AFRICAN LDCs

Export Successes

The ITC analyses the LDCs’ export potential, focusing on sectors of particular importance.

The research carried out for the Business Sector Round Table (BSRT) set up by the International Trade Centre (ITC) in conjunction with the government of Norway, put together profiles of 13 sectors that look particularly promising for LDCs in international trade. They are: cotton fabric and clothing; tourism; seafood; business and professional services; coffee; cotton and fibres; wood and wood products; oilseeds; fruits and nuts; vegetables; spices; cut flowers and foliage; and medicinal plants.

ITC devised an opportunities framework for LDC “success stories.” They had all made use of several main types of opportunities available to LDCs, making their mark internationally by:

- moving up the value chain;
- finding niche markets and ways of product innovation;
- embracing the services revolution;
- turning comparative advantage into competitive opportunity;
- overcoming technical and structural barriers, and
- exploiting South-South market opportunities.

But the struggles they faced in establishing themselves also indicated how LDC governments could improve conditions for business in their countries, and how strategy-makers could provide the support services that entrepreneurs need to turn their export opportunities into business. In short, the round table brought forward a number of ideas about how to create an “enabling environment” for trade development in LDCs.

Medicines

To analyse the problems of one of the above sectors: markets for herbal medicine in developed countries—especially in Europe and the United States—are highly regulated and very difficult to penetrate, particularly for developing countries and LDCs whose products have not undergone the stringent tests applied by developed country pharmaceutical manufacturers before mass production.

Rising global interest in medicinal plants has also created a sustained and largely “underground” trade in plant materials, many

In this issue . . .

CFA Area
Euro and Eco 15030
Ghana
One Year On 15032
Zambia
New President’s Pledge 15036
Gambia
Budget and Review 15040
Nigeria
New Monetary Policy 15044
E-Commerce
Economic Impact 15057

Contents

Continental Developments 15030
Policy and Practice 15032
Communications and Transport 15046
Commodities 15050
Industries 15056
Economic Aid 15060
Rates 15029
Index 15062
Promising LDC Export Sectors
Product or service/major African exporter
Cotton fabric, textile and clothing
Madagascar, Malawi
Tourism
Tanzania, Senegal, Uganda
Fish products
Senegal, Mauritania, Guinea, The Gambia
Business-related services
Angola, Madagascar, Ethiopia, Senegal
Coffee
Ethiopia, Uganda, Tanzania, Togo, Guinea, Sao Tome e Principe
Cotton and fibres
Mali, Benin, Burkina Faso, Togo, Zambia, Senegal, Sudan, Madagascar, Guinea
Wood and wood products
Equatorial Guinea, Liberia, Central African Republic, Mozambique, DR Congo
Oilsed products
Benin, Ethiopia, Sudan, Burkina Faso, Malawi
Fruits and nuts
Tanzania, Senegal, Mozambique, Madagascar, Mali, The Gambia
Vegetables
Sudan, Ethiopia, Zambia, Burkina Faso, Tanzania, Uganda, DR Congo
Spices
Madagascar, Comoros, Uganda, Tanzania, Malawi, Zambi, Niger
Cut flowers and foliage
Zambia, Tanzania, Uganda, Malawi, Ethiopia, Madagascar
Medicinal plants
DR Congo, Sudan
(Source: ITC’s estimates based on COMTRADE and other sources (FAO))

There are also limited knowledge of the herbs' medicinal properties beyond traditional knowledge and belief. This restricts the use and marketability of the plants.

(iii) Intellectual property rights. An issue of potentially huge importance to the LDCs and all developing country exporters is intellectual property. Plants have been used in traditional medicines for centuries and hence cannot be protected by patent. They can be registered as individual or regional trademarks, with explicit rules of origin.

ITC suggested the following solutions:

(i) Prospects, policies and strategies for LDCs. LDCs should aim to cultivate in a sustainable manner and enter markets at the early stages of the value chain by first supplying developed country manufacturers with unprocessed raw materials. Then they can move towards providing herbal supplements before tackling the highly regulated market for herbal remedies.

(ii) Explore alternative sales techniques. Alternative sales techniques, especially sales via the Internet, are available to the LDCs.

(International Trade Forum 3/2001)

Uganda Acts Against Biopiracy
The EastAfrican profiled the problem African countries face when it comes to protecting their medicinal flora, and reported the steps Uganda was taking to prevent the promotion of Western health by stealth.

A law to protect indigenous medicine from illegal expropriation by international researchers and pharmaceutical corporations is due to come into force in Uganda.

The World Trade Organisation (WTO) Implementing Bill 2001 is an effort by the Ministry of Tourism, Trade and Industry to implement WTO regulations in Uganda. Among the issues it will seek legislation on are dumping, the settlement of disputes and the promotion of local industries.

The ministry has written to the World Intellectual Property Organisation (WIPO) for assistance in recording the value and status of indigenous resources to be protected under the Trade Related Aspects of Intellectual Property Rights (TRIPS).

In Uganda, western scientists masquerading as tourists have been caught in forest reserves hunting for plants with medicinal properties. But the protection of these resources is still an administrative matter, lacking the necessary legal teeth against biopiracy. Cases of illegal expropriation include one of herbal medicine used to relax the birth canal during delivery. In 1971, a scientist isolated an ingredient, Oxytocin, from a plant, which was subsequently used in the West.

A herbalist in Kigezi, Western Uganda, was also persuaded to reveal his knowledge of the treatment of jaundice at a time when conventional medicine was failing.

In both cases, the Ugandans surrendered their copyright to foreigners for a pittance. (The EastAfrican, Nairobi, 26/11)

South African Cure

An unconventional alliance of South African scientists and traditional healers is frantically trying to spread information about an indigenous plant which can help people infected with HIV—before the pharmaceutical industry markets it in expensive drug form.

Sutherlandia frutescens microphylla grows like a weed, tastes horrible but costs next to nothing. For the five million South African infected with the Aids virus but unable to get access to expensive drugs, the plant may be a chance of turning HIV into what it is already in rich countries—a chronic rather than a fatal illness.

In a unique partnership that has quietly grown amid the much-publicised reluctance of the South African government to embrace the use of Western drugs, a group of botanists, biochemists, GPs and two renowned traditional healers have obtained remarkable results by using Sutherlandia—called iniswa (the one that dispels darkness) by generations of South Africa’s indigenous people, the San (or Bushmen). In 2002 it is due to undergo clinical trials. (The Independent, London, 30/11)

Zambian Spice Success Story

Cheetah is the producer organisation and subsidiary of a Netherlands-based company operating in Malawi and Zambia. The main product is paprika, supplied in dried form, for the food-ingredient industry (food colour and spice), mainly in Europe. The business has grown in six years from nothing to an annual production of 2m kg of paprika (2% of the world market), grown by 30,000 contract farmers. By 2002, a further investment of $3m is expected to double production and increase the number of growers to 50,000.

Among its key success factors, Cheetah cites its solid marketing, agronomic and feasibility studies before the project.
started, training and strong support for contract farmers to ensure high-quality raw materials, and thorough market research and understanding of the quality standards required by the Western food-ingredient industry. This enabled it to gain the most by concentrating on target markets with high potential, using advanced technology in processing, emphasising quality control at all stages, and employing a motivated and highly capable team of managers and staff.


### Examples of Exportable LDC Business Services Expertise

<table>
<thead>
<tr>
<th>Exportable service</th>
<th>Potential exporting LDCs</th>
<th>Potential importing LDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business support services</td>
<td>Djibouti, Ethiopia, Madagascar, Mozambique</td>
<td>All other LDCs</td>
</tr>
<tr>
<td>Consultation services on creating back office operations</td>
<td>Madagascar, Uganda</td>
<td>Djibouti, Mauritania, Mozambique, Tanzania</td>
</tr>
<tr>
<td>Services incidental to agriculture (e.g. soil testing)</td>
<td>Ethiopia, Malawi</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Services incidental to hydropower production</td>
<td>Uganda, Zambia</td>
<td>Benin, Burkina Faso, Guinea</td>
</tr>
<tr>
<td>Services incidental to mining (e.g. mining operations expertise, gem valuation)</td>
<td>Ethiopia, Guinea, Mauritania, Tanzania, Uganda, Zambia</td>
<td>Burkina Faso, Malawi, Mali, Mozambique</td>
</tr>
<tr>
<td>Services incidental to oil and gas (e.g. field services)</td>
<td>Benin, Mauritania, Tanzania</td>
<td>Madagascar, Mozambique</td>
</tr>
<tr>
<td>Consultation services on free trade zones and offshore operations</td>
<td>Djibouti</td>
<td>The Gambia, Mozambique</td>
</tr>
<tr>
<td>Consultation services on privatisation</td>
<td>Ethiopia, Mozambique, Uganda</td>
<td>Burkina Faso, Madagascar</td>
</tr>
<tr>
<td>Convention planning and support services</td>
<td>Ethiopia, Tanzania</td>
<td>Djibouti, The Gambia, Zambia</td>
</tr>
<tr>
<td>Consultation services on eco-tourism development</td>
<td>The Gambia, Malawi, Uganda</td>
<td>Benin, Ethiopia, Madagascar, Mali, Mauritania</td>
</tr>
<tr>
<td>Consultation services on developing port and transshipment services</td>
<td>Djibouti</td>
<td>The Gambia</td>
</tr>
<tr>
<td>Consultation on developing security services</td>
<td>Guinea, Zambia</td>
<td>Mauritania</td>
</tr>
<tr>
<td>Consultation services on strengthening health-care systems</td>
<td>Tanzania, Uganda</td>
<td>Burkina Faso, Malawi</td>
</tr>
<tr>
<td>Consultation services on environmental health hazards (e.g. bilharzia)</td>
<td>Uganda</td>
<td>Burkina Faso, Ethiopia, Malawi</td>
</tr>
<tr>
<td>Consultation services on AIDS education and prevention</td>
<td>Uganda</td>
<td>Benin, Burkina Faso, Ethiopia, Malawi, Tanzania, Zambia</td>
</tr>
<tr>
<td>Consulting engineering services on rebuilding an economy quickly in “leapfrog” fashion</td>
<td>Ethiopia</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Consultation services on establishing professional associations</td>
<td>Malawi, Zambia</td>
<td>All other LDCs</td>
</tr>
<tr>
<td>Consultation services on establishing an association of service exporters</td>
<td>Uganda</td>
<td>All other LDCs</td>
</tr>
</tbody>
</table>

(Source: ITC)
Continental Developments

ECOWAS

CFA, Euro, Eco-Zones

As the CFA countries contemplate being aligned to the euro, they are organising their own new single currency.

A summit in Dakar (Senegal), approved the formation of a second West African Monetary zone that will include Guinea, Nigeria, Sierra Leone and The Gambia. Its currency will be issued and regulated by a new institution, the West African Central Bank, whose capitalisation has been set at US$100m. The five-country zone, which could later include Liberia and Cape Verde, will take effect in 2003. In 2004, ECOWAS plans to merge this new monetary area with the existing CFA zone and create a single currency. The CFA (Communauté francophone africaine) zone comprises the region’s former French colonies except Guinea.

The organisation has chosen the name of Eco for the new currency to be issued by the West African Central Bank and eventually for the region-wide currency. (IRIN, UN, 21/12)

Although aligned with the French franc, the CFA franc countries retained their currency on January 1st, when 300m people in 12 countries adopted a common currency, the Euro (€) and bade farewell to the Mark, the Franc, the Lira and many others.

But what does this hold for Africa especially? Abdulmalik Addy, the corporate affairs manager of the Nigeria Agricultural Co-operative and Rural Development Bank says the introduction of the new money in Europe is a further consolidation of globalisation.

Addy argued that the coming of the euro underlines the need for Africa to follow suit if it wants to be part and parcel of this small world. Africa, he stressed, should introduce a single general currency as a medium of exchange in free trade and other international commercial transactions if it wishes not to be left behind in the global scheme of things.

He said it would be a positive measure for Africa if ECOWAS countries would spearhead the campaign for the adoption of a common medium of exchange. It is common knowledge that whenever fundamental economic alliances are formed, they are meant to pool individual limited strengths together to come up with a stronger single entity. (Daily Trust, Abuja 4/1)

No Devaluation

As the official changeover to the Euro approached, the usual rumours of devaluation were rife among the CFA franc countries. Even economists were rattled and there was the temptation to organise a massive flight of capital to Europe or the US. The trauma caused by the 1994 devaluation (Vol. 31, p. 11555) was still uppermost in people’s minds.

But in 1994 the countries in the Franc Zone were performing badly, in particular the oil countries of central Africa, and a devaluation was unavoidable. Today the Franc Zone, although slightly shaken by instability in the Côte d’Ivoire, has nothing to fear from being aligned to the euro. There is nothing in the relationship, says Ouest Africaine Economique, which could lead to a devaluation of the CFA.

The governor of the Banque de France and ex-Prime Minister of France, Michel Rocard, made a point of reassuring investors and international corporations, by emphasising the role of the French Treasury in stabilising the African currency (p. 14756).

The arrival of the euro has, in fact, been a banal conversion. Above all the euro is a challenge for the CFA, whose member states will appreciate the need to merit and defend a strong currency. The threat of devaluation remains a sanction against bad management of public finances or the absence of agreement on macroeconomic policy.

It is worth noting that the economic and financial situation in Côte d’Ivoire over the last two years, would have been enough to cause a devaluation (p. 14756B), if the economies of the other CFA countries had not been strong enough to counteract the effect.

At a time of globalisation, single currencies seem an increasingly appropriate response to competition on the international markets. If the UEMOA countries accept and submit to the strict convergence criteria linked to the stability of the CFA, they will lead other African regions along the same path of currency zones. (Ouest Africaine Economique, January)

“C’est Quoi, L’Euro?”

An Agence France Presse correspondent circulated in Abidjan on January 4th, to gauge the impact of the euro. Banks were prepared for the transition with posters and information. In the street the new currency was greeted with surprise, even indifference. Since January 1st the CFA franc no longer bought francs, but 655,957 would buy one euro. Once the governor of the West African bank, the BCEAO, Charles Konan Banny, had assured everyone the CFA franc would not be devalued, it was business as usual.

“The euros will be with us from January 8th and we will accept francs until January 18th,” said the director general at Standard Chartered in Abidjan. But while banks are prepared, shops are not. “We will have to take advice from the bank” was the frequent reply to the question “can you cope with the euro?” But underneath, despite the reassurances, people remember the devaluation of 1994—and worry. (Agence France Presse 4/1)

IN BRIEF

SACU: Eight years down the line, South Africa, Lesotho, Swaziland and Botswana were finally due to sign a revised Southern African customs Union (SACU) agreement in which South Africa would continue to subsidise its smaller neighbours, but without the harmful effects on its fiscus experienced in the past.

SACU is an agreement between the four countries that facilitates a free flow of goods and services between members, and encourages interregional trade and investment.

In the new agreement, South Africa will receive about 50% of the customs pool, even though it contributes 80%. (African Business, January).
NIGERIA
Export Incentives

This is a bid to diversify the economy as well as attract foreign investors.

The Nigerian government has announced a seven-year tax holiday for exporters in a bid to encourage local manufacturers to enter the export market.

Suraj Yakubu, the chief operations officer of the state-run Nigerian Investment Promotion Commission, said the move aimed to encourage an export-driven economy. Yakubu said Nigeria wanted to end its dependence on imports and to support companies that would earn foreign exchange for the country through exports.

The incentive also formed part of measures adopted by President Olusegun Obasanjo to broaden and diversify Nigeria’s revenue base, move the economy away from its monolithic nature, and reduce its over-dependence on oil wealth. Earnings from petroleum provide Nigeria with more than 90% of its foreign exchange and account for 28% of the gross domestic product.

Yakubu said that an Investment, Climate Improvement and External Relations Department has been set up to co-ordinate the activities of export firms. He also said that 15 foreign missions had been set up to popularise Made in Nigeria products and to attract investors. The Nigerian government had also initiated a matchmaking programme to bring together Nigerian and foreign companies. This was intended to attract foreign investment and to serve as a confidence-building measure to assure foreigners that they were dealing with genuine Nigerian companies.

Yakubu said that unscrupulous Nigerians had put off many potential foreign investors.

(Business Day, Johannesburg, 18/12)

Nigeria–Equatorial Guinea: An agreement has been signed to resolve the two countries’ dispute over their common maritime border in the Gulf of Guinea.

The treaty also provides for common operation of an oil well, known as the Ikenga-Sarifu well by both countries under what has been termed unitisation programme. “We have in that well straddle points where Nigeria and Equatorial Guinea will exploit the resources in the well together,” he explained, pointing out that Elf would represent Nigeria, while Exxon-Mobil will represent Equatorial Guinea in the operation of the oil well.

SOUTH AFRICA–CAPE PLC
Asbestos Victims Win

Forced by asbestosis cases to close its UK plant in 1968, Cape Plc continued operations for another 11 years in South Africa.

South African ex-miners and their families have settled a compensation case against Cape plc regarding asbestos-related diseases caused by employment in Cape’s South African asbestos mines between 1930 and 1979. The representatives of the 7,500 miners were allowed to take Cape to court in the UK over 18 months ago.

The settlement will amount to £21m, with £11m paid over the next six months, and a further £10m over the next 10 years. However, the settlement relies on the company being able to raise the money and to set up a trust to administer the compensation. The case will be kept on hold while the parties concerned try to meet the settlement’s conditions. Cape has not admitted liability for the health problems of its former employees. During the lengthy prosecution of the case, about 300 claimants have died uncompensated.

(Mining Journal 11/1)

IN BRIEF

Namibia–US: After months of preparations and registrations Namibia has finally received its eligibility certificate to begin to take advantage of the Africa Growth and Opportunity Act (AGOA), which gives the country free market access to the United States of America.

It is estimated that approximately 90% of all products made in Namibia will qualify for zero-rating until 2008 under AGOA. Namibia is one of 35 countries out of 48 sub-Saharan countries eligible to take advantage of AGOA.

Under AGOA, essentially all products from accredited African countries will have zero duties to the US. (The Namibian, Windhoek, 11/12) AGOA p. 14958
CENTRAL AFRICAN REPUBLIC
Hope Amidst Despair

The government’s policy initiatives were derailed by the May coup attempt, but the country is determined to move forward.

The government of the Central African Republic is reeling under the strain of recent political unrest that has resulted in massive economic and social damage. The impact of intermittent political turmoil and labour unrest on the overall performance of the economy cannot be over-estimated, as the country has failed to implement its programmes to reverse the serious decay of the last few years.

The central African region is generally unstable, with numerous people rendered homeless, and many of such destitute people and others living well below the average poverty line. The Central African Republic, like several African countries, has obtained a Poverty Reduction and Growth Facility (PRGF) from the IMF in an attempt to shore up the economy and end poverty. Under the PRGF, which is monitored by the Fund, a first disbursement equivalent to SDR8m was made on January 23rd 2001. The three-year PRGF expires on January 19th, 2002. But given the current political developments it looks as though there is a long road ahead before the country is able to address its poverty problem and register significant “growth.”

The government at the beginning of 2001 made significant changes to bolster the country’s economic management and its performance. It introduced a Value-Added Tax (VAT) at a rate of 18%, but it is still not clear whether the structures put in place now could help the country in its revenue generation processes. The government’s figures on revenue generation look very grim. For years domestic revenue has fallen far below expenditure, and much of the country’s economic activity has evaded taxation. The country has a very low government revenue-to-GDP ratio, which is estimated at about 9%. In the first half of 2001, a primary budget deficit of 2.1bn CFA francs was recorded.

The government is not relenting in its efforts to address the crippling economic problems. But in so doing it has set targets that appear rather a tall order. “Looking ahead to 2002, government revenues are expected to be buoyed by a rebound in the growth rate of real GDP to about 4% from 1.5% now estimated for 2001, with broadly based pickup in activity. expected as the internal security situation continues to improve and the regional river transportation network return to normal,” the government has stated. But looking around the country, it would take some level of economic and political will before this could be achieved.

Banking on the IMF

There are still tensions in some quarters, which have forced the government to spend more of its energy and resources on resolving security issues than on addressing economic progress. It has always proved difficult for governments to have a two-pronged approach looking at both security and economic issues. The government acknowledges this. The May 27th attempted coup d’état, the government says, caused a lot of damage to the country.

By the end of June, government revenue was 26% short of the PRGF programme target and none of the programme’s benchmarks had been met. It is “in this context that the government requests that the staff of the IMF assist in monitoring the progress of reinforced adjustment efforts within the framework of a six-month staff-monitored programme (SMP) for the period October 2001–March 2002.”

The government is banking on support from the IMF. In fact it hopes “that once the Fund staff confirms that the SMP has been satisfactorily implemented through end-March 2002, a new three-year PRGF-supported programme can be put in place as quickly as possible.”

Achieving the expected 4% GDP growth in 2002 will not be all that easy. The staff monitoring programme may not witness success in achieving the government’s primary objective of a budget surplus over the October 2001–March 2002 period of CFAF 10.8bn, or 2.9% of semi-annual GDP. The biggest threat to the government’s economic plans now, it seems, is the political instability which the government acknowledges as a big stumbling block to growth or to any chance the country may have to recover from the economic downturn.

There are growing concerns over the instability in the country; UN Security Council members have expressed their profound concern at the continued acts of violence and intensification of internal tension. The poor economic situation requires structural reforms that would take into consideration the plight of the ordinary citizens now caught up in the bitter political rivalry.

The government is however looking more at the bright side of life in the Central African Republic. It hopes to accelerate the privatisation process and also to establish a “petroleum management information system to provide up-to-date information on domestic supply and demand and on world market conditions and to assist in the negotiations with domestic oil companies on monthly revisions to the price structure for petroleum products” (fuel supplies for this landlocked, non-oil-producing country have been an additional area of economic disruption and also malpractice).

The government is also looking at international support for the country’s adjustment programmes. But the bulk of the country’s problems can be solved if a lasting solution can be found to the country’s political unrest. Without any stable government or peace, sadly, none of the ambitions of the government will be achieved; rather, the country could become one of the supposedly “hopeless” cases of Africa. (West Africa 17/12) IMF interim agreement p. 14972C

GHANA
One Year On

Kufuor’s first year in power is assessed.

Africa Confidential reports that President John Kufuor is experiencing tough times. On winning the election a year ago, he promised Ghana a “golden age of business.” His commitment to market economics is being sorely tested. Jerry John Rawlings, the outgoing President, paid lip-service to the private sector during his 19-year rule but bequeathed a bad hand to Kufuor. Yaw Osafo Maako, the Finance Minister, and Kwesi Nduom, the Planning Minister, have spent most of the year fighting fires lit by the previous government. Audits of public institutions and

Burundi

Economic Performance

The failure of the Burundian economy in the past five years has been substantially measured in both economic and socioeconomic terms. Burundi has seen a cumulative negative real GDP growth of between 12 and 25% (IMF and World Bank estimates, respectively) over the past five years. Foreign asset reserve holdings have decreased by 50% from 1995 to 1999. Coffee production in Burundi has decreased from 41,293 tonnes in 1994–95 to an estimated 27,575 in 1999–2000 while international market rates for coffee have dropped from $1.49 to $0.95 per pound during the same period. As a result of both the sanctions and the volatility of the international marketplace, the cost of oil in Burundi rose by 218% from 1995 to 1999, crippling transportation, increasing the cost of getting goods to market, and reducing producer economic yields in real terms. Poverty in rural areas is estimated by the World Bank to have increased by 80% in the rural areas and 100% in urban areas. Child malnutrition has climbed to 38% and major endemic diseases have climbed by 200% since 1993.

