposal we want to submit to negotiate on behalf of African countries which we believe would help solve the debt problem.

That type of proposal is not to be publicly discussed in a conference. What should be discussed in a conference is another type of diagnosis of the African situation given their international commitments. I make it my religion that I don't go along with debt cancellation as a demand from the borrower. If lenders want to do so, I will accept and be grateful to them. But I am with those head of states who say that they want to respect their international commitments. As a banker, I would like to work with them to develop solutions which will match their intentions.

I would like to see the international community as one banker facing its clients. Because through the years we have built a mutually beneficial relationship, when a time comes when one of us is in a particular condition, we should sit and talk. For me, this is one of the objectives of any international meeting—to see which of all these different initiatives that have been tabled to solve the debt problem is most suited to the African situation. By having that kind of exchange with people of good will around a table, we can certainly come up with a proper solution to the problem. But let's make a semantical distinction. An international conference doesn't mean

Agricultural implements factory, Tamale, Ghana: "Why not even develop industries which will substitute for imported equipment?"

Margaret A. Novicki

confrontation! We are talking of a conference for a dialogue, not for confrontation.

At our recent annual meeting in Cairo, we said that it is important at this point in time for the Africans themselves to meet and discuss their debt problems, because we have never done so. Latin America has several times. But we need that kind of forum to at least have a clear understanding of the advantages and drawbacks of the various proposals. Then, when we negotiate, individually or by group, we have something on which to build our arguments. The moment is opportune for that, given the collapse in commodity prices. Will it not be necessary to meet to discuss whether we should continue to develop some crops, or to diversify, or to see how to increase the value of our exports, or even to reorient our trade flows? This kind of meeting is not for the purpose of ganging up against the North. We need to have a clear understanding of our situation so that we can meet our partners in development—the North—with a clear agenda.

Africa Report: The U.S. has been one of the least forthcoming in devising new measures to address Africa's debt problem in particular and its economic development problems overall. The Baker Plan seems to be dead. What would you like to see come out of the U.S. with regard to these problems?

N'Diaye: The Baker Plan was quite an interesting initiative because it contained a call for commercial banks to resume their activities in developing countries. The Baker Plan was based on export-led growth, and fundamentally the spirit is still there. But Africa was marginalized in the Baker Plan. Apart from Morocco, Côte d'Ivoire, and Nigeria, because an important portion of their debt is commercial, we were not part of the Baker Plan.

Let's be realistic. The debt problem will not be solved by increasing debt. So let's look at more concessional flows. The U.S. is very creative in devising solutions and there are many people who are genuinely concerned about African problems. But the difficulty is the political machinery. The U.S. Treasury has a solution and the State Department has another. Congress will have another, and so forth. One is cancelling another.

I would simply like to make a plea in this connection. It has been said—and we are convinced—that the debt problem must be solved on a case-by-case basis. Fair enough. But a case-by-case basis also means that the U.S. case is different from the case of Africa, as the case of Africa is quite different from Latin America and from Asia. So if people of good will are determined to help Africa, they should base their political arguments on a case-by-case basis: Africa is a specific case, and let's discuss it on its merits, disassociated from the others. Our case should not be confused with any other.

Africa Report: The strategy recommended for African economic development is export-led growth, but at the same time Africa is suffering from falling commodity prices. Therefore is this the appropriate strategy for Africa? Ghana, for example, will be spending roughly 67 percent of its export revenues in servicing its debt over the next year or so.

N'Diaye: These are very important questions. To pay our debts, we need to export. But unfortunately, our exports are confronted with protectionism in the outside markets, and where there is no protectionism, we are confronted with the drop in the price of our exportable commodities. This is a zero-sum game. The mistake is to center all our growth around exports. Growth should be two-way—to expand our markets and trade relationships on a horizontal basis with other African countries or on a South-South basis, and to grow internally in order to reduce non-essential imports. Why not even develop industries which will substitute for imported equipment—like production of small tools for agriculture? That kind of growth is most necessary. It will also help to reduce the budget deficit and promote adjustment with a human face—building schools, health facilities, and socio-economic infrastructure. It's wrong to place more emphasis on exports than on internal generation of growth.

Internal growth will reduce the necessity of borrowing and dependence on external finance. African countries will still need external resources for things we have to import from abroad and to service our debt. But the approach should be: What type of goods we can develop to fit that purpose? Once we have achieved internal growth, then even using 65 percent of our exports to service the debt will not be economically wrong because I will earmark my exports only for that purpose—to import the things my economy is not generating. But today, a proportion of anything above 10-20 percent or up to 65 percent seems a calamity. Yes, because all our potential to develop is geared to export and if that is taken by debt service, we cannot survive.

That's why it is necessary to have structural adjustment. For me, structural adjustment means changing the structure of our economies, changing the trends of our trade. Structural adjustment means being selective on what to develop as import substitutes, what to import because it's necessary, and what potential there is for export.

Africa Report: The ADB is increasing structural adjustment lending, traditionally the domain of the IMF and World Bank. Does the ADB plan to conduct the same policy dialogues with African countries as the Bank and Fund, and utilize conditionality in providing these loans? Will you cooperate more with the World Bank in policy reform areas?

N'Diaye: If I were to give you a political answer to your questions, I would say: Watch it! We should not work too closely with the IMF and World Bank! But it is completely wrong to take these institutions as scapegoats. I don't see the World Bank imposing programs on any country. The program is negotiated. In my country, Senegal, the program was initiated by Senegalese, submitted, discussed, and refined, and then the program was agreed upon and ready for implementation.

A structural adjustment package necessarily contains conditionalities. If you don't fulfill A or B, the program is likely to fail. So, we agree that you will undertake to do this or that. If you don't, we will not pay. I am not trying to find excuses for the IMF or World Bank. But there is an over-reaction to these programs as if they were unilateral contracts imposed upon countries. Take Nigeria. The program was fully discussed at the national level. Nigerians decided on some things on their own which went beyond the IMF package. And to show that it was not an IMF package, they didn't take an IMF loan. Like

Nigeria, the program should be first the program of each country. Otherwise, there is little chance for it to succeed.

To come back to your question whether we are working hand-in-hand with the World Bank in some countries, yes, we get involved in structural adjustment after an invitation received by the country concerned to participate in a program with the World Bank. We have about 10 co-financing arrangements today. All of those have been initiated by the country, calling on us to supplement the World Bank package. So we are associated in the implementation of the conditionalities which have been agreed upon.

Sometimes we have been called upon at the initiation of the program because we are Africans first before being bankers. We analyze every proposal and give our advice. That's the way we produce a dialogue. We also send to the African countries what we consider makes sense from the perspective of the World Bank. In most of the structural adjustment loans we have co-financed with the World Bank, the conditionalities have not been developed independently by ADB. But we have influenced some of the conditionalities during the negotiations. But nobody should be afraid of the word "conditionality," because the day we come with our own program, conditions will have to be attached to its implementation!

Africa Report: Yet there is often criticism that the conditionalities tend to be "one size fits all," the same prescriptions applied in every country regardless of its situation. It is not so much that African governments want no conditions, but that the conditions be appropriate on a case-by-case basis.

N'Diaye: Definitely, we are not necessarily saying that the conditionalities are proper, but that there is no structural adjustment package without conditionalities. Discussing each in its merit should occur in the process of negotiation. It's not appropriate to apply the same prescriptions all over. It doesn't make sense. For instance, let's take privatization. In many countries today, we feel there should be less government stake in the economy. But it's not the view of the ADB that there should be no public entities. No serious economist would suggest that in developing countries public entities should be banished. It's only when economies have reached a certain degree of development that some public entities may be considered for privatization. Why did it take so many centuries for British telecommunications to be privatized? But how can we privatize in countries with no entrepreneurs? In a country where per capita income is so low that there are no savings to invest? How can we say privatization or the private sector is the key?

We do recognize that the private sector has a tremendous role to play in Africa and we are committed to creating an enabling environment where it is possible and where it makes sense. We are in favor of looking at what sectors and entities can be privatized, how to reduce government expansion so that the state does not live beyond its means, how to improve rural development and give incentives to small-scale agricultural producers. In Africa, policies should not be determined by political dogmatism, but by pragmatism, what is meaningful for the country. But we have to take a case-by-case approach, exactly as you said.

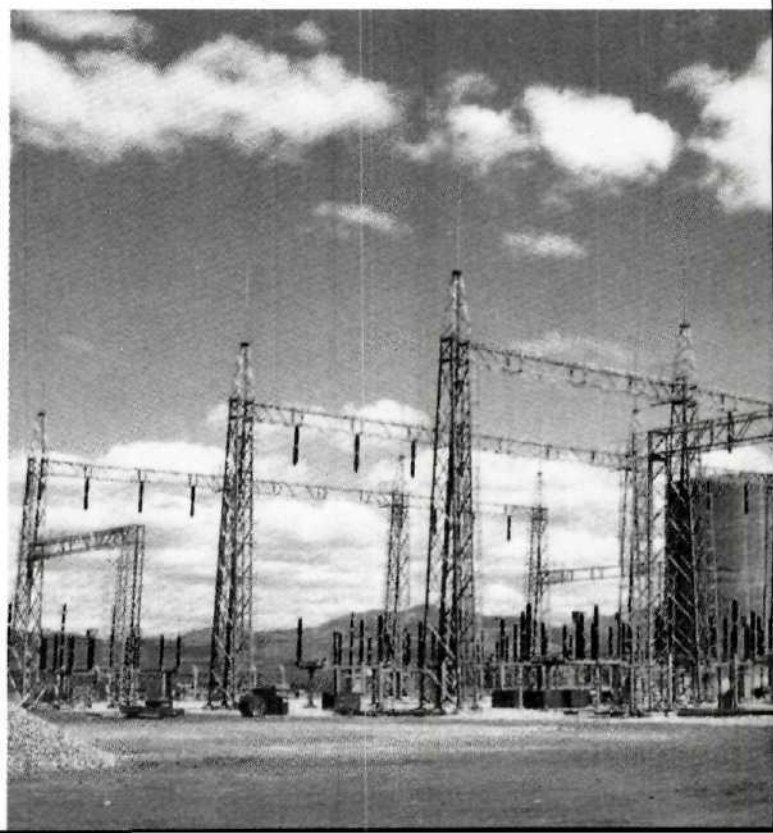
Africa Report: What specific projects does the ADB have planned to encourage both the domestic and foreign private sectors? Given that it will be difficult to find either domestic or foreign investors to buy off some of these parastatals, is privatization really the answer at this stage of Africa's development? Further, if I was in government, I'd want to keep the profitable ones and sell the losers!

N'Diaye: If I were a policy-maker in a developed country and I believed that the private sector is the answer for developing countries—recognizing that we don't have entrepreneurs or people with savings—I would want to develop mechanisms to train and finance these people. In some countries, even if we don't have entrepreneurs in the modern sense, we have a lot of people with entrepreneurial minds. They have ideas for projects—all they need is support and financing to make that project materialize.

Why, if we really believe in what we are preaching, shouldn't we put the means at their disposal? Here the ADB is ready to work as an intermediary. We have the African Project Development Facility to identify people and small projects. Five or 10 projects are identified in a given country, and we extend a line of credit to a development or commercial bank to take care of them. But this is in the form of loans. Let's find a different mechanism of extending an equity line of participation to those entrepreneurs to support them in their investment schemes.

People that are convinced that the private sector is important for our continent should help to promote it, in developing joint ventures and identifying investors. Again, the private sector should not be considered *the* solution. I think we need a mix of public and private. We have seen the drawbacks of too much emphasis on the public. For Africa historically, maybe there was no other way. But now that it has become a burden on our budget, we see that corrections have to be made.

We are developing a procedure to directly finance the pri-

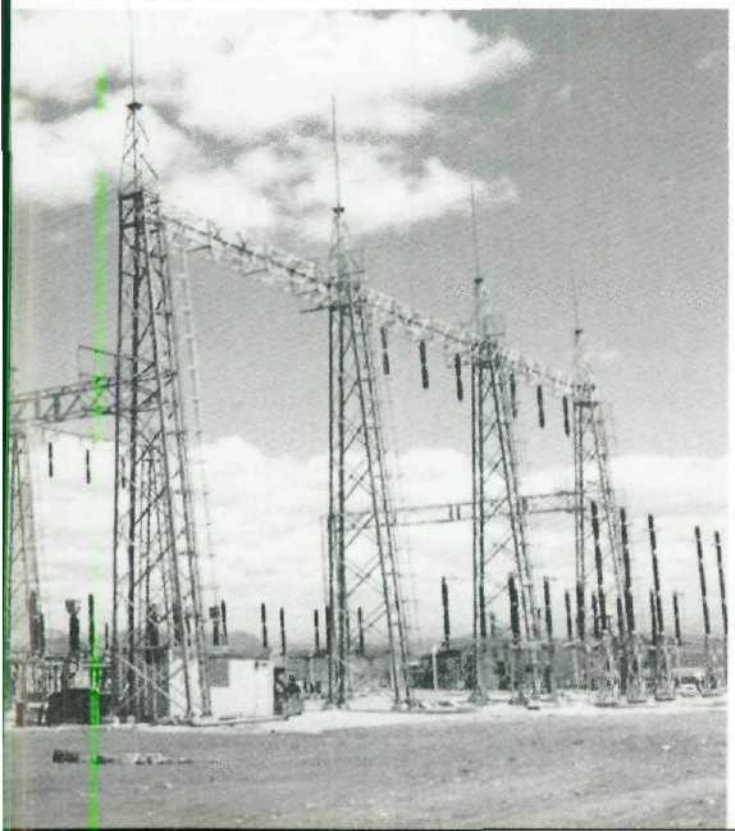


Kiambere hydroelectric project, Kenya: "We will remain basically a project-financing institution"

vate sector. But in the meantime, we finance the private sector by extending lines of credit to national development banks with a clear indication that they will be used to finance private entities. This intermediary role of the national entities is necessary because most of the projects for private people are small in dimension. $1 million is 300 million in CFA terms, a big investment for small entrepreneurs. For the ADB to finance a project of $1 million may take more time than financing a project of $10 or $15 million. So we pass the $10 or $15 million to a national entity which is closer to the individuals to make the final allocation. But in parallel, we are trying to find ways and means to directly fund the private sector on a larger scale.

Africa Report: Could you comment on recent reports that the ADB's non-regional members, in particular the U.S., have attempted to gain an inordinate share of influence in the Bank, and that some frictions have resulted between the non-regional and regional members?

N'Diaye: I would not like to over-emphasize this point. There was some deviation from the main objective of the association, an attempt to have more control over the institution than is necessary, outside the spirit of the association. But the relationship between the regionals and non-regionals is like a newly married couple: There is an assessment of influence until the relationship is stabilized. You gain a little, I gain a little. I adjust, you adjust. That is in the nature of every association. It's not because the "woman" is physically weak that she may not be in command of the house! This kind of friction was due to the fact that it was a new marriage and we had to live with it for a while in order to see who is who and how firm we are in our character, how inflexible or flexible. As of today, if the problem is not completely over, it has to be minimized. The non-regional governors made a call that we should see the Bank as one, not as a Bank of regionals and non-regionals. We are all here to help the African countries. Africa should be the main beneficiary. I would like to talk in that spirit, rather than about confrontation or conflicts.



African Development Bank

Africa Report: The Bank will be celebrating its 25th anniversary in two years. What do you hope will have been its major accomplishments in the 25 years and what vision do you have for its future?

N'Diaye: The major accomplishment is for the Bank to have existed! This bank was a dream of one of the great African leaders, a visionary, Dr. Kwame Nkrumah. He had several dreams and this one has come true. It was an instrument of African independence set up at a time when nobody thought that Africans—though serious on political grounds—could set up a financial institution, resist political influence, and manage it into a sound bankable prospect. And today, this bank is a reality. And the bank existed from 1964 to 1983 as a purely African institution, by its management and by its capital. It has been recognized and accepted in international organizations and capital markets as a success story. Then it was consolidated with non-regional participation.

To have existed for all these years is an achievement which must be attributed to its founding father—Dr. Kwame Nkrumah—and to all those who in 1963 planned for it. And also to my predecessors and the staff of the Bank—they have all contributed in making the ADB what it is today.

In terms of statistics, from $250 million in capital, we are now talking of $20 billion capitalization, just of the Bank. If you add the African Development Fund, which has a capitalization of about $4 billion, and the Nigeria Trust Fund at $200-$300 million, we will be comparing the $250 million in 1963 to not very far from $25 billion. That again is something important. We have financed about $8.4 billion in contributions to African economic development. That also is an achievement. To that, we will be adding something like $10 billion for the next five years.

As for the future: In Cairo we submitted an idea to the ADB governors to make the silver jubilee in 1989, the 25th anniversary, an occasion to assess the performance of the Bank over the past 25 years compared against its objectives, taking into account Africa's changing environment. Then we would like to project the institution's future to the year 2000. I would not like to anticipate what will be our perspective at the 25th anniversary. But a key word definitely is that we would like to be a responsive institution—responsive to Africa's needs and to the challenges it is facing. We need to be efficient as an instrument of development in Africa. We should be the center of knowledge where people who are concerned with Africa's problems can find a point of reference. We should be able to take the lead in the financing of Africa's economies.

With that in mind, we will call on a group of experts to reflect on our past experiences and our future options, and we think they will come out with something very, very positive and instrumental for Africa to the year 2000. We have in mind a group of nine people. Why is nine the magical number? Because at the inception of the Bank, we had nine finance ministers or governors of central banks to whom we entrusted the task of implementing Nkrumah's idea. So we would like to again take nine people, but this time from outside the Bank—six Africans and three non-Africans, reflecting the ADB's two-thirds and one-third ownership—to give us a blueprint for the Bank to the year 2000. □

A Year After the Special Session

The majority of African governments have introduced difficult economic reforms—imposing further hardship on their people—since last year's UN special session. However, international support for their efforts has clearly been inadequate, says the head of the Economic Commission for Africa, putting the future of economic restructuring in doubt.

BY ADEBAYO ADEDEJI

Today, there is no need to dwell on a lengthy description of the severity of Africa's economic crisis, nor of the genesis of that crisis. The facts are well known. However, one point needs to be stressed immediately: Notwithstanding the root causes of the crisis as manifested in pervasive low levels of productivity and the lack of structural transformation of the African economies, the adverse external environment and exogenous constraints have sharply aggravated the crisis and will continue to threaten any chances for recovery and development on the continent—no matter how hard Africa works to put its own house in order.

Within the framework of the UN Programme of Action for African Economic Recovery and Development (UNPAAERD), the African countries reaffirmed their primary responsibility for the development of their continent, committing themselves to undertake structural adjustment and reform of their economies, while the international community committed itself to making every effort to provide sufficient resources and improve the external environment to support and supplement the African development effort.

The international community also recognized that "the continued improvement of the external environment and a strong economic adjustment effort may not be sufficient to allow many African states to service their debt while establishing the basis for sustainable growth." In these cases, it indicated its determination "to assist African countries in their efforts to deal with their financial constraints."

More than a year and a half has passed since the UN Special Session on Africa. Given that the UN program is a five-year plan, it is appropriate to undertake a preliminary assessment of the response of both the African governments and the international community, particularly Africa's traditional donors, the OECD member-states.

The African Response

A year after the adoption of the UNPAAERD, the majority of African countries have embarked on far-reaching macroeconomic reforms—exchange rate adjustments, ceilings on budgetary deficits, and reductions of subsidies. Serious measures have also been adopted to improve the management of the economy.

Economies

Of even greater significance are measures to rehabilitate and revitalize the agricultural sector. In many countries, the levels of investment in the agricultural sector are approaching the target ratio recommended in Africa's Priority Programme for Economic Recovery (APPER): 20-25 percent of public investment. Steps to adjust agricultural producer prices and reduce subsidies on food and agricultural inputs have also been taken. Many countries have introduced institutional reforms to enhance the efficiency and cost-effectiveness of the state agricultural agencies, especially marketing monopolies.

Through the Economic Commission for Africa (ECA) annual *Survey of Economic and Social Conditions in Africa 1985/86* and the *ECA/ADB Annual Economic Report, 1987*, the picture which has emerged is the transition of the continent's economic performance from the uniformly disastrous situation of the past years to one that is distinctly though marginally better.

Unlike in the past, when there was hardly a redeeming feature in Africa's economic firmament, many African countries achieved positive growth rates and a significant improvement in food production in 1986. Africa had record harvests. For the first time in more than a decade and a half, agricultural output grew by more than 3 percent and for the first time also, the problem was how to dispose of exceptional food surpluses internally.

This, however, is not to suggest that Africa's overall food deficit situation has disappeared. While a few countries are approaching the food self-sufficiency ratio, deficits still persist in the continent as a whole. Indeed, many African countries—particularly those which still have pockets of drought, a large refugee population, and/or are suffering from

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civil strife—will need increased food aid in 1987 in order to meet their structural food deficits.

While the standard of living of Africans as a whole did not improve in 1986, as total regional output grew by only 1.3 percent in 1986 against a population growth rate of nearly 3 percent, while Africa's major economies—many of which are also oil-producing and oil and/or mineral exporting countries—experienced negative growth rates, and while therefore it will be premature to conclude that Africa is now out of the economic doldrums, one can nevertheless conclude that the Africans and their leaders have accepted and are rising to the challenge. They are determined to take the path of honor and integrity to will the recovery of their economies.

Indeed, the ECA's *Preliminary Survey on the Implementation of Africa's Priority Programme for Economic Recovery, 1986-1990 and the United Nation's Programme of Action for African Economic Recovery and Development, 1986-1990* gives credence to this emerging trend. The *Survey* is the result of a comprehensive questionnaire administered by the ECA to all member-states in its effort to monitor implementation.

The questionnaire, designed in five parts, focused on: general issues related to the implementation of APPER and UN-PAAERD; immediate measures to enable African countries to cope with future emergencies and catastrophes; short-term measures to assist in Africa's economic recovery and development; financial resource mobilization; and modalities and mechanisms for implementing and monitoring both programs.

The questionnaire closely followed the structure of both APPER and UN-PAAERD in another respect. It was designed to obtain information on the main priority areas: food and agriculture; other sectors in support of agriculture; drought and desertification; human resource development, planning, and utilization; policy reforms; and refugees and displaced persons.

The response to the questionnaire—both in terms of the number of countries and in their geo-political spread as well as the facts and information provided—has been quite encouraging. Presently, 38 of a total ECA membership of 50 have completed and returned the questionnaire. Twenty-two of the responding countries are least developed countries and all seven economic and ecological zones into which the ECA has divided Africa—Indian Ocean countries, East Africa, southern Africa, Central Africa, Sahel, non-Sahelian West Africa, and North Africa—are well represented in the responses. This is why we are confident that the overall picture typifies the trend which is discernible throughout the continent today.

And what is this overall picture like? Written large on the canvas are determination, commitment, and sacrifice. Country after country has introduced policy reforms and undertaken structural adjustment programs which have imposed more sacrifice on their people and which have had dire political consequences. The overall picture therefore is of African leadership, as one after another, their governments and people rise to the challenge posed by APPER and UN-PAAERD.

The ECA *Survey* indicates that 97 percent of those countries which have responded have adopted the same priorities as APPER and UN-PAAERD and that many countries have adopted stabilization programs (43 percent), structural adjustment programs (70 percent), or overall economic rehabilitation programs (17 percent).

Structural adjustment programs have been in existence in some countries for a number of years and their impact is being increasingly felt. As far as immediate measures are concerned, 50 percent have created or maintained national emergency preparedness mechanisms; 17 percent are instituting effective early-warning systems, and 50 percent have established national food security systems, while 87 percent have adopted price incentives for agricultural products.

On short and medium-term measures, 80 percent of the countries indicated that they had raised substantially the level of investment; 13 percent have plans to do so by 1990. Seventy-three percent had already established or strengthened agricultural credit institutions, while 47 percent had already taken measures to provide incentives to

Betty Press

Adebayo Adedeji: "A transition of the continent's economic performance from uniformly disastrous to one that is distinctly though marginally better"

encourage rural savings. Interestingly, the responses also reveal encouraging developments in the field of mechanization of agriculture (67 percent); development, dissemination, and encouragement of modern inputs and methods (87 percent); improving and expanding storage capacity (70 percent); and strengthening or creation of a network of agronomical research stations (73 percent).

The responses to the ECA *Survey* also show positive development in the domain of the management of the economy, in encouraging the private sector, in establishing a national population policy, and in measures to mobilize domestic resources to liberalize investment codes. Substantial information has also been made available through responses to the questionnaire on the modalities and mechanisms which have been put in place at the national level for the monitoring of the implementation of APPER and UN-PAAERD.

The *Survey* has thus made a wealth of data and information available to the international community. The current survey is a baseline one and the ECA intends to update it regularly and to extend its coverage and depth as part of its monitoring function. It is the first document of its kind—providing comprehensive information about events at the national level—that will be available since UN-PAAERD was adopted on June 1, 1986 and indeed, since APPER itself was adopted in July 1985.

From all the available information and data, there is no doubt that the picture is of an Africa that is matching its rhetoric with deeds and its promises with performance.

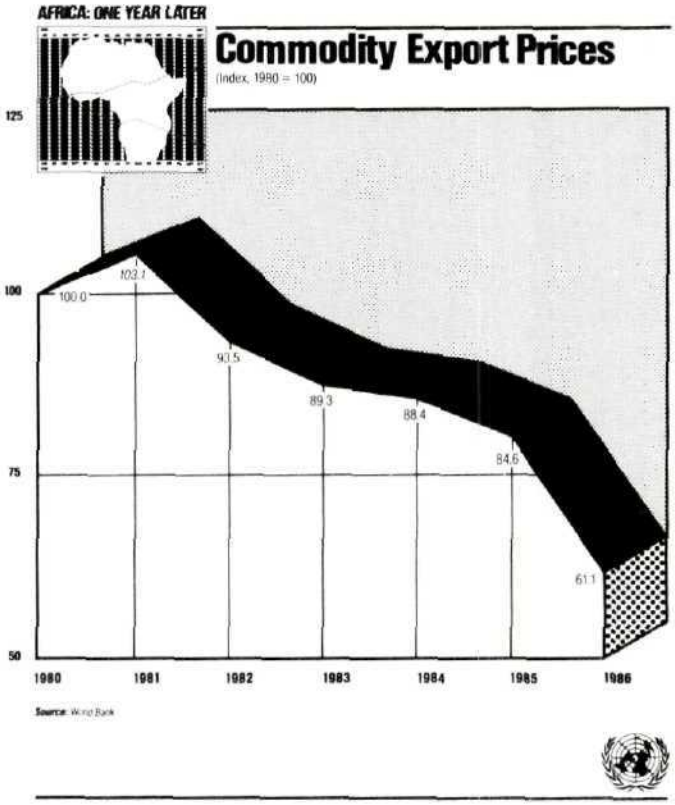
The International Community's Response

In the face of these appreciable efforts, what has been the response of the international community? Unfortunately, it has been rather disappointing. Rather than improving, the international economic environment in which Africa has had to pursue its economic recovery and development since the adoption of UN-PAAERD has become even more hostile. These are some of the more serious developments that have occurred since 1986:

- Commodity prices collapsed in 1986 to their lowest levels since the early 1950s and Africa's total export earnings crashed by about 29 percent, causing export earnings to fall from $64 billion in 1985 to $45 billion in 1986. Indeed, African commodity problems remained totally unaddressed.
- Africa's external debt burden and debt-servicing obligations reached disastrous levels, becoming unmanageable for the majority of countries. Africa's total debt from all sources reached $200 billion in 1986. The total outstanding debt as a percentage of GDP amounted to 54 percent and as a percentage of exports of goods, averaged 44 percent.

The ratio of scheduled debt service to exports reached an average of about 40 percent. For 22 low-income, debt-distressed countries in sub-Saharan Africa, this ratio averaged 55 percent and in many cases exceeded 100 percent. In fact, debt service payments became so unmanageable that countries such as Sudan, Zaire, and Côte d'Ivoire stopped payments altogether.

A disturbing new feature of the multilateral debt is that there is now a net outflow of resources from Africa to the IMF. Overall net IMF purchases by African countries became negative in 1986, as repurchases exceeded purchases by SDR 348 million. When interest charges are included, the net outflow becomes about 50 percent higher between 1986 and February 1987. On a net basis, African countries transferred three and a half times as much money to the Fund as they received. In 1986, the net outflow of resources to the Fund amounted to over $960 million (net purchases plus interest charges).



