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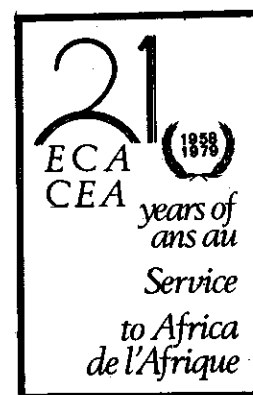
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SURVEY OF ECONOMIC AND SOCIAL CONDITIONS IN AFRICA, 1977-1978 - PART II

SECTION B

## Explanatory notes

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.. The following symbols have been used in this Survey:

... not available ..... - nil or negligible.....

A billion is one thousand million.

Tonnes or tons mean metric tons unless otherwise specified.

## Prefatory note

The Survey for 1977-1978 is also the fourth biennial review of progress during the Second United Nations Development Decade and is published in two parts. Part I includes a summary and after reviewing the international economic situation and the international development strategy it then provides information on economic and social developments in the African region this decade. Part II covers current economic developments and policies of the individual countries of the ECA region for the period 1970 to 1978 and is presented in two sections, sections A and B.

E/CN.14/697 (Part II)

ECONOMIC COMMISSION FOR AFRICA

SURVEY OF ECONOMIC AND SOCIAL CONDITIONS IN AFRICA, 1977-1978

PART II

COUNTRY ECONOMIC SURVEYS

TABLE OF CONTENTS

<u>Country</u>	<u>Page</u>	<u>Country</u>	<u>Page</u>
SECTION A			
BENIN .....	1	MAURITIUS .....	214
BOTSWANA .....	10	MOROCCO .....	226
BUHUNDI .....	23	NIGER .....	238
CAPE VERDE .....	34	NIGERIA .....	249
CENTRAL AFRICAN EMPIRE .....	44	SECTION B	
CHAD .....	57	RWANDA .....	263
CONGO .....	68	SENEGAL .....	273
ETHIOPIA .....	79	SEYCHELLES .....	285
GABON .....	94	SIERRA LEONE .....	297
GAMBIA .....	107	SWAZILAND .....	310
GUINEA-BISSAU .....	118	TOGO .....	320
IVORY COAST .....	125	TUNISIA .....	330
KENYA .....	137	UGANDA .....	344
LESOTHO .....	155	UNITED REPUBLIC OF CAMEROON .....	358
LIBERIA .....	167	UNITED REPUBLIC OF TANZANIA .....	370
MADAGASCAR .....	179	UPPER VOLTA .....	384
MALAWI .....	190	ZAIRE .....	394
MAURITANIA .....	204	ZAMBIA .....	406

# RWANDA

## A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

### 1. Introduction

Rwanda is a land-locked and mainly agricultural with a high population density which exhibits all the characteristics of a least-developed country. Since 1970, economic growth has been slow and on a per capita basis production has only increased marginally. However in 1976 and 1977, the boom in coffee prices has greatly benefited the country which derives most of its export earnings from this crop. As coffee is also the largest commodity in the modern sector the economy has grown sharply and government revenues have been buoyant.

During the years 1970 to 1977, GDP at current factor cost rose at the average annual rate of some 15.8 per cent. Over the same period, inflation has been high. For the whole period 1970-1977, the average annual rate of increase in consumer prices was 13.1 per cent per year compared with only 2.6 per cent a year from 1965 to 1970. In the absence of a GDP deflator it can perhaps be stated that GDP in real terms rose at an average annual rate of 2.7 per cent yearly during the first seven years of this decade judging from the movement in the consumer price index.

Economic prospects for 1978 depend very much on coffee prices and output. In the period January to July 1978, coffee wholesale prices were 75 per cent of the 1977 level and for the year as a whole the percentage will be less. However they should still be at least twice as high as in 1975 and economic results, although not as good as in 1977, will still be relatively satisfactory.

### 2. GDP by industrial origin

Few changes have occurred in the structure of the economy since 1970. In 1977, agriculture produced 75.2 per cent of GDP at current factor cost, mining only 1.7 per cent, manufacturing 3.3 per cent, construction 2.2 per cent, trade and commerce 6.3 per cent, transport and communications 0.9 per cent, public administration 8 per cent and other services 2.4 per cent. The share of agriculture in GDP increased between 1970 and 1977 from 73 to 75.2 per cent while the share of wholesale and retail trade declined from 8.4 per cent to 6.3 per cent.

Rwanda: Table 1. GDP by source, 1970 and 1975-1977 (millions of Rwanda francs)

	1970	Percentage	1975	1976	1977	Percentage
Agriculture, forestry and fishing	14 955	73.0	34 229	38 447	42 973	75.2
Mining	416	2.0	648	850	989	1.7
Manufacturing	630	3.1	1 314	1 600	1 876	3.3
Electricity and water						
Construction	452	2.2	846	1 090	1 284	2.2
Wholesale and retail trade	1 718	8.4	2 654	3 020	3 618	6.3
Transport and communications	248	1.2	345	400	510	0.9
Services	2 062	10.1	4 365	5 160	5 930	10.4
GDP at current factor cost	20 481	100.0	44 401	50 567	57 180	100.0

Source: ECA estimates.



### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. The agricultural sector contributes 75 per cent of GDP, and occupies over 90 per cent of active population. It is still heavily subsistence-oriented but commercial crop production has been growing at a fairly rapid rate as indicated by the figures given in table 2. The food crops are diversified and include bananas, cereals, root crops (mainly cassava and potatoes), oilseeds, vegetables and fruits. Food production is sufficient in the main, although there is a relative shortage of oils and fats in the diet. The conditions of production are such that it is overwhelmingly dependent, on the weather and in some years as in 1974 there can be serious difficulties. Also some regions in the country have been fairly isolated in the past, so that localized food shortages have occurred from time to time. However, with the development of the road network, the possibility of localized food shortages has been reduced and probably eliminated.

The main commercial crop is coffee, followed by tea whose cultivation is being encouraged to diversify exports. Other commercial crops are pyrethrum, cotton, sugar cane and cinchona bark.

Rwanda: Table 2. Agricultural production, 1970 and 1974-1977

	1970	1974	1975	1976	1977
<u>Food crops</u> (thousands of tonnes)					
Banans	1 651	1 648	1 734	1 820	1 896
Cereals	225	191	219	234	251
Root crops	918	1 082	1 243	1 302	1 348
Beans and peas <sup>a/</sup>	216	173	227	237	247
<u>Commercial crops</u> (tonnes)					
Coffee	19 240	19 000	24 385	24 478	20 684
Tea	1 245	3 432	3 995	4 976	5 356
Cinchona	235	456	333	187	616
Pyrethrum	556	1 301	1 753	1 500	1 136
Seed cotton	257	100	238	180	240
Sugar cane	4 315	9 352	14 000	18 000	32 000

Source: Rwanda Ministry of Agriculture.

a/ Including groundnuts.

The FAO production index indicates a growth rate in agricultural output of 3.6 per cent per year on the average for 1970-1977. Local data show that food production has grown by 3 per cent per year and commercial production by 4.8 per cent per year. The increase in production has been almost entirely due to more land being cultivated, the area under crops growing by 3.5 per cent per year to reach 904,300 hectares in 1977. Rwanda has an exceptionally high population density and growth rate and there is a limit

to its cultivable area. According to the Ministry of Agriculture, there was from 1.8 ha to 2 ha available per family in 1970 but this was reduced in 1977. There is more land available in the east, where the average per family is 2.5 ha, whereas the average is only half a hectare in the west. Among the solutions needed for Rwanda is the intensification of agriculture through the use of more manure and fertilizers, better seeds and the control of erosion. One policy being followed by the Ministry of Agriculture is to encourage livestock and already 25 per cent of peasants are producing manure from their animals, it is projected that all of them will be doing so in five years time.

Prices to coffee producers were virtually doubled in 1977 as part of a policy of trying to prevent production losses. Tea production has become increasingly popular with output rising from 1,245 tonnes in 1970 to 5,356 tonnes in 1977. Similar trends are observable in sugar cane production with output in 1977 at 32,000 tonnes. The increasing pressure on the land for crops has brought about a fall in the number of cattle whose land requirements are high, while the holdings of sheep, goats, pigs, and poultry have increased.

Present indications are that agricultural production was affected in 1977 by the fall in coffee output. Food production has increased but there was a sharp fall in coffee output, the trees probably resting to some extent after two years of heavy production. In 1978, since the weather has been good, prospects are more favourable. For coffee, marketing data indicate that production has recovered significantly.

(b) Mining. The four ores mined are cassiterite, wolfram, colombo-tantalite and beryl. Mineral production in total has remained more or less stable in volume since 1970 but there has been a sharp fall in beryl output and export revenues have declined. There is methane gas in Lake Kivu.

(c) Energy. There is some methane gas production from the reserves contained in Lake Kivu but not a significant scale, so that practically all urban energy needs are covered by oil imports. There is also substantial use of wood for fuel. From 1970 to 1976 the total quantity of oil products imported doubled, the average rate of growth reaching 14 per cent per year, with specially high rates of increase in 1975 and 1976 of 20.9 per cent and 28.9 per cent respectively. Electricity output has grown from 1970 to 1976 at an annual average rate of 7.6 per cent.

Rwanda: Table 3. Mineral and energy indicators, 1970 and 1974-1976

	1970	1974	1975	1976
<u>Production</u>				
Cassiterite (tonnes)	2 049	2 214	2 032	2 229
Wolfram (tonnes)	627	528	644	808
Colombo-tantalite (tonnes)	29	75	46	45
Beryl (tonnes)	292	59	18	46
Electricity (million kWh)	29.2	35.1	40.8	45.6
<u>Imports</u>				
Oil products ('000 tonnes)	18.0	24.2	29.2	37.7

Source: Compiled from official data from Rwanda.

(d) Manufacturing. There is no recent quantitative information on manufacturing output. The sector is still small and according to ECA estimates represented no more than 3.1 per cent of GDP in 1977. Food and agricultural products are the most important branches of industry and in 1973 the food and beverage section accounted for half the total value added in manufacturing.

The increases in output of the commercial crops between 1970 and 1977 would suggest that industries processing agricultural products have made quite considerable progress. Most new industries have appeared in food and agricultural products processing. In 1977 four new factories were completed and four others were under construction: including one for processing of pyrethrum, a banana wine factory and a sugar factory. On this evidence it seems that manufacturing is in fact a fairly fast-growing sector in Rwanda.

(e) Construction. The development of the capital Kigali, whose population has grown to 100,000 people and the extension of the country's road system have both helped to maintain activity in the construction industry. Imports of cement increased at an average annual rate of about 4.1 per cent between 1970 and 1976. However, it seems that the sector has experienced some fluctuations and that in 1977 the level of activity was somewhat lower than in 1976 despite measures taken by the Government to encourage civil servants to build their own houses.

(f) Transport. Rwanda is sited in the centre of Africa and south of the equator and its transport links with the Indian Ocean extend for 1,000 kilometres through other countries. The transport of imports and exports is costly and the time taken is very substantial. Much of the traffic passes through Uganda and Kenya to and from the port of Mombasa. Another route goes through Burundi to Dar es Salaam in the United Republic of Tanzania. Some high value traffic is handled by air.

A great effort has been made to improve and develop the road system. By 1977, three important roads totalling 313 km had been tarred and these will facilitate traffic connexions with neighbouring countries. Work on two other major roads from Kigali to Akanyaru (155 km) and Kigali to Cyanika (125 km) were due to start in 1978. At the same

time the Government has established a corporation to handle and rationalize the supply of goods to the country, known as STIR.

There are only limited statistical data on transport and these show a doubling of passengers handled at airports between 1970 and 1976 but an apparent drop in the number of vehicles in use on the roads despite a substantial increase in passengers transported by road.

#### 4. Expenditure and GDP

Expenditure on consumption and gross fixed capital formation has been consistently in excess of GDP at market prices since 1970 and the gap has been financed by a greater inflow of foreign resources. The external deficit has increased from 4.3 per cent of GDP in 1970 to 10.6 per cent in 1977. The share of private consumption has dropped from 89.3 per cent to 85.4 per cent of GDP while the share for public consumption has increased from 8 to 8.3 per cent and thus the share of domestic savings in GDP rose from 2.7 per cent in 1970 to 6.3 per cent in 1977. This shows how small the domestic savings effort in Rwanda is. The proportion of GDP on investment has risen from 7 per cent in 1970 to 16.9 per cent in 1977. These figures are mainly indicative but are more or less corroborated by other data.