The Paris Club has pledged at least $440m to help the war torn country. The World Bank has also prepared an interim strategy outlining its assistance to Burundi. The Arusha Agreement was signed on August 28th 2000, which they thought would serve as a comprehensive blue print for the reform of Burundi. The year 2000 was a significant year for Burundi as it did see some efforts toward resolving and moving toward negotiations and bringing about facilitation team for the Burundi peace negotiations. The year 2000 was a significant year for Burundi – it saw the implementation of a comprehensive economic and social development 40 years back, making it among the 10 poorest countries in the world.

Balance of Payments

External debt in Burundi stands at 118% of GDP, making it a highly indebted poor country (HIPC). Despite a July 2000 call by President Buyoya for bilateral debt forgiveness, his political policies have led to little response from the donor community. While Burundi has, in the main, remained current with payments to multilateral donors, it has accumulated an arrears with bilateral donors at a pace of about $10m per year. The World Bank is the only major donor providing significant new funding with a new commitment of $42m. With total arrears estimated at $84m, the IMF and bilateral donors have been willing to invest little. The United States Agency for International Development (USAID) halted all projects in Burundi in 1997. The IMF and USAID see the economic crisis as part and parcel of the political crisis, stating that until a significant portion of military spending is transferred to social spending, little growth is possible. The IMF also encourages Burundi to curtail wage increases, control expenditures, improve budget management, and, most critically, introduce fiscal efficiency and transparency.

Burundi’s poor monetary policy has contributed to negative capital flows. The parallel market exchange rate premium increased to 85% in 1999. This means that despite the 24% devaluation of the Burundian franc, the currency is significantly overvalued. To address the looming monetary crisis, the IMF argues that Burundi must increase refinancing rates, enforce reserve requirements for commercial banks, and tighten supervision of the financial sector. Most alarming, in 1999 the government introduced a parallel official foreign exchange market, encouraging multiple currency practices. While this was no doubt done in order to fend off the need for further currency devaluations, this practice will ultimately erode the Burundian franc. If a single official foreign exchange market is not reestablished and a realistic trickling devaluation of the currency is not introduced then the already negative and worsening trade regime will collapse and balance of payment improvements will be unattainable.

Following the Arusha Peace Accords, mediator Nelson Mandela called on donors to put aside ideological differences and support the recovery of the Burundian economy. Specifically, he requested significant debt forgiveness and bilateral capital debt of Burundi has gone up. (countrywatch.com)

Donor Conference

Burundi’s donor partners have promised the government $830m to fight HIV/AIDS, reduce the debt service burden and support priority development programmes. Part of this amount was pledged at the 2001 Paris conference. This new undertaking was the outcome of a donor’s roundtable for Burundi held in Geneva on December 6th–7th. The participants, from 16 industrialised nations and 20 international organisations, reviewed the implementation of commitments made to help Burundi at the 2000 Paris conference. They also reviewed ways to reduce Burundi’s external debt and discussed the national plan to fight HIV/AIDS. (The Monitor, Kampala 6/12)
efforts to diversify into platinum when the gold price kept on downwards.

Ashanti’s flotation meant that Lonmin, the mining rump of the shrunken Lonrho conglomerate, held 33%, 47% was held by international and local investors and the state kept 20%, including the golden share. Until 1999, the company’s worldwide success and expansion across Africa was a source of national pride. Then the price of gold briefly and unexpectedly rose, just when Ashanti’s price-hedgers had (in effect) placed a bet that it would drop. The counter-parties called in payment on the margins and the firm’s share price in New York crashed from $25 to just over $2. It remains at around $3, despite sound results in each of the last six quarters.

Jonah, and others, argue that Ashanti’s value will not rise until the government sheds its golden share. The company could then seek a merger (it is rumoured to be talking to Gold Fields, once of South Africa) from a position of strength. So far, Kufuor’s government seems committed to keeping its golden share. Financial analysts suggest it could break the company, as the main obstacle to a deal currently under negotiation to restructure over five years a $250m convertible bond which falls due in 2003. If the bondholders then claim cash, rather than take equity in the company. Ashanti could face another disastrous liquidity crisis in the run-up to the 2004 elections.

Airline Crisis

Ghana Airways, the state-owned national carrier, faces its own crisis. It has built up debts of $135m and the government seems to want to revive it, using the state’s scarce resources. Similar problems confront the state-owned Ghana Commercial Bank, which became a reservoir for extra-budgetary spending by the previous government. Ministers who campaigned as economic reformers are deeply uncomfortable. The Ashanti region, heartland of Kufuor’s New Patriotic Party and (some would say) of Ghana’s pushiest businessmen, sees its goldmines as a national heirloom. Losing control of the company could be politically disastrous. And all Ghanaians identify with Ghana Airways, which has sustained its irrepressibly friendly service amid eccentric schedules and an astronomical corporate debt.

Kufuor likes to build consensus and shys of confronting public opinion. Members of his party know the crucial role played by the media—in particular by private radio stations such as Joy FM—in undermining the previous government and limiting electoral fraud by aggressive reporting during the 2000 elections. The airwaves are heating up again. Many Ghanaians remain nostalgic for the socialist principles of the independence leader, Kwame Nkrumah, and believe that over two decades, the World Bank has imposed too much liberalisation, not too little. The result is a country and people highly indebted, more vulnerable to the vagaries of world markets and almost as poor as before.

Victor Selormey, the portly Deputy Finance Minister in the Rawlings government, was sentenced to eight years in prison on December 8th for diverting $1.3m of public money. However, as cases drag on through the courts, bad policies are being blamed as widely as corruption for the economic collapse under Jerry Rawlings. Many of the recent investors in Ghana have been from south-east Asia, where high corruption often accompanies high economic growth and nationalist sentiment.

Popular pressure is mounting on Kufuor to turn on the government taps again, to ease hardship and develop a more specifically Ghanaian kind of growth. World Bank and IMF-schooled economists in Accra warn that opening up public spending will shake the currency and send interest rates spiralling again. Kufuor is six foot five inches tall (or 192.5 centimetres) and known as the “gentle giant.” The thought of this could send potential investors scurrying elsewhere. (Africa Confidential 21/12) Cyanide spill furore p. 14961C

NIGER End to Slavery?

The problem of forced labour will finally be tackled.

For the first time in its history, Niger has decided to do something about the problem of forced labour and slavery, two problems endemic to this part of Africa. These problems are intertwined with the history of Niger and the fact that 80% of its 11 million population live in rural areas, largely concentrated in the southern part of the country.

Under the auspices of the International Labour Organisation (ILO), Niger has just held a national conference on the subject of forced labour and slavery, reports African Business. The country’s traditional chiefs were persuaded to do away with all forms of the practice which particularly affects children and persists in several parts of the country.

To indicate their commitment in carrying out an ambitious programme of reform, the chiefs asked the ILO and other international organisations to provide them with the appropriate materials—audio-visual resources—to inform people of the problem of forced labour throughout this huge country.

The landlocked arid country that is Niger, located on the southern border of the Sahara, also got some good news from the World Bank. At the end of an assessment of the country’s economic progress, the Bank has decided to approve public expenditure adjustments worth $70m.

Two-thirds of Nigerians live below the poverty line, and per capita GDP stands at just $200. Niger is one of the poorest countries in sub-Saharan Africa, and is largely dependent on external aid, estimated at $170m in 2000, or 8.6% of its total GDP of $2.1bn. Foreign debt stood at $1.6bn as of January 1st, 2000.

According to a World Bank report published on November 21st, the government of Niger has made recent progress in better mobilising revenue, managing spending, and implementing key structural reforms. As a result, the World Bank has chosen to undertake a number of measures to allow Niger to make further economic progress. For example, implementation of the Enhanced Highly Indebted Poor Countries Initiative, should translate into debt relief of some 54% of the country’s foreign debt stock, or $864m.

Education Up

A progress report on the World Bank’s Country Assistance Strategy (CAS) proposes that over the next 12 months, “lending and non-lending programmes continue with the goals of the previous CAS,” which boils down to pursuing fewer and more realistic priorities with focus on poverty reduction through human capital development with an emphasis, in turn, on education and health. The new CAS will also give priority to improved infrastructure management, in particular water, and also private sector development to assist Niger in expanding economic relations with its neighbours and the world at large.

The World Bank also praised Niger for its progress in education, which has seen primary school enrolment rise from 27% in 1995–96, to an estimated 34% in 1999–2000. The increase is largely due to the World Bank’s support in the recruitment of teachers but also cites other inputs, among them more teacher training, a greater num-
The World Bank report also says it will continue to encourage a second aspect of Niger’s positive performance during the new CAS: the provision of health care. The Bank says that health service quality “has benefited from investments in training, essential drugs and other medical inputs.”

Another result of the World Bank’s positive assessment of Niger’s recent performance has been a decision to disburse a Public Expenditure Adjustment Credit—which includes a 10-year grace period—worth $70m, which will be paid in two installments.

“The credit,” according to the World Bank, “is designed to provide timely support necessary for the government’s programmes, by disbursing the first $30m tranche as soon as the project becomes effective, with the second tranche to be released upon continued satisfactory performance in macroeconomic management.” (African Business, January 2002)

NIGERIA
Union Leader Arrested
Tensions run high over a fuel strike against increased prices; Abacha’s millions are returned; the malaise of poverty is rising.

Police in Nigeria arrested Adams Oshiomole, the leader of the National Labour Congress (NLC), the umbrella trade union movement, after a banned national strike against fuel price increases paralysed several cities on January 16th.

Mr Oshiomole was whisked away by police using tear gas to scatter a rally of workers in Abuja, the federal capital. The arrest of the charismatic and ambitious trade union leader, who was later released on bail, signals an escalation in the long dispute between the NLC and President Olusegun Obasanjo over government plans to deregulate the downstream fuel sector, and end annual fuel subsidies of up to $2bn (£1.3bn) through incremental price increases.

Government ambitions to open up Nigeria, Africa’s leading oil producer and most populous nation, to run refineries privately largely depend on its ability to push deregulation through.

The strike against an 18% rise in petrol and diesel prices comes at a time of worsening religious and ethnic violence and growing political uncertainty.

Three years after he came to power in elections that brought an end to 15 years of military rule, Mr Obasanjo is still struggling to win public backing for a reform programme aimed at ironing out inherited distortions in the state-dominated economy and limiting patronage.

Efforts to stamp out rampant corruption have been largely ineffectual, and an IMF programme lapsed in October 2001. The country’s complex ethnic and religious divisions have frequently erupted into conflict.

Earlier threats by the government to use the security forces to prevent the strike went unheeded as mobs blockaded streets in Lagos, the commercial capital and main port, and forced the closure of banks, schools and even street markets. Work in other cities also halted.

The issue of fuel deregulation has proved a rallying point for the NLC, eager to reassert its influence after a brutal chapter of repression under the military. The NLC successfully forced Mr Obasanjo to climb down from a 50% fuel price rise in 2000 when protests turned to riots that paralysed the economy for several days. Despite protracted talks between the government and unions since, and the joint elaboration of a strategy to ease in measures to deregulate and improve fuel supplies, the NLC has remained intransigent. (The Financial Times, London 17/1)

$168m Returned
The family of the late head of state Gen. Sani Abacha has returned $168m or N1.9bn to the Federal Government in compliance with the 2001 judgement of a London court.

Abacha, who ruled Nigeria from 1993 until his death in 1998, has been accused of embezzling some $3bn while in power. “The family of the late head of state paid back to the federal government the sum of N1.9bn” President Olusegun Obasanjo’s spokesman Tunji Oseni said in a statement.

Britain’s Financial Services Authority had found that 23 London banks had handled $1.3bn on behalf of Abacha’s family and friends. Swiss authorities have frozen $550m in accounts allegedly belonging to Abacha, his eldest surviving son Mohammed, widow Mariam, brother Abdulkarim and entourage. (Financial Times, London 4/1)

Poor Nation Status
The Vanguard (Lagos) reports that the International Fund for Agricultural Development (IFAD) has declared Nigeria one of the 20 poorest countries. It has also lent the country $30m as a soft loan to combat poverty.

Speaking on the eve of his first official visit to Nigeria recently, IFAD President, Lennart Barge, said Nigeria, adjudged Africa’s most populous nation, faces a tough choice of reversing the country’s ranking among the world’s poorest. “As one of the poorest countries in the world, Nigeria has to put up with a worsening poverty particularly among the rural communities.

“With its young democracy, a population of 125m people made up of 250 ethnic groups, diverse languages and religious faiths, she faces enormous challenges today,” Barge stated. A breakdown of the indices by the president of IFAD indicates that “about 72% of the population is now classified as poor and more than 35% of the population are living below poverty level. “Poverty is particularly widespread in rural areas where 40% of the rural population live below the poverty line.”

“More than 50% of the population does not have access to safe water and 10% of the population (or 12m people) are undernourished, 35% of children under five years old are underweight and 42% are stunted compared to 30% and 41% respectively in sub-Saharan Africa.”

Malnutrition was singled out as a more threatening malaise because “more than 5% of the rural population are affected by HIV/AIDS and more than 50m also suffer from a combination of protein energy malnutrition. Barge added that “the incidence of poverty is 57% in female headed households, more than double the level of 27% recorded in male-headed households. As part of efforts to assist Nigeria in combating poverty, IFAD also signed a $30m soft loan agreement to fund a $68.5m community-based agricultural programme. (The Vanguard, Lagos 17/12) Budget debate suspended p. 15003B

SENEGAL
Casamance Ruined
Nineteen years of war have devastated the local economy.

AFP reports that the economy of Casamance is in ruins, 19 years after a rebel movement took up arms to win independence for this region in the south of Senegal, on December 26th 1982.

“Annual groundnut production has fallen from 10,000 tonnes in the 80s to 1,000 tonnes at present,” claimed one official,
who wanted to remain anonymous. He also deplored the fact that two decades of rebellion had brought poverty to one of the few parts of Senegal where food self-sufficiency was a reality.

Rice production has fallen by 66%, said the same source.

“Nowadays, the most fertile rice fields are mined,” adds Kadialy, a young man who left his village to take up a business, which he claims, brings in almost nothing.

Casamance is a region of huge agricultural potential, irrigated by a river, and benefiting from a much longer rainy season than the rest of Senegal. It abounds in fertile earth and fruit trees. It is inhabited by people who remained loyal to the land until insecurity caused by the rebellion by the Movement of Democratic Forces of Casamance (MFDC) made them leave.

The region also borders the ocean with fine sandy beaches, and luxuriant vegetation, which made it an excellent tourist region. However the flow of tourists fell after 1993, when the MFDC launched a bloody attack on the tourist village Cap-Skirring. From 43,440 in 1991, the number of visitors was just 21,888 in 2000, according to recently published figures from the Tourism Ministry.

Having fled the rich agricultural land, the Casamancais have turned more and more towards fishing on the banks of the Casamance river. This activity is seeing a resurgence of interest. But although the number of fishermen is increasing, the same is not true for production nor revenue.

For example, in the administrative region of Ziguinchor, 17,587 tonnes of fish products, worth around CFA francs 6,898bn were unloaded in 1999, compared with 15,045 tonnes, worth CFA6.215bn in 2000, according to official figures.

In the same period, the number of small boats registered by government services rose from 2,363 to 2,879.

“Fishing is a new job for the Casamancais, who are traditionally farmers,” explained Landing Diedhiou, a native of the region and president of an NGO which is trying to rehabilitate several abandoned villages. He admitted that the rebellion had brought about the appearance of a “productive Casamance,” constituted by the few areas made secure by the army and urban centres.

“There is over-exploitation of these areas,” he complained, also deploring the fact that everyone had become a shopkeeper, that a parallel economy had grown up around the cultivation and sale of Indian hemp in the areas abandoned by villagers and probably occupied by rebels.

Meanwhile the urban populations complain of having to pay the highest prices in Senegal for the main consumer goods, a situation which has worsened since the Joolo, a boat which plied between Ziguinchor and Dakar, broke down, reinforcing the region’s isolation stuck as it is between Gambia and Guinea Bissau. (AFP, Dakar 26/12)

SOUTH AFRICA
Privatisation Stalls

In spite of difficulties the state sell-off programme will continue.

The South African government and its trade union allies remain on a collision course about the business privatisation programme. This much was made clear in new year statements by President Thabo Mbeki and Willie Madishi, president of the country’s largest trade union federation, Cosatu.

Speaking for Cosatu, which is allied with the ANC in government, Madisha on January 2nd, triumphantly announced that the government’s privatisation bandwagon had been halted in the face of union opposition. Six days later, at a mass rally in Durban to celebrate the 90th anniversary of the ANC, Mbeki pledged that there would be no deviation from the government’s liberal economic orientation.

What was evident was that the union federation’s leadership was clutching at straws provided by poor market conditions as it attempted to hold together an increasingly disillusioned rank and file union membership. The government is certainly not for turning, although, as Finance Minister Trevor Manuel has stated on several occasions, it is determined that state assets will not be disposed of at “bargain basement” prices.

Public enterprises minister Jeff Radebe, who is also a member of the central committee of the Communist Party (SACP) has made clear that sales are still on, but only at the right price. The right price—R5.7bn—was obviously offered in early January for the 20% stake held by parastatal Transnet in mobile telephony operator M-Cell.

Radebe announced that the stake had been sold to a Dutch company. But this still means a considerable shortfall in the privatisation revenues expected in the current financial year.

To make up for this revenue shortfall, the government used a syndicated international loan. This short-term measure added to the external debt burden that has been exacerbated by the recent collapse in the exchange rate value of the local currency.

The fact that the state has bought back the 20% of SA Airways sold to Swiss Air (SA) is also quoted by the unions as an example of a change of policy and is labelled “re-nationalisation.” Technically, it did amount to re-nationalisation, but it was a matter of sound business practice.

The 20% of SAA was sold for a greatly inflated price because other agendas were in play. The government has been able to buy them back at bargain basement prices, almost certainly for on-selling, again at a profit.

But this could take time as the present global economic climate has ensured that a buyers’ market exists, especially in the airline industry.

A similarly depressed situation exists in the telecommunications sector where 30% of state fixed line monopoly Telkom is in private hands.

Pressure is likely to grow over coming months for less strategic assets such as holiday resort company, Aventura and diamond mine Alexkor to be brought quickly to market. But initial public offerings (IPOs) for SAA, Telkom and the 20% privatised Airports Company (Acsa) are likely to be delayed until market conditions improve.

However, Telkom should make it to market later in 2002. The preparatory work for the IPO is all but complete and the delay is starting to erode asset value.

A year ago, in US dollar terms, Telkom was valued at some $13bn. But it has no hook into mobile telephony and fixed line operators are certainly not much in favour at present. (Africa Analysis 9/1) Social service spending p. 14999A

ZAMBIA

New President’s Pledge

The economic reforms and privatisation programme of the former administration will continue.

The newly elected President Levy Mwanawasa on January 10th outlined his economic programme. He pledged to continue all economic reforms, including privatisation, saying the switch to a liberal econ-
omic system, while recording some success, had not been easy. “We have witnessed increases in poverty resulting in widespread hunger in the last 10 years of economic liberalisation,” President Mwanawasa said. “Admittedly there have been casualties manifested through company closures and job losses.”

President Mwanawasa said among the benefits were the correction of the shortages of commodities in shops in the Second Republic. “We have witnessed increases in poverty resulting in widespread hunger,” he said. President Mwanawasa said under the liberalised economic set up, the government had effected the removal of price controls, on agriculture commodities including the state’s withdrawal from the agriculture marketing and reforming the tax system.

He said there still remained serious challenges such as addressing the high levels of poverty, unemployment, food security, the HIV/AIDS scourge including the country’s massive debt burden. However, President Mwanawasa pledged to continue maintaining the sound relationship with both the IMF and the World Bank in order to help develop the nation.

He called on the IMF and the World Bank to help write off Zambia’s debt whose repayment obligations had resulted in most social sectors being denied adequate funding. President Mwanawasa observed that the last 10 years had seen the decline in the quality of social services to the public extending to the education and health sectors.

“We have learnt a number of lessons over the last 10 years and we are going to use these lessons as we chart the way forward for the nation,” he said. President Mwanawasa told a visiting IMF delegation under the liberalised economic policy experienced failures in the market especially in the agriculture sector including the inadequate supply of farming inputs to the small-scale farmers. He said a lot of attention would be put towards revamping the agriculture sector. “We have witnessed increases in hunger due to the new economic challenges,” President Mwanawasa said. “This however cannot be allowed to continue as such solutions are needed.”

Mwanawasa said his administration’s focus would now be on attaining good governance, and ensuring the stability of the economy, including attracting foreign direct investment.

An IMF mission would be returning to Zambia after a month to discuss funding prospects under the Poverty Reduction and Growth Facility. This will involve a three-year concessional funding programme. (The Post web site, Lusaka 11/1: BBC Mon.)

Economic Challenge

BBC News Online revealed that Mwanawasa, newly sworn in as president, faces huge challenges in reviving Zambia’s ailing economy.

At the time of independence in 1964, Zambia was one of Africa’s richest countries, with deep copper deposits and a healthy agricultural sector. But the economy has been ravaged by years of mismanagement and corruption, with many Zambians living on less than $1 a day.

“Zambia enjoyed the peak of its prosperity in the early 1970s,” metals analyst Tony Warwick Ching told the BBC’s World Business Report, crediting buoyant copper prices and high production levels.

From the 1960s right through to the early 1990s, under President Kenneth Kaunda, Zambia veered to the left. The country’s huge copper mines became public property, as did its farms, in an attempt to solve issues of ownership once and for all.

The result was underperformance—exacerbated by corruption at the top as Mr Kaunda’s United National Independence Party made Zambia’s de facto one-party state into the law of the land. The debts built up as the country got poore.

By 1990, amid food riots across the country, it was time for a change, with Frederick Chiluba’s Movement for Multiparty Democracy (MMD), coming to power in 1991.

The result was the most sweeping economic liberalisation programme in Southern Africa, raising hopes that foreign investment would begin to flow back, and a stranded economy be reinvigorated.

The government agreed to a reform wish list drawn up by the IMF with a view to getting speedy debt relief. Copper and agriculture held the promise of a return to economic health, but current low copper prices may make it unlikely that the country will reap the same rewards from increased production as it did previously.

Leading presidential candidate Anderson Mazoka was previously head of Anglo American in Zambia.

The country’s biggest company, Anglo American was responsible for making Zambia the world’s leading copper producer before its mines were nationalised in the 1960s.

The state owners found it difficult to maintain the same level of investment in the mines—which have now found their way back into private ownership.