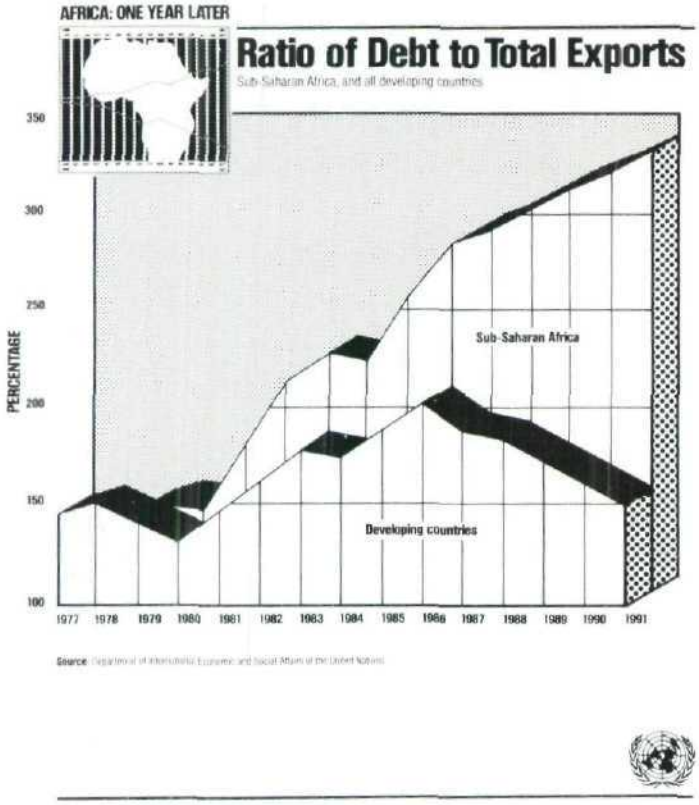
Some debt relief measures have been offered by bilateral creditors, including the selective cancellation of debt and the rescheduling of official debt through the Paris Club on more generous terms. The application of longer grace and maturity periods and of lower interest rates to the existing debts of African countries that are undertaking adjustment was endorsed by the 13th summit meeting of the seven Western industrialized market economies. Welcome as they are, these initiatives fail to deal with the debt problem in an adequate and fundamental manner.

- Although some measures have been taken to increase the flow of multilateral financial resources to Africa, overall resource flows fall far short of African requirements. At a time when the African economies were drained of resources to the tune of $33 billion in 1986 as a result of the fall in export earnings and debt-servicing obligations, total resource flows to Africa were a mere $18 billion. This figure itself represents a significant decrease in real terms, from the 1985 level of $16 billion.

Taking into account that, based on 1985 price levels, the external financial requirements of the African recovery and development programs are estimated at $9.1 billion annually during 1986-1990, while the debt-servicing requirements are estimated at $14.6 billion annually, resource flows to Africa currently account for only about half of the requirements needed from external sources to support recovery and development on the continent.

The consequences of declining export earnings, increasing debt service obligations, and diminishing external capital inflows will continue to have devastating effects on recovery and development in Africa and on the social and political stability of many countries of the region.

Any concerted approach to solving the debt and commodity problems and to providing adequate resource flows to



Africa must be sought within the context of recovery and development. Such an approach must take into account the interrelationships between the debt problem, export earnings, and resource flows.

Future Action

As I mentioned at the 13th meeting of the ECA Conference of Ministers and 22nd session of the Commission in April and at the "International Conference on Africa: The Challenge of Economic Recovery and Accelerated Development," in Abuja, Nigeria, in June, I am convinced that the international community must immediately assemble and implement a package of well-coordinated measures, within the framework of their commitment to UN-PAAERD, which should be meaningful enough to effectively deal with the debt, commodity prices, and resource flows constraints.

Such a package must include the following:

- Imaginative measures to deal with the debt and debt-servicing problems which should include conversion of ODA debt into grants; substantial reduction and capping of interest rates for commercial debts; and consolidation of these debts and the debt service payments due thereon over long-term loans, repayable over 30-40 years on concessional terms and a 10-year grace period.

Indeed, the resultant debt-servicing requirements must be fully compatible with the *actual* paying capacity of African countries, after fully taking into account the growth and development requirements. In this regard, a multi-faceted package offering debt relief measures involving the different categories of debt and the different creditors will need to be worked out on an urgent basis.

- Ensuring the flow of net concessional resources at a level adequate to cover the obligations of African countries as well as the requirements for growth.
- Support and stabilization of earnings for commodities that are of primary interest to Africa at reasonably remunerative levels, and in particular, expanded donor participation in STABEX schemes to include other OECD donor countries.
- Measures to ensure that both the IMF and World Bank can reschedule on a long-term basis the repayment of the debt and debt-servicing obligations owed to them by African countries.

These are the main elements of a minimum package that needs to be put high on the international agenda and implemented without fail or delay—if the recovery process is to generate its own momentum and the threatening slide to despair is to be arrested and reversed.

Undoubtedly, there is a great sense of disappointment and a growing feeling of betrayal because of the international community's poor response. These sentiments were expressed very strongly at the 13th meeting of the ECA Conference of Ministers, in the Abuja Statement, and the Declaration of the 23rd Assembly of Heads of State and Government of the OAU on Africa's External Indebtedness adopted in July.

In the OAU declaration—after expressing "deep concern about the lack of adequate response from the international community, particularly [Africa's] major creditors, to [the] call for effective solution to the debt problem as a necessary prerequisite for launching national programs for economic recovery and development," the heads of state decided to convene a special session of the Assembly of Heads of State and Government in December to formulate a common African position on the debt issue.

Although a few initiatives and proposals have been made by the international community, these are mere palliatives given the gravity of the situation. It is high time that they are strengthened, coordinated, and articulated into a set of actions that could be collectively and effectively implemented by the international community to sustain Africa's faltering steps toward recovery.

Unless this is done and done urgently, the mid-term review and appraisal of UN-PAAERD slated for the 43rd session of the United Nations General Assembly in 1988 will at best be an empty exercise and at worst an occasion for accusations and counter-accusations with the potential of leading to hostility. □

BY GORAN HYDEN

Debt: The Development Trap

Donors must share responsibility for Africa's current debt crisis and the threat it poses to the development process. Rather than simply injecting new resources, a new approach is required, providing incentives for domestic growth and building on the continent's considerable strengths.

For quite some time, African governments have been trying to restructure their economies along lines recommended—and in many cases imposed—by the International Monetary Fund and the World Bank. The outcome of these efforts has been at best mixed, and influential groups in the international community argue that this is because African governments aren't doing enough structural adjustment.

Far more seldom, the question is asked whether the international community is doing enough to facilitate a reversal of the economic decline experienced throughout Africa in the 1980s. The world must face up to the fact that countries with such undifferentiated economic bases and such an extensive reliance on external factors cannot be expected to reverse a downward economic trend on their own, particularly with a heavy debt burden hanging around their necks.

That burden has become so unwieldy for individual governments in Africa that it has blurred the prospect of development. Thus, it is understandable that a growing number of African leaders are asking themselves whether development is feasible as long as the debt issue has not been resolved.

Too Big, Too Small

Estimates of African indebtedness vary. World Bank figures, for instance, tend to include only long-term official debt, in 1984 estimated at $78 billion, an almost seven-fold rise since 1972. Debt service on that portion of sub-Saharan Africa's external debt was 21.5 percent of export earnings in 1984 (as compared to 9.6 percent in 1972). The Organization of African Unity put the total debt figure at $158 billion at the end of 1984—twice as high—with a debt service ratio of 27 percent of export earnings in early 1985.

These discrepancies are caused by two factors. The first is that the OAU includes in its estimates not only sub-Saharan Africa but all its members which include North African countries as well. The second is that the OAU estimates also include short-term and non-official debts, including trade arrears. One independent source suggests that if these are added, the debt burden of the 42 sub-Saharan countries would be in the range of $130-135 billion, with an average debt service amounting to 35 percent. This higher debt service level is usually overlooked because recorded debt service ratios only include payments actually made.

The grim fact is that even with reschedulings of their debt, most African countries are unable to meet all their repayment obligations. Even the limited commitments that are being met by African governments cause considerable balance of payments difficulties and represent a serious drain on Africa's meager foreign exchange resources. Without underestimating the foreign debt burden of Latin American countries, theirs seems to be more manageable, if for no other reason than that their economies are diversified.

Moreover, the Latin American countries are important markets for North American and Western European products. As a result, their governments are not without bargaining chips in any negotiations with international creditors. The double tragedy for African countries is that not only is their foreign debt

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overwhelming relative to their domestic economic capacity, but it is also too small to really give them any bargaining strength in the international arena.

Shared Responsibility

In this situation, it is not surprising that international creditors tend to ignore the African voices and insist on the virtue of their own approaches. They tend to forget that they are as responsible for Africa's debt crisis as the African governments themselves.

This crisis may have had a sudden onset in the 1980s, but it is the outcome of an accumulated policy lag that dates back to the days of independence. At that time, Africa was viewed as the "easy" continent to develop. Analysts argued that compared to Asia and Latin America, Africa was spared the mass poverty and the cultural legacies that impeded progress.

With the colonial yoke off their shoulders, Africans themselves were naturally inclined to think along similar lines. Independence was but a prologue to victories in the development arena. Without much indigenous private capital available for investment, government had to assign itself the role of entrepreneur. Both private foreign investors and donors endorsed this approach. The do-

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nor community took its own steps to facilitate it. The "development administration" movement and its concomitant technical assistance programs to government ministries in Africa are a case in point.

To a very large extent, the current debt crisis can be attributed to the state-centered approaches to development that grew out of the optimism at independence. Themselves captives of an almost unlimited faith in progress, members of the international community fully supported policies that reinforced a lopsided dependence on state direction and state intervention.

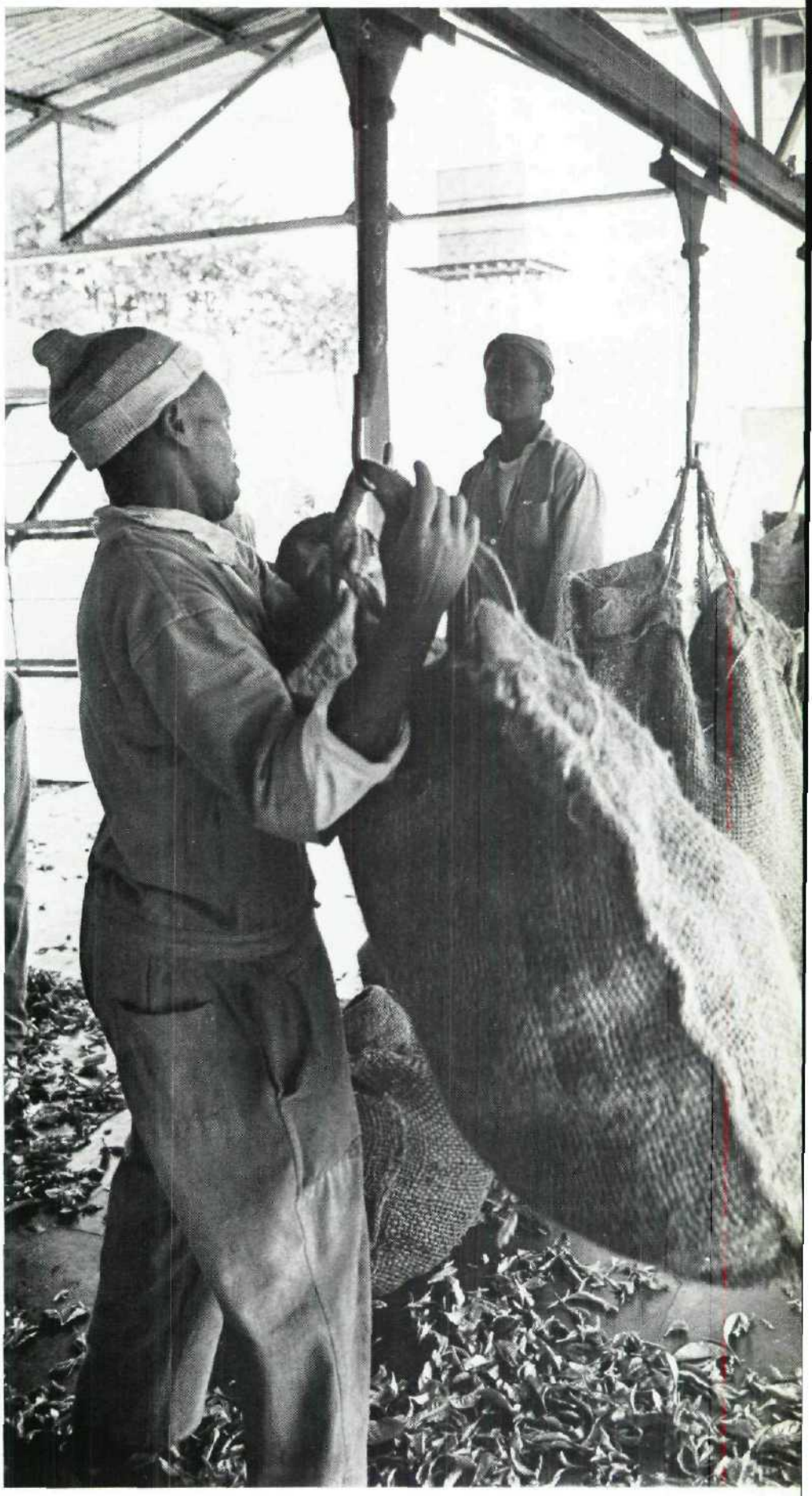
Western donors, including the World Bank, did not have any problem giving funds in a lavish fashion even to governments that made a special point of being "socialist." This trend continued way into the 1970s. The very agencies that today are quick to blame the Africans first and foremost for the economic difficulties they face cannot absolve themselves from responsibility for these woes. They must share it with the African governments.

Structural Constraints

Although the impact of the debt crisis varies across the continent, its root causes are the same: Africa's peripheral position in the world economy as a producer and exporter of raw materials and its dependence on an over-extended and over-loaded state.

If the IMF has failed to register any significant successes in Africa, it is because the Fund really only deals with policy, not structural adjustment issues. Its past record of success can be traced to interventions aimed at correcting the effects of expansionist economic policies. While at first glance, Africa's economic difficulties may appear to be the outcome of expansionist policies, their causes are much more complex, as both the Fund and the World Bank have now learned the hard way.

Even with the structural adjustments proposed by the Bank in its report, *Accelerated Development in Sub-Saharan Africa*, progress toward resolving the



Camerapix

Tea processing, Kenya: "World demand for African commodities has been low and generally on the decline in the 1980s"

"What is surprising is the extent to which ordinary people in Africa have been ready to take the hardships associated with the debt crisis."

crisis has been very slow. Africa has been unable to "export" itself out of it because it has little or no influence over world market prices.

Realizing the structural limitations inherent in the world economy, adjustment efforts are currently focused almost exclusively on Africa's domestic economies. Primary emphasis has been laid on cutting the state to size and reducing its control of and intervention in the economy. As the experience of Zaire suggests, however, this exercise runs into its own problems because state-centered policies in Africa have less to do with economic theory than with maintaining political order.

The patrimonial state in Africa, built around mass domination by one individual, relies on unregulated access to revenue as well as discretionary use of public resources for political patronage purposes. When the personal interests of the ruler and political order are at stake, attempts by the international community to "privatize" the economy are bound to run into difficulties. Paradoxically, it is in countries where government combines structural adjustment with populist radicalism that the prospects for success appear brightest. Ghana under Rawlings is a case in point. Even there, however, the question must be asked how long ordinary people can take these belt-tightening measures without tangible incentives.

Negative Effects

It is not surprising that the bulk of Africa's population finds it hard to understand and empathize with its governments' attempts to deal with the debt crisis. The effects of structural adjustment have been hardship and more hardship. Even the prospective beneficiaries of these policies—the agricultural producers—have seen few, if any positive outcomes. Increases in producer prices have not been enough to beat rises in the price of inputs and consumer items.

What is surprising is the extent to which ordinary people in Africa have been ready to take the hardships associated with the debt crisis. When the Reagan administration and representatives of international financial institutions first recognized the debt issue as a global problem, few policy advisers were ready to anticipate that ordinary people in the affected countries would be able to stomach as many tough measures as they have.

To be sure, there have been riots in some countries, particularly where there is a significant urban population, such as Zambia, but what is more striking is the relative absence of such riots, given the hardships people have experienced. For instance, unofficial estimates indicate that the average Tanzanian has suffered a 75 percent decline in living standards in the past 10 years. Similar figures would probably be possible to obtain from other African countries.

This decline is evident everywhere: higher prices on commodities (even the essential ones), declining standards in health delivery and educational institutions due to shortage of equipment and low staff morale, deteriorating communications as a result of inadequate funds for maintenance and repairs, and growing insecurity because of rapidly rising crime rates.

Because world demand for African commodities has been low and generally on the decline in the 1980s, the rise in African external debt has not been accompanied by an increase in foreign exchange reserves. In fact, as World Bank figures show, the value of African foreign exchange reserves declined both in nominal and real terms between 1973 and 1983. In the case of the non-oil exporting countries in sub-Saharan Africa, the ratio of such reserves to imports of goods and services declined from 18.4 percent in 1973 to 5.3 percent in 1983. The latter figure implies less than one month of imports, a ratio which is much lower than that for all other Third World countries.

This deterioration may be further illustrated with figures from Tanzania where imports financed by export earnings dramatically decreased from an export surplus in the mid-1970s to less than 50 percent in the early 1980s and as little as 30 percent in 1985. As a result, Tanzania has been forced to rely on aid from friendly countries (notably the Scandinavians) to finance imports.

In 1985, such aid (in the form of commodity assistance and import subsidies) was twice as important in paying for imports as export earnings, or put in other terms, foreign aid was more important than export earnings as a source of foreign exchange. As one study suggests, the problem facing donors in such a situation is to combine friendliness with firmness and to ensure that such aid does not perpetuate structural imbalances—or that more good money is thrown after bad—but instead encourages the adjustments that are necessary for recovery.

More than Debt

There is a real risk that debt may become a trap for development in Africa. The hard-nosed economists and political skeptics may find the lack of progress in dealing with the issue so discouraging that they will begin to give up hope that Africa will ever make it, so why try at all? Africa's political friends may go overboard in the other direction by uncritically providing aid because of the perceived acuteness of the situation. The result is that neither foe nor friend will make a difference in Africa's recovery prospects.

This scenario is particularly likely if African governments and the international community fail to recognize that the African continent is much more than famine and debt. The image of a crippled continent, which the world has evolved in the past three years, and which African governments have unwittingly reinforced by arguing that recovery is dependent on additional large-scale resource transfers or massive debt relief, is highly misleading and doing Africa a great disservice.

While it is important to recognize that reversing the downward trend in Africa is not going to be easy, it must also be stressed that the potential for growth exists in Africa. It is for that reason that it is important for African governments

and donors to see beyond the most immediate and acute problems. The political rhetoric in support of a long-term perspective notwithstanding, little has been done to capture Africa's own creativity and energy—the only base on which genuinely long-term progress can be pursued.

Liberalizing the economy is a step in the right direction because it gives greater scope for local initiative and growth, but it is insufficient. As a growing number of concerned Africans are ready to argue today, equally important is pluralization of the policy environment. This does not necessarily mean the introduction of multi-party systems—though in the minds of some it does—but it does imply greater respect for the voices of those not in power and a gradual elimination of the elements of a patrimonial state.

The Enabling Environment Conference, a tripartite gathering of representatives of governments, business, and non-governmental organizations, held in Nairobi in October 1986, may constitute an official confirmation that Africa is ready to engage in a revitalization not only of its economies but also of its public policy environment. Certainly, a long-term approach deserves emphasis on both.

Historical Opportunity

I have always been struck by the fact that Western diplomats, experts, and businesspeople tend to express only gloom and doom about Africa, while missionaries and volunteers speak much more in praise of the African potential. This difference cannot only be explained with reference to the latter's "idealism." More important is the fact that they are in a position, through their day-to-day interaction with ordinary Africans, to witness the great resilience, creativity, and energy that the continent harbors.

The others, by contrast, confined to interacting with Africa's official side, experience only what they perceive as poor replicas of things Western. As these people are more likely to influence our image of Africa and our policies toward the continent than the volunteers and missionaries, it is no exaggeration to argue that the public in North America and Western Europe is being fed a very one-sided and false image of Africa.

Debt and development can be reconciled in Africa if policy-makers in the West are ready to engage in "pictorial adjustment" to match the structural adjustment efforts pursued by the African governments. Such an adjustment would include a recognition that the present crisis constitutes a historical opportunity never afforded before. For the first time since independence, African countries (with virtually no exception) find themselves on the same ideological wavelength as the West. Why, ask a growing number of Africans, isn't the West more generous toward us today, when in the past it threw money at us even when we rejected its capitalist policies?

A large part of the answer is that the African "constituency" in the West, and especially the United States, has shrunk in recent years. Africa has become captive of the false expectations of the 1960s and the unfulfilled promises of independence. As argued above, the West shares responsibility for this backlash and also for the fact that the present crisis image of Africa has been perpetuated at the expense of what is a much more diverse and potentially promising picture.

Structural adjustment in Africa will abort unless there is greater readiness on the part of the West to provide incentives for domestic growth and creativity. Foreign aid must be adjusted accordingly, to provide support for the local "seed" instead of imposing the foreign "hybrid" (even if "on paper" it may appear superior).

Development, after all, is not as much a matter of social engineering as social learning. Africa's foreign debt is a monument to the fallacy of the former approach. Debt, therefore, will become reconcilable with development only if African governments and donors are ready to accept the latter approach and accept that progress does not come through "top-down" state direction, but "bottom-up" initiatives by ordinary citizens, working individually or in a group. That is the only way Africans will restore confidence in themselves and the West in Africa. □

Like a faithful soldier committed to a noble cause, the African Development Bank (ADB) has been in the frontline trenches of the war against poverty in Africa.

23 YEARS OF ASSISTANCE TO AFRICAN DEVELOPMENT

BANQUE AFRICAINE DE DEVELOPPEMENT · AFRICAN DEVELOPMENT BANK

AFRICAN DEVELOPMENT BANK

For 23 years, the awesome task of speeding up economic development and social progress in this vast region made up of countries with contrasting historical, cultural, and economic backgrounds has been the business of the ADB. The ADB has emerged as a development organization of major proportions, despite the setbacks suffered by African economies It has won the proud distinction of being the largest and most successful multilateral financial institution—as well as the most concrete example of economic integration—on the African continent.

Established in Khartoum in August 1963 by the then 30 newly independent African nations as an instrument to mobilize resources for development projects and programs, the ADB provides the institutional channel through which the more developed countries, including the United States, make their contribution, individually and collectively, to Africa's economic development. Today, the Bank's capital stock is owned by 50 African and 25 non-African countries, 17 of which are members of the OECD, admitted as members of the Bank in December 1982.

Their admission was the result of the collective effort of the ADB's Board of Directors, management, and African member-states to expand the Bank's capital. Since then, the Bank's capital has recorded two dramatic increases: first, more than doubling from about $3 billion in 1982 to $6.3 billion, and a further three-fold rise to about $19 billion from June 1987.

The growth of the ADB Group is also evident in its annual operations. The ADB commenced operations in 1967 with only one loan of $2.3 million. In 1986, total Bank Group lending stood at $1.64 billion for 90 projects, bringing the cumulative Bank Group commitments in Africa at the end of December 1986 to $8.4 billion for a total of 963 projects and programs. These operations touched on 49 of the 50 regional member countries of the Bank, and covered a wide spectrum of economic and social activities in rural and urban areas, including agricultural and rural development, transport, telecommunications, power, water and sewerage, industrial plants, schools, and hospitals.

Sectoral distribution of Bank Group loans during 1986 was in favor of agriculture, which absorbed 37 percent of total lending, compared with 36.4 percent in 1985, followed by education and health, and transport and telecommunications, reflecting the ADB Group's responsiveness to sectoral priorities of African member-states as outlined in the OAU's Priority Programme for Economic Recovery.

Through the financing of agriculture and rural development, the Bank Group has been able to improve incomes of otherwise deprived people in the rural areas. Through its public utilities, it has been able to bring clean water and electricity to the villages and help to mitigate against excessive rural exodus. Through the financing of transport projects, it has helped peasants bring their crops to market. Through its lines of credit, it has helped to promote small and mediium-scale enterprises.

Considerable efforts are being made to improve disbursement performance of Bank Group loans. Of $6.8 billion committed by the end of 1985, disbursement amounted to about $2.5 billion, or 37 percent of total cumulative commitments. Ending 1986, the disbursement/commitment ratio was 39.4 percent, and by June of this year improved further to 40.8 percent. By 1991, it is estimated that the disbursement rate will reach 47 percent.

The Bank has also made tremendous progress in financial market operations. Unlike the African Development Fund, the African Development Bank mobilizes funds in the world's capital markets in order to finance its lending programs. The Bank borrows on the strength of its callable capital which currently constitutes 93.75 percent of the capital structure. Since the admission of non-regionals, the scope of borrowing possibilities was enlarged with the introduction of the concept of borrowing on senior and subordinated basis.

THE AFRICAN DEVELOPMENT BANK GROUP INCLUDES THREE SEPARATE WINDOWS:

1

The ADB itself, which operates as a commercial or industrial development bank and borrows and lends at a 7.33 percent rate of interest.

2

The African Development Fund (ADF), established in 1974 as a soft loan affiliate and cooperative venture between the ADB and non-regional state participants of which there are currently 26. After four successful replenishments, the cumulative resources of the Fund stand at $3.54 billion, and negotiations are currently on for the fifth replenishment of around $2.5 billion.

3

The Nigeria Trust Fund (NTF), set up in 1976 by the government of Nigeria as a demonstration of its commitment to assist poorer African countries.

President Babacar N'Diaye

As of now, the Bank's gross borrowings amount to $1.777 billion, of which $1,369 billion is on senior debt basisd and $408 million on subordinated debt basis. Analysis of yields on the Bank's bonds has consistently indicated a satisfactory outcome. Major American and European-based rating agencies including Moody's Investors, Fitch, and EuroRatings have granted AAA to the Bank, while Standard and Poors granted it AA with the posibility of upgrading this to AAA in the near future. The Bank's first intervention in the U.S. capital market was in 1985 when the first public bond issue was made in the sum of $100—the direct outcome of efforts started in 1984 to obtain legislation in support of borrowings by the Bank in various American states. Within this short interval, appropriate statutes have already been obtained in about 30 states and further efforts are underway to enlist legislative support in the others.

One of the unique strengths of the ADB Group is the professional quality of its management, a factor which contributes to the confidence which the Bank Group enjoys the world over, especially among African countries. Over 90 percent of the Bank's estimated 1000 staff members are African, among them Babacar N'Diaye, who has headed the ADB management team since he was elected its fifth president in 1985. As the longest serving senior executive of the Bank, and having risen through the ranks in various capacities since he was recruited in 1965, President N'Diaye's contributions are immeasurable.

As Africa's economic problems have mounted in recent years, Mr. N'Diaye's administration has become increasingly concerned with new lending orientations which will not only support economic policy reforms in Africa, but will also make the Bank Group's traditional project investments in Africa more successful. Within two years, President N'Diaye has succeeded in forging a more pragmatic vision of the African Development Bank. Apart from the record capital increase, Mr. N'Diaye has set up ADB regional offices in Rabat for North Africa, a field office in Conakry, and a representative office in Addis Ababa. ADB's management has also carried out a reorganization of the Bank's administrative and operational structure with a view to making them more responsive to Africa's economic realities.

While project lending will continue to be the Bank Group's principal focus, serious effort is being made to evolve new lending instruments. Traditional project lending will take up 85 percent of total lending for the current 1985-1991 operational period, with non-project activities taking up the remaining 15 percent. During the period, the Bank Group plans to invest about $10 billion—more than the cumulative Bank Group lending over the past 23 years. Sectoral emphasis will continue to favor agriculture, which will receive 30 percent of the resources. Non-project lending activities will include policy dialogue, co-financing with commercial banks, direct lending to the private sector, and promotion of intra-African trade.

