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G-8

Partnership for Renewal?

Although the G-8 meeting was billed as a summit for Africa, the people of Africa have been left with at best a start, at worst a token.

Five African leaders presented the world's richest countries with a bold new plan to bring Africa back into the global economic mainstream, offering good government in return for increased aid and investment, and easier access for African goods to Western markets.

Along with terrorism and the fragile world economic recovery, the New Partnership for African Development (**NEPAD**) topped the agenda of the G8 summit in Kananaskis, **Canada**. The plan, which aims to attract an extra $64bn (£42.5bn) of resources a year to the world's most impoverished continent, was unveiled by Presidents **Thabo Mbeki** of **South Africa, Hosni Mubarak** of **Egypt, Olusegun Obasanjo** of **Nigeria, Abdelaziz Bouteflika** of **Algeria** and **Abdoulaye Wade** of **Senegal**. Its authors say it offers the best, and perhaps also the last, real chance of breaking the vicious circle of bad government, war, disease and poverty in which Africa is trapped.

Under the scheme, the rich world will increase debt relief, aid and long-term investment. In return, participating African countries will commit to standards of good governance and human rights which they will police. In this way, they hope to lay

World Poverty

Countries with the highest percentage of people living below $1 a day*

Country	%
Congo (Dem. Rep)	91
Ethiopia	85
Chad	82
Zambia	80
Guinea-Bissau	79
Tanzania	79
Comoros	76
Niger	74
Angola	73
Mali	72
Somalia	72

*Afghanistan, Cambodia, Equatorial Guinea, Eritrea, Kiribati, Maldives, Samoa, Sao Tome e Principe, Tuvalu and Yemen are not included because of lack of information

Countries with the lowest life expectancy (years)**

Country	Years
Burundi	41
Malawi	41
Mozambique	41
Zambia	41
Uganda	42
Afghanistan	43
Cent Af Rep	44
Guinea-Bissau	44
Niger	44
Angola	45
Burkina Faso	45
Chad	45
Ethiopia	45
Gambia	45

**Tuvalu and Sao Tome e Principe are not included because of lack of information

(*Source:* UNCTAD, The Least Developed Countries Report 2002)

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Africa wants:

- Development aid from wealthy countries equivalent to 0.7% of their collective GDP
- Relaxed criteria for debt write-offs and speedier debt forgiveness for the poorest African countries
- Dismantling of Western trade barriers against African products, especially clothes, textiles and a wide range of agricultural goods
- Greater Western private-sector investment, including $10bn to build new power generation capacity, to integrate Africa fully into the global economy.

In return Africa promises:

- No more tolerance of military coups, counter-coups, authoritarian rulers, and corrupt and inefficient governments
- A new code of political conduct declaring each state's commitment to multi-party democracy, good governance, sound economic and financial policies, the sanctity of private property and the rule of law
- A peer review mechanism by an independent committee of eminent Africans to assess compliance with that code every three years.

(*The Times, London, 26/6*)

What African leaders were hoping for:

Trade
- Cuts in the high duties that African exports face in western markets
- Pledges by rich countries to cut vast agricultural subsidies that bankrupt vulnerable African farmers by pushing down world commodity prices

Debt relief
- $15bn-20bn extra debt relief for the loan repayments draining African budgets and to make up for the fall in export prices. Half the countries to have been through the west's debt relief programme are still spending more on repayments to their creditors than on public health.

Aid and investment
- $35bn in aid and investment. The UN estimates that it would cost $25bn–35bn to get Africa on track to meet its internationally agreed anti-poverty goals

And what they got:

Trade
- Nothing. Position worse than a year ago as both Canada and the US plan to pump more money into farming subsidies

Debt
- $1bn in extra debt relief to make up for falling commodity prices

Aid
- $6bn of EU and US aid to be earmarked for Africa by 2006

(*The Guardian, London, 28/6*)

to rest the negative image of Africa, perhaps the greatest single deterrent to private investment in the continent.

Canada's Prime Minister, Jean Chretien, who was hosting the conference, was determined to push through his agenda of stepping up international support for African development.

Main Points

The plan's main points are:

- An agreement to develop a peacekeeping force in Africa.
- A promise to get rid of polio in Africa by 2005.
- A commitment to improve global market access for African exports by tackling trade barriers and farm subsidies by 2005.
- An offer to work towards spending half or more of the G8's annual new development aid—about $6bn—on African nations that govern justly. This is half the $12bn they promised all poorer countries at a conference in Mexico recently, though how this is to be spent remains to be decided.
- An increase in debt relief for poorest countries (whose commodity exports have been hard hit) by $1bn, hoping the money "saved" could be spent on health and education.
- Individual countries also announced extra programmes of help. The most significant contribution came from the UK, promising to increase Overseas Development Assistance from £600m to £1bn by 2006.

So the African leaders who attended did not go away empty handed. But nor were their hands full.

The aid is being tied to a new pledge from African states to put their own houses in order under NEPAD.

This is seeking $64bn over a period of years so the sums pledged in Canada do not meet that ambition. Frankly, they were never expected to.

The G8 decisions were enough for the **British** Prime Minister **Tony Blair** to declare progress. There was now a "genuine partnership for the renewal of Africa," he said. The meeting would send out a "signal of hope."

A positive reaction has come from African leaders. Both President Mbeki of South Africa and his Nigerian counterpart, Olusegun Obsanjo, broadly welcomed the plan.

Mr Mbeki said the level of engagement between the G8 and Africa was unprecedented.

"There's never been an engagement of this kind before," he said. "Not between Africa and G8, where we would sit together with them having agreed to the priorities that we have decided as African countries."

Nigeria's President Olusegun Obasanjo who helped to create the NEPAD initiative, was more sanguine, though he said he was satisfied.

"Of course, there is nothing that is human that can be regarded as perfect," he said. (*BBC Online 28/6*)

Significant Omissions

Many aid agencies condemned the results and opinion in Africa is divided.

But overall aid organisations have condemned the international rescue package for Africa as "peanuts." Criticism inside South Africa and in the rest of the continent is now mounting on the basis that NEPAD, and now the Action Plan, repeats the neo-liberal economic perspective embodied in the Washington Consensus with its emphasis on foreign private capital and export led growth, despite mounting criticism from mainline development economists in Washington. But support from African civil society, political parties and trade unions has been given on the basis that a process of debate has now started for which NEPAD provides a framework.

The extent of the crisis was spelled out on the eve of the summit in a new report by the UN Development Programme (**UNDP**) and UN Children's Fund (**Unicef**), warning that nearly half Africa's population, or about 300m people, live on less than one dollar a day and that the number is rising. The figure jumped 25% between 1990 and 1999.

The UN Conference on Trade and Development (**Unctad**) called for accelerated debt relief to pull **LDCs** (Least Developed Countries) out of poverty. Unctad said there was a close association between the incidence of extreme poverty and dependence on exports of primary commodities. Measures should be introduced to mitigate the consequences of excessive price instability and "compensatory financing schemes" should be revamped to deal with price shocks. These should also link debt repayments to commodity prices. None of

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these suggestions made their way into the G-8 plan of action.

Unctad also stressed the importance of trade access. The G-8 plan also called for the liberalisation of trade within the context of the Doha round of the World Trade Organisation. But there was no mention of the massive farm subsidies current in the **European Union** and the **US**—sensitive domestic political issues. The US absolutely denies that its agricultural subsidies are hurting Africa yet it is pouring billions into Mississippi cotton, also one of Africa's key cash crops (*p. 15233*).

There was also no mention of the problems Africa is contending with in such openings as **AGOA**—the US deal with Africa to allow better market access. African states say that it is difficult to plan for export since the US can withdraw its arrangements unilaterally, depending on what domestic lobby is effective. South Africa has learned this recently, when the small pear canning industry in the US successfully called on the administration to put tariff bars on the South African product.

The issue of **AIDS** is number six in the eight-point programme. The UN's AIDS in Africa envoy, former Canadian ambassador Stephen Lewis was scathing before the summit about a plan that failed to give the disease the prominence a disaster of this scale needed.

According to a **UNAIDS** statement more than 28m Africans are living with HIV and in some countries over 30% of the adult population is infected.

According to *SouthScan*, the G-8 focussed on the self-policing aspects of the NEPAD plan, while aid is modest. Near the top of the G8's **Africa Action Plan** delivered after their summit in Canada is NEPAD's peer review process. "African leaders . . . have formally undertaken to hold each other accountable" for the achievement of democracy and "sound economic management," and "to promote peace, security and people-centred development."

A significant part of the Action Plan relates to conflict resolution. Here the intention is to deliver a "joint plan" by 2003 for the development of an African peace keeping capability. Regional "centres of excellence" will be developed for training, and different G8 training initiatives will be "better co-ordinated." A "joint plan" by 2003 seems ambitious, given the competition between African states and their overseas mentors. The main Africa-wide peace force training scheme is the US's African Crisis Response Initiative (**ACRI**) plan, and that has met with some suspicion. The programme is still being reviewed and the budget for the next few years is constant and small. (*SouthScan 28/6*)

US Focus—Terrorism

If the message to Africa was a mixed one, the message to **Russia** was more positive.

It was announced that Russia would host the 2006 G8 Summit, by which time it would have become a full member, a move seen as a boost for President Vladimir Putin.

An agreement was reached for a $20bn package over 10 years to dismantle Russia's stockpiles of military plutonium and protect them from terrorists.

The more generous spirit shown for this programme is driven by a desire in the West to prevent the acquisition of weapons of mass destruction by terrorist groups.

President George W. Bush's call for a new Palestinian leadership, announced on the eve of the meeting, reminded everyone that the American focus is on terrorism in all its forms.

The rest of the world must understand this, like it or not. (*BBC Online 30/6*)

Zimbabwe Factor

In the context of G-8 and NEPAD, many saw Zimbabwe as a litmus test. Although it is far from being the only African country with a poor political record, it has become the world's most glaring current example of economic failure through misgovernance.

Mbeki and Obasanjo knew only too well that the Zimbabwe situation could undermine NEPAD.

Post-election expressions of support were seen as a regression into the old, pre-NEPAD thinking: an instinctive expression of solidarity with another African regime, however repressive, and a return to the traditional, anti-imperialist posturing which Mugabe has encouraged. It also represented a fundamental departure from the ground rules of NEPAD, which Mugabe's systematic destruction of Zimbabwe offends on every conceivable level.

"The sense of scepticism really comes from the crisis in Zimbabwe, where they had already agreed on the principles of peer review but didn't honour it in terms of coming out and questioning the fraudulent elections," said a senior US official.

However the US is developing its own mechanism for reviewing whether African countries are improving their standards of government and fighting corruption. A senior official said the US was determined to direct the new funds to "those African countries that are very serious about good governance [and] about open trade." (*World Today, July, Financial Times, London, 27/6*)

"Poor People's Kananaskis"

As the G-8 met in Canada a different kind of summit was going on in the village of Siby, **Mali**, timed to coincide with the Kananaskis meeting.

Two hundred participants from seven West African countries staged a counter summit, fearful that the policies being discussed in Canada will increase poverty and suffering in Africa. They are not overly impressed by NEPAD, either saying it is poorly conceived and unrepresentative. (*IRIN, UN, Nairobi, 26/6*)

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Continental Developments

ECONOMIC GROUPINGS

ARAB MAGHREB UNION

Algerian Initiative

In the interests of unity, four out of five members are prepared to compromise, but can Morocco be persuaded to do the same?

The **Western Sahara**—the Saharawi issue—is still making difficult the revival of the Arab Maghreb Union (**AMU**). It is broadly agreed that the recent Algerian initiative for a joint energy programme could have set the pace to improve relations between the two neighbours, and so ease the revival of the AMU.

The Algerian proposal included a project for exploration off the Moroccan Atlantic coast, believed to hold oil and gas fields. But Rabat having flatly rejected the approach, also announced that no such business will be undertaken with Algeria "until the question of the Western Sahara is resolved."

The Algerian initiative followed an invitation by Morocco to *Total Fina Elf* of **France** and *Kerr McGee* of the **US** to prospect freely off its Atlantic coast. This, in turn followed the controversial declaration by **Spain** that the waters off the Canary Islands were Spanish. Without reference to Morocco, the Spanish government granted the Spanish/**Argentine** integrated oil and gas company, *Repsol YPF*, the right to explore in the waters.

Some of the areas involved in the latest Moroccan exploration grants are in contention because of the territorial dispute involving the Algerian-supported Western Sahara. On the basis of UN resolutions, the legal recommendation is that Morocco may grant exploration rights in the contested waters, but may not exploit any discoveries. The Algerian proposal, however, went much further than offshore exploration. It was clearly aimed at building bridges in order to draw Morocco back into the AMU fold. It included offers of involvement in a number of projects in the oil industry and in other economic sectors.

Algeria and the other three members of the moribund regional grouping—**Libya, Tunisia** and **Mauritania**—are keen to revive the organisation in the face of growing globalisation. Algerian foreign minister Abdelaziz Belkhadem has stated that regional integration is "a pre-condition for survival."

But Morocco has shown no signs of budging although the government in Rabat did send out mixed signals until recently. Then, on the eve of a summit in Algiers, scheduled to bring the five former partners back together again for the first time in eight years, Morocco backed out and the meeting was cancelled. It was a walkout by Morocco—at the AMU summit in Tunis in 1994—that caused the collapse of the regional union. The issue then was also Western Sahara which Morocco refuses to recognise as an independent state.

Algeria has proposed that the areas claimed by both the Saharawi independence movement, **Polisario**, and the Moroccan government be partitioned. This proposal has the support of the **UN** secretary-general, **Kofi Annan**, but has been rejected by Rabat. Relations between Morocco and Algeria have never been easy and the border dispute between the countries that resulted in the 1963 *La Guerre des Sables* (The Sands War) remain unresolved. (*Africa Analysis 28/6*)

IN BRIEF

East African Community: The establishment of a trade block and a single airspace within the east African region is almost complete. Transport and Communications Minister Musalia Mudavadi said the region is also about to remove all trade and immigration barriers. (*The Daily Nation, Nairobi, 28/6*)

COOPERATION AND TRADE

KENYA

Export Survey

Exports have stagnated as the country records a sharp rise in imports.

The export-to-import ratio, according to the Economic Survey, fell from 54.3% to 50.9% in 2001. Whereas exports grew by a dismal 1.4% in 2001, imports recorded a rise of 17%.

However, re-exports which climbed by three-quarters, nudged up total exports to 9.7%. Overall, trade volumes expanded by 14.5%.

Subsequently, the balance of trade deficit increased from Sh113.3bn ($1,447m) to Sh142.5bn. "With the exception of crude petroleum, paper and paper-board and maize, all other quantities of principal imports rose," the survey revealed.

The main export products remained unchanged. **Tea, horticulture, petroleum** products and **coffee** accounted for 61.1% of earnings compared to 64.7% in 2000. The export value of the first two declined by 1.9% and 6.5% in 2001. Tea is still the top earner at Sh34.5bn, although down from Sh35.2bn in the previous year. The value of unroasted coffee fell from Sh11.7bn to Sh7.5bn. In 1997, Sh16.9bn worth was exported, but has since been progressively falling. The quantity of coffee exported declined by 26.4% as uncertainty in the industry grew, 63,608 tonnes compared to the previous 86,982 tonnes. Value of imported crude oil in 2001 also declined by 25.6% from Sh41bn to Sh31.2bn.

A major increase in imports of passenger vehicles was recorded with Sh8bn purchases compared to Sh4.8bn in the previous year.

A major surge of 23.9% was registered in imports from Asia, mainly **Pakistan** and **Indonesia**. Some Sh60bn worth of goods came from the region compared with the previous Sh49.2bn. The **EU** remained the most important import region accounting for 24.8% of total imports, down from 30.5%.

African countries formed the main export market followed by the European Union. Trade share of African countries rose 3.1% to 49.1% and earned Kenya Sh72.5bn. Trade with **UK** dropped 12.2% while **Netherlands** rose 35.9%. (*NewsAfrica 1/7*)

SOUTH AFRICA

Reparations Claim

At present only four are bringing cases, but the numbers are likely to grow.

South African President Thabo Mbeki was sent on his way to the G8 meeting in Canada with the news that billions of dollars

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in apartheid reparations are being sought by his fellow citizens against US and Swiss banks. He may have been cheered by the thought that he had a backstop position—or have felt that the ground was being cut from under his arguments for "partnership" and more investment and aid.

The issue of mass reparations seemed hopelessly idealistic a few years ago, but then **US** lawyers for Jewish victims of the Holocaust got to work on the **Swiss** banks, seeking a $1.25bn settlement. Now there is broad agreement on the principle that the payments will be made. In addition the Swiss banks paid off an additional $674,000 to 90 victims or their heirs.

In contrast the four South Africans are seeking a massive $50bn in their suits in the US and Switzerland. The banks being sued are *Citicorp, Credit Suisse* and *UBS*, the latter now merged with *PaineWebber*, a securities firm in New York. Representing the plaintiffs is US lawyer Ed Fagan, who led the Holocaust claims.

In addition **Jubilee South Africa**, the organisers of the legal claim, are talking of extending the action to include damage to the former frontline states which they say adds up to around $78bn; they are calling for apartheid-caused debt in the region to be cancelled as a form of reparations.

According to *Aktion Finanzplatz Schweiz-Dritte Welt* researcher Mascha Madoerin, Swiss financial transfers—loans and direct investment—increased rapidly in the '80s, and filled the gap left by UN and Western economic sanctions. For Swiss banks, this proved a highly profitable development—"from the mid-80s on through 1993, profits and interests from Swiss capital support for South Africa ran up to more than half a billion Swiss Francs yearly," says Madoerin.

Switzerland was the fourth most important business partner with South Africa after **Germany** (in the period 1971–93 Germany made an estimated DM8.4bn from investments in South Africa, the US and the **UK**. The high point for Swiss direct investment in South Africa was 1989, but since 1994 and democratisation Swiss investment there has fallen off markedly.

However, there is an added dimension to past Swiss involvement—its official but secret military links to the apartheid state.

Proof of official and private sector military and financial support for the apartheid regime will no doubt boost calls for reparations, but it could also strengthen the legal argument that the debt in the region was "odious," and should be wiped out. South African lobbyists have for the past five years been seeking to have South Africa's debt cleared because it was used to bolster a system described by the UN as a crime against humanity. In 1987 a UN team concluded that transnational corporations that did business with the apartheid regime "must be considered accomplices in the crime of apartheid and must be prosecuted in their responsibility in the continuation of that crime." (*SouthScan 28/6*)

The Truth Commission final report in 1999 said "business was central to the economy that sustained the South African state during the apartheid years," and called for companies to pay voluntary compensation but stopped short of saying that business should be held responsible. (*Financial Times, London, 18/6*)

Agreement With Iraq

Iraqi Deputy Prime Minister Tariq Aziz and President Thabo Mbeki on July 4th discussed the strengthening of bilateral relations between the two countries on a political and economic level.

Mbeki's spokesman, Bheki Khumalo, said: "Iraq is interested in South Africa's industrial capacity including electricity, agriculture as well as railways."

Khumalo said a cooperation agreement was signed between (South African utility company) *Eskom* and the *Iraqi Electricity Committee* "which we hope will be able to ensure that South African companies will bid for projects in the energy sector (in Iraq)." (*SAPA, Johannesburg, 4/7*)

Antarctic Rescue

Helicopters on July 1st plucked the last of 90 scientists and nonessential crew from a ship trapped in ice deep in the Antarctic Ocean, officials said.

Two helicopters flew 380km (205 nautical miles) from the South African research ship *Agulhas* to the icebound *Magdalena Oldendorff* shortly after the dawn of the region's six-hour day and returned about four hours later.

Tanya Hacker, spokeswoman for the **Dutch**-owned Smit Marine salvage company, said the helicopters collected the last eight scientists and 11 nonessential crew, leaving 17 men to look after the ship.

The South African ship embarked on its rescue mission on June 16th. (*Reuters 5/7*)

TANZANIA–UK

Aid Unblocked

The upshot of the air traffic control system row is that "lessons have been learned."

The UK's International Development Secretary, Clare Short has released a £10m grant to the government of Tanzania which was frozen during the cabinet row about the sale of a £28m military air traffic control system to one of the world's poorest countries.

The Tanzanian president, Benjamin Mkapa, gave Ms Short guarantees in Dar es Salaam that no more British aid money would be wasted on white elephant projects.

Ms Short lost a cabinet battle to refuse *BAE Systems* an export licence after the UK Prime Minister, Tony Blair, stepped in to back the sale.

She was vindicated in June when an independent report commissioned by the **World Bank** described the equipment as "dated technology" and said that Tanzania could have bought a better system for a fifth of the price.

After extracting promises from Mr Mkapa that future public spending decisions would be carefully scrutinised, Ms Short unblocked the outstanding payment to Tanzania and agreed to give the country £45m aid a year for six years.

Although she was defeated on the BAE sale, Ms Short won a victory when the government agreed that future export licences must include sustainable development as one of the criteria.

The department believes that this will prevent a repeat of the BAE deal.

But aid agencies believe that demands by the Department of Trade and Industry for the sustainable development criteria to be watered down have left loopholes in the bill. (*The Guardian, London, 4/7*)

UGANDA

Poor Markets Hit Exports

The drive to reduce poverty among households, has been adversely affected by a shortfall in export earnings.

Ministry of Finance officials told *The East-African* that although the target for the year ending June 30th was $468m, only $456.4m would be realised, a shortfall of $11.1m for 2001–2.

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They blamed the shortfall on the decline in international prices of most exports, especially coffee and tea, despite increased volumes exported.

This has increased the pressure on the Uganda shilling and affected the disposable incomes of millions of people who depend on agricultural produce for their livelihood, they said. Poverty is currently estimated at 35%.

Coffee export earnings dropped by 23.4% during the year under review, following a fall in international prices for the crop by 28.1%. Coffee is the leading cash crop in Uganda, employing up to 2.5m people directly or indirectly.

On the other hand, earnings from tea exports fell by $7m from $35m to $28m during the 2001/02 financial year. This is the first time in four years that tea exports have declined.

Maize, which has just claimed its place on the list of the country's major exports, has shown remarkable growth during the year, with export volumes nearly quadrupling compared with the previous year, although the realised unit value fell by 38.1%.

The main reason for the increase was the large shipments to Southern Africa following the drought in **Zambia, Zimbabwe** and **Malawi** (*p. 15209*). Maize farmers said that, before a market for their produce opened up realised in Southern Africa, farm gate prices had crashed to their all-time low of about Ush50 per kg (US 0.03 cents).

Despite the steep fall in the unit price, the large volumes led to an increase in the value of maize exports amounting to $15m, compared with only $6.13m realised from exports in the 2000/2001 financial year.

The Ministry of Finance says that fish exports are expected to increase from the $50.1m realised in 2000/2001 to an estimated $88m in 2001/2002, reflecting a volume growth of 32.4% and a price growth of 32%.

The volume of cotton exports is estimated to have increased by 75%, but their value increased by only 20.2% due to a decline in price on the international market. (*The EastAfrican, Nairobi, 24/6*)

IN BRIEF

Chad–MIGA: Chad has become the newest member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank Group agency, said a press release issued by the MIGA.