Rwanda: Table 4. Expenditure and GDP, 1970 and 1975-1977 (millions of Rwanda francs)

	1970	Percentage	1975	1976	1977	Percentage
Private consumption	19 640	89.3	42 700	48 200	54 656	85.4
Public consumption	1 760	8.0	3 900	4 600	5 286	8.3
Gross fixed capital formation	1 550	7.0	7 700	8 900	10 802	16.9
Exports less imports of goods and services	-950	-4.3	-7 200	-6 100	-6 780	-10.6
GDP at current market prices	22 000	100.0	47 100	55 600	63 964	100.0

Source: ECA guess-estimates.

#### 5. External trade and the balance of payments

Trade flows have been much influenced by price movements, some favourable as in the case of coffee and some unfavourable as in the case of higher import prices. Since 1975 exports have increased in value considerably because of the coffee price boom, with the total rising to 7.54 billion Rwanda francs in 1976 against 3.92 billion in 1975; in 1977 the total reached 8.54 billion compared with 2.48 billion Rwanda francs in 1970. Since 1970 imports have virtually quadrupled in value with a particularly large rise in 1975 of 65 per cent. As shown in table 5 imports were valued at 2.91 billion Rwanda francs in 1970, 5.39 billion in 1975, 8.92 billion in 1975 and reached 10.6 billion Rwanda francs in 1977. The increases in 1976 and 1977 were 7.7 per cent and 10.2 per cent respectively.

Rwanda: Table 5. External trade and balance of payments, 1970 and 1974-1977 (millions of Rwanda francs)

	1970	1974	1975	1976	1977
<u>External trade</u>					
Exports	2 481	3 459	3 919	7 535	8 540
Imports	2 910	5 394	8 923	9 607	10 590
Balance	-429	-1 935	-5 004	-2 072	-2 050
<u>Balance of payments</u>					
Goods and services (net)	-950	-2 859	-6 359	-3 844	-4 568
Private transfers (net)	-230	-9	-65	111	186
Government transfers (net)	1 810	2 989	5 440	5 283	6 452
Capital	-60	93	2 711	1 133	-306
Reserves and related items	-400	269	-1 458	-2 330	-1 402
Errors and omissions	-170	-483	-269	-353	-362

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977, vol. XXXI, No. 9, September 1978. (Balance of payments figures converted from United States dollars).

Because imports have risen faster in value than exports since 1970, the trade deficit has increased both as a proportion of exports and in total value. This deficit was 429 million Rwanda francs in 1970 but rose to 2,050 million in 1977. However this latter figure was much reduced from the exceptionally high figure of 5,004 million francs in 1975.

In 1970 the basic balance of payments was in surplus but a deficit of 269 million francs was recorded in 1974. However, since then there has been a substantial surplus recorded each year with the large and increasing inflow of Government transfer (aid) receipts being largely responsible. In 1975 and 1976 there was also a substantial capital inflow. Reserves rose by 5.29 billion francs in the three years 1975 to 1977. Over the same period the inflow of Government transfers was 17.18 billion francs.

#### 6. Development aid and external debt

Available data show that external aid is very important in relation to the size of Rwanda's economy. From 1970 to 1977, the total of net Government transfers and net capital inflows has grown from 1,750 million francs to 6,146 billion, or three and a half times. The bulk of the aid now consists of grants in line with the recommendations of the United Nations and other agencies on the terms of aid to least developed countries. Capital flows have been very irregular but over the period 1974 to 1977 there was a net inflow of 3.64 billion francs, most of it in the very difficult year of 1975.

The external debt was valued at 5,995 million francs in 1976 with most of it in the form of soft loans. The debt has been increasing rapidly with rises of 26.2 per cent in 1975 and 32.2 per cent in 1976, but the debt service in terms of interest payments amounted in 1976 to only 0.6 per cent of the receipts from the exports of goods and services.

## 7. Government revenue and expenditure

Recurrent revenue has increased rapidly since 1970 and in 1976 there was a rise of 50.8 per cent because of exceptional receipts from export duties arising from high coffee prices. In 1970 recurrent revenue was 1,943 million Rwanda francs and in 1976 it was 6,597 million with customs revenue accounting for 76 per cent. In 1977 there was a further increase of 25 per cent with revenue reaching 8.3 billion francs. Thus between 1970 and 1977 recurrent revenue rose at an average rate of 23 per cent a year. Estimates for 1978 are less optimistic and project a decline of recurrent revenue to 7.6 billion because of lower coffee prices.

The rate of increase of recurrent expenditure has not been as fast as that of revenue but it has been more regular; with the exception of 1970, 1976 and 1977 recurrent expenditure has been higher than revenue. The surplus on recurrent account was 186 million francs in 1970 and 1,474 million in 1976. Between 1970 and 1976 recurrent expenditure grew by 19.5 per cent a year.

It is difficult to comment on the development budget as such because it only covers a very small part of capital spending undertaken by or on behalf of the Government. It was shown earlier that grants received by the Government are extremely high and have been used to finance substantial capital spending.

## 8. Money and banking

Up to and including 1974 the major determinant in the increase in the money supply was the growth of domestic credit. Between 1970 and 1974 net claims on Government rose from 1,166 million francs to 3,017 million and claims on the private sector increased from 472 to 1,852 million. Net foreign assets were 825 million francs at the end of 1974 compared with 337 million at December 1970. The result was that money proper rose from 2,160 million to 4,981 million francs over this four year period equal to a rate of 22.3 per cent a year. Growth in quasi-money was less and in any event the total at December 1974 was very small at only 174 million francs.

Since 1974 the major factor behind the increase in the money supply has been the rise in net foreign assets resulting from a combination of an inflow of foreign resources and in 1976 and 1977 high coffee prices. As shown in table 6 net foreign assets rose by 1,230 million to 2,055 million francs at December 1975, to 4,544 million at December 1976 and 7,227 million at December 1977. A total rise of 6,452 million francs in the three years to December 1977 was accompanied by an increase in money proper of 4,474 million and in total money supply including quasi-money of 4,706 million francs. The fall in net claims on Government was 2,758 million francs in this period but other domestic credit rose by 2,032 million. Over the full seven-year period to December 1977 money proper rose by an average of 23.3 per cent a year and claims on the private sector by 34.9 per cent a year. The rapid rate of increase in the money supply has obviously had some influence on Rwanda's substantial rate of inflation.

Rwanda: Table 6. Monetary survey, 1970 and 1974-1978 (millions of Rwanda francs)

	December 1970	December 1974	December 1975	December 1976	December 1977	April 1978
Net foreign assets	337	825	2 055	4 544	7 227	8 286
Domestic credit						
Net claims on Government	1 166	3 017	2 469	1 564	259	-717
Claims on official entities	21	190	388	403	231	210
Claims on private sector <u>a/</u>	472	1 852	1 682	2 091	3 834	2 399
Money	2 160	4 981	5 421	7 215	9 355	8 310
Quasi-money	104	174	277	325	506	299
Other items (net)	-267	732	895	1 061	1 690	1 568

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977; vol. XXXI, No. 9, September 1978.

a/ Includes other financial institutions.

#### 9. Wages and prices

In the period under review wages and salaries have been adjusted several times. In 1974, the status of civil servants was changed and their wage and salary levels ranged between 33,600 to 391,200 francs per year. In the private sector, minimum wage rates vary according to occupation and economic sector. The lowest rate was 60 francs per day.

Up to 1973 the rate of inflation was fairly modest, but since then substantial price increases have taken place. As measured by the general index of consumer prices there were increases of 30 per cent or more in both 1974 and 1975, some slow-down in 1976 to only 7.1 per cent but in 1977 consumer prices rose by 14.7 per cent and first indications are of a further rise in 1978. Over all, the level of prices in 1977 was 137 per cent higher than in 1970. Food prices at the producer level measured from Ministry of Agriculture data show an average growth of 15 per cent per year between 1972 and 1977. There has been considerable inflation, and it has affected most types of consumer.

#### 10. Employment and unemployment

Rwanda's population is increasing rapidly and there is similar growth of the active population. With a large emphasis on self-employment in agriculture, wage earners, according to official estimates, number only 133,000 out of a total active population probably in excess of 1.8 million.

The bulk of active population being employed in agriculture, the impact of unemployment is not particularly visible. A survey in 1970 estimated that 4 per cent of the active population was unemployed, and it seems likely that the percentage has increased since then or at best has not fallen. The increasing pressure on the land and the desire of school leavers for wage employment could combine to create a serious unemployment problem in the future.

11. Other social sectors

(a) Education. For the school year 1976/77 there were 457,566 pupils and students enrolled in various educational establishments in Rwanda distributed as follows: 434,150 pupils in primary schools, 9,319 students in post-primary education, 12,510 students in secondary schools and 1,577 in higher-education, including 508 students abroad. The level of education expenditure already accounts for 24 per cent of the total recurrent budget and it is probably fortunate that there is this overwhelming emphasis on primary education. However the primary enrolment rate is still less than half the eligible age group and between 1973 and 1977 when the number of school-age children grew from 902,000 to 987,000, the number of pupils enrolled in primary schools grew from 400,000 to 434,000 so that the enrolment ratio remained constant at 44 per cent. Any significant advance in the primary enrolment ratio would appear to depend very much on more external aid for education.

A reform of the school system is being introduced by the Government so that education will prepare youngsters to live and work in the rural areas. This is to help speed up the development of agriculture.

(b) Health. Infectious and parasitic diseases are still widely prevalent and diseases such as malaria, measles and influenza are also affecting the population. However progress has been made in controlling diseases, and in the period 1970-1975, the over-all mortality rate has fallen by 21 per cent, to reach 24 per 1,000 population. In 1976 there was an average of one doctor for each 39,661 people. The number of doctors is still very low in relation to the total population but there has been a distinct improvement since 1970. At the end of 1976, there were 349 hospitals and other medical institutions in the country against 220 in 1970. The number of beds in these institutions had grown to 6,709 beds against 4,689 in 1970. During the year 1976, in the framework of the self-help "umuganda" programmes, the population built for itself a number of dispensaries and health centres. However, once built there was the problem of their staffing in the light of the limited numbers of personnel being trained each year.

B. MAJOR PROBLEMS

Its geographical position imposes constraints on Rwanda's economy especially with the high cost of transport to and from the coast. Congestion at various ports on the coast of the Indian Ocean has aggravated the problems of supply encountered by Rwanda.

The high density of population and the lack of new land to exploit are becoming serious and at the same time, erosion is threatening existing cultivated areas.

These particular problem areas serve only to reinforce the need for international assistance to Rwanda.

C. INTERNAL DEVELOPMENT POLICIES

Since independence two development plans have been launched, including the current plan covering the years 1977-1981. Policy aims are to develop the basic transport infrastructure with the aim of improving the internal system and in co-operation with neighbouring countries, to attempt to lower the transport costs on imports and exports; second the intensification of agriculture where more modern techniques are needed to raise productivity per unit of land so as to meet the needs of the rapidly increasing population. In the framework of the second plan, specific programmes are designed to



create an improved form of housing taking into account the traditions of the country and its resources; to reform education in order to adapt it to local needs and especially the local job market; to rationalize public investment and to decentralize administration so that smaller units will become the focus of development.

The high rate of price increases for both imported goods and local products including food has presented particular problems to the authorities but Rwanda has little control over the cost of imports and internally there is little that has been done to date to reverse the reaction of small-scale producers trying to maintain their purchasing power by raising food prices in the light of increasingly costly imports.

#### D. PROSPECTS FOR 1978 TO 1980

It is doubtful that the high coffee prices of 1976/77 will be achieved again in the near future, and this means that economic results in 1978 are likely to be less favourable than in 1977. In 1979 and 1980 much will depend on the level of capital expenditure and the level of foreign aid. The prospects here seem fairly hopeful and it can be assumed that Rwanda will continue on its present course of moderate growth.

Co-operation with neighbours is essential for Rwanda which depends for virtually all its imports and exports on other countries' transport system. So persistent efforts have been made to reinforce these links and relationships with Uganda, Kenya and the United Republic of Tanzania. Rwanda has also entered into the Economic Community of the Great Lakes Countries (CEPGL) in partnership with Burundi and Zaire. This group has facilitated relations with Burundi, enabling Rwanda to use the port of Bujumbura under more favourable conditions. The Community has also begun to co-operate on industrial projects and agreements have been reached between Rwanda and Burundi to share and allocate some industries so as to avoid duplication and unnecessary competition. Further, the community holds the promise that some import projects like the joint exploitation of the methane gas of Lake Kivu will be undertaken, with the related possibilities of fertilizer production.

