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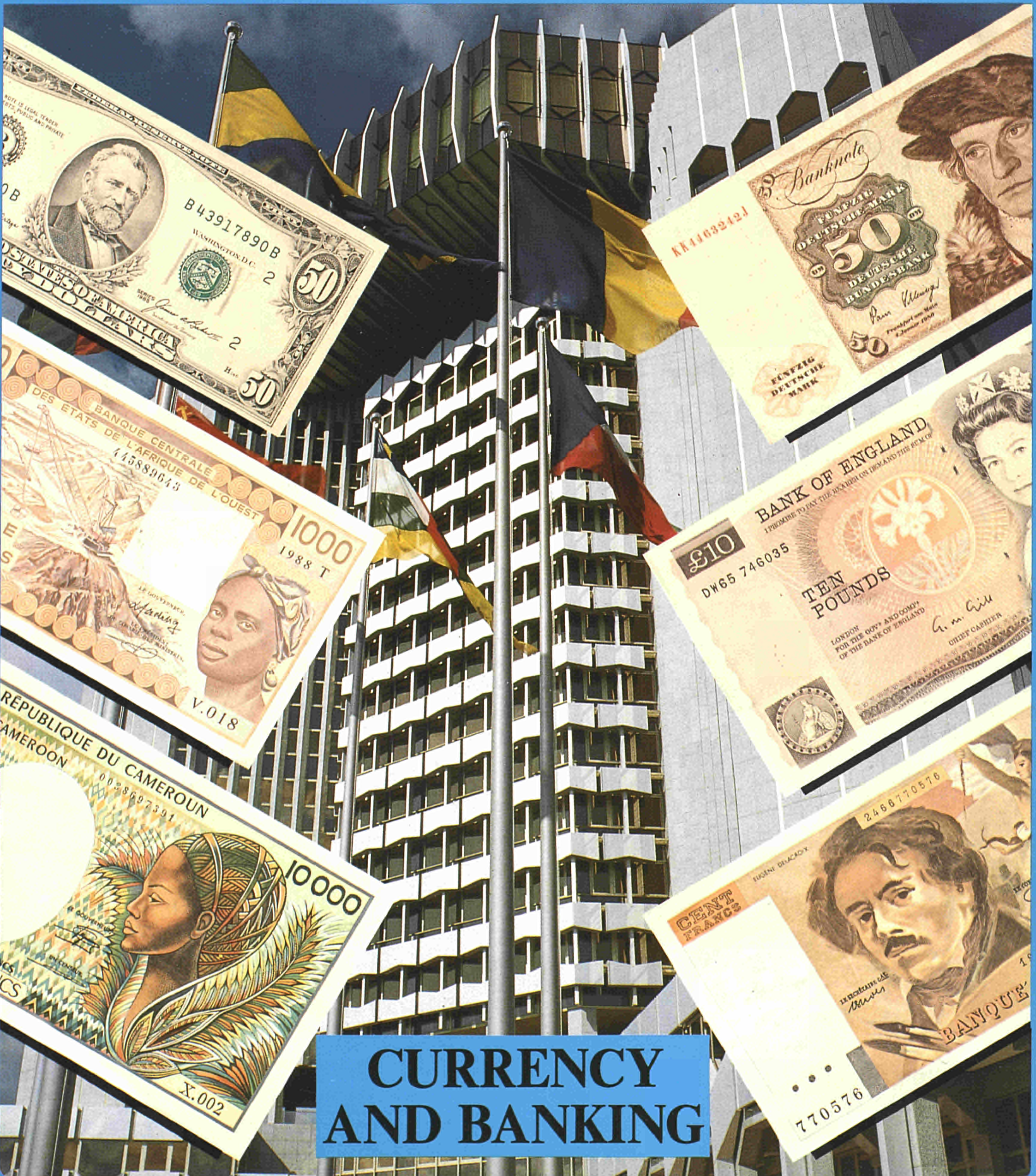

CURRENCY AND BANKING

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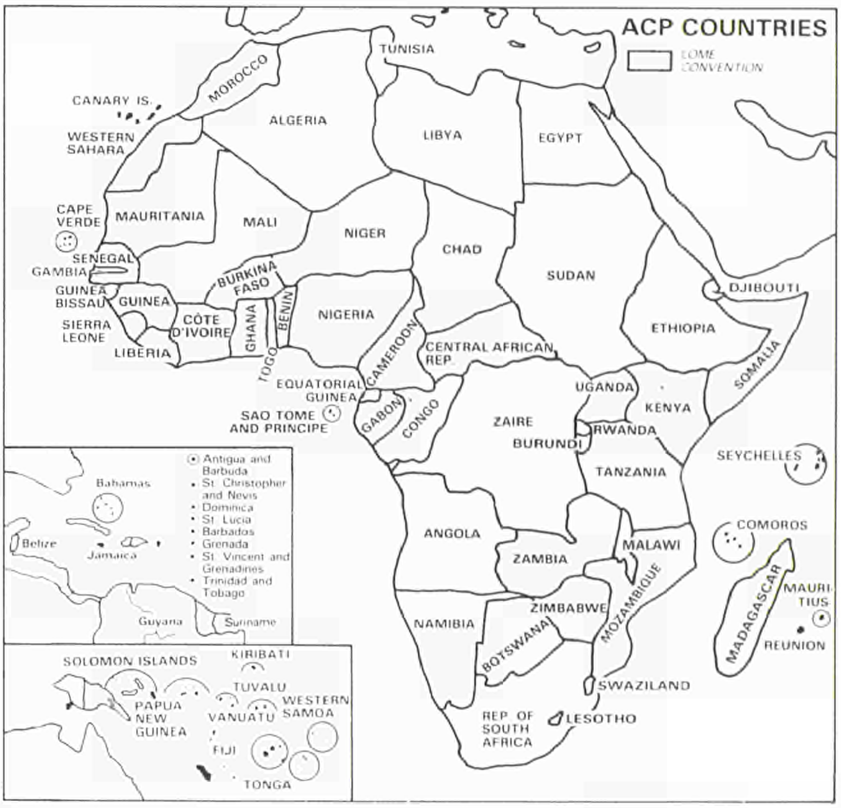

FRANCE

(Territorial collectivities)

Mayotte
St Pierre and Miquelon

(Overseas territories)

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

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(Overseas countries)

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

DENMARK

(Country having special relations with Denmark)

Greenland

UNITED KINGDOM

(Overseas countries and territories)

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

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

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

Cover page: *The headquarters of the Bank of Central African States (BEAC) at Yaoundé, Cameroon (photo BEAC)*

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Third World countries take no part in drawing up and implementing the monetary decisions which, to a large extent, determine the evolution of their economies. However, for technical, economic and political reasons, even, they cannot at the moment remove themselves from the organisation and operation of the international economy which seems so unfavourable to them. What part, then, should monetary policy henceforth play in the economic progress of developing countries? This *Courier* Dossier seeks to contribute to a renewal of much-needed consideration of this important subject. **Pages 50 to 91**

JACQUES PELLETIER
FRANCE'S MINISTER FOR COOPERATION

France is President of the European Council (1 July-31 December) at the time the ACP-EEC negotiations on the renewal of the Lomé Convention are moving into their final phase. The economic crisis, which is receding in the industrialised countries, is getting worse for the ACP States. This is the background against which Cooperation Minister Jacques Pelletier will be leading the discussions with the ACPs.

But there are the bilateral relations between France and the African States to think of, too. They loom large in what Paris does to help the economic development of the Third World and Africa remains one of "the priorities" of French policy here.

Jacques Pelletier has answered *The Courier's* questions on this cooperation now and in the future and on France's position on the major problems of the Third World more generally.

▶ *Minister, the amount of aid you manage, about FF 7 billion, has been put at around 20 % of ODA, as against the almost 55 % of the Finance Ministry. What are your ambitions and what do you say to the critics who claim that Africa is no longer the favoured continent of France's cooperation policy?*

— My Ministry is the direct manager of 20 % of our official development aid, it is true. The Ministry of Cooperation and Development only gives grants. A lot of official development aid is in the form of loans and it is the Finance Ministry and the Caisse Centrale de Coopération Economique (CCCE) that deals with those, although we are very closely involved with them and the way they are granted, because they carry interest rate subsidies paid for by my Ministry.

So when the countries concerned run into financial difficulties—and alas that is something that often happens nowadays—we send out a tripartite mission, that is to say, a representative of the CCCE, a representative of the Finance Ministry and a representative of the Ministry of Cooperation and Development, to talk to the local authorities and to bring back their joint conclusions. So my Ministry is involved in practically all the official development aid provided for the countries we deal with.

Now it is wrong to say that Africa is no longer really the favoured continent of France's cooperation policy. Africa gets more than two thirds of France's official development aid and it is still the French Government's priority as far as that aid is concerned.

▶ *Those are the comments of critics in France who often quote figures to back them up...*

— Exactly. The figures are very clear. More than two thirds of French ODA goes to Africa. The Foreign Ministry manages 10 % of our ODA, we have 20 % and we manage 50 % via the CCCE. So I really don't see how that makes Africa not the priority any more. Africa has always been and will always be France's priority — that I should like to state very firmly.

▶ *How do you see, and where do you personally stand, on the withdrawal of French firms from Africa?*

— About a quarter of the French firms in Africa have left the countries where they had set up, because of the crisis. I can't blame the French businessmen who left Africa because of the enormous difficulties in the countries where they had settled. If they can no longer trade and buy and sell there, the firms obviously cannot carry on. But three quarters of them are still there. And new investors sometimes go to Africa, too. I am struck by the fact that there is room for French and European enterprise in some promising areas. I don't think there is a future for very big firms. We are making a special effort in the Ministry to encourage French businessmen in the SME and SMI sectors to invest in Africa.

We have the Franco-African Chambers of Commerce for this—they are very dynamic—and other organisations helping and encouraging businessmen to set up in Africa.

Helping would-be investors in Africa

▶ *Fewer and fewer French people seem to be willing to go and work in Africa, don't they? How does this affect French cooperation and what is you answer to this?*

— I don't think you can say that fewer French people want to go out to Africa, because, when you see all the young people in France who want to be cooperation officers, the opposite's the case, I think. There is more interest. We are forced to sort through and select, because we have 7 300 cooperation officers in Africa and we could send twice that. There are three or four times more applications than posts — which proves that Africa means something to our youngsters and that they are very keen to go and devote some of their time and knowledge to that continent to contribute to the progress of the countries there.

▶ *You are talking about your Ministry... but, more generally, are there still many French people who want to go in for economic or industrial ventures there or devote themselves to development in Africa like they used to?*

— Let me take the second question. Indeed there perhaps are fewer than there used to be and I think it's because of the crisis. There is no doubt that, in times of great crisis, much less trading is possible. There is much less to buy and sell and setting up is difficult. But I repeat that, in some very good areas, there is room — but it takes a bit of imagination. It takes a bit of sounding out and this is where my Ministry can help people who are willing to try an economic or industrial adventure. We have a whole range of possibilities which mean we can help our compatriots who want to invest in Africa.

▶ *How is your Ministry's structural adjustment policy different from what the IMF and the World Bank do?*

— You know, France has been running structural adjustment schemes on a bilateral basis for 10 years now and, as I told you a moment ago, they are introduced, negotiated and financed by the Finance Ministry, the CCCE and my Ministry. So we have experience too!

We collaborate very closely with the IMF and the World Bank on this. Ours is a permanent dialogue and I think I can say that it is usually a confident dialogue, but of course our analyses aren't always exactly the same, which is perfectly understandable. This is why—it's true—France often has specific messages to pass on to the IMF and the World Bank. One of them, an essential one to our mind, is that the adjustment policies are pointless unless they really do prepare conditions for growth and development. There is no point to adjustment for adjustment's sake and stringency for stringency's sake. Another equally important message is that adjustment has to be socially bearable by the poorest sections of the population. And this is where I think the IMF and the World Bank haven't been sensitive enough in the past — look at the hunger riots they have had in several countries, even in Venezuela again recently. So whenever I talk to the Director-General of the IMF and the President of the World Bank, I tell them that they have to be very careful about adjustment, because if it is too hard or badly targeted, the social consequences may be incalculable.

Although we support the adjustment policies planned by the IMF and the World Bank, it is true that we often speak for Africa to help to make sure that it isn't the most underprivileged sectors of the population which are under the greatest pressure. No one objects to that in principle and all we have to do now is get it across in practice. That's what I am trying to do.

▶ *Do you mean that you put the social aspect of structural adjustment to the fore and the IMF and the World Bank are more interested in the purely economic aspects?*

— There's something of that. The IMF and the World Bank have a too purely economic view of it, while we are trying to bring in social objectives.

Alongside structural adjustment, we devise sectoral programmes in education and health to make sure that the underprivileged sections of society don't suffer from the adjustment plans too much.

"Cooperation won't work unless the Africans make an effort themselves"

▶ *You recently wrote in the press that "neither France nor Europe nor the international community could do the Africans' job of ensuring the stringency and sound management of their economies for them" and that "aid couldn't do it all". Isn't that where the (even relative) failure of cooperation and development really lies? And what do you suggest that the States do, particularly in their administration which so often holds back action and dampens enthusiasm?*

— Yes, France's cooperation, and the cooperation of many countries across the world today, won't work unless the Africans make an effort themselves. They are already trying — most of the African countries have gone in for the adjustment of their economic structures and agreed to make plans to reorganise the administration, with big cuts in their civil service staffs and significant increases in their investment funds. Those countries have taken the bull by the horns and set the example. It takes courage to do that, you know!

So I am not pessimistic about it, because the countries which started structural adjustment first, a long time ago, are beginning to feel the benefits and their economies are in slightly better shape. I think the efforts that the Africans have been making alongside the sustained cooperation drive of France, and Europe particularly, will mean that they will overcome the crisis one day. And if the price of raw materials went up a little bit, I think that would help us, and especially our African friends, a lot.

France proposes a new approach to commodities

▶ *One of the most difficult aspects of the negotiations for the next Lomé Convention is commodities in the African economies. How does France analyse the situation and what innovatory solution could it suggest for the future?*

— The commodities crisis is obviously having a serious effect on the African economies because they are still very dependent on their export earnings to finance their development and service their debts. There are short-term aspects to this crisis, focused around a basic structural trend, and short-term variations in commodity prices on the international markets, which are also dictated by the economic conditions of supply and by the behaviour and anticipations of the operators, should not mask the basic reality — which is that the African producers are losing out to their competitors in South America and now in Asia too.

The traditional Lomé response, Stabex, is now inadequate although not outmoded. Stabex has always evened out fluctuations in the economic situation. But this response, which is essentially a short-term, compensatory one, can do nothing to alter the basic downward trend in the African producers' competitiveness.

So France is tackling this by suggesting that Lomé IV include a new approach to commodities, an individual product approach which has been tried out with success for cotton in Chad and cotton, coffee and cocoa in Togo. The idea is an in-depth operation on the industry concerned to improve competitiveness by cutting costs and distributing income better. It's a kind of sectoral side of structural adjustment.

The special thing about it is its two-fold contractual and regional character — contractual in that it encourages the involvement of the recipient States and ensures that there is something in it for everyone, and regional because it encourages the integration of markets and restricts the adverse effects of the sum of national initiatives. And lastly, this approach should combine with better coordination of all the funders, be they multilateral or bilateral.

▶ *So where does Stabex stand in your proposal?*

— Stabex has to be improved. Maybe the machinery has to be adjusted. We are talking about it at the moment, as you know, in the Community and with the ACP States, to find out which piece of machinery has to be changed to make Stabex more effective. Because it has helped. However, it wasn't effective enough and I think we also need tighter control of the sums Stabex pays over.

▶ *You mean control over the way they are used?*

— We have to make sure that the sums paid out under Stabex are actually used to improve the particular industry in question.

"The Sugar Protocol: a blessing for some countries"

▶ *In your commodities proposal, are you thinking about something like the Sugar Protocol provision?*

— Absolutely not. The Sugar Protocol is something very special which costs a lot, infinitely more than Stabex, even though it's only for one product and Stabex is for more than 40. The Sugar Protocol has been a blessing for some countries — I'm thinking particularly about Mauritius, where the 500 000 tons of sugar bought at Community prices really sorted the Mauritians' affairs out. And the same is true of the Caribbean States. It's impossible to extend that to other products.

▶ *But the Africans mostly export the commodities you have just mentioned, cocoa and coffee, of course, and they are losing out, although they were originally behind the Convention. That's the real problem and they are expecting France to do a lot about that side of things...*

— Yes, but France isn't alone. France does what it can in the Community to try and get the different points of view to converge — and as it is President of the Council at the moment, there will be a lot of diplomatic work for it to do over the coming months.

Lomé IV: "Unless there is a substantial increase in the Convention finances, we shall not be able to achieve what we are aiming for"

▶ *Ever since Lomé I, the ACPs have been dissatisfied with the size of the financial resources of the Convention and the way they are managed. They think that there are not enough resources to achieve the aims of the Convention and that they are paid over too slowly. What do you think might be the best way of fixing the amount of money in the 7th EDF and what improvements do you think could be made to the way financial and technical cooperation is managed?*

— I understand the ACP point of view, overall, but I still have to say that, in spite of its imperfections, Lomé is unique in the world.

I think we need more financial resources for Lomé IV and the 7th EDF. The Commission wants them to be increased and France will go along with this, although I cannot say as much for all the Member States. We are going to be tackling this problem, I think, in Luxembourg in October. It is true that, unless there is a substantial increase in the Convention finances, we shall not be able to achieve what we are aiming for.

As to the ways of determining how much money there is to be — it isn't easy until all the targets have been fixed. Stabex will have to have a bigger share, obviously, but it will also depend to some extent on what is done with it.

Better management of financial and technical cooperation is also on the agenda, but I think that this is not a matter for the negotiations — which are much more to do with development policies.

Debt—doing something for the intermediate-income countries, too

▶ *Although France has set the example by writing off all or some of the debts of some of the countries of Africa, it still hasn't got what it wants as far as an international plan for the settlement of the debts of the poorest and the intermediate-income countries is concerned. Apparently the effects of the debt reductions set up in Toronto are virtually non-existent. What is your national and Community approach to this problem?*

— France is out at the front here. President Mitterrand's Dakar proposals put France in a clear lead in the North for aid to the South. Since François Mitterrand came to power in 1981, he has been tireless in recommending development aid and the postponement of debt to the people in the North and he got results—limited ones, of course, but useful—for the first time in Toronto. It's not a bad achievement, because for the first time the seven most industrialised countries agreed to cut the poorest nations' debts by a third on rather special terms.

Then, at the Dakar Summit, President Mitterrand went much further unilaterally, because he decided to present Parliament with a proposal to write off all the French official aid debts in the 35 poorest countries of Africa. This means something like FF 16 billion. I hope other people follow his example.

That leaves us with one big problem — the intermediate-income countries not covered by the measures taken in Toronto or Dakar. Countries such as Congo, Côte d'Ivoire, Gabon and Cameroon have considerable difficulties. They achieved a lot of development with loans 10 or 15 years ago, thanks to the high price of raw materials, oil especially. But when raw materials went down a lot, they had big financial problems to cope with and something absolutely must be done for them in the near future.

We are thinking about solutions at the moment, about reducing private debts with the help of the banks. There is a large private debt in these countries, so the move could be a good one. And there is a very large public debt still too. I think that the seven most industrialised nations are bound to be talking about this at the end of the week [1].

► *Can writing off or reducing the debt really solve the problem when the countries start borrowing again immediately afterwards?*

— Writing the debt off is a breath of fresh air and both salutary and necessary at one stage, but if the borrowing continues, then the problem will crop up again. This is why I maintain it would be far better to give grants rather than loans from now on. Writing off their debts is a passive solution. The policy of grants is an active one. That is how I see it.

The writing off of debts, an increase in raw materials prices and better competitiveness and a domestic economic and financial effort in each country all go hand in hand, I believe. If these things can be combined, the African countries could be on the road to growth again. That is what I hope to see and we shall do our utmost to help them achieve it.

► *On this subject, Côte d'Ivoire has had to cut its cocoa prices a lot in spite of resistance from President Houphouët-Boigny. Ultimately this commodities affair is an unequal contest...*

— I think that, there again it's a problem of the individual products. An industry has to be tackled from every angle, trying to cut production costs and increase productivity a little bit everywhere. That goes for cocoa and it goes for coffee and it goes for cotton. And not just in Côte d'Ivoire either.

What has to be done is do whatever can be done to see that the producer countries can group together and try and have a common policy. It's easier if everyone joins in and if some don't, then the whole thing collapses.

► *The ACP negotiators are looking to 1992 and calling for Lomé IV to establish a common basis, at least a minimum one in the Member States, for the conditions on which ACP nationals who are legally established in Europe stay and study here. The Commission thinks that the conditions of residence of foreigners is something for the national authorities in the Member States and that it cannot commit them on this. What do you think?*

— That is absolutely right. These indeed are problems of national sovereignty and for the national Governments to handle. They are nothing to do with the Commission. They may be one day, but, for the moment, they aren't and each Member State takes whatever steps it thinks are called for within its own frontiers.

► *... But in the single market of 1992 or '93, all Europeans will have far greater freedom of movement than they do now. Will the system for ACP nationals stay when the Europeans have far greater freedom? The negotiators wish to make sure the Community doesn't indirectly make life more difficult for the ACPs who are legally established here in Europe...*

— I don't think this issue has been dealt with at Community level so far, but it will probably have to be one day.

"Africa has everything to gain from an increasingly united Europe"

► *It could well be brought up at the Council of Ministers in Luxembourg. Might you be making any proposals there?*

— I don't think it will be on the agenda of the October Council of Ministers. We shall have a very full agenda in October and plenty of things still to negotiate. The matter of ACP nationals will be dealt with later on.

While we are talking about the single market, whenever I see African leaders, they tell me how worried they are about it, but I don't think they should be worried. Quite the contrary, the single market can be an opportunity for Africa. The more united we are, the more the Africans have to gain from Europe, which will share the fruits of growth with them. But of course we are not abandoning bilateral aid. That will always exist. It will be maintained, because both France and the countries of Africa want to have this direct contact.

► *In what areas do you think the single market might be an incentive to development in Africa?*

— Everywhere. The economy, communications, research, for example, and the environment too, since Europe is increasingly united and countries like France will be taking the Community towards greater aid for the development of countries in Africa and on other continents. I think these countries have everything to gain from this aid from the EEC which will represent a mass of people, a very large financial and economic mass.

► *President François Mitterrand and Jacques Delors, the President of the Commission, have both said they expect a lot from the French presidency of the European Council. What can Africa expect, roughly, from the six months during which France is in the chair?*

— France, as you know, is both very European and very keen on the development of the Third World. France will try to get Europe to advance in the field of cooperation. That, I think, cannot but be beneficial for the causes we champion. But France is not alone. Progress takes time. We have to convince those European partners who do not share our outlook and that takes time too.

► *A number of problems, residence conditions for ACP nationals in Europe, for example, could be dealt with through the Social Charter...*

— Why not?

► *Since this is your responsibility during the next six months, perhaps you'd like to make some proposals...*

— The Minister of Cooperation and Development will in any case be mentioning this to the members of the Government responsible for devising the European Social Charter. But one has to realise that the negotiation of the new Lomé Convention by the 12 Members States of the EEC and the 66 ACPs cannot interfere with the Twelve's negotiation of the Europe of 1993. However, I am well aware that, in practice, a number of questions are bound to be brought up and we and the ACPs shall find the proper place to discuss them. ○

Interview by LUCIEN PAGNI

(1) This interview took place on 11 July 1989, shortly before the 14-16 July, Paris Summit. Ed.

Christopher PATTEN,
Former UK Minister for Overseas Development

"Poverty, the most toxic element in today's environment"


The Courier

Chris Patten has worked in British politics since leaving University in 1966, and was elected to Parliament in 1979. In 1986 he became Minister for Overseas Development, a post he held until, just after this interview was carried out, he was promoted to Secretary of State for the Environment. This promotion accords well with his own interests as this interview makes clear.

▶ *Minister, after a long period of relative political isolation on the African front, Britain has made a comeback, culminating in Mrs Thatcher's spring visit to Southern Africa. What are the reasons behind this, and what are the prospects for a more dynamic role for Britain in African political development in future?*

— I think that's more appearance than reality. And doubtless the appearance is largely a consequence of two extremely successful trips that the Prime Minister has made in the last couple of years to sub-Saharan Africa—a very good trip to Kenya and Nigeria, and a further, extremely successful, trip first of all to North Africa and then to a number of countries, to Malawi, briefly to Nigeria and to Zimbabwe and finally, again briefly, to Namibia. We've had long, historic, political and commercial relations with Africa. There are, I think, about 12 sub-Saharan African countries that are members of the Commonwealth. We have close educational links with a number of African countries—close commercial links. We have a passionate commitment to the end of apartheid in South Africa and to peaceful political, social and economic change in Southern Africa. We've, I hope, reflected some of that interest in our aid programme which is now growing again in real terms; much of that growth is the expansion of our programmes, in Africa particularly, supporting the economic reform programmes in a number of countries—the most recent one to have chosen to pursue the path of reform being, of course, Nigeria.

▶ *When you say reform, you mean structural adjustment?*

— I mean structural adjustment programmes with, I think, a growing recognition that, while they represent the most hopeful way forward for a number of countries which have got into economic difficulties in the last few years, they will take a good deal of time, involve a lot of political courage, and they need sophisticated designs so that they can take some account of social and environmental impact.

▶ *Britain is a member of the Commonwealth, though frequently at odds with its other members especially over Southern Africa. Are there any circumstances which you could envisage which would impel Britain to leave the Commonwealth?*

— None that I can envisage. I think it's pretty well an inconceivable concept. We have disagreements from time to time on, as it were, both sides. There are sometimes individual Commonwealth countries who do things with which we don't agree. There are occasionally things which we may do which they don't wholeheartedly endorse. But I think we have a mature relationship—a family relationship and certainly a constructive relationship. My own estimate is that Commonwealth African countries, even where they don't agree with us, are far more understanding of our attitude on Southern Africa than was the case. By understanding, I don't, I repeat, mean that they necessarily agree with us, but they comprehend why we take the view we do about the best way of securing peaceful change.

▶ *How important is overseas development as an item on the present government's agenda?*

— It's an important aspect of our overall relationship, particularly economic relationship, with developing countries, but of course it's not the only part of that relationship. According to the OECD figures which have been announced for 1988, we have the seventh largest aid programme in the world. It's about to hit £ 1½ billion. It's a big and high-quality programme. We're operating in over 120 countries, though, admittedly, we have really large programmes, about 60 % of our overall aid, within approximately 10 of those countries. We're major contributors in sub-Saharan Africa and in South Asia. But I don't think that it would be reasonable to see our relationship only in terms of the aid we provide. We have a useful role, I think, in a number of the international financial institutions—notably, the World Bank and the International Monetary Fund and we're in the van of those countries pressing for the liberalisation of trade arrangements, globally; and, in addition, we are one of the largest private investors in development. On average we invest in developing countries from the United Kingdom (this is one of the results of the abolition of exchange controls at the beginning of the decade) as much as the rest of the European Community put together. So that is, I think, an important part of our economic relationship with poorer countries.

▶ *That's private investment, or public?*

— Private investment.

▶ *What proportion of Britain's ODA budget goes to multilateral institutions like the EEC and the World Bank?*

— About 40 % of our budget goes to the multilateral institutions.

Approximately 43% of that 40% goes through the European Communities' programmes, about 30% through the World Bank and then, of course, there are the UN agencies and the other regional development banks. The amount of money that goes through Community programmes is, of course, a relatively recent aid contribution. We take, I think, as close an interest as any Community Member in the effectiveness and management of the Community's aid programmes. And I hope and believe that the Commission and the other Member States regard that interest as being constructive—even when it's critical.

▶ *The "magic figure" of 0.7% of GNP is further away, really, than ever at the moment. In this because of budgetary constraints or is it because of efficiency?*

— It's partly because of growth. We've had the unusual, but rather happy, experience in this decade in the United Kingdom of enjoying an unprecedented period of growth, the fastest growth-rate in Europe, one of the fastest growth-rates in the world. In real terms, gross public expenditure on aid in 1988 was about the same as in 1978—that's despite cuts in the early 1980s. What happened was that when we were cutting public expenditure elsewhere in the early 1980s, money on our aid programmes was cut by about 15%. Our programme was then held at that level until a couple of years ago while the economy was starting to grow and that meant that our percentage GNP of aid fell. But I think, as a consequence both of the quality of our programmes and of our growing economic strength, we've been able to start to augment our aid programme in real terms again. This year our aid programme will go up by 12% in cash terms, or 7% in real terms. Last year the percentage GNP that we declared to the OECD was higher than the year before which is the first time that we've seen an upturn in the figure. It went up to 0.32%. It's, I think, also important to remember that there were three UN targets set, perhaps a little arbitrarily, 20 or so years ago. The first was 0.7% of GNP in official flows. The second was a 1% of GNP figure for all flows, and we've achieved that every year in the 1980s, except two. And the third figure was for 0.15% of GNP for the poorest countries, and on that figure we're quite comfortably ahead of the OECD average, though we don't quite hit 0.15%. We normally hit about 0.10%. I think there's only one country last year which achieved 0.7% and actually had an aid programme larger than us. And for me the vital question is the total cash that we've got to use. I think that's also the vital question for most of those that we're helping. A new government could very rapidly improve our GNP aid performance by following economic policies which halted economic growth in its tracks. I don't think that will be very helpful in the short-term or the long-term for developing countries.

▶ *What are the main areas of geographical concentration of British ODA and what criteria must these areas fulfil?*

— The main areas that we help are sub-Saharan Africa and South Asia. But we also have programmes in the Caribbean, in the Pacific, and in Latin America—where I hope that we will be able to do more in the environmental sector in future, and in some of the dependencies. Our aid goes, in bilateral terms, substantially to Commonwealth countries for understandable reasons. We also provide about 80% of our bilateral aid to the poor countries as defined by the World Bank, as opposed to a figure of 60% for OECD donors as a whole. So we're comfortably ahead of the average there. And we do regard the main objectives of our aid programme as being to secure sustainable economic and social progress and to help poor countries, and poor people in poor countries.

▶ *How important to Britain's development posture is its membership of the EEC and thus its membership of the Lomé Convention?*

— The Lomé Convention is, of course, very largely a consequence of our accession to the Community. Thirty-four ACP countries, that is, joined as a result of our negotiations when we were entering the Community. And I think that our membership of the Community, and in particular of Lomé, has given an admirably European dimension to our bilateral relationship with poorer countries. It has, among other things, secured better access for Commonwealth ACP countries to Europe's markets, which should be extremely valuable for them. I don't believe that one should regard the programmes that we implement through the Community — and, of course I'm thinking of the Asia and Latin America programmes, the food aid programme, the Mediterranean financial protocols, as well as the Lomé Convention, — I don't believe that one should regard those aid programmes as wholly different from any other sort of aid programme. Nor do I believe that the European Community should necessarily think that it must do anything which any bilateral or multilateral donor does. But that said, there is a specific personality to the Community programmes and we're very happy to be a major contributor to them. We contribute about a sixth to the cost of the European Development Fund, and I think I'm right in saying that our contributions to EDF VI were the largest aid commitment we ever made to anyone at any time.

▶ *You often stress your predilection for trade rather than aid. When this involves LLDCs, how realistic is this, given the structural nature of their problems?*

— I point out to colleagues in the Community, and they must sometimes think that the needle is stuck on the gramophone record, that trade is three times as important to ACP countries in terms of foreign exchange earnings as aid. And that doesn't mean that aid isn't important, but it's, first of all, an indication of the relative impact of trade and aid on an economy; and secondly, it's a reminder that we should be using aid as much as we can to enhance the developing countries' opportunities to export competitively in world markets. What is, of course, unique about the Lomé Convention, is that it brings together trade and aid in a contractual way. It represents the most liberal trade arrangement on offer from any group of developed countries, industrialised countries, to poorer developing countries in the world. That doesn't mean that it's perfect and can't be further improved, and we have been pressing in these Lomé renegotiations, and will continue to press, for further trade liberalisation. I think we've still got some way to go to secure all the sort of gains I would like to see. The last Development Commissioner, Vice-President Natali (for whom I had a substantial amount of respect, and who was a knowledgeable, dedicated and effective friend of developing countries), pointed out in the speech he made in Luxembourg last autumn, launching the new round of negotiations on Lomé IV, that there were a number of poor countries in Asia without the preferential access to the European Community market enjoyed by ACP countries which had, nevertheless, managed to carve out for themselves a larger share of that market. He was thinking, for example, I guess, of countries like Pakistan and China. That's a reminder to us that, and I speak for ACP partners as well as for Community partners, it's not enough to have reasonably liberal trade access. You've got to take advantage of that in a competitive way. You've got to produce things for the market place which people want to buy at a price which they are prepared to offer. That's why, through the instruments of the European Development Fund, we must try where we can to strengthen the processing and manufacturing capacity of ACP countries, particularly, perhaps, the poorest which need the greatest help. And I hope that, through training and in other ways, we will assist the ACPs to take maximum advantage of the increased European market which should follow 1992. I'd like to see 1992, both for developing countries and for Community countries, becoming the most significant international economic event since the creation of the Bretton Woods Institutions.

▶ *Are there other things you would like to see strengthening Lomé?*

— Yes. I would also like to see the European Development Fund used more effectively. I think sometimes it's reckoned that if one is critical about any Community instrument one is knocking the Community as a whole, one is being unhelpful. I think that's crazy. It's our Community, and I speak of all Twelve of us, and we presumably want to see it working as effectively as possible—not least in those areas where effectiveness represents the difference between a dreadful quality of life and a barely adequate quality of life. So we should be constantly concerned about the effective targeting of Community funds for aid and development. In my own department, domestically, we are very concerned about continually reviewing and improving our effectiveness, and I think the same challenges should be met by Community programmes. I think that it's only fair to add that all those of us who have worked with the Director-General of DG VIII, Dieter Frisch, and some of his senior officials, recognise the quality and the professionalism and the commitment which they show. It's been a pleasure to get to know them better during these Lomé renegotations.

▶ *Debt relief for African LLDCs is rapidly becoming a major issue. How much has the Lawson Plan achieved so far, and why don't we in Europe hear more about it?*

— Who am I to speculate on the ways of the media? I'm constantly reminded, as a politican, of the E.M. Forster's rather desperate phrase: "only connect". I think that the Lawson Plan (and it's right to tag it with his name because it would never have got off the ground unless he had kept at it doggedly and imaginatively and enthusiastically for 18 months), I think that the Toronto consensus into which it evolved has been a helpful step forward for a number of African countries pursuing sensible economic policies. I don't believe that anybody has ever, or would ever, argue that it was the answer to every problem in Africa, but it has meant that now nine countries which are pursuing economic reform programmes have been able to reschedule their official debts on more helpful terms. For our part, we always argued that we bore a particular responsibility in the industrialised world for sorting out African debt. First of all it was largely owed to governments and governmental organisations, unlike Latin American debt, which is largely owed to commercial banks;—secondly, it was owed by countries which were desperately poor, which were never going to be able to repay it unless they had some assistance. It was a good, sensible initiative and I think it is starting to have some effect.

▶ *Recent concern in Europe over the environment has begun to "spill over" into the development area. You are well-known for your interest in this linkage, so could you outline what, for you, are the most pressing areas to tackle?*

— First of all, unless Europe and other industrialised parts of the world, do something to clean up our own environment, deal with our own local environmental problems, which are largely the result of reckless industrialisation and affluence, we won't carry much conviction when we urge other, poorer, parts of the world to take greater account of their environmental problems; secondly, we have to ensure that everything we do as aid donors supports sustainable and sustained development. Very often, we don't add sustained to sustainable, but it seems to me that it's a vital addition, because it's only through development and growth that we're actually going to be able to deal with the most toxic element in the environment, which is poverty. And if you had to single out the most dangerous policy for the environment then I guess you'd come up with the sort of programme offered by a number of Green parties in Europe: protectionist, anti-growth and therefore pro-misery and poverty and environmental degradation in most of the globe. A really serious commitment, and this is the third point I would make, to environmental improvement, involves the promotion of sustainable and sustained development and also involves Europe and other donors taking a more effective role in helping poor countries to tackle their environmental problems: the loss of tropical forests, the loss of genetic diversity, all those things which help contribute to global warming, to the depletion of stratospheric ozone. We need to be doing more in the forestry sector. We need to be doing more to encourage the efficient use of energy. We need to be doing more to help developing countries substitute for CFCs. We can't base our approach to the global environmental challenge either on a sort of neo-colonial "muck and mysticism" or, on the other hand, on sanctimonious hectoring of countries which face a horrendous agenda of political, economic and social problems. We'll only manage to tackle environmental problems on the basis of partnership, as a result of painful, painstaking diplomacy, as a result of breathing new life into existing international institutions. That's the challenge for us, a challenge in a way much more complicated and difficult than the issues of disarmament which we've been tackling for the last 30 or 40 years. ○

Interview by Tom GLASER

A strongroom of ideas

"Deliver us, O Lord, from experts on African questions"
B. Dadié

"What we must tackle more closely are the 'invisibles' ... things like institution-building..."
Dieter Frisch

Senior officials of four francophone African countries met in Maastricht during the spring of this year to participate in a seminar on "The interaction between structural adjustment and food security" run by the European Centre for Development Policy Management (1). What had brought them, from Togo, Burkina Faso, Niger and Côté d'Ivoire, was what Adebayo Adedji has called "the basic issue: concerning the capacity of policy-making institutions". By which he meant "the extent to which the machinery of government... is able to define socio-economic goals, anticipate problems and respond to emergency situations, assemble and analyse data, resolve conflicts and monitor performance". Why was the capacity of African administration going to be enhanced after a week in Europe? The Centre's Director-General, François van Hoek put things in perspective: "We aren't donors. The changes must come from the participants themselves, though we have seed money to get things going".

The stimulus for change has been provided by the clash of two seemingly conflicting priorities: food security and structural adjustment, the subject at the heart of the seminar. For some time, powerful arguments have been raised against structural adjustment, as presently conducted, as being irrelevant or hostile to the fundamentals of food production in poor countries like, say, Burkina Faso. The private sector, argued the Burkinabe's delegation, was incapable of solving problems of transport infrastructure, or of guaranteeing rural incomes. On the contrary, traders were keen to depress them. Guest speaker at the seminar was Seydou Djim Sylla, first Secretary-General of the ACP Group and, in many ways, a "Founding Father". He took a more positive approach, seeing in structural adjustment policies a sweeping away of inconsistencies and barriers that hampered both production of, and trade in, locally-produced commodities.

As the soul-searching began, one of the most interesting areas of common concern emerged: the lack of coordination between the "macro-economic" ministries and the "front-line" ministries. Basically, it was the "macro-ministers" such as Finance, Economics or Planning who negotiated the Structural Adjustment Programmes and the "front-line ministers" such as Agriculture, Health, Education and Transport, who were left with insufficient means and no access to plans for the future, on whom the burden of the cuts in spending fell. In Burkina Faso and Niger, steps are already in hand to ensure that duplication of effort was avoided, and that adequate data and plenty of lead-time were at the disposal of all the ministries. "The experience of other countries has been particularly illuminating" said one delegate, "especially since we are all in different stages of our adjustment programmes". Another delegate added that "despite differences in wealth, and even in culture, the effects of the food security/structural adjustment crisis have been surprisingly similar". Yet another said that "common to all of us has been the institutional problem. All our problems were largely similar and all were traced, by and large, to the same sources".

Apart from the lack of coordination, which starved the "front-liners" of information on policy, there was also the grave lack of adequate data, which starved them of simple facts. In Burkina Faso, it was explained that projections made by the Early Warning System took so long to circulate round the offices that they frequently arrived too late. Lack of adequate data on, for example, household income and expenditure, makes it almost impossible to foresee the economic and social effects of removing subsidies on foodstuffs, or raising producer prices. "Front-liners" are working in the dark; "macro-ministries" are planning in the void without reliable and timely data supply.

But having said that changes must come from within, what can the Maastricht centre do? That, explained Mr van Hoek, is for the participants, and the governments which they represent, to decide. But he was able to give details of what the Centre had already been able to accomplish in analogous cases. In Mali, the Centre had financed and furnished inputs for a seminar which led to the reorganisation of information collection and distribution on the cereals market. A Senegalese expert had been detached to the Centre in Maastricht to gather material on information flows with a view to reorganising the institutional framework of the cereals market. Four case studies (in Mali, Burkina Faso, Malawi and Tanzania) all carried out by local researchers—a senior official and a private consultant in each case—had been financed by the Centre, on the future role of cereals marketing boards. The synthesis of the four reports has now been handed to the OAU with a view to forming part of the African response to the World Bank's prescriptions for cereals marketing in Africa.

The final sessions at the seminar were devoted to group work, country by country. Senior officials, some of whom had never talked together before, cooperated on sketching out areas of common concern, and to draft projects for improving their respective institutional frameworks. No details of what was agreed are forthcoming at the present, but the points made were both radical and rational. Their results will, it is hoped, be an improvement in interministerial coordination, forecasting, planning and monitoring in the countries concerned which itself will result in improvements both in social and economic well-being.

The Centre is housed in a splendid patrician house in Maastricht, which is decorated inside in the Moorish style and which, for much of its existence, housed a bank. Descending past libraries, fax machines and micro-computers, Mr van Hoek opened the massive vaults which once contained the wealth of the burghers of Maastricht. "Today", he said "the doors of the strongroom are wide open, and the vault has no more stocks, bonds or gold bars. But we do have a wealth of ideas, contacts, networks and experience, to put at the disposal of the ACP countries". ○

T.G.

(1) See article in The Courier No. 109, pp. 84-5.

ACP-EEC fisheries agreements will continue to develop

by George McDERMOTT (*)

The development of fisheries in ACP countries is an important element in the framework of ACP-EEC cooperation as laid down in Title II of the Lomé III Convention.

The Community now has agreements with 12 ACP coastal states, Mauritania, Senegal, Gambia, Guinea Bissau, Guinea (Conakry), Equatorial Guinea, São Tomé, Angola, Mozambique, Comoros, Madagascar and Seychelles. The longest-running agreement, signed in 1979, is with Senegal, but most of the others run from the mid-1980s and negotiations for their renewal are due in 1989 and 1990.

The agreements are negotiated in terms of both UNCLOS and the Lomé Convention, where the Community fully accepts the sovereign rights of ACP coastal states over the exploitation of their 200-mile exclusive economic zones. The Council of the European Communities has mandated the Commission to carry out these negotiations, and the funds for the agreements are provided from the Community budget. In this way the Community is able to separate the development programmes financed from the European Development Fund from the access rights sought under the external fisheries policy.

The agreements are essentially commercial in nature but, in accordance with UNCLOS and the Lomé Convention, always include development aspects to further eventual exploitation by the coastal state itself of its own 200-mile exclusive zone. The Community cannot demand exclusive fishing rights in the ACP partners' EEZs, as it is the coastal state which makes all the decisions about the degree of access to be granted and about which countries it will allow to fish its waters. Many ACP States have fishing agreements with several partners from different regions of the world. However, Lomé III provides that the ACP partner may not discriminate against the Community in comparison with other industrial partners. Equally, an ACP State may decide that the ACP-EEC agreement system is not appropriate to its policies. It may therefore make agreements with private fishermen, or establish joint ventures independently of any agreement with the Community. Individual Community fishermen, but not EEC Member States, can make their own arrangements with ACP authorities outside the terms of any existing ACP-EEC agreement. The major difference is that if a fisherman obtains a licence under an ACP/EEC fishing agreement, the Community will have negotiated the terms of the agreement and it is the Community budget which will fund the lion's share of the cost of the licence. Under private agreements, the individual fisherman or vessel owner negotiates his own terms and pays the full cost of his licence. The Community takes no responsibility and cannot be held accountable for such private agreements.

The financial aspects of the agreements

The level of the compensation paid by the Community is dependent on the nature and volume of access accorded to EEC vessels by the All Coastal States.

Currently the Community is paying our 12 ACP partners some ECU 45 m annually for fishing agreements. To this should be added the licence fees payable by EEC fishermen under the agreement, although these are dependent on the number of applications or, in the case of tuna, on the catches obtained. The fishermen usually pay about one third of the cost of the agreements (some ECU 22 m) making a total payment of around ECU 67 m annually, spread over the 12 fishing agreements.

The current round of negotiations for the renewal of the agreements has clearly indicated the sharpened awareness of the ACP partners as to the market value of fish products and the need to ensure rational management of their stocks to prevent overfishing.

The funds accruing from ACP/EEC fishing agreements are of course the unencumbered property of the ACP partners to use as their priorities dictate. The Community compensation is paid directly to the ACP authorities concerned.

The texts of the agreements, together with the rates of compensation and licence fees, are published in the Official Journal of the European Communities.

All the agreements clearly state that the compensation paid by the Community is separate from, and additional to, the funds payable under the Lomé Convention. The fishing agreements also state unequivocally that the use of the compensation is entirely a matter for the ACP partner to decide. Nevertheless, in almost all the agreements, the parties have indicated that a limited percentage of the compensation should be devoted to particular scientific and training programmes decided by the ACP countries' competent authorities.

As a result of this understanding, several projects entirely managed and financed by ACP States are now in progress and some 100 students are under training in fisheries or related disciplines in ACP and European institutions.

The value of these cash injections into ACP fisheries has proved to be a major source of encouragement to a sector which is often overlooked due to the many economic and infrastructural problems inherent in its operations.

The development aspects of the agreements

Under the Law of the Sea, coastal states have extensive rights over the activities of the vessels they allow to fish in their EEZs. The Community, in its negotiations with ACP coastal states, has always shown a willingness to fulfil the obligations required of a fishing partner in terms of UNCLOS and the Lomé Convention. Depending on the demands made by the ACP partners, ACP-EEC agreements con-

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tain all or some of the following provisions:
— funds for the coastal states' fisheries scientific research or technical projects;
— funds for training in fisheries or other related disciplines;
— employment for ACP fishermen on EEC vessels;
— fish landings for local consumption;
— fish landings for local processing industries;
— statistical information about catches;
— use of local services;
— encouragement of fisheries joint ventures;
— cooperation with international research programmes.

Fish landings

Many of the ACP/EEC fishing agreements oblige EEC vessels to land supplies for local consumption or to provision fish processing industries. Some ACP States accept fish landings for local consumption in place of the fees charged for the EEC fishermen's share of the licence fees.

As the quantities of fish in the latter case are small, arrangements can be included to permit combined landings for a number of vessels. However, if this arrangement is made it is essential that the ACP State ensures that a timetable of landings is arranged and cold storage is available to avoid post-delivery losses. The effect of these fish landings on fishermen who supply the local markets must also be taken into account.

Landings for processing are an increasingly frequent part of the agreements. Several ACP States have already invested jointly with private interests in fish processing industries based largely on assured landings by the Community fleet. Other ACP States have shown great interest in such developments.

This type of joint venture, if successful, can give a greatly increased added value to the production from an ACP State's EEZ. Equally, when Community vessels have reasons for using ACP ports, the requirement for local services and supplies increases, with consequential benefit to the local economy.

Joint ventures

Both the Community and the ACP States agree that the encouragement of joint fisheries ventures could be an important step in the development of ACP fisheries.

In 1986 the Community passed Council Regulation 4026/86 giving support to EEC nationals or companies who wish to enter into joint ventures with third countries. Although to date only one joint venture with an ACP State has been established under this Regulation, the Community has every reason to believe that if EEC fishermen are given sufficient encouragement by ACP States they will seek the market opportunities arising from such investments.

Research

The increasing level of industrial fishing fleet activities in some ACP and other developing country waters gives rise to concern about the state of stocks. There is therefore an absolute necessity to ensure that the coastal state has the administrative and practical infrastructure to control fishing in its EEZ.

It is in both the Community's and its ACP partners' interests to ensure the rational exploitation of stocks in coastal states' EEZs and on the high seas. The Community has undertaken, in the context of both the ACP/EEC Convention and the fishing agreements, to assist ACP States in their control of fishing activities in their EEZ.

The Lomé Convention and ACP-EEC fishing agreements require the partners to cooperate in international and regional fisheries research bodies.

The Community is also actively engaged with ACP States in several research projects in West African and Indian Ocean waters concerned with assessment of stocks. However, the cost of fisheries research projects is very heavy and concentration of funds from the EDF on fisheries research could distort the needs of other sectors. For all these reasons the Community is examining how it can combine the use of funds from both the EEC and EDF budgets for fisheries research work.

Although the period of ACP-EEC cooperation through fisheries agreements has been relatively short, the effect of these agreements politically, economically and developmentally, on ACP fisheries and associated industries has been profound.


FAO/J. Van Acker

Currently the Community is paying our 12 ACP partners some ECU 45 m annually for fishing agreements

There is little doubt that the advent of fisheries agreements and the publication of their texts has raised the political consciousness of developing coastal states as regards the value and conservation of stocks.

The economic returns from the agreements, although modest in absolute terms, have been of special importance to ACP fisheries establishments and authorities, whilst at the same time contributing to the central government revenue. Fishing agreements have helped ACP States to fix the cash values of access rights and their reinvestment by certain ACP States has led to major industrial developments which in turn have provided greater economic returns from the added value of the processing of fish products.

However, there is still a long way to go before the majority of ACP States can obtain optimum returns from their fishing industries.

Fisheries agreements will continue to develop and change in line with the progress of coastal states fisheries. The Community is an interested and willing partner in the development and progress of ACP fishing industries. Through the agreements and through financial and technical assistance, the Community and the ACP will continue to cooperate to assure the rational exploitation of ACP fish resources. ○ G.McD.

Maritime shipping: EEC relations with West and Central Africa

by Niels WENNEKES (*)

Most of the trade between both West and Central Africa and Europe is carried by shipping companies which have a regular service ("liner shipping" or "liner trade") between African and European ports.

This service is similar to that provided by international airlines who operate a regular connection on certain routes, e.g. between London or Paris and one or more airports in Africa.

In addition to liner shipping, which is a regular service, goods are carried on an irregular basis, mostly referred to as bulk cargo shipping. This form of transport is generally performed by chartered vessels or by trampships.

"Conference"

The shipping companies or shipping lines operating a regular service ("liner shipping") between various ports are either grouped together in what is called a "conference" or they operate as non-conference lines, the so-called "outsiders".

A conference has a commitment to long term services on a regular basis and in the conference agreement the conditions for cooperation between the participating shipping lines have been laid down: these relate to matters such as the application of common freight rates, the fixing of the freight share of each shipping line, the pooling of revenue, the allocation of the number of sailings for each shipping company, etc. In turn, the conference offers certain advantages to its customers such as reliable and regular services, enabling advance planning for shipments, the application of rebates, etc.

The origin of the conference goes as far back as 1875 when the conference system was introduced in the Britain-Calcutta trade with the aim of combining the efforts of the various shipping companies and avoiding uneconomic competition.

The shipping trade and particularly the conference trade was always dominated by the shipping companies of the developed market economy countries. Today this pattern has changed to some extent in favour of the developing countries.

At present there are four conferences operating in the trade between both West and Central Africa and Europe. These conferences link all the countries in West and Central Africa, from Mauritania to Angola, to different ports in Europe.

COWAC (Continental-West Africa Conference).

This conference is composed of two sectors.

COWAC North: linking the African ports to the ports of the Northern part of Europe (from Belgium to Scandinavia, but not the United Kingdom or Ireland).

In COWAC North 28 shipping lines cooperate, of which 11 are Afri-

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Timber port in Abidjan (Côte d'Ivoire)

Shipping lines of the developed world have traditionally dominated shipping trade, but the situation has changed to some extent in favour of the developing countries can. The share of COWAC North in the total liner trade is 35-40% [1] and the African countries have a 12-13% share of the total liner trade.

COWAC South: serving Africa from the French Atlantic and North Sea ports.

Twenty-six shipping lines, of which 11 are African, are operating in COWAC South. Of the total liner trade, 60-70% is shipped by COWAC South and African shipping lines have a 22% share of the total liner trade.

UKWAL (United Kingdom-West Africa Line) has a service to Africa from ports in the United Kingdom and Ireland.

Eleven shipping lines, of which 8 are African take part in UKWAL. It should be noted that of the 8 African shipping companies only 3 operate their own vessels (2 Nigerian companies and 1 from Ghana, each with one vessel) while the remaining African lines charter space in the vessels of the other companies.

The Conference has a 58-60% share of the total liner trade.

MEWAL (Mediterranean Europe-West Africa Line) operating a service from all ports in the Mediterranean region.

The conference consists of 21 companies, 11 of which are African. The share of the conference is 85% of the total liner trade.

CEWAL (Central-West Africa Line) has a service between ports of the Northern part of Europe (from Belgium to Scandinavia except the United Kingdom and Ireland) and Angola and Zaïre.

In CEWAL, 8 shipping lines operate, 2 of which are African (Zaïre and Angola with 4 vessels each). The Conference share of the total liner trade is 75% and the African share of the total liner trade is 30%.

The remaining part of the trade is carried by non-conference shipping lines ("outsiders"). It should be noted that almost all shipping lines operating as outsiders between the West and Central African ports and Europe are non-African.

Ships in the harbour at Pointe Noire in Congo

The African states have enacted legislation or have established practices reserving 40% of the liner trade cargo for themselves

Code of Conduct for Liner Conferences

In 1974 the United Nations Code of Conduct for Liner Conferences was adopted with a view to ensuring greater participation by developing countries in the transport of goods to and from their countries. The Code of Conduct guarantees the developing countries a share, within a conference, of the carriage of goods in their seaborne trade with other countries under the so-called 40-40-20 rule: 40% for the country at each end of the trade and 20% for shipping lines of other countries (crosstraders).

In addition to the Code of Conduct, a Resolution on non-conference lines [2] was adopted at the same time by the Contracting Parties which provided that non-conference shipping lines would not be prevented from operating in competition with conference lines.

At the time of the adoption of the Code of Conduct the carriage of goods was handled mainly by conferences, which had an 80-90% share of the total liner trade.

The Code of Conduct did not come into force until 1983 when Germany and The Netherlands ratified the Code. Since then France, the United Kingdom, Denmark and Belgium have followed, and other EEC Member States are well advanced in their preparations for joining the Code of Conduct. The European Community itself is not a Contracting Party to the Code of Conduct.

The EEC Member States could only become Contracting Parties to the Code of Conduct after some difficulties relating to potential conflict with the Treaty establishing the European Community were solved. This solution is often referred to as the "Brussels Package" and was adopted in 1979. The Brussels Package was necessary in order that shipping lines of the EEC Member States and, on a reciprocal basis, shipping lines of other OECD [3] countries could mutually participate in the trade with

(1) All figures in this article are only indicative and vary from one year to another.

(2) Resolution No. 2 on non-conference shipping lines.

(3) Organisation for Economic Cooperation and Development.

third countries covered by the Code of Conduct from each others' ports.

Relations with the African states

Since the adoption of the Code of Conduct there has been a downward trend of the conference share in the total liner trade due to a reduced participation by shipping lines of the developed market economy countries. The share varies considerably and represents at present in certain cases only 35% of the total liner traffic.

In an effort to reverse the effects of this trend, the African Member States of the CMEAOC [4] adopted, in 1981, Resolution 49/5/81 encouraging its Members:
(a) to take administrative measures in order to apply the 40-40-20 rule on the whole liner trade and not only on the trade carried by conferences;
(b) to establish central freight bureaus in order to ensure the effective application of the 40-40-20 rule on the whole liner trade.

Consequently, the African states have enacted legislation or have established practices reserving 40% (in some cases 50%) of the liner trade cargo for themelves. In some cases central freight bureaus have been established to apply a cargo allocation system.

In this context it is interesting to quote from a recent article in which it was stated that if Nigeria was to implement its Cargo Reservation Decree adopted in 1987, it would require a national fleet of about 100 vessels. At present, Nigeria has a fleet of some 20 vessels.

The measures taken by the African states are, however, considered by the EEC to be contrary to the Code of Conduct and the provisions of the Lomé III Convention because:
— the 40-40-20 rule of the Code of Conduct should only apply to conference trade and not to outsiders. Furthermore, the Code of Conduct is self-regulatory: decisions with regard to cargo sharing and fixing of prices should be left to the commercial partners concerned.

— The Lomé Convention, Article 86 [2], sets out "...the principle of unrestricted access to the trade on a commercial basis." Article 87 [3] provides that "in conformity with Resolution 2 on non-Conference lines annexed to the Code, the Contracting Parties shall not prevent non-Conference lines from operating in competition with a Conference as long as they comply with the principle of fair competition on a commercial basis".

Glossary

1. **Liner shipping:** the carriage of cargo on a regular basis on a particular trade route.
2. **Bulk shipping:** the carriage of goods in bulk or in break-bulk on an irregular basis by chartered vessels or by trampships.
3. **Trampships:** ships going to any port where cargo can be picked up and which do not offer a regular service.
4. **Conference:** a group of two or more shipping companies of different ownership providing international liner services for the carriage of cargo on particular routes. They apply common freight rates and other agreed conditions with respect to the provision of liner services.
5. **Conference line:** shipping company participating in a conference.
6. **Outsider:** a shipping company offering liner services which is not participating in a conference; also referred to as non-conference line.
7. **Crosstrader:** a shipping company carrying cargo between two or more countries but not having the nationality of either.

The EEC Member States and some other European States have on several occasions protested against the cargo reservation measures taken by the African states without success.

Current developments

Following a complaint lodged with the Commission of the European Communities by an EEC Member State concerning the difficulties its shipping lines encountered in participating in the Europe-Africa shipping trade, the European Community decided to consult with the African states in the framework of the Lomé Convention with a view to opening up the shipping trade to and from West Africa.

A working group of shipping experts from both sides was established which has now met three times to discuss the problems in the shipping field. This resulted in a joint report in March 1988 setting out a number of principles for increased cooperation in maritime transport.

The most important principle relates to conference trade and makes it clear that the Code of Conduct has to be applied integrally. Consultations are to be held with the aim of ensuring that the cargo-sharing provisions are applied only to cargoes carried by the conference lines with representatives of the appropriate governmental authorities being present. A second principle states that non-conference shipping lines are free to compete with conferences on a commercial basis, provided that there is fair competition.

The report was submitted to the ACP-EEC Council of Ministers in Mauritius in May 1988, which took note of the report and instructed the shipping experts to continue the discussions so as to arrive at practical solutions based on the principles in the report.

Since then, contacts between both sides have revealed that the problems are more difficult and that the finding of a solution would need much more time than had been foreseen initially. Currently, the African states stress the sovereign rights they have in carrying part of the whole liner trade (conference and non-conference trade).

On the other hand the EEC Member States are very concerned that the measures taken by the African States could lead to increases in transport costs and to a reduction of their own share in the shipping trade.

However, it is in the interest of both the African states and the EEC to arrive at a mutually acceptable solution, given the interdependence which characterises their economic relations. ○ N.W.

(4) Conférence Ministérielle des États de L'Afrique de l'Ouest et du Centre sur les transports maritimes, established in 1975 in Abidjan and composed of 25 countries.

Adjustment — an African response

"Since the adoption of the Lagos Plan of Action and the Final Act of Lagos by African Heads of State and Government in 1980, Africa's efforts to bring about fundamental socio-economic structural changes have been constantly frustrated. In addition to domestic policy shortcomings in the implementation of the necessary policy reforms, African countries have been confronted with a host of external adverse factors. Prominent among these are the continuous worsening of the international economic environment, particularly with respect to the collapse in the prices of primary commodities, mounting external indebtedness and decreasing net flows of public and private resources. This situation was further compounded by deteriorating weather conditions resulting in severe and persistent drought and increasing desertification.

It is not surprising therefore that Africa's economic performance was particularly dismal since the beginning of the present decade with an average annual growth rate of GDP of only 0.4% for the region as a whole during the period 1980-1987. Per capita income which was already low at the end of the 1970s has steadily declined by about 2.6% per annum between 1980 and 1987. Such a sharp decline in the standard of living of the African population has severely and adversely affected the most vulnerable groups; namely, women, youth, the disabled and the aged.

In addition to the increasing poverty, Africa's economic crisis was also characterised by the disintegration of the productive and infrastructural facilities. Agricultural output and particularly food production was substantially reduced. Also, most of Africa's industries have been increasingly operating much below their installed capacities. Secondly, the physical infrastructure built during the immediate post-independence era, has, to a large extent, deteriorated due to poor maintenance and lack of renovation. Thirdly, social services and welfare, especially education, public health and sanitation, housing and potable water, have rapidly deteriorated."

With these stark and gloomy words, Adebayo Adededji, Executive Secretary of the ECA, unveiled the "African Alternative Framework to Structural Adjustment Programmes for socio-economic Recovery and Transformation" a 60-page blueprint for how Africans could—indeed, must—take charge of the elements necessary for recovery and continued development.

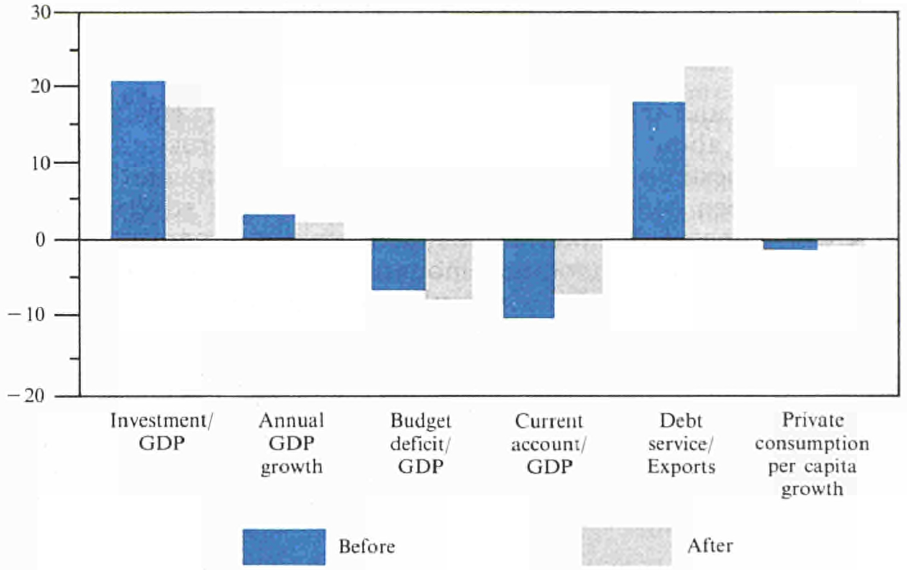
For the past decade, Africa's economic miseries have been tackled by the IMF and World Bank by means of a series of processes which have come to be called Structural Adjustment. IMF stabilisation loans, issued only against evidence of stringent government budgetary austerity, are followed by World Bank structural adjustment loans (SALs) and sector adjustment loans (SECALs) which are extended against guaranteed policy changes (producer price increases, divestment of parastatals, import liberalisation, interest rate rises and devaluations) aimed at boosting foreign exchange earnings and spreading growth more widely. In the last issue of *The Courier* (N° 116, pp. 12-15) we contrasted the optimism of the World Bank's view of how this process has worked with the caution of the ECA as regards the figures. In this article, the ECA is on the counter-offensive. It is not, in its view, a case of overstating the success of structural adjustment programmes, but of overlooking their sometimes disastrous economic consequences.

"It should be pointed out that in each group of countries there are economies with both negative and positive growth rates during the period. The number of negative growth rates has depended partly on such exogenous factors as: weather, commodity market conditions, inflows of external resources, and the debt situation. Therefore, any attempt to establish a one-to-one relationship between growth trends and adoption or non-adoption of conventional structural adjustment programmes will be unrealistic and not credible, as it will not take into account the above exogenous factors in addition to structural deficiencies." (See Table 1).

The ECA blueprint begins by positing the negative effects of structural adjustment, an indictment drawn perhaps with too broad a brush. Not even the World Bank believes now that its "first generation" adjustment programmes were ideally matched to the situation; the prescriptions were too rigid; the time-scales too short; the rush for export growth led to the fallacy of composition, whereby neighbouring countries' rush to boost similar commodities led to a decline in their market price; the social effects were not adequately catered for. All these may have been true, but almost a decade of experience should have made a difference to the World Bank's approach. The ECA, however, shows how almost every aspect of the approach carries with it the virus of an economic backlash which, while giving temporary relief to an indebted government, sets back the prospects for stable and lasting development. (See Table 2).

But it is not only development *per se* which is at risk. The experience of the previous decade has led to an

Table 1: Indicators of the sustainability of adjustment for sub-Saharan countries implementing Bank/Fund adjustment programmes



Source: World Bank Washington D.C., *Report on Adjustment*. 8th August 1988. (Extract from Page 45).

awareness that Africa's sovereignty is at risk. As the report says—"The management of the economy in Africa has suffered greatly both on account of lack of relevant institutions and poor institution-building and development, and as a result of such basic problems as poor accountability and policy discontinuity. In recent years, public administration structures have been increasingly burdened and dominated on the one hand, by the ever-growing concern and preoccupation with short-term crisis management almost to the exclusion of long-term economic planning, and, on the other, by the increasing role of foreign experts and managers in national economic decision-making in Africa. The unfavourable external factors, such as the debt burden, have also constrained economic management. With the unending rounds of programme reviews and protracted negotiations on policy adjustments that many an African country has had to undertake with the donor community, in general, and the international financial and development institutions in particular, as a precondition for balance of payments support and debt relief, the scope for independent policy-making and national economic management in Africa has gradually diminished and narrowed. Policy-making in most of Africa today is essentially on a short-leash."

But if foreign experts have increased their role in African decision-making, the report awards some very low marks to African governments for their abdication of responsibility. "The existing patterns of social differentiation and political organisation tend to encourage a rather narrow base for decision-making and... this pervasive lack of democracy also makes mobilisation and effective accountability difficult." African governments spend more on defence than education and up to three times more on defence than on health. They encourage imported patterns of consumption, including that of luxury items:

"One aspect of social and economic transformation that has to be targeted in the long-run is changing not only the food consumption patterns but also the overall African consumption patterns. (The present consumption patterns, especially those of the urban areas, are distorted as they are often a derivative of the value systems of the developed countries. This outward orientation of consumption has inevitably resulted in a dependence on the products of the developed countries, while undermining the development of internally-producible goods. It should be further stressed that the transformation of Africa's consumption patterns is not only important for the elimination of debilitating external dependence on luxury consumer imports, but is also critical in determining the goods and services that the region should aim at producing). In retrospect, it is now evident that the import-substitution approach that was adopted on the basis of the existing inappropriate urban consumption patterns was doomed to fail in bringing about the desired transformation effects."

Given all these factors, the ECA comes up with an innovative framework—not a blueprint—which will satisfy creditors, expand the productive base, spur regional cooperation, and deal more selectively with credit, agriculture, export generation and industry (See Table 3). Three broad interlocking areas are set out for consideration by African government and institutions: measures to strengthen and diversify production capacity; changing the pattern of expenditure for the satisfaction of essential needs.

A large number of the proposals for the framework are couched in necessarily vague terms, since each African country will wish to take close account of its specific strengths and weaknesses in drawing up its own, individual adjustment and transformation programme. But a number of across-the-board recommendations are also made—20-25% of public investment should go into agriculture; 30% of public expenditure should go on the social sector; "selective use of trade policy, including banning of certain specified luxuries and high tax rates on conspicuous consumption"; "limitation of debt service ratios to levels consistent with sustaining and accelerating growth and development."

What emerges clearly from the paper is that the free market is not the answer for Africa—its private sector is too small and weak, its economies too dependent on the world, its markets too "imperfect" for the free play of the forces on which the Bretton Woods institutions rely. For the foreseeable future, credit, import control, export subsidies and state intervention in all productive areas will have to remain, though more sensitive, less inefficient, more motivated. Europeans would do well to remember that at a similar stage in their own economic development, during the 16th-18th centuries, the prevailing economic doctrine was not dissimilar—it was called mercantilism. Under it were established the great state factories in France and Germany (Gobelins, Meissen) the great trading companies (the East Indies Companies of France, Holland and Britain) and the central banks. From them have evolved, slowly but surely, the sophisticated machinery of finance and production that mark the developed world. Why, therefore, should a similar, better-ordered system not work in Africa?

And there is one final point to be made here. While the economies of the European powers developed in a spirit of rivalry and competition, punctuated by long and costly wars, the African solution envisages, from the outset, enhanced collaboration on a bilateral and regional level. The report says—"Efficient utilisation of available resources in Africa will also be enhanced to the extent that countries in the region effectively integrate their production structures and markets. This means that African governments will have to begin, through regional and sub-regional rationalisation, to plan to remove some of the costly duplications of industrial production capacities which have arisen in the post-independence period, and to establish new industries to raise the level of trade within Africa and between Africa and the rest of the world. There must, therefore, be bilateral and multilateral agreements among African countries on industrial rationalisation. Such a plan of rationalisation and co-ordination, if extended to the production of African primary export commodities, such as coffee, cocoa and copper, will enable the producing countries in the region to avoid the problem of the "fallacy of composition", whereby production of the same range of export products is stimulated in a number of countries within and outside Africa through repeated increases in price incentives only to find that the net result is a reduction in the world price of the commodities in question, which thus frustrates the effort to raise export earnings.

We also believe that AAF-SAP necessitates a new partnership not only among African governments themselves but also between them and their development partners. It is essential that African governments undertake to consult among themselves at bilateral and sub-regional levels for the effective formulation, implementation and monitoring of AAF-SAP. It is also important that the international community shows full understanding and gives its support to AAF-SAP especially with respect to increased and sustainable non-autonomous flow of resources. Similarly, substantial increases in the flow of autonomous and non-conditional resources are essential for the success of AAF-SAP."

That is the blueprint for an authentic African response to adjustment for growth. Time, and international support, will play their part, but, as the report makes it clear, the ball is now in Africa's court. ○ Tom GLASER

Table 2: Summary of Policy Instruments and Measures to be modified under AAF-SAP (*)

Description of policy instrument and measures	Effects for adjustment with transformation
1. Drastic budgetary reductions, especially with respect to expenditures and subsidies on social services and essential goods.	Undermines the human condition, the enabling environment and the future potential for development; necessitates massive retrenchment in the public sector.
2. Indiscriminate promotion of traditional exports through price incentives offered only to the "tradeables".	Undermines food production and self-sufficiency, and can lead to undesirable environmental degradation; could result in over-supply and fall in prices (fallacy of composition).
3. Across-the-board credit squeeze.	Leads to overall contraction of the economy; declines in capacity utilisation and closure of enterprises; and an accentuated shortage of critical goods and services.
4. Generalised devaluation through open foreign exchange markets, currency auctions and large and frequent currency depreciations.	Leads to socially unsupportable increases in prices of critical goods and services; raises the domestic cost of imported inputs and undermines capacity utilisation; triggers general inflation; diverts scarce foreign exchange to speculative activities and exacerbates capital flight; worsens income distribution patterns; undermines growth and can result in structural entrenchment of traditional exports through price incentives for such commodities or "tradeables".
5. Unsustainably high real interest rates (inflation-adjusted nominal rates of interest).	Shifts the economy towards speculative and trading activities by becoming a disincentive to productive investment; fuels inflation.
6. Total import liberalisation.	Leads to greater and more entrenched external dependence; intensifies foreign exchange constraints; jeopardises national priorities such as food self-sufficiency; erodes capacity of infant industries and thereby slows industrialisation.
7. Excessive dependence on market forces for getting the "prices right" in structurally distorted and imperfect market situations.	Worsens inflation through sharp rises in production costs and mark-ups; causes deviations from desirable production and consumption patterns and priorities, and may derail entire process of transformation.
8. Doctrinaire privatisation.	Undermines growth and transformation; jeopardises social welfare and the human condition.

(*) African Alternative Framework to Structural Adjustment Programmes.

Table 3: Summary of proposed policy instruments and measures under AAF-SAP

	Description of policy instrument and measures	Effects for adjustment with transformation
	A. Strengthening and Diversifying Production Capacity	
A.1	Land reforms for better access and entitlement to land for productive use; enhancement of the role of women as agents of change and the modernisation of the food production sector.	increased production and opportunities for gainful employment; poverty alleviation and more equitable income distribution.
A.2	Devoting at least 20-25 % of the total of public investment to agriculture.	improved rural infrastructure and agricultural institutions; increased agricultural productivity; expansion of rural employment.
A.3	Allocation of an increasing share of foreign exchange for imports of vital inputs for agriculture and manufacturing sectors; expansion of agricultural and industrial employment; increased domestic output of essential commodities and avoidance of import strangulation; and increased inter-linkages between agriculture and industry;	satisfaction of critical needs
A.4	Sectoral allocation of credit using credit guidelines that would favour the food subsector and the manufacture of essential goods.	increased production of food and essential manufactured goods; increased gainful employment.
A.5	Sectoral allocation of credit using credit guidelines that would favour the food subsector and the manufacture of essential goods.	better enabling environment with greater involvement of local entrepreneurs.
A.6	Use of selective nominal interest rates in such a way that interest rates on loans for speculative activities would be greater than the rates on loans for productive activities, and resulting weighted real interest rates for savings would be positive.	increased mobilisation of domestic savings; reduction of speculative activities; shifting resources to productive activities.
A.7	Creation and strengthening of rural financial institutions.	increased mobilisation of rural savings and improved financial intermediation.
A.8	Rehabilitation and rationalisation of installed productive and infrastructural capacities; and setting up of an effective national maintenance system.	fuller capacity utilisation; economic growth; savings in foreign exchange.
A.9	Utilising the existence of *de facto* multiple exchange rate systems in a rationalised manner and/or creating and streamlining such a system for purposes of resource transfers, resource mobilisation and reversal of capital flight and ensuring availability of essential imports.	encouragement of capital inflows, especially by nationals working abroad, and discouragement of capital flight; improvement in balance of payments; satisfaction of critical needs.
A.10	Creation of a special fund for loans at subsidised interest rates to certain groups of economic operators.	encouragement of greater productive activity.
	B. Improving the level of income and the pattern of its distribution	
B.1	Enlarging the tax base, improving efficiency and probity of the tax collection machinery.	increased government revenue.
B.2	Reduction of government expenditure on defence as much as possible, and on non-productive public sector activities.	release of resources for investment; improvement in resource allocation; improvement in balance of payments.
B.3	Removal of subventions to parastatals other than those in the social sector and nationally strategic basic industries.	release of resources for productive investments; better fiscal balance.
B.4	Use of limited, realistic and decreasing deficit financing for productive and infrastructural investments that have little import content.	sustaining growth through support to relevant production units.
B.5	Guaranteed minimum price for food crops managed through strategic food reserves.	food production on a sustained basis; assured income to farmers; increased access to food for majority of the population; control of inflation.

Table 3: Summary of proposed policy instruments and measures under AAF-SAP

	Description of policy instrument and measures	Effects for adjustment with transformation
	C. Pattern of expenditure for the satisfaction of needs	
C.1	Expenditure-switching (without necessarily increasing total government spending) to raise government outlays on the social sectors, particularly those aspects of education, health and the integration of women in the development process that are likely to increase productivity, such that an average of 30 % of total annual government outlays is devoted to the social sectors; and, thereafter to maintain a growth rate in public outlays on these sectors at above the population growth rate.	increased affordability of essential goods and services as well as critical intermediate inputs; increased production of industrial raw materials; control of inflation.
C.2	Selective policies through subsidies, pricing policies etc., to increase the supply of essential commodities required for maintaining a socially stable atmosphere for development.	increased affordability of essential goods and services as well as critical intermediate inputs; increased production of industrial raw materials; control of inflation.
C.3	Selective use of trade policy, including banning of certain specified luxuries; high tax rates on conspicuous consumption and competitive factor inputs that have domestic substitutes; and mass education towards consumption of domestic goods.	changes in consumption patterns; enlargement of markets for domestic goods; changes in production patterns; internalisation of production of factor inputs; improvements in balance of payments.
C.4	Strengthening intra-African monetary and financial cooperation as well as payments and clearing arrangements.	increased self-reliance and capacities to finance adjustment with transformation.
C.5	Limitation of debt service ratios to levels consistent with sustaining and accelerating growth and development.	freeing of resources for productive activities to sustain adjustment with transformation; improvement of balance of payments position.
C.6	Specific export incentives for processed exports and carefully-selected primary commodities.	increased diversification; reduced vulnerability to fluctuations in commodity prices; export growth and increased export earnings.
C.7	Differential export subsidies; removal of trade barriers; and encouraging barter trade to boost intra-African trade.	reduced external dependence and better product mixes and integration in Africa.
C.8	Bilateral and multilateral agreements on primary commodities.	improved and more stable balance of payments.
	D. Institutional support for adjustment with transformation	
D.1	Creation of adequately funded "supervised food production credit systems" in rural areas with easy access by farmers in terms of limited collaterals etc.	sustained increase in food production and adoption of technologies to reduce vulnerability to weather through increased investments in areas like small irrigation schemes.
D.2	Strengthening agricultural research focussed on production; creation of extension services and systems for the diffusion, application and operationalisation of research.	will accelerate process of achieving a green revolution in Africa especially in the five food crops that are basic to food self-sufficiency in the region (maize, sorghum, millet, rice and tubers) as well as accelerate the building up of a viable industrial base.
D.3	Creation of rural institutions to support cottage industries and small scale industries with emphasis on indigenous technology, domestic finance, rural infrastructure and women's participation.	promotion of integrated rural development; enhancement of the attractiveness of rural areas; promotion of rural technological development; employment generation.
D.4	Legislation of a clear framework of ownership and participation of the different socio-economic groups such as rural cooperatives, artisans, traders etc.	will enable popular participation in production, marketing and development in general; and the strengthening of the informal sector and its ultimate integration into the mainstream of development.
D.5	Establishment of community development institutions especially indigenous NGOs and self-help programmes.	will enable of direct community labour on a voluntary basis for the provision of rural infrastructure such as feeder and access roads, health centres and dispensaries, school buildings and small irrigation schemes.
D.6	Greater mass participation in decision-making and implementation of programmes.	greater confidence of the people in their own societies and government; greater commitment to, and sacrifices for, development; more efficient use of highly motivated human resources.