As a member of MIGA, investors going into Chad are now eligible for guarantee coverage by the agency. Chadian investors interested in taking their business into other developing countries can now receive coverage as well. The country is also eligible to receive MIGA's technical assistance services. (*Xinhua, Beijing, 18/6*)

The Gambia–ECOWAS: The Gambia was until 2001 in arrears of $3.5m to ECOWAS. For 12 years the country had defaulted in her contribution to the sub-regional body. Several transfers have now been authorised. (*The Independent, Banjul, 8/7*)

Policy and Practice

ECONOMIC TRENDS

BURUNDI

Economic Crisis Endangers Peace

Political tension could resurface unless aid is made available; the Mines Minister is dismissed.

The UN's *Integrated Regional Information Network (IRIN)* reports that serious indications exist of a "marked deterioration" of Burundi's economy, and unless the budget is provided with support to enable it to meet immediate financial needs, political tensions could surface and endanger the country's fragile peace process.

This assessment resulted from a meeting on Burundi's economy organised on June 14th by the international members of the Implementation Monitoring Committee for the Arusha Agreement of August 28th 2000, the special envoys and representatives for Burundi, and representatives of the donor community.

Participants also underscored an urgent need for non-project aid to be made available without awaiting the conclusion of an agreement with the IMF. *UN News* reported that the IMF had confirmed the timetable for the preparation of a post-conflict programme for Burundi, which should be submitted to its Executive Board in late September or early October, "if the conditions the Fund is waiting for have been established."

In a forecast for Burundi's economy over 2002–03, the Economist Intelligence Unit reported on June 10th that growth could be between 3.5% and 4%, with donor resources most likely to support increased public spending in social sectors and the rehabilitation of rural infrastructure "in some areas." However, it said, "Any meaningful increase in foreign and domestic investment will have to await a comprehensive ceasefire." (*IRIN, UN, Nairobi 14/6*)

Mining News

Energy and Mines Minister Mathias Hitimana has been dismissed from the transitional government and replaced by the former Minister of Planning, Andre Nkundikije, news organisations reported.

Hitimana's sacking was announced on July 7th on state radio, giving no reasons for the action.

Hitimana is the leader of the People's Reconciliation Party. His successor heads the *Parti vert-intwari*. Both are members of the G-10, a group of Tutsi-dominated parties.

Meanwhile, the **Australian** mining company *Argosy Minerals* announced it had made a significant find of platinum in Burundi, *Asia Intelligence Wire* reported on July 7th. "The platinum intersections from the drilling work done so far are significant," it quoted Argosy Corporate Development Manager Dave Russell as saying. He described the find as accidental, because Argosy was in Burundi to assess known nickel laterite deposits. (*IRIN, UN, Nairobi 9/7*) **EIU note p. 15219A**

CENTRAL AFRICAN REPUBLIC

Liquidity Problems

The Finance Minister could be charged with embezzlement.

The Central African Republic, one of the world's poorest countries, has lifted the Finance Minister's immunity from prosecution, opening the way for him to be charged with embezzlement.

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Algeria
Water Wars

The water shortage in Algeria is worsening because of the drought, leading to riots in the south and east of the country, several local newspapers reported on June 6th. In Abadla, near Bechar (900kms south of Algiers), the local inhabitants looted public buildings and blocked roads. The following day, the authorities decided on emergency measures to improve the region's water supply: eight water tankers have been supplied and a water treatment station, closed down in 1993, has been re-opened.

Skikda (400kms east of Algiers), the huge industrial port in the east, was the scene of rioting on the same day in the hills around the town, where water had not been running for over two weeks, but it was distributed for only three hours a week. Trouble had broken out for the same reason a week earlier in Saouni, in the region of Tlemcen (600kms west of Algiers). The inhabitants of this district, where the taps had remained dry for two months, looted the local police station and damaged a number of vehicles. (*Marches Tropicaux 14/6*)

Liberation (Paris) later reported that at Bejaia, Boordj Bou Arreridj, Chevally and Chateauneuf in Algiers . . . not a single day passes without people demonstrating in the streets about the lack of water. For 10 days here, a month there, the taps have been completely dry, and when the water does run, it is a thin stream that appears for just a couple of hours from midnight to 2 a.m., under such low pressure that people living on higher floors get nothing.

This situation, which recurs often in Algeria, is aggravated this year by drought, and in late June this led to rioting in various part of the capital. In the district of Djaafra, 60kms from Bordj Bou Arreridj, the rioters looted the mayor's office and the sub-prefecture. A decision to dig a well above the village of Ouchenene to supply another village, Ouled Khlifa, 8kms away, was enough to light the powder keg, causing clashes with the anti-riot brigades who had been sent to the area. "This was a manoeuvre to cause trouble between the two districts, but also as a punishment to make Djaafra pay for its refusal to take part in the general elections on May 30th.

(*Liberation, Paris 25/6*) **Constipated system p. 15214A**

Finance Minister Eric Sorongope-Zoumandji's immunity, which is usually extended to government ministers, was suspended by President Ange-Felix Patasse late on July 6th.

Fifteen finance department officials, including the Treasurer-Pay Master, have already been arrested on charges of stealing state funds.

Prime Minister Martin Ziguele launched an anti-corruption drive a year ago to clean up the former French colony's finances and the president of the national assembly recently described the Ministry of Finance as "a vast mafia organisation."

Mr Sorongope-Zoumandji is expected to appear within weeks before a judicial commission investigating government corruption, which could then press for charges.

The commission, which meets in closed sessions, has not said how much money is involved. CAR has been experiencing extreme liquidity problems which has meant some state employees have been unpaid since April 2000.

The government has received no external budgetary assistance from international lenders since January 2001, who are pushing for economic stabilisation and the privatisation of most state enterprises.

Attempted coups in May and November 2001 caused further serious economic disruption.

Mr Patasse asked donor countries for 4.5bn CFA francs ($6.8m) in June to help finance the municipal elections in November.

The last municipal elections were held in 1988 and all the candidates came from then president Andre Kolingba's Centrafrican Democratic Rally party. Mr Patasse was re-elected in September 2001 in a poll denounced by all nine opposition candidates for fraud. (*BBC News Online 8/7*)

NIGERIA

War On Graft?

Allegations of government mismanagement go into closed session.

Concerns about lack of financial transparency are resurfacing in Nigeria. The senate on June 18th voted to debate in secret allegations that the government mismanaged finances, including almost $100m (£68.4m) of stolen money recovered from the family of General Sani Abacha, the late dictator.

Anyim Pius Anyim, the senate president, declared proceedings would go into closed session to consider "matters of national importance"—a phrase familiar to the many watching journalists who repeated it in sardonic riposte.

The senate debate centred on a devastating report prepared by the public accounts committee, which scrutinised the country's budgeting and public spending since President Olusegun Obasanjo's election in 1999. Mr Obasanjo has frequently promised to tackle the public corruption that has helped cripple the country since independence in 1960.

The committee, which submitted its report to the senate in mid-June, claimed government spending had breached constitutional rules and had contributed to a "virtual slide into financial anarchy."

The report highlighted a discrepancy between the N40.7bn (£230m) of Abacha money officially recovered so far and the N29bn recorded in the budget as revenue.

The government announced early in 2002 it had reached a settlement with Gen Abacha's family under which they would pay back $1bn and keep $100m of disputed funds.

The committee criticised the government for contravening the constitution through spending items such as a 1999 grant of $10m made to the government of Niger.

It said a glaring example of mismanagement was a $13m interest-free loan made to the police force of **Ghana** in April—almost the same time as Nigeria's police went on strike over unpaid entitlements.

The senate debate, which was adjourned until June 19th, cast little light on the fate of the Abacha money or funds from privatisation that are allegedly unaccounted for.

The first public part of the proceedings ended amid farce after a power cut rendered the microphones inoperative and led the senate president to call for the closed session to start.

I say that it's deliberate," said one observer. "That is the kind of thing we experience here." (*The Financial Times, London 19/6*)

State Governments' Debts

This Day (Lagos) reports that the Federal government had completed the verification of foreign debts owed by state governments, with the 36 states borrowing totalling $7.3bn.

Abia state topped the list of borrowers with $608m, followed by Plateau State with a debt volume of $504m, Niger and Lagos states with $443m and $421m respectively.

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AFRICAN CURRENCIES

Latest market or official rates of African currencies against the pound sterling, US dollar and euro.

Country or Area	Local Unit	Value of Sterling	Value of Dollar	Value of Euro
Algeria	Dinar	121.41	79.81	77.68
Angola	Kwanza	65.13	42.81	41.67
Botswana	Pula	9.31	6.12	5.96
Burundi	Burundi Franc	1318.07	866.44	843.35
Comoro Islands	Comoro Franc	767.79	504.71	482.20
DR Congo	Congolese Franc	517.22	340.00	326.07
Djibouti Rep.	Djibouti Franc	250.85	164.90	160.50
Egypt	Egyptian £	7.04	4.63	4.50
Eritrea	Nakfa	12.62	8.30	8.07
Ethiopia	Ethiopian Birr	12.62	8.30	8.07
Franc Zone*	CFA Franc	1025.20	673.92	655.95
Gambia	Dalasi	28.63	18.82	18.32
Ghana	Cedi	12398.20	8150.00	7932.82
Guinea	Guinean Franc	3006.75	1976.56	1923.83
Kenya	Shilling	120.10	78.95	76.84
Liberia	Liberian $	1.52	1.00	0.97
Libya	Libyan Dinar	1.87	1.23	1.20
Madagascar	Malagasy Franc	9157.93	6020.00	5869.30
Malawi	Kwacha	116.04	76.28	74.24
Mauritania	Ouguiya	418.53	275.12	267.94
Mauritius	Maur. Rupee	45.75	30.08	29.27
Morocco	Dirham	16.36	10.75	10.46
Mozambique	Metical	35336.50	23228.50	22609.50
Nigeria	Naira	182.93	120.25	117.04
Rwanda	Rwanda Franc	700.53	460.50	448.22
Sao Tome e Principe	Dobra	13721.20	9019.70	8779.32
Seychelles	Sey. Rupee	8.54	5.61	5.16
Sierra Leone	Leone	3095.74	2035.00	1980.77
Somali Republic	Som. Shilling	3985.68	2620.00	2550.18
South African Rand†	Rand	15.33	10.07	9.81
Sudan	Sudan Dinar	393.54	258.70	251.80
Tanzania	Shilling	1428.45	939.00	913.97
Tunisia	Tun. Dinar	2.11	1.39	1.35
Uganda	Shilling	2734.83	1797.75	1749.84
Zambia	Kwacha	6860.84	4510.00	4389.82
Zimbabwe	Zimbabwe $	84.35	55.45	53.97

* **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.

(*Financial Times 8/7*)

Zamfara has the least debt volume of $25m.

Adamawa debt portfolio is $258m, Akwa Ibom $128m, Anambra $120m, Bauchi $88m, Bayelsa $144m, Benue $255m, and Borno $159m.

Cross River State is listed as owing $70m, Delta $133m, Ebonyi $165, Edo $293, Ekiti $162, and Enugu State $293m.

Gombe owes $99m, Imo $408m, Jigawa $69m, Kaduna State $62m, Kano $92m, Katsina $60m, Kebbi $33m, Kogi $341m, Kwara $333m, Lagos $421m, Nasarawa $94m, Niger $443m and Ogun $221m.

Other states owing include Ondo $119m, Osun $366m, Oyo $176m, Plateau $504m, Rivers $171m, Sokoto $189m, Taraba $142m, and Yobe $42m.

The debts by state governments were from about 2,000 loans, most of which were contracted between 1980 and 1984. (*This Day, Lagos 8/7*) **Abacha's family to return funds p. 15184A**

SOUTH AFRICA

Municipal Workers' Strike

COSATU takes action over pay; a lawsuit against sanctions—busting banks will encourage others.

Thousands of municipal workers marched throughout South Africa on July 3rd in demand of higher wages the second day of the South African Municipal Workers' Union's national strike.

SAMWU demands a salary increase of 10% or Rand 300, whichever is the highest. The South African Local Government Association (SALGA) is offering 7%.

SAMWU said July 3rd that the attendance of marches was good, with between 80 and 90% of workers on strike in many cities and towns. Marches in at least three places were marred by incidents of violence and at least three marchers had to be treated for injuries sustained, SAMWU said.

Tunisia
Investment Plans
(2002–2006)

Investment projects and programmes contained in the 10th Plan (2002–2006) were due to be presented on July 2nd in Tunis, to donors and foreign investors.

The main priorities are job promotion, building a "knowledge economy," raising living standards, improving the productivity of the private sector, presenting global balances, and lasting development.

Projected investment is fixed at dinars 50bn (€38bn), 60% of which will come from the private sector and 40% from the public sector. The increased share from the private sector will come mainly from the development of concessions.

The money will be shared among agriculture (dinars 5bn); telecoms (dinar 1.8bn); road infrastructure (2bn), transport (5bn), energy (5.5bn), social sectors (2.15bn), the environment (700m) and water (650m).

Some of the more notable projects include the M'saken-Sfax and Tunis Medjez el Bab motorways (toll road equipment); the international airport of Enfidha (central Tunisia); the construction of a deep water commercial port in Sowse; an extension to the Tunis metro line; the electrification of the railway line serving Tunis south suburb; an extension to Radés port (a suburb close to Tunis) by building a new container quay; the construction of a bridge between Radés and La Goulette; the construction of a new private electric power station; a second water desalination plant at Djerba and an extension to the Gabes plant.

Some dinars 550m (€423m) are earmarked to purchase new hospital equipment and dinars 750m for higher education.

(*Marchés Tropicaux 21/6*)

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In the Boland town of Paarl, two SAMWU members were injured when police opened fire on a group of marchers. Police said rubber bullets were fired, while the union claimed that birdshot had been used.

Boland police spokesman Captain John Waterhouse said police fired rubber bullets and stun grenades to disperse "an unruly crowd."

In the Johannesburg city centre a SAMWU member was allegedly shot in the leg by the police. The marchers had just returned from the Johannesburg Metro Centre and were wrapping up the march for the day when the man was shot as some of the about 10,000 marchers tried to block a minibus taxi in Simmonds Street.

Police were unable to confirm the incident.

Superintendent Chris Wilken said that according to the police officer at the scene, nobody was shot. Wilken also said that no policeman on the scene was carrying live ammunition and that the only bullets policeman had were rubber ones. (*SAPA 3/7*)

ZAMBIA

Modest Growth

Anglo American's withdrawal represents a serious setback to the economy.

Zambia's growth rate up to year 2004 will be modest and expected not to exceed 4% per annum. This is contained in the executive summary of Zambia's first Poverty Reduction Strategy Paper (PRSP) document, already endorsed by the International Monetary Fund (**IMF**) and **World Bank**.

The expected modest growth rate has been attributed to the immediate uncertainty facing the mining industry due to the pullout of *Anglo-American Plc* from the Konkola Copper Mines (KCM—*p. 15087*).

This uncertainty, critical in the mining sector, also threatens the viability of implementing the PRSP, although considered to be a temporal setback as Zambia would continue to be a mining nation for a considerable time to come.

In the medium term, a growth rate of between 5 to 8% per annum has been deemed desirable for poverty reduction.

The document stated that Zambia had great hope that after privatising the mining industry, copper exports would be revived, pulling the rest of the economy with it and government stood ready to invest into new infrastructure where justifiable to facilitate opening of new large mining projects in prospective areas.

Anglo's pullout is therefore, considered a setback although government has pledged to continue working hard at interesting private sector investors to tap into these resources.

With an annual economic growth rate of 4% up to 2004, it is assumed this should set the stage for higher growth in later years.

"Zambia aimed for higher economic growth in the next three years but the sudden uncertainty in the mining industry calls for caution until the future becomes clearer," the document has stated. It is expected that even the projected modest growth rate would push head count poverty back from 73% in 1998 to 65% by 2004, the level it was at in 1996. The PRSP document has noted that the most serious structural challenge has been in the mining sector where a massive drop in output has complemented the negative impact of occasional price declines.

The document states that contraction in mining drags the rest of the economy down as an aggregate demand collapses. (*The Post web site 24/6: BBC Mon*)

Meanwhile, *BBC News Online* reports that Zambia has asked foreign donors for more aid to compensate for the economic impact of *Anglo American*'s withdrawal from KMC.

Zambia's government has asked for an additional $15m (£9.9m) after the withdrawal, along with a shortage of the staple crop maize, made it tough for the country to stick to its planned budget.

"Our initial requirement for financing the 2002 budget from the donors was $85m, but this will now go up to about $95m or $100m," said the secretary to the Treasury, David Diangamo.

Following Anglo-American's decision to pull out, serious uncertainty has hit the country's mining sector.

The mining venture had made up about two-thirds of Zambia's metals output. Zambia planned to present two parallel three-year development plans to the International Monetary Fund (IMF), the World Bank and the European Union at meetings later in July.

The country will aim to push through the plans, which aim to reduce poverty and foster economic development. These plans could cost up to $1.3bn.

Zambia was set to ask foreign donors to fund about two-thirds of the cost of the plans.

"We are now including other social areas like culture and sport which were not initially budgeted for, but constitute a component of development," Mr Diangamo said.

"Things are looking bright and we hope to get what we are looking for from our partners."

Zambia has already told the IMF and the World Bank that it wants to slash inflation from 18.7% in 2001 to 8% in 2002 and 5% in 2003.

In addition, it will privatise several state enterprises, including *Zesco*, the power utility, *Zambia Railways* and *Zambia National Commercial Bank*.

And President Levy Mwanawasa, who took over the top job in December 2001, has launched a clampdown on corruption and pledged to push ahead with plans to liberalise the economy.

Doing so could made Zambia eligible for a write-off of half its $7.3bn debts, as set out by the initiative for Highly Indebted Poor Countries (**HIPC**). (*BBC News Online 8/7*)

ZIMBABWE

White Farmers Out

Commercial farmers have been ordered to leave—threatening the crucial winter crop.

About 2,900 white commercial farmers in Zimbabwe received official orders to stop farming at midnight on June 24th under the government's "fast track" land seizure programme to redistribute white-owned farms to landless blacks. Two of the farmers concerned have challenged the order in a test case. This comes amid a food supply crisis due to drought, disruption, low harvests, and inadequate imports and distribution.

The large-scale commercial farms started by settlers in the colonial era occupying much of the best farmland, have caused a longstanding social grievance. At the same time those farms have grown much of the country's maize and wheat crops, the maize being normally enough for the country's needs and even for exports. but now a hunger crisis has been caused by a combination of dry weather during the maize growing season this year and the often violent seizure of land by Mugabe loyalists on the commercial farms, according to the World Food Programme (**WFP**). (*Africa Analysis 1/7*)

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As the deadline passed for the white farmers to cease operations following the order from President Mugabe, it was unclear how many farms had shut down, the Commercial Farmers Union said.

The CFU said Mr Mugabe's order threatens the crucial winter wheat crop in a country already facing critical food shortages, which many analysts blame on the "fast-track" land programme.

"We have 22,567 hectares of wheat in the ground which will only be harvested in September/October. Who is going to look after the crop if the farmers stop working?" a CFU spokeswoman said.

The CFU also said the restrictions put more than $350m (22%) of potential tobacco exports at risk. Some 90% of tobacco farmers are subject to Mr Mugabe's order.

Early tobacco planting indicators suggest that unless the government changes course, the 2003 large-scale tobacco crop could be down by two-thirds at around 55m hectares.

Some of the farmers, who were supposed to stop producing, were getting private advice—even pleas—from government officials and ministers to carry on as normal because they are seen as strategic producers of food, especially wheat.

Under the law, from June 25th, a farmer could face fines as well as two years in prison for doing farm-related work.

The CFU said the situation was hopelessly confused and it was impossible to ascertain how many farms had shut down. It could take weeks before the picture is clarified.

The CFU estimates that 93.6% of the entire commercial farming area of 11.2m hectares has been identified for resettlement, though 40% of farmers listed for eventual takeover are not yet covered by final eviction orders.

Only a few days before, the outgoing president of the Zimbabwe Tobacco Association, Kobus Joubert, urged farmers to do what they were told by the government and stay clear of politics, in the hope that they would then be left alone. (*Financial Times, London 25/6*)

Mugabe Assets Frozen

Two bank accounts held by members of the Zimbabwean President Mugabe's ruling Zanu-PF Party have been frozen by the **British** Government.

The move was made under sanctions imposed on President Mugabe and Zimbabwe's ruling elite by the **European Union**.

The EU agreed the sanctions after the head of its mission to observe the spring presidential elections was expelled from Harare in February.

The UK bank accounts, containing a total of £76,000, belonged to two individuals listed as members of the Mugabe regime's ruling elite.

Responding to a written Parliamentary question in the House of Lords, Lord McIntosh of Haringey said the move would restrict Zanu-PF activities in the UK.

"The sanctions regime effectively prevents other targeted individuals gaining access to UK financial services," he added.

Under the EU decision, all 15 member states imposed a travel ban on President Mugabe and about 20 of his close political associates.

It was also agreed their assets in EU countries would be frozen. (*BBC News Online 12/7*) **Shrinking economy p. 15217C**

IN BRIEF

Ethiopia: Around 500,000 people have been displaced in Afar, migrating to neighbouring regions of Amhara, Oromia and Tigray, because of imminent drought. The rains have failed for the past two years. (*Addis Tribune 5/7*)

Liberia: The **UNHCR** on July 5th asked donors for $10.4m to fund emergency relief operations in the area. The agency has called for particular attention to the plight of thousands of refugees who fled the camp of Sinje in northwestern Liberia on June 20th following an attack by Liberians United for Reconciliation and Democracy (LURD) rebels. (*IRIN, UN 8/7*)

Rwanda: Bean and sorghum yields could be 20–30% lower than average in some areas, the **USAID** Famine Early Warning System (FEWSNET) reported on June 26th. Crop growth, already damaged by heavy rains, has been hampered further by a dry season that came too early. (*IRIN, UN, Nairobi 3/7*)

BUDGETS

EGYPT

Budget 2002–2003

(*E£1 = £0.14/$0.21/€0.22*)

Cutting the debt and improving growth are the targets in this deficit budget.

Parliament on June 10th approved a budget of E£141bn (US$30.5bn) for the 2002–03 fiscal year, which begins in July. It was approved by 428 of the 454 deputies. Twenty-four voted against—17 Islamists, 6 members of the Tagamou left-wing party and one independent, and two others abstained.

The budget is larger than the previous one which amounted to E£126.9bn but since then the Egyptian currency has been devalued and has lost approximately a quarter of its value in relation to the dollar. Thus the 2001–02 figure was equivalent to US$32bn.

Expected revenue is £111.5bn and the 30bn deficit is, according to the Finance Minister Medhat Hassanein, mainly due to "the increase in salaries and in pensions as well as the government's commitments in favour of jobs." A report from the budgetary commission said that £1.2bn would be spent on job creation in a country where, according to the National Statistics Centre, the working population increases by 500,000 people a year. The external debt is $26.6bn with no major change. The internal debt, however, has increased to E£194bn ($41.9bn). (*Agence France Presse 10/6*)

Public expenditure in the new fiscal year aims to address seven long-term objectives—strengthening the state's social roles, improving government employees' standard of living, slashing public debts, raising the growth rate to 4.5%, rationing public spending, meeting the needs of the military and security forces and addressing the financial troubles of economic authorities.