## SENEGAL

### A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-78

#### 1. Introduction

The economy of Senegal in the period 1970 to 1978 has been influenced most strongly by the variations in the rainfall pattern which has affected the size of the major crop, groundnuts, and the wide variations in this crop has had a particular impact on government revenues, export earnings and the output of the manufacturing sector. The switch-back record of output of groundnuts has made it difficult to maintain the planned level of investment, made it difficult to achieve a regular growth pattern in government current expenditure and has caused wide fluctuations in the incomes of peasant farmers. After three relatively satisfactory years for groundnut production in the seasons ending in 1975, 1976 and 1977 there was a fall in output in 1977/78 and this has had the effect of reducing exports from Senegal in 1978 by more than one-third from the level of 122 billion CFA francs achieved in 1977. There had been growth in the economy estimated at constant prices at more than 4 per cent a year in both 1976 and 1977 but the sharp setback in groundnut output in 1977/78 eliminated all the gains in these two years so that the 1978 GDP at constant prices will probably be little changed from that of 1975.

The impact of the drought years of the early 1970s was serious in Senegal and between 1970 and 1975 the average GDP growth rate at constant prices was only 2.3 per cent a year. With the setback in 1978 the average GDP growth rate between 1970 and 1978 appears to have been reduced to below 2 per cent a year at a time when the population growth rate was 2.8 per cent a year. There thus appears to have been a reduction in GDP per head over this period. From 1970 to 1977 the average annual GDP growth rate at constant prices was in the region of 2 per cent. At current prices the rate of increase was about 12 per cent a year but there was a fall of about 5 per cent at current prices in 1978. The apparent GDP deflator between 1970 and 1977 averaged 9.8 per cent a year which may be compared with the average annual increase in consumer prices of 9.5 per cent. Measured by the index for Africa families with traditional patterns of expenditure the increase in consumer prices was 11.4 per cent a year.

While inflation in Senegal has not been excessive during the period under review, there were rises of 13.9 per cent in consumer prices in 1974 and of 22 per cent in 1975, the years of relatively high inflation. In the years 1971, 1972, 1973, 1976 and 1977 rises in prices of around 6 per cent a year were more typical.

The banking statistics show that from December 1970 to December 1977 money and quasi-money rose by an average of 19.7 per cent a year; this rise in money supply was linked to the increase in domestic credit of 23.3 per cent a year at a time when net foreign assets moved from a positive CFAF 5.21 billion to a negative CFAF 12.93 billion. The rise in both domestic credit and money supply continued in 1978 and in the second quarter of 1978 consumer prices were 10 per cent higher than in the same period of 1977 with some increase in the level of inflation between April and August 1978. Net foreign assets continued to decline in 1978 with the July figure falling to a negative CFAF 21.5 billion.

The balance of payments figures show a strong capital inflow and an increasing net inflow of net transfers to the Government but in certain years notably 1973 and 1978 there have been substantial falls in the level of Senegal's international reserves because of the very large deficits in the external trade account. One result of the

substantial capital inflow this decade is that the country's external debt has risen substantially and debt service has begun to present problems in a year such as 1978 when export earnings have fallen so drastically.

The rains from July to October 1978 appear to have been very good and this should produce bumper crops in the 1978/79 season bringing some easing of the balance of payments situation in 1979.

## 2. GDP by industrial origin

The estimates of Senegal's GDP given in table 1 have been made at ECA based on incomplete data from that country. These estimates show rises in GDP between 1970 and 1977 which average 2.1 per cent at constant prices and 11.9 per cent at current prices with implicit GDP deflator of a mere 9.8 per cent yearly. For agriculture which is still the predominant sector in the economy, the annual growth rates in its value added were 9.8 per cent at current prices but only 0.2 per cent at constant prices. The virtual stagnation in agricultural production has been due to the very erratic nature of the rainfall pattern and has had the effect of encouraging very extensive migration from the rural areas to the towns and cities.

Agriculture's share of GDP at current prices fell from 27 per cent in 1970 to 23.6 per cent in 1977. This compares with rises of from 14.6 to 15.9 per cent for manufacturing industry, from 4.3 to 5.2 per cent for the construction industry and from 18.7 to 20.0 per cent for commerce.

Senegal: Table 1. GDP by source, 1970 and 1975 to 1977 (billions of CFA francs)

	1970	Percentage	1975	1976	1977	Percentage
Agriculture, forestry and fishing	56.5	27.0	111.0	112.1	108.5	23.6
Mining	2.2	1.1	20.6	12.8	11.0	2.4
Manufacturing	30.5	14.6	52.7	60.7	72.9	15.9
Electricity etc.	5.1	2.4	10.5	12.4	13.5	3.0
Construction	8.9	4.2	16.5	19.5	24.1	5.2
Wholesale and retail trade	39.2	18.7	70.4	80.4	91.7	20.0
Transport and communications	16.5	7.9	31.5	33.8	35.3	7.7
Other services	50.5	24.1	84.2	91.2	102.1	22.2
GDP at current factor cost	209.4	100.0	397.4	422.9	459.1	100.0
GDP at 1970 factor cost	209.4		225.4	237.2	242.2	

Source: ECA estimates based on national data from Senegal.

The growth rate of value added in manufacturing industry at constant prices was 7.2 per cent a year between 1970 and 1977 but for the remainder of the non-agricultural economy, the average increase was only 1.5 per cent a year. The services sectors in particular were adversely influenced by the very poor real growth in agriculture.

### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. While the share of this sector to GDP had fallen to only 23.6 per cent of the total in 1977, agriculture and livestock herding occupies a large proportion of the labour force. However, the series of drought years so far this decade has had an important influence on peasant agriculturists and pastoralists with the result that large numbers of workers in these pursuits have been moving to the urban areas and cities in an attempt to change their way of life.

Groundnuts are the key product in the economy and when rains are poor as in 1970, 1972, 1973 and again in 1977, the impact on groundnut production and the economy as a whole is particularly severe. The rainy season July to October 1977 was below normal and patchy and the groundnut crop reaped in the 1977-1978 season was less than half that of the 1976-1977 season and just over a third of that of 1975-1976. Millet and sorghum production also fell in 1977-1978 but by no means as much as for groundnuts.

In the first seven months of 1978, 261,400 tonnes of groundnuts were sold to the major oil works. The totals in 1974 had been 422,500 tonnes, 1975, 725,300 tonnes, 1976, 900,000 tonnes and 1977, 816,000 tonnes.

Senegal: Table 2. Principal agricultural production, 1969/70, 1970/71 and 1975/76 to 1977/78 (thousand tonnes)

	1969/70	1970/71	1975/76	1976/77	1977/78
Groundnuts	789	583	1 444	1 245	600 <sup>a/</sup>
Groundnuts sold	601	454	1 178	960	459
Seed cotton	12	12	39	45	37
Millet and sorghum	635	401	621	554	491
Rice paddy	156	91	134	112	84

Source: Based on national data from Senegal

a/ Estimate based on amount sold.

Cereal production has been inadequate for domestic consumption for a very long period and imports are generally around 300,000 tonnes a year although in difficult years such as 1974 and 1978 the level of importation can increase substantially. In 1978 it was forecast that a further 180,000 tonnes of cereals would be required.

The livestock sector is also important in Senegal and herds which were hard hit in the drought years had recovered by 1977 when there were 2,670,000 cattle and around 3 million sheep and goats. Pig holdings were 173,000 and there were also some 7 million poultry.

The fish catch is large and had grown rapidly from 169,000 tonnes in 1970 to 347,000 tonnes in 1974. However the catch has stayed at around the 1974 level in the three years 1975 to 1977. Tunny fishing is important commercially and the catch in 1977 was 11,902 tonnes.

(b) Mining: Two types of phosphate are mined, calcium phosphate and aluminium phosphate, the former is much more important.

Output of calcium phosphate was 998,000 tonnes in 1970 and had increased to 1,600,000 tonnes in 1975 and stayed at this level in 1976 and 1977. The quantity of aluminium phosphate mined was 130,000 tonnes in 1970 and this rose to 201,000 tonnes in 1975, 208,000 tonnes in 1976 and 275,000 tonnes in 1977.

In the first eight months of 1978, 1,060,000 tonnes of calcium phosphate and 147,000 tonnes of aluminium phosphate were produced.

(c) Manufacturing: Output in this sector is heavily influenced directly by the level of the groundnut crops and indirectly by the size of the peasant's incomes and their impact on the demand for locally produced consumer goods. Products range from food, drink and tobacco through textiles, fertilizers, soaps etc., to petroleum refining.

An index of industrial production is published which includes the output of mining and electricity and water undertakings. This index based on 1969 was about 107 in 1970 and had risen to 147.6 in 1975, 165.0 in 1976 and 185.0 in 1977. In the first half of 1978 it fell back to 139.4 because of the poor performance of the oil expressing plants. For comparison the figure for the first half of 1977 was 153.8.

For manufacturing industry the index had risen from 105 in 1970 to 146.3 in 1975, 165.5 in 1976 and 182.2 in 1977. In the first half of 1978 there was a decline to 127.1 but some part of this fall was due to seasonal factors.

The output of selected manufactured products is given in table 3. There is a project under development to add 200,000 tonnes to the capacity of the oil expressing industry which at present is 1,030,000 tonnes. This new plant should be operational in 1981.

In August 1978 various changes were made to the customs tariff to provide a greater level of protection for certain manufacturing enterprises.

Senegal: Table 3: Output of selected manufactures, 1970 and 1975 to 1977

	1970	1975	1976	1977
Crude groundnut oil (thousand tonnes)	177.4	250.5	307.1	286.4
Beer and soft drinks (thousand hl)	258.2	460.6	513.8	644.8
Lump sugar (thousand tonnes)	21.6	32.8	33.3	44.2
Textiles (tonnes)	4 365 <sup>a/</sup>	...	4 455	5 131
Shoes (thousand pairs)	5 292	5 172	6 151	6 043
Tobacco products (tonnes)	1 647	2 189	2 217	2 265
Cement (thousand tonnes)	241	357	396	329
Petroleum products (thousand tonnes)	546	541	645	668
Tunny fish (tonnes)	10 549	14 225	16 044	11 670

Source: Based on national data from Senegal.

a/ 1971.

(d) Electricity. The rapid growth in electricity production and consumption prevalent since 1960 has continued in the 1970s. Output was 323 million kWh in 1970 and reached 495.2 million in 1977 equal to an average growth rate of 6.3 per cent a year.

(e) Construction. Output in this sector has risen substantially since 1970 and as shown earlier there was an increase in its share of GDP from 4.2 to 5.2 per cent between 1970 and 1977. At constant prices the growth rate was 4.2 per cent a year. The level of investment planned for the 1973-1977 plan was CFAF 322.4 billion but actual realizations reached only CFAF 170.5 billion. For the 1977-1981 plan the investment planned is CFAF 410 million a very substantial advance on what was actually realized in the previous plan period.

(f) Transport services. The port statistics and those for the international airport show considerable growth but the railway tonnage figures reflect a situation of stagnation. There has been an advance in the number of commercial vehicles on the road indicating some tendency to move to road transport at the expense of growth in rail transport. Some data are presented in table 4.

Senegal: Table 4. Selected transport indicators, 1970 and 1975 to 1977

	1970	1975	1976	1977
<u>Ports</u> <sup>a/</sup>				
Freight loaded (thousand tonnes)	1 668	2 188	2 346	2 680
Freight unloaded (thousand tonnes)	1 900	1 562	1 636	1 907
<u>Railways</u>				
Freight (mn tonne/km)	337	369	331	306
<u>Roads</u>				
Commercial vehicles (thousand)	22.1	26.8	28.1	...
<u>Airports</u> <sup>a/</sup>				
Passengers handled (thousand)	351.9	625.7	636.5	757.1

Source: Based on national data from Senegal.

a/ Dakar only.

Consumption of petroleum products excluding diesel oil and fuel oil was 170,000 cubic metres in 1970 and 286,000 cubic metres in 1977: the growth rate was 7.7 per cent a year. Over the same period consumption of diesel fuel rose from 28,300 tonnes to 40,500 tonnes with a growth rate of 5.2 per cent a year.