“It is such a central part of the Zambian economy that they must continue to nurture the newly privatised industry and do everything to encourage people’s demand for Zambian copper,” Simon Paton, general secretary of the Wrought Copper Council told the BBC’s World Business Report.

In some cases, the economic reform introduced by the Chiluba administration has brought as many problems as benefits.

Certainly, the gates have opened to imports, with South African goods leading the pack.

But, with the currency meltdown in neighbouring Zimbabwe, Zambian traders have seen import prices collapse, driving indigenous goods off the market.

Debt relief finally arrived in 2001, and $3.6bn of the total $6.5bn debt is to be forgiven as long as the savings go on anti-poverty programmes.

In any case, it will take some time to make any impact on levels of social, health and education spending which leave the three quarters of Zambians living on less than $1 a day completely on their own.

Zambia’s problems have been compounded by floods which have wiped out a large proportion of the crop, coinciding with a shortfall of grain—particularly the country’s main staple, maize—across Southern Africa. (BBC News Online 2/1: Monetary policy tightened p.15009B)

---

<table>
<thead>
<tr>
<th>Zambia Economic Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population (2000):</strong> 10.1m</td>
</tr>
<tr>
<td><strong>Average annual pop. growth:</strong> 2.4%</td>
</tr>
<tr>
<td><strong>Poverty (of pop. below national poverty line):</strong> 73%</td>
</tr>
<tr>
<td><strong>GDP (bn):</strong> 1999 3.1 2000 2.9</td>
</tr>
<tr>
<td><strong>GDP (average annual growth):</strong> 2% 3.5%</td>
</tr>
<tr>
<td><strong>Domestic prices (% change):</strong> 26.8% 30.1%</td>
</tr>
<tr>
<td><strong>Trade (Sm):</strong> Copper 372 445, Cobalt 95 76, Manufactures 189 175, Total imports (cif) 871 1008, Food 0 9, Fuel and Energy 115 177, Capital goods 253 293</td>
</tr>
<tr>
<td><strong>External Debt (Sm):</strong> Total outstanding debt 5,853 5,607, Total debt service 331 329</td>
</tr>
</tbody>
</table>

(Source: World Bank web site)
ZIMBABWE
SADC Shrinks From Sanctions

Southern African countries will not follow the EU and US moves to impose sanctions against the Mugabe regime.

Southern African leaders called for a free and fair presidential election in Zimbabwe on January 14th but made it clear that they are not prepared to follow the European Union and Washington in threatening sanctions against Robert Mugabe’s regime.

The one-day meeting in Malawi of leaders from 14 countries was focused mainly on the Zimbabwe crisis, testing and leaders’ newly proclaimed desire to take responsibility for resolving their continent’s problems.

But their desire not to upset Mr Mugabe was made evident by the deportation of four Zimbabwean human rights activists who planned to lobby the meeting about the political murders and violence committed by their government.

The Malawian president, Bakili Muluzi, opened the Southern African Development Community (SADC), summit in Blantyre by urging Zimbabwe to run a clean election in March.

“As the date of the presidential election in Zimbabwe has been announced, we are all very hopeful that the elections will be peaceful, free, fair and transparent,” he said.

But he gave no hint of criticism of the violence and the political crisis in Zimbabwe, and said the rule of its neighbours would be limited to offering advice.

“I believe that our duty as SADC will be to listen and offer advice where we feel it is necessary to do so,” he said.

The presidential candidate of the Movement for Democratic Change opposition, Morgan Tsvangirai, called on the meeting to impose sanctions on Zimbabwe, saying that two years of “softly-softly” diplomacy had failed to curb Mr Mugabe’s abuses.

The MDC wants the overseas bank accounts of Mr Mugabe, his cabinet and leaders of his party, Zanu-PF, frozen immediately, and a petrol, transport and electricity blockade to be imposed by South Africa.

“South Africa, which is the most influential regional partner for Zimbabwe, I think will have to go it alone,” said Mr Tsvangirai.

But South Africa has said it does not believe sanctions are an option. It says they would do more harm than good, and that the onus is on ordinary Zimbabweans to lead the campaign to unseat Mr Mugabe.

The British Prime Minister, Tony Blair spoke to the president of South Africa, Thabo Mbeki, about the crisis on January 12th, the day after the EU gave Zimbabwe a week to commit itself in writing to a free election, including the presence of foreign monitors and journalists, or face sanctions.

A South African official said Mr Blair urged Mr Mbeki to take a tougher line and not to be persuaded by Mr Mugabe’s claim that he is a victim of neo-colonial interference aimed at blocking land reform.

But Pretoria says Mr Mbeki is frustrated by being unfairly landed with a problem largely of Britain’s making. (The Guardian, London, 15/1) Eviction notice p. 15001

BUDGETS

ALGERIA

Budget 2002

(Dinars 100 = £0.88/$1.28/€1.46)

Education and Defence take the lion’s share of spending in this budget, based on an optimistic oil price assumption.

President Abdelaziz Bouteflika signed the 2002 budget on December 23rd which is based on a barrel of oil selling at $22 on average. It also plans for a deficit which is equivalent to 2.39% of GDP, the official Algerian news agency, APS, announced.

Revenue will be up by 3.8% to Dinars 1,457.75bn (Euros, €22.2bn) with expenditure up 7.4% to amount to D1,559.85bn.

The major part of income will come from oil revenue taxation with D916.4bn (€14bn). 98% of Algeria’s income comes from sales of oil and gas.

The assumption of an average of $22 a barrel—the 2001 price—when actual prices are around $19 has worried some. Earlier Finance Minister Mourad Medelci admitted that a supplementary budget may be needed if oil prices fall below a certain level. He was responding to Parliamentary criticism of the oil price figure which is considered unrealistic by many analysts given the possibility of global recession.

The Finance Minister said that the budget was drafted prior to the September 11th terrorist attacks on the United States, but that any dramatic fall in oil prices or weakening of the US Dollar (the budget assumes a rate of D78 to the US dollar) could be offset by Income Regulation Fund (FRR) reserves and/or budget cuts.

It is thought that the impact of any reductions in spending would fall most heavily on the equipment budget and the economic growth stimulation package, says the Magreb Weekly Monitor.

Senior officials told APS that even if the more realistic oil price of $19 prevailed, it would still be possible to carry out the budget as long as it was applied with rigour.

Defence takes the lion’s share of spending with over D167bn followed by education with over D158bn.

New spending programmes, in addition to the economic stimulation plan, include the extension of gas, water, and electricity services, school and university construction, the refurbishment of sports and youth facilities, and the creation of 25,000 jobs in the social services and education sectors.

The State will also build 15,000 public housing units and a further 30,000 dwellings to be made available under a hire-purchase scheme. In another move related to budgetary planning, President Abdelaziz Bouteflika has decided to increase the funding of the Southern Algeria Development Fund to 2% of oil taxation revenue. (Magreb Weekly Monitor, 25/11. Agence France Presse 24/12) 2001 budget p. 14579

BENIN

Budget Delay

(100 CFA francs = £0.09/$0.13/€0.15)

An argument over funds for parliament has blocked the finance bill.

The parliament of Benin approved a “provisional” continuation of the 2001 budget to allow the state to continue to access revenue and carry out spending for the month of January 2002. A bill, unanimously voted in as matter of urgency on the night of December 31st, authorises budgetary activity.

The national assembly was unable to approve the budget proper before the end of 2001 because of the disagreement over the budget for parliament itself. It had agreed a figure which was 111.57% of the previous year’s but the government wanted it revised downwards.

The general state budget submitted to par-
African Currencies

<table>
<thead>
<tr>
<th>Country or Area</th>
<th>Local Unit</th>
<th>Value of Sterling</th>
<th>Value of Dollar</th>
<th>Value of Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Dinar</td>
<td>112.57</td>
<td>78.01</td>
<td>69.48</td>
</tr>
<tr>
<td>Angola</td>
<td>Kwanza</td>
<td>46.34</td>
<td>32.11</td>
<td>28.60</td>
</tr>
<tr>
<td>Botswana</td>
<td>Pula</td>
<td>9.84</td>
<td>6.82</td>
<td>6.07</td>
</tr>
<tr>
<td>Burundi</td>
<td>Burundi Franc</td>
<td>1247.39</td>
<td>864.44</td>
<td>769.96</td>
</tr>
<tr>
<td>Comoro Islands</td>
<td>Comoro Franc</td>
<td>795.72</td>
<td>551.44</td>
<td>488.19</td>
</tr>
<tr>
<td>DR Congo</td>
<td>Congolese Franc</td>
<td>472.58</td>
<td>327.50</td>
<td>291.70</td>
</tr>
<tr>
<td>Djibouti Rep.</td>
<td>Djibouti Franc</td>
<td>245.31</td>
<td>170.00</td>
<td>151.41</td>
</tr>
<tr>
<td>Egypt</td>
<td>Egyptian £</td>
<td>6.62</td>
<td>4.59</td>
<td>4.08</td>
</tr>
<tr>
<td>Eritrea</td>
<td>Nakfa</td>
<td>12.19</td>
<td>8.45</td>
<td>7.52</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Ethiopian Birr</td>
<td>12.19</td>
<td>8.45</td>
<td>7.52</td>
</tr>
<tr>
<td>Franc Zone*</td>
<td>CFA Franc</td>
<td>1062.70</td>
<td>736.46</td>
<td>655.95</td>
</tr>
<tr>
<td>Gambia</td>
<td>Dalasi</td>
<td>25.26</td>
<td>17.51</td>
<td>15.59</td>
</tr>
<tr>
<td>Ghana</td>
<td>Cedi</td>
<td>10692.60</td>
<td>7410.00</td>
<td>6600.11</td>
</tr>
<tr>
<td>Guinea</td>
<td>Guinean Franc</td>
<td>2428.28</td>
<td>1960.00</td>
<td>1745.78</td>
</tr>
<tr>
<td>Kenya</td>
<td>Shilling</td>
<td>113.37</td>
<td>78.57</td>
<td>69.98</td>
</tr>
<tr>
<td>Liberia</td>
<td>Liberian $</td>
<td>1.44</td>
<td>1.00</td>
<td>0.89</td>
</tr>
<tr>
<td>Libya</td>
<td>Libyan Dinar</td>
<td>1.88</td>
<td>1.30</td>
<td>1.16</td>
</tr>
<tr>
<td>Madagascar</td>
<td>Malagasy Franc</td>
<td>9352.08</td>
<td>6481.00</td>
<td>5700.48</td>
</tr>
<tr>
<td>Malawi</td>
<td>Kwacha</td>
<td>96.99</td>
<td>67.22</td>
<td>59.87</td>
</tr>
<tr>
<td>Mauritania</td>
<td>Ouguiya</td>
<td>388.90</td>
<td>269.51</td>
<td>240.05</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Maur. Rupee</td>
<td>43.65</td>
<td>30.25</td>
<td>26.94</td>
</tr>
<tr>
<td>Morocco</td>
<td>Dirham</td>
<td>16.59</td>
<td>11.50</td>
<td>10.24</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Metical</td>
<td>33008.60</td>
<td>22875.00</td>
<td>20374.80</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Naira</td>
<td>165.44</td>
<td>114.65</td>
<td>102.19</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Rwandan Franc</td>
<td>655.98</td>
<td>454.60</td>
<td>404.37</td>
</tr>
<tr>
<td>Sao Tome e Principe</td>
<td>Dobra</td>
<td>12924.90</td>
<td>8957.00</td>
<td>7960.36</td>
</tr>
<tr>
<td>Seychelles</td>
<td>Sey. Rupee</td>
<td>8.10</td>
<td>5.61</td>
<td>5.00</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Leone</td>
<td>3277.47</td>
<td>2271.29</td>
<td>1996.06</td>
</tr>
<tr>
<td>Somali Republic</td>
<td>Som. Shilling</td>
<td>3780.66</td>
<td>2620.00</td>
<td>2336.63</td>
</tr>
<tr>
<td>South African Rand†</td>
<td>Rand</td>
<td>16.54</td>
<td>11.46</td>
<td>10.21</td>
</tr>
<tr>
<td>Sudan</td>
<td>Sudan Dinar</td>
<td>373.30</td>
<td>258.70</td>
<td>230.42</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Shilling</td>
<td>1324.67</td>
<td>918.00</td>
<td>817.66</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Tun. Dinar</td>
<td>2.10</td>
<td>1.46</td>
<td>1.30</td>
</tr>
<tr>
<td>Uganda</td>
<td>Shilling</td>
<td>2518.04</td>
<td>1745.00</td>
<td>1554.28</td>
</tr>
<tr>
<td>Zambia</td>
<td>Kwacha</td>
<td>5844.17</td>
<td>4050.00</td>
<td>3607.37</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Zimbabwe $</td>
<td>80.01</td>
<td>55.45</td>
<td>49.38</td>
</tr>
</tbody>
</table>

* Franc Zone in Africa includes Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Republic, Cote d’Ivoire, Equatorial Guinea, Gabon, Guinea-Bissau, Mali, Niger, Senegal, Togo.
† South African Rand Parity includes Lesotho Maloti, South Africa, Namibian Dollar, Swaziland Emalangeni.

1 Egypt’s Central Bank devalued the currency on January 14th (p. 15043)

(Continued on page 472)

Budget 2002

(Burma 100 = £0.09/$0.13/€0.15)

Fighting poverty is the theme of the budget but critics say a small minority are getting richer while others get even poorer.

The country plans for CFA515.5bn in revenue compared with 438.4bn in 2001, an increase of 17.5%. At the same time spending, also up, is to reach CFA578.3bn compared with 486.4bn in 2001, an increase of 18.9%. For 2002 therefore, the country’s budget amounts to CFA628.2bn compared with 48bn in 2001, up by 31%.

The Congress for Democracy and Progress (CDP, in the majority) emphasised the “social character” of the budget. It was pleased that “42.85% of budgetary allocations go to the social ministries to build schools, dispensaries, to recruit teachers, doctors...” for its part the Democracy and Progress Party (PDP, opposition) which voted against the budget, criticised the country for being “a good pupil of the IMF and the World Bank with leaders who’ve managed to impose the worst liberal and antisocial measures of structural adjustment on their people.” It also spoke out against the “exponential enrichment of a minority while the majority are experiencing continuous impoverishment.”

The United Nations Development Programme (UNDP) says that 45% of the population lives below the poverty line, estimated at CFA72,690 per adult per year. (Agence France Presse 21/12, 2000 budget p. 14137)

Central African Republic

Budget 2002

(Burma 100 = £0.09/$0.13/€0.15)

The fall-out from the abortive coup of May 2001 is still being felt.

On January 15th parliament adopted the budget which is fixed in revenue at CFA134.3bn, in spending at 158.5bn and with a deficit, therefore, of 24.2bn, national radio announced. The provisional shortfall, 55% up on 2001’s, shows the increasing dependency of the CAR on external partners at the end of a year characterised by serious politico-military instability.

African Research Bulletin – 15039
Estimates of income from the country’s own resources amount to CFA75.8bn (+6%) while external funding—either as grants or loans—amounts to CFA58.5bn.

The authorities are expecting increased revenue from a rise in direct and indirect taxation—respectively up by 17.21% and 25.4%, thanks to widening of the tax base, improving the performance of financial regimes and raising certain duties.

The budget, which was adopted nearly unanimously by the deputies present both from the majority and from the opposition, also includes a rise of 23% in repayment of debt servicing. In October 2001 the country signed an interim six-month programme with the International Monetary Fund (IMF, p. 14972) which is intended to lead to the conclusion of a three year agreement in March, 2002. The previous budget had to be revised downwards by 31% at the end of September 2001 (p. 14935B) due to the economic consequences of the foiled coup of May 28th (p. 14788).

Finance Minister Eric Sorongope said his budget was built on “very damaged growth projections . . . the country is still facing numerous problems which are the extremely high level of indebtedness both internal and external and the inadequate level of fiscal and customs revenue in relation to unavoidable expenditure,” he declared in early January. During the budget debate, opposition deputy Abel Goumba criticised the 42% increase in the budget for the presidency, partly due to a wage rise for staff. Some ministries also received substantial rises—+43% for Finance and +25% for Defence. During the debates many deputies also said they would like in future to be able to examine the execution of previous budgets before voting in a new one. (Agence France Presse, Afrik.com 1/5) Budget 2000 p. 14248, 2001 Budget slashed p. 14935

THE GAMBIA

Budget 2002
(Dalasis 10 = £0.39/$0.57/€0.84)

An increasing debt burden and falling tourism revenue provide the background for 2002’s budget.

The secretary of state for Finance and Economic Affairs, Famara Jatta, in his 2002 budget speech revealed that the total consolidated revenue for the year 2002 is projected at D1.4bn and expenditure forecast at D1.5bn.

Mr Jatta said the revenue forecast for the year 2002 had been influenced by the out turn in 2001 and the anticipated economic performance of year 2002. He explained that the anticipated revenue for 2002 which was 7.6% higher than the target of D1.3bn in 2001, comprised a tax revenue of slightly over D1bn, grants of D247m, D98.3m of government service charges and the balance of D64.9m is accounted for by repayments of loans, interest dividends and property income plus pensions contributions.

He noted that the expenditure forecast of D1.5bn in 2002 would comprise D1.2bn of recurrent expenditure and capital expenditure and a net lending budget of D324m.

Mr Jatta said the government would review the following rates with effect from January 1st 2002 as part of efforts to strengthen and further consolidate government’s revenue base. The admission rate for legal practitioners has been raised from D150 to D250. Transport allowances for civil servants are increased from D150 to D250 per month. There is a 6% across the board salary increase to help retain skilled staff following a wage freeze for senior personnel in 2001. The fees on casinos are raised from D250,000 to D350,000 per premises. Gaming and amusement fees increased from D125,000 to D250,000 per premises. Expatriate tax is reduced from D20,000 to D10,000. Revenue tax on new vehicles from 1000 cc to 2000 cc is reduced from 20% to 15%. 2000 cc and above is also reduced from 35% to 25%. (Daily Observer, Banjul 1/12)

2001 Economy

Looking back at the domestic economy in 2001, Mr Jatta said that the Dalasi came under a lot of pressure losing considerable ground against major international currencies, recording an overall depreciation of 8.4% in nominal terms against a composite basket of currencies, by end of September 2001 compared to December 2000.

Jatta noted that the exchange rate of the Dalasi fell by 12.4% against the US dollar and 5% against the British pound sterling. The deprecation, he said, was more pronounced in the parallel market where the local currency fell against the dollar and the pound by 13.1% and 13.7% respectively.

“The pressure on the Dalasi could be attributed to the poor performance of the tourist industry, reduced cross-border trade and serious difficulties in the marketing of groundnut. This was also coupled with the strengthening of the dollar in the international market,” he pointed out.

On the national debt, Jatta highlighted that the Gambia’s external debt rose from US$362m in 1994 to an alarming amount of US$401.8m in 2000, 11% in just five years.

The external debt is estimated to reach US$378m in 2001,登记ing a decline of 5.7% from US$401.8m in the preceding year” he said. He declared that the debt burden was no longer sustainable, and it was “hampering our efforts to alleviate poverty proven by the debt service to budget ratio, which at present stands at 30%.”

Jatta added that the domestic debt burden had been increasing to alarming proportions and was now of utmost concern because of its negative impact on interest rates and subsequently lower investment from the private sector.

He was more upbeat about success in education where the government’s commitment to the provision of nine years of uninterrupted basic education for all had led to an increase in school places.

Currently, he said, over 400 hundred students are enrolled at the University of The
He said as part of efforts to improve the industry, the government launched a project to light up the tourism development area with a 4.5m electrification project jointly funded by the government, the Gambia Hotel Association and Gamworks. He further disclosed that modalities are underway to upgrade The Gambia Hotel School to a higher level training institution with an expanded curriculum, covering various aspects of the sector. The Gambia Hotel School to a higher level training institution with an expanded curriculum, covering various aspects of the sector.

The success of fishing would be consolidated with an increase of R1.0m in fuel incentive for fishermen. In addition, a three-year fishing protocol has been signed between the European Union (EU) and the Seychelles Government, for an amount of Euro 3.48m which provides for:

(i) €1.23m for the development of local fisheries;
(ii) €1m for the setting up and development of a monitoring control and surveillance system, including appropriate technical assistance; and
(iii) €1.25m for training courses, scientific and technical programmes aiming at greater knowledge of fish stocks.

The government is fully committed to the setting up of a Seychellois-owned tuna fishing fleet. Discussions are well advanced towards finalising the various components of this project.

Oil is also a significant contributor to the economy.

The Seychelles Petroleum Company (SEPEC) in recent years has significantly boosted the country’s foreign exchange receipts through re-exports of petroleum products. From R169m in 1999, Seychelles generated a record R357m in petroleum re-exports in 2000.

By the end of 2003, the fuel import bill of the country will be fully met by proceeds from re-exports, estimated at $30m, thereby releasing additional foreign exchange that is now being provided by SEPEC to commercial banks for the benefit of the broader business community and the nation as a whole.

To add to this achievement, the company will, in July 2002, commission the launch of a new and modern oil tanker, which will further enhance Seychelles’ foreign earnings capacity.

A shortage of foreign continues to pose problems and bankers have been meeting to find ways of sharing out more rationally between travel needs and goods’ importation. Discussions are also under way to restructure the foreign debt and domestic debt. (Seychelles Nation 15/1) Crisis or difficult period? p. 14891

Gambia in faculties such as Humanity and the Social Sciences, Science and Agriculture. Economics and management, science, and medicine and allied sciences are studied.

Lamenting the state of the Tourism sector, Jatta said it had dropped by 18% and in response to this the government had embarked on a special programme aimed at expanding the market both in terms of source and reach.