Expenditure, Hassanein said, will be financed mainly through self-dependent financial resources, including customs, taxes and revenues of the Suez Canal, the *Egyptian General Petroleum Corporation (EGPC)* and *Telecom Egypt*.

Although the 2002/2003 budget passed early through the People's Assembly and the Shura Council, due to the overwhelming majority enjoyed by the ruling National Democratic Party (NDP), the budget was, in fact, strongly criticised by many MPs, including some from the ruling party's ranks. Liberal-oriented critics included prominent businessmen Mounir Fakhri Abdel-Nour, the speaker of the opposition liberal-oriented Wafd Party, and Ahmed Ezz, a high-ranking NDP member and chairman of the assembly's Budget and Planning Committee. Abdel-Nour told *Al-Ahram Weekly* that the budget was too "socialist-oriented" for a government claiming to be turning Egypt into a full-fledged market economy.

Strengthening the state's role: E£57.8bn, or 41% of total public spending, goes on subsidies. Direct subsidies (£E6.7bn) will

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primarily cover basic food supplies, housing and transport provided to low-income citizens. The indirect subsidies (£E51.1bn) will improve education and health services and support pension funds," he said. Abdel-Nour said that 20 years of experience have shown that these subsidies not only strip the country of economic efficiency, but also fail to serve the purposes for which they are earmarked.

Employment: To improve the living standards of state employees, there is an allocation of £E34.7bn (or 25% of total budgetary allocations). This figure is 9% higher than 2001/2002's allotment, which stood at £E31.9bn.

Hassanein said the increase is primarily due to a special bonus, costing an estimated £E1.8bn, to be given out to the nearly 5.5m government employees to raise their salaries by 10%. The remaining sum will be used to appoint 170,000 new graduates in government posts (costing an estimated £E400m) and to cover the costs of government-supported administrative reform and human resources development programmes.

Debt: The third objective of the new budget is slashing foreign and domestic public debts and their servicing costs. On June 30th 2001, Hassanein said, the government's general debts stood at £E194.8bn—almost 54.4% of GDP—but were still within secure limits (a debt that is more than 60% of GDP is considered insecure). Also, a large portion of these debts (around £E101.1bn) is owed to the government-owned National Investment Bank and invested in productive projects, he said.

Most MPs took issue with this budget aim, to which a weighty sum of £E38.2bn has been earmarked. "This is a heavy budgetary burden, not only because it has been raised by 12.5% in one year, but because debt servicing has been the main reason for our increasing budget deficit in recent years," Abdel-Nour said. He put total public debt (domestic and foreign) at £E328bn, breaking the figure down to £E195bn for domestic debts and £E133bn for foreign debts. "This means that, in fact, the total public debt accounts for 91.6% of GDP and this is by no means a secure percentage," he said.

Three spending areas—subsidies, wages and debt servicing—deplete 62.5% of total expenditure, Abdel-Nour said, adding that the government thereby has only 37% of the budget's allocations at its disposal.

Hassanein presented entirely different figures. The government's domestic debts stand at £E194.8bn and foreign debts are $26.6bn, he said. Out of the latter figure, the government only has $10bn to service, as the remaining $16.6bn are owed by economic institutions and the private sector.

Growth: Raising annual growth rates from 3.5 to 4.5% and GDP from £E387 to £E405bn in the first year of the new five-year development plan (2002/2003–2006/2007) will consume £E73.2bn of the new budget. The government will be required to spend only £E28.7bn on the plan in its first year, Minister of Planning Osman Mohamed Osman said. The remaining £E44.5bn will be paid by the private sector, which includes the private, public business and cooperative sectors.

However, opposition MPs have serious doubts that the private sector can fulfill its part of the development plan, especially since the economy has not fully recovered from the disastrous effects of September 11th.

Government Spending: The budget's fifth objective is rationing government spending. The bill to pay for the day-to-day running of government is to be reduced from 2001's 3.3% of total public expenditure to 3.2% in the new budget—a total of £E4.4bn. (*Al Ahram Weekly 20–26/6*)

Budget Deficit p. 14684C

ETHIOPIA

Budget 2002–03

(*Birr 10 = £0.79/$1.20/€1.23*)

External funds return to the country and infrastructure rebuilding is one of the main priorities.

The Ethiopian Council of Ministers has approved a US$2bn budget for the year 2002–2003—an increase of 4% over 2001–02. The money will be used for salaries for all government employees and for massive investment in the country's crumbling infrastructure.

Projects to be financed include those for poverty reduction and capacity building across the country. More than half the total—some $1.3bn—is allocated to the federal budget, the balance to be channelled to the regions towards boosting basic services like health and education.

"This is the federal government budget," a spokesman from the Ministry of Finance and Economic Development said. The regions would also collect their own taxes, he added, but subsidies to the regions had increased by almost 20%. He said the budget also included funds from foreign loans and grants—totalling over birr 6bn (around $720m). Over $1.2bn of the total budget would be raised through federal taxes.

The spokesman said the budget had expanded due to increased costs and demands on the government. "The demand for expenditure is always higher than what we have," he added. "We are raising extra money from domestic sources and external sources." He also confirmed that since the end of the bloody two-year conflict with **Eritrea**, funds were once again pouring into the country.

Nonetheless, Ethiopia continues to face massive economic problems. Almost half its 65m population live on less than a dollar a day. The finance ministry also revealed that over the past decade about $7.6bn in aid and loans had reached the country from international organisations and the donor community. The money had been spent on the agricultural, health, food security, infrastructure development and capacity building sectors, as well as democracy and good governance.

The **US, Japan, Italy, Sweden, Germany** and the **Netherlands** were among the major donor countries to Ethiopia, having provided in total about $2.5bn. International organisations like the **EU**, African Development Bank (**ADB**) and UN agencies had provided huge sums totalling $5.1bn in loans and aid, the ministry added. Foreign loans and grants secured during the past decade had been equivalent to between 6 and 19.9% of the country's Gross Domestic Product. The ministry also said about 71% of the grants and loans has been utilised and that over $900m of the country's debt had been cancelled or rescheduled during the 10 years.

Under the Highly Indebted Poor Countries Initiative, some $1.9bn in debt relief over the next 20 years had been achieved. Ethiopia's debt is estimated at $5.5bn. More than 13% of the country's budget is spent on debt servicing—twice what it spends on health care.

The draft budget has been accepted by the Council of Ministers, but has yet to be endorsed by the country's 548-member Council of People's Representatives which was to meet on July 8th. (*IRIN 28/6*)

As well as combating poverty, the budget focuses on agricultural development, infrastructure and capacity building. In all,

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Addis Ababa intends to complete 342 existing projects and get 84 new ones underway. (*Agence France Presse 5/7*) **2001–02 Budget pp. 14827, 14967**

GUINEA BISSAU

2002 Budget Rejected

(*CFA 1000 = £0.97/$1.48/€1.52*)

The opposition wants constitutional issues resolved before it will think about approving government figures.

The general state budget for 2002 estimated at CFAf77.5 (nearly E118.15m) by the government, was rejected by the national assembly on June 17th. Forty-eight deputies voted against, 41 for and two against. According to the constitution, 52 votes are needed for the budget to be approved.

"The country will again run the risk of stagnating because of the lack of responsibility of some politicians who only think of themselves and not about national interests," Prime Minister Alamara Nhasse told the press. A new budget proposal was to be made in July.

Since the beginning of the year the country has effected spending by decree and this has now reached "nearly 80% of this budget which has not yet been approved" complained Victor Mandinga, leader of the Democratic Alliance (AD), a coalition of four opposition parties. On June 13th the assembly adopted (58 votes for and 38 against) a resolution demanding the organisation of an "emergency debate" on the country's economic and political blockages" because members of parliament had issues that needed resolving before the budgetary estimates could be approved.

Among these issues is the promulgation by President Kumba Yala of the new constitution approved in January by the national assembly. According to the parliamentary opposition, this constitution has not been promulgated because it clearly establishes rules for the separation of powers and it removes certain prerogatives from the President including that of appointing or sacking the attorney general, the army chief of staff or the head of government without consulting the assembly. The deputies were also demanding that the government "justify the exorbitant spending" of Alamara Nhasse's team. Several opposition leaders also called the budgetary proposal "irrational."

In 2001 the budget adopted by parliament amounted to CFAf94bn (over E143.3m). (*AFP 17/6*)

MAURITIUS

Budget 2002–03

(*Rupees 10 = £0.22/$0.33/€0.34*)

The focus is on new technology in this deficit budget.

The Mauritian national assembly on June 24th adopted a deficit national budget for the 2002–2003 financial year after a week of parliamentary debates.

The budget, presented on June 14th, foresees expenditure to the tune of Rupees 39.9m ($13bn). Despite the rise in VAT, which will go from 12% to 15% on July 1st, the beginning of the next financial year, the deficit will reach R9bn ($3bn), which is 6% of Gross Domestic Product (GDP).

Budgetary measures aim to reduce this deficit gradually to 3% of GDP the deputy Prime Minister and Finance Minster, Paul Berenger, explained.

Mauritius' economic performance during the 2001–02 financial year was "below the objectives fixed the previous year because of a difficult international economic context marked by an economic slow down in Mauritius' main markets, notably Europe and the United States," he explained. The economic situation of Mauritius was aggravated by the events of September 11th, the political crisis in Madagascar and a cyclone which affected sugar production," he added. Growth was 5.6% while it was predicted to be 7%, inflation was estimated to be 6.4%. Mr Berenger said he expected GDP growth of 4.8% in 2003 with an inflation rate of about 7%. (*AFP 24/6*)

The budget includes investment of $21.8m in the field of information technology and, in his presentation, Mr Berenger reiterated the government's desire to make Mauritius into a cyber-island. The construction of the cyber city at Ebene will cost R1.5bn ($50m) and should be complete in September 2003. The budget allocates R500m to this of which 200m will allow the state to participate in the capital of the *Business Park of Mauritius Ltd* Company, its computer arm. (*Marches Tropicaux 28/6*)

Le Mauricien pointed out that huge public funding had been earmarked for the implementation of education reform, the development of the globally competitive Information and Communication Technology (ICT) industry, improvement of infrastructure and environment protection and management. Government has once again given clear indications of its intention to be at the forefront of development in an era when private sector investment is at a low ebb.

This move is further accentuated by the proposed creation of a one-billion-rupee equity fund, to be managed by the Development Bank of Mauritius and which will assist business start-ups and existing businesses in strategic sectors of the economy.

It also encourages the equity participation of the private sector to the tune of a further 1bn rupees. Whilst this measure is commendable and may restore the investment climate, it is imperative that this fund should be properly managed and targeted at productive sectors in order to achieve its set objectives.

This budget provides virtually no incentives to motivate local investment and attract foreign direct investment. The proposal to revamp the Board of Investment and crack down on red tape, although positive, will not suffice to attract investment to our shores, says *Le Mauricien*. At a time when unemployment has reached the 10% psychological mark, except for a few incentives for the small and medium enterprises, no immediate and bold steps have been announced in order to curtail the rising trend of this social evil. (*Le Mauricien website 15/6*) **2001–02 Budget p. 14827B**

FINANCE AND MARKETS

AFRICAN DEVELOPMENT BANK

New Loans

Algeria: The ADB has approved a loan of $120.313m to finance the telecommuncations sector upgrading and support project in Algeria. The project is in keeping with the Government's reform and investment policy for the 2000–2005 period, which aims to liberalise the entire telecommunications sector through the establishment of new structures and the arrival of new private operators.

The ADB loan will be used to finance 86% of the foreign exchange costs of the project whose total cost is estimated at UA (Units of Account) 120.87m—about $152m. (*ADB 3/7*)

Cote d'Ivoire: The ADB has approved a loan of about US$20.4m to finance a rural development project in eastern Cote d'Ivoire.

It said the aims of the Middle Comoe Rural Development Support Project (MC-RDSP) project included increasing on a sustainable basis the productivity of coffee and cocoa, the coun-

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try's two main crops, and diversifying agricultural production in the Middle Comoe region. The MC-RDSP also aims to reduce poverty in rural areas and to improve the living conditions of about 237,000 rural inhabitants of the region. (*UN, IRIN, 3/7*)

The Gambia: The ADB has approved a grant of about US$1.5m to finance a water and sanitation study in The Gambia.

Ghana: The ADB has approved a reduction of $130.93m of Ghana's debt. This offsets 80% of Accra's annual debt to the Bank.

It has also approved a $9m loan for forest management. (*ADB 3/7*)

Mali: An **ADF** loan to finance a feasibility study of the Phedie and Sabalibougou irrigation project.

This study is in line with the poverty control strategy of the government of Mali poverty that encourages rural self-enhancement and reliance. (*ADB Website 28/5*)

Niger: The ADB has approved a grant of CFAf604m to finance a study on domestic energy strategies. The objective is to provide the government with a sub-sectoral policy capable of sustainably catering for energy supply and it will also help reduce the use of fuel wood in households. (*AFP 3/7*)

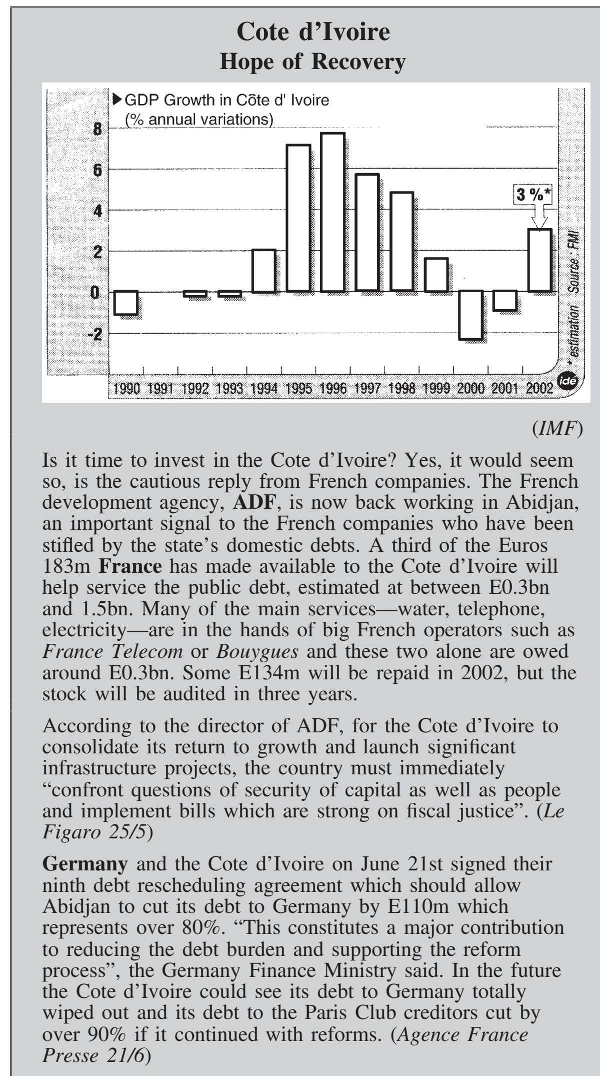
Tanzania: The ADB has agreed two loans—$46.82m and $1.66m to finance the Dar-es-Salaam water supply and sanitation project. (*ADB website 29/5*)

It has also approved a grant of $1.2m for the international Arusha-Namanga-Athi River Road study. This road, which traverses Tanzania, from Arusha to Namanga and **Kenya**, from Athi River to Namanga, forms part of the corridor No 5 of the East African Community (**EAC**) Regional Road Network Project. ((*ADB 26/6*)

Tunisia: The ADB is to loan $129.2m to help improve the transport system with a view to making exports more competitive. (*ADB 28/5*)

The second private bank in the country, Amen Bank, has obtained a Dinars 26m line of credit from the ADB. This will allow the Amen Bank to award its customers loans over 10 years for manufacturing, transport and tourism projects and is the first time the ADB has given such a credit to a private institution without a state guarantee. (*Marches Tropicaux 28/6*)

Uganda: A loan of $2.5m will fund the *Kaweri Coffee Plantation Ltd* plantation project. (*ADB 26/6*)



Cote d'Ivoire

Hope of Recovery

(*IMF*)

Is it time to invest in the Cote d'Ivoire? Yes, it would seem so, is the cautious reply from French companies. The French development agency, **ADF**, is now back working in Abidjan, an important signal to the French companies who have been stifled by the state's domestic debts. A third of the Euros 183m **France** has made available to the Cote d'Ivoire will help service the public debt, estimated at between E0.3bn and 1.5bn. Many of the main services—water, telephone, electricity—are in the hands of big French operators such as *France Telecom* or *Bouygues* and these two alone are owed around E0.3bn. Some E134m will be repaid in 2002, but the stock will be audited in three years.

According to the director of ADF, for the Cote d'Ivoire to consolidate its return to growth and launch significant infrastructure projects, the country must immediately "confront questions of security of capital as well as people and implement bills which are strong on fiscal justice". (*Le Figaro 25/5*)

Germany and the Cote d'Ivoire on June 21st signed their ninth debt rescheduling agreement which should allow Abidjan to cut its debt to Germany by E110m which represents over 80%. "This constitutes a major contribution to reducing the debt burden and supporting the reform process", the Germany Finance Ministry said. In the future the Cote d'Ivoire could see its debt to Germany totally wiped out and its debt to the Paris Club creditors cut by over 90% if it continued with reforms. (*Agence France Presse 21/6*)

DEMOCRATIC REPUBLIC OF CONGO

IMF Support

The country's arrears have been cleared, paving the way for massive international support.

The International Monetary Fund and World Bank's US$1.2bn package is a massive gesture of political support for President Joseph Kabila.

Technically it was made possible by a relatively successful IMF staff-monitored programme, which saw the introduction of a floating exchange rate system to break the cycle of hyperinflation and currency depreciation, while the DRC cleared its $522m arrears to the Fund thanks to bridging loans from **South Africa**, **Belgium**, **France** and **Sweden**.

Politically, it seems IMF Managing Director Horst Kohler has dropped demands for the laborious Inter-Congolese dialogue to succeed as a precondition for funding. On June 12th, the IMF approved $750m over three years under its Poverty Reduction and Growth Facility. This triggered World Bank approval the following day of a $450m Economic Recovery Credit.

Though the cash won't be released all at once, the deal may reduce international leverage on Kabila at a critical time. The DRC remains divided; a power-sharing agreement reached in April in Sun City, South Africa, leaves out both the **Rwandan**-backed *Rassemblement Congolais pour la Démocratie-Goma*, which controls perhaps one-third of the country, and Etienne Tshisekedi's Union for Democracy and Social Progress (UDPS).

Even the signatories are having difficulty drafting a transitional constitution. They disagree over the respective powers of Kabila as transitional President and of his designated Prime Minister, Jean-Pierre Bemba, who says he will come to Kinshasa only if he can bring 1,500 of his men.

Kabila can now hand out a peace dividend. But if his government drags its feet, it could antagonise its new allies in Bemba's Congo Liberation Movement. As long as the RCD-Goma is not part of a deal, more conflict remains a possibility. (*Africa Confidential 28/6*)

MAURITANIA

Debt Relief

Mauritania becomes the sixth country to reach "completion point" under the HIPC initiative.

The International Monetary Fund (**IMF**) and the **World Bank's** International

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Development Association (**IDA**) agreed that Mauritania has reached its completion point under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative. It thus becomes the sixth country to reach this point (joining Bolivia, **Burkina Faso**, **Mozambique**, **Tanzania** and **Uganda**).

Debt services relief will amount to approximately US$1.1bn over time (US$622m in net present value [NPV] terms). As a result of HIPC assistance, total external debt is reduced by some 50%, providing a good basis for long-term debt sustainability. This, however, will require continued efforts to monitor the debt level and to apply prudent debt management policies, says the Fund.

Debt services payments are cut substantially-from about US$88m in 1998 (actually paid before HIPC assistance) to an average of US$35m in 2003, and averaging approximately US $39m per year over 2002–2011, with HIPC and additional sources of debt relief included. As a result, debt services as a percentage of government revenue is reduced from 35% in 1998 to an annual average of 11% during the same period. Resources made available by debt relief provided under the HIPC Initiative are being allocated to fund key anti-poverty programmes, which are outlined in Mauritania's Poverty reduction Strategy Paper (PRSP).

Multilateral creditors are to provide debt relief amounting to US$361m in NPV terms. IDA will provide debt relief under the enhanced HIPC Initiative of US$100m in NPV terms. This amounts to US$173m in debt service relief, to be delivered through a 65% reduction in debt service on IDA credits (disbursed and outstanding as of end-1998) from 2000 through 2019. The IMF will provide debt relief of some US$47m in NPV terms, which will be delivered through a 55% reduction in debt service from 2000 to 2007.

Bilateral creditors are expected to provide relief amounting to US$261m in NVP terms. Mauritania has negotiated a debt rescheduling agreement with the **Paris Club** on Cologne terms (a debt reduction of 90%) and a number of Paris Club creditors have indicated that they would provide a debt relief beyond that required under the HIPC Initiative. Approximately US$124m of Mauritania's HIPC relief is expected to be delivered by non-Paris Club and commercial creditors. Progress has been made, albeit slowly, in establishing agreement with many of these creditors for their full participation in the Initiative, and the Mauritanian authorities will continue their efforts to obtain comparable treatment from these creditors. (*IMF 20/6*)

The **Italian** government, meanwhile, has provided food aid worth €1.5m to Mauritania. (*AFP 19/6*) **Urban development programme p. 15219**

MOZAMBIQUE

Debt Cancellations

Donors cancel debts and praise growth rates but there is still significant poverty.

The Executive Board of the International Monetary Fund (**IMF**) completed the fourth review of Mozambique's performance under an economic programme supported by a Poverty Reduction and Growth (PRGF) arrangement and approved the disbursement of SDR 8.4m (about US$11m).

Shigemitsu Sugisaki, Deputy Managing Director, and Acting Chairman, stated: "Following the devastating effects of the floods in 2000, Mozambique has resumed the rapid rates of economic growth that are essential to the sustained implementation of the country's ambitious poverty reduction strategy. Performance under the PRGF-supported programme for 2001 extended Mozambique's successful track record of financial stabilization and structural reform over the last decade. All of the programme's end-2001 quantitative and structural targets were met except for the benchmark on reserve money.

"The sharp increase in inflation in 2001 has been a cause for concern. However, the subsequent tightening of monetary policy initiated in mid-2001 has reinforced the normal easing in prices in the opening months of the year, and inflationary pressures have declined considerably. The government's programme appropriately calls for continued monetary restraint aimed at bringing the inflation rate down to single digits during 2002. At the same time, fiscal policy is suitably geared to meeting priority spending consistent with the government poverty reduction strategy, while lowering the primary fiscal deficit and avoiding recourse to domestic borrowing.

"The authorities have also faced difficult challenges in the banking system, including capital shortfalls in two of Mozambique's largest banks. Steps taken to resolve these difficulties, including the sale of one of these banks, have been complex and costly. The government is committed to a rigorous and transparent process to recover non-performing loans and to strengthening accountability for these problems. At the same time, in an effort to avoid the recurrence of these problems, the government's programme includes tightening of banking regulations and strengthening of banking supervision.