Agricultural development in Africa: the lessons from the MADIA study

by Uma LELE (*)

On 24 April Dr Uma Lele gave a progress report to EEC Commission officials on the MADIA—Management of Agricultural Development in Africa—programme. The programme was set up some years ago with the objective of developing country analyses that were more objective and factually based, to let governments as well as donor agencies draw conclusions about what should be done in the future, and how. The studies focus on six countries, Nigeria, Senegal, Cameroon, Kenya, Malawi and Tanzania, each one with a different resource base, political set-up and vulnerability to external shocks. Within each country, six main areas are analysed, the interaction between internal and external factors, the magnitude of external shocks, the level of donor activity and its sectoral and geographical location, macroeconomic policies, sectoral policies and the role of politics. All these are studies without preconception—and the results are sometimes bad news for donors. In Kenya, for example, growth has taken place in areas where donors are not active but not where they are. In Malawi, traditional donor wisdom was to intensify tree crop production but not expand—in Kenya, very successful expansion has taken place. The lessons of all this are set out below, and they are worth noting. As Dr Lele said at the meeting, "We have to know what makes good performers and bad performers. We are running out of development fashions".


The Courier

Professor Uma Lele

While the agricultural sector plays an important role in the development of African countries because of its contribution to food and export crop production, employment and income generation, government revenues, savings investment, and raw materials for the development of industry, agriculture has performed poorly in Africa and explains a large part of the macroeconomic crisis. To resolve the crisis, many general solutions are being applied to the problems of African development and specifically to agriculture. Yet the ecological, political, and institutional diversity of the 45-odd African countries requires that country-specific and even region- and location-specific solutions be sought to the complex problems of Africa's development based on detailed knowledge of country circumstances. Such knowledge can only be deployed by a massive expansion of indigenous economic and sectoral management capacity in Africa.

Meanwhile, in order to develop a better understanding of the problems of African agriculture, the World Bank undertook a study in collaboration with seven other donors and six African governments. The donors include USAID, ODA, DANIDA, SIDA, the EEC, France, and West Germany and the countries are Kenya, Malawi, and Tanzania in East Africa and Cameroon, Nigeria, and Senegal in West Africa. Covering a period of a quarter century, the study has involved an analysis of three factors: (1) initial conditions and subsequent external events that reflect the "luck factor", (2) the domestic policy responses to these conditions and the role of internal political factors, and (3) the role of foreign donors in influencing the policies and investments in the countries.

The luck factor

In terms of initial conditions, Kenya and Nigeria were the best endowed, followed by Cameroon and Tanzania. Senegal and Malawi inherited by far the least favourable initial conditions. Nigeria and Cameroon had favourable external shocks in the 1970s, due primarily to the dominance of oil. However, the recent decline in oil prices has had an adverse impact on both of them. In Senegal, while the world price of phosphates played a positive role, other external shocks relating to agriculture turned out to be unfavourable. Thus, its terms of trade suffered a steep decline over 1967-69 due to the removal of French protection for its groundnut exports. Terms of trade declined again over 1974-76 and 1978-

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80, but have been relatively stable since. Moreover, climatic irregularities have contributed significantly to agricultural stagnation. The more agriculturally-based economies in East Africa were much less fortunate. Terms of trade losses were the greatest for Kenya, although both Malawi and Tanzania also suffered major losses.

Domestic policy response and performance

The countries whose agricultural sectors have grown the fastest have also been the best performers in terms of GDP growth. Moreover, their macroeconomic and sectoral policies have been more important in explaining performance than their luck.

For instance, over the 1960 to 1987 period, Cameroon, Kenya, and Malawi experienced the fastest growth in per capita GNP while Tanzania, Nigeria, and Senegal had no growth or negative growth (see Table 1). Despite the oil bonanza, Cameroon followed moderate policies and performed well with a large number of small farmers participating in the production of a range of food and export crops. Kenya similarly made the most of its initial conditions and pursued a combination of macroeconomic and sectoral policies that achieved rapid agricultural growth while also ensuring participation of a large number of small farmers in the growth of various food and export crops. Although, on average, Kenya lost world market shares, it gained shares in tea and coffee.

Malawi's growth record was also respectable, despite the unfavourable initial conditions and subsequent adverse external shocks primarily because of its good macroeconomic policies. Unlike in Kenya, Malawi's agricultural growth came mainly from the estate sector which gained market share in tobacco. Land and price policies as well as restrictions on rights to grow export crops, all of which discriminated against small farmers, swamped the effects of the favourable macro policies on their growth. Smallholder production stagnated and declined in per capita terms. I have shown elsewhere that sectoral policies need greater attention,

Table 1: The luck factor, subsequent policy responses and comparative macroeconomic performance of MADIA countries

	Luck Factors		Policy Responses		Performance (% growth rates, 1960-87)		
	Initial conditions	Subsequent shocks	Macro-economic policies	Sectoral policies	GDP	GNP per capita	Agri-cultural sector
Cameroon	favourable	favourable	favourable	favourable	5.9	2.8	4.4
Kenya	favourable	unfavourable	favourable	favourable	5.8	2.1	4.0
Malawi	unfavourable	unfavourable	favourable	unfavourable	4.4	1.5	2.8
Tanzania	favourable	unfavourable	unfavourable	unfavourable	3.3	0.2	1.4
Nigeria	favourable	favourable	unfavourable	unfavourable	3.1	−0.2	0.6
Senegal	unfavourable	unfavourable	unfavourable	unfavourable	2.2	−0.9	1.2

Source: Data on growth rates are from World Bank Data File, 1989.

together with macroeconomic policies, than they have received to date.

Following the oil boom, Nigeria's macroeconomic policies became highly adverse to agricultural development and led to rapid migration of labour to the urban sector and an increase in demand for food. Internal food production stagnated, agricultural exports dwindled, and food imports increased. Nigeria did not make good use of the resources at its disposal to lay the foundations of long-term growth, although much physical infrastructure was developed and some social indicators improved. Unpredictable policy responses were in many ways symptomatic of the political and institutional problems. Nigeria has suffered from a high degree of political instability including a civil war and six changes of government (five involved *coups*). Thus in Nigeria, despite massive increases in public expenditure, including on agriculture, not much has been achieved, once again stressing the importance of sectoral policies now that the macroeconomic framework is being corrected. The same applies in Tanzania and Senegal which also performed poorly. Whereas adverse policies played a major part in both countries, Tanzania's more favourable resource endowments (relative to Senegal's) underline the fundamental role of policies in explaining its stagnation. Genuine strides were made on the equity front in Tanzania, but they could not be sustained because too little attention was paid to agriculturally-led growth, while basic industrialisation received primacy. Adverse macroeconomic and sectoral policies were also combined with numerous and unpredictable institutional experiments following the Arusha Declaration.

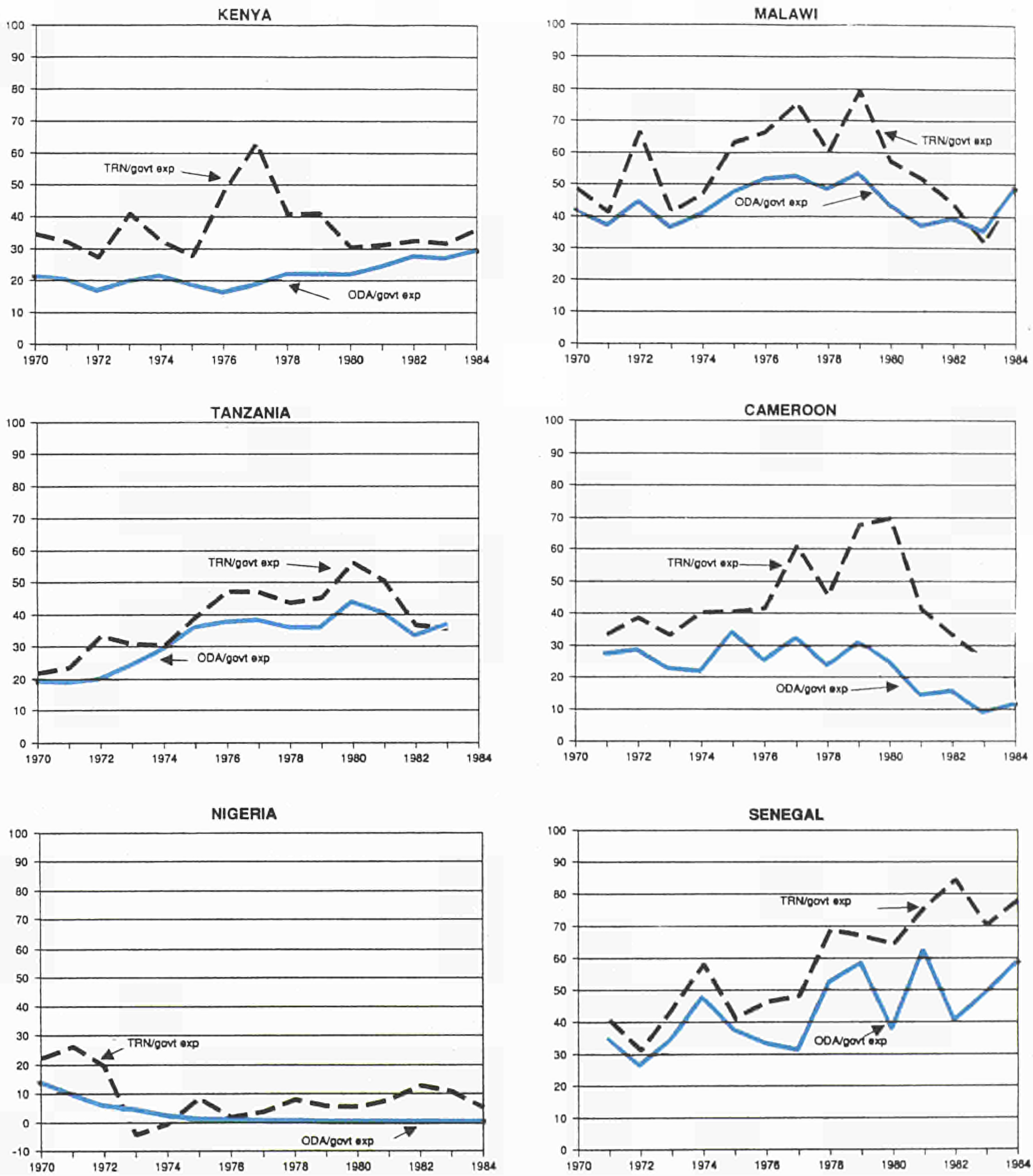
Senegal's policy responses were similar in character to those of Tanzania, including emphasis on import substituting industrialisation and diversification out of its traditional export crops. Whereas the withdrawal of French protection for groundnut exports justified the diversification into irrigated rice, Senegal, like Tanzania, could not even meet the existing demand for its exports. The loss of world market shares was greatest in Senegal, after Tanzania.

The record of successes and failures in MADIA countries highlights both the fundamental role that land and labour have played in increasing production and the very limited role of technical progress. The MADIA sample illustrates the amount of time needed to develop technological, institutional, political, and human capital, and therefore the importance of exploiting initial conditions, as well as the difficulty in creating a new market niche through diversification. Ironically, the countries that relied on their comparative advantage and moved least rapidly to diversify their economies performed well and achieved rapid diversification.

Recent policy responses to external disequilibrium and future prospects

Cameroon, Nigeria, and Tanzania have better prospects because of their

Official development assistance (ODA) and total resources net (TRN) as a percentage of government expenditures in MADIA countries (1970-1984)



Source: Maria Cancian, "Aid Allocations to Cameroon, Kenya, Malawi, Nigeria, Senegal and Tanzania. A Review of the OECD Databases". MADIA Paper (Washington, D.C.: World Bank, 1987).

more favourable resource endowments. To a degree all three countries have embarked on the process of adjustment. In Nigeria and Tanzania especially—whose economies were the most distorted—there have been major adjustments in the exchange rate and producer price incentives together with an increased role for the private sector. Tanzania's exchange rate, nevertheless, remains overvalued. In addition to external disequilibria, the growing population pressure on limited land resources in Kenya, Malawi, and Senegal confronts these countries with difficult problems. As Kenya is rapidly running out of the extensible margin, productivity increases will be crucial for growth. In Malawi and Senegal, productivity increases, though essential, are far more complex to achieve. Dualism within agriculture in Malawi has created a risk-averse subsistence farming sector. In Senegal the poor resource base, declining rainfall and limited export market prospects for groundnuts compound the problems of population pressure on the land.

The role of donors

Donor assistance has played a large role in all the MADIA countries (except Nigeria) with average annual per capita ODA ranging from $41 (in constant 1983 US dollars) in Senegal over 1971-84, to $19 in Malawi and Kenya. Moreover, it has accounted for up to 60% of government expenditures in these countries (see Figure 1). Donor efforts in agriculture have, by and large, focused on smallholders. The promotion of smallholder export agriculture by the United Kingdom (such as tea and coffee in Kenya) and France (cotton in Cameroon and Senegal), the development of small-scale irrigation in northern Nigeria by the World Bank, the assistance of SIDA and DANIDA to soil conservation and dairying, respectively, in Kenya, and the role of the EEC's STABEX assistance in stabilising the groundnut economy in Senegal are excellent examples of how donor assistance can act both as a catalyst and protector of smallholder development. Similarly, the contributions of USAID in developing agricultural colleges and universities in these countries are exemplary in terms of a donor's attempt to develop longer-term human and institutional capital in the agricultural sector.

Smallholder agriculture: limited impact

Despite these achievements, the role of donors has been relatively minor in developing smallholder agriculture, especially when considered in relation to the levels of aid flows. It is difficult to find much connection between where donor assistance has been applied and where growth has occurred in the MADIA countries.

In Malawi, while donors focused on smallholders, growth occurred in the estate sector due to fungibility of donor resources which government policies channelled into large scale agriculture. In Senegal (despite massive amounts of donor assistance) and in Nigeria (despite the oil boom), there was little growth in the agricultural sectors except for high-cost irrigated rice, maize, and horticultural crops, all of which are minor parts of agriculture in terms of either area planted or employment generated. In Tanzania, while donors focused on agro-processing and food crop production through rural development projects, the export crop sector declined and food production stagnated and moved increasingly to the parallel market.

Even in countries that performed relatively well, such as Kenya and Cameroon, donor interventions explain but a small part of their achievements. Thus in Cameroon it is difficult to attribute the growth in the agricultural sector to donors, except in the case of investments in cotton and rice in the North undertaken mostly on grounds of income distribution. But the economic viability of irrigated rice in Cameroon has been (as in Senegal) in question. In Kenya, while donor assistance accrued mostly to marginal areas, much of the growth was accounted for by the production of high-value crops in areas of high agricultural potential.

In fact, among the MADIA countries, only the smallholder export crop expansion in Kenya can be considered as having become self-sustaining in a financial, institutional, and human capital sense. While the World Bank and the Commonwealth Development Corporation played an important role in its development, their policies toward financing tea and coffee, and their policy advice have become conservative, due to the concern about poor world market prospects for these crops. It was the strong political motivation for export agriculture within Kenya that provided a crucial impetus for its growth.

Low priority to human resource development

The success with which donors have contributed to the growth process seems fundamentally to depend—in addition to a conducive policy and institutional environment in the recipient countries—on the extent to which they understand the myriad micro-level constraints on growth prospects in individual projects and subsectors. Not surprisingly, those donors with prior colonial connections with Africa have had a relatively greater share of the success achieved. The importance of the "colonial" donors has been declining in Africa, however, and their record in creating sustainable indigenous systems for broad-based agricultural development of food and export crops has been limited.

This decline in external expertise and knowledge about Africa is especially worrying as it is not being compensated for by a commensurate increase in internal management capacity, although great strides have been made since independence in each of the countries. The massive amounts of external financial and technical assistance resources being devoted to alleviating the continent's crises have not given priority to the fundamental importance of developing human and institutional capacity, while overestimating the utility of aid in the form of physical plant and expatriate technical assistance. African governments, in turn, have similarly neglected to place emphasis on the development of human and institutional capital, attempting instead to maximise financial flows regardless of quality or content, an outcome directly related to the limited ability of countries to frame their own policies and investments that can forward the cause of development.

It is important to stress that the findings reported here reflect the official donor studies carried out for the wider MADIA programme. The studies emphasise the extent to which the effectiveness of external assistance has been undermined by the donors' limited ability to tailor their assistance to important aspects of the local conditions under which their programmes operate, and to take adequate account of the impact of micro-level constraints. Also noted is the tendency by donors to respond to problems by relying on technological and organisational solutions arising from their own particular backgrounds and expectations, with emphasis on large amounts of technical assistance that may have relatively little connection in practice with recipients' needs or human and organisational capabilities.

The studies also emphasise the pressing need for a greater institutional memory in the donor community and a better understanding of the socio-political and technological factors operating in recipient countries, if the current focus of reform programmes on the removal of price distortions is to be appropriately complemented by the institutional and other non-price changes needed to give pricing reforms a chance to work. There also needs to be greater emphasis on longer-term "superstructural constraints" that persist even while SAL (1)-type programmes are being completed, constraints that only Africans themselves can remove with increased political will and improved human and institutional capital.

The MADIA study stresses the imperfect understanding of the real sources and causes of growth and the methods used to promote them—which means that donors and governments do not always agree on means or even on specific ends. An objective diagnosis of a particular development problem (or definition of a particular policy goal) can only be built up through data-based analysis, in which donors and recipient need to share. This should enable donors and recipients to reach a consensus about the steps needed to solve the problems or achieve the goal. A second broad consensus then needs to be built within the recipient country (based on the involvement of individual recipient country policymakers in the previous two stages), so that there is a sustained indigenous commitment to the reform process.

(1) Structural adjustment loans. Ed.

"The swinging pendulum of donor concerns"

Finally, if the MADIA study has one observation to offer in addition to that of the need for greater depth in framing and implementing agricultural development strategies, it is the extent to which the swinging pendulum of donor concerns—from a preoccupation with equity in the 1970s to emphasis on efficiency in the 1980s—has tended to divert attention from more basic, long-run problems. The emphasis on "quick" poverty alleviation during the 1970s gave priority to helping areas of marginal physical potential and low income populations, and to raising food crop production. This was an understandable response to the 1973/74 food crisis and to a desire on the part of African governments to move from the colonial modes of production and trade. In part, however, it also reflected the influence of commercial and other aid lobbies in the donor communities. Although this process served an important objective of maintaining support of the lobbies in donor countries and of nation building in recipient countries, in most cases it simply redistributed income without achieving much growth. It also led to a critical neglect of traditional food and export crops, Africa's sources of vibrancy. The problem with export crop development has been politically more complex relative to that of food crops. Concerns about surplus commodities and environmental considerations on the part of donors and about restoring colonial patterns of trade among Africans have contributed to the continuing neglect of traditional "export" crops, the internal demand for many of which (e.g., cotton, edible oils) is now increasing rapidly in Africa and is leading to a rapid growth in imports, without much improvement in import capacity.

The recent tendency to emphasise equally "quick" solutions to the external disequilibria by correction of price incentives has similarly involved inadequate attention to the long term issues of an appropriate balance between food and export crop development, between growth and equity objectives (regionally and nationally), between policy adjustments and capacity building, between physical and human capital development, and between private sector development and public sector management. A key finding of the MADIA study is the role that the public sector has to play in economic development through pursuance of stable macroeconomic policies, and establishment of a broad set of public goods involving the accumulation of organisational, institutional, technological and infrastructural capital.

The problems associated with framing and maintaining agricultural development strategies based on specificity and balance are thus very real. If such strategies are to become successfully institutionalised, fundamental changes in approach will be needed. This entails a new focus, by donors and recipients alike, based on a political commitment at the highest levels, on a more comprehensive, data-based, systematic, and comparative understanding of specific development issues and constraints on a *continuous* basis, perhaps using much broader-based programmes of analysis of the kind attempted in the MADIA study. The two key areas that need to be focused on are the role of the public sector and the main elements of a balanced agricultural strategy involving food and export crop production among small farmers as an engine of internal and regional African growth. As a part of the aid coordination process, donors need to specialise and concentrate their resources on their respective comparative advantages, while the process of knowledge acquisition and utilisation by African governments and intellectuals themselves needs to be supported to improve their ability to address their own development needs successfully. This process should include establishing and fostering centres of excellence on African issues, in both African and donor countries. ○

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Photo FAO/Van Acker

Togo: facing up to structural adjustment

All visitors to Togo agree that Lomé, soon to be the venue for the signing of the ACP-EEC Convention for the fourth time, has been getting ever more attractive and modern since the mid-seventies. In the wake of the prestige hotels and the seat of the single party, imposing buildings have continued to go up in the country's "showcase", some of them international financial institutions attracted by the stability of Togo and the sound reputation which its frequent mediation in international problems has earned it on the continent. All the signs of intense activity are there. It is increasingly difficult for the streets, many of them with signalling that is very helpful to the foreigner, to cope with the capital's ever-increasing number of cars. The shops are chock-full of goods of every kind, all of them, especially the luxury items and the alcohol, at bargain prices.

But behind the opulent facade, which perhaps suggests frenzied consumption on the part of the Togolese although the bulk of the goods is in fact destined for the sub-region, there is the country's very strict policy of structural adjustment. It has been going for the past 10 years, and systematically since 1983, and is beginning to have an effect on the main economic balances — although it has dealt a very sharp blow to the purchasing power of the households.

The way this little country with its fairly diversified range of agricultural and mineral wealth slid down the slope of debt from which it has not yet recovered is now commonplace and typical of many nations of sub-Saharan Africa. This is the well-known scenario of soaring export revenue followed by just as big a slump and the investments made on credit in between to ensure the nation's economic expansion soon yielding little or no profit.

Paradoxically, perhaps, Togo's financial embarrassment began with a sudden influx of money when the price of its main export, phosphates, quadrupled in 1974-75 and the price of its cash crops (coffee, cocoa and cotton) began to soar in 1975-76. In no time at all, the Government found it had the extra budget revenue whereby it could provide direct financing for its investment programme and could borrow on the money markets. And since industry seemed the only sector which could offer modern employment to a rapidly-expanding population, massive investments were made in this and in the hotel trade to convert the many visitors, attracted by the nation's traditional welcome and hospitality and its flourishing transit trade, into tourists. The 400-room luxury 2 February Hotel dates from this period, as do the 320-room Sarakawa, the 250-room Tropicana and the 75-room Kara. Most of the 80 State companies aimed at rapid modernisation of the economy were also set up at this time.

But by 1978, the export boom had waned and Togo began to fall behind with its repayments. Its financial problems were all the worse for the new industrial units, far from bringing in money, were draining the public finances to make up their deficits. Today the authorities are humble enough to admit that they made a mistake, "that the often marvellous prospects held out by the project promoters and suppliers turned out just to be mirages for many firms". Koffi Djondo, the Minister of Industry and State Companies, says that "the disappointments which the public firms suffered were often due to the projects themselves—studies were inadequate or plain wrong, the technology was unsuitable, the scale was over-ambitious and the costs often wildly exaggerated—and to inadequate, lax management". And of course the foreign promoters who were sometimes involved with the State were quick to pull out, leaving the State alone to cope with the operating deficits and the repayment of loans contracted with its guarantee.

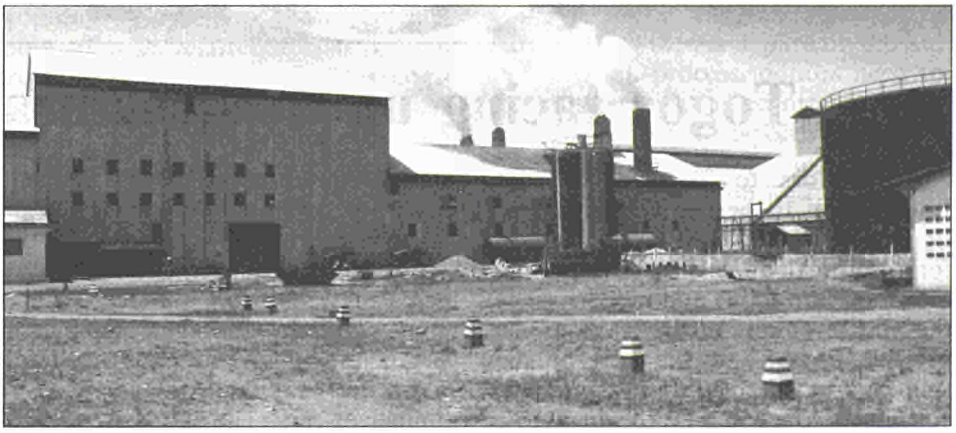
The Courier

Koffi Djondo
Minister of Industry and State Companies

One of the best of the IMF's pupils

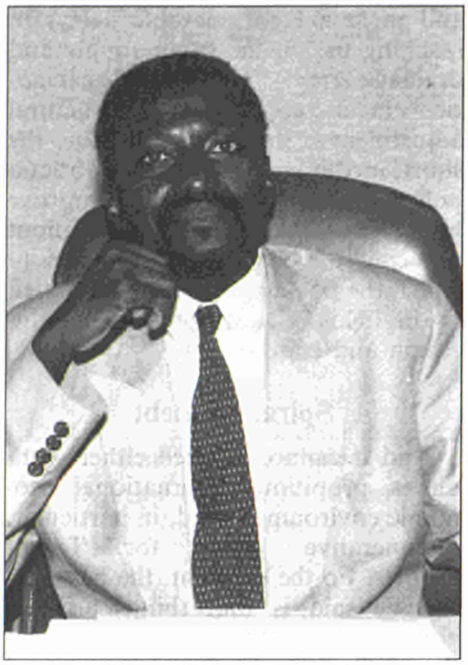
So Togo had to turn to the Bretton Woods institutions, particularly since the price of its products showed no signs of improving. In 1979, the Government launched a programme of financial rationalisation with the backing of an IMF stand-by arrangement — vital to obtaining the rescheduling of a debt that it could no longer pay back. A second arrangement with the IMF was negotiated in 1981, but as the reorganisation programme was never applied, it was suspended in 1982. By then, the country had so many arrears—equal to almost 75% of its export revenue—that energetic decisions were urgently required and they were taken by the 6th National Council of the sole party, the Togolese People's Assembly, in December of that year.

These measures—they include a harsh programme of financial austerity and reorganisation of the State sector—are being scrupulously applied with the support of the IMF and an IBRD-financed programme of structural adjustment. Since they began, the Government's determination to implement its plan has never wavered, although the pill has been a bitter one. And still is. Wages had to be frozen at their 1982 level, promotions blocked, civil service recruitment frozen and the number of officials reduced by not replacing staff taking retirement. And lastly, the rule whereby retirement was compulsory at age 55 or after 30 years of service was stringently applied. The civil service was trimmed by some 6 000 staff between 1981 and 1986 in this way and the aggregate wage kept down through a 5% solidarity tax on wages — which is still in force. "If Togo is said to be one of the best of the IMF's pupils", says Sègoun Tidjani-Dourodjaye, Secretary-General at the Ministry of Economic and Financial Affairs, "it is because we have tried to stick to all our commitments in the matter of privatising State firms, liberalising trade, reforming taxation



The Courier

The Kpémé phosphate treatment plant
The Togolese Phosphates Board is one of the 50 State firms which the government decided to retain



The Courier

Sègoun Tidjani Dourodjaye

Minister of Foreign Affairs and Cooperation

Bit/J. Maillard

Cigarette girl and shoe cleaner in Lomé

The decline in consumption has had a bad effect on incomes in the informal sector

and customs tariffs and cutting back on public spending. We have applied all these measures. And when they have been unable to be applied, we have sought grounds on which we could come to an agreement with our partners". So in 1987, when General Eyadéma felt that austerity was going down increasingly badly, he decided to push wages up a little and he did so, Ségoun Tidjani-Dourodjaye told me, "with due respect for the general balance... When you push up staff spending, you are forced to satisfy your partner by taking even more restrictive measures elsewhere".

Privatisation

Austerity soon paid off. The current accounts deficit went down, tax revenue went up and agricultural output rose too, under the effect of good weather conditions and a rise in the purchasing price of the main products. In three years, the price paid to the coffee producers went up by 29 % in real terms, while cocoa producers got 20 % and cotton producers 25 %. And exports improved too, so there was more revenue for the State — which had undertaken to rid itself of the burden of some of these firms at the same time.

What it decided to do was keep only 50 or so firms—the strategic ones—of the 80 it originally controlled. Nine of the 30 then up for privatisation were deemed unlikely to find a private taker—they included Togofruit, Salinto (the salt plant) and the Benin Company (an agro-industrial undertaking), all of which had run up large debts which the State had to cover with grants and seemed to have no chance of recovery—and were liquidated accordingly. This left 20 or so firms to be privatised. Foreign takers were sought in most cases, as people in Togo's private sector tended to have neither the relevant finances nor the experience to take over from the State, except with SMEs, but the nationals were not forgotten, because the Government forced the takers to agree to immediate or subsequent association with Togolese operators.

So far 10 companies have been privatised in this way. There should have been 12, but the American takers of ITT and Togotex lost a lot of money in the stock exchange crash of October 1987 and privatisation of the two textile complexes has yet to be completed. This is an important part of the State's withdrawal programme which, if successful, will attract almost CFAF 8 billion-worth of new investments and save or create more than 5 000 jobs.

For the time being, the Government has decided to wait and see just what can be learned from the privatisations undertaken so far. Koffi Djondo says the record is good. Not only has the State had the revenue from the disposal of assets and the rents paid by the new operators, but it has stopped the crippling subsidies which were the only way of keeping the firms afloat. And, overall, the takers have put in more than CFAF 8 billion-worth of new investments, including more than CFAF 2 billion in the modernisation and extension of NIOTO, the New Oilseed Industry of Togo. And the newly-privatised firms are proving to be very dynamic too, with more than 8 % growth last year. The only cloud on the horizon is all the jobs lost when firms were closed down for good and others reorganised—a total of 400 in the nine liquidations alone. Nevertheless, the Minister of Industry and State Companies claims that "privatisation has also made it possible to keep or create slightly more than 1 000 jobs—not counting the activity provided for local building and services firms".

High social costs

But alas, the effects of the process of structural adjustment—it has been going on for almost six years now and is expected to lead to a proper balance of payments and public finances by 1991-92—are far from all being as positive as this. The negative growth trend of the economy has been reversed, it is true, but the social cost of recovery has been very high, particularly for the most vulnerable members of Togolese society. This is what emerges from a report from the Minister of Planning calling for greater consideration to be given to the social dimension in any future programmes. "The combined effects of fewer staff, wage freezes and rising (food) prices has considerably reduced real incomes...", it says, "particularly in the modern sector. In the informal sector... the drop in public and private consumption has also affected employment and the income of people geared to activities in trade. In the agricultural sector... the gradual withdrawal of fertiliser and pesticide subsidies is also worsening the situation of the population".

Furthermore, the report maintains, the cuts in the Government's social programmes brought the rate of educational coverage down from the 72% of 1980 to 50-60% between 1981 and 1986. The supply of medicines and treatment in the health centres considerably declined over the same period and, in this as in many other fields, it is only the staff costs that are still covered and there is practically no money for actual operations. Malnutrition is very much on the increase in some regions, too, and there are considerable delays in reaching the village water supply and drainage targets. The report is categorical in its conclusion: "Structural adjustment cannot succeed in the short, medium or long term without a policy that will protect and improve human resources... and without reducing the major consequences to which the people have been submitted in the fields of nutrition, health, education and employment".

Kwassi Klutsé
Director-General for Planning and Development

Peasants in the Lama-Kara region
Self-sufficiency in food has to be consolidated

Vivant Univers

Spiralling debt

And it cannot succeed either without a propitious international economic environment and, in particular, remunerative prices for Togo's exports. Fo the moment, the best that can be said is that things are not going well — either for coffee since the collapse of the International Agreement and the failure of the attempts to impose export quotas, or for cocoa, where there is overproduction, or for cotton or phosphates, the prices of which are still down. World coffee, cocoa and cotton prices have dropped by 10%, 15% and 26% respectively since 1984 and the State's ability to repay its debts directly depends on these prices. "Last year, the money we lost because of dwindling prices ran to about CFAF 12 billion", Kwassi Klutsé, the Director-General of Planning and Development, told me, "and this year, we are going to ask the Club of Paris to reschedule [1]".

This is the seventh episode of its kind for Togo, which last year got its first postponement under the new arrangements brought in by the Toronto Summit of the seven richest industrialised countries. Each creditor can now choose one or a combination of three options — wiping out a third of the payments and having the other two-thirds paid back over 14 years with an eight-year grace period; consolidating at market rates with repayments over 25 years and a 14-year grace period, or consolidating at the market rate less 3.5% or 50% of the market rate if the 50% is lower than 3.5% with repayments over 14 years and an eight-year grace period.

Togo's request for the rescheduling obtained a few weeks ago was for

(1) This was a few days before the Club of Paris' meeting on 20 June.

Kambia Essobeheyi
Director-General for Rural Development

around CFAF 20 billion — almost half the annual cost of its total debt (estimated for several years now at about CFAF 300 billion). "If our debt is not decreasing in spite of the payments we are making", Tidjani-Dourodjaye comments, "it is because there is interest on top. It is a vicious circle". Before the Toronto Summit, rescheduling was granted with a five-year grace period. So last year, amounts which had already had their repayment dates postponed in 1983 were rescheduled. As the Secretary-General of the Ministry of Economic and Financial Affairs so clearly puts it, these successive consolidations "are not the answer to Togo's problems. If we are going to the Club of Paris nonetheless, it is to prove to our creditors that we are ready and willing to make an effort along what they currently think are the right lines and to be in a position to discuss with them".

The answer, Kwassi Klutsé thinks, would be to get fair prices for the country's raw materials. Meanwhile, total or partial postponement of the debts, such as Federal Germany's waiving of about CFAF 45 billion for several years, is very much appreciated. And France's decision to wipe out some African countries' debts has been welcomed too, although all the details were not yet known in Lomé. Ministry of Finance experts think that CFAF 30 billion of the CFAF 76 billion-worth of debts to France will be wiped out and there is the postponement which American President George Bush announced in early July on top of this.

Will Togo escape from spiralling debt? At the moment the creditors are being very understanding about the difficulties of African nations applying structural adjustment policies, of that there is no doubt — the indirect benefit of these countries' relations with the IMF. And, of course, as Tidjani-Dourodjaye confirms, the programmes bring new credibility, opening the way for credit on soft terms. "Some countries, which have taken their time about accepting these programmes", he adds, "have found themselves in even more disastrous situations".

Consolidating self-sufficiency

If Togo's economy were to be judged in African terms alone, the conclusion would clearly be that it is not doing too badly. It feeds itself, a situation which many on the continent envy and which it took only a short time to achieve, as it was in 1977, after the drought of 1975-76 and the shortage which followed it, that "the green revolution" got under way with the aim of providing the population with the quantity and quality of food it required in only five years.

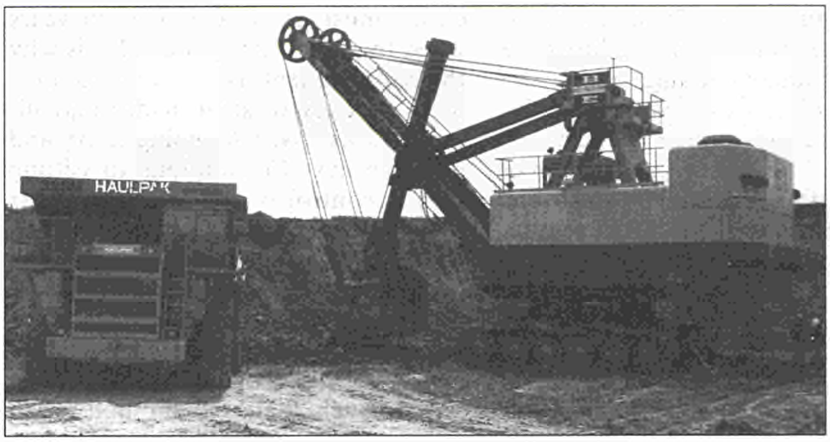
It had virtually achieved this by 1981. Kambia Essobeheyi, the Director-General of Rural Development, says his departments have a deliberate policy of encouraging the peasants to produce what they eat—i.e. maize, millet, sorghum, sweet potatoes, yams, taro and cowpeas—and it is working, because there was a surplus of almost 7 500 tonnes of maize, which was exported, in 1985. The production increase is confirmed by Ayenam Kpowbie, the Director-General of OPAT (Togo's Farm Produce Board), who says that the fact that a 100 kg sack of maize only costs CFAF 7 000 between the seasons this year instead of the usual CFAF 12 000-13 000 is a sign of plentiful supply that cannot just be explained by black market goods from Benin. "The rural world has changed", he says, "and the peasants have gone beyond subsistence farming. Now they are all keen on producing a surplus to sell".

But they are not so euphoric at the Ministry of Rural Development. They are still trying to consolidate food security in a country with a rapidly expanding population and self-sufficiency must not just happen in years when the weather is good. This is why the Government is anxious to promote a policy of small hydro-agricultural works. "We are going to try and gear the next Conventions to getting proper control over this sector", Mr Kambia says. The other aspect of the food security target is improving the way the producers themselves store the products so they can stagger the selling of their harvests and get better prices, because Togograin, the official buffer stock management body, can only cope with 12 000 tonnes, although an estimated 60 000 tonnes would be needed to provide adequate protection if the weather were bad.

Persistent price drops

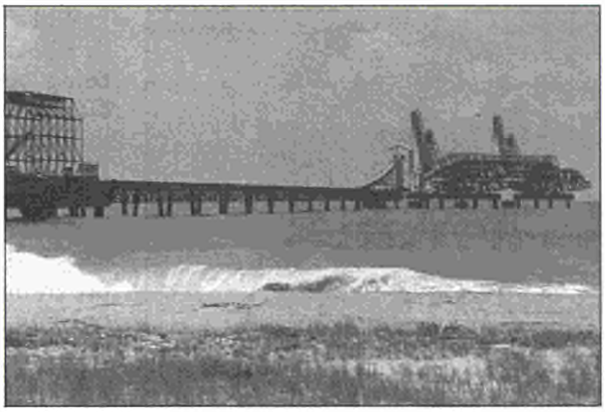
Although food crops are the subject of every concern, cash crops are not being neglected, far from it, because it is they which bring in the export dues which provide the State with so much of its budget revenue. Of the three main products, coffee, cocoa and cotton, only cotton has seen any great improvements, going from 24 000 tonnes in 1983-84 to 77 000 tonnes in 1986-87 before dropping a little last year. And cotton, too, has the greatest potential for expansion in the coming years — provided the farmers who grow it in rotation with food crops refrain from reducing their cotton fields by way of reaction to the reduction in the threshold price paid to the producer (CFAF 95 kg per kg this

The cotton industry has expanded considerably over the past five years, but world prices have remained low



The Courier

Phosphates are mined in Hahotoé...



...and shipped abroad on ore tankers from the Kpémé Wharf

year, as opposed to CFAF 105 per kg last year). This cut is a direct result of the new price fixing system, which passes the fluctuations in world prices on to the producer. It will not, it is hoped, affect the perennial crops, cocoa and coffee, over a short period. The price the producer gets for coffee has gone from CFAF 400 to CFAF 350 and for cocoa from CFAF 360 to CFAF 300 per kg and the annual harvests have not varied much over the past three years, being about 12 000 tonnes in both cases. The Government found it difficult to come to terms with these drops, as it had considerably raised rural incomes during its first two structural adjustment programmes with a resolute policy of price rises — a measure which the World Bank had hailed as the most important decision as far as social justice was concerned. President Eyadéma himself told the rural world the bad news — which was inevitable given the persistent decline in world prices (Côte d'Ivoire, the world's biggest cocoa producer, has just, after much resistance, reduced the price paid to the producer from CFAF 400 down to CFAF 250). The advantage of the new price system is in fact that, in theory, any subsequent price surge should also be reflected in an surge of similar proportions in the price paid to the producer — which has not been the case so far.

Phosphates – the threat of cadmium

Togo is an agricultural country—agriculture accounts for a third of GDP and a third of export earnings and provides a job for four out of every five Togolese—and a mining country. It has one of the richest deposits of phosphates (81 %) in the world. The initial estimates in 1954 put reserves at 130 million tonnes, but more detailed studies run in the mid-seventies suggested that the figure for top-grade ore was 260 million tonnes. The country also has 1 billion tonnes of carbonate phosphates — lower grade, of course, but with a very low cadmium content, I learned from Pagbaya Toyi Mouzou, the head of mining operations at the OTP (the Togolese Phosphates Board), which was nationalised in 1974. This could be a valuable asset if the Member States of the EEC, one of Togo's biggest customers, decided—as the Greens are calling for—to ban imports of phosphates containing cadmium because of the danger to health.

Togo and its partners in the Community are currently looking at ways of eliminating cadmium (Senegal and Morocco, two other major exporters, are also concerned) and the country is getting Sysmin assistance under Lomé III to investigate the various possibilities. Meanwhile, the OTP has managed to find new outlets, particularly in North America, China and India, where no changes are being made to the environmental standards, and exported 3.300 million tonnes in 1988 — 28 % up on the previous year. This production increase has led to the plant working to almost full capacity, since it was built to turn out 7 million tonnes gross of ore which, once treated in the Kpémé installations, yields 3.5 million tonnes of ore to sell.

But alas for Togo, the price of phosphates has not risen accordingly and, on top of that, the forecasts suggest that they will stay down — one more reason for trying to capitalise on the third of the country's trio of assets, geographical position and the advantages of remarkable political stability.

A vast free zone

"We are, by tradition and vocation, a country of contacts", Yaovi Adodo, the Minister of Foreign Affairs and Cooperation" stressed, not without pride, "and one of the main trading and transit centres of the region". Trade, normally accounting for about a quarter of GDP, has always been to the fore in the national economy and in the early eighties, it did particularly well because of orders from the Sahel countries. The autonomous port of Lomé, a sound indication of how well trade is going, had a great deal of traffic to handle at that stage, but things have declined since then because of the poor situation of the economies of the sub-region and dwindling domestic demand.

Nonetheless, Togo still has every asset as far as trade and transit are concerned. Transport to all the neighbouring countries (Benin, Burkina Faso, Ghana, Niger and Nigeria) is good, there are first-class tradesmen although tradeswomen would be nearer the mark bearing in mind the extent to which the sector is dominated by the famous "Mama Benzes" — Koffi Djondo says that 90 % of what there is in Togo belongs to women) and there is an efficient banking system, the only one in the region to be over-endowed with liquid assets. Indeed, the banks' sound reputation and the country's political stability

Yaovi Adodo
Secretary-General at the Ministry of Economic and Financial Affairs

have led many people from the region to deposit their assets in Togo, although this financial influx is of no real help to the development of the nation's firms, because the trading banks are very cautious, knowing that the domestic market is very small. And access to credit is strictly regulated by directives from the West African Monetary Union of which Togo is a member. So "it is not an easy problem to solve", Yaovi Adodo agrees. "There is a huge gap between resources and employment".

New investment opportunities will no doubt appear following the big decision which Togolese leaders have just taken to turn Togo into a vast free zone, with the help of OPIC (the Overseas Private Investment Corporation), the American investment guarantee organisation which at one stage hesitated between Cameroon and Togo before opting for the latter. Businessmen will be able to set up anywhere in the country, not just in a particular zone, and have the benefit of free zone status — i.e. generous tax exemption if they export 80-90% of their output.

The Ministry of Industry and State Companies is well aware that the only African free zone to be a success is the one in Mauritius, where more than 300 firms have set up, creating thousands of jobs, and he hopes to follow this example and attract businessmen dealing in clothing manufacture, electronic assembly etc. John Moore, the American who has taken over the Société Togolaise de Sidérurgie, is ready and willing to invest $ 2 million in the free zone and is interested in opening two companies there — one turning out equipment for the Ghanaian mining industry and another packaging for the cotton industry in Burkina Faso.

If the free zone project works, it will help Togo achieve its ambition of being the axis of the sub-region, a point through which routes between the big countries on the coast and the Sahelian hinterland have to pass. Yaovi Adodo confirms this: "We want to be a nation of equilibrium, peace and security, a sort of catalyst for a policy of economic, technological and financial integration in the West African region".

The success of the free zone will also have a side effect — customers for the Lomé hotels, which are in great need of clientèle as the country has not yet reaped the benefit of the tourist facilities it put up in the seventies. Fewer tourists are coming every year — 135 730 in 1985, 119 438 in 1987 and 98 200 in 1988. The closing down of the Tropicana, a fine place for holiday-makers on charter flights from Switzerland and Germany, no doubt has something to do with this, particularly latterly. The occupancy rate of Lomé's hotels is very poor and only the Sarakawa seems to be doing well. The Benin, recently renovated with financing from the EDF, also houses a hotel and catering school and hopes to start with a modest occupancy rate of 40%. At the 2 February, Togo's prize hotel, 12 of the floors are closed virtually permanently. Yet the authorities do not feel their hotel policy has failed. "The hotels may not be making a profit, but they have helped develop Togo and make it a modern country", Tidjani-Dourodjaye says. "If we hadn't built them, we would probably have nothing left from our export boom by now".

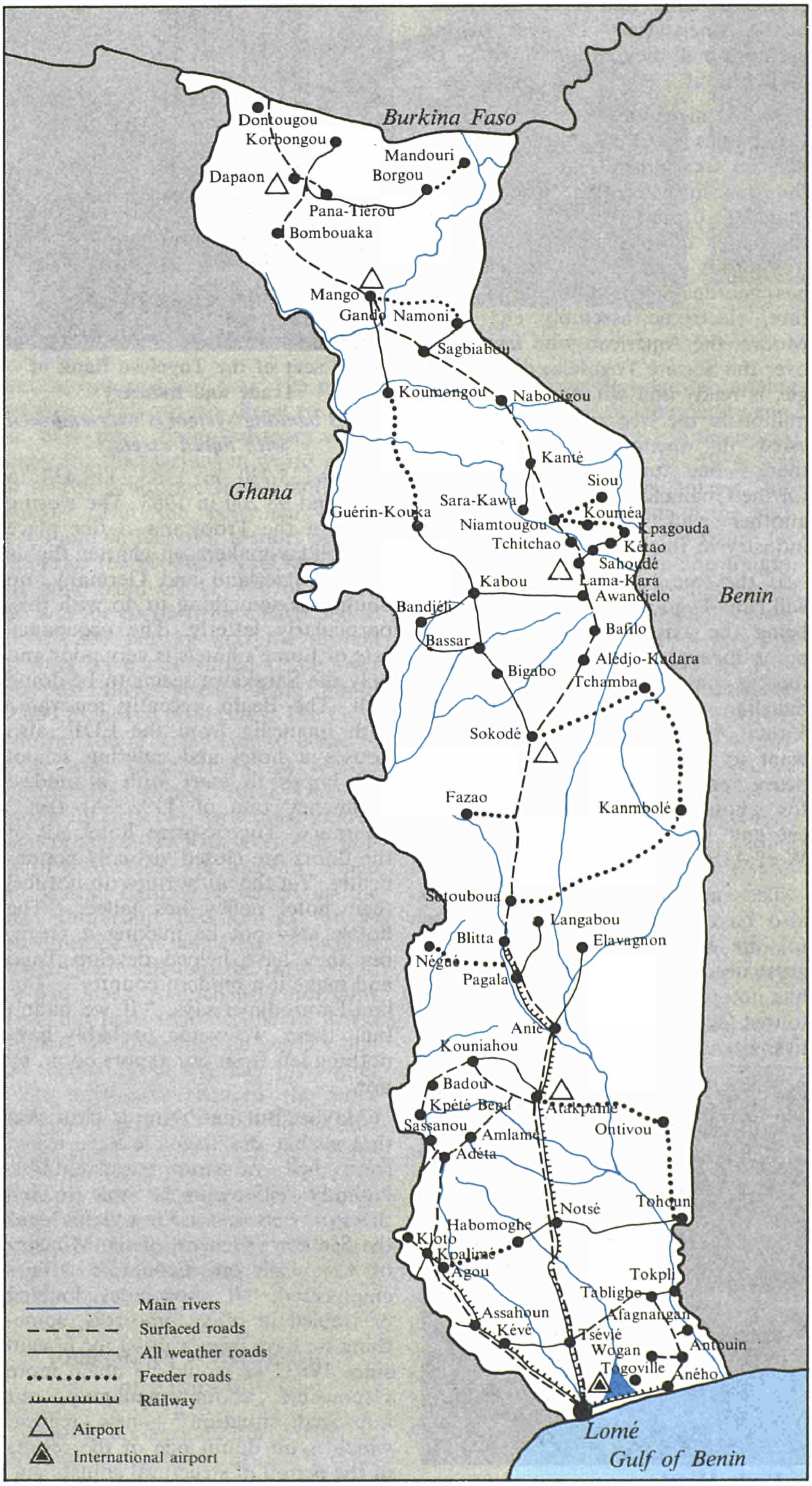
The seat of the Togolese Bank of Trade and Industry
Togo's banking system is over-endowed with liquid assets

The pool at the Le Benin Hotel
The occupancy rate of Lomé's hotels is very low

Maybe. But one thing is clear and that is that the Togolese have learnt from their industrial misadventures. Nobody will again be able to sell them projects that are not viable — as the Secretary-General of the Ministry of Financial and Economic Affairs emphasised. "If phosphates doubled or trebled in price tomorrow, something we have been waiting for in vain since 1983, we would be much more responsible about managing our improved situation" — new realism which is no doubt one of the results of the period of structural adjustment. ○

Amadou TRAORÉ

TOGO



Profile

Surface area: 56 600 km^2

Population: 3 200 000

Population growth rate: 3.3%

Population density: 57/km^2

Life expectancy at birth: 51 years

School enrolment: 62% (1988)

Important urban centres: Lomé (capital), Kpalimé, Atakpamé, Sokodé, Lama-Kara, Bassar, Dapaon

Currency: CFA franc (ECU 1 = CFAF 351.18 — July 1989)

GNP at market prices (1988): 406.6 bn CFAF; primary sector: 137.3 bn CFAF; secondary sector: 86.3 bn CFAF; tertiary sector: 183 bn CFAF

Exports (FOB): 100.4 bn CFAF (1989)

Imports (FOB): 105.2 bn CFAF (1988)

Trade balance: −4.8 bn CFAF

Principal exports (in bn CFAF, 1988): coffee 6.7; cocoa 6.5; cotton 12.5; phosphates 36.4

Reexports: 26.9 bn CFAF

Imports from the EEC: 92.597 bn CFAF (1988)

Exports to the EEC: 37.316 bn CFAF (1988)

Principal cash crops (1987-88): coffee, 11 100 tons, cocoa 11 100 tons, cotton 67 000 tons, karité nuts 16 700 tons

Principal food crops (1987-88): cassava 355 200 tons; yams 360 000 tons; maize 172 100 tons; millet and sorghum 168 200 tons; rice 23 100 tons

Mineral production (1988): phosphates 3.3 m tons

Public debt (excluding IMF) (1988): 308 bn CFAF

Debt service: 40 bn CFAF after rescheduling, about 39.8% of exports

Public sector expenditure: 92 486 bn CFAF

Public sector investment: 3.45 bn CFAF

President G. Eyadéma: "We must find an answer to our raw material prices"

Gnassingbé Eyadéma is one of the veteran Heads of State of Africa. The 53-year old General has in fact been leading the country since the coup d'état which brought him to power in 1967 and in a few months, he will be presiding over the signing ceremony of the ACP-EEC Convention for the fourth time. In this written interview, the President answers The Courier's *questions on Togo's current problems and on the initial results of the structural adjustment policy which has been running for several years.*

▶ *Things were going well for Togo 11 or 12 years ago, weren't they, but now it is flagging under the burden of its debts. What happened to the plans for self-sustaining growth?*

— We had few domestic savings and, like all the developing countries, we looked to external financing for our Government's development programmes.

The resources thus obtained went to finance priority sectors to meet domestic demand, so as to provide more employment in the modern sector and make room for the young graduates from the education system which the State sees as so important.

The financial costs of the external borrowing to pay for State schemes were supposed to be covered by the profits which the production units would make, particularly the increased tax revenue from the development of economic activity.

Unfortunately, the Government's industrial drive did not have the desired effect and, on top of the problem of outlets, there were expanding energy costs and difficulties with supplies of raw materials and spare parts. And over and above the problems of technical choices—and they were not always appropriate—there were management worries, too, in spite of a constant attempt by the Government to train proper staff.

In addition to these domestic management headaches, we had, as you know, to cope with the effects of the world economic crisis, which reduced the size of the markets a lot and made for sharper competition. Worse than that was the slump in the price of Togo's main export products, which reduced the debt repayment potential and restricted further external borrowing.

This was the background of the fourth five-year (1981-85) economic and social development plan, intended to ensure self-sustaining growth for the nation, and it failed to live up to expectations.

Since then, the Togolese economy has embarked upon a phase of structural adjustment with the short-term aim of rationalising public finances and setting up the structures and machinery to trigger economic growth again. The initial results are promising and we hope to have conditions in which the national economy can function better soon.

▶ *Pending the big debt conference which Africa is so keen on but which seems fairly unlikely, what solutions would Togo—which has had seven reschedulings from the Club of Paris and two from the Club of London over the past 10 years—like to suggest to its creditors?*

— The machinery set up by the Club of Paris and the Club of London is only a palliative and cannot hope to provide an answer to the long-term debt problem.

This is why we think that new approaches should be envisaged with our creditors pending the big African debt conference, so we can find proper and lasting solutions to our countries' debt crisis.

Instead of doing this by repeated rescheduling, which increasingly worsens the debt burden, it would be a good idea for all the agreements between debtor and creditor countries to be reviewed with an eye to rescheduling over a fairly long period of 25-50 years, on soft terms that the economic structures of the countries concerned could cope with, so they would be able to spend an increasingly large amount on financing their development.

Above all, the new approach should aim to improve and reorganise the productive capacity of each debtor. The international financing bodies should not put up the interest rates on any of the debts to be consolidated in the rescheduling programme.

The most important thing is to find an answer to the problem of the price of our raw materials, as they often drop, compromising our ability to make the repayments on our debt and financing the growth of our economies.

▶ *This year, the prices which the producers are paid for coffee, cocoa and cotton have been fixed lower than they were four years ago. Won't this bring down output?*

— It is true that the prices paid to coffee, cocoa and cotton producers are lower this year than they have been over the past three years because the international prices of these products have dropped. However, the Government has embarked upon a campaign to make the producers aware of the economic difficulties and it is bringing in incentive measures to help the farmers improve their production.

▶ *The European outlets for Togo's phosphates could well be threatened by the pollution control standards which some EEC countries have already adopted. How is your country coping with this?*

— Some European countries are indeed blaming phosphates for the flora choking the rivers, lakes and seas — and quite wrongly so. They also object because its impurities include cadmium, which they claim, without a scrap of scientific proof, is a danger to man.

Over the past five years, European businessmen have gradually gone over to other phosphates which contain less cadmium, to the detriment of Togo and Senegal, and if, as seems likely, the laws become harsher, then Morocco and Tunisia will soon be hit too.

Faced with this very serious threat, which has shrunk the European market and could well close it altogether tomorrow, our country has embarked on a whole range of research, first of all trying to develop the exploitation of phosphates with a lower cadmium content and then joining with European laboratories to develop industrial processes to eliminate cadmium from the rock and from phosphoric acid.

Lastly, two years ago, basic agricultural research was begun on a vast scale with various European research centres to clarify the conditions in which cadmium moves and transfers from the soil to plants and animals.

This should be useful to both the scientists and the people who make the laws and could help attenuate the fear which cadmium generates among the Greens.

▶ *In spite of the effort your Government has made with privatisation, the State sector is still a heavy burden on the budget. How are you planning to complete your reorganisation of this sector and reduce the debts of the State firms?*

— The State has decided to opt out of this sector and concentrate on other development activities. This has made for a substantial decrease in the cost to the budget, largely thanks to the withdrawal of the subsidisation of public firms.

The privatisation policy is a long-winded affair, but there are already encouraging results. At the moment, we are taking stock of the first phase of privatisation. We have just studied this and the conclusions, which are being examined at the moment, mean we can envisage other measures to complete our reorganisation of this sector.

Open-cast mining in Habotoé

"Phosphates are being blamed for flora choking the rivers, lakes and seas — and quite wrongly so"

▶ *Since ECOWAS' regional market is slow in getting going, might Togo envisage doing what Benin did some years ago by joining the CEAO and gaining access to its 40 million-strong market?*

— Any economic integration poses problems, as the EEC shows, and ECOWAS is no exception. But we believe in this community of almost 180 million consumers, and we are sparing no effort to get our States to speed up the process of sub-regional integration of our economies, which is the only way of getting our people away from under-development.

But Togo does not intend to give up being an observer at the CEAO, a sub-group of the large ECOWAS community, pending the merger of the CEAO and the Mano River Union with ECOWAS.

▶ *One of Togo's priorities in the forthcoming Convention is to get the European Community to give substantial support outside the EDF to back up the structural adjustment programmes, isn't it?*

— The European Economic Community, as you know, is the privileged partner and main funder of the ACP nations, most of which are undergoing structural adjustment. So it is perfectly reasonable for Togo to seek the Community's help with its structural adjustment programme.

The adjustment programmes run so far have failed to generate an influx of foreign funds in keeping with our growth targets or our debt. And the projected economic reforms have social consequences which seriously compromise the development of our countries — which is why the ACPs are very anxious to see the Community provide additional resources to finance our reform and economic development programmes.

▶ *You have been leading Togo for more than 22 years now... What is your greatest success, do you think?*

— That is tantamount to asking me to sum up the country's economic and social situation...

In a few months, President Eyadéma will be presiding over the signing ceremony of the ACP-EEC Convention for the fourth time

After the first half of the decade, when we had the benefit of an exceptionally good economic situation following the rise in world coffee, cocoa and phosphate prices and a plentiful supply of foreign capital, the country fell victim to a combination of very unfavourable factors and the effects of this are still being very much felt. The positive effects of the cocoa and coffee development projects were neutralised by the collapse in the world price of these two main agricultural exports.

The two oil shocks and inflation have greatly increased the cost of Togo's imported energy and industrial and capital goods and pushed up investment costs substantially, far beyond anything predicted in the financing plans.

All these external factors, combined with the servicing of the debt, are behind our present economic problems.

The Government tackled these problems by thinking hard about the ways and means of getting the crisis under control and creating the right conditions for lasting economic recovery and it decided to launch a vast programme of both financial stabilisation, with the agreement of the IMF, and structural adjustment, with the help of the World Bank and other funders.

Today, the Togolese economy is doing well and making regular progress. Economic figures from the World Bank put it in Africa's top 20 for annual growth rate, in 1988.

We actually have self-sufficiency in food and enormous social investments mean that there should be health for all by the year 2000. Education is one of the biggest successes of the policy of the Government and the Party, and Togo now has one of the best rates of educational coverage on the continent.

The professionalisation of teaching and the Government's dynamic approach to the sciences are a sound indication that we can take up the challenges of the year 2000. None of this would have been possible without political stability and without the discipline and keenness to work of the Togolese people — all of whom have been behind the policy of economic recovery.

▶ *You are one of the longest-serving Heads of State in Africa. Do you think that sub-Saharan African can escape the wind of democracy—which is blowing in Asia and Europe and the Eastern bloc and even in North Africa at the moment—for very much longer?*

— Overall, the world-wide democratisation trend has not passed sub-Saharan African by. Africans are experiencing democratisation in a number of ways, but it is not for us to analyse the situation of other countries where things are different.

As far as we are concerned, we are treading an entirely original path because, unlike the other countries of Africa, we were not, properly speaking, a colony. When the Allies defeated the Germans in 1914, Togo was first of all a French mandated territory and then under the UN, so fundamental freedoms and a certain amount of room for political manoeuvre were there fairly early on. Four political parties in all shared the Togolese political scene. But they were blinded by partisan considerations and all but led our nation into civil war. Members of the same family refused to speak to each other. Violence reigned, feuds broke out and there was disorder and insecurity. It was understandable. The people did not have enough education and they were not ready for the wind of democracy. Twice the army had to step in, suspend political activity and restore order before suggesting a return to a multi-party system. The Togolese people, who had not forgotten the extortion carried out in the name of political parties, firmly refused to go back to a multi-party system and so we had to fill the gap by creating a party committed to union and the reconciliation of all the sons of Togo.

After 20 years' experience, the Rassemblement du Parti Togolais, the RPT, is exactly what the people want. But if tomorow they think the time has come to go back to a multi-party system, then we are willing to do their bidding. ○

Interview by A.T.

A visit to two privatised firms

There is no doubt that the Société Togolaise de Sidérurgie holds the Togolese, if not the African, record for exposure to the media. What other company on the continent could boast of an article (free, of course) in the *New Tork Times*, a whole page in *Time* magazine and a broadcast on BBC TV? Nearly 40 publications have opened their columns to STS over the past few years, an impressive press record which it owes to its President and General Manager John McLeod Moore Junior, a trans-Atlantic businessman. He is American to the core, with the nasal accent, the big cigar, the striped tie and the short-sleeved shirt of the caricature. He was born in India, made a fortune in Panama and has a formidable feeling for communications and public relations above and beyond his talents as a money-maker. He is always available to journalists and he shows them round the plant himself.

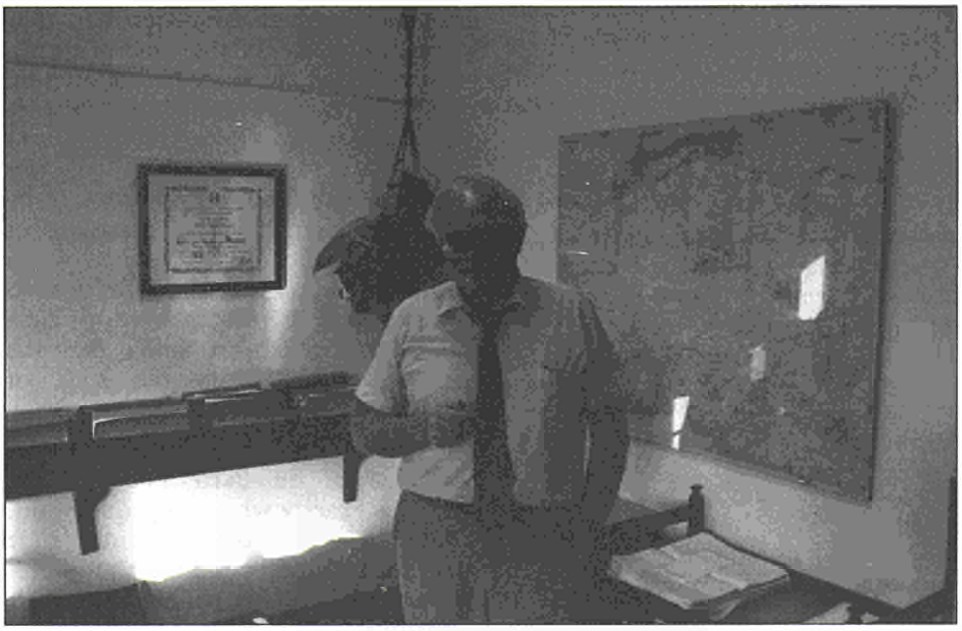
But if the media are so interested in STS, it is also—and primarily—because here we have a successful example of industrial salvaging on a continent where white elephants abound, and it enables journalists to prove that, in spite of the special difficulties of this part of the world, industrial adventures in Africa do not have inevitably to come to grief.

STS works. "It was profitable from day one" in 1984, when John Moore claimed it, for all the world as if it was just waiting for him and his American recipe to get it out of the red and display defiant good health. Last year, its fourth, it showed profits of CFAF 197.8 million. Most important, the company poured CFAF 496.9 million in taxes and duties into the State coffers emptied by the commodity crisis — quite the opposite of what had happened before privatisation.

From the word go, STS aimed to export to the regional market and its export sales have gone from under 2 000 tonnes in 1985 to 5 000 tonnes of its annual output of about 12 000 tonnes of concrete reinforcing iron rods (the main product) today. Customers include the *Who's Who* of Public Works and Building Concerns in West Africa, SATOM, Dyckenhoff Widman, Kier International, Spie-Batignolles and so on, and its products are currently being used on the big sites — the head office of the Central Bank of West African States in Benin, the Kompiengua dam in Burkina Faso, the Bamako road project and the Gaya bridge in Niger.

In 1988, a new division was opened — the galvanised steel production workshop, which should have a great future, as it already has orders for telephone poles for the Togolese Post Office and another for pylons for a high tension power line for the Togolese Phosphates Board.

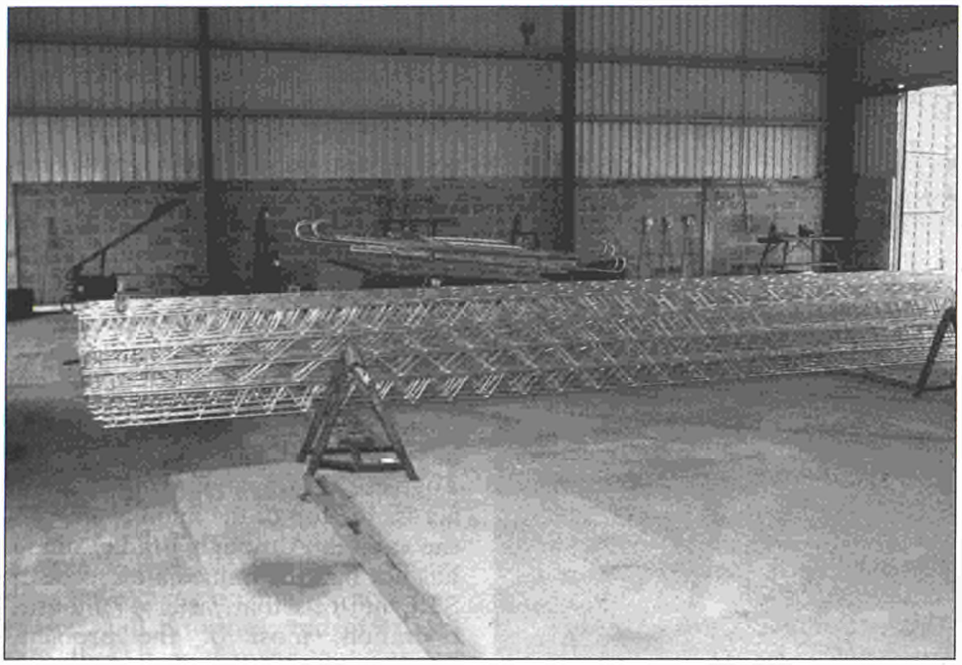
And last year, there were perhaps even more important developments when STS became Togo's first multinational, John Moore told me proudly, fully aware of the almost mythical dimension of the term and all the wealth it implies. STS holds 20% of the Société Béninoise de Sidérurgie—which it helped set up and which has started to turn out concrete reinforcing iron bars this year—and 15% of the Société Ivoirienne de Sidérurgie, which will be producing concrete irons and various other products, using the STS-developed process of laminating old railroad track, by the end of 1989. And STS's former head of industrial operations is now directing production in the new Ivoirian company.

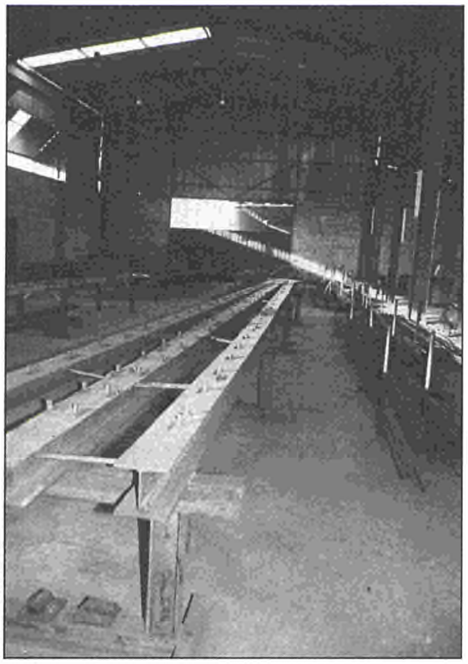

The Courier
John M. Moore, Head of STS

Stopping smuggling

How did this adventure start in 1984 and why did an American businessman like John Moore come to Togo? Well, and it seems obvious when you listen to him, he had (already) made a profit on an iron and steel plant he had bought in Panama a few years before and just sold and he wanted to invest in West Africa. He decided against the bigger countries such as Nigeria and Ghana and settled on Togo, for, he says, the country is small and stable and things seemed easier. There seemed to be less red tape and the infrastructure, especially the telephones, worked properly. And there were no foreign exchange problems with the convertible CFAF and the cost of living was one of the lowest in West Africa — two and a half times lower than in Côte d'Ivoire. Why iron and steel rather than, say, clothing? Moore's immediate answer had all the frankness so typical of Americans — because "that's what I know how to do". And how!

With his initial $ 1 200 000, he took a 10-year lease on (not bought) a factory which had cost the State $ 44 million-odd to put up, had a capacity of 40 000 tonnes, but was at a standstill. It was easier to do that than buy up the assets, as it would have taken at least two years to produce a proper





Some galvanised pylons... and the workshop where manufacturing starts

assessment of the company, this being the sort of exercise in which experts tend to contradict each other... and their conclusions could well have been thrown out by the funders, he told me.

From then on, it went fast. The company got going again with some 70 of the staff and has been expanding regularly ever since. This is obvious from the constant improvement in turnover (upwards of CFAF 2.5 billion in 1988), the increased capital (it has doubled in four years) and the number of jobs created (there are 250 staff on the payroll today). One of the things this has meant is protecting STS's local market by preventing smuggling and, here too, Moore's pragmatic approach has paid off. He gives the customs officers a big reward for every consignment of concrete reinforcing irons they intercept and he also gives them an interest in the product of the sales of the contraband goods. Fraudulent imports have stopped, he says with a laugh, because the customs officers get more from him than from the shady dealers.

Today, STS has a range of shareholders. IBCon, a British company in which Moore has a majority holding, has 51%, 32 Togolese shareholders have 15% between them, other Africans have 20% and the rest (4%) of the shares are held by IFU (the Danish Fund for Industrialisation of the developing countries) and two other European companies. The raw materials come from Brazil, which has replaced Spain, whose supplies were becoming too dear.

The example of Air Afrique

Could this remarkable recovery have been the work of a Togolese? The resounding "no" I got from John Moore, a slap in the face to me, a black, made me wonder for a moment whether this man was not from one of the old Southern dynasties immortalised in "Gone With The Wind". But I was soon reassured by the Order of Mono, Togo's highest honour, in pride of place on the office wall next to a large photo of President Eyadéma and President Reagan smiling together at the White House. "He must be OK, otherwise he wouldn't have been decorated", I thought. And in fact, as I was to learn, he is on the Executive Committee of the Round Table of Businessmen which advises the President of the African Development Bank about the promotion of the private sector in Africa.

"An African could never have done it, he said, because he could not have said no to a Minister who asked him to give his brother a job. I did. He would have filled the company with people from his own tribe and there are dozens of them in Togo". I spent a couple of seconds vainly trying to think of an example which would destroy the American's arguments and refusing to think about Air Afrique which illustrates some of them.

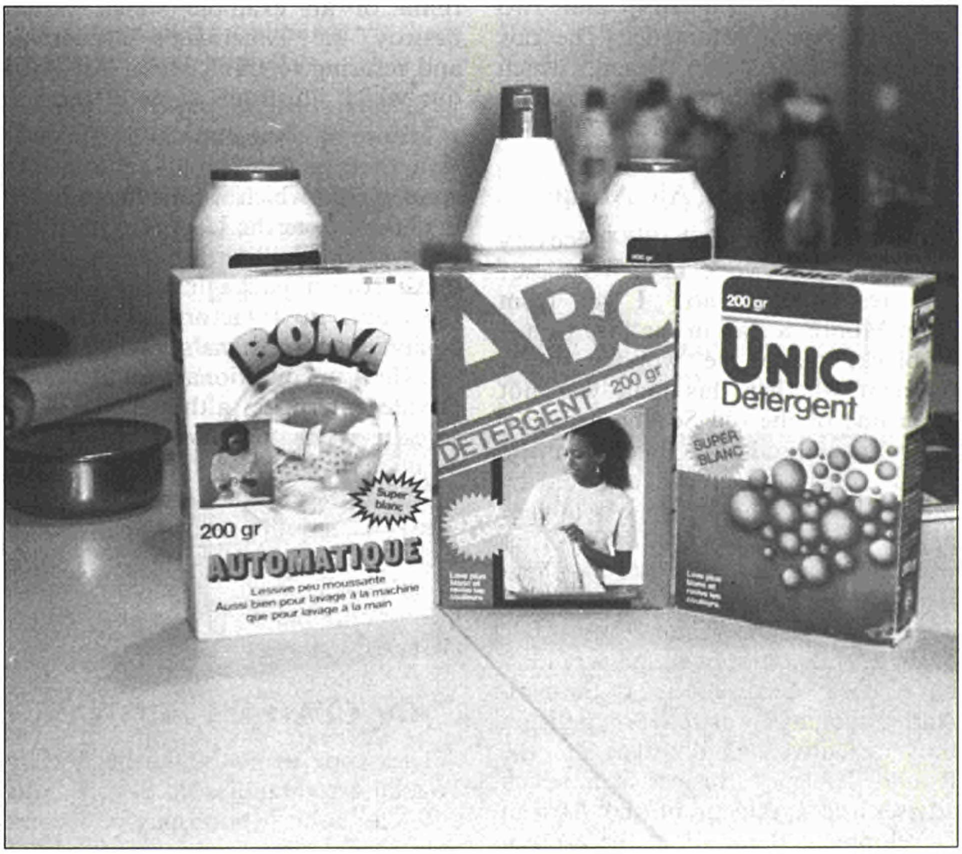
Moore of course applauds the decision to turn Togo into a large free zone, a plan which will have the backing of aid from the USA. He is willing to invest $ 2 million in a company to make cotton packaging for Burkina Faso and in a factory to turn out equipment for Ghana's mining industry. He is unconditionally in favour of private enterprise, although, he says, a real privatisation policy would also mean selling off profitable firms such as breweries, not just the lame ducks. And, he admits, without a stock exchange, there will be no viable capital market in Togo — which hampers the development of private enterprise.

The CEAO and ECOWAS

The scene at Sotodas, the Société Togolaise et Danoise de Savons, was different. John Moore may be second only to God on board his ship, but Frank Lundin, the Director-General of this firm, receives journalists with one of his Togolese colleagues—whose opinion he occasionally requests—alongside him. Here, there is no rent paid to the State for the use of the installations, as assets of the semi-State firm, which closed down

The Courier

Frank Lundin, Director-General of Sotodas...