### Nigeria State Budgets 2002

<table>
<thead>
<tr>
<th>State</th>
<th>Recurrent Expenditure</th>
<th>Capital Expenditure</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rivers</td>
<td>23.488</td>
<td>40.462</td>
<td>–</td>
</tr>
<tr>
<td>Akwa Ibom</td>
<td>12.570</td>
<td>41.302</td>
<td>–15</td>
</tr>
<tr>
<td>Bayelsa</td>
<td>34.866</td>
<td>18.002</td>
<td>+8.3</td>
</tr>
<tr>
<td>Lagos</td>
<td>15.304</td>
<td>13.233</td>
<td>+26.4</td>
</tr>
<tr>
<td>Ondo</td>
<td>8.20</td>
<td>10.70</td>
<td>–</td>
</tr>
<tr>
<td>Gombe</td>
<td>6.803</td>
<td>11.406</td>
<td>+41.65</td>
</tr>
<tr>
<td>Enugu</td>
<td>9.988</td>
<td>8.112</td>
<td>+8.5</td>
</tr>
<tr>
<td>Cross River</td>
<td>9.231</td>
<td>8.49</td>
<td>+10.1</td>
</tr>
<tr>
<td>Ebonyi</td>
<td>7.369</td>
<td>4.782</td>
<td>+16.1</td>
</tr>
<tr>
<td>Kebbi</td>
<td>7.140</td>
<td>10.876</td>
<td>–</td>
</tr>
<tr>
<td>Benue</td>
<td>11.752</td>
<td>23.109</td>
<td>+2</td>
</tr>
<tr>
<td>Kwarra</td>
<td>10.49</td>
<td>8.01</td>
<td>–</td>
</tr>
<tr>
<td>Yobe</td>
<td>4.86</td>
<td>12.07</td>
<td>–</td>
</tr>
<tr>
<td>Katsina</td>
<td>6.86</td>
<td>9.95</td>
<td>–</td>
</tr>
<tr>
<td>Edo</td>
<td>13.23</td>
<td>18.94</td>
<td>–</td>
</tr>
<tr>
<td>Anambra</td>
<td>15.325</td>
<td>9.857</td>
<td>+15.6</td>
</tr>
<tr>
<td>Imo</td>
<td>13.248</td>
<td>10.645</td>
<td>+13.5</td>
</tr>
<tr>
<td>Kano</td>
<td>10.266</td>
<td>25.288</td>
<td>–</td>
</tr>
<tr>
<td>Taraba</td>
<td>5.7</td>
<td>5.8</td>
<td></td>
</tr>
<tr>
<td>Borno</td>
<td>12.437</td>
<td>12.11</td>
<td>–</td>
</tr>
<tr>
<td>Sokoto</td>
<td>6.8</td>
<td>9.2</td>
<td>–</td>
</tr>
<tr>
<td>Plateau</td>
<td>10.616</td>
<td>5.380</td>
<td>–</td>
</tr>
<tr>
<td>Ogun</td>
<td>13.1</td>
<td>10.</td>
<td>+12.6</td>
</tr>
</tbody>
</table>

### Lack of Funds

Finance Minister, Malam Adamu Ciroma, has said that the Federal Government had implemented up to 62% of the 2001 budget at the close of the financial year. The outstanding 38%, he said, was affected by lack of funds.

He explained that as a result of shortfall in oil revenue, which affected the overall capital receipts, the majority of the ministries were only given their capital allocations for the first two quarters of 2001. “The level of implementation is over 62%. That is if you combine the 2001 budget, the medium one and the supplementary,” he said.

The minister denied allegations that the Ministry of Defence overshot its budget by about N30bn, saying that all releases to the ministry were based on approvals contained in the main budget itself, the supplementary and another approval for the purchase of an aircraft.

He attributed the non-implementation of the entire supplementary budget to the shortfall in expected revenue, especially in the aftermath of the September 11th attacks on the United States, which affected oil prices worldwide.

### SEYCHELLES Budget 2002

<table>
<thead>
<tr>
<th>Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 = £0.12/$0.17/€0.20</td>
</tr>
</tbody>
</table>

Fishing and tourism still provide the backbone of the economy but the government is making efforts to diversify.

Vice-President and Minister for Finance, Mr James Alix Michel, delivered the budget speech to the national assembly on January 14th; the Seychelles Nation reported. He said that pensions would be increased and favourable loans for the purchase of government houses at a discount provided in the new budget. He also outlined support for improvement in water supply, creation of more jobs, new opportunities for skills acquisition, more funding for overseas training, small businesses, access to financing, lowering of inflation, and measures to bring in more foreign exchange.

He pointed out that despite the international turbulence in 2001 the Seychelles economy showed signs of further stabilisation with tourism and fishing being “the catalysts for growth.” Efforts would continue, however, to promote other industries with particular focus on forex generation (export and forex saving (import substitution) activities.

The government is fully committed to the setting up of a Seychellois-owned tuna fishing fleet. Discussions are well advanced towards finalising the various components of this project.

Oil is also a significant contributor to the economy.

The Seychelles Petroleum Company (SEPEC) in recent years has significantly boosted the country’s foreign exchange receipts through re-exports of petroleum products. From R169m in 1999, Seychelles generated a record R357m in petroleum re-exports in 2000.

By the end of 2003, the fuel import bill of the country will be fully met by proceeds from re-exports, estimated at $30m, thereby releasing additional foreign exchange that is now being provided by SEPEC to commercial banks for the benefit of the broader business community and the nation as a whole.

To add to this achievement, the company will, in July 2002, commission the launch of a new and modern oil tanker, which will further enhance Seychelles’ foreign earnings capacity.

A shortage of forex continues to pose problems and bankers have been meeting to find ways of sharing out more rationally between travel needs and goods’ importation. Discussions are also under way to restructure the foreign debt and domestic debt. (Seychelles Nation 15/1) Crisis or difficult period? p. 14891
FINANCE AND MARKETS

BURKINA FASO

IMF Approval

A cautious but broadly positive assessment informs the IMF’s decisions in relation to Burkina.

The Executive Board of the International Monetary Fund (IMF) has given its final approval of the fourth review under the Poverty Reduction and Growth Facility (PRGF) arrangement for Burkina Faso.

The final decision by the IMF Executive Board was adopted further to a decision by the Executive Board of the World Bank on December 6th 2001, which concluded that Burkina Faso’s Poverty Reduction Strategy Paper progress report provides a sound basis for World Bank concessional assistance.

The completion of the fourth review releases immediately a disbursement of an amount equivalent to SDR5.59m (about US$7m) under the PRGF arrangement. (IMF December)

The promise of a bumper cotton crop should ensure greater forex inflows, but the government and the IMF have agreed to delay movement toward the final stage of the highly indebted poor countries initiative (HIPC) debt write-off process. All conditions to qualify under the enhanced HIPC initiative have been met, but because of a substantial drop in the country’s exports, there is still a possible case for additional assistance, says Africa Analysis.

In the light of this, the IMF directors and the government agreed to postpone the request for consideration of the completion point document under the enhanced HIPC initiative until March 2002. (Africa Analysis 14/12) IMF review p.14861

DEMOCRATIC REPUBLIC OF CONGO

EU Aid to Resume

Major development partners are showing signs of optimism about the country—as long as the peace process stays on track.

European Union leaders committed themselves on December 14th to the resumption of development aid to the DRC. Belgian Foreign Minister Louis Michel told reporters in Brussels.

Heads of state and government, meeting in the royal castle of Laeken, near the centre of Brussels, agreed to sign a document in early January that would pave the way for aid flows to Kinshasa. Diplomats told IRIN the measure ended “the long and very tense discussions” between Belgium and France, which favoured the resumption of aid, and the European Commission and Britain which wanted aid withheld until the Inter-Congolese dialogue had truly commenced. The mechanism, which allows for disbursements from the European Development Fund (EDF) is called the Indicative National Programme. EU ministers of foreign affairs, meeting earlier, were unable to arrive at an agreement. Euros 205m have been earmarked from the ninth EDF.

The EU meeting was followed by a donors conference convened by the World Bank, at Belgium’s request on December 20th in Brussels, to review the reforms accomplished by Kabila’s government under IMF guidance and discuss reconstruction and rehabilitation plans for the country. At the meeting the development partners stated that the window of opportunity to consolidate the peace process remained open. However, in the current social context, and in the absence of significant external financing, the economic reform process is very fragile. The World Bank was hence requested to organise a follow-on meeting within six months. This meeting could take the form of a Consultative Group meeting, if the necessary conditions were met, including a satisfactory conclusion to the IMF programme and tan-

African Development Bank New Loans

Egypt: The African Development Bank (ADB) has made a credit line of $1.6bn over three years available to Egypt to help the country overcome economic difficulties. The funds will be spent on development aid and infrastructure projects.

Ethiopia: The African Development Fund (ADF) has approved a loan of 37.67m Units of Account (UA) (approximately US$47.69m) to finance the rural electrification project.

Guinea: The ADF has approved a loan of UA20m and a UA1.75m Technical Assistance Fund (TAF) grant, totaling UA21.75m—approximately US$27.79m—to finance the project for sustainable social development in Upper and Central Guinea.

Mauritius: The ADB board of directors has approved an ADB loan of US$7.40m and EUR8.10m and a Nigeria Trust Fund (NTF) loan of US$6.57m to finance support to the National Health Plan project in Mauritius.

Morocco: The ADB and the National Moroccan Airports Office (ONDA) signed a loan agreement on January 6th for ‘7.8m to fund the modernisation and extension of Morocco’s airports.

Niger: The ADF has approved a loan of UA10m (about 12.66m) to finance the 3rd Structural Adjustment Programme (SAP III, 2001 to 2003) in Niger.

Tanzania: The ADB has announced its approval of a loan of some $46.77m from its ADF as well as a grant of $1.66m from its Technical Assistance Fund to Tanzania to finance a water supply and sanitation project in Dar es Salaam.

Tunisia: The ADB has awarded a loan of Dinars280m to fund a programme to support business competitiveness. The two-year programme includes reforms to improve the business environment and the financial sector. (Agence France Presse, ADB Website)

DR Congo—Key Indicators

Area: 2.3 million square kilometres (about one fourth of the United States, more than two thirds of the European Union).

Population: about 55 million (including more than 350 ethnic groups), ranks fourth in Africa.

Impact of the recent conflict: the conflict-induced increased mortality is estimated at 1.5 to 3 million deaths since 1997, including about 200,000 persons, mostly civilians, killed in fighting. Damage to infrastructure is extensive, including the collapse of the transport system.

Pre-war social indicators:

- Life expectancy (1995): 53 years in the cities, 43 years in rural areas.
- Illiteracy (1995): 32.7% overall, 42% for women.
- Infant mortality (1995): 101 per 1,000 in the cities, 161 per 1,000 in rural areas.

HIV/AIDS prevalence: about 5% (over 2 million people), with large regional disparities (4.6% in Kinshasa, 16% in Goma). In Kinshasa, 15% of the infants less than 5 years old are infected.


Inflation (2000): in excess of 500%.

(World Bank) (See p. 15040)

Confidence Returns p. 14997
gible progress in the peace process, in particular in the Inter-Congolese Dialogue. The World Bank, IME and African Development Bank (ADB) presented a strategy to address the issue of the DRC’s debt. Donors noted the challenges ahead: financing the settlement of arrears to the ADB, resolving arrears to the Paris Club and multilateral creditors, and ensuring the sustainability of the debt burden over the medium term, as well as the DRC’s capacity to remain current on debt service.

The participants paid tribute to the government’s expressed desire to fight corruption, and to improve the regulatory framework for investment. As an example, the government reiterated its commitment to refuse to sign any new mining concession that does not conform to the provisions of the new Mining Code.

In response to government’s calls to accelerate disbursements, donors recognised the urgency of the situation and the need to provide rapidly the financial support necessary to mitigate the current crisis. (IRIN 14/12, Southscan 14/12, World Bank website 20/12)

EGYPT
Another Devaluation

With two of its major sources of hard currency—tourism and the Suez Canal—sharply down, the government resorts to desperate measures.

Egypt on January 14th carried out a limited devaluation of the Egyptian pound, a measure officials said was designed to try to reassure international donors ahead of a fundraising meeting in February.

The officials said the shifting of a central peg from E£4.50 to the dollar to E£4.51 to the dollar could also be the first of a series of small, incremental devaluations designed not to fluster a febrile domestic market and to attempt to rebuild confidence in a system that is supposed to be flexible but which has come to be viewed as the opposite.

The depreciation comes amid continuing concern about the state of the economy in the Arab world’s largest country. Egypt is experiencing a shortfall in revenues of up to $2bn (£1.4bn) caused by depressed earnings from tourism. The unofficial or black market rate for the Egyptian pound has now fallen below the important level of some £E5 to the dollar.

Atef Obaid, the Prime Minister, met with a lukewarm reception when he gave a speech on economic issues to parliament in early January in which deputies clearly felt he had not been sensitive to the gravity of his country’s economic situation.

To address Egypt’s balance of payments problems, the World Bank is due to host a donors’ conference early in February at which the Egyptian government is looking for about $2bn in support. The US has already agreed to speed up disbursement of $959m in the annual aid it gives Egypt. (Financial Times, London 15/1) Tourism p. 14985

ETHIOPIA
Tackling Corruption
Banking leaders are charged. New debt deals are signed.

Ethiopia on January 8th charged the president of the state-owned Commercial Bank of Ethiopia and 40 of the bank’s top executives with illegally granting loans and overdrafts worth $105m (£73m) to top businessmen.

Thirteen businessmen who also appeared at the Federal High Court were accused of enriching themselves at the expense of the state. Tilahun Abai, bank president, and all 53 others were denied bail and detained. The hearing was adjourned until February 5th after defence lawyers requested more time.

The charges follow a government drive to crack down on high-level corruption. A Federal Ethics and Anti-Corruption Commission was established in June 2001 to root out graft.

The CBE was given a new president, Gezahgn Yilma, who started the job on January 8th. The bank has 150 agencies throughout the country and employs about 5000 people. For several months, India’s commercial banking giant, State Bank of India (SBI) has been negotiating to take over management of the CBE for an initial three year period.

Ethiopia has three public banks (Development Bank of Ethiopia, Construction and Business Bank and CBE) and six private banks (Abyssinia, Dasha, Wegagen, Nib, United, Awash). (Financial Times, London, 9/1, AFP 10/1)

Debt Reduction

Ethiopia signed a debt reduction and rescheduling agreement with the US on December 17th. The agreement was signed on the Ethiopian side by Finance and Economic Development Minister Sufyan Ahmad, while the charge d’affaires of the US embassy Thomas Shell signed on the US side. The embassy official said that this agreement would help Ethiopia receive debt relief and rescheduling amounting to about $100m annually for the next 20 years from its debtors. (Radio Ethiopia, Addis Ababa, 17/12: BBC Mon.)

The large hangover of former Soviet Union—and now Russian—debt faced by Ethiopia has at last been resolved. Prime Minister Meles Zenawi said the issue was sorted out through a series of “negotiations and dialogues.”

Although the bulk of the original debt was on a bilateral basis, it is understood that some of this was transferred to private companies after the liberalisation of various commercial aspects in Russia. During his recent visit to Moscow, Zenawi held talks with government officials and members of the Russian business community.

A deal was apparently struck which allows for an easier repayment schedule and provision for debt reduction. (Africa Analysis 14/12) Debt relief p. 15006

MAURITANIA
Donors Affirm Support
Funding for the public investment programme is secured.

The government of Mauritania and its development partners concluded two days of talks on December 18th, where they reviewed the country’s progress in key economic and structural reforms since 1998 and in implementing the country’s Poverty Reduction Strategy Paper (PRSP), finalised in February 2001.

Participants congratulated the Mauritian delegation for the reforms already undertaken in the last three years and for the quality of the PRSP which was prepared and is being implemented in a participatory manner. Good progress has been made on macro-economic stability, sectoral structural reforms including social sectors, and public sector management. In particular, primary school enrolment rates have risen from 50% in 1990 to about 90% in 2000, there have been concrete improvements in access to health services, and indicators show that the rate of poverty has declined from 56.6% to 46.3% in the last ten years. The government was also commended for the recent elections which were conducted in a transparent manner and which consolidated democratic pluralism in Mauritania.
The Consultative Group meeting underlined the importance of concerted effective implementation of the PRSP by the government, civil society and the private sector. The PRSP foresees that the private sector will be the main engine of growth and job creation. Future areas of focus of the PRSP include taking further action to diversify the economy, develop basic infrastructure, and reduce poverty through strengthening social services and targeting the most vulnerable groups.

The outcome of the meeting underlined the strong interest of the international community in assisting Mauritania to achieve its development objectives. Development partners expressed their support in financial pledges totalling approximately US$4.12bn for the next three years to complete the financing of the Public Investment Programme (PIP) (2002 to 2005) which is in the amount of US$988m.

The conference was chaired by Mr David Craig, World Bank Country Director for Mauritania. The delegation of Mauritania was headed by His Excellency, Mohamed Ould Nani, Minister of Economic Affairs and Development. Representatives from eight countries and 18 organisations attended. (World Bank 18/12) IMF review p. 15010B

NIGERIA

New Monetary Policy

The CBN raises the capital base criteria to make banks ready for expanded services. The government has mapped out a debt repayment plan.

The Central Bank of Nigeria (CBN) unfolded on January 2nd fresh monetary policy to guide banks and other financial institutions in the conduct of their businesses in 2002 and 2003. Under the policy, the apex bank now requires all existing banks to raise their capital base from 500m naira (N) to N1bn by the end of 2002. It also intends to pursue liberal guidelines in the external sector and tighten measures on the local scene. In 2001, the capital base for new banks was increased from N1bn to N2bn. Merchant bank’s capital base was N40m while commercial banks’ was N50m before the uniform change to N500m in 1997. The 2002/2003 policy guidelines explained that the statutory increase was “to strengthen their operations”.

When the universal banking system was adopted a year ago, the apex bank stated that only banks that attained a minimum capital base of N1bn would be allowed to play in all the sub-sectors of the financial services industry.

The current increase is therefore seen by market operators as a way of shoring up the capital base of all banks, most of which are already involved in transactions across the sub-sectors under various guises, to ensure they are adequately positioned for expanded services. Some see the increase as an indication of the falling value of the naira which needs to be reflected in the banks’ capital base.

The policy shift, the first from the conventional one-year type, explained CBN, is “in recognition of the fact that monetary policy actions affect the ultimate objectives of policy with a substantial lag”.

Described as a “medium term perspective framework”, the policy is “designed to free monetary policy implementation from the problem of time inconsistency and minimise over-reaction due to temporary shocks”.

In the external sector, the Interbank Foreign Exchange Market (IFEM) will further be deregulated in 2002 in order to deepen it and reduce arbitrage premium.

The guidelines which span from January 2002 to December 2003, the CBN added, “will be complemented by other economic policy measures to ensure macroeconomic stability and reverse the upward trend in the inflation rate as well as sustain the relative stability in the exchange rate.” CBN also promised it “will intensify surveillance of the financial and foreign exchange markets to achieve the policy objectives”. (The Guardian, Lagos)

Newswatch, Lagos, commented that not even the CBN knew whether the new measures would work but that it was an attempt to shore up the capital base of banks and protect them. (Newswatch, Lagos, 2/1)

Debt Repayment Plans

The Federal Government has mapped out a plan to service and pay the bulk of the country’s huge foreign debts of $28bn in the next nine years.

Prepared by the Debt Management Office and the Ministry of Finance, the plan is expected to be presented to the International Monetary Fund (IMF) at its March 2002 meeting. The IMF has also given Nigeria a March deadline to meet the Fund’s Structural Benchmarks to enable the country to get debt reprieve from its creditors.

A breakdown of the projections made available to This Day, Lagos by top officials of the presidency revealed that the payment schedule was broken down into three groups of 2002 for the first batch of payments, 2003 to 2007 for the second batch and 2008 to 2011 for the last, and another group of 2003 to 2011, within which a bulk amount would be spread. Within the periods, payments are to be made to the Paris Club, multilateral institutions, the Longon Club-Par Bonds, Promisory Notes and Non-Paris Club Bilateral.

For the Paris Club, an initial payment of about $2.26bn is expected to be paid in 2002, $1.78bn between 2003 to 2007 and $956m in 2008 to 2011, while a bulk $15.02bn would be spread within the 2002 to 2011 period. Multilateral institutions like the World Bank, African Development Bank (ADB) and the IMF would receive about $478m in 2002, $411m in 2003 to 2007, $186bn in 2008 to 2011 and another bulk payment of $3.28bn within the entire period of 2002 to 2011. The London Club is to get $127m in 2002, another $127m in 2003 to 2007, as well as 1008 to 2011, while a huge payment of $1.27bn is planned for the entire period 2002 to 2011. Promisory notes payments would include $195m in 2002, another one of the same amount in 2003 to 2007, $109m in 2008 to 2011 and a bigger payment of $1.61bn between 2002 and 2011.

The non Paris Club bilateral debts are to claim $32m in 2002, $412m in 2003 to 2007, $7m in 2008 to 2011 and also $124m for the entire period of 2002 to 2011.

In all, a total of $3.1bn will go out to all the creditors in 2002, £2.53bn within 2003 to 2007, $1.38bn in 2008 to 2011 and a total of $21.31bn between the period of 2003 and 2011 as the bulk payment, bringing the entire payable amount to about $28bn.

Although the Federal Government seems highly committed to the proposal, recommended budgetary allocation for external debt servicing for 2002 is $1.5bn as against the $3.1bn in the projections. Though the amount represents about 56% of total budgeted capital expenditure, experts believe it may not be enough for what the nation requires to meet its obligations.

Nigeria’s total external debt profile as at now, stands at $28.4bn, of which the Paris Club is owed $22.4bn or 78%. The debts represent arrears on principal and interest, as well as late interest. Multilateral insti-
tutions are owed 10% of the total amount, of which the World Bank is owed $1.56bn and the ADB $575m, while the London Club and Promissory notes debts amount to $3.37bn.

The new positive light on payment of debts may further earn Nigeria some impressive debt reprieve from the debtor nations. Recently, the Paris Club agreed to reschedule Nigeria’s debt of $22m over an 18 month arrangement, under the non-concessionary rescheduling arrangement terms of the creditors. Equally, Nigeria is to sign a debt rescheduling pact of about $3.36bn with three creditor nations made up of Germany, Austria and Switzerland, after an agreement at the Fourth Debt Bilateral Rescheduling meeting. (This Day, Lagos, 24/12) (See pp. 15035, 15041)

SOUTH AFRICA

Stanbic Branches Out

The bank is aggressively expanding its reach into Africa where its margins have been traditionally steady.

Standard Bank Investment Corporation (Stanbic), the South African banking group, in mid-December said it had bought a controlling interest in the Commercial Bank of Malawi (CBM).

Stanbic Africa, the group’s regional arm, has taken a 60% stake in CBM, Malawi’s second-largest retail bank, in a transaction worth $13.8m.

About 15% of CBM’s shares are held by the public, 20% by the National Insurance Company of Malawi and 5% by the government.

Its ambition is to rival international banking competitors with a strong African network, such as Barclays, Standard Chartered and Citibank, from its Johannesburg base.

“The purchase of CBM fits with our objective of leading corporate South Africa into the rest of Africa,” said Sim Tshabalala, Stanbic Africa’s Managing Director.

In October, the banking group bought 80% of Uganda Commercial Bank in a privatisation deal.

In December it also established an offshore banking operation in Mauritius and opened a representative office in Cote d’Ivoire to offer project finance to South African companies seeking opportunities in francophone West Africa.

Stanbic has operations in 17 African countries with assets of more than R13.5bn.

Negotiations are under way to acquire assets in Ghana and Nigeria.

The sale of CBM is part of the Malawian government’s privatisation programme and represents the country’s largest inward foreign investment. South Africa is Malawi’s largest trading partner and South African companies such as South African Breweries and Barloworld have also made investments.

CBM has 13 branches, concentrated in the south of the country. Stanbic will focus on commercial business and will offer project finance and resource banking services. Stanbic is also likely to offer its mass-market retail products through CBM. (Financial Times, London, 14/12)

Old Mutual Looks Elsewhere

Old Mutual, the financial services group, wants to reduce its exposure to the plummeting South African rand by increasing its non-domestic earnings by 5%.