"Despite adverse developments in the world economy since Mozambique reached its completion point under the enhanced HIPC Initiative, there has been no deterioration in debt indicators. The country appears well placed to maintain external sustainability," Mr Sugisaki said. (*IMF 17/6*)

Italy and **Germany** both announced recently that they had cancelled Mozambique's bilateral debt: $524m owed to Italy and €195m to Germany. (*Africa Analysis 14/6, AFP 2/7*).

However, as *Gemini News* pointed out, debt relief is a mixed bag for the jobless millions and the praise is worrying some analysts. A government economist, who wished not to be named, said, "If most of the donors read these stories that Mozambique is performing well, they might think that some of the country's problems have been solved and limit aid in order to concentrate on other nations."

Underlying that concern is the view that HIPC isn't really helping Mozambicans rise above poverty. William Minter, a senior research fellow at the US-based Africa Action advocacy group, believes Mozambique needs more than what HIPC has provided.

"While this may be a 'best case' HIPC scenario, it is still not good enough," he said. "Given the needs in Mozambique, the damage that Mozambique suffered from years of war, full cancellation of the debt by the international financial institutions and other major foreign creditors is required."

In the meantime there is little respite from poverty.

Loans do come in for setting up projects to benefit the poor—such as schools and hospitals. But even when this is done, the facilities remain out of reach for the poor. They simply cannot afford to pay the high 'user fees' demanded for these services.

At the same time, privatisation and liberalisation have led to increasing joblessness. One only has to visit the industrial sector in Maputo to gauge the extent of deprivation. Only half the factories show any sign of activity—that too with a reduced workforce. The others have shut down.

The best known examples are the textiles and cashew nut industries. The textile sec-

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tor collapsed after the government was told to liberalise the sale of cotton products. It did so, and saw second-hand clothes from European countries flood the local market. Factory doors were closed and over 10,000 workers were told to go home.

In 1994–95, Mozambique, just emerging from years of civil war and a socialist economy, was told by the World Bank to sell off its state-owned cashew processing factories and instead export unprocessed cashew nuts to India. Not just that, the Bank also insisted that Mozambique should not eliminate export tax on the nuts—despite the fact that the processing industry in India itself was subsidised by the Indian government.

With India controlling the market and dictating prices, the price of cashew fell to an all-time low and some 40,000 workers in cashew and ancillary industries lost their jobs. Now Indian traders claim that the nuts are of poor quality and want even lower prices. The government responded this year by banning exports, further hitting local farmers.

Currently most of the nuts are sold in the local markets or roadside stalls—a tragic outcome that some analysts say could have been avoided if the cashew factories had not been sold off.

In favour of the government, however, Mozambique has managed to chalk up some of the highest growth rates anywhere over the past few years. According to figures the government presented in April, the growth rate in 2001 was an astonishing 13.9%.

"The figures may appear encouraging, but it is too soon to judge if the HIPC initiative will have any impact on ordinary people," says Gaime Chivite, a coordinator for Jubilee 2000, a global group of charities campaigning for debt cancellation. "Most Mozambicans remain poor. In fact the gap between the rich and the poor has widened."

According to the IMF, more than half of all Mozambicans live on less than a dollar a day—poverty that exists despite the millions of dollars of debt forgiven. The World Bank says 78.4% live on less than two dollars a day. (*Gemini News 28/6*) **New wave of optimism p. 15106**

NIGERIA

Fiscal Policy Flexibility

A single exchange rate is urged as the naira depreciates, while the government is still hoping for IMF backing.

The International Monetary Fund (**IMF**) has called for all foreign exchange markets in the country to converge into one as a way of guaranteeing an end to sharp practices in foreign exchange transactions.

Senior resident representative of the Fund in Nigeria, Mr Gary Moser, said on July 5th in Abuja, that the present situation where there are different rates at the CBN moderated Inter-bank Foreign Exchange Market (IFEM) and the parallel market operated by bureaux de change and the "black market," was prone to abuse.

He advocated a "fiscal policy flexibility" which would allow a quick response to the challenges that might arise in the system. Treasurer of Investment Banking and Trust Co. (IBTC), Mr Demola Sogunle, said that the present three distinct forex markets should be brought into two with the CBN participating in the IFEM like any other participant.

The two markets, he suggested, should be an IFEM in which banks and CBN will deal, and which can only be accessed for eligible transactions. The second he said should be a convertible foreign exchange market comprising DBCs, black market, banks, and free funds' sellers.

Mr Sogunle stressed that there was an urgent need for the CBN to "institutionalise an efficient infrastructure of a strong forex market that will reflect discernible trends and patterns, which are mainly attributable to changes in the macro-economic indices."

This is one of the ways in which the DBN can lift the whole market and make it a reliable determinant of the forex rate. Hence the CBN will be able to stop running the forex market based on knee-jerk reactions to the nervousness of operators and end-users, perpetual fear of capital flight, exploitative activities of "free funds" traders and "round tripping," he added. (*Weekend Vanguard website, Lagos 6/7*)

Africa Analysis reported that it seemed finally to be the end of the line for Nigeria's 'legal' parallel market forex traders. During a recent verification exercise, the Central Bank of Nigeria (CBN) sought to determine whether licensed bureaux de change were operating within CBN guidelines. In the process, it discovered that 187 of the legal money changers were missing. Their registered places of business were either non-existent or out of date. Several of these bureaux are thought to be owned or be connected to prominent business figures who thrived for more than a decade under lax and corrupt military administrations.

Now, times have changed. The CBN in early June gave the missing bureaux until the end of the month to come forward to be assessed, or lose their licences. Anyone caught trading after the revocation of a licence can be arrested and charged. (*Africa Analysis 14/6*)

Chief Ufot Ekaette, the secretary to the federal government, has, meanwhile, bemoaned the naira's continuous depreciation, which he said was a major problem bedevilling the country's economy. The phenomenon had encouraged currency speculation which, in turn, had led to the diversion of investible funds to non-productive activities, he said.

Newswatch, Lagos said that the external reserve had been depleted and this was taking its toll on the economy. The CBN has resorted to devaluation of the naira as a measure to prevent further depletion of the country's external reserve.

As at June 28th, the CBN withdrew N28.25bn from the economy through the sales of treasury bills to the banks, discount houses and the investing public. The naira soon suffered a setback at the interbank foreign exchange market, IFEM, as it was depreciated first by 30 kobo and later 25 kobo. As at the close of business that day, the dollar exchange for N120.10 as against N119.85 to the dollar earlier in the week. Early in 2002, the naira exchanged at N113.45 to the dollar so it has lost a total of N665 kobo just within six months.

The Association of Bureau of change operators of Nigeria (Abcon) condemned the CBN depreciation, calling it a "hasty reaction." (*Newswatch 15/7*)

No New Deal With IMF

Soon after President Obasanjo claimed that Nigeria would re-enter a formal relationship with the IMF under a development strategy in the near future, a statement by the IMF's senior representative in Nigeria, Gary Moser, while not taking direct issue with the President's comments, made no reference to any imminent new formal relationship.

Moser explained that following the March 2002 expiry of the last arrangement between the IMF and the Nigerian government, the Fund set up an informal monitoring procedure.

"Although some progress was made during the first months of the framework, informal monitoring was discontinued in March 2002 as key targets relating to the implementation of macroeconomic policies were missed," Moser said. But the Fund has continued to provide technical assist-

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ance and is "discussing in broad terms the government's home grown programme for 2002". An IMF team is in Nigeria to hold discussions and will prepare a report for the Fund's Executive Board, he said, adding, "We look forward to continuing these useful discussions in the context of a subsequent visit to Nigeria later this year."

This apparent dampening of the optimism aroused by President Obasanjo's recent statement in Washington came on the eve of the Nigerian President's attendance, with his counterparts from South Africa, Senegal, Algeria, and Egypt, in the G8 summit in Kananaskis in Canada where **NEPAD** (the New Partnership for Africa's Development) tops the issues to be discussed (**see p. 15247**). (*West Africa 1–7/7*)
Deadlock p. 15223B

SOUTH AFRICA

"Stagflation"

Rising inflation and low growth look set to continue. Interest rates are lifted again.

After some brief respite during which the South African rand strengthened to below R10 to $1, it again showed signs of weakening in mid-June, sliding over the R10 mark again.

This had several local economists expressing puzzlement, since retail figures showed signs of a generally unexpected lift in economic performance.

According to the official statistics of South Africa, retail spending in the first quarter of 2002 registered an increase of 5.9% against a generally anticipated rate of less than 3%.

Coming on top of a modest 2.1% year on year rise in new vehicle sales for May, there were immediate murmurs that the economy may be turning the corner, heading for some light at the end of a recessionary tunnel.

But much of the local consumer spending has been on credit—and unrecoverable domestic debt is starting to soar. Another factor that was apparently missed in earlier calculations was the amount that would be spent in rand terms of foreign tourists.

With the collapse in the exchange rate value of the rand, the possibly record number of tourists who visited the country over the past summer, spend their holiday budgets as they normally would—only their money went a great deal further. In rand terms it also set cash registers jingling at a much higher note.

The relative cheapness of the rand may also have prompted increased visitor spending. According to estate agents, especially in the Western Cape province, there were a number of 'spontaneous buys' of holiday homes and flats by visitors struck by the low cost for value factor.

With two-bedroom apartments in some seaside suburbs of Cape Town available for less than $15,000 and maintenance charges and local taxes costing less than $70 a month, there were some splurges on holiday homes. This resulted in a slight surge in property prices, but this too has now showed signs of slowing.

The scene seems set for rising inflation and continued low growth, a classic example of stagflation. The rand should also continue to display mild volatility, but the overall pressure remains downward. (*Africa Analysis 14/6*)

South Africa's Reserve Bank (SARB) governor, Tito Mboweni, on June 25th expressed his frustration on inflation targeting, suggesting the policy may have been introduced too quickly. He also told parliament's finance portfolio committee the inflation outlook for 2003 was "quite concerning".

"We can talk until the cows come home, but if the central bank does not act practically and decisively, people will not be convinced that we are serious about the inflation target. And, so far this year I think we have demonstrated that if need be we would act decisively," he said. The Reserve Bank announced the third interest rate increase of the year earlier in June, in response to rising inflation led partly by the rapid fall in the value of the rand. (*SAPA web site 25/6*)

STOCK MARKETS

Emerging Markets Outperform The Rest

There are many reasons why investing in African stock markets makes sense.

Emerging markets are continuing their incredible recovery, still outperforming all other global asset classes with ease so far in 2002. Since the beginning of 2002, the Emerging Markets Bond overall spreads relative to US Treasuries have narrowed to under 600 basis points, the tightest it has been in years.

Echoing the emerging markets' positive aspects are **Nigeria's** President Olusegun Obasanjo and the **South African** Trade and Industry Minister, Alec Erwin. Obasanjo says Africa's markets are often underrated as a source of investment return and disparaged as high-risk—yet international corporations are doing more and more business in Africa. "Where in the world do you get 30% to 35% return on investment?" he asks. "Look at the number of enterprises that failed in the developed countries and look at the number that failed in Africa. What risk are they talking about?" It is challenges such as these to Afro pessimists that analysts believe are helping to ratchet up foreign confidence in the continent.

African economies should take this tide of rising confidence at the full by building their manufacturing sectors, says Erwin. Markets in developed countries are opening up in attractive and concessional ways, giving emerging economies definite and positive trade edges over their competitors. The Agoa agreement with the **United States** and the Cotonou (successor to Lome) undertaking with the **European Union** among others, are encouraging investment in manufacture by developed nations keen to cash in on the lucrative trade deals.

In manufacturing terms, an important sector in growing emerging market wealth is small and medium size business, notes Erwin. "Also significant is the strong and measurable correlation between export orientation and those industries that are growing fastest," he says. "Added to this is the increased significance of small, medium and micro enterprises in the equation, accounting as they do in South Africa for 54% of employment in the private sector and 35% of GDP."

Other factors and processes are also contributing to the current situation. They include banking reforms, privatisation and currency system reforms bringing about fewer fixed currency regimes and, as a result, making emerging economies significantly more resilient against external shocks. Because of this, investors have started to differentiate more between individual economies, separating those with weaker fundamentals from the ones with stronger fundamentals, helping to diminish the effects of contagion.

For strategic institutional investors, EMs offer opportunities for medium to long term capital growth. South Africa generally has the best-managed and most profitable companies like *Anglo American*, the mining conglomerate; *South African Breweries; Sasol*, the fuels company; *Richemont*, the luxury goods producer; and *Old Mutual*, the financial services group. South

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Africa is in the top five stock market performers so far in 2002.

In the first half, most African bourses have outpaced their counterparts in South America. measured in local currency terms, **Zimbabwe** has provided capital gains of 30%, the West African bourse (**BRVM**) 10%, **Ghana** 9.4% and **Nigeria** 9%. Generally, most markets experience problems of 'information cascade', i.e. foreign investors shun these markets not because of their real faults but simply because everyone else avoids them.

However, avoiding **Kenya** and **Uganda** because they are close to **Sudan** and Congo (**DRC**), or South Africa and **Botswana** bordering Zimbabwe are like avoiding the Swiss market because of its close proximity to the Balkans. (*African Business June, July, August*)

Investors with an appetite for Africa can now call on *LiquidAfrica* for faster and easier access to 18 of the continent's 20 stock exchanges thanks to **Cameroonian** techno-wizard Cyrille Nkontchou. The entrepreneur has launched a web-based trading system for investors with an eye on Africa that he hopes will rekindle interest in the continent and attract foreign investment.

Says Nkontchou: "We hope to attract institutional investors by providing them with a platform from where they can seamlessly access markets and information. Our target is to try to get those funds that could be willing to invest in Africa, but can't because of poor liquidity."

The former London-based head of sub-Saharan equity research at *Merrill Lynch* is banking on LiquidAfrica becoming a one-stop shop for investors offering a chance to buy and sell equities, bonds and treasury bills. The system operates on a web-based 'expression of interest' platform that matches institutional buyers and sellers electronically, while orders are executed by London broker *Afrinvest*. Settlement will be taken care of through the international Swift banking transaction system.

"Once we get Swift-enabled, we're really going to move trading in African markets to a new level." (*African Business, July*)

Nigeria

The Nigerian Stock Exchange (NSE had concluded arrangements to launch its e-Business Platform/Internet Portal on July 9th. The high-tech solution is predicted on The Exchange's strategic plan to ensure regularity and availability of information to stakeholders globally. Besides, it will improve market transparency and efficiency.

The solution, the first of its kind in Africa, will allow stockbrokers, investors, corporate organisations and other users, to access in real time, market statistics and trading information from the floor of The Exchange. At this first phase, market information is made available globally on the Internet. The second phase will be full blown Internet trading.

The solution, developed by *Sybase Nigeria*, using Sybase's industry-leading enterprise e-Business platform, will place The Nigerian Stock Exchange on a similar global technology pedestal with the New York Stock Exchange (NYSE) and NASDAQ. (*Vanguard, Lagos 4/7*)

South Africa

About 13 small companies' listings were terminated on the JSE Securities Exchange (JSE) on July 1st for different reasons, while another three were saved from the axe.

The listings of *Essential Beverage, National Sporting Index, Nexttvest* and *Oxbridge Online* were terminated because they "failed" to provide the JSE with compelling reasons as to why their listings should not be terminated. *Noble Minerals's* listing was terminated because "no objections" had been received for the proposed termination of the company. *Tolaram, Toco, Dial-a-Movie, Quickco, Central Information Holdings, NRB Holdings, SMG Holdings* and *JEM Technology* were also delisted as a result of their "failure to comply" with the JSE listings requirements, the JSE said.

The JSE said *Cyberhost, Union Mines* and *Community Technologies* had provided the JSE with compelling reasons as to why their listings should not be terminated, and they would retain them. (*Business Day 2/7*)

WEST AFRICA

Single Currency Progress

Can a unified currency be achieved and will it provide solutions?

The political will seems to exist, a timetable has been set, but whether the convergence criteria set by the Economic Community of West African States (**ECOWAS**) for a move to a single currency can be met is another matter. **Liberian** President Charles Taylor has already admitted that his country, still wracked by civil strife, will not meet the criteria by the 2004 deadline. The conditions, as President John Kufuor reminded Ghanaians in June, were economic stability, budgetary discipline, an inflation rate of no more than 5% and healthy forex reserves. Common, non-inflationary monetary policies went without saying.

Five states—**Gambia, Ghana, Guinea, Nigeria** and **Sierra Leone**—are involved in the single currency project. With the exception of Guinea, which deserted the Central African franc (CFA) zone at independence, the other states have parallel currency markets in operation.

While common monetary policies and even budgetary discipline may be in place over the next two years, the socio-economic conditions in the countries vary to such a degree that it may be impossible to meet a common inflation target or build up adequate forex reserves.

Even oil-rich Nigeria, because of its $30bn foreign debt, seems unlikely to make the grade. Sierra Leone, with much of its infrastructure destroyed by years of civil war, seems to be in an even more difficult position.

However, Kofi Wampah, director of research at the **West African Monetary Institute**, maintains that the criteria can be met within the timeframe set. He pointed out that a $100m balance of payments fund had already been established with weighted contributions from each of the five states.

This fund would help ensure stability while budgetary discipline and common monetary policies were already in place. Before the end of 2004, convergence could be achieved and a common currency introduced. A year later, the francophone countries would scrap the CFA franc to join the common currency regime.

Critics have pointed out that none of the CFA franc zone countries is likely to comply unless the common currency—if it is achieved—is stable in relation particularly to the Euro. Wamph says that he agrees, but points out that convergence should imply a high degree of stability. Kufuor, who launched a campaign in mid-June to explain to Ghanaians why the cedi should be scrapped, is also convinced that west Africa will have a common currency by 2005.

The convergence council of the second monetary zone meeting in Accra in late June decided that the forex reserves and liabilities of the zone's five member states

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will be pooled and managed by the proposed West African Central Bank.

The arrangement is to ensure that the reserves are used to back the proposed common currency, the eco, due to be introduced in 2003.

The Accra-based West African Monetary Agency (Wami) has been directed by the council to submit the report of its study on the criterion for the central bank financing of the budget deficit of the governments of the five states to the council's next meeting scheduled for Guinea in October. (*Africa Analysis 14, 28/6*)

Ghana's vice-president Aliu Mahama told the Accra meeting that regional cooperation and economic integration in Africa hold the key to its socio-economic development. He reiterated that the adoption of a common currency for the subregion will promote economies of scale to be derived from a bigger market and facilitate commercial dealings of traders and travellers. He said globalisation had made integration very urgent and important for developing countries and pledged the government's commitment to the WAMZ to facilitate the process of an ECOWAS single monetary zone. He stated that "common currency underpins all our aspirations for unity in the subregion". (*Daily Graphic web site Accra 24/6*)

West Africa commented that on the basis of the economic conditions of the subregion, the common currency was a tall order. Critics of the project believe that achieving a single currency for such a diverse and disintegrated region could only create more problems for West Africa rather than help address the growing and crippling problems already witnessed in most countries.

The theoretical definition of a single currency for the sub-region looks good but actualising the concept will present various problems. The economies of most of these countries are not supportive of each other and over-dependence on primary commodities has often made it difficult for most of them to plan ahead meaningfully. The lack of economic depth has also led to most of these countries suffering external shocks as a result of falls in global prices of primary commodities. With the dependence on the international community for help countries have often signed up to agreements, both multilateral and bilateral, that have affected their policy options.

Besides, with the numerous initiatives adopted and agreed to by most of the countries in the proposed second monetary zone, pursuing solely the goals set in the monetary union project could result in conflict with other action aimed at achieving development goals.

The single currency is meant to serve the interests of the people, but so far publicity and education about the currency seem to lag far behind the political speeches. Not many living in the sub-region are aware of the idea of a single currency. The ignorance is even common among traders, most of whom would love to have a single currency to avoid the activities of touts at border posts who swindle people under the pretext of providing currency exchange facilities.

The business community is also far behind on the whole idea of a common currency. The impact of a single currency on businesses in the sub-region should be fairly considered before its implementation. After detailed analysis with inputs from the business community and civil society it may even turn out that a single currency is not needed after all, says *West Africa*.

The truth is that as a result of the need for hard currencies, most businesses in West Africa prefer to trade or deal with those outside the continent in dollars with which they buy any other currency they want. The other problem is that of transport; in many cases, to travel from one country to another in the sub-region it may turn out easier to fly via Europe. And what about the issue of communication? Making a phone call between Ghana and Nigeria can sometimes be very frustrating as calls are often routed via networks in Europe.

These are the development challenges facing the continent, and without contest they need to be solved.

A second monetary zone alongside the existing one covering UEMOA countries, and ultimately an ECOWAS monetary zone, is a laudable idea, but in pursuing it care should be taken to ensure that all aspects of the project are considered. Otherwise it may all become another flawed initiative paid for by the sweat of others, *West Africa* concludes. (*West Africa 8–14/7*)

BOAD Meeting

The West African Development Bank (**BOAD**) held its 45th meeting on June 25th at the **BCEAO** (Central Bank of West African States) headquarters in Dakar, chained by Mr Boni Yayi. During the meeting the council examined and approved:

- a loan proposal for CFAF 9bn to partially fund a technical strengthening project to the ***Mali*** *Energy Company, EDM*;
- CFAF 680bn to a cattle feed factory in Mali;
- a proposal to set up a second credit line to *Burkina–Bail* in **Burkina Faso** for CFAF 1bn (*BOAD, Le Soleil 26/6*)

IN BRIEF

Burundi: The governor of the country's central bank, Gregoire Bayiyezako, has admitted that the five week suspension of auctioning of foreign currencies was due to a shortage of hard currencies in the country, and especially at the central bank. This has led to the price of foreign currencies going up spectacularly in Bujumbura's parallel market. (*Africa Analysis 28/6*)

The IMF has put pressure on the government to devalue the currency but it has refused. (*Expresso news agency, Bujumbura 21/6*)

Ghana: The Republic of **China** on June 17th wrote off Ghana's debt of Yuan 100.8m, an equivalent of $53.5m owed to that country since 1961.

The amount is worth 85% of Ghana's total debt to China and forms the single largest amount of debt written off so far this year, Finance Minister Yaw Osafo-Maafo said when he signed an agreement to this effect in Accra. (*Accra Mail 18/6*)

Malawi: Germany and **Italy** have announced that they are writing off close to $500,000 worth of Malawi's debts.

The debt write-off is some rare good news for the government of President Makili Muluzi, which has a troubled relationship with donors.

Other western countries suspended development aid imposed in 2001, after reports that previous aid had not been used properly.

On July 2nd, the United Nations food agency launched a $500m appeal so it can buy food to avert the growing threat of famine across southern Africa.

The IMF is withholding $47 of the $55m (or about N7.2bn) earmarked for Malawi due to concerns about possible corruption and poor management.

Sudan: The rebel-held southern Sudan could get its first commercial bank if a venture by *Nile Credit Management Ltd (NCM)* comes to fruition.