The Courier

...and some of his products

three years ago, were bought outright, for CFAF 150 million. The capital of the new company is held by IFU (40%), Domo Kemi, the Danish company (40%) and Togolese interests (20%). Sotodas has made investments of more than CFAF 1 billion, taken on a fifth of the original staff (50) and turns out 4 000-5 000 packets of detergent and cleansers every month. The firm, which aims to balance its books with sales on the Togolese market and has made a huge effort with the price and quality of its products, is suffering from competition from contraband goods. Although the customs are fairly good about the consignments of detergent smuggled in through the port, anything which comes in from Benin manages to slip through the net.

Sotodas is trying to cope with this unfair competition by appealing to the civic spirit of the Togolese and has launched a vigorous "Buy Togolese" campaign, with banners across the top of the main avenues of the capital. Although Frank Lundin has not had the immediate success of STS, he feels that, after 17 months' operation, most of the problems have now been ironed out. The company is trying to improve its export sales and already has a distributor in Burkina Faso, although its main target is Ghana, with its 15 million-strong population. Only 10% of the Ghanaian market, in fact, would account for the same production as the whole of Togo, and Ghana could, in return, supply some of the raw materials and the packaging. So access to the regional market is also vital if Sotodas is to go on expanding. But Togo is the only member of the West African Monetary Union not also to be part of the Economic Community of West African (CEAO) and, in Burkina Faso and Niger, for example, the same customs duties have to be paid on its products as on similar imports from Europe.

Things would be different if it belonged to the CEAO or if ECOWAS, the Economic Community of West African States (it combines the seven CEAO States and nine other States of the region, including the giants, Nigeria and Ghana), speeded up its programme of economic integration. Togo has bet on ECOWAS, but the market of 180 million consumers is slow to take shape. In spite of these drawbacks, the privatised sector is expanding apace—the growth rate was more than 8% in 1988—and the results should encourage the Government, which is marking time for the moment, to continue with its privatisation drive. ○ A.T.

EEC-Togo cooperation: stable links

Ever since 1960, when it became independent, the Togolese Republic has been cooperating closely with the European Community, the oldest EDF projects dating back to the time of the first European Development Fund set up by the Treaty of Rome. The volume of cooperation has subsequently increased and the range of instruments widened with the five-year Conventions of Yaoundé I and II and, since 1975, those of Lomé I, II and III.

Although the successive Conventions have taken account of new constraints and priorities, and of experience, there is no denying that stability and continuity have been the constant bywords of these relations based on negotiation and joint institutions. In the case of Community aid to Togo, this means that the main priorities—support for the rural world and the improvement and rehabilitation of infrastructure—have never been lost sight of.

Programmes such as the agricultural development of the Kara valley, the rural development of the savannah region, the support for the use of draught animals and a village hydraulics scheme in the first sector and the building and rehabilitation of roads and the contribution to the construction of the port of Lomé in the second—all of which have always involved training to ensure that the installations were looked after properly—are examples of this continuity.

In the region, this continuity of Community aid has been reflected in support for the countries' campaign against common problems, with the Pan-African rinderpest campaign, the new regional programme to teach people along the coast of West Africa to protect their natural resources and the environment and the drive to contain coastal erosion. And agricultural research, into food products especially, is a regional priority too.

In trade, the EEC is still Togo's most important partner for both exports (51.7% of its exports last year) and imports (63.7%).

Togo is an active partner in the development of ACP-EEC cooperation and has made good use of the instruments of Lomé I and II from the start, benefiting from regional cooperation (through its membership of regional organisations such as ECOWAS the Conseil de l'Entente, the WADB etc.), Stabex transfers for its export products (coffee, cocoa and karité nuts) in bad years and food aid and emergency aid in exceptional circumstances.

It was recognised as eligible for Sysmin (the cadmium content of its phosphates) in 1988 and the Commission is now looking at related projects for implementation.

It is not possible to list all the achievements of three decades of cooperation here and the aim is to show the extent and the range of what has been done, together with the continuity of the cooperation and the main areas it has covered.

On the eve of the signing of Lomé IV, it is perhaps useful to look to the future. Togo, alas, has not been spared by the world economic problems which have hit the producers of raw materials and the importers of oil and manufactures. After years of a temporary rise in the prices of its export goods and the industrial investment at the end of the seventies which resulted, the country is now burdened with debt, with repayments diminishing the development budget. Like other countries in the region, it is perplexed about seeing a drop in world coffee and cocoa prices going hand in hand with an increase in the price of a cup of coffee and a bar of chocolate in Europe. And it is not without concern that the authorities see the general growing wariness of public opinion in many countries about the environmental effects of phosphates — from which Togo, a major producer, derives a large percentage of its revenue.

The Kara Valley development scheme, now nearing completion, was one of the major rural development projects of Lomé I and II

Every year, this dynamic and tenacious nation has to cope with the arrival of large numbers (100 000 to 120 000) of young people on its labour market. It is putting its back into making its economy and its agriculture more profitable and its administration more competitive. It respects the commitments it has made to meet the aims of its structural adjustment programme and to make its repayments in the short term and it is counting more than ever before on the support and stability of its international friends—such as the EEC—to continue along this path.

The Togolese leaders know that the destinies of the developing and the developed countries are interdependent. The major world issues, obviously, are taken seriously here — the European Parliament recently recognised the important work done by the National Committee for Human Rights, for example, and President Eyadéma has been quick to lead the African continent in the campaign against a deteriorating environment. Only in June, the Minister of Health, Social Affairs and Women's Status accepted the UN Population Prize on Togo's behalf for its National Family Welfare Programme—it is the first African winner—and, last but not least, the National Union of Togolese Women carries a lot of weight with the Government.

All in all, it is easy to see why the ACP States were unanimous in once more choosing Lomé, the delightful, bustling capital on the Gulf of Guinea, as the scene of the next ACP-EEC Convention — Lomé IV. ○

Gaspard DUNKELSBÜHLER [(1)]

(1) EEC Delegate in Togo.

Cooperation with rural development

Togo's climate varies from sub-equatorial in the maritime and central region to Sudan-type in the north. The agricultural sector, 260 000 smallholdings of an average 2.5 hectares, produces a range of food crops. There are 450 000 ha planted or seeded with grain (maize, sorghum etc.), tubers (manioc, yams et.) and pulses (groundnuts and beans), ensuring the country's self-sufficiency in food (1) and 90 000 ha under cash crops — coffee and cocoa plantations (11 000 t coffee and 11 000 t cocoa) and 70 000 ha of cotton plantations (68 000 t cotton seed).

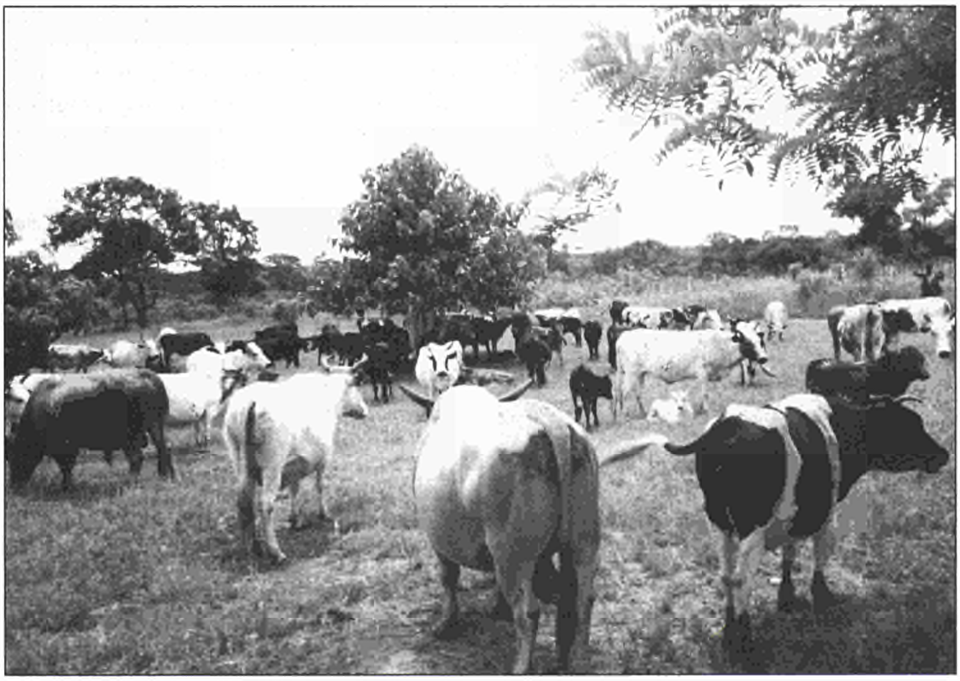
Herding (250 000 head of cattle and 2 200 000 sheep and goats) and fishing have been developed relatively little so far and fall short as far as protein requirements are concerned. In spite of a considerable effort, there are increasing numbers of groups of women and young people raising small animals which could well do with support and the 6th EDF micro-project programme offers them the financial possibilities and the flexibility they require.

Agriculture, in which 75% of the population are involved, represents a third of GDP and 30% of exports and its social and economic importance are ample justification for the drive to improve farming techniques and productivity and raise the standard of living in rural areas. Self-sufficiency in food, the aim of the Green Revolution in 1977, was achieved (in all but animal protein) in 1982 and became a reality once more after the 1982-83 drought. The national policy of the New Rural Development Strategy, promulgated and announced in 1985, is aimed at food security in balanced conditions whereby the standard of living of the rural population can be improved.

The EEC's particular contribution to rural development began in 1960 with:
— the development of selected palm plantations, palm oil mills and herding under the palms;
— the development of the central regions and the plateau;
— the development of the cotton industry;
— the establishment of a National Agricultural Training Institute in Tové;
— village water supply schemes.

In accordance with the national policies already mentioned, programmes have developed, concentrating more on the major priorities.

(1) Estimated production 1 300 000 t, including 850 000 t tubers.


Adélé Ranch, the animal traction production and dissemination centre

Of the projects currently running or continuing previous schemes begun under Lomé III, where one of Togo's priorities was to improve food security and the living conditions of the peasants, the following should be mentioned:

Kara Valley Development Scheme (Lomé I — ECU 5.938 million).

This rural development and migrant settlement project has been an opportunity to provide proper supervision for 2 000 families over 7 000 ha of agricultural land. It was financed under Lomé I and II and is now reaching completion.

Rural development in the prefecture of Bassar (Lomé III — ECU 10.3 million (2)).

This project, again in the Kara region, is part of the campaign to get a proper balance of land potential and occupancy over the eastern and western areas. It is an integrated programme, financed under Lomé III, reaches a population of 135 000 and is currently being started up.

Rural development of the Savanna region (ECU 6.4 million (2)).

This is a continuation of a test project run under Lomé I and is intended to intensify the crop systems and develop the zone so that the 90 000-strong population can raise the standard of living in what is an overcrowded area (80 inhabitants per km^2) with an unreliable climate.

Support for the development of draught animals (ECU 5.5 million (2)).

This programme, which continues work begun under Lomé I and II, is intended to:
— complete the development of the Adélé Ranch (9 000-14 000 ha) and balance the herd (at 3 500-5 000 head), so as to help meet Togo's tryps-tolerant cattle requirements (20-15% of the total);
— increase project support for the promotion of animal traction, so as to improve and diversify the conditions in which draught animals, little used in Togo as yet, are used;
— encourage the use of agricultural credit to promote draught animals.

(2) Amount mentioned in the new financing agreement signed in 1988 and relating mainly to Lomé III.

Two studies are being run to get a better idea of the conditions in which the fisheries potential can be exploited

The village water supply operation, in which the population is involved with maintenance, is described in the chapter on infrastructure, but included here for reference.

Support for management services in the Rural Development Ministry (ECU 0.69 million (2)).

The idea here is to set up harmonised management systems throughout the Ministry and provide training in computer management procedures.

Village tree-planting pilot projects. These involve getting the local population to create village nurseries in the northern and maritime regions. They have shown that groupings of both men and women were perfectly willing to put their work and initiative into microprojects in a number of regions.

Fisheries studies. Two of these are being run with a view to better definition of the conditions in which the fisheries potential can be exploited. One (Southern Togo lake system) is being carried out at the moment and the other (Lake Nangbéto).

Togo is involved in the following regional cooperation schemes:

— *Rinderpest campaign.* An emergency vaccination campaign was run in 1988 as part of the Pan-African Campaign and a study of assistance with herding development and improvements to rinderpest control in Togo has just been completed.

— *Regional programme to inform the coastal populations of West Africa about the protection of natural resources and the environment.*

Togo was appointed regional authorising officer for this in March this year.

It has also joined in the ILCA regional herding project and the regional programme to cut post-catch fish loss in the countries of the western Sahel.

All these schemes, which the partners decided on jointly and which are obviously useful to, and appreciated by, the recipients, are the basis for the future development of our cooperation. ○

Robert CARREAU (3)

(3) Agricultural adviser to the EEC Delegation in Togo.

Cooperation with infrastructure

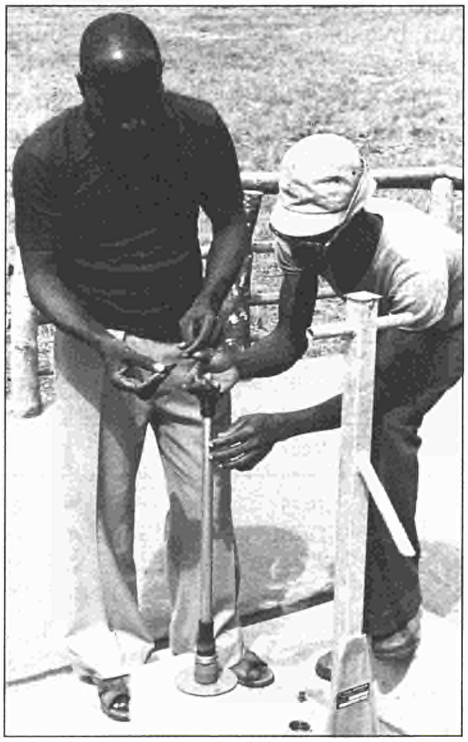
The EDF has been of particularly significant help to Togo here from the beginning. The country has a very short coastline in comparison to its north-south length of about 680 km and had two vital reasons for wanting a high-performance road network — it had to open up the centre and the two regions in the north, Kara and the Savanna, to ensure the balanced development of its territory and it wanted to use its privileged geographical position to become the maritime outlet for the neighbouring countries in the Sahel.

So, in the 6th EDF indicative programme, the Togolese Government and the Commission made the second focal sector (after rural development) the drive to rehabilitate the nation's infrastructure and improve the maintenance capacity.

For the past 20 years, the EEC has helped with roads, bridges, railways and the Autonomous Port of Lomé. The latter has in fact had funds from a large number of sources, including the EDF and the European Investment Bank (upwards of ECU 6.8 million).

Road infrastructure

The development and asphalting of 10 stretches of road of a total length of 840 km (worth about ECU 51 m) has been done with EDF financing. This includes most of the north-south international highway. Rehabilitation of the bulk of the network has been going on for some years now with the help of the 5th EDF (ECU 16.5 m), alongside other international funders, and will be continuing with the Blitta-



Very positive results from the pump maintenance training programme

AIDS control

Togo joined the ACP-EEC AIDS control programme, to be coordinated by the WHO, in October 1987.

An EEC expert mission went out in August 1988 to identify the activities to be financed by the EEC under the National AIDS Programme.

Following its conclusions, there is a proposal for an EEC contribution to two sectors:
— information for the general public and for high-risk groups with a view to changing behaviour as a means of prevention;
— telling and teaching health sector and Togolese Red Cross staff about prophylactic measures and the public education schemes.

The Community has earmarked ECU 536 000 for this.

Sokodé (78 km) and Lomé-Kpalimé-Klikamé feeder (5.6 km) stretches, for which there is ECU 23 million-worth of financing from the 6th EDF, from 1989 on. Special attention is being paid to providing a mechanised road maintenance brigade, backed up by technical assistance and bilateral aid from France, and to getting a three-year maintenance pilot programme run by some of Togo's small businesses.

The schemes are being coordinated with the other funders contributing to the infrastructure rehabilitation programme. A decisive factor in the success of this programme is the national regulations on maximum truck axle weight, which must be both adhered to and monitored.

The EEC financed the development and asphalting 10 stretches of road totalling 840 km between 1970 and 1980

Village water supply and the FORMENT programme

Since 1970, 14 dams have been financed as part of the various rural development projects. A number of village water supply schemes have also been run, in the light of the experience of previous years, over the past two decades. They include:
— 3rd EDF — 120 traditional wells; 4th EDF — 275 boreholes fitted with hand pumps and the cofinancing of a joint, 400-borehole project with the FAC and USAID; 5th EDF — 255 boreholes fitted with manual pumps. The total cost of this was CFAF 2.3 billion.

The problem of pump maintenance and repair, initially neglected, was handled by a specialist technical assistance mission in 1986, which went out to help the authorities set up a proper maintenance structure for the water points provided under the 4th and 5th EDFs. The aim is to get the users to be more interested in and responsible about the water points by making the population aware of what is involved, running grass-roots training schemes and organising a supply of spare parts. The FORMENT (maintenance training) programme, which is being run in more than 280 villages in regions has had very encouraging results, with a large drop in the number of pumps remaining broken, and the principles have been taken up as national policy. The new village water supply programmes financed under the 6th EDF (Kara and Savanna regions) use this approach and other funders have also included it in their respective water supply programmes.

Other schemes

Rehabilitation of the Hotel le Benin, reopened as a regional hotel and catering training centre (Total financing: ECU 3.5 m). This was financed from the 5th EDF regional funds and the 6th EDF indicative programme. The training centre opened in March and the hotel in July 1989, with specialist technical assistance from the EDF.

Coastal erosion in the region

The study which the Commission proposed in 1984—it is intended to provide regional coordination for the individual efforts of the four countries faced with the problem of coastal erosion—is now being completed and the conclusions of this specialised look at the region will be ready shortly. The states concerned here have opted for close cooperation on the phenomenon of erosion. ○

Guido LIBOTTE [4]

(4) Civil engineering adviser to the EEC Delegation in Togo.

Stabex transfers to Togo

Year	Product	Amount (ECU)
1975	coffee	2 680 324
1978	coffee	949 290
1982	cocoa	7 115 332
1983	coffee	4 190 324
	cocoa	9 543 759
1984	coffee	7 984 610
1985	cocoa	9 314 603
1986	karité	651 838
1987	cocoa	3 556 562
1988	coffee	1 889 928
	cocoa	5 690 394

Constructing European monetary union (*)

AN-HYP

Their trading activities made the Florentines and Flemings the bankers of medieval Europe. Here, a Flemish banker counts his money

The European Council, the meeting of Community Heads of State and Government in Madrid on 26 and 27 June (see New Round-Up), was particularly concerned with the Delors report, which contained proposals for "realisation of economic and monetary union".

It repeated its determination "progressively to achieve Economic and Monetary Union, as provided for in the Single Act", with a view to completion of the internal market "in the context of economic and social cohesion". The Delors Report, it maintained, which had been produced in the light of an invitation from the European Council of Hanover in June 1988, had provided a proper response to this and implementation of it would have to "take account of the parallelism between economic and monetary aspects, respect the principle of subsidiarity and allow for the diversity of specific situations". The first stage of the realisation of economic and monetary union would begin on 1 July 1990. Preparatory work would then be carried out with a view to calling an intergovernmental conference to lay down the subsequent stages and this would meet once the first stage had begun. Full and adequate preparation would precede this.

Readers who are particularly interested in monetary problems will find them covered in the substantial extracts from the Delors Report below—although, obviously, the economic and monetary aspects of the proposed developments are indivisibly linked.

The snake and the ECU

The Delors Report starts by pointing out that monetary union has been on the agenda for 20 years, since it was first mooted at a meeting of Heads of State or Government in The Hague in 1969. Several important moves have followed. The "snake" (with a maximum of 2.25% fluctuation between the European currencies) was created in 1972, accompanied by the European Monetary Cooperation Fund (EMCF), to ensure its proper functioning, in 1973. Then, in 1979, came the European Monetary System (EMS), based on the European currency unit, the ECU, which has four uses—"as the reference base of the exchange rate mechanism and to denominate operations in both the intervention and credit mechanisms.. as a reserve asset and a means of settlement for EMS central banks". The EMS is generally thought to have succeeded in achieving its prime objective of creating a zone of internal and external monetary stability organised round the exchange rate machinery. It has reduced the variation in the real and nominal exchange rates of the currencies involved in the system, brought inflation down and reduced disparity in interest rates. Lastly, exchange rates have become more reliable, something which is of particular importance to businesses, for example. However, the Delors Report says that the EMS "has not fulfilled its full potential", because a number of Community countries have not yet joined and it has felt the effects of "the lack of sufficient convergence of fiscal policies... and... large and persistent budget deficits in certain countries".

And the European Monetary Fund has not been set up as anticipated. This is why: "With full freedom of capital movements and integrated financial markets, incompatible national policies would quickly translate into exchange rate tensions and put an increasing and undue burden on monetary policy. The integration process thus requires more intensive and effective policy coordination, even within the framework of the present exchange rate arrangements, not only in the monetary field but also in areas of national economic management affecting aggregate demand, prices and costs of production".

What does monetary union mean?

"A monetary union constitutes a currency area in which policies are managed jointly with a view to attaining common macroeconomic objectives... There are three necessary conditions for a monetary union:
— the assurance of total and irreversible convertibility of currencies;
— complete liberalisation of capital transactions and full integration of banking and other financial markets; and
— the elimination of margins of fluctuation and the irrevocable locking of exchange rate parities.

The first two of these requirements have already been met, or will be with the completion of the internal market programme.

The single most important condition for a monetary union would,

(*) From the "Delors Report": Report on Economic and Monetary Union in the European Community. (Committee for the study of Economic and Monetary Union, Commission of the EC, Brussels, April 1989).

however, be fulfilled only when the decisive step was taken to lock exchange rates irrevocably.

As a result of this step, national currencies would become increasingly close substitutes and their interest rates would tend to converge. The pace with which these developments took place would depend critically on the extent to which firms, households, labour unions and other economic agents were convinced that the decision to lock exchange rates would not be reversed. Both coherent monetary management and convincing evidence of an effective coordination of non-monetary policies would be crucial.

The three above-mentioned requirements define a single currency area, but their fulfilment would not necessarily mark the end of the process of monetary unification in the Community. The adoption of a single currency, while not strictly necessary for the creation of a monetary union, might be seen—for economic as well as psychological and political reasons—as a natural and desirable further development of the monetary union. A single currency would clearly demonstrate the irreversibility of the move to monetary union, considerably facilitate the monetary management of the Community and avoid the transaction costs of converting currencies. A single currency, provided that its stability is ensured, would also have a much greater weight relative to other major currencies than any individual Community currency. The replacement of national currencies by a single currency should therefore take place as soon as possible after the locking of parities.

The establishment of a monetary union would have far-reaching implications for the formulation and execution of monetary policy in the Community. Once permanently fixed exchange rates had been adopted, there would be a need for a common monetary policy, which would be carried out through new operating procedures. The coordination of as many national monetary policies as there were currencies participating in the union would not be sufficient. The responsibility for the single monetary policy would have to be vested in a new institution, in which centralised and collective decisions would be taken on the supply of money and credit as well as on other instruments of monetary policy, including interest rates.

This shift from national monetary policies to a single monetary policy is an inescapable consequence of monetary union and constitutes one of the principal institutional changes. Although a progressively intensified coordination of national monetary policies would in many respects have prepared the way for the move to a single monetary policy, the implications of such a move would be far-reaching. The permanent fixing of exchange rates would deprive individual countries of an important instrument for the correction of economic imbalances and for independent action in the pursuit of national objectives, especially price stability.

Well before the decision to fix exchange rates permanently, the full liberalisation of capital movements and financial market integration would have created a situation in which the coordination of monetary policy would have to be strengthened progressively. Once every banking institution in the Community is free to accept deposits from, and grant loans to, any customer in the Community and in any of the national currencies, the large degree of territorial coincidence between a national central bank's area of jurisdiction, the area in which its currency is used and the area in which "its" banking system operates will be lost. In these circumstances, the effectiveness of national monetary policies will become increasingly dependent on cooperation among central banks. Indeed, the growing coordination of monetary policies will make a positive contribution to financial market integration and will help central banks gain the experience that would be necessary to move to a single monetary policy...

Even after attaining economic and monetary union, the Community would continue to consist of individual nations with differing economic, social, cultural and political characteristics. The existence and preservation of this plurality would require a degree of autonomy in economic decision-making to remain with individual member countries and a balance to be struck between national and Community competences. For this reason it would not be possible simply to follow the example of existing federal states; it would be necessary to develop an innovative and unique approach.

The Treaty of Rome, as amended by the Single European Act.. does not suffice for the creation of an economic and monetary union. The realisation of this objective would call for new arrangements which could only be established on the basis of a Treaty change and consequent changes in national legislations. For this reason the union would have to be embodied in a Treaty which clearly laid down the basic functional and institutional arrangements, as well as provisions governing their step-by-step implementation.

Taking into account what is already provided for in the EC Treaties, the need for a transfer of decision-making powers from the Member States to the Community as a whole would arise primarily in the fields of monetary policy and macroeconomic management. A monetary union would require a single monetary policy and responsibility for the formulation of this policy would consequently have to be vested in one decision-making body.

(However), an essential element in defining the appropriate balance of power within the Community would be adherence to the "principle of subsidiarity", according to which the functions of higher levels of government should be as limited as possible and should be subsidiary to those of lower levels. Thus, the attribution of competences to the Community would have to be confined specifically to those areas in which collective decision-making was necessary. All policy functions which could be carried out at national (and regional and local) levels without any adverse repercussions on the cohesion and functioning of the economic and monetary union would remain within the competence of the member countries...

Institutional aspects

Management of the economic and monetary union would call for an institutional framework which would allow policy to be decided and executed at the Community level in those economic areas that were of direct relevance for the functioning of the union. This framework would have to promote efficient economic management, properly embedded in the democratic process. Economic and monetary union would require the creation of a new monetary institution, placed in the constellation of Community institutions (European Parliament, European Council, Council of Ministers, Commision and Court of Justice)... because a single monetary policy cannot result from independent decisions and actions by central banks. Moreover, day-to-day monetary policy operations cannot respond quickly to changing market conditions unless they are decided centrally. Considering the political structure of the Community and the advantages of making existing central banks part of a new system, the domestic and international policy-making of the Community should be organised in a federal form, in what might be called a European System of Central Banks (ESBC). This new System would have to be given the full status of an autonomous Community institution. It would operate in accordance with the provisions of the Treaty, and could consist of a central institution (with its own balance sheet) and the national central banks. At the final stage, the ESCB—acting through its Council—would be responsible for formulating and implementing monetary policy as well as managing the Community's exchange rate policy vis-à-vis third currencies. The national central banks would be entrusted with the implementation of policies in conformity with guidelines established by the Council of the ESCB and in accordance with instructions from the central institution.

The European System of Central Banks would be based on the following principles.

Mandate and functions

— The System would be committed to the objective of price stability;
— subject to the foregoing, the System should support the general economic policy set at the Community level by the competent bodies;
— the System would be responsible for the formulation and implementation of monetary policy, exchange rate and reserve management, and the maintenance of a properly functioning payment system;
— the System would participate in the coordination of banking supervision policies of the supervisory authorities.

Policy instruments

— The policy instruments available to the System, together with a procedure for amending them, would be specified in its Statutes; the instruments would enable the System to conduct central banking operations in financial and foreign exchange markets as well as to exercise regulatory powers;
— while complying with the provision not to lend to public-sector authorities, the System could buy and sell government securities on the market as a means of conducting monetary policy.

Structure and organisation

— A federative structure, since this would correspond best to the political diversity of the Community;
— establishment of an ESCB Council (composed of the Governors of the central banks and the members of the Board, the latter to be appointed by the European Council), which would be responsible for the formulation of and decisions on the thrust of monetary policy; modalities of voting procedures would have to be provided for in the Treaty;
— establishment of a Board (with supporting staff), which would monitor monetary developments and oversee the implementation of the common monetary policy;
— national central banks, which would execute operations in accordance with the decisions taken by the ESCB Council.

Status

— Independence: the ESCB Council should be independent of instructions from national governments and Community authorities; to that effect the members of the ESCB Council, both Governors and the Board members, should have appropriate security of tenure;
— accountability: reporting would be in the form of submission of an annual report by the ESCB to the European Parliament and the European Council; moreover, the Chairman of the ESCB could be invited to report to these institutions. Supervision of the administration of the System would be carried out independently of the Community bodies, for example by a supervisory council or a committee of independent auditors...

A step-by-step approach (but no specific timetable)

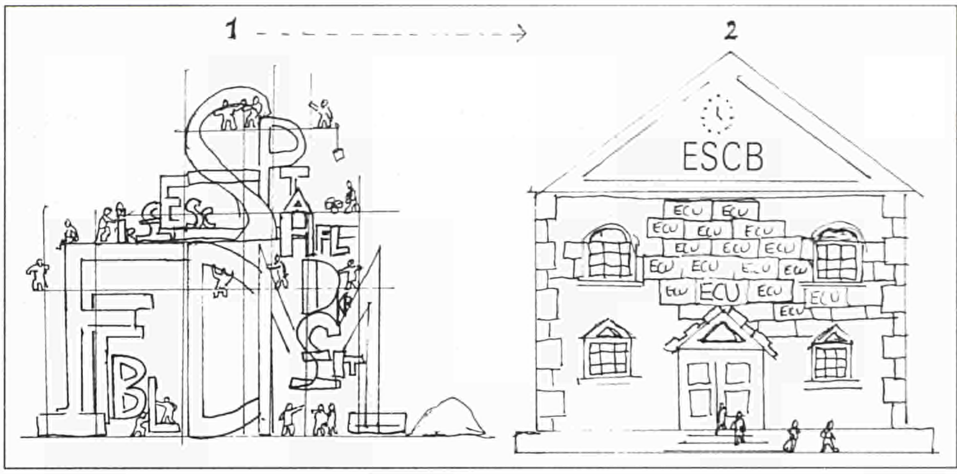
In designing a step-by-step approach along the path to economic and monetary union, the general principle of subsidiarity referred to earlier in this Report, as well as a number of further considerations, would have to be taken into account.

Discrete but evolutionary steps. The process of implementing economic and monetary union would have to be divided into a limited number of clearly defined stages. Each stage would have to represent a significant change with respect to the preceding one. New arrangements coming into force at the beginning of each stage would gradually develop their effects

Banks of Member States set up where the business is to be found; in this case, Brussels

The Courier

The Courier



and bring about a change in economic circumstances so as to pave the way for the next stage. This evolutionary development would apply to both functional and institutional arrangements.

Parallelism. As has been argued, monetary union without a significant degree of convergence of economic policies is unlikely to be durable and could be damaging to the Community. Parallel advancement in economic and monetary integration would be indispensable in order to avoid imbalances which could cause economic strains and loss of political support for developing the Community further into an economic and monetary union.

Calendar. The conditions for moving from stage to stage cannot be defined precisely in advance; nor is it possible to foresee today when these conditions will be realised.The setting of explicit deadlines is therefore not advisable. This observation applies to the passage from stage one to stage two and, most importantly, to the move to irrevocably fixed exchange rates. The timing of both these moves would involve appraisal by the Council, and from stage two to stage three also by the European System of Central Banks in the light of the experience gained in the preceding stage. However, there should be clear indication of the timing of the first stage, which should start no later than 1 July 1990 when the Directive for the full liberalisation of capital movements comes into force.

Participation. There is one Community, but not all the members have participated fully in all its aspects from the outset. A consensus on the final objectives of the Community, as well as participation in the same set of institutions, should be maintained, while allowing for a degree of flexibility concerning the date and conditions on which some member countries would join certain arrangements. Pending the full participation of all member countries—which is of prime importance—influence on the management of each set of arrangements would have to be related to the degree of participation by Member States. However, this management would have to keep in mind the need to facilitate the integration of the other members."

The future of the ECU

What role might the ECU play in the process of economic and monetary integration in Europe?

... The (Delors) Committee examined the role of the ECU in connection with an eventual move to a single currency... The Committee was of the opinion that the ECU has the potential to be developed into such a common currency. This would imply that the ECU would be transformed from a basket of currencies into a genuine currency. The irrevocable fixing of exchange rates would imply that there would be no discontinuity between the ECU and the single currency of the union and that ECU obligations would be payable at face value in ECUs if the transition to the single currency had been made by the time the contract matures ...

The Committee also agreed that there should be no discrimination against the private use of the ECU and that existing administrative obstacles should be removed...

Stage one

... The focus would be on removing all obstacles to financial integration and on intensifying cooperation and the coordination of monetary policies. In this connection, consideration should be given to extending the scope of central banks' autonomy. Realignments of exchange rates would still be possible, but an effort would be made by every country to make the functioning of other adjustment mechanisms more effective. Action would be taken along several lines.

Firstly, through the approval and enforcement of the necessary Community Directives, the objective of a single financial area in which all monetary and financial instruments circulate freely and banking, securities and insurance services are offered uniformly throughout the area would be fully implemented.

Secondly, it would be important to include all Community currencies in the EMS exchange rate mechanism. The same rules would apply to all the participants in the exchange rate mechanism.

Thirdly, all impediments to the private use of the ECU would be removed.

Fourthly, the 1964 Council Decision defining the mandate of the Committee of Central Bank Governors would be replaced by a new Decision. According to this Decision, the Committee of Central Bank Governors should:

— formulate opinions on the overall orientation of monetary exchange rate policy, as well as on measures taken in these fields by individual countries. In particular, the Committee would normally be consulted in advance of national decisions on the course of monetary policy, such as the setting of annual domestic monetary and credit targets;

— express opinions to individual governments and the Council of Minister on policies that could affect the internal and external monetary situation in the Community, especially the functioning of the EMS. The outcome of the Committee's deliberations could be made public by the Chairman of the Committee;

— submit an annual report on its activities and on the monetary situation of the Community to the European Parliament and the European Council.

The Committee could express majority opinions, although at this stage they would not be binding. In order to make its policy coordination

function more effective, the Committee would set up three sub-committees, with a greater research and advisory role than those existing hitherto, and provide them with a permanent research staff:
— a monetary policy committee would define common surveillance indicators, propose harmonised objectives and instruments and help to gradually bring about a change from *ex post* analysis to an *ex ante* approach to monetary policy cooperation;
— a foreign exchange policy committee would monitor and analyse exchange market developments and assist in the search for effective intervention strategies;
— an advisory committee would hold regular consultations on matters of common interest in the field of banking supervision policy..."

Stages two and three

The "second stage could only begin when the new Treaty had come into force. In this stage, the basic organs and structure of the economic and monetary union would be set up, involving both the revision of existing institutions and the establishment of new ones. The institutional framework would gradually take over operational functions, serve as the centre for monitoring and analysing macroeconomic developments and promote a process of common decision-making, with certain operational decisions taken by a majority vote. Stage two must be seen as a period of transition to the final stage and would thus primarily constitute a training process leading to collective decision-making, while ultimate responsibility for policy decisions would remain at this stage with national authorities. The precise operating procedures to be applied in stage two would be developed in the light of the prevailing economic conditions and the experience gained...

The most important feature at this stage would be that the European System of Central Banks would be set up and would absorb the previously existing monetary arrangements (the EMCF, the Committee of Central Bank Governors, the sub-committees for monetary policy analysis, foreign exchange policy and banking supervision, and the permanent secretariat). The functions of the ESCB in the formulation and operation of a common monetary policy would gradually evolve as experience was gained... Exchange rate realignments would not be excluded as an instrument of adjustment, but there would be an understanding that they would be made only in exceptional circumstandes.

The key task for the European System of Central Banks during this stage would be to begin the transition from the coordination of independent national monetary policies by the Committee of Central Bank Governors in stage one to the formulation and implementation of a common monetary policy by the ESCB itself scheduled to take place in the final stage.

The fundamental difficulty inherent in this transition would lie in the organisation of a gradual transfer of decision-making power from national authorities to a Community institution. At this juncture, the Committee does not consider it possible to propose a detailed blueprint for accomplishing this transition, as this would depend on the effectiveness of the policy coordination achieved during the first stage, on the provisions of the Treaty, and on decisions to be taken by the new institutions. Account would also have to be taken of the continued impact of financial innovation on monetary control techniques (which are at present undergoing radical changes in most industrial countries), of the degree of integration reached in European financial markets, of the constellation of financial and banking centres in Europe and of the development of the private, and in particular banking, use of the ECU.

The transition that characterises this second stage would involve a certain number of actions. For instance, general monetary orientations would be set for the Community as a whole, with an understanding that national monetary policy would be executed in accordance with these global guidelines. Moreover, while the ultimate responsibility for monetary policy decisions would remain with the national authorities, the operational framework necessary for deciding and implementing a common monetary policy would be created and experimented with.

Also, a certain amount of exchange reserves would be pooled and would be used to conduct exchange market interventions in accordance with guidelines established by the ESCB Council. Finally, regulatory functions would be exercised by the ESCB in the monetary and banking field in order to achieve a minimum harmonisation of provisions (such as reserve requirements or payment arrangements) necessary for the future conduct of a common monetary policy.

As circumstances permitted and in the light of progress made in the process of economic convergence, the margins of fluctuation within the exchange rate mechanism would be narrowed as a move towards the final stage of the monetary union in which they would be reduced to zero...

The final stage would commence with the move to irrevocably locked exchange rates and the attribution to the Community institutions of the full monetary and economic competences described (above)..., with the ESCB assuming all its responsibilities as foreseen in the Treaty...

In particular:
— concurrently with the announcement of the irrevocable fixing of parities between the Community currencies, the responsibility for the formulation and implementation of monetary policy in the Community would be transferred to the ESCB, with its Council and Board exercising their statutory functions;
— decisions on exchange market interventions in third currencies would be made on the sole responsibility of the ESCB Council in accordance with Community exchange rate policy; the execution of intervention would be entrusted either to national central banks or to the European System of Central Banks;
— official reserves would be pooled and managed by the ESCB;
— preparations of a technical or regulatory nature would be made for the transition to a single Community currency.

The change-over to the single currency, replacing the national currencies, would take place during this stage. ○

Reviewing aid to the Latin American and Asian LLDCs

Latin America and Asia rarely receive close attention in the pages of *The Courier,* simply because they are not the central focus of the Community's development cooperation policy. This is not to say, however, that there are no cooperation links with the rest of the developing world — there are, and have been, for more than a decade.

It was in 1974 that the Community first recognised the need to extend financial and technical aid to the developing countries of Latin America and Asia (LAA). Following on from a first generation of trade agreements, the Community negotiated cooperation agreements with certain LAA countries in the late 1970s and now cooperation, in one form or another, is extended to 41 countries in the two continents, countries which differ as widely in their political and economic structure as in their level of development.

Earlier this year a report [1] was drawn up of the Community's 13-year experience of cooperation with the LAA states, and the following is a summary of the findings of that report, including the lessons to be learned from that experience.

The cooperation policy discussed in the report covers Latin American and Asian countries with a total population of 3 400 million, of which by far the most populous are India and China. Not only do the countries vary culturally, climatically and geographically, they also range, in terms of state of development (judged principally by per capita income), from the least advanced (LLDC), with an average annual per capita income of around US $ 250, through lower and upper middle-income countries, to newly industrialised economies (NIEs) such as Hong Kong and Singapore, with average p.c. incomes of US $ 3 500 p.a.

Danish Red Cross

Distributing relief goods following typhoon Unsang (Philippines). Humanitarian aid is one of the three broad categories of EEC aid to the developing countries of Latin America and Asia

Types of aid

The report does not deal with the Community's commercial policy with regard to these states (which, broadly speaking, is relatively open, particularly as regards manufactures), but only with cooperation and development aid. This divides into three broad categories.

The first is *humanitarian aid* — medical equipment for Cambodian refugees on the Thai border, for example, or tents for those left homeless by the eruption of a volcano in Colombia. It also includes emergency food aid, aid for reconstruction and aid to combat drug abuse.

The second category is *development aid.* Examples of this type of assistance are investment in a cotton growing project in Bangladesh, and aid to an integrated rural development programme in Costa Rica — programmes, in short, which aim at speeding up the rate of development through the transfer of capital or knowhow. In practice this type of cooperation is reserved for the poorest of the LAA countries, and it includes, in addition to financial and technical cooperation the so-called "ordinary" food aid, a form of STABEX (the stabilisation of export earnings scheme applied to agricultural products from the ACP countries), and the co-financing of micro-projects with non-governmental organisations.

Thirdly, there is *economic cooperation,* which aims to transfer European technology and knowhow to the various economic and social sectors of the countries concerned, in a spirit of reciprocal interest in the medium and long term.

Over the years 1976-88 the total volume of Community aid to Latin America and Asia amounted to some ECU 4 409 million, with the vast bulk of the funds (ECU 3 972) going in the form of *development aid* (as defined above) to the poorest countries. Allocations are included in the general budget of the European Communities and commitments last year totalled ECU 208 m.

Financial and technical cooperation

Financial and technical cooperation, which represented half the development aid to the countries of Latin America and Asia (as well as to those sub-Saharan African States which were not yet signatories to the Lomé Convention), was concentrated on the rural sector and in particular on support to policies designed to improve the food balances of the LLDCs. Ordinary food aid, represented 45 % of the LAA development budget, and was either supplied directly to the beneficiary government and sold locally (with appropriate care taken not to disrupt domestic food production or distribution), or handed over to the World Food Programme. The main recipients of such aid, over the years, have been Bangladesh—still a long way off achieving food self-sufficiency—and Sri Lanka. NGO co-financing represented only a small percentage of the development aid

(1) "Thirteen years of Development Cooperation with the developing countries of Latin America and Asia" (Commission of the European Communities, 10.5.89).

allocations (4%), but the modest figures belie the real impact of this form of assistance: NGO-channelled aid goes to microprojects, which tend to be well integrated in the social structures of the beneficiary countries and therefore less prone to failure.

No precise rules govern the geographical distribution of this aid, but a reasonable balance is maintained between the regions. Since 1984, when the last sub-Saharan African countries joined the Lomé Convention, the rough breakdown has been 75% to Asia and 25% to Latin America — the 5% African allocation having been transferred to the latter to reflect the Community's commitment to increase its aid to Central America.

Economic cooperation

Economic cooperation over the years under review has mobilised ECU 178 m, 66% of which to Asia and 34% to Latin America. Practically speaking it became effective only in 1980. Its aim, as indicated, is to create a common network within which trade between the Community and the developing countries can emerge and develop, particularly in the private sector. It is *the* form of cooperation with the relatively advanced developing countries—those which have already reached the threshold of industrialisation—and it takes the form of training, scientific and technical cooperation, trade promotion, industrial promotion and investment, energy cooperation and regional integration (see table above for breakdown by form of aid).

Economic cooperation with the developing countries of Latin America and Asia for 1976-88, by instrument
(in millions of ECU)

Instrument	Asia	Latin America	Total
1. Training	18.46	8.75	27.21
2. Scientific and technical cooperation	15.03	11.85	26.88
3. Trade promotion	40.12	16.90	57.02
4. Industrial promotion and investments, including back-up schemes	14.23	4.89	19.12
5. Energy cooperation	21.05	15.04	36.09
6. Ecology	0.08	1.08	1.16
7. Support for regional integration	3.43	0.35	3.78
Total	112.40	58.86	171.26

Low volume balanced by high quality

In global terms, the amount of aid supplied by the Community—given the wide geographical spread—has obviously been small, and the report admits that its impact on the whole development policy of the countries and sectors concerned has been limited accordingly. It adds, however, that the quality of the aid (entirely in grant form) and the choice of schemes (often ill-served by aid from other sources) has to some extent compensated for its lack of volume.

What conclusions are to be drawn from this summary of 13 years of cooperation? Overall, the report maintains, the record is positive, and for three main reasons. "Firstly", it states, "the Community has been able to extend its cooperation to all the developing countries of the world, going beyond its privileged relations with the developing countries of Africa and the Mediterranean". Secondly, development aid, as represented by financial and technical cooperation, together with food aid implemented directly by the Commission, has responded to the obvious needs of the LLDCs of Latin America and Asia, and to the neediest of their populations in particular. And thirdly, Community aid has been implemented effectively overall, despite a difficult start-up period attributable to the Community's and the recipients' mutual lack of experience of each other.

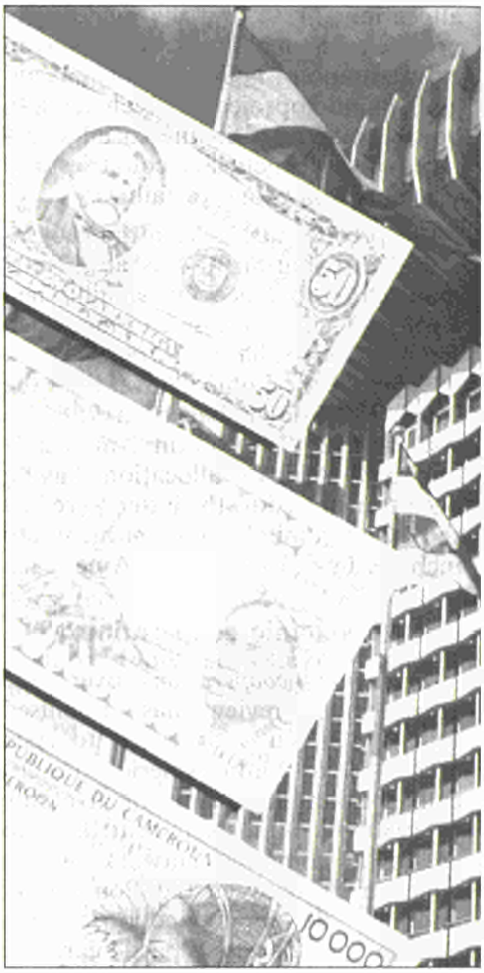
Shortcomings in the system are apparent, however, and the report points to four principal improvements to be made. The first and main weakness lies in the time taken to disburse the allocations committed in the framework of financial and technical cooperation. Astonishing though it may seem, the average project or programme is only completed six or eight years after the resources are committed, meaning that their economic and financial effect is very considerably diminished. The report offers no magic solution to the problem—indeed it recognises that "sudden change is out of the question"—but instead suggests that the percentage of schemes involving faster payment should be stepped up to make for greater impact. A second suggestion for improvement involves the better integration of the various instruments of Community cooperation, both financial and technical. Closer ties between financial cooperation and food aid are, in fact, already under way, but improvements could be made in integrating other forms of aid, including the Stabex system for non-ACP LLDCs. So, too, the report suggests, could there be better coordination with the Member States and/or with other multilateral agencies. Finally, the limited impact of the Community's cooperation, given its modest budget, is a recognised weakness and the report recommends, naturally enough, an increase in the overall level of financial and economic cooperation with the countries of the two continents.

A call for reflection

What of the future outlook? The report does not in fact speculate, but it recognises that attitudes to development, forms of aid and the economic situation of the developing countries have all evolved since the question of cooperation with the LAAs was first mooted, and that further changes within the Community itself (the advent of the Single Market, for example) would alter the picture again. And it ends with a call for reflection, alongside the thinking on the new ACP-EEC Convention, on the ways of reinforcing the Community's presence in those parts of the developing world with which its relations have been less structured, and for the fruit of that reflection to be put before the European Parliament and the Council before the end of this year. ○ M.v.d.V.

CURRENCY AND BANKING

Are monetary power and a banking system essential to the development of the Third World?



We now know that, although technology is essential to the development of the developing nations, it is not the whole story. And the same goes for financial resources, for the power to create a currency. Monetary sovereignty is worth having only if one wishes to clip the coinage. It doesn't open the door to progress by itself. So the idea that the sovereign power to issue a currency will bring development and power in its wake is mistaking the sign for the real thing — typical of the approach of almost all the ACP States, of those with national currencies, those in monetary alliances with the former colonial power and those which have just adopted the currency of their main trading partner as the national means of payment.

The reality of the economic situation is constantly changing. It has become increasingly complex as the gap between the developing and the industrialised countries has widened. But both sides are in the same international trading system governed by a commonly recognised monetary system, the Bretton Woods system, based on fixed, yet adjustable, parities, which worked well for over 20 years before it gave way in 1973 to a system of floating currencies. Like the gold standard of the time, "the floating standard" of today is not regular in that it does not function uniformly for all countries, in spite of the fact that the pattern of the machinery is universal.

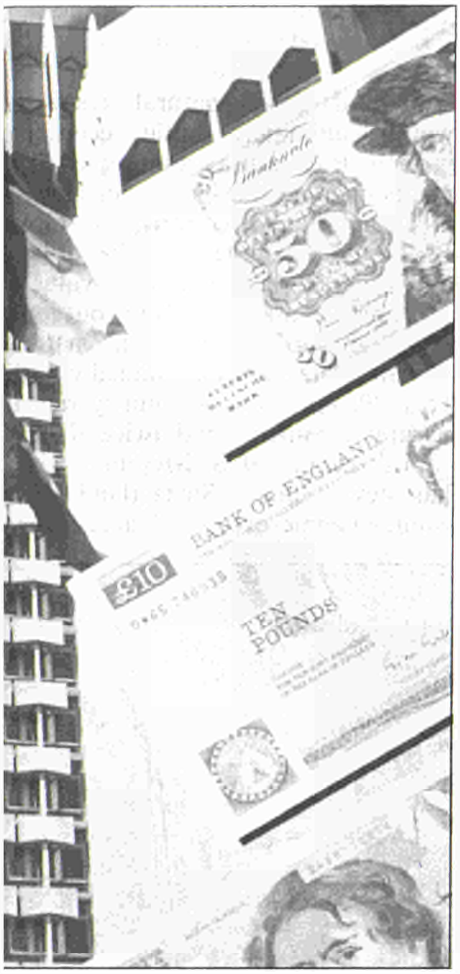
It is in this context of extreme instability of the international monetary and banking system that the developing countries have to undertake their process of economic development.

The question is what part monetary policy should play in the search for the better economic balance that will ensure normal development for the Third World. This is not the place to answer such a highly political and technical question. However, one or two remarks are in order.

First of all, the countries of the Third World are not involved in working out or implementing the international monetary decisions which to a very large extent determine the way their economies develop. Secondly, it is technically, economically and politically impossible for the developing countries at this moment to abstract themselves from the organisation and operation of the international economy which is less favourable to them. So, roughly speaking, one can expect two things to happen. On the one hand, the developed countries may at last react as they did with the Bretton Woods Agreements just after the Second World War and find a new monetary system which penalises the developing countries less. This, however, seems unlikely in the foreseeable future, unless there is an unexpected change on the political front between the major international powers which have backed an economic confrontation with monetary war. On the other hand, one would hope for the developing countries themselves to react and overcome a situation that is increasingly serious for many of them because of the worsening debt and inflation which could lead some of them to total insolvency and bankruptcy.

But if such a solution came from the developing countries, there would have to be what could be an agonising political reappraisal and a profound change in outlook to go for management first and consumption only afterwards. In most cases, the main monetary, financial and banking problem in the Third World lies in the fact that the developing countries' assets held by foreigners exceed the foreign assets held by the developing countries—which means greater attraction for the developed countries as havens and for investors—who expect higher returns on their investments and better security than they could get in their countries of origin. It is a question of economic and financial management. There has been a lot of discussion on the subject over the past few years, particularly in the developed world (see the still-up-to-date analysis which Michel Rocard made 15 years ago).

The Courier dossier poses the problem of monetary power and banking in the economic development of the ACP States. We are printing a series of articles describing and analysing the monetary, financial and banking situation in most of the ACP States, with the idea of generating fresh reflection in these countries on the role, structures and operation of their monetary and banking systems in their economic and social development policies. This seems all the more



/ital now that economic crisis and lebt have turned many an ACP cur- ency into "Monopoly money" and rought major banking establish- nents to the brink of ruin, forcing the uthorities to undertake what is often ainful reorganisation — as happened vith the Union Sénégalaise de Banque in Senegal and the Société Camerounaise de Banque in Came- oon.

Just as they need political institu- ions, tailored to their specific circum- tances, countries must now have the nonetary, financial and banking insti- utions tailored to meet their eco- omic objectives. This is perhaps one f the main aspects of development olicy for ACPs and industrialised ations alike, regardless of whether he monetary institutions are autono- nous or international.

And in the ACP States, it certainly neans that the Governments have to tart by seeking to win international onfidence through the confidence of heir populations — not the other way ound. ○

LUCIEN PAGNI

Michel Rocard, 15 years ago...

While Michel Rocard was his party's spokesman on economic and financial affairs in 1975 [1], The Courier *put to him the following question: "Does the proposition of President (of the Council) Pierre Mendès France to make primary commodities a monetary standard like gold, sterling or the dollar seem to you to be technically feasible and an advantage to countries which depend on the exports of primary commodities?" Here is the reply of the man who has been France's Prime Minister since 1988.*

"Without going into technicalities about the issue of money, and the metals or materials which may be its guarantee, there is the fundamental fact that the right to issue it is a source of power, and this power is political. Even if the proposal you mention is technically advisable, it would amount to each country giving up its monetary powers to international machinery which would either be automatic or under the control and supervision of a collective supranational authority under which decisions would be very difficult. I do not think it politically possible to force this on anybody. Secondly, money is itself no mere screen, because monetary phenomena have their effects on physical phenomena; but the strength of a currency nevertheless is that it is the counterpart of real production. This can be clearly seen in the case of the dollar. Its marginal value has been diminishing; but the fact remains that people are willing to accept it because of the great productivity of the American economy. For my part, I do not think, in the light of economic theory, that it would be reasonable to suppose that the control and value of this currency and the underlying productivity must necessarily be connected by some form of merchandise which serves as a guarantee. Theoretically this is highly disputable, but I do not think it matters much.

I believe the only way of getting out of the mess is to organise areas of economic interdependence, on the basis of bilateral and multilateral contractual agreements, collectively setting up areas of comparative economic autonomy. In this case there would be successive steps in the ladder of international payment, first on a regional basis, then at continental and at world level, where finally only the carry-over between the groups would have to be settled. So long as each of the 40 or so African countries [2] is energetically protecting its own balance of payments, not much can be done. If, on the other hand, the individual countries are organised group by group, the position would be different. One would have to be careful to make up complementary groups, because it would be necessary to avoid having the same dependences and surpluses; but countries thus organised would be building up some form of local monetary collectivity, which would absorb perhaps a third or half the local balances. They would thus successfully minimise their dependence on major movements of world speculation, which are really the ultimate problem. For each of the countries the settlement to be made on the world scale would be comparatively small and this would it itself promote confidence. The developed countries would, I believe — feel bound to increase the trade they organise under long-term contracts, including that with the Third World. This would help to iron out price fluctuations and provide a comparatively steady basis for forecasting the payment compensations and the comparatively small resultant balances." ○

Interview by L.P.

(1) See The Courier no. 33, Sept-Oct 1975; (ed.)

(2) Now 45.

Why does finance matter?[1]

Financial systems provide payment services. They mobilise savings and allocate credit. And they limit, price, pool and trade the risks resulting from these activities. These diverse services are used in varying combinations by households, businesses, and governments and are rendered through an array of instruments (currency, cheques, credit cards, bonds, and stocks) and institutions (banks, credit unions, insurance companies, pawnbrokers, and stockbrokers). A financial system's contribution to the economy depends upon the quantity and quality of its services and the efficiency with which it provides them.

Financial services make it cheaper and less risky to trade goods and services and to borrow and lend. Without them an economy would be confined to self-sufficiency or barter, which would inhibit the specialisation in production upon which modern economies depend. Separating the timing of consumption from production would be possible only by first storing goods. The size of producing units would be limited by the producers' own capacity to save. Incomes would be lower, and complex industrial economies would not exist.

Finance is the key to investment and hence to growth. Providing saved resources to others with more productive uses for them raises the income of saver and borrower alike. Without an efficient financial system, however, lending can be both costly and risky. Self-financed investment is one way to overcome these difficulties, but profitable investment opportunities may exceed the resources of the individual enterprise. Investment by the public sector is another answer; in this case additional savings are mobilised through the tax system. But excessive centralisation brings its own difficulties, especially in gathering the information needed to make sound investments. Efficiency therefore requires a balance among internally generated resources, centrally organised saving and investment, and market-based financial arrangements.

(1) *Source:* World Bank Report, July 1989, Washington.

Market-based arrangements are voluntary. As such they are driven by the desire for profit, tempered by concerns about risk. Competition ensures that transaction costs are held down, that risk is allocated to those most willing to bear it, and that investment is undertaken by those with the most promising opportunities.

Such arrangements may take many forms but tend to mirror an economy's complexity and political orientation. Informal finance, such as loans within families and between friends or from pawnbrokers and moneylenders, is still important in many countries. But as economies grow, these arrangements need to be augmented by the services that only formal institutions—commercial banks, collective investment institutions, and capital markets—can supply. For example, by transforming the size and maturity of financial assets, formal institutions can mediate between the many small depositors who prefer liquid assets and the few large borrowers who need long-term loans to finance investment. They can provide other useful services too: insurance, hedging (using options and futures contracts), and so on. In a diversified market-based system, governments retain a key role as prudential regulators, because experience has shown that financial markets—essential though they are—can be prone to instability and vulnerable to fraud.

Finance and growth

Malthus predicted that growing populations and fixed amounts of land and other natural resources would ultimately stifle economic growth. But natural resource endowments have declined in importance in most high-income countries. In Great Britain, for example, the value of land and minerals was 60% of the value of all tangible assets in 1688 but only 15% in 1977. In fact, natural resources have not determined wealth. In 1870, Australia, a country rich in natural resources, had twice the per capita income of Switzerland, which has few; today Switzerland's per capita income exceeds Australia's by more than half. During the past three decades Hong Kong, Japan, the Republic of Korea, and Singapore have had among the world's highest per capita income growth rates despite their relatively poor resource endowments. Resource-rich Argentina has hardly grown at all.

The biggest difference between rich and poor is the efficiency with which they have used their resources. The financial system's contribution to growth lies precisely in its ability to increase efficiency.

Finance and trade

The financial system makes its biggest contribution to growth by providing a medium of exchange. In a barter economy, trade requires a "mutual coincidence of wants." It is therefore limited by the costly search for trading partners. Specialisation is discouraged in economies with no medium of exchange, so their productivity is low. Money facilitates specialisation by reducing trading costs and linking different markets. The adoption of a standard unit of account serves the same goal (see Box).

Historically, economies moved first from basic self-sufficiency to barter trade and then to trade against commonly accepted commodities such as gold. Maintaining inventories of commodity money was costly, and the safekeepers of gold and other commodity monies soon learned the advantages of allowing the direct exchange of deposit certificates. Such economising on the use of commodity money gave birth to deposit money and banking. The continuing search for cheaper means of payment led to paper money, credit cards, and electronic transfers.

Most developing countries have a widely accepted medium of exchange, although they will need more advanced payment systems as their economies become larger and more complex. But, some countries, particularly in Latin America, have failed to provide a currency with a stable value. In inflationary economies local currency becomes less acceptable as a medium of exchange. Inflation also undercuts money's use as a unit of account: it makes financial contracts riskier, reduces the information imparted by relative prices, and distorts the allocation of resources.

Life without money

"Some years since, Mademoiselle Zelie, a singer ... gave a concert in the Society Islands ... in exchange for a third part of the receipts. When counted, her share was found to consist of three pigs, twenty-three turkeys, forty-four chickens, five thousand cocoa nuts, besides considerable quantities of bananas, lemons and oranges ... as Mademoiselle could not consume any considerable portion of the receipts herself, it became necessary in the meantime to feed the pigs and poultry with the fruit."

W.S. Jevons
Money and the Mechanism of Exchange
(Jevons 1898, p. 1)

Even in modern economies many transactions do not involve money. For example, barter is used to escape taxation and regulation. In developing countries most exchanges within extended families are handled without cash. (...)

The economy of ancient Egypt operated for 2 000 years before the invention of money (although precious metals served as a medium of exchange for some transactions). Even after several surrounding states adopted coinage, the government of Egypt opposed the use of money. (...)

Nonmonetary transactions tend to be aspects of a longstanding social compact, whose individual parts cannot be valued separately.

Finance and saving

Saving determines the rate at which productive capacity, and hence income, can grow. On average, the more rapidly growing developing countries have had higher saving rates than the slower-growing countries (see Table 1). These rates are influenced by many factors. In analysing them it is useful to distinguish between the flow of "saving" and the stock of "savings". In this article, "saving" will always refer to the flow of real resources that are not consumed in the period under study and that are therefore available for investment. "Savings" will refer to the stock of accumulated saving, or wealth. An increase in the stock of financial assets will be called "financial deepening".

Many factors affect the saving rate: the rate of income growth, the age composition of the population, and attitudes toward thrift. The services provided by government, such as social security, can affect saving, as can taxes and government deficits. Macroeconomic and political stability affect expectations and thus affect saving. Whether financial variables affect the saving rate is still an open question.

Liquidity and ease of access may make financial instruments a more attractive home for savings. And financial services may encourage saving if they raise the net returns. Higher interest rates raise the return, but they can also enable savers to achieve a target stock of financial wealth with a lower saving rate. The effect of higher interest rates is therefore ambiguous. Empirical estimates range from a large positive effect to no effect at all.

Although interest rates have an uncertain effect on the amount people save, their effect on the form in which people save is clear. High interest rates favour financial over nonfinancial forms of saving. A recent study using 1985 data for 81 developing economies found that the ratio of liquid liabilities to GNP (a measure of financial depth) rose by 0.75 percentage points in response to a 1 percentage point increase in the nominal interest rate paid on deposits. However, the ratio fell by 1.7 percentage points in response to a 1 percentage point increase in the rate of inflation. (This asymmetry may reflect the fact that some liquid liabilities—currency, for example—pay no interest and thus cannot fully compensate savers for inflation. It may also reflect a risk premium that rises with the inflation rate.) Overall, higher real interest rates are likely to lead to financial deepening as savers switch some of their saving from real to financial assets and from foreign to domestic assets. Conversely, the negative real interest rates that many countries saw during the 1970s discouraged the holding of financial assets.

Governments can influence financial saving in other ways, too. By imposing direct taxes on banks, by requiring banks to hold noninterest-bearing reserves at the central bank, or by forcing banks to invest in low-interest government bonds, they reduce the return on bank deposits. Historically, governments raised finance by debasing commodity money. Today they do the same by granting themselves a monopoly in the creation of currency. The rent earned from this monopoly is called seigniorage. The more governments rely on it for revenue, the less savers are inclined to hold their wealth in financial form. As discussed in the next section, the amount saved in financial form affects the productivity of investment.

Finance and investment

The financial system intermediates only part of a country's total investment, because firms and households finance much of their investment directly out of their own saving. Only when investment exceeds saving is it necessary to borrow, just as when saving exceeds investment it is necessary to lend. The financial system's task is to move excess saving from economic units in surplus to those in deficit.

The figure overleaf shows the average saving and investment rates for 14 developing countries. Households saved 12.9% of GNP and invested 6%; that left them with a surplus of 6.9% of GNP. Businesses saved 8.6% of GNP and invested 15.6%; that left them with a deficit of 7% of GNP. The foreign sector was a net lender and the government a net borrower. The financial sector is the channel for all these flows. Note that the country-by-country sectoral balances which underlie these averages vary widely. Table 2 shows the balances for each of the countries that are aggregated in Figure 1. The surplus of the household sector, for instance, ranges from Côte d'Ivoire's 1.5% (in 1971-78) to Malaysia's 16.8% (in 1980-86).

Taking the 14 countries together, Table 2 shows that businesses financed 55% of their investment from their own saving (in the form of depreciation allowances and retained earnings). Governments financed 72% of their investment from their saving (that is, from the excess of taxes and other income over consumption spending plus transfers). And households as a group financed all of their investment from their saving. Altogether, roughly half of all investment was self-financed.

An advantage of self-finance is that, in combining the acts of saving and investing, it internalises all the information, transaction, monitoring, and enforcement costs that would be involved if the resources were lent to someone else. No complex contracts, collateral, or other devices are required to reduce the risks inherent in lending. The shortcoming of self-finance is that an individual's investment opportunities may not match his or her resources or may be inefficiently limited by them.

Table 1 : Saving and growth in developing countries, 1965 to 1987

Country group by GDP growth rate	Gross national savings/GDP	Gross invest-ment/GDP	Change in GDP/invest-ment	M2/GDP
High growth (over 7%)				
Seven countries	28.0	28.6	26.3	43.0 (1)
Excluding China	23.2	26.7	33.1	. .
Medium growth (3-7%)				
Fifty-one countries	18.5	22.6	23.6	31.2
Low growth (less than 3%)				
Twenty-two countries	19.0	19.0	10.1	23.8

Note : Data are weighted averages times 100 and are based on a sample of 80 developing countries. M2 is currency in circulation plus demand, time, and savings deposits at banks. Investment is gross domestic investment.
(1) Because of lack of data, average is for 1977-87 only.
Source : IMF, *International Financial Statistics*, and World Bank data.

Even though the financial system intermediates only part of total investable resources, it plays a vital role in allocating saving. In the early stages of development, relatives, friends, and moneylenders may be the only sources of external finance. As the financial system grows, local banks, then national financial institutions, and finally securities markets and foreign banks become sources of funds for investors. Smoothly functioning financial systems lower the cost of transferring resources from savers to borrowers, which raises the rate paid to savers and lowers the cost to borrowers. The ability of borrowers and lenders to compare interest rates across markets improves the allocation of resources.

Historically, the quality of investment has been at least as important for growth as the quantity. Although the fastest-growing countries had higher rates of investment than the others in Table 2, empirical studies generally find that less than half the growth in output is attributable to increases in labour and capital. Higher productivity explains the rest. Higher labour productivity reflects better health, skills, education, and work effort; higher capital productivity reflects technical progress and the more efficient use of saving.

As more saving moves through the financial system, financial depth increases. The financial systems of higher-income countries are usually deeper (as measured by the ratio of liquid liabilities to GNP) than those in poorer ones (...)

The growth rates of the countries with positive real interest rates were considerably higher on average than those of the others. As the world economy adjusted to the first oil price shock of the early 1970s, productivity and growth fell nearly everywhere. But the fall was much greater in the countries with negative real interest rates.

After analysing in another section the risks and costs of finance as well as transaction costs, this is how the World Bank report sees government intervention in financial services.

Government intervention

Governments intervene in the provision of financial services for many reasons. Historically, they have controlled the means of payment, both to guarantee its soundness and to collect seigniorage. More recently, governments have tried to use their control of money creation to influence the level of economic activity and their control of the allocation and pricing of credit to influence the composition of investment. They have also intervened to ensure that financial intermediaries behave prudently.

Fractional reserve banking systems (in which banks hold only partial reserves against liabilities and lend out the rest of their deposits) have suffered from occasional instability, excessive risk taking, and fraud. The liabilities issued by banks in response to the demands of depositors are short-term, highly liquid, and supposedly low-risk. Loans, by contrast, are usually longer-term, less liquid, and riskier. This difference is one reason banks charge borrowers more than they pay depositors. But because banks are so highly leveraged, relatively small losses on loans can leave them unable to honour their liabilities. When the public suspects that a bank is insolvent, the result is often a run on the bank, which sometimes spreads to other, solvent, banks. The drain of bank reserves causes a multiple contraction in bank credit. When runs become widespread, as they occasionally did in the nineteenth and early twentieth centuries, financial panic can trigger a collapse of the credit-payment process and a sharp recession.

Governments have devised ways of dealing with bank runs. When they occurred, central banks—acting as lenders of last resort—provided liquidity by rediscounting sound loans. In several high-income countries the government provided deposit insurance. By guaranteeing the value and liquidity of deposits up to a certain size, deposit insurance was designed to prevent runs from starting. The lender-of-last-resort facility was designed to prevent them from spreading.

Although prudential regulation has a different rationale than economic regulation aimed at altering the allocation of resources, it too affects the structure and efficiency of the financial sector. For example, many governments have honoured the liabilities of insolvent financial institutions even when there was no formal insurance. Government guarantees and lender-of-last-resort facilities, however, changed the behaviour of both depositors and bankers. Depositors and other buyers of bank liabilities that were either explicitly or implicitly insured no longer had to monitor banks to protect the value of their deposits. Bankers no longer had to worry about runs, so they could make riskier loans. Governments therefore had to regulate and supervise the system. (...) ○

Table 2: Average sectoral surpluses in 14 developing countries, selected years
(percentage of GNP)

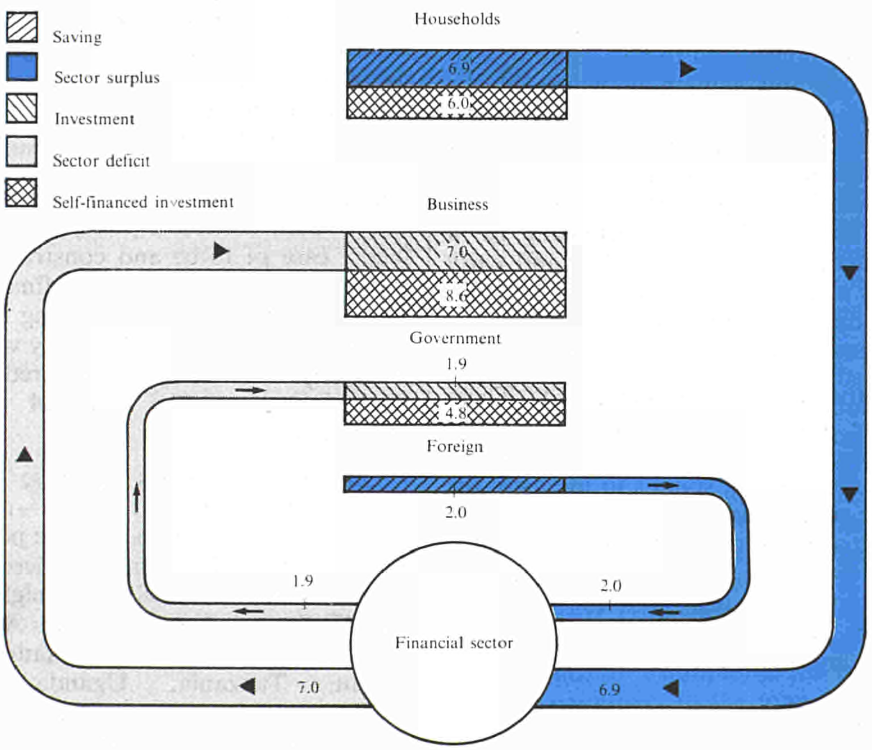
Country and period	Households	Business	Government	Foreign
Cameroon, 1980-84	4.0	− 9.4	2.7	2.8
China, 1982-86	7.0	− 8.1	0.3	0.8
Colombia, 1970-86	3.5	− 4.6	− 0.2	1.3
Côte d'Ivoire, 1971-78	1.5	− 7.7	1.3	4.4
Ecuador, 1980-85	5.1	− 6.8	− 2.5	5.0
India, 1970-82	5.5	− 1.2	− 5.5	1.1
Korea, Rep. of, 1980-85	7.0	−13.4	1.1	5.2
Malaysia, 1980, 1985-86	16.8	− 7.2	−12.2	1.7
Philippines, 1983-85	9.1	− 7.0	− 3.6	2.9
Portugal, 1977-79, 1981	14.3	−16.1	− 7.3	7.6
Thailand, 1981-83	6.8	− 6.5	− 4.3	5.7
Tunisia, 1977, 1980-84	2.1	−13.7	2.5	9.1
Turkey, 1971-81	7.7	−11.0	− 0.9	3.2
Yugoslavia, 1970-85	7.0	− 8.2	0.7	1.2
Average (weighted)	6.9	− 7.0	− 1.9	2.0
Self-financing ratio (1)	215	55	72	—

Note: Sectoral surpluses may not sum to zero where figures have been derived from independent sources.

(1) A self-financing ratio is a sector's saving divided by its investment, expressed as a percentage. This ratio overstates true self-financing to the extent that there is intrasectoral borrowing or lending. Data are derived from the weighted sectoral saving and investment averages shown in Figure 2.1.

Source: Honahan and Atiyas (background paper).

Figure: Average saving and investment rates and sectoral surpluses and deficits for 14 developing countries
(% of GNP)



Note: Data are based on the sample of fourteen developing countries listed in table 2.
Source: Honahan and Atiyas (background paper).

Exchange policy in development
– The case of Africa –

by Pierre JACQUEMOT (*)

The place occupied by exchange policy in the debate on adjustment and the developing countries' prospects of emerging from the crisis are such that an analysis of the various repercussions of currency devaluation is called for. For ten years now, devaluation in the countries of sub-Saharan Africa has been one of the cornerstones of economic and financial recovery and, in the countries in the franc zone, the problem of the parity of the CFAF has come up regularly. An analysis of the experience of 16 countries of sub-Saharan Africa and the Indian Ocean is the basis for our study of the effects that this policy has on external trade, production, and income (1).

Exchange policies in Africa

Overvaluation of a currency is usually considered to be a hindrance to exports and something which blocks economic growth, since it perpetuates an artificial situation in which the least profitable domestic activities are protected. Many specialists see the overvaluation of African currencies as a recurring theme of the '70s and early '80s and the World Bank has said that the devaluation of African currencies is a matter of increasing urgency.

How can this be explained? There have been monetary and budgetary policies in the past which were too voluntarist and sought to intensify the rate of production by artificial means and, at the same time, tried to broaden the basis for State intervention. The priority which is given to local industry when import quotas or customs duties are imposed has led to high prices being maintained for locally-manufactured goods. The growth in State spending has also been a constant factor of imbalance of external payments and so of the exchange rate too.

And all the countries have fallen victim to at least one external crisis in their recent history — recurrent drought in 1974-75 and 1979-80 for Gambia, Mauritania, Somalia and Sudan, a sudden end of the sugar boom in 1976 for Mauritius, the end of the coffee boom for Kenya, Madagascar and Tanzania, the tobacco price slump and the collapse of maize production for Malawi in 1979, chaotic fluctuation in cocoa prices, linked to a tendency to overproduce, in Ghana and Nigeria, the oil counter-shock for Nigeria from 1982 onwards and the continuing collapse of copper prices until 1987 for Zaïre and Zambia.

Devaluation is difficult

Devaluation is always unpopular and, in Africa, it has never been announced without strong pressure from outside. Many governments have delayed devaluation as long as possible—in recent times particularly in Guinea, Madagascar, Nigeria and, above all, Tanzania—and, once they ultimately accepted changes in direction of their economic policy, it was in fact a case of force and constraint to get what had become vital financial contributions from the financing institutions which alone held the key which would open the door to new credit or rescheduling of the external debt repayment.

Only four countries—Ghana, Malawi, Mauritania and Zaïre—really went in for devaluation over the period 1973-78, but the number increased between 1978 and 1981, and eight of the 45 States of sub-Saharan Africa (Botswana, Ghana, Kenya, Mauritius, Sudan, Tanzania, Uganda and Zaïre) altered their exchange rates. But this still was not enough. In 1983, the World Bank was still saying that the African Governments were not using devaluation "actively". Instead, it said, they were being influenced by the negative and dogmatic attitude of its detractors and devaluating reactively.

In all the cases under scrutiny, the successive drops in the parity of the currency were preceded by heavy initial devaluation aimed at righting the harmful effects of the previous overvaluation on exports and public finances. A shock effect was previously sought via what might be called a purgative measure aimed at removing the harmful elements which interfered with the functioning of a constantly-overheated economic apparatus and then gradually engaging the national economy in a recovery process and backing up a series of reforms of the fundamental structures.

Table 1: Dates of reparatory devaluations tied to the adjustment process

Burundi:	1983 (23%)
Gambia:	1984 (46%) and 1986 (50%)
Ghana:	1971 (45%) and 1983 (90%)
Guinea:	1985 (92%)
Kenya:	1981 (20%) and 1983 (11%)
Madagascar:	1982 (15%) and 1987 (50%)
Malawi:	prior to 1980, then 1985 and 1986
Mauritius:	1979 (22%) and 1981 (17%)
Mauritania:	prior to 1980 and 1985 (16%)
Nigeria:	1986 (73%)
Somalia:	1982, 1984, 1985, 1986 and 1987
Sudan:	1981 (27%) and 1985 (58.5%)
Tanzania:	1983, 1984 and 1986
Zaïre:	1976 (41.5%), 1979 (34 and 25%) and 1983 (77.5%)
Zambia:	1983 (25%) and 1984 (25%)
Zimbabwe:	1982 (17%) and 1984 (21%)

Once the adjustment process was triggered by the corrective devaluation, exchange policies developed differently. There were three different types of country over the 1980-87 period:

(1) Those which had seen a small, gradual decline in their exchange rates, ostensibly under the control of the national monetary authorities. This group included Burundi, Kenya, Malawi, Mauritius, Mauritania and Zimbabwe. From some points of view, Gambia and Madagascar could also be in this group, given the relative continuity of the decline of the dalasi and the Malagasy franc since 1982.