All the pertinent indicators point to a growth rate in the volume of transport services of at least 5 per cent a year. However, the value added by transport for the GDP at constant prices shows a growth of only 0.6 per cent a year.

(f) Tourism. There was a rapid growth in the number of visitors from 40,000 in 1970 to 168,300 in 1977 and earnings from tourism have helped the economy to develop. The building of a number of additional rooms at hotels and holiday villages had been proposed during 1973 to 1977 to add to the total of 3,340 beds available in 1973.

#### 4. Expenditure and the GDP

As shown in table 5 consumption expenditure, both private and public, took 88.7 per cent of the GDP at market prices in 1970 and 88.8 per cent in 1977. Thus domestic savings were 11.3 per cent of GDP in 1970 and were virtually unchanged at 11.2 per cent in 1977. However, over the period under review the net inflow of goods and services rose from 4.4 to 7.2 per cent of GDP and this increased inflow enabled the proportion of resources to be spent on capital formation including additions to stocks to raise from 15.7 per cent to 18.4 per cent of GDP.

Senegal: Table 5. Expenditure and the GDP, 1970 and 1975 to 1977 (billions of CFA francs)

	1970	Percentage	1975	1976	1977	Percentage
<u>At current prices</u>						
Private consumption	177.3	73.8	325.2	340.8	375.9	73.4
Public consumption	35.7	14.9	61.8	70.0	78.9	15.4
Gross fixed capital formation	30.0	12.5	63.0	77.0	85.5	16.7
Change in stocks	7.7	3.2	15.7	7.0	9.0	1.7
Exports less imports of goods and services	-10.6	-4.4	-22.2	-22.5	-37.0	-7.2
GDP at current market prices	240.1	100.0	443.5	472.3	512.3	100.0

Source: ECA estimates.

#### 5. External trade and balance of payments

There has been an increasing trade deficit recorded for Senegal so far this decade and for 1977 the estimated trade figures show that exports covered 75 per cent of imports compared with 78 per cent in 1970. For 1978 after the disastrous groundnut season of 1977/78, the coverage of imports by exports would have fallen drastically probably to a figure of around 50 per cent.

Groundnuts and its products (oil and residues) made up 56 per cent of exports in 1976 and the percentage would not have been markedly different in 1977. Other significant products include fish and canned fish and crude phosphates.

Major groups amongst imports in 1976 were foodstuffs, fuels and lubricants and machinery and transport equipment. Since 1970 the value of imports of fuels and lubricants have risen fastest because of the large price rises but the cost of food imports has virtually doubled while for machinery and transport equipment the value has more than doubled because of price rises and a greater investment effort.

The data on the balance of payments to 1975 show that the increasing deficit for goods and services has been covered by a higher net inflow of transfers and capital but that the international reserves were also run down significantly in 1973 and to a lesser extent in 1974. The use of IMF credit enabled the international reserves to be increased substantially in more recent years.

Senegal: Table 6. External trade and balance of payments, 1970 and 1975 to 1977  
(billions of CFA francs)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	42.18	99.10	117.09	122.0 <sup>a/</sup>
Imports	53.86	124.62	153.89	163.6 <sup>a/</sup>
Balance	-11.68	-25.52	-36.80	-41.6
<u>Balance of payments</u>				
Goods and services (net)	-13.64	-36.37		
Private transfers (net)	-2.50	0.64		
Government transfers (net)	11.66	17.30		
Capital	-3.78	19.01		
Reserves and related items	-3.22	0.96		
Errors and omissions	3.92	-1.54		

Source: Country data and IMF, International Financial Statistics, vol. XXX, No. 12, December 1977 and vol. XXXII, No. 1 January 1979.

a/ Rough estimates only.

#### 6. Development and external debt

The balance of payments figures show that net transfers receipts to the Government increased from CFAF 11.7 billion in 1970 to CFAF 17.3 billion in 1975. It seems likely that the aid inflow represented by such figures has increased further since 1975 and one report stated that French aid had doubled in the five years to 1977 and was valued at approximately CFAF 22 billion in that year.

Apart from aid proper, Senegal has been borrowing fairly heavily and the level of its external debt has increased. Investment payments rose to CFAF 16.4 billion in 1975 from CFAF 4.8 billion in 1970. According to the World Bank, Senegal's service payments on external debt were equal to 6.1 per cent of exports of goods and services in 1976. With the fall in exports and the increasing trend in debt service payments, this proportion would have risen significantly in 1978.



## 7. Government revenue and expenditure

As indicated earlier the actual level of government revenue varies being dependent to some extent on the size of the groundnut crop and the level of peasant incomes. In a good crop year consumer demand rises sharply and customs and excise collection increase accordingly. However, the data given in table 6 show that over the seven years 1970/71 to 1977/78 recurrent revenue has increased at an annual average rate of 15 per cent but figures for the years not given in the table show a relatively small rate of increase up to 1974/75 but large subsequent rises.

Government recurrent expenditure has risen less rapidly than revenue and up to 1977/78 it was possible to allocate the larger surpluses to the capital account. The average increase in recurrent expenditure from 1970/71 to 1977/78 was 12 per cent a year and the recurrent budget surplus in 1977/78 was CFAF 22.7 billion compared with CFAF 2.0 billion in 1970/71. However, the budget estimates for 1978/79 show that the budget surplus could be as low as CFAF 2.5 billion as revenue is expected to fall slightly at a time of increasing expenditure.

The level of capital spending has risen very rapidly this decade from CFAF 1.2 billion in 1970/71 to CFAF 26.1 billion in 1977/78.

Senegal: Table 6. Government revenue and expenditure, 1970/71 and 1975/76 to 1978/79  
(millions of CFA francs)

	1970/71	1975/76	1976/77	1977/78 <sup>a/</sup>	1978/79 <sup>b/</sup>
Recurrent receipts	38 933	68 728	80 466	103 882	103 470
Recurrent expenditure	36 954	60 313	74 577	81 181	101 000
Capital receipts	75	1 578	4 748	...	32 530
Capital expenditure	1 169	8 853	16 226	26 112	35 000
Balance	+ 885	+1 140	-5 589	...	Nil

Source: National data up to 1977/78. Press reports for 1978/79.

a/ Estimated outturn.

b/ Budget estimates.

Up to December 1975 the size of government borrowings from the banking system was quite small but in 1976 net claims of the banking system on the Government rose by CFAF 12.14 billion and there was a further increase of CFAF 2.66 billion in 1977. Data for the first seven months of 1978 suggest a further substantial rise in the government's debt to the banking system.

A press report in 1978 stated that measures had been taken in August by the Government to raise various customs duties in order to increase both revenue and the degree of protection for local industry.

## 8. Money and banking

The data given in table 7 show that Senegal has pursued a generally expansionist credit policy since 1970 and total domestic credit has increased from CFAF 37.52 billion at December 1970 to CFAF 162.72 billion at December 1977 equal to an average annual growth rate of 23.3 per cent.

Senegal: Table 7. Monetary survey, 1970 and 1975 to 1978 (millions of CFA francs)

	End 1970	End 1975	End 1976	End 1977	July 1978
Net foreign assets	5.21	-10.31	-10.70	-12.93	-21.49
Domestic credit					
Net claims on Government	-0.03	1.87	14.01	16.67	18.27
Claims on private sector	37.55	106.94	122.97	146.05	164.86
Money	34.50	75.17	94.89	109.12	113.89
Quasi-money	2.77	10.92	18.76	21.85	30.28
Other items (net)	5.47	12.41	12.64	18.83	17.47

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977, vol. XXXII, No. 1, January 1979.

Over this period the level of net foreign assets has declined from a positive CFAF 5.21 billion to a negative CFAF 12.93 billion and this has helped to keep down the rate of growth in money supply. There has also been a particular rise in the quantity of money held on savings and time deposits so that the increase in money proper has averaged 17.9 per cent a year. Including quasi-money the rate of growth in money supply was 19.7 per cent annually.

Figures of the rise in consumer prices show an annual rate of only 9.5 per cent between 1970 and 1977 which is very much less than the growth in money proper.

In the first seven months of 1978 net foreign assets continued to decline while domestic credit, money proper and quasi-money all recorded rises. The increase in money proper was only 4.4 per cent between December 1977 and July 1978 but for quasi-money the rise was 38.6 per cent.

## 9. Wages and prices

Wage rises were granted in 1974 and 1975 to compensate for the reduction in subsidies on basic food items. These rises were given on a sliding scale with high increases for low wage earners and much smaller ones for high salary earners. Data since 1975 are not available.

Consumer prices rose by an average of 9.5 per cent a year between 1970 and 1977 and when measured by the expenditure pattern of the traditional African family the average rate of increase was 11.4 per cent. There were particularly large rises in consumer prices in 1974 of 13.9 per cent and in 1975 of 22 per cent but since inflation has been reduced to 6 per cent in 1976 and 6.6 per cent in 1977. In the first eight months of 1978 the consumer prices index rose by 7.6 per cent with an acceleration in the rate of inflation since April 1978.

## 9. Employment and unemployment

In 1976 there were 140,000 persons in wage employment. There were possibly a further 40,000 in 1976 working in the informal sector and the total of 180,000 probably compares with about 130,000 at the start of the decade. However the main activity of the 2 million or so persons economically active in Senegal is self-employment in agriculture, although there are now thought to be about 400,000 persons economically active in the growing urban areas. In the period of the fifth development plan 1977 to 1981 it is hoped to create 60,000 additional jobs in the private and public sectors but this total would not be enough to provide work for all.

Unemployment has become increasingly serious in Senegal and is openly visible in the urban areas in particular. The very erratic nature of the rainfall pattern in the recent period in Senegal has acted as a spur to migration from the rural areas and such migration to the urban areas has had its own impact on urban unemployment.

## 10. Other social sectors

(a) Education. The enrolments at the various level in education in 1977 were 346,774 primary, 71,865 secondary and 8,753 higher students; in 1970 the corresponding totals were 257,708, 51,221 and 3,559. Education development in Senegal has thus tended to emphasize the secondary and higher levels since 1970 and the primary enrolment rate in 1977 was still only about 34 per cent. However, the faster growth rates in secondary and higher education mean that now Senegal is in a better position to meet its future requirements for higher- and middle-level manpower.

The fifth development plan aims as a minimum objective at maintaining a growth rate in primary enrolments which is at least equal to the growth rate of the children in the eligible age group.

(b) Health services. The growth in hospital beds since 1970 does not appear to have kept pace with the increase in the population so that in 1976 there were on average 844 persons per hospital bed compared with 812 in 1970. The data on the number of doctors and nurses appear to show the same tendency but the figures available may not be reliable.

The fifth development plan calls for some increase in the coverage of health services and emphasizes regional health centres and supporting units at the required level. Training facilities are also being extended.

(c) Housing. There is a shortage of housing in the urban areas and only 10 per cent of all wage and salary earners have incomes enabling them to take advantage of the facilities offered by the Office for Housing at Moderate Rents. The Government has therefore accelerated the development of its site and service policy as well as other programmes to increase the availability of housing. At least 5,000 dwellings and 22,100 site-and-service plots are expected to be developed in the four years to 1981.

## B. MAJOR PROBLEMS

Probably the most serious of Senegal's problems is the erratic nature of the rainfall which can cause a variation in total crop production of as much as 50 per cent between seasons. In the particularly bad drought period of the early 1970s livestock losses were also very heavy.

In seasons where agricultural output is seriously affected, the country's balance of payments in the following calendar year can reach a dangerous level of disequilibrium. This is the case in 1978 when the poor groundnut crop of 1977/78 has led to a fall in export earnings estimated at around CFAF 50 billion or about 40 per cent of the value of exports in 1977. At the same time Government revenues can be hard-hit and very low peasant incomes have an adverse impact on consumer demand. In addition the oil expressing plants can only work at a portion of their capacity because of shortages of raw materials.

One other adverse effect of the switchback in groundnut production which has prevailed much of this decade is to encourage migration from the rural areas. One estimate is that emigration from these areas is running at 50,000 a year or equal to about 1 per cent of Senegal's total population. The scale of this migration is creating problems in the urban areas, not least of rapidly increasing unemployment.

Senegal also suffers from a permanent deficit in its cereal output related to demand. In bad years this 300,000 tonnes deficit has to be supplemented by as much as an additional 200,000 tonnes.