Above all, the African Development Bank Group, under the able leadership of Babacar N'Diaye, is spearheading a new imaginative stance on a wide variety of international development issues affecting Africa. Examples are ADB's contribution in the preparation of Africa's position paper on the economic crisis presented to the UN General Assembly Special Session in 1986, and the ADB/ECA study, "African Food Crisis: Basis for Future Action," presented as Africa's position paper at the 10th ministerial session of the World Food Council. There is no doubt that the ADB Group has lived up to the act of faith placed in it by the founding fathers of the institution some 23 years ago.

As an authentic, caring, and concerned financial development institution in Africa for Africans, the challenge facing the ADB Group now is what Africa will be in the year 2000. During the 1987 Annual Board of Governors meeting in Cairo, President N'Diaye invited African leaders to reflect on this vital question. President N'Diaye went ahead to call for a committee of nine which will include former presidents of the Bank to review how the ADB Group has fared and make proposals not only on its role over the next 20 years, but also on how Africa should face the challenges of the year 2000.

Africa is a huge and complex continent. The countries that compose it present a rich variety of different stages of social and economic sophistication. In spite of these differences, the ADB Group stands today as a living symbol, a bridge across the Sahara on which, in the language of President N'Diaye, resources move both ways in search of greater African solidarity and brotherhood. It also stands as a real channel of assistance from more advanced nations to Africa. When President Dawda Jawara of The Gambia paid an official visit to the Bank last August, he only confirmed the confidence which African countries and the world at large have in the pan-African institution, and the much greater responsibility the Bank Group will assume in the years ahead.

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Interview with Edward V.K. Jaycox, Vice President, Africa Region

INTERVIEWED BY MARGARET A. NOVICKI

Africa Report: You recently characterized Africa as the "economic crisis of our planet," urging creditors to "get realistic" about Africa's mounting debt crisis, reduce interest rates, and provide more concessional flows. In the wake of the annual World Bank/IMF meetings, does Africa have any grounds for optimism in these areas?

Jaycox: We certainly got a fair hearing on our proposals about what ought to and can be done to relieve the debt and increase concessional flows, particularly to the poorest countries which are saddled with really unrealistic levels of debt. These levels of debt are making it extremely difficult for them to move forward with the necessary structural adjustments of their economies, partly because growth is quite illusive, and without growth, we don't see the political sustainability of these efforts. In fact, while the flows have been enough to stabilize the situation or avoid the precipice, most scenarios contain declining per capita incomes and consumption, which has gone on for a number of years. But is this feasible in the long-run? Most of these countries have taken on adjustment programs which are extremely difficult politically because there are vested interests that are threatened by removing the distortions in the pricing system. These reforms will not be realistic unless they promise growth within a reasonable time frame. But that requires more flows and more debt relief than the conventional system provides.

The donor countries are now well aware of the situation. We have got agreement that special attention will be paid to these situations. With the tripling or major enhancement of the Structural Adjustment Facility [SAF] of the IMF, that will solve a major part of the problem—repurchase requirements for the Fund. With the SAF, the Fund will be replacing its very hard money—6-year money with three years grace, at a more or less commercial rate of interest—with softer money, 5 or 10 years grace and half a percent charge. This will make a big difference. The IMF will be able to maintain its presence intellectually in terms of advice to governments, discipline,

The World Bank has learned several lessons from its structural adjustment programs in Africa—among them the need to cushion the social impact of the reform process and the necessity of adequate donor support. To ensure that growth is not sacrificed in the adjustment process, Edward Jaycox urges creditors to adopt a comprehensive package addressing the debt problem and increasing concessional flows.

Edward V.K. Jaycox: "It is always a danger that the African issues are eclipsed by the global economy"

World Bank

Woman selling vegetables, Senegal: "Local food production is a very important priority"

Karen Durlach

and surveillance—which gives comfort to other donors and creditors—but without the consequences we have seen so far, a major aggravation of the debt structure of these countries.

Donors have agreed that we should concentrate more of the IDA [International Development Association] money on the debt-distressed, low-income countries which have reform programs. We can look forward to increased action on the part of bilaterals to co-finance with us, concentrating on about 17 countries which we have singled out, and providing loans on the basis of quick-disbursing, balance of payments support. The fourth leg of this stool is an attempt to get official creditors—mainly export credit agencies and the like—instead of capitalizing interest and rescheduling it at commercial rates, to cut the interest rate to a concessional level, thereby avoiding the necessity to reschedule or at least leading to a much slower build-up of debt.

Right now this debt is growing at a geometric rate. A high proportion of the debt in these countries is in fact non-concessional debt, due to the cumulative effects of rescheduling either arrearages in interest or interest itself. That non-concessional debt is building much faster than the economies are growing, so these economies' debt structures are being aggravated rather than relieved, pushing a mountain of debt up in the future.

More important is the psychological factor. Once the prices are right and inflation rates are under control, the opportunities for sound investment blossom everywhere. But the flows are not likely to take place, because any entrepreneur who looks at this build-up of debt thinks: What is the future of this place, will I be able to repatriate my profits? This is not conducive to private capital flows. Secondly, it turns off possible new sources of concessional flows. Nobody likes to become newly involved with a situation that looks like it is getting worse instead of better. The psychological impact is that new money is not available, and that is extremely discouraging to the authorities who have to run these programs. They feel that if they ever do get onto a growth path, then the creditors will be right there demanding repayment of a debt that accumulated automatically during the time of difficulty and they see a future where they are chattled to their creditors maybe as far as they can see. That's not the kind of vision of the future that encourages the politician to rally his people, tighten belts, and take the difficult decisions that have to be taken if the economies are going to turn around. In my view, this is not only unrealistic, it is counter-productive. The creditors must figure out a more realistic way of handling the problem at the moment.

I understand why there is a lot of reluctance on this front. This is the area where we didn't make very much progress. There is a certain amount of sympathy for all the arguments that I have just made, but tremendous legal, institutional, budgetary, and other constraints that creditors find very difficult to handle at this point. One of the big worries is that if you do this for these countries, somehow it will spill over into non-comparable situations. Where do you draw the line—between Kenya and Ghana or between Côte d'Ivoire and Senegal? These are very difficult things to do. But there are ways of solving it—after all, the World Bank has defended IDA eligibility for 25 years.

The U.K. and Nigel Lawson have provided a lot of leadership among creditors on this issue and we have been supportive. We will have to look for ways to get around these budgetary and institutional issues by putting together some kind of agreement that where governments cannot reduce interest rates, they come up with some equivalent contribution to the financial problems—in the form of new money or what have you. Right now, we intend to move forward to a donors' meeting in Paris in December, where we will put together our idea about co-financing sectoral adjustment programs with us and get donor commitment to it. The objective is that by the end of this calendar year, we will have as much as we can in place.

So I think while we didn't expect to get decisions on these matters, the annual meetings certainly kept the momentum and kept this issue in the forefront of the discussion. It is always a danger that the African issues are eclipsed by the global economy. But that's my job to keep them on the front burner.

Africa Report: So you are optimistic that the SAF will be tripled, because Secretary Baker said the U.S. wasn't going to support it. Secondly, do you think a consensus is emerging among creditors around the Lawson Plan as the most appropriate approach to Africa's debt crisis?

Jaycox: I think we can afford to be optimistic about the increase in the SAF. Whether it will be tripled or some other lesser multiple, I don't know. As a matter of fact, it is a kind of accordion. If the SAF expansion is concentrated on the most aggravated problems, maybe you don't need to have it tripled. But if the potential supporters of the tripling of the SAF don't pay enough money to triple it, then another political choice will have to be made: How do you limit access to it? Otherwise this money will be spread too thin and it will not be the solution to any one problem. So the cleanest thing to do is to triple it. How that will be done—whether it's with or without the U.S., with or without the sale of gold, use of Trust Fund or regular resources, how the risk is shared—all these things are under very active and intense discussion.

If the SAF isn't increased, and we recognize that the Fund has to be paid back, then we're going to have to use IDA money, or the bilaterals will have to put enough money in to assure repayments to the Fund. The alternative is that the Fund doesn't get paid and then we have lost the Fund as a partner in solving Africa's problems and that's not a viable route. So we really have to do something about it. We just cannot have this hard money going back into the place. So for the donors and the creditors, it's whether you pay at the office or you pay at home! It's got to be done one way or another.

The alternative—a series of failed programs in Africa—is not worth thinking about, and not only because of the human suffering. If the political risks don't pay off, we will lose a whole cadre of talented, energetic, and courageous leadership in Africa. The basic idea of moving to a market economy, shifting policies out of grandiosity to step-by-step solid progress will be discredited, and we can't afford to have those ideas discredited. If they fail in a series of countries—as many

as 17, the poorest countries in Africa—then it is a failure of our approach to the economy, a failure of our institutions, a failure of our political will, and there's no way that we'll be able to say that it is just the failure of Africa! So we have a very, very big stake in this. It will be a generation or more of African leadership that will have to struggle back to ever even contemplate getting involved with these kinds of programs.

There is a momentum on the debt issue. There is a consensus that it has to be taken case-by-case. Africa is composed of 50 different cases, very dissimilar when you get into the practicalities. A global compact will not take into account that some countries are trying and others are not doing much to help themselves. Creditors aren't going to go for washing out that distinction. There are some countries which can make it and others which can't no matter how hard they try, and nobody will want to wash out that distinction either. Some countries' traditional creditors and donors are quite different from their neighbor's.

We have the mechanisms—the Consultative Groups, the Paris Club, the international fora—to deal with this. We have the surveillance—the Bank and the Fund doing their economic work on a continuous basis who can keep everybody informed case-by-case. Certainly we've got the basic stuff for a consensus. The real sticking point is that the Nigel Lawson proposals, which we very much support, are not finding enough acceptance to become something which everybody is willing to do. There are plenty of countries that will do it if everybody else does, and we may get through that. But that is one of the reasons we are calling these donor meetings.

Now whether these ideas go far enough is another question. The Lawson initiative does do something about the accumulation of debt, but not much about the stock of debt. The president of the African Development Bank has put forward a proposal which attacks the stock of debt and we have to encourage this kind of initiative. And this is coming from Africa—that's extremely interesting—and it is non-radical and quite feasible. Clearly creditors are never happy with the first proposals, and they are having a little difficulty with this, but their way of approaching it is so unrealistic that they have got to pay attention.

Africa Report: In his speech to the African Caucus, the World Bank president outlined the Bank's two-track approach to Africa: one, reducing the burden of old debt by debt relief and new financing, and two, an effort to help countries implement policy reforms leading to growth. Can you outline the specific strategies to implement these goals?

Jaycox: The debt one has four elements: one is the SAF—replacing Fund money with softer money and increasing it, so it is a source of new money—as well as the refinancing of unacceptably hard debt, taking it out of the structure. Second is increasing IDA flows to these countries over what they would normally get. Third is the co-financing—a continuation of the special joint financing facility, but so that each of the co-financiers has a bilateral relationship rather than having us administer the money. The fourth element is the interest rate concession, along the Nigel Lawson initiative which we are pushing, but with all kinds of flexibility. And we can't stop because we haven't gone far enough. We have to continue to review the situation.

On the growth side, the main thing that has been missing from these adjustment programs has been growth. In fact, it is like trying to steer a parked car! There is adjustment going on, but it is more like stabilization, and to avoid it being totally contractionary in nature, which leads to declines in per capita consumption, we've got to figure out how to get more resources and better quality investment in each economy. They are diverse customers, so there is no formula. But the point is that growth is necessary and adjustment has been going on for four or five years in some countries, without them seeing the light at the end of the tunnel. That's got to be reversed. Otherwise they won't pursue the course! Without that vision of growth, we really haven't got anything to sell here. Just paying the creditors can't be the only objective or even the primary objective. The primary objective has to be the welfare of the people of Africa and growth has to be there.

There are other elements in this strategy in Africa which are important. One is the food security idea. We found that the general uncertainty about something as basic as food supplies is obviously part of the African scene and it doesn't give a lot of courage to people who want to take on the big issues of economic reform if they feel they don't have a firm base or a safety net to support the basics. Per capita food production has gone down and now sub-Saharan Africa is importing 20-plus percent of its total food needs. This trend has to be reversed, so local production of food is a very important priority. We have had very successful campaigns in the provision of rural services which have led to tremendous increases in productivity. This has been tried with quite different techniques in four or five countries and now we are generalizing it. Under the structural adjustment programs in many countries, getting the prices right so that incentives are there for the farmers is happening. But the two combined could lead to a major increase in local food production.

Secondly, with this cyclical drought which is of unknown rhythm and may be increasing, there is lot of food aid in the world which is not necessarily being efficiently applied. Sometimes it undercuts the local farmer, or it is handled so badly that it leads to massive drains of resources from these countries. Sometimes it just comes so late that it piles up at times when it has started to rain and you've got a bumper crop and surpluses. The idea that there are surpluses in one country and deficits in the next and the food is coming from North America for the second country is very difficult to understand. We feel that we can do something to help the World Food Programme and others to rationalize this. We can build this into the general macroeconomic discussions and planning.

Then we have also the safety net concept on a national basis. While a country is making major reforms in the agricultural sector, there are vulnerable groups that are affected rather severely by the budgetary restrictions that lead to the necessity of reduced food subsidies. We must increase farmers' prices, but it should not lead directly to an increase in food prices for at least the vulnerable groups. But how do you target subsidies in an administratively weak atmosphere? How do you ensure that the people who can afford the food pay the market price, but those that can't can get access to

food nevertheless? This should be part and parcel of future structural adjustment programs. We don't define food security as self-sufficiency. Security is the availability of food, but that can be through trade. People who earn $10 a day growing coffee should be allowed to grow coffee and then buy their food because the alternative is that they earn $2 a day growing maize. That has to be taken into account country-by-country—comparative advantage, what works best, stimulating trade between countries and world trade.

We are also pushing very hard on the longer term issues of health, nutrition, education, and human resource development. There is a big social gap—in everything from life expectancy, child mortality, and fertility to education and literacy levels—between most sub-Saharan African countries and the rest of the world. They have made a lot of progress in these areas in the last few years, but the gap remains very large. Closing this gap is not merely a result of economic development, it is the cause of economic development in the sense that it is a driving force. Human resource development has its own value in and of itself, but it is also a very strong vector in the development process itself. So we will be stepping up our activities in some of these areas.

Concerning the environment: In Africa we've got such an acceleration of the degradation of natural resources—river siltation, erosion, loss of fertility—that traditional agriculture is really no longer viable. Fallows are too short, the fertility of the land is declining, forests are being chopped down for land. The reasons for this are systemic. You can't just go out and plant trees. You've got to modernize agriculture, provide incentives for the farmer to stay on his land, use fertilizer, make investments, and intensify that agriculture. Prices, incentives, and marketing arrangements are all absolutely vital to that modernization process. So if we want to stop the abuse of the land, we have to elevate the environment issue right up there with the exchange rate and all these more abstract tools of economic management. The environment is the patrimony of Africa. The basic capital of Africa is the land and if it is consumed dangerously, then it is like consuming capital in terms of financial resources. In the end you are out of business!

Africa Report: The Bank has increased structural adjustment lending to half its total lending in Africa, and 25 countries are undergoing structural adjustment programs. What lessons has the Bank learned from its experiences with structural adjustment in Africa thus far?

Jaycox: We are learning every day! We are certainly exposed to a lot of lessons. There are 25 countries which are or are about to enter major policy reforms or adjustments, either on a sectoral or across-the-board way. In some cases, they start from a position of complete deterioration where the options are very limited. In others, there is anticipated future disaster and hence a much wider set of options. So these structural adjustment programs really don't look very much alike. The big complaint is that we and the Fund only have one formula, but actually the weight on different ingredients in that formula is quite different, as is the level of urgency.

In 17 of these countries—the debt-distressed—the effort on the African side is seen and recognized, although it varies in seriousness and energy. But in these 17 countries, the programs are underfunded and undersupported. And they are not going to work unless they are given that support. So one of the lessons we learned from Zambia is that if a program is not properly supported and you were too optimistic about commodity prices or about how fast bureaucracies can deliver on their pledges of funds, then you run the risk of failure. These are very critical situations—they require support and flexibility on the part of the supporters.

Another lesson of Zambia is that if a program is not tightly managed, it can explode in your face. In Zambia, we are now trying to pick up the pieces and get back on a reasonable path. But you've got to have good management, you've got to be realistic about what you can accomplish, and you've got to make sure that you've got the support. Those three things have to be harmonized. That will determine the pace of adjustment and the pace of political decisions that are taken. We would like to see that happen fast, because the more money required and the more pain if it is dragged out. So if the Africans can increase their efforts and the donors can increase their support, we can come to this light at the end of the tunnel much faster. If we both fall short, then we lose sight of the future and may put the whole thing in doubt.

"The point is that growth is necessary and adjustment has been going on for four or five years in some countries, without them seeing the light at the end of the tunnel."

While I think we have learned a lot, I don't say we have all the answers. We continue to learn by doing. I don't think there are many options left. Adjustment in bankruptcy and complete chaos is the kind of adjustment that is in the offing if you don't adjust in a supported way. So we are offering an alternative way of adjusting which hopefully has enough support from outside and which is done in a logical sequence rather than through chaos and rending of the political and social fabric of the country. We have often walked up to the edge of the precipice and looked down. Hopefully we have saved a few countries from falling down that precipice.

Africa Report: The World Bank and IMF are paying new attention to the social impact and consequences of adjustment programs. What has motivated this new focus? Fear of future Zambias?

Jaycox: Sure. I said we are learning lessons all the time. Unfortunately you don't know a lot about the social impact in advance and even now there is speculation about what is really going on. We're studying the situation in 14-16 countries now. UNDP, ADB, and we are supporting the research—an action plan for development in countries in the process of adjustment—to understand where the shoe is pinching and then to do something about it. It is incredible how little is known about where and how to manage the social side. In many cases, if you look at the structure of expenditure of these countries, they pay very little attention to these matters. So it is not just

Karen Durfach

Thies, Senegal: "The environment is the patrimony of Africa"

raising our consciousness, it is consciousness-raising all around that there are vulnerable groups and they will be impacted. We know that, but we don't know exactly what to do about it. We have to bring the budget under control, but we don't want to have these kinds of results. How do you target these subsidies to the really poor and vulnerable? These are big issues.

We also are trying to galvanize non-governmental organizations, private voluntary organizations, both local and foreign, in situations where we know there is going to be a lot of change and a lot of difficulty. We want people who are traditionally involved at the grassroots level to know about this in advance and to beef up and focus their attention where we know something negative is likely to happen. We are trying to get the donors on board through the social action programs to do something that they know is right and not get mesmerized by the politics of the situation. They can actually go in and help people and that's exactly what their voters and taxpayers want. We can give them a big piece of the action and they can feel very good about it. We have found the hard way, given the length of this process, that this is not a frill, it is an essential part of the program.

"We are offering an alternative way of adjusting which hopefully has enough support from outside and which is done in a logical sequence rather than through chaos and rending of the political and social fabric of the country."

Africa Report: What will be the role of the World Bank's newly created Council of African Advisers?

Jaycox: We have a tremendous amount of government contacts that are deep and strengthening. This idea has nothing to do with any disappointment in that. It is an effort to bring in people who we don't normally see in our day-to-day business—academics, religious leaders, businessmen, military, opinion leaders, influentials—into direct contact with me and the top management of the Bank so that they can give us feedback on issues such as what we have been talking about—are we on track, are we off track? What more can we do? Any good ideas lately? We can try out our ideas, they can try out theirs, and we can begin to get something from it. My expectations are that we will meet a couple times a year and have things to talk about, but it will be quite an open and informal agenda, so that a lot of issues can be put on the table. I'm interested in witnessing the conversations between these people about the problems, in an informal, non-negotiating atmosphere. When we talk to governments, we are always negotiating and to get down to a genuine conversation is sometimes difficult. These people would not have anything at stake. We are sending letters out to people immediately, asking them to participate. We hope they will accept. □

Even Zimbabwe, one of Africa's economic success stories, has been affected by drought, low commodity prices, mounting debts, and reduced capital inflows. Rising unemployment—the most critical problem—can only be redressed by increasing economic growth, but how to get there remains the question.

What Road to Growth?

Zimbabwe

BY COLLEEN LOWE MORNA

To anyone who has travelled this continent extensively, Zimbabwe comes almost without exception as a relative paradise. Driving along the tree-lined highway from the airport into Harare, one is struck by the smooth, paved road, the functioning traffic lights, the orderliness of the drivers, and the cleanliness of the city, which rivals any in the so-called industrialized world.

Shop windows are brightly lit and shelves are stuffed with a fair variety of goods—most carrying the label "Made in Zimbabwe." Everything you eat, save perhaps for a few slices of bread, will have been grown, processed, and prepared in this country.

While before independence in 1980, a handful of white farmers grew the bulk of the staple maize crop, today peasant farmers, supported by the government, deliver over half of all marketed maize. Meanwhile, school enrollments have trebled to 2.8 million.

Though espousing a socialist ideology, the government of Prime Minister Robert Mugabe has tread cautiously, preferring a gradualist and "pragmatic" approach. While the debt crisis looms large in many neighboring countries, Zimbabwe has yet to default on any of its payments.

These successes, however, tend to mask growing concerns in the country, highlighted by the especially difficult economic circumstances faced in 1987. For the first time this year, foreign currency shortages, occasioned by a bunching together of debt repayments, low commodity prices, drought, and reduced net capital inflows, led to periodic shortages of essentials such as toothpaste, salt, and detergents—not to mention more sophisticated goods like spare parts and luxury items.

In the city industrial sites, well-educated youth gather in long lines daily outside factories, hoping for casual employment. Often, it is not forthcoming. As they wander off, it is not uncommon to hear cursing or even see the odd stone thrown, as the frustration of unemployment which has been exacerbated by this year's recession grows progressively.

According to Tony Hawkins, head of the University of Zimbabwe business studies department, "the harsh reality of Zimbabwe's recent economic performance is that by the end of this year, real per capita incomes will be little different from their pre-independence levels and some 17 percent below their 1974 peak."

While this is still better than many sub-Saharan African countries—where on average per capita incomes have fallen by 7 percent since 1979—it is no cause for comfort, Hawkins said in a keynote address to the annual Confederation of Zimbabwe Industries (CZI) congress in July. Unemployment, he added, has risen from 8 percent in 1980 to 18 percent this year. "Unless there is a radical change for the better," Hawkins warned, unemployment is "on trend to reach 25 percent early in the 1990s."

"Given Zimbabwe's population growth rate (conservatively estimated at 3 percent per annum) and age structure, and the explosion of secondary and tertiary education since 1980, we are facing an acute crisis of unfulfilled expectations," Hawkins said.

Government officials, businessmen, and economists alike agree that unemployment is probably the single most important economic and political issue facing Zimbabwe in the future. They also agree that the only way to redress the problem is through increased growth, which in turn can only come about through increased exports and foreign exchange earnings.

"After following all the advice in Western textbooks on the need to support farmers, Zimbabwe found itself with a massive 2 tons of maize—three times the nation's food needs."

Where differences come in is over how to achieve this export-led growth, with both government and industry obviously hesitant over the trade liberalization approach advocated by the World Bank and others. Whatever course the government decides on, says Keith Atkinson, a former CZI official and current consultant to the local Imani Development Company, far-reaching measures need to be taken soon.

Last year, the government put out an ambitious five-year development plan, but up until now the second volume, spelling out the how, is not available. Reflecting a common criticism heard among economists of different ideological persuasions, Atkinson noted: "Over the last year, there haven't been any dramatic steps taken in any direction."

Colleen Lowe Morna is a Zimbabwean freelance journalist based in Harare.

Asked to assess Zimbabwe's future economic prospects, a World Bank official added: "Generally, I'm quite optimistic. Zimbabwe, we feel, still has a number of economic options for adjustment open right now. It is not like many other countries, which have their options reduced to very harsh measures. But the question of timing comes in: the longer one waits, the fewer options one would have."

Spurred on by the removal of international sanctions and good rains after independence, Zimbabwe's economy grew at phenomenal rates of 10 percent and 15 percent in 1980 and 1981. This slowed into a recession in the drought years of 1982 and 1983, but picked up again in 1984, with real growth in GDP reaching 9 percent in 1985, following a good rainy season. This petered out again in 1986, with growth in GDP estimated at 0.2 percent and projected to hit an all time low of -3.5 percent in 1987.

A variety of problems surfaced at the beginning of the year—perhaps foremost a deteriorating external payments position, leading to chronic foreign exchange shortages. A number of reasons are cited for this. First, repayments on monies borrowed by Zimbabwe for reconstruction purposes soon after independence peaked at some $540 million this year. External debt commitments for the next four years will average $510 million annually, or about 30 percent of export earnings at current levels.

By the end of 1985, two-thirds of the concessional capital inflows committed at the ZIMCORD pledging conference in 1980 had been disbursed, leading to an overall reduction in capital inflows from commercial and official development sources.

Direct foreign investment has also remained at a low level. While the five-year development plan calls for foreign investment worth $120 million over the plan period, only $50 million has trickled in since independence.

It had been hoped that at least some of the multinationals pulling out of neighboring, white-ruled South Africa would relocate in Zimbabwe. However, there has been very little of this, partly, economists suggest, because of political uncertainties in the region and because of a

African Forum News Service

Bernard Chidzero: "Convinced that there is a meeting point between socialism and capitalism"

perceived ambivalence on the part of the Zimbabwe government toward foreign investment.

Meanwhile, as a result of the worst drought in 40 years over the 1986-87 period, coupled with the sagging commodity prices, exports (of which 40 percent are agricultural products) dropped. Hawkins points out that while in Zimbabwe dollar terms exports have grown at 18 percent annually since 1980, when calculated in special drawing rights (SDRs), they have expanded at only 1 percent annually.

As a result of these factors, Minister of Finance, Economic Planning, and Development Bernard Chidzero noted earlier this year that Zimbabwe had become a net exporter of capital. Thus, for the first half of the year, the total foreign currency allocation for imports was reduced by 15 percent compared to the same period in the first half of 1986.

The cuts were particularly hard on the industrial sector, which relies on imports for some 25 percent of its inputs. As the April edition of the Zimbabwe Banking Corporation economic review stated, "Over the seven years 1980 to 1987, manufacturers' import allocations have been reduced by about 45 percent, and since the Zimbabwe dollar has depreciated by more than 60 percent, the external purchasing power of industrial allocations is now less than 20 percent of what it was in 1980."

Strenuous efforts were made by the government not to let matters get any worse. In 1983, the government had reached an agreement with the World Bank for a $70 million Export Revolving Fund (ERF) to finance priority import requirements for manufacturing exporters. Negotiations continued for a second $125 million loan, to include agriculture and mining as well.

However, the talks stalled over two issues. Like the IMF, which suspended a 3 million SDR standby facility for Zimbabwe in 1984, the World Bank has been insisting that Zimbabwe cut its budget deficit to 6 percent of GDP. Although the budget deficit for 1986-87 was slightly less than anticipated, it still accounted for 11 percent of GDP, and the forecast for 1987-88 is only 1 percent lower.

While Chidzero has repeatedly spoken of the need for the country to live within its means and is especially committed to reducing the heavy losses in parastatals, he is hamstrung by heavy political commitments to spending in areas such as education and defense, especially since Zimbabwe became actively involved in the battle against South African-sponsored rebels in Mozambique.

The second area of debate with the World Bank is over the government's commitments to trade liberalization. According to the World Bank official, while there has been an agreement in principle, the government is "undertaking a study on the effects of trade liberalization, before embarking on an export promotion program."

Although Chidzero spoke of "progress in negotiations with the World Bank" over the second phase of the ERF, there was evidently no chance of agreement being reached by June, when the first phase terminated. Thus in April, Chidzero signed two "bridging loans" worth $113 million with Barclays and Standard Bank in London, for use in all three sectors of the economy until, as he put it, "discussions on the policy framework for a second export promotion program" were concluded with the World Bank.

On May 28, Chidzero further announced a wide-ranging package of measures designed to boost investment and employment, and also to save foreign currency. These included:

- Loosening up on funds held by foreign companies within Zimbabwe. Because practice at the time allowed only 50 percent of net after-tax profits to be remitted, and for political reasons, the gov-

ernment restricted the use to which the remaining funds could be put, many foreign companies have large cash reserves sitting idle in the country. Interest rates on these, Chidzero said, would be reduced from 9 percent to 5 percent, and they would now be considered for export-oriented or import substitution projects.