(2) Countries such as Ghana, Guinea and Nigeria whose currencies have

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(1) This article is based on study which E. Assidon, A. Honvoakanni and the author carried out for the Ministry of Cooperation and Development in 1988.

dropped by more than 80%, but following a single, large (and, in the two latter cases, tardy) devaluation.

(3) Lastly, countries where the trend has been one of sharp bursts over the whole period. Devaluation has happened regularly, starting from the time the adjustment process was introduced, creating a permanent climate of uncertainty and instability for the operators. Sudan, Somalia, Tanzania, Zaïre and Zambia (the kwacha, for example, lost 9/10 of its value between 1981 and 1987) are in this group of countries which have had at least two large devaluations.

Methods of exchange management in Africa

The exchange systems of most of the countries have developed over the years, sometimes very fast. Since 1971, most African countries have preferred to keep their currency tied to a single external currency, with the dollar often replacing sterling in countries outside the franc zone. Some Governments have gradually come round to the idea that their interests would be better served by defining their currency in relation to the SDR or a basket made up of the currencies of their main trading partners. Malawi was the first sub-Saharan country to tie its currency to a basket (sterling and the dollar in November 1973 and then the SDR) and it was followed (1975) by Mauritania (an ad hoc basket) and Guinea, Kenya, Uganda and Tanzania (SDR). The present situation of the African countries is set out in Table 2.

There has been no real attempt at an independent float, other than for a brief period in Nigeria and Tanzania.

Zaïre is a perfect illustration of the drawbacks of some African exchange arrangements. They have often been changes in the light of foreign exchange availability and of the place occupied by the parallel market kept going by fraudulent coffee, diamond and gold exports. Between 1983 and 1986 (October), the interbank market actually functioned, although with considerable intervention by the Central Bank. By the end of 1986, the banking system was only handling an estimated 42% of the nation's export earnings. At the same time, the depletion of foreign exchange reserves was such that the interbank market was paralysed and the Bank of Zaïre had to suspend operations and let the parallel market re-emerge for operators with foreign exchange of their own (particularly the big firms — Gécamines, Sodizima, Miba, etc.). In 1987, the shortage of resources forced the authorities to embark on discretionary allocations of foreign exchange to the banks, indicating who the ultimate recipients should be and laying down the rates.

Table 2: African currency links in 1988
Where countries have adopted double or multiple exchange markets, the system given is that of the main market

French franc	US dollar	SDR	Tailor-made basket	Other currencies
Benin	Djibouti	Burundi	Botswana	Lesotho (rand)
Burkina-Faso	Ethiopia	Guinea	Cape Verde	Swaziland (rand)
Cameroon	Liberia	Guinea-Bissau	Kenya	
Central African Rep.	Sierra Leone	Rwanda	Madagascar	
Chad	Sudan	Seychelles	Malawi	
Comoros	Uganda		Mauritius	
Côte d'Ivoire	Zambia		Mauritania	
Equatorial Guinea			Mozambique	
Gabon			Somalia	
Mali			Tanzania	
Niger			Zimbabwe	
Senegal				
Togo		**No links:**		
		Gambia		
		Ghana		
		Nigeria		
		Zaïre		

Source: IMF: *Exchange Arrangements and Exchange Restriction*, 1988 and *IMF Bulletin*, 5/9/1988.

Parallel exchange markets

Official and parallel markets exist side by side all over Africa, although the importance of each varies. An illicit exchange market may result, for example, from particular features of the way commercial transactions are settled (usually the deliberate reduction of export bills). These markets only really influence the way suppliers and demanders of exchange behave in that enough means of payment flow through them and the rate used on them is known to the operators.

The effects of devaluation on external trade

The modest effect of devaluation on exports. Of all the countries under scrutiny, only Mauritius has any really significant output of manufactures for export. In the main, African exports are represented by a small number of commodities and strong specialisation in primary products is manifest.

Four agricultural products dominate — coffee (Burundi, Kenya, Madagascar and Tanzania), cocoa (Ghana and Nigeria), tobacco (Malawi and Zimbabwe) and sugar (Mauritius)—and three others are in a comparatively modest position—tea (Burundi), cotton (Sudan) and groundnuts (Gambia). Livestock sales are an essential part of exports in two places, Sudan and Somalia.

Three mineral products are to the fore — copper (Zaïre and Zambia), iron ore (Mauritania) and petroleum (Nigeria). Cobalt, gold and diamonds are relatively important additions in one or two countries of the equatorial and southern parts of the continent.

The selling price of these products is directly determined in foreign exchange on the external markets. Devaluation does not have any noticeable effect on the price at which they are sold and does not, therefore, affect external demand. In the short term, external demand for primary products depends more on the economic situation in the industrialised countries which import them or on political decisions (threats of embargo, for example) in the neighbouring countries. In the long term, it is determined by the trends in production techniques (a drop in the consumption of mineral raw materials, for example), the emergence of alternatives (sunflower instead of groundnuts) or substitutes (vanilline instead of natural vanilla) or a change in consumer habits (a move to sweeteners rather than sugar).

Devaluation increases the local currency part of external sales and this increase corresponds to an "exchange premium". But does the volume of exports go up? The already very noticeable drop in many countries' exports between 1970 and 1980 continued into the first half of the present decade in nine of the 16 cases under scrutiny. Our calculations suggest that the elasticity of total exports in relation to the variations in the exchange rates are significant and normal (i.e. positive) over the period 1980-87 in only four countries — Burundi (+2.0), Mauritius (+1.57), Mauritania (+0.81) and Zaïre (+0.19). In the case of Burundi, for example, the effect of a 10% devaluation was a 20% increase in exports.

The exchange market is tightly regulated by the monetary authorities all over Africa. So purchasing power is limited. And there are often constraints (quotas and licences) attached to import programmes as well. Because the product of the export trade has failed to expand continuously, a shortage of foreign exchange has been more or less the norm. Potential demand has always amounted to more than supply (with the notable exception of Mauritius). So the administrative foreign exchange allocation procedures have inevitably had a strong influence on the way the national operators behave. In many cases, public aid, both bilateral and multilateral, has been the only thing to help increase the volume of priority imports. (...)

The effects on domestic production

The rigidity of the reaction of supply to devaluation. The volume of production cannot increase unless the national export and import substitution sectors can win a substantial percentage of the gains of devaluation; and such cases are rare. These conditions may well be necessary, but they are not sufficient. And supply must be in a position to react to price variations and its growth must not generate any additional costs (imported goods above all) which would reduce the benefits of the exchange rate.

The drawbacks of parallel foreign exchange markets

On investigation, the competition from the parallel market tends to be harmful to adjustment, for the following reasons.

1. The privilege of the official market is granted solely to public firms and one or two private exporting companies — which then operate with notoriously under-valued foreign exchange prices, thereby obtaining a subsidy and having a natural tendency to step up their buying abroad rather than obtain their supplies locally and, as a result, failing to encourage the rest of the economy.

2. The other firms, which are forced to operate with the exchange rate of the free or parallel market are the victims of discrimination. The parallel market penalises those industrial firms with the least cash available and compromises their productivity, as they are unable to obtain raw materials or spare parts.

3. A dual consumer price system reflects the dual exchange market — one corresponds to the official exchange rate and is there to supply the public firms and the civil servants and the other is based on free market rates and fixed in the light of the supply of products from the official market which are recycled, at higher prices, on the free market.

4. Lastly, when internal inflation runs into two or even three figures, it may also be behind the illegal holding of foreign exchange, particularly when the exchange rates offered by the banks are lower than inflation — as happened in most countries of Africa between 1980 and 1986.

The Courier

As this noticeboard shows, civil servants and merchants — but particularly civil servants — are favoured clients of African banks

In Africa, adjustment policies always go hand in hand with a change in the customs arrangements, with administrative restrictions being withdrawn and a gradual decline in tariff protection so as to trigger general emulation, particularly in the import sector. The advantage of the protection introduced by devaluation (a rise in the price of imported goods) is then reduced by these liberalisation measures.

The possibilities of supply recovering vary widely from one sector to another.

— In the mining and petroleum sector, costs rise gradually as full production capacity is reached. Zambia is an example of this. The maintenance of average copper tonnages which Zambia Consolidated Copper Mines just managed in the early part of the present decade would call for major spending today until depletion of the accessible, high-grade copper deposits led to a reduction in the profitable production at the world rates predicted for the coming years.

— In the manufacturing sector, spending on imported capital goods tends to be high because there are no local industries or sub-contractors. However, a drop in costs may occur as part of considerable economies of scale, if the external demand is high — which may happen with, say, vehicle assembly plants in Nigeria.

— Lastly, in the agricultural sector, there are at least two conditions to fulfil if the producer is to be encouraged actually to improve his output. First, he has to benefit actually from better nominal income attendant on the variation in the exchange rate and, second, domestic inflation has to be below the rise in the selling price and the actual income he receives indexed to the prices in one way or another. There are a number of barriers here and they are linked, fundamentally, to the fact that, in some African countries with large external debts, the State has always tended to keep a large percentage of the monetary benefits of devaluation. Coffee is a good example of the difference in the way producers are treated. At least four countries are concerned with this product. On investigation, the share of the export price returned to the producer has differed widely in each of them. The relation between the price paid to the producer and the export price in national currency was 27%, on average, in Madagascar (1981-87), 42% in Burundi (1982-88), 58% in Tanzania (1982-86) and 71% in Zimbabwe (1983-86).

Plenty of studies have tried to show the negative effects of an exaggerated exchange rate on the system of agricultural price incentives. The African producer is apparently doubly penalised. He gets less income than he would if the exchange rate were balanced. The price of imported food is low and, at the same time, he is the victim of pernicious competition. These findings about the disadvantages of over-valuation explicitly confirm the validity of the idea whereby agricultural supply always and in every circumstance reacts favourably to a rise in the price paid to the producer. The flexibility of the export supply can be assessed indirectly via an analysis of the relation between the trend in the real price paid to the producer and the trend in agricultural production. Marian E. Bond (in "Agricultural responses to prices in sub-Saharan African countries" — IMF Staff Papers, vol. 30, 1983) tends to think that the elasticity of agricultural supply to price variations in Africa is always positive and is stronger in the long term (0.21 on average) than the short (0.18).

Adjusting up and adjusting down

Devaluation and income dynamics. When faced with strong pressure from the wage earners, the State could often either subsidise imported staple goods to counter the rising prices or partly index civil service wages to inflation. A change has occurred and various factors have apparently militated in favour of an uncoupling of prices and wages since 1983-84. (...)

Wage dynamics are nonetheless difficult to analyse because of the shortage of information and the differences in the wage systems (existence or non-existence of a guaranteed minimum wage, formal wage-earners as percentage of total employment). And adjustment is almost always accompanied by a questioning of the social status of people with fixed jobs and sometimes redundancy measures in the public sector. In spite of the difficulties attached to the measures, plenty of studies have shown that, in the vast majority of cases, wage-earners have had their income uncoupled from the exchange rate and from the inflation which a slide had brought about. Apparently the only case in which actual wages did not slip was Ghana. (...)

Transferring the burden of adjustment

L. Demery and T. Addison are very explicit about spreading the burden of devaluation. Income distribution, they say, has inevitably to change during adjustment. This change is the main incentive when it comes to reallocating resources and, without it, the aims of adjustment will not be achieved. And they give the World Bank's hardest-line position, which is that poverty alleviation schemes must not be a threat to the incentives ("The Alleviation of poverty under structural adjustment", a World Bank publication).

It is very difficult to shed light on the mechanics of distribution, as there are too many gaps in our present systems of information to make any precise assessment of the redistributive effects of the adjustment programmes. When national accounts are sufficiently detailed, they sometimes reveal a change in the breakdown of wages and profits, always to the benefit of the latter. (...)

As far as the wage-earners are concerned, the loss of real income means they have to develop strategies to seek extra income to prevent too much reduction in the family's resources. In a situation such as this, there is nothing surprising about informal acticities expanding in the wake of the liberalisation and State withdrawal measures which always go hand in hand with devaluation. Guinea, Zaïre and Zambia are often given as examples of this. The drop in real incomes and the pauperisation induced by adjusting downwards have been a disincentive to work in the public sector, as well as in private firms and agricultural undertakings.

For the most underprivileged sections of the population, social regression is manifest in its problems with certain kinds of basic spending, in its adoption of a lower-calorie diet and in the deterioration of the domestic economy and, therefore, in family relations. The international institutions are paying particular attention to Madagascar, as they are worried about the deteriorating standard of living of groups which are "vulnerable to adjustment" (UNICEF says this meant 83% of the population of the country in 1987). (...)

The awakening to the existence of this process of impoverishment and its consequences on development in the long term is behind the fresh interest displayed, since 1986-87, in targeting social adjustment compensation (employment, food, health and education) schemes for the most vulnerable groups. The recently popularised social approach to adjustment is that interim measures are vital to protect the poorest sections of the population before the dynamics of adjustment, a medium-term process involving reforming structures that are themselves firm, can reintegrate them into the formal economy. This conception of course goes against the usual ideas about the effect of devaluation and is, therefore, likely to facilitate the changes, in certain conditions, which the funders wish to enforce.

The exchange rate cannot be seen as the main instrument of recovery of economic activity

A summary of the exchange policies used in Africa over the period 1980-87 is far from uniform. There are two distinct situations with completely different sets of reactions to a deterioration in the exchange rate. A few countries cannot be classified in either group, either because their economies are less sensitive to this machinery or because they embarked upon adjustment too recently for any opinion to be formed.

1. A small number of countries, economic and financial indicators suggest, have managed to benefit from their exchange rate policies. The best illustrations of this are Mauritius and Zimbabwe. At the start of the decade, both countries had relatively small and easily-controlled external debts, although they were difficult to cope with at the time because the bulk of them were from private sources. They did not have to seek any lightening of their debt servicing over the 1980-87 period and so they have not suffered the effects of delayed payments on top of current servicing. And there are other differences, too. Both countries have a class of local businessmen backed by foreign investments, a financial market (small still, perhaps, but active nonetheless) and activities which are diversifying into export and export substitution. There is institutional machinery to ensure that the producers get a considerable percentage of the extra resources derived from the decline in the exchange rate. And Mauritius has a democratic political system, with a relative consensus as far as support is concerned, to ensure social stability. So both countries have a comparatively large amount of room for manœuvre.

Potentially, at least, resources and diversification of activity make Kenya the country which should have been the most naturally like the Zimbabwe model. Its GDP expanded (by an average of 3.4% over the 1980-86 period), but the investment rate slumped under the effect of devaluation, to the point where accumulation dynamics were threatened.

Over the past few years, Burundi has, in spite of having developed less than the last two countries, got closest to a favourable reaction to adjustment through devaluation, maintaining growth of GDP and investment rates over the period 1980-87.

There is one important thing to be said here and that is that, Ghana excepted, the decline in the exchange rate was relatively the smallest in this first group of countries (less than 65% between 1980 and 1987).

2. In contrast to the first group, four countries (Madagascar, Sudan, Zaïre and Zambia) had large devaluations (all in all more than 80%) over the period. They were forced to reschedule their external debts on several occasions (at least five times in the case of Madagascar, Sudan and Zaïre). Devaluation adversely affected public finances. The decline in the exchange rate did not increase supply because the attendant deficit in the State's financial operations led the State to step up its demand for loanable funds, which automatically discouraged both internal investments and people from starting up activity again. Investments were hampered by the climate of uncertainty created by all the operations on the exchange rate.

Current deficits were to a very large extent financed by grants and soft loans. Recession-type adjustment is illustrated by the large drop in per capita GDP, the drop in the rate of investment and of savings and, above all, by the regression of the real earnings of the most vulnerable sections of society. The eviction effect was strong — which is to say that the results aimed at by the decision to devalue were weakened and even done away with entirely by the opposing forces which the decision triggered. These countries' room for both economic and financial manœuvre had been seriously impaired by the unsuitable policies run prior to 1980, but the new exchange formulae tried out between 1980 and 1987 did more to provoke phenomena of generalised deflation and, therefore, tended more to increase informal activity, in both urban and rural areas, than improve the productive sectors of the economy.

3. Gambia, Mauritania and Somalia are probably special cases of modest reaction to the exchange policy. Prices, the dynamics of the national sectors and trends in investment were all relatively unresponsive to changes in the exchange rate. The decisive factors were elsewhere. In the case of Gambia, for example, it does not seem very appropriate, given the small size of the economy and, above all, the extent of its trade relations with neighbouring Senegal, to treat its economic situation as autonomous. Mauritania has exports (iron ore and an increasing number of fish products) which are developing over a long period with very little reference to the value of the ouguiya. And the same seems to go for Somalia with cattle and bananas.

4. The economies of Guinea and Tanzania are difficult to slot into the plan, because their process of adjustment is too recent (1986-88) to be assessed validly. Guinea has embarked upon far-reaching economic reorganisation, the results of which will only be apparent in the long term. And Tanzania has of course had bouts of devaluation since 1981 and its stabilisation programme goes back to 1984, before the signing of the first agreement with the IMF (1986).

The devaluation back-up measures are too recent to have had a profound effect. Nigeria embarked upon adjustment in September 1986 with three essential measures — heavy devaluation of the naïra (66% in relation to the dollar), with the introduction of a double exchange market, liberalisation of imports and a quest for budgetary and monetary stabilisation. The multiplicity of processes involved in such a complex economy as this precludes early judgment. And the sharp drop in the price of oil in 1987 and the consecutive drop in official production partly neutralised the effect of the exchange rate. However, the signs of change are there. The competitivity of activities using local resources has improved and those with a large imported component (especially assembly industries) have felt the full effect of the rising cost of inputs and intermediate goods. A reversal of the trade patterns between Nigeria and its neighbours, to the benefit of exports from this large country, has also been apparent since the end of 1987.

Ultimately, only the one or two countries with the smallest deterioration in the value of their currencies in 1980-87 managed what might be called upwards adjustment. In the majority of countries under investigation, the levels and speeds of the exchange rate slides were exceptionally high, as they were in some parts of Latin America. In situations of this sort, devaluation loses its usual significance for the economic variables. Its real effect on financial balance and growth is completely off the original target.

In downward adjustment, frequent manipulation of the exchange rate becomes a virtually permanent way for the State to manage its shortage of resources. This means that the exchange rate cannot be seen as the main instrument of economic recovery. ○ P.J.

The role and structure of Africa's banks

by Professor Samuel C. NANA-SINKAM (*)

Although it is clear that the candidates for development which the ACPs are have every interest in the existence of a stable international monetary system whereby each can decide on its exchange rate policy independently and in relation to a fixed standard, it also has to be admitted that, in the present situation of monetary disorder, these countries have remained powerless spectators and sometimes innocent victims of events to which they have made no contribution and which are outside their control.

This is particularly surprising in that all these developing countries, particularly the African ones, have set up banks and financial institutions to promote economic activity and make it more dynamic. This was the idea behind the central banks, the main aim of which is to apply monetary policies to back up the investment drives needed for economic development.

Since currency is an attribute of national sovereignty, it is reasonable to wonder how far the African states have actually applied monetary and banking policies to help their development. And why, even in some of these countries with national currencies, the banks' policies have remained weak and often unsuitable as far as economic activity is concerned. In other words, are the currencies and banks of the developing nations really instruments of development or are they just financial institutions with economically limited powers and activities?

None of the national currencies in the ACP states fulfils the conditions of a proper currency — which, Pascal Salin maintains, "should represent purchasing power available at any time to anyone for anything".

(*) The author is an international official.
The views expressed in this article are those of the author and not necessarily shared by the UN's Food and Agriculture Organisation (FAO) or its Economic Commission for Africa (ECA).

An answer to the foregoing questions can be obtained by analysing the structure of banking and finance in African countries and the monetary policies which they have adopted to ensure financing of their investments and enable them to adapt to the international monetary system. In this analysis, we shall attempt to present the machinery which exists and stress the difficulties which the African states encounter in their use of it.

Financial structures and development in the countries of Africa

The financial system means the banks and the other financial institutions. The importance of the problems attached to the financial systems in Africa is not solely justified by the poor mobilisation of savings, but also—and this is most important—by the fact that there is no point in increasing savings if they are not mobilised in forms which can actually be used for economic development. And there is no point in mobilising them in a desirable form if they are not then actually channelled into development projects.

And credit cannot sustain the development of production unless it grows at a rate compatible with the external financing requirements of the economic units.

It seems clear that the simple fact of funds being available to a country's individuals and State bodies (from, say, oil) does not necessarily mean that the problem of savings (capital formation) is solved. The problem may well still be there and just as acute. The only difference is that, in countries where there are potential savings, it may be much easier to solve the savings problem than in countries where there are none. So there are two components to savings — real savings (Sr), which are available for investment, and potential savings (Sp), which exist but are not available for investment [1].

So the classic theory whereby saving equals investment (S = I) in a country does not necessarily mean that the country's financial problems have been solved when S = I unless the investment made (I) is equal to the investment planned (Ip) needed for sustained economic growth. One of the contributions which the financial system makes to solving a country's financing problem is therefore to reduce the gap between total savings (S) and real savings (Sr).

The importance of a proper financial system to economic development lies in the fact that, although for the economy as a whole, savings equal investment, this equality may occur at a low or high level of savings and investment, leading to low or high levels of national income, production and employment.

So it would appear that, if the banks and other financial institutions are set up and developed along appropriate lines, they can help solve the problems of both savings and financing. But this has not, alas, been the case in most ACP countries, particularly those in Africa, partly because of the weakness of the financial structures there.

An analysis of the financial structures of the countries of Africa shows that, in spite of political independence, most of them are still economically dependent, primarily because their institutions were not set up or developed properly and/or have not adapted properly in time to provide a satisfactory response to the nations' development needs. So, although they

(1) In order to explain the problems of the developing countries' financial systems, we feel we should define at this point the notion of savings as a process of capital formation. In the rest of this article, therefore, savings means that portion of the income which is not consumed, but available to be invested to increase production. This definition excludes funds which have not been consumed but are still in the consumers' hands and can at best be considered as potential savings.

have enormous potential resources and some of them considerable petroleum earnings, they still have problems of under-development to cope with. The causes of this are to be found, to a very large extent, as explained earlier on, in the drawbacks of the banking systems and other financial institutions.

Africa's banking systems, can be split, overall, into three categories:
(i) the North African system, based on national practices, very much geared to Europe and the Middle East, and run by nationals;
(ii) the general tendency in the former British colonies has been to form mixed capital banks, held by the Governments and the foreign banks working in the country;
(iii) in the French-speaking countries of the franc zone, central, sub-regional or national banks have been set up and managed under agreements signed by France and the countries in the zone.

Unfortunately, in spite of these structures, the mobilisation of savings for investment and the expansion of credit have remained very poor. We shall discuss the structures and operation of banks in two cases — countries with an individual, national central bank and a national currency and countries in the franc zone.

The Courier

The headquarters of one of Africa's most widely-spread banking networks

Performance of banking systems in countries with their own central banks and national currencies

In spite of the opening of national banking institutions, the banks have not played a proper part in these countries. In the developing countries in general and the ACPs in particular, the banks do more than act as ordinary financial intermediaries and have to seek viable firms in the various sectors of the economy so as to provide them with the financial support they need. However, it has to be admitted that, so far, their intervention in the development process has been very timid from all points of view.

In the mobilisation of savings

The volume of bank deposits has expanded considerably over the past 20 years, but the number of people with access to banking facilities is still very small, not just because there are so few branch offices, but also and above all because of the way they are spread over the country. The banks, in fact, tend to be concentrated in the capitals and major cities, while most of the people living in the rural areas are not served at all.

And not only is availability poor. The interest on bank savings is low and so the banks are not an attractive proposition from that point of view.

It is also worth emphasising that there is more to it than opening banks in rural areas. They actually have to offer credit facilities to the people there so as to make their savings more useful. Even in countries where banks have been opened in rural areas, they have tended to help transfer resources from them to the urban centres.

The general non-profitability of rural branches is tied to the passive attitude of the banks, which tend to behave as they would in the developed countries where people are used to using them. They have made no effort to put the rural populations in the picture or tell them about the advantages of putting money on deposit. And the governments have not stepped in to help the banks extend their operations in non-urban areas without too much insistence on profit — a concept which should be very flexible in the rural world where economic returns are more important than financial ones.

In credit distribution

Like savings, the credit granted by the trading banks has expanded in a remarkable manner. However, in spite of the increase in the volume of credit, only a very small percentage of the population is concerned and the average amounts lent are very low. This is due to strict application of the classic tenets of trading banks — which do not always hold good in "under-developed" economies. According to these principles, deposits made in the bank are payable on demand, so credit must be granted in the short term for both production, storage and services, as well as for the distribution of goods — sales of which should enable the loans to be paid off. The bulk of the credit granted in Africa has been to finance export, import and other commercial activities and speculative investment, particularly in real estate, while the production sector, agriculture especially, has been completely marginalised.

A closer look at banking practices shows that there is no justification for the importance attached to short-term credit because it is constantly being renewed. This short-term financing is only of benefit to the banks and in no way helpful to the interests of the economic operators. However, the whole interest of an efficient banking system is based on the banks' possibility of short-term borrowing and long-term lending. This changing of short-term funds into sources of medium- and long-term financing is one of the banks' main financial functions in the process of savings and investments (2).

Lastly, the central banks can allow the banks to play their part as intermediaries to the full by granting them rediscounts on attractive terms. Another possibility available to the banks is that of allocating a percentage of their resources to medium- and long-term credit.

The unsuitability of credit policy is also due to the predominance of short-term credit, which often matures very early in comparison with the length of the projects. Renewal is not always automatic and, in many cases, the credit has to be fully paid off by the time the term of the loan expires, which forces some economic operators to borrow on the informal financial markets at very high rates or to reduce the amounts they plough into other activities — thereby affecting their completion.

For the ACP Group in general and the African members of it in particular, the harmful effects of the early maturing of loans are all the more serious for most of the borrowers who can count on their credit facilities being renewed usually being those who would have had no problems getting funds elsewhere if they had needed to, while those who are least likely to get their credit extended are the very ones who find it difficult to obtain extra funds, at acceptable costs at least. So the group of least well-off countries can only invest its bank credits very cautiously in not-very-productive projects which avoid the risks that are always inherent in high-yield operations. This is primarily due to the fact that the banks do not act as financial intermediaries in a way that is compatible with the characteristics of African economies, where the financial markets which should have provided these extra funds are either non-existent or poorly developed.

The third aspect of the credit problem is the need for bank guarantees. The banks have not managed to adapt to the economic conditions of the countries in question and the problem of the conventional guarantees required when credit is granted has taken on considerable importance. Guarantees such as deeds or mortgages are beyond small businessmen and even further beyond the rural producers who are only entitled to use communal land managed under the traditional system of land ownership, agrarian reform still being taboo. Furthermore, a look at the credit granted by type of guarantee shows that a considerable percentage has in fact been provided without it although unfortunately only small amounts for consumer goods for clients with regular incomes (civil servants and established businessmen particularly). The amounts involved in this type of credit operation tend to be so small that they represent no serious risk to the bank and no significant economic interest to the borrower. Only credit with a political slant to it has often represented a serious risk to the banks.

Unsecured loans are not the risk they may at first sight appear and conversely, secured loans are not as safe as they might seem. The best guarantee tends to be proper evaluation and follow-up of the project to ensure that it is a success — but, alas, this strategy would have meant the banks being closer to the producers, particularly those in the rural world.

In the financing of priority sectors of the economy

African banks have often avoided playing their main role as financers of the priority sectors of the national economy in an attempt to maximise their profits. The financing of sectors such as farming and small local industry does indeed carry risks. As a result, banking activity is geared to general commercial activity and services and agricultural production and manufacturing have long been left on the sidelines — which is what is behind the low agricultural productivity and declining revenue in undertakings in rural areas which the governments currently have to cope with.

There seems little justification for the over-cautious attitude of the banks in that they could equally well have maximised their profits by enlarging the profit base and channelling enough funds into the development of priority sectors. But alas, the unsuitable banking methods they have used have tended to distance them from the economic units they were supposed to be helping. The government monetary authorities, unfortunately, have not done all they might to help the banks channel their funds into the priority sectors by developing credit guarantee machinery and taking any other measures that would solve the problem of bank guarantees. Some states have preferred to nationalise the banks without any competent managers — without solving their financial problem.

The monetary policies of the countries of Africa

The analysis of banking policies enabled us to identify the problems attached to mobilising and redistributing domestic capital. But African economies very much depend on foreign capital and foreign exchange revenue from commodity exports.

The exchange rate issues are of crucial importance here, bearing in mind the effect they have on the real value of their imports and exports of goods and capital, the level of their foreign exchange reserves and balance of payments and on price levels and the disastrous social and economic consequences that a bad choice of exchange rate could well have. In the absence of any suitable instruments of monetary policy, the governments have usually coped with their balances by calling on aid and foreign capital.

Economic growth in the ACPs depends far more on the outside world than it does in the developed countries and for two basic reasons. First of all, the foreign aid and long-

(2) Several things militate in favour of such financial dealing by the banks. First of all, the most important criterion in the granting of credit is not the repayment period but the borrower's ability to repay and the productive use made of the loan to facilitate this repayment. If these considerations are taken into account, there could well be cases in which a long-term loan is safer than a short-term one and vice versa. Second, experience has shown that, generally speaking, a fair proportion of bank deposits can be considered as more or less permanent. Third, the banks can obtain more long-term funds to supplement short-term deposits, either by increasing their capital or by devising strategies whereby they can both step up the volume of deposits and improve the quality of these deposits to make them better able to supply long-term financing for economic operators.

term external private capital movements from which the least developed nations benefit make a greater contribution to supplementing domestic savings and stimulating the rate of growth, local savings not, in many cases, being enough to allow both for capital formation and attainment of the country's chosen growth target. Secondly, the fact that most capital goods are manufactured abroad means that these countries are highly dependent on imports.

Furthermore, the financial markets in most of the countries are rudimentary. Financial dealing is poorly developed and only a few banks offer credit — often only over a short period and in the light of the solvency and reputation of the customer rather than on the basis of any interest rates. The exchange market tends to operate via the central bank and there are very few (if any) jobbers. There are practically no futures markets for national currency.

Capital movements to and from the ACP countries and private, long-term capital movements are more influenced by political considerations and the anticipation of political stability than by ordinary considerations of yield. If there is no yield, then private capital does not come and in cases of anticipated instability of the political structures, short-term capital investments are made with a view to very high profitability and speedy turnover. So short-term capital movements—which react to variations in the exchange rate quickly in the developed countries—may also be less sensitive to these factors in the ACP countries.

So, while many developing and developed countries may have a large number of economic policy targets in common—full employment, for example, growth and price stability—the adjustment and financing machinery work differently in each case. Any changes made to instruments such as the exchange rate and monetary and budget policy, plus any controls, need to be much greater than in the developed countries if they are to achieve the same balance of payments objectives. A deficit in the trade balance, for example, will perhaps not be helped much, in the short term at least, by a change in the exchange rate, given the inelasticity of the demand for imports and the supply of exports. Similarly, a contractionist monetary policy leading to high interest rates would perhaps have only a slight effect on the amount of capital entering the country.

All these constraints attendant on the characteristics of the developing economies hamper the design of banking and monetary policies. This could partly explain the general economic crisis currently affecting all the developing nations.

However, the effect of the constraints could perhaps have been toned down by the application of rational monetary policies, particularly as far as interest rates and the exchange rate are concerned. Let us take a brief look at the problems of applying one or two principles of monetary policy in the ACP countries.

Problems of financial markets

The experience of developing countries which have set up financial markets has not been very encouraging. The proper working of a financial market in Africa or any other "under-developed" part of the world calls for a far greater effort than their basic need to speed up development would seem to justify. This is because the effect of the financial markets on the process of economic developent in these countries could well be negligible or marginal.

It is not clear that local firms in the developing countries, usually small or medium-sized ones, will use the financial market. So the setting up of such an institution should not be a government priority, particularly in Africa and particularly since there are other, far more efficient, ways of meeting the financial requirements of small firms wanting to make long-term investments. But a sub-regional financial market seems much more sensible.

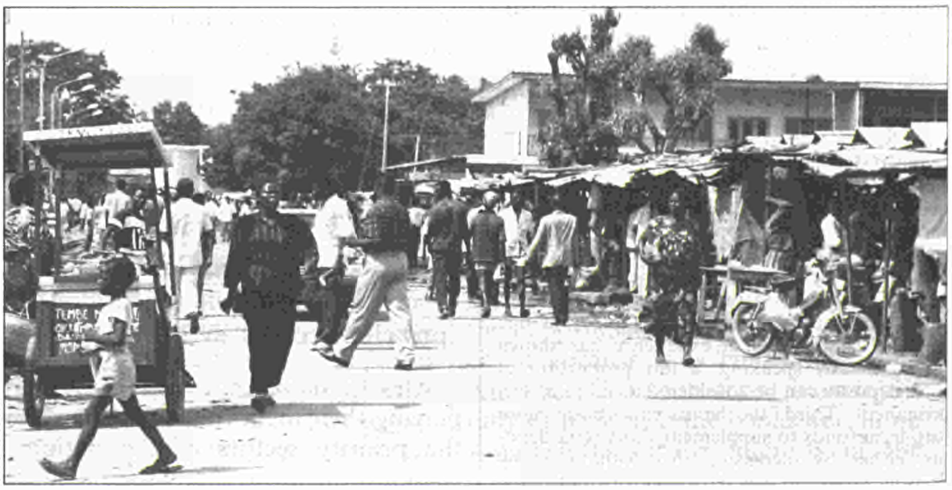
Problems of bank interest rates

As we have seen, the interest paid on deposits in the banks has stayed very low. The banks' policy here is to pay low interest on savings (3-7.5%) and charge high interest (10-14%) on loans (in the case of countries in the franc zone). The worst aspect of this policy is the negative effect it has had on the banks' performance as mobilisers of savings.

There is no doubt that the banks could have mobilised more resources and channelled them into productive investments if they had offered higher rates of interest. This would not have affected their profits in view of the extra volume of deposits and loans the policy would have generated.

Exchange rate problems

The choice of exchange rate may be based on a number of fundamental considerations. First of all, it will be affected by the need to adjust and by the country's reserve ambitions. A developing country with a particularly difficult external payments situation, for example, which has over-valued



The Courier

Market in Brazzaville (Congo). There is a lot of money circulating in African markets, but much is borrowed in the morning to be repaid in the evening: the banks receive back more than they lend currency, tends to find it politically more practical to make the necessary changes to the exchange rate by attaching it to a major currency which is on the decline. Although the choice of the reference currency and the level at which the national currency will be attached to it or to the chosen basket have to be looked at separately, strategically speaking, it may sometimes be possible to bring in measures on both fronts at once.

But this type of policy should not be based on too short-term a view of the future exchange value of the major currencies. In view of the unstable behaviour of the intrinsic determinants (including capital movements and psychological factors), the relative positions of the various major currencies must be expected to alter fairly often on the market. And a developing country which changes its reference currency often is in danger of losing the confidence of its investors. Furthermore, if such changes become a habit, the public could well be moved to make precautionary transfers from one currency to another, thereby damaging the ordered operation of the exchange markets.

It would also be wise to expect experience and the aims of domestic price stabilisation to play a big part in the choice of the reference currency. For example, coupling to the currency of a developed country whose behaviour in the matter of price stability has been fairly firm may help the developing country to improve its monetary stability, partly because alignment amortises the national effect of the rise in the price of goods traded in the big countries where prices are not so stable. And, if the authorities only want to alter the exchange rate rarely, coupling to a strong currency will force them to ensure a degree of price stability by domestic measures. If, on the other hand, the national currency is coupled to a strong currency (or, more generally, if the actual exchange rate is allowed to appreciate), there is a danger of delaying the growth of exports (if they are very diversified and have no guaranteed outlets) by toning down the effect of the incentives to the producers of exportable goods. For similar reasons, these measures also discourage the growth of import substitution activities.

In cases where national financial policies fail to prevent rapid rises in costs in relation to the rest of the world in the short term, a different approach to the choice of reference unit may be envisaged. In this case, the pressure on reserves means that the reference level has to be adjusted fairly frequently in the light of the fluctuation of the level of domestic prices in relation to external ones.

The very nature of the environment in which the decision is taken, and particularly the social and institutional aspects of it, is likely in some cases to restrict considerably the choice of reference level. So, when a large part of the exchange transactions is carried out by the private sector and there is no futures market (and access to the foreign futures markets is restricted), it could well be difficult to bring in a relatively complex system (such as a basket *sui generis*, which tied the national currency to a number of major currencies), even if the chosen system is the best from a theoretical point of view. The choice of a method which meets applicable criteria, on the other hand, could well sometimes be unacceptable for non-economic reasons, because of frequent variations in the rate or a link to a particular currency involving a degree of political sensitivity.

Overall, the above analysis suggests that the choice of exchange rate system has to be based on various criteria — all of which do not always point to the same solution. Since international monetary instability is the result of the general floating of currencies, any exchange policy will of course need periodic adjustment. A policy adopted in the light of historical values of variables, such as a country's share in world trade, will have to be revised as the composition of trade per product, the geographical breakdown and the major countries' position in international competition alter and whenever the priority objectives are changed.

African and ACP options in the general float

For nearly a quarter century, the ACP countries saw relatively stable exchange rates in the Bretton Woods system. They could therefore have achieved considerable development aims over this period had it not been for the constraints we indicated in the previous paragraphs.

The floating of the main currencies during the first quarter of 1973 forced difficult choices on the ACPs (except those in the franc zone) when it came to what exchange rate management policy they should follow, because their administrations lacked experience of this type of problem.

Since, as things stand, these countries can only have a marginal influence over the exchange measures adopted by the developed nations, the question they have to answer in the immediate future is how to react to the controlled float currently obtaining in the main industrialised countries.

Before the Bretton Woods system collapsed, almost all the developing countries maintained a fixed parity (within certain prescribed limits) between their currencies and the intervention currency (the US dollar, the French franc, sterling etc.). After the adoption of the controlled float in the developed countries in 1973, most of the developing world, particularly the ACPs, preferred to keep their currencies attached to an intervention currency.

The exchange rate policies which the ACPs devised, both in Africa and elsewhere, to cope with the general float depended on the overall aims they had fixed. Generally speaking, the authorities went for policies that would achieve a whole series of objectives — satisfactory economic growth, financial stability, medium-term viability of the balance of payments (which is based on adequate growth of exports) and structural diversification of the economy.

However, the means of achieving one of these aims are likely to prevent pursuit of others, so that countries usually seek to maintain the traditional financial and commercial links that proved efficient when it came to stimulating the domestic economy, while concurrently running development programmes of the sort which often require not only diversification of the structure of the domestic economy, but a geographical breakdown of external transactions as well. Similarly, although financial stability is generally thought to help achieve development aims, the policies that are intended to generate satisfactory growth rates often provoke budget and other tensions which are a source of monetary instability.

Lastly, in the present context, in which the major currencies float, the simultaneous achievement of economic objectives has become more complicated. For example, as we shall see, any exchange system which encourages an influx of foreign capital is likely to discourage the diversification of trade and any system which encourages the expansion of exports is likely to exacerbate inflationist tension.

The preceding analyses show that choosing an exchange rate system is a rather complex task. This would explain why, in spite of the creation of national currencies, many ACP countries, especially those in Africa, have not managed to solve their development problems.

The ACPs have three choices when it comes to an exchange rate policy in a situation of a general floating of currencies. They can let their own currency float independently, they can maintain a fixed relation between the national currency and a basket or they can maintain a fixed relation with one of the major currencies.

Independent float

This makes for greater flexibility of the exchange rates and, therefore, better continuity in the adjustment of the external balance.

The question is whether it is better for the ACPs to envisage such a policy and drop the idea of linking their currency to another.

We have already said that relative stability between the exchange rates of the developing and the developed countries was a good thing. Stability makes for an increase in the volume of international trade and, in particular, in the developing countries' exports and capital movements. If floating were to lead to relatively unstable exchange rates between these two groups of countries, this strategy would clearly not be a good thing for the ACPs.

If flexible exchange rates are to be stable without any official intervention, then there has to be an exchange market which works properly — which is not the case in most of the ACP countries.

And it is particularly important to consider the possibility of a divergence between a country's long-term balancing exchange rate and the compensatory rate used on the short-term market. This long-term rate can be defined as a country's rate in the long term when the appropriate structural changes have been made. An ACP country, for example, may take the long-term view and consider that prolonged balance of payments deficits are justified if major investments are

Cameroon Tribune

The queue in front of a counter at Yaoundé's Post Office Savings Bank. Since the crisis began, withdrawals have overtaken deposits

made as part of a development programme at the same time. The authorities may consider that the exchange rate which engenders the deficit is the appropriate long-term one which would encourage structural change via sectoral investments leading to greater diversification of the production structures. This diversification would, after a time, mean that exports could be improved and stabilised — which would ultimately encourage the balance of the external account. The short-term balancing exchange rate which would be used when currencies were floating freely would then be considered as a barrier to the achievement of the long-term aims of the economic policy.

This highlights the fact that, if the exchange rate is left to float, the authorities in fact drop the idea of using it as a means of action. In the developing economies, where profound structural changes both occur and are sought, renouncing this instrument may restrict the authorities' means of bringing about the desired structural changes.

Linking to a single currency

The basic factor which shapes the choice of the reference unit is the degree of autonomy which it is sought to maintain in the development of the exchange value of the national currency so as to achieve the aims of the stabilisation and other economic policies.

Nonetheless, the desire to adopt an independent attitude on the exchange rate should not mask the other basic considerations. If countries with solid traditional (commercial or financial) links with a major currency drop the traditional currency for a basket, it is likely to be interpreted as a sign of a change in the general direction of their policies — which could well affect the availability and terms of any external financing.

Linking the national currency to one of the big intervention currencies seems to have been the developing countries' commonest choice. From a practical point of view, this is no doubt the simplest solution, because all it involves is following the same policy on the exchange markets as before the system of adjustable parities was dropped.

However, in the present context of the controlled float of the major currencies of the world, which has been with us since 1973, the effect of this policy is no longer what it was under the system of adjustable parities. As in the previous case, and in order not to get bogged down in individual examples, we shall take a general look at the advantages and disadvantages of the system of linkage to a single currency.

In many ACP countries, and particularly in those of Africa, the authorities have always preferred to link the national currency to just one major currency. There are several reasons for this — it reduces the fluctuation of the exchange rates between the currency of the nation in question and that of the industrialised nation (which encourages trade and capital movements for investment purposes to the developing country), it brings a degree of stability of the currency of the developing country, possibly stimulating trade with the rest of the world, and, if the external standard is the currency of a great economic power, it reflects the developing country's intention of aligning the bulk of its policy on that of its trading partner. In this way, its currency will enjoy greater confidence and stimulate foreign investments.

But there are major drawbacks to this system as compared to fixed parities. Reserve requirements are greater than in a system of adjustable parities if, as is often the case, the factors affecting the exchange rate are not closely linked and, since fluctuations in the exchange rate are exogenous and do not depend on intervention by the authorities, they can interfere with the pursuit of the aims of domestic policy. And since the currencies of the developing countries are not linked to the same major currency, their exchange rates will certainly vary and hold back the development of trade in their particular region. Lastly, import prices may tend to rise, in particular because of the wider profit margins of the suppliers in the industrialised country (who are in a position of strength on the market) introduced to make up for the uncertainty of trade with the developing country.

The banking and monetary policies introduced in the ACPs in general and the African countries in particular have perhaps not particularly facilitated their development. There are a number of reasons for this.

By automatically applying traditional banking principles in the African and ACP context, the banks have totally failed in their role of financial intermediaries. They have not been able to mobilise the domestic savings needed for capital formation and the states have had to cope with their financing requirements by turning to external loans — which, alas, have not always been used rationally for productive investments. And the excessive debts and onerous servicing have become serious obstacles to the development process of the ACP countries, especially those in Africa.

MINIST. INFO

Banana growing in Côte d'Ivoire

"Monetary policies have not led to the attainment of national aims such as ... export promotion"

Monetary policies have not led to the attainment of national aims such as full employment, price stabilisation, export promotion etc. The complexity of monetary machinery, the sophistication of the instruments of monetary policy and the stringent discipline involved in the sound management of public finances and currency and competent financial managers to cope with the generalised float of the major currencies of the world have contributed to the failure of the monetary policies of the African nations.

The failure of banking and monetary policies in Africa is also due to the inappropriate economic and social policies which most of the countries there have used. Very often the people who take the decisions have very little idea of the countless causes of the situation which they are handling or of the immediate or subsequent consequences of the decisions they have to take. They only ever really seem *au fait* with the immediate resources of their particular environment and the ambiguous lessons of their personal experience.

As far as the states in the franc zone are concerned, it would be wrong to forget that, when policy suggestions are made, it is only possible to do away with things that are then replaced. The only regret is that their banking and monetary policies have not evolved, as they have been guided far more by historical considerations than the trends in their own economies and the international exchange rate system.

So the banking systems of Africa have to be reorganised and adjusted.

And more suitable monetary policies must be brought in. Here, subregional cooperation is a particularly good idea, bearing in mind these countries' relatively low level of resources compared to the main developed countries.

There is no doubt that, technically or even politically speaking, 1992 will mean that there has to be a profound revision of the present economic and financial links between the Twelve and the continent of Africa — and between Europe and the ACPs, therefore. However, great opportunities emerge in face of great danger and great upheaval. Will Africa make the most of them? It is very much to be hoped that it does, for this is its last chance (3). It may well be a pipedream and, if so, it is too good to want to wake up. But if it is reality, then it is too good to want to go to sleep. ○ S.C.N.-S.

(3) It is a pity that the African continent does not realise this, in spite of the constant calls from Heads of State who call for studies on the impact of Europe's monetary and economic unification in 1992 on the economic, financial, monetary and even political future of Africa. One bright spot on the horizon, however, is that the countries of North Africa are preparing for it seriously.

Financing the traditional economy in Africa

by Maria NOWAK (*)

One crisis hides another. And the crisis in the banking system in sub-Saharan Africa—which has never covered more than the tip of the iceberg representing the formal economy—hides the dearth of financing in the traditional economy.

This economy, the major part of the rural sector and the informal urban sector, involves a total of 70-90% of the working population of West Africa.

Although the agricultural share of GDP is dwindling, there is a real explosion in both rural and urban formal sectors, primarily because of demographic growth and the policies of adjustment.

An economy may vegetate without a system of financing. It will find it difficult to develop. The history of trade and industrialisation goes hand in hand with the development of financial institutions and instruments. So the development of international trade led to the invention of commercial credit in Renaissance Italy. The era of industrialisation in the 19th century was accompanied by the creation of stock exchanges and, today, the internationalisation of the economy and finance is resulting in the deregulation of the banking system and the emergence of new financial instruments — made possible by the progress of data processing and telecommunications.

The banks are not really worried about financing the traditional economy, having long since gone beyond this stage and thus a whole area of the economy is virtually outside their scope. And financial dualism aggravates economic dualism.

Financing requirements in the traditional sector

Small producers have many financial requirements. First of all, of course, they need cash, a particularly acute problem for farmers, whose income is seasonal. For many households, the inter-season period is one of poverty and they look to the tradesmen and the money-lender just to be able to survive until the next harvest. But, quite apart from this period of crisis, the shortage of money is a major handicap when it comes to marketing the harvest or running cottage industries, as agricultural inputs and raw materials for the mini-businesses must be bought. A farmer who cannot pay for his fertiliser is often doomed to a bad harvest and a carpenter or a blacksmith who cannot afford wood or iron is doomed to high prices, constantly discontinued stock and considerable time-wasting to get supplies.

The second need is investment. A policy of agricultural intensification and rural development does not just mean seasonal credit. It also means financing for farm equipment (draught tilling machinery and small motors), land development (manuring, irrigation and drainage) and new plantations which will not start paying off for several years.

In the same way, the gradual changeover from informal activity to higher-performance micro-businesses means financing the often inadequate basic tools and a minimum of modern equipment — a soldering iron for the blacksmith or a mechanical saw for the carpenter, for example. The development of the productive sectors very much depends on the development of services. And since the limiting factor in African agriculture has so far been the labour force, better transport (carts), water supplies (hydraulic micro-projects in the villages) and domestic energy must all be given the necessary funds.

The third and last need is tied up with living conditions, health and education and, therefore, indirectly with the capacity for work, progress and social equilibrium. A desire to improve what is often makeshift and insalubrious housing, look after the family and pay the school fees often leads to an application for credit that is more difficult to meet (it will not be spent on anything that will improve the income) although it will generate development by motivating the economic operators and improving both their potential and their conditions of existence.

What financing is available?

The financing systems are not really equipped to cope with these many needs.

Per capita bank credit in the private sector amounts to $ 48 p.a. in sub-Saharan African, but 90% of the economic operators have no access to it. Many of the development banks and the agricultural banks are in a critical situation here, although they have not responded to the needs of the rural world. The bulk of their interventions involve providing credit for marketing, seasonal requirements and equipment. Most of the financing is in the form of ordinary credit and does not respond to the diversity of needs or encourage the individual initiative that is the key to a policy that is intended to be liberal. And some sections of society, women especially, are virtually excluded.

The geographically limited projects financed by funders and NGOs spread credit in conjunction with an agricultural bank or from a fund of their own which is usually linked to the aims of the project.

The savings and credit cooperatives which are discussed below do not yet play a significant part in credit distribution.

So the financing of the traditional sector is ensured, for the most part, by informal systems of various kinds — tontines, money minders and tradesmen. Although very little information, particularly of a quantitative nature, is available on the informal systems, a survey of 398 households in rural Niger in 1986 shows that informal credit plays a predominant part in household financing, accounting for 84% of the credit received. It is true that, at that stage, the National Agricultural Credit Fund had already been bankrupted.

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There are various kinds of tontine in Africa, from the simplest (in which each member in turn gets the sums collected) to the more complex (where an attempt is made to capitalise on the money collected by providing loans with interest or auctioning the kitty).

Their aims also vary from the simple one of solidarity and precaution, essential in a society in which risk predominates, to economic investment, when a minimum amount which is difficult for the individual to save, is involved.

The rules of the tontine may be informal, but they are inviolable. Over and above the fines in cash or in kind that are collected for minor infringements (late arrival at meetings, failure to pay the contribution on the prescribed date etc.), a serious infringement (failure to pay the contribution after having had one's turn, for example) will get the individual drummed out of his social group. The revealing expression in Nigeria for someone who has failed in his duty to the "Esusu" is that he has "died".

The size of the kitty will vary with the number of members (5 to 40), the frequency of turns (week or month) and the size of the contributions (from 10 to several thousands of CFA francs).

Money minders are often leading figures or tradesmen. Their job is to look after the money by keeping it safe from termites and thieves and spending sprees by the owners. There is no charge for the deposits, which vary between CFAF 10 000 and several million, and no interest is paid, but they enable the money minder to make loans, mainly short-term ones to meet his customers' most pressing needs.

Lastly, the tradesmen often give their customers credit, particularly between seasons, which is paid back, often in kind, when the crops have been harvested or the money has come in. In some cases, this type of credit is also available for inputs. It is more difficult to obtain credit from craftsmen or cottage industries which are seriously short of operating funds themselves and can often only produce their goods to order after a down-payment has been made.

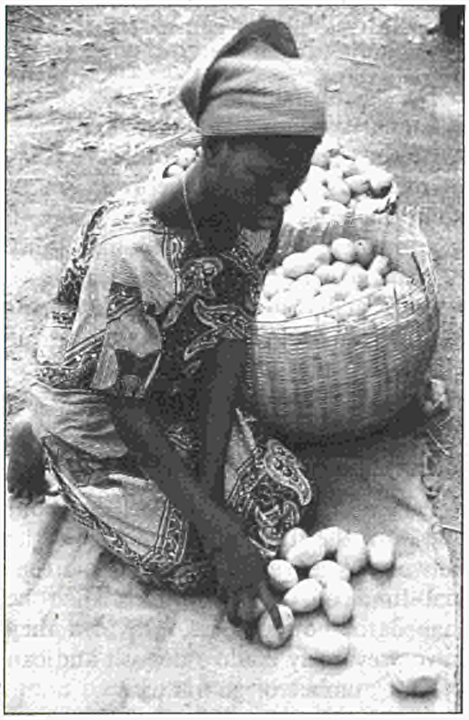
The consequences

The imbalance between supply and demand on the segmented financial markets means, first of all, that money is expensive.

Setting aside the banks—where interest rates are low (10-15%) but loans generally inaccessible to small producers—the rates in the informal sector, which has the undeniable advantage of providing rapidly and flexibly, the services its customers want go up fast, because of the monopoly situation, out of all proportion to the cost of distributing small amounts of credit or the risks involved in the transaction.

The interest rates in the tontines (50-90% for the members) go up to 120-180% for non-members. Buying the harvest on the stalk in the inter-season in fact amounts to getting it at a third of its value — a rate of interest of 100% per month. Credit facilities for small traders and purveyors of services often involve interest of 10% or 20% per week and sometimes per day.

In many cases, the informal sector is financed by a labour-capital association, the benefits of which are shared on a 50-50 basis. A shoe-shiner, for example, who cannot find the price of his brushes and polish (CFAF 2 000-3 000) is forced to pocket only half his takings (totalling CFAF 400-500 per day) and can never get above subsistence level.


FAO

Mango seller in Togo
Here, as in the majority of African countries, small traders have practically no access to bank finance and this in spite of the fact that informal activity is the largest sector of the economy

Whatever rationalisation one may find for these usurious rates—money is scarce, the services are tailored to the needs, there is a considerable risk attached to small credit operations, there are high distribution costs or the considerable irregularity of transactions leads to costs in the immobilisation of capital—they still make it difficult for the economy to function and they impede all attempts at progress.

The effects of the lack, and the high cost, of credit may be summarised as follows:

— It is impossible to intensify production systems or increase investments. No investment will be profitable if the cost of credit is so high. Since the per capita GDP in sub-Saharan Africa has been declining since 1980 and the World Bank's proposed agricultural production growth target is 4% (as against the present 1.2%), it is absolutely vital to set up a system of financing that costs less and performs better.

— It is difficult to set up a market economy that leaves a great deal of room for price incentives when the prices paid to the producer lose half or two thirds of their value in the under-the-counter borrowing that takes place before the harvest or the act of production in general. A 10%, 20% or even 50% increase in agricultural prices is of much less interest to the small farmer in this case than credit facilities for the inter-season.

— There is a gradual concentration of capital, and land and herds in particular, in the hands of the people who are able to lend money if it is urgently needed. So demographic growth and the increasing saturation of agricultural land leads to land speculation of a sort previously unheard-of in Africa. In most cases, it occurs through a system of credit in which the harvest and, ultimately, the land itself is at stake. As the small farmer is unable to make repayments at the required rate, he is forced further into debt and ends up losing the land which is the tool of his trade. The same thing happens to herdsmen during drought. And since the towns do not offer any alternative employment at the moment—outside of the formal sector, that is—the trend leads straight to an agrarian crisis of a sort unknown in Africa so far because of the low population density and the system of common land ownership. It is something Africa could well do without.

There is an imbalance of power and the role of the State and the economic operators are ill-distributed, given that the allocation to the State of almost all the financial resources of aid has two unfortunate effects:

(1) It is impossible to develop the private sector, however keen the Governments and the funders may be on this, because of the inadequacy of the financing available at a level at which it can be invested productively and because of State encroachment onto areas which are normally the preserve of the economic operators.

(2) The authorities, which are preoccupied with jobs which they should not be doing, neglect their fundamental role in research, training, macro-economic and sectoral policies, the creation of a favourable institutional environment, the development of infrastructure and so on.

Economic policies are not shaped solely in the light of the workings of the market or rational behaviour on the part of the operators, but to a very large extent in the light of the balance of forces — which, of necessity, involves access to capital.

Desirable developments

The crisis in the banks, particularly the agricultural and the development banks, is certainly no encouragement to develop credit facilities. But the causes of the crisis and of the banking organisations' failure to respond to the needs of the rural sector are now well known. They are:

- excessive State influence;
- outstanding payments from the public sector and misuse of funds to the benefit of private interests;
- bad management;
- unsuitable regulations and banking procedures for the target clientèle;
- an interest rate policy which precludes the banks from having a big enough financial margin to offer small amounts of credit.

So, going beyond the support for the banking institutions which, in their small way, have managed to preserve an, albeit precarious, balance, and going beyond the reorganisation of the banks which can reasonably be saved and the liquidation of those for which there is no hope, the real problem is developing other financial approaches that are better suited to the needs and constraints of the basic customers. This type of credit, by definition:

- involves small amounts and high distribution costs;
- is aimed at customers who are often illiterate and unfamiliar with banking;
- cannot be based on real guarantees (which usually do not exist).

There are two sources of inspiration here, both of them mutualist:

(1) The experience of the savings and credit cooperative funds, introduced by Raffeisen in Germany in the mid-19th century, which has gradually spread across Europe, giving rise to mutual credit networks in Germany, Switzerland, Austria, Italy, France, Sweden and so on.

The philosophy of these savings and credit cooperatives is simple. Since small economic operators do not really have access to the connectional banking system, they have to collect their own savings so they can then distribute some of them in the form of credit to members of the cooperative.

The principles according to which the cooperatives are organised are those of:

- free membership;
- solidarity among the members;
- power exercised on a voluntary basis by members elected on the basis of one man, one vote;
- a restricted territory and autonomy of management for each fund;
- membership of the union, which collects surplus liquid assets and controls and assists the basic cooperatives.

The main job of the savings cooperatives is to collect savings and keep them safe. Interest is usually paid.

Part of the savings collected (about 30% in the funds and 60% in the network as a whole, including the central fund of the union) can then be loaned to the members, provided they have previously made a deposit and can offer a number of guarantees.

(2) The other source of inspiration is a contemporary one, and based on the experiments run in other developing countries, particularly those in Asia.

The most remarkable of these is that of the Grameen Bank in Bangladesh, which was developed for a population of poor peasants on the breadline, who did not, by definition, have any capital resources. For a population of this type, the development cycle cannot be started up with savings. But credit will work. The revenue generated by the investment made thanks to the credit is an opportunity not only to pay back the loan but to start saving too.

The whole philosophy of the bank is not to use methods devised for a modern economy, but for the reality of a traditional economy as it stands. The basic element of the system is the solidarity group freely formed by five people of the same social status, getting each other to join. If one of the members of the group fails to pay up, the whole group is deprived of credit. The transparency of operations that are discussed in the village in front of all the members of the bank and the internal pressure of the group are guarantees that the repayments will be made. In Bangladesh, the rate of recovery in an institution that currently has more than half a million members is 98%.

But although the Grameen Bank's approach is based on group solidarity, it also encourages responsibility and the spirit of enterprise by leaving each borrower free to choose his activity. Thus, everyone can do the job which best suits his ability, avoiding the market problems which so often crop up once a central organisation defines the purpose of the loans.

Both systems have their advantages and their limitations.

The savings and credit cooperatives are like the long-standing credit unions of Ghana and Cameroon, the People's Banks in Rwanda, the People's Funds in Burkina Faso and the Rural Savings and Provident Funds in Côte d'Ivoire. And there have been more recent creations in Congo (COOPEC, the Savings-Credit Cooperative) and in Burundi, Togo, Senegal and Guinea. Support has come from many funders (Swiss, French and Canadian cooperation, USAID, the EDF and more) and from professional organisations such as the International Credit Centre, Caisse Desjardins, Cooperative Credit and the World Organisation of Credit Unions.

They tend to be geared more to collecting and securing savings. The volume of credit is limited statutorily to part of the deposits and, in many cases, priority for the loans goes, not to directly productive investments, but to housing and welfare. In some cases, deposits are simply placed in banks.

These cooperatives are easier *per se* to get going in the richer areas, for example in places where there are cash crops or money income is regular. They also require a degree of monetary stability for the savings accumulated two or three years before the loans start not to lose part of their value.

The savings-credit approach is a more recent introduction in West Africa. It was popularised with the help of the CCCE and bilateral exchanges between the heads of the national banking institutions. In the case of the Grameen Bank, this led to pilot projects being run with a view to adapting the system to the needs and constraints of the local environment. The first of these, which has been running with a group of women in Yatenga (Burkina Faso) for more than a year now, has had excellent results, with a 100 % rate of recovery. It is being extended to other parts of the country. A second project began in Guinea in April this year and another is being prepared in Mali.

In spite of the inevitable reluctance that always attends a new approach which threatens established interests and intellectual habits, the Grameen Bank approach, which was developed for a traditional economy, very largely corresponds to the needs and constraints of the small African producers and can benefit from existing solidarity networks. At the same time, it has made a hole in the wall of certainties and established ideas which surrounds rural development in Africa.

Two of the main ideas are:

• that agricultural credit is out of the question because farming is not very profitable and is chancy *per se*. If credit facilities are extended to all rural activitties, and added to the loans used to finance non-agricultural activity (which in fact represents half the money income), the security of repayments improves because of the increase in and stabilisation of the total revenue;

• that loans cannot just be made for purposes defined by the technical departments and projects which have been duly assessed. Although loans targeted to specific needs (inputs, agricultural equipment, etc.) are both useful and necessary, there is absolutely no justification for restricting the field of credit with the sole aim of making the cost prohibitive with too much red tape. The experience of the Grameen Bank, the Burkina Faso pilot project and the other programmes for small producers, such as the Badan Kredit Kecamatan in Indonesia, shows that this cold and centralising attitude is unsuitable. The small borrowers naturally turn to the most profitable activities. The important thing is to maintain a progressive approach to the amounts of the loans granted — which means the micro-businesses can familiarise themselves with credit management. It is always dynamic monitoring of the borrowers and not detailed control beforehand which makes the difference.

The solidarity group approach does not apply in all cases or to all social groups any more than it does in the savings and credit cooperatives. It is designed for those sections of the population with the fewest means of production, those who do not have access to the conventional systems of financing. Its efficiency comes from the fact that it makes it possible to mobilise a work potential that has been unused through lack of capital and its financial reliability is directly linked to the importance attached to the borrowers having access to a permanent line of credit.

The two approaches — savings and credit cooperatives and solidarity savings and credit groups — may in some cases be combined. The People's Banks of Rwanda, with large amounts of liquid assets, have provided off-season credit for peasants who were not members, organising them into solidarity groups. The rates of reimbursement, there again, are excellent — provided the group organisations are free of external intervention.

One of the cooperative systems particular to Africa and Madagascar is worth mentioning because of the money problems that are common to all agricultural undertakings. These are the grain banks, which exist in very different forms. The most sophisticated of these is perhaps the one used in the highlands of Madagascar and is described below.

A group of peasants stores part of the harvest. This stock serves as a guarantee for a secured loan from the bank. The loan enables the peasants to develop their productive activities or make any outlay they feel to be essential. Reimbursement is easy a few months later, as the stock has doubled or trebled in value and the peasants who hang on to part of it do not need to buy up rice at top prices after they have sold theirs at the lowest rates.

Mutualist approaches are no substitute for conventional banking. They supplement the banks and can, in some cases, act as a link between the small producers and the existing banking organisations.

Their efficiency depends directly on:

— being properly adapted to the local conditions and therefore having "organic growth" from the bottom up;

— having control ensured by the members and, as a corollary, autonomy in relation to the State;

— being taken over by local managers who are better placed to cope with the complexity of the environment than foreign experts would be;

— and, obviously, the central bank having a credit policy whereby saving is remunerated and a large enough financial margin can be taken to cover the high cost of offering small credit facilities. The minimum margin is 7-8 %, but during start-up, given the costs of training and getting the network established, it may be as much as 13 % or 14 %.

During the Industrial Revolution, when big production units were being set up, the uneven distribution of capital caused monstrous social injustice but did not block investment. From this point of view, the situation in sub-Saharan Africa is both more serious and easier to do something about. Capital accumulation, when it exists, serves to finance vital infrastructure but, to a large extent, more dubious expenditure too. It does not help with the financing of productive financial investments—which, of course, are found where there are men capable of making them work—i.e. in the traditional economy. The majority of the working population are not proletarian but small-time private entrepreneurs, so the development of a proper system of financing for them could well be a decisive stimulus to development. ○ M.N.

Tontines and banking

by Moïse NZEMEN (*)

Africa's banking network is sparse and there are very few branches, less than 40% of the population having access to one, and people living in rural areas—65% of the population in some countries, that is—do not use the banks at all. In Cameroon, for example, there were 11 banks, with a total of 148 branch offices, in 1988, which is one for every 72 000 inhabitants, way below the average in the industrialised world. This situation restricts the extent to which a country's growth can be financed via the banks, with investors (operators with deficits) borrowing the money to make their investments from savers (operators with surpluses) and one of the consequences is that some people invest less, while others hoard. The figure for currency plus quasi-currency as a percentage of GDP, which reflects the degree of spread of financial instruments, was 23.6 in Cameroon in 1984, as against 57 in the developed world that same year, and it declined, even, in 1987, dropping to 17.3 (1). But this picture of Cameroon's finances only covers the formal sector, leaving out the dynamic financial activity of the tontines.

Cameroon's economic growth is in fact financed as much by the informal sector as by the banks. In 1984, an estimated 140 billion CFAF—almost 35% of domestic savings by households and individual operators—went through the tontines, figures which reflect the important part which these associations play in the national economy. And almost 50% of the population are involved in these tontines, although less than 15% have access to a bank. The two systems are also used together, many families both having a bank account and belonging to a tontine.

But how do the two systems co-exist and what part does currency play in this financial dualism so typical of African economies? Although the informal financial system in Cameroon is called the tontine, as it is in Senegal, Côte d'Ivoire and Congo, it has other names too, such as 'esusu" in Nigeria, "likelemba" in Zaire, "susu" in Liberia and "cilimba" in Zambia.

A look at the situation in Cameroon shows that the tontines, which are informal associations, are based on individuals giving their word—on confidence, that is to say, and on homogeneous criteria. The aim of a tontine is to promote solidarity and periodically to set up a closed, informal financial market whereby, on a rota system, some members can invest their savings and others obtain credit.

A traditional savings system

The tontines are associations which pursue social and cultural aims and economic growth without any reference to the public authorities. They are of two main types—simple tontines involving solidarity (there are no contracts involved in the rounds of contributions) and economic or market tontines (proper financial markets, but open to members only on a rota basis). In a nutshell, they are associations of people who use non-regulated means in the pursuit of legal aims.

In the villages, there will be tontines for particular districts, for particular traditional associations, for young people of a particular generation (the 18-25s or the 20-30s, say), for women, for leading lights, for herdsmen and so on. The criteria for tontine formation in the towns tend to be ethnic and socio-professional and they often overlap. One tribe or socio-professional category, for example, may have tontines made up of members of the élite of a particular village living in a particular town. The associations are based on the idea of the group's power over the individual and of reliability and solidarity. The power of the group is, however, moral power, involving no constraints over the will of the individual. In this way, the tontine highlights the individual's character and teaches that dishonour is undesirable and that a man of honour enjoys the respect and confidence of other people.

Any failure to meet the commitments made in a tontine deprives the individual, whatever his rank, age or sex, of all respect and consideration and above all of confidence, which is serious. "He's no man", they say, "he let the tontine down".

As far as the tontine is concerned, there is no such thing as rain, heat, travelling or sickness. There is no point in claiming to have failed to meet tontine commitments because of being sick or away. Such things have to be catered for. And lastly, the tontine involves cash, because the money is collected in the same way as with a postal order or a bank cheque.

The size of the credit granted by the tontines varies (from CFAF 2000 to CFAF 100 million) with the type and size of the association and, in most cases, the contributions asked of the members vary between CFAF 200 and CFAF 5 million.

However, a recent study suggested that the average contribution in Cameroon was CFAF 850 in 1984—which shows that the economic tontines can sometimes mobilise enormous sums. Do these associations compete with or complement the banks in their role as collectors of savings and allocators of credit? Are they behind the current scarcity of cash in the Cameroonian and African banks? And what part do they play in forming the money supply?

Relations between the tontines and the banks

Professor Joseph Tchuidjang Pouémi defines money as "claims on demand on the banking system". Coins and notes are the only forms of money accepted in the tontines, which, unlike the banks, do not create money. It is the deposits (i.e. the contributions) alone which provide the tontine funds. So the power to create money lies solely with the banking system (the treasury, the primary banks and the central bank). The tontines collect money indirectly via goods or service transactions (as when a member pays his contribution via the direct sale of a product or service) or directly with savings or available income. The tontines affect the increase in the money

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(1) Source: Bank of Central African States. GDP 1987 = CFAF 3926 billion (ECU 1 = CFAF 352 approx.).

Queueing at the bank counter where it can take a day to complete a single transaction, notably a withdrawal. Tontines have stricter rules but are much safer: they are based on the mutual trust of borrowers and lenders

supply by pushing up the speed at which coins and notes circulate. Although they have no effect at all on the stock, they create an additional supply of money which the monetary authorities and the central bank have to take into consideration when devising efficient monetary policies.

Tontines and money supply

They also affect the trends in the money supply created by the banking system. They channel funds collected to the banks via the members who receive funds and keep business on the go and they have every interest in accelerating the movements of their bank accounts to claim credit from the banks. Above all, the tontines enable some members to put money on deposit in order to benefit from documentary or actual credit. And better still, they are an opportunity for many Cameroonians to get together the minimum amount required to open a bank account.

Under Cameroon's financial laws, in fact, the minimum amount required to open a bank account is CFAF 10 000 (FF 200). Things are very different in practice, however, as the banks want CFAF 150 000 (FF 3000) to CFAF 200 000 (FF 4000), which is 13-18 months' savings for the average wage-earner (getting CFAF 60 000 (FF 1200) per month, with average potential savings of 20%). However, thanks to the weekly tontine, with, say, 70 members chipping in CFAF 3000 (FF 60) each, that wage-earner can open his savings account on day one by using the product of the tontine.

In rural areas, where the banks have no branches and traders, small merchants, farmers and other artisans have to go to town to get their goods and manufactures, the tontines are an opportunity to stop the hoarding of money and get it used to finance the economic activities the community needs. Through the contributions, the tontines recuperate the amounts hoarded by peasants with no investment projects in view, thus helping increase the supply of money in circulation.

Because of the small amount of money available to chip into the various tontines, some people in rural areas who practice subsistence farming are forced to sell part of their output to get the cash they need for their contributions. The system contributes to the monetarisation of the rural economy—which shows that the tontines help improve the banks' situation by channelling the de-hoarded amounts to them.

It is in microprojects, the sector of small and medium-sized businesses and the informal sector of the economy that the tontines make up for the unsuitability of bank financing, thanks to their flexibility and to the fact that they only mobilise liquid assets. They have enabled some Cameroonians to start up small-scale activities generating money income whose rapid development has then meant they have had to open bank accounts.

Lastly, in order to avoid failing to pay into the tontine (regularity is very important), some members use their overdraft facilities. In economic tontines, credit is only granted on production of a guaranteed bank cheque, which means all the members have to have accounts. In this way, the banks help guarantee tontine credits.

The link between the banks and the tontines is not just through financial activity. It is also apparent in the use to which the tontine money is put.

SMEs are often seen as high risk sectors by the banks, so the bosses have no other choice than to turn to the tontine if they want to get financing for their schemes. And on this occasion, they benefit from the collective monitoring of their projects by the tontine members. With the material and moral assistance of the group and the benefit of the experience of some of the members, the recipient of the tontine has a better chance of success. And he will have more confidence in the tontine than the bank, because these are personal ties between the tontine members, whereas the bank is anonymous, and he gets moral and material support from them in the case of serious problems likely to interfere with the smooth running of his investment, or, indeed, happy events like births and weddings, which may involve unforeseen expenditure. The improvements attendant on belonging to a homogeneous, united group are an added attraction which the banks cannot offer. The framework for reflection and the exchange of ideas provided by the tontine meetings, the involvement in community projects and the experience of learning social integration, together with the case and flexibility of the formalities for obtaining credit, are the tontines' originality and strength. So people talk about "my tontine", whereas they would say "the bank".

But the tontines are no refuge when crisis hits both the country and the members. Many people fail to pay up, in which case the members bring in their own structural adjustment, involving smaller contributions, shorter cycles (with the tontine lasting, say, just a year) and other measures to restrict commitments to the association. This self adjustment and the socio-economic nature of the tontine means that it can go on functioning in spite of the crisis and the fact that it is mobilising a smaller volume of savings.

The tontine, like the bank, plays an independent but complementary role of financial intermediary. ○ M.Nz.

The international trade in banking services

by Bruno LANVIN (*)

Two events should make 1992 an interesting year — the Lomé Convention enters its fourth phase (Lomé IV) and the latest GATT negotiations, the Uruguay Round, should be completed. The coinciding of the two brings a number of specific problems for the ACP countries which benefit from the Lomé agreements. They may, for example, fear that the EEC's commitments to its partners under GATT will to some extent dilute the advantages they derived from the previous Conventions (Lomé I-III). And the tensions that exist between the Contracting Parties to GATT in 1990 (1) could well make it more difficult to extend the Lomé Convention further.

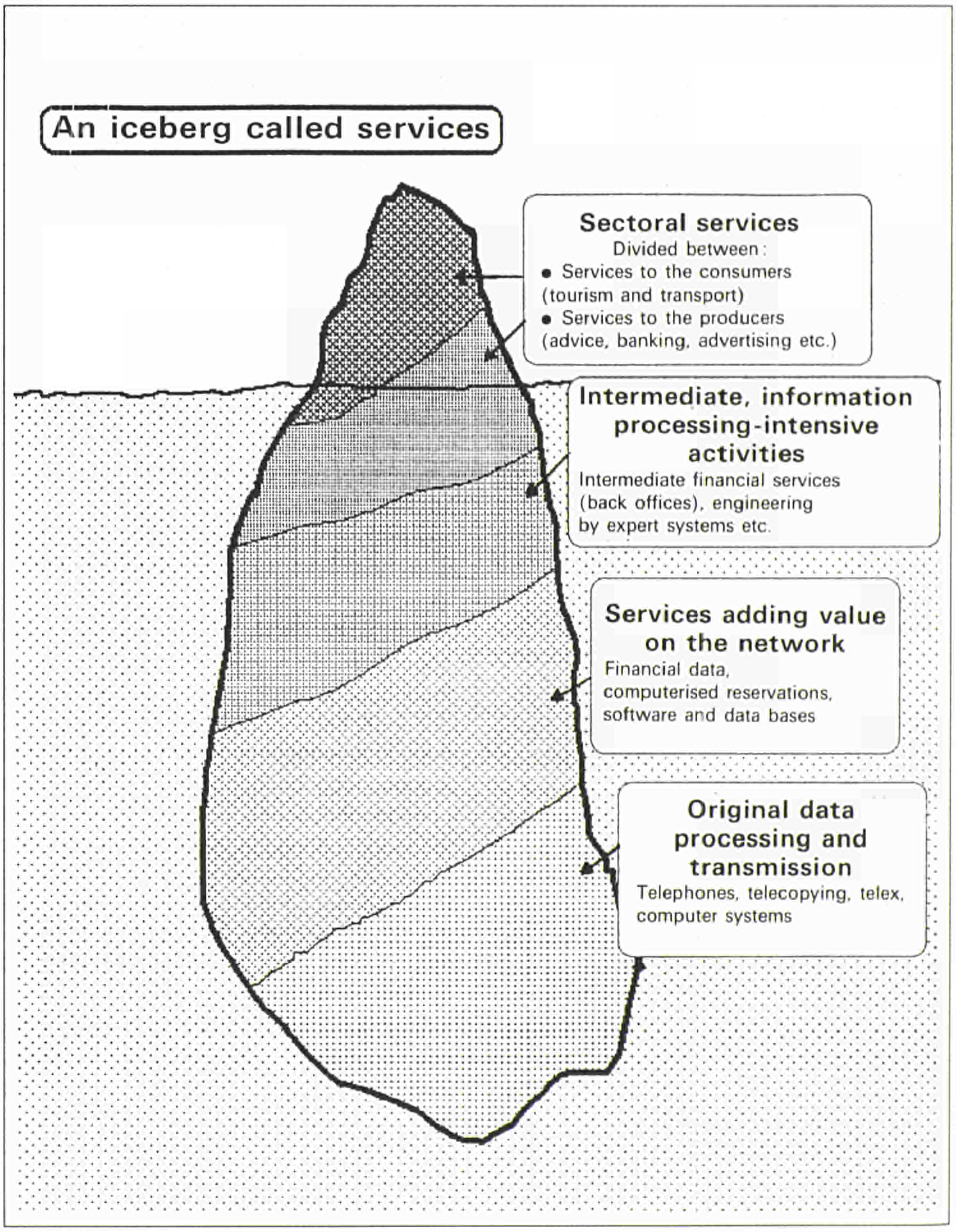
However, this context is an exceptional one and, on the eve of completion of the single European market of 1993, the ACP countries should make the most of it.