#### C. INTERNAL DEVELOPMENT POLICIES

The authorities have been striving for some time to diversify the economy in order to reduce the dependence on the single crop, groundnuts, but there is also evidence of a desire to increase the capacity of the country's oil expressing plants which must presumably be related to the expectation of a continuing increase in total groundnut production on a long term trend basis.

In the field of manufacturing industry the strategy for development in the 1960s was import substitution; in the 1970s export industries received some emphasis and the latest strategy is towards more fully integrated industries to increase linkages within the economy.

The GDP growth rate aimed for in the 1977 to 1981 plan period is 5.8 per cent a year and the investment forecast of CFAF 410 billion over 4 years is more than twice as high as that actually realized in the previous plan period. The division of investment expenditure emphasizes agriculture, industry and the infrastructure. For industry a growth rate of 7 to 8 per cent a year is aimed for.

As mentioned earlier, in August 1978 measures were taken to increase the level of tariff protection on selected sectors of manufacturing industry to improve their capacity working.

The Government has been following policies aimed at stimulating agricultural production and there is an emphasis on increasing food output, prices to farmers have been increased and the marketing of groundnuts has been reorganized.

Measures to control of the country's water resources are being carried out in co-operation with neighbouring states all of whom are in the Sahel group of countries.

D. PROSPECTS FOR 1978 TO 1980

The year 1978 has proved to be extremely difficult with a large deficit on external trade account, stagnation in Government revenue, a substantial fall in the GDP at constant prices and some tendency towards increasing inflation. One estimate is that the GDP at constant prices may fall by 10 per cent but this may prove to be an overestimate.

For 1979 the prospects are much brighter, the rains in July to October 1978 were good and a bumper groundnut harvest is promised. This should more than offset the losses incurred in 1978 and restore growth in the economy.

E. ECONOMIC CO-OPERATION

Senegal is actively co-operating with Mali and Mauritania on the development of the River Senegal basin and with Gambia on the development of the basin of the River Gambia.

In the River Senegal the building of two large dams, Manantali and Diama is to proceed in stages and of the total cost currently estimated at \$US 872 million, contributions totalling \$US 406 million have already been obtained. The projects cover agricultural, industrial, mining, developments and river navigation.

In the River Gambia basin it is hoped to irrigate an area of 100,000 hectares and to produce hydro-electric power. A number of dams are to be built.

SEYCHELLES

A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

1. Introduction

The rapid growth of the economy of the Seychelles since 1970 originated in the opening of the international airport in July 1971 which has led to increasing numbers of tourists visiting the islands and to a fast growth of hotels and other tourist facilities. The construction industry expanded rapidly in the early years of the decade and after some fall managed to maintain its level of employment in recent years as development expenditure has continued at a substantial rate. The population in 1977 was counted at 61,900 and there were 37 per cent living in the urban area of Victoria and its suburbs. Virtually all eligible children were attending primary school and substantial numbers were in junior and senior secondary education. There were 23,400 persons actively employed and 2,600 others seeking work.

The growth rate of the economy at constant prices from 1970 to 1977 has probably averaged 6 per cent a year; at current prices it has been much faster because of the substantial rate of inflation sparked off to some extent by the development of tourism but also by international events. Between 1971 and 1977 the GDP growth rate at current prices was about 26 per cent a year giving an implicit GDP deflator of 19 per cent a year. In fact consumer prices rose by 224 per cent or an average of 18.3 per cent a year between 1970 and 1977. In 1978 the rate of inflation appears to have declined to 11.7 per cent.

Total imports and exports were valued at 67.8 million Seychelles rupees in 1970 and at Sey.R's 427.5 million in 1977 equal to an average growth rate of 30.1 per cent a year. However, imports have grown much more rapidly than domestic exports and their net total excluding reexports rose from Sey.R's 54.2 million in 1970 to 296.3 million in 1977; domestic exports grew from Sey.R's 10.2 to 24.4 million.

The very large and increasing trade deficit has been covered by the earnings from tourism and the inflow of foreign funds for development. In 1977 tourist earnings (gross) were estimated at Sey.R's 175 million but this may be an overestimate. Whatever their level they were certainly sufficient to pay for more than half the visible trade deficit of Sey. R's 272 million in 1977. The capital and aid inflow covered the remaining part of the deficit and there was a small increase in net foreign assets.

The development of tourism and associated capital expenditure on the economic infrastructure and hotels has had an important ripple effect on the economy as a whole but major beneficiaries apart from hotels and restaurants have been commerce, transport and services. Unfortunately, the major productive sector agriculture, forestry and fishing has seen little increase in the volume of its output this decade and imports of food and live animals have risen much more rapidly than the value of agricultural output in order to meet the increasing demand.

The development plan for 1978 to 1982 is intended to attempt to remedy the housing problem, to improve the living conditions of all Seychelles, to raise food production, and to aim for full employment. The plan covers a total investment of Sey.R's 861 million at 1978 prices and includes a high element of construction estimated at 510 million. The major sectors are fishing, agriculture, water development, education and housing and port expansion.

In 1978 the tourist industry has continued to grow with arrivals 19 per cent higher in the first 11 months of the year than in the same period of 1977. This has probably led to a further rise in imports while higher capital expenditure has had the same effect. The rise in consumer prices in 1978 has been more muted than in earlier years, the index for January to October 1978 was 11.7 per cent higher than for the first 10 months of 1977. The indications are for a further rise in GDP at constant prices of about 8 per cent and at current prices of about 20 per cent in 1978.

## 2. GDP by industrial origin

The data for the GDP are constantly being revised and it is likely that estimates prepared for 1971 are not strictly comparable with those for 1976. However, what is available is presented in table 1.

Seychelles: Table 1. GDP by source, 1971 to 1976 (million Seychelles rupees)

Current prices	1971	Per cent	1975	1976	Per cent
Agriculture, forestry, fishing	17.5	21.2	31.0	52.8	15.8
Mining	0.2	0.2	...	16.2	4.9
Manufacturing <sup>a/</sup>	1.1	1.3	10.0		
Electricity and water	0.7 <sup>b/</sup>	0.8	3.0	4.1	1.3
Construction	16.1	19.5	20.0	35.0	10.5
Wholesale and retail trade	10.4	12.6	50.0	62.1 <sup>c/</sup>	18.6
Hotels and restaurants					
Transport and communications	3.5	4.2	30.0 <sup>c/</sup>	51.7 <sup>c/</sup>	15.5
Services	33.2	40.2	63.0 <sup>c/</sup>	111.6	33.4
Total GDP at factor cost	82.7	100.0	207.0	333.5	100.0

Source: Based on national data from Seychelles.

a/ and handicrafts.

b/ Electricity only.

c/ Estimates.

Between 1971 and 1976 the share in GDP of commerce, hotels and restaurants, transport and manufacturing including handicrafts expanded considerably. The particularly high increase of from 4.2 per cent to 15.5 per cent for transport and communications was due to growth in all forms of transport. The handicraft sector has grown to meet tourist demands while there have been a number of new factories developed in manufacturing. The share of manufacturing and handicrafts in GDP rose from 1.1 to about 4.8 per cent and of commerce hotels and restaurants from 12.6 to about 18.6 per cent.

Sectors to show declining importance in the GDP between 1971 and 1976 include agriculture, forestry and fishing, down from 21.2 to 15.8 per cent; construction with a fall from 19.5 to 10.5 per cent and other services from 40.2 to 33.4 per cent. While the economy has been diversified over this period it has become increasingly dependent on tourism.

### 3. Selected economic sectors

(a) Agriculture, forestry, fishing. Tree crops are particularly important in agriculture and exports from the Seychelles are still heavily dependent on copra and cinnamon bark. Coconut palms and cinnamon are grown on plantations in association with fruit and other trees. Approximately 29,000 acres of the total area suitable for crops of 55,000 acres are planted with coconuts and the total area under tree crops is about 53,000 acres. In the recent period an increasing proportion of the coconuts produced have been used for food and drink and as a source of cooking oil and soap. The diversion of labour from agricultural employment to construction and tourism has led to a considerable decline in copra production between 1971 and 1976 and the volume exported fell from 3491 long tons (of 2,240 lb) in 1971 to 2748 tons in 1976; there was a small recovery to 2918 long tons in 1977. There was also a decline in cinnamon bark exports from 1277 long tons in 1971 to 1153 tons in 1976 and 799 long tons in 1977.

Other agricultural products include sweet potatoes, yams, cassava, bananas, sugar-cane and tea, also fruits such as mangoes, pineapple, pawpaw and citrus. It was shown earlier that imports of food products have risen sharply since 1971.

In 1977 there were 9472 acres under forests but only 1800 acres were exploited commercially. There is a policy of replanting areas to hardwoods and the current programme covers some 200 acres a year.

Fishing production is in the region of 5,500 tonnes a year mainly for domestic consumption but more recently exports have been developed. In 1977 a total of 417 tonnes of frozen fish was exported.

The Seychellois are large fish eaters and it is intended to develop the fishing industry to catch a higher proportion of the fish round the islands. There is a project under development to catch tuna fish and four vessels should be used in this way in 1979. Most of the catch will be exported in frozen form. Another development in fishing is the proposal to license foreign vessels so that Seychelles can begin to benefit from the fish caught in its 200 mile economic zone. The total area of the Indian Ocean covered is in the region of 400,000 square miles and licensing will restrict the types of gear and fish to be caught as well as charging an annual fee based on the total catch.

In agriculture itself it is proposed to move towards more self-sufficiency in food production and to raise the level of cattle in the islands to about 6,000 from the present 2,300. The more common livestock at present are pigs, with 10,600 held by householders in 1977, and poultry.

(b) Mining. This is restricted to the mining of guano used as a fertilizer. There are extensive deposits on some of the islands but production has been declining due mainly to the attractions of other types of employment. Production has fallen from 9,400 tonnes in 1971 to 5,300 tonnes in 1977.

(c) Manufacturing. There are approximately 50 establishments but apart from a few, all are very small employers. The larger units are a brewery, a cigarette factory and a plastics factory. Other factories produce local handicraft items, furniture, clothing, boats and bottle soft drinks.

Output of beer and stout rose from 1 million litres in 1972 when production started to 3.2 million in 1973 and after a decline to 2.6 million litres in 1975 has risen to 3.7 million litres in 1977. Production of cigarettes started in 1974 and output reached 22.6 million units in 1977.



(d) Electricity. The installed capacity was 3,380 kw in 1970 but had risen to 10,880 kw in 1975 and stayed at this level in 1976. Production has grown sharply from 6,856,000 kWh in 1970 to 37,430,000 kWh in 1977 with particularly large rises in output in 1971 to 1973. The average rate of production increase has been 28 per cent per year. It was down to 12 per cent in 1977.

(e) Construction. This was a sector of considerable growth in the years 1970 to 1973 as substantial investments were made in the hotels and tourist infrastructure. There was a fall in employment in 1974 and 1975 as investment was affected by the general world recession but since 1975 a steady rise in employment and output has been recorded. In 1976 this sector contributed 10.5 per cent of total GDP and the result for 1977 will probably be similar. The new plan 1978 to 1982 calls for a high rate of investment which should serve to create more employment in the construction industry.

(f) Transport services. Some data on the physical output of this sector are presented in table 2. A major growth sector has been in air traffic especially since the international airport was opened in 1971. Not shown in the table is information on road traffic developments but figures on new vehicle registrations suggest a substantial build up since 1970. From 1972 to 1976 total new vehicle registrations were 3118, a high figure in relation to the total population and the existing vehicle stock.

Seychelles: Table 2. Transport indicators, 1971 to 1977

	1971	1972	1975	1976	1977
<u>Victoria Port</u>					
Ships calling	340	324	302	295	324
<u>Sea freight (thousand tonnes)</u>					
Imports	83.8	106.7	102.8	112.4	132.5
Exports	14.5	16.0	10.8	12.3	13.0
<u>Air traffic (passengers)</u>					
International (thousand)	...	45	112	148	186
Domestic (thousand)	...	6	25	38	72

Source: National data from Seychelles.

Imports by sea have risen in volume by 58 per cent from 1971 to 1977 but exports have fallen due to the substantial reduction in exports of guano from the outer islands.

The number of air passengers handled has risen particularly rapidly from 51,000 in 1972 to 258,000 in 1977. Prior to 1971 air traffic was probably virtually non-existent.

(g) Tourism. As already mentioned this has been a sector of high growth and it has also stimulated a rapid advance in the economy as a whole. Table 3 provides information on tourism developments.