A Sudan Peoples' Liberation Army (SPLA) official told *The East African* that the proposed Nile Commercial Bank (NCB) would facilitate business transactions in the region, which has no formal banking system. (*EastAfrican 20/5*)

Zambia: The Bank of Zambia governor, Dr Caleb Fundanga, has warned business houses, including mobile phone served providers, that they risk losing their operating licences for charging in US dollars instead of the local kwacha. Hotels were even quoting the price of nshima, the national staple, in dollars. Dr Fundanga also urged members of the public to help

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stop the dollarisation of the economy by insisting on paying in kwacha. (*Africa Analysis 28/6*)

Zimbabwe: The country's forex reserves have fallen to about three days' import cover down from about four days' cover at the end of 2001. According to statistics from the Reserve Bank of Zimbabwe, the central bank has been receiving an average of US$20m a month in foreign currency since the beginning of the year, about a 10th of the US$200m a month the country needs to meet its imports.

Informal traders in Bulawayo linked two senior government officials and a senior Zanu-PF official to the hoarding of foreign currency through the bureaux de change they owned and operated. The traders alleged that all bureaux de change in the city were owned and run by politicians who employed women from the Apostolic Faith Church in forex deals. They said that they were buying **South African** rands at Z$40 while the official rate is Z$8, and **Botswana** pula at Z$60 when the official rate is Z$20. (*Africa Analysis 28/6*)

Communications and Transport

AIRPORTS AND SERVICES

Cote d'Ivoire

Abidjan airport is in the doldrums after a promising start.

Brand new, it would like to be the hub of West Africa but the new Felix Houphouet Boigny (FHB) airport has fallen victim to three "catastrophes": a home-grown one with the problem of political insecurity, an African one with the collapse of *Air Afrique*, and an international one following the post-September 11th traffic slump.

The continent's 21st airport and third in the region behind Lagos and Dakar with its 900,000 passengers, FHB started with great promise in 1997: growth each year until 1999 was 9%. But since then, *Agence France Presse* reports, it has lost 30% of its business: 14% in 2000, 5% in 2001 and between 10 and 12% forecast for 2002.

Things started to go downhill with the Christmas military coup in 1999. In 2000, freight and business traffic plummeted, especially from July to December when violence accompanying legislative and presidential elections claimed more than 300 lives. Then came the demise of Air Afrique. Christian Rognone, president of *Aeria*, the firm which runs the airport, explains: "In 1996, Air Afrique accounted for 45% of our business. Between 1999 and 2001 this went from 45% to zero, and worse, Air Afrique left us with debts of CFAF 1bn, while our current turnover stands at CFAF 7–5bn".

"At the end of 1999, we had 1.25m passengers. We had only envisaged that in our 2003 business plan. We even began to wonder if we should have made the new terminal bigger."

"FHB" is a good example of the negative effects of September 11th on international air traffic. At the end of December 2001, six out of nine foreign airlines had deserted Abidjan. *Lufthansa*, *British Airways*, *TAP* and *Swissair* and *Sabena*, which have ceased flying, and of course Air Afrique. *Air France*, *KLM* and *Corsair* are the only ones remaining.

However, the Aeria boss firmly believes that Abidjan can still one day be a major African hub. But in order to do so, it will have to, among other things, obtain the approval of the American civil aviation authority, which recently sent out an evaluation team.

Abidjan has just missed a great opportunity—*South African Airways* wanted to start a Johannesburg—Abidjan—New York link. Dakar was chosen.

Abidjan also needs to be cheaper on the ground too. A plane landing at FHB pays $4,000 compared to 1,500 at Accra, for example. Moreover, the Ghanaian capital's airport handles twice as much freight as Abidjan.

International airlines have to be convinced it is a good idea to return to Abidjan. Contacts have been made with Swissair and Sabena's buyers and also *Iberia* to get them to come or come back.

But, as *AFP* points out, FHB is a tricky one and unlike **Senegal**, for example, which attracts hundreds of thousands of tourists. The Cote d'Ivoire is not a very popular destination and most passengers are business travellers. "And when GDP drops, we drop with it" said one economic observer. (*AFP 30/6*) **Economic doldrums Vol. 38 p. 14927**

Egypt

Egypt's national carrier is being converted into a holding company and its long-serving chairman, Fahim Rayan, has been replaced.

The announcement that he was stepping down after 20 years came as a surprise. Word on the street had consistently been that nothing could change *EgyptAir*, or its internal power structure.

Ahmed Shafiq, the recently appointed Civil Aviation Minister, has so far refused to disclose whether Rayan resigned or was fired. The EgyptAir chief had come under fire after one of the company's Boeing 737s crashed in Tunis in May, killing 14 people. But the airline's woes go much deeper than that. Amongst other things, EgyptAir's image had been severely tarnished by the 1990 crash of a Boeing 767 off the US coast, in which 217 passengers and crew perished.

Shafiq announced that Abdel-Fattah Kato, head of the Holding Company for Civil Aviation, will become the acting chairman of the new *EgyptAir Holding Company* beginning July 1st. The fact that EgyptAir is becoming a holding company is in itself symbolic of the potentially groundbreaking changes currently going on at the national carrier.

The cabinet has approved a draft law which while turn EgyptAir into six affiliated companies, breaking up the portfolios once overseen by just one company into separate entities for airlines, air services, ground services, maintenance, air cargo, tourism and duty free shops.

Shafiq, a trusted aide to President Hosni Mubarak, quickly got the green light from the President to make the changes. He brought the company under his direct supervision and put a unified control centre into place with a mandate to control all aviation movement.

He ordered a review of all long-distance routes and decided to suspend the loss-making Sydney service by July 31st 2002. This route closure has raised a public debate as 120,000 Egyptian immigrants in Australia will henceforth have no direct transportation link with their homeland. The route was averaging a load-factor of

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only 65% and losses in 2000 amounted to a staggering LE54m. EgyptAir's commercial sector head, Mahmoud Hamed, has assured the public that the airline will fulfil its commitments to passengers already holding tickets by flying them on alternative carriers at no extra cost.

Shafiq has also revealed that he is considering closing 10 other long-distance routes.

At the same time, EgyptAir will also be opening a new route between Cairo and the Chinese capital Beijing. Shafiq believes it could bring about an increase in trade between the two countries. He stressed that the new route would be operated on a trial basis.

The Minister has also suspended a pilot and a co-pilot from their flight schedules for violating safety instructions in two separate incidents, and ordered a suspension of all pilot promotions pending the evaluation of their training programmes.

Shafiq dismissed a suggestion that amongst the plans for revamping the company was a drive to encourage Egyptian businessmen to invest in the national carrier.

"EgyptAir is a strategic entity on the same footing as the Suez Canal and other industries related directly to Egypt's national security. There is no intention to privatise the company," he told reporters. But, he added, businessmen could become partners with EgyptAir, such as is the case with *Shorouq Airlines* (a 50/50 venture between EgyptAir and *Kuwait Airways*), hotels and other similar projects. (*Al-Ahram Weekly 20–26/6*) **Profit p. 14763**

Ghana

The state-owned airline is going to have to find a foreign partner if it is to stay in the air.

Ghana Airways (*Ghanair*) has debts totalling $127m. Board chairman Sam Jonah disclosed at a press briefing in June that the airline owed $64.9m to its key trade creditors, almost all overdue.

Jonah explained: "With five aircraft and 1,407 staff, Ghanair has a high staff-aircraft ratio of 282, compared to 199 at Dutch carrier *KLM* and 167 at *British Airways*.

The September 11th attacks in America and its impact on air travel had also caused the airline to lose 40% of passengers on the American route, together with 40% drop in revenues while tax insurance had gone up 17%.

This, however, cannot be a major cause of Ghanair's financial mess, since African airlines were largely immune to the fallout from September 11th due to their relatively small exposure to the US market, according to *New African*.

The airline has been experiencing operational losses for two years, if not more. The losses can be attributed to the poor organisational culture within the airline. They range from corrupt practices, unauthorised discounted tickets, abuse of official privilege, weakness of customer service orientation and limited maintenance facilities for aircraft, among others.

Ghanair was, until recently, the dominant carrier in West Africa with schedules to nearly all the West African capitals, but has been compelled to reduce or cancel some of its routes.

It has cancelled its three times daily flight to Abidjan (Cote d'Ivoire), and daily flights to Dakar (Senegal), making room for *Ethiopian Airlines* to ply those routes. The code-sharing between the two carriers has also been suspended due to financial reasons.

The airline, which is the only one in the West Africa with an international AAA rating, has reduced its international routes, namely London, New York and Washington and all other European destinations to once a week, to the advantage of other major African airlines.

A forensic audit of the company's affairs, ordered by the government, is almost completed, but it is uncertain if the authorities will use the nation's scarce resources to bail it out.

The airline is hoping for rescue through one of two joint ventures currently under discussion. One proposal involves **Swiss-British** company *Triaton*, the other Beirut-based *T&E Aviation*. According to the chairman, Ghana Airways could be recapitalised by the government, or an $80m government loan could be converted into equity, allowing new loans to be sought. (*West Africa 24/6, New Africa July/August*) **Airline crisis Vol. 38 p. 15034**

IN BRIEF

Algeria: The new private airline *Madina Airlines* obtained its Air Operate Certificate (AOC) on June 23rd. It enters a fairly competitive market, with the presence of *Air Algerie*, the former state carrier, but especially *Khalifa Airways* which has cornered 75% of the domestic market and 60% of the foreign after just four years. Other private airlines include *Antinea Airlines*, bought by Khalifa Airways in 2000, and *EcoAir*. (*Marchés tropicaux 5/7*)

Central African Republic: A **Sudanese** cargo jet on July 4th crashed into a sparsely populated residential area near the international airport at M'poko in the capital, Bangui, killing at least 20 people.

The Boeing 707 was travelling from N'Djamena in **Chad** to Brazzaville in the **Republic of Congo** when it ran into technical difficulties and tried to land in the Central African Republic, according to officials at the regional air authority, Asecna. (*IRIN 5/7, Associated Press 5/7*)

Equatorial Guinea: The national carrier, *EGA* took delivery in June of a Fokker F27-200 to add to its sole plane. The new, Dutch-built, addition is a 48-seater and has a Dutch crew. (*Marchés tropicaux 21/6*)

Gambia: New airline *KedAir* says that it has got off to a flying start, with advance bookings flooding in and passengers already making reservations for Christmas. The airline now expects a rapid increase in passengers to Freetown, Sierra Leone, as a result of greater confidence following the recent political elections in the country. (*Africa Analysis 28/6*)

Mauritania: *Air Mauritania* has acquired a Boeing 737–700 which will enable it to provide a service between Nouakchott and Paris twice a week. It will also fly to West African capitals and **Morocco**. It now has three planes, two Fokker 28 for domestic flights and the new leased plane. (*Marchés tropicaux 21/6*)

Mauritius: *Air Mauritius* has acquired its first ATR 72 (66 seats) plane at a cost of $16.7m to add to its ATR 42 (44 seaters) it has at present. (*Marchés tropicaux 5/7*)

Tunisia: *Tunisair* has taken delivery of its fifteenth Airbus A320 and the inaugural flight took place in early June between Tabarka (north) and Toulouse (south west **France**). (*AFP 8/6*)

PORTS AND SHIPPING

Africa

The British shipping union, Numast, has expressed its growing frustration and concern over the fact that so many African countries are now operating in breach of the Seafarer Training and Certification (STCW) requirements.

The International Maritime Organisation has effectively postponed the deadline day for all countries to ensure their seafarers meet the STCW requirements until August but, with only two months to go, Numast fears many will fail to have done so. Numast says that countries have had seven years to prepare for the certificates needed.

Now it is feared that many ships inspected were found to have at least one crew member without the correct certification. Numast national secretary Mr Allan Graveson said the figures were "a damning indictment of the shipping industry" and showed

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Flags of Convenience

Ships registered in foreign countries take advantage of their low taxes and weak regulations.

There are about 87,000 merchant ships in the world. FOC ships account for around 19,000 of them.

Top 4 registries by tonnage: (all FOCs)

Country	Ships	Gross Tonnage
Panama	6,184	114m
Liberia	1,557	51.5m
Bahamas	1,295	31m
Malta	1,505	28m

Shipping Losses FOCs incurred 75% of total tonnage lost in 2000 (No. of ships lost)

Panama	15
St. Vincent	14
Cyprus	6
Liberia	5
Malta	5

Port detentions in 2000
1,764 ships detained by authorities—of which 1,048 (59%) were FOC ships

Countries holding Flags of Convenience:
Antigua and Barbuda ● Aruba ● Bahamas ● Barbados ● Belize ● Bermuda ● Bolivia ● Cambodia ● Canary Islands ● Cayman Islands ● Cook Islands ● Cyprus ● Equatorial Guinea ● Germany ● Gibraltar ● Honduras ● Lebanon ● Liberia ● Luxembourg ● Malta ● Marshall Islands ● Mauritius ● Myanmar ● Netherlands ● Antilles ● Panama ● São Tomé Príncipe ● Sri Lanka ● St Vincent & The Grenadines

Source: IFT & Lloyds Register

(*Gemini 5/7*)

that many flag states and owners were not taking training and safety issues seriously.

Around 60% of the ships without STCW certification are flag of convenience vessels. Letters of warning have now been given to the relevant ships and they will be targeted for priority inspection after August 1st.

Security Threat

The FOC system poses a security threat to the **US** and the rest of the world because it allows terrorists to own and run ships under a veil of secrecy, the International transport Workers' Federation (ITF) has said.

The ITF representatives invited to give evidence to the House of Representatives Merchant Marine Panel, which is investigating the security implications of FOC, said around 30 countries rent their country's flag to ship owners of any nationality, guaranteeing them secrecy and non-interference and imposing lax or even non-existent, tax and legal requirements.

According to a press release faxed to *The EastAfrican*, David Heindel, the vice chairman of the ITF Seafarers' Section, told the US congress members that lack of transparency in the FOC system was "a threat to national and maritime security".

"FOC vessels have been linked to the registration of hijacked ships, phantom ships, fraudulent mariner documentation, illegal, unreported and unregulated fishing, illegal alien smuggling and, most recently, to international terrorism," said Mr Heindel.

The North Atlantic Treaty Organisation (**NATO**) members are known to be hunting up to 23 ships believed to be controlled by Osama bin Laden's al-Qaeda and flagged as FOCs. (*The EastAfrican 24/6*)

ROADS AND RAILWAYS

Angola

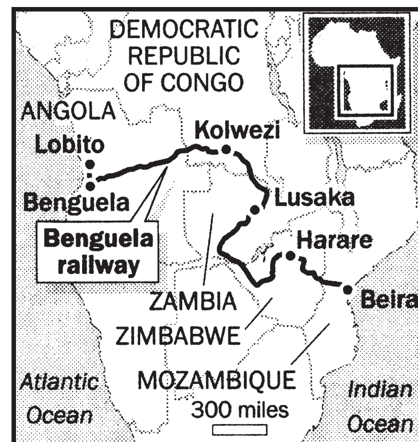
The country has announced plans to rebuild its 1,000 mile Benguela railway.

The move has led to hopes that the entire route that ran from the Angolan port of Lobi—to the **Mozambican** port city of Beira via **Zimbabwe** and the **Democratic Republic of Congo**, may one day be revived.

Long stretches of the Benguela railway were blown up or wrecked during the civil war. UNITA guerrillas regularly destroyed sections of the route and there has been no maintenance or investment for 30 years. The government is now eager to rebuild it as part of an attempt to revive the country's war-shattered economy.

Many of the railway's steam locomotives and freight and passenger coaches, which included some of the last built in England, were in mint condition when hostilities broke out. Most of the engines have been kept in mothballs since the fighting began. Earlier this year, President dos Santos's government nationalised the railway after the lease granted a century ago expired.

Rail experts are considering whether the reconstruction and operation of the revived railway should be given to a public-private sector partnership, handed over to the private sector or kept as a state-run service, government officials have confirmed. (*The Times 19/6*) **Government wants countrywide network within next eleven years Vol. 38 p. 15048**



(*The Times, 19/6*)

Tanzania

The death toll in Tanzania's worst rail disaster rose to 281 at the end of June.

Workers concluded rescue efforts on the 28th after pulling another 40 bodies from the mangled carriages, raising the number of killed to nearly 300.

The train was carrying more than 1,200 people on June 24th when it careered backward down a hill and smashed into a cargo train near Msagali, about 70 kilometres southeast of Dodoma.

Isaac Mwakajila, assistant director-general of the *Tanzanian Railway Corporation* said the train had suffered a mechanical failure.

The state-owned *Daily News* called the crash "a national tragedy that will haunt the country for many years to come".

The government is moving to privatise the Tanzania Railways Corp., which has prompted some labour strife. A strike earlier in June suspended services throughout much of the country.

As part of the privatisation effort, the railway intends to lay off 1,800 workers. (*AP 28/6*) **Mozambique disaster p. 15230**

Uganda

Canadian consortium *Canarail* has begun a due diligence of the parastatal *Uganda Railways*.

The due diligence, which will establish the exact worth of the corporation and its business prospects, is the first step in the

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restructuring of the railways sector and the unbundling of the monopoly railway operator.

Canarail, a consortium of four Canadian firms, last April beat four international firms to win the URC contract, and was later approved by the **World Bank**—the main underwriter of Uganda's privatisation process—to handle the privatisation of the presently unprofitable, URC.

Under the plan suggested by consultants, URC will be split into two: the operations arm to be concessioned to a private operator, and an assets holding company will be in charge of government property.

A regulator will also be set up in the Ministry of Works, and legislative amendments made for private sector participation.

The Finance Ministry says in its March 2002 "Macroeconomic Plan and Indicative Budget Framework" for the 2002/03 financial year, that, to ensure a smooth privatisation of URC through a concession agreement, there is a need to co-ordinate with the privatisation initiatives and activities of rail operators in **Kenya** and **Tanzania**.

It adds that the policy is to promote railway transport as a prime long distance carrier of bulk goods to and from the seaports. Uganda depends on the ports of Mombassa and Dar es Salaam for its external trade and the high cost of fuel makes road transportation expensive.

URC's privatisation has fallen behind schedule, as it was supposed to have been concluded in June 2003.

URC, which Uganda inherited from the defunct East African Community after the latter's collapse in 1977, has lost most of its business to road transporters following more than a decade of mismanagement.

From being a national network, the URC now operates only the Kampala-Tororo-Kenya route as all other lines have fallen into disuse. (*The EastAfrican 17/6*)

TELECOMMUNICATIONS

Africa

Rascom wins Africa's first orbital slot.

Africans working with overseas partners on realistic business plans can create African solutions, according to the director general of the Regional African Satellite Communications Organisation (RASCOM), Gounde Adadja. To illustrate the point, RASCOM has just been granted an orbital slot for east Africa, the continent's first.

Internet Costs and Users in Africa

Country	Internet access cost (In US$ for 20hrs/ month	Internet Users	Internet Penetration Rate
Ethiopia	$75	10,000 (end 2000)	0.02%
Eritrea	$70	5,000 (end 2000)	0.12%
Egypt	$60	560,000 (2001 est.)	0.81%
Senegal	$51	40,000 (end 2000)	0.40%
Zimbabwe	$46	50,000 (2000 est)	0.50%
Burkina Faso	$42	10,000 (2000 est.)	0.08%
South Africa	$40	2.89m (end 2000)	5.7%
Cameroon	$40	40,000 (end 2000)	0.26%
Nigeria	$40	200,000 (end 2000)	0.16%
Namibia	$40	30,000 (end 2000)	1.69%
Mozambique	$31	15,000 (2000)	0.08%
Tunisia	$30	280,000 (end 2000)	2.89%

(*African Business July/Aug*)

The orbital facility is the first step in true satellite coverage for Africa. Satellites currently provide at best patchwork Ku-band connectivity to areas such as West Africa and South Africa. "Now," Adadja points out, "the RASCOM solution will cover the whole continent including Mauritius in both C-band and Ku-band, with full mesh connectivity. It will provide enough EIRP to allow deployment of very small VSAT terminals for telephone, Internet data and video applications, even in remote and rural communities, at extremely low cost.

"A new continent-wide regulatory platform is needed for an entirely pan-African satellite system and we are currently negotiating with the African Telecoms Union," he said.

This ongoing development will need skilled African IT operators and these are being prepared.

"Many run rather small operations. We're not just selling satellite capacity; we're alongside people on the ground, linking them with partners, creating opportunities under our RASCOM Assistance and Support Programme to African countries, preparing them to buy low-cost terminals and gateways.

"This has been our long-term dream. What's new is that RASCOM is clearly making it. We're not outsiders. RASCOM is African operators themselves, co-operating to establish a pan-African system. We're very close to achieving it. The financial aspects are virtually solved. We're signing agreements with various partners, some very well known. With the last piece needed—the orbital slot—we can ensure that our satellite will be operated properly and commercially.

"V-Sat terminal manufacturers are bidding to make large quantities of these very small terminals. We will select one, appoint factors to hold stocks and oversee training of installers, ensuring rapid and efficient deployment and operation of those terminals—at very low cost, because of pan-Africa economies of scale. Essentially, there is unanimous support for the project" concludes Gounde Abidja. (*African Business July/Aug*)

South Africa

Telkom has announced what it describes as "strong" results for its final year as a monopoly player.

Figures released on July 1st show that the company turned a profit of just under R2bn off revenue of R34bn for the year to end March. Just under R7bn of that came from its 50% holding in cellular operator *Vodacom*.

While the core fixed-line business saw revenues grow only 4%, Vodacom grew its contribution by 25% thanks to a subscriber base which increased by a third during the year.

Telkom, on the other hand, lost 10% of its contract customers, largely due to bad debts which cost it R965m, up more than 40% from the previous year. However, the company says the loss of subscribers was offset by a 47% growth in prepaid users with a net effect that the number of telephone users declined by only 1%.

The company's data business performed well, with an 18% increase in fixed-line data revenue to R3.7bn and a 25% increase in the number of ISDN data connections.

"The group is focused on expanding its wireline data offering as it is a key driver of growth," it said in a statement.

Operating cash flow of the group was up 16% to just over R11bn with a steady EBITDA (earnings before interest, tax, depreciation and amortisation) margin of 31%. Earnings share were up 17% to R3.44 despite the fact that total revenue increased only 8%. Headline earnings per share were up 15% to R4.15.

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Telkom spent 7% less on capital during the year, with R9bn spent mainly on the network, and gearing was down to 122% from 143% in 2001.

Continued retrenchments cost the company R373m but allowed it to reduce its number of employees per line to 113 in the fixed-line business.

The government has said it still plans to list a portion of its majority shareholding on both the JSE and New York Stock Exchanges by February next year, despite renewed uncertainty from investors after fraud was revealed at WorldCom. At current price to earnings ratios this could net government coffers about R5bn. (*IT Web 1/7*) **Telkom privatisation p. 15231**

IN BRIEF

Algeria: A 312km-long undersea telecoms optic cable linking Algiers to Palma (Mallorca) was inaugurated on June 11th. It is designed to strengthen the international network infrastructure and enable Algeria to secure existing international links while dealing with the expected growth in multimedia traffic and Internet use in the entire Mediterranean area. (*Marches tropicaux 21/6*)

Egypt: French group *Alcatel* announced a five-year agreement with *Telecom Egypt* to extend the Egyptian fixed line phone network. The deal is worth Euros 300m. The first step involves installation of 340,000 new lines in the Nile Delta region (north) at a cost of Euros 62.5m. Over the five years, 1.5m lines will be set up in 10 governorates of the Delta and the Alexandria region (north). (*AFP 11/6*)

Kenya: On June 30th, *Africa Online* announced the introduction of the Integrated Service Digital Network (ISDN), which will enable a single telephone land line connected to a digital telephone exchange to support voice, Internet data, video, as well as text delivery. The new service is a dial-up product ideally suited for heavy Internet users, home businesses and businesses with 5 to 20 employees and can be used for the most sophisticated communications applications. (*East African Standard 1/7: BBC Mon*)

Mali: Mali telecoms company, *Sotelma* was preparing to go over on June 29th from six-digit to seven-digit numbers in anticipation of *France Telecom*'s arrival in the market-place. The new system has cost some CFAF 1.7bn but this should not impact on prices of services which should in fact see a drop in the coming months of at least 30%.