Although it already seems clear that this Convention, like the previous ones, will put rural development to the fore and that the two big issues which dominate it will be debt and structural adjustment (2), we should now be thinking about the emphasis the negotiations will put on the international trade in services. Exports of services are one of the ways in which the developing countries can reduce their dependence on their commodity exports today. And, if they work on the possibility of producing some of the strategic services which are the basis of the international competitivity of firms and nations themselves, they will safeguard their future autonomy and, therefore, their freedom of choice when it comes to politico-economic development models. These strategic services include banking and finance (see diagram).

This article sets out to contribute one or two things to this discussion. It starts with the major components of the current negotiations on the international trade in services (in the Uruguay Round) and then looks at the prospects of the international flows of banking and financial services being included in the new Lomé Convention.

Services in the Uruguay Round – specific features and prospects

The present and potential importance of services to the development process no longer needs any demonstration. So it was natural, after the US proposal (at the meeting of Ministers in November 1982) on launching a fresh round of multilateral trade negotiations and extending the scope of GATT to services, for the developing countries to get moving. And it happened fast, because, by the sum-



(*) The author is an economist with UNCTAD. The views expressed in this article are those of the author and do not necessarily reflect those of UNCTAD.

(1) It is unlikely that the date scheduled for the end of the Uruguay Round will be adhered to. A number of vital topics (in the services sector especially) will be dealt with in major debates and a number of the contracting parties could then well be tempted by intidimation measures (unilateral or as part of bilateral or regional agreements).

(2) See the Dossier on structural adjustment in *The Courier* No. 111 (September-October 1988).

mer of 1983, UNCTAD (the UN Conference on Trade and Development) had been given a very broad brief to investigate the role of services in development.

The renewal of the Lomé Convention is the first major opportunity for a full-scale attempt at North-South negotiation in the services sector. The present negotiating mandate indeed includes services among the new areas of the Convention, but it is worth noting that the Community intends to tie this part of the negotiations to the Uruguay Round of multilateral trade negotiations.

So, the potential and the limitations of an extension of Lomé to (particularly banking and financial) services will be clearer if the various phases of the gestation and implementation of the Uruguay Round are borne in mind. There are three main phases, starting in 1982 and ending in 1990.

Geneva to Punta del Este (1982-86)

The proposal the Americans made in 1982 was received rather coolly by most members of GATT. The European Community began with reservations and then qualified support for the idea of discussing the liberalisation of the international services trade. The developing countries expressed their hostility very early on. Their objections in fact related to things far beyond the services sector proper, as they pointed to such things as the aims of the previous set of negotiations, the Tokyo Round, not having been achieved and said they feared that they would be forced to make concessions in the services sector (where they have an overall deficit) in exchange for a reduction in the barriers to their exports of commodities and manufactures. They were also worried that sudden and immediate liberalisation of the services trade might prohibit them from setting up their own national facilities for the production and export of certain strategic services once and for all.

In view of this antagonism, the ministerial meeting in Punta del Este (Uruguay) in September 1986 was a real feat, as the Ministerial Declaration of 25 September in fact opened the way for the official launching of a new series of multilateral trade negotiations (the Uruguay Round) in which services would be included (Part II). The text listed four basics of the negotiations of this sector in a particularly concise (some would say cryptic) manner:

(1) The first aim of the negotiations is to produce a frame of reference in which services can be considered as a whole. There is a link between this conceptual framework and the negotiations by sector (which will include special rules if necessary).

(2) The objective is the expansion of the trade in services, a common means of promoting the growth of all the partners and, in particular, the development of the countries of the Third World. The conditions of this expansion will be the transparency and the gradual liberalisation of trade — the two main principles of GATT (see box).

(3) The principles of this frame of reference must respect national economic policy objectives (the validity of existing regulations is not questioned, but they must nonetheless be non-discriminatory — see box).

(4) Lastly, the negotiated frame of reference must respect the existing agreements in certain sectors and take account of the work of the competent international organisations.

Institutionally speaking, the negotiations on services in the Uruguay Round are not being carried out within the framework, but "under the aegis" of GATT. So the Uruguay Round includes negotiations on goods (in the group of Negotiations on Goods in GATT proper) and on services (in the Group of negotiations on services, "under the aegis" of GATT). The coherence of this single but two-lane path is ensured by the Trade Negotiations Committee. These organisational gymnastics were necessary to calm the developing countries' fears about any "quid pro quo" between the negotiations on goods and those on services.

Punta del Este to Montreal (1986-88)

The mid-way meeting to report on progress in the Uruguay Round (held in Montreal in December 1988) was an opportunity to produce an agenda for the services negotiating group for the next two years. There are five main points:

— defining the international trade in services (the big question being whether trade means just cross-border exchanges or includes activities resulting from the presence on the national territory of a foreign provider of services) and supplying the methods and data currently wanting in this field;

— formulating the general concepts on which the conceptual framework is based;

— listing the sectors to be covered;

— describing how the existing agreements can be taken into account;

— saying how measures affecting the international trade in services can be identified and handled.

Post-Montreal (1988-90)

The various operators must now shoulder their respective responsibilities. The GATT secretariat has to produce a reference list of sectors to be included in the negotiations (which does not mean sectors to be nego-

The basic principles of the General Agreement on Tariffs and Trade (GATT)

1. The most favoured nation clause (MFN): automatic and unconditional.

2. Non-discrimination: the same concept as MFN, but neither automatic nor unconditional.

3. Transparency and supervision: enable the contracting parties to know about and judge the trade policies of the other contracting parties.

4. National treatment: guarantees that tariff concessions are not neutralised by discriminatory national measures (taxes or regulations).

5. Multilateral reciprocity.

6. Safeguards.

7. Settlement of disputes or the possibility of obtaining compensation for actions which annihilate or reduce the rights guaranteed by the General Agreement to every contracting party.

8. Special and differentiated treatment for the developing countries.

Ministerial decision of Punta del Este, 25 September 1986

Part II — Negotiations on the trade in services

During the multilateral trade negotiations, the Ministers also decided to launch negotiations on the trade in services.

The aim will be to establish a multilateral framework of rules and principles for the trade in services and, in particular, to lay down rules for each sector, with a view to expanding trade in conditions of transparency and gradual liberalisation and as a means of promoting the economic growth of all the trading partners and the development of the developing countries. The framework will respect the political aims of the national laws and regulations applying to services and take account of the work of the competent international organisations.

The procedures and practices of GATT will be applied to these negotiations. A negotiating group on services is being set up to deal with these questions. The negotiations to be held in relation to this part of the Declaration will be open to the same countries as those entitled to take part in the negotiations relating to Part I. The GATT secretariat will assist with the negotiations and other organisations will supply technical support in accordance with the decisions of the services negotiating group.

The latter group will report to the committee on trade negotiations.

tiated) and the contracting parties have to make proposals on the sectors of particular interest.

The meetings of the Group of Negotiations on Services since Montreal have shown that there is now a sufficiently broad consensus for productive negotiations. The concepts formulated at Punta del Este — transparency, gradual liberalisation (special provisions are still possible), provisions to increase the developing countries' involvement in the services trade (the question of their access to information infrastructure and networks was mentioned) and national treatment — have been reaffirmed. One important question still outstanding is whether the sectors should be dealt with horizontally or vertically. If the former, then the principles would be negotiated and applied to all sectors, but if the latter, then each sector would be examined separately, allowing for the possibility of some principles being used for some sectors but not for others. The developing countries have said they would prefer the latter.

The three sectoral meetings scheduled for 1989 should mean the Group of Negotiations on Services can look at services in telecommunications and public works (June), transport and tourism (July) and financial and professional services (September). There are still many problems which the discussions will perhaps help to clarify, if not solve. One might well wonder, in particular, about the viability of a vertical approach which treats telecommunications services and financial services in the same way. Obviously the former are a component (if not infra structure) of the latter. However, the present and future GATT discussions will be a great help to the ACP countries in their negotiations on the services trade in the talks on renewal of the Lomé Convention. They should be followed closely.

The new Lomé Convention and banking services – scope and constraints

The features of the present round of multilateral trade negotiations underscore the constraints surrounding the discussions on the international services trade. To a very large extent, these constraints are also there, on the face of it, in any ACP-EEC debates about banking and financial services as part of the renegotiation of the Lomé agreements. The problem, however, is made considerably more complicated by the parallel existence of three kinds of specificity — those of the sector in question here (which is ill-defined and developing rapidly, both technically and legally), those of the dynamics of the European movement (in which the internal demands of 1993 do not always easily fit in with the Community's external commitments) and those of the ACP countries (particular as regards the monetary tradition of some of them).

The originality of banking and financial services

The banking and financial services that can be traded internationally are a many-faceted whole in which both products and functions have tended to expand over the past few years. There are six categories of financial product:

— deposits—by individuals, companies, Governments or other banking institutions, which may be received on on-shore or off-shore markets;

— international trading and dealing—foreign exchange transactions,

The Courier

Do the banks in developing countries fulfil the conditions for competing internationally in banking services? In some countries, clients pay a fee to put money into their accounts futures and options on currency, financial instruments and various products (metals and commodities);

— services related to international trade transactions and cash management — international mobilisation of documentary credit and letters of credit;

— international loans – still the bulk of international banking activity and covering secured and unsecured loans which may be quoted in national currency or foreign exchange and granted to firms, banks and local governments as well as multinationals and individuals resident abroad. There are special forms of international loans such as syndicated loans and project financing (risk capital operations);

— merchant banking — including all operations relating to the underwriting and placing of new bonds, to mergers and acquisitions and interest rate and currency swaps;

— personal banking and investment services — a wide variety of activities ranging from trust management to retail banking (this includes such things as issuing travellers' cheques and managing mutual funds).

It is important from the point of view of the negotiations to realise that each of the six categories includes the two characteristics typical of banking and financial services over the past 10 years — rapid development of activities, particularly under the effect of technological innovation, and an attendant rapid development of the national regulatory frameworks.

The rapid development of information technology has enabled the banks and financial institutions, and other operators on the international financial markets, to set up international networks in which information circulates 24 hours per day. Many new services have been developed in this way around systems of the SWIFT (Society of Worldwide Interbank Financial Telecommunications) type. Some financial markets are now being delocated and the trading taking place on the networks (Nasdaq) rather than on the traditional sites (in New York, London, Paris or Tokyo).

The trends in the regulations have gradually made life in banking and financial activity more complicated. This is particularly the case in the USA, where the development of the banking activities of the non-bank banks has given rise to much discussion over the past few years. The development of financial supermarkets offering a virtually infinite range of credit and placement products has developed from this (3). The change in national regulations is not without influence on the international trade in banking and financial services in that the companies which have managed to make the most of deregulation (4) are often the first to get the respective governments to defend the idea of the international liberalisation of the services trade which would enable them to capitalise on the qualities they have displayed on the national market on the international scene.

Specific nature of the process of European integration

In this fast moving sector, the EEC does not have a great deal of room for manœuvre, as it is in fact held back by the external commitments it has taken or is taking and by the constraints of the dynamics of the present movement of European integration.

The EEC's external commitments are the result of agreements signed individually by its members (the OECD code on capital transfers should be mentioned here) and of positions taken up by the Community on its own behalf (in, say, the multilateral trade negotiations of the Uruguay Round). Any advantages which the EEC might accord to its ACP partners in the matter of banking and financial services will, on the face of it, be limited by these prior commitments.

Until 1993 and beyond, the path to European integration will be strewn with difficulties and tax harmonisation, the internal movement of capital and implementation of a European monetary policy will be of decisive importance for the Community's (and particularly the Commission's) attitude to any external agreements affecting, to whatever extent, any of these fields. It would be wrong to exclude the possibility of the Community (initially at least) granting only a few specific advantages to the ACPs in relation to services which come a little too close to certain macroeconomic objectives.

Special nature of ACP-EEC relations

The first three Conventions of Lomé were (and still are) fine examples of North-South relations. This is due as much to the original techniques (in the field of raw materials, for example, Stabex and Sysmin have often been presented as being able to be extended to other, much broader fields than those of ACP-EEC relations) as to the approach. This is very different from the approach underlying Part IV of GATT (the generalised system of preferences or GSP), for example. GSP was in fact added to GATT to take the particularities of the developing countries into account, but, since GATT was originally designed as a contract, containing punitive clauses for anyone who failed to meet the commitments, GSP (or GATT, Part IV) was designed in a doubly negative form whereby some contracting parties (the developing countries) could make temporary use of safeguard clauses to transgress the rules of GATT without retribution from their partners (Articles XII and XVIII of the agreement make it possible for a country temporarily to restrict its imports to enable an emergent industry to develop or to cope with a serious balance of payments deficit). One of the commonest requests from the developing countries in the present negotiations on services is for special and differentiated treatment

(3) These supermarkets in fact combine activities hitherto spread among banks, insurance companies and brokers.

(4) When it comes to deregulation, it is worth noting that, even in countries where the movement was particularly early and strong, some legal limits have continued to be enforced on banking and financial institutions, in particular with a view to security and stability. The State has never entirely abandoned the right to intervene in this field, as can be seen from the example of Continental Illinois in 1985 and as perhaps will be seen from the salvaging of some American savings and loan institutions over the coming months. It should also be remembered, in the USA again, that interstate banking activities are strictly limited by the MacFadden legislation and that the limitative definition of banking activity is in theory contained in the Glass-Steagall Act. Now that inflationist fears are emerging again, the American authorities will probably be even more careful in the next few months about the parallel monetary creation capacities of the banks and credit organisations.

Extracts from the mid-term (Dec. 1988) review by GATT of International Trade in Services

Progressive liberalisation

... The negotiations should establish rules, modalities and procedures in the multilateral framework agreement that provide for progressive liberalisation of trade in services with due respect for national policy objectives including provisions that allow for the application of principles to sectors and measures...

The aim of these rules, modalities and procedures should be to achieve, in this round and future negotiations, a progressively higher level of liberalisation taking due account of the level of development of individual signatories. To this end the adverse effects of all laws, regulations and administrative guidelines should be reduced as part of the process to provide effective market access, including national treatment.

The rules, modalities and procedures for progressive liberalisation should provide appropriate flexibility for individual developing countries for opening fewer sectors or liberalising fewer types of transactions or in progressively extending market access in line with their development situation..

Increasing participation of developing countries

... The framework should provide for the increasing participation of developing countries in world trade and for the expansion of their service exports, including *inter alia* through the strengthening of their domestic services capacity and its efficiency and competitiveness.

Provisions should facilitate effective market access for services exports of developing countries through, *inter alia*, improved access to distribution channels and information networks. These provisions should facilitate liberalisation of market access in sectors of export interest to developing countries.

Autonomous liberalisation of market access in favour of services exports of developing countries should be allowed.

Particular account shall be taken of the serious difficulty of the least-developed countries in accepting negotiated commitments in view of their special economic situation and their development, trade and financial needs...

based on a positive (not doubly negative) definition of the concept and aims of development. This approach can validly be sustained in most sectors already identified, particularly banking services, where the developing countries have a major deficit and where the development of national production and export capacities is still a strategic target.

Lastly, it should be added that some ACP countries (in French-speaking Africa in particular) are in a special situation because they belong to a monetary zone. The overlapping of the activities of the central and the private banks must in this case been seen in a particular light. And it would be wrong to forget that, in the context of the regionalisation of trade (i.e. the polarisation of international trade around a number of increasingly self-sufficient blocs—USA-Canada-Mexico and Japan-the Asian dragons-Australia), the European Community is still, in some sectors, seeking the critical mass that will ensure it autonomy. In banking and finance, in face of the American and (even more) Japanese giants, the EEC may well find it useful to broaden its base — including offering particularly advantageous service trade arrangements to its ACP partners. There we have a lever for the ACPs to use in the forthcoming discussions.

The renegotiation of the Lomé Convention (for Lomé IV) means that the developing countries involved can envisage the most positive features of the preceding Conventions being extended to other fields. And of these fields, services, in view of the strategic role they play in the development process, warrant special attention; the importance and complexity of banking and financial services make them a leading aspect here.

The particular features of the present context—and particularly the nearness of the completion of the Uruguay Round (1990) and the completion of the single European market (1992)—make it particularly conducive to an imaginative renegotiation of Lomé. However, as far as the trade in banking and financial services is concerned at least, the ACPs will be better placed to get their opinions across and get what they want in the negotiations if they formulate their requests in the light of the following:

(1) The European Community has reached a critical point in its history and cannot run the risk of being incoherent. Its positions in the new Convention can, therefore, only be formulated in agreement with the demands of its internal commitments (as regards, say, the need for tax harmonisation or the free movement of capital in the Community) and of its external commitments (in particular in the context of the present negotiations on services in the Uruguay Round).

(2) The rapid changes in the international trade patterns and, in particular, the marked tendency towards the regionalisation of trade (the emergence of trading blocs) is a further challenge to the EEC, which may well find advantage in sealing (by particularly generous agreements) its privileged relations with its ACP partners so as to reach the critical mass needed for competition in the 21st century. The sector of banking and finance is one in which this could happen fastest.

(3) Lastly, banking and financial services are part of the economic infrastructure of the ACPs and will condition the extent to which they can pursue autonomous and remunerative development strategies. So it is important for the question of ACP-EEC trade in this field to figure in the new Convention. The debates, studies and discussions which have been going on around services and their role in development for some years now should enable the ACPs to formulate requests — which will be all the more realistic (and all the more likely to succeed, therefore) if they take the two preceding factors into account. ○

B. L.

Monetary substitution

Shift away from domestic currencies in developing countries (*)

In periods of social or political tension or in times of economic recession, developed countries experience a massive outflow of funds, channelled by banks and by individuals towards countries with strong currencies and with low, or no, taxes on savings and deposits.

This is termed capital flight.

Inhabitants of developing countries also export their monetary revenues under the same sorts of conditions. But in normal times, and for populations with, often, very low incomes, why should people in developing countries prefer to hold earnings in strong currencies (notably US dollars, but also French francs, Deutschmarks and Swiss francs) to the detriment of their national currency? In IMF jargon, this is termed monetary substitution.

The phenomenon is widespread and persistent but developing countries do not seem to be looking for the underlying causes for it, which are, of course, in the first place economic, but stem equally from a lack of confidence in the State's ability to manage its financial resources.

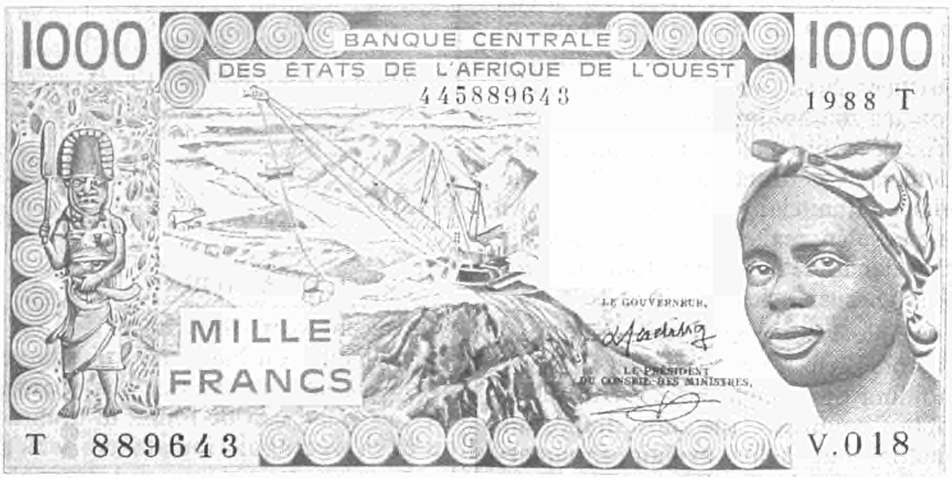
We publish below the IMF's explanation of this phenomenon, and while the majority of the examples cited are not of ACP countries, they are true, nonetheless for the overwhelming majority of ACP States.

* * *

Nationals of any country may hold foreign currency for use in certain kinds of transactions, such as international trade and tourism. In some developing countries, however, the demand for foreign money by domestic residents, especially for hard currencies and most often for the US dollar, has far surpassed the requirements for these transactions. These countries, including notably Argentina, Bolivia, Israel, Mexico, Uruguay, Yugoslavia, Nigeria and Guyana are characterised by different economic structures. Yet despite these differences, all have experienced a significant shift away from their domestic currencies to foreign currencies, particularly during periods of high and variable inflation rates and great uncertainty about domestic policies. In some of these countries the use of foreign money has become so widespread that even purely domestic sales and contracts are transacted in foreign currency.

EEC

The US dollar and the CFA franc. The distrust of their national currencies by the majority of the world's consumers does not explain the supremacy of American money



EEC

Monetary or currency substitution is defined as the demand for foreign money by domestic residents. While in some cases monetary substitution takes place between residents and non-residents who hold domestic and foreign money simultaneously, in others there is no demand for domestic money by non-residents. The latter condition is most prevalent in developing countries. This article discusses the determinants of this type of monetary substitution and presents some empirical estimates of its extent. In addition, the implications of monetary substitution for economic management and the policy options available in light of this process are discussed.

Determinants

The demand for foreign money can take various forms, including foreign currency notes circulating domestically and foreign currency deposits held either abroad or domestically. The determinants of monetary substitution are certain institutional factors,

(*) International Monetary Fund, Washington (article by C.L. Ramirez-Rojas).

real wealth, and the difference between the expected real rate of return on domestic and foreign financial investments. The institutional factors that explain the phenomenon of monetary substitution in developing countries are the volume of international transactions, the limited availability of domestic financial investments, and the transaction costs incurred in the exchange of currencies.

Foreign money is likely to be held in a stable proportion to the volume of international transactions. In addition, foreign money constitutes an attractive means of liquidity and financial savings, when there are only few available domestic alternatives for holding wealth. In the absence of severe exchange controls or other deterrents to the holding of foreign money, the transaction costs incurred in the exchange of domestic for foreign money will be relatively small, compared with the other means of holding wealth, thereby creating a further bias in these economies toward the holding of foreign money. Changes in real wealth affect the demand for domestic as well as foreign financial instruments. An increase in real wealth may increase the demand for both domestic and foreign currencies.

While the previously mentioned factors help one to understand the holding of foreign currency in developing countries, the most important factor that helps explain monetary substitution is the difference between the expected real date of return on domestic and foreign financial investments. To a large extent this differential rate of return can be approximated by the expected rate of depreciation of the domestic currency. If the domestic and foreign interest rates on financial instruments are freely determined, the difference between the two rates—adjusted for country risk—will tend to be closely associated with the expected change in the exchange rate. In some developing countries, however, a policy of maintaining a fixed nominal interest rate for long periods, regardless of the level of inflation, exacerbates monetary substitution, because the real return on domestic financial assets declines relative to the one obtained on foreign assets.

Table 1: Foreign bank deposits of nonbanks (1) at year end, 1982-84
(in billions of dollars)

Residence of depositor	1982	1983	1984
Argentina	7.10	7.89	7.62
Brazil	4.08	8.07	8.62
Cameroon	**0.31**	**0.23**	**0.41**
Chile	1.49	2.11	1.95
Greece	5.12	5.00	4.74
Israel	2.72	2.85	2.62
Côte d'Ivoire	**0.38**	**0.30**	**0.31**
Kenya	**0.93**	**0.87**	**0.83**
Mexico	10.40	12.66	14.31
Pakistan	0.73	0.86	0.87
Peru	1.02	1.19	1.42
Philippines	0.52	0.78	1.10
Turkey	2.17	2.10	1.83
Uruguay	1.11	1.51	1.74
Venezuela	10.01	10.85	11.69
Yugoslavia	0.34	0.27	0.28
Total	48.43	57.54	59.89

Source: IMF, *International Financial Statistics.*

(1) Nonbanks are defined as residents plus state enterprises. Excludes deposits by domestic commercial banks.

Extent

In recent years the extent of monetary substitution has been quite large in developing countries. The reason for this trend can be found in domestic macroeconomic imbalances which have resulted in high and variable inflation rates; and in the technological advances in communication and financial management, which make it possible to transfer funds at a low cost. Table 1 presents a rough partial estimate of the magnitudes involved, using data on foreign currency deposits kept in banks abroad (excluding official and interbank deposits) by residents of a sample of developing countries.

The magnitudes involved are very large and vary considerably according to the countries considered, In the case of Greece, Israel, Turkey, and Yugoslavia, deposits in foreign banks by residents of these countries have been relatively stable. This has also been the case for the sample of African countries (Cameroon, Côte d'Ivoire, and Kenya). Most of the remaining countries have experienced a substantial growth of foreign currency deposits and, with the exception of Venezuela, the rate of accumulation has been very fast. This process has become particularly entrenched in Latin America where the amounts transferred abroad have been considerable.

The data presented in Table 1 overestimate the funds the private sector of these countries' holdings abroad, because they include deposits of state enterprises. Yet, the table also underestimates monetary substitution, because it does not include foreign currency deposits within the domestic banking system, foreign currency notes circulating domestically, and some deposits not identified by nationality or residence of the depositor. These components of monetary substitution are important in some countries.

Implications of substitution

The increasing degree of monetary substitution has introduced an element of risk in the prediction and estimation of key macro-economic variables by the authorities. Among the more widely noted consequences of monetary substitution are the reduced ability of authorities to control credit and monetary aggregates, and the problems posed in the design of an appropriate monetary programme. This is because the monetary authorities do not have perfect control over the amount of dollars demanded by residents.

In the presence of monetary substitution the relevant empirical definition of money becomes more difficult; one may consider a definition that includes domestically issued money plus domestic dollar deposits, or one that only includes domestically issued money. If the broader definition, namely domestic dollar deposits along with domestically issued money, is used, it is important to realise that the crucial assumption, when estimating the demand for money, is that dollar deposits in the domestic financial system are not a very good substitute for dollar deposits held elsewhere. In other words, it is assumed that they cannot be moved abroad easily. However, recent experience, as reflected in Table 1, indicates that this may be a very misleading assumption, since dollars in recent years have become more easily transferable.

Perhaps the most important implication of monetary substitution in developing countries is that, in order to build up foreign currency deposits abroad, the residents of a country reduce domestic expenditure relative to domestic income. This depresses domestic investment and makes sustained output growth more difficult to achieve.

Monetary substitution in developing countries also limits the ability of the government to successfully finance a fiscal deficit by issuing domestic currency. As the public shifts from domestic to foreign money, the relative importance of the monetary base, and hence of the financing that can be achieved through money creation, is reduced for any given rate of inflation. Table 2 presents estimates of the revenue from the issuance of money as well as the inflation rate for a group of developing countries since 1980.

Revenue from money creation is of considerable importance as a proportion of GDP for most of the countries in the sample. But it shows wide fluctuations over the years and across countries. In general, attempts to increase this type of government financing have resulted in higher inflation rates, further reducing the ability of the authorities to domestically finance the deficit of the public sector.

Table 2: Revenue from money creation and inflation rates, (1) selected developing countries, 1980-84
(Annual estimates)

	1980	1981	1982	1983	1984
Argentina	3.7	5.1	—	—	—
	(75.4)	(109.6)	(256.0)	(573.0)	
Brazil	1.9	1.9	2.0	1.8	2.7
	(108.3)	(108.2)	(92.0)	(168.3)	(236.2)
Cameroon	**0.8**	**1.7**	**0.3**	**1.4**	**−0.1**
	(9.6)	**(10.7)**	**(13.3)**	**(16.6)**	**(11.4)**
Chile	2.4	−0.7	−1.7	0.7	—
	(39.6)	(9.1)	(7.2)	(45.5)	(24.3)
Greece	3.9	6.7	4.9	1.8	5.0
	(28.4)	(25.9)	(16.0)	(19.8)	(21.4)
Israel	2.1	2.1	2.4	2.1	3.3
	(132.6)	(122.7)	(125.7)	(144.5)	(396.5)
Côte d'Ivoire	**0.1**	**1.0**	**−0.6**	**0.7**	**—**
	(14.7)	**(8.8)**	**(7.3)**	**(5.9)**	**(4.3)**
Kenya	**−0.4**	**0.3**	**1.6**	**−0.2**	**0.8**
	(13.8)	**(11.8)**	**(20.4)**	**(11.5)**	**(10.2)**
Mexico	4.9	5.5	10.9	6.7	5.6
	(24.5)	(24.4)	(56.1)	(107.4)	(20.3)
Pakistan	2.4	1.1	2.3	1.9	2.2
	(13.4)	(10.9)	(4.2)	(6.9)	(8.9)
Peru	7.7	5.3	5.6	8.4	—
	(59.2)	(75.4)	(64.4)	(111.2)	(110.2)
Philippines	0.7	0.6	0.3	2.4	1.1
	(18.3)	(14.4)	(11.1)	(16.2)	(66.6)
Turkey	3.4	4.0	3.4	3.4	—
	(110.2)	(36.6)	(25.9)	(31.1)	(48.3)
Uruguay	2.5	1.9	3.4	5.7	3.5
	(41.8)	(23.4)	(12.9)	(73.5)	(77.4)
Venezuela	0.6	1.6	1.8	3.5	3.4
	(20.1)	(13.8)	(8.1)	(7.0)	(17.5)
Yugoslavia	6.9	6.8	8.2	12.6	—
	(28.8)	(43.3)	(25.2)	(32.7)	(57.7)

Source: IMF, *International Financial Statistics.*
... Indicates data not available.
(1) Inflation rates are reported in parentheses and were calculated as the percentage increase in the wholesale price index for all the countries except Cameroon, Côte d'Ivoire, Kenya, Peru, and Turkey, for which the percentage increase in the consumer price index was used.

Instruments and policy options

The correction of capital outflows and monetary substitution can only be made effectively in the context of a comprehensive adjustment package which includes measures or policies to deal with the causes of macroeconomic imbalances, such as the inflationary financing of government expenditure, inappropriate interest and exchange rate policies, and the general lack of consistency and credibility of overall economic policy. The existence of macroeconomic imbalances results in an environment characterised by high and variable inflation, recurrent devaluations, and declining demand for domestic real balances. Under these circumstances the authorities devise certain policies to deal directly with the problem of monetary substitution. These include the promotion of foreign currency deposits in the domestic financial system, exchange controls, the total replacement of the domestic currency with dollars, more flexible interest rate policies, and domestic currency deposits tied to exchange rate movements.

The promotion of foreign currency deposits in the domestic financial system is based on the premise that by reducing the transaction costs and increasing the liquidity to the depositor, it may diminish, at least in part, the outflow of resources, and consequently will reduce pressure on international reserves or the exchange rate. Underlying the promotion of foreign currency deposits is the view that by keeping foreign money within the boundaries of the home country, the monetary authorities avoid and offset outflows of hard currency. Further, foreign currency deposits in the domestic financial system can be used domestically by the public or the private sector, and are potentially under more control by the authorities than deposits located abroad. Nevertheless, the introduction of foreign currency deposits in the domestic financial sys-

The Courier

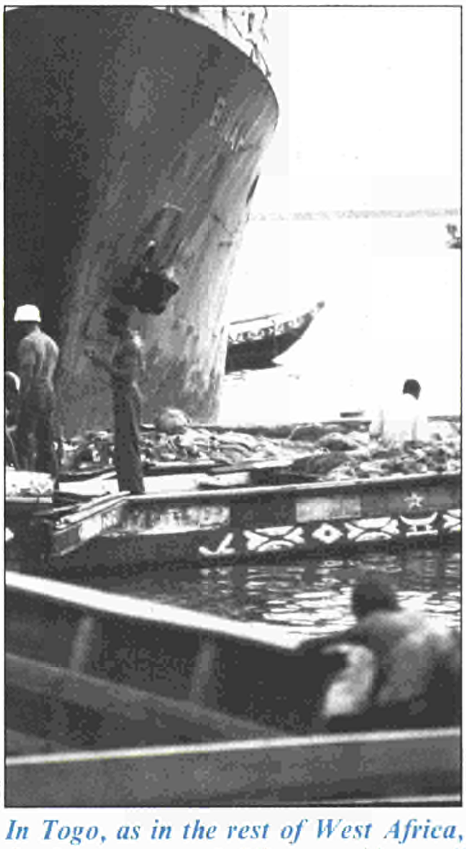
Holders of foreign currency rarely exchange it for local; by holding on to it for as long as possible, they are saving rather than hoarding

tem does nothing to change the extent of monetary substitution in the system. If the basic macroeconomic imbalances are not corrected, foreign currency deposits, as a percentage of total deposits, will grow and may themselves become a destabilising force within the domestic financial system. This may happen if the public has doubts about the full convertibility of its foreign currency deposits in the domestic financial system.

Exchange controls have a long history in many developing countries. Despite numerous attempts to eliminate monetary substitution and capital outflows through the use of exchange controls, evidence has shown that the controls have been largely ineffective, leading to the creation of a black market for foreign exchange, a worsening in the allocation of resources, with negative effects on output growth, and, in general, a reduction in welfare.

Domestic currency holdings can be totally replaced by foreign currency either by a sharp decline in real demand or through the repurchase of the monetary base with foreign currency. On the demand side, residents may choose to reduce their real holdings of domestic money and, in an extreme case, they may not use domestic money at all. This extreme case is likely to arise in a situation of hyperinflation in which the future value of the domestic money declines very rapidly. It should be noted that the total substitution on the demand side is not a policy by itself but one of the results of fundamental macroeconomic imbalances that led to the original hyperinflation.

A policy of substituting domestic for foreign money can be effected through the supply side, with the government surrendering the right to print money and repurchasing the monetary base with foreign currency. Such a total replacement will imply a very strong fiscal adjustment, because a source of domestic financing will be given up, and consequently this means of financing the fiscal deficit will disappear.



EEC

In Togo, as in the rest of West Africa, foreign currency holdings enable small traders to buy certain goods as soon as they are unloaded

Altering the relative return on holdings of domestic and foreign money will reduce the extent of monetary substitution. For example, a more flexible interest rate policy would make domestic currency deposits a competitive alternative to foreign money holdings, because the return on domestic currency deposits would increase. Further, a more flexible interest rate policy would allow domestic currency depositors and commercial banks to hedge against the future value of the exchange rate. The scope for interest rate policy to reduce monetary substitution also depends on the consistency and credibility of the overall economic policy. If a credible and consistent economic policy is implemented it may even induce residents to start moving out of foreign money.

In an open financial system if the exchange rate is freely floating or has very limited intervention (say, limited to offsetting seasonal factors), a way to make more attractive deposits denominated in domestic currency, relative to those in foreign currency, is to index their returns to exchange rate movements. This may lessen uncertainty over the future value of the domestic currency. The total yield of such deposits should be at least equal to the interest rate paid on foreign currency deposits plus the percentage associated with changes in the exchange rate. This yield is likely to be smaller than the one obtained with the use of a flexible interest rate policy alone, because the risk associated with exchange rate changes has been eliminated by indexing.

In summary, the appearance of monetary substitution in some developing countries can be traced to the high and erratic inflation rates that they have experienced in recent years. This has reduced the options available to policy makers and has resulted in an exacerbation of domestic imbalances, with further adverse consequences for inflation and the balance of payments. In such circumstances it becomes even more important to restore internal and external equilibrium, while at the same time developing mechanisms to regain the confidence of the public and reduce the degree and adverse impact of monetary substitution. ○

Africa's Franc Zone

by Patrick and Sylviane GUILLAUMONT (*)

Interest in the franc zone is reviving now that the renewal of the Lomé Convention is being negotiated and plans are being made for European monetary integration. Various books and articles have been written on the machinery of it all, in an attempt to size up the pros and cons, and both Africans and Europeans have questions about it.

Answering them, however, can be difficult and involve far-reaching analysis. In the limited framework of this article, what we attempt to do is provide short answers to the commonest questions in the light of a number of previous studies.

The franc zone

There are 14 independent states making up the franc zone outside France and its overseas countries and territories. Seven of them (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo) form the West African Monetary Union, six more (Cameroon, the Central African Republic, Chad, Congo, Equatorial Guinea and Gabon) form another monetary union and Comoros has its own issuing body. Each of the monetary unions issues a separate CFAF, while the Central Bank of Comoros issues the Comorian franc.

The 14 states have monetary cooperation agreements with France whereby the exchange rate between their currencies and the French franc is fixed and France guarantees their convertibility, the instrument of this guarantee being the operations accounts which the French Treasury has opened in the various Central Banks. The Central Banks have to deposit the bulk of their external reserves in these accounts and, if the reserves run out, they may overdraw, basically without any limits having been laid down for this.

However, overdrawing on the operations account is not seen as a permanent means of financing. One of the prescribed aims of the monetary policy is to ensure a proper balance of payments in the medium term. The Central Banks have various means of controlling the issue of money with this in mind and there are statutory limits to the extent to which the national treasuries can borrow from the Central Banks.

The exchange system in the countries in the franc zone differs in a number of ways from that in other developing countries — most of which are like the franc zone countries in having a fixed rate of exchange, although tending to define their currencies in relation to the dollar, the SDR or a basket of currencies. No non-franc zone countries still define their currencies in relation to the French franc. The franc zone countries are among the rare developing countries to have convertible currencies—i.e. involving no exchange restrictions in current operations or, to a large extent, in capital operations either—and, lastly, with the exception of Comoros, they form two monetary unions.

France sits on the Boards of the Central Banks of the franc zone. Although it is in a clear minority in both monetary unions (with two out of 16 seats on the BCEAO and three out of 13 on the BEAC), it can say what it thinks on all questions of monetary policy. Its real influence, however, of course has nothing to do with the number of seats it has on the Boards, but with the States' willingness to find a consensus with France on what financial policy to follow in the light of the trend in the balance of payments and a common attitude on the big international monetary issues. This is why the Finance Ministers of all the countries of the franc zone meet twice a year.

Results of having the CFAF tied to the French franc

The system of flexible exchange rates seems ill-suited to the financial and economic structures of the developing countries, on a permanent basis at least. So parity has to be defined against a standard — and some people wonder whether, 30 years on from independence, the choice of the French franc for this is not somewhat on the archaic side.

However, there are rational arguments in favour of it. The best way of defining currency is often the one which provides the lowest average rate of instability in the exchange rate of the national currency in relation to the various currencies of the partner countries. Over the past 15 years, typically a time of considerable international monetary instability, the link with the French franc has enabled the countries in the franc zone to have a higher average rate of exchange rate stability than any other developing country. There are two reasons for this. First, the volume of the trade between the countries of the franc zone themselves and, second, the fact that the French franc has traced an average path in relation to the major currencies of the world.

Are the CFAFs over-valued?

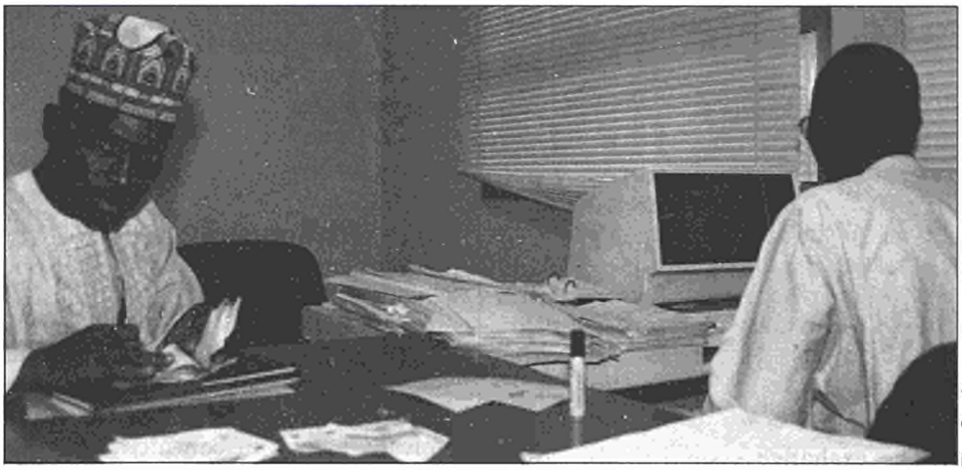
Although the tying of CFAF to FF clearly avoids great instability, it has, when parity has not been adjusted, sometimes been accused of leading to over-valuation — i.e. the rate of the CFAF in FF (CFAF 1 is currently worth FF 0.02) is sometimes deemed to be too high.

Parity has not been altered since 1948, but there is no legal reason to prevent a change if all the countries belonging to the monetary unions are unanimous in wanting it.

It is difficult to make any precise judgment as to the degree of overvaluation of the currencies. A useful pointer here is a comparison of the trends in prices (expressed in the same currency) in a country and its trading partners.

This yields an index, the real exchange rate, reflecting both the trend in the average nominal exchange rate and the relative trend in prices in the country and abroad. The figures for the franc zone countries revealed overvaluation at the end of the '70s, in many cases absorbed in the first half of the '80s thanks to a restrictive domestic policy and a decline in the value of the French franc.

(*) Professors at the University of Clermont Ferrand I (International Development Study and Research Centre).



Client in a bank in Niamey (Niger)

Although African banks are modernising their technical equipment on an increasing scale, their 'banking mentality' and customer services have failed to keep pace

In view of the size of the recent balance of payments deficits (due, in particular, to the deterioration in the terms of trade), it is reasonable to wonder whether the previous real decrease was actually big enough.

But this is not to say that a change in parity is the best answer. Experience in the franc zone countries shows that, when the imbalances are not too serious, an economy's competitiveness can be improved without need of devaluation. Devaluation would only improve competitiveness further with a further drop in the standard of living. It would also lead to heavy inflation, given the way the region's economies are open to the outside world, and entail a risk of capital drain — which could well be a threat to the convertibility of the currency.

The advantage of convertibility

The economic advantage of convertibility has long been underestimated. But the experience of many countries which have had to bring in very stringent exchange control restrictions on both current and capital operations has shown the drawbacks of this sort of constraint. A shortage of foreign exchange, and therefore of inputs, spare parts and consumer goods, has sometimes led to under-utilisation of industrial facilities and meant that the peasants have had no incentive to produce agricultural goods for export. The result is a vicious circle of penury leading to a decline in output and export, leading in turn to further penury.

The fact that the franc zone countries have the operations accounts to give them a regular supply of foreign exchange, and therefore of goods, protects them from this. There is no doubt that this is the biggest advantage they have derived from the franc zone and it has worked for individual countries in each union and for them all when the operations account ran at a deficit in the WAMU in 1980-85 and again in 1988 and in the BEAC zone from 1987 onwards.

If imports of luxury goods are to be held back, then it is preferable to use trade policy for this purpose. And the best way of avoiding a capital drain is of course to have a sound macroeconomic policy. Stringent exchange control is often an illusion in countries with vast frontiers and poor administration. And the frontiers of the franc zone are not hard and fast.

As history shows, they have evolved. Countries (Madagascar and Mauritania, for example) have left the franc zone for good and others (Mali) have left it only to return. And Equatorial Guinea, a former Spanish colony, joined in 1985 as part of the Central African Monetary Union.

On several occasions, there has been a question of other countries joining, particularly in West Africa. The neighbours' interest in the franc zone reflects perception of the advantages which the institution offers to its members, regardless of the constraints.

But France does not now seem keen on other countries joining outside the framework of the monetary unions. But if these unions are to work properly, the political will has to be there in all the member countries and there has to be a consensus as to the monetary policy to follow. This is why it is all the more difficult for large countries with different monetary and banking traditions to join in.

Furthermore, a monetary union can only be efficiently extended if the finances of the new member ... and the existing ones ... are sound enough.

The franc zone and monetary integration in Europe

Faced with the prospects of European monetary union, many African leaders have been wondering whether this move might not pose a threat to the franc zone.

In fact there is no legal incompatibility between a possible European monetary union and the present system in the franc zone, because this is based on the operations accounts which the French Treasury has opened in the Central Banks. Monetary cooperation between France and its partners in the franc zone is financial aid — original of course, but of a kind which can be assimilated to other forms of assistance which the European Treasuries will still be free to grant.

Nonetheless, a European monetary union would not be without its consequences for the franc zone, whose currencies would then be automatically linked to the European currency — which would in all probability be a strong currency, so maintenance of parity would demand more stringent monetary discipline than over the past 15 years.

And progress with European monetary union would bring new prospects for cooperation between Europe and Africa.

What can Lomé IV learn from the franc zone?

The experience of the franc zone has revealed the advantages to the African economies of convertible currency and relatively stable exchange rates. There is an increasing need to slacken exchange control and make for greater exchange rate stability in non-franc zone Africa today. Many countries outside the franc zone which have stringent exchange control have undergone very heavy devaluations of their currencies over the past few years, first of all on the parallel markets and then in the official rates. There is a strong contrast between the heterogeneity of the monetary systems of Africa and the intensity of the informal goods trade between neighbouring countries.

This heterogeneity and the existence of considerable fluctuation in the exchange rate of African currencies creates distortions in the relative competitiveness of the African economies, leads to an imbalance in trade between them and, ultimately, compromises structural adjustment.

This is why the European Community, which is keen to promote regional integration in Africa and wants to join with the ACP countries to define original methods of cooperation with a view to structural adjustment, could well envisage helping with the convertibility and stability of the African currencies.

It is of course illusory to try and transpose the system of cooperation of the franc zone to the whole area of ACP-EEC relations. But it is not out of the question to have an agreement between such ACP countries as are interested and the Community whereby the latter provides the former with a foreign exchange drawing right for a given amount and a given period. This aid would depend on certain monetary policy rules (agreed on in advance) being respected, but the drawing would be automatic, as is the case with Stabex.

The fact that many multilateral and bilateral cooperation institutions are helping with structural adjustment (provided certain conditions of economic policy are met) generates delicate problems of coordination. Monetary cooperation between the EEC and Africa would have the advantage of giving Euro-African relations a specific field of action involving fewer risks of divergence from the terms of other aid. And it would make an efficient contribution to the economic integration of Africa. ○ P. and S.G.

PACIFIC

Vanuatu: Financial centre and tax haven

by Marcel SAM (*)

Vanuatu is a tax haven and one of the world's recognised financial centres.

There is no income tax in a tax haven, or, if there is, the rate is so low as to be an attraction to savers. But a tax haven is not automatically a financial centre. If a country is to be a financial centre it has to:
— have low or no taxation;
— have no exchange controls;
— be in a time zone which fits in with the major industrial and trading nations;
— have first class communications infrastructure;
— offer financial expertise;
— have suitable legislation whereby companies set up in the country can be redomiciled, etc.

The Financial Centre of Vanuatu was set up by the British Government in accordance with legislation (the Queen's Regulations) dating from 1970 and 1971 whereby banks (QR—Queen's Regulation—No. 4 of 1970) and trust companies (No. 6 of 1971), insurance companies and so-called exempt companies (QR No. 4, 10 and 16 of 1971) can be established with the protection of strict professional secrecy.

There is no income tax in Vanuatu, or profits tax or death duties and, other than in hotels and catering, no sales tax either.

There are no reciprocal tax agreements with other countries, an important factor in keeping transactions secret.

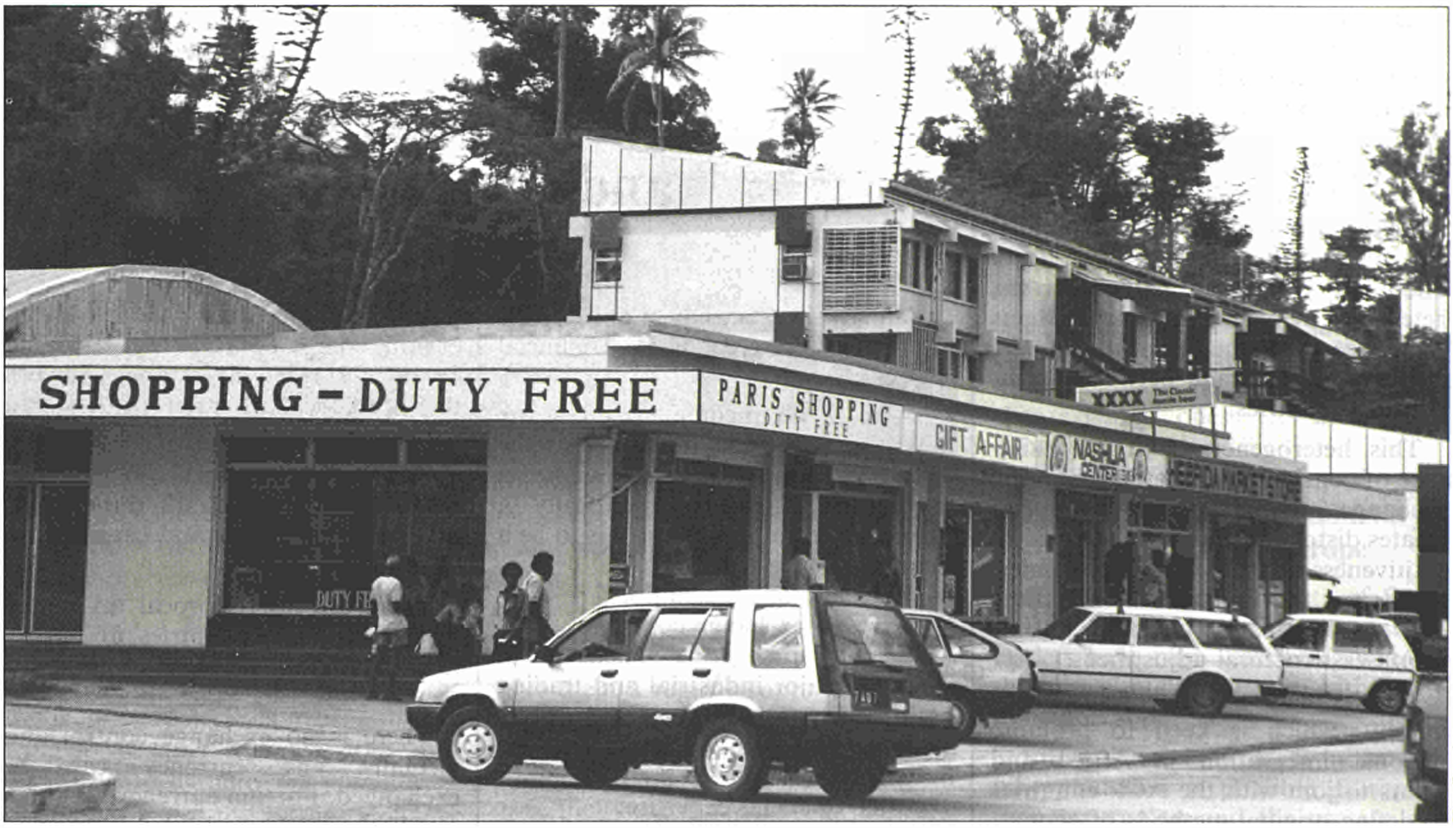
There is no exchange control and virtually any currency can be exchanged. Foreign currency accounts may be opened and customers may convert their foreign exchange on request to the banker without any authorisation or declaration.

Vanuatu is in a particularly good time zone, too. Its offices open at 7.30 a.m., so there is a 30-90 minute overlap with New York and the closing prices on the New York Stock Exchange are immediately available. Offices in Port Vila, the capital, open four hours earlier than those in Hong Kong, which start work at 9.00 a.m.

(*) Mr Sam is an executive with INPACT, part of the Indosuez group.

The Courier

The vatu, Vanuatu's currency, was created six months after the independence of the former Condominium of the New Hebrides. Linked to the SDR, the vatu was revalued once and devalued three times between 1980 and February 1988. However, against the Australian dollar, and Australia is Vanuatu's main trading partner, the vatu has depreciated considerably. Since February 1988 it has been floating



Shopping duty free in Port Vila (capital of Vanuatu) is just normal in a tax haven

(local time), so financial transactions can be negotiated in Hong Kong and Singapore and domiciled in Vanuatu the same day.

There is a sophisticated system of communications, with satellite transmission, and permanent telephonic facilities ensuring automatic connections with Australia. The standard of this system is to be raised even further over the coming months with the opening of a new antenna at the Port Vila satellite station and reorganisation of the telephone network. The country also has a round-the-clock telex service, fax machines and immediate data transmission facilities for the reception of information from computers abroad on the computers of Port Vila.

Vanuatu also has the advantage of qualified specialists on hand locally.

There are 80 banks (as of 31 December 1988), some of them with trading branches (ANZ, Westpac and Indosuez) and 11 trust companies (18 January 1989) administering companies, banks, insurance firms and trusts for non-residents. And there are accountancy firms too, including international ones such as Coopers & Lybrand, Peat Marwick & Co., Price Waterhouse, Moore-Stephens & Co. and Briggs Moore & Co., and half a dozen lawyers offices in Port Vila serving both the Financial Centre and the local population.

The Fijian dollar is one of the soundest currencies in the region. But it, too, is facing increasing pressure from the Australian dollar

All this means Vanuatu can be the financial opening on the South Pacific for investors in North America and Asia.

It was the first country to bring in the idea of redomiciliation — i.e. the possibility of a company set up within one jurisdiction carrying on operating in another without liquidation and without needing to be set up a second time elsewhere. This kind of legal concept is an insurance against political change in any jurisdiction, as the owner can in fact leave the jurisdiction and carry on his business elsewhere. Other countries—Australia, for example—have since adopted this concept.

No-one can say how much money is domiciled in Vanuatu. Banking secrecy and the fact that annual accounts, which have to be audited every year, are not available to the public mean that the Government alone is in a position to know — and it refuses to disclose any information.

The Government supports and encourages the Financial Centre and both the ruling party and the opposition are in favour of it, political support which is vital in the eyes of investors and other people likely to make use of the facilities in Port Vila.

There are other offshore financial centres in the Pacific too, in Hong Kong, Nauru and the Cook Islands. A brief introduction to the latter, which was set up in the '80s and is becoming a serious competitor for Vanuatu, is in order:

— It has two tax systems:

1) companies operating locally, paying 20 % of their income regardless of origin, plus a 10 % tax on each month's income (this may be waived as an incentive during a company's early years of operation);

2) offshore companies, which are exempt from company tax.

— There is no exchange control.

— The time zone is good.

— The communications infrastructure (telephone, fax and telex services) are right.

— The political situation is stable and politicians are in favour of developing the financial centre.

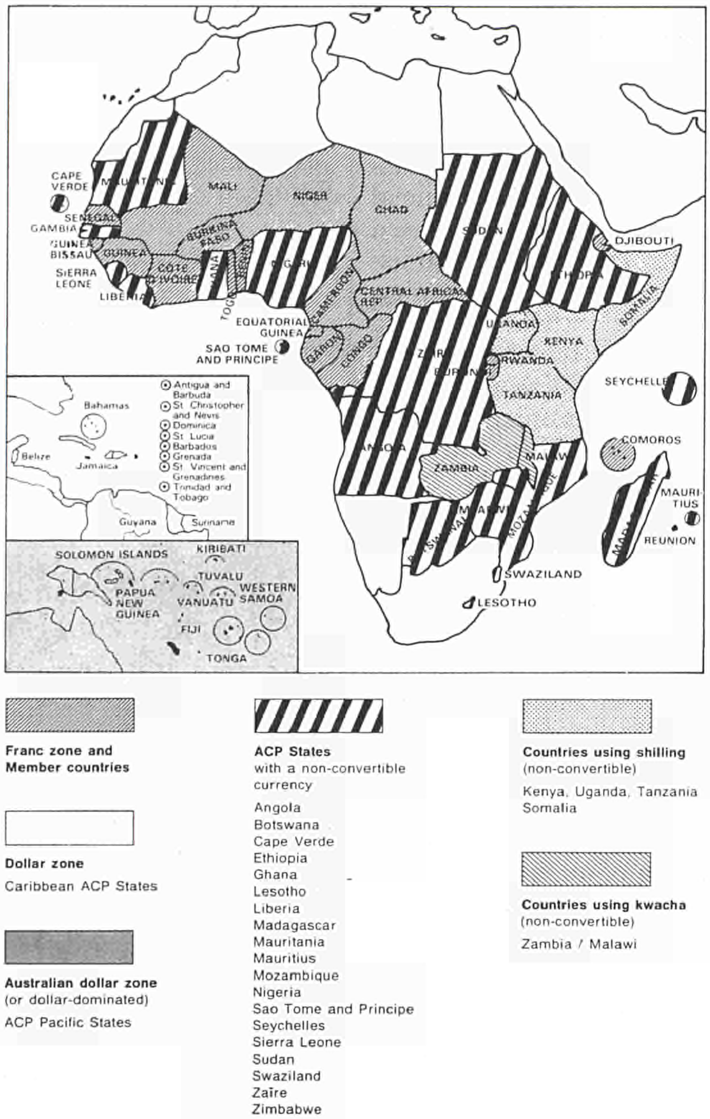
— Financial expertise is available — there are six trust companies, various banks (one of them, Westpac, with a trading branch) and a number of accounting firms and lawyers offices.

— The legislation is right, although not such as to allow of the islands becoming a tax haven.

The Cook Islands financial centre has the will of the politicians behind it. Given the Vanuatu Government's financial embarrassment, tax legislation is expected to hit the tax haven of Vanuatu soon, so companies, particularly offshore ones, are moving away to the Cook Islands.

Does this move reflect a momentary fear of tax legislation encroaching on the tax haven? Laws of this sort ought in any case to take the Port Vila Financial Centre into consideration as, if the political situation stabilises and present and future investors are reassured, it will have a sound future. ○ M.S.

The ACP monetary zones



Broadly speaking, there are three main monetary zones in the ACP States.

In Africa the franc zone constitutes the biggest group of countries with an instrument of financial exchange, the CFA Franc (or allied currencies), which is linked to the French franc. The CFA franc is freely convertible within the zone and even in certain other countries such as Nigeria. But there are also a number of countries whose national currencies are not convertible (see above).

Then there is the dollar zone, consisting principally of the Caribbean ACP states (except Guyana and Suriname). This zone is characterised by total monetary dependence vis-à-vis the United States. Unlike the franc zone in Africa, the currencies of the Caribbean dollar zone are only partially convertible within the region and are not convertible at all in the United States.

Finally, there is the Australian dollar (or dollar-dominated) zone, encompassing the Pacific ACP States. The linkage of the Australian dollar and the national currencies of the Pacific States (Vanuatu's vatu, for example), would appear to be not so much a political choice on the part of these countries as an economic and commercial necessity. Australia is the dominant economic power in the region and the closest and principal partner in economic and technical cooperation.

Towards a single European market in financial services[1]

On 19 June, in Luxembourg, the Finance Ministers of the Twelve agreed on the main measures for creating a "financial Europe". These measures, based on proposals from the Commission of the European Community, include, among other things, a "single licence" which, from 1 January 1993, would allow a bank set up in one Community Member State to open branches and conduct activities in the 11 other states under the sole supervision of the regulatory authorities of the State where it had been established. Certain practical measures for giving "financial Europe" the green light remain to be dealt with; they will be discussed on the basis of the Commission's proposals set out below.

The Treaty of Rome's provisions for the creation of an internal market include the services sector and cover financial services (banking, insurance, dealing in securities and stocks). In the period from 1958 to 1985, there was considerable progress in this direction but the objective was not achieved.

The European Commission's 1985 White Paper on completing the internal market called for a new impetus. Its aim was to weld together the 12 separate national economies into a single market—a single European economy—by 1992. The White Paper programme was approved by the European Community Heads of State or Government and given a constitutional basis by the Single European Act of 1986, which amends the Community Treaties and defines the internal market as "an area without internal frontiers in which the free movement of goods, services, persons and capital is ensured".

The White Paper argued that a common market already existed to a large extent for goods and that it was important to make similar progress in services, particularly in financial services which play a vital role in the European economy.

(*) Document DG X, Commission of the European Communities, 1988.

A major sector

The financial services sector is of growing importance to the Community economy. In terms of output, it accounts for about 7% of gross domestic product (GDP) for the Community as a whole, varying from 14% in Luxembourg to 4.5% in France. In terms of employment, the sector provides about 3 million jobs or about 3.5% of total Community employment, varying from 7% in Luxembourg to about 2.5% in Italy.

Financial services are an important input to the rest of the Community's economy. Nearly half of the total profits of credit and insurance institutions is reinvested in other industries. Yet financial services have not benefited to the same extent as manufacturing industry from the progress made towards dismantling barriers to trade between Member States.

The present situation

The achievement of the internal market in financial services will be the culmination of developments which have been under way for some time. Highly integrated markets already exist in reinsurance (insurance of insurers) and transport insurance; there are branches of Community banks in most of the Community's main financial centres; a large number of securities are listed on the stock exchanges of more than one member country.

The hard fact remains that government regulations, imposed for prudential or safety reasons, have the effect of hindering financial institutions from setting up in another Member State or offering services there. Market openness, competition and cost efficiency are often not possible.

Also, for some time now changes have been taking place in the environment in which European financial services institutions operate:

- The market is increasingly globalised and organised at world level. Financial services companies can move capital—and even their own location—very quickly between continents.
- The development of new telecommunications and information technology have reinforced the globalisation process and ensured the rapid spread of innovation and new financial products.
- Increased competition between different kinds of financial institutions is blurring the distinctions between banking, insurance and securities firms.

The impact of Financial Market Integration on the European Banking Industry

Beyond 1992, whatever adjustments take place and whatever the final outcome, one can be certain that there will be profound transformations in the banking sector in Europe with effects on the efficiency of financial intermediation.

1992 will not be the end of a process ultimately resulting in a single financial market. In spite of subsisting market differentiation, a competitive process benefiting consumers of financial products throughout the Community will be set in motion through enlarging the range of available products and through more competitive pricing. Banks will have to adapt their costs, prices, products, and their organisational structure, market focus and scale. There will be more losers than winners and the winners are not necessarily big institutions or those opting for a European scale. Most adjustment will take place in national markets and the major driving force will be free exchange of financial services and not cross-border implantation.

Source: EIB (March 1989):The Impact of Financial Market Integration on the European Banking Industry, by P.L. Gilibert and A. Steinherr.

● There is increased competition too, between financial institutions in Europe and those in the USA and Japan.

World financial markets are rapidly moving to continuous 24-hour trading, based on three principal time zones centred on the USA, Europe and the Far East. The European market must organise itself to compete at the world level.

Why a European financial services market?

A Community market in financial services offers many advantages:

● National laws on their own can no longer provide the basis for future developments, particularly in the face of increasing globalisation. If Europe is not to lose its share of the business, and of the employment that goes with it, it is essential that an efficient and open Community market develops in the financial services sector.

● From the consumer's point of view, it is important that he or she should have access to a wide range of competing financial products irrespective of their country of origin.

● It is essential for the competitiveness of the manufacturing sector that the financial sector be as competitive as possible.

● The financial services industry itself needs to get in shape to face the challenge from the USA and Japan.

The report prepared for the Commission in March 1988, on the cost of non-Europe in financial services, shows significant potential economic gains to be made from completing the internal market. It estimates that, in terms of benefits to consumers, there could be a once-and-for-all gain of between 11 and 33 billion ECU, with the central estimate being 22 billion ECU [1]. There would also be potential gains from equalisation of interest rates.

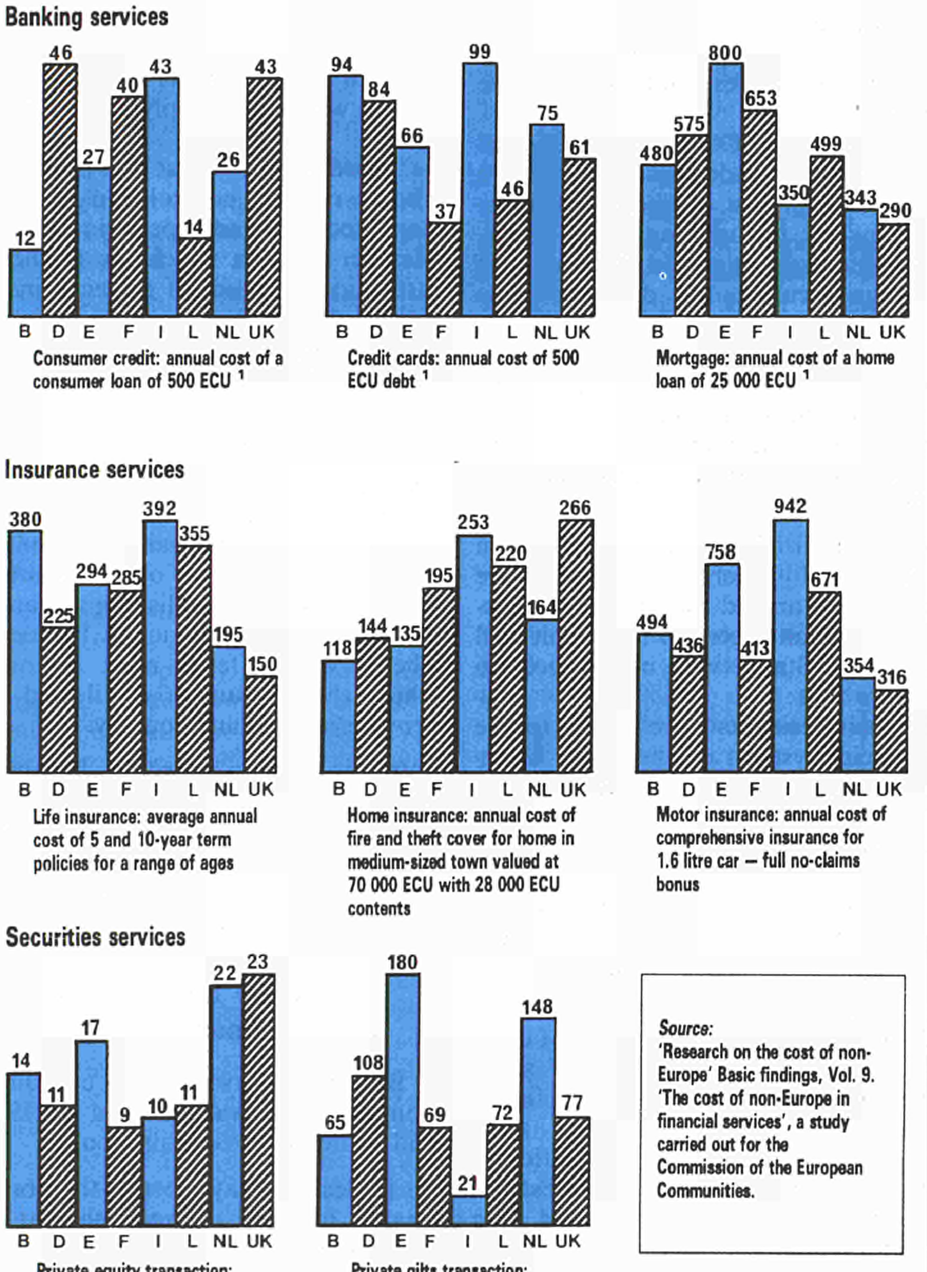
The report also concludes that the benefits of the internal market will come not only from removing the costs due to existing barriers to trade in financial services, but also from the new impetus that will be given to further trade. This will mean more competition, which will result in both increased opportunities for the financial services industry and reduced costs for consumers. It will also offer greater freedom of choice to the consumer, who will be able to take the initiative and approach suppliers of financial services in other Member States in order to obtain the best terms and conditions.

The basis of the internal market in financial services

The single market in financial services must be founded on three major freedoms:

● The freedom of financial services institutions to establish their activities and to set up branches wherever they wish within the Community.

Why should there be an internal market in financial services: Some comparative prices from different Community countries (ECU)



Consumer credit: annual cost of a consumer loan of 500 ECU [1]

Credit cards: annual cost of 500 ECU debt [1]

Mortgage: annual cost of a home loan of 25 000 ECU [1]

Life insurance: average annual cost of 5 and 10-year term policies for a range of ages

Home insurance: annual cost of fire and theft cover for home in medium-sized town valued at 70 000 ECU with 28 000 ECU contents

Motor insurance: annual cost of comprehensive insurance for 1.6 litre car — full no-claims bonus

Private equity transaction: commission costs of cash bargain of 1 440 ECU

Private gilts transaction: commission costs of cash bargain of 14 000 ECU

Source: 'Research on the cost of non-Europe' Basic findings, Vol. 9. 'The cost of non-Europe in financial services', a study carried out for the Commission of the European Communities.

[1] Difference between interest rates and national money market rates.

(1) 1 ECU (European currency unit) = about £ 0.65, Ir £ 0.77 or US $ 1.1 (at exchange rates current on 28 September 1988).

• The freedom of those same institutions to offer their own particular financial services products across Community frontiers without having to be established in other Member States.
• Freedom of capital movements throughout the Community.

The Community's legislative programme is designed to remove all the restrictions and obstacles which interfere with these freedoms.

• **Liberalisation of capital movements** is the backcloth to the whole Community approach to freedom of financial services.
— Already in the early 1960s, direct investment and portfolio investment in quoted shares and bonds were liberalised.
— In 1986 the Community's Council of Ministers adopted a Directive extending the list of liberalised transactions to include long-term loans, unquoted securities and the issuing of foreign securities on domestic markets.
— In 1988 the Council approved Directives to liberalise all other transactions: short-term monetary instruments, current and deposit account operations, financial loans and credits.

When all of these Directives are in force—and Member States are obliged to amend their national legislation within a certain time limit—all Member States will be obliged to ensure that:
— their residents have access to the financial systems of the other Member States and to all the financial products available in those States.
— there are no restrictions on capital transfers.
— there are no other discriminatory measures that will frustrate or distort the free movement of capital.

• **Freedom of establishment and freedom of services.** Liberalisation of capital movements is not in itself sufficient to bring about freedom of financial services:
— Barriers caused by differing national regulations would obstruct freedom of establishment and free trade in financial services even when exchange controls are fully removed.
— If there are no common rules for the supervision of financial institutions business will tend to migrate to centres where supervision is most lax.
— There must be broadly equivalent standards for the protection of investors.

Building on the basic principles of the Treaty and on legislation already adopted by the Community, the general method of achieving these objectives which the White Paper on the internal market adopts is:
— The harmonisation of essential standards for prudential supervision of financial institutions and for the protection of investors, depositors and consumers.
— Mutual recognition by the supervisory authorities of financial institutions in each Member State of the way in which they apply those standards.
— Based on those first two elements, "home country control and supervision" (control and supervision by the Member State in which the financial institution is based) of financial institutions that wish to operate in other Member States either by setting up in them or by offering their services directly across frontiers.

For the banking and securities sectors the central concept is a single licence, issued in one Member State, which allows a financial institution to offer its services in other Member States, either by establishing a branch or operating directly across frontiers. The services offered must be ones which the institution is allowed to provide in its home country.

In the insurance sector, however, supervisory control will be divided between the Member State where the insurance company has its head office and the one where an agency or branch is established.

Community law in specific areas of financial services

• **Banking.** A first banking coordination Directive was adopted in 1977 and achieved three main goals.

— It cleared away most of the obstacles to freedom of establishment of banks and other credit institutions.
— It laid down common standards for the granting of banking licences.
— It introduced the basic principle of home country control.

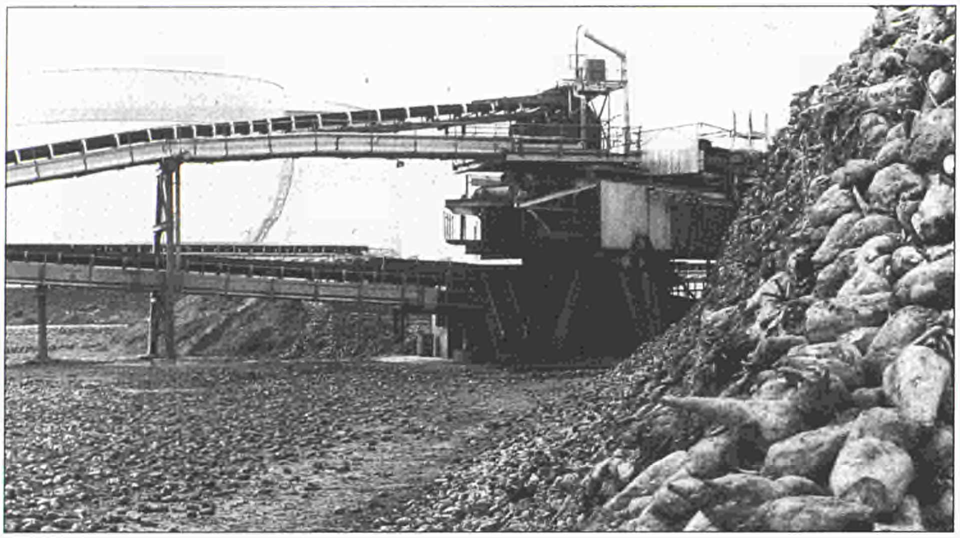
There are still obstacles to be removed before a genuinely unified Community banking market can exist:
— A bank or other credit institution still needs authorisation from 11 different supervisors to set up branches in all Member States.
— Banking services cannot be provided across frontiers in all Member States.
— Banking activities have not been defined.

With the aim of removing all of these barriers, the Commission proposed a second banking coordination Directive in 1988.
— It puts forward the idea of a single banking licence, valid throughout the European Community, which will authorise a bank or credit institution to supply its services throughout the Community either by branches or directly.
— National supervision authorities in the Member States will recognise the licences issued by each other.
— A list of banking activities is laid down, including not only the main traditional services but also ones that are new for some Member States (e.g. trading in securities).
— A minimum level of capital (own funds) is laid down for new banks.
— Supervisory rules are spelled out in respect of internal management and audit systems.

Further legislation is necessary to ensure equal competition between banks and credit institutions within the Community and to prevent the migration of banks to countries with less strict supervision. Such measures include:
— A Directive for a harmonised solvency ratio, which will lay down high common standards for the solvency of banks and other credit institutions.
— Rules on guarantees for depositors and on limitation of large risks undertaken by credit institutions.
— Rules on the annual accounts of banks and on harmonising the concept of a bank's "own funds".

In the field of mortgage credit, legislation will enable different forms of such credit to be provided throughout the Community by the various national institutions that specialise in it.

Other initiatives in the banking sec-



One of the secrets of Japan's success is the alliance between industrial and financial groupings. With the coming of a unified financial market, are we moving towards a similar situation in Europe? (Above, a French international sugar industrial group)

tor concern ground rules for consumer credit operations and electronic means of payment. In the latter case the aim is to ensure that a payment card issued in one Member State can be used throughout the Community.

• **Insurance.** Freedom of establishment of insurance companies was instituted in the 1970s by the first Directives on non-life insurance and life insurance. Motor insurance directives were also adopted, abolishing frontier controls for green cards and reducing divergences in obligatory motor insurance cover. Progress towards freedom of services has been much slower.

Following major judgments by the European Court of Justice in December 1986, on freedom of services in the insurance sector, the Council adopted in 1988 a second Directive on non-life insurance which provides for:
— Some harmonisation of national laws concerning direct non-life insurance.
— Freedom to provide services for large risks in the industrial, commercial and transport sectors.
— Free access to the Community market for large policy holders and insured parties.

Since the Court ruled that mass consumers of insurance ("the man in the street") needed a greater degree of protection than large policy holders and that more detailed harmonisation was required where such mass consumers were concerned, separate specific legislation will be drawn up at a later stage.

The same principle of freedom to provide services, and thus of free access to the Community-wide market for policy holders and insured parties, will also apply to legislation on life insurance policies and on compulsory motor insurance. These will equally take into account the need to ensure full protection for the individual consumer.

Other legislation to cover the interests of insurance companies' debtors, creditors and policy holders will deal with the harmonisation of the companies' annual accounts and of the procedures for winding up insurance companies.

• **Securities and stock markets.** The main objectives in the securities market sector are:
— To make it easier for companies to treat the Community as a single market for the issue of shares and bonds and for obtaining stock exchange listing.
— To ensure by full and proper disclosure of information that all investors are provided with the information they need to make the proper assessment of the risks associated with an investment.
— To ensure that all Member States will be in a position to recognise any public offer prospectus approved in any one Member State.
— Mutual recognition of authorisations granted to companies providing investment services in the securities field (broking, dealing, portfolio management).