Seychelles: Table 3. Tourism, 1971 to 1977

	1971	1972	1975	1976	1977
Visitor arrivals (thousand)	3.2	15.2	37.3	49.5	54.5
Hotel bednights (thousand)	...	148	316	449	487
Occupancy rate (per cent)	...	64	62	66	68
Tourist earnings (million Sey.rupees)	...	18.0	85.0	140.0	175.0

Source: National data from Seychelles.

The number of hotel beds has risen from 550 at January 1972 to 2040 at December 1977 and a further to 2250 at september 1978.

#### 4. Expenditure and the GDP

In 1976 private consumption totalled Sey. R's 240.3 million (or 64.1 per cent of GDP), public consumption 80.8 million (or 21.6 per cent of GDP) and capital formation 119 million (or 31.8 per cent of GDP). Total GDP at market prices was 374.6 million. The share of domestic savings in GDP was about 14.3 per cent indicating a resource gap of about 17.5 per cent of GDP or about 55 per cent of capital formation which was covered by resources inflows from abroad. Rough data suggests that in 1971 the ratio of capital formation to GDP was 38 per cent and in 1975 it was 30 per cent.

#### 5. External trade and balance of payments

The large and increasing trade deficit of the Seychelles has already been mentioned. Table 4 gives the data for the external trade and balance of payments. They show a large and increasing trade deficit but overall a surplus on the basic balance of payments due to the large inflow of foreign capital.

The current account deficit of the balance of payments is much less than the balance of visible trade largely because of the increasing earnings from tourism. Another factor is a rising level of net transfer receipts but details of the latter are not available.

There has been a rising level of capital inflow over the years shown in table 4 and as the net total has been higher than the current account deficit, Seychelles foreign reserves have been increased.

The detailed external trade figures show little evidence of any rise in volume of domestic exports since 1970 but at the same time imports have risen in volume while their prices have also increased.

Seychelles: Table 4. External trade and balance of payments, 1970 and 1972, 1975 to 1977 (million Seychelles rupees)

External trade	1970	1972	1975	1976	1977
Exports	10.16	9.53	12.90	17.91	24.39
Re-export	1.73	3.75	22.10	39.73	53.37
Imports	55.92	111.67	191.35	290.62	349.74
Balance	-44.03	-98.39	-156.35	-232.98	-271.98
<u>Balance of payments</u>					
Current account (net)	...	-79.9	-61.9	-69.3	-50.5
Capital <sup>a/</sup> (net)	...	86.6	88.6	111.8	...
Reserves and related items	...	-6.7	-26.7	-47.5	...

Source: National data from Seychelles.

a/ Includes errors and omissions.

The external trade figures for 1978 are not yet available but higher tourist earnings would suggest a further rise in imports and a higher visible deficit.

A feature of the trade figures since 1970 has been the sharp rise in re-exports from Sey.R's 1.73 million to Sey.R's 53.37 million virtually all the increase being due to higher petroleum, oil and lubricant sales to ships and aircraft.

#### 6. Development aid and external debt

In the period 1972 to 1977 grants received from various sources but largely from the United Kingdom totalled 236 million Seychelles rupees. Over the same period the public external debt increased from Sey.R's 6.5 million to 11.0 million. In 1978 itself a large proportion of the large capital budget was expected to be financed from foreign loans.

The public debt service charges in 1977 shown in the budget estimates were Sey.R's 2.14 million, in 1978 the figure increased to 4.04 million.

#### 7. Government revenue and expenditure

There have been large increases in recurrent revenue and expenditure from 1972 to 1978 and the capital expenditure estimates show a particularly sharp rise in 1978 itself.

The increase in local recurrent revenue from Sey. R's 42.2 million in 1972 to an estimated 185.4 million in 1978 is equal to an average annual growth rate of 28 per cent. For recurrent expenditure the increase is from Sey.R's 43.1 million to 195.2 million on a comparable basis giving an annual average rate of growth of 28.6 per cent. Capital expenditure was estimated at Sey.R's 128.2 million in 1978 (including minor capital works included in the recurrent budget) which is more than three times the level of 1972.

Seychelles: Table 5. Government revenue and expenditure, 1972 and 1975 to 1978  
(million Seychelles rupees)

	1972	1975	1976	Rev. Est. 1977	Estimates 1978
Local recurrent revenue	42.2	78.5	107.0	139.3 <sup>a/</sup>	185.4
Recurrent expenditure	43.1	89.8	120.2	163.8 <sup>a/</sup>	205.2 <sup>a/</sup>
Grants (mainly UK)	37.5	32.7	52.6	51.4	23.3
Other capital receipts	0.2	3.5	...	...	...
Capital expenditure	38.1	33.7	45.0	40.0	118.2
Surplus or deficit	-1.3	-8.8	-5.6	...	...

Source: National data from Seychelles.

a/ Includes minor capital expenditure items totalling 14.4 million in 1977 and 10 million in 1978.

Information on the financing of the capital budgets in 1977 and 1978 is not complete but it seems that external loans were a major source of funds in 1978.

The development plan to run for five years from June 1978 calls for a total investment expenditure by Government of Sey. R's 861 million at 1978 prices with particularly high rates of 200 million and 247 million respectively in the first two years of the plan period.

#### 8. Money and banking

The Seychelles rupee has a fixed exchange rate with the pound sterling and consequently its value has fluctuated in line with that of the pound. On 1st December 1978 it was proposed to create a monetary authority for the Seychelles which will progressively take on functions similar to those of a central bank. At present there are 7 commercial banks and the Development Bank of the Seychelles began operations in February 1978. Initially this bank is expected to concentrate on loans to the agricultural sector and to small businessmen.

The growth of domestic credit to the private sector has been high and the total has risen from Sey.R's 19.4 million at December 1971 to 117.4 million at December 1977 and further to 127.1 million at June 1978. The annual rate of growth from 1971 to 1977 was 35 per cent a year. Net claims on Government rose from Sey.R's 1.1 million at December 1971 to 10 million at the end of 1976 and then fell to Sey.R's 8.2 million by December 1977. Between 1971 and 1977, the average annual growth rate was 39.8 per cent.

Net foreign assets have also grown rapidly from Sey.R's 27.6 million to 76.5 million over this period but here the annual growth rate averages 15.8 per cent.

Seychelles: Table 6. Monetary survey, 1971 and 1975 to 1978 (million Seychelles rupees)

	End 1971	End 1975	End 1976	End 1977	June 1978
Net foreign assets	27.6	42.9	68.6	76.5	83.2
Domestic credit					
Net claims on Government	1.1	7.1	10.0	8.2	7.7
Claims on private sector	19.4	55.2	83.9	117.4	127.1
Money	25.4	48.0	66.1	81.3	90.1
Quasi-money	22.2	54.5	82.6	96.2	101.8
Other items (net)	0.5	2.7	13.8	24.6	25.6

Source: National data from Seychelles.

Money proper grew at a lower rate than quasi-money between 1971 and 1977 and as a result the total quasi-money (sums held on time or savings deposits) was more than money proper at December 1977. The annual average growth rates were 21.4 per cent for money and 27.7 per cent for quasi-money; for total money supply including quasi-money the growth rate was over 24 per cent yearly. Such relatively high rates of increase in total money supply have been associated with the substantial increases in consumer prices.

In the first half of 1978 net foreign assets continued to rise and credit to the private sector increased by 8.3 per cent. Money was 11.3 per cent higher at June 1978 than December 1977 and quasi-money 5.8 per cent more.

#### 9. Wages and prices

Between July 1972 and June 1976 basic monthly wages of unskilled unestablished government workers rose from 155 to 359 rupees per month, those of skilled workers grade 1 from 250 to 473 rupees and of senior tradesmen from 474 to 793 rupees per month. Over the same period minimum wages of labourers in the construction industry increased from 1.04 to 2.26 rupees per hour, of joiners from 1.75 to 3.66 rupees per hour and of plumbers from 2.90 to 6.04 rupees per hour.

In November 1974 average earnings of all workers were 538 rupees per head and in December 1977 1045 rupees. The averages for the public sector were more than those for the private sector at both dates.

Thus the available data shows that wages have increased substantially since 1972 and certainly in the period 1974 to 1977 real earnings increased probably by as much as 30 per cent.

In 1978 the Government announced that it would formulate a wages policy to guide future increases.

Consumer prices have risen rapidly so far this decade at an average annual rate of 18.3 per cent. The worst period for inflation was 1972 to 1975 when the average increase was more than 20 per cent a year. In January to October 1978 consumer prices rose by 11.7 per cent over the same period in 1977 indicating a slowdown in the rate of price inflation.

## 10. Employment and unemployment

As mentioned earlier the population census in August 1977 counted 23,400 persons actively employed and 2,600 others seeking work. Of the persons actively employed 19,773 were in wage employment and 3,077 were self-employed; a further 489 were classed as underemployed.

Formal wage employment as measured by regular enquiries has grown from 11,730 in November 1971 to 16,160 in November 1977, an increase of 38 per cent in 6 years. Despite this relatively high rate of increase, the census of 1977 showed that about 10 per cent of the labour force was seeking work.

## 11. Other social sectors

(a) Education. The growth in enrolment since 1971 has been largely in secondary education as primary education had already achieved a high enrolment rate at the start of this decade. In 1977 there were 10,051 primary school pupils compared with 9669 in 1971, the total in 1977 being less than the peak of 10,275 recorded in 1973. The primary enrolment rate in 1977 was 95 per cent of the eligible age group.

In junior and senior secondary schools the total enrolment was 4208 in 1977 and in 1971 it had been 2,310. Most pupils are in junior secondary schools.

The new development plan 1979 to 1982 introduces a new approach to education to make the people better understand the developments around them and to help create a better place for the future. Education must also endow the skills and attitudes needed to achieve higher standards of production. To achieve this and other aims education in the broadest sense and of the highest attainable quality must be made available equally to all.

(b) Health. The Seychelles is relatively well served in terms of hospital beds and doctors per head of population but there is no good spread of facilities outside the main urban centre. The main hospital is situated on the outskirts of Victoria and has 142 beds. It was being redeveloped in 1976. There are cottage-type hospitals at Anse Royale in South Mahe and on the islands of Proslin and La Digne. The medical division of the Government service had 14 medical officers and specialists in 1976 and the nursing service a total establishment of just over 200 nurses and midwives. The public health service had 24 nurses, eight of whom lived and worked at peripheral clinics. There were also five private practitioners in practice.

Policy is to upgrade the preventive health services and to upgrade facilities at the Victoria Hospital. Under a national health plan in process of formulation, free services will be provided to all residents except those who insist on private service. Preventive health care emphasizes a policy of taking health care to the people and thus most of the programme is for clinic development.

(c) Housing. It is the main priority of the Government to provide adequate housing for all the people. Housing needs involve removing the backlog by replacing

unsatisfactory dwellings and ~~building with others~~ for those families living in overcrowded conditions and also meeting the new demand. The plan 1978-1982 covers a total of Sey.R's 96 million for housing with 1950 new units to be built by the Government or with Government funds. A new home ownership scheme is being introduced.

(d) Income distribution. A sample of private employees covered by the provident fund in November 1975 showed that approximately 20 per cent earned less than 200 rupees a month, and a further 20 per cent were paid 600 or more rupees a month. Government employees were better paid on the average but for them also a similar type of income distribution is thought to exist. Data on the incomes of the self-employed are not available but there were obviously wide variations amongst the 3,077 self-employed and 489 underemployed persons counted by the census in August 1977.

(e) Social welfare. The National Provident Fund is a major vehicle for social security and its coverage has increased rapidly since 1971 as have the annual contributions. These totalled Sey.R's 9.0 million in 1977 compared with 1.1 million in 1971 and because of low pay-outs and earned interest the fund stood at Sey.R's 37.0 million in December 1977. In 1977 loans from the fund to Government increased by Sey.R's 4.25 million to reach 11.25 million.

A new social security scheme is to be worked out based on contributions of a fixed proportion of income. The scheme will offer flat-rate benefits for sickness, invalidity and maternity and flat-rate pensions on retirement and for survivors, also a funeral grant. The basis of the payments will be a minimum subsistence level which has been calculated for Seychelles.

### B. MAJOR PROBLEMS

Perhaps the most important problem is how to maintain the substantial growth rate recorded since 1971. A high growth rate for the economy is essential to create employment sufficient to absorb new entrants to the labour force and the 2,600 persons seeking work in August 1977.