- A cut in dividend remittances to 25 percent of net after-tax profits (excluding equity capital introduced after September 1, 1979, and any future external investment). The measure, which is designed to save the country some $90 million in outflows this year, was necessary to cater for the foreign currency demands of new, local investment, Chidzero said.
- Foreign companies were further encouraged to use their 25 percent remittable dividend portion, or external funds through parent companies, to procure imports.

In a further move, Chidzero announced a wage and price freeze on June 25, designed to curb inflation, stimulate investment and employment creation, improve export competitiveness, and contain the budget deficit. And, during the CZI congress in July, the minister announced a 30 percent increase in import allocations over those made in the first half of the year.

Uncertainty again loomed in the business community toward the end of the month, as several companies received import licenses stamped not valid in "designated" countries, understood to have been South Africa, Namibia, Israel, South Korea, and Taiwan—part of an effort by the government to impose sanctions against South Africa.

However, following heavy lobbying by the private sector, coupled with splits in the cabinet over the issue, the licenses were withdrawn. The main argument against sanctions appears to have been that alternative transport routes through Mozambique are still not ready. Although imports could be sourced from elsewhere, businessmen further argued that these would be more expensive—at a time of acute domestic foreign currency shortages.

While Prime Minister Mugabe—a prominent figure in the Commonwealth and chairman of the 101-member Non-Aligned Movement—is politically committed to taking some form of action against South Africa, sanctions appear to have been postponed again for the time being. Barring any other major disruptions in the region and assuming good weather in the 1987-88 period, economists are already predicting an upturn in the economy next year.

Yet as Chidzero noted in his July budget statement, Zimbabwe is already far behind the average 5.1 percent yearly growth rate set in the five-year plan. "In the absence of major structural changes," he added, "it is now becoming a permanent feature of our economy to periodically experience boom-slump conditions, linked to the weather situation and agricultural performance, and to the availability of foreign exchange."

Up until now, agriculture has taken the lead role in the Zimbabwean economy. Its significance is recognized in the five-year development plan which states that the sector has been the country's "backbone" in the past, and will remain the "dominant sector" over the five-year plan period.

But, as suggested in Chidzero's budget statement, there is a growing concern here over the extent to which Zimbabwe's fate hinges on agriculture, which in turn is at the mercy of forces over which the government has no control.

Zimbabwe has experienced drought in four out of its seven years of independence. As a result, representatives of the three farmers' unions, together with government officials, have formed a national drought committee. President of the Commercial Farmers' Union Bob Rutherford speaks enthusiastically about the need for better drought management. This, however, will not change the fact of persistent, cyclical droughts.

Meanwhile, the effects of fluctuating commodity prices are well-illustrated in the problems currently faced by maize growers. After following all the advice in Western textbooks on the need to support farmers, Zimbabwe found itself with a massive 2 million tons of maize—or three times the nation's food needs—in storage last year. Faced with huge storage costs, Zimbabwe sought to export some of the surplus. But with the world price down at $100 a ton—partly as a result of the EEC dumping its surplus maize on the world market—Zimbabwe could only sell at considerable loss.

Hasty measures were taken to curb maize production in the 1986-87 period when, as fate would have it, drought crept in, and farmers delivered a mere half a million tons of maize to the grain marketing board. While this has helped to bring down the surplus stockpile, the maize farmers are now reticent to grow the sort of quantities this season that will help to build it up again.

Overall, Hawkins estimates that value added in agriculture will fall by 20 percent this year, reducing GDP by 2.5 percentage points. Although commodity prices, which are forecast to fall by 14 percent this year, are likely to pick up in the next few years, they are projected to be one-third below their 1980 levels in 1991.

Faced with this scenario and negligible growth in mining since independence, the two sectors have "run out of steam," Hawkins argued at the CZI congress. Manufacturing, he said, "must now assume the lead role in the economy." This, he added, "it cannot and will not do, so long as it is deprived of the essential inputs of foreign exchange, modern technology, aggressive leadership, and viable market outlets."

Essentially, as Hawkins went on to explain, Zimbabwean industry grew up under 15 years of international sanctions. It was thus based on import substitution policies, and highly dependent on domestic demand, with government tightly controlling the foreign exchange necessary for inputs.

As a result, complacency has set in, the University of Zimbabwe professor argued. "A few days ago," he recalled, "an industrialist told me that he really didn't need a marketing department as he could sell everything he made without any difficulty, nor was there any competitive pressure on him to invest in research and development."

The measures taken by the government this year, such as the wage-price freeze and dividend curb, are merely a series of "ad hoc, panic measures" which did not address the long-term problem, Hawkins said. Instead—fol-

Batsiranai cooperative: "Peasant farmers deliver half of all marketed maize"

lowing along the lines of the World Bank argument—he advocates a process of trade liberalization, which would theoretically weed out inefficient industries and force the rest to exploit their comparative advantage in searching for outside markets.

In the five-year development plan, the government acknowledges that manufacturing is the "key sector for changing the structure of the Zimbabwean economy and for achieving rapid and sustained overall economic growth and development." And, in his budget statement, Chidzero stressed that the government has "in principle agreed to institute a process of trade liberalization, pending a thorough study of the situation, taking into account conditions existing in Zimbabwe."

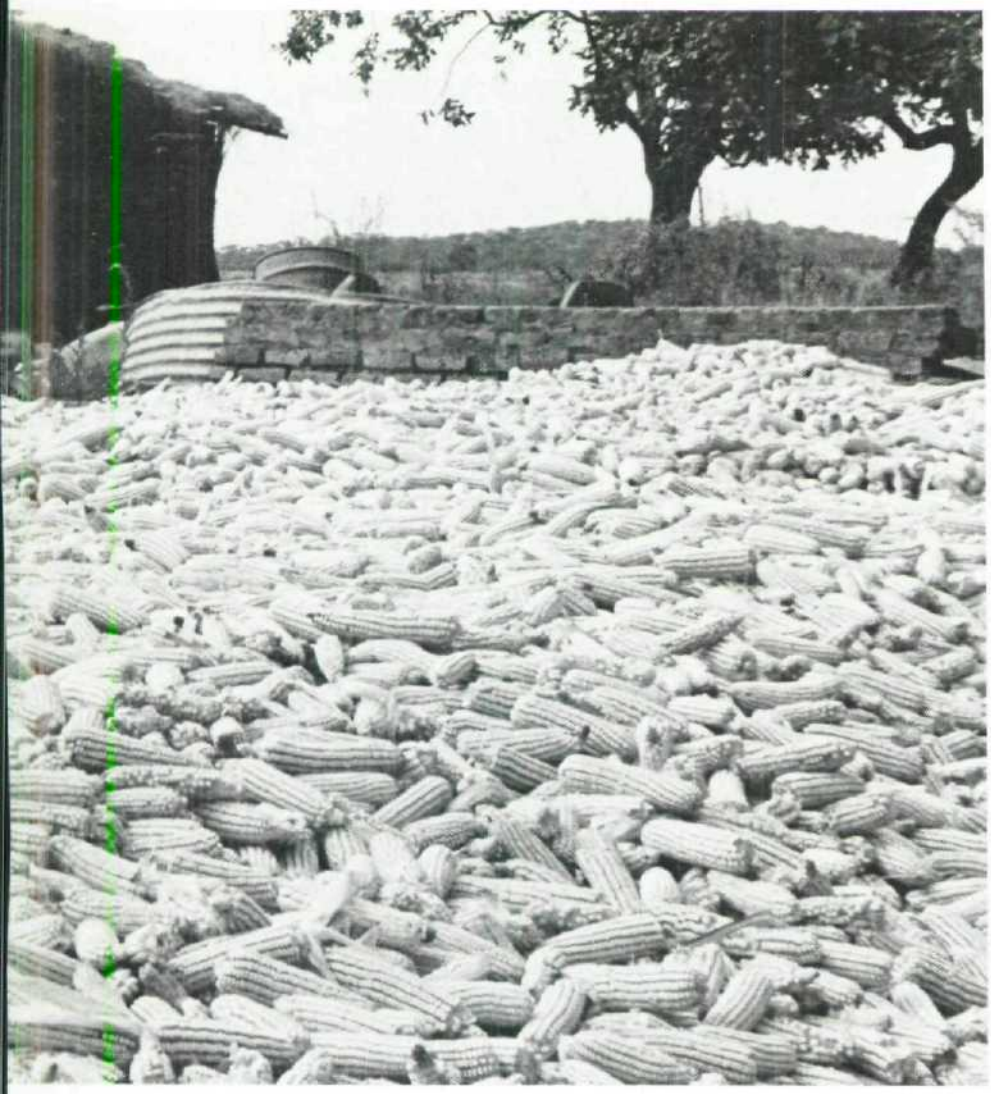
Among government officials, industrialists, and some economists, there are a number of reservations. For starters, import substitution as a strategy has had tremendous benefits for Zimbabwe, providing it with a unique industrial sector which today contributes to 24 percent of GDP. Although the industrial sector only earned $162 million in foreign exchange last year, it saved an estimated $881 million through import substitution.

Responding to Hawkins' paper at the CZI congress, Minister of Industry and Technology Callistus Ndlovu suggested that there is room for further import substitution in Zimbabwe. If Zimbabwe were to liberalize at this stage, he said, it would be going into the world economy as a "passive" rather than "active" participant.

Import substitution, one economist points out, is all the more important in view of Zimbabwe's landlocked position and high dependence on routes through white-ruled South Africa. "You can't ignore geo-political factors," he said.

Moreover, critics point out that protectionist tendencies in industrialized countries defeat the whole purpose behind trade liberalization. Hawkins argues that part of the export pessimism in Zimbabwe is due to sheer defeatism and points out that despite protectionism, the share of imports in the U.S. manufactured goods market has virtually doubled in the past decade from 7 percent to 13 percent. But a World Bank official here acknowledges, "There is a clear danger [in these protectionist policies]. It has to be a two-way street."

Although the World Bank is confident about the ability of most Zimbabwean industries to withstand foreign competition and argues that tariffs can be used to protect the less efficient, but strategic industries in the short-term, there are naturally fears among manufactur-



Margaret A. Novicki

ers that trade liberalization will do them out of business.

There is no question, says CZI chief economist Simon Gray, that the "choker on industry is access to foreign resources," and those "have to be created." But, he told *Africa Report*, "I'm one of those who would advocate an interventionist approach to make us more export-oriented."

Instead of following the "radical liberalization approach," the CZI has been encouraging government to adopt export incentive programs, he said. These included such schemes as the export revolving fund, a supplementary (export bonus) fund which would allow exporting companies to use some of their foreign exchange for domestic expansion, and an import assurance fund, which would act like the ERF in reverse.

All these measures fall under what the World Bank would call "second-best alternatives." What is important, said the official interviewed here, is to have "a clear guideline of where you want to go and a time frame of when you want to get there."

This is what remains to be seen in Zimbabwe—possibly when volume two of the development plan is finally released. In many respects, it is a political question, touching at the core of the ideological goals that Zimbabwe has set for itself in the long-term.

For his part, the well-liked and efficient former UN bureaucrat and current UNCTAD president, Bernard Chidzero, is convinced that there is a meeting point between socialism and capitalism. He is determined to continue to run the economy along the lines which have brought it safely to this juncture and made room for the current debate.

As Chidzero put it in his July budget statement: "Ideals inspire and we must espouse them, but hard-headed management is their handmaid." □

Going it Alone

After abandoning an IMF-supported economic adjustment program in May, the Zambian government has launched its own reform effort. But donors warn that the new plan fails to come to grips with the fundamental issue—how to restructure the economy away from dependence on Zambia's finite copper resources.

BY ANDREW MELDRUM

Zambia

Something unusual in Africa, a four-lane divided highway, stretches through the 50 miles of rolling countryside between the copperbelt cities of Ndola and Kitwe.

The attractive, landscaped highway is testimony to the years when Zambia's copperbelt province was booming, providing the entire country with wealth.

In the 1960s, when the price of copper was high, Zambia was one of Africa's wealthiest countries, with one of the continent's highest per capita incomes. The copperbelt was the country's gleaming mining and industrial hub, a shiny and prosperous showcase of African development with new factories, roads, and modern cities.

In May this year, Zambia became Africa's economic equivalent of Brazil when it withdrew from an International Monetary Fund agreement, a dramatic demonstration of the country's fall from one of Africa's most prosperous nations to one of its most desperate debtors.

Today, the copperbelt cities are in what seems a chronic decline, comparable to Britain's depressed industrial north and America's "rustbelt" cities. Copper mining, the source of Zambia's wealth, is now blamed for its economic woes as the mineral has steadily lost value since 1974.

The highly urbanized copperbelt, which alone holds one-third of Zambia's 7 million people, now has a large and restive unemployed workforce as its industries operate at a fraction of their capacities due to the resulting chronic shortage of foreign currency.

The copperbelt cities—Ndola, Kitwe, Chingola, Mufulira, and Luanshya—were the flashpoints for the food riots in December last year that left 15 people dead and brought President Kenneth Kaunda's government to abandon an IMF economic restructuring program and limit payments on its $5.3 billion foreign debt to well under 10 percent of its annual export earnings.

"We used to call the copperbelt 'Africa's Switzerland' because we were building highways, factories, office buildings, schools, and hospitals," said a Zambian worker, remembering the boom years.

"I can remember when in school we would line up each day for a free glass of milk. Now the schools all have broken windows and many children cannot afford shoes," he said. "Of course, the free milk has been gone for a long time."

And the free schooling is gone, too. Unable to continue bearing the cost of education, the Zambian government, in its new post-IMF economic plan, began to charge parents for primary education through fees payable to local councils. Parents must meet secondary boarding school fees and industry is being asked to help pay for higher education costs.

Zambia's rich copper deposits, used by Africans for centuries for jewelry and wire, were exploited by British colonialists in the early 1920s. To obtain labor for the mines, the colonial authorities imposed a hut tax which forced peasant farmers to go to the mines to earn cash. Soon large populations sprang up around the mines and the colonial government kept urban food prices attractively low.

Today, Zambia has the highest percentage of urbanized population in Africa. Close to 45 percent of Zambia's people live in cities, compared with neighboring Zimbabwe's 15 percent or Malawi's 8 percent. One result is that Zambia's rural agricultural production has slumped and its fertile lands have not produced enough grain to feed the population for more than 10 years. The government has had to use valuable foreign currency to import the staple maize.

For years, economists have advised Zambia to diversify away from its total dependence on copper, which accounts for more than 90 percent of the country's $750 million in annual export earnings. Soon the country will be forced to become independent of copper earnings because mining experts say that by the year 2000, the copper deposits will be finished. Already the grade of copper has declined steeply, causing a fall in output by the state-controlled giant, Zambian Consolidated Copper Mines (ZCCM).

Yet the reliance on copper exports continues, largely because Zambia's industries are import-dependent.

"Zambia, along with Zimbabwe, has the most developed industrial infra-

Andrew Meldrum, an American journalist who has been based in Zimbabwe for six years, reports on southern Africa for The Guardian *of London, Agence France-Presse, and the Voice of America.*

structure in sub-Saharan Africa," said a Scandinavian diplomat in Lusaka. "But Zambia's industrialization, much of it carried out in the 1960s, is unfortunately horizontal and too dependent upon foreign currency."

Many of Zambia's industries depend on imported raw materials and imported machinery, said the diplomat, and therefore the shortage of foreign currency has reduced the industries to functioning at about 30 percent of capacity.

That changed in 1986 when the IMF economic restructuring plan was in effect. Scarce foreign currency was auctioned off to the highest bidders each week. During the year and a half it was in operation, the auctioning system drastically devalued the Zambian kwacha from 2.20 kwacha to the dollar in October 1985 to 21 kwacha to the dollar in May 1987, when the currency auction was suspended.

Bankers and Western aid donors still praise the auction system as an efficient means of setting the kwacha at its proper value and of quickly distributing the foreign exchange.

"Any business or industry that needed to buy necessary spare parts or inputs could do so at the auction and they could get their factories going," said a Western diplomat. "During the auctioning, Zambian industry began to operate at better than 60 percent of capacity."

But since the May pull-out from the IMF program, the government has set the kwacha at eight to the dollar and has set up an unwieldy system to distribute foreign currency. Businessmen glumly report that industrial capacity is beginning a downward slide to the pre-auction 30 percent figure. The fixed rate of eight kwacha to the dollar makes Zambia's imports less expensive, but Lusaka's black market rate is at 20 kwacha to the dollar, indicating that the fixed rate values the kwacha too highly.

Perhaps the auctioning system alone would have been acceptable in Zambia, but it was coupled with IMF pressure on the Kaunda government to cut government spending on social services and to keep wages at a fixed rate while subsidies on food were ended and food prices were allowed to increase dramatically.

Zambia Info

"For years, economists have advised Zambia to diversify away from its total dependence on copper"

Zambians had already seen their real per capita income fall by 45 percent over a 10-year period. When the price of the staple maize meal was increased 120 percent in December 1986, the people reacted violently. The increase raised a 50-kilo bag of the meal to the equivalent of $7.50, almost half the average monthly wage. The angry riots were not quelled until the price rise was rescinded.

After the food riots, the government tried to raise the price of fuel, but backed down after one day. With continued pressure from the IMF and with elections due in 1988, President Kaunda chose to break with the Fund on May 1, Workers Day, telling Zambians his government would restructure the economy in "a more humane way."

The Zambian withdrawal is a blow for the IMF. It had lent more to Zambia than to any other country in sub-Saharan Africa. An estimated $800 million is currently owed to the IMF, of which $100 million represents arrears in repayments. There were also crushing debt repayments, taking up well over 50 percent of Zambia's foreign exchange earnings. New IMF loans and donor assistance amounted to less than Zambia's loan repayments. Hence, the country, like much of the rest of Africa, was paying out more than it received.

Kenneth Kaunda dramatically unveiled Zambia's "go it alone" economic plan on national television in August, calling for Zambians to stimulate "growth from our own resources" and to support it with "discipline."

The Interim National Development Plan runs from July 1987 through December 1988 and charts spending of $412.5 million to generate 2.2 percent growth during the period.

The economic plan was greeted by a Western diplomat in Lusaka as "fairly laudable, surprisingly in line with the previous IMF plan, but too highly generalized a plan that is not easily translatable into practical policies."

According to government projections, the plan envisions a net 1988 budget deficit of $194 million, up from $187 million in 1987. Central to the new plan is the replacement of the auction system with a Foreign Exchange Management Committee to allocate the foreign exchange to key sectors of the economy. With the kwacha set at eight to the dollar, many businesses are clamoring for more foreign exchange and the new committee is charged with determining who will get the chronically short commodity.

"The great advantage of the auction was that it was a straightforward mechanism which effectively removed corruption from the system," said a Western diplomat. "In the new system, there are 13 signatures needed to apply for foreign exchange. Each of those signatures is a bureaucratic hurdle, with potential for corruption. Many feel that forex will gradually go back to those with the most influence."

Students in Kitwe, Zambia: "Unable to continue bearing the cost of education, the government began to charge parents for primary education"

The target areas for investment are mining and agriculture, with copper mining receiving $78.1 million, substantially up from the $10.7 million in the 1987 budget. The declining quality of Zambian copper means that new machinery and other major investments are needed to maintain its vital export earnings. Zambia's copper mining giant, ZCCM, will receive 338 million kwacha of that total as part of its ongoing $300 million capital stock rehabilitation program.

However, according to economic analysts, the plan does not specify how it will solve ZCCM's chief problems—the high level of taxation on the mineral which makes it virtually impossible for the company to make a profit and its need for foreign currency.

Agriculture is seen as Zambia's only long-term hope to improve its economic performance, but again the plan does not clarify how existing problems in that sector are to be solved.

The small commercial farming sector will be encouraged to increase production of tobacco and sugar, especially for export sales. The export of horticultural fruits like strawberries is also suggested. The commercial sector already produces much of Zambia's wheat, dairy products, and vegetables, but the large-scale farmers are badly in need of foreign exchange for spare parts for tractors and other machinery and for new seeds and chemicals.

But the vast amount of Zambia's agriculture is in its peasant sector and this is where analysts fear that the new plan is not coming to grips with the country's pressing problems. Guaranteed prices of the staple, maize, to the rural smallholders have not been increased sufficiently to act as incentives for peasants to produce more, say agricultural experts. Instead, the government plan maintains the subsidies which keep the price of maize low for the urban population.

"Something needs to be done to improve the possibilities for the rural farmer," said an aid worker. "Even if the peasant earns more money, there is very little for him to buy with it in few, poorly stocked stores. There are not many good roads to receive seeds, fertilizers, and supplies, nor are there many schools or health facilities. These people do not have a voice."

Another problem, say aid officials and diplomats, is that the Ministry of Agriculture and the Ministry of Cooperatives are understood to be corrupt and inefficient. The government's National Agricultural Marketing Board is notoriously corrupt, and the United States is said to be pressing to allow the private sector to take over some of its functions.

"The government has long paid lip service to the need to improve the peasant agricultural sector. It is even talking of resettling some unemployed city-dwellers on peasant farms," said a long-time observer. "But there is no sign that it is doing anything to solve the problems."

In the face of this bleak economic outlook, there are a few positive signs. Canada, Denmark, and Sweden have converted some of their loans to Zambia to grants. Scandinavian support, in particular, remains strong. Despite Kaunda's urgings for self-sufficiency, there is no question that Zambia remains dependent upon foreign aid.

On a larger scale, the most heartening signs are those which indicate a new mood among the major Western financiers to come to the aid of sub-Saharan debtors like Zambia. "If Zambia's debt burden could be eased, that would be a great relief," said a British diplomat.

Other analysts point out that the economic course plotted in the new plan is not radically different from the previous IMF plan. They suggest that true to its name—Interim National Development Plan—the program could be a stop-gap measure to allow the domestic situation to cool a bit and enable Kaunda to win election to a sixth term of office in 1988, then return to the IMF for restructuring.

"We know we're not rich anymore. The workers certainly do not live like it anymore," said a copperbelt resident. "We have tightened our belts already—perhaps the government and its bureaucrats need to do the same thing now."□

Interview with President Kenneth Kaunda

INTERVIEWED BY ANDREW MELDRUM

Africa Report: What new initiatives do you plan, as the new chairman of the Organization of African Unity, to address the continent's political and economic problems?

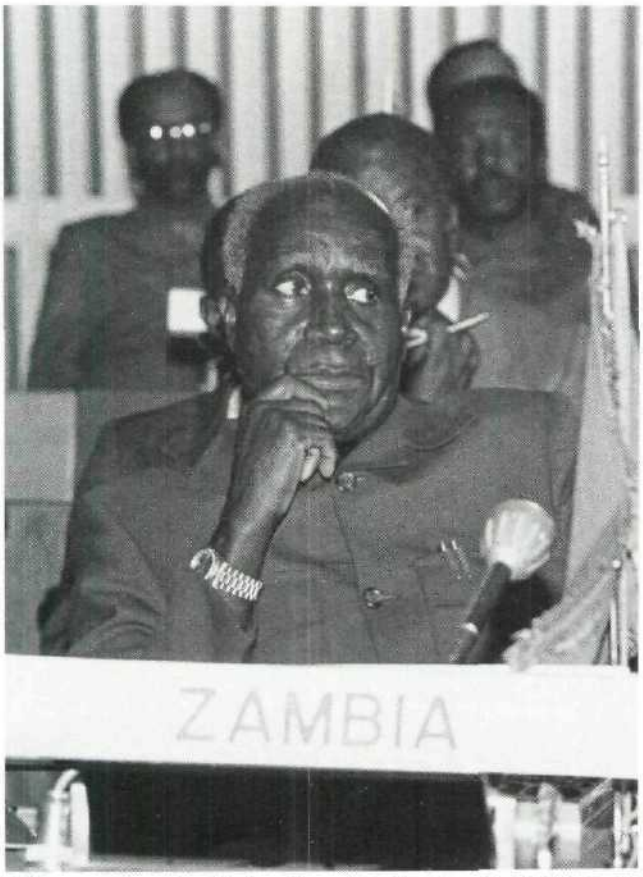
Kaunda: Being chairman of the OAU comes with no magic wand. But at least the organization is there—formed of the people of Africa—to examine various problems with a view to finding answers to some of those problems. At the moment, we have many, many pressing problems—all of which claim priority attention.

For example, we have the problem of apartheid, which is both political and economic. Indeed, it goes beyond that, it is social, cultural, and military—it is almost everything in the life of man. We have the debt burden, which we must deal with as quickly as possible. We have some problems over which we have no control—drought and natural disasters. When you don't have droughts, you have floods.

In terms of my first point, the question of apartheid is something which must be dealt with by the international community if we are to avoid a holocaust in southern Africa. I have spoken several times of this issue and I've made the point that to me it's very surprising that the modern Hitlers, the Nazis of the modern world, have not been dealt with as firmly as the original Nazis were when they worked hard to destroy the Jewish people. This is amazing. We are looking at a situation which has happened once before and was dealt with very firmly. Everybody got up to fight an abominable thought which was being translated into action by the Nazis.

These same people were interned by Field Marshall Smuts, then Prime Minister of South Africa, because they espoused Hitler's thoughts in South Africa. So these are the direct descendants of Hitler in terms of thought and we know it, all of us. And when we call for action now, what are we told? No! Even economic sanctions, we are told, don't work. Yet, from the same "holy mouths" comes the word that Japan is exploiting the U.S., Japan is exploiting Western Europe: Apply economic sanctions. And they are applied!

I ask myself: Suppose those 4 million whites today in South Africa were black and were doing what they were doing against 25 million whites? Can anyone in their correct mind tell me that the northern hemisphere would have stood by



Betty Press

"We are not saying that we're not going to pay, much as we disagree with the economic order today"

Zambia

President Kaunda's chairmanship of the OAU comes at a critical stage in the history of Zambia and of the entire southern African region. Our correspondent asked the Zambian leader about the pan-African organization's current economic and political priorities, as well as Zambia's controversial decision to break with the IMF.

and watched 4 million blacks oppress 25 million whites? This is a question we must answer honestly. The 20th century makes excuse after excuse. And you know the reason why. And what is amazing in this situation is that black people are not anti-white!

So we have all these problems and we must do something quickly, because we are sitting on top of a volcano, whether looking at the problems of apartheid or economic problems on the continent. We are sitting on top of a volcano because the African people will not continue to go on suffering intolerably from these burdens. Yet we know that as long as the prices of our commodities are what they are, there is little the African continent can do. As long as we pay through the nose for what we get from the developed North, there is little we can do on this continent.

Zambia is a semi-industrialized country, which needs oil badly. There is nothing we can do unless we discover our own oil. These are problems which are beyond our control completely, and yet we are being told we don't know how to run our own economies! This is terrible. But I'm hoping that during my term of office, my colleagues and I will be able to look at these problems.

I can't respond to your question without referring to another very urgent problem, where again life is involved—the Libyan-Chadian war. Obviously we must do something about it. I went around as chairman to Gabon, Chad, Algeria, and Libya on a fact-finding mission. I now know what is being thought in the Chadian capital, the Libyan capital. And I am sending a message to the Gabonese president who is chairman of the committee, and we will summon a meeting of the heads of state on this problem and I will brief them. Hopefully from there, I will be able to determine if this can be resolved through the OAU or through the International Court of Justice or another accredited institution.

Africa Report: To focus on the debt problem, what do you think the OAU can do to develop a common strategy to deal with Africa's economic crisis?

Kaunda: It's very difficult for one to speak of a common strategy on these issues because we are dealing with different levels of development. Take two neighboring countries, Zambia and Tanzania, very close member-states of the OAU, the frontline states, SADCC, and the PTA. Tanzania is an agricultural country, while Zambia is semi-industrialized, urbanized to the tune of about 45 percent. These are cardinal differences and obviously will influence the decisions about how a government addresses its problems.

Therefore, it's very difficult to say we will take a common stand. But there are certain basic areas in which we can do something together. Here I am thinking of the need to strengthen regional economic units under the UN's Economic Commission for Africa. Secondly, we must apply a common strategy in terms of developing our own resources, because at the moment we are sending out resources, primary commodities, raw to the industrialized countries.

We can deal with this double problem jointly and thereby strengthen the areas from which we can negotiate. If you are processing primary commodities, adding value to them, in that way you are strengthening your hold on the world economy by helping to introduce a new economic order and others are bound to respond. But if we continue to export what we have the way it is—raw materials—we are really at their mercy. You can't blame them, they are businessmen, they want to make profits. Sure, it is at the expense of the producers of those raw materials, but to them that's immaterial. These are some of the things I think we can do to strengthen ourselves.