Two Directives should enable these objectives to be achieved:
— A Directive liberalising the activities of undertakings for collective investment in transferable securities (Ucits, sometimes known as unit trusts or mutual funds). A Ucits authorised by its own Member State will be allowed to market its units to investors in any other Member State. This was adopted in 1985 and enters into force in October 1989.
— An Investment Services Directive which will facilitate free competition between brokers, dealers and portfolio managers while ensuring proper standards of solvency and investor protection.

Other legislation deals with:
— Harmonising the conditions for the admission of securities to official stock exchange listing (Directive adopted in 1979).
— Harmonising the requirements for the listing particulars to be published for the admission of securities to official stock exchange listing, including the mutual recognition of listing prospectuses (Directives adopted in 1980 and 1987).
— Information to be published on a regular basis by companies whose shares have been admitted to official stock exchange listing (Directive adopted in 1982).
— Harmonising the contents of the public offer prospectus.
— The prohibition of insider trading.
— Information to be published when major shareholdings in a listed company are acquired or disposed of.

The objective of the Community is to establish by 1992 a single European market in financial services, where a bank can offer the full range of its services throughout the entire Community and set up branches in another Member State as easily as in its own, where insurance can be bought on the most reasonable terms and be valid throughout the Community, and where the market for securities and capital is of a size sufficient to meet the financing needs of European industry and attract investors from all over the world. ○

Addis Ababa Water Supply — a capital task (*)

Today, the regular availability of drinking water is a luxury for the average African household. The situation is worse in rural communities, where a considerable part of a woman's working day is spent fetching water, but in a continent where the urban population is galloping at an annual rate of 4.5%, however, long-term planning of urban water supply is an absolute necessity. An efficient and dependable water supply system is an essential feature of any modern metropolis.


AAWSA

A water point on the outskirts of Addis Ababa

Addis Ababa is a fast-growing African city. In addition to being Ethiopia's political and economic capital, it is also the hub of African diplomacy, hosting the headquarters of two leading continental organisations: the Organisation of African Unity (OAU) and the United Nations Economic Commission for Africa (ECA), which hold most of their important meetings there. Until 1976, the population of Addis Ababa is estimated to have grown at a staggering 6.5% annually, which has since fallen to a still-high 3%. A city founded in 1887, its population only half a century ago stood at a mere 100 000. Some estimates say its population, which presently stands at over 1.5 million, will hit the 6 million mark by the year 2000. Long-term planning of its water supply was understandably not part of the spontaneous birth of Addis Ababa (the name means New Flower in Amharic, the official language) just over a century ago. The numerous springs and streams that flow from the surrounding hills were considered enough; but not for long. It was a matter of a few years before water began to be a scarcity in the New Flower. It even became a critical problem at the palace of Emperor Menelik. The first-ever pipeline was in fact installed to supply water to the palace from a spring at some distance. It was hailed by all as a technological miracle and dispelled earlier scepticism held by the Imperial family and the Emperor's aides about water being pumped uphill, against the law of gravity. The acute shortage of water continued, however, for the large majority of the inhabitants of Addis Ababa, who continued to depend on river, spring and well water for their daily needs.

(*) Article provided by the Delegation of the Commission of the European Communities in Ethiopia.

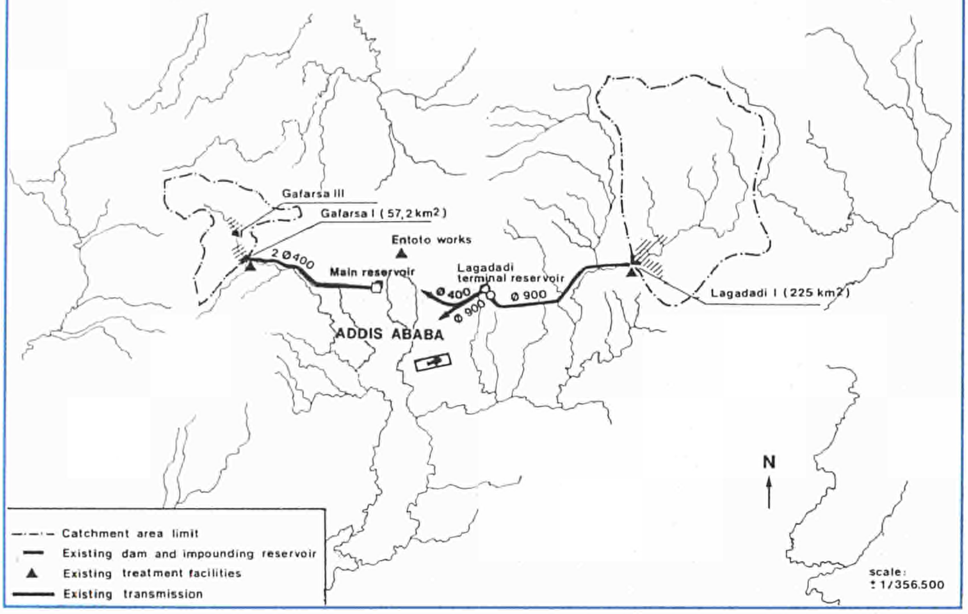
Limited efforts were made to increase pipe-water distribution during the brief Italian occupation of the city from 1936 to 1941, but it was only after the Italians left and the municipality of Addis Ababa was reorganised with a separate water supply services department that it was possible to distribute 2 800 m^3 of pipe-water to the city for the first time. The department was serving about 1 500 customers. The earliest dam with a capacity of 30 000 m^3 was the Gafarsa dam, which was raised to its present height in 1955 and a treatment works was added in 1960.


AAWSA

Extension work on the treatment plant at Gafarsa

Recurrent drought and the growth of the city's population necessitated the construction of a new dam on the Akaki river at Lagadadi, north-east of Addis Ababa. Completed in 1971, Lagadadi comprised a concrete buttress main dam and gated spillway, a rockfill dam, a water treatment plant of 50 000 m^3 and a 900 mm pipe-line to the city. Soon, even the combined daily total of 72 000 m^3 of water supplied to the city some 18 km away could not cope with the rapidly growing population. It was at this stage of expansion that the EEC stepped in with financial assistance for the Addis Ababa Second Water Supply Project. An agreement was signed in December 1983 between the European Community and the Ethiopian Government providing for a grant of ECU 45 750 000 and a loan of ECU 7 700 000 from the Community to finance a part of the project aimed at increasing the overall supply from 72 000 m^3 to 180 000 ^{3} a day. This meant increasing the treatment plant capacity at Lagadadi from 50 000 m^3 to 150 000 m^3 a day and rehabilitating the treatment plant at Gafarsa, reinforcing the supply pipe-lines, installing new storage tanks and pumping units, strengthening the distribution mains and laying 20 km of new mains. At the time, the project was the largest single project ever financed by the EEC in any ACP country.

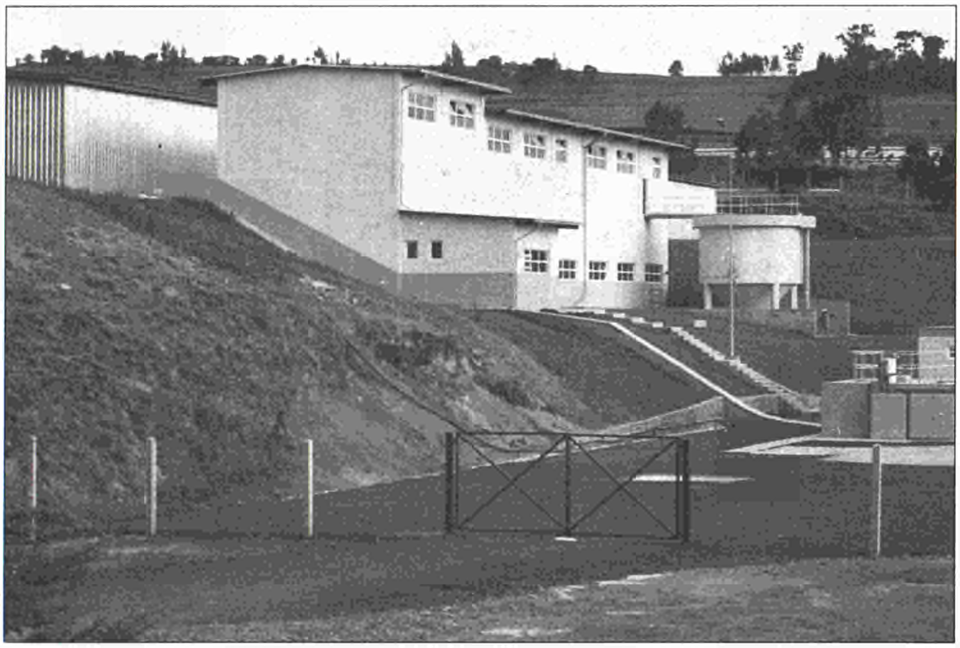
Existing production and transmission facilities location map



On the government's side, the Addis Ababa Water Supply and Sewerage Authority (AAWSA) was responsible for the implementation of the project. AAWSA is an autonomous public body responsible for the city's potable water supply, the conservation and control of groundwater and the prevention of its pollution, as well as for ensuring the sanitary disposal of sewage. It soon set up a special office with its own engineering staff to oversee the implementation of the project. In August 1981, the French consulting firm BCEOM was appointed to undertake the analysis of tenders and to assist with tender negotiations, the supervision of the works, and the post-implementation (final acceptance, etc.). The same firm had also carried out the design work.

Tenders were opened in August 1982 and out of a total of 68 bids received, three companies tendered for all nine lots that made up the construction contract. One of them, J. Riepl of the Federal Republic of Germany was awarded the contract after lengthy negotiations. Project execution began soon after its signing in 1983. Construction proceeded on schedule and by the end of 1985, 93 % of the work was completed. Despite the fact that the shipping and delivery of most equipment, in particular the large-diameter pipes, took place at the height of the 1984/85 famine crisis, when the country's main port, Assab, was overloaded and transport inside the country committed to emergency relief, the contractor did a commendable job by largely completing the project within the original time frame of 30 months.

AAWSA says that the completion of the project has not only eliminated the severe shortage of water the city had been experiencing but has also made it possible for some peasant associations in nearby localities to get a continuous supply of potable water for the first time. The project had also created employment opportunities for some 600 Ethiopians over a period of three years. Studies indicate that the adequate supply of water for Addis Ababa is assured until 1992. After 1992, however, given the current population growth rate the city will need expanded water supply facilities. AAWSA, therefore, is presently preparing for the third phase of its expansion programme. ○



The Lagadadi Treatment Works, focus of much of the project

The Stabex system for Latin American and Asian developing countries

by Marike KERBERT (*)

In September 1981 a United Nations Conference on the Least Developed Countries took place in Paris, during which, in the framework of the New Substantial Programme of Action, previously launched by UNCTAD, the developed countries were invited to study the possibilities of helping the least developed countries to compensate for the negative consequences of their loss of foreign exchange resulting from the export of commodities.

On that occasion the European Community committed itself to study the means of responding to this appeal, and to examine in particular the possibilities of extending the benefits of a system like Stabex—the compensatory system for loss of export revenues which has been applied to the ACP countries since 1975—to least developed countries other than those which are signatories to the Lomé Convention. The outcome of the developed countries' deliberations was to be reported at the VIth UNCTAD in Belgrade in 1983.

At the preparatory discussions for this conference and during the conference itself, the Community was unable to reach a common standpoint on the question of whether or not its readiness to establish such a scheme should be linked to a similar commitment by other potential donor states, and a decision on the matter was therefore postponed to a later date.

In October 1985 an UNCTAD meeting took place in Geneva, on the occasion of mid-term review of the New Substantial Programme of Action. By that time, the Community had reached an agreement on the extension of Stabex to certain Latin American and Asian (LAA) LLDCs. It made an official statement during the conference, which included the following points:

— The Community and its Member States were willing to create a new compensation system for loss of export earnings, of exports to the Community, for a large number of agricultural commodities, in favour of the LLDCs other than those covered by the Lomé Convention. The funds were to be channelled to the sectors that had suffered the drop in export earnings, or to other sectors to support diversification;

— The Community's offer was firm, and was of an autonomous character, indicating that the Community was ready to start the procedures needed to establish the system as soon as the countries to which it might apply had accepted its workings and conditions. Other commodity importing countries were invited to participate in the initiative.

— The Community named two fundamental preconditions for the system to come into operation:

- the exports of the products to be covered had to represent a substantial percentage of total exports of the countries involved (at least 1.5%),
- detailed agreements with these countries would have to be concluded in order to guarantee that the aid provided was used for the well-being of their peoples.

In the year following the statement made at the UNCTAD in Geneva, the Community worked out the principles for the new system. On 9 February 1987, the new Stabex was formally accepted by the Council of Ministers and published in the Official Journal of the European Communities. Unfortunately it turned out that the Community stood alone in its initiative. The other industrial countries showed no interest in joining the new scheme.

Belga

The Bangladesh tea industry was an early beneficiary of the Stabex system now applicable to eight Latin American and Asian LLDCs

(*) Stabex Division, Directorate-General for Development.

Outline of the system

It was decided to apply the system to the following eight countries: Bangladesh, Bhutan, Haiti, Laos, the Maldives, Nepal, the Yemen Arab Republic, and the People's Republic of Yemen. Broadly speaking, the features of the Stabex for LAA LLDCs are identical to those for the ACP countries. Of course, the objectives are similar: "With the aim of remedying the effects of the instability of export earnings and of aiding the States concerned in their development efforts, the system shall operate to help stabilise the said States' earnings from exports to the Community of agricultural commodities on which their economies are dependent, which are affected by fluctuations in price or quantity or both, ...". It will do so "by means of non-repayable transfers of financial resources", which must be used as a priority to help to overcome the problems in the sector concerned, having led to the loss in export earnings, or to mitigate the consequences on this sector.

The products covered are the same as those listed under Article 148 of Lomé III, with the addition of jute, which is an important export product for Bangladesh. Haiti had a problem in relation to the product "essential oils". It appeared that the Republic of Haiti exports essential oils other than those presently covered by the Stabex system. At the time of the discussing of the new scheme, these oils represented between 5-6% of Haiti's total exports. However, no concrete steps have been taken yet to include these products in the Stabex list.

The system covers only exports to the Community, and a derogation for exports to other destinations is not provided. The rules for determining transfer entitlements are identical to those of the Lomé Stabex system. Advance payments are not foreseen.

The main difference between the two Stabex schemes lies in the provision on utilisation. In the Stabex system for LAA least developed countries the rules for utilisation of transfers are more binding than in the Lomé Stabex scheme. In the first place, Article 2 of the Council Regulation concerning the setting up of the new Stabex scheme states that "transfers must be used for projects, programmes or operations in the sector in which the loss of export earnings occurred, where the circumstances which caused the loss might be alleviated by such projects, programmes or operations, or, if that is not the case, in other appropriate sectors, for the purposes of diversification". In the following Council Regulation, which gives detailed rules for the implementation of the system, it is laid down that the Commission, when examining the proposals on use, made together with the transfer request, takes into account whether the proposed project, programmes or operations are such to alleviate efficiently the circumstances which caused the loss, and to produce positive economic and social effects on the peoples involved.

Payment of transfers takes place after approval by the Commission on the proposed use, which includes "arrangements for use of any counterpart funds, generated when transferred foreign exchange is used in whole or in part to purchase goods or services, which are then resold by the authorities of the recipient State, against payment in the national currency".

The LAA LLDCs must, like the ACP countries, send reports to the Commission within 12 months of the signing of the transfer agreement, to declare the use made of the funds. If the report is not received within this time limit, or if it contains unsatisfactory information, the Commission may decide to suspend decisions on subsequent transfer requests until the required information has been received.

Results of the system

The Stabex system for LLDCs is valid for five years (1987-1991). The first year of application was 1986. An overall amount of ECU 50 million, which form part of the Community's budget, was reserved for the system. If the funds for one year are not sufficient to meet the requests, the transfers are diminished by the same percentage, as that which forms the difference between the funds available and the sum of the transfer requests.

For the application years 1986 and 1987, ECU 9.4 m and 10.6 m, were paid to the following countries and for the following products:

Stabex transfers (Latin American and Asian LLDCs)

1986	ECU
Bangladesh, tea	2 054 432
Bangladesh, jute	6 739 646
Yemen, coffee	379 013
Nepal, hides and skins	232 759
1987	
Haiti, coffee	4 854 941
Haiti, cocoa	278 867
Nepal, hides and skins	519 541
Bangladesh, tea	1 850 912
Bangladesh, jute	3 089 889

For the latter year, as the total amount of the transfer bases was ECU 19 m, due to lack of resources, the transfers were reduced as shown above.

At the time of drafting this article, the examination of requests for the 1988 application year were not yet finalised. Thus no details on the transfers for this application year can be given. The transfers will however amount to around ECU 6.2 m.

Conclusion

Like the Stabex system for the ACP countries, the Stabex system for LAA least developed countries is a unique means of helping developing countries in their efforts to fight the negative consequences of fluctuations in export earnings, which result from production and exports of certain commodities. The European Community has, with the implementation of this system, played an exemplary role in international development and cooperation. Although the Commission was alone in providing this particular kind of aid to the least developed countries for a long time, Switzerland has now also shown interest in the system. This country has established an autonomous Stabex system. It must be hoped that other developed countries will recognise the need to offer compensation for loss in earnings from exports of commodities by least developed countries, by means of a scheme like Stabex. ○ M.K.

EEC relief for Central American refugees

by Ursula THIELE (*)

The Courier has already had occassion to talk about refugees in the ACP countries. The problem, alas, is one which affects many other countries too and, since 1984, the European Community budget has contained a special Article, 936, aimed at helping refugees and displaced persons become self-sufficient and contributing to voluntary repatriation programmes in Latin America and Asia. This aid is provided at an intermediate stage after emergency aid (only given for six months and covered by other budgetary means) but before the long-term development phase. It covers assistance with integration and self sufficiency in the host country, or return and resettlement in the country of origin. In view of their considerable flexibility, these intermediate programmes can involve farming and herding, tree planting, craft, micro-projects, social infrastructure, housing, education and training, and health schemes. The stress, as far as conditions in the host countries will allow, is on whatever activities will give the refugee back a job and an income so that he no longer needs assistance, train him better to prepare for going home and give him back dignity and hope.

Following a major effort by the Central American countries and the European Community after the first meeting in San José in 1984, and with a view to giving practical shape to the peace commitments made at Esquipulas in August 1987 and confirmed by the joint communiqués at the end of the Hamburg, San José and Managua conferences in 1988, the Community has said it is willing to step up the aid it already provides for the repatriation of refugees and the relief of displaced persons. The idea of this extra effort is to help with the voluntary repatriation of the refugees in their countries and the resettlement of displaced persons by facilitating their willing return home — to, as far as possible, either their region of origin or another region of their choice. This will be done with proper respect for the dignity and safety of the populations concerned, under the responsibility of various international organisations. Resettlement should be undertaken as part of multi-annual development programmes from which the populations already established in the host regions will also benefit.

Although about 12 500 refugees were able to return to their country of origin thanks to the UNHCR (UN High Commission for Refugees), with aid from the Community in 1988, the refugee and displaced person situation still causes concern. However, the Governments of Central America and Mexico reached an important stage in the quest for practical solutions for the refugees and displaced persons of the region in San Salvador on 9 September 1988, when they decided that they would hold an international conference in Guatemala at the end of May 1989 to look into the possibilities of intervention for these populations in the broader context of national and regional development.

(*) Directorate-General for External Relations, Commission of the European Communities.

Current projects and programmes

In Mexico, the first practical contribution which cooperation between the UNHCR and Community aid made to helping the men, women and children who had left their countries to escape violence, political insecurity or persecution or were living in areas where there was fighting, was the contribution to the programme to install Guatemalan refugees at Campeche and Quintana Roo in the Yucatan. This project was a real model for refugee relief and cooperation between the UNHCR, COMAR (1) and the refugees themselves. It was born of a need to ensure the safety and survival of this 22 000-strong population which had taken refuge in Mexico and it developed over the years to become an integration programme for anyone who wanted it. Continuation of this multi-annual project will be cofinanced in 1989 by Community aid.

Between 1984 and 1988, the European Community financed or cofinanced 24 projects worth about ECU 20 million in Central America, helping refugees and displaced per-

(1) The Mexican Refugee Relief Commission.

Country	Total population	Refugees	Foreigners without papers and/or displaced persons outside their own countries	Returnees	Displaced persons in their own countries
Belize	176 000	5 100	25 000 (3)	N/A	N/A
Costa Rica	2 800 000	40 800	250 000 (3)	N/A	N/A
El Salvador	5 500 000	500	20 000 (3)	13 000 (4)	400 000 (3)
Guatemala	8 700 000	3 000	220 000 (3)	13 500 (4)	100 000 (3)
Honduras	4 400 000	37 000	250 000 (3)	N/A	22 000
Mexico	N/A (1)	53 000 (2)	128 000 (3a)	N/A	N/A
Nicaragua	3 700 000	7 000	N/A	35 000 (3)	350 000
Total:	25 276 000	146 400	893 000	61 500	872 000

(1) Population of Mexico: 85 000 000.
(2) 43 000 Guatemalans assisted by COMAR. The other nationalities get relief from the UNHCR and the NGOs.
(3) Government estimates.
(3a) UNHCR estimate based on NGO statistics.
(4) Information from the Governments—including people repatriated under the auspices of the UNHCR as well as voluntary returnees.

Young Guatemalan refugees in Mexico

sons become self sufficient and giving the local population the benefit of the programmes too. A considerable increase in the budget, which went from ECU 3 m to ECU 23 m in the meantime, meant that eight projects could be financed with the UNHCR for ECU 11.4 m, 13 projects with NGOs for ECU 4.7 m and three projects with the Governments for ECU 3.1 m for the refugees and returnees.

Since 1987, following the peace talks, special attention has been paid to voluntary repatriation and resettlement movements. The return of about 8 000 Miskito and Sumo Indians to the Atlantic Coast, spurred by the proclamation of amnesty and autonomy for their territory, is being organised by a UNHCR team in Puerto Cabeza and considerably reducing the number of refugees on Honduran territory. Resettlement on the Rico Coco and the Atlantic Coast is continuing in 1989 and new financing is being provided for the Bluefields region. The possibilities awaiting Nicaraguan refugees still in Costa Rica when they return are being improved by the opening of a reception centre at San Carlos on the frontier.

In Guatemala, repatriaton from Mexico has doubled since 1987. The majority of the 1 800 Guatemalan returnees in 1988 went back to the Ixcan region to take up the activities in the cooperatives which had been abandoned. Here, the UNHCR and CEARD (a special committee for repatriated and displaced persons) are organising the programme—which has already had a second lot of Community financing to reintegrate returnees in their villages of origin, an operation which began in the Huchuetenango and Quiche in 1987.

These projects, aimed at encouraging voluntary repatriation, cover the means of rebuilding houses, tools, seed for the first harvests, health care and, where necessary, the rebuilding of schools and dispensaries during the resettlement period.

In Honduras, Nicaragua, Guatemala and El Salvador, the programmes are backed up by a large number of projects, cofinanced with European NGOs and involving such things as health, training for livestock promoters and agricultural instructors and, in particular, schemes to help displaced persons not covered by the UNHCR.

In Honduras, 3 000 hectares of land in the Mosquitia has had to be reafforested after the ecosystem of the forest was destroyed by massive numbers of Nicaraguan refugees—who are helping with the work.

Problems and prospects

In spite of encouraging signs, some problems are still cause for concern and call for the constant attention of the authorities, over and above the commitments and the progress made with reestablishing peace in the region. They include, in particular, land issues and the absence of roads to the resettlement areas, or any reception or safety facilities.

The international community has to go on backing up these efforts and providing the requisite financial means. The European Community and its Member States made commitments on this both at ministerial meetings with the countries of Central America and in San Pedro Sula in Honduras just recently. And as a result of these commitments, and of the approval of the special UN cooperation plan, some of the above schemes are being run at the moment. Italian bilateral aid will be taking over the refugees and displaced persons support operation in this programme as part of the PRODERE (a programme for displaced persons, refugees and returnees) plan. A greater effort has to be made with planning and coordination. And here, the European Community has backed up the international conference on refugees and displaced persons held in Guatemala City on 27-31 May by cofinancing 50% of the preparatory studies destined to lead to possible solutions for the countries affected by the movements of refugees, displaced persons and voluntary returnees.

Fifty-six governments and 60 intergovernmental and non-governmental organisations participated. A three-year action plan was approved, covering 32 projects for a total of US$ 387 million, put forward by the seven countries of the Isthmus, although financing has still to be sought.

The stepping up of humanitarian action in accordance with the Community's commitments is an important contribution to the initiatives of the international conference, with the twofold aim of helping bring back peace to Central America and meeting the needs of the refugees, returnees and displaced persons. ○ U.T.

ACCT(*) anthology of Zaïrian sculpture and painting

Zaïre is a large country with cultural wealth to match its size. Its art is one of the finest and most varied expressions of the beauty of African creation and it is one of the oldest, one of which even the first Portuguese to land in the Kingdom of the Kongo in the 15th century long wrote.

Most of the works reflecting the authenticity of this art have been neglected by the natives — to the benefit of the European collectors, who took major pieces off to Europe and America during the long period of colonisation. But for some years now, the cultural conscience of the African continent has been following its political awakening and Governments, individuals and international organisations are actively engaged in rehabilitating Africa's art and artists.

The Agency for Cultural and Technical Cooperation (Agence de Coopération culturelle et Technique) brought out an anthology on Zaïrian sculpture and painting recently, setting out the history of artistic creation in this country. Zaïrian (Congolese) art was already well known during the colonial era and, as the book points out, various exhibitions were held during the 1930-60 period, both in the country and elsewhere — confirming the fame of the artists, the authors maintain. And its quality was underlined in 1958 at the Universal Exhibition in Brussels where works from the future independent State of Zaïre were highly successful.

The authors of the anthology of Contemporary Zaïrian Painters and Sculptors have covered an enormous amount of ground in their research and classification of the artists by period and according to their influences, philosophies, schools and trends.

In the recent period, say the authors, "all the schools and trends of the Zaïrian art works have claimed to translate national authenticity into plastic expression". And indeed the so-called authenticity movement launched by the State has had positive effects on art. A quest for a proper national, African form of artistic expression has developed in Zaïre, particularly in literature and the popular theatre. So Zaïrian authenticity has not been confined to dress and the changing of non-African names, although authenticity in clothing has enabled women's fashion to become considerably more refined. And the trend is confirmed in works of art, said the manifesto of the avant-garde artists' movement in 1975, according to which "the conditioning of artistic endeavour is intimately bound up with the historical (political, economic, social and religious) development of society". And, the artists added, "art has to be the spearhead of the fight" for a society freed of the inhibitions of the past when Zaïrians had to shed their skin and don that of the master, "resembling him through culture and through art".

The various incentives attendant on the political reaction of the State led a whole series of schools of painting and sculpture to emerge nationwide. In Kinshasa, for example, the Academy of Fine Art made it possible for very many artists to be discovered and to develop, including Liyolo and Tamba and Mavinga and N'Damva (the sculptors) and potters such as Mokengo and Bamba.

There were the *Sabléistes*, the painters seeking a "new language", as they described themselves, who used sand as the basis for works reflecting the "difficult conditions of their lives".

Important among the other schools is the Lubumbashi school in the Shaba (ex-Katanga) region. The artists from this region are one of the most active and creative groups in the whole of Zaïre and their works also reflect the cultural diversity resulting from the great waves of migration which took place along the railway line to the mines in South Africa and the Shaba. The painting shown above is taken from the anthology. ○ L.P.

(1) 13 Quai André-Citroën, 75015 Paris (France).

CTA Bulletin
TECHNICAL CENTRE FOR AGRICULTURAL AND RURAL COOPERATION

Maize information at your fingertips

Genetic resource database on CD-ROM

by Andries DUSINK, Mike LISTMAN and Nathan RUSSELL (*)

The collection, documentation and conservation of our important food plants and their wild relatives through and in plant genetic resource centres is crucial for development. With the support of international and bilateral agencies a number of genetic resource centres for different crops have been established over the last two decades. In this context, the International Maize and Wheat Improvement Centre (CIMMYT) in Mexico has established a maize genebank.

Through a co-project of the Technical Centre for Agricultural and Rural Cooperation (CTA) and CIMMYT, important information on CIMMYT's maize germplasm bank is now available to the national crop-improvement programmes of developing countries in the form of a CD-ROM (Compact Disc Read Only Memory) database. This database, developed by CIMMYT and GGNet-Services of California (USA), allows users to scan records on 10 500 accessions—supplying as many as 29 descriptors for each accession—from Mexico, Central America, the Caribbean, South America, Asia, Africa and Europe, all on one single compact disc. An initial pressing of 100 copies of the masterdisc has been produced and will shortly be distributed by CTA.

Maize

Maize is grown in nearly all tropical, subtropical and temperate countries of the world. Together with wheat and rice, it belongs to the most important group of food crops, the cereals. Africa produced over 30 million metric tonnes of maize in 1986. Since the nineteenth century it has also become the main source of grain for feeding pigs and poultry. In the twentieth century the development of techniques for ensilage of the whole plant has made maize the major fodder crop for ruminants. Furthermore, the grain is a key industrial raw material, used for very diverse purposes like the preparation of sugars, beer, alcohol and cooking oil. Cross-breeding and selection techniques have been increasingly effective in creating superior varieties which get the most out of the natural conditions and are suited to the various uses that might be made of the crop. The average grain yield per hectare in a number of leading maize-producing countries is in excess of 7 tonnes! Breeding programmes are expected to produce varieties with even higher yield potentials and increased pest resistance, which may be of particular significance where maize is grown on marginal land.

Genetic resources

Due to the wide spread of maize cultivation over diverse areas it is difficult to monitor, manage and conserve its genetic resources. The origin of maize, as well as its centres of genetic diversity, lie in Latin America. For maize breeders and maize researchers working towards better yields in their geographic areas, it is very important to have information on what varieties are available and where they can be obtained.

There are major maize genebanks in South America (Argentina, Bolivia, Colombia, Mexico, Peru), the USA and Canada, Europe (Yugoslavia, USSR, Rumania) and Japan.

CIMMYT set up a maizebank

CD-ROM: the new information medium

Until recently, personal computers used magnetic media such as hard or floppy discs to store and read information. These media have a relatively limited capacity and are very susceptible to interference, dust and powercuts. The new laser disc technology solved this problem by providing high capacity discs that are not damaged by power failures and are highly resistant to scratches, dust, termites and fungi. They travel well, and are extremely durable. A new era of information storage has begun.

There are many kinds of laser discs: Compact Discs for music, CD-video, CD Write Once Read Many (CD-WORM), CD Read Only Memory (CD-ROM), video-discs, etc.

CD-ROM specifications are relatively well standardised: most discs can be played on any type of CD disc drive. The data on the disc are not erasable so you cannot overwrite the valuable data. Its capacity is a revolutionary development in information storage: the information equivalent of about 1000 floppy discs or 200 000 A4 pages can be stored on one disc.

(*) The author, Andries Dusink, is the CTA's documentalist; contributions came from Mike Listman and Nathan Russell, both of the International Maize and Wheat Improvement Centre.

Other CD-ROMs in agriculture

Although the technology is relatively new, there are already several CD-Rom databases relevant to work in agriculture:

Name	Type of database	Producer	Status
AGRICOLA (US Dep. of Agric.)	*bibliographic*	*Silver Platter OCLC*	*commercially available*
KIT Abstracts on Tropical Agriculture	*bibliographic*	*Royal Tropical Institute*	*commercially available*
Aquatic Sciences and Fisheries Abstracts	*bibliographic*	*Cambridge Scientific Abstracts*	*commercially available*
Agri/Stats	*statistics*	*Hopkins Technology*	*available*
Agribusiness	*bibliographic and full text*	*Dialog Info Services*	*available*
Crop Protection database	*expert-system distribution maps*	*CABI*	*prototype available*
Cocoa pests and diseases	*expert-system*	*CABI*	*prototype available*
SESAME	*Bibliographic*	*CIRAD/INRA/ORSTOM*	*pilot disc available*
Aquaculture	*full text*	*NAL*	*pilot disc available*
CGIAR Compact Library	*full text*	*CGIAR, CGNet*	*pilot disc available*
AGRIS (FAO)	*Bibliographic*	—	*announced*
Food Science and Technology Abstracts (IFIS)	*bibliographic*	—	*announced*
Food irradiation	*full text*	*NAL*	*announced*
Agent Orange	*full text*	*NAL*	*announced*
Core Agricultural Journals	*full text*	*ELPC*	*planned*

which contains most of the Latin American germplasm. In line with CIMMYT's global mandate for maintaining long-term storage of germplasm of improved maize and its antecedents, CIMMYT has received and handled requests from all over the world for seed samples.

Up to now, plant breeders and other researchers could obtain information on the holdings of genetic resource centres only by consulting reams of printed records, by connecting online with expensive international data networks, or by visiting the centres themselves.

Zimbabwe Information Service

In 1986, Africa produced over 30 million tonnes of maize

CD-ROM (1)

These ways of obtaining information on genetic resources are revolutionised by a new technology, CD-ROM (Compact Disc Read Only Memory), one disc being the equivalent of 200 000 A4 pages. CIMMYT is the first genetic resource centre publishing data of its germplasm bank on CD-ROM. The whole databank, containing 10 500 accessions, is available on one $5\frac{1}{4}$ inch disc. For each accession the following descriptors are provided:

Race and location
- accession number
- donor institution
- associate numbers
- race and purity
- collection number
- population number
- site/province/country
- region
- local names
- observations

(*) See article by R.Dellerė on information and CD-ROM in The Courier n° 106, Nov.-Dec. 1987.

CD-ROM equipment distributed by CTA

Not all maize breeders and research stations have the necessary CD-ROM equipment to use CD-ROM discs, i.e. an IBM compatible disc microcomputer, a CD-ROM drive and a printer. CTA has recently started a project to instal CD-ROM equipment at 11 sites in eight ACP States. This project also provides training and supplies databases on CD-ROM. The objectives of this project are:

— to enhance self-sufficiency in the dissemination of information in the field of agricultural and rural development in 11 selected organisations in Africa, the Caribbean and the Pacific;

— to stimulate and initiate the introduction of computer technology in information centres in ACP countries, with the long-term aim of computerising information services and producing computerised databases on agricultural and rural development;

— to stimulate the development of regional networks and regional focal points for the strengthening of regional information services.

The 11 locations selected by CTA are in Cameroon, Kenya, Mali, Papua New Guinea, Trinidad and Tobago, Western Samoa, Zambia and Zimbabwe. In all cases, the projects will be implemented in close collaboration with the recipient organisations.

The introduction of the CD-ROM technology includes the installation of a CD-ROM work station; the supply of Agricola *(both current and archival discs), CIMMYT's* Maize Germplasm Bank *and* KIT Abstracts *on CD-ROM ("Abstracts on Tropical Agriculture" as well as "Abstracts on Rural Development in the Tropics"), the prototype disc of CGIAR's Compact Library which CGIAR is about to produce, and SESAME (a French bibliography on tropical agriculture on CD-ROM produced by ORSTOM/INRA/CIRAD), supporting devices and an operational kit, and the provision of training, including trouble-shooting techniques.*

Two of the organisations selected are already equipped with a complete CD-ROM work station. These organisations will only be supplied with discs, an operational kit and access to a help desk. For each location, the training modules will be adjusted to the local situation and training needs.

In cases where the organisation concerned has no experience in using computerised information, the training will include the following modules:

— training in basic skills in the use of microcomputers
— training in word processing
— an overview of agricultural information sources
— an introduction to (computerised) bibliographic databases
— training in literature retrieval from the CD-ROMs.

Document delivery is provided separately by means of coupons from the British Library Document Supply Centre (BLDSC), the Centre National des Recherches Scientifiques (CNRS), and UNESCO. Execution of the project has been entrusted to the Royal Tropical Institute (KIT), Amsterdam, the Netherlands.

Grain type
— population type
— grain type
— grain colour

Geography and climate
— altitude
— latitude
— longitude
— growing months
— frost periods
— seed weight

Growing conditions
— maturing times
— plant vigour
— culture conditions
— soil fertility
— soil moisture
— temperature
— rain
— hail
— wind
— topography

This listing constitutes the passport data.

In a normal germplasm directory one can seek information on one dimension only. Through the dimension of accession numbers the relevant altitude-latitude and other passport data can be found. Special indexes enable the user to retrieve the accession number by altitude or latitude. A CD-ROM database enables one to find information in a multidimensional way. In the CIMMYT database one can retrieve the appropriate maize variety through any of the 29 dimensions, such as grain colour, altitude, etc., as well as any combination of these descriptors. Specifying any combination of these descriptors will make the CD-ROM system reply with the names and passport data of varieties that correspond to the description.

CD-ROM is not only concise, it also saves the time-consuming work of going through all the indexes of germplasm directories.

This valuable tool should give maize breeders in ACP countries easier access to information on the world's maize germplasm stock. It will also contribute to the development of improved varieties with higher yields and increased resistance to pests and diseases in all parts of the world where maize is grown. ○

A.D., M.L. and N.R.

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The Courier's mailbag

Grain storage and food security

In your article on grain storage and food security in No. 114, the authors deal with a real, serious problem in a highly practical manner, drawing conclusions that I personally share. They say, for example, that quality control and reduction of losses "influence food security directly and the benefits of investment in this area can be compared to the benefits to be obtained by placing resources elsewhere", and that "in a country with a cereal deficit, 5% average losses may well spell hunger..." or: "It can be translated directly into foreign exchange needed for external purchase of the shortfall".

I agreed with what they said about the sector which they discussed (insects), but I am very surprised that they did not even mention damage by rodents — which is considerable on family smallholdings and can often be bad in storage organisations now. And let us not forget that rodents may also adversely affect human health.

I am sorry to say I do not share their conviction that a lot of work "has been done to reduce losses in ... storage", although they are right to say that effective and efficient techniques are available... but they have not been taken up. Why is this, particularly when such techniques have the advantage of being relatively simple and cheap?

Where does the fault lie? Primarily, I think in the fact that practical information is badly put across — although I can assure you, from personal experience in the field, that the people who have benefited from these rodent clearance operations have appreciated them very much and many a Government would be happy to see these often crucial problems taken into account.

In view of your audience... I am counting on you and I am happy to be at your readers' disposal.

I should like to point out that, as a researcher at INRA, I have no financial interest in solving these problems. I am quite simply upset by the fact that people all too often take no notice of rodents — which are still considered by many to be a necessary evil, whereas in fact they are almost easier to combat than insects.

This is why I should like more and more people to have experience of the truth of my slogan.

"With rats and mice removed, life will be improved!"

P. Gramet, INRA, Paris, France

Regional cooperation

Having worked on regional cooperation in Africa and now serving in that field in the Pacific, I found the dossier on "Regional Cooperation (no. 112) particularly interesting.

Dr Hofmeier writing on the crisis in regional cooperation or regional groupings says that the African and Mauritian Common Organisation (OCAM) "was, in a highly unusual move, voluntarily dissolved by its members in 1985 because there was no longer a role for an organisation bringing together francophone countries spread all over Africa". Indeed, but students of African history and African development will know that there was probably nothing unusual about that move which the OCAM Heads of State took in their wisdom in 1985.

OCAM, as you know, as a movement of association, which consolidated the activities of two existing organisations in Africa: the UAM (Union Africaine et Malgache) and the OAMCE (Organisation Africaine et Malgache de Coopération Economique). Under it were a number of common oranisations, sectoral in character which served and serviced member countries and more often than not, non-member countries as well. Over the years the Secretary-General of OCAM had obtained financial and technical support from the EEC for some of these common organisations. I note with pleasure that the support continues: the same issue of "The Courier" *mentions under "Regional Projects", a satellite telecommunications project whose responsible authority would be the UAPT (Union Africaine des Postes et Télécommunications) Secretariat in Brazzaville.*

UPAT was a common organisation of OCAM. In 1974 the OCAM Heads of States resolved to give more autonomy to the common organisations which have a sectoral character. Thus the running of these common organisations became the responsibility of their chief executives, themselves responsible to the Ministers in charge of the particular discipline. The OCAM secretariat was more or less a coordinating body and a clearing house for aided projects.

That was the first step in the fulfilment of what was decided at the OCAM constitutive conference in Antananarivo. At that conference one Head of State went on record as saying "Remember we are creating an organisation which if it fulfills its purpose will have to disappear". He was applauded and I think Africa, too, can applaud. OCAM has a proud and unrivalled record in establishing units of regional cooperation. It thus achieved its objectives.

I am writing from the University of the South Pacific (USP) which Richard Arndell mentions under "sectoral agencies" no doubt, because of its obvious link to the education sector. However, the Institute of Social and Administrative Studies was established by the University in 1977 with the specific purpose of providing in-service training to candidates for the public sector. It has now extended its services to the private sector.

One of the reasons why some projects, however carefully planned and serviced, have come to grief is administrative shortcomings — inadequacy of senior and middle management in the countries involved. The Pacific member countries of the USP are no exception. The ISAS has the formidable task of upgrading the administrative skills of private and public officers in the region, by running a number of short-term seminars, workshops and courses. The member countries have expressed the wish to move away from pedagogical lectures to practical case studies relevant to the experience and the cultures of the region. It thus represents an extension of the type of activites covered by the OCAM Centre, CAMPC, in Abidjan.

As stated by Mr Arndell, the eight ACP States of the Pacific have mandated SPEC to coordinate requests for funding under the regional programme. Because of its task of providing administrators for the region, both nationally and regionally, ISAS has an important role to play in the programmes. It is funded mainly by aid from bilateral and multilateral sources. Is it too much to expect that the EEC will be among its financial supporters in the future?

Sydney Moutia, Suva, Fiji

François VISINE – **Le marché intérieur au 1er janvier 1993?** (Internal market by 1 January 1993?) — 108 pages — FF 75 — 1989 — **Des europes sans Europe** (Europes without Europe) — 153 pages — FF 125 — 80 bvd de la Pétrusse, L-2320 Luxembourg or 60, rue Chardon, F-75016 Paris — 1989

François Visine, the author of more than 20 works about Europe, has just brought out two more books. They have to be discussed together as they are, in fact, extensions of each other. And they are also a logical extension of the whole philosophy of Visine, the pioneer European, the doctor of laws, the European Senator of Honour and creator of the Foundation of European Merit whose Honorary President is the President of the Luxembourg Government.

In chapter one, Visine looks at the internal market, the white paper and the Single Act. He then moves on to deal with the Community institutional factors and the non-institutional factors — the convergence of economic and social policies, the European social space, the conditions of intra-Community competitiveness and the harmonisation of VAT.

It is clear that, in spite of the stimulus of the Single Act, the author believes that the construction of Europe is going too slowly and doubts that the Twelve will have managed to achieve a proper internal market by January 1993. As he sees it, "no progress is being made with key issues — the harmonisation of direct and indirect taxation, the harmonisation of factors relating to the realisation of a European social space, the virtual absence of any convergence of economic and social policies (in spite of numerous consultations) and, above all, the absence of any short-term prospects of bringing in the European currency that is the basis of an internal market".

These considerations may seem somewhat pessimistic at present, since 1989, already well under way, should at last be a time of progress. But they lead François Visine to fear that the Twelve will just become a free trade area and to look to an *à la carte* Europe for progress along the road to European Union. "Those of the countries which want to succeed must devise an entirely new treaty which covers economic, monetary and social affairs, security and external policy", he says — which is why he presents a draft treaty establishing European Union, with a great deal of (particularly institutional) detail, including a Parliament with two Houses, a European Collegial Council, a Supreme Court, a Court of Auditors and a European Economic, Social and Cultural Council.

This, the meticulous work of a lawyer, is an important contribution to our thinking on the future of the construction of Europe. ○

Alain LACROIX

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UNCTAD-**Uruguay Round: papers on selected issues** — United Nations publications, Palais de Nations — 1211 Geneva 10 — 382 pages — 1989

Issues currently to the forefront of negotiations in the Uruguay Round which are of particular concern to developing countries are examined in this collection of ten papers just published by Unctad and written within the framework of Unctad's programme on technical assistance to developing countries for the multilateral trade negotiations.

In a foreword to the 382-page volume, Kenneth K.S. Dadzie, Secretary-General of Unctad, points out that Unctad's involvement in multilateral trade negotiations goes back to the Tokyo Round when its technical assistance programme was considered effective and useful by developing countries. The Final Act of the Unctad VII Conference in July 1987 reaffirmed Unctad's mandate to make proposals for strengthening and improving the international trading system with a view to giving it a more universal and dynamic character. As regards the Uruguay Round, the Unctad Secretary-General was asked to provide assistance upon request to developing countries so as to facilitate their effective participation in these negotiations. Mr Dadzie notes that the selection of papers "reflects the broad scope of the negotiating agenda, addressing in particular 'new issues' as well as those of long-standing concern to developing countries".

Illustrating this diversity, the papers include "Proposals for a Review of Article XVIII: an Assessment"; "Intellectual Property Rights and International Trade"; and "Latin America and the Negotiations on Trade in Services".

The paper on Article XVIII focuses on the relevance of the provisions of GATT article XVIII B to the interests of developing countries. This Article was originally introduced to enable developing countries facing balance of payments problems to take special trade measures. The author examines the arguments for renegotiation of this Article and also analyses the suggestions that countries should use exchange rate and tariff measures to deal with balance of payments problems. She concludes that in the present situation quantitative restrictions are necessary for developing countries and efficient tools for dealing with the structural and persistent balance of payments problems but cautions at the same time against the longer-term effects of such measures.

The paper on intellectual property rights and international trade, one of the new issues reflecting fundamental changes in the process of production and trade stimulated by advances in information and communications technology, gives a broad picture of the role of technological innovation in economic development as an integral component of a global strategy that also includes foreign direct investment and trade in services. The author argues that in the present conditions export successes and competitive ability depend not so much on fixed or static comparative advantage embodied in natural resources or derived from low labour costs, as on the capacity of a country to innovate and to adopt, adapt or improve technology. For this reason, and in order to foster the development process and to improve their position in international markets, developing countries need to have access to new technologies.

Other papers cover issues on: safeguards, agriculture, natural resource-based products, tropical products and on elements of the multilateral framework of principles and rules of trade in services.

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Robert JULIENNE — **"Vingt ans d'institutions monétaires ouest-africaines" 1955-1975** — (Twenty years of West African monetary institutions), Harmattan, Paris

This book gives first-hand information (some as yet unpublished) on little-known and sometimes controversial events such as the early days of Guinea's independence; the deliberations which resulted in the West African Monetary Union and the respective stances of the countries concerned in the debate, and the functioning and development of the Franc zone. It is not a book designed solely for those interested in economic history, because it describes, for the first time, over a 20-year period rich in major events, the interaction between currency and politics and so fills in a number of historical gaps.

The author, Robert Julienne, was present (from 1955-75) as Inspector-General of Finance at the time of profound changes in this region and was able, despite political change but thanks to the trust of African and French authorities, to successfully manage the West African currency and is therefore one of those best placed to describe it.

For further information on this subject, reference may be made to:

Guillaumont P. and S., Zone franc et développement africain (The Franc zone and African development), Economica, 1984.

Guillaumont P. and S. (under the direction of), Stratégies de développement comparées zone franc et hors zone franc (Franc zone and non-Franc zone development strategies), Economica, 1988.

Guillaumont P. and S. "Monnaie européenne et monnaies africaines" (European currency and African currencies), Revue française d'économie, N° 1.

Guillaumont S. "Dévaluer en Afrique?" (Devaluation in Africa?), Observations et diagnostics économiques, (OFCE Review N° 25, October 1988).

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Appropriate industrial technologies — Editions l'Harmattan, 7 rue de l'Ecole Polytechnique, 75005 Paris — 1988

This guide for appropriate industrial technologies is derived from a real need expressed by industrial operators both in private and public sectors, during missions to Africa, Latin America, Asia and seminars organised in France.

The following represents some of the information gathered together:

— Some industrialised countries, in particular France, have know-how and equipment which is adaptable to the economic and social conditions prevalent in developing countries. What is more, there are real technological needs in these countries which are not yet satisfied. Except for a few major export companies, many SME/SMIs with adaptable technologies have no way of reaching these markets because they do know how to make themselves known abroad. As far as developing countries are concerned, there is no reliable information available to tell them how they can benefit from these technologies. This guide aims at meeting this need.

— For some time now, all over the world and particularly in France, there is an impetus to create a new form of North-South cooperation based on a principle of partnership between SME/SMIs. To do this, a climate of trust needs to be established between the partners concerned. This involves prior and reciprocal knowledge of both parties, in particular as concerns:

- Needs to be satisfied.
- Available and plentiful resources, including technologies.
- The advantages that each partner may derive from cooperative action (co-development).
- Methods of adjusting resources to new needs.

This guide will tie in with this North-South cooperation approach.

The guide for appropriate industrial technologies was put underway by the Group for Exchanges in Science and Technology (GESTE), dedicated to the transfer of advanced technologies to the SME/SMIs in DCs. The Group represents an industrial innovation centre operating by improvement of available scientific, technical an economic knowledge in order to find better answers to specific DC requirements. GESTE is also a network of French and foreign entities (organisations, engineers, industrialists, management working in all different areas, specialising in industrial techniques and oriented toward proper cooperation with DCs). This group of motivated people has put together this guide with support and encouragement of national and international organisations (such as ACCT — UNESCO — UNIDO).

This first edition of the guide for appropriate industrial technologies will be published in 2 volumes:

— Food industries.
— Autonomous Energy Production.

Three other volumes are planned:

— Building Materials and Production plants.
— Appropriate and Dedicated Technologies.
— Robotics.

This guide is a compilation of information about techniques derived from scientific developments available on the French market.

The authors are aware that technology is not a mere commodity. It is a dynamic element of the economic system from which it is derived and cannot be simply boiled down to a series of manufacturing processes and equipments.

It is in that sense that this guide's only ambition is to constitute a system for assistance with decision making with the objective of attaining industrial competence.

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Alain MINC — **La grande illusion** (The great illusion) — Editeur Bernard Grasset — Paris — 265 pages — 1989.

Alain Minc is by no means a stranger in the world of business and his book "La machine égalitaire" (The egalitarian machine) attracted a good deal of attention when it came out in 1987. His is a sharp mind and an alert turn of phrase, of that there is no doubt. And some of his pessimistic ideas about the potential problems of the internal market in 1993 are well argued and widely accepted — although he recognises its virtues too.

Continued on inside back cover

The ACP-EEC negotiations for Lomé IV

The Community opens up on commodities

After the meeting of Ministers on 3-5 June (see *The Courier* for July-August) the negotiations between the Community and the ACP Group stood still for a while, at least as far as the general discussions were concerned. The central negotiating group (CNG) held a brief meeting, on 25 July, when it took stock of the positions outlined at the ministerial meeting, preceded by a meeting on 13 July when it dealt with specific questions (human rights, toxic waste and consultations) on which agreement, overall, now seems to have been reached.

No doubt both ACP and EEC negotiators welcomed the break to see how far they had gone and what ground there was still to cover.

However, the experts carried on, as was only to be expected, and on the Community side, under the new presidency (France), work on some topics, such as commodities, Stabex and Sysmin and trade, was speeded up.

Commodities. On 28 July, the Community made some precise proposals on commodities which were presented to the ACPs by Philippe Soubestre, Deputy Director-General at the Commission. They were in three main parts and, first of all, the common ACP-EEC aims as regards solving the structural problems facing the ACP economies. "A joint effort" was called for here, Mr Soubestre said, as part of international cooperation, to "ensure the best possible working of the commodity markets and make them more open". And then there was the maintenance of the Agricultural Commodities Committee (Article 47 of Lomé III) and the expansion of its role in the search for solutions to structural difficulties and consultations between the Community and the ACP States.

But one of the most important points of the Community proposal is the role of PMDT (Processing, marketing, distribution and transport). The Community had already come closer to the ACP demands in June, and, in July, it gave them exactly what they wanted on the only problem issue in the June compromise — means. "The Community (with the ACP States) now undertakes to employ all appropriate **means** enabling them to go as far as possible in the attainment" of the PMDT objectives, it said — the words on which they had failed to find total agreement in June.

The Community aims to make it easier to reach agreement on the general aims of **Stabex** by making proposals on the machinery of the system. Roughly, this involves changing the reference period to six years and excluding from the calculation of the reference level the two extreme years (i.e. those with the highest and the lowest export revenue). This sort of method, Mr Soubestre said, "should even export revenue out better" — i.e. do away with over-speedy fluctuation in the revenue from these products.

The Community then suggested taking another look at the question of the all-destinations derogation for exports covered by Stabex. It proposes substituting the present case-by-case procedure by a single threshold that would automatically trigger the granting of the derogation — and withdrawal of it once the exports in the country in question were directed back to the Community. The criterion for granting the derogation could be 80%, the Community suggestion goes. The idea of an annual examination of the real patterns of trade, following which the derogation might be extended to new beneficiaries, has also been put forward.

Lastly, the Community suggested reviewing the present method of calculation, the "tunnel" method, and the statistical basis for calculation and starting to consider Community import figures on a cif (cost, insurance and freight) basis. The fob (free on board) basis would be maintained for exports to all destinations.

As in all insurances — and Stabex is an insurance — the initial part of the loss would not be covered and there would be tighter control of the way the transfers were used.

As far as **Sysmin** is concerned, the Community's proposal is to ensure that the system enables ACP exporters of mineral products to broaden and diversify the bases of their economic growth. Sysmin will, of course, still not guarantee mining export revenue. However, one of the suggested innovations is that financing should be provided for economic conversion and diversification projects and programmes in the countries concerned if it is deemed to be economically unsound to maintain or return the mines to viability.

Improvements to the decision-making and financial and technical implementation procedures were also proposed.

Trade

There were also proposals for trade, in particular about the system under which ACP agricultural products came into the EEC. The Community mentioned the possibility of tariff concessions for a whole range of ACP products and suggested dismantling tariffs (to zero) at the speed used for the same products when Portugal and Spain joined the Community. It also proposed raising the quota for some products. The rice quota, for example, would go from 122 000 to 125 000 tons (husked) and from 17 000 to 20 000 tons (broken). The Community would maintain the status quo, roughly speaking, for other products (Portuguese sugar imports and bananas, rum and molasses), although the possibility of other improvements was not to be ruled out.

However, Commission Deputy Director-General Fairclough, who presented these proposals, said he thought it would be difficult to envisage any major changes in the system of trade because the present one was already very liberal.

As was to be expected, the ACPs promised to respond in mid-September. "It would have been a miracle if they had been able to do so on 28 July", when the Community presented its proposals, Mr Fairclough said.

It is a fact that never since 1973 has there been so much criticism of the technical preparation of the negotiations on the ACP side, except for some subjects such as cultural cooperation and human rights.

Also to be mentioned is that Ambassador Kaliopate Tavola (Fiji) has taken over from Raymond Chasle (Mauritius) at the head of the ACP Committee of Ambassadors for the period 1 August 1989 to 31 January 1990. L.P.

EDF

The following projects are to be financed by the Commission following a favourable opinion from the EDF Committee.

Mali

Food strategy support programme (company creation and the hiring of young diploma-holders)
Sixth EDF
Grant: ECU 1 000 000
Loan: 2 500 000

This is the continuation of a project and extension of it to the Mopti region, one of the two focal areas of the 6th EDF. It adds an employment section to the project by encouraging company creation and the hiring of newly-qualified young people.

Senegal, Guinea Bissau and Gambia

Dakar-Banjul Road
Sixth EDF
Grant: ECU 4 400 000

This project is to develop and asphalt the 16 km Ziguinchor-Mpack section (Senegal) of the Dakar-Banjul-Bissau trunk road.

This is the last unasphalted part of the trunk road and will help:
— improve the political and commercial links between Gambia, Senegal and Guinea Bissau;
— hasten the economic development of the regions around the southern part of the road;
— create the trans-West African highway.

Equatorial Guinea

Rio M'Bini ferry
Sixth EDF
Grant: ECU 1 180 000

This is financing for a 40-tonne motorised ferry to cross the Rio M'Bini between Bolondo and M'Bini in the continental part of the country. Technical assistance is to be provided with the works supervision and ferry operation and management during a transitional phase and training is to be provided for national staff.

The purchase and operation of the ferry constitute an emergency solution to a problem created by the partial collapse of the bridge over the Rio M'Bini at Sendje, which cut off a large part of continental Equatorial Guinea.

Turks and Caicos Islands

New South Docks
Fourth, fifth and sixth EDFs
Grant: ECU 3 501 649

The idea here is to built a new wharf at South Dock (Grand Turk), as the present one, which cannot be repaired, is likely to collapse at any time. The 5 800 inhabitants of Grand Turk depend on most of their basic essentials being brought in by sea.

The new structure has been designed to resist both the corrosion which has destroyed the present wharf and the swell produced by hurricanes.

Somalia

Juba Valley road
Fourth, fifth and sixth EDFs
Grant: ECU 59 900 000

This 230 km gravel road along the River Juba between Jilib and Baardheere in southern Somalia is to open up the Juba Valley, where there is considerable agricultural potential. It will give this fertile area a reliable outlet to the coast and to Mogadishu. At the moment, the region gets cut off periodically by flooding for four to six months of the year. If the projected dam at Baardheere is actually built, it will also get the considerable benefit of a direct access road between the site of the dam and the recently-renovated Port of Kisimayo.

The present national development plan and the new master plan for transport in Somalia put top priority on the building of gravel roads to link the farms to their outlets.

Mozambique and Zimbabwe

Inchope-Machipanda road
Sixth EDF
Grant: ECU 5 000 000

This is emergency repairs to the Inchope-Machipanda section of the road between the Port of Beira and Machipanda on the Mozambique-Zimbabwe frontier. The present road was built in the early seventies and the section to be repaired with Community help is 150 km long.

This road is part of the Beira Corridor which gives access to the Indian Ocean, at Beira, to the traders of the landlocked countries to the west of Mozambique—Zimbabwe, Zambia and Malawi. It completes the existing infrastructure of the corridor, particularly the railway, which depends on the infrastructure of the whole corridor being protected and kept in good repair.

Also in the yellow pages

Mali

Rehabilitation of the main hydro-agricultural facilities of the Niger Office and Ségou Rice Scheme
Fifth and sixth EDFs
Grant: ECU 65 000 000

The idea here is to increase rice production in the Ségou area by intensifying the output of the Niger Office plots and protecting the Ségou Rice Scheme plots. A total of 87 000 workers will be involved, representing something like 135 000 people overall. The role of the village associations will also be increased and their activities diversified.

The project thus meets the top priority of the 6th EDF indicative programme and there are three other programmes (food strategy support, the job redeployment and reorganisation of the grain market) to ensure the relevant back-up measures in the same focal sector.

It involves:
— rehabilitating the Macina (Niger Office) hydraulic system;
— developing the plots and the service tracks;
— providing a national road;
— providing irrigation maintenance equipment;
— improving water management and protecting the Ségou plots;
— providing support for village associations;
— running studies, supplying national assistance and supervising the work.

ACP countries of Africa

Agricultural research
Sixth EDF
Grant: ECU 15 000 000

This combines nine proposals received by the Commission and aimed at running or continuing with agricultural research or improving the running of some of Africa's research institutions.

The research is into the main food crops in Africa (millet, maize, sorghum, rice, cowpeas, soya, cassava and yams), its animal production (animal trypanosomiasis control, animal traction and small ruminants) and into extending knowledge of natural resources in the Sahel. It will be run by national agricultural research centres under the CGIAR and regional organisations backing up the national agricultural research services. The amount in question is ECU 27 600 000 and the periods vary from two to five years. This proposal, worth ECU 15 000 000, covers the financial requirements for the first two years of the projects (1989 and 1990). Any extra will be financed by the next Convention once the first achievements have been assessed.

The programme will mean not only expanding the research teams in the institutes involved—either by recruiting scientific personnel directly according to their own procedures or by having them supplied by European universities and institutes—but providing (scientific, agricultural, transport etc.) material and equipment and the means of operation (staff, consumables etc.) as well.

Ethiopia

Lake fishing
Sixth EDF
Grant: ECU 7 500 000

Ethiopia has a vast network of internal waterways — 10 main lakes, totalling 7 500 km², in the highlands. The focal area of EDF activity under Lomé III is the Shewa lakes region.

The main idea is to encourage the rational exploitation of fish resources and increase the contribution which fishing makes to rural development. The main thing is to evaluate and manage fish resources, create marketing organisations, set up infrastructure and train fishermen. The project includes supplying input to the fishermen, improving the marketing infrastructure, developing fishermen's co-operatives, opening two research centres, setting up two repair units with boat building yards and motor repair and maintenance workshops and improving the resources of the Fisheries Resource Development Department (FRDD). Technical assistance is to be provided with research, fisheries management and boat building and training will also be laid on.

Mozambique

Cabo Delgado integrated action programme
Sixth EDF
Grant: ECU 5 000 000

This project includes the creation of an agricultural technique extension service. It will develop the trade networks by supplying goods and transport and storage capacity and it will ensure the repair of rural roads and the renovation of the fish processing and storage facilities in the refrigerated stores. Other activity includes improvements to the working of the saltings, aid for small and medium-sized industries, improvements to sanitary conditions and supplies of drinking water.

Lesotho

Queen Elizabeth II Hospital
Fourth and Sixth EDFs
Grant: ECU 4 900 000

This involves repairing and improving the wards, theatres etc. and modernising the basic services—heating and electricity supplies, the kitchens and the laundry—so that 444 beds can be catered for. It will be done according to a carefully designed programme whereby the essential services and the wings and wards not involved in the work can be kept in operation.

SADCC region

Agricultural management training
Sixth EDF
Grant: ECU 1 600 000

The aim here is to improve the basis which the nine SADCC members have for training middle-range and higher management of firms in the agricultural sector. Experience obtained with a Lomé II project for the SADDC region showed that there were important advantages to regional management training design. The project will use the present facilities of the Mananga Agricultural Management Centre in Swaziland, an establishment which specialises in turning out middle and higher managers for agriculture. The project will enable the customer organisations in the SADCC countries to have access to a whole range of complementary external schemes which the Mananga Centre is now developing. The project will give the Centre an extra 2 160 man-days of staff time over a period of three years, in the form of long-term technical assistance and short-term consultancy services. Training equipment and extra instructors will also be provided.

Wallis and Futuna

Electricity supplies for the island
Sixth EDF
Grant: ECU 700 000
Loan: ECU 400 000

This is a continuation of the scheme to supply electricity to Futuna island. It began under the 5th EDF with a provisional power station and supply lines and is now being extended with a French-financed HE station currently under construction.

Phase II of the supply programme involves laying on about 14 km of medium tension supply lines, mixed low and medium tension networks, low tension networks and transformers.

It will provide power to eight more villages and more or less complete the island's network.

Mali

Locust control
Fourth EDF
Grant: ECU 431 000

Over the past few years, Mali has had been exceptionally badly affected by locusts, because rain has returned after a long period of drought.

The international community and the European Community especially has sought to help the national leaders to contain locust damage.

The Heads of State of OCLALAV, the airborne invasion control body, launched an urgent appeal in Dakar in February.

The idea of the project is to improve the national services' locust control facilities, particularly the small items of equipment whereby village communities and their supervisors can step in speedily and efficiently as soon as the invasion starts.

Chad

Locust control
Fifth EDF
Grant : ECU 900 000

In view of its geographical position, Chad is a key area in the itinerant parasite invasion cycle and the swarms of the most dangerous pests for regional agricultural trade come and go over its territory.

Thus, better means of control have to be installed with the twofold aim of helping the Plant Protection Service, which is still in its infancy, and protecting the countries of the Sahel, the Maghreb and the Arab peninsula.

Countries of Central and West Africa, the Coastal Regions and other members of ASECNA

Vocational schools of air traffic safety in Douala and Niamey
Sixth EDF
Grant : ECU 7 000 000

The idea here is to provide training centres specialising in the two areas of air traffic safety in Africa.

It comprises the reconstruction and development of a larger school of firefighting in Douala (Cameroon) and the supply of extra equipment for meteorologists in Niamey (Niger).

Both schools are directed by ASECNA, but in view of the needs of the region as a whole, the Douala school will be bilingual and half the places there reserved for citizens of non-ASECNA countries.

The project supplements a risk capital loan of ECU 15 million which the EIB granted to ASECNA in 1988 to finance navigation equipment in the airports of each member country. The total cost is an estimated ECU 7 million, which will be in the form of a grant from the 6th EDF regional funds.

Central African Republic

Programme to import petroleum products
Sixth EDF
Grant : ECU 7 000 000

This is a programme to finance petroleum imports.

Since the first structural adjustment programme in 1986, the Government has been trying to right a difficult economic situation characterised by a decline in the price of the commodities the country exports, an increase in its civil service wages, poor management of the semi-state trading companies and rising import prices.

The import programme is in line with the Government's policy of economic and financial rationalisation and part of a coordinated series of operations by the CAR's other funders. It complements and backs up other schemes being, or to be, run in the same sector and in other sectors downstream of the energy sector.

Barbados

Export development
Sixth EDF
Grant : ECU 1 300 000

Barbados, a small island, depends very much on tourism and on its exports of manufactures and sugar to sustain the constant expansion of its economy. Careful attention has to be paid to exports, particularly of assembled electronic equipment, clothing and furniture and the Lomé III indicative programme provides for resources (technical assistance and training) to be granted with a view to improving competitiveness in the export sector. The aim of this project is to help the Barbados Export Promotion Corporation sustain the export drive of the Government and the private sector.

Somalia

Sectoral import programme
Sixth EDF
Grant : ECU 16 000 000

The present external debt situation is a serious handicap to Somalia's general economic development and future prospects. The country does not have the financial means to obtain the inputs it needs to keep up its economic growth and the aim of this project is to help it finance its oil imports.

The import assistance which the EEC is proposing has to be seen in the context of the structural adjustment programme for 1989-91, drawn up with the help of the IMF and the World Bank. A document on economic policy framework measures for the same period outlines what needs to be done to run the adjustment programme at national level.

The project will be run in conjunction with the schemes and operations of other donors involving similar (especially oil) import programmes and balance of payments support measures financed by the World Bank, Italy, Federal Germany, the USA, Saudi Arabia, Kuwait and Japan.

All ACP States

Integrated programme of financial implementation
Fifth and sixth EDFs
Grant : ECU 1 350 000

This is an integrated programme involving supplying easy-to-use PC-based systems for use in public finance. It has been run by the French Cooperation Ministry and is based on the successful ASYCUDA project (designed in Geneva, with UNCTAD, for the computerisation of customs procedures).

The idea is to help the ACPs improve the management of their public finances, a real need in many of these countries, particularly those which are going in for structural adjustment. Even recently, there were still countries which depended on first- and second-generation computer techniques demanding major investments in hardware and software. New computer techniques have brought down the cost of the equipment. ○

SYSMIN

Botswana

The Commission has agreed to Botswana's application for a Sysmin contribution for its nickel and copper industry and decided to make a special loan of ECU 21 650 000 for a programme to help it.

— The project involves drilling to assess the potential ore reserves and working the two known deposits so as to maintain the present level of production. Outmoded equipment is also to be replaced. Bamangwato Concession Limited (BCL), the biggest private employer in Botswana, has 4 600 people—50 % of total employment in the mining sector—on its payroll. If mining stopped, there would be disastrous consequences for the whole of the 40 000-strong community of Selebi Phikwe and for the 140 000 people in the hinterland. It would also adversely affect the profitability of firms in other sectors — the Botswana Power Corporation for example, Morupule Colliery, Botswana Railways and the Water Utilities Corporation.

The investment programme, a total of ECU 40.77 m, is to be divided into ECU 19.2 m for BCL and ECU 21.65 m (the amount of the projected Sysmin loan). The project will be run over the period 1989-92. In terms of technical design and exploitation, the development of future deposits and the replacement of components are entirely compatible with the ability of BCL's labour force and experienced staff.

EIB

Barbados: ECU 4 m for small and medium-sized companies

The Bank is providing ECU 4 m for the financing of small and medium-sized industrial, agro-industrial and tourism companies in Barbados.

The funds advanced under the Third Lomé Convention to the Government are onlent to the Barbados Development Bank (BDB) in the form of:

— a global loan of ECU 3 m, for 15 years at 5.25% after deduction of an interest rate subsidy drawn from European Development Fund resources, for on-lending by BDB in smaller amounts, and

— a conditional loan of ECU 1 m for 25 years at 2%, from risk capital resources provided for under the Third Lomé Convention and managed by the Bank, to enable BDB to provide equity finance for small and medium-sized businesses.

BDB was created in 1963 by the Government of Barbados to provide medium and long-term finance for private sector ventures in tourism, industry, agro-industry and commerce.

Under the First and Second Lomé Conventions the EIB has granted BDB global loans totalling ECU 6.5 m out of which 35 small and medium-sized industrial and tourism ventures were financed.

Rwanda: ECU 8 m for improved telecommunications

The Bank is lending ECU 8 m for the improvement and extension of the telecommunications network in Rwanda.

The funds from risk capital resources provided for under the Third Lomé Convention and managed by the EIB are advanced to the Rwandan government for 20 years at 2%.

The project, totalling ECU 30 m and co-financed by the Caisse Centrale de Coopération Economique (CCCE), the African Development Bank and bilateral aid from Belgium, Japan and Switzerland, comprises the installation of 8 800 new digital exchange lines, local area cable networks, a satellite earth station to provide international links, rural radio telephone systems and microwave links to Tanzania, Uganda and Burundi.

The EIB loan will mainly be used for the extension of the cable network and improvements of the rural telephone service.

This is the second EIB operation in Rwanda this year, the first being the ECU 4 m global loan to the Banque Rwandaise de Développment, for financing small and medium-sized industrial, mining and tourism projects in the country.

Netherlands Antilles: ECU 3 m

The European Investment Bank is making two loans totalling ECU 3 m to Ontwikkelingsbank van de Nederlandse Antillen N.V. (OBNA) to strengthen small and medium-sized industrial, agro-industrial and tourism companies.

The funds have been advanced in the form of

— a loan of ECU 2.6 m for 15 years, from the Bank's own resources which OBNA will on-lend in smaller amounts, and

— a conditional loan of ECU 400 000 for 25 years, from risk capital resources provided for under the Third Lomé Convention and managed by the Bank, from which OBNA will finance equity participations.

The loans are approved in the framework of the Decision of the Council of ministers of the European Communities of June 1986, earmarking specific aid for overseas countries and territories enjoying special ties with certain member countries.

OBNA was established in October 1981 with the participation of local commercial banks to facilitate the financing of small and medium-sized industrial and tourism undertakings in the Netherlands Antilles with a view to diversifying economic activity in this group of islands which was still heavily dependent on refining imported oil. Stimulation of the tourism, trade and transport sectors to foster economic and social development is presently receiving high priority from central government.

Zimbabwe: ECU 12 m for fine paper project

The European Investment Bank (EIB) is lending ECU 12 m for the construction of a paper factory at Kadoma, in central Zimbabwe. The funds, going to the Government, are granted under the Third Lomé Convention for 10 years at 5%, after deduction of an interest subsidy from European Development Fund resources, and will be on-lent to Art Corporation Limited, a locally owned private company.

The plant will have a capacity of 5 600 tons per annum of high quality writing paper; the output is mostly for the local market and will replace lower-quality paper and imports.

Total project costs are estimated at ECU 24.4 m; approximately 30% will be financed from internally generated funds.

This is the first privately-owned project financed by the EIB in Zimbabwe, and a good example of the possibilities opened up through cooperation between the Government, the private sector and the EIB.

Burkina Faso: ECU 6 m for cottonseed oil production

The EIB, is financing the production of cottonseed oil in Burkina Faso with a ECU 6 m loan, made available from risk capital provided for under the Third Lomé Convention and managed by the EIB.

The funds are granted in the form of a conditional loan to the Government of Burkina Faso for 15 years at 2%, and will be on-lent in the form of a shareholder's advance to the Société des Huileries et Savons du Burkina (SHSB), owned by the State and local private capital, and which has a long experience in vegetable fats processing.

SHSB will use the funds to increase its solvent-process extraction capacity, overhaul its power generation unit, and install an effluent treatment plant to improve the environment.

The plant will have a processing capacity of up to 100 000 tons of cottonseed per annum to produce high quality cottonseed oil. It also provides for annual production of 13 500 tons of household soap; the output is for the local market and will replace imports.

Total project costs are estimated at ECU 7.7 m; approximately 22 % will be financed from internally generated funds.

Jamaica: ECU 16 m for Kingston Container Terminal

The Bank is lending ECU 16 m for the extension of facilities at the Kingston Container Terminal; works include dredging and quay deepening, enlargement of stacking areas and the purchase of handling equipment.

The funds are going to the Port Authority of Jamaica (PAJ) under the Third Lomé Convention for 20 years at 5.3 %, after deduction of an interest subsidy from European Development Fund resources.

The project will allow the Kingston Container Terminal, which offers a combination of favourable geographical and physical characteristics, to expand and increase its role in the Jamaican economy, especially with regard to foreign exchange earning through its transshipment services.

Total project costs are estimated at ECU 32 m, 50 % will financed by the EIB, approximately 26 % from PAJ's internally generated funds while the rest will be provided by suppliers' credits.

This is the third loan from the EIB in Jamaica under the Third Lomé Convention, following a global loan of ECU 10 m granted to the National Development Bank of Jamaica in 1986, from which 11 small and medium-sized industrial and tourist ventures were financed so far, and a loan of ECU 5.25 m from own resources granted in 1987, also to PAJ, for the construction of an additional quay at the port of Montego Bay. ○

EMERGENCY AID

The Commission is to make the following grants of emergency aid:

Sri Lanka: ECU 225 000

At the beginning of June, Sri Lanka was hit by torrential rain which left 300 people dead, 750 injured and 300 000 homeless.

The aid, which will be administered by the League of Red Cross Societies and Médecins sans Frontières (France), will be used to provide medicines and essential items for the victims.

Angola: ECU 600 000 + 320 000

This aid is being granted in response to a request from Deutsche Welthungerhilfe, an NGO which is to look after 19 000 displaced persons in Cuanza-Norte province, and will be used to supply household utensils, seed and farm equipment.

Angola, where there is a cholera epidemic, is also to get emergency aid of ECU 320 000, the Commission has decided. A plane chartered by Médecins sans Frontières (Belgium), the organisation responsible for delivering the aid, left Belgium on 31 May with a medical team and vaccines on board.

The operation will take two months. ○

REFUGEES

The Commission is to make the following grants of emergency aid under Article 204 of the Third Lomé Convention:

Mozambican refugees in Malawi: ECU 270 000

This is to help the Malawian Red Cross distribute food and other essential items to the 650 000 Mozambican refugees in Malawi.

Namibian refugees in Angola: ECU 750 000

This is a contribution to the repatriation programme for Namibian refugees in Angola administered by the Office of the United Nations High Commissioner for Refugees. It is intended to cover air transport and inland trucking costs.

Refugees from Guatemala, El Salvador and Honduras in Belize: ECU 500 000

This is a contribution toward the integration and economic assistance programme for the 25 000 Guatemalan, Salvadorian and Honduran refugees now in Belize.

Senegal and Mauritania: ECU 950 000

Following an appeal from the Governments of Senegal and Mauritania, the Commission has just decided to provide energency aid to help these two countries handle their refugee problems.

The amount to go to Senegal is ECU 550 000. ECU 500 000 is to be used for food to be purchased by the local Commission Delegation and distributed by the ICRC, the UNHCR and the WFP and the remaining ECU 50 000 will be given to the ICRC to buy and distribute other essentials.

The emergency aid to Mauritania, ECU 400 000, will be channelled through the UNDP in the form of tents, blankets, cooking utensils etc. The Commission is also preparing to send Mauritania emergency food aid.

Senegal: ECU 330 000

The Commission has just decided to send emergency aid of ECU 330 000 for refugees and Senegalese returnees who are in a particularly precarious medical and health situation.