The relatively poor performance in agriculture since 1970 has to some extent resulted from the attractions of other types of employment, e.g. in construction and the tourist industry. The result has been a lower volume of export products and more recourse to imports of food items to feed the population and the tourist visitors.

High capital spending is creating a problem of obtaining sufficient funds. With only limited domestic savings ~~there is~~ being made to foreign borrowing.

There is at present a very large trade deficit financed both by receipts from tourism and the foreign capital inflow. There is some danger in this combination and the Government is attempting to diversify the economy to reduce the dependence on tourism in particular.

A shortage of qualified manpower calls for more emphasis on the right sort of education at the secondary level. In the social field it is also necessary to improve the geographical spread of health services and to remedy the present acute housing shortage from which many low-income families are suffering.

### C. INTERNAL DEVELOPMENT POLICIES

The policies for the social sectors, education, health, housing and social security have already been discussed. Progress in the directions indicated will go a long way to improving the living conditions of those most in need and prepare people better to contribute effectively, economically and socially.

In agriculture there is a requirement to achieve a high degree of self-sufficiency in food production. By expanding domestic production food can be provided for the local population and tourists and imports can be reduced bringing benefits to the balance of payments. More local production will help supply the needs of industries dependent on agricultural inputs. Agricultural exports need to be restored to previous levels.

To help achieve these aims, it is intended to ensure that all land is used in the best available way and to provide the essential infrastructure and services required by the industry.

Fishing will be encouraged and there is a project for commercial fishing of tuna for export. The extension of Seychelles economic zone to 200 miles has meant that the fish stocks in the zone must be exploited to the country's benefit. A licensing system will be introduced for this purpose.

In industry it is considered there is a major scope for the development of agro-industries such as production of oils, soap, etc. Small-scale enterprises are expected to predominate but there is scope for some export-oriented production.

The further development of tourism is expected to result in a total of 100,000 visitors staying 10 days on average by 1982. The total hotel beds should rise to 4,100 in 1982. Further investment in training facilities for the tourist industry is proposed. Tourism has a potential in other islands in the group and this is being studied. The benefits to the economy from tourism including government revenue will be maximised.

The outer islands have a high potential for agriculture and fishing and need to be developed properly. They must be better integrated into the whole of the Seychelles to see that economic benefits are more evenly spread.

Administrative, financial and construction capacity constraints to development are being tackled to ensure that none act as a brake on the investment programme proposed.

The level of inflation has been a problem in all years this decade and a wages policy is now necessary so as to reach a more acceptable level of price increases and reduce inflation. Productivity increases are not inflationary and it is Government's intention that everyone should share in productivity increases according to his ability. Price control is also being used to help contain inflation.

The five-year education development plan, in pursuance of education policy, aims at providing 9 years of universal education from age 6, equal opportunity and the expansion of senior secondary and technical and vocational training.

In brief, development strategy aims at remedying the housing situation, improving the material conditions of all Seychelles, achieving a high degree of self-sufficiency in food production, achieving full employment, making optimum use of available human and physical resources, providing decent health services to the whole population, introducing responsible family planning and preserving the natural environment.



#### D. PROSPECTS FOR 1978 TO 1980

In general these depend on the continuance of growth in the tourist industry, the effective achievement of a high level of investment expenditure and early production from projects being implemented. For 1978 the number of visitors has increased by 19 per cent and thus higher earnings from tourism will benefit the economy. The investment programme has been heavy and this with tourist expenditure has probably led to a widening of the visible trade gap. On balance a GDP growth rate at constant prices of about 8 per cent and at least 20 per cent at current prices was probably achieved in 1978.

For the years 1979 and 1980 the most appropriate forecast is that the economy will grow at near the rate of 6 per cent achieved in the first seven years of this decade.

SIERRA LEONE

A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

1. Introduction

In the past Sierra Leone was heavily dependent on its mineral production and above all on diamonds, which alone contributed 17.5 per cent of GDP in 1970 and supplied 76.3 per cent of exports. Up to 1974/75 the economy was growing at a rate equivalent to the rate of population increase, but a combination of factors including the world recession, the decline of Sierra Leone diamond production and later the complete cessation of iron ore mining, produced a drop in aggregate production. In 1975/76 GDP at factor cost fell by 2 per cent at constant prices but in 1976/77 the economy recovered somewhat, GDP growing by 1.1 per cent while provisional estimates show an increase of 1.5 per cent in 1977/78. This small improvement in economic conditions over these two years was due essentially to higher prices for Sierra Leone exports and in particular for coffee, cocoa and diamonds. The improvement of conditions in the world economy contributed and there were larger external resources available but domestically policy measures were introduced by the Government to control imports, to reduce the increase in public expenditure and raise revenues.

Between 1970/71 and 1976/77 the average increase in GDP at current prices was 13.1 per cent a year and at constant prices 1.4 per cent giving an apparent GDP deflator of 11.5 per cent which compares with an annual increase in consumer prices of 9.9 per cent. Over the period under review there was no increase in investment as a proportion of GDP but starting in 1975/76 there were large balance of payments deficits and substantial deficits in the Government budget with recourse to the domestic banking system for borrowing to fill the gap.

The increase in consumer prices which had remained around 5 per cent in the first years of the decade rose to 14.4 per cent in 1974, 19.9 per cent in 1975, 17.2 per cent in 1976 but fell to 8.4 per cent in 1977 although it appears to have risen at a faster rate in 1978. A major cause has been the policy of deficit financing and high credit expansion followed by the authorities.

GDP increased by 1.5 per cent in 1977/78 but there were adverse developments mainly in the Government budget and in the balance of payments. The budget performance deteriorated sharply with a large increase in the deficit for the fiscal year 1977/78, and in the first half of the fiscal year 1978/79. This was due to the substantial rises in Government expenditures in both 1977/78 and 1978/79. The monetary statistics show that the net claims on Government by the banking system rose from 108.7 million leones at June 1977 to Le 171.8 million at October 1978 and this was the primary cause of the expansion in the money supply with attendant inflationary impact.

In 1978 there was a wider deficit in the balance of payments despite a rise of some Le 40 million in exports to Le 187 million as the increase in imports was about Le 50 million to a total of Le 265 million.

For the period 1979 and 1980 there will probably be some reduction in export earnings, and it will be necessary to attempt to contain the balance of payments more effectively by restricting imports. This seems likely to have a stultifying effect on the growth of the economy.

## 2. GDP by industrial origin

The main trends from 1970/71 to 1976/77 were the relative growth of the agricultural sector and the decline of mineral output. Agriculture which contributed 29.9 per cent of GDP in 1970/71 had its share raised to 39.9 per cent in 1976/77 because of the growth of rice production, the decline of diamonds production and the cessation of iron ore mining. The share of GDP from mining which was 17.5 per cent in 1970/71 dropped to 10.2 per cent in 1976/77. Measured at current prices, the share of manufacturing decreased from 6.4 per cent to 5.4 per cent.

Sierra Leone: Table 1. GDP by source, 1970/71 and 1974/75 - 1976/77 (millions of leones)

At current prices	1970/71	Percentage	1974/75	1975/76	1976/77	Percentage
Agriculture, forestry, fishing	94.5	29.9	186.1	213.0	263.9	39.9
Mining	55.3	17.5	76.8	60.4	67.7	10.2
Manufacturing	20.4	6.4	30.0	31.2	35.4	5.4
Electricity and water	2.4	0.8	0.2	4.7	4.7	0.7
Construction	13.1	4.1	15.7	17.4	22.1	3.3
Wholesale and retail trade <sup>a/</sup>	42.5	13.4	75.4	68.4	88.6	13.4
Transport and communications	35.3	11.2	57.9	65.5	71.1	10.7
Other services	53.0	16.7	78.9	98.0	108.2	16.4
GDP at factor cost	316.5	100.0	521.0	558.6	661.7	100.0
Indirect taxes less subsidies	32.1		51.7	64.9	75.6	
GDP at producers prices	348.6		572.7	613.5	737.3	

Source: Sierra Leone Government, Central Statistics Office, Annual Statistical Digest 1976; National Accounts of Sierra Leone, 1972/73 to 1976/77 (June 1978).

<sup>a/</sup> And hotels and restaurants.

Measured by GDP at constant prices, agriculture has grown by 2.5 per cent on average a year. The mining sector has declined at an annual average rate of 8 per cent and manufacturing has grown by 6.9 per cent. The decline in the relative share of manufacturing industry in GDP when measured at current prices between 1970/71 and 1976/77 must reflect a fall in relative prices compared with other sectors of the economy.

The construction industry has been stagnated between 1970/71 and 1976/77 while there has been only marginal growth in the contribution of commerce to GDP and for transport and communications the average growth rate was 2.4 per cent a year. Other services including those of Government grew by 12.1 per cent a year.

### 3. Selected economic sectors

(a) Agriculture, forestry, fishing. This sector contributed two fifths of GDP in 1976/77 and employed some three quarters of the working population. In 1977 agricultural exports represented 45 per cent of the total value of exports. This is an exceptional figure brought about by the very high coffee prices but it points to both the importance of agriculture in the economy and its potential.

Because of climatic conditions crop production rather than livestock raising is the most important activity. Among food crops, rice is the basic one providing the main element of the diet in almost all regions and accounting for 42 per cent of total output. Apart from rice, the most important crops are palm kernels, cocoa, coffee and ginger which are exported, some after partial processing locally.

From 1970 to 1977 agriculture production has increased roughly in line with population at about 2.5 per cent a year. The increase has come chiefly from rice production for which the Government has pursued a vigorous policy aiming at self-sufficiency. Prices to producers have been raised, credits provided while advice on improved techniques and more inputs were made available to the farmers. As a result rice production which was 471,000 tonnes in 1972/73 reached 610,500 tonnes in 1976/77 and the country is now very near self-sufficiency.

According to the Ministry of Development and Economic Planning there is now a marketable surplus of 40,000 tonnes of rice every year.

As for commercial crops, available data do not indicate any upward trend in production between 1970 and 1975. However, in the last two years, with the upward revision of producer's prices and with the very favourable price situation in international markets, there has been more acreage devoted to commercial crops and definite increases in production. In 1978, crops were poor especially for rice because of early rains; one result was an increase of imports to 10,000 tonnes of rice in 1978.

The size of the cattle herds is estimated at around 800,000 head but meat supplies have to be supplemented by imports probably accounting for half the total. As for fish, the catch was estimated at 44,000 tonnes in 1975/76, 10 per cent more than in the previous year. This increase was due in part to the very high price of meat which has produced a shift of demand from meat to fish. There are in fact good opportunities for fishing off the coast, and joint ventures are being organized to increase the catch and train fishermen.

Sierra Leone: Table 2. Output of selected agricultural products, 1972/73 - 1976/77  
(thousands of tonnes)

	1972/73	1973/74	1974/75	1975/76	1976/77
Rice	471.3	471.3	518.7	570.6	610.5
Groundnuts	10.0	10.2	10.5	10.5	10.7
Palm kernels	53.5	46.5	48.0	53.0	38.2
Palm oil	42.8	37.2	38.4	42.4	44.5
Coffee	22.0	22.0	21.0	22.0	22.0
Cocoa	6.6	8.0	7.5	8.0	8.5

Source: National data from Sierra Leone.

Government policy gives a high priority for agriculture. In the 1977/78 development programme, out of a total of 53.7 million leones of planned expenditure agriculture has been allocated 15.4 million, the most important allocation to any sector. Most of the investments are designed to increase crop production especially rice. There is a fertilizer distribution programme in operation and 7,500 tonnes were distributed in 1976/77. For rice the programme is concentrating on the swamp areas where the greatest potential exists but it is hampered among other factors by the lack of manpower. The opening of new rice fields requires a great amount of labour which sometimes is not available.

(b) Mining. Production of diamonds, the most important product, has been declining for some time because the easier alluvial deposits have become exhausted so that the cost of extracting diamond has grown considerably. One result of the fall of diamond production is reflected in the fact that agricultural exports exceeded the value of mineral exports in 1977 for the first time since the 1930s. However, diamond prices were favourable in 1976 and 1977 and this helped to raise the value of export proceeds. Diamond production is carried out through the alluvial diamond mining scheme which allows independent small producers to mine diamonds on their own account and also by DIMINCO, a corporation which mines diamonds on a large scale in specific areas reserved to it by the Government.