Africa Report: At the Harare Non-Aligned Summit, there were several suggestions on how to deal with the Third World debt crisis. Cuba suggested cancellation of the debt and Peru proposed to limit payments on the debt to 10 percent of the export earnings of any individual country. Do you think these could be solutions to Africa's problems?

Kaunda: As you probably know by now, we are following a 10 percent line, but it would be wrong for us to expect that everybody should aim for that solution, nor indeed the cancellation of debts. But I must say countries like Canada and the Nordic countries as a whole have begun to cancel our debts. We cannot pay—not because we don't want to pay, but because we have no funds to pay. They know the reasons—we have explained some of them to them. So something should come from the developed countries themselves. They should not force us to be confrontational in our approach. We want to be accommodating rather than confrontational. I think if we all followed that way, we would be living in a much happier world.

Africa Report: Your government has broken with the International Monetary Fund. What led you to make that decision? What are your criticisms of the IMF structural adjustment program and do you think that your strategy is a good policy for other African countries as well?

Kaunda: To deal with the last part of your question, I'm not sure that it is a good policy for other countries. I only know that it is a good policy for Zambia. We did not do that because—as I said earlier—we wanted to be confrontational. The IMF program has been with us for close to 12 years now

Zambia Info

"We want to move into agriculture more seriously now"

and we began to see nothing but a contraction of the economy, contracting, contracting. In the end, we were living to pay the IMF, nothing else! And we were not developing, the economy was not expanding, it was contracting. Therefore, it got to the stage where nothing was going to happen, except the death of our economy. I don't think that the IMF itself wanted that. They want us to pay our debts within a year—now this was not possible.

The situation is well known, copper prices—on which all our calculations were based, as well as their [IMF's] own—were going down, down. They have gone up a bit now. My own interpretation is that they have gone up because of the problems involved with the Gulf war, that's my guess. When our brothers in the Gulf were killing each other, there was no impact at all on the price of copper in the world economy. Now the big brothers are beginning to growl, and prices are affected. And as long as the big bosses remain in the Gulf, it is likely that these prices will continue.

But how can I talk about this with a clear conscience when I know that copper prices are going up because of a war? This is not for a humanist like myself—but that is the situation in which we live.

The whole IMF program was based on a good, capitalist system where speculation is the order of the day. How can you make speculation over the individual the basis of your economic planning, economic growth? If that individual ceases, the economy ceases; if that individual says, "I'm healthy," the economy is healthy. To me that is unimaginable, I have not been able to accept that philosophy at all!

That is what our brothers in the IMF were doing. So we have said: No, this is not good enough! It's going to destroy us completely in the end. We will not pay you, we will not pay anybody, we will not allow malnutrition to grow. Everything was going wrong. So we said, "Enough is enough." They were telling us to increase the price of oil, which we've done, but not to the same amount as they were proposing.

Zambians are a proud people, they don't want to live on alms. We want to do these things slowly, slowly. We do not want to live on other people's sweat and toil. We want to live on our own sweat and toil. But all we are asking for is a bit of time. The problems did not emanate from us, they started in 1973 when the price of oil shot up for us. How do you reconcile your books, even if you are running an accountancy-type of economy? A big hole was left. And as that was happening, copper prices started to go down.

So really, this is the situation, and it is within that context that we said we must limit our payment of foreign debts to 10 percent of our annual export earnings. That's just a symbol to show everybody we are not saying that we are not going to pay, much as we disagree with the economic order today. We are going to pay, but we need time.

Africa Report: What are the specifics of your new economic program and how will it be funded given your break with the IMF?

Kaunda: First and foremost, we are saying that we want to be able to grow from our own resources, but that's not the end of it. We need support from outside, but at the same time, we need to be developing our own choices. So the little foreign exchange which we raise will be used to finance a few, carefully selected industries which will form the basis of growth. We want to develop labor-intensive industries instead of capital-intensive ones. We want to make a big export drive from new sectors of our economy—things which are not copper—crops, for example. We want to move into agriculture more seriously now. And there has been quite a response from the people of Zambia and from the investors, I'm glad to say. Basically, this is non-confrontational, it's what we think would be best suited to Zambia.

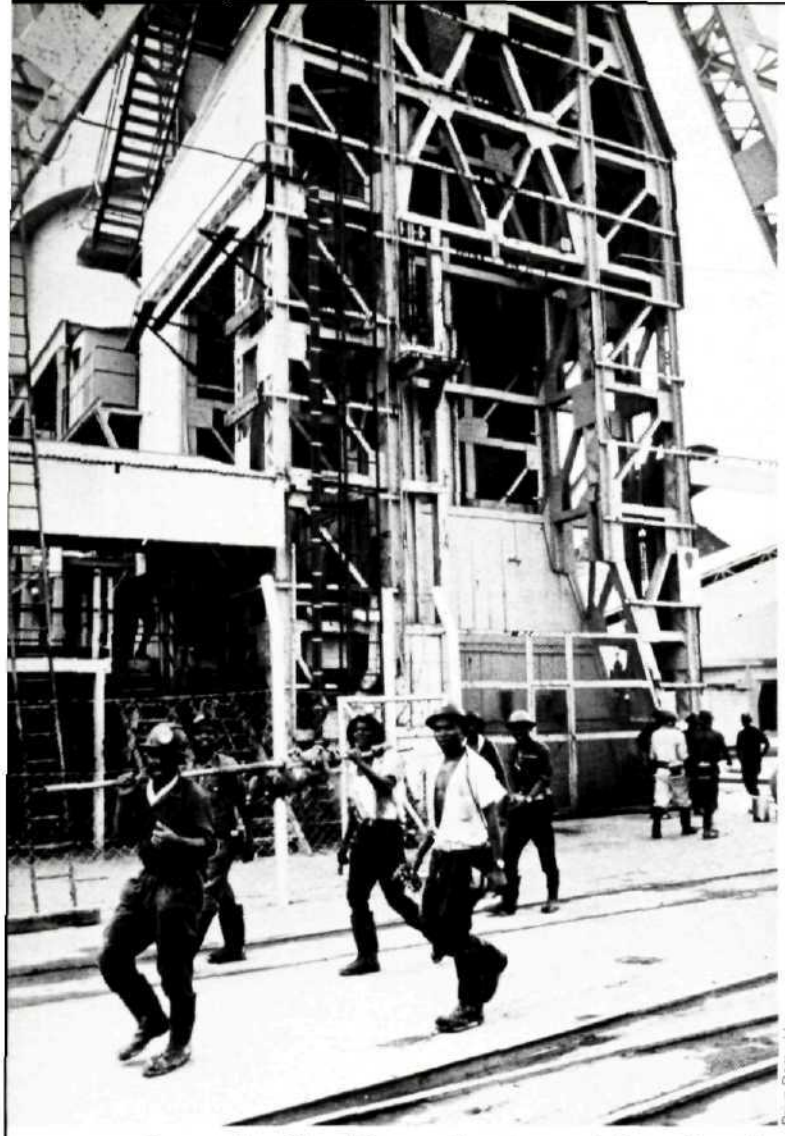
Africa Report: Tanzania and Ghana have both adopted IMF structural adjustment programs in recent years and they have had some success. Do you see them as possible models for other African countries?

Kaunda: I don't know. I can't speak for Ghana or Tanzania. Tanzania and Zambia have major differences in that the latter is somewhat industrialized while the former is basically a peasant economy, as is Ghana. It is easier to deal with a peasant economy than an industrialized country. We need a lot more foreign exchange than they do.

If we organized our economy in such a way that the peasants didn't need tractors, but ox-drawn plows—that's what makes the whole difference—whereas for us, we need a lot of foreign exchange to run those machines, the spare parts, and so on. This is the major difference between the two approaches. Whether that would be a good model for other African countries, for those that fall in the mode of non-industrialized countries, it might work; but industrialized countries like Zambia, I don't think it would work.

Africa Report: Zambia's copper resources are dwindling, and as you pointed out, Zambia is one of Africa's most urbanized countries. What are the ways that you can stimulate agricultural production?

Kaunda: First of all, we need to organize the peasants, and



Priya Ramrakha

Copper mine, Kitwe: "If we continue to export what we have the way it is—raw materials—we are really at their mercy"

we are doing this. I have announced, for example, that we hope by the end of this year to have organized 55,000 youngsters [from urban areas] to go back to the land. We have started on this program, which is not very easy. We wanted to start by June this year, but we didn't because of the adjustment program. But we are still going ahead. Whether or not we reach 55,000 this year is another thing, but certainly we will be reaching more than that by the end of the interim plan.

By December of next year, we will have settled quite a number of young people on the land. One problem is that we can't force them. The constitution of Zambia doesn't allow us to do that, nor does our insistence on human rights. But we are going to try to persuade them to go back to the land. We are organizing that on a large scale. I think we will succeed. When we do that, the pressure on the towns—on the social services, schools, hospitals, etc.—will be lessened. It is these boys and girls who have nothing to do who are creating the social problems we face today. So I think we will succeed.

"The IMF program has been with us for close to 12 years now and we began to see nothing but a contraction of the economy, contracting, contracting, contracting. In the end, we were living to pay the IMF, nothing else!"

Africa Report: Turning to southern Africa, what is Zambia's position on sanctions against South Africa, specifically on cutting air links? Is it up to the frontline states or to other powers to increase pressures on South Africa at this point?

Kaunda: The frontline states are the frontline states because they are facing South Africa's racist regime with great courage. We have applied sanctions against South Africa. They have applied sanctions against us. They have overthrown governments, destabilized governments through their military support for rebels. All that is part and parcel of war. Sanctions are going on between South Africa and the frontline states and we need outside support in these programs. It is no use just telling us this and that, we need support—economic support for our economies through economic sanctions against South Africa. We need this if we are going to avoid a holocaust. If we don't, then everything we have here will go up in flames. No sensible person wants to see that happen.

"We are sitting on top of a volcano, because the African people will not continue to go on suffering intolerably from these burdens."

But South Africa will not negotiate if there is no pressure on it. We had agreed to cut off air links. At least Zimbabwe and Zambia were supposed to cut off air links by 31 December. But when we sent messages around to our colleagues in the frontline states, we found that for good reasons they could not do this. And so we had to drop that. It would be of no use for Zimbabwe and Zambia to do this when we know that the neighboring states, fellow frontliners, could not do it. That would have been an act of madness, not courage! But we have moved in other areas. Zambia has done very well in this respect. I'll be reporting to the Commonwealth summit on what we have done. In terms of the line of action agreed upon by the mini-summit on sanctions in London, we've done extremely well.

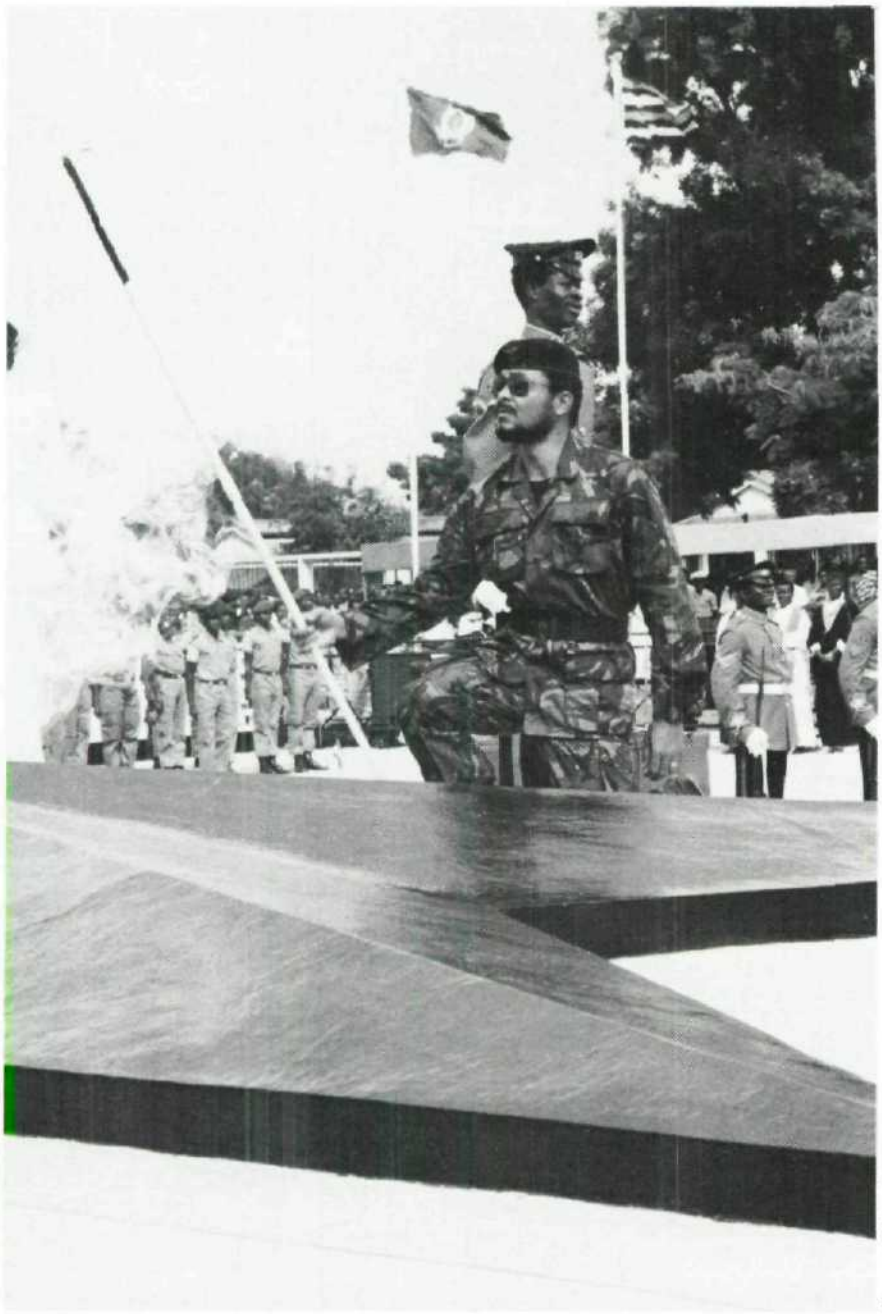
South Africa's policies have a direct, adverse impact on the frontline states because its policies are to defend apartheid against liberation. By halting the MacMillan wind of change, South Africa hopes to stop the abolition of apartheid. As long as that remains the cornerstone of all its policies, destabilization becomes a forward point in terms of the defense of apartheid. And as long as that remains the case, destabilization will continue here in this region and a volcano we cannot escape is bound to come. Unless something immediate and something which we haven't seen before by way of a change of policy, a change of heart in the West, takes place, we are in for that holocaust. □

Ghana

Adjustment with a New Face

The Rawlings government has registered considerable gains in turning around an economy plagued by two decades of mismanagement. The focus of one of Africa's most comprehensive economic reform efforts is now on the social impact of adjustment—with important lessons for the rest of the continent.

BY MARGARET A. NOVICKI



Margaret A. Novicki

Flt.-Lt. J.J. Rawlings: "There is a determination by the leadership that this experiment must succeed"

Fifteen hundred feet beneath the gently rolling hills of Obuasi, at Ghana's richest gold mine, the air is dense, still, and unbearably hot. Save for the occasional muffled sounds of men's shouts and rubble whooshing down a chute off in the distance, it is unearthly quiet as you descend the last 400 feet of the 2,000-foot-deep gold mine shaft on treacherous rung ladders.

At the bottom of the shaft, however, the mine hums with new activity. As they have done since gold was first discovered here at Ashanti Goldfields in 1897, sweat-bathed workers break the mineral-laden rock out of the bowels of the earth. But just three years ago, mining here had ground practically to a halt, says Sam Jonah, managing director of Ashanti Goldfields Corporation (AGC). "If you had talked to me then, I couldn't have told you this mine had a future."

Today, AGC, a joint venture between the Ghana government and Lonrho, provides 18 percent of the nation's total foreign exchange earnings, adding a new glimmer to what was a nearly moribund industry. Producer of 85 percent of the nation's total ore output, AGC has been one of the main beneficiaries of the Rawlings government's economic recovery program (ERP), launched in 1983 when the economy finally hit rock bottom.

A bold attempt to rescue a virtually bankrupt country from two decades of mismanagement and corruption, Ghana's recovery effort focused first on reviving the nation's productive sectors—agriculture, timber, and mining—which, over the 1970s and early 1980s, were progressively starved of the foreign exchange to fuel growth and expansion.

A measure of the generalized collapse of the economy, Ghana's gold production had fallen from a peak of 533,000 ounces in 1972 to an all-time low of

232,000 in 1980. "There was a time before the ERP when we had to go cup in hand begging from the various quarries for explosives and even matches to blast," recalls Jonah. "Now the government has recognized that we who earn the foreign exchange must have the first priority."

Thanks to a $160 million rehabilitation and expansion program supported by loans from the International Finance Corporation and a consortium of commercial banks, AGC expects to double its current gold output to 400,000 ounces a year by 1991. For the first time in more than a decade, Ashanti's miners descend to the depths of the earth in newly sunk shafts and ply their trade utilizing the latest in technology.

The government has been actively encouraging foreign investors to sign exploration agreements, and the first licenses since 1924 have been issued. Efforts are also being made to control cross-border gold smuggling, which last year enabled neighboring Togo—without a single gold mine—to export $90 million worth of the precious mineral.

"Ghana wasn't called the Gold Coast for nothing," says Jonah. "Everyone recognized our gold potential, but it remained only a potential until the economic and political atmosphere was right. Now we think it is right." The ERP, adds Bill Hussey, general mines manager, "has given us the opportunity to extend the life of the mine by maybe 50 years."

Prior to the launching of the recovery program, no one was lending money to AGC, nor for that matter to the Ghana government itself—a pariah status earned from its post-independence record of political instability and economic folly. Today, Ghana's efforts are held high by donors as a model worthy of emulation—how the correct diagnosis of economic ills and the right prescription can cure even the most terminal of cases.

More than 25 African countries are currently undergoing IMF and World Bank-supported structural adjustment efforts similar to Ghana's—with varying degrees of commitment and external support. The Ghana government, however, was among the first to devise and implement its own comprehensive and politically courageous program—not without a heavy social price tag—and stick with it for four years, earning in return an unprecedented level of multilateral and bilateral backing.

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Miners at Ashanti Goldfields: "The ERP has given us the opportunity to extend the life of the mine by maybe 50 years"

"What distinguishes Ghana from the others," says Seung Choi, the World Bank's Accra representative, "is the government's tendency to look at what is good for Ghana as a whole rather than from a narrow standpoint of what is good for one segment of the population. Secondly, the country really hit the bottom in the early 1980s and there is that determination by its leadership that this experiment must succeed. So there is a political commitment to it."

Hit the bottom, it did, with a deafening thud. But gone are the days when Accra's market stalls were empty of even the most basic of goods, when electricity was rationed due to the worst drought in the nation's history, telephones were nothing more than a piece of household or office decor, and when the specter of starvation haunted even urban professionals who jumped at a dinner invitation from a diplomat or expatriate just to fill their stomachs.

"No condition is permanent," reads the motto painted on one of Ghana's rickety tro-tro lorries that rumble with their human cargo across the potholed road network from village to city. Indeed, visiting Accra today, it is easy to forget the condition in which Ghanaians found themselves by 1982.

The petrol queues which lined the city streets have been replaced by traffic jams. From the days when visitors lugged heavy suitcases filled with every conceivable necessity, virtually anything can be had for a price in Accra—in its once-again robust markets or from the teenage hawkers who crowd traffic intersections vending everything from cigarettes and imported apples to dog-chains, feather dusters, and bottle openers.

On a nation-wide scale, Ghana is self-sufficient in most food crops and at least in the rural areas the price of food remains within reach of the average Ghanaian. Telecommunications have improved dramatically, the ports bustle with new life, and an acute transport shortage has been eased. But the undeniable change in the economic fortunes of the nation is still taking time to trickle down to the average wage earner, whose daily minimum salary of 116 cedis, less than $1.00, will not buy a bottle of beer or a tuber of yam.

Although the reform measures—unlike in some countries—have been introduced gradually, Ghanaians are feeling the effects of sustained economic

austerity, and donors, government, and the people alike agree that "adjustment fatigue" is setting in. Says P.V. Obeng, Ghana's Coordinating Secretary, "We can achieve economic growth without development. These statistical figures—GDP growth, inflation, etc.—mean nothing to most of our people. But at the end of the day, they should be able to see that through these efforts, their standard of living has improved."

Indeed, few would quarrel with the wisdom or direction of the economic recovery program. Nor, when asked, can anyone venture a better strategy, or claim that Ghanaians might have been better off without the ERP. The importance of resuscitating the export sectors to generate the foreign exchange needed to import and to reinvest is acknowledged.

Nonetheless, the trade unions have been clamoring for an increase in the minimum wage; students have protested over the removal of meal and housing subsidies as part of the reform of the educational system. But, says Kwesi Botchwey, Secretary for Finance and Economic Planning, "We must measure the success of this program not against the background of everybody's wishes, but against what was possible in the circumstances. If the donor community gave us $2 billion as soon as we started, things would have been a little different." Reminds one Western aid official, "It took 25 years for Ghana's economy to collapse, and we cannot expect it to resurrect in four years."

But now, as Ghana at last moves out of the crisis management stage and into the medium-term, which should establish the basis for self-generating growth, everyone seems in agreement that the time has come for special attention to the social aspects of the recovery effort. "If people get tired, lose hope, and don't see the light at the end of the tunnel, their commitment to the program is lessened," says Obeng.

And the adjustment process' sharp edges, or "social impact"—the latest buzzword in government and donor circles—are now becoming more and more apparent, as some of the difficult elements of the program, such as redeployment of surplus labor, are beginning to be implemented and the benefits of recovery are yet to be felt in an improved standard of living.

Of necessity, the first phase of the recovery program (1983-86) concentrated on implementation of the standard set of macroeconomic policy prescriptions advocated by the IMF and World Bank—realignment of relative prices in favor of production and the export sectors via massive currency devaluations, sharp increases in producer prices, reductions in subsidies, and streamlining of public expenditures. Finding the funds needed to rehabilitate an infrastructure decayed by years of neglect was an urgent priority.

"The Ghana government was among the first to devise and implement its own comprehensive and politically courageous program—and stick with it for four years."

Explains Botchwey: "When you have $400 million to spend, you can't do everything at the same time. You have to make hard decisions. So we had to postpone a bit of our current consumption, bear some sacrifice, and for example, rehabilitate the roads because the wherewithall to import goods for the people resides in the cocoa farms and mines, to which we must have access."

On paper, the results have been impressive: Ghana's economic growth rate has averaged 5 percent for three successive years and inflation has shrunk from over 100 to roughly 25 percent. The export sector has shown the most dramatic turnaround, thanks to a series of currency devaluations bringing the cedi from 2.75 to 174 to the dollar, and the introduction of a weekly foreign exchange auction.

Timber exports have more than quadrupled in value from 1983 to over $60 million in 1986. Cocoa production has increased from 155,000 metric tons at the beginning of the ERP to 220,000 metric tons last year. And now that the mining industry has access to foreign exchange to modernize its equipment, gold production will at least double by 1991.

Impressed by the commitment of the Rawlings government, the donor community has invested heavily in Ghana's efforts—at a level unimaginable in 1981 when the Flight Lieutenant came to power. Since the ERP was launched, the World Bank has provided $800 million on highly concessional terms, and this year awarded Ghana a $115 million structural adjustment credit—quick-disbursing balance of payments support.

In three stand-by arrangements, the IMF has lent a total of $750 million, and in October, Ghana signed the only Extended Fund Facility (EFF) currently in operation in sub-Saharan Africa, in effect rescheduling its debt to the Fund over a longer and less arduous repayment period. Ghana has also won a $163 million loan from the Structural Adjustment Facility, the IMF's new concessional window offering funds at a 0.5 percent rate of interest to those countries implementing major policy reforms. And at this year's World Bank-sponsored Consultative Group meeting, donors pledged an unprecedented $800 million in multilateral and bilateral support.

But in spite of this massive infusion of funds, Ghana remains a largely underdeveloped country, a fact sometimes obscured by the odd mixture of admiration and criticism in which the recovery program is regarded. Says Botchwey, "The poverty we are talking about alleviating is not a product of the recovery program. It is inherent in our underdeveloped status."

Indeed, one need only drive outside Accra on Ghana's dilapidated road network to put the nation's development problems in perspective. A short 50 miles out of the capital city, the modern motorway abruptly ends, tailing off into decaying asphalt. Driving on Ghana's main north-south artery linking Accra to Kumasi, Tamale, and Bolgatanga is a torturous experience. Despite on-going rehabilitation of some stretches, the pothole-pocked road remains a vehicle graveyard, littered with recent vic-

tims—dead of broken axles, stripped lug nuts, flat tires, or mud suffocation.

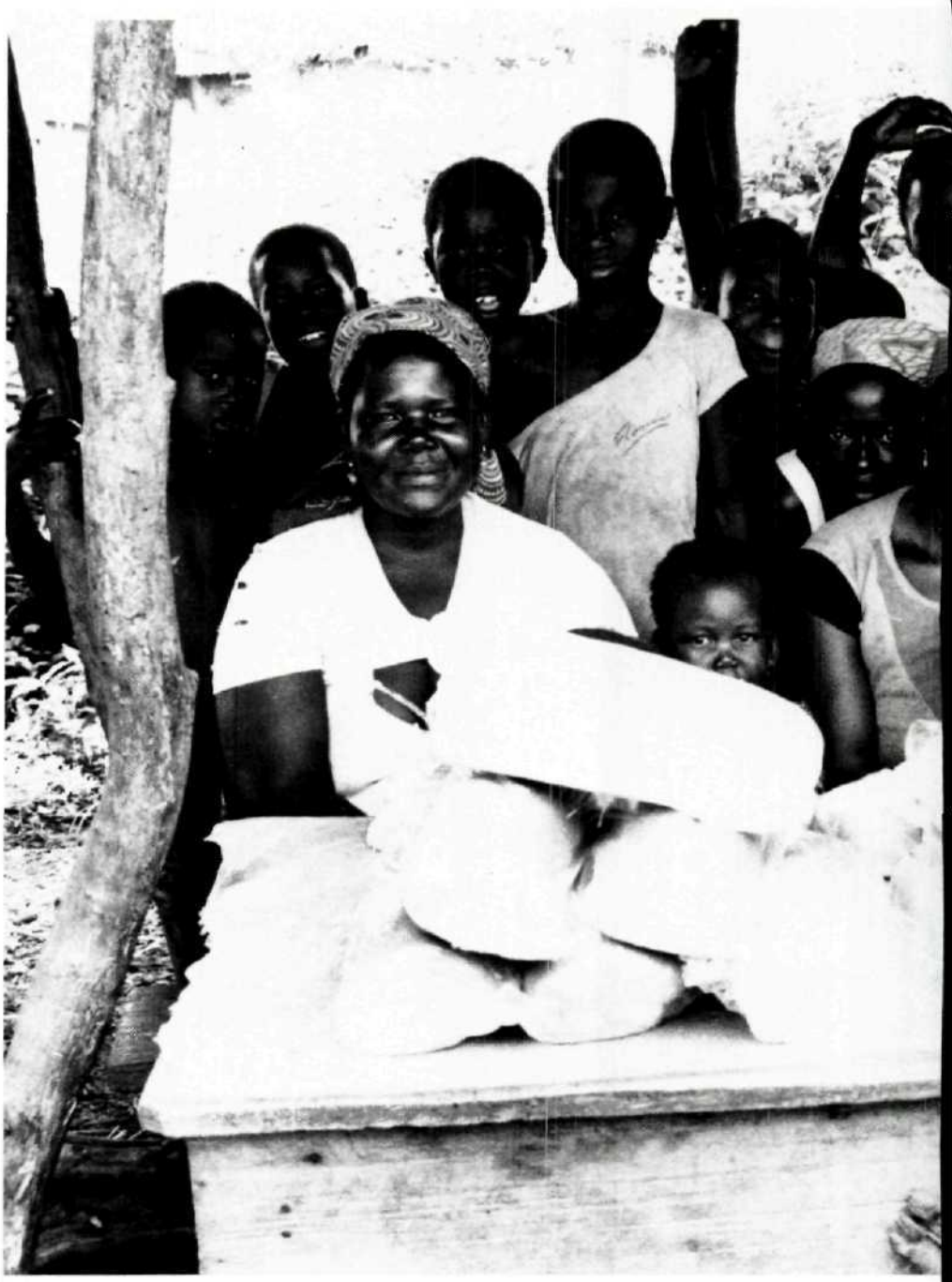
In the Northern Region itself, Ghana's potential agricultural breadbasket covering one-third of the nation's land mass, the problems are overwhelming. As Regional Secretary Huudu Yahaya explains: "In this region, only six out of every 100 persons have ever entered the four walls of a classroom! We have the lowest doctor to people ratio, 1:49,000, the highest infant mortality rate, 200 per 1000 births, and only 16 percent of children of school-going age are actually in school. This is quite unacceptable in development terms."