France Telecom's licence—valid for 15 years and then renewable—should enable new mobile and fixed services to be introduced thereby giving access to a greater number of subscribers. (*Marches tropicaux 21/6*)

Mozambique: *Vodacom* has been awarded a licence, ending the monopoly enjoyed by the **German** consortium *Mcell*, which has been strongly criticised for not providing national coverage and for the congestion problems experienced in areas with a service, namely the main cities and regions close to the border with South Africa. (*Marches Tropicaux*)

Sudan: Despite the still volatile security situation in the rural areas of central Sudan, adjoining the country's oil-fields, the region is now tipped to become an industrial hub. First step in establishing this new role for the region is the provision of a high technology telecommunications network.

This is to be provided by *SR Telecom Inc* of **Canada**. The company has signed a contract with the country's listed Telecoms provider, *Sudatel*. (*Africa Analysis 28/6*)

Commodities

MARKET REVIEW

OIL

Strategic Alignment

Following September 11th the US is looking for new oil sources, and West Africa tops the list.

Oil security is a key element for the Pentagon and a 'white paper' was presented to members of Congress highlighting Africa's potential as a major oil supplier, replacing in part the Middle East. US oil imports from West Africa are now 15% of total imports and are set to rise to 25% by 2015, according to the National Intelligence Council. In this National Energy Policy Report, US Vice President Dick Cheney projected that the area would be "one of the fastest-growing sources of oil and gas for the American market."

The paper was written by the African Oil Policy Initiative Group (**AOPIG**) group, set up in January out of a seminar on African oil run by the Institute for Advanced Strategic and Political Studies. It includes political lobbyists, private business figures, Department of Defence and State Department officials and its recommendations are not likely to be seen as too controversial by the administration and the Pentagon. It says the US is "on the verge of an historic, strategic alignment with West Africa," which is "being projected onto centre stage in global affairs".

AOPIG seeks to combine the potential of oil as an instrument of development with a new military framework for the US and West Africa, including countries from **Namibia** to **Nigeria**.

A key 'development' issue concerns transparency in the economics of oil production, to avoid in future exploitation the 'oil doom' of Nigeria and the state theft of revenues in **Angola**.

Here the group's views are based on the belief that "if US energy policy more fully incorporated African oil, not only would the US be further diversifying its energy resources, but if oil revenue transparency was encouraged, state revenues generated could assist in sustainable development to African countries." (*SouthScan 14/6*)

US interest could cause a rethink of policy in Nigeria, commented *This Day*. According to a leading member of the group and Fellow of the American Institute of Advanced Strategic and Political Studies, Dr. Paul Michael Wihbey, the US is hoping to double its oil imports from Nigeria from 900,000 barrels per day to around 1.8m barrels daily in the next five years.

Wihbey, who spoke in Lagos at a lecture entitled "*AfricanOil: A Priority for United States Security and African Development*", said one major lesson the September 11th terror attack had taught the US, was that the country needed to diversify its major source of oil away from the Persian Gulf.

" Nigeria is the energy super power of Africa. The private sector, small and major operators, administration and officials have come to realise that Nigeria and the Gulf of Guinea are of strategic importance to the US," said Wihbey. Nigeria is currently the fifth largest exporter of crude oil to the US behind **Canada** (1.8m) bpd), **Saudi Arabia**, **Mexico** and **Venezuela** at 1.4m bpd each.

Now, the Nigerian Federal Government may have come under pressure from within and outside, to pull the country out of the organisation of Petroleum Exporting Countries (**OPEC**).

From within, comes pressures from oil producing companies unhappy over the fate of their multi-billion dollar investment

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Mid-July Prices

	Sett prices	Change on month
Gold per troy oz.	$315.7	+5
Silver per troy oz.	326.76p	+10
Aluminium 99.7% (cash)	$1353.5	+2
Copper Grade A (cash)	$1619.25	+7
Lead (cash)	$454.75	+7
Nickel (cash)	$7612.5	+510
Zinc SHG (cash)	$828.75	+43
Tin (cash)	$4420	+258
Cocoa Futures Jul	£1407	+233
Coffee Futures Jul	$518	+43
Sugar (LDP Raw)	$167.3	−60
Barley Futures Sep	£57.15	−6
Wheat Futures Jul	£60.9	−4
Cotton Outlook A Index	47.1c	+8
Wool (64s Super)	p475p	−2
Oil (Brent Blend)	$26.17x	n/c
Sovereigns	$77.0	+9
Kruggerands	$322.0	+32

Per tonne unless otherwise stated.
p. Pence/kg. c. Cents/lb. × Aug
(*Financial Times 13/7*)

in crude oil exploration projects in the face of the hurdle posed by OPEC production quota allocation to its member-nations.

From outside is the pressure from the US, which is trying to promote what officials have described as a "US-Nigeria Alignment".

According to AOPIG, among the possible dividends dangled before Nigeria if the alignment is consummated, include:

- Congressionally-driven negotiations for debt relief subject to specific fiscal/economic criteria,
- US private and institutional capital to move to Nigerian projects in telecommunications, transportation, mining and agro-allied businesses,
- Increased oil and gas share of the American market,
- US capital and technology for additional Nigerian refining capacity, and
- North American capital and technology participation in marginal fields.

(*This Day, Lagos, 6, 8/7*)

AGRICULTURAL

GENERAL

GM Crops

While some scientists swear that the solution to Africa's food shortage lies in GM technology, others are more sceptical.

In Europe, the jury is still out. In the media, GM foods are often portrayed as grotesque "Frankenstein foods".

For other scientists, however, GM foods are also an obvious solution to Africa's food shortages.

The advantages of biotechnology in Africa are indeed alluring. Advocates of GM food say the technology can increase the yield of staple crops through modifying the genes to withstand disease, insects and bad weather. Pro-GM scientists say that GM crops can boost African crop yields by up to 25%.

This would amount to staggering gains, considering that between 60% and 80% of all Africans are involved in farming-related activities, while farming itself contributes between 30% and 50% to the entire continent's GDP.

One multinational company selling GM seeds to African farmers, *Monsanto*, is evangelical about the benefits of this biotechnology.

Kinyua M'Mbijjewe, Monsanto Africa's corporate affairs director, says that GM crops "improve yields, reduce costs and are better for the environment".

He cites the example of GM cotton, and says that by enhancing the cotton's protein component through gene modification, farmers only need to spray the plant with pesticide once a season. Previously, farmers needed to spray their cotton crops between 8 and 10 times a season, a costly exercise both in terms of chemical costs and labour.

M'Mbijjewe points out that **South African** farmers in Kwazulu-Natal are currently growing GM cotton and have reported a "27% increase in net income."

Both **Zimbabwean** and South African scientists have also been working on drought-resistant crops with significant success, leading them to conclude that by 2010 drought-resistant crops could be grown commercially within the continent.

South Africa is already commercially producing GM maize, soybean and cotton. There are also GM trials in Zimbabwe and **Egypt** while **Kenyan** scientists say they can increase yields of sweet potato by over 80% using biotechnology.

Tanzania is also apparently piloting a nicotine-free GM tobacco near Mount Kilimanjaro, a process criticised by many who see the US tobacco company as exploiting Tanzania.

As it stands, only South Africa and Zimbabwe have laws governing GM crops. Other countries, such as **Uganda** and Kenya, are busy drawing up regulations at the moment. (*New African, July*)

Uganda is launching a programme that could raise cotton production from the current 13,000 bales to one million bales annually, but uncertainty prevails over whether the country should adopt genetically modified varieties of the crop.

Already, the Cotton Development Organisation (CDO) is allocating improved seeds to the West Nile region and recommending improved farming practices to raise farm yields.

The director of CDO, Godfrey Sentongo, says improved seeds will raise income generated from cotton exports to Ush17bn ($9.7m) from the Ush14bn ($8m) earned in the previous season from the crop for the West Nile farmers.

In 2001, the CDO announced that it would work on strategies to increase cotton exports to $236m annually, up from just $30m currently.

The crop was once Uganda's main foreign exchange earner before the industry went to the dogs as a result of neglect and poor prices.

Ginneries broke down and farmers turned to coffee. However, opinion among scientists remains divided on allowing the importation of genetically modified cotton planting materials.

Monsanto, in 2001, asked Ugandan authorities for permission to introduce its GM cotton variety in the country.

President Yoweri Museveni has put before Cabinet a paper outlining the draft cotton development policy under which the country would produce 1m bales a year using some 100 large-scale farmers, each with 500 acres under the crop.

The policy aims at boosting Uganda's exports to the **United States** under the Africa Growth and Opportunities Act (AGOA). There is concern in some quarters that Uganda will lose its lucrative European market if it starts planting GM crops.

The country's cotton fetches an additional 3–7 per 100kg for being organically grown. (*The EastAfrican, Nairobi, 17/6*)

FISH

Eritrea

A shrimp project could prove lucrative and environmentally sustaining.

US entrepreneurs have set up a sea water

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farm they say could serve as a model of an environmentally friendly and profitable business in a continent gasping for foreign investment.

The project fuses two resources that Eritrea and many other African countries have in abundance but have done little to exploit: arid land and sea water.

Shrimps are fattened in briny water pumped from the sea, which is then used to nourish rubbery *Salicornia*, which thrives in salty water and provides an edible plant that the owners hope to export to Europe and the US for use in gourmet salads or to make high-class cosmetics.

If left to mature, Salicornia produces a seed that provides a valuable vegetable oil or high-protein meal.

The founders say the farm has wider environmental significance, contributing in its own small way to combating problems such as desertification and global warming by planting Salicornia and mangroves in what was a barren plain.

The farm has already begun exporting shrimps to Europe and the US using a cargo service provided by **German** airline *Lufthansa* from Asmara, the Eritrean capital.

Workers are aiming to raise production to an annual 300 tonnes of shrimps by the middle of 2003, breaking even at about the same time.

Managers talk of expanding the project to other sites along the coast—even across the region. It is hoped that the shrimps, which sell for about $8 to $15 a kilo, will provide a major foreign exchange earner for countries such as Eritrea, where the government is a 50% partner. (*Financial Times, London, 11/7*)

SUGAR

Ethiopia

A by-product of local sugar production may yet play a major role in saving the remainder of the forests.

Environmentalists and government officials have long expressed concern about the rapid depletion of the forests that the growing rural population uses as a primary source of fuel.

The government has now given full backing to a new, high quality, and locally manufactured cooking fuel. K-50 is a blend made up of 50% kerosine (paraffin) and 50% ethanol, a spin-off from the sugar refining process.

It will be marketed nationally by the end of the year, but is so far only available in limited quantities in the capital. The new blend was made possible by the establishment of a $5.3m ethanol plant alongside the local *Fincha Sugar* factory (FSF).

The initial development of the fuel was oriented toward providing a better and more cost-effective motor fuel. Using new refining techniques, officials at the plant claim that FSF ethanol, when blended with petrol and kerosene, makes for a highly efficient motor fuel.

The sugar company staged a series of road tests using blends of fuel to power different cars, and claimed an economic advantage of 11.25% in fuel costs over petrol. However, local petrol stations showed no interest in distributing the ethanol blend.

Only then was attention turned to what is now being hailed as a major hope for the forests: the K-50 blend of domestic fuel. Of particular appeal to the cash-strapped government is the fact that K-50 has the potential to reduce the levels of imported kerosine by half.

But that would be some way down the line. The ethanol plant at the FSF refinery, for example, has a capacity of 8m litres of ethanol per annum, while the cooking fuel demand in the capital alone is estimated at 70m litres.

Because of the comparative cost of production, forex savings and the potential impact on the forests, government is determined to promote K-50. Predictions are now being made that production of the new fuel could become the fastest-growing project in the expanding energy sector in Ethiopia.

However, while the government is prepared to extend ethanol production to other state sugar refineries, this will require funding. Private investment is now being sought. (*Africa Analysis 28/6*)

IN BRIEF

Cassava: In **Ghana** a cedi 5.7bn cassava processing plant has been established at Tano-Dumase in the Ashanti Region to produce starch for export.

The plant, that has the capacity to produce 50 bags of gari a day and five tonnes of starch a day, would employ more than 2,000 people including farmers, factory workers and staff. (*Accra Mail 24/6*)

Cereals: Niger's cereal production for 2001/2 is estimated to have increased by 49% to 3,109,838 tonnes. This exceeds national needs by 9%. The news is good though hides disparities between the country's eight regions, where three have had poor yields and are experiencing shortages. (*Marches Tropicaux 5/7*)

Zambia will resettle and provide free fertilisers and seeds for 15,000 farmers to boost maize production and diversify the economy away from copper. (*Financial Times, London, 19/6*)

Fish: Angola and **Senegal** have renewed EU fishing rights in their waters. The agreement with Angola will run from August for two years. Compensation increases to Euros 15.5m from 13.9m.

In Senegal the deal covers four years with annual compensation of Euros 16m. (*AFP 26/6, 3/7*) **Depleted stocks p. 15233**

Tobacco: **Mali** will sell 140m tonnes of tobacco this season instead of the expected 184m, due to the drought. Revenue, however, will increase slightly over last season, bringing in an estimated US$170m. Tobacco provides 70% of foreign currency. Malawi is the world's largest exporter of Burley tobacco, a fine leaf dried in the open air. (*AFP 1/7*)

MINERALS

GENERAL

Ethiopia

Discoveries show deposits yet to be exploited.

Gold: Gold has traditionally been mined from placers. Until recently, the operations were government-owned and administered by *Adola Gold Mine Enterprise*. The total reserves of placer gold remaining are estimated at about 4.5m tonnes. Continuing investigations resulted in the discovery of the important gold deposit at Lega Dembi.

The Lega Dembi gold mine, the only modern primary gold mine existing in the country, has total reserves of 83 tonnes. The mine was designed to produce 3,000 kg/y of gold using a carbon-in-pulp processing plant. The mine has been sold to *Midroc Ethiopia* and upgraded to produce about 4 tonnes a year of gold. The mine has produced about 10t of gold since being privatised, and has started underground development in addition to its continued efforts to establish more reserves in the vicinity of the Lega Dembi open pit.

Platinum: Placer platinum has been mined since 1926 at Yubdo in the Western Greenstone Region. Although recovery is a serious problem owing to the find-grained nature of the platinum, the deposit is estimated to contain more than 12t of the precious metal that has yet to be exploited. The deposit has been privatised recently.

Columbo-tantalite: An open-pit mine is currently being operated by state-owned Ethiopian Mineral Resources Development Enterprise (*EMRDE*) at Kenticha, some

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Democratic Republic of Congo

Database

A group of three consultancies (*Geopal* Ltd, *Keyobs SA*, and *Management Kongo Development*) have combined to produce a CD database of geology and mineral occurrences in the Democratic Republic of the Congo. The database comprises 600 Mb of data, detailing 32,000 site names, 1,442 mineral occurrences, 400 mineral fields, 235 mine sites and 900 mining concessions, all of which are presented through GIS technology. In addition, the companies have generated GIS presentations of geographical features and topography, in conjunction with administrative boundaries and facilities. Also included on the CD is a satellite mosaic covering the majority of the country.

The data is accessed through *Mapinfo*, or an ArcView version is available on request. The CD is available for US$3,200, plus shipping costs, from Keyobs-Geopal, 36 rue Bois l'eveque, 400 Liege 1, Belgium. Further details are available from *lambertgeo@compuserve.com* or *hhansen@keyobs.com*

(*Mining Journal 21/6*)

50km southeast of Shakiso in the Adola greenstone Region. A deposit in weathered crust was delineated in 1988 with proven reserves of 2,400t of tantalum pentoxide and 2,300t of niobium pentoxide using a cut-off grade of 0.005% Ta_2O_5. The average grade of tantalum pentoxide is 0.015%. The Kenticha concentrator pilot plant began operations in 1990. The mine produces about 20 tonnes a year of columbo-tantalite concentrate. During 2000 and the first quarter of 2001, the company produced and supplied to the world market, 66 tonnes and 21 tonnes respectively of tantalum and niobium pentoxide, earning US$13m.

Soda ash: The soda ash operation is located at Lake Abiyata in the Rift Valley, about 200km from Addis Ababa. The reserves at Lake Abiyata and the neighbouring Lakes Shala and Chitu exceed 460m tonnes of sodium carbonate at salt concentrations ranging from 1.1% to 1.9%. The plant produces about 20,000 tonnes a year of soda ash on a semi-industrial trial scale.

Oil: The search for oil and gas in Ethiopia dates back to the 1940s. Much of the exploration activity was limited to the Ogaden Basin which covers about 350,000 sq km. To date, 46 wells have been drilled and commercial gas and gas condensate fields have been discovered. These discoveries are the Calub gasfield and the Hilala gas-condensate pool. The Calub gasfield reserves are estimated at 2,710 bn cubic feet (76bn cubic metres) while the Hilala gas condensate pool is estimated to be 1,300bn cubic feet (40 billion cubic metres).

Currently, the government has liberalised some of the fiscal terms, such as a reduction of income tax on profit from 50% to 30%, and 21 blocks are open in the Ogaden Basin for potential investors. Moreover, the Ethiopian Government is inviting private participation in the development of the above two fields. Mining legislation has been amended in favour of investors.

Salt, kaolin and opals are also mined in Ethiopia. (*Mining Journal*)

SOUTH AFRICA

Mining Bill Approved

Consternation gives way to a battle for renewable mining licences.

The National Assembly on June 25th approved the controversial Mineral and Petroleum Resources Development Bill, which effectively transfers control of all mineral rights from individuals and companies to the state.

The measure was passed by a large majority, despite objections from the Democratic Alliance (**DA**) and the Freedom Front (**FF**),

Introducing debate on the bill, Minerals and Energy Minister Phumzile Mlambo-Ngcuka said the government would not apologise for the aggressive transformation path that it had taken to reform the mining industry.

The measure would open up the industry and "help South Africans find one another".

"We are not trying to isolate any of the players, but we are not apologetic about the aggressive transformation that we have engaged in," she said.

The measure seeks to transfer control of the country's mineral rights from individuals and companies to the state, and open up the industry to emerging miners.

According to the bill, the minister will issue prospecting and mining on a "use it or lose it" basis.

Mlambo-Ngcuka said the bill was "in no way vengeful, but inclusive", and about accommodating those that had been excluded from the industry in the past. The government had no intention of alienating the country's mining giants, which would remain valuable contributors to the industry. She said that—contrary to the impression created in the media—the bill created less discretion for the minister than legislation currently in place. It also offered substantial security of tenure to mining companies, with initial licences of up to 30 years—which was above the international average.

In addition, compensation for appropriated land was guaranteed and the department would look to tighten clauses around this issue to ensure the issue of property rights was not compromised. She said it aimed to redress the results of past racial discrimination by giving ownership opportunities to black, emerging miners. (*SAPA, Johannesburg, 25/6*)

Competition has already replaced solidarity within the South African mining industry just days after parliament passed a law returning all mineral rights to the state.

As the long and often bitter war over the bill between the government and the industry draws to a close, a new and healthier battle for renewable mining licences between companies is starting.

Goldfields, the country's second gold producer, has already announced it is looking at taking over some of *AngloPlatinum*'s unused mineral rights, in the expectation they will not be renewed.

The Mineral and Petroleum Resources Development Act, passed with the approval of trade unions, black business organisations and most political parties, introduces a "use it or lose it" policy to prevent companies from hoarding rights they have no immediate plans to use.

AngloPlatinum, the world's largest platinum producer, is the most obvious casualty. It owns 63% of South Africa's reserves of the precious metal, enough for decades of production. Phumzile Mlambo-Ngcuka, the minerals and energy minister, has singled it out as a prime example of the "white" mining industry that the law seeks to shake up. (*Financial Times, London, 29/6*)

COPPER

Zambia

The compensation being offered falls far short of the country's hopes.

AngloAmerican plc has offered the Zambian authorities compensation of US$30m

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for its decision to withdraw from Konkola Copper Mines (*KCM*). The **UK**-based company made its decision to withdraw earlier in January (*p. 15087*) but Zambia's President Levy Mwanawasa says that the company has "taken advantage of a loophole in the agreement (to buy KCM). . .there is no provision for exit damages".

Zambia had asked for US$200m in compensation for Anglo American's withdrawal, but Mr Mwanawasa says that the government has been told by the latter not to ask for more than the US$30m offered, or the offer will be withdrawn.

Mr Mwanawasa says that KCM is currently dependent on funds from international donors. Michael Spicer, an Anglo American spokesman, says that the company is sustaining "quite significant losses" from KCM, and the situation cannot be allowed to continue. Mr Spicer also suggested that Anglo American is close to an agreement with the Zambian Government, and its partners in KCM, the International Finance Corp (**IFC**) and **CDC Capital Partners** (which evolved from the Commonwealth Development Corp.). Emmanual Kasonde, Zambia's Finance and Economic Development Minister, says that three companies have expressed an interest in buying KCM.

Meanwhile, KCM announced that it has reduced its production forecast for 2002 from 240,000t of copper to 220,000t, citing Anglo's decision to withdraw from the company as the reason for the decrease.

First Quantum Minerals Ltd has secured an US$18m loan facility to fund an expansion of its Bwana Mkubwa SX-EW plant in Zambia. The loan, arranged with Standard Chartered Bank, consists of a US$15m denominated facility and a K12.5bn denominated facility.

The expansion will increase copper production at Bwana Mkubwa from 10,000 t/y to at least 30,000 t/y, using ore feed from First Quantum's Lonshi open-pit copper operations, located across the border in the **Democratic Republic of Congo**, approximately 36km southeast of Bwana Mkubwa. (*Mining Journal 14/6*)

GOLD

Tanzania

With low production costs, the ore has a bright future.

Only two years after it started production of gold in Geita town in northern Tanzania, *Geita Gold Mining Ltd* (*GGM*) has produced one million ounces of gold worth Tsh330bn ($330m), a first in the history of gold production in Tanzania.

Completed in July 2000 at a cost of Tshs167bn ($167m), GGM, jointly managed and operated by *Ashanti Gold Fields* and *Anglo Gold*, is projected to break even in the next three years.

According to the chief executive officer of the company, Peter Turner, the gold ore deposits in the mine amount to 114.55m ounces, while the life of the project has been projected at 15 years.

Mr Turner said that in the two years of operation, his company had spent about Tsh160bn ($160m) in production costs.

According to Mr Turner, between July 2000 and June 2002, GGML was able to process 8.97m tonnes of rock and ore to produce one million ounces of pure gold at an average production cost of Tsh150,000 ($150) per ounce.