Iron ore production, which declined from 2,259,000 tonnes in 1974 to 1,324,000 tonnes in 1975, was halted in 1975 because of the exhaustion of the better quality ores and unprofitable exploitation conditions.

Bauxite production was 725,000 tonnes in 1977 compared with 436,000 tonnes in 1970 and 716,000 tonnes in 1975.

In 1978 mineral output has declined once again mainly because of a further reduction in diamond production. There are, however, new projects and continuous prospecting for new deposits. DIMINCO has started underground mining at Koidu and when rutile production restarts, this will help the mining industry to regain some of its lost ground. Continuous efforts are being made to reactivate the iron mines at Marampa.

Sierra Leone: Table 3. Mineral production, 1970 and 1975 - 1977

	1970	1975	1976	1977
Diamonds (thousand carats)	1 000	732	483	771
Iron ore (thousand tonnes)	2 259	1 324	-	-
Bauxite (thousand tonnes)	436	716	652	725
Total value of mineral exports (million leone)	63.4	79.1	76.6	70.0

Source: Bank of Sierra Leone.

There was also rutile production in 1970 but this had ceased by 1975.

(c) Manufacturing. Output measured by value added rose by 6.9 per cent a year on average from 1970/71 to 1976/77, which is a very good performance in view of the poor growth record for the economy as a whole. From 1975 to 1977 the growth rate was less than in the years 1970 to 1975. The main factors behind this lower growth rate have been a lower demand since 1975 and the low level of investment especially in the private sector at a time when the public sector did not have a sufficient capacity to execute industrial projects or to conduct feasibility studies.

Most of the factories in existence supply consumption goods like beer, cigarettes, matches, footwear or salt and many of these products show increases in production relative to 1970.

Among new industrial projects which have started in the recent period include a sugar complex at Tonkolili which will cover 3,310 acres and will have a capacity for milling 400 tonnes of sugar-cane per day. Another project is factory for the production of clay bricks. The Gambia-Mattru Oil Palm Project is now in operation and the Forest Industries Corporation is achieving some success in meeting export demand. Exports of sawn wood increased from 526,000 cubic feet in 1975/76 to 1,441,000 in 1976/77.

Sierra Leone: Table 4. Output of selected manufactures, 1970 and 1975 - 1978

	1970	1975	1976	1977	1978 (6 months)
Petroleum products (million gallons)	69.0	48.6	50.6	46.9	26.6
Beer (thousand gallons)	1 261	2 273	2 356	2 263	1 370
Cigarettes (million)	490	1 841	1 544	1 503	855
Matches (thousand boxes)	50.8	18.6	21.5	46.3	31.2
Plastic footwear (thousand pairs)	549	603	454	233	132
Salt (thousand pounds)	...	6 852	6 847	16 082	4 017

Source: Official data from Sierra Leone.

(d) Energy. Consumption appears to have fallen in Sierra Leone since 1970. Electricity production which was 197 million kWh in 1970 is reported to be only 179 million kWh in 1975. There has been at best a very slow growth in electricity production which reached 200 million kWh in 1976, only 1.5 per cent more than in 1970. Some part of the stagnation in energy consumption must be related to the problems of the mining industry.

Even with very low growth in consumption, increases in capacity have continued to be made. In 1976 a fourth generating unit was added at the King Tom power station and the Government contracted loans to build diesel power units in provincial stations and to improve the distribution system. Two major projects under preparation or completion are the Bumbuna hydro-electric project and the Guma hydro-electric project for which an agreement has been reached with China.

(e) Construction. The growth rate of value added to GDP at constant prices was 0.6 per cent a year from 1970 to 1977. There was in particular a recession in the sector in 1974/75 when value added declined by 10.8 per cent, since then some recovery has occurred.

(f) Transport services. Maritime transport handles most of the foreign trade and road transport is used for internal transportation and for links with neighbouring countries.

Sierra Leone: Table 5. Selected transport indicators, 1970 and 1975 - 1976

	1970	1975	1976
<u>Ports</u>			
Freight loaded (thousand tonnes)	3 006	2 080	686
Freight unloaded (thousand tonnes)	737	652	543
<u>Airports</u>			
International services			
Passengers handled (thousand)	50.5	101.3	107.3

Source: Sierra Leone Government, Central Statistical Office, Annual Statistical Digest 1976.

Since 1975 with the recession in the economy and in particular the ending of iron ore production there has been a sharp drop of the quantities of freight handled and port traffic has fallen from 3,743,000 tonnes in 1970 to 1,229,000 tonnes in 1976. This contraction of activities was also felt in other transport sectors. The Sierra Leone Shipping Company suffered a decline of 28 per cent in sea and air freight from 1975/76 to 1976/77, losing 21 per cent of its revenues. Sierra Leone Airways however was able to increase its international operations. The number of passengers handled at airports on international services rose from 50,500 in 1970 to 107,300 in 1976. For land transport it is difficult to give estimates since the information available is very limited. It is reported however that a main highway linking the capital to the provinces was completed in 1977, and this following the completion of other major road transport projects in particular the Bo-Kenema road, and road bridges linking Sierra Leone to Guinea and Liberia has helped open up the road system. It is also reported that 80 per cent of the 650 miles of feeder roads listed in the last five year plan were completed by the end of 1976/77.

#### 4. Expenditure and the GDP

Total expenditure has tended to grow faster than GDP and as a result there has been a greater inflow of external resources. The net inflow of goods and services was only of 1.1 per cent of GDP in 1970/71, but increased to 7.5 per cent of GDP in 1976/77. Unfortunately this increase of expenditure benefited chiefly private and public consumption with the share of private consumption increased to 83.9 per cent of GDP in 1976/77 from 76.8 per cent in 1970/71, while that of public consumption increased to 9.8 per cent from 9 per cent. From 1970/71 to 1976/77 the share of investment in GDP dropped from 15.3 per cent to 13.8 per cent.

Sierra Leone: Table 6. Expenditure and the GDP, 1970/71 and 1974/75 - 1976/77  
(millions of leones)

	1970/71	Percentage	1974/75	1975/76	1976/77	Percentage
Private consumption	267.7	76.8	476.6	528.9	618.3	83.9
Public consumption	31.5	9.0	63.5	59.0	72.4	9.8
Gross fixed capital formation	47.4	13.6	76.0	76.8	86.6	11.7
Change in stocks	5.9	1.7	14.1	-2.3	15.6	2.1
Exports less imports of goods and services	-3.9	-1.1	-57.5	-48.9	-55.6	-7.5
GDP at current market prices	348.6	100.0	572.7	613.5	737.3	100.0
Domestic savings	49.4	14.2	32.6	25.6	46.6	6.3

Source: As table 1.

According to the Ministry of Development estimates, public investment has increased much more than private investment, and in 1977/78 out of an estimated total investment of 121.8 million leones, public investment provided 44 per cent and for private investment 50 per cent, compared with figures of 36 per cent and 64 per cent respectively in 1973/74.

The fall in domestic savings since 1970/71 from 14.2 to 6.3 per cent of GDP has been accompanied by some fall in the proportion of GDP spent on investment from 15.3 to 13.8 per cent. Foreign resources accounted for more than half the investment spending in 1976/77.

##### 5. External trade and balance of payments

Exports increased in value in 1977 mainly because of higher export prices with a growth of 19.2 per cent and a higher growth rate has been forecast for 1978. Exports were 72.2 per cent higher in value in 1977 than in 1970 equal to an average growth rate of 8.1 per cent a year. Imports were valued at 216.5 million leones in 1977, 123 per cent more than in 1970 and this higher growth in imports has led to a widening trade deficit which reached 69.1 million leones in 1977. The terms of trade moved against Sierra Leone particularly in the period to 1975 but price rises for cocoa, coffee and diamonds since then have helped improve the position.

The rising trade deficit has been translated into an increasing deficit on goods and services, which has resulted in large deficit on the balance of payments in the years 1975 to 1977. In 1977 there was a rescheduling of Sierra Leone debts agreed upon by the Paris Club, a move which averted a major balance of payments crisis. In 1978 capital inflows from the IMF, and debt relief have helped contain the position.



Sierra Leone: Table 7. External trade and balance of payments, 1970 and 1975 - 1977  
(millions of leones)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	85.6	116.7	123.7	147.4
Imports	96.9	167.9	171.3	216.5
Balance	-11.3	-51.2	-47.6	-69.1
<u>Balance of payments</u>				
Goods and services (net)	-17.6	-66.3	-60.7	-50.9
Private transfers (net)	1.5	2.2	4.6	4.1
Public transfers (net)	2.7	7.3	5.0	13.7
Capital	13.6	42.1	22.4	8.2
Reserves and related items	0.7	19.4	24.0	26.3
Errors and omissions	-0.9	-4.7	4.7	-1.4

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977; vol. XXXII, No. 2, February 1979.

#### 6. Development aid and external debt

The increasing current account deficit has led to a rising net foreign resources inflow. On the basis of the Ministry of Development estimates, in 1977/78 these foreign resources represented 8.1 per cent of GDP against only 1.1 per cent in 1970/71. The capital inflow was at a peak level in 1974 and 1975 with a net total of 100.8 million leones in the two years. However, since then the net inflow has been reduced but in 1977 transfer receipts were valued at 18.8 million leones. OECD has estimated that the net flow of resources from all sources to Sierra Leone rose from \$US 24.8 million in 1975 to \$US 25.7 million in 1976 and \$US 33.2 million in 1977.

There has been a sharp increase in the public debt which reached 362.9 million leones at March 1978; as a substantial part is short term suppliers credits, it is this that has given rise to the balance of payments problems of the country, to the debt rescheduling agreed in 1977 and the IMF assistance of recent years.

#### 7. Government revenue and expenditure

The budgetary situation in Sierra Leone became difficult in 1975/76 with recurrent expenditure continuing to rise but stagnation in the level of revenue. There were considerable recurrent budget deficits in both 1975/76 and 1976/77 and although revenue rose substantially in 1977/78 because of higher export earnings expenditure in that year appears to have risen much more slowly resulting in the re-emergence of a recurrent budget surplus.

The capital budget has been covered almost entirely by borrowing in the last three financial years and this has meant a substantial rise in public debt. At June 1978 claims on the Government by the domestic banking system were Le 149.5 million compared with Le 108.7 million at June 1977 and Le 76.7 million at June 1976.

Sierra Leone: Table 8. Government revenue and expenditure, 1970/71 and 1974/75 - 1977/78  
(millions of leones)

	1970/71	1974/75	1975/76	1976/77 <sup>a/</sup>	1977/78
Recurrent revenue	55.8	97.8	96.9	118.3	152.9 <sup>a/</sup>
Recurrent expenditure	48.1	81.2	119.2	133.8	146.9 <sup>a/</sup>
Surplus/deficit	+7.7	+16.6	-22.3	-14.5	+6.0
Capital receipts	7.7	19.0	40.0	49.9	...
Capital expenditure	9.6	33.4	38.9	34.4	36.6 <sup>a/</sup>
Extrabudgetary expenditure	-	...	23.2	23.9	17.2 <sup>b/</sup>
Public debt at end year	70.4	...	235.0	273.6	316.0 <sup>c/</sup>
External	46.7	...	153.0	...	...
Internal	23.7	...	82.0	115.0 <sup>d/</sup>	155.8 <sup>d/</sup>

Source: Based on official data from Sierra Leone.

a/ Estimated actuals.

b/ Forecast.

c/ March 1978.

d/ Based on increase in net claims on Government by domestic banking system.

For 1978/79 it has been forecast in January 1979 that the budget deficit would rise substantially despite a 15 per cent increase in recurrent revenue. Total expenditure based on the period July to December 1978 has risen at a much faster rate than revenue. There is an increasing tendency for the budget deficit to be financed by the banking system with serious implications for the economy as a whole.

#### 8. Money and banking

Despite a very large fall in net foreign assets between 1970 and 1977, money supply has risen at a rapid rate because of the sharp rise in domestic credit especially to the Government.

Net foreign assets were Le 27.2 million at December 1970 but only Le 2.3 million at the end of 1977 and a negative 10.3 million at October 1978. Net claims on Government rose at a very high rate from Le 2.5 million at the end of 1970 to Le 119.7 million at December 1977 and Le 171.8 million at October 1978.

Sierra Leone: Table 9. Monetary survey, 1970 and 1975 - 1978 (millions of leones)

	End 1970	End 1975	End 1976	End 1977	October 1978
Net foreign assets	