The group’s shares have almost halved in value over the past year and on December 16th reached a record low of 842p, mainly because of the currency’s weakness. South Africa is Old Mutual’s largest profit centre, contributing more than 70% of its income.

Jim Sutcliffe, Chief Executive, was reluctant to set a target for the proportion of non-South African earnings that the group wanted to achieve but said that he was keen to see half of group earnings coming from the UK and the US. He said that the group would seek to make acquisitions in both markets to try to achieve its aims.

The decline in value of the rand has affected a number of South African businesses, and traders have speculated that the planned London flotation of Investec, the South African banking group, could come under pressure as a result. (Financial Times 12/1, The Times 17/12, London)

UGANDA

Who are the Debtors?

The Finance Ministry has released a breakdown of debt figures.

60% of Uganda’s national debt, amounting to $3.396bn, is owned to the World Bank’s affiliate, the International Development agency (IDA), figures released by the Ministry of Finance, Planning and Economic Development show. IDA is the soft lending window of the World Bank.

The figures recorded on September 30th 2001 showed that IDA is owed $2,096bn. The debt is divided into multilateral creditors, non-Paris Club bilateral creditors and commercial non-banks. The majority of the debts (worth $2,899bn or 85%) are owed to multilateral creditors followed by non-Paris Club bilateral creditors owed $342m (10%), Paris Club bilateral creditors ($135m) and commercial non-banks ($19m) accounting for 5% of the debt.

The biggest creditor among multilateral creditors includes IDA ($2,096.3bn), the African Development Fund (ADF) ($327.1m), the International Fund for Agricultural Development (IFAD) ($53.93m) and the European Investment Bank (EIB) ($29.65m).

Libya, owed $119.81m, tops the list of creditors among non-Paris Club bilateral creditors followed by India ($79m), Tanzania ($58m), Kuwait ($24m) and China ($18m). Interestingly, Burundi is among Uganda’s creditors with war debts of $6.67m, Pakistan ($3.54m), Nigeria ($11.42m), Saudi Arabia ($9.56m) and South Korea ($4.71m). The five biggest Paris Club bilateral creditors are Japan ($50m), Spain ($31m), Austria ($16.6m), United Kingdom ($13m) and Italy ($12m). (The Monitor, Kampala 8/1)

The World Bank has awarded a loan of $49m and a grant of $12m to help to develop Uganda’s rural energy and information/communication technologies (ICT) sectors, so that they make a significant contribution to bringing about rural transformation. These sectors facilitate a significant improvement in the productivity of rural enterprises as well as the quality of life of rural households. (World Bank 13/12)

IN BRIEF

Angola: The Banco de Comercio e Industria (Commerce and Industry Bank, BCI) is to be privatised. BCI Chief Executive, Generoso De Almeida, said eleven bidders had acquired the terms of reference for the consulting firm that will prepare the actual privatisation of the bank. They had to submit their proposals by 20th January 2002. A consulting firm would be announced on March 1st. A tender for the privatisation of the bank will be launched at the end of December 2002 and the privatisation of the bank in 2003 will be completed. (Radio Nacional de Angola, Luanda: BBC Mon.)

Benin: The IMF Board of Directors has appointed Benin’s Finance and Economy Minister Abdoulaye Bio Schane director of the Fund’s department for Africa, Benin state radio announced on January 12th.

Teheane will take over from Malawi’s Goodal Gondwe, whose three-year term expires in February 2002. His mission is to see to the follow-
up of relations between IMF and 44 Sub-Saharan countries, the radio said.

Another bidder for the position was former Senegalese Prime Minister Mamadou Lamine Loum. (PANA 12/1)

Gambia: The Executive Board of the International Monetary Fund (IMF) completed the second review of The Gambia’s performance under the third annual Poverty Reduction and Growth Facility (PRGF) arrangement. As a result, The Gambia will be able to draw up to SDR 3.4m (about US$4m). (IMF 6/12)

Ghana: Paris Club public creditors agreed to reschedule the country’s public external debt for an amount of $199m, immediately cancelling $27m. (AFP 6/12)

Lesotho: China has written off R40m debt owed by Lesotho for the construction of a national convention centre in Maseru. Speaking on his return from a week-long official visit to China, Lesotho Prime Minister Pakalitha Mosisili said he was happy about “the brotherly gesture.”

China also agreed to increase a grant for development projects in Lesotho from R10m to 15m. The money would be used mainly for the development of roads to KwaZulu-Natal on Lesotho’s eastern border. (SAPA, Johannesburg, December 10/12)

Madagascar: The Executive Board of the International Monetary Fund (IMF) on December 5th completed the first review of Madagascar’s performance under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. As a result, Madagascar will be able to draw up to SDR 11.35m (about US$14m).

Madagascar’s three-year programme was approved on March 1st, 2001. (p. 14688), for SDR 79.4m (about US$101m). So far, Madagascar has drawn SDR 11.4m (about US$14m) under the arrangement. (IMF web site 4/12)

Mali: The Executive Board of the International Monetary Fund (IMF) on December 17th completed the third review of Mali’s performance under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. As a result, Mali will be able to draw up to SDR 6.75m (about US$9m).

Mali’s programme was originally supported under the Enhanced Structural Adjustment Facility (ESAF), approved on August 6th, 1999 for SDR 46.65m (about US$59.24m). So far, Mali has drawn SDR 24.93m (about US$31.34m) under the arrangement. (IMF web site 3/1)

Morocco: Despite a recent downgrading from international credit agency, Standard & Poor’s (S&P), Morocco has been named “Country of the Year” by the US Trade Development Agency (USTDA).

The award is given in recognition of progress towards higher economic growth and greater democratic freedoms, which tend to be equated with private enterprise.

According to the USTDA, which ranked China second to Morocco, this north African country is a leader in diversity of projects in a number of sectors. Specifically listed are water supply and treatment, transportation, energy and information systems. (Africa Analysis 11/1)

Sierra Leone: The governor of the Bank of Sierra Leone (BSL), the central bank, James Sanpha Koroma has accused the UN mission in Sierra Leone (Unamsil) of “undermining” the economy of his country by hiring the First Merchant Bank (FMB) to auction BSL’s forex periodically.

Koroma said that the peacekeeping force has contracted the FMB to pay $4.5m to its Nigerian contingent every month.

Koroma has asked Unamsil to terminate this contract and has written a strong letter of complaint to parliament. Commercial banks are barred from transacting foreign currencies above $25,000. This regulation is aimed at curbing the frivolous rise in the foreign currencies’ rates, especially the US dollar and the pound sterling.

The BSL currently runs a weekly foreign exchange auction to exert some control on the forex business. However, many soldiers in the Unamsil are seen changing their US dollars unofficially on the high streets in Freetown. (Africa Analysis 14/12)

Somalia: A new bank called the Universal Bank of Somalia has been set up in Mogadishu. It is international and has links with 62 other international banks and markets in New York, London and Brussels.

The bank was established in 2000 by Somali businessmen and foreigners and has offices and branches in Arab countries, Europe and the US, said Xog-Ogaal, Mogadishu.

The governor of the Central Bank of the interim government of Somalia, Dr Mahmoud Muhammad Ulusow, disclosed in a press conference on January 15th that the Universal Bank was not a legal bank and called on members of the public not to deposit with it. The bank did not follow the correct procedures required for any private financial institution before it starts its operations legally, the governor said.

The governor further said it was regrettable that some senior individuals of the interim government were party to the setting up of the said bank. (Xog-Ogaal 14/1, Mogadishu Times 16/1)

Communications and Transport

AIRPORTS AND SERVICES

Air Afrique

The African countries that own the bankrupt airline Air Afrique have recommended at a meeting in Cote d’Ivoire that it should be liquidated in the hope that a new, viable company can be created.

However, Liberation (Paris) pointed out that on January 11th in Abidjan no-one seemed prepared to lay bets on the future of the stricken airline.

 Agreement had been reached though among the representatives of the 11 member states that an end should be put to Air Afrique’s drawn-out suffering, the newspaper reported. At the same time Ivorian President Laurent Gbagbo was asked to do everything in his power to launch a new Air Afrique “as soon as possible”.

Decades of bad management have thus brought to an end the “symbol of pan-African integration” so proudly boasted of by the continent’s leaders, leaving a debt of Euros 300m, months of outstanding salaries owed to its workers and 4,000 employees left stranded on the tarmac.

Air Afrique was created on the very sensible premise that many small African countries cannot afford their own national airline. But management issues—often linked to the problem of being owned by 11 states—have crippled the airline.

From being one of Africa’s main carriers, Air Afrique is now down to operating just one plane.

The countries meeting in Abidjan said they hoped a new company—to be named New Air Afrique—would rise from the ashes with a share capital worth the equivalent of about $50m.

The challenge will be finding this investment money.

African governments have agreed to reduce their percentage holding in the new company, partly because they do not have the cash.

The French carrier Air France, has offered to buy a big stake. But according to President Gbagbo, Air France has insisted that

the new company has a monopoly on certain routes.

The African governments have said they do not accept this condition, but there are other problems to resolve before the new Air Afrique can emerge.

At present, Benin, Burkina Faso, Chad, Republic of Congo, Central African Republic, Cote d’Ivoire, Mali, Mauritania, Niger, Senegal and Togo own 68/44% of Air Afrique. Air France has 11.84%, 8.87% is held by the French Development Agency (AFD) and the rest is divided among small shareholders. An extraordinary general meeting of shareholders will be held to decide on the modalities of liquidation.

Mr Charles Konan Bany, Chairman of the Banque Centrale des Etats d’Afrique de l’Ouest (BCEAS) has been given the task of overseeing the creation of the new company and to negotiate the “involvement of Air France or any other technical partner in the creation of the aforementioned company”.

Air France has called for a drastic reduction in staff numbers and wants a substantial modification in the way Air Afrique shares are divided.

President Gbagbo said, “We have chosen liberalisation and flexibility” and said it would be with “great regret” if the “adventure continues with other partners”, although this was a clear possibility. (Liberation 12, 13/1, BBC Online 11/1) Difficulties despite re-launch p. 14973

Nigeria

The government’s resolve to privatise Nigeria Airways took a dramatic turn as 1,000 workers of the national carrier were laid off during a major rationalisation.

The rationalisation, which cut across all strata of the airline’s management, is a fallout of the recommendations of a committee set up last year by the federal government to explore ways of reviving the ailing company.

Briefing journalists in Lagos on January 3rd, the General Manager (Public Affairs) of Nigeria Airways, Mr Chris Azu Aligbe, said the exercise commenced the previous day with letters being despatched to the affected staff.

Aligbe, who noted that various criteria were used in determining those retrenched, listed them as the attainment of 55 years of age, poor records of performance, and disciplinary cases arising from warning, reprimand or any kind of indiscretion in the last three years.

On the question of terminal benefits for the affected staff, Aligbe said the Nigeria Airways management had resolved to pay the retrenched workers three months’ salaries in lieu of notice. (This Day 4/1)

Nigerian newspaper The Guardian (Lagos) had reported early in December that a massive $100m (about Naira 11.2bn) had been released by government to enable the national carrier to improve its depleted fleet with two new Boeing aircraft. The development, a complete turn-around by the government from its earlier stand not to pump more money into the embattled airline, was, according to the News Agency of Nigeria (NAN), facilitated by the Aviation Ministry and Bureau of Public Enterprises (BPE).

NAN quoted some aviation industry sources as saying that the acquisition of the new aircraft would go a long way in minimising the constraints faced by the airline in operating its international routes. The airline’s fleet has been depleted from 28 aircraft 10 years ago to only two B737.

Believed to have been given a year to report for privatisation, the airline may be adding a Boeing 767-300, an extended-range aircraft and B737-300.

This planned release of the $100m is, to some aviation industry observers, a dramatic twist in the privatisation of Airways that had bitterly pitched the Aviation Ministry and the BPE against each other. The former had favoured a turn-around before privatisation, and the latter an outright sale or liquidation leading to the establishment of a new company. (The Guardian, Lagos, 4/12)

Tanzania

Officials have rejected claims that the country cannot afford to buy a controversial US $40m air traffic control system, and should instead spend the money on much-needed social development and economic growth.

“We’ve all along been saying that we need that particular type of system to boost the safety of our airports,” Margaret Munyagi, Director-General of the Tanzania Civil Aviation Authority, was quoted as saying by Reuters news agency. Tanzanian President Benjamin Mkapa has said the East African country needs the new system to replace obsolete technology, and that his government cannot continue to leave safety “in the hands of God”, Reuters reported on December 19th. The World Bank and the International Monetary Fund (IMF) have previously criticised the proposed system, saying it is too expensive and has unnecessary military capability for a country with only eight military aircraft. The World Bank has said it supports the upgrading of Tanzania’s air traffic control system in principle, but estimated that a suitable system should cost about $10m.

The Guardian (London) quoted a World Bank report on the air traffic control system as saying it was “not suitable for civil aviation”.

The system’s transmitter has already been superseded and would need an expensive maintenance agreement, rendering the effective cost of the deal even higher, the report added.

Another sticking point is whether Tanzania breached its vow to the World Bank to review the project, when it received generous debt relief from donors in November.

While the British Foreign Office views the decision by the World Bank and the IMF to write off £2bn of Tanzanian debts as a green light for the UK-based BAE purchase, opponents say Dar es Salaam specifically pledged the opposite—that it would make no further payments for the system until it had undertaken a full review.

BAE’s contract with Tanzania for the air traffic control system is worth $40m. The Tanzanian government has made a $5m downpayment to BAE, and the company is willing to provide a $5m interest-free credit facility. A loan from Barclays Bank of $30m would complete the deal. (UN Integrated Regional Information Networks 20/12, The Guardian 21/12, The Financial Times 20/12) Controversial deal p. 14899

IN BRIEF

Ethiopia: Ethiopian Airlines has abrogated its cost-sharing agreement with Ghana Airways. This follows the failure of the cash-strapped Ghana Airways to pay Ethiopian Airlines for tickets issued by Ghana Airways for Ethiopian Airline flights. About 40 passengers, with tickets issued by Ghana Airways were prevented from boarding an Ethiopian flight to Bamako, Mail, on January 6th. The chairman of Ghana Airways board of directors, Dr Sam Jonah, has long
promised to revamp the airline, but so far success has eluded him.

Meanwhile, the C40bn civil aviation building at the Accra international airport that houses the offices of several airlines, is leaking following heavy rains. (Africa Analysis 11/1)

Namibia: Air Namibia started the year with the suspension of its agreement on sharing flights with British Airways. BA suspended the code-sharing deal because Air Namibia had broken the terms of the agreement by leasing the services of another airline to cover its routes without consulting BA.

Under the code-sharing deal some British Airways flights out of Windhoek have been operated by Air Namibia even though they have BA flight numbers.

However, the Namibian airline had enlisted the crew and aircraft of Inter Air, a South African certified airline, to operate the flights without consulting BA as stipulated in the code-sharing agreement. (The Namibian, Windhoek, 3/1)

ROADS AND RAILWAYS

Angola

The government wants a country-wide rail network within the next eleven years.

“This network will link north to south, east to west and will take 11 years to construct,” Transport Minister Andre Brandao told a press conference in early December following a cabinet decision to launch the vast project despite the civil war which has continued almost without interruption since 1975.

“The country is enormous and needs infrastructure providing good communication links between various points,” he added.

At present, Angolan travellers and the rare tourists who venture into Angola travel by plane, the roads being too dangerous because of the war and lack of maintenance.

The previous week, the Angolan government had announced the nationalisation of the Benguela railway company (CFB), 99 years after its construction by a Belgio-British consortium, Tanganyka Concession.

The CFB line—1,000km long—runs from the port of Benguela on the Atlantic coast and, via the south east of the DR Congo, links up with the Zambian network. This is linked to the Zimbabwean one and that of Mozambique and thereby reaches the Indian Ocean port of Beira.

However the civil war between UNITA and the government prevents the line from functioning. Only the 300km between Benguela and Huambo to the east were operational between 1975, the year of independence and the start of the 1980s.

Apart from this line, there are three other railway lines leaving Luanda for Kwana Norte (250km north of Luanda), Dondo and Malanje (150 and 423km east of the capital). Another—800km long—links Namibe port (south) with Menongue (south east). (AFP 6/12)

Nigeria

Efforts are underway to improve rail transportation.

The federal government on January 14th in Lagos signed a Naira2bn contract with Julius Berger for the rehabilitation of four bridges along Bauchi-Maiduguri rail line.

Managing Director of the Nigeria Railway Corporation (NRC), Abdullahi Abubakar, who signed on behalf of the federal government, said the affected bridges were rendered unusable in June 1999 when a severe wash-out occurred between Zanfoma and Bomala, near Gombe. The railway chief also disclosed that another Naira 75m will be expended on the rehabilitation of tracks along the affected route by the corporation’s track officers.

Commenting on the loss, which the corporation incurred within the period the affected line was out of use, Abubakar said, “The result is the closure of the rail line between Zongoma and Gombe as well as that of Ashaka branch line resulting in the loss of the lucrative route from the Ashaka Cement Factory.

“The popular GombeMaiduguri mass train service was also affected. Since then, revenue earning for the North Eastern district of the corporation has been reduced to almost nil,” Abubakar added.

Before presenting a Naira 300m mobilisation fee to Julius Berger, Abubakar said the repair, apart from boosting the economic base of the parastatal, would make the people in that zone feel the dividend of democracy.

The federal government recently imported five locomotives worth about $2m each from the China Civil Engineering Construction Corporation (CCÉCC). Also, to reactivate most of the grounded engines, Naira 4.5m worth of spare parts ordered were also delivered recently. Moreover, the standard gauge rail track linking Warri to Ajaokuta, will be ready for use this year.

Approval has also been given for the extension of the rail line to Warri Port from Alajda. (The Guardian, Lagos, 3, 15/1: BBC Mon.)

IN BRIEF

DR Congo: Following the completion of a World Food Programme (WFP) food-for-work project to clear the railway line from Kalemie to the Niemba bridge in north Katanga province of the DR Congo, rail traffic has resumed after three years of interruption, WFP announced in December.

“This will greatly enhance the resettlement of displaced populations and the resumption of commercial activities,” WFP stated.

WFP has also prepared a special operation to help the Societe Nationale des Chemins de fer du Congo, the national train company, in the rehabilitation of the Niemba bridge. The estimated cost for the work is US$800,000, WFP stated. “However, the capacity of the bridge (at least 16,000mt) would enable WFP to significantly reduce its transportation costs,” WFP reported. (IRIN 4/12)

East Africa: A Tanzanian firm, Prodeco Ltd has finalised plans to construct the first-ever road on a Build, Operate and Transfer (BOT) basis in East Africa.

The road will connect Dar es Salaam to the Lake Victoria zone and the landlocked countries of Burundi, Rwanda, and the Democratic Republic of Congo.

Dubbed the central corridor road, the ambitious project, to cost $300m, has the backing of key international financiers and consultants and is only awaiting the approval of the Cabinet. (The EastAfrican 9/12)

Libya: Libya has started building its first railway lines. The project involves constructing a line between the border with Tunisia to the west to the eastern border with Egypt, and a second one linking northern Libya to the south. The first line—2,000 km long—will pass through the main towns on the Mediterranean while the second will start at Syrte, 600km east of Tripoli and end at the borders with Chad and Niger.

Unlike its neighbours, Egypt, Tunisia and Sudan, Libya has no rail network. It has 25,000km of roads. (AFP 8/12)

Nigeria–Algeria: President Olusegun Obasanjo said on January 14th that both countries have agreed to set up a joint working committee for the implementation of the Lagos–Algiers Trans-Saharan Highway project. (This Day, Abuja, 15/1)

TELECOMMUNICATIONS

DR Congo

South African cellular network operator Vodacom has moved into the DR Congo, investing Rand 370m to take over the operations of Congo Wireless Networks (CWN).

CWN runs a network with 22,000 cus-
tomers and has 18 years remaining of a 20-year licence.

Although the deal, announced on December 10th, is officially billed as a joint venture, Vodacom is buying the usable assets of CWN and the licence to operate.

Vodacom will hold 51% of the new operation, to be called Vodacom Congo (DRC), and CWN 49%.

"CWN will cease to become a network operator in its own right," said Vodacom corporate affairs executive Joan Joffe. "Vodacom’s $39m investment will buy its assets and the licence and be used to add capacity to the network."

DR Congo is Africa’s third-largest country with 60m people, yet has only 100,000 phones between them. The potential market for cellphones is estimated at 5% of the population, or a prospective base of 3m customers.

Joffe was confident the venture could capture a significant share of that, which would be a massive leap from its current customer base.

Vodacom said the rivals to CWN were Wait with 30,000 customers; Celtel with 60,000 customers and Starcell with 20,000 customers.

"Congo has always been of particular interest to Vodacom," said Joffe. "A tele-density of about 1.6 telephones for 1,000 people strongly suggests that opportunities abound for GSM operators. There is no way Vodacom could ignore the potential."

Cash would be pumped into expanding the existing network beyond Kinshasa and Lumbumbashi and into the potentially very profitable mining areas where people were thirsting for reliable access to telecommunication, said Joffe. The investment will be made in a combination of cash and vendor financing, where companies whose equipment is used in the network will help to finance the project.

Talks to enter DR Congo have been taking place for months. In October, Vodacom CO Alan Knott-Craig cited DR Congo as his immediate target for expansion. Zambia and Ghana are longer-term goals.

Knott-Craig denied that the country represented an overtly high risk. Although it was a war zone, the war was confined to one part of a large country, he said. "Africa is the best hedge for the rand. Our timing to go into Africa right now is just perfect. We are cash positive and all the other telecommunication companies are in debt. We can go into these countries and make a profit."

Foreign expansion is necessary for Vodacom to continue to grow at 25% a year, which it cannot do in South Africa alone, as the local market is becoming saturated. About 20 Vodacom specialists will relocate to Congo to transfer skills to local workers, then return to South Africa and leave the day-to-day operations with the Congolese. (Business Day, Johannesburg, 11/12) Vodacom expansion plan p. 14904

Morocco

Maroc-Telecom has announced a five-year investment plan worth Euros 1.15bn aimed at modernising the company.

The chairman of the company, which is 35%-owned by French group Vivendi-Universal, Abdessalam Ahizoune said the main focus would be development of mobile telephony and the internet.

In 2001 Maroc-Telecom had a turnover of Euros 1.4bn (Dirhams 14bn), up 17% on the previous year.

Mr Ahizoune told a press conference in Casablanca that at December 10th 2001, the number of Maroc-Telecom subscribers was 4.8m, 3.6m of them GSM subscribers and 30,000 connected to the internet. However, the number of fixed-line subscribers (1.19m lines) had seen a drop of 400,000.

The chairman also announced that 1,100 of the 14,511 employees were to take voluntary redundancy.

Turning to other markets, Mr Ahizoune said his company would be interested in the privatisation of Mali’s telecoms operator. It will be recalled that Maroc-Telecom already owns 51% of Mauritel, the Mauritanian operator. (AFP 22/12) Maroc Telecom wins bid for Mauritel p. 14725

Nigeria

The privatised firm upgrades in Ogun state. Econet raises N8.6bn.