The government of Tanzania earned Tsh16.2bn ($16.2m) in statutory taxes and royalties, while over Tsh5bn ($5m) was allocated to development activities in communities surrounding the Geita mine, particularly education, health, infrastructure and water.

According to the quarterly *Economic Review* by the Bank of Tanzania released in June, the ratio of gold to mineral exports in the country increased from 69.1% to 90.4% during the fourth quarter of 2001, attributed to higher production by GGML and *Kahama Mining Corporation*. (*The EastAfrican 1/7*) **Exploration agreements p. 15127A**

MINERAL SANDS

Kenya

A Canadian-owned company that is to extract minerals from sand in Kenya's Coast province will not upgrade the products, despite the potential for doubling the project's foreign exchange earnings.

Tiomin Kenya chairman Paul Fortin said that adding value to the minerals rutile, ilmenite and zircon that would be derived from the separation would be uneconomical, besides having a "pronounced environmental impact".

The Kwale project will give the country 13.5% of the world market in rutile and 4% each for ilmenite and zircon. The minerals are used in the production of pure white titanium pigment that is used in paints, toothpastes, medical tablets and sunscreen. The pigment can also be used as a filler in plastics and paper.

Tiomin estimates that it will realise Ksh50bn ($641m) from the project over 14 years and invest Ksh40bn ($513m) in start up and operating costs leaving Ksh10bn ($128m) in profit. The company has already spent $23m on the Kwale project.

A report released recently by experts, financed by the International Fund for Animal Welfare (**IFAW**) following concerns over the Kwale Mineral Sands Project, concluded that value could be added to the minerals if the ore were processed locally, raising the revenue earned. The report, *An Alternative Approach to Mining of Heavy Minerals in Kenya*, argued that value could be added through minimal secondary processing that would raise the ilmenite's price from $65 per tonne to $450 per tonne when converted into synthetic rutile. (*The EastAfrican 17/6*)

OIL AND GAS

Democratic Republic of Congo

There is evidence of commercial quantities of oil.

Heritage Oil Corporation says it will, in early August, begin drilling an area in eastern DR Congo; nominally-controlled by a Ugandan-backed former rebel group, the Congolese Rally for Democracy-Kisangani-Liberation Movement (**RCD-K-ML**).

Heritage, a **Canadian** firm, announced that it had been working on the project for several months and had received "pro-active cooperation" from the DR Congo government. Heritage said it was "particularly gratifying" that this was the first such commercial arrangement in eastern Congo since the political deal in Sun City, South Africa, between the Congolese government and the then rebel groups, the Congolese Liberation Movement (**MLC**—led by Jean-Pierre Bemba) and the RCD-K-ML (led by Mbusa Nyamwisi), and others.

Heritage had mapped this "challenging" part of Africa extensively, as part of what its chief executive, Michael Wood, described as a "frontier" exploration. The concession, which covers parts of Ituri and Butembo provinces, extends over 7.7m acres (3.1m ha).

Wood told *IRIN* that the company had consulted "all interested parties" operating in the region, including Uganda. He said no-one knew how much oil might be in the

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DR Congo region, but that Heritage had invested a considerable amount in technical work, and that there was evidence of the presence of oil in commercial quantities. (*IRIN, UN, 26/6*)

Sao Tome e Principe

Although not a current producer, the country is being mooted as the next big source in the West African hydrocarbon sector.

New deepwater discoveries elsewhere in the Gulf of Guinea, coupled with an interim resolution of the disputed maritime boundary with **Nigeria**, have encouraged a reassessment of the country's offshore prospects.

The archipelago state is one of the smallest in Africa, with only 1,000 sq km of land territory. What attracts potential investors is its 180,000 sq km of maritime territory.

ExxonMobil has an 18 months contract to technically evaluate all 22 Sao Tomean exploration blocks, with an exclusive option for drilling. Until now it has chosen not to drill, probably because of the uncertain sovereignty of much of the area. The **US** major estimated that the JDZ could contain 8bn barrels of oil equivalent, although many believe that the reserves could be even more substantial. However, there is little concrete evidence and the potential could yet come to nothing.

Norwegian company *Petroleum GeoServices* (*PGS*) is also playing a large role in the development of the sector. It has signed a ten-year contract with the government to carry out seismic surveys and has been allocated 10% of any signature bonuses resulting from production sharing contracts (PSCs) on blocks that it surveys. The Norwegian company has also been allocated PSC rights of its own.

The results of a 2D seismic study by *WestenGeco*, which was shot in 1999, were released in March 2002, while the results of the PGS 3D survey are to be made available before the end of 2002. If all goes as planned, the country's first licensing round will be launched at the end of 2002 or beginning of 2003. Should the results of the two seismic surveys prove favourable, then ExxonMobil may decide to take up its rights. (*African Business, June*)

South Africa

The construction of a pipeline to pump natural gas from Mozambique to South Africa has begun.

"The project will bring natural gas to South Africa during the first half of 2004 and it is expected that it will bring significant benefits to both countries. About 400 new jobs will be created in South Africa during the three-year construction period and maximum use will be made of local suppliers," petro-chemical giant *Sasol* said in a statement.

The project consists of a major gas field development in Mozambique, a pipeline of some 865km to Secunda in Mpumalanga, the conversion of Sasol's current gas pipeline network and the supply of natural gas to industries in South Africa, including Sasol's own factories.

The pipeline will be owned by a joint venture company formed between Sasol and the governments of South Africa and Mozambique. Sasol executive director Patrick Davies said capital expenditure on the project would amount to rand 10bn.

"About R4bn will be invested in the construction of the pipeline from the gas fields of Temane and Pande in the Inhambane Province of Mozambique, to Seconda.

"The rest of the capital will be spent on the development of the gas fields and a gas processing facility, about R4.5bn, and the preparation of the necessary infrastructure at Sasol's plants in Secunda and Sasolburg as well as the conversion of Sasol's existing pipeline gas markets—about R1.5bn.

Sasol would also convert its existing pipeline-gas market to natural gas, switch its Sasolburg plants from coal to gas, as well as taking gas into Secunda to supplement coal-based growth there, Davies added. (*SAPA, Johannesburg, 10/7*)

PLATINUM

South Africa

The industry has been sheltered from the decline in dollar prices by the depreciation of the rand.

In 2001, sales of platinum from South Africa rose by 8% to 4.1m oz, as expansions by most existing producers added to output. Palladium shipments rose at a similar pace to total 2.01m oz, but supplies of rhodium fell to 452,000 oz following sales from stocks the previous year. The largest contribution to the increase in platinum suppliers came from *Anglo Platinum*, which reported at 13% improvement in refined platinum production compared with the previous year. Output at *Impala* was boosted by the reopening of the Crocodile River mine, while expansion at *Lonmin* resulted in a rise of 9% in the company's platinum production. The small Kroondal mine benefited from a 50% increase in capacity which came on stream in mid year.

While the platinum price in dollar terms retreated by over a third during 2001, the metal's rand value moved in the opposite direction, rising by 33% to reach an all-time record of over R6,000 per oz on 20th December.

A period of strong rand pgm prices has left most existing producers with large surpluses of cash with which to finance expansion programmes, while it has become easier for new entrants to raise funding for platinum projects in South Africa. As a result, 2001 saw a further acceleration of the industry's expansion drive. Anglo Platinum confirmed three more major projects, including a joint venture with Lonmin Platinum The latter revealed plans to bring forward its own expansion programme, while Impala announced the Two Rivers joint venture with *Anglovaal Mining*. Among the smaller producers, *Aquarius Platinum* proceeded with plans to begin mining at Marikana in 2002 and at Everest in 2004, while *SouthernEra* advanced the start-up of production at its Messina project. If all planned projects came to fruition, platinum output in South Africa will exceed 6m oz per annum during the second half of this decade. (*Johnson Matthey, Platinum 2002*)

Zimbabwe

Well aware of its economic importance, the government is promoting this industry.

Aquarius Platinum Ltd has made its first significant foray outside South Africa, by agreeing to buy a 50% interest in the Mimosa platinum mine in Zimbabwe for 6.8m new shares in Aquarius, valued at US$39m. Aquarius is listed on London's Alternative Investment Market. It will make the investment, with effect from the start of July, by acquiring a 50% shareholding in *ZCE Platinum Ltd*, a **Mauritius**-registered company which owns 100% of Mimosa and its associated properties on the Great Dyke, from *Zimasco Consolidated Enterprises Ltd*. The deal remains subject to regulatory approval.

The chief executive of Aquarius, Stewart Murray, concedes that the company is mindful of "the perceived problems and risks associated with operations in Zimbabwe", but he notes that Mimosa continues to operate unhindered, and enjoys "national project" status, which gives it advantages with respect to its foreign-cur-

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LDC Report 2002
Commodity Exporters' Poverty

The concept of mining as the 'engine' of development in poor countries has long been a source of pride for the industry, offsetting misgivings about the inevitable adverse environmental and social impacts of mining. The argument seems well supported by the experience of the past, with countries such as **South Africa**, Canada and Australia all now possessing relatively successful mature economies that have, in the past, been highly dependent on mining and other primary-commodity industries.

It is therefore somewhat chastening to read in the 'Least Developed Countries Report 2002', released in mid-June by the United Nations, that "amongst the least developed countries (LDCs), the incidence of extreme poverty is highest in those that depend on primary commodity exports for their economic survival and development". Chapters in the report discuss the link between commodity-export dependence and extreme poverty, and conclude that, contrary to conventional wisdom, persistent poverty is not caused by insufficient liberalisation of trade (1997-98 statistics show imports/exports averaged 43% of the LDCs' GDP, about the same as for industrialised countries), but rather "the type of export specialisation".

According to the report, there is a vicious circle, in which low income leads to low savings, which results in low investments, which leads to low productivity and back to low income. The report notes that "state capacities are weak where poverty is pervasive" and the "struggle for survival" often contributes to political instability. This last factor is "particularly acute in mineral-exporting LDCs", where the report calculates that the proportion of people living on less than US$1 per day has risen from 61% in 1981-83 to 82% in 1997-99, "owing partly to the squandering of rich resources and armed conflict over resource revenues".

According to the report, "within the non-oil commodity-exporting LDCs the poverty trap is actually being reinforced, and not broken, by international trade and finance relationships". Major factors are the falling trend in real world commodity prices, which means that increases in export volumes do not result in higher revenues and thus the ability to buy key imports; and greater commodity-price instability. The marketing margins between producers and consumers are also increasing (which leaves the producer with an ever decreasing share of the final value of the product).

The report restricts its argument to non-oil commodities. Its brief does not include an explanation of why oil is different, but one might assume that much of the reason lies in the efforts of the OPEC cartel of oil-producing governments to keep prices firm, in contrast to the falls in real terms experienced by other commodity prices. In fact, non-fuel minerals and metals prices, although falling by about 33% in real terms from 1980-2001, have done better than food (–47%) and much better than tropical beverages (–68%). Meanwhile, the success of OPEC in keeping oil prices firm has caused further problems for the many LDCs that import oil.

Despite the problems associated with falling commodity prices, the report concludes that the link between commodity dependence and poverty "is not inevitable". **Botswana** (mainly through diamonds) is highlighted as the only country ever to 'graduate' from LDC status.

The report suggests that external help could be given through an 'international commodity policy'. This would include "tackling the long-term decline" in commodity prices. Suggested measures are mostly aimed at agricultural commodities, but include promoting consumption and curbing overproduction, both of which might apply to minerals. Other policy elements could include linking debt-repayment schedules to commodity prices, and increasing the efficacy of price-risk management. For the LDCs themselves, the report's main recommendations include upgrading primary-commodity exports as part of a strategy of diversification into exports of labour-intensive manufactured goods. (*Mining Journal 28/6*)

rency management. Mr Murray adds that the operation is also about to benefit from a new fiscal regime for platinum mining in Zimbabwe.

Mimosa has proven and probable reserves totalling 70.5m tonnes (of which 27% is proven), at an average grade of 1.84 g/t platinum (pt), 1.55 g/t palladium (Pd), 0.15 g/t rhodium (Rh) and 0.38 g/t gold (Au) (calculated by independent consultants Venmyn Rand (Pty) Ltd according to the JORC/SAMREC code). Overall resources total 163.5m tonnes (24% measured, 52% indicated and 24% inferred), at an average grade of 1.65 g/t Pt, 1.36 g/t Pd, 0.14 g/t Rh and 0.34 g/t Au. The current production rate is 31,000 oz/y of PGM (platinum group metals). Mining is by bord and pillar, at shallow depth, with an average stoping width of 1.8m. Cash operating costs, net of by-products (which include significant copper and nickel) are around US$57/oz of platinum.

However, an expansion is under way to 135,000 oz/y of PGM + Au, following the acquisition of a 35% interest in ZCE Platinum by the **South African** producer *Impala Platinum Holdings Ltd* in 2001. (*Mining Journal 14/6*) **Platinum defies country's poor prospects p. 15127**

IN BRIEF

Diamonds: In **Namibia**, mining operations at the Daberas alluvial diamond mine, on the north bank of the Orange River, 65km upstream from Oranjemund at the mouth, were formally inaugurated by the President of Namibia, Sam Nujoma. The mine, owned by Namdeb Diamond Corp. (*Namdeb*) the 50:50 joint venture between the Namibian government and *De Beers SA*, has replaced the nearby Auchas mine, which ceased operations at the end of 2000.

The current mining plan indicates a production life of a further nine years. Daberas employs some 3,000 people, including 220 directly by Namdeb. (*Mining Journal 14/6*)

In **Sierra Leone** *Mano River Resources Inc.* has discovered diamonds and kimberlites on its Kono diamond property in Sierra Leone. The company holds a 260 sq km area adjacent to the Koidu kimberlite pipes in the Kono region, and recent stream sediment sampling recovered kimberlitic indicator minerals, plus two diamonds over 0.3mm in one dimension. (*Mining Journal 14/6*)

Tanzanite: Tanzania has slapped a temporary ban on all mining of the coloured gemstone on Block B at Mererani in Arusha, following an underground suffocation accident that led to the death of 39 small-scale miners in June. (*The EastAfrican 8/7*)

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Industries

COMPANY BRIEF

Algeria

Pharmaceutical: The state pharmaceutical firm *Saidal* said on June 24th it was beginning two joint ventures at both its plants with the **US** company *Pfizer* and the **Franco-German** *Aventis*, worth $20m and $11.09m respectively. Saidal's executive director said his firm would hold 30% of the capital in each of the plants.

The decisions came as part of a government strategy aimed at reducing imports of medicines by $550m per annum. The two factories will focus primarily on production of antibiotics and anti-inflammatory drugs. (*Marches Tropicaux 5/7*)

East Africa

Breweries: East African Breweries Ltd (*EABL*), one of the largest companies in East Africa, has agreed to purchase 100% equity in *International Distillers Uganda Limited* from *Selviac Nederland BV* at $3.8m.

The move is expected to consolidate the company's position in the beer and spirits business in East Africa. The company will also acquire about 46.3% of issued capital from *KWA holdings EA Limited*, former *Kenya Wines Agencies Limited*.

International Distillers was incorporated in **Uganda** in 1963 and up to now has grown to become the leader in Uganda's alcoholic business with production of *Waragi* gin, *Smirnoff* vodka and *Bond* whisky.

Uganda Breweries Limited head of public relations, Charles Muhoozi, confirmed the sale. "Yes it is true that EABL is buying International Distillers Limited," he said. (*New Vision 27/6*)

IDU's income for the year to June 2001 stood at Ush1.7bn ($975,000), with pretax profits at Ush1.54bn ($878,500) and with total net assets at Ush3bn ($1.7m). (*The EastAfrican 24/6*)

Egypt

Aviation: The **Russian** government has signed a deal giving a 25% minus one stake in aviation company *Tupolev* and its *Aviastar-SP* production facility to Egypt's *Sirocco Aerospace International*, in return for a record $280m in investment.

The government will retain a 50% plus one share in Moscow-based Tupolev, which in turn is 74% owner of the Ulyanovsk-based Aviastar-SP.

Sirocco will receive its shares from *InterANT*, a subsidiary of Aviastar.

The investment will go toward modernisation of Aviastar-SP, including a complete technical overhaul of the plant, as well as supply of components and equipment to revive production of the Tu-204. Some $95m is to be invested in 2002 alone.

The agreement with Sirocco—which has the exclusive rights to market internationally the passenger and cargo versions of Tupolev's Tu-204-120—seals the largest-ever investment in the cash-strapped Russian aviation industry.

Sirocco, set up in 1996 by Egypt's *Kato Aromatic*, so far has invested some $170m in Tupolev and Aviastar-SP, and has been seeking sizeable equity in both as a precondition for further investment.

Sirocco had been seeking a 25% plus one share in Aviastar, but Sirocco chairman Ibrahim Ahmed Kamel said he was satisfied with the deal.

The Tu-204-120 has been operating abroad successfully since 1998. *Air Cairo* has a fleet of four and the *TNT International* mail delivery service began flying its first Tu-204-120 last March, with a second TNT-dedicated plant having already left Ulyanovsk. Sirocco is seeking broader international certification for the Tu-204-120 to open up more markets for the plane.

"It is no exaggeration that this aeroplane enjoys respect outside of Russia for its performance," Kamel said. "We are hoping that Tupolev will take its rightful place in the international market alongside Boeing and Airbus." (*West Africa 8–14/7*)

Morocco

Advertising: The Moroccan agency *Shem's* has formed an alliance with the **UK** advertising giant *Lowe* to become *Lowe Shem's*. According to Peter Atkinson, president of *Lowe Afrique et Moyen Orient*, "Lowe management has complete confidence in the local team" and respects "the culture of each country while putting a high priority on humour".

The UK agency's contribution will be mainly in terms of training and new techniques but also in new markets. Noureddine Ayouch, president of Lowe Shem's promised "major changes with the arrival of a new team, new creative staff and the opening shortly of an agency in **Senegal**."

Local daily *L'Economiste* said since its inception in 1972, Shem's publicity had quickly imposed itself on the Moroccan market and despite the censorship, had been able to make a distinct and fresh contribution. In 1992 it signed a partnership deal with the *Lintas* network and in 2000 opened an agency in Tunis. In June, a new branch opened in Algiers. Shem's is now the first Moroccan agency to have developed a Maghreb network in advertising. At present it has three agencies and turnover of Dirhams 193m (Euros 18.4m) in 2001, compared to 148m in 2000. (*Marches Tropicaux 5/7*)

Nigeria

Breweries: The multi-billion naira brewing plant of *Nigeria Breweries* at Amekee Ngwo Udi local will start production by February 2003.

The brewery plant, which is being financed by *Heineken International*, will, on completion, offer employment to thousands of Nigerians.

State governor Chimaroke Nnamani described the establishment of the plant as a giant stride towards the economic advancement of the state and renewed his assurance that adequate security would be provided for the factory and its workers. (*This Day 9/7*)

Chemicals: Chemical and Allied Products, *CAP plc* recorded a profit after tax of Naira 400.46m in 2001. Chairman Mohammed Koguna said this was an improvement over 2000 as turnover grew by 20%. He announced the payment of a dividend of N31.5m, representing 25 kobo per shareholder. He also said the board had recommended a bonus issue of one new share for every three shares held.

Koguna told shareholders that the results for the company for the year ended 2001 confirmed the success of the comprehensive restructuring programme embarked upon by the company in 2000. He stated that several new products were launched by CAP plc including six new paint brands, namely *Newcote Emulsion* paint, *Kemobel*, *Chemical Resistant* paint, *Dulux*, *Eggshell*, *Dulux Silk*, *Dulux Tex-Matt* and *Dulux Weathershield* smooth. It also included three household products such as

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CAP clean liquid detergent, Dayspring washing-up liquid and Sledge disinfectant.

He informed shareholders that the company had acquired the *Clenol* toothpaste from a manufacturing plant of United African Company, *UAC*, of Nigeria plc.

"Clenol and Twinkle brands of UACN have been licensed exclusively to CAP plc. Our existing personal and household business with which the new acquisition has synergy should now be in a position to gain a respectable market share," Koguna said. He said that CAP plc was now the accredited sole agent of Flame Guard products in Nigeria. (*Newswatch 17/6*)

Soap: *Unilever Nigeria plc* has inaugurated its new soap factory in Agbara, Ogun State. Opening the factory, President Olusegun Obasanjo said the federal government was determined to pursue with vigour, a number of measures aimed at revitalising the manufacturing sector.

Felix Ohiwere, Chairman of Unilever Nigeria plc, for his part, said the new factory was the most modern in Africa and that all the variants of *Lux* beauty soap would be produced together with *Reward* bathing soap and *Key* laundry soap. He revealed that the company has made investments worth about N7bn in the area of infrastructure and brand development over the last four years. "This is a testimony to Unilever's belief in the Nigerian economy, both now and in the future," he said. (*Newswatch 1/7*)

South Africa

Breweries: *South African Breweries* said its shareholders had approved the $5.6bn (£3.7bn) acquisition of *Miller Brewing Company* from *Philip Morris.*

NewsAfrica said the **US** market will be hard to penetrate let alone dominate. Miller's flagship, *Miller Lite*, commands a dismal 20% share of the US beer market and it will be an uphill task to catch up with *Budweiser*, the country's favourite beer. But Norman Adami, SAB's head of operations in South Africa, says that the acquisition "puts us in a different league and gives us an opportunity to make larger acquisitions". (*News Africa 1/7*)

Platinum: *Impala Platinum* scooped the top spot in this year's *Financial Mail* Top Companies survey, while second place went to an unlikely candidate, African Bank.

In association with the University of Pretoria's Bureau of Financial Analysis, the survey, released on June 26th, considered three main factors to produce its list of the top 20 companies in South Africa: internal rate of return, earnings a share and return on equity.

Impala's corporate affairs director, Cathie Marcus, said the company was excited to be chosen ahead of all others in the survey.

She said that while the company might have benefited from positive market conditions much of this was as a result of corrective action taken a few years ago.

"We have turned the company from being a high-cost producer with no growth prospects to a cost-effective machine." She said the company did not rely on the strength of the platinum price or exchange-rate benefits.

The list of to 20 companies featured three other platinum-related groups with *Anglo American* in third position, *Gencor* sixth and *Lonmin* in ninth spot. (*Business Day 27/6*)

South African Businesses Are Ignoring HIV

Deloitte & Touche, the international auditing firm, warned the South African business community in mid-June that it was neglecting the high levels of HIV infection among its workforce.

South African companies overwhelmingly believe that the impact of the HIV/AIDS pandemic on its operations will be only moderate, a study of 110 companies by Deloitte & Touche's human capital corporation showed.

"The complacent, indifferent and indeed negligent response of the greater majority of these organisations is of great concern," said Dr Murray Coombs, the principal consultant.

HIV infection is forecast to wipe 0.4% off South Africa's economic growth each year over the next 15 years. While large companies such as *Anglo American* and *DaimlerChrysler* have devised strategies to monitor and look after HIV-positive employees, many smaller companies have neither internal HIV/AIDS policies nor assessments of infection rates among employees.

The majority of companies with workforces of fewer than 100 people had not communicated with their employees about the disease.