Hence, "the leading edge" of the second phase of the recovery program, says Botchwey, is the "rehabilitation of our human capital, the improvement of the social impact of the program. We want to mobilize the extra resources for this purpose to let the people see the benefits of the recovery more directly, to carry them to the doors of the people." Programs for employment generation, especially in the rural areas where poverty is most acute, mass literacy, public health, nutrition, and first and second cycle educational reform are the priority areas.

But as Botchwey explained, "This is a program we cannot finance entirely from the resources of the recovery program itself. Thus we are making a special appeal for extra resources. You don't put together a program like this and then go scratching the face of the earth with your bare fingers."

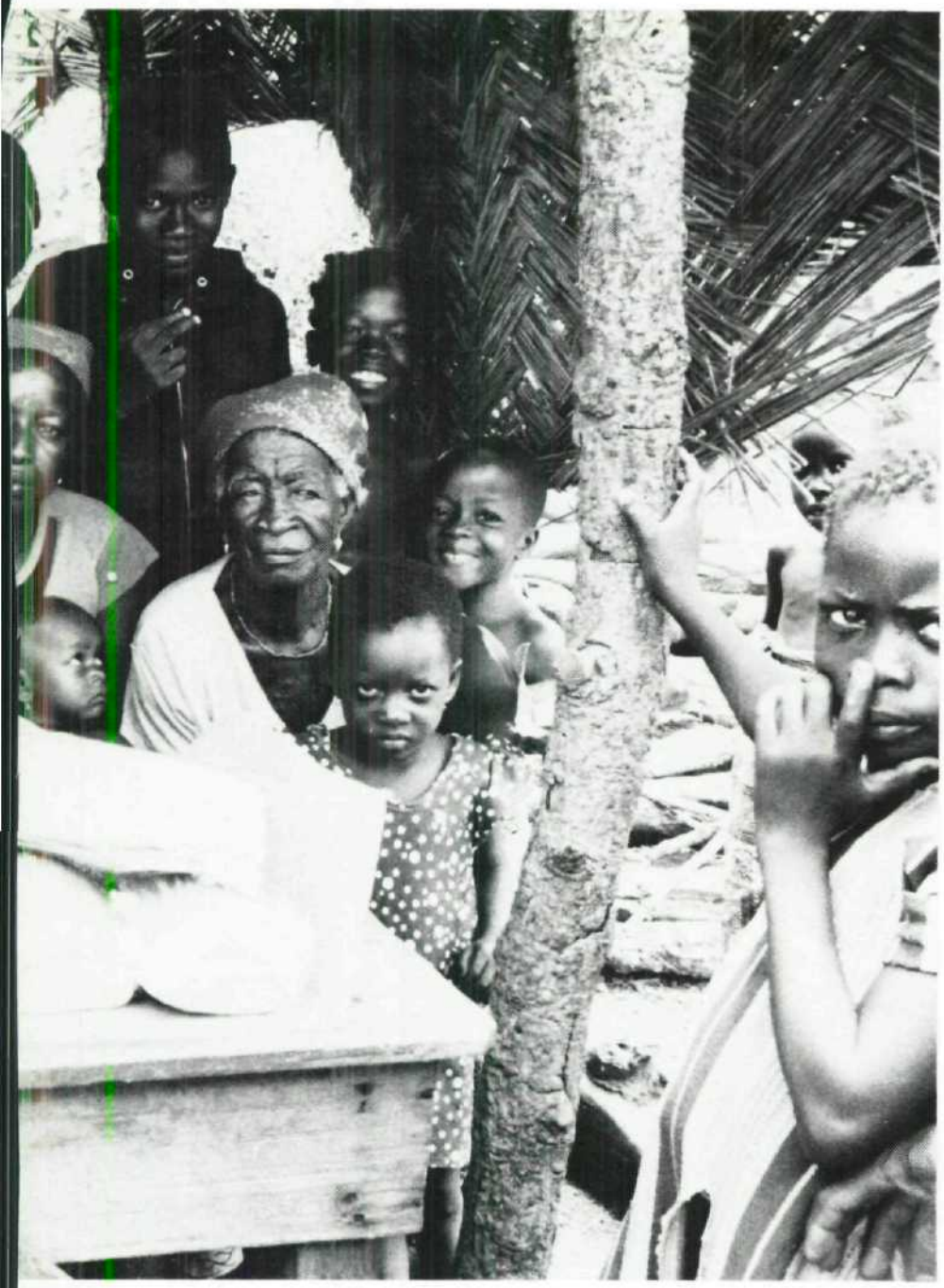
From very early on, the Ghana government was attentive to the likely hardships which adjustment would impose on the already hard-pressed Ghanaians. But its options were limited. Explains Botchwey: "When you tell a starving man that you're going to give him a little money, but that you want him to invest it in a farm so he can generate some income and produce food on a sustained basis, you're giving him a hell of a choice because he's hungry and wants to eat. But while you also want him to eat today, he should prepare the conditions so he doesn't starve tomorrow. So we had to do the latter."

Four years into the ERP, Ghana has found itself thrust into a pioneering role in the social programming arena—one that until recently was outside the parameters of Bank and Fund-supported reform. Over the last year, however, the World Bank, UNDP, Unicef, and bilateral donors have jumped wholeheartedly onto the "social impact" bandwagon—albeit reluctantly in some cases, but indicative nonetheless of just how high the stakes in the success of Ghana's program have become.



Women selling bread, Zonaayili, Northern Ghana: "We want to mobilize the extra resources to carry the benefits of the recovery to the doors of the people"

Without doubt, the specter of future Zambias—where rioting forced the abandonment of a Bank and Fund-supported austerity regimen—has helped to spawn a new, some would say belated, social consciousness among those whose primary concern was monitoring the finely tuned calibrations of currency depreciation and interest rates. Admits the World Bank's Choi: "The sort of reforms Ghana is undertaking will succeed only if they can be sustained over time.



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But there is always a time lag concerning the benefits, which raises the question of the social and political acceptability of this sort of program. Some governments get stuck on some issues and the reforms may not continue."

As early as 1983, Unicef had taken the lead among the donor community in working with the Ghana government on the social sector emphasis. But while Unicef continued to press its concerns at various meetings with government and other multilaterals, it wasn't until 1986 that its arguments began to be heard.

The World Bank was noticeably reticent until July this year, when it sent a 15-member interagency team to Accra, in effect giving its seal of approval to social sector programming. Said one aid agency official, "The World Bank was forced to react to Unicef's creative challenge. Ghana represents the first case for the Bank in the social aspect of the adjustment process."

The Bank mission concluded with a conference of donors and government with the unwieldly title, Program of Action and Measures to Address the Social Costs of Adjustment (PAMSCAD), which collated sub-group reports on Ghana's housing, employment, agricultural, women's, health, and education needs. In December, a donors' conference will be convened to raise at least $100 million—above and beyond the pledges made at the annual Consultative Group meeting—to support quick-action, one to two-year social programs.

Says Choi, "We have to deepen the recovery process by looking at some of the sectors which were left out because of the burning problems in other areas. When the public sector has to be trimmed because of structural adjustment, there might be a redundancy problem, and one cannot just close one's eyes to these real life problems. So we have to design concrete projects and programs which will mitigate the adverse consequences of structural adjustment—greater employment in the private sector, greater attention to health and education, etc."

The other priority area of the second phase of the recovery program—institutional reform—is not without serious social implications. A critical part of the World Bank's structural adjustment program, this aspect involves reform of the public sector generally, including privatization of some 30 state enterprises and reorganization of the civil service.

For years, Ghana labored under a bloated and inefficient civil service, whose numbers swelled from 35,000 in 1972 to 300,000 in 1980. "We were carrying this whole load, paying everybody meager sums, suffering a continuous exodus of skilled labor and low morale—something had to be done," said Botchwey. Hence, this year, the government began to implement a redeployment program, which involves shedding from state payrolls 15,000 workers a year for three years.

The redeployment exercise has not been easy, and has engendered some disagreement with the World Bank over the timing of its implementation. However, the Ghana government maintained that it could not be carried out without a manpower survey to determine appropriate staffing levels and to identify redundant labor. Nor, given the tough economic times, could workers simply be thrown into the streets with no prospect for re-employment. Hence,

Margaret A. Novicki

Road construction: "Finding the funds to rehabilitate an infrastructure decayed by years of neglect was an urgent priority"

compensation packages had to be prepared, as well as retraining schemes in agriculture or small-scale industry and public works employment programs.

Says Botchwey, "One of the things we want to do with the social impact program is to improve living conditions in the rural areas in the hope that a great deal of this redeployment will be done voluntarily, so as to save ourselves the tensions that come with involuntary relocation. We see this as the relocation of labor from less to more productive areas.

"Both the World Bank and donors have begun to recognize that the redeployment effort is going to cost money," he adds. "Otherwise it will come with a bit of social dislocation, which will undermine the acceptability of the program. We cannot just cynically lay people off. The program will have to be tempered by the realities on the ground."

Indeed, the government's perseverance on sensitive issues such as redeployment has forced donors to sit up and take notice. Ghana has found itself in the relatively unique position of being able to call the shots, as the donor community's investment in its program is by no means insignificant—in other words, they can't afford to let it fail.

"It's a difficult transition we are going through, one that has all the scars of underdevelopment and scars that are further aggravated by the adjustments we are making," says Botchwey. "But we are pragmatists, not idealists. We cannot build an ideal society just by sheer will. We must have the continuing support of our friends in the donor community, if they want to see us succeed."

As the World Bank's Choi says, "Ghana is clearly the leader in Africa in the economic adjustment business." But perhaps more importantly, Ghana's experiences over the past four years have gone a long way in informing the World Bank, IMF, and bilateral donors that without adequate financial support and proper attention to the social impact, structural adjustment efforts stand little chance of achieving their paramount objective—the economic development of the African continent. □

Austerity Nigerian-Style

President Babangida's government has devised its own economic austerity program, in many ways harsher than what the IMF might have prescribed. After years of profligacy, Nigerians are beginning to feel the pinch of efforts to live within the country's means.

BY LYSE DOUCET

As Nigerians say, they are "getting SAPped!" as well as FEMed, and also MAMSERed—all adding up to what a cartoon in a local newspaper depicted as a pretty exhausted, not to mention bony Nigerian.

In official parlance, Nigerians are indeed living with a Structural Adjustment Program (SAP), which involves a wide range of demanding austerity measures, and a Foreign Exchange Market (FEM) which has devalued the naira currency by more than a hefty 60 percent. On top of this, MAMSER—Mass Mobilization for Economic Recovery, Self-reliance, and Social Justice—is expected to galvanize the energy and patriotic commitment of Nigerians to revive their flagging economy and in the process, bring about a new social order. "Love Nigeria, Make Nigeria Great" is the rallying cry.

Western diplomats rate Nigeria's SAP as one of the world's toughest austerity programs—more demanding in fact than what the International Monetary Fund might have insisted on had Nigerians not soundly rejected taking an IMF loan during a heated nation-wide debate last year which drew in everyone from the buxom market mammies to the pin-striped set. Some sectors of Nigerian society are stoically swallowing its dose of cod liver oil, a ghastly tasting spoonful allegedly "good for you," and are indeed doing well, while others protest the medicine is much too strong. They worry that instead of curing the patient everyone agrees was on her last breath, it might indeed kill her.

Not much more than a year after SAP and the new currency market were introduced, it is still early to draw firm conclusions. But in the minds of the government and its major backers like the World Bank, Nigeria is definitely on the right track. Finance Minister Chu Okongwu calls it "shock treatment"—a short, sharp fix for an economy which had been on the brink of bankruptcy.

"We've put in robust measures—the correct treatment," he insisted in an interview, adding he hoped that over the next year there would be relief on wages which have been frozen for years, on soaring unemployment, and on industrial production which has all but collapsed in certain sectors.

But for the moment, credit is tight, money growth has been reined in, and government spending has been curbed in order to keep inflation down and to restructure an economy which lived beyond its means on the back of a vastly overvalued naira. The government is anxious to avoid the experience of hyperinflation in countries like Brazil which did not keep the lid on wages and prices after a massive devaluation.

Most of Nigeria's austerity policies are rearing their head elsewhere all around Africa, but "SAPing" has meant doing a lot of things all at once and very quickly. Some believe, too quickly.

"We've swung from being overheated to the other extreme," complained the executive director of the Manufacturers' Association of Nigeria, Aladepo Fafowora. Interest rates are high, keeping the economy depressed. Fafowora argues for modest reflation: "There is a fine balance between inflation and killing off industry."

The industrial sector is one of the program's greatest victims. With imported parts and raw materials now costing four times as much due to devaluation, smaller companies are finding it difficult to keep going. Fafowora said at least 30 small enterprises have already folded. Demand is also down, leading to excess stocks rather than more badly needed naira.

Volkswagen, which in better days churned out the inexpensive Beetles which still chug in large numbers throughout the country, has had to drastically cut its operating capacity and lay off thousands of workers.

For many years, however, local industries lolled behind protectionist barriers and an overvalued naira, relying on imported parts and materials. Austerity has thrown a harsh light on the weaknesses: virtually no backward integration in the automotive industry which has not advanced beyond the assembly stage; steel mills make steel rods but not steel sheets.

Industrialists agree up to a certain point, but they are pleading for more time to adjust and in particular, for an improved tariff structure which corrects anomolies such as how, in some sectors, it is now cheaper to import the finished product than to buy the locally manufactured version.

But should one be so harsh with what is still a developing country? Some argue that 27-year old Nigeria should shut its doors and protect local industry like India did, in order to give indigenous industry a fighting chance.

Part of the wailing is also coming from organized labor. "How are workers going to survive with rising prices and frozen wages?" demands the Nigerian La-

"The oil boom in the 1970s—what Nigerians now call 'oil doom'—made Nigeria forget it had major agricultural potential."

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Yosef Hadar/World Bank

Women planting groundnuts: "Farmers have benefited from significantly increased producer prices"

bour Congress' forceful President Ali Chiroma. Wages, which have been frozen since 1982, are now under review and the usually outspoken Chiroma is tiptoeing about explaining his change of tack by saying one does not wish to set off inflationary expectations.

But for wage workers making a minimum of 120 naira a month—less than $25—the going is tough. "We don't eat what we want, we eat what we see," moaned one.

But those seeking a lighter sentence got their answer in Nigerian President Ibrahim Babangida's October 1 Independence Day speech. SAP, he reiterated, would continue to be "implemented to the letter." The country's elongated five-year political program to return to civilian rule by 1992 states that SAP will end in 1988—merely a semantical ploy. SAP will be around for years to come, apparently in the new guise of the country's fifth development plan.

But whatever the short and long-term pains, SAP and the new foreign currency market have wrought desperately needed changes in an indulgent economic culture and have satisfied large numbers of rural dwellers who have long been left by the wayside. The way Nigerians see it, sanity has been restored.

Gone are the days when people became rich simply by re-selling the import licenses which were once required to acquire foreign exchange. Hard currency is now bid for by banks for their clients at fortnightly auctions.

"People have to work to make money now and everyone, not just the 'big men,' has a chance to get foreign currency," rejoiced one trader from eastern Nigeria.

"We're less frivolous and have become more cost-conscious people," maintains Finance Minister Okongwu in an allusion to Nigeria's oil boom days when Lagos was swimming in champagne and imported wares.

"Some Nigerians used to think nothing of renting a plane and taking all their friends to a wedding in Monrovia," recalled Charles Njoku, chairman of the West African Chemical Co., Ltd., who said lifestyles had become more "sober."

Black market activity has also been pared to a shadow of its former self now that the new foreign exchange market has achieved what is described as a "more realistic rate" for the naira. But official markets still offer less than the demand, meaning that some people still resort to unofficial channels.

Away from the chaotic roar of Lagos where people shout loudest, into the rural areas where the majority of Nigeria's more than 100 million people live, farmers have benefited from significantly increased producer prices and a dismantling of corrupt and inefficient commodity boards. Cocoa, which once fetched 2,000 naira per ton, is now going for 6,000 naira.

The oil boom in the 1970s—what Nigerians now call "oil doom"—made Nigeria forget it had major agricultural potential. Now rural development, including roads, has been put back on the agenda.

This has translated into more food and stable prices in the markets this year—one consolation for urban dwellers, many of whom spend up to 60 percent and more of their salaries on food. Output of traditional exports such as palm oil, cotton, and cocoa have begun to creep upwards.

Bigger farmers are smarting, however, from the high costs of spare parts for their machinery. Combined with transporters' rising costs to maintain their vehicles, consumer food prices may not remain at current levels.

Even more worrisome, the rains came late this year and there are nervous warnings of expected food shortages in some areas which will drive prices up.

Moreover, in some cases devaluation has still not made its hardest bite felt. When importers run out of stocks and have to buy more supplies on the market at four times the price, the reality of a cheap currency will finally sink in.

And more of the same is yet to come. Nigeria's main financial backer, the World Bank, and the moral guarantor, the International Monetary Fund, still want to see increased electricity and telephone rates as well as higher petrol prices. Nigeria's are amazingly low.

On the international front, Nigeria, whose image took a dive due to non-payment of heavy debts now totalling close to $20 billion, has begun to restore confidence among friendly governments. A rescheduling agreement has been reached with the Paris Club and is being negotiated with the London Club

of private lenders. Fresh private money of $320 million has also been approved and main partners like Britain recently agreed to resume export cover.

Debt rescheduling brought down the level of debt-servicing from as high as 81.1 percent in 1987 to 24.3 percent net of arrears—leaving more cash for pressing development priorities.

Promissory notes have also been issued to cover some $3.25 billion in uninsured trade arrears. But another $2 billion has been repudiated by Nigeria as bogus debts contracted during the free-wheeling days of the 1970s and early 1980s.

But notwithstanding good intentions, agreed payment days have already begun to slip by, creating irritation among creditors.

"Until Nigeria pays up the debts it said it would, confidence will be a problem," said one Western economic official.

Confidence is essential if Nigeria is going to attract badly needed investment, and contract new loans once the situation brightens.

Among diplomats who believe that Babangida is a man they want to stay around through the transition to civilian rule—and most are of this view—there is a plea for understanding and patience by creditors. In a country which has been plagued by instability, Babangida's regime has taken some steps which could only be called courageous.

Influential groups, such as the northern Muslims who did extremely well by import licenses, are hurting. So are some sectors of a vocal middle class and the army, all of whom have also been hit by a recent ruling banning a whole generation of former civilian politicians and military leaders from participating in the next set of elections.

Moreover, in spite of a rise to $18 in the world price for a barrel of oil, Nigerian officials say the increase has still not worked its way into receipts because of payment lags. Foreign exchange earnings, largely from oil, are expected to be less than last year's $7 billion.

The situation is still fragile in many ways. And external blows such as a fall in the oil price or a rise in interest rates could knock the bottom out of the program. Nigerian officials insist they are pushing a "Made in Nigeria" program. But they are also doing almost everything, if not more than, its financial backers were demanding—a reality which upsets some businessmen who believe the government is sacrificing growth because of an obsession with paying its debts.

No wonder that Finance Minister Okongwu seemed to hit the roof when he recently went to Washington for IMF and World Bank meetings and complained that Nigeria's backers were not keeping their part of the bargain and coming up with fresh funds.

It is no picnic trying to carry out a complex and comprehensive program with an administration which does not always have the technical and material resources to carry it off according to plan and in a country which has been notorious for impermanence in policies and regimes.

But as one observer summed up the situation, the government is, at the very least, "trying damn hard," with a more comprehensive program than its predecessors. And tens of millions are living through it, praying the effort pays. □

Resolving the Crisis

While a consensus has developed that structural adjustment lending is the solution to Africa's debt problem, Western creditors continue to drag their feet in implementing measures which could truly make a difference in the continent's economic fortunes. Unless Africans bring their collective strength to bear, prospects for an improvement in their debt profile will remain bleak.

Debt

BY ROBERT S. BROWNE

Africa's debt crisis is in at least its fifth year, and some would argue that it is closer to seven or eight years old. Although Mexico's August 1982 announcement that it would be unable to meet its September debt service payments is generally cited as marking the debut of the Third World debt crisis, several countries in Africa were already avoiding default only by engaging in repeated debt reschedulings.

In 1980, Zaire, Sierra Leone, Liberia, and Togo all rescheduled debt and in 1981, the Central African Republic, Madagascar, Senegal, Sudan, and Uganda joined the list, while Liberia, Togo, and Zaire rescheduled again. So in a very real sense, the African debt crisis was rampant well before Mexico's startling announcement riveted the world's attention on Third World debt.

During the several years which have passed since the crisis emerged, and despite considerable activity allegedly designed to alleviate this crisis, Africa's indebtedness has steadily become more and more unmanageable. The magnitude of the debt has increased, the countries' ability to pay has further deteriorated, and countries which were formerly not in crisis are now finding it impossible to service their debt. The need for creative new approaches to easing Africa's debt crisis is generally agreed by all concerned parties, but opinions differ as to exactly what needs to be done.

The creditor countries and the multilateral financial institutions place their hope on further reschedulings and on structural adjustment lending by the International Monetary Fund and the International Development Association (IDA), always with a heavy dose of policy reform. On the other hand, a growing number of independent economists, plus a few bankers and a considerable number of African leaders, have concluded that much of Africa's debt is uncollectable and argue that it should be written off so that the countries can regain their creditworthiness, attract new capital inflows, and get back to the basic task of building their economies.

They point out that as the debt burden becomes ever heavier, the debtor's incentive to improve the economy grows weaker because the benefits will be earmarked to go abroad. Some of the lending countries are beginning to realize this and to forgive some of their bilateral debt in Africa. Canada, Germany, the Netherlands, and the Nordic countries have followed this route to varying degrees. However, the concept of debt forgiveness continues to be vigorously resisted by the United States.

At the Venice summit in June, the Group of Seven made special mention of Africa's "unmanageable debt burdens." The summit communiqué endorsed the IMF and IDA as the major vehicles for addressing Africa's debt burden, citing the eighth replenishment of IDA, the need for a general capital increase for the World Bank, and for a prompt increase in the structural adjustment facility of the IMF. A call was also made for more bilateral aid, more commercial bank lending, and more private investment.

The World Bank has been busily developing a special program for low-income, debt-distressed African countries. It sets two targets for the 17 debt-burdened countries which it proposes to aid: limitation of debt service payments to not more than 25 percent of export earnings, and provision of sufficient resources to permit imports to grow in real terms at a rate of 1 percent greater than the rate of population growth. To achieve these goals the lending countries are asked to convert their bilateral loans to grants, a request which some countries may agree to and others may refuse. The commercial lenders are being asked to reschedule their loans on a longer-term basis and with lowered interest rates, and the multilateral financial institutions are being asked to expand their structural adjustment lending programs.

Although the call for lowering interest rates on rescheduled loans can provide some relief to the debtor, the relief is likely to be marginal at best, and then only if the rate is made highly concessional. The reason lies in the nature of the rescheduling process itself, essentially an arrangement whereby a debt obligation is stretched out over a longer repayment period.

Generally, the current interest and arrearages are added on to the principal (capitalized) and thus effectively made payable at the end of the original loan period. Various fees and penalties may also be added to the loan. The net result is that the debtor often ends up owing considerably more than he did before the rescheduling, despite the fact that

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he has received no additional money. Zaire, for example, has rescheduled its debt eight times since 1977. In 1977, it had $2.5 billion of medium and long-term debt and by December 31, 1986, this figure had grown to $5.6 billion.

However, Zaire drew down only $1.5 billion of new loans during this period. The other $1.8 billion represented debt arising from the capitalization of interest and late payment penalties. In addition, Zaire actually made debt service payments of $2.5 billion during this period—an amount equal to its total outstanding debt in 1977. So in effect, Zaire repaid the principal on the original loan in full, but now owes $5.8 billion, although the only additional funds it has received are the $1.5 billion. Even the benign rescheduling which the proposal is recommending would pile debt upon debt, thus burdening the country for decades to come.

In addition to debt rescheduling, the other principal form of debt relief being proposed is expanded "structural adjustment lending" by both the IMF and IDA as well as by the African Development Bank and other potential lenders. Structural Adjustment Loans (SALs) are general purpose, budgetary support loans, more akin to the normal IMF loans than to the project loans traditionally offered by the World Bank.

They are intended to allow the debtor country to make needed structural adjustments in its economy, but they also require that it simultaneously undertake thorough policy reforms prescribed by the lender. Some observers feel that the debt crisis has been eagerly seized upon by the developed world as an unparalleled opportunity to impose its vision of how Third World nations should order their affairs, using SALs as a mechanism to oblige the debtor nations to adopt a host of policy reforms as a condition for qualifying for further financial assistance.

Although many of these policy reforms are probably desperately needed in some of the countries, others are likely to be inappropriate if not actually harmful. The reforms generally contain a high ideological content stressing free market policies and privatization of the public sector. Such pressures have been perceived by some debtor nations as an unwarranted interference in their sovereign affairs.

An impoverished, highly indebted country is in no position to refuse largesse no matter how unpalatable the form, and after a period of some reluctance, most African countries have acquiesced to some measure of policy reform along the lines demanded by the lenders. The need for these reforms was willingly agreed to by many African leaders and in fact some of them were already in process when the crisis hit. Others, however, were resisted vigorously, often because they were either unfeasible politically or inappropriate economically. Efforts to implement some of them led to social unrest, rioting, and in a few cases, the overthrow of governments.

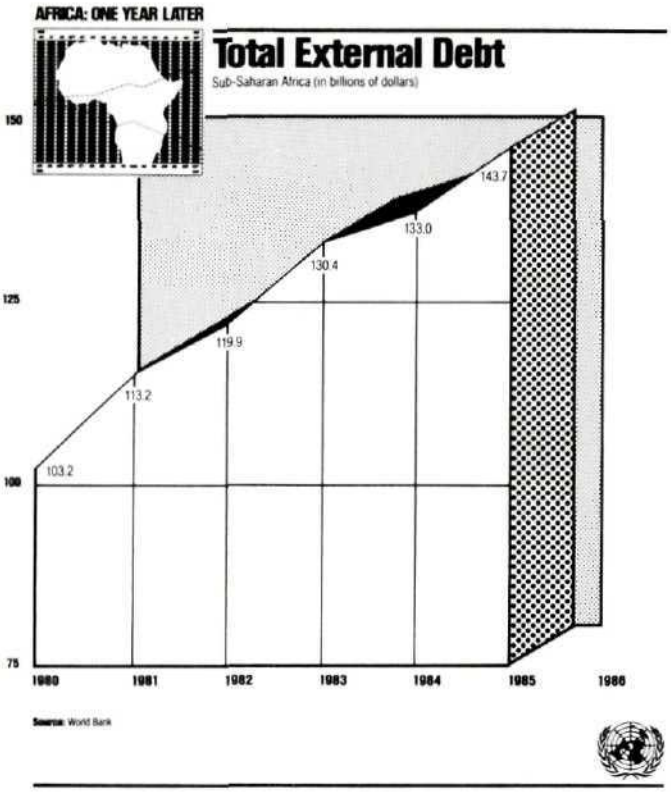
Despite this checkered history, policy-based lending has been clearly established as the current wisdom for addressing the debt problem and with few exceptions, the African countries are lining up to obtain SALs. They are attractive to developing countries not only because the funds may be used for such pressing items as budgetary imbalances, imports, and debt-servicing, but also because they are fast-disbursing. The money (or at least its first installment) becomes available for spending as soon as a SAL agreement is signed, whereas it may require several years to disburse a project loan.