Doubts over the ability of the preferred bidder in the sale of the Nigerian Telecommunications (NITEL) Investors International (London) Limited (III) to pay the required $131.7m or 10% vanished as the firm paid up the sum to beat the deadline by about 24 hours.

The Bureau of Public Enterprises (BPE) had issued a deadline of 5pm December 12th, failing which the reserve bidder, Telnet, would be called upon.

Meanwhile NITEL has moved to modernise its poor cable system in Otta, Ogun State, with an award of a contract worth N127.319m to replace the network. The Nigerian Wire and Cable Ltd is to supply cables while Sabioplast Nigeria Ltd won the contract to supply materials for the project.

A company statement also said NITEL had begun the digitalisation of 1,000 lines at Mubi Telephone Exchange in Adamawa State as a N198.7m contract was awarded to replace its analogue switch within nine months.

The statement also disclosed that work was going on in some locations nationwide as part of the company’s modernisation programme, adding that it would continue in this direction despite its recent privatisation.

Meanwhile the Daily Trust (Abuja) also reported that Econet Wireless Nigeria, one of the GSM service providers, had raised US$650m since August when it rolled out its mobile phone services, even as it plans to invest US$1.1bn in the expanding nationwide the GSM network over the next five years.

Chief marketing officer Bolaji Balogun said Econet had signed a $100m equipment supply and financing contract with Motorola corporation, noting that it would significantly enhance the company’s network development.

On vendor financing, the marketing officer stated that the board of Ericsson had confirmed the approval to finance it to the tune of US$45m for Econet Wireless Nigeria.

This, he said, “gives further impetus to our ambitions to build Africa’s fastest growing GSM network here in Nigeria.”

Mr Balogun also said that significant upgrade work was currently ongoing in all cities where Econet Wireless had already deployed its network which include Lagos, Abuja, Port-Harcourt and Uyo.

Since the launch of services in Nigeria, Econet has signed up over 150,000 subscribers onto its network, the marketing executive disclosed. (Daily Trust, Abuja, 7/1) Deal rescued p. 15015
Commodities

MARKET REVIEW

South African Mines Profit

Gold producers are cashing in on the weak rand and Ghana’s Ashanti shows remarkable improvement.

Harmony is the first South African mining company to announce a major currency “lock-in” to secure the advantage of the weak rand. The main reason that others have not rushed to do the same is the widespread belief that the rand is likely to weaken even further.

The weakness of the rand has brought considerable benefit in recent years to companies incurring costs in rand but selling products in US dollars. In theory, all other things being equal, an exchange rate weakness at the real inflation-rate differential, i.e., the rand should weaken against the US dollar at the rate of real South African inflation minus real US inflation. This means also that any local-cost benefits from a weaker currency should be cancelled out in due course by cost inflation. However, in practice, exchange rates are also heavily affected by capital flows, which in turn are influenced by perceptions of risk. In South Africa’s case, a major factor, rightly or wrongly, is the political upheaval in Zimbabwe. The rand is thus likely to remain volatile ahead of presidential elections in Zimbabwe set by President Robert Mugabe for next March. (Mining Journal)

The stable bullion price and the more than 40% fall in the South African rand is proving a huge bonanza for even the previously most marginal of gold mines. The quarterly results to the end of January seem likely to be the best ever in rand terms for most gold mining houses.

Even once struggling Durban Roodepoort Deep (DRD) has admitted that it made more money in the first month of this quarter than it did in the entire previous quarter. This is scarcely surprising when gold is now fetching around R3,000 an ounce against average production costs of less than R2,200.

At least one of the generally higher cost ultra-deep mines, Gold Fields’ Kloof, has also landed a bonus in the form of new, rich areas of ore. Using new, high-productivity technology, Kloof—now reaching down to the 4km level—is mining ore with a yield of more than 12 grammes a tonne. In rand terms, Gold Fields’ cash earnings are up by more than 220%.

The combination of low, but stable—or even rising—prices, higher productivity and a collapsing rand has also benefited producers almost across the board. With the possible exception of manganese, hammered by the fall in world carbon steel production, most miners, smelters and downstream manufacturers are smiling all the way to their South African banks.

There has also been a considerable spin-off for suppliers of mining equipment, both locally and in the export sector. Makers of everything from machinery to steel flanges have recorded a surge in demand.

There is also growing confidence that the rand will open up more markets, initially in new mining areas in Africa, such as Mali, as well as in the developed world.

Between 1997 and 1999 nearly 180,000 miners were made redundant. In 2000, another 10,000 jobs were lost. But the figures for 2001, computed by the industry and the union, showed no overall job losses as producers of platinum group metals (pgm) continued to expand production.

Now, with more capital to hand, and costs still calculated almost exclusively in rand, gold mining companies are able to increase capex to exploit previous untapped reserves. Many of these lie at “ultra” depths of up to 4km and more, but, as in the case of Gold Fields’ Kloof mine, should produce extremely high grade ore.

It is for this reason that the NUM and the local mining companies have not joined the chorus of protest that the rand is undervalued. So far as Mantashe and the NUM are concerned, a “good, stable level” for the rand, would be at between R11 and R12 to $1.

AngloGold Ltd ceded a bitter three-month fight on January 18th for Australia’s largest gold miner, Normandy Mining Ltd, to US-based Newmont Mining Corp, clearing the way for the American firm to assemble the world’s largest gold mining house.

“It is not possible for AngloGold to obtain majority control of Normandy” as it had become too expensive, AngloGold’s chief executive, Bobby Godsell, said in a statement.

The failure of AngloGold to secure Normandy comes after the South African government in 2000 blocked a merger between Gold Fields Ltd. and Canada’s Franco-Nevada Mining Corp. Newmont’s acquisition of Normandy will relegate AngloGold and Gold Fields to the position of third and fourth-biggest gold producers, making them future targets, analysts said. (Bloomberg, Reuters 18/1)

Ashanti Shines

Ghanaian gold miner Ashanti (ASL) underlined speculation about it being the most eligible stock on the block by truncating the competition in 2001. After taking the lead at the midway point with strong financial results, the revitalised company never looked back again and returned 101% after tax. Ashanti has been earmarked as a likely takeover target for one of the gold majors in 2002. It was such a convincing winner that runner up Delta Gold (DGD) of Australia trailed by a massive 11 points, but with a still impressive 90% after tax total return.

The genuine surprise was South Africa’s Durban Roodepoort Deep (DROOF) which started the year with little promise. It recovered quickly though as it cleared one corporate logjam after another and looks set for another spectacular year even after generating an 88% return in 2001. (Miningweb, Johannesburg, 5/1)

According to the Accra Mail, Ashanti
Goldfields, the African gold mining company, has contacted its two biggest shareholders to approve the terms of a deal aimed at refinancing $219m (£151m) in convertible bonds.

The company has already reached conditional agreement with creditors to extend the maturity of the bonds by five years, in a bid to repair its balance sheet.

It sent letters to the government of Ghana and to Lonmin, the platinum-focused miner, seeking approval of the terms of the agreement reached with creditors. The Ghana government has a 19% stake and Lonmin 32%.

Ashanti, once one of the world’s largest gold miners, was pushed to the brink of default in 1999 when the gold price moved against its bets in the futures market (Vol 36, pp. 14002, 14112). That prompted a wave of calls on its hedge book.

Ashanti’s cash position is not strong enough to withstand the level of cash redemptions that would be likely if its share price does not recover by 2003—when the bonds currently are set to mature.

The company said that the talks with some holders of its 2003 guaranteed exchangeable notes were “progressing well”, adding that any restructuring of the debt would depend on reaching agreement with Ashanti shareholders and would be subject to a number of conditions.

The main condition is understood to be that the Ghana government relinquishes its additional “golden share” in Ashanti, a holding that has allowed it to block corporate decisions. (Accra Mail, Ghana, 7/1)

“Clean” Diamonds Act

After what has often seemed an interminably slow process, the international debate over “conflict” diamonds has reached an important juncture. Efforts to curb the diamond trade in war zones took an important step forward through simultaneous agreements in Washington and Gaborone (Botswana).

In Washington, the House of Representatives of the US Congress passed the Clean Diamonds Trade Act by an overwhelming majority. The Bill is now awaiting Senate approval.

Meanwhile, in Gaborone, Botswana, representatives from more than 30 countries; the World Diamond Council; and numerous non-governmental organisations reached agreement on recommendations to be made to the United Nations General Assembly for measures to eliminate the trade in conflict diamonds. After a long series of meetings, the “Kimberley Process” is seeking to implement a system of rough-diamond certificates, supported by industry self-regulation. (Mining Journal 7/12)

Commodity Insurance Scheme

Farmers in poor countries who have suffered for decades from falling commodity prices might find a new international scheme helpful in shielding them from financial collapse.

A World Bank-convened international task force has drafted a strategy that intends putting the tools of modern markets, such as insurance, credit, futures and options contracts, into the hands of millions of small farmers in the developing world.

Cocoa, coffee, rubber and other commodity producers could hedge their exposure to price fluctuations that have impoverished many producers in those developing countries that are dependent on a few commodities for hard currency earnings.

The scheme devised by a group of financial institutions, major commodity exchanges, international commodity organisations, agricultural producer associations and others began as an experiment in early 1999, looking into the possibility of a commodity price insurance scheme for developing countries.

Under this, risk management instruments would be made available to commodity producers in poor countries—tools to which they lack access.

World Bank sources describe the scheme as a private-public initiative. The essence of the plan is to make it possible for commodity farmers to buy insurance against a fall in prices of their produce.

“For instance a farmer might buy insurance to the value of one dollar per pound of coffee or cocoa or rubber. If the prices fall below a dollar, they will still get their dollar. If the prices rises above one dollar, they will get the higher price.”

Thus the farmer knows the minimum they will get at the end for their crop. (Gemini Newsletter)

AGRICULTURE

GENERAL

Morocco

In embracing organic farming, Moroccans are reverting to the old-fashioned beldi methods.
basis of the lunar cycle, a language and practice in use once again in biodynamics. Organic farming and beldi are very similar in terms of their cultural methods, but there is a difference between them. The majority of beldi products are not currently bio-certified. This is natural production on a small scale, and they do not benefit from international accreditation and cannot therefore be exported in that form. Moreover, organic products are still unfamiliar to Morocco’s population because they are not yet fully integrated into the country’s marketing circuits. Yet beldi has significant potential in the bio-sector on both the national and international markets.

Organic farming offers real possibilities to the most vulnerable strata of the population. This is illustrated by the example of the argan tree—whose almond-type fruit is pressed to yield the famous oil. Argan farming represents a specific social function in agriculture, as argan trees are traditionally cultivated by women from the rural environment who have low socio-economic standing.

Because of their conversion back to organic farming, these women have made their mark on the domestic and international agricultural market; argan-tree oil is now exported to Europe and North America, and the increase in its price has promoted the creation of new jobs and improved the social status of producers. Increased access to education bears witness to the beneficial consequences of this change.

Farmers are waiting for legislation which will regulate the sector, as is the case in Tunisia and Egypt. Currently, there is no regulation or accreditation in Morocco for organic produce despite the fact that this would enhance its status on domestic and international markets. Nor is there a specific working group within the Agriculture Ministry, nor a specific budget for research in this field.

Organic farming, an economic growth sector, is a formidable weapon in the struggle for environmental conservation, and especially for the preservation of biodiversity. In an arid climate, it is also a method of production which not only saves water and prevents water pollution but also preserves soils and the atmosphere. At the other end of the chain, environmental protection encourages farming.

So, a good number of organic farms, which have a foothold on the international market, are enabling certain regions in Morocco to develop efficiently. (The Courier, ACP-EU, December)

### Mozambique

**A project which aims to help the most vulnerable is taking off.**

Octavio Macamo and colleagues are at the head of an association of Agricultural and Livestock Technicians (ATAP) they formed some six years back. The association is of a humanitarian non-profit making nature which assembles agricultural and animal husbandry professionals.

Since the beginning of its activities for years ago, they have distributed more than 200 head of cattle, 1,000 goats and 900 birds, chicken and ducks. They are preparing to distribute more in the coming months.

He said that the objective for the coming period was to extend the programme to the centre and north of the country. Presently, the programme is operating in the two southern provinces of Maputo and Gaza.

ATAP’s intervention in the communities is divided into two areas, namely, agriculture and livestock repopulation and breeding. Livestock repopulation is, however, the association’s main area of interest.

The projects aim to support families and vulnerable groups of society, such as the old, widows, disabled and orphans, to raise their production capacity through increasing their production requirements with the overall objective of eradicating absolute poverty and famine.

In order to make sure that its programmes are being implemented, ATAP puts in a technician who gives assistance to beneficiaries. It provides tools and veterinary services so that the animals are properly cared for. It also participates in government programmes such as compulsory vaccination of animals.

Furthermore, ATAP helps in the maintenance, rehabilitatin or even construction of the infrastructures necessary for its programmes, including those destroyed by the floods of 2000 and 2001.

Macamo said ATAP sources most of its animals from the region, especially South Africa and Zimbabwe.

He said that there are basically two problems related to the acquisition of animals. On the local market problems arise from the degree of disease in the animals. But buying from neighbouring countries is too expensive.

Macamo lamented the fact that donors were hardly interested in supporting research in the areas relevant to his projects. (Mozambique Inview, Maputo)

### Tanzanian Coffee production

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton</td>
<td>69.9</td>
<td>0.33</td>
<td>0.31</td>
<td>0.28</td>
</tr>
<tr>
<td>Coffee</td>
<td>38.0</td>
<td>2.30</td>
<td>2.88</td>
<td>1.76</td>
</tr>
<tr>
<td>Cashew nuts</td>
<td>93.2</td>
<td>0.54</td>
<td>0.69</td>
<td>0.76</td>
</tr>
<tr>
<td></td>
<td>103.3</td>
<td>0.69</td>
<td>0.69</td>
<td>0.76</td>
</tr>
<tr>
<td></td>
<td>121.3</td>
<td>0.76</td>
<td>0.76</td>
<td>0.76</td>
</tr>
<tr>
<td></td>
<td>98.6</td>
<td>n.a.</td>
<td>2000/2001</td>
<td>2000/2001</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture

Government figures on the coffee industry show the 21% rise in production in 2000–1 was outweighed by a 41% fall in the average price per kilo to $1.04.

Part of the problem is the 80% decline in the world price of coffee over the past three years, which comes after the collapse of international commodity price agreements in the early 1990s.

Tanzania faces further difficulties because of its lack of coffee processing facilities, which would allow the commodity to be sold for export at a higher price.

A third issue for farmers is the cost of buying imported fertilisers, which is rising as the Tanzanian shilling falls in value against the dollar.

Some farmers have grown so disillusioned that they have cut down their coffee plants and are using their land for other purposes, although people in the industry say this practice is not yet widespread.

The Kilimanjaro Native Co-operative Union, which represents coffee-growers, says farmers face price pressures as a result of the deregulation of the coffee industry in the early 1990s.

Raymond Kimaro, the general manager, admits that liberalisation helped to end price-fixing by the government but adds that a handful of private producers now have too much power to dictate market rates themselves. (The Financial Times, London, 17/12)

### FISH

**West Africa**

As fish stocks decline, governments are keen to protect their waters from overfishing and conserve a source of protein for their people.

Trawling for fish in Ghana’s territorial waters is now reserved solely for Ghanai-
ans under a new fisheries law passed by parliament.

The law, currently awaiting presidential assent, also stipulates that 50% of investment in tuna fishing is reserved for Ghanaians instead of 25% in the past, while foreigners can invest in the remaining 50%.

Mr Ishmael Ashietey, Minister of State in charge of Fisheries said in 2001 the government would bring in some fishing vessels to enable Ghanaians to produce fish locally, saying that for the past few years the concentration had been on the importation of fish.

The intention is to raise annual local production from 400,000 to 500,000 tonnes while in the area of tuna production, government is inviting foreign participation to increase annual production from 70,000 to 100,000 metric tonnes.

Mr Anthony Jim-Fugar, Tema Fishing Harbour Manager, noted that output through the fishing harbour has been on the decline. For example, total fish landed dropped from 64,000 tonnes in 1999 to 59,000 tonnes in 2000 while it went up slightly to 62,000 tonnes in 2001.

He said fish imports also dropped sharply from 40,000 tonnes to 6,000 tonnes in 2000 and 3,000 tonnes in 2001, but this was a good sign for the local fishing industry. (Accra Mail 9/1)

Negotiations between Senegal and the European Union (EU) on a new fisheries protocol may resume by February, a pro-government Senegalese newspaper, Le Soleil, reported. The two sides failed to reach agreement in December on the protocol, which is linked to a 1980 Fisheries Agreement allowing EU vessels to fish in Senegalese waters.

No agreement could be reached at the latest negotiations, which took place in mid-December, because the Senegalese authorities were awaiting the results of a study on the impact of the Fisheries Agreement which had not yet been completed, the EU said.

Le Soleil said key areas on which the two sides failed to agree included areas to be fished and the length of time needed to replenish fish stocks.

The EU said it paid Senegal 48m euros (US $43m) in financial compensation under the expired protocol.

However, the Worldwide Fund for Nature has claimed that EU boats pose a threat to Senegal’s fish stocks as they want to raise their catch by 60%. The BBC reported local people as saying that over-fishing by European trawlers posed a threat to the livelihoods and even the lives of local fishermen. As stocks decline, it said, local fishermen are forced further out to sea where they face another danger: illegal vessels often turn their lights off at night to avoid being seen, thereby increasing the risk of collision with the smaller Senegalese boats. (Le Soleil, IRIN, UN, 3/1)

SUGAR

Uganda

Is sugar such an essential commodity that it warrants displacing thousands of people and uprooting their livelihoods?

The Ugandan government’s decision to allocate a forest reserve to a sugar firm has put environmental conservation and economic development on a collision course.

Donors and local environmentalists have opposed the move, which will see one of the most sustainably managed forest reserves in the country converted into a sugar plantation by Kakira Sugar Works.

On November 29th, the High Court in Jinja issued an injunction restraining Kakira Sugar Works from taking over the forest, following a petition by the Uganda Wildlife Society, the Advocates Coalition for Development and Environment and the Butamira Forest Association.

Mr Richard Orr, the General Manager of Kakira Sugar Works, said his company would only move into the forest when they got the go-ahead from the government. Butamira Forest provides a livelihood for the local communities and has key ecological functions, including rainfall modification, soil protection and the reduction of carbon emitted by Kakira Sugar Works.

Peasant farmers, who have started camping in the forest reserve in the eastern district of Jinja, 100km from Kampala, said they would resist Kakira’s takeover of the forest reserve.

While the local community argued that destroying the forest would deprive them of a source of livelihood, Mr Orr said it was the government’s duty to compensate the farmers and provide security for the company’s investment. Currently, local people grow crops in the forest alongside tending young trees.

The Minister for Water, Lands and Environment, Dr Ruhakana Rugunda, said the government wanted to increase sugar production to 200,000 tonnes from the current 150,000 tonnes and in the process save $30m used to import sugar annually. (East African 10/12)

IN BRIEF

Timber: Ethiopia’s Environmental Protection Authority (EPA) disclosed that as a result of the extensive deforestation in Ethiopia, some two million hectares of land in the country has now become irreversibly barren.

According to the head of the ecology department with EPA, Getachew Eshetie, over 144,000 hectares of afforested land is destroyed annually in the country.

He said because of the deforestation in highland areas of the country, particularly Oromia, Amhara, Tigray and Southern People’s States, about 1.9bn tons of soil is eroded every year, affecting wildlife and tourism. (Walia, Addis Ababa, 13/7)

Tea: The struggling Kenyan economy will be boosted in 2002 when nine new tea factories become operational, following a Ksh3.15bn ($40m) investment by local and international financiers. (East African 3/12)

MINERALS

GENERAL

Nigeria

The government is to develop the solid mineral sector, steering the country away from dependence on oil.

During colonial times and the period after the country’s independence, coal used to rank high as Nigeria’s foreign exchange earner, while other minerals such as limestone, gold, marble, ball clay, were mined to a lesser degree for local consumption. But the discovery of oil diverted attention away from the solid mineral sector. Now the government intends to restore the balance.

Through the solid minerals ministry, the government has already commissioned a comprehensive seismic survey of the bitumen belt in the country. The government also fixed January 2002 for the opening of bids for the allocation of bitumen blocs to prospective investors, while a Memorandum of Understanding, MOU, for the exploration and mining of about six solid minerals in the country has been signed.

Solid Minerals Minister, Kanu Agabi, told Newswatch that his ministry has a bill at the national assembly for rapid solid mineral development and when it is passed, the framework for the actual growth of the sector would have been set.
On efforts to rehabilitate shut-down solid minerals corporations, the minister said, “Five out of the seven sick plants under the ministry are now producing,” while the other two are being reactivated. Joint venture solid minerals mining already in operation include the Nigeria American Mining Company, NAMCO, a venture comprising Nigerian Mining Corporation, NMC and South East Development Company of the US and the Ebonyi State government. The joint venture group will exploit and export the Abakaliki lead and zinc deposits. It is envisaged that the company would produce 500,000 tonnes of lead and zinc yearly valued at about $150m.

There is also the Kampe Valley Mining company, a joint venture between a Polish company, Nigerian Mining Corporation and Real Stone Company Ltd, to exploit the rich tantalite deposits of Kampe Valley in Kogi State. Another joint venture between NMC and African Commodities Exchange Limited is the exploitation of tantalite in Oyo State with estimated reserves of 40,000 tonnes. Also, NMC and a local company with Russian backing are to resume exploitation of tantalite in Ajaokuta, Kogi State, while NMC and an American company are to exploit gold and other metals in Niger State.

On coal exploration, the minister told Newswatch that proposals for coal mining from South African groups were being studied. Also, Agabi said an MOU has been signed with Singaporean investors to establish an independent power plant using the Enugu coal. The plant is expected to come on stream in 2002 and will cost about $500m and generate 500 megawatts of electricity.

The minister, said that Nigerians should develop an interest in exploiting the mining sector themselves, rather than looking abroad for investors. He encouraged Nigerians interested in the mining sector not to be deterred by lack of funds, since the sector offers enough incentives to investors.

Incentives include three to five years tax holidays, deferred royalty payment, extension of infrastructures such as roads and electricity to mining sites and provision of 100% foreign ownership of mining concerns. (Newswatch, Lagos, 21/1)

Tanzania

Mining is the country’s fastest growing sector but at a price for the people living on mineral-rich sites.

Tanzania’s mining sector officially grew by 17.8% between 1997 and 2000 and Tanzania was Africa’s major destination for mining companies exploring for minerals in 1998. Both the large-scale miners and Tanzania’s international creditors are bullish regarding the country’s rising gold sales. It also believes that there is huge potential to exploit Tanzania’s reserves of silver, platinum, nickel, coal and iron-ore, as well as precious gems such as sapphire, ruby, dolomite, tanzanite and tourmaline.