It will be channelled through Médecins sans Frontières (Netherlands) and Médecins du Monde and used to buy medical and non-medical supplies and transport and distribute them to the afflicted populations. ○

FOOD AID

Under its 1989 food aid programme, the Commission has made the following allocations:

Bangladesh: 170 000 tonnes of cereals and 2 200 tonnes of vegetable oil — ECU 34 m

With its per capita GNP of US$ 170 (about ECU 152), its ever-decreasing per capita daily food intake and its dependence on aid to cover 43% of its foreign currency requirements (of which a fifth is spent on food imports), Bangladesh is considered one of the world's poorest countries. The Community food aid in question involves 170 000 tonnes of wheat and 2 200 tonnes of vegetable oil; it is needed to cover a food shortfall which, according to forecasts, may be of the order of 1.8 m tonnes of cereals and 285 000 tonnes of edible oil in the coming year. As in previous years some of the food aid will be sold (136 000 tonnes of cereals and 2 200 tonnes of vegetable oil) and some distributed (34 000 tonnes of cereals) by the Public Food Distribution System (PFDS).

The counterpart funds generated from the sale of Community food aid will help finance local purchases, operations carried out under food for work programmes and programmes to assist vulnerable sections of the population, support for institutions associated with development activity which might benefit from aid in the form of food, and it will also help pay for the local resources required by rural development projects receiving aid from the Community or other donors under the Government's annual development programme for the year 1990/91.

Sudan: 30 000 tonnes of cereals, 1 000 tonnes of milk powder, 1 000 tonnes of vegetable oil and 200 tonnes of butteroil — ECU 10.2 m

The Community food aid is intended to improve food security and raise standards of nutrition in Sudan. Because of its serious balance of payments problems, this country cannot afford to import such quantities of foodstuffs commercially.

Some of the cereals supplied will be distributed to the needy free of charge, the remainder will be sold to the Ministry of Commerce, Cooperation and Supply, which will oversee its distribution to designated bakeries.

The butteroil and non-vitamin-enriched milk powder will be sold to dairies, while the vitamin-enriched milk powder will be distributed free of charge to the most vulnerable sectors of society in places where there is no risk of them using contaminated water.

The counterpart funds generated by the sale of food aid products will be used to finance projects and activities intended to improve the people's food security and standard of nutrition.

Tanzania: An alternative operation in place of food aid — ECU 2.6 m

The operation will involve the rehabilitation of Tanzanian Dairies Limited's plant for reconstituting milk and the provision of packaging equipment, to make good the loss of processing capacity resulting from a shortage of parts and other constraints. This operation will improve the provision of milk, under good hygienic conditions, to priority groups, children in particular, in the larger towns. ○

STABEX

Report on the 1987 application year

The Commission has adopted a report on the operation of Stabex for the 1987 application year.

A total of 70 requests from 36 ACP States for transfers under Stabex were received by the Commission. Examination of these requests showed that 43 were eligible and transfers were consequently made to 29 countries.

Country	Product	Transfers
Benin	palm oil	1 971 214
Burkina Faso	karité nuts	2 479 053
Burundi	coffee	24 520 506
Cameroon	cocoa	8 062 126
Cameroon	coffee	34 291 914
R.C.A.	coffee	14 702 281
R.C.A.	cotton	2 582 062
Comoros	vanilla	1 622 924
Comoros	cloves	404 494
Côte d'Ivoire	cocoa	15 396 930
Côte d'Ivoire	coffee	55 117 760
Côte d'Ivoire	wood	40 846 077
Ethiopia	coffee	57 173 106
Gambia	groundnuts	390 082
Gambia	groundnut oil	1 153 949
Grenada	cocoa	595 432
Equatorial Guinea	cocoa	3 322 873
Equatorial Guinea	coffee	103 750
Kenya	coffee	17 496 170
Kiribati	copra	819 475
Lesotho	mohair	3 140 313
Madagascar	cloves	2 397 380
Malawi	tea	9 565 371
Mali	cotton	1 382 855
Mozambique	tea	1 295 776
Papua-New Guinea	copra products	5 697 060
Rwanda	coffee	15 824 308
Rwanda	hides and skins	391 578
Rwanda	tea	5 744 862
Solomon Islands	copra	5 435 875
Solomon Islands	palm products	3 283 484
Western Samoa	cocoa	393 412
Western Samoa	copra oil	2 712 329
Western Samoa	rough wood	73 771
Senegal	groundnut products	1 076 473
Sudan	groundnuts	3 862 463
Chad	cotton	20 596 193
Togo	cocoa	3 556 662
Tonga	coconuts	79 601
Tonga	copra oil	837 275
Tuvalu	copra	13 437
Vanuatu	copra	5 002 650
Total		375 415 314

The total basic amount of these transfers was ECU 803 445 878.

Following the reductions made as a result of certain ACP States replenishment obligations, and the lowering of certain transfers provided for under the system, this total was brought down to ECU 579 444 745.

The total resources available for the year amounted to only ECU 255 415 314. In view of the disparity between transfer entitlement and the funds available, the Community and the ACP States agreed, on the basis of a Commission proposal, to harness additional resources. A total of ECU 120 m was obtained, including ECU 80 m in unexpended balances and interest from the First and Second Lomé Conventions (1975-84) and ECU 40 m from the reserve funds provided for in national programming.

The two sides also decided that these resources would be allocated in proportion to the basic amount of the transfers.

Final transfer decisions were made on the basis of the resulting figures (see table).

The report also outlines how the system has worked since it was set up in 1975. So far, transfers amounting to nearly ECU 2 000 m have been made under the system.

Advances to Benin and Côte d'Ivoire (1988)

The Commission has decided to pay advances to Benin and Côte d'Ivoire under the system for the stabilisation of export earnings in respect of the 1988 year of application for the following products:

Benin	cotton	ECU 2 m
Côte d'Ivoire	coffee	ECU 28 m

Rapid disbursement of the advances will help these two countries to resolve the problems caused by the fall in export earnings, thus preserving the flexible nature of the Stabex system. ○

FISHERIES

New Protocols signed

Guinea Bissau

On 9 June the Community and Guinea Bissau initialled a new Protocol establishing fishing rights and financial compensation under the Fisheries Agreement between the two parties for the period from 16 June 1989 to 15 June 1992.

On 27 February 1980 the Community and Guinea Bissau signed an Agreement on fishing off the coast of Guinea Bissau. The Agreement was subsequently amended by the Agreement signed in Brussels on 29 June 1987. The new Protocol will replace the Protocol to that Agreement.

Under the Protocol fishing rights are established for two years, from 16 June 1989, at 10 000 gross register tonnes (grt) a month, annual average, for freezer shrimp trawlers and 5 000 grt a month, annual average, for freezer trawlers, fin fish trawlers and cephalopod trawlers.

The Protocol also gives fishing rights to 45 freezer tuna seiners, 15 pole-and-line tuna vessels and 35 longliners.

The Community will pay ECU 10 830 000 in financial compensation. The fees to be paid by shipowners are fixed at ECU 100 per tonne per year for fin fish trawlers, ECU 116 per tonne per year for cephalopod trawlers and ECU 160 per tonne per year for shrimp boats. The fee for tuna vessels and longliners is ECU 20 per tonne per year.

At the Community's request, fishing rights may be increased in successive instalments of 1 000 grt a month, in which case the financial compensation it pays will be increased proportionately.

The Community will also contribute ECU 550 000 to help finance a Guinea Bissau scientific and technical programme to improve information on the fishery resources within Guinea Bissau's exclusive economic zone and to fund the running of a marine biology laboratory.

Lastly, the Community will make it easier for nationals of Guinea Bissau to find places in establishments in its Member States and will, to this end, be providing ECU 550 000 as grants for study and practical training in the various scientific, technical and economic disciplines relating to fisheries.

Equatorial Guinea

On 2 June the Community and Equatorial Guinea initialled a new Protocol establishing fishing rights and financial compensation under the Fisheries Agreement between the two sides for the period from 27 June 1989 to 26 June 1992.

On 15 June 1984 the Community and Equatorial Guinea signed an Agreement on fishing off the coast of Equatorial Guinea. The Agreement was subsequently amended by the Agreement signed in Brussels on 4 November 1987. The new Protocol will replace the Protocol to that Agreement.

Under the Protocol fishing rights are established for three years, from 27 June 1989, at 9 000 gross register tonnes (grt) a month, annual averagen for freezer trawlers.

The Protocol also gives fishing rights to 40 freezer tuna seiners and 30 longliners. At the request of the Community, up to 10 licences can be granted to pole-and-line tuna vessels.

The Community will pay ECU 6 000 000 in financial compensation. The fees to be paid by shipowners are fixed at ECU 90 per tonne per year for fin fish trawlers, ECU 100 per tonne per year for shrimp boats and ECU 20 per tonne per year for tuna vessels and longliners.

At the Community's request, fishing rights may be increased in successive instalments of 1 000 grt a month, in which case the financial compensation it pays will be increased proportionately.

The Community will also contribute ECU 500 000 to help finance an Equatorial Guinea scientific and technical programme to improve information on the fishery resources within Equatorial Guinea's exclusive economic zone.

Lastly, the Community will make it easier for nationals of Equatorial Guinea to find places in establishments in its Member States and will to this end be providing ECU 665 000 as grants for study and practical training in the various scientific, technical and economic disciplines relating to fisheries. ○

VISITS

Vice-President Marin visits Zambia, Botswana and Zimbabwe

The Vice-President of the European Commission, Manuel Marin, paid a visit to Zambia, Botswana and Zimbabwe in early July. In Zambia he met President Kenneth Kaunda and the Minister for Foreign Affairs, Mr Mwananshiky, and discussed with them the situation in the region.

Vice-President Marin confirmed the solidarity of the European Commission with the Front Line States in their efforts in Southern Africa. He reiterated the Commission's regret that the South African government has felt it necessary to renew the state of emergency there. Vice-President Marin expressed the Commission's continued hope that the progress towards independence in Namibia would be sustained.

The Commission expressesd and shared its concern that the Government of Zambia is trying to formulate and to implement economic policies to address the adjustment issues, and welcomed the recent resumption of the Zambian dialogue with the Washington institutions (IMF and World Bank) hoping this would lead to agreement.

Botswana

In Gaborone, Vice-President Marin held discussions with President Dr Q.K.J. Masire, Vice-President and Chairman of the SADCC Council of Ministers, Mr S.P. Mmusi and Minister of External Affairs, Dr G. Chiepe.

Vice-President Marin acclaimed Botswana' leading role in SADCC and in the group of Front Line States.

The process towards independence in Namibia was also discussed. Vice-President Marin expressed the Commission's hope that the implementation of Resolution 435 would go ahead to the letter and without delay. Vice-President Marin reiterated that he would welcome an independent Namibia in the ACP group of countries linked together with the European Community through the Lomé Convention as much as the 10th member of SADCC.

Zimbabwe

Finally, in Zimbabwe, Commissioner Marin had discussions with Vice-President Muzenda, Dr B. Chidzero, Senior Minister of Finance, Economic Planning and Development and Mr N Shamuyarira, Minister of Foreign Affairs.

Vice-President Marin pointed out during the 1975-1985 decade, SADCC Member States had received altogether ECU 1.6 billion. The estimation for the 1985-1990 period is likely to be ECU 1.7 billion giving a grand total of more than ECU 3 billion over 15 years. ○

ACP EMBASSIES

Two new Ambassadors—for Cameroon and Swaziland—have recently presented their credentials to the Presidents of Council of Ministers and the Commission of the European Communities.

Cameroon

EEC

Mrs Isabelle Bassong

Cameroon's new Ambassador, Mrs Isabelle Bassong, holds degrees from the Sorbonne and the University of Denver (Colo.) and also attended the Ecole des Traducteurs et Interprètes in Paris. She was, until her appointment, a member of the Central Committee of the RDPC and the Party's Deputy Press Secretary. In addition, she was, from 1984 to 1988, Secretary of State for Health.

Married to a civil engineer, she is the mother of four children.

Swaziland

John B.J.S. Dhlamini, Swaziland's new Ambassador, was born in 1927 and holds diplomas in teaching, school administration, theology and foreign service. From 1947 to 1970 he followed a career in education before joining the Civil Service, in the then Department of Foreign Trade. In 1985 he was promoted to Deputy Principal Secretary in the Ministry of Labour and Public Service and retired in December 1988.

EEC

Mr John Dhlamini

Mr Dhlamini is married with six children.

DG VIII

New Director in DG VIII

On 1 June, Francisco Granell Trias took up his post as Director in DG VIII, with responsible for Directorate D, "Management of Instruments". This Directorate deals with food aid, emergency aid, NGO cofinancing, Stabex, Sysmin and industrial cooperation.

Mr Granell was born in Barcelona (Spain) in 1944. He was Director of the Centre for International Economic Studies of The Barcelona Chamber of Commerce, Professor of International Economic Organisation at the University of Barcelona and Director-General for Trade Promotion of the Generalitat (Regional authority) of Catalonia.

Mr Granell, the author of some 15 books, worked as an economist at the UNCTAD/GATT International Trade Centre and helped to establish the Trade Information Network set up in Bogota by the Association of Latin American Chambers of Commerce and the Organisation of American States. He joined the Commission in early January 1989 as Adviser in the Directorate-General for Development. ○

GENERAL INFORMATION

COMMODITIES

Mr Malcolm Fraser, former Australian Prime Minister and Chairman of the expert group to advise the United Nations Secretary-General on African commodity problems, visited the Commission on 27 June, where he had discussions with Commissioners Marin (Development), MacSharry (Agriculture) and Bangemann (Internal Market and Industry) as well as with Commission staff from DGs I (External Relations), III (Industry), VI (Agriculture) and VIII (Development).

The expert group was set up in the framework of the "United Nations Programme of Action for African Economic Recovery and Development" (UNPAAERD) 1986-1990, and its terms of reference include examining of the nature and course of Africa's commodity problems and making recommendations on national, regional and international measures for revitalisation and diversification of Africa's commodity economy.

Mr Fraser raised a number of fundamental questions. He particularly asked to be informed about the reasons that led to the conclusion of the Lomé Convention. What was the interest of Europe in Africa? Did the EEC really grant complete freedom of access to all industrial products (except rum) of African origin including textiles and for most agricultural products? Would this free access still be guaranteed if Africa countries were to produce these goods in substantial quantities? Why was access less free for Africa's agricultural products? And why did African commodities, in spite of preferential margins, perform less well than Asian and Latin American commodities?

In their replies, Commissioners and staff referred to Europe's historical and political links with Africa and to Africa's highly privileged access to the European Community market, including free access for all industrial goods and many agricultural commodities. They underlined the structural nature of commodity market problems and agreed to the need for diversification. This of course would require an increased transfer of know-how and financial resources.

After his visit to the Commission Mr Fraser met African Ambassadors at ACP House. F.J.K.

NATURAL RUBBER: an international agreement

In July, the Commission gave its approval to a draft which backed the 1987 International Natural Rubber Agreement.

At the end of the fourth session of the negotiating conference, on 20 March 1987, the negotiations were successfully concluded. The Agreement opened for signature up to 31 December 1987, was signed by the Community and the Member States on 18 December 1987 and entered into force, provisionally, on 29 December 1988. It will enter definitively into force when governments representing at least 80% net world exports and governments representing at least 80% of net world imports will have deposited their instruments or have taken up in their totality, their financial responsibilities under the Agreement. At this moment 88% of exporting members and 82% of importing members have ratified the Agreement, or have tacitly or explicitly or provisionally accepted it. In order to assist members who have made a provisional application to ratify, accept or agree to the Agreement, the International Natural Rubber Council has extended the deadline for the deposit of instruments to 28 December 1989.

The Agreement is a method of stabilising international trade, its principal objective being to bring supply and demand for natural rubber into balance to stabilise this commodity's price over the long term.

COFFEE: Collapse of negotiations for a new International Agreement

The Council of the International Coffee Agreement failed to find agreement on the conditions for extension of the present Agreement with economic provisions or guidelines for a new Agreement at its extraordinary meeting on 3 July. Neither of the two resolutions which were tabled got the majority needed for adoption and the Council therefore decided to prorogue the 1983 Agreement, without any economic clauses, for a further two years and to suspend the quota system as from 4 July 1989. This led to an immediate return to the free market.

This was the unhappy climax of the negotiations which began in November last year, making it impossible to extend the present Agreement in conditions of price stability on the international market as envisaged.

The part played by the Community should be emphasised. It was active in the negotiations and, at the June meeting, supported a proposal for a year's extension of the Agreement with economic clauses to Brazil, Colombia, the countries of the Inter-African Coffee Organisation and the Philippines.

This initiative, representing a considerable compromise on all sides, was not adopted because it lacked support, particularly from the consumers group.

The producers of Arabica and other mild coffees, who had US backing, said that quotas had to be redistributed among the exporting countries prior to any negotiations. The idea of this was to increase the share of Arabica, other mild and Colombian coffees to the detriment of Brazil and the African Robusta producers, a proposal which was thrown out by the vast majority of the producer countries.

As expected, this situation is bringing about a clear drop in the prices on the world market. They fell by 15% in only a week and the Organisation's indicative price, which was 114.40 cents per lb on the eve of the June session, carried on declining, reaching 100 cents on 19 June and 69.44 cents on 31 July.

The Community is very concerned at the negative effect that falling prices will have on the economies of the producer countries, particularly the poorest of them, the bulk of whose foreign exchange revenue depends on coffee exports. Coffee is in fact the basis of the economy in a number of the producer countries, being to the fore as far as export earnings, budget revenue and employment are concerned.

With its resolutions of 3 July, the International Coffee Council decided to suspend the economic provisions of the 1983 Agreement until 30 September 1991 — thereby ensuring a free market for a period of two years, during which time the negotiations should be expected to get going again.

In its final declaration at the extraordinary meeting of the Council on 3 June, the Community promised its partners to take up the negotiations again as soon as possible and to try and reach a new, prperly balanced International Coffee Agreement, which met the wishes of both producers and consumers, over the next two years. ○ M.C.

WESTERN ECONOMIC SUMMIT

The Western Economic Summit which took place from 14 to 16 July in Paris—the fifteenth such summit bringing together the world's seven most industrialised nations—concluded with an almost immediate concrete result: the organisation by the European Commission of food aid for Poland and initiatives designed to coordinate aid for Poland and Hungary. A conference on this theme will be organised as soon as possible, with the participation of all interested countries. Moreover, President Gorbachev addressed a letter to President Mitterrand at the Summit, seeking a "multilateral economic partnership which will achieve a qualitatively new level" and proposing cooperation in a series of fields.

Other results, on the other hand, were disappointing to certain observers, notably with regard to the environment and indebtedness by intermediate income countries. This was, nonetheless, the first time this type of summit devoted so much attention to the problem of the environment. Concerning the indebtedness of intermediate income countries, summit participants emphasised that responsibility did not lie solely in the hands of governments, but to a great extent with commercial banks. Several concrete decisions were taken on another problem of grave concern to several countries (notably the United Kingdom and Italy), that of drug trafficking: a conference will be convened next year essentially to discuss the increasing use of cocaine and an expert group will be assigned the task of studying the problem of laundering "dirty" money. The discussion on the economic situation brought forth a priority: maintaining the policy which has allowed a long period of growth as well as adopting increased vigilance with regard to inflation.

As is usually the case, participants in the Economic Summit also adopted "political" declarations, this time concerning: East-West relations: (the Seven confirmed their support for reforms under way in certain Eastern European countries and entrusted the European Commission with the role of coordinating aid to Poland and Hungary); China: the declaration is extremely cautious, it does not even reaffirm the condemnation of the repression of the democratic movement and is limited to recalling that the Seven have "already" condemned this repression. Having made this statement, however, the Seven declared that, given the current circumstances, the World Bank should not consider granting any new loans to China. This caution appears to have been primarily requested by Japan; a spokesman for the Japanese government affirmed that Japan prefers a "peaceful and friendly China to a hungry and angry China". Human rights: President Mitterrand was particularly interested in this declaration being made, to coincide wth the bicentennial of the French Revolution. Terrorism: this is a classic type of declaration for the Western Summit. This time, once again, state-sponsored terrorism was particularly condemned. ○

1993

"Africa and the Europe of 1993 facing up to a world-scale challenge"

Following the success of the international conference on "Africa and Management" which was held in Yamoussoukro in January 1986, the Versailles Chamber of Commerce and Industry and the Consular Companies of Côte d'Ivoire have decided to organise another conference of international significance. "Africa and the Europe of 1993 facing up to a world-scale challenge" is the theme which has been chosen for this conference which will take place from 7-9 November 1989 in Yamoussoukro under the patronage of President Felix Houphouët-Boigny of Côte d'Ivoire. ○

EUROPEAN COMMUNITY

A fruitful Summit in Madrid

Following hard on the heels of the European Parliament elections, the meeting of Community Heads of Government in Madrid on 26-27 June was surprising only in its relative peacefulness. Perhaps, with three general elections (in Luxembourg, Greece and Ireland) coinciding, and with very mixed results for the governments in power, the overwhelming desire was to seek relief from internecine strife, and the expected "showdown" between the protagonists of differing views of Europe never materialised.

What did materialise was progress on European monetary union (see article under "Europe").

The other major step forward—at least as far as a majority of participants were concerned—was the social dimension. In its progress towards a Single Market (see *The Courier* no. 107, Jan.-Feb. 1988) Europe would have to ask itself why it needed to forge ahead with economic progress — whom would such progress serve? The Council gave the answer in Madrid: "in the course of the construction of the single European market, social aspects should be given the same importance as economic aspects and should accordingly be developed in a balanced fashion". The Council also noted that the Commission had recently submitted a preliminary draft Community Charter on Fundamental Social Rights, on which an initial debate had been held and proposed to continue discussions until agreement had been reached on the measures to be taken.

A variety of other matters, including budgetary fraud, taxation, external relations, the environment and "audiovisual Europe" were reviewed, some areas coming in for praise, others for regret at the speed of decision-making. But the main message of the Madrid Summit was that Europe's momentum had not been lost; nor, while it struggled to meet the economic challenges, had it lost sight of the humaner vistas of the social dimension. ○

EUROPEAN PARLIAMENT

The first post-election meeting

The third elected European Parliament (see News Round-Up in *The Courier* No. 116, July-August 1989) held its first session from 25-28 July. The most important business was the election of its officers and the constitution of Parliamentary Committees, and on the first day, Enrique Baron Crespi (Spanish Socialist) was elected to succeed Lord Plumb (UK-European Democrat).

In his inaugural address, Mr Baron welcomed the fact that the Madrid Summit "raised the possibility of institutional deliberation" and recalled that without "the enthusiasm of the unforgettable Mr Spinelli and so many other MEPs, who are still among us today" there would never have been a Single Act. "We wanted bolder action", he noted, "but nonetheless an area of progress has been created around the Single Act". According to Mr Baron, the Parliament had to make the development of the Single Act a priority, forcing itself to make Parliamentary democracy more sound and to strengthen cooperation with other institutions.

Henry Saby, the new chairman of the Committee on Development and Cooperation

The Parliament's Development Committee is presided over by 56-year-old Henry Saby, a French Socialist who is Mayor of Ayguesvives and a civil engineer. He has been an MEP since 1981.

Following the setting up of political groups, the European Parliament at this stage has the following physiognomy: Socialists: 180; EPP: 121, Liberals: 49; Conservatives: 34; Greens: 30; Unitary European Left: 28; European Democrats: 20; European Right: 17; Communists: 14; Rainbow: 13; Non-attached: 11; Other: 1.

ECU

Peseta and escudo in the ecu basket

The Council of EEC-Finance Ministers, following the opinion of the Monetary Committee and of the Board of Governors of the European Monetary Cooperation Fund, adopted on 19 June the Commission proposal to revise the ecu's composition and to include in it the Spanish peseta and the Portuguese escudo.

Bearing in mind the importance acquired by the ecu on the markets and its potential development, the underlying rationale of the weight structure proposed by the Commission has been the following:
— avoiding a disruption of the private ecu market. Consequently the jump in interest rates resulting from the revision has been kept to a minimum;
— preserving the ecu's strong currency profile;
— maintaining the ecu's stability.

In order to ensure the continued smooth functioning of the ecu markets and to avoid unnecessary disturbances the Commission proposed to follow a two stage procedure.

The first stage consists of the decision taken on 19 June by the Council on the inclusion of the peseta and the escudo, the new weights of all the ecu's component currencies and September 21, 1989 as the date of entry into force of the new currency amounts.

The second stage will be the fixing of the new amounts composing the ecu on September 20, 1989 by the Commission on the basis of these new weights and of the exchange rate recorded on the European markets at 14.15 hrs.

As of the September this year, all 12 EEC currencies will thus be included in the ecu.

The new weights are the following:

German Mark	30.1
Pound Sterling	13.0
French Franc	19.0
Italian Lire	10.15
Dutch Guilder	9.4
Belgian Franc	7.6
Luxembourg Franc	0.3
Danish Krone	2.45
Irish Pound	1.1
Greek Drachma	0.8
Spanish Peseta	5.3
Portuguese Escudo	0.8

STOP PRESS

Lorenzo Natali dies

At the time of this issue going to press, we learned with great sadness of the death on 29th August of Vice-President Lorenzo Natali.

In his three terms as Commissioner, Mr Natali made an enormous contribution to the growth of the Européen Community and, in his last term, as readers of the magazine will know, to the shape of its development policy.

A full tribute to Mr Natali will be published in the next issue of The Courier ○.

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INDUSTRIAL OPPORTUNITIES

PUBLISHED EVERY TWO MONTHS

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ANNUAL REPORT 1988

MOVING INTO TOP GEAR

1988 was the third year for CDI's work programme and budget established for the five year duration of the third Lomé Convention (Lomé III). The organization moved smoothly into top gear, achieving an impressive increase in the quantity and quality of projects as well as a higher awareness and appreciation of its work both in ACP and EEC countries.

Efforts to make expenditure on projects coincide with the budgetary calendar year, were continued. This enabled 86% of the intervention budget committed in 1988 to be spent, compared to 80% in 1987 and resulted in less fragmentation of work on interventions. The number of on-going interventions was reduced to 667 (from 951 in 1987).

MORE PROJECTS, MORE JOBS

The number of projects under construction, or which started up production, increased from 31 in 1987, to 48 in 1988.

Job opportunities created increased from 876 to 1,318.

The statistics indicate that the average size of projects has changed from the medium to the smaller range.

INCREASED COOPERATION IN EUROPE

Cooperation with the Commission of the EEC continued to improve, with open contact between CDI's area officers and the desk officers of the Commission. Cooperation with the European Investment Bank (EIB) also further improved in 1988. Since 1985, more than a dozen projects initiated or supported by CDI were co-financed via the Bank's credit lines in ACP countries.

New agreements were signed on a regional level with the Brussels Region in Belgium, the Regional Institute for Cooperation and Development (IRCOD) of the Champagne-Ardenne Region in France, and with the Centre for Information and Industrial Development (CIDEM) of the Catalonia Region in Spain.

Bilateral cooperation funds with member states of the EEC grew rapidly. Operational collaboration with the southern states was strengthened through the Institutes of External Trade of Portugal (ICEP) and of Italy (ICE), the Hellenic Organization for Small and Medium-sized Industries and Handicrafts (EOMMEX) of Greece and the Spanish Institute for Promotion and Reconversion (SPRI).

For the first time, the Italian Government offerd CDI direct access to an investment fund for small and medium-sized industries, with a value of Ecu 3 million over two years.

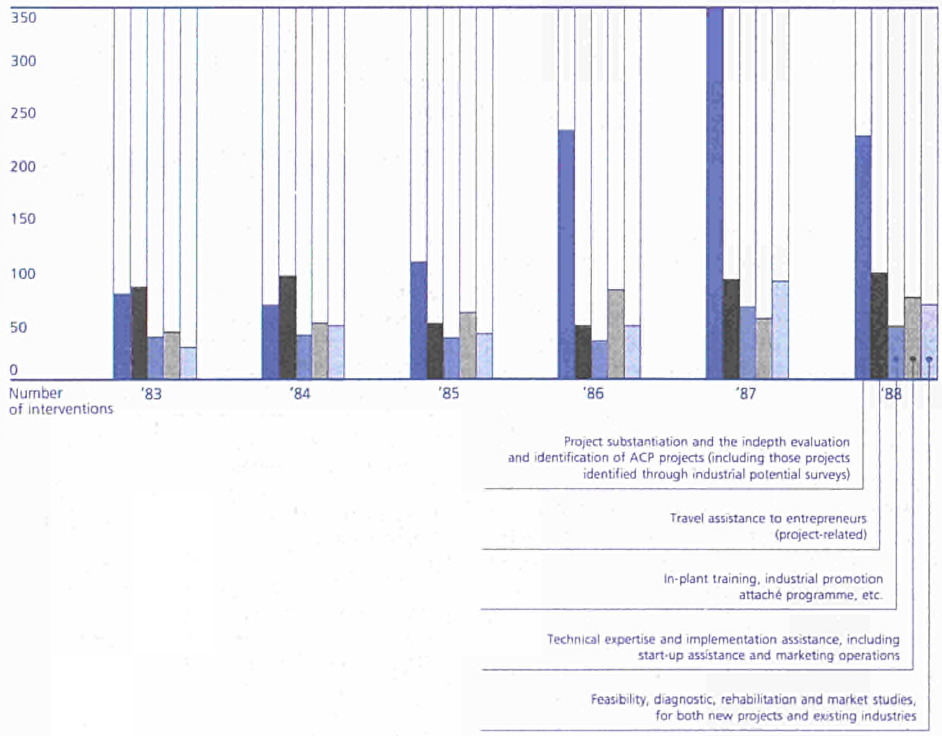
Ecu 669,070 were contributed to co-financing operations with CDI, an increase of 113% over 1987. 69% of the total was sourced from the southern states of the EEC. On the other hand, the relative apathy of some EEC states towards co-financing activities with CDI is creating a disequilibrium. This has caused concern and has demotivated prospective investors from the states concerned.

BACK TO SQUARE ONE?

Renegotiation of the Lomé Convention also began in 1988, an occasion when CDI is put back into the melting

(Continued overleaf)

ANALYSIS OF CDI'S ASSISTANCE



CDI AND LOME IV GOVERNING BOARD'S DECLARATION

At the invitation of the Committee of Industrial Cooperation (CIC), CDI's Joint Governing Board presented a declaration as a contribution to the preparatory debates on the content of the next ACP-EEC Convention.

The Board stated that it was impressed with the performance of CDI, which has to assist very many countries over a great variety of industrial activities with only a small staff and a limited budget. However, in order to be able to give the necessary attention to all the tasks it has to perform, the Board was aware that CDI's organizational structure and budget should be brought into line with the extent of its mandate. Its recommendations included the following:

• CDI should acquire the status of a joint ACP-EEC institution with the necessary budgetary allocations to assure the continuity of its activites and staff tenure, beyond a five year period (to which it is limited by its present status as an ACP regional cooperation project).

• CDI's multi-annual programme should be the basis for the budget. The efficiency and effectiveness of its operations are dependent on enough money being allocated.

• The Convention specifically requires CDI to assist land-locked, least developed and island countries (LLDCs). The nature of these countries calls for longer term assistance and concessionary terms. This, and also the fact that the number of LLDCs is increasing, necessitates the allocation of sufficient resources.

• In the negotiations of the EEC Commission on the indicative country programmes, industrialization should be given a prominent place. In the execution of those industrial activities forming part of the indicative programmes, CDI should be involved.

• Some otherwise viable projects cannot be followed through because of the non-availability of financing for a number of reasons such as high costs, capacity problems of development banks, etc. Systems of making venture capital available can be found in Europe as well as in other parts of the world. High priority should be given to determining how these systems can be applied to ACP countries, and how CDI could benefit them.

(Continued from page 1)

pot for refashioning. The sense of insecurity that this gives the staff was heightened by four outside audits of CDI, carried out during the course of the year. The findings of the three published so far are positive. They include analyses of the effects of our feasibility studies and of our technical assistance and promotion operations.

STRONG PRESENCE IN THE FIELD.

Two Regional Meetings were held, one in the Caribbean and one in the Southern African region. Together with project-oriented missions, they gave CDI a strong presence in the field. Participants included Joint Governing Board members, the Commission of the EEC, the ACP-EEC co-Secretariat and ACP ambassadors from the two regions.

At the same time regional antennae meetings were held and in general the antennae continued to improve their operations. In addition 25 promotion attachés (from CDI's antennae) were invited to CDI for training in project identification and evaluation techniques and to advance their country projects.

INFORMATION

Several new documents were developed with expert assistance. A Guide was developed to facilitate the selection of equipment for making compressed earth blocks.

A new set of investment profiles, analysed in detail by sector specialists, presents a large number of project proposals with comparatively small investment requirements.

A 25-minute video documentary, showing 20 CDI-assisted projects in 13 countries, was completed and is available in English and French versions.

MARKETING ASSISTANCE

Eight ACP countries benefited from CDI's assistance under this heading.

Efforts to stimulate requests for marketing assistance from ACP entrepreneurs included sponsoring the participation of African promoters at an East and Southern Africa Preferential Trade Area fair. This resulted in the identification of eight manufacturers ready to engage in sustained exporting in the food, leather and wood sectors.

PROJECTS IN PRODUCTION

The following CDI-assisted projects went into production in 1988.

- Animal feed (Burundi)
- Batteries (Suriname)
- Brushes/brooms (Cameroon)
- Cement tiles (Comoros)
- Dairy products (Burkina Faso)
- Dairy products (Cameroon)
- Distillery (St. Christopher and Nevis)
- Earth bricks (Ghana)
- Earth brick presses (Cameroon)
- Fibreglass items (Comoros)
- Footwear (Fiji)
- Fruit juce (Madagascar)
- High protein foods (Zaire)
- Industrial bakery (Burundi)
- Melamine household items (Burundi)
- Mother-of-pearl buttons (Vanuatu)
- Natural fertilizer (Mauritius)
- Paint works (Guinea)
- Paint works (Burundi)
- Pencils (Botswana)
- Perfusion solutions (Benin)
- Pharmaceutical products (Cameroon)
- Plastics factory (Sierra Leone)
- Plywood and veneers (Madagascar)
- Rotational moulding of plastics (Gabon)
- School chalk (Comoros)
- Shoe production (Congo)
- Shoe factory (Mozambique)
- Snack foods (Fiji)

<table>
<tr><th colspan="9">RESULTS ACHIEVED BY CDI TO DATE</th></tr>
<tr><th></th><th>'81</th><th>'82</th><th>'83</th><th>'84</th><th>'85</th><th>'86</th><th>'87</th><th>'88</th></tr>
<tr><td>CDI-assisted projects which entered production (including pilot plants)</td><td>4</td><td>9</td><td>12</td><td>16</td><td>23</td><td>22</td><td>23</td><td>35</td></tr>
<tr><td>Production units under construction</td><td rowspan="2">15</td><td rowspan="2">6</td><td rowspan="2">17</td><td rowspan="2">25</td><td rowspan="2">12</td><td>9</td><td>8</td><td>13</td></tr>
<tr><td>Industrial projects under implementation</td><td>6</td><td>15</td><td>16</td></tr>
<tr><td>Investment costs in Ecu (millions) of projects which went into production</td><td>*</td><td>*</td><td>34.4</td><td>30.7</td><td>5.9</td><td>10.2</td><td>20.1</td><td>26.8</td></tr>
<tr><td>Employment created</td><td>*</td><td>*</td><td>460</td><td>651</td><td>436</td><td>690</td><td>672</td><td>904</td></tr>
<tr><td>CDI rehabilitation interventions</td><td>16</td><td>12</td><td>19</td><td>21</td><td>18</td><td>32</td><td>40</td><td>67</td></tr>
<tr><td>CDI training operations (number of trainees)</td><td>74</td><td>255</td><td>200</td><td>289</td><td>321</td><td>268</td><td>243</td><td>156</td></tr>
</table>

- Soft drinks (Mali)
- Sorghum beer (Burundi)
- Spectacles (Cameroon)
- Spraying equipment (Zimbabwe)
- Telephone/telecom sets (St. Vincent & the Grenadines)
- Wood drying (Guyana)

EXTRACTION SECTOR

Small scale projects based on adapted technologies represented over half of the interventions in this sector in 1988, as against a third in 1987. New areas included marble quarries and crushed stone operations.

Funds were committed for thirty interventions of which two thirds involved practical help (technical assistance, training, testing of new raw materials, selection of equipment, etc.,) and the remaining third were feasibility and diagnostic studies.

FOOD SECTOR

During 1988 the level of activity in the food sector dropped from 53 to 31 projects. Requests for feasibility studies for new projects fell by 50%. This partly reflected the difficulty of inducing European joint venture partners to invest.

CDI provided 12 new locally owned food production companies with technical assistance and training at the critical start-up phase, a significant increase on 1987.

The trend in the food sector was to provide assistance to enable existing companies to overcome their problems, whether during plant commissioning, or for ongoing technical training, or rehabilitation and expansion.

CHEMICAL SECTOR

CDI's interventions in this sector, which includes chemical and plastic industries and renewable energy applications, involved a total of 44 projects in 1988, including 13 for which funds were already committed in 1987.

8 new plants came into production and there were visible effects from operations to rehabilitate, diversify and expand existing plants.

Interventions were evenly divided between feasibility and diagnostic studies on the one hand and technical assistance and training on the other.

AGRO-ALLIED SECTOR

There were 49 interventions in this sector, which includes leather, paper, rubber, textiles, wood and the initial processing of agricultural products. The textile and wood sub-sectors accounted for 29% and 33% of the total respectively.

Training assistance, both for the expansion of existing firms and the creation of new projects, represented 50% of the interventions. Diagnostic studies accounted for 30% and feasibility studies 19%.

ENGINEERING AND METALWORKING SECTOR

40 interventions in this sector included 17 carried over from 1987. Feasibility studies with a view to establishing new factories totalled only three whereas there were nine diagnostic studies with a view to the rehabilitation of existing industries.

Technical assistance, both for product implementation and for training, ranked high with 14 and 12 interventions respectively. The thrust of CDI's action was the provision of decisive technical assistance in three areas:

- Diagnostic studies - usually coupled with immediate direct on-the-spot assistance to the shop floor to keep the production unit afloat while an expert mapped out a follow-up course for rehabilitation;
- production assistance during start-up;
- training assistance, usually on the premises of the manufacturer of the promoter's equipment but also, wherever possible, in-plant at the ACP factory.

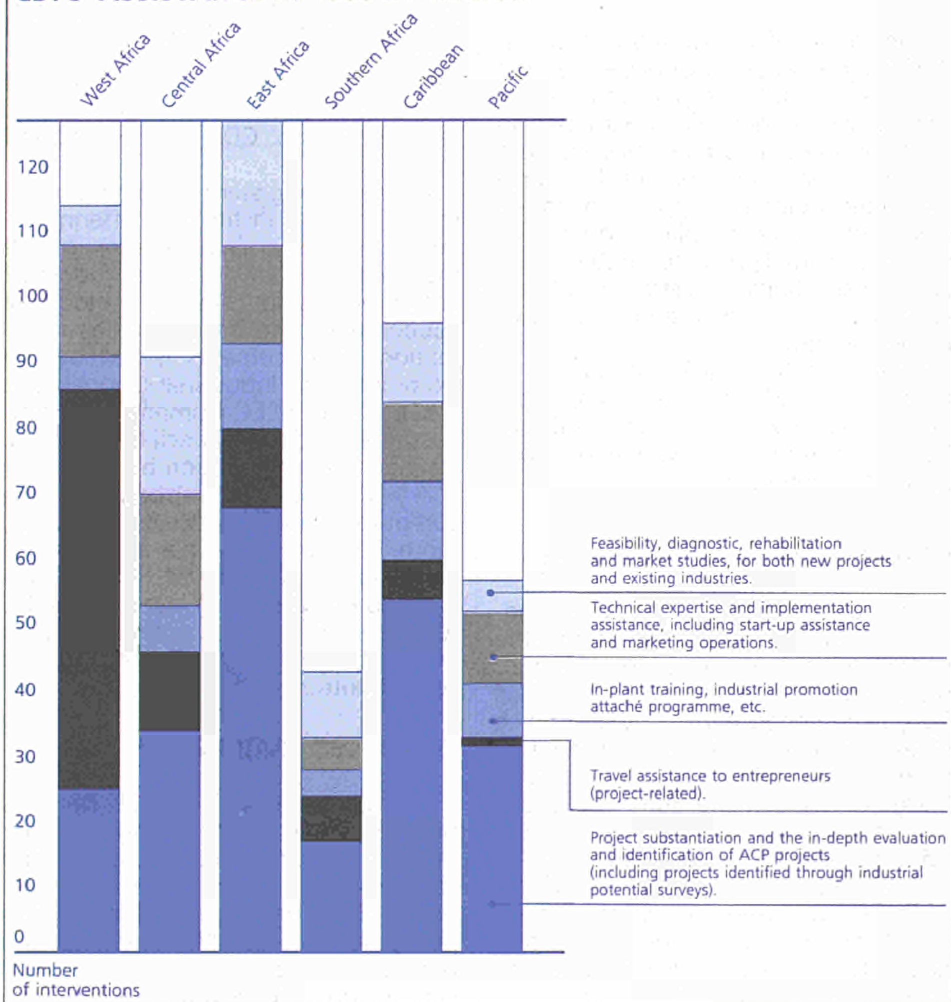
ANTENNAE

In 1988 CDI was represented in ACP countries by 48 organizations (its "institutional antennae") and by 20 private firms or individuals (its "private" antennae).

Twenty-five antennae participated in CDI's industrial promotion attaché programme. For four-week periods, senior staff from institutional antennae were introduced to CDI's procedures and to the criteria which CDI applies when evaluating the eligibility of requests for assistance. Under the guidance of CDI's regional officers, they participated actively in following up requests received from their countries. Some of CDI's private antennae were also invited to CDI for shorter periods, for orientation training. The programme had a positive effect on the performance of the antennae and will be continued in 1989.

Regional antennae meetings were held in Southern Africa and in the Caribbean, following the regional industrial cooperation meetings in those regions.

CDI'S ASSISTANCE IN 1988 BY REGION



FINDING INFORMATION FAST

by Babs O. Adenaike

Readily available, up-to-date information is one of industry's essential resources. Collecting, processing and disseminating information has been a major activity of CDI since its inception. Babs Adenaike, who is responsible for running CDI's Industrial Information and Documentation Unit (IIDU), explains how computerization provides instant access to a range of information sources.

You might easily assume that the Industrial Information and Documentation Unit would be rather like a library. And indeed, we do maintain a collection of about 7000 documents. These include all kinds of reference material from industrial directories and encyclopaedias to annual reports of financial institutions, industrial information by sector and information about individual countries.

However, early on we made the decision to concentrate on up-to-date information sources rather than a large collection of documents, and our policy remains to identify and retain sources of industrial information so that all requests can be met with minimum delay.

THE RANGE OF INFORMATION

The range of information to which the Unit gives access includes everything which is relevant to supporting the development of industrial operations in ACP countries. Enquiries may concern production statistics, market data, profiles of technologies, suppliers (of know-how, raw materials, plant and equipment), industrial processes, patents, financial institutions, investment policies, ACP economies and the operations of particular companies.

Who uses the Unit? Entrepreneurs, parastatal and private companies, public and government organizations, trade and industrial associations, consultants, students, etc.

ON-LINE ACCESS TO DATE BASES

Prompt access to sources of information depends on computerization. One of the Unit's personal computers, a 20 mega-byte IBM-compatible Systech Plus 700, is equipped with software which gives on-line access to five outside data bases. These include the data bases of Lockheed Dialog, the European Space Agency information retrieval services (ESA-IRS) and the System Development Corporation (SDC).

These data bases supply information about research and development, patents, etc., and cover all the basic and applied sciences and technologies.

We are also linked to the Dun and Bradstreet data base which provides confidential financial information on European (and recently some ACP) companies, and to the ABC data base which covers importers, exporters, equipment and machinery manufacturers and suppliers in the Benelux countries.

CDI'S OWN COMPUTERIZED DATA

We also have a number of our own, in-house data bases, some of which are not yet complete. One contains names and addresses of equipment and technology suppliers. One lists CDI-prepared documentation such as feasibility studies, mission reports, industrial potential surveys, country and sector surveys, etc. A further data base containing information on the ACP and EEC companies registered with CDI and updated monthly, is used for joint venture projects and other forms of industrial cooperation. A data base of consultants registered with CDI is also updated monthly.

A training register, containing information on EEC institutions offering industrial in-plant training, is a service CDI maintains, to help strengthen industrial entrepreneurship. And an industrial cooperation data base contains information on documents issued by the Committee on Industsrial Cooperation (CIC), the ACP-EEC Committee of Ambassadors and the Council of Ministers, on industrial cooperation matters.

A year and a half after beginning the computerization of the Unit's resources, more than 50% input has already been achieved. We are already looking forward to establishing cooperation links, for the exchange of information, with different organizations, in both EEC and ACP countries.

COMPUTER TRAINING

Our policy regarding ACP states is that we would like to strengthen their industrial information awareness and capacity. We have placed a lot of emphasis on the training of documentation personnel from our ACP antennae and partner organizations in the EEC, who can, in turn, create a multiplier effect.

PHOTOS: DIARMUID PEAVOY – CDI

Babs Adenaike on his Unit's personal computer.

An ACP visitor uses the Unit's traditional documentation.

We have also given training assistance to ACP individuals from other institutions.

LOOKING AHEAD

In the future we hope to be able to install our data bases on the computers of at least one of our antennae in each of the six ACP regions under the Lomé Convention.

Again looking to the future, and bearing financial constraints and inadequate telecommunications links in mind, we hope to be able to promote and assist in the acquisition of CD-ROM (compact disc read-only memory) by ACP states, for industrial information processing.

This facility can store enormous quantities of information and eliminates the need to subscribe to on-line information and associated peripherals such as a leased communication line. And it offers a comprehensive data base that can be searched over and over again.

Information technology is here to stay and it is vital for developing countries to join in the acquisition of computer know-how. However, as long as communication systems remain as inefficient as they are, ACP countries would be best advised to adopt CD-ROM. The developed countries should assist by ensuring that standardization in the CD market is achieved.

Data base producers should also broaden the coverage of subjects. For the moment there is a dearth of industrial information on CD-ROM.

PROMOTING SMALL AND MEDIUM-SIZED ENTERPRISES IN GUINEA

*by Boubacar Sannou Diallo**

To get out of their economic recession, African states must set up and reinforce support for Small and Medium-Sized Enterprises (SMEs), which not only provide the foundations for large scale enterprise but also meet the basic needs of the people. Steps taken by the government of Guinea (Conakry) are very significant in this regard.

The National Office for the Promotion of SMEs (ONPPME) has the important role of encouraging private initiative and entrepreneurs to take part in the development of the country. To this end it examines every opportunity for setting up enterprises, carries out feasibility studies as well as general or sector studies, assists promotors and encourages joint ventures with foreign investors.

FAVOURABLE POLITICAL ENVIRONMENT

Since 1986 ONPPME has achieved a great deal, thanks to the political environment which has become more and more favourable towards the creation of SMEs. Specific measures have been monetary reform, de-blocking of credit lines to SMEs from banking institutions, simplification of approval procedures, publication of a new investment code, privatization of certain public enterprises and the opening up of the Office to international organizations that promote SMEs.

The current strategy for encouraging SMEs includes providing technical and financial assistance to small enterpreneurs situated in the interior of the country, developing a spirit of enterprise, identifying appropriate technologies and making effective use of local materials. Sub-contracting is being developed in mining areas, training is being given to promotors who have been granted a line of credit or are in joint venture partnerships, and international cooperation is being fostered.

PROBLEMS OF PARTNERSHIP

The joint venture is the most desirable form of international cooperation. However, the investor's security and the profitability of the investment are indispensable criteria.

Concerning security, the European industrialist would rather sell his equipment for cash than enter a partnership or a credit arrangement, even short term. The same problems of high risk in Africa are always cited: governmental instability, lack of legal protection or difficulty in applying it, lack of competent promoters and monetary problems. As far as the African promoter is concerned, he often lacks adequate funds to make his project eligible to banking institutions.

I believe that promotors and their EEC partners should develop other forms of industrial cooperation: marketing arrangements, technical assistance contracts, sub-contracting agreements, franchising.

CDI'S ASSISTANCE IN GUINEA

Since ONPPME became CDI's antenna in Guinea (Conakry) in 1982, the following projects have received CDI's assistance:

Modern bakery (training)
Papaïne (feasibility study)
Shrimp farming (feasibility study)
Quinine extraction (study trip)
Soap manufacturing (study trip)
Brick-works (rehabilitation study)

Two ONPPME employees have been on training courses at CDI's headquarters to study working and promotional methods.

Relations between CDI and ONPPME are set fair. They have recently received a new impetus. We appreciate this collaboration and hope that the fourth Lomé Convention will look especially favourably on CDI and provide it with the means to give greater assistance to ACP projects.

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* *Boubacar Sannou Diallo is Inspector of Financial and Accountancy Services at the National Office for the Promotion of SMEs (ONPPME) in Guinea (Conakry). He is also CDI's antenna.*

ROCK CRUSHING EQUIPMENT SURVEY

A detailed survey of European manufacturing technology in the fields of both the production of rock aggregates and the recovery of river sand and gravel has been sponsored by CDI.

More than 24 European manufacturing companies of specific production equipment were contacted and 13 companies were selected as suitable suppliers of small and medium scale plants for ACP projects.

Selection criteria not only covered reduced plant capacity, but also experience in ACP countries, availability of skid-mounted (compact) plants, availability of individual process items and experience of technological cooperation, training and after-sales service. Full details of the 13 companies are available with the survey.

The survey summarizes general guidelines for establishing either a rock aggregate or sand/gravel operation. Preference is given to package plants. The basic layouts are given, together with the listing of all key equipment. Operating costs, total investment costs and the calculation of break-even capacities for small and medium-sized operations are also supplied.

The smallest rock crushing plant produces approximately 80,000 tonnes of commercial aggregates per year and represents an investment of some Ecu 1 million, including quarry equipment. The smallest sand/gravel recovery plant produces approximately 56,000 tonnes of commercial sand/gravel per year and represents a total investment cost of some Ecu 400,000, including Ecu 228,000 for sandwinning and haulage.

Industrial technology profiles of four typical plants will be available through CDI. ACP investors may also be assisted in both studying the basic raw material deposits and selecting the most appropriate equipment to suit local market requirements.

Skid-mounted rock crushing plant (40 tph).

NEWS IN BRIEF

EXPANDING MARKETS FOR FURNITURE FROM GUYANA

Precision Woodworking Ltd. of Guyana makes furniture. It is a family firm, employing 60 people and run by three brothers. One of them, Ronald Bulkan, recently visited CDI's Brussels headquarters and what follows is taken from an interview with him.

"Guyana is 80% forest. Wood is exported in its primary state as lumber. We are the only private firm in the country to operate a kiln dryer. We began to process wood in 1984 and CDI's first intervention took place in 1986 when they sent a factory technician to Guyana for ten days to train our employees to operate turning lathes.

"We installed and commissioned our kiln dryer in early 1988. Again, CDI paid the cost of a technician who carried out training for twelve days. Soon we were operating a full capacity. The kiln dryer has made all the difference to our operation. It has greatly increased our capacity and productivity and enabled us to target hard curency markets.

"Half of our production is exported. We have been manufacturing household and office furniture which we export to the Caribbean region. However, now we have been able to add a range of garden furniture in tropical hardwoods for export to the United States.

"As for the future, we have immediate plans to integrate upstream with a sawmill. And we shall diversify into flooring, panelling, mouldings etc."

Precision Woodworking Ltd., is an excellent example of adding value to local raw materials, one of today's basic strategies in ACP countries. Ronald Bulkan paid tribute to CDI's assistance in providing vital training. The object of his recent visit to Europe was to visit trade fairs and to select machinery for the next stage of the firm's expansion. The trip was sponsored by CDI.

DIARMUID PEAVOY - CDI

Ronald Bulkan, Director of Precision Woodworking Ltd.

NEW AGREEMENT WITH IRISH EXPORT BOARD

A new agreement formally signed between the Irish Export Board (CTT) and CDI on 23rd June means that the two institutions will collaborate to assist and support Irish companies involved in ACP manufacturing projects.

The agreement stipulates that CTT will distribute details of ACP industrial project opportunities, under promotion by CDI, to Irish firms. CTT will also help CDI to develop a register of Irish industrialists willing to participate in ACP manufacturing projects.

In addition, CTT will assist Irish industrsialists to draw up production proposals for promotion by CDI in ACP countries and help them to get support for their proposals from development and finance institutions in Ireland and abroad.

Alan P. McCarthy, CTT Chief Executive, said that because Ireland's industrialization was fairly recent and its industrial sector mainly composed of small and medium-sized enterprises, its experience was particularly relevant to ACP countries.

Córas Tráchtála
Irish Export Board

ISOPRESS

Alan P. McCarthy, CTT Chief Executive (left) and Dr. I.A. Akinrele, CDI Director, sign the agreement while Daniel L. Nairac, CDI's Liaison Officer for northern EC member states, looks on.

PROPARCO AND CDI

TWO YEARS OF PROGRESS

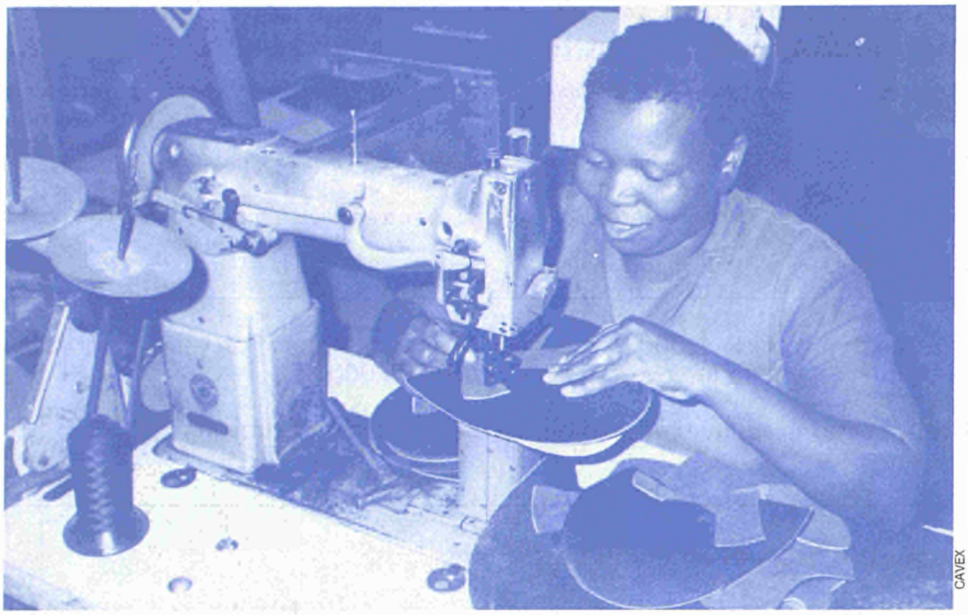
It is now two years since the signing of an agreement between Proparco (Promotion and Equity Company for Economic Development) France, a branch of the Caisse Central (Central Fund for Cooperation) and CDI. The results are as follows.

Eleven industrial projects in nine countries have been assisted. CDI has financed interventions such as diagnostic studies, training, technical assistance, etc., while Proparco has helped to financed the projects themselves. Out of a total investment in these projects of 76 million French francs, 34.2 million have come from private investors and 8.5 million from Proparco. 539 jobs have been created.

The collaboration between Proparco and CDI in coordinating their complementary roles has added to their mutual effectiveness. CDI's interventions would either have been less effective or would not have taken place at all without Proparco's financial assistance to the projects. Similarly, Proparco's co-financing of these projects has been reinforced by CDI's support.

At a time of economic difficulty in Africa, this fruitful collaboration,which is linked to the Fund for Aid and Cooperation (FAC) of the French Ministry of Cooperation, is worth underlining.

A SHOE FACTORY BACK ON THE MARCH



CAVEX

Unused for ten years, a re-conditioned sewing machine is back in action.

The Central Coordinating Body for Shoes and Tanning (UDCC) in Mozambique called on CDI's assistance for rehabilitation and training in the shoe factories under their control.

CDI identified a Portuguese company, Cavex, which was awarded a contract for the rehabilitation of one of the factories at a cost of Ecu 47,540, co-financed by CDI, the Portuguese Institute of External Trade (ICEP) and UDCC (who covered local transport and hotel expenses).

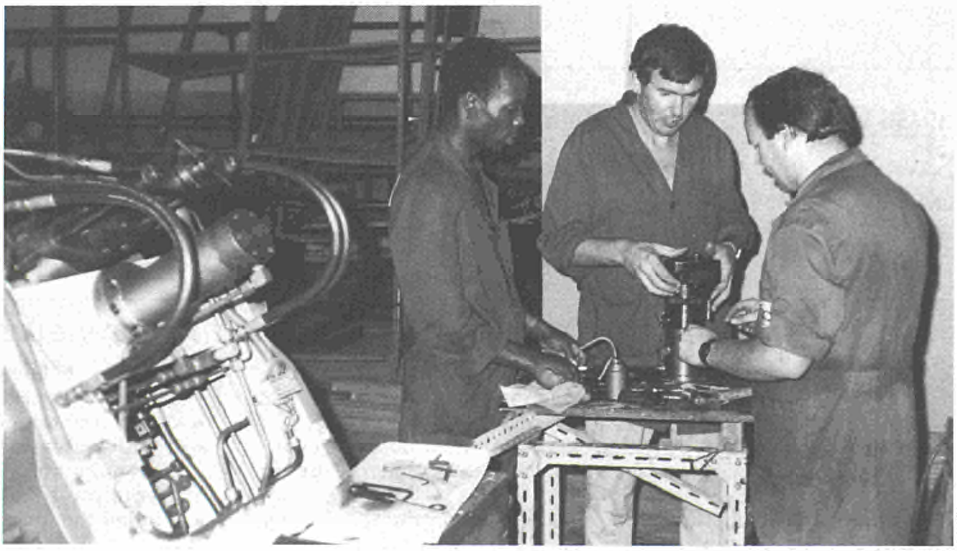
The SSS shoe factory of Maputo was selected as being in most urgent need of attention and its rehabilitation programme began on 25th January.

A new factory lay-out was set up to produce two different types of shoes. Capacity was increased from 80,000 to 130,000 pairs per year on the two lines. Treated leather was replaced by neolite for soles and heels for easier working at relatively low cost. The labour force was encouraged to carry out simple maintenance – lubrication, cleaning etc. – on machinery and tools. A saving of 30% was achieved in the use of raw materials, for example in the amount of leather used in the making of a pair of boots. A great deal of machinery, unused for the past ten years, was re-conditioned and put back into service.

During the three month period of rehabilitation and training the weekly production of shoes increased from 37 to 1046 pairs. Locally financed building work needed to ensure the success of the project was virtually complete by the time the rehabilitation programme was concluded and UDCC has invested enough in materials and spare parts for a year's production.

UDCC controls seven shoe factories in all and, after the success of the programme at SSS, the possibility of rehabilitating the remaining factories one by one is being actively considered.

Portuguese technicians provide training at SSS, Maputo.



CAVEX

VISITORS TO CDI

Recent visitors to CDI included Citizen Kianza, Managing Director of SOFIDE (Société Financière de Développement), CDI's antenna in Zaire, and H.E. Kimbulu Moyanso, Ambassador of Zaire to the EEC.

Also welcomed to CDI's Brussels headquarters were Messrs. M.J. Eccles and M.D. Stephen, Director General and Director of Corporate Relations of the Commonwealth Development Corporation, London, Thierry Bingaba, Secretary of State for Planning and International Cooperation, Central African Republic, H.E. José-Maria Pehoua, Amabassador of the Central African republic to the EEC.

H.E. Mr. Kimbulu Moyanso, Ambassador of Zaïre to the EEC.

DIARMUID PEAVOY – CDI

INDUSTRIAL PROPOSALS FROM EEC FIRMS
ACP ENTREPRENEURS, PLEASE REPLY

The proposals outlined below have been put forward by EEC firms interested in setting up production in ACP countries, under joint venture, franchising, licencing, sub-contracting, marketing, management or other agreements with local businessmen.

ACP entrepreneurs interested in any proposal are invited to write to CDI quoting its reference number. However, CDI will not be in a position to act upon letters received unless ACP entrepreneurs provide all the information requested at the bottom of the page.

Where a joint venture is proposed, the EEC companies are willing to consider contributing (depending on the country and the project) some 20% of the equity investment. For other proposals, the companies are committed to entering into long-term agreements for the creation of profitable ventures.

Where second-hand equipment is suggested, CDI may sponsor an evaluation by an independent expert of the quality, cost, suitability and condition of such equipment.

All equipment costs are quoted in Ecus (European currency units). The value of the Ecu may easily be ascertained from its relationship to other European currencies. Thus, on 1 August 1989: 1 Ecu = £ 0.671, or FF 7.028, or DM 2.076.

Please ALWAYS mention the CDI reference numbers when reproducing these proposals.

89/50 EX *ITALY*

BLOCKS, SLABS, FLOOR TILES, IN BLACK GRANITE

Minimum capacity: blocks: 8,000 m^3 a year; slabs: 4,000 m^2 a year; floor tiles: 4,000 m^2 a year, for a minimum investment of Ecu 6,880,000.

Proposed cooperation: equity participation, technical assistance, training.

89/52 FO *SPAIN*

FROZEN FISH PRODUCTS

Minimum capacity: depends on the fish catching capacity.

Proposed cooperation: equity participation, licencing and franchising agreements, marketing, technical assistance, training.

89/53 MC *SPAIN*

METAL SAFES

Minimum capacity: 3,000 units a year, for an investment of Ecu 2,300,000.

Proposed cooperation: industrial franchise, training.

89/55 LE *PORTUGAL*

COMPONENTS FOR FOOTWEAR

Soles in SBR, TR, PVC, PU; and rubber sheets.

Minimum capacity: an annual output valued at Ecu 2,720,000, for an investment of Ecu 590,000.

Proposed cooperation: equity participation, licencing agreement, technical assistance, management assistance, training.

89/56 WO *PORTUGAL*

SAWMILL

Minimum capacity: 90 tonnes of logs or planks a month, for an investment of Ecu 117,000; the capacity can also be increased in steps up to a maximum level of investment in equipment of Ecu 580,000.

Proposed cooperation: equity participation, marketing assistance.

Information required of ACP entrepreneurs when replying

- **Show why it would be worth-while to manufacture the products in question in your country, e.g. give market data, indicate that raw materials are available locally, etc.**
- **Describe your present activities plus your industrial and/or commercial experience, enclosing any available information such as your latest balance sheet.**
- **State how much capital you yourself could contribute.**
- **State the maximum portion of the equity your country legally allows to an EEC partner.**
- **Can you obtain finance and if so from where?**
- **If you need a foreign loan or supplier's credit, can you obtain a local guarantee?**
- **Is your project a national priority?**
- **Outline the incentives your country offers to foreign investors.**

OPERATIONAL SUMMARY

No. 53 — September 1989

(position as at 11th August 1989)

EEC-financed development schemes

The following information is aimed at showing the state of progress of EEC development schemes prior to their implementation. It is set out as follows:

Geographical breakdown

The summary is divided into three groups of countries, corresponding to the main aspects of Community development policy:

— the ACP countries (Africa, the Caribbean and the Pacific), which signed the multilateral conventions of Lomé I (28 February 1975), Lomé II (31 October 1979) and Lomé III (8 December 1984), plus the OCT (overseas countries and territories) of certain member states of the EEC, which get the same type of aid as the ACP countries;

— the Mediterranean countries (Maghreb and Mashraq), which signed cooperation agreements with the EEC in 1976 and 1977;

— the ALA developing countries of Asia and Latin America, beneficiaries since 1976 of annual aid programmes.

The information within each of these groups is given by recipient country (in alphabetical order).

Note

As the information provided is subject to modification in line with the development aims and priorities of the beneficiary country, or with the conditions laid down by the authorities empowered to take financial decisions, the EEC is in no way bound by this summary, which is for information only.

Information given

The following details will usually be given for each development scheme:

— the title of the project;

— the administrative body responsible for it;

— the estimated sum involved (prior to financing decision) or the amount actually provided (post financing decision);

— a brief description of projects envisaged (construction work, supplies of equipment, technical assistance, etc.);

— any methods of implementation (international invitations to tender, for example);

— the stage the project has reached (identification, appraisal, submission for financing, financing decision, ready for implementation).

Main abbreviations

Resp. Auth.: Responsible Authority
Int. tender: International invitation to tender
Acc. tender: Invitation to tender (accelerated procedure)
Restr. tender: Restricted invitation to tender
TA: Technical assistance
EDF: European Development Fund
mECU: Million European currency units

Correspondence about this operational summary can be sent directly to:

Mr. Franco Cupini
Directorate-General for Development
Commission of the European Communities
Berl. 6-86
200, rue de la Loi
B-1049 Brussels

Please cover only one subject at a time.

DESCRIPTION SECTOR CODE

A1	**Planning and public administration**
A1A	Administrative buildings
A1B	Economic planning and policy
A1C	Assistance to the normal operations of government not falling under a different category
A1D	Police and fire protection
A1E	Collection and publication of statistics of all kinds, information and documentation
A1F	Economic surveys, pre-investment studies
A1G	Cartography, mapping, aerial photography
A1H	Demography and manpower studies
A2	**Development of public utilities**
A2A	Power production and distribution
A2Ai	Electricity
A2B	Water supply
A2C	Communications
A2D	Transport and navigation
A2E	Meteorology
A2F	Peaceful uses of atomic energy (non-power)
A3	**Agriculture, fishing and forestry**
A3A	Agricultural production
A3B	Service to agriculture
A3C	Forestry
A3D	Fishing and hunting
A3E	Conservation and extension
A3F	Agricultural storage
A3G	Agricultural construction
A3H	Home economics and nutrition
A3I	Land and soil surveys
A4	**Industry, mining and construction**
A4A	Extractive industries
A4Ai	Petroleum and natural gas
A4B	Manufacturing
A4C	Engineering and construction
A4D	Cottage industry and handicraft
A4E	Productivity, including management, automation, accountancy, business, finance and investment
A4F	Non-agricultural storage and warehousing
A4G	Research in industrial technology
A5	**Trade, banking, tourism and other services**
A5A	Agricultural development banks
A5B	Industrial development banks
A5C	Tourism, hotels and other tourist facilities
A5D	Export promotion
A5E	Trade, commerce and distribution
A5F	Co-operatives (except agriculture and housing)
A5G	Publishing, journalism, cinema, photography
A5H	Other insurance and banking
A5I	Archaeological conservation, game reserves
A6	**Education**
A6A	Primary and secondary education
A6B	University and higher technical institutes
A6Bi	Medical
A6C	Teacher training
A6Ci	Agricultural training
A6D	Vocational and technical training
A6E	Educational administration
A6F	Pure or general research
A6G	Scientific documentation
A6H	Research in the field of education or training
A6I	Subsidiary services
A6J	Colloquia, seminars, lectures, etc.
A7	**Health**
A7A	Hospitals and clinics
A7B	Maternal and child care
A7C	Family planning and population-related research
A7D	Other medical and dental services
A7E	Public health administration
A7F	Medical insurance programmes
A8	**Social infrastructure and social welfare**
A8A	Housing, urban and rural
A8B	Community development and facilities
A8C	Environmental sanitation
A8D	Labour
A8E	Social welfare, social security and other social schemes
A8F	Environmental protection
A8G	Flood control
A8H	Land settlement
A8I	Cultural activities
A9	**Multisector**
A9A	River development
A9B	Regional development projects
A10	**Unspecified**

*** From January 1989 PABLI will be updated twice monthly.*

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Selected extracts of the blue pages may be obtained.

The cost of these two services has been fixed and are applied from 1988.

To obtain any information concerning PABLI please write, specifying the option chosen (terminal or telex) to:

ECHO Customer Service
177, Route d'Esch
L-1471 LUXEMBOURG
Tél.: 352/48.80.41
Télex: 2181

ECHO is in charge only for PABLI. For general correspondence see page I.