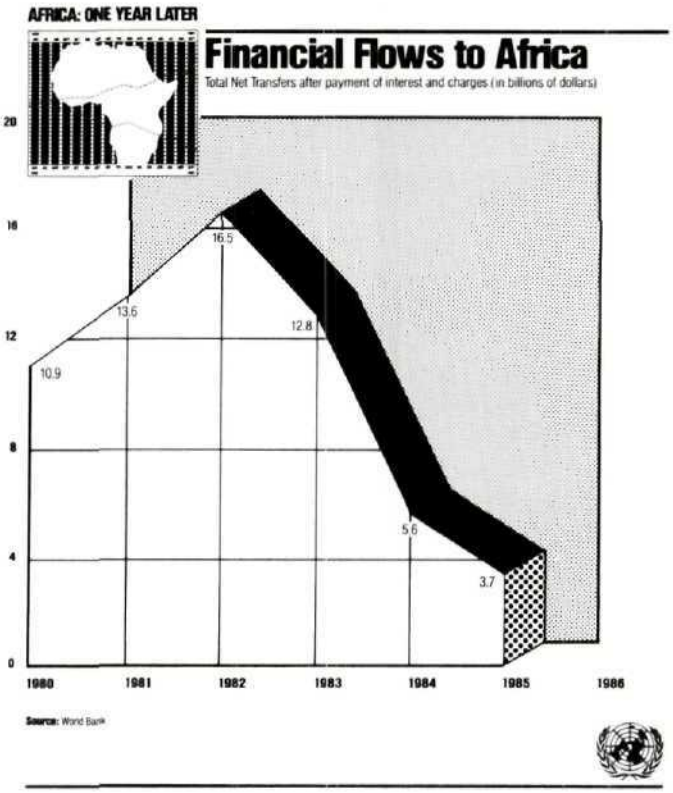
With the conventional wisdom currently running in favor of structural adjustment lending as the cure for the debt problem, several efforts have been proposed to enlarge the pool of money for such lending and for further easing its terms.

The most concrete of these efforts was the creation of the Structural Adjustment Facility (SAF) within the IMF in 1986. The SAF was initially funded at $2.7 billion and earmarked specifically for lending to the poorest debt-burdened countries in Africa which were willing to follow the prescribed policy reforms. The IMF's new managing director has called for a tripling of the size of the SAF, but it remains to be seen whether or not he will be successful. Meanwhile IDA, which has been extending SALs on a modest scale since 1980, indicates that it plans to greatly expand loans of this type in the coming years.

Other proposals to address African debt are surfacing. Japan's finance minister has indicated that he has a proposal and a prominent French banker is circulating another, as is a major investment banking firm from the United Kingdom. The Japanese have thus far been conservative and as unimaginative as the Americans on the question of Third World debt. Like the U.S., Japan has focused primarily on how the banks can be assured of repayment rather than on the plight of the debtor country.

A proposal coming from a British investment banking house offers considerably more relief than the others. It proposes that the entire debt of a country be combined into one package, to mature in 20 years' time. In the meantime, interest will be paid at the below market rate of 4 percent and an additional 2 percent will be placed in a sinking fund each year, sufficient to permit retirement of the debt at maturity. This proposal provides the debtor country with the kind of breathing space it needs to get its economy in shape and its export earnings on the rise without burdening it with additional unrequited debt. The creditors are clearly being asked to engage in some forgiveness





and to accept a below market rate of return. It remains to be seen if anyone will buy into it.

Thus far, the Africans have not demonstrated much creativity on the debt issue. At the July Organization of African Unity summit, they called for a special OAU meeting on the debt question, to be held in Addis Ababa originally in September, but now postponed to December. (The African Development Bank's annual meeting had issued a similar call, after a motion for a global conference on African debt had been defeated by the Western members.)

Interestingly, the francophone states in West Africa (Union Monetaire de l'Afrique de l'Ouest) have been remarkably critical of the structural adjustment and rescheduling approaches to the African debt problem and have stated that any solution must take into account a country's ability to repay its arrears and must make economic growth, not debt-servicing, its absolute priority.

These are of course only words, but the fact that they were aired collectively rather than individually already puts the francophone states somewhat ahead of the rest of Africa. Admittedly, Africa has little clout in the international financial arena, but the clout it does have is meaningful only when exercised collectively. The creditor nations and the banks insist on treating the debt question on a case-by-case basis, which ensures that the debtors are kept in the weakest possible bargaining position. It is likely that little will be accomplished until the Africans bring their collective strength to the international bargaining table.

In the U.S., the Congress has proved to be more forthcoming than the administration and has put forth two proposals which are more liberal than the Treasury Department is willing to accept. One is addressed primarily to commercial indebtedness and therefore has only marginal interest in sub-Saharan Africa beyond Nigeria, Côte d'Ivoire, and Zaire. It calls for the creation of an international debt facility which would purchase Third World debt at a discount, pass the discount back to the borrower, and repackage the discounted debt for resale in the secondary market.

The other proposal calls for the Treasury Secretary to explore the feasibility of having the IMF authorize an extraordinary issuance of Special Drawing Rights (SDRs), the IMF's artificial currency. The SDRs would be allocated to the poorest of the debt-burdened countries, principally in Africa, and would be usable only for the purpose of debt retirement. The customary SDR interest payment would be waived for this purpose.

Both of these proposals, shepherded through the House of Representatives by Congressman Walter Fauntroy, were passed as part of the Omnibus Trade Bill, which has not yet been signed by President Reagan. They have, however, already sent a strong message that in the Congress at least there is some concern for Africa's debt problems, although one must be careful not to exaggerate the significance of the legislation at this time.

Africa has lived with a debt crisis for several years, and it is taking its inexorable toll. Rather than moving quickly toward providing a reasonable measure of forgiveness for this debt, Western governments apparently prefer to drag out the crisis for as long as possible in an effort to refashion these weak societies along the lines preferred by the creditors. This is indeed a dubious way to encourage the emergence of sustainable, independent, democratic societies. It is hoped that wiser heads will prevail before the damage becomes irreversible. □

American entrepreneur John Moore has turned Togo's bankrupt steel mill into a successful model for privatizing Africa's inefficient parastatals. Can his experience be repeated in other countries, however, at this stage in Africa's economic development?

Privatization: A Case Study

BY RICHARD EVERETT

These are the days of difficult choices for African leaders, as the world economic picture and its effects on Africa's economies grow bleaker and bleaker. Facing drastic falls in prices of raw commodities, their principal export earners, and ever-tightening conditions for loans, African countries have been encouraged—some would say coerced—into privatizing their largely state-owned or state-controlled economies.

While most international lenders and many African governments seem to agree that opening up the private sector on the continent is a key to economic growth, getting there is proving to be a difficult task. Some countries, like Togo, where an American entrepreneur is turning a profit with a formerly bankrupt national steel mill, are having success, while other countries have yet to see any takers for their up-for-sale parastatals.

Although it started slowly, the privatization campaign has gained momentum in the past several years in West Africa. Nigeria, the region's economic giant, is looking to sell off dozens of state-run or parastatal companies, including insurance firms, banks, and breweries. Côte d'Ivoire, another regional economic leader, has sold holdings in 28 companies and is looking to do the same for over 100 more, in fields ranging from the country's mainstay, agriculture, to public works, transport, textiles, and tourism.

Senegal, Liberia, Ghana, Togo, Benin, Niger, Zaire, Cameroon, and Congo have all taken steps toward dissolution or disinvestment of state-run companies, in particular commodity market boards, and are eagerly hoping to find investors for dozens of other parastatals.

However, economists, government officials, and businessmen agree that the privatization of African economies is an art, not a science, and that the mere turning loose of state industries will not suffice to get African economies going again.

Togo, frequently cited by the International Monetary Fund and World Bank as a model client, has been at the forefront of the privatization drive. Confronted with falling world prices and demand for its chief export earner, phosphate, Togo was faced with a mountain of debt piled up during the 1970s. As part of an IMF/World Bank austerity plan, the government inventoried its dozens of state and parastatal holdings. A list of about 20 companies was put up for sale, including the country's steel mill, a yogurt factory, textile mills, and a marble factory.

The steel mill was the first to go, picked up by a dynamic American investor, John Moore, who took the moribund mill and turned it into a profit-making venture. Spurred by his success, investors have bought into six other industries on the list, including the textile mills, the yogurt plant, the marble factory, a palm oil processing plant, and a plastics factory. In addition, Shell Oil Company is now running the country's oil refinery under a leasing arrangement.

Moore's imaginative, yet pragmatic approach to business provides a glimpse at how the private sector could change Africa's fortunes for the better. The steel mill was a classic example of the kind of investments Africa was making in the 1970s. The mill was built with a 44,000-ton annual capacity, five times Togo's steel needs, and never ran at more than 20 percent capacity. The $42 million plant never made a profit, from its opening in 1979 until it closed in 1984. Pressed to meet IMF loan conditions, the Togolese government began looking for buyers.

Enter John Moore, a 49-year-old businessman who had taken a Panamanian steel mill that was losing $300,000 a year and had it turning a $1.8 million profit annually when he left it four years later in 1982. Moore brought to Togo the same technology that had made his Panama mill work.

The Togolese plant, known as a re-rolling mill, was originally designed to take large steel ingots, called billets, heat them, and re-roll them into steel reinforcing bars for construction. Moore adapted the mill to handle steel railroad rails as well as billets. While billets are expensive and must be imported from Europe, steel rail is cheap and abundant in most West African states, where the former colonial powers built railroads to link the coastal cities with the continent's interior.

Within less than a year of starting production in late 1984, Moore was turning a profit. And since then, sales and profits have continued to grow. He plans to expand the mill's production to include steel pylons for electric and telephone lines.

Moore credits his success to a number of innovations. Instead of buying the mill, he signed a 10-year lease for the plant and then formed a private company to run it, Société Togolaise de Sidérurgie (STS). After a series of tough

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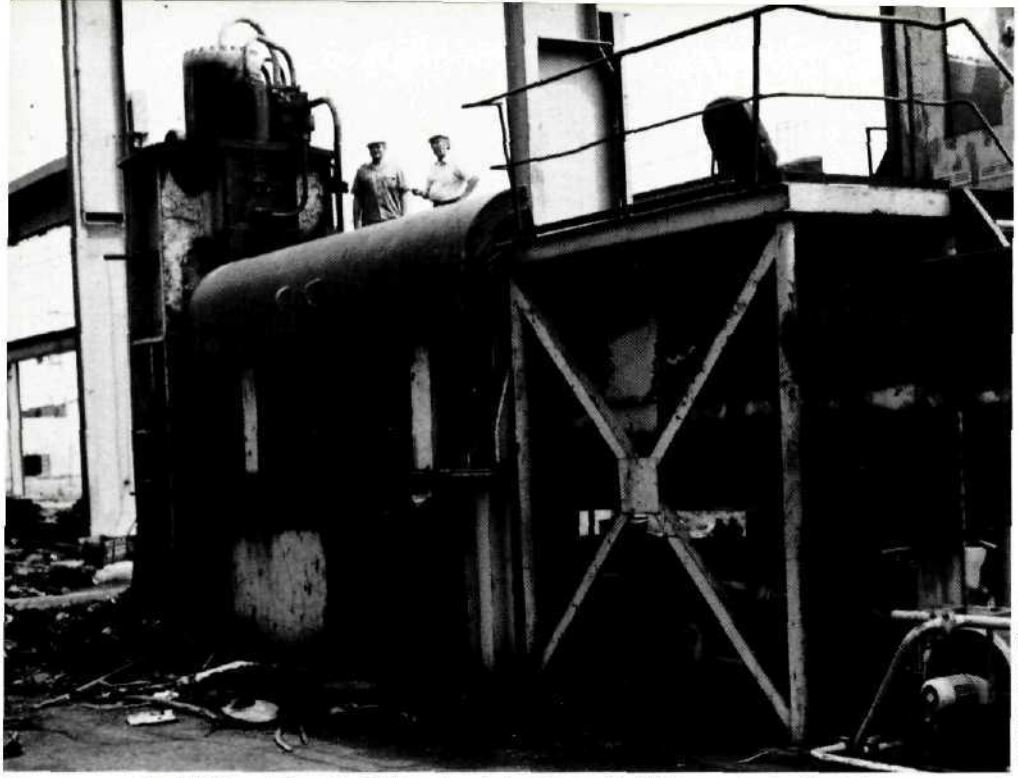


Togo Information Service

Société Togolaise de Sidérurgie: John Moore [right] hopes to duplicate his success in *Benin and Côte d'Ivoire*

negotiations with the Togolese government, he succeeded in keeping the company completely private, thus avoiding potential conflicts of interest from having government officials on the company's governing board. At the end of the lease, both partners have the right to renew the lease or sell the company, with the government having first right of refusal on the purchase.

Moore made West Africa's first public stock offering, allowing private Togolese investors to buy into the company. The sale attracted 52 investors, ranging from senior government officials, to lawyers and doctors, to "Nana Benzes," Lomé's famous industrious market women. He sees the share-holders as an insurance policy against nationalization and a way for wealthy Togolese to invest their money locally. Moore owns 51 percent of the company. Several international development banks hold about 15 percent, and the rest is owned by the private Togolese investors, who earned a 12 percent dividend on their investment last year.

Moore has pursued an aggressive export policy, taking advantage of the preferential tariffs in the 16-member Economic Community of West African States to ship steel to neighboring Burkina Faso, Ghana, Niger, and Benin. He increased his production by a third to its current 12,000 tons a year with the exports. To avoid collection problems, Moore limited his sales to seven distributors and put them on a tight seven-day credit plan. Thus, while much of his steel goes into government projects financed by international donors, he is spared the headaches of collecting payments from sluggish bureaucrats.

As for the actual management of the company, he bargained for and got complete freedom to run the company as he saw fit, including the right to hire and fire people at will—an unheard-of possibility when the mill was state-run. This allowed him to bring in a top technical team to retool and run the mill. He let go of more than 300 Togolese workers who had swelled the payrolls of the state company, eventually rehiring only half that number on a need and competency basis.

Worker productivity has increased immensely due to a number of incentives, including cash bonuses offered to those shifts which set production records. Workers benefit from free transportation, a fully stocked health clinic, a hot meal plan, and a worker-run credit union. In addition, Moore has insisted that senior expatriate staff attend funerals of workers' parents, an important gesture.

Moore hopes to duplicate his successes with two new projects in Benin and Côte d'Ivoire. He bought a defunct shoe factory in Cotonou which will be turned into a small rolling mill. The operation will again be privately owned and he plans to sell stock shortly after the plant becomes operational. Purchaser shares will be linked to bond issues, making it the region's first linked equity and bond issue. His other project, another steel mill in Abidjan, will involve minority partnership in the management contract for the plant. As part of his regional expansion, Moore hopes to have STS listed on the Abidjan stock exchange which has previously only listed Ivorian companies.

Despite the accolades that Moore has received from the Togolese, American diplomats, and others, he insists that private sector development in Africa is not as simple as it looks and there are bound to be setbacks for Togo and other countries which may be viewing it as a panacea. Countries that have finally accepted to sell off their state holdings are finding that there are few takers for a number of reasons. For many, the industries that were developed were ill-conceived from the start, built in an era when everyone wanted their own steel mill, car assembly plant, and sugar mill, regardless of whether it was economically viable.

Many of the projects, like Togo's steel mill, were over-built with a capacity way beyond the actual market need. Others which might have been feasible were run into the ground by a combination of poor maintenance and management that was bureaucratic, incompetent, and corrupt. Many governments are reluctant to sell off their few profitable industries or the ones that deal with their primary income sources, as with Togo's phosphate industry, which will remain a state enterprise.

"They wanted to sell us the dogs and hang onto the good ones," said Moore. One Western economist noted that after the initial rush of private investment in Togo, the pace has slowed down, as "all the good ones are gone."

Another problem is that as relative newcomers in the field of private sector development, African countries often lack the expertise to assemble and mar-

ket attractive investment packages. "New York state has better investment incentives than most African countries," said Moore.

Tax and investment codes are prohibitive of new investment, either by accident or design. Moore had to do careful research into the codes in Benin and Togo, where lack of codification leaves the laws open to vagueness, misinterpretation, and misuse. One of his researchers is compiling Benin's tax codes on a computer. The compilation will ultimately prove to be more comprehensive than any existing government document.

All these factors mean that foreign investors have less incentive to spend their money in Africa than they do elsewhere, as in Southeast Asia for example. As for finding potential African investors, many of those who have money keep it in European bank accounts, while those who do invest in their country often finance only quick turnover commerce and shy away from industry with its large overhead and longer pay-back period.

Moore suggests that rather than just putting a bunch of companies on the auction block, the government should be creating interesting investment packages. Rather than trying to sell off dead-end industries, the government would be better off selling shares in the successful ones, he says. That way they could retain majority control of the key industries, while recouping the government investment by spreading the financial load into minority private partnerships.

Another possibility is for the government to try more leasing arrangements similar to what Moore did at STS, or even leasing unused factory space at nominal sums to allow investors to come in without having to build from the ground up. Moore and some other economists say that the only way to attract investment to Africa is to create local capital markets.

"If they want to develop the private sector, they have to develop the markets that go with it," said Adrian Ford, economist at DFC, a London-based consulting firm with extensive experience in Africa. Ford, whose firm helped engineer the STS project, says that in the West African CFA franc zone, tens of billions of francs are being sent to European banks rather than staying in the region for lack of capital markets to invest in. Ford is part of a small but growing group of people who say that African investors need liquidity—a way of moving their money around—that can currently only be found in Europe, North America, and other world banking centers.

Moore noted that if one of the market women who holds STS stock wanted to sell it, there is no regular forum like a stock market in Togo to do so. He would like to bring stock and bond offerings, unrestricted trading on a locally created stock market, and other modern investment options into the region.

"Many financial instruments being created on Wall Street can find a home here and we are pioneering them. We were the first ones to make a public stock offering. We'll soon be issuing the region's first junk bond. Next year, we hope to be on the Abidjan stock market. And we're also looking into some debt-equity swaps in the region," he said.

Moore added that a further aid to encouraging investment in the region would be increased financial support of private sector initiatives by the African Development Bank, the World Bank's International Finance Corporation, and its new African Project Development Facility (APDF), which is designed to help African investors put together packages that will attract foreign funding.

André Cracco, APDF's director, said that his Abidjan office has more proposals than it knows what to do with, so there is no lack of interest on the part of smaller investors, even if the bigger foreign investors seem lukewarm about the region's prospects. Likewise, assert Ford, Moore, and others, there is no lack of money, it just needs to be diverted from Europe back to the region from whence it came, particularly in the case of African investors.

Despite his assertions of what he thinks may be good for Africa, Moore acknowledges that his is only one opinion and that his success may be the exception to the rule rather than the wave of the future. □

Once considered among Africa's most prosperous economies, Côte d'Ivoire recently surprised donors and creditors by suspending debt payments. Declining commodity prices and overambitious spending on prestige projects have put the nation's economic future in question.

A Tarnished Miracle

Côte d'Ivoire

"The suspension of debt payments will have a far-reaching impact on Côte d'Ivoire's image."

BY GERALD BOURKE

The severity of the debt crisis facing African governments was graphically illustrated last May when Côte d'Ivoire, long held up in the West as an economic role model for other countries on the continent, suspended payments on its $8.4 billion foreign debt.

Under the tight rein of President Félix Houphouët-Boigny since independence from France in 1960, the country had until recently enjoyed a rare mix of stability and prosperity—a feat all the more remarkable as it was achieved with little or no oil and mineral resources.

During the last two decades, Côte d'Ivoire was singularly successful in capitalizing on its comparative production advantage and creating a strong and diversified agricultural base. It is now the world's biggest producer of cocoa and a leading exporter of coffee, rubber, cotton, sugar, palm oil, pineapples, and bananas.

But this heavy dependence on a relatively narrow spread of vulnerable exports lies at the heart of the country's present crisis. The progressive collapse of world markets for its main exports and the depreciation of the dollar have been compounded by the fact that substantial loans contracted during the boom years—to finance an ambitious industrialization drive and lay an infrastructure that is the envy of its neighbors—are now falling due for repayment.

"Despite its reputation as an agricultural powerhouse, Côte d'Ivoire is far from self-sufficient in food."

While the government has long and loudly bemoaned the reversal of commodity prices, and Houphouët-Boigny—who lays the blame for the slump squarely on the shoulders of "shameful speculators" rather than glutted markets—has threatened to pull up the perennials upon which the "Ivorian miracle" was based, farm output will continue to rise as the area under cultivation is expanded.

Officials at the Finance Ministry in Abidjan say that the 40-50 percent drop in CFA franc prices for cocoa and coffee from their 1985 peak has been equivalent to a 10 percent fall in gross domestic product. In 1986, prices for unrefined palm oil are calculated to have slumped by 74 percent, cotton by 46 percent, canned pineapples by 35 percent, and rubber by 22 percent. With recent trends far from reassuring, the outlook remains bleak.

"This heavy dependence on a narrow spread of vulnerable exports lies at the heart of Côte d'Ivoire's present crisis."

According to some officials, the shortfall in earnings could exceed $1 billion this year. As a result, Caistab, the state-run marketing agency which has traditionally absorbed the profits from commodity sales and hence constituted a key budgetary booster, will go into the red for the first time.

Another key function of Caistab is to provide the small-scale cash-croppers, who form the backbone of the Ivorian economy, with guaranteed prices, irrespective of movements on the world market. Despite constant prodding from the International Monetary Fund, which has intensified as the Ivorian re-

Gerald Bourke, an Abidjan-based freelance journalist, contributes to the British Broadcasting Corporation, The Independent, *and other publications.*

cession has deepened, Houphouët-Boigny has refused to abandon this sacrosanct policy.

Nevertheless, the rural community is feeling the squeeze. While producer prices are being maintained at the same nominal level for the third consecutive season, real incomes are falling. Moreover, critics of the government claim that the country's farmers have seen little of the benefits which the boom in commodity prices has bestowed on Côte d'Ivoire over the years.

These claims have been reinforced by the conclusions of a recent paper by the International Labour Organization which maintains that the government "has extracted large surpluses from small-holders," adding that Côte d'Ivoire "stands out for exceptionally poor levels of basic needs satisfaction in relation to its high per capita income."

Critics of the government argue that the roots of the present cash crisis took hold before the latest down-turn in commodity prices, and even preceded the slump of the early 1980s. Indeed, some contend that they were sown when the government was reaping huge windfalls from sales of high-priced farm products.

Agricultural policy, they say, has not dwelt sufficiently on the production of food crops; industrial policy has helped spawn foreign-owned companies and inefficient parastatals; and the creation of a modern infrastructure has done as much to accelerate the plunder of the country's once rich tropical forests as it has to speed cash crops to market.

Despite its reputation as an agricultural powerhouse, Côte d'Ivoire is far from self-sufficient in food. Supermarket shelves are stocked with foreign produce, and vast quantities of staple foodstuffs such as rice and wheat have to be imported each year.

The government's industrialization program has also failed to live up to expectations. According to a recent no-holds-barred assessment by the United Nations Industrial Development Organization (UNIDO), Côte d'Ivoire's manufacturing sector is inefficient, over-protected, overly dependent on agricultural raw materials, and dominated by oversized units.

In the long-term, UNIDO says, industrial policy will only succeed with "completely reformed or radically new businesses": import substitution industries will have to be modernized and deprived of the excessive protection they currently enjoy; the range of export-oriented industries, processing essentially local farm produce, will have to be expanded, while new industries, manufacturing high value-added products for export, must be introduced.

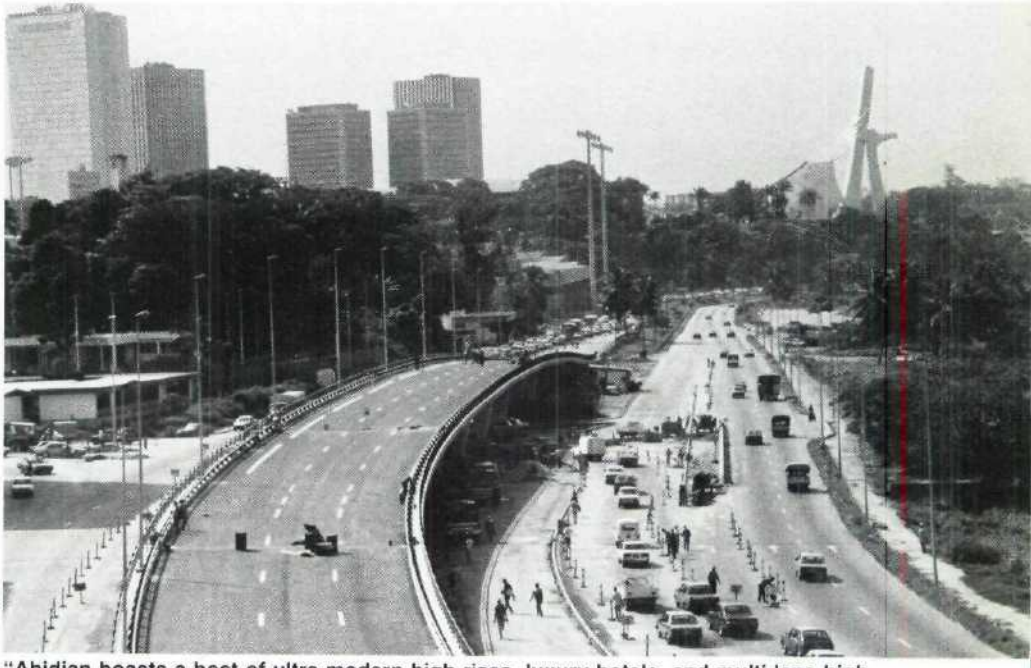
Fiscal policy, too, will have to be overhauled. "Analysis shows," says UNIDO, "that the more export-oriented a company is, the heavier the tax burden it has to bear."

While UNIDO acknowledges that external capital has made a "very positive" contribution to the industrial development process in Côte d'Ivoire, the tendency, it says, is for foreign investment to be accompanied by a heavy reliance on foreign technology and supplies, as well as expatriate expertise and know-how. This dependence, it argues, "prevents the formulation of a coherent policy concerning the development of indigenous industries."

Today, as a result of the president's determination to maintain strong economic and political ties with the former colonial power, there are twice as many French nationals in Côte d'Ivoire as there were at independence. While a policy of Ivorianization has reduced their number in recent years, it has not diminished their influence. They play a major role in business and crucial, if shadowy, roles throughout the myriad government ministries.

The decimation of the country's forests has been concentrating the minds of experts for many years. Two decades ago, the country boasted some 15 million hectares of primary forests. But commercial logging, slash-and-burn farming, and firewood scavenging have now cut coverage to a critical 1 million hectares.

And while timber remains the third biggest export after cocoa and coffee, experts are predicting that Côte d'Ivoire, one of the world's principal suppliers of tropical hardwoods for a quarter of a century, could well become a net importer of timber before the end of the decade.



Margaret A. Novicki

"Abidjan boasts a host of ultra-modern high rises, luxury hotels, and multi-lane highways"

Sodefor, the state agency responsible for forestry development, says that depletion is still progressing at a rate of 300,000-350,000 hectares a year, while annual replantings amount to just 5,000.

In an effort to save what is left, the government has designated 1988 "The Year of the Ivorian Forest" to alert public opinion to the problem, and adopted a wide-ranging protection program. The centerpiece of the program is the creation of agricultural belts around the remaining wooded areas. Small-holders who are allocated plots will be responsi-

Beryl Goldberg

Côte d'Ivoire is now the world's biggest producer of cocoa

ble for policing the forests to prevent the kinds of incursions which have seriously damaged even the country's national parks and "classified" woodlands.

While forestry experts and aid donors say the plan is excellent on paper, they maintain that it will remain a dead letter unless it is vigorously implemented. The poor enforcement until now of legislation governing forest use, coupled with the weakness of official institutions and policy, have inhibited wider investment in reforestation, they add.

If the countryside and rural communities have been bypassed in the development process, the government has spared little expense building up its two urban showcases. Abidjan, the commercial capital on the south coast, boasts a host of ultra-modern high rises, luxury hotels, and multi-lane highways, while Yamoussoukro, the president's birthplace in the heart of the country, has been transformed almost overnight from a backward bush village into a prestige political capital.

Despite such apparent excesses, the country's perceived political stability, coupled with the government's liberal economic policies, have won Côte d'Ivoire many friends in the West. Such was its reputation for creditworthiness that in 1985 it was one of only two sub-Saharan African states earmarked for funds under the Baker Plan. And last year it became the first African country to win multi-year rescheduling agreements from commercial and official creditors.