By 2003, mining industry pundits believe, Tanzania’s gold exports may outstrip Ghana’s, Africa’s second largest gold producer after South Africa (p. 14733). Says Tanzania Chamber of Mines Chairman Sam Lwakatare, “Mineral exports have risen from $15m in 1996 to $185m in 2001. Gold exports are projected to rise to $450m in 2002. By the end of last year, 2001, Tanzania’s annual gold production stood at around 1m troy ounces.”

Minerals accounted for 10% of Gross Domestic Product (GDP) in 1960. But the figure nose-dived to 1% between the 1960s and early 1970s, when the command economy was in force. As state control was loosened, mining grew gradually—from 1988 when small-scale miners sold four tonnes of gold onto the international markets—then grew rapidly in the early 1990s. When mining laws were radically changed, multinationals started streaming to Tanzania. Mining consultant Rogers Sezenga says minerals currently account for 2.5% of the country’s GDP, and their contribution is projected to rise to 6%.

But controversies are rumbling over rampant mineral smuggling and human rights abuses at the mines. The US imports of tanzanite in the past two years are worth 10 times more than the Tanzanian Ministry of Minerals and Energy say have been exported worldwide (p. 14808B). Since tanzanite is only mined in Tanzania, much of what reached the US must have been smuggled from the country.

Daniel ole Njoolay, the commissioner for mining, said minerals currently account for 2.5% of the country’s GDP, and their contribution is projected to rise to 6%.

Tanzania Investment Centre’s Executive Director Samwel Sitta concurs with him claiming that selling records are falsified, mining is sometimes done without licensing, and tax evasion is rampant. A number of mineral dealers want taxes reduced to stem evasion, while many politicians are demanding stricter tax laws to deal with the problem. Minerals and Energy Minister Edgar Maokola-Majogo shrugs off criticism as “a discrepancy in the taxation structure”.

Still, in all major mines areas—Geita in Mwanza, Bulyanhulu in Shinyanga, Lusu in Tabora, Tarime in Mara as well as the tanzanite mine at Mererani in Arusha—locals claim to have been thrown off sites without compensation.

AngloGold and Ashanti run the Geita Gold Mine while Barrick owns Bulyanhulu, also known as the Kahama Mining Corporation (KMC). Australian Resolute company runs Lusu, officially called Golden Pride, while Australian Afrika Mashariki operates at Tarime’s Nyabigena and Nyabirama areas. The Geita mine produces 500,000 troy ounces a year while Bulyanhulu produces 400,000 ounces, Lusu 150,000 ounces and Tarime 140,000 ounces.

Artisanal miners, politicians and human rights activists want those evicted to be compensated, and the designation of mining areas set aside for small-scale miners.

Mwanza Regional Miners’ Association spokesperson, Robert Marando, says that to date some 200,000 small-scale miners have been evicted to make way for the multinationals. Countrywide, the number of threatened small-scale miners is running at more than 600,000, and while the large mining companies make a great deal of their support for community development programmes, their involvement in Tanzania’s mining sector has created problems far greater than the perceived benefits. (African Business, January)

OIL AND GAS

Nigeria

Africa’s largest oil producing country has taken its biggest step so far towards liberalising its downstream oil industry.

The government invited international firms to bid to set up of private oil refineries in Nigeria.

According to the president’s adviser on petroleum and energy Rilwanu Lukman, this step removes a major obstacle to investing in the oil sector.

Oil market liberalisation is a part of the government’s reform, backed by the International Monetary Fund (IMF) and the World Bank. The country, a member of the Organisation of Petroleum Exporting Countries cartel (OPEC), began deregulation of its oil market at the start of 2002.

In an attempt to attract foreign investors
and to smarten up the country’s profile, Mr Lukman said that Nigeria was planning to stick to its OPEC production limits, agreed on December 28th in order to shore up prices.

OPEC has been blaming Nigeria for the overproduction of some 300,000 barrels per day above its assigned quota of 1.8m barrels per day. December’s election of Mr Lukman as president of the cartel is also likely to ensure that the West African country sticks to its quota.

Fuel Shortage

Despite Nigeria’s substantial crude oil exports, it is also reliant on importing refined fuels.

The demand for fuel is growing quickly, in line with a growing number of car owners and rapid population growth. The government expects a 10% increase in domestic demand for gasoline in 2002.

But the four state-owned refineries are thought to be in a very bad state of repair and not working to their full capacity. According to Mr Lukman, the refineries produce 360,000 barrels per day, while having a capacity of 445,000 barrels.

Today Nigeria’s oil industry is heavily subsidised by the state with the official pump price of oil just above $0.23 (£0.15).

The government is keen to end the costly subsidies and liberalise the market. The state-run Nigerian National Petroleum Corporation (NNPC) owns the controlling stake in all the country’s oil projects. International energy firms such as Anglo-Dutch Shell, France’s TotalFinaElf and Italy’s Agip operate under joint ventures for their exploration and production businesses. 

(BBC News 10/1)

Ironically, the new Nigerian approach to controlled production comes at a time of potentially large-scale expansion of the oil sector which remains dominated by Royal Dutch/Shell. But new entrants are making their presence felt. On December 20th Petrobras (Brazil) and the NNPC signed an agreement for the exploration of offshore-block OPL324.

In OPL324 Petrobras, with a 75% holding for 30 years, will make its debut as an operator. The Brazilian company also signed a 15% share agreement in November with Chevron Texaco for the OPL250 concession.

Italian major Eni has also signed an agreement for block OPL244, south of the Bras terminal, in which its affiliate Agip Nigeria is the operator and holds 90%. The block is earmarked for a seismic campaign and for two exploration wells.

In line with Nigeria’s demand for the more efficient use of its resources, Eni has begun developing a series of projects such as gas liquefaction and power generation plants which should substantially reduce wasteful flare-offs. Eni is also the operator in the offshore Agbara field which started production in 1989, and is developing the Abob field—in 650m of water—that is expected to start production by the end of 2002.

(Africa Analysis 11/1)

TITANIUM

Madagascar

Río Tinto seems determined to push ahead with one of the world’s most controversial mining projects.

Madagascar, an island that has some unique animal, bird and plant life, could be the site of a titanium mine in the south east. In an unambiguous statement, Tom Albanese, who heads Rio’s industrial minerals business, has told analysts the group’s aim is “to take the lion’s share of future demand growth in high grade [titanium] feedstock” and that “in the longer term, Madagascar represents the best greenfield project for development”.

The government of Madagascar in November granted an environmental permit to QMM, the company 80% owned by Rio that hopes to push ahead with the project near the town of Fort Dauphin in the province of Tulear.

The project is now entering a new phase in which market and engineering studies will be advanced to determine the overall feasibility ahead of a final investment decision. At the same time, QMM will collaborate with the Madagascan authorities to address a range of regional issues.

Titanium is mainly used to produce titanium dioxide, a white pigment that, in turn, is mainly used in paint. Albanese told the analysts that demand for titanium dioxide produced by the more environmentally friendly chloride route is growing at an annual 4%. “The Madagascar deposits contain the largest free flowing, high-grade body of chlorinatable ilmenite in the world,” he said. “The ilmenite contains 62% titanium dioxide, a feature that makes the ore suitable for the production of either slag, synthetic rutile, or directly as a pigment feedstock. This flexibility makes Madagascar very competitive in titanium dioxide markets.”

He added, “We still have a lot of work to do, but we expect to see this material come into the marketplace as the new supply of choice.”

Rio’s industrial minerals operations, which include the borax business in California as well as its titanium dioxide interests, have for many years been a steady, if not spectacular, contributor to group earnings. In 2000 the division’s earnings were $320m.

The Madagascan project, which is expected to have a life of at least 20 years after start-up, has been targeted for protests by environmental organisations for many years, and Rio’s new-found enthusiasm will be bound to increase the outcry against it. Rio argues that it is taking all this concern into account and that, among other things, it will implement a tree-replanting programme to protect the southeastern Mandena forest—which at present is being steadily decimated by villagers chopping down trees for firewood.

The potential economic benefits to the 15m people in one of the world’s poorest countries, according to Rio, would include about 600 jobs at the mine, improved infrastructure and $21m a year in revenue to the government. Environmentalists suggest, however, the plans do not go far enough to avoid dangers to Madagascar’s unique lemur primates, chameleons and birds, as well as about 20 plant species found only in Mandena.

The World Wide Fund for Nature (WWF) has published a list of criticisms of Rio’s environmental study, which suggests that the plans to replant trees and preserve some untouched forest areas are unlikely to sustain the same diversity of species.

Other critics say the project would bring to the island an influx of single men, creating conditions ripe for spreading AIDS, and disturb ancient memorial sites, even though Rio has promised to introduce health programmes and leave sacred sites untouched.

Rio can therefore expect not only protests at its annual meetings but also questions from some of its big shareholders.

Environmental groups have mastered the technique of writing to major shareholders about potential projects that are causing them particular concern and this, in turn, often leads to fund managers contacting the group to find out what is going on.

(Miningweb, Johannesburg, 8/1)

IN BRIEF

Diamonds: From Guinea Vancouver-based Trivalence Mining Corporation has received the results of processing of a bulk sample taken by its joint-venture partner, Rio Tinto Plc, at the

K23 kimberlite, part of Trivalance’s 85%-owned Aredor diamond property. The 428.5 tonnes (dry) sample yielded 846 stones, weighing a combined 55.33ct, for a grade of 0.128 c/t. The largest stone weighs 1.27ct. (Mining Journal 21/2)

Oil: In Gabon a new oil field with reserves estimated at between 20 and 50m barrels was discovered on the Ozigo concession exploited by Shell-Gabon, an official source said in Libreville.

The new field, which could soon be developed, would increase Gabonese oil production by 20,000 barrels a day, the source added. (PANA 12/1)

In Ghana the government has decided to intensify the search for oil in the country, particularly in deep waters where there is growing evidence of potentially large accumulations of oil and gas. To this end, it is to embark on a major revision of the legal and regulatory framework for oil and gas exploration and development to make it more attractive to investors. (Daily Graphic, Accra, 30/11)

Kenya is seeking technical assistance from the Chinese government for oil exploration. The government has also invited Chinese companies to explore possible oil reserves in the country. Chinese companies are known for their success in oil exploration in Sudan. Energy Minister Raila Odinga said Kenya has lagged behind its neighbouring countries in exploiting possible oil reserves due to high costs of exploration and drilling of wells. Exploration and development of an oil well is estimated to cost about KSh240m. (Kenyan TV 17/1: BBC Mon.)

Platinum: Zimbabwe Platinum Mines Ltd has begun operations at the Ngezi platinum group metals (PGM) mine in Zimbabwe. The first ore was extracted on December 14th. The Ngezi-SCM project is expected to reach full output by mid-2002, at an annual capacity of 98,000 ounces (oz) platinum, 82,000 oz palladium, 8,000 oz rhodium, 12,000 oz gold, 1,300 t nickel and 1,000 t copper. (Mining Journal 21/12)

Zinc: In Namibia UK-based ZincOx Resources plc has formed a joint venture to evaluate and exploit slag dumps at the Tsumed zinc mine with Ongopolo Mining and Processing Ltd (OMP), the operator of the mine. The slag dumps are estimated to contain 2.9m tonnes of material averaging 9.03% zinc, 2.05% lead, 0.026% germanium, 0.02% gallium and 0.02% indium. (Mining Journal 11/1)

**Industries**

**COMPANY BRIEF**

**Egypt**

Investment: The anti-Arab backlash following the September 11th terror attacks on the US, has had some positive effects on the north African states and Sudan.

Some of the Arab money fleeing Wall Street has found its way into investments, especially in Egypt.

Dubai-based Majid Al Futtaim Group (MAF), for example, has embarked on the development of a series of major shopping, entertainment and leisure projects in Egypt, where it already has three subsidiaries, Futaimar Trading Co., Toyota Egypt and El Nile Trading & Engineering.

MAF is one of the leading property developers in the Gulf. Operating through MAF Misr, its wholly owned Egyptian subsidiary, the MAF group plans to invest several hundred million dollars in a number of projects in Egypt over the next decade. The first of these is Maadi City Centre, a major shopping, entertainment and leisure complex scheduled for completion by the end of 2002. This will be followed by two similar projects in Alexandria and Heliopolis, near Cairo. Whether the country can absorb yet another large-scale shopping and entertainment complex remains to be seen.

MAF’s new move has brought it into direct competition with local retail hypermarket, Metro, and South Africa’s Shoprite.

Eighteen months ago, the South Africans teamed up with Egyptian company EK Holdings to open their first store, and have since announced details of an expansion plan.

However, it seems likely that MAF will pitch for the affluent 10% of this country’s 65m population. Rather than value-for-money food and household goods retailing, the Maadi City Centre will cater for luxury goods, designer clothes and electronic games. (Africa Analysis 14/12)

**Libya**

Football: After a disappointing debut on the Milan Stock Exchange, the Turin club Juventus’ shares were snapped up by Colonel Muammar Gaddafi’s Lafico investment company. It picked up 5.3% of the club’s shares and the Libyan leader has said he wants to increase the stake to 20%. (The Independent, London, 13/1)

Oil: One Nine Investment International, an investment arm of the Libyan government in mid-December bought a 2% stake in Bula Resources, the Anglo–Irish oil company, for about Euros 900,000 (£562,000).

One Nine is wholly owned by the Gaddafi International Charitable Foundation, which is headed by Saif al-Islam Gaddafi, the Libyan leader’s son.

The investment marks a success in Bula’s attempts to raise its profile in the Middle East, with a particular focus on Libya and Iraq.

Bula has been trying to obtain exploration and production contracts in Libya for the past five years.

Tom Kelly, Bula’s Managing Director, said only one western company had been granted acreage in Libya over recent years, despite the suspension of United Nations (UN) sanctions in 1999 following the hand-over of the Lockerbie suspects.

European oil groups, such as Agip-ENI of Italy, have enjoyed an advantage, because US rivals are restricted from investing in Libya under US sanctions.

However, Mr. Kelly stressed the investment did not signal the imminent granting of any contracts. (The Financial Times, London, 12/12)

**Mozambique**

Steel: A planned steel slabs factory in Maputo has been put on hold after the bankruptcy of the sole shareholder in the factory, the US energy corporation Enron. Enron’s plan involved raising iron ore from South Africa to Maputo, and using the natural gas from the southern Mozambican province of Inhambane in the iron ore reduction process. With a total planned investment of over $1bn, the Maputo Iron and Steel Project (MISP) was projected to export two million tonnes of steel slabs a year. The disappearance of Enron could well destabilise energy markets across the world. (SouthScan 31/11)

**Rwanda**

Investment: Heineken, which owns the country’s only brewer, Bralirwa, and is upbeat about the investment climate in Kigali, is planning a new Euros 66m brewery, with construction scheduled to begin in 2002. Senior executives say they find

the Rwandan government ready to listen, particularly regarding tariff rates, and that corruption levels are “refreshingly low”. Several other investors, particularly those without monopolies, beg to differ. But South Africa’s mobile telephone company MTN, whose Rwandan subsidiary Rwandacell also enjoys a monopoly, is doing well.

However, some other recent South African arrivals are faring poorly. South Africa’s petroleum giant Engen sold its Rwandan assets in December to controversial Rwandan businessman Alfred Kalisa, only two years after it bought them from BP.

Engen Rwanda’s turnover in 2001 was only Fr R4bn ($8.7m), under half what it had been in 1998. Engen executives have blamed this on the underhand dealings of Rwandan competitors.

Many Rwandans compare Engen to the South African medical services company, Netcare, which took over the management of Kigali’s exclusive King Faycal hospital in 1998. Two years later, it abandoned the task, with the hospital by then nearly bankrupt.

Another struggler is Alliance Air, which is jointly owned by the Rwandan government and South African Airways, now, since the difficulties of Swiss Air, again a parastatal. It flies between Kigali and Johannesburg and has lost money since its inception. Rumours are growing that it will be forced to cease operations later in 2002. (Africa Analysis 11/1)

South Africa

Steel: Anglo-Dutch producer LNM Holdings N.V. has confirmed it has acquired a 10% stake in local steel producer Iscor Ltd by buying shares in the market. The news came as Iscor shareholders approved a business assistance agreement with LNM, and enabled the agreement to come into effect.

The agreement is a performance-based deal between the two steel companies, which will see LNM provide business assistance to Iscor over the next three years in exchange for Iscor shares, provided that certain cost saving thresholds are met.

LNM is to invest $75m in acquiring a strategic shareholding in Iscor before March 2003. LNM will do this by exercising call options, sub-underwriting of the upcoming Iscor rights issue and market purchases.

Iscor is due to launch a R1.67bn rights issue in the next few months that will be used to settle debt at the group’s Saldanha Steel operation on the west coast, north of Cape Town. The business assistance agreement also entitles LNM to two representatives on Iscor’s board. (Business Day, Johannesburg, 15/1)

E-COMMERCE

Economic Impact

Prospects are bright for e-commerce in developing countries, the latest UNCTAD report says.

However, the report, which reviews trends and discusses the impact of e-commerce on the global economy and such economic sectors as tourism and finance, also warns of the negative consequences should developing countries fall further technologically behind the industrialised world. It considers legal and regulatory issues arising from the advent of the electronic age and is intended largely as a guide for developing countries in putting the digital revolution to work for them.

To assess the broader economic impact of e-commerce and the ramifications of developing countries catching up or not, the United Nations Conference on Trade and Development (UNCTAD) conducted a quantitative analysis based on two scenarios: one in which developing countries fall behind technologically, and one in which they catch up with developed countries.

The analysis is centred on cost savings and assumes that e-commerce can reduce costs of services, particularly in retail and wholesale trade, transport, and financial and business services.

Under the first scenario, developed countries would have welfare gains of $117bn, while the developing world (excluding Asia) would lose welfare of $726m. Besides welfare and GDP losses, developing countries would also experience a reduction in wages and deteriorating terms of trade. E-commerce could therefore end up actually widening, and not narrowing, the gap between developed and developing countries.

Under the second scenario, however, if developing countries were to catch up with developed countries in productivity, they would increase output, wages and welfare. By reducing costs, increasing efficiency, reducing time and distances, e-commerce could thus become an important tool for development.

Usefulness of Internet for LDCs

To a large extent, business opportunities—including tourism, online commodity trading and teleservicing—may remain just that, owing to the limited capacity in developing countries for online secure payments and the lack of adequate trade-supporting services, such as insurance, transport and business information. But the Internet can help developing countries get around some of the difficulties. It increases their access to new, better-quality suppliers and can put them on a better competitive footing. For smaller players, it is especially helpful because it tends to reduce economies of scale and lowers fixed costs, the report says.

One example cited by the report of a firm capitalising on the e-commerce explosion to create business opportunities that at the same time contribute to national development is EthioGift, operating out of Addis Ababa (Ethiopia). “Very big sheep”, promises the website, www.EthioGift.com—“a 35kg (Guarant) Sheep for Your Family’s Feast (S97)”—featuring a photo (with zoom view) of an attractive brown and white ovine. EthioGift offers 48-h delivery of sheep, cakes, flowers and liquor within Ethiopia, through credit card payments handled by a secure server in Canada. The site, which targets the large, affluent Ethiopian diaspora in Europe and the US, is the brainchild of an Ethiopian PhD in computer science. Revenues in 2000 totalled $50,000.

With communication made so easy by the Internet, new opportunities are also emerging for outsourcing in developing countries. The proliferation of Internet cafes and mobile phones in parts of the developing world where there is neither fixed-line phone service nor even a steady supply of electricity, points to the enormous role e-commerce can play as a catalyst for development. And the benefits extend far beyond the more immediate profits made by local entrepreneurs to encompass the potential for much broader and longer-lasting improvements in education, health and employment in poor countries.

An offline teleservicing operation in Ghana has just landed a contract to process claims for a US insurance company that will eventually create 4,000 jobs. And at Cafe Informatique in Togo, the physical location of a facility carrying out an “on- or off-line” teleservice is no longer a barrier: the company’s 60 permanent employees conduct telemarketing, data scrubbing and translation for clients as far away as Geneva.

For LDC enterprises, the potential in such offline teleservicing—transcription ser-
services, data input, software development, remote access server maintenance, web development, database creation, digitisation of old documents (e.g. blueprints), translations and editing—is “unlimited”, says the UNCTAD report. This is mainly because of the huge difference in wages between LDCs (as low as $20 a month, but around $500 for highly qualified individuals) and developed countries (ranging from $2,000 to $10,000 a month for similar activities). In addition, offline teleservicing is well suited to LDC environments, where online teleservicing might be problematic because of less reliable telecommunications infrastructure and regulatory restrictions, notes the Report. It describes the findings of an UNCTAD survey in 10 LDCs of 16 enterprises already engaged in e-commerce and identifies sectors where e-commerce could create new opportunities. Key among them is the chance to diversify into sectors that rely less on transport. In many LDCs and landlocked countries, such costs can amount to up to 40% of total export costs; tapping into e-commerce enables them to reduce the economic significance of distances.

Other challenges have nothing to do with the lack of infrastructure or with IT skills, legislation, payment methods and financial resources. As the report explains, “The most serious problem for LDC enterprises as they embark on e-commerce is not technology but the need to change their business culture and practices.” This is because in the digital economy, information flows more quickly and in more directions; decision-making thus becomes less centralised, and workers need to be able (and feel empowered) to perform a wider range of tasks. “This represents a serious challenge for many developing countries and economies in transition, where traditional notions of authority and hierarchy may be more deeply entrenched ... Competitiveness in the digital economy requires a workforce that is equipped with the skills to master change rather than to undergo it.”

The report concludes that the economic benefits of ICT and e-commerce for developing countries are undisputed, and if these countries manage to keep pace with developed countries the benefits will be even greater, extending beyond economic output and exports to such areas as health care delivery and telemedicine, distance learning, public sector administration (such as computerised voting) and employment generation.

Although it sounds a cautionary note, “Neither computers nor the Internet by themselves, can make a country or a company radically more productive”. At the same time, however, its basic message is optimistic. “It is because the Internet revolution is relevant not just to the high-tech, information-intensive sectors but also to the whole organisation of economic life that its positive effects are spilling over more quickly into most sectors of the economy and that developing countries stand a better chance of sharing in its benefits earlier than in previous technological revolutions.”


PHARMACEUTICALS

Africa

Ten African countries including Uganda, Rwanda and Burundi are now said to have signed deals with major pharmaceutical companies to import anti-AIDS drugs at cut prices, according to the United Nations.

However, Nigeria in mid-December became one of the first African countries to decide to import generic anti-retroviral drugs from the Indian generic drugs company Cipla, in a test programme involving 10,000 patients.

It has been clear for some time now that there are differing approaches within Africa to the issue of the life-saving anti-retroviral drugs, with some favouring the cut-price deals from the major pharmaceuticals, others wanting to import generic versions and some even deciding to make their own generic drugs (see below).

African countries’ right to make their own generic drugs was confirmed at the World Trade Organisation (WTO) summit in Doha but there was some confusion afterwards as to whether or not non-LDC African countries would be allowed to import generic drugs from overseas. Both Kenya and Nigeria are not classified as Least Developed Countries.