South Africa has one of the highest HIV/AIDS infection rates in the world, with about 11% of its 40m people infected. About 25% of the economically active population is infected. Independent studies forecast that the figure will rise to 30% within three years.

Health experts have recommended that companies administer anti-retroviral drugs to prolong the productivity of their infected workers. They argue that the cost to the business of the premature death of an employee is greater than the cost of treatment. But companies with large workforces such as *AngloGold*, the mining company, are against providing treatments unless the public health service supports their use.

Responsibility for treating employees has fallen to business as the government has resisted supplying anti-retroviral drugs through the public health service, except for pregnant mothers and rape victims.

The Ministry of Finance forecasts that the growth rate will weather the pandemic and continue to achieve levels about 3%. (*The Financial Times, London, 13/6*)

MANUFACTURING

Nigeria

The manufacturing sector recorded some improvements in 2001 in spite of the harsh economic climate.

Industrial capacity utilisation rose to 41% from 33% in 2000. Also, industrial production index rose to 2.7% from its 1.5%.

Speaking at the 31st Annual General Meeting of the Manufacturers' Association of Nigeria (**MAN**), president Charles Ugwuh said though the sector had passed through a painful and harrowing experience, significant improvements were made under the present democratic administration. He was, however, quick to add that the expectations of the sector were still far from being realised. He said the relatively low level of performance in the manufacturing sector was a reflection of the myriad of structural problems in the sector occasioned by the high cost of doing business in Nigeria, deficiencies in infrastructural facilities and services, depreciation of the naira exchange rate, high interest rate and the negative effects of the World Trade Organisation, (**WTO**) agreement. He said that the problems militating against the improved performance of the sector were legion and inter-related in a vicious cycle. He called on government to take steps to resolve the problems and sustain present achievements so far recorded.

Howard Jetter, **American** ambassador to Nigeria, who was the guest speaker at the occasion, said the difference between the

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official and informal exchange rates had produced substantial "diseconomies of scale". The effect of this spread in exchange rates, the ambassador said, had been to subsidise imports, depress exports and discourage domestic industry. He said the maintenance of such a significant exchange rate differential at a time when double-digit inflation was pushing up costs, impedes growth in non-oil sectors of the economy, especially manufacturing. According to him, this had also shifted the energies of too many creative people away from manufacturing into the lucrative but non-productive arena of currency arbitrage. He berated the banks for the prohibitive interest rates in the system, which encourage short-term rather than the long-term investment needed to develop the domestic manufacturing and industrial sector.

Jetter also condemned the country's tariff regime, which was constructed to protect domestic industry. He said though it was a laudable goal, it had not worked, arguing that instead of encouraging domestic production, it had suppressed productivity and depressed market competition.

He said government had implemented policies aimed at assisting the industrial sector. These steps, he identified as evolving a reliable tariff structure aimed at lowering duties on imported raw materials and production inputs with a view to making local products competitive with imported ones. He said the seven-year tariff regime (1995–2001) was now being reviewed in consonance with current economic realities. By this, he said, tariffs on a number of industrial raw materials, including machinery and spare parts, have been reviewed downwards and in some cases as low as two and a half percent, while duty on imported finished goods has been increased substantially to discourage dumping of goods into the country. (*Newswatch 17/6*) **Manufacturing down Vol. 38 p. 14876**

POWER

Equatorial Guinea

A spin-off from the new oil wealth is a massive increase in demand for electricity.

Electricity, which in Malabo has been cut off for five months, is being completely restored throughout the town due to the installation of a new turbine in the turbo-gas station, one of four electricity power stations on Bioko Island, according to the electricity company, *Segesa*.

Since February, Malabo and the surrounding district had been almost without any supply due to various breakdowns. The two thermal power stations, which were built in the 1960s, have become obsolete, while the hydroelectric Riaba station in the south of the island cannot meet the needs of the capital.

Demand has tripled in Malabo since 1992 with the advent of the oil era and the massive influx of new inhabitants.

Segesa, which is responsible for both production and distribution in Malabo, is slated for privatisation. Since 2001, Segesa has taken control of *Energe* and *Soner*, two electricity companies operating in the continental half of the country. (*Marches Tropicaux 5/7*)

Kenya

US firm Power Engineers (*PE*) has been selected to conduct feasibility studies for four new power transmission projects.

The studies are aimed at improving the country's power grid infrastructure which cannot keep pace with the annual growth in demand for electricity.

US Trade Development Agency funding comes through 2001's KSh39m grant to the Kenya Power and Lighting Company (*KPLC*)—the largest feasibility grant the US has ever made to Kenya. Power engineers will determine the technical, economic and financial viability of the Kambura/Meru and Olkaria/Lessos/ Kisumu transmission lines, and look into rehabilitation of the Naivasha and Manet substations. This would increase power generation capacity from 1,172MW to 1,332MW by 2005. With US government funding, a minimum of 80% of the award had to go to a US firm. PE is one of the largest consulting firms in the US. Kenyan firm *Howard Humphreys* will provide local engineering support and develop a geotechnical evaluation and environmental study. The two have been working jointly on the Olkaria II Geothermal project for the past two years.

Meanwhile, KPLC has recovered KSh1bn from debtors, cutting its losses to KSh5bn. Other efforts to put the parastatal back on track by 2004 include the disposal of non-core assets, replacement of faulty meters—and retrenchment of 900 staff. However, the Kenyan government and the **World Bank** are fighting over who should fund the pay-offs. (*Africa Analysis 14/6*) **New power station p. 15165**

Uganda

The World Bank has given the go-ahead for the controversial $550m power plant at Bujagali despite opposition from environmentalists and a highly critical report, which was leaked in mid-June.

The Minister for Energy, Ms Syda Bbumba told *The EastAfrican*: "We are now very sure the project is on as this approval is what we have been waiting for."

However the Bank's management has insisted on a series of measures that it hopes will ensure that key problems outlined in the Inspection Panel report are addressed before work starts.

The decision will disappoint critics of the huge scheme, but the Bank's most senior representative for the region indicated that the decision was based on Uganda's chronic electricity shortages.

One particular point of concern was the cost of electricity, which could become extremely expensive if the Ugandan shilling depreciated too far. It was said that the costs of Bujagali power would be $2.9

(*The Independent, 18/6*)

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per kilowatt, while the global average is $1.8.

The effect of such a depreciation of the Ugandan shilling "could double the electricity tariff to Uganda consumers over seven years," the inspection report said.

The Ugandan government meanwhile has reaffirmed its earlier commitment to set aside the Kalagala Falls exclusively to protect its natural habitat and environmental and spiritual values and for tourism.

The government will also provide support for expanded stakeholder consultations on the Fourth Power Project and its relationship to the Bujagali Projects. (*The EastAfrican 24/6*) **Controversial dam p. 15241**

TOURISM

Egypt

Like a seasoned boxer, Egypt's tourist sector is learning to roll with the punches.

Tourism appeared to have reached a nadir in November, normally peak season for Egypt, with many large hotels closing down entire floors and laying off casual staff. Visitor numbers fell to 220,000—compared to an average of about 400,000.

By March, however, visitor nights spent in Egypt had recovered to 98.5% of their level in the previous year.

Of course, this was largely the result of severe discounting—both by hotels and the national airlines—and estimates suggest that overall revenues from tourism will be down by as much as 30% over the fiscal year.

But officials are determined to improve the industry's prospects. After previous crises, the tourism ministry now has a well-oiled procedure for recovering from these periodic setbacks.

A scheduled rise of entrance fees to archaeological sites throughout the country was delayed.

EgyptAir, the government airline, announced a 40% cut in the cost of domestic flights and a $30m fund was established to promote international charter flights.

Meanwhile, Mamdouh el Beltagui, Egypt's affable Tourism Minister, launched a global public relations campaign to lure back frightened visitors

"We need to convince people that the association made by the US and Israel between terrorism, Islam and the Middle East, was totally false," he says.

In spite of the setbacks following the Gulf war of 1991, the Luxor massacre and September 11th, Egypt's tourist industry has been generally on an upward trend.

The average growth rate between 1993 to 2000 was 12.5%. Even after a 17% decline in 2001, tourist nights were still well above their level in 1997.

Mr Beltagui attributes this to the policy of diversifying the country's tourist offering.

"Egypt is no longer just a cultural or beach destination, and we are offering golf holidays, safaris in the desert, eco-tourism, diving, and religious holidays," he says.

Private hotel operators appear to share this confidence. *Intercontinental*, the **US** hotel chain, is planning to build another eight hotels in the country over the next 18 months, more than doubling the number of outlets it has in the country.

It is on coastal tourism that the hotels are now focusing.

"There has been a sense that Egypt has had relatively low repeat tourism, which is probably because you only need to see a historical monument once," says Joseph Iskander, an investment analyst at Prime Securities, the broker.

"It it clear that the industry is putting more emphasis on the coastal and diving holidays and this should increase the number of tourists coming back."

Figures from the Ministry of Tourism on hotel construction back this up. Of the 110,089 rooms under construction in 2001, 79% or 87,301 were in the coastal South Sinai and the Red Sea areas. This compared to just 2,549 in Luxor and 4,166 in Cairo. (*The Financial Times*) **Government steps in to save firms Vol. 38 p. 14985**

IN BRIEF

Tourism: the **Moroccan** authorities announced on June 27th their intention to invite bids for construction and management of five seaside resorts situated on the Mediterranean and Atlantic coasts: Sadia in the north and Khemis-Sahel, Haouzia-El Jadida, Mogador-Essaouira and Plage Blanche on the Atlantic. Another resort—Taghazout near Agadir (south) will be constructed by the **Saudi** group *Dallah al-Baraka*.

These six complexes, which should cost between $3 and $4bn, are aimed at relaunching Moroccan tourism. The sector employs 600,000 people in the country and earned some $2.62bn in foreign currency in 2001. (*Marches Tropicaux 5/7*)

Water: Ethiopia needs $7.2bn over the next 15 years to implement its Water Sector Development Programme (WSDP), the Water Resources Ministry has said.

Addis Ababa is hoping to raise a total of $3.8bn for its programme from international organisations, donor countries and the private sector.

A draft law has been tabled to set up a water development fund. An official source said this fund would be partly financed by federal government through ring-fenced taxes and also by financial aid and long-term loans from agencies and donors.

According to a recent national study carried out by the Ethiopian centre for development of underground water and water supply, less than 30% of Ethiopia's 63.2m inhabitants have access to clean drinking water. (*AFP 26/6*)

Economic Aid

EUROPEAN UNION (EU)

Senegal: Budgetary aid of CFAF 14bn (Euros 21m) for decentralisation has been awarded from European Development Fund (**EDF**) resources. The aid is, according to a statement, direct support for local investments and aimed at encouraging local development planning initiatives at grassroots level in the regions, towns and rural areas.

Tunisia: The European Investment Bank (**EIB**) has agreed a loan of Euros 150m to finance an electricity project aimed at strengthening the distribution network and reducing losses. Total cost of the project, which should be completed by December 2004, stands at Euros 312.8m.

Uganda: The EU has given a grant of Euros 4.5m to support the Programme for Trade Opportunities and Policy (UPTOP), to be implemented over four years under the supervision of the Ministry of Tourism, Trade and Industry.

The programme's main activities include finalisation and implementation of the National Trade Policy, strengthening the ministry's capacity to co-ordinate trade issues and establishment of a National Trade Negotiating Team.

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UPTOP covers the establishment of information and advice centres on trade issues and the promotion of public awareness on trade issues.

It also covers building capacity of private sector organisations in dealing with international trade issues and analysis.

UN AGENCIES

Algeria: A loan has been approved by the International Bank for Reconstruction and Development (**IBRD**) equivalent to $5.5m for a mortgage finance technical assistance project. The project will help strengthen the environment for a well-functioning mortgage loan market, by advising the government on legal and administrative reform measures, which would improve property rights, mortgage lien efficiency, and property titling and registration systems. It will also offer strategic assistance to financial institutions and aid in the training of operational staff in mortgage lending. The loan matures in 12 years and has a 4.5 year grace period.

Cote d'Ivoire: The **World Bank** has disbursed a $200m credit to aid economic recovery and relaunch investment in health, education and economic infrastructure.

Part of the $200m awarded has already been drawn—to the tune of Euros 80.1m.

The three-year programme signed in March with the International Monetary Fund (**IMF**) has several components: rural develoment and development of the private sector, improved access to basic social services (health and education) and improved management of public finances.

DR Congo: The **World Bank's** board approved a loan of $450m to support the government's efforts to pursue policy and structural reforms needed to (i) improve governance and reduce corruption; (ii) improve public sector financial management; (iii) continue its reform and restructuring of the public enterprise sector; (iv) begin the reform of the financial sector; (v) support policy actions in the forestry sector; and (vi) provide support to urgent special actions within the mining sector that support prospects for fostering restructuring of the sector. The loan matures in 40 years and has a grace period of 10 years.

Ethiopia: A credit of $120m has been agreed by the International Development Association (**IDA**, soft loan arm of the World Bank) to support the government's efforts in stabilising the economy and achieving a sustained path of growth. The loan matures in 40 years with a 10-year grace period.

The reforms supported by the credit will lower transaction costs for private investors and exporters, and improve the overall business environment," the World Bank said in a statement.

Ethiopia is one of the poorest, least developed countries in the world. In the World Bank Development Report, it is ranked the last of 210 countries in Gross National Product in per capita terms. Almost half the population lives on less than $1 a day, and 89% live below the $2 per day poverty line.

Although the Ethiopian economy has a high level of growth, estimated to be 7.9% in 2002, economic slowdown levels of a similar degree have also hit it. The country has also been hard hit by the massive slump in the price of coffee, which represents 70% of its exports.

Guinea: The **IDA** has approved a loan of $5m, repayable in 40 years with a 10-year grace period, for a decentralised rural electrification project. The project intends to establish technical and financial capabilities to improve access to electricity in rural areas by decentralizing electrification projects to the village level. It will help create institutions, regulations and delivery mechanisms to develop such electrification schemes, as well as test financial mechanisms to improve access to electricity and mobilise private sector financing in rural communities.

Rwanda: The World Food Programme (**WFP**) in collaboration with the Ministry of Local Government and Social Affairs (Minaloc) has launched a five-year project aimed at assisting local families affected by HIV/AIDS.

The project, to which WFP will contribute $11m, will also provide vocational and basic life skills training, income generation activities, and peer support and counselling programmes.

Tunisia: The **World Bank** has agreed a grant of $5.33m for a protected areas management project. The project will improve the management and protection of selected national parks for the purposes of conserving biodiversity and contributing to the overall improvement in welfare of local populations. The project is broken down into three components. The first component will reinforce the institutional capacity of the Directorate General of Forestry (Ministry of Agriculture) and the Ministry of Environment in the management of protected areas. The second component will (i) manage and restore the ecosystems in the country's three national parks; (ii) assist in the development of ecotourism activities; and (iii) establish, with the local populations, community development plans aimed at conserving biodiversity. The third and final component of the project will build public support for biodiversity conservation among local governments, site visitors, and local school children.

NATIONS OVERSEAS

AIDS: The International AIDS conference in Barcelona on July 7–12th underlined how Africa bears the brunt of the pandemic. AIDS is recognised as one of the chief obstacles to development and donor's poverty reduction strategies require governments to write in policies to tackle the disease. Yet campaigners say the bureaucratic framework falls far short of what is needed. A study by**UK**-based Oxfam found that half of the 26 countries obtaining debt relief under the World Bank and IMF Heavily Indebted Poor Countries Initiative spent more on debt servicing than on health. **Zambia** spends 30% more while **Cameroon** spends three and a half times more. Campaigners want HIPC countries to spend no more than 5% of government revenue on debt servicing.

In 2000, the UN set up a global fund to combat AIDS, TB and malaria, saying developing countries needed $10bn annually. Some $2bn has been committed but only $200m has arrived. African countries spend only $3–$10 on health per capita each year: anti-retroviral treatment costs at least $300m annually.

Meanwhile the University of Natal in **South Africa** has received funding over Rand 1bn from international donors to build the first state-of-the-art HIV/AIDS research facility in the country and bring together researchers from around the world.

The biggest grant (Rand 815m) is from the UN Global Fund to the Enhancing Care Initiative, and will be used to expand preventative, care and support services.

The university is also the first non-US organisation to receive funding from the Doris Duke Charitable Foundation, based in New York. The organisation will plough $3.75m (about R38m) into establishing a research facility and a bilateral programme with Harvard Medical School.

Botswana, **Mozambique**, South Africa, **Uganda**, **Rwanda**, **Ethiopia**, **Kenya** and **Cote d'Ivoire** will benefit from the new $500m international mother-to-child HIV prevention initiative announced in June by President Bush. In 2004 the programme will be extended to **Namibia**, **Nigeria**, **Tanzania** and **Zambia**.

Through a combination of improving care and drug treatment, the new initiative is expected to reach up to one million women annually and reduce mother-to-child transmission by 40% within five yers in 12 African countries and the Caribbean.

The US said there would be training agreements between American hospitals and clinics, and their African and Caribbean counterparts.

Meanwhile the **UK** has accorded a $6m grant to **Burundi** in support of its fight against AIDS. The grant will be managed by Action-AID in cooperation with the Burundi government.

Africa: Canada has pledged $6bn over five years in new or current resources for development in Africa over five years. This also includes the Canadian Fund for Africa worth $500m.

Just over C$420m from the Fund will be allocated to new initiatives announced by the continent.

Ethiopia: France has granted $1.3m for an urban development programme in Addis Ababa.

Germany will provide about 61.6m for Ethiopia's poverty reduction strategy.

Ghana: USAID has allocated funds to support the yet to be implemented Code of Conduct for government officials.

Malawi: Battling to cope with critical food shortages, Malawi has been given $14.6m from **USAID** as part of an ongoing cooperative effort to target poor sectors of the country. The funds will be used to import maize, continue support of the Malawi Environmental Endowment Trust and for family planning activities.

Over three million people in Malawi will need

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food aid until March 2003, a joint Food and Agricultural Organisation (**FAO**) and World Food Programme (**WFP**) assessment has found.

Morocco: Japan has agreed a loan of $61m for the building of electricity lines to provide services to rural areas and meet the needs of some 88,000 households. The loan comes from the Japan Bank of International Cooperation (JBIC) and is repayable in 30 years with a 10-year grace period.

Mozambique: Sweden is to finance an agricultural development programme to the tune of $14m. Two thirds of the sum will be allocated to the least developed of the country's 10 provinces, Niassa (north), but which has fertile soil.

The other third will go to a countrywide programme called PROAGRI.

Senegal: France has decided to disburse nearly Euros 1.22m (CFAF 800m) into a "Casamance solidarity fund". The French ambassador to Dakar, Jean de Gliniasty, said it was the first time under the bilateral cooperation programme that a solidarity fund had been devoted to one region, and the effort was aimed at "supporting the peace dynamic".

South Africa: Italy has pledged $3.67m to a health care project which seeks to strengthen medical services provided to women and children in KwaZulu-Natal.

"The financial muscle the project received is crucial as it intends enhancing the cornerstone of our health system, primary health care," Health Ministe Manto Tshabalala-Msimang said at the signing ceremony.

"The project is enabling us to utilize information technology to increase the accessibility of primary health care services in KwaZulu-Natal.

Tshabalala-Msimang said similar projects would be extended to other provinces in future.

Tanzania: Tanzania and the **UK** have agreed to launch a programme of cooperation which will last for six years. Britain is expectd to provide up to £85m.

Tunisia: The **French** Development Agency (**AFD**) has agreed a loan of Euros 25m to co-finance a drinking water project with the national water company, *SONEDE*. The money will enable the capacity for water distribution between Grombalia (northwest) and Sousse (centre) to be doubled. The project, estimated to cost a total of Euros 195m (Dinars 280m) will be co-financed by the European Investment Bank (**EIB**) (Dinars 129.8m) and the Islamic Develoment Bank (**IDB**) (Dinars 48.7m).

Togo

Following recent hydroelectric technical problems facing Ghana, the traditional supplier of energy to Togo, there is a new energy crisis in Togo.

Ghana supplies energy to Togo from its Akosombo Dam and has done for some uninterrupted 30 years.

Andjo Tchamdja, Togo's minister for Mines and Power, says Togo is currently faced with gloomy prospects of another deleterious spiral of energy crisis due to what he calls "unavoidable structural and technical factors".

Although the current energy crisis may not possess the magnitude of the previous devastating disaster of 1998 which sent President Gnassingbe Eyadema on a panic hunt for rescuers, Togo's Minister for the Energy sector says the gloomy situation is grave enough to call for some form of direct state intervention in order to save the main energy distribution authority, *Compagnie du Benin, CEB* from distress.

Minister Andjo said in Lome that such state intervention called for an upward readjustment in the energy tariffs in order to eliminate the outdated price regime which has remained static and unchanged for the past 30 years.

Although the Minister did not quote the exact figures, sources said the central energy distribution company, CEB, needed an extra CFAF4.6bn to offset its annual deficit in its supplementary budget.

The company jointly distributes energy requirements to both Togo and the **Republic of Benin**, estimated at 160 megawatts.

Togo's total energy requirement is conservatively estimated between 120 and 150 megawatts, even though this figure has not been officially confirmed.

But due to internal technical problems Ghana, says the Minister, has been unable to supply Togo's total energy needs.

Another request to re-transmit 65 megawatts from **Cote d'Ivoire** through Ghana has been turned down on the grounds of high load and astronomical cost.

However, a less than generous offer of 20 megawatts on a "cash and carry" basis appears to have been agreed upon by the Ghanaian authorities.

Both Togolese and Ghanaian officials are tight-lipped about rates and charges but sources said Ghana is demanding an upward adjustment from 50 to 80 US cents per kilowatt, according to the *Ghanaian Chronicle* (Accra).

Ghana's Volta River Authority itself appears to be cash-strapped, and is believed to be indebted to **Cote d'Ivoire** to the tune of $32m in respect of energy supplied over the years. Ghana imports, at least, 200 megawatts of energy from Cote d'Ivoire annually.

Under the circumstances, Minister Andjo Tchamdja said the Togo government had no other choice than to announce an upward hike in energy prices for local consumers.

Giving the details of the hikes, Minister Andjo Tchamdja said henceforth all small-time customers who consume 40 kilowatts will not attract any increases. About 25,000 consumers are expected to benefit from this relief package.

But the Minister said more than 23,000 customers who require 300 kilowatts for use in their homes would have to pay about 11% more.

In all, about 10,000 customers who consume above 300 kilowatts per month are expected to pay 22% more on their bills.

The Minister announced that local industries, with the exception of *CIMTOGO*, manufacturers of local cement, and the *RNET*, or *TOGO WATER Company* whose energy consumption load is heavier than normal, will attract extra 11% increases.

In all, Togo has over 90,000 officially registered energy consumers, so the new increases are expected to earn the *Togo Electric Company*, a private firm that distributes the country's electricity, the estimated CFA F4.6bn required to offset the current annual deficit owed by the Benin Electric Authority.

Reactions from organised labour about the hikes have been very hostile.

The local trade unions have described the hikes as unrealistic in the face of the economic sufferings facing Togolese workers. (*Ghanaian Chronicle 25/6*)

Huge sum needed for power in West Africa Vol. 38 p. 14952, New distributor in Togo Vol. 37

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