But the slide in commodity prices and the value of the dollar since then have given the lie to the hypotheses on which the rescheduling deals were based—and obliged the government to seek new and better terms.

Announcing the payments suspension, the government maintained that despite the 1986 rescheduling, the country's debt service—set to rise from $1.1 billion in 1987 to $1.25 billion in 1989—was the biggest single cause of the financing gap. Indeed, the debt-servicing obligation for the current year, prior to the plea of inability to pay, was equivalent to almost three-quarters of the 1987 budget.

The government maintains it has religiously followed the policy prescriptions of the IMF since it was called in in 1981, despite the erosion in living standards by tax hikes and wage freezes which has resulted from the pursuit of such policies.

"By carrying on with such austerity," the government told its creditors in May, "we were running the risk of jeopardizing the political and social stability of our country."

But with its back to the wall, the government has begun bowing to IMF pressure for another round of tax increases and spending cuts. The World Bank, on the other hand, continues to have reservations about what it considers to be unproductive prestige projects slated for substantial funding in the coming years. Foremost among them are the construction of a $100 million Roman Catholic basilica and $55 million agricultural institute in Yamoussoukro, and two hospitals in Abidjan.

Apart from the possibility of temporary relief afforded by another rescheduling of the country's debt and some fresh cash from creditors—commercial, bilateral, and multilateral—the government is looking at other ways of raising money.

Plans for the privatization of more than 100 state and parastatal corporations, for example, are now at an advanced stage. While some, particularly in the agricultural and agro-industrial sector are potentially very profitable, others are unlikely to prove attractive to would-be investors at home or abroad.

In the meantime, President Houphouët-Boigny has been floating the idea of a linkage between debt repayments and commodity prices. Though intellectually attractive, the notion is dismissed by bankers as technically unworkable.

The suspension of debt payments will have a far-reaching impact on Côte d'Ivoire's image. The restoration of the government's credibility in the wake of the halt on payments will not be easy. Côte d'Ivoire is now regarded as a high-risk country by trading partners and potential investors, a situation that would have been unthinkable a few years ago.

Although agricultural production will keep on rising, there is no sign of prices picking up to any meaningful degree. And the government's determination to maintain producer prices at home irrespective of world market movements will continue to have serious implications for the national budget.

In the longer term, fundamental changes in policy will be necessary if the country is to have any hope of getting a second economic wind. The government's argument about commodity speculators may be valid to a point, but it certainly can be carried too far. As one veteran Côte d'Ivoire watcher remarked: "Commodity prices have not been low enough for long enough to have the country in the condition it is in today." □

Interview with President Joaquim Chissano

Mozambique

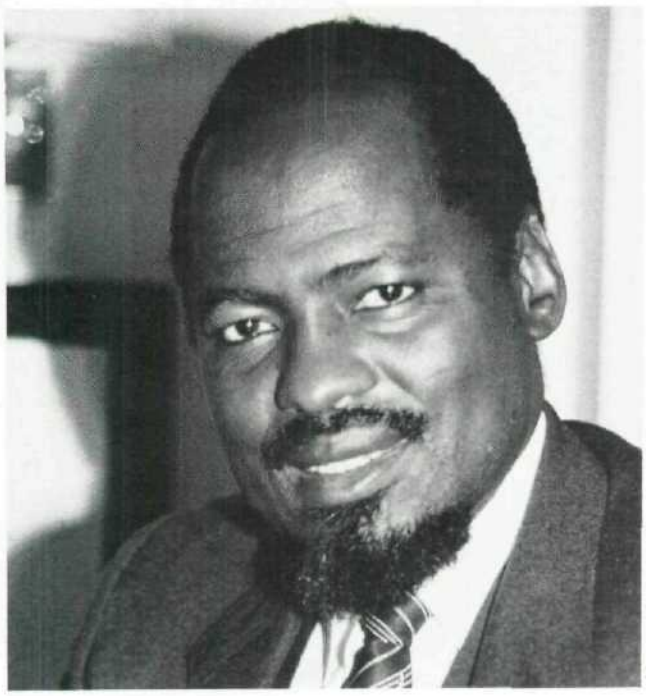
In the U.S. for a meeting with President Reagan, the Mozambican president spoke with *Africa Report* about the current state of the war against Renamo and his hopes for improved relations with Washington.

INTERVIEWED BY MARGARET A. NOVICKI

Africa Report: Reports vary widely as to the amount of Mozambican territory under the control of Renamo. Could you characterize the military situation at the moment, as well as the Mozambican government's military strategy vis-à-vis Renamo?

Chissano: Last year, there was a big infiltration of terrorists in the central part of the country, which had worsened the situation in that area. Since the beginning of this year, we have mounted a counter-offensive and we were able to recover the capitals of districts which had been occupied by the bandits, therefore creating conditions for the resettlement of our population which was displaced in that province. We have also been able to recover the routes which had been blocked by the bandits and thus we have created conditions to reinitiate the economic activities which were paralyzed in the provinces of Zambezia, Tête, and Sofala. There are some actions in the south in Inhambane and Gaza provinces which were caused by the bandits who escaped from the center to the south. There they are causing a lot of damage in the villages and some towns, attacking the civilian population, massacring a lot of innocent people—including women, children, and old people—kidnapping people into the bush, and we can also notice this in the north of the country.

"It is the duty of the United States to help countries like ours develop and consolidate our independence"



Margaret A. Novicki

But we have the initiative on our side. The counter-offensive is continuing not only in the center of the country, but in the south and north. So we feel that the overall situation, in spite of these massacres, is improving in our favor. We need only to push a little bit more. If we can get a little bit more support and logistical assistance, we can do more than what we are doing at present. And this support is forthcoming.

Africa Report: From your neighboring countries?

Chissano: From the neighboring countries as well as countries in Europe and non-aligned countries, African countries outside of the region. We are getting some support besides the presence of the Zimbabwean forces and some Tanzanian forces, which are helping us to consolidate our positions, particularly in the areas where we have to resettle civilian populations.

Africa Report: Has the situation on the northern border with Malawi been settled since you signed an agreement with the Malawian government last December?

Chissano: Yes, but it does not mean that the bandits are not harassing us. They are, they are trying to discourage the Malawians from cooperating with us, but that has contributed to show the Malawians the nature of the banditry and what their interests are, because they are now directly attacking the interests of Malawi.

Africa Report: Renamo has also attacked into Zimbabwe, so does this mean we might see a wider regionalization of the conflict?

Chissano: They are trying to say that they can frighten the Zimbabweans by attacking into Zimbabwe. They are trying to cause public opinion in Zimbabwe to be against the participation of Zimbabweans in Mozambique. But there they are cheating themselves because the people of Zimbabwe know very well that they need to support us in Mozambique because in so doing they are defending their economic interests and their sovereignty as well. They know that destabilization is not only directed against Mozambique, but also against all the neighboring countries of South Africa. So the frontline states take this struggle as a common struggle for the region.

Africa Report: Given continued South African support for Renamo, is it possible for you to defeat it militarily?

Chissano: I have heard this question many times, people doubting about the possibility of defeating the bandits militar-

ily. But you cannot forget that we defeated the Portuguese colonialists who had the support of the whole of the West, and South Africa and Rhodesia also. So we will defeat the bandits! The nature of the struggle is a little bit different, but we will defeat them because the situation has not changed much. The people are still on our side and we are certain that the people will be always on the side of the government and Frelimo party. We are getting the support of the countries that supported us during the struggle for liberation, both in Africa and in Europe, and we are getting new support, at least politically and diplomatically from countries which did not support us before.

So internationally we are stronger, internally we have the same support of the people, and that support is more direct all over the country. In the past, when we were fighting against Portuguese colonialism, while our people were together with us, some didn't have direct contact with us. So we have all the conditions to win this war militarily. But of course, you never win militarily in isolation. It is a combination of the struggle—military and diplomatic, economic and political. So this is what we are doing—we are fighting on all fronts.

Africa Report: Are you satisfied with the level of support that you are getting from Britain, France, and the United States?

Chissano: It depends. This word, "satisfied," has been repeated by many, and now I'm starting to think what do you mean by being satisfied? If you want to ask whether it is enough, we will never have enough! We need more support, of course! But we are satisfied in the sense that people are giving and we appreciate that they are giving support. In that respect, the answer is yes. But if you mean whether this is enough or not, I would say no! It cannot be enough, we need more and we feel that some countries can give more.

Africa Report: What message are you bringing to President Reagan? What results do you hope to come out of your meeting?

Chissano: What results? I think that he will understand better our situation, what we are standing for. What we are going to ask him is to consolidate our friendship with the United States of America. We will ask him to increase aid for Mozambique—both humanitarian aid and aid for development, particularly the latter, which is not commensurate with the capabilities of the U.S., if compared with the aid we are receiving from other Western countries. We think that the U.S. is lagging behind and it is the duty of the United States to help countries like ours to develop and to consolidate our independence, particularly if it wants to see a strong non-aligned country, independent, which is open to cooperating with all countries in the world, including the United States. I will ask President Reagan to try to do his best to stop the tendency of some groups in the U.S. who are supporting terrorism in Mozambique and even want to try and legalize that support.

Africa Report: What was your view of the struggle that went on to gain approval of the new American ambassador to Mozambique and do you have a strategy to combat the right-wing attempts in this country to undermine support for Mozambique?

Chissano: The nomination of the new ambassador has been approved. We always regard that as a matter of internal American policy. We have nothing to do with that. Now that they have approved the ambassador, we are prepared to work with her. She has arrived in Maputo, we have received her credentials, and now she is here to accompany my visit. We are happy that she was nominated. What we wanted was to have an ambassador! So now we have an ambassador with whom we can discuss and proceed in the search for better cooperation between our two countries.

About those who are trying to jeopardize those relations, we are trying to do our best in order to explain to them directly, or through other people, about the real situation, because we find that in many cases, their attitude is due to ignorance. In the cases where it is not due to ignorance, it is due to aspects of internal policy that have nothing to do with the Mozambican situation! So we will try to show them at least what the realities are in Mozambique and the other part is to be fought by you people here in the United States!

Africa Report: Could you comment on the status of your relations with South Africa now? Your government has accused South Africa of complicity in the death of President Machel, and certainly South Africa is still supporting Renamo. In these circumstances, of what value is the Nkomati Accord?

Chissano: We never accused South Africa of complicity in the death of President Machel. What we have said is that we have to proceed with the inquiry in order to find the truth, to know exactly what happened, to know who deviated the plane from the route which was established for it. We know that it was through a device placed on the ground. We have to find out where on the ground and by whom. So it is from there that we are going to draw some conclusions. The reluctance of the South Africans is what brings people to think that South Africa is afraid of something.

As concerns the Nkomati agreement, we don't think we have to abrogate the agreement because we feel that it is a good instrument which should be observed by South Africa. What we are trying to do is to put pressure on South Africa, directly and through the friends of South Africa, to come to reason and to implement the Nkomati agreement. Of course, in order to do that, it is necessary for the Nkomati agreement to be there. If it was not there, the whole story would stop and South Africa would continue supporting the bandits, and we would have no instrument to appeal to. What we demand from South Africa is written in the Nkomati Accord and so it serves to tell South Africa what we are demanding. That is what is written and what South Africa has signed.

Africa Report: How do you see the situation in southern Africa and South Africa developing over the next year? Are there any grounds for optimism, or do you see the situation continuing to worsen?

Chissano: I don't know whether I would say the situation will worsen, but certainly the struggle of the people of South Africa will be stepped up and for me, that is not worsening the situation. It is improving the fight, the struggle which will bring to an end this racist system! Of course, it will be a worsening situation in terms of violence as the struggle is improving. □

The cost to the South African economy of the recent spate of industrial unrest runs into the hundreds of millions of dollars. Emerging strengthened from its second national congress, the Congress of South African Trade Unions will play a more direct role in determining South Africa's political future.

Flexing Labor's Muscle

BY AMRIT MANGA

Just two years old, the Congress of South African Trade Unions (Cosatu) has changed the face of industrial relations in a country that is plagued by numerous contradictions—economic, social, and political. Cosatu has intervened at every level and has clearly become a major player among the forces for change in South Africa. In recent weeks, the federation's affiliates have demonstrated their ability to mobilize national support in all sectors in an attempt to win demands on both the economic and political front.

The determination with which Cosatu is prepared to pursue the demand for a living wage is best reflected in the total number of strikes and man-days lost as a result of the strikes. According to Minister of Manpower Pietie du Plessis, South Africa was hit by more than 330 strikes in the nine months up to September. But labor analysts point out that this is not necessarily a true reflection of the degree of labor unrest, as a significant number of strikes of short duration are seldom reported.

There are currently 11 strikes in the mines and metal, auto, and public health sectors. The strike at the Winterveld chrome mines was entering its eighth week. The rest of the mining industry remains tense, as tens of thousands of dismissed workers await the outcome of negotiations for their reinstatement.

The police and the South African Defence Force, together with the mine bosses' private armies, continue to attack strikers. The most recent, in which an undisclosed number of workers suffered rubber bullet wounds, occurred in October at the Ammosal manganese mine in a remote part of Cape province.

The cost of the labor unrest is enormous, running into millions of dollars. Although exact figures are difficult to ascertain, estimates of the cost of some of the biggest strikes have been made. The 21-day miner strike alone cost the economy $78.7 million. While the Chamber of Mines, which represents mine owners, disputes this figure, it has failed to provide its own estimates.

This was the biggest and costliest strike in South African labor history. The total number of man-days lost as a result of the strike—estimated at around 6 million—exceeds the total for all strikes in any one year thus far. Economists have only ventured to estimate the cost of the strike at Mercedes Benz, the German luxury car manufacturer, where 2,800 workers brought the plant to a halt for two months. It was estimated that the company lost a massive $99 million when the strike ended in mid-October.

The costs of strike action by another two unions in the Cosatu stable, the South African Railway and Harbour Workers Union (SARHWU) and the Commercial Catering and Allied Workers Union (CCAWUSA), together cost the economy 755,345 man-days, according to an industrial relations information service, whereas trade unionists have put the figure at more than a million. The government-owned South African Transport Services (SATS) admitted losing $157,000 a day at one of its depots where 600 workers had downed tools for almost 90 days.

Depots all over the Witwatersrand, South Africa's industrial hub, joined in the strike, eventually drawing in an estimated 16,000 to 20,000 workers. The costs were enormous and must certainly have dealt a major blow to the parastatal which has just revealed a $363 million loss in foreign exchange earnings.

But the cost of the railway workers' strike was not limited to SATS alone. It had a marked impact on the commercial sector, which is largely dependent on deliveries of goods from the state-owned transport corporation.

The full impact on economic growth will only be calculated later this year. But provisional figures released by the Reserve Bank show a marked slowdown in economic growth from 3.5 percent in the second half of 1986 to 2 percent in the first quarter of this year, followed by 1.5 percent in the second quarter, attributed in part to this year's numerous labor strikes.

The record number of strikes must be viewed against the background of five years of rampant inflation which has steadily eroded wage packets. Research carried out by the South African Labour and Development Research Unit (SALDRU), which is attached to the University of Cape Town, indicates that the battle to keep pace with the rising cost of living has been steadily

"The overt political message in the adoption of the Freedom Charter was clear: Cosatu will play a more direct role in determining South Africa's political future."

Amrit Manga is the political editor for the South African weekly newspaper, The New Nation.

John Conn

"The cost of the labor unrest is enormous, running into millions of dollars"

worsening since 1980, and 1985 was said to be the worst year in at least a decade.

According to the survey, statutory wage boards and industrial councils have failed to take inflation into account when setting minimum wages. Trade unions have pointed out that this omission is unpardonable. The median wage for hourly workers—the majority of Cosatu members—has declined by 17 percent in the case of rates set by wage boards, and by 7 percent in the case of industrial councils.

When salary trends are viewed against corporate profits, the contradiction becomes clear, according to Dr. Berni Fanaroff, national organizer for Cosatu's metal union. A recent survey of 132 companies listed on the Johannesburg Stock Exchange reported average increases in profits of 30 percent. The miners' protracted battle for a living wage took place against this background of falling wages and rising profits.

SALDRU research shows that despite wage increases of between 19.5 percent and 22.5 percent for underground workers and between 20.5 percent and 23.5 percent for surface workers, only the lowest paid mines made any real gain. And when the miners demanded a 27 percent increase this year—revised from their initial demand of 55 percent—the objective was not to achieve a living wage, but only to narrow the gap between current rates and a living wage.

Cyril Ramaphosa, National Union of Mineworkers general secretary, emphasized that the end of the strike did not signal the end of the living wage campaign (LWC)—instead he described it as a dress rehearsal for what is to come next year.

The Steel and Engineering Industries Federation of South Africa, representing the second biggest sector in the economy, echoed Ramaphosa's view and warned its members that the 55,000-strong, one-day stoppage by metalworkers was yet another dress reheasal by a Cosatu affiliate.

Cosatu General Secretary Jay Naidoo says that the emphasis at branch, regional, and national levels will be to strengthen the living wage committees to gear up for next year's round of talks. Despite the massive mobilization around the living wage demand, Naidoo is modest in his appraisal of the campaign.

"Our structures have not functioned as well as they could have. We were not able to mobilize solidarity with the mineworkers when they came under attack from the police and mining magnates. We would have liked to see a greater level of coordination," he said.

Problems in consolidating industrial unions from among the federation's 33 affiliates have been identified as one of the main setbacks in coordinating the LWC. But Cosatu will enter the 1988 wage tussle with a much higher level of organization. It emerged from its second national congress with 12 industrial unions and will be able to conduct the wage campaign with a much higher level of organization than it did this year. Individual affiliates have also consolidated organization at the corporate level.

According to Bobby Marie, national organizer for Cosatu's second biggest affiliate, the 130,000-strong National Union of Metalworkers of South Africa (NUMSA), workers have set their sights on corporate rather than factory floor management.

"We will be fighting for uniform national minimum wages instead of varying plant level rates. The emphasis has shifted from fragmented factory-level bargaining to national corporate-level bargaining," he explains.

For Marie, this reflects a higher level of unity among workers and therefore greater bargaining power. He says that the emphasis in Cosatu should be to build cross-sectoral solidarity in order to effectively challenge monopolies like the Anglo American Corporation, which controls more than 60 percent of the shares on the Johannesburg Stock Exchange. In this regard, there is already a degree of coordination in the wage campaigns of the NUM, NUMSA, and CCAWUSA, all of which have members in Anglo-controlled factories, mines, and shops.

On the political front, the battle is just as intense. Cosatu emerged from its July congress having adopted no less than 10 resolutions which chart the way forward. Perhaps the most significant was the adoption of the 32-year-old document, the Freedom Charter, which was drafted by members of the Congress Alliance in 1955 including the African National Congress.

Among other demands, the Charter sets out the minimum conditions for the establishment of a democratic South Africa. The overt political message in the adoption of the Charter was clear: Cosatu will play a more direct role in determining South Africa's political future.

The document calls for the nationalization of banks, mines, and farms. No doubt, this will strike a fatal blow to monopoly interests. It is this single demand in the Charter that has subjected the document to intense scrutiny by both the government and the corporate sector.

The federation also reaffirmed its pro-sanctions stand, going a step further by providing a set of guidelines for multinational companies that are withdrawing from South Africa.

It has warned that it will not hesitate to throw its full weight—1 million members—behind resistance against forced rent deductions from workers' pay packets. This resolution was drafted against the background of increasing government threats to introduce legislation that will make it compulsory for employers to deduct rent from wages in an attempt to neutralize the three-year-old rent boycott.

But Cosatu's resolutions stopped short of adopting socialism as official policy. The federation's assistant general secretary, Sidney Mufamadi, says that the reasons are simple. "We did not adopt socialism simply because Cosatu is not a socialist organization."

"But within Cosatu, we are beginning to see discussion about socialism. Our resolution in fact encourages debates around socialism. But more than that, we do not see the struggle for a worker-controlled society as the sole province of Cosatu," he says.

"The political posture of the federation has drawn strong reaction from government and new legislation aimed at curbing the unions is already being debated."

Commenting on the sanctions resolution, Mufamadi says: "When Cosatu talks of playing a more direct role in the sanctions campaign, it is in the context of the deepening campaign in the international community to isolate the apartheid government of South Africa.

"The solidarity movements, especially in countries which have a notorious record of collusion in sustaining the South African government, have been confronted with a lot of arguments against sanctions.

"Foreign governments and capitalists have been distorting the calls we make. In this sense, we will define how our allies and supporters of our campaign must conduct themselves. We also hope to clear up the confusion that has arisen around the sanctions question.

"We therefore said that we will support all pressures which are going to be exerted on this government, provided those measures are mandatory and comprehensive," said Mufamadi.

He added that Cosatu will play a direct role in finding solutions to South Africa's problems.

"The broad message from our members is that the urgency of finding solutions to our country's problems has never been greater. The campaigns toward achieving that aim must be stepped up."

It is in this context that Cosatu further emphasized the centrality of the ANC and other banned organizations in any solution to South Africa's problems. But the political posture of the federation has drawn strong reaction from government and new legislation aimed at curbing the unions is already being debated in Parliament.

The government said that the legislation is aimed at restoring the power balance in the industrial relations field. What is clear is that the planned legislation will make it easier for bosses to act against trade unions undertaking illegal strike actions and will encourage them to sue workers for any losses suffered as a result. This is not surprising given the millions of dollars that have been lost through strikes.

Any attempt to restrict trade unions is likely to have one of two effects—either limiting strikes and union activity on the political front, or sparking off militant reaction. Further attacks on trade unionism will only delay economic recovery, if this year's losses through strikes are any measure of their impact on growth. It will also draw employers into the frontline of the struggle against apartheid.

The net effect of the government's "get tough" approach is difficult to predict. There are no signs of retreat on either side. Cosatu is determined to enter uncharted territory in the next year. Already it has engaged the government in an area that has never before been affected by labor unrest. The public sector, in which labor strikes are banned, has not had a single month's labor peace since April. And the federation has put the agricultural sector high on the agenda for next year. □

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CASABLANCA, Morocco	501	572	LUSAKA, Zambia	1899	1999
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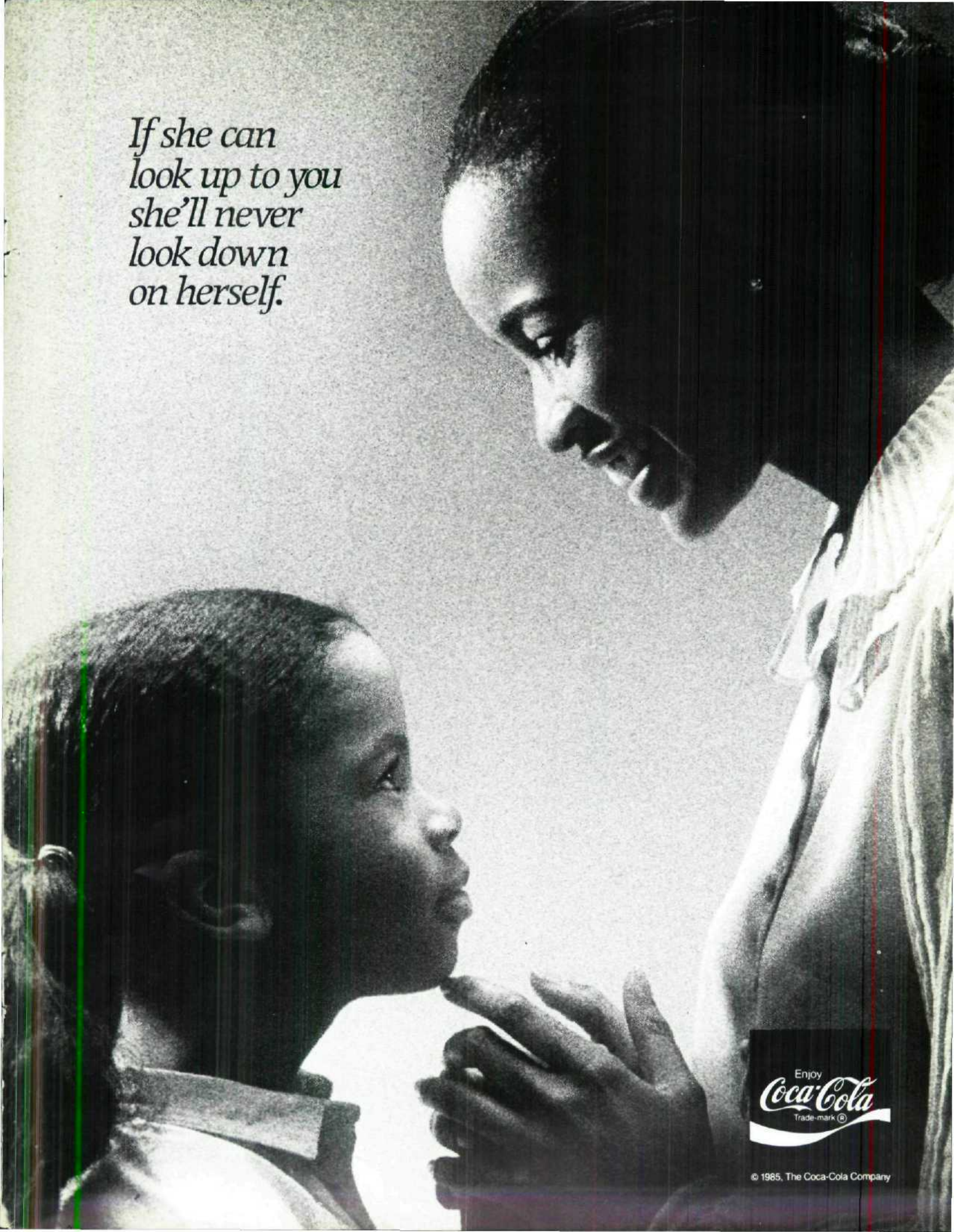
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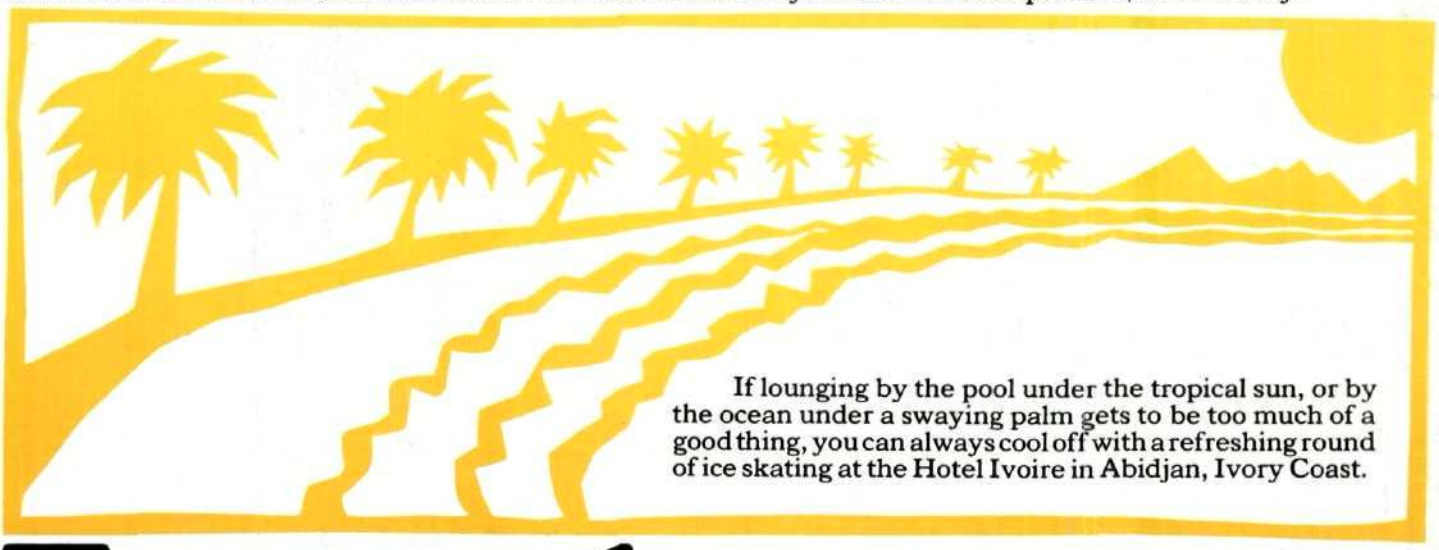

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