Under the deals done with the pharmaceuticals under the “Accelerated Access” process, the prices of some anti-retroviral drugs have been cut by up to 85% in Africa. However, those countries which do import the drugs at such prices have to pledge not to sell them on to other markets.

Scientists at the 12th International Conference on AIDS and Sexually Transmitted Diseases in Africa in the Burkina Faso capital, Ougadougou in December, are reported to have confirmed the effectiveness of anti-retroviral drugs in combating AIDS in Africa, in tests carried out so far—contradicting the argument that the continent lacks the medical infrastructure to administer the drugs properly. (The East-African 17/12)

Local Firms to Make Their Own

The Sunday Observer (Dar es Salaam) reported in December that Tanzania had become among the first African countries where local industrialists had teamed up to manufacture life-prolonging drugs, at affordable prices for HIV/AIDS victims. Tanzania, together with Egypt and South Africa, has competent pharmaceutical companies which can produce quality drugs in line with recommendations made at the Doha summit.

“We have the resources to start manufacturing the drugs upon securing the green light from the government,” noted the Sumario Group manager of Corporate Planning, Mr Harpreet Duggal.

He said in response to the WTO meeting, and because Tanzania is one of the countries hardest hit by HIV/AIDS, that Shelys Pharmaceuticals Ltd, a member of the Sumario Group, had decided to start manufacturing life-prolonging drugs for AIDS victims. (Sunday Observer 16/12)

Meanwhile in Uganda, the Minister for Health, Mike Mukula, announced that local pharmaceutical companies manufacturing cheaper generic anti-retrovirals would be given tax breaks.

“We are in consultation with players in the drug and legal sectors to have the income tax act amended. This is a matter of national priority and urgency to have the drugs locally manufactured,” he said. He said the amendment would be tabled before parliament.

“We hope to work closely with pharmaceutical firms in bringing down the costs. Tax holidays is one way. We hope to attract investors,” Mukula added. (New Vision, Kampala, 3/12)

POWER

Nigeria

Further efforts are made at liberalising the energy sector.

The federal government has given two multi-nationals, Shell and AES, the nod to rehabilitate and operate the Afam and Sapelle power-generating stations. Naira 105bn
(about $750m), to be spent on the plants by the companies, is said to have been okayed by the government, which has equally called for bids from notable energy companies for the operation and maintenance of five other power stations in the country. The Guardian (Lagos) learnt from sources in the power and steel sector in Abuja that Shell will spend $450m to rehabilitate the Afam Power Station while AES, which took over the Lagos Independent Power Plant from embattled ENRON, is putting $250m to rehabilitate the Sapele plant.

On completion of the rehabilitation programme, Shell and AES will run the stations for some years before handing them back to the federal government or any organisation that may buy them.

Meanwhile, as part of its restructuring process, soon-to-be-privatised National Electric Power Authority (NEPA) has signed a Memorandum of Understanding (MoU) contract with eight foreign companies to handle its revenue collection.

Under the terms of the contracts which Liyel Imoke, chairman of the authority’s Technical Board said are to place NEPA in a “viable footing”, the contractors are to handle meter-installation, meter-reading, bill-production and bill-distribution. The companies would also be responsible for cash-collection, cash-banking and customer service.

The chairman, who expressed regret over the poor revenue profile of NEPA whose privatisation will start in the first quarter of 2002, blamed the situation on inherent inefficiency in the management of the revenue cycle.

“The many strategies had been adopted in the past to address the revenue issue without any appreciable positive impact and the only option left is the involvement of private companies,” Imoke declared. (The Guardian web site 15/12, 16/1: BBC Mon.)

This Day (Abuja) reported in late December that NEPA had commissioned a transformer in Effurun, near Warri, Delta State in its effort to boost power supply in Warri and its environs.

The new transformer has the capacity of giving at least additional 48 megawatts (mw) to consumers in the area. Conducting newsmen round the transformer, the NEPA principal manager, Sapele Works Centre, Mr Bisi Ogunleye, remarked that with the transformer, there would be constant power supply unless there was a problem with distribution.

The NEPA public relations officer in Warri, Emma Ibude, said only one transformer had been working in the area for the past eight years. (This Day, Abuja, 16/1)

Newswatch said on January 21st that four local government areas in Rivers State—Eleme, Khana, Tai and Gokana—now enjoyed a stable power supply. (Newswatch, Lagos, 21/1) Major contract p. 15022

Uganda

The World Bank is to fund a $225m hydropower project.

It announced its approval on December 18th for support for the construction of a large-scale dam near Bujagali Falls on the River Nile near Jinja, southeastern Uganda.

The Bujagali hydropower project would consist of a 200MW hydropower station and would be a “key investment” in poverty reduction in a country where less than 3% of the population has access to the national grid, the World Bank said in a statement.

“The project will provide an efficient, low-cost and well-managed electricity generation facility that promises substantial economic benefits to Uganda,” said Peter Wagie, executive president of the International Finance Corporation (IFC), an arm of the World Bank dealing with private sector investment credit.

The IFC agreement will open the way for other financiers and should ensure that construction starts early in 2002.

The IFC made the decision after approving an environmental impact assessment (EIA) commissioned by the successful bidders for the contract. Since this also involved the personal intervention in October of President Yoweri Museveni, the protests of environmentalists are unlikely to be stilled.

Museveni warned World Bank chief James Wolfenson that wide-ranging protests by environmentalists threatened to derail not only the project, but also Uganda’s privatisation process. However, the EIA appears to have allayed the main fears of the protesters.

These included the possibly harmful cumulative effect of three dams in close proximity. Also listed was the potential loss of the natural beauty and river rafting capacity of the Owen Falls area.

Applied Energy Services (AES) which, together with Madhvani International, makes up the dam building joint venture, will put up $115m.

This first ever private power project is to be located at Dumbell island, 8km north of the Owen falls dam and also includes construction of 100km of 220KV and 132KV transmission lines and substations.

The New Vision reported on January 3rd that five Norwegian companies had won the engineering procurement contract for the construction of the controversial project: Veidekke International AS, Alstom Power AS, GE Hydro AS, Skanska International and Norplan. The contract, awarded by AES, was for 44 months. (IRIN 21/12, Africa Analysis 14/12, New Vision 3/1)

When the Bujagali project is commissioned in February 2006, Kenya will import 80 megawatts of power from Uganda, officials said on January 16th. Uganda currently supplies Kenya with up to 30 MW of electricity which hardly meets the country’s demand. Kenya Power and Lighting Company KPLC and the recently established Uganda Electricity Transmission Company (UETC) signed a new power purchase agreement for additional capacity in Nairobi on the 16th.

Under the agreement, Kenya will purchase the power for a period of 14 years starting February 2006. (The New Vision, Kampala, 17/1) East African power solutions p. 15023

TEXTILES

Mauritius

At least two textile mills have declared over 1,000 employees redundant as a result of terrorist attacks on the United States.

The factories, located in the Mauritian free trade zone, said the layoffs were due to the absence of orders from the United States, particularly since the September 11th terror attacks in New York and Washington.

Afasia Group of Hong Kong closed two of its production units on January 4th, dismissing 925 workers from one unit at Plaine Lauzun near Port Louis and another unit in Floreal, 20 kilometres south of the Mauritian capital.

The Mauritian textile free zone comprises about 500 factories, which employ close to 90,000 workers, including 15,000 foreigners. Its products are exported to the United States and Europe, particularly France.

The management of Afasia Group said the retrenchments were necessitated by financial constraints.

However, Mauritius Labour and Industrial Relations Minister Showkatally Soodhun was outraged by this decision and
described the lay-off, occurring just after the New Year festivities, as “savage”.

“I have not been informed by the management of this industrial group. I believe that those who effected the lay-off are irresponsible people. It is really regrettable,” he said.

For his part, International Trade and Industry Minister Jayen Cuttaree said it was “unacceptable that in a country like Mauritius, with the tradition that we have in the world of labour and with a government that lends an attentive ear to problems of the free zone, a company can get away with firing a thousand people.”

Another textile company, Winbright Ltd, has laid off 105 of its employees.

A third factory, a branch of multinational has charged about 60 employees. (In both cases, garment factories, desperate in contravention of labour and safety regulations, locked in overnight as a security measure, to keep some 20bn Kenyan shillings ($230m) in direct sales in 2000. The Kenya Central Bank estimated the loss to the fiscus at some Sh1.3bn in taxes. (African Business, January)

Power: Despite the reservations of environmentalists, Sudan’s ambitious New Millennium dam project at Merowe will be going ahead. At a cost of more than $2bn, this massive hydroelectric and flood control project is scheduled to be completed in 2008.

Since last August, Arab lending institutions have been working on a comprehensive package to supply $750m and the government is tapping international markets for the balance of the funding required over and above the government’s commitment of $400m.

With a proposed capacity of 3bn cubic metres, the gigantic dam will help control seasonal flooding while generating 1,250MW of electricity. This is more than twice the country’s current total power output of 500MW and could transform the lives of millions of citizens while providing a boost for Sudan’s ambitious industrial development programme. The country now suffers a shortage of electrical power and the national grid is obsolete. Most rural areas have no access to electricity.

The government has also commissioned the upgrading of older power stations. The 20-year-old Khartoum North station is the first to undergo this upgrading. Alstom Power of Britain has won the contract and aims to complete the refurbishing of Khartoum North by 2004. (Africa Analysis 30/11)

In Swaziland, a senior figure in the Ministry of Economic Planning and Development said government was gearing itself towards making electric power available to 75% of the country’s population in the next 10 years. Only 13% of Swazis have access to electric power. (R. Mhlabane 11/12: BBC Mon.)

### Economic Aid

**EUROPEAN UNION (EU)**

**Benin:** A donation of health equipment worth over CFAFr600m (Euros 914,000). The donation will provide increased capacity for care in 213 maternity units in the départements of Oueme, Atlantique and Mono (south).

**Congo:** A donation from the European Commission to Brazzaville of Euros 750,000 for the reintegration of ex-combatants and weapons collection.

The first phase of the programme, under UNDP management and implemented by the International Migrations Organisation (IMO), has been completed in several regions of Congo.

**Ghana:** The European Investment Bank (EIB), the EU’s long-term financing institution, is providing Euros 9m from risk capital resources for medium-term financing to the leasing sector. The loan will be used for financing equipment in the industrial, agro-industrial, mining, transport, tourism and related service sectors and possible micro-lease operations.

**Malawi:** The EU is to finance an irrigation programme for some 3,000 impoverished farmers with funding of $13m. The programme, aimed...
at the “poorest of the poor” will be completed in 2004. The first farmers to benefit will be in several districts in the centre of the country. At present, only 10,000 of the 200,000 hectares under cultivation are irrigated, which the government believes is a major contributing factor in Malawi’s regular food shortages. It is estimated that 60% of rural householders cannot feed themselves in a country where 80% of the 11m population depend on agriculture for their survival.

Tunisia: The EIB has agreed two loans totalling Euros 195m. The first, for Euros 100m, is a credit line opened for financial institutions to disburse long-term loans to small and medium-sized companies in the industrial and service sectors. The second, worth Euros 95m, is to finance drinking water supply from the north to the Sahel (centre-east) and Sfax (south) regions.

UN AGENCIES

Cape Verde: The World Bank’s International Development Association (IDA) has awarded a US$15m loan over 40 years with 10 years grace to help the government reestablish internal and external balances by helping alleviate the impact of the oil shock and recent world events and creating the conditions for sustained high GDP growth. The credit will support the government’s stabilization programme and help implement critical structural reforms in support of renewed growth and poverty alleviation by, among other things, implementing structural reforms in the petroleum sector and supporting an accelerated privatization programme in the transport and infrastructure sector.

IDA has approved the fourth structural adjustment credit worth $40m designed to support the Interim Poverty Reduction Strategy. The first phase of this reform programme focuses on strengthening governance and public resource management as necessary conditions for improved service delivery to the poor, especially in view of the advent of first oil revenues expected in 2003. It further supports the elimination of major constraints to growth and poverty reduction in the cotton sector.

Djibouti: The International Monetary Fund (IMF) said on December 4th that it was set to extend a new US$5m line of credit to Djibouti as part of an ongoing eligibility plan agreed back in 1999. Under the IMF’s Poverty Reduction and Growth Facility project, Djibouti was granted a US$24m credit of which it has so far claimed US$7m. The new allowance comes despite IMF reservations over the delay in Djibouti’s promised reform of its financial infrastructure.

Ethiopia: A loan agreement amounting to $20.15m with the International Fund for Agricultural Development (IFAD) for a programme designed to support low income groups in rural areas. Some 1.5m people will benefit.

Mali: The World Bank’s International Development Association (IDA) has awarded two loans. The first for US$43.5m will fund a project to establish an institutional framework conducive to the delivery of agricultural services to producers. The second, for $70m, will provide balance of payments support to the government to close the financing gap stemming from the recent crisis in the cotton sector, enabling the government to maintain momentum on its ongoing reforms agenda for the cotton sector and for management of public expenditures.

Sierra Leone: The World Bank has awarded $50m over 40 years with 10 years grace to support the government’s stabilization programme and help maintain momentum on its ongoing reforms agenda for the cotton sector and for management of public expenditures.

Tunisia: The World Bank has awarded a loan of $250m over 16.5 years with five years grace to support Tunisia in improving the investment climate for the private sector, strengthening the financial sector and liberalizing the telecommunications sector.

NATIONS OVERSEAS

Benin: A grant of Euros 2.74m from China to finance rural sector projects.

Burkina Faso: Two financial agreements with The Netherlands for grants totaling CFA F8.334m ($111m) to reduce poverty. The first— for CFA F7.441m ($10m)—is aimed at financing structural reforms. The second amounts to CFA F982m ($1.3m) and is destined for the initial phase of a 10-year basic education plan.

It will also cover the recruitment and training of specialists in management, public works and the construction industry at large.

Chad: A loan of $9.58m from the Khartoum-based Arab Bank for Economic Development in Africa (BADEA) for land reclamation in the Anjuri region. The project involves reclamation of some of 10,000 hectares of land, as well as the construction of 90 wells and water reservoirs for irrigation.

BADEA said the project would help improve the farmers’ living standards by increasing livestock and agricultural production in the region.

The loan is repayable in 28 years with a grace period of six years, and carries an interest rate of two percent.

Djibouti: A grant of $1.6m from France to the government for its poverty reduction programme and to support growth. The grant will enable the state to settle spending undertaken under the 2001 budget before the end of the year, particularly in the areas of education and health and social development.

Italy is providing finance of Euros 2.21m (about $2m) to the audio-visual sector. This has enabled Radio-Djibouti’s FM network to be renovated and its coverage extended to reach the entire country.

DR Congo: Belgium will finance infrastructure rehabilitation projects totaling $1.8m in various neighbourhoods of Kinshasa, capital of the Democratic Republic of Congo. In the neighbour- hood of Kimbanseke, $251,877 will be invested in the rebuilding of the sewerage system and the repair of roads and bridges, while some $418,695 will be used to rehabilitate a primary school.

In Ndjili, $193,972 will be spent rebuilding a professional training centre and buying teaching supplies. Another $464,942 is earmarked for a professional training school and community centre in the Mont Gafsa neighborhood. In the commune of Mpumpu, $461,625 will be used for repair of road damage caused by erosion.

Egypt: A donation from the Abu Dhabi Fund of $100m for the Tochka irrigation project which aims to create millions of hectares for cultivation in the Egyptian desert (south) by diverting water from the Nile which will lead to an increase in agricultural exports from Egypt to Europe. The project also aims to ease demographic pressure on the Nile Valley, where nearly half of all Egypt’s 6.65m population lives. The government wants at least 2m people to settle in the Tochka desert over the next 20 years.

Ethiopia: A grant of Birr 65m ($7.59m) from Canada to increase agricultural production through improved water management in Amhara (regional) State (north west) under a project to be implemented over six years. The grant will be used to strengthen the capacity of regional institutions, appropriate organs of local administrations and farmers associations to plan, design, implement and manage the sustainable use for irrigation and, ultimately, food production.

A grant from China of $20m in technical assistance.

A grant agreement with France worth about $1.5m for the implementation of quality and sanitary aspects of an animal products project, and for support for legal reform particularly by improving judicial performance.

An aid agreement with Italy for about $2m to be used to assist nationals displaced during the war with Eritrea. It will be used on health, education and water projects in Tigray and Afar Regional States.

Ghana: Britain has released a further $7.5m of untied assistance, the last tranche of the UK’s current Programme Aid.

Kenya: A donation of £2.25m ($3.2m) to the World Food Programme (WFP) from Britain to help the 3.1m Kenyans affected by drought. The money will buy 5,000 tonnes of maize from Kenyan farmers and finance the transportation of 10,000 tonnes of maize given by the WFP to the Kenyan government.

A grant of Shillings 480m from Japan for the rehabilitation of Meru (centre) urban water supply.

Niger: A grant of Euros 6.197m (about $5.53m) from Belgium to support settlement of outstanding wages owed state workers. It is Belgium’s third grant to help Niger pay its civil servants, following grants made in 1999 and 2000.

Tunisia: Two loans totalling Euros 45m (Dinars 56.2m) from the Arab Monetary Fund (FMA): the first, for Euros 30m, is to finance reforms in the insurance sector and facilitate the structural adjustment of the financial and banking sector. The second, worth Euros 15m, should partly offset the “foreseeable deficit” in the balance of payments due to the increase in Tunisian imports of cereals and the crisis in the tourism sector.
African Currency Table ........................................ 15039A

African Development Bank
New loans .................................................. 15042B

African LDCs
Export successes .......................................... 15027A
Uganda acts against biopiracy .......................... 15028A
Zambian spice success .................................... 15028C

Air Afrique
Liquidation decision ...................................... 15046A

Algeria
Budget 2002 ............................................. 15038B
Roads ...................................................... 15048C

Angola
Bank privatisation ........................................ 15045C
Railways ...................... 15048A

Benin
Budget delay ............................................... 15038C
IMF appointment ........................................... 15045C
Economic aid .............................................. 15060A, 15061B

Burkina Faso
Budget 2002 ............................................. 15039C
IMF approval .............................................. 15042A
Aid ......................................................... 15061B

Burundi
Economic performance .................................... 15033A
Donor conference .......................................... 15033A

Cape Verde
Aid ......................................................... 15061A

Central African Republic
Hope amidst despair ...................................... 15032A
Banking on the IMF ........................................ 15032B
Budget 2002 ............................................. 15039C

Chad
Economic aid ............................................... 15061B

Congo
Aid ......................................................... 15060B

Democratic Republic of Congo
Budget 2002 ............................................. 15040A
EU aid to resume .......................................... 15042A
Key indicators ............................................... 15042C
Railways ..................................................... 15048C
Telecommunications ...................................... 15048C
Aid ......................................................... 15061B

Djibouti
Aid ......................................................... 15061AB

E-Commerce .................................................. 15057B

ECOWAS
CFA, Euro, Eco-Zones ...................................... 15030A

Egypt
ADB loan ..................................................... 15042B
Another devaluation ....................................... 15043A
Company brief .............................................. 15056A
Aid .......................................................... 15061C

Ethiopia
ADB loan ..................................................... 15042B
Tackling corruption ....................................... 15043B
Debt reduction .............................................. 15043B
Airlines ...................................................... 15047C
Timber ...................................................... 15053C

Gabon
Oil .......................................................... 15056A

The Gambia
Budget 2002 .............................................. 15040B
2001 economy .............................................. 15040C
IMF review ................................................. 15046A

Ghana
Kufuor – one year on ....................................... 15032C
Airline crisis ............................................... 15034A
Paris Club reschedulE ..................................... 15046A
Ashanti shines .............................................. 15050C
Oil .......................................................... 15055A
Aid ......................................................... 15060C, 15061C

Guinea
ADF loan ..................................................... 15042B
Diamonds ................................................... 15055C

Kenya
Tea .......................................................... 15053C
Oil .......................................................... 15056B
Manufacturing .............................................. 15060B
Aid .......................................................... 15061C

Lesotho
China writes off debt ..................................... 15046A

Libya
Railways ..................................................... 15048C
Company brief .............................................. 15056B

Madagascar
IMF review .................................................. 15046A
Titanium ..................................................... 15055B

Malawi
Aid .......................................................... 15060C

Mali
IMF review .................................................. 15046B
Aid .......................................................... 15061A

Market Review .............................................. 15050A

Mauritania
Donors affirm support .................................... 15043C

Mauritius
Trade improves .............................................. 15031A
ADB loan ..................................................... 15042B
Textiles ..................................................... 15059C

Morocco
Standard & Poor’s rating ................................ 15046B
Telecommunications ..................................... 15049B
Agriculture ................................................. 15051B

Mozambique
Agriculture .................................................. 15052B
Company brief .............................................. 15056C
Aluminium .................................................. 15060B

Namibia
Free market access to US ................................ 15031C
Zinc ........................................................ 15056C
Textiles ..................................................... 15060A

Niger
End to slavery? ............................................. 15034B
ADB loan ..................................................... 15042B
Aid .......................................................... 15061C

Nigeria
Export incentives .......................................... 15031B
Union leader arrested .................................... 15035A

INDEX

Abacha’s millions returned .................................. 15035B
Poor nation status .......................................... 15035B
State budgets 2002 ........................................ 15041A
New monetary policy ....................................... 15044A
Debt repayment plans ....................................... 15044B
Airlines ...................................................... 15047A
Railways ...................................................... 15048B
Roads ......................................................... 15048C
Telecommunications ...................................... 15049B
Minerals ...................................................... 15053C
Oil .......................................................... 15054C
Fuel shortage .............................................. 15055A
Power ...................................................... 15058C

Pharmaceuticals ............................................. 15058B

Rwanda
Company brief .............................................. 15056C

SACU
Revised union .............................................. 15030C

Senegal
Casamance ruined .......................................... 15035C

Seychelles
Budget 2002 .............................................. 15041B

Sierra Leone
Banks under constraint .................................... 15046B
Aid .......................................................... 15061B

Somalia
Universal Bank established ................................ 15046C

South Africa
Asbestos victims win ....................................... 15031C
Privatisation stalls ......................................... 15036B
Stabicnic branches out ..................................... 15045A
Old Mutual looks elsewhere ................................ 15045B
Company brief .............................................. 15057A

Sudan
Power ........................................................ 15060C

Swaziland
Power ........................................................ 15060C

Tanzania
ADB loan ..................................................... 15042B
Air traffic deal .............................................. 15047B
Roads ......................................................... 15048C
Coffee production ........................................... 15052C
Minerals ...................................................... 15054A

Tunisia
ADB loan ..................................................... 15042B
Aid ......................................................... 15061ABC

Uganda
Who are the debtors? ...................................... 15045B
Sugar ....................................................... 15053B
Power ....................................................... 15059B

West Africa
Fish .......................................................... 15052C

Zambia
New president’s pledge .................................... 15036C
Economic indicators ....................................... 15037B
Economic challenge ...................................... 15037B

Zimbabwe
SADC shrinks from sanctions ................................ 15038A
Platinum .................................................... 15056B