ACP STATES

New projects are printed in italics and offset by a bar in margin at left

Projects under way are marked with an asterisk and with words or phrases in italics

ANGOLA

Rehabilitation of the Americo Boavida Hospital. Resp. Auth: Ministry of Health. Estimated total cost ±25 mECU. EDF 19.5 mECU. Italy 5.5 mECU. Works, supply of medical-technical equipment. T.A. for installation, maintenance and training. Works: int. tender (conditional) launched in October 88. Supplies: int. tender only for italian companies foreseen in the 2nd half 89. Project in execution. 6th EDF.
EDF ANG 6004 A7a

BARBADOS

Barbados export development. Resp. Auth.: Barbados Export Promotion Corporation (BEPC). 1.3 mECU. T.A., training, studies, for marketing exports of rum and to ★develop new rum-based exports. ***Date financing June 89.*** 6th EDF.
EDF BAR 6002 A5d

BELIZE

Belize City Hospital. Phase I. Estimated cost 8.6 mECU. Work constructions and sup★ply of equipment. 4th, 5th, and 6th EDF. ***Project in execution.***
EDF BEL 6004 A7a

Community Development Programme. Resp. Auth.: Ministry for Social Services. 0.150 mECU. Project preparation study. Short-list done. Project on appraisal. 6th EDF.
EDF BEL 6002 A6b

BENIN

Upgrading of health service infrastructure. Resp. Auth.: Ministère de la Santé Publique. Estimated cost 14.3 mECU: renovation and construction of the hospital building and equipment. Supplies: int. tender launched in May 89. Project in execution. 5th and 6th EDF.
EDF BEN 5010 A7a

Mono rural development programme. Development of the rural production. Cofinancing with BAD. EDF 16,5 mECU, BAD 14.4 mECU, local 4.9 mECU. Project in execution. 6th EDF.
EDF BEN 6003 A3a

Fish breeding. Applied research and popularization actions. Resp. Auth.: MDRAC. Estimated cost 2 mECU. Project on appraisal. 6th EDF.
EDF BEN 6009 A3d

Sectoral import programme: industry. Resp. Auth.: Ministre du Plan. 16 mECU. Supply of industrial inputs, spare parts, row materials. Direct agreement and int. tenders. ★T.A. ***Project in execution.*** 6th EDF.
EDF BEN 6013 A4b

BOTSWANA

Manpower development for sustainable resource utilisation. Resp. Auth.: Ministry of Finance and University of Botswana. 4.4 mECU. T.A. and training for basic science, ground water exploration and management, environmental resource and sustainable agriculture. Project in execution. 6th EDF.
EDF BT 6003 A6

Support programme to Botswana copper-nickel mining industry. Resp. Auth.: BCL Ltd (Bamangwato Concessions Ltd). 21.650 mECU. Works, exploration drillings, supply of mining equipment by int. tender. Replacements parts by direct agreement. T.A. to prepare int. tender dossier, evaluation ★and follow-up of the tender. ***Date financing July 89.*** 6th EDF.
EDF BT SYS 6019 A4a

| ***Livestock marketing development project.*** *Resp. Auth.: Botswana Cooperative Union. 2.5 mECU. Provision of infrastructures, transports, T.A. Project on appraisal. 6th EDF.*
| *EDF BT 6014 A3a*

| ***Water development programme.*** *Resp. Auth.: Department of Water Affairs. Estimated cost 2 mECU. EDF 1.9 mECU, FRG (KFW) 0.100 mECU. Serowe waste water sanitation and T.A. to the Department of water affairs. Project on appraisal. 6th EDF.*
| *EDF BT 6023 A2b, A8c*

BURKINA FASO

Hydro-agricultural development in the Douna plain. (Intermediate phase). Resp. Auth: Ministère de l'Eau. 2.1 mECU. Improvement of 400 ha. Construction of quaternary canals, training and monitoring. Project in execution. 6th EDF.
EDF BK 6005 A3a

Rural development programme in the Sissili province. Resp. Auth.: Ministère de l'Eau, Ministère de l'Agriculture et Elevage, Ministère de la Santé Rurale, Ministère de l'Education nationale. 31.5 mECU. Same pro★gramme: see BK 6001. ***Project in execution.*** 6th EDF.
EDF BK 6004 A3a

Training programme. Resp. Auth.: Ministère du Plan et de la Coopération, Ministère du Travail, de la Sécurité Social et de la Fonction Publique (pour les CNPAR), Ministère de l'Environnement et du Tourisme, Ministère de la Santé et de l'Action Sociale, le ★Secrétarait d'Etat à la Culture. ***2.770 mECU.*** Training on rural development, training to support structures for conception, control and execution of development programmes, training for movies directors and promotion of cultural industry. Support, follow-up and evaluation of training programmes. Project on appraisal. Date foreseen for financing ***end 89.*** 6th EDF.
EDF BK 6007 A6c, ci, d

| ***Strengthening of the Yako-Ouahigouya road.*** *Estimated cost 18.8 mECU. Works on 70 km. Technical and administrative supervision. Project on appraisal. 6th EDF.*
| *EDF BK 6006 A2d*

BURUNDI

Rehabilitation of the R.N. 1-Bujumbura-Rwanda border. Resp. Auth.: Minis★tère des Travaux Publics. Estimated cost ***23*** mECU. Rehabilitation works plus the town section up the port of Bujumbura. Study to be done: technical study for the execution and int. tender dossier preparation. Short-list already drawn up. Project on appraisal. 6th EDF.
EDF BU-REG 6305 A2d

Socio-economic development of the natural region of Mugamba. Resp. Auth.: CVHA project, OTB, Ministère du Dév. Rural, Direction Générale des Routes. 32 mECU. ★Works, supplies, T.A. and evaluation. ***Project in execution.*** 6th EDF.
EDF BU 6018 A3a

CAMEROON

Rural development programme in the Bénoué basin. Resp. Auth.: Mission d'études pour l'aménagement de la vallée supérieure de la Bénoué (MEAVSB). Total estimated cost 30 mECU, EDF part 25 mECU. Roads network, schools, health centres, rural water supply. Support to crop production and fishery. Irrigated agricultural areas, fight against soil and surface vegetation degradation. Works, supplies, T.A. and training. Study to be done: sectoral studies to implement different sectors of the programme. Short-list already drawn up. Project in execution. 6th EDF.
EDF CM 6002 A3a

Rural development programme in the Logone and Chari. Resp. Auth.: Semry. Estimated cost ~12 mECU. Consolidation and extension of existing actions. Project on appraisal. 6th EDF.
EDF CM 6013 A3a

CAPE VERDE

Town development of Praia. 19.8 mECU. Works and supply of equipment, T.A. ★and supervision of works. ***Int. tender launched in May 89.*** Project in execution. 6th EDF.
EDF CV 6001 A2d

Sectoral Import Programme for building materials and equipments. Resp. Auth: Ministère du Plan et Entreprise Publique d'Approvisionnement (E.M.P.A.). 4 mECU. To purchase cement, iron, medical ★equipment and pavings. ***1st int. tender launched end June 89. Project in execution.*** 6th EDF.
EDF CV 6002 A4c

ATTENTION! *INQUIRY* – SEE PAGE XIV

CENTRAL AFRICAN REPUBLIC

Conservation programme for the ecosystem in the North. National game and natural reserves. Supervision for protected areas. Monitoring, management. Supply of ★infrastructures. EDF 25 mECU. ***Supplies: int. tender launched in August 89.*** Project in execution. 6th EDF.
EDF CA 6002 A3a

Development programme of the Central and Southern region. Resp. Auth.: Ministère du Dév. Rural. 20.3 mECU. To strengthen coffee plantations in the villages and the infrastructure, diversifications in excotton zones ; rural health and human hydraulics, T.A., studies, following and evaluation. Short-lists already drawn up. Project in execution. 6th EDF.
EDF CA 6005 A3a

Petroleum products import programme. Resp. Auth.: Secrétariat d'Etat au Plan, aux Statistiques et à la Coopération Internationale. Implementation: S.A. Petroca. ★7 mECU. Int. tender ***launched*** end June 89. ***Date financing June 89.*** 6th EDF.
EDF CA 6007 A4ai

CHAD

Rehabilitation and preservation of Zakouma national game. Resp. Auth.: Ministère du Tourisme et de l'Environnement. Direction du Tourisme des Parcs Nationaux et des Réserves de Faune. 1.6 mECU. Works by direct labour. Supply of vehicles and equip★ments by int. tender. T.A. and training. ***Int. tender launched end June 89.*** Project in execution. 4th EDF.
EDF CD 4017 A5i

Rural development priority programme in the concentration zone. Resp. Auth.: Ministère de l'Agriculture et de Dév. Rural. 15 mECU. Hydro-agricultural works, infrastructure, education, health. Works, supplies and T.A. Project in execution. 6th EDF.
EDF CD 6002 A3e

Strengthening of the health sector in the Sahelian prefectures. Resp. Auth.: Ministère de la Santé Publique. 12 mECU. Supply of essential medicines, training programme and T.A. Project in execution. 6th EDF.
EDF CD 6003 A7e

Rural development programme. Phase 2. Resp. Auth: Office National de Dév. Rural (ONDR). 28 mECU. Works, feeder roads, scholar buildings, agricultural equipment, pumps, T.A., follow up and evaluation. Project in execution. 6th EDF.
EDF CD 6005 A3a

Strenghtening of the operational services for vegetables defence. Fight against locust. Resp. Auth.: Ministère de l'Agriculture. Direction Protection des Végétaux. 0.900 mECU. Supply of equipments and ★T.A. ***Date financing June 89.*** 5th EDF.
EDF CD 5026 A3a

Development of basic infrastructure. *Resp. Auth.: Ministère des Travaux Publics. 3 mECU. N'Djamena. Rehabilitation of 5 administrative buildings. Strengthening of the Chagoua bridge and of Chari river banks in Farcha. Works by acc. tender. Supplies by int. tender. T.A. Project on appraisal. Date foreseen for financing September 89. 4th and 5th EDF.*
EDF CD 5027 A1a, A2d

COMOROS

Rural integrated development programme in the north region of Anjouan Island. Resp. Auth.: Ministère de la Production agricole. 11.3 mECU. Improvement of crop production, infrastructure, works by int. ★tender (conditional) ***launched end June 89.*** Supply of equipments, materials and vehicles. T.A., training, evaluation, audit. ***Project in execution.*** 6th EDF.
EDF COM 6002 A3a

CONGO

FEDAR (EDF regional action for the Pool and Cuvette). Resp. Auth.: Ministère du Plan. 36 mECU. Roads, wells, rural infrastructure, supervision of works, line of credit, ★monitoring. ***Road: int. tender launched in August 89.*** Project in execution. 6th EDF.
EDF COB 6002 A3a

COTE D'IVOIRE

Rural oil palm plantations for the 2nd palm plan. Resp. Auth.: Ministère de l'Agriculture. EDF 20.850 mECU. 22,945 ha in rural areas. Project in execution. 6th EDF.
EDF IVC 6001 A3a

Support to the livestock development. Continuation and completion of the Marahoué Ranch (T.A., investment, training) and support to "Centre National d'Elevage Ovin". ★11 mECU. ***Project in execution.*** 6th EDF.
EDF IVC 6003 A3a

DJIBOUTI

Rural development programme. Resp. Auth.: Ministère de l'Agriculture. 6.1 mECU. Improvement of the rural development, farm and livestock monitoring, rural hydraulics, palm-tree plantations, pump-station maintenance. For the infrastructures works acc. tender (conditional) and for urgent supplies int. tender (conditional) in November or December 88. Project in execution. 6th EDF.
EDF DI 6001 A3a

Urban development programme. Resp. Auth.: Ministère des Travaux Publics, de l'Urbanisme et du Logement et Ministère de l'Intérieur. 4 mECU. Rehabilitation, construction of waste water controlled network, works and supplies, road assessments to improve rain waters. Studies for rehabilitation and to prepare int. tender dossiers (drainage, roads, drinking water, fire protection): short-lists already drawn up. Project in execution. 6th EDF.
EDF DI 6002 A2d

Training programme. 2.2 mECU. New vocational training actions for adults. T.A. for training centres. Training, scholar-ships and ★training courses. Works and supplies. ***Project in execution.*** 6th EDF.
EDF DI 6101 A6d

EQUATORIAL GUINEA

Forestry support programme. Resp. Auth.: Ministère des Eaux et Forêts. 8.4 mECU. Assessment of the forest feeder roads network. Support to the definition and application of gouvernmental measures to preserve forest patrimony. Support to improve timber export control. Project on appraisal. 6th EDF.
EDF EG 6001 A3c

Essential goods import programme. Resp. Auth.: Présidence de la République. Estimated cost 1.5 mECU. Hard currency allowance to import essential goods. Project on appraisal. 5th and 6th EDF.
EDF EG 0000 A1c

Supply and setting of a self propelling ferry on M'bini river. Motor ferry of 40 t and T.A. 1.180 mECU. Int. tender (condi★tional) ***launched in July 89. Date financing July 89.*** 6th EDF.
EDF EG 6002 A2d

Petroleum product import programme. *Resp. Auth.: Ministre de la Planification et du Développement Economique. 1.5 mECU. Purchase by int. tender of ±8 000 t of petroleum products. Project on appraisal. Date foreseen for financing September 89. 6th EDF.*
EDF EG 6003 A4ai

Support to the agricultural development of the Bata district. Phase II. *Resp. Auth.: Ministère de l'Agriculture. 1.7mECU. Rehabilitation or buildings extension. Supply of equipments. T.A. by Association Française des Volontaires. Project on appraisal. Date foreseen for financing September 89. 6th EDF.*
EDF EG 6004 A3a

ETHIOPIA

North Shewa rural reclamation and development programme. Resp. Auth.: Ministry of Agriculture. Total cost 28.5 mECU. EDF 24 mECU, local 4.5 mECU. Soil and water conservation, reafforestation, rural infrastructure development and feeder roads. Works, supply of equipment, vehicles, T.A. and line of credit. Project in execution. 6th EDF.
EDF ET 6001 A3a

Central Shewa peasant agriculture development programme. Resp. Auth.: Ministry of Agriculture. Estimated cost 53.4 mECU. Buildings, roads, rural infrastructure, agricultural inputs, consumer goods, equipments, T.A., studies, credit line. Project in execution. 6th EDF.
EDF ET 6002 A3a

South Shewa conservation-based rural development. Resp. Auth.: Ministry of Agriculture. Estimated cost 26.2 mECU. Buildings, roads, rural infrastructure, agricultural inputs, consumer goods, training, T.A., micro-projects, credit line. Project in execution. 6th EDF.
EDF ET 6005 A3a

Coffee improvement programme III. Resp. Auth.: Ministry of Coffee and Tea Development. 38.1 mECU. Construction and civil works, supply of equipments, vehicles and agric. inputs, aerial photography, training and T.A. Project in execution. 6th EDF.
EDF 6003 A3a

Lake fisheries project. Resp. Auth.: Ministry of Agriculture, Fishery Dept. 7.5 mECU. Provision of inputs to fishermen, development

of cooperatives, establishment of marketing organisation and infrastructure, training, research and fingerling production centers. ★Works, supplies and T.A. ***Date financing June 89.*** 6th EDF.
EDF ET 6008 A3d

FIJI

Rural electrification programme. Resp. Auth.: Fiji Electricity Authority. 3.3 mECU. Construction of 28 small electrification schemes and installation of a small power ★plant. ***Supplies: int. tender launched in August 89.*** Project in execution. 6th EDF.
EDF FIJ 6004 A2ai

Coconut rehabilitation and improvement programme. Resp. Auth.: Ministry for Primary Industries. Estimated total cost 1.350 mECU. EDF 0.900 mECU, local 0.450 mECU. Clearing of 300 ha of land, establishing of a hybrid seed garden (150 ha) develop a research centre. Project in execution. 6th EDF.
EDF 6005 A3a

GAMBIA

Development support for the "Upper River Division". Resp. Auth.: Ministry of Economic Planning. 7 mECU. Rehabilitation and improvement of feeder roads, rebuilding and equipment of 6 health centres, rehabilitation of 18 primary schools and 2 vocational training craft centres, rehabilitation of 20 new wells. Credit lines. Works by acc. tenders, ★supplies by int. tenders. T.A. ***Int. tender for two ferries launched in July 89.*** Poject in execution. 6th EDF.
EDF GM 6004 A3a

Provincial Centres Water Supply. 3.350 mECU. Rehabilitation of water supply of Basse, Farafenni, Bansang, Mansa Konko/Soma. Works, supplies, T.A. and ★supervision. ***Int. tender launched in May 89.*** Project in execution. 4th, 5th and 6th EDF.
EDF GM 6009 A2b

GHANA

Accra Plains Livestock Development Project (APLDP). Estimated total cost 4 mECU. EDF part 3 mECU, local 1 mECU. Provision of veterinary and animal husbandry extension services, including construction of cattle treatment centres, water points and other inputs. Project on appraisal. 6th EDF.
EDF GH 6006 A3a

Twifo oil palm development. Maintenance aid 1988-1991. Resp. Auth.: Ministry of Finance and Economic Planning (M.F.E.P.). Total estimated cost 12.6 mECU. EDF 5 mECU, local 7.6 mECU. Works, supply of equipment and T.A. Project on appraisal. 6th EDF.
EDF GH 6007 A3a

Sectoral import programme. Resp. Auth.: Ministry of Finance and Economic Planning (MFEP). 20.5 mECU. 1st phase: supply of 25 000 t of fertilizers and vehicles. 1st int. tender (conditional) launched in August 88. 2nd int. tender for 30 000 t fertiliz★ers foreseen ***end 89.*** Hard currency allowance (11.5 mECU) for import. Project in execution. 6th EDF.
EDF GH 6010 A3a

GUINEA

Rural development programme in Upper-Guinea. Resp. Auth.: Coordination team composed by representation from: Ministère du Plan et de la Coopération internationale, Ministère du Finances, Secrétariat d'Etat à la Décentralisation, Ministère du Dév. Rural, 30 mECU. To modernise agricultural systems and to improve the way of living. Development of the crop production, infrastructure (roads, social, rural hydraulics), micro-projects, lines of credit, T.A. and training. Supplies: int. tender launched in February ★88 ***and July 89.*** Project in execution. 6th EDF.
EDF GUI 6002 A3a

Rural development programme in Maritime-Guinea. Resp. Auth.: Coordination team (see EDF GUI 6002). 40 mECU. Crop production and fishery, road network, social infrastructure, rural hydraulics, microprojects, lines of credit, research actions, vulgarisation, T.A. and training. Supplies: 2 int. tenders launched in March 88. Int. tender for wells and pumps launched in October 88. ★***1 int. tender for equipment and vehicles launched in July 89.*** Project in execution. 6th EDF.
FED GUI 6001 A3a

General import programme. Resp. Auth.: Banque Centrale de la République de Guinée (B.C.R.G.). 12.5 mECU. Hard currency prices CIF covered by the project. Project in execution. 6th EDF.
EDF GUI 6009 A1c

Friguia alumina plant rehabilitation project. Resp. Auth.: Société Friguia. EDF 35 mECU, EIB 13 mECU, Friguia 30.4 mECU. Works, supply of equipment, feeder road construction. T.A. for S.M.E. Project in execution. 6th EDF.
EDF GUI-SYS 6010 A4a

GUINEA BISSAU

Minor bridges. Resp. Auth.: Ministère de l'Equipement Social. Estimated total cost 3.7 mECU. Construction of 4 bridges to open four agricultural regions. Works and supervision. Project on appraisal. 5th EDF.
EDF GUB 5011 A2d

Rural development programme. 23.8 mECU. Improvement of the food and fishery production, line of credit, micro-projects, T.A. and training. Project in execution. 6th EDF.
EDF GUB 6001 A3a

General import programme. Resp. Auth.: Unité de Gestion de Balance de Paiement auprès de la Banque Nationale. 6 mECU. Hard currencies allowance programme. Italy: 2 mECU to supply fuel and lubricants to the Bissau Power Plant during 1 year. Project in execution. 5th and 6th EDF.
EDF GUB 6005 A1c

GUYANA

Economic infrastructure sector support programme. Resp. Auth.: Ministry of Finance. 15 mECU. Rehabilitation of sea defences, quarries, transport, water supplies. Supply of equipment, training. 28 int. tenders for supplies launched in February and April 89. Project in execution. 6th EDF.
EDF GUA 6003 A2b, d

Sysmin-Rehabilitation of the Bauxite Industry. Resp. Auth: Guymine. EDF part 31.5 mECU. Supply of equipments, spare parts, T.A. at Linden and Kwakani. Project in execution. 5th EDF.
EDF SYS GUA 5024 A4a

JAMAICA

Rural water supplies. Phase I. Resp. Auth.: National Water Commission. 6.7 mECU. Extension, upgrading of five existing water supply schemes: South Manchester, Elderslie/Niagara, Castleton, South Chapelton. Works and supplies. Project in execution. 6th EDF.
EDF JM 6003 A2b

Montego Bay airport. Charter terminal. Resp. Auth.: Airports Authority of Jamaica. 7.1 mECU. Works and supply of equipments. Works by acc. tender. Supplies by int. tender. Supervision. Project in execution. 6th EDF.
EDF JM 6004 A2d

Negril and Ocho Rios sewerage schemes. *Resp. Auth.: National Water Commission. 25 mECU. Negril: 17 km of trunk sewers, 13 pump stations and 2 treatment plants. Ocho Rios: 5 km of sewers, 6 pump stations, 1 treatment plant and deep sea outfall. T.A. for supervision. Works by int. tender. Project on appraisal. 5th EDF.*
EDF JM *A8bc*

KENYA

Minor roads rehabilitation and maintenance programme. Estimated cost 5 mECU. Works by direct labour. Project stage: identification. 6th EDF.
EDF KE 6002 A2d

Agricultural research programme. 20 mECU. Soil and water management research. Soil fertility and plant nutrition. Civil works and libraries. Project in execution. 6th EDF.
EDF KE 6003 A3e

Development of commerce and industry. Estimated cost 5 mECU. Export promotion and marketing, trade development promotion and support to informal sector and small scale industries. Studies, short-lists already drawn up. Project stage: identification. 6th EDF.
EDF KE 6004 A5de

Cereal sector reform programme. Resp. Auth.: Ministry of Finance, Agriculture and Supplies and Marketing and NCPB. National Cereals and Produce Board. 65 mECU. T.A., studies, training. Storage and rolling stock, sectoral import programme purchase of agricultural inputs, short and long-term T.A., cooperatives and reserve funds. Studies, T.A. and training: short-lists not yet drawn-up. Works by int. tender and acc. tender. Supplies by int. tender. Project in execution. 6th EDF.
EDF KE 6008 A3a

ASAL livestock development programme. Resp. Auth.: Ministry of Livestock Development. 9 mECU. Works by restr. tender. Supplies by int. tender. T.A. and evaluation. Project in execution. 6th EDF.
EDF KE 6009 A3a

__Mara Conservation Project.__ Resp. Auth.: Ministry of Tourism and Wildlife. 1.35 mECU. EDF part. Strengthening of the management and infrastructure of the Mara reserve. Education and training. Project on appraisal. 6th EDF.
EDF KE 6015 A5i

__Special debt programme.__ Resp. Auth.: Director of External Resources with representative from Ministry of Finance, Commerce, Central Bank of Kenya, the Delegate of the Commission. 2nd phase of the Agricultural Sector Import Programe (ASIP). Supply of agricultural inputs by int. tender. T.A. and evaluation. Project on appraisal. Date foreseen for financing September 89. 6th EDF.
EDF KE 6019 A3a

__Strengthening of research resources of the national museums of Kenya.__ Resp. Auth.: NMK Directorate. 3 mECU. Construction, transport, equipment, T.A., training and research links with national, regional and international organizations. Project on appraisal. Date foreseen for financing September 89. 6th EDF.
EDF KE A6f

LESOTHO

Manpower development project to support Lesotho's natural resources sector. Resp. Auth.: National Manpower Development Secretariat (NMDS). Ministry of Planning Economic and Manpower Development. 7.7 mECU. Construction of schools, class-rooms, laboratories, supply of T.A., scholar-ships and training. Project in execution. 6th EDF.
EDF LSO 6007 A6b

Queen Elizabeth II Hospital: improvement and upgrading. Resp. Auth.: Ministry of Health and Ministry of Works. 4.9 mECU. Works by acc. tender. Supply by int. tender. ★T.A. ***Date financing June 89.*** 4th and 6th EDF.
EDF LSO 6012 A7a

LIBERIA

Bong Mining Company. Rehabilitation project. Resp. Auth.: Government and BMC. 49.3 mECU. Supply of specialized equipment, shovels, conveyor belts, dumpers, locomo- ★tives, spare parts. ***2 int. tender launched in July 89.*** Project in execution. 5th EDF.
EDF LBR/SYS 0000 A4a

South-East development programme. Estimated cost 27 mECU. Works, supplies and T.A. Project in execution. 6th EDF.
EDF LBR 6002 A3a

__Rural water supply. Phase II.__ Resp. Auth.: Minister of Planning and Economic Affairs. 2.900 mECU. Drilling works by acc. tender. Supply of hand pumps and spare parts. T.A. Project on appraisal. Date foreseen for financing September 89. 6th EDF.
EDF LBR 6011 A2b

MADAGASCAR

Maize development programme in the Middle West. Resp. Auth.: Ministère de la Production Agricole. 9.5 mECU. Building of a nursery and farmers training. Works, supplies, T.A. evaluation and training. Project in execution. 6th EDF.
EDF MAG 6006 A3a

Housing and health assistance for urban population. Resp. Auth.: Ministère de la Santé et Travaux Publics. 5.5 mECU. Supply of medicines and platforms for housing. Supervision. Project in execution. 6th EDF.
EDF MAG 6009 A7, A8a

MALAWI

Strategic fuel reserve. Resp. Auth.: Office of the President and Cabinet. Contingency Planning Unit. 4.2 mECU. Construction of tanks for diesel, petrol, ethanol. Associated infrastructure and equipment. T.A. Project on appraisal. 5th EDF.
EDF MAI 5020 A2a

Rural health programme. Resp. Auth.: Ministry of Health and Ministry of Community Services (MOH and MOCS). 9.3 mECU. Construction of an hospital, two health centres supply of equipments, T.A. Works by acc. tender. Supplies by int. tender. T.A.: short-list drawn up. Project in execution. 6th EDF.
EDF MAI 6009 A7a, e

Programme for industrial products imports. 12.5 mECU. Supply of industrial equipment, raw materials and spare parts. Project in execution. 6th EDF.
EDF MAI 6019 A1c

MALI

Rice-growing intensification programme in the large irrigated areas of "Office du Niger" and "Opération Riz Segou". Resp. Auth.: Ministère de l'Agriculture. 65 mECU. Improvement of the irrigated areas, roads. Supply of equipment for maintenance and for agriculture, study, T.A., training and experimentation. Study: short-list done. ★***Date financing July 89.*** 5th and 6th EDF.
EDF MLI 6004 A3a

Food security programme in the 5th region. Resp. Auth.: Gouverneur de la région. 24 mECU. Soil and ground water resources, rehabilitation of Bamako. Mopti road. Works, supplies, supervision, study, T.A. ★training. ***Supplies: int. tender launched in July 89.*** Project in execution. 5th and 6th EDF.
EDF MLI 6005 A2b, d

Support programme for food strategy (enterprises and employment prospects). Resp. Auth.: Ministère de l'Emploi et de la Fonction Publique. 3.5 mECU. T.A. and line of credit. T.A.: SORCA (B) and DHONTE ★(F). ***Date financing July 89.*** 6th EDF.
EDF MLI 6001 A5a, b, e

MAURITANIA

Aioun El Atrouss hospital. Resp. Auth.: Ministère de l'Equipement. 1.050 mECU. Renovation and supply of equipment for 3 buildings. Works by acc. tender. Supplies by int. tender. Project on appraisal. 5th EDF.
EDF MAU 5012 A7a

Rehabilitation of Nouakchott National Hospital. Resp. Auth.: Ministère de l'Equipement. 4 mECU. Renovation and upgrading for building, supply of medical-technical and surgical equipment. Project on ★appraisal. Date foreseen for financing ***2nd*** half 89. 6th EDF.
EDF MAU 6003 A7a

Support programme for the development of the Gorgol region (PDRG). Estimated cost 35 mECU. Improvement of the irrigated areas, support to the traditional crop, regeneration of the natural habitats, rural infrastructure, sanitation of Kaedi. Project in execution. 6th EDF.
EDF MAU 6007 A3a

General import programme. Resp. Auth.: Ministère de l'Economie et des Finances. Banque Centrale de Mauritanie ★(BCM). ***7 mECU.*** Hard currency allowance for essential goods imports. Project in execution. 5th and 6th EDF.
EDF MAU 6008 A1c

MAURITIUS

Programme to diversify productive sectors to improve, employment prospects (1st part: industry). 10 mECU. Actions to strengthen export and industry promotion institutions, actions to incite development of small enterprises. Project in execution. 6th EDF.
EDF MAS 6002 A5e

Programme to diversify productive sectors (2nd part: agriculture). Resp. Auth.: to purchase equipments: Ministère des Finances. Tender board. 8 mECU. Works, rural development, supplies, T.A. and training. Project in execution. 6th EDF.
EDF MAS 6006 A3a

MOZAMBIQUE

Rural rehabilitation in the Inhambane Province. Resp. Auth: Ministère de l'Agriculture. Direction Nationale du Développement Rural (DNDR). 4.5 mECU. Dry and irrigated agriculture, marketing for rural inputs and crop production, rural hydraulics, training and education. Works, supply of agricultural equipments, T.A. Works: acc. tender or direct labour, supplies by int. tender. Project in execution. 6th EDF.
EDF MOZ 6019 A3a

Second import programme. Resp. Auth.: UCPI (Unité de Coordination des Programmes d'Importation et Délégation de la Commission. 30 mECU. Sectors: rural, fishery, transports and industry. Supply of seeds, equipments, row materials, lorries, spare parts, ★T.A. audit and valuation. ***Int. tender launched in August 89.*** Project in execution. 6th EDF.
EDF MOZ 6025 A1c

Rural telecommunications. Resp. Auth.: Ministry of Transports and Communications.

Estimated cost 5 mECU. Supply of radio and telephone equipment. Technical study for project appraisal to be done: short list not yet drawn up. Project on appraisal. 6th EDF.
EDF MOZ 6021 A2c

Integrated development programme of Cabodelgado. Resp. Auth.: Ministry of ★Commerce. AGRICOM. 8 mECU. EDF 5 mECU, local 3 mECU. Support to ±50 000 people in the districts of Mocimboa, Priaia and Mueda. Works, supplies and T.A. ***Date financing June 89.*** 6th EDF.
EDF MOZ 6022 A3a

NIGER

Rice-growing in the river valley. Resp. Auth.: Ministère de l'Agriculture. 63.6 mECU. Cultivation of 1,800 ha, electrification, feeder roads, T.A. for management. Project preparation study: short-list already drawn up. Project in execution. 6th EDF.
EDR NIR 6001 A3a

Small irrigation programme. Resp. Auth.: Ministère de l'Agriculture. 21.560 mECU. Rehabilitation of the Tarka down valley, irrigation, boreholes and wells. Feeder roads, environmental protection, T.A. Works and supplies. Studies: short-lists already drawn up. Project in execution. 6th EDF.
EDF NIR 6002 A3a

Mining research: gold and coal. Resp. Auth.: Ministère des Mines et de l'Energie. 12.450 mECU. Gold: photogeological and photomorphological study on existing aerial photos. Revision of all available data. Strategic prospecting. Site exploration and pilot plant. Coal: study and building of a washing plant. Study on the coal field of Anou Araren-Solomi. T.A. and training. Drillings by int. tender. Supplies by int. tender. Project in execution. 6th EDF.
EDF-SYS-NIR 6011 A4a

Training programme. Resp. Auth: Ministères de l'Education, Commerce, Culture, Plan, Agriculture. 4,366 mECU. Three priority sectors: rural development, business development, cultural development. Supply of equipments, T.A. and scholarships. Project in execution. 6th EDF.
EDF NIR 6101 A6b, c,i

Sectoral import programme: medicaments and pedagogical equipments. Resp. Auth.: for medicaments: Ministère de la Santé Publique, des Affaires Sociales et de la Condition Féminine (MSP/AS/CF). Import operations will be conducted by PNPCC (Office National des Produits Pharmaceutiques et Chimiques). For pedagogical equipment a committee composed by: Ministère du Plan, de l'Education Nationale, du Commerce. For the total programme: the Delegation of the Commission in Niamey. 14 mECU. Supply of T.A. and valuation. Project in execution. Int. tender launched in May 89. 5th and 6th EDF.
EDF NI 6014 A6e, A7e

Improvement of the access road to the "Centre Hospitalier Universitaire de Niamey". Resp. Auth.: Ministère des Travaux Publics et de l'Habitat. 0.750 mECU. Bituminized road. Works by acc. tender. Project in execution. 5th EDF.
EDF NIR 5037 A2d

NIGERIA

Oil Palm Belt Rural Development Programme (OPBP). Resp. Auth.: Ministry of Agriculture, Water Resources and Rural Development. 68.840 mECU. Flood protection and drainage works in the Niger Delta. —20 000 ha. Rural infrastructures, micro-projects, T.A., training, research, supervision of works, management. Project in execution. 6th EDF.
EDF UNI 6001 A3a

North East Arid Zone development programme. Resp. Auth.: Ministry of Agriculture. 35 mECU. Increase of rural production, livestock development, afforestation and environment control, rural infrastructure development (health, education), commercial services (inputs, credit and marketing system), manpower development, training and research. Works: irrigation, drainage, buildings, supply of seeds, chemicals, fertilizers, dozers, drilling rigs, T.A., training, research. Project in execution. 6th EDF.
EDF UNI 6002 A3a

Research and Training programme. Resp. Auth: Ministry of Finance and Economic Development. Training Support Unit (TSU). 30 mECU. Scholarships, seminars, T.A. Teacher training, cooperation between Nigerian Training Institutions and European Training Institutions, exchanges between nigerian and european research institutions. Purchase of equipment. Project in execution. 6th EDF.
EDF UNI 6004 A6a, b, c, d, e, f

Rural health facilities project. Resp. Auth.: Federal Ministry of Health. 6.100 mECU. Construction of premises and upgrading existing ones. Building and furbishing of maintenance workshops. Supply of equipments, management, supervision and training. Works by acc. tenders. Supplies by int. tenders. Project in execution. 5th EDF.
EDF UNI 5018 A7a

Desertification control and environmental protection programme in Sokoto. Resp. Auth.: Sekoto Environmental Programme (SEP). Direct responsibility of the Office of the Governor. 30.6 mECU. Community awareness, mobilisation and development campaign. Afforestation actions, improvement of range management and livestock development. Rehabilitation of a small-scale irrigation, training and applied research. Works: buildings, nurseries, water points, irrigation networks. Supply of vehicles, motocycles, generators, media equipments, T.A. Works by acc. tenders. Supplies by int. tenders. Project in execution. 6th EDF.
EDF UNI 6003 A3a

Sectoral import programme. Estimated cost 10 mECU. Supply of pumps, agricultural inputs, spare parts for tractors and metal frame for warehouses. Project on appraisal. 6th EDF.
EDF UNI 6008 A3a

PAPUA NEW GUINEA

Smallholder Cocoa and Coconut Rehabilitation Programme. Resp. Auth: Dept. for Agriculture and Livestock. 4.7 mECU. Feeder roads, housing, supply of vehicles, boats, motorcycles, equipments, T.A. and training. Project on appraisal. 6th EDF.
EDF PNG 6005 A3a

Human resources development programme. Resp. Auth.: Department of Personnel Management. 2.350 mECU. Training programmes all levels in the country and abroad. Sectors: rural development and agriculture, harbours, mineral resources, management. Project on appraisal. 6th EDF.
EDF PNG 6008 A6bd

RWANDA

Food strategy support programme. Resp. Auth.: Ministère du Plan. 51 mECU. Development of the rural activity, monitoring, training, maintaining of natural environment stability. Infrastructures, supply of agricultural inputs, vehicles, T.A. studies and training. ★T.A.: Short-list done. ***Int. tender foreseen in September 89.*** Project in execution. 6th EDF.
EDF RW 6001 A3a

ST. CHRISTOPHER AND NEVIS

Development of social infrastructure. *Resp. Auth.: Departments of Public Works, Nevis Water Department. 2.750 mECU. Construction of 3 new primary schools, supply of equipment, improvement of the water supply system in the northern half of Nevis. Project on appraisal. Int. tender for supplies foreseen in September 89. 6th EDF.*
EDF SCN 6001 A6a, A2b

ST. LUCIA

Rural development. Social Infrastructure. Resp. Auth.: Central Planning Unit. 3.645 mECU. Works and supply of equipment and T.A. Project in execution. 6th EDF.
EDF SLU 6002 A3a

SAO TOMÉ & PRINCIPE

Riberia Peixe rural development. Resp. auth.: Ministère de la Coopération. Development of agricultural output (palm oil) and industrial exploitation. Estimated total cost: 6.79 mECU as follows: EDF 4.00 mECU, EIB 2.00 mECU and local 0.791 mECU. T.A., works, training and supplies. T.A.: Short-list done. Project in execution. 6th EDF.
EDF STP 6001 A3a

SENEGAL

Consolidation of the livestock development programme. Resp. Auth.: SODESP. Estimated cost 1.6 mECU. Study under way by Bessel Ass. (UK). Project on appraisal. 5th EDF.
EDF SE A3a

SEYCHELLES

Rural development project. Resp. Auth.: Ministry of Nat. Dev. 2.922 mECU. Support to small farms, research, soil

improvement. Cofinancing with Italy. Works, T.A. and training. Project in execution. 6th EDF.
EDF SEY 6004 A3a

SIERRA LEONE

North Western artisanal fisheries and community development programme. Resp. Auth.: Ministry for Agriculture and Natural Resources (Fisheries Division). 6 mECU. Infrastructures, supply of equipments, line of credit. T.A. Project in execution. 6th EDF.
EDF SL 6004 A3d

Rehabilitation of the Telecommunications network. Phase 2. 7.5 mECU. Works, ★supplies and T.A. *Project in execution.* 6th EDF.
EDF SL 6006 A2c

Tourism development programme. Estimated cost 0.850 mECU. T.A. to the Ministry of Tourism and supply of equipment. Project stage: identification. 5th EDF.
EDF SL 5026 A5c

SOLOMON ISLANDS

Development of human resources in the rural sector. Resp. Auth.: Ministry of Economic Planning. 4 mECU. Supply of equipment, T.A. and training. Project in execution. 6th EDF.
EDF SOL 6003 A3a

Small holder development project. Resp. Auth.: Ministry of Agriculture. 3.32 mECU. EDF 3 mECU, local 0.320 mECU. ★Works, supplies, T.A. and training. *Int. tender launched in July 89.* Project in execution. 6th EDF.
EDF SOL 6006 A3a

Development of rural fishing enterprises. Resp. Auth.: Ministry of Natural Resources. 0.500 mECU. Construction of boats and houses by acc. tender. Supply of outboard motors, fishing gear, echo sounders, refrigerators, SSB radios, motocycles by int. ★tender. *2 int. tenders launched in July 89.* Project in execution. 6th EDF.
EDF SOL 6010 A3d

SOMALIA

Bardheera Dam. Resp. Auth.: Bardheera Dam Authority (BDA). 600 mECU. (Estimated) Dam Project 500 mECU. Powerline to Mogadishu 100 mECU. Funding: EDF, Italy, Germany, France, Saudi Arabia, Abu-Dhabi, Kuwait Funds, FADES, Isl. Dev. Bank. Local. Power and river regulation for agricultural development. Construction of a concrete gravity dam with hydro-power station, associated infrastructure and electrical transmission lines. The dam will provide water, flood protection and power for up to 223 000 ha of irrigated agriculture in the Juba Valley, and energy to Mogadishu. Civil works: first int. tender launched in 1984. Transmission lines int. tender in 1989. Equipment: powerhouse main equipment and auxiliary equipment, int. tenders in 1989. Gates, valves, intake equipment, int. tender in 1989. Int. tender with prequalification launched in February 86 for hydraulic tests. Project in execution. 5th EDF.
EDF SO 5003 A2a

Upgrading of the road Afgoi-Shalambot-Goluen. Resp. Auth.: Ministry of Public Works. Works by int. tender. Supervision of works. Studies: AIC. PROGETTI (I). Project on appraisal. 5th EDF.
EDF SO 5017 A2d

Hargeisa airport rehabilitation. Resp. Auth.: Ministry of Land and Air Transport. Estimated cost 3 mECU. Works and supply off equipment. Project on appraisal. 6th EDF.
EDF SO 6001 A2d

Satellite telecommunication links with Europe and the Gulf States. Resp. Auth.: Ministry of Post and Telecommunica- ★tions. 5 mECU. *Int. tender launched in July 89.* Project in execution. 6th EDF.
EDF SO 6003 A2c

Sectoral Import Programme (SIP). Resp. Auth.: Ministry of Finance. 15 mECU. Provision of a hard currency facility to the public and private sectors for imports: agriculture, livestock, fisheries, industry and transport. T.A. Project in execution. 6th EDF.
EDF SO 6006 A1c

Juba valley road. Resp. Auth.: Ministry of Public Works. Estimated total cost 74 mECU. ★EDF *±60 mECU.* Construction of an all-weather unsurfaced road from Gelib to Baardheere (230 km) prior to the construction of the Baardheere dam. Int. tender (conditional) launched in March 89. *Date financing July 89.* 6th EDF.
EDF SO 6007 A2d

Essential drug programme (EDP) for animal health. Resp. Auth.: Ministry of Livestock, Forestry and Range (MLFR). 2 mECU. Supply of veterinary drugs by int. tender and ★T.A. *Int. tender launched in June 89. Project in execution.* 5th EDF.
EDF SO 5029 A3a

Sectoral import programme: petroleum products. Resp. Auth.: Ministry of Finance. 16 mECU. Supply of refined oil ★products and T.A. *Date financing June 89.* 6th EDF.
EDF SO 6009 A4ai

Old Mogadishu port rehabilitation. *Resp. Auth.: Somali Port Authority (SPA). 14.5 mECU. Works by int. tender. T.A. and supervision. Project on appraisal. Date foreseen for financing September 89. 6th EDF.*
EDF SO 6005 A2d

SUDAN

Sudan Railways Support Programme (SRSP). Resp. Auth.: Sudan Railways Corporation. 19 mECU. Reconstruction of five major and 18 minor bridges and 7 culverts in the line Kosti-Babanaousa. Supply of materials, tools and replacement part, for the most immediate repairs and maintenance of the track Khartoum-Port Sudan and those required for a direct improvement of telecommunications. Works and supplies by int. tender. Project in execution. 5th and 6th EDF.
EDF SU 6011 A2d

Post Flood Reconstruction and Rehabilitation Programme (PFRRP). Resp. Auth.: agricultural part: Agricultural Bank of Sudan. Transport infrastructure: Roads and Bridge Public Corporation (RBPC) and Sudan Railways Corporation. 15 mECU. Agricultural sector: supply of spare parts for repair and replacement of 2 500 pumps. Int. tender and direct agreement. Supply of maintenance parts for 100 trucks (6 t): by int. tender. Supply of 100 pumps by int. tender. T.A. for repair, control and credit allowances. Transports sector: bridge construction (5 × 25 m) at Geneina, repair and work supervision. Bridge by acc. tender. Supplies for railways, gabions, pipes by int. tender. Project in execution. 6th EDF.
EDF SU 6020 A2d

Telephone cables for Sudan Telecommunication Public Corporation (STPC). Resp. Auth.: STPC. 7.5 mECU. Replacement and extension of the cable networks in five towns. Supplies and T.A. and works supervi- ★sion. *Int. tender foreseen in September 89. Project in execution.* 6th EDF.
EDF SU 6022 A2c

SURINAME

Biomass energy project at Wageningen. Resp. Auth.: Government. Installation of an energy generator on the basis of rice husks. Project stage: identification. 5th EDF.
EDF SUR 5009 A2a

Sectoral import programme. Estimated cost 8.5 mECU. Creation of a revolving funds for imports of inputs (fertilizers and chemicals ★for the rice sector). *Int. tender foreseen in September 89.* 6th EDF.
EDF SUR 6001 A3a

New Nickerie Secondary School. Estimated cost 1.4 mECU. Construction and supply of equipment. Int. tender for works (con- ★ditional) foreseen in the *2nd half 89.* Project on appraisal. Date foreseen for financing *2nd half 89.* 5th EDF.
EDF SUR 5014 A6a

SWAZILAND

Rural water supplies programme. Ministry of Natural Resources. 2.6 mECU. Works and supply of equipment for village drinking water supply scheme. Project in execution. 6th EDF.
EDF SW 6008 A3a

Human resources development programme. Resp. Auth.: Ministry of Education. 8 mECU. Works and supply of educational ★equipment, T.A. and training. *Int. tender launched in July 89.* Project in execution. 6th EDF.
EDF SW 6010 A6a, b

Rural dam rehabilitation programme. Resp. Auth.: Ministry of Agriculture. 4mECU. Works and supervision. Project in execution. 6th EDF.
EDF SW 6012 A3a

TANZANIA

Agricultural sector support programme. Resp. Auth.: Ministry of Finance and Plan-ning. 94 mECU. Measures to improve food security, support for coffee production and processing, assistance to co-operative unions, repair and maintenance of

vehicles and tractors, feeder road maintenance and assistance to institutions implementing the programme. Supplies by int. tender/restr. tender or direct agreement. T.A.: Short-list done for restr. tenders. Project in execution. 6th EDF.
EDF TA 6001 A3a

Incentive goods production programme. 6 mECU. Provision of imported row materials and other inputs, spare parts, bicycles. Project in execution. 6th EDF.
EDF TA 6003 A4b

Sectoral Import Programme. Resp. Auth: Government of Tanzanie. 24.5 mECU. Allocation of currencies to import raw materials and spareparts for agriculture, transport and the production of basic consumer goods. Purchase of trucks spareparts for the transport sector. Int. tender launched in April 89. Project in execution. 5th and 6th EDF.
EDF TA 6010 A1c

Secondary roads improvement project. Estimated cost 20 mECU. Repair and rehabilitation works on Songea-Mbinga and Iboma-Mlangali-Madaba secondary roads to improve transport of agricultural produce. Roads and bridges. Project on appraisal. 6th EDF.
EDF TA 6007 A2d

TOGO

Support to the draught animals cultivation. Resp. Auth.: Ministère du Développement Rural. EDF 5.47 mECU. Extension of the Adelé ranch, introduction of new techniques, line of credit. Works: feeder roads, bridges, wells, housing. Supply of vehicles, equipments, veterinary products, T.A. and training, research. Project in execution. 6th EDF.
EDF TO 6005 A3a

Rural development programme in Bassar. Resp. Auth.: Ministère du Dév. Rural. EDF 10.3 mECU. Rural intensification and diversification, soil protection, improvement of infrastructure, support to the small-farmer association, marketing improvement. Works, studies, research, evaluation. Project in execution. 6th EDF.
EDF TO 6006 A3a

TONGA

Vava'u Airport Development Project. Resp. Auth.: Ministry of Civil Aviation. 2.130 mECU. Works, supply of equipment and training. Works by direct labour, supplies by int. tender. Project on appraisal. 5th and 6th EDF.
EDF TG 5003-6001 A2d

Integrated regional development study for Vava'u. Short-list done. Project stage identification.
EDF TG A3a

TRINIDAD AND TOBAGO

Sectoral import programme: industry. Estimated cost 12 mECU. Allocation of currencies to import raw materials and intermediate products. Project on appraisal. Date foreseen for financing September 89. 6th EDF.
★EDF *TR 6002* A4b

UGANDA

Special programme debt. Resp. Auth.: Ministry of Planning. Bank of Uganda. Delegation of the Commission. 15 mECU. Provision of hard currency to import agricultural inputs, spare parts, vehicles, printing equipment, building materials. Supplies by acc. tenders and int. tenders. Project in execution. 6th EDF.
EDF UG 6016 A1c

VANUATU

Rural roads. 0.860 mECU. Construction of feeder roads in 5 islands, Project on ★appraisal. ***Date foreseen for financing September 89.*** 6th EDF.
EDF VA 6009 A2d

WESTERN SAMOA

Afulilo hydro power project. Estimated total cost 18 mECU. EDF part 7.5 mECU. Construction of a dam, reservoir, penstock, 4 MW power station, 40 km transmission lines, T.A. and training. Cofinancing under discussion with EIB, IDA and Asian Dev. Bank. Int. tender launched in March 89. Project in execution. 6th EDF.
EDF WSO 6001 A2a

ZAIRE

Kivu programme. 40 mECU. Action for crops (coffee, corn, palm-tree, rice) environment (Parc de la Virunga), lines of credit. ★***1st int. tender launched in April 89.*** Project in execution. 6th EDF.
EDF ZR 6002 A3a

Kinshasa hinterland programme. APEK ★25 mECU. To improve crop production. ***1st int. tender launched in July 89.*** Project in execution. 6th EDF.
EDF ZR 6003 A3a

Sectoral import programme. Resp. Auth.: Banque du Zaïre. Estimated cost 30 mECU. To import spare parts, row materials and intermediary inputs for industry and ★agroindustry sectors. ***Project in execution.*** 5th and 6th EDF.
EDF ZR 6016 A1c

Rehabilitation programme of SNCZ. 7.5 mECU. Supply of row materials and ★spares to replace railways system. ***Date foreseen for financing 2nd half 89.*** 6th EDF.
EDF ZR 6017 A4a

ZAMBIA

Rehabilitation of 3 grain silos. Resp. Auth.: Ministry of Agriculture. NAMBOARD. 9.6 mECU. Works, supplies and work supervision. Project on appraisal. Date foreseen for financing 2nd half 89. 6th EDF.
EDF ZA 6007 A3f

ZAMSTEP. Zambia Mathematics and Science Education Project. 3.5 mECU. Supplies, training and management. T.A.: Short-list done for restr. tender. Project in execution. 6th EDF.
EDF ZA 6002 A6a

Smallholder development in copper belt province. Resp. Auth.: Ministry of Agriculture and water development. 12 mECU. Basic infrastructure by acc. tender. Supply of vehicles and materials by int. tender. T.A. Project in execution. 6th EDF.
EDF ZA 6004 A3a

Smallholder development in central province. Resp. Auth.: Ministry of Agriculture and water development. 12.35 mECU. Basic infrastructure and social facilities. Works, supplies and T.A. Project in execution. 6th EDF.
EDF ZA 6005 A3a

ZIMBABWE

Land Use Project for Kanyati and Gatshe-Gatshe Communal Lands. 3 mECU. Cultivation and development and proper utilisation of wildlife potential. Works, supply of vehicles and rural equipment and T.A. Project in execution. 6th EDF.
EDF ZIM 6004 A3a

Small scale irrigation programme. Resp. Auth.: Agritex Irrigation Division. 14 mECU. Irrigation works over 700 ha. Supply of vehicles and equipments. T.A., training, studies. Project on appraisal. 6th EDF.
EDF ZIM 6010 A3e

Tourism development programme. *Resp. Auth.: Ministry of Natural Resources and Tourism. 3.6 mECU. EDF part. T.A. studies, marketing. Project on appraisal. 6th EDF.*
EDF ZIM 6008 A5c

Human resources development programme. *Resp. Auth.: Ministry of National Scholarships. 3.4 mECU. T.A. and scholarships, awards, seminars. Project on appraisal. 6th EDF.*
EDF ZIM 6020 A6

Overseas Countries and Territories (OCT)

NETHERLANDS ANTILLES

Tourism development programme. Resp. Auth.: Ministry of Development Cooperation. 18.100 mECU. Programme for 5 islands. Optimal use of tourism potential. T.A., training, promotion and investments in tourism infrastructures. Works, supplies, T.A., training. Project on appraisal. 6th EDF.
EDF NEA 6007 A5c

Business development scheme. 1.5 mECU. T.A. for marketing, management,

product, company and strategy development. T.A. and training. Project on appraisal. 6th EDF.
EDF NEA 6013 A5c

FRENCH POLYNESIA

HV transmission lines. TEP 2. Resp. Auth.: TEP (Société de Transport). 1.650 mECU. Erection of a HV transmission line 90 KV. Supply of cables and electrical equipment. Project on appraisal. 6th EDF.
EDF POF 6001 A2ai

WALLIS AND FUTUNA

Electrification of Futuna. Resp. Auth.: Administration Supérieure de Wallis et Futuna. 1.1 mECU. Supply of cables and ★pylons for L.T. and M.T. ***Date financing June 89.*** 6th EDF.
EDF WF 6001 A2a

BRITISH VIRGIN ISLANDS

Improvement and extension of the water supply system. *Resp. Auth.: Water and Sewerage Department. EDF 2 mECU. Works by direct labour. Supply of transmission and distribution mains, reservoirs and infiltration trenches with pumps. Project on appraisal. 6th EDF.*
EDF VI 6002 A2b

CAYMAN ISLANDS

Community college. Works and supply of equipment and T.A. Project in execution. 6th EDF.
EDF CI 6001 A6d

TURKS AND CAICOS ISLANDS

Replacement of Grand Turk Dock. ★Resp. Auth.: Ministry of Works. ***3.50 mECU.*** Works and T.A. Int. tender launched in May 89. Date financing ***July 89.*** 4th, 5th and 6th EDF.
EDF TC 6001 A2d

Regional Projects

GUINEA — GUINEA BISSAU — SENEGAL — MAURITANIA — NIGER — MALI

Soil development of the versant basin type in Guinea: Fouta Djalon and Niger Upper Basin. Resp. Auth.: Ministère Guinéen de l'Agriculture et des Ressources Animale (MARA), Direction Générale des Forêts. Estimated total cost 37.5 mECU. EDF 31.5 mECU, Italy 6 mECU. Anti-erosion works, technical and social infrastructure with local NGO's and population. Preparatory studies for programme extension, aerial survey and mapping. Works by acc. tender. Supplies by int. tender. T.A. and training. Project in execution. 6th EDF.
EDF REG 6137 A3a

BURKINA — NIGER

Timber development in the future reservoir of the Kompienga Dam. Resp. Auth.: Ministère de l'Environnement du Burkina. EDF 5.9 mECU. Timber trees recuperation and processing to obtain building and service timber, fuel-wood, charcoal for their commercialisation. Works, supply of equipment and T.A. Project in execution. 6th EDF.
EDF REG 6102 A3c

SENEGAL — GAMBIA — GUINEA BISSAU

Dakar-Banjul-Bissau: Ziguinchor-Mpack part. 4.4 mECU. 17 km works and supervision. Works by acc. tender (condi★tional). ***Date financing July 89.*** 6th EDF.
EDF REG 6136 A2d

ZAIRE — CONGO — GABON — SAO TOME AND PRINCIPE — EQUATORIAL GUINEA — CAMEROON

Fishery development in the Gulf of Guinea. 6.7 mECU. T.A. to prepare these projects: Short-list done. Project in execution. 5th EDF.
EDF REG 5206 A3d

INDIAN OCEAN ACP COUNTRIES

Foreign trade statistics. *Resp. Auth.: Ministère du Commerce, Mauritius. 2.200 mECU. Setting up of a computerized system. Supply of equipments, T.A. training and evaluation. Project on appraisal. Date foreseen for financing September 89. 6th EDF.*
EDF REG 6506 A5e

Assistance to training, research and T.A. *Resp. Auth.: Ministère des Finances, Mauritius. 1.100 mECU. Training, seminars, studies. T.A. to the C.O.I. (Commission Océan Indien). Project on appraisal. Date foreseen for financing September 89. 6th EDF.*
EDF REG 6507 A6cfhj

PACIFIC ACP COUNTRIES

Regional agriculture development programme. 6.8 mECU. Ten pilot project. T.A. works and supplies. Project in execution. 6th EDF.
EDF REG 6704 A3a

Regional telecommunications. Resp. Auth.: SPEC. 5.550 mECU. Coastal radio stations, earth satellite stations, T.A., training. Equipments by int. tender. Works by int. tender and direct agreement. Project in execution. 6th EDF.
EDF REG 6705 A2c

Regional tourism development programme. Phase II. Resp. Auth.: SPEC and TCSP. Development of tourism and tourism related sectors of the Pacific ACP States and OCTs. Estimated total cost 7.4 mECU. Works: implementation of programme components, supply of films, promotion and teaching materials, T.A., support for TCSP and project. Project in execution. 6th EDF.
EDF REG 6027 A5c

MEMBER COUNTRIES OF CILSS

Regional programme to promote the use of butane gas. Resp. Auth.: CILSS 8.260 mECU. To substitute wood and charcoal. Actions to inform, to make aware, to promote LPG (Liquid Petrol Gas). Financial aid to reduce costs. Stocks for gas cylinders (3 and 6 kg). Gas fund in each country. Support to improve ovens and supporting plates, purchase of rail tanks, T.A. Rail tanks by int. tender. Project in execution. 6th EDF.
EDF REG 6106 A3a

Regional programme for soil protection and reafforestation. Resp. Auth.: Ministère du Dév. Rural et de la Pêche du Cap Vert. 4.250 mECU. Works, training, supply of ★equipments and T.A. ***Project in execution.*** 6th EDF.
EDF REG 6145 A3e

Information and training programme on environment. Resp. Auth.: CILSS Secrétariat. 10 mECU. Supply of pedagogical ★equipment, T.A. and training. ***Project in execution. 6th EDF.***
EDF REG 6147 A8f

MEMBER COUNTRIES OF U.A.P.T.

Satellite telecommunications project. Resp. Auth.: U.A.P.T. Secretariat in Brazzaville. R.P.C. Parametric study under way by national organisations of I, UK, F and D. Project stage: identification. 5th EDF.
EDF REG 5307 A2c

EAST AFRICAN COUNTRIES

Statistical training centre for Eastern Africa in Tanzania. Resp. Auth.: Secretariat of the centre. 2.0 mECU. Widening of the capacity. Construction of class-rooms, offices and housing. Project stage: identification. 5th EDF.
EDF REG 5311 A6b

Institutional support to Eastern and Southern Africa Management Institute (ESAMI). Resp. Auth.: ESAMI, Tanzania. Estimated cost 4.5 mECU. Extension of ESAMI installations plus provision of library, audio visual and printing equipment and improvement of kitchen and laundry facilities. Project on appraisal. 6th EDF.
EDF REG 6311 A6b

IGADD COUNTRIES

T.A. for a fight against desertification strategy. Resp. Auth.: IGADD. Supply of specialised T.A. Project on appraisal. 5th EDF.
EDF REG 5361 A3a

BURUNDI — RWANDA — ZAIRE

Institutional support to the: "Institut de Recherche Agronomique et Zootechnique (IRAZ) at Gitega, Burundi. *Resp. Auth.: IRAZ and Ministère des Travaux Publics, Burundi. EDF part 2.5 mECU. Building of administrative and research complex. Works by int. tender (conditional) foreseen in August-September 89. Project on appraisal. 6th EDF.*
EDF REG 6318 A1a

BURUNDI — RWANDA — TANZANIA — UGANDA — ZAIRE — KENYA

Northern Corridor-Rwanda. Rehabilitation of the road Kigali-Butare Burundi border. Resp. Auth.: Ministère des Travaux Publics. Estimated cost 20 mECU. Project on appraisal. 6th EDF.
EDF REG 6310 (RW....) A2d

Central Corridor-Tanzania-Bukombe-Isaka road. Resp. Auth.: Ministry of Works. Estimated cost 35 mECU. Asphalt covering of ~130 km. Project on appraisal. 6th EDF.
EDF REG 6309 (TA....) A2d

Block trains (Tanzania Railways Corporation, TRG). Resp. Auth.: TRC. 28 mECU. Provision of main line and shunting locomotives and wagons. Project on appraisal. 6th EDF.
EDF REG 6313 (TA....) A2d

Northern corridor alternative. Kericho-Isebania road Kenya. *Resp. Auth.: Ministry of Transports and Communication, Kenya. 13 mECU. Rehabilitation of bitumized road of 170 km in the Victoria lake region. Project on appraisal. 6th EDF.*
EDF REG 6315 (KE) A2d

Improvement of Burundi access to the central corridor. *Resp. Auth.: National Authority Officer, Burundi. 10 mECU. Road construction. First part: 27 km. Muyinga-Tanzania border. Works by int. tender (conditional) foreseen in August-September 89. Project on appraisal. 6th EDF.*
EDF REG A6317

SOMALIA — DJIBOUTI

Djibouti-Zeila (Somalia) road. Resp. Auth.: Ministère and Ministry of Public Works. Estimated cost 26 mECU. Construction of a road between Djibouti town and Zeila town in Somalia. Int. tender (conditional) launched in May 89. Project on appraisal. 6th EDF.
EDF REG 6301 A2d

SADCC

Maseru Container Terminal. Resp. Auth.: Government of Lesotho and SADCC. 1.350 mECU. Construction of container terminal and supply of containers, handling equipment. Study required: detailed design of works. Short-list already drawn up. Project on appraisal. 5th EDF.
EDF REG 5421 A2d

Mananga: agricultural management training. Resp. Auth.: Mananga Agricultural Management Centre (MAMC). 1.6 mECU.
★Supply of T.A. ***Date financing June 89.*** 6th EDF.
EDF REG 6425 A6ci

ANGOLA — MOZAMBIQUE — SADCC

Training of railways staff. Resp. Auth.: Ministry of Commerce. Estimated cost 7.3 mECU. Training of Inhambane school and in the Northern regional centres, Southern and Central. Project in execution. 6th EDF.
EDF REG 6409 A6d

SADCC — MOZAMBIQUE

Beira-Machipande road. Resp. Auth.: Ministry of Construction and Water. Maputo 5
★mECU. Repair works. ***Date financing July 89.*** 6th EDF.
EDF REG 6413 (MOZ....) A2d

ASECNA

Regional air safety training schools at Douala and Niamey. Resp. Auth.: ASECNA. 7 mECU. Building and equipping of schools in Douala and Niamey. Works and
★equipments by int. tender. T.A. ***Date financing June 89.*** 6th EDF.
EDF REG 6057 A6d

CARIBBEAN ACP COUNTRIES AND MONTSERRAT

Regional trade development programme. Resp. Auth.: CARICOM Secretariat. Estimated total cost 10 mECU. EDF 6.1 mECU, CARICOM 3.9 mECU. Short and long term experts, seminars, training, market promotion activities, evaluation. Project in execution. 5th EDF.
EDF REG 5681 A5de

West Indies university. Resp. Auth.: UWI and National Authorising Officers. 6.2 mECU. Renovation and rehabilitation works, supply of technical and scientific equipment, T.A. and training. Project in execution. 6th EDF.
EDF REG 6601 A6b

Bequia airport. Resp. Auth.: Ministry of Finance and Planning. St. Vincent and Grenadines. 18 mECU. Airport construction. Works and supply of equipment. T.A.: Kocks Consult (D). Works: prequalification launched in April 89. Project on appraisal. Date foreseen for financing September 89. 6th EDF.
★EDF REG ***6625*** A2d

ORGANISATION OF EASTERN CARIBBEAN STATES (OECS) AND BRITISH VIRGIN ISLANDS

Eastern Caribbean States Export Development Agency (ECSEDA) and Automatic System for Customs Data (ASYCUDA). Resp. Auth.: OECS secretariat in Castries, St. Lucia, ECSEDA headquarter in Roseau, Dominica. 4.430 mECU. T.A. and supply of equipment and computers. Project in execution. 6th EDF.
EDF REG 6610 A5d

OECS integrated tourism programme. Resp. Auth.: OECS secretariat. Estimated cost 3 mECU. Cooperative marketing in Europe, T.A. and tourism training. Project on appraisal. 6th EDF.
EDF REG 6613 A5c

OECS — TRINIDAD AND TOBAGO — BARBADOS — GUYANA

Regional fruit and vegetable marketing programme. Resp. Auth.: Caribbean Food Corporation. 6.2 mECU. T.A. and supplies. Project on appraisal. 6th EDF.
EDF REG 6620 A5de

OECS AND MONTSERRAT

Tertiary education. *Resp. Auth.: OECS Secretariat. 7.2 mECU. Construction, supply of equipments, training, trainers training, T.A. and evaluation. Project on appraisal. 6th EDF.*
EDF REG 6628 A6bcj

CARICOM AND UK OCT

Regional hotel training programme. Resp. Auth.: Bahamas Hotel Training College (BHTC). 4.4 mECU. Construction region training facility, supply of equipment, scholarships. Project in execution. 6th EDF.
EDF REG 6614 A5c

ALL ACP COUNTRIES

Support programme to take social dimension of the structural adjustment into account. *1.500 mECU. Studies, statistics, reports, T.A. Project on appraisal. Date foreseen for financing September 89. 6th EDF.*
EDF REG 6076 A1b

MEDITERRANEAN COUNTRIES

ALGERIA

Integrated training programme on forestry. Resp. Auth.: Ministère de l'Hydrauli-

que, de l'Environnement et des Forêts. 2.5 mECU. T.A. long-term and short-term, equipments, scholar-ships. Project in execution.
SEM AL A3a

Integrated programme to improve seed production for large scale farming. EEC contribution 7 mECU. Works, supplies and T.A. Project in execution.
SEM AL A3a

EGYPT

Egyptian Renewable Energy Development Organization. EREDO. Resp. Auth.: Egyptian Government. EEC contribution 7.7 mECU. Construction and equipment for the centre. Works and supplies: int. tender with prequalification foreseen in 2nd half 88. T.A.: GET/KFA (D). Int. tender dossier: Phoebus (I).
SEM EGT 1002 A2a

Industrial training advice for SME. Resp. Auth.: Federation of Egyptian Industries (FEI). 2 mECU. Short-term advice, seminars training, T.A. Project in execution.
SEM EGT A5bc

IUD production. Resp. Auth.: National Population Council (NPC). EEC 2.100 mECU. T.A., equipments, row material for local production of IUD. T.A. by Organon (NL). Equipments by int. tender. Project on appraisal. Date foreseen for financing September 89.
SEM EGT A7c

JORDAN

A.T. to the Royal Scientific Society-Phase II. 2 mECU. Supply of equipment, training, scholarships and seminars. Project on appraisal.
SEM JO 2006 A6a

Study on underground water-level in the Azraq basin. Resp. Auth.: Ministry of Hydrology and Irrigation. 3 mECU. To collect and exploit all data concerning water region of Azraq basin. T.A. supply of equipment and drilling works. Works by acc. tender. Project in execution.
SEM TO A2a

Project for a national soil map and land utilization. Resp. Auth.: Ministry of Agriculture. 4 mECU. T.A. and training. Project in execution.
SEM TO A1g

Support to the stock-farming (bovins). Resp. Auth.: Ministry of Agriculture. 0.500 mECU. Supply of specialized equipment and T.A. Project on appraisal.
SEM JO A3a

MALTA

Tourism industry modernisation. 2.4 mECU. Tourism development plan, promotion, institut for hotel management and tourism, restauration of the St. Jean Cathedral. T.A. and works. T.A.: short-list not yet drawn up. Works by acc. tender. Project in execution.
SEM MAT A5c

Improvement of infrastructure. 3.1 mECU. T.A. and supply of equipments. Management of natural water resources, long term development plan for "Telemalta Corporation", Marsaxlokk port project and "Malta Dev. Corporation". T.A.: short-list not yet drawn up. Supplies by int. tender. Project in execution.
SEM MAT A9b

MOROCCO

Drinking water supply for small centres. Resp. Auth.: Office National de l'Eau Potable (ONEP). 11.888 mECU. Pipes, equipments civil works, transmission lines, access roads and fencing, studies and supervision. Works by int. tender. Project in execution.
SEM MOR A2b

Support to the anti-locust programme. Resp. Auth.: Ministère de l'Agriculture. EEC contribution 6 mECU. Purchase of 4 bi-turbo props aircrafts by restr. tender. Date financing June 89.
SEM MOR A3a

Tessaut-Aval hydro-agricultural region. Construction and equipment of the T2 water-main. Resp. Auth.: Office Régional de Mise en Valeur Agricole du Haouz (ORMVAH). EEC contribution 34.150 mECU. EEC part: construction of 19 km of the water-main and 2 syphons. Int. tender launched end of June 89. Date financing
★ ***July 89.***
SEM MOR A3a

Support to strengthen technologic and scientific education structures. *Resp. Auth.: Ministère de l'Education Nationale. EEC 40 mECU. Achievement of Beni Mellal and Seltat faculties. Construction of Errachidian and Mohammedian faculties and CPRT of Settat. Supply of equipments for faculties and CPRT, studies, T.A. and supervision. Works and equipments by int. tenders. Project on appraisal. Date foreseen for financing September 89.*
SEM MOR A6b

TUNISIA

Sejnane-Joumine water-main. Resp. Auth.: Direction Générale des Grands Travaux Hydrologiques. EEC contribution 10 mECU for supply of pipes and ancillary equipments. German participation (KFW) – 23 mECU for works and supplies. Soviet Union funded revision of studies. EEC part by int. tender. Project in execution.
SEM TUN A2b

Rural development project for the South-West of Kef. Resp. Auth.: Office de mise en valeur du Kef. Ministère de l'Agriculture. EEC contribution 10 mECU. Purchase of 3 bulldozers, 2 motograders, 5 tractors with 5 t trailers, 5 tanks (3 000 litres each) 2 4×4 vehicles by int. tender launched in November 88. Works by direct labour. Project in execution.
SEM TUN A3a

Date-palm trees in the Rejim-Maatoug region. Resp. Auth.: Office de Mise en Valeur de Rejim-Maatoug. EEC contribution 15 mECU. Italy 7 mECU. Drilling works by int. tender. Drilling equipments: Italy. Electric equipment: Italy. Irrigation equipments: int. tender. T.A.: Italy. Date financing June 89.
SEM TUN A3a

TURKEY

Geothermal energy in Western Anatolia. Resp. Auth.: MTA — Institut de Prospection et Recherches Minérales. EEC contribution 8 mECU. Supply by int. tender of specialized equipment for wells, boreholes and for laboratory analyses. T.A. and training. Project in execution.
SEM TU A4a

Improvement of health studies. EEC contribution 5.8 mECU. Master plan, specialized medical equipments, scanner, vehicles. T.A. and supplies. Project in execution.
SEM TU A7ac

Fight against environmental pollution. Resp. Auth.: Prime Minister's Office. Directorate General of the Environment. EEC contribution 2.8 mECU. Purchase of mobile system to measure, control, water, air, surface and soil pollution. Supply of laboratory equipment, T.A. Project in execution.
SEM TU A8f

Vocational training programme for tourism and mining. EEC contribution 5.4 mECU. Seminars, staff, trainers, supply of equipment, studies. Project in execution.
SEM TU A5c, A4a, A6d

Programme to deepen association relations between EEC and Turkey. EEC contribution 3.6 mECU. Scholarships, supply of equipment for the University of Ankara and Marmara. Training centre and language laboratory in Marmara. Establishment of a Euro-Turkish "Business Council". Project in execution.
SEM TU A6b

Regional centre for training and development for the "Union Internationale des villes (UIV)" for eastern mediterranean countries and Middle-East in Istanbul. EEC contribution 1.4 mECU. T.A. and supply of equipment. Project in execution.
SEM TU A1c

WEST BANK AND GAZA OCCUPIED TERRITORIES

Assistance to the Palestinian population in the occupied territories. EEC contribution 2.971 mECU. Various projects, lines of credit, supply of equipment, T.A. and training. Project in execution. Third int. tender for the rehabilitation of ADS diary in Jericho
★ ***launched in July 89.***
SEM OT A8a, b, e

A.L.A. developing countries ASIA and LATIN AMERICA

BANGLADESH

Road materials and standards study. Resp. Auth.: Ministry of Communication and Roads. Roads and Highway Dept. (RHD). EEC contribution 2.2 mECU. Short-list not yet drawn up for restr. tender. Project in execution.
ALA BD 8808 A2d

Improvement of food grain storage depots (LSD's). Resp. Auth.: Ministry of Food, Dept. of Food (MOF/DOF). 15 mECU. Rehabilitation and improvement of 130 LSD's. Works and supply of T.A. Works by acc. tender. Project in execution.
ALA BD 8816 A3a

Thikana project. Resp. Auth.: Thikana Village Development Fund (TVDF), Committee and Promotion, Planning and Management Unit. EEC contribution 9.5 mECU. Establishment of the Village Fund, and T.A. Project in execution.
ALA BD 8815 A3a

BHUTAN

Water supply. Resp. Auth.: Inter dep. Commission on water and sanitation. Works by direct labour. 4.5 mECU. Supplies int. tender or direct agreement. T.A.: UNICEF. Project in execution.
ALA BHU A2b

Development of agricultural support activities. Resp. Auth.: Ministry of Agriculture. EEC contribution 3.4 mECU. Building of regional centres, soil analyses laboratory, supply of equipments and vehicles, T.A. and training. Project in execution.
ALA BHU 8809 A3a

BOLIVIA

Regulation-prevention programme of the TDPS basin. Resp. Auth.: CORDEOR for urgent works. 5 mECU. T.A. by EEC expert for 2 years for works and T.A. by a multidiscipline team for TDPS study. Purchase by int. tender of 2 dredgers, equipments and specialized equipment for study. Works by direct labour. T.A. direct agreement after restr. tender. Project in execution.
ALA BO 8723 A3a

CHINA (PEOPLE'S REP.)

China-EC centre for agricultural technology. Resp. Auth.: Ministry of Agriculture, Animal Husbaundry and Fisheries (MAAF) and EEC Commission. EEC contribution 5.9 mECU. Chine will construct the centre. EEC part: supply of equipment, documentation, training, european staff, T.A. and works supervision. Project in execution.
ALA CHN 8821 A3, A6

Maize and sunflower research development project in the Jilin province. Resp. Auth.: Jilin Province Commission for Foreign Economic Relations and Trade (JPCFERT). EEC contribution 2.7 mECU. Supply of specialized equipment by int. tender on direct agreement. Training, T.A. and evaluation. Project in execution.
ALA CHN 8813 A3a

ECUADOR

Rural development in the region of the Chambo river. Resp. Auth.: Institut Equatorien des Ressources Hydrauliques (INERHI). EEC 9 mECU. T.A. and training, irrigation works, line of credit, supply of equipment. Project in execution.
ALA EC 8701 A3a

Reconstruction Programme. (After March 87 earthquake). Resp. Auth: Banco Ecuatoriano de la Vivienda (BEV). EEC contribution 3.5 mECU. Housing and T.A. Project in execution.
ALA EC 8810 A8a

EL SALVADOR

Programme for the Development of Handicrafts in deprived areas. Resp. Auth.: Interministry Committee with the leadership of the Ministry of Culture and Communication. EEC 6 mECU. T.A., studies and supply of equipment and vehicles. Project in execution.
ALA ES 8710 A4d

Construction of a hospital in Zacamil. Construction and equipping of a 200 beds hospital. 12 mECU. Works and supplies by int. tender. T.A. for supervision and management. ★ ***Works: int. tender foreseen in September 89.*** Project in execution.
ALA ES 8712 A7a

GUATEMALA

Programme for sustainable development of the Lake Atitlan Basin. Resp. Auth.: Ministerio Desarollo Urbano e Rurale (MDUR). Pilot programme of microprojects. EEC contribution 3.5 mECU. Works and infrastructures. Supply of equipment, line of credit, T.A. and studies. Int. tender launched end of April 89. Project in execution.
ALA GU 8822 A3a

HONDURAS

Water supply, health in the rural sector. Resp. Auth.: Consejo Directivo de Saneamiento (CODISA), and Ministerio de Salud Publica. EEC contribution 14.5 mECU. Supply of equipment, materials, vehicles, T.A. and training. Int. tender launched end of April 89. Project in execution.
ALA HO 8620 A8bc

INDIA

Inland Fisheries Development. Resp. Auth: National Cooperative Dev. Corp. (NCDC) with Dept. of Fisheries (DOF). EEC contribution 22.1 mECU. Works, T.A. and supply of equipments. Project in execution.
ALA IN 8804 A3a

Tank Irrigation System, Tamil Nadu, Phase II. Resp. Auth: Dept. of Agriculture. EEC Contribution 24.5 mECU. Works, supplies and T.A. Project in execution.
ALA IN 8811 A3a

Agricultural markets in Kerala. Resp. Auth.: Ministry of Agriculture. 18.4 mECU. Construction of three larger regional markets and three smaller markets along the east-west trade routes. Site development, shops and storage facilities, roads and parking areas. T.A. and training. Project financed through counterpart funding from sale of − 260 000 T of muriate of potash (MOP). Purchase by Minerals and Metals Trading Corporation (MMTC) Int. tender in 89. Project in execution.
ALA IN 8818 A3a

South Bhagirath: II. Integrated watershed management. 8.4 mECU. Reafforestation, soil protection, T.A. Project financed through counterpart funding from sale of 115 000 t of muriate of potash by MMTC in 89. Int. tender: see ALA IN 8818. Project in execution.
ALA 8820 A3a

INDONESIA

Rural electrification project (hydroelectric micro-power stations). Resp. Auth.: Ministry of Energy and Mines. Electricity and new energy Dept. EEC contribution 18.9 mECU. Works, supply of turbines, generators, adjusters of 10 KW, 25 KW and 100 KW, vehicles and other equipment, T.A. and training. Project in execution.
ALA IND 8719 A2a

LAOS

NAM NGUM water, pumping irrigation. Resp. Auth.: Ministère de l'Agriculture, Forêts, Irrigation and Coopératives Nationales (MAFIC). EEC 5.5 mECU. Building of 4 irrigation networks and drainage. Studies, construction of 4 pumping stations, supply of equipments and T.A. Project on appraisal.
ALA LA 8802 A3a

PACTO ANDINO MEMBER COUNTRIES

Regional programme for technical cooperation: APIR (Accelerate Process on Regional Integration). Resp. Auth.: JUNAC. EEC participation 7.3 mECU. T.A. for studies, training and advising. Supply of small equipment. Project in execution.
ALA JUN 8806 A1b

Satellite Telecommunications Andean System (SATS) Preparation – Phase 2. Resp. Auth: JUNAC. 2.2 mECU. Project in execution.
ALA JUN 8803 A2c

PAKISTAN

Primary education in rural areas. Cofinancing with CIDA and IDA. EEC contribution 15 mECU for works, T.A. and scholarships. Project in execution.
ALA PK 8716 A6a

Baluchistan agricultural college. Resp. Auth.: Baluchistan Department of Agriculture. Directorate of Agricultural Education Services. Estimated total cost 28 mECU. EEC contribution 18 mECU. Design and construction of the college. Supply of pedagogical equipment and vehicles. T.A. to prepare tender dossiers for works and supplies. T.A. for supervision of works. Works by acc. tender. Supplies by int. tender. Project in execution.
ALA PK 8807 A6ci

PANAMA — COSTA RICA — NICARAGUA — HONDURAS — EL SALVADOR — GUATEMALA

Regional development programme for agricultural research on cereals in Central-America. EEC contribution 10.8 mECU. T.A. and supply of equipment. Project in execution.
ALA REG 8823 A3a

BCIE (BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA)

Support to the SME in Central America (PAPIC). Phase II. Resp. Auth.: BCIE. EEC 6 mECU, Italy 1 mECU, Sweden 3.8 mECU, BCIE 3.8 mECU. Hard currencies funds. T.A. and training. Project on appraisal. Date foreseen for financing September 89.
ALA REG 8909 A5b

EL SALVADOR — GUATEMALA — HONDURAS

Trifinio region development pilot project. Resp. Auth.: Ministros de Recursos Naturales. Comité de Dirección. EEC contribution: 7.170 mECU. Reafforestation works, feeder roads, warehouses, supply of equipments and T.A. Feeder roads, irrigation, warehouses and supplies by int. tender. Project in execution.
ALA REG 8814 A3a

PERU

Rural micro-projects programme (Pampa- Puno II). Resp. Auth.: CORPUNO. EEC contribution 21.4 mECU. T.A.: ten expatriates. Supply of trucks, vehicles, equipments, training. Project in execution.
ALA PE 8817 A3a

PERU — ECUADOR — COLOMBIA (PEC)

Regional programme: fishing technical cooperation EEC/PEC. Estimated EEC contribution 6 mECU. T.A., supply of equipments and training. Project on appraisal.
ALA REG 8721 A3a

COCESNA — COSTA RICA — EL SALVADOR — GUATEMALA — HONDURAS — NICARAGUA

Radar control for civil air traffic in Central America. EURO MAYA project. Resp. Auth.: COCESNA (Corporación Centroamericana de Servicios de Navegación Aérea) and co-director EEC. EEC contribution 18.5 mECU, Italy 9.5 mECU. Civil works, supplies, 4 radars and equipments, communication systems. Extension of the Tegucigalpa control centre. T.A. and training. Project in execution.
ALA REG 8819 A2d

PHILIPPINES

Agricultural education programme. Resp. Auth.: Ministry of Education, Culture and Sports (DECS). EEC contribution 10.4 mECU. Parallel cofinancing with ADB. Supply of equipments and agricultural inputs. Pedagogical equipment, furnitures, laboratory equipments and audio-visuals, books, chemicals, tools, vehicle, T.A. and training. Project in execution.
ALA PHI 8824 A6ci

THAILAND

Development and extension of fruit and vegetable production in Northern Thailand. EEC contribution 9.45 mECU. Long-term T.A., supply of equipments, line of credit, training, research and follow-up and evaluation. Project in execution.
ALA TH 8812 A3a

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But the originality of the book lies elsewhere. As Minc sees it, the European question is no more than the German question in which the weight of history, culture, geography, strategy and demography are combined. "Going from 60 to 40 million inhabitants in 30 years is a trauma without parallel. No one can measure the economic, sociological or cultural consequences—hence the legitimate urgency of increasing the number of palliatives. Is not opening up to the sister nation in the East the easiest and the most natural thing to do?"

So at the heart of this book we have a discussion of "the new German question" and of the way in which the Federal Republic is sliding imperceptibly from Western to Central Europe, as the pivot and the heart of a unit stretching from the Atlantic to the Urals. Minc claims that Germany is gradually slipping its Western anchor and drifting towards *Mitteleuropa* and Eastern Europe. And that, by a gradual process, the Community Europe of the founding fathers is turning into a continental Europe which goes beyond the iron curtain, with a possible risk of finlandisation.

He deplores the opportunities missed in the early '60s, the fault of the President of the French Republic, who was nonetheless the "greatest Atlanticist of them all when there was any real danger. The cult of national independence, the desire to have a free diplomatic hand, the old mistrust of the USA rehashed and an atavistic hatred of supranationality were all it took to let the opportunity slip by". Minc judges his own country harshly, but he still thinks that France, a medium economic power, has all the strategic assets it needs thanks to its nuclear deterrent. France, he says, should give the Federal Republic French nuclear protection. He even proposes a merger along the lines of the one Churchill suggested to France back in 1940!

So there is everything to recommend this stimulating and impassioned work and the discussion of education as a lever and the need for a common European language should not be missed. It should be at the top of every reading list. A.L.

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L'état du Tiers Monde (The state of the Third World) — Editions la Découverte, 1 place Paul Painlevé, 75005, Paris — 21 pages — — 1989

The first edition of this collection, which came out in 1987, was a great success, particularly with students. The aim, as Serge Cordelier, in charge of coordinating and producing the book, stresses, is the twofold one of getting a better grasp of "the diversity and complexity of societies in the South and finding out more about the forms of solidarity schemes with the populations who live them". A whole panorama of the Third World is given here in 100 articles and 28 chapters, summarising the present trends in geopolitics, civilisation, health, housing, development, commodities, human rights and democracy and war and conflict.

It is in three main parts — strategic issues, the Third World as it is and what to do about the Third World. At the end, there are 20 pages of bibliography (a selection of general works), a list of libraries, resource centres and research institutes, a review of reviews (which includes *The Courier* amongst the two-monthly ones), a list of NGO groups, a map index (there are 17 original maps in the book) and a general subject index.

Some of the 100 odd articles in this work — Sophie Bessis' piece on the marginalisation of the Third World in international trade for example — caught our attention particularly. This basic phenomenon, both the cause and effect of under-development, can be demonstrated by in a few figures. In 1988, the trade between the countries of the North accounted for 56% of world trade and South-South trade less than 10% at the end of the eighties. And it is worth remembering that 95% of Africa's trade is in a North-South direction and that the exports from African countries which do not produce hydrocarbons are 90% commodities. In only five countries (Taiwan, South Korea, Hong Kong, Singapore and Brazil — there is not an African amongst them) almost three quarters of the Third World's export manufactures are produced.

Many of the articles should be read carefully. This fairly small volume indeed provides a complete picture of the reality of the Third World today. A.L.

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Change of address

After two years in offices in rue Guimard, "The Courier" has returned to its original address:

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Visitors are always welcome to call at the offices (Monday to Friday, from 9 a.m. to 5 p.m.)
No change in telephone numbers.

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Back cover: *The headquarters of the West African Development Bank in Lomé, Togo (photo The Courier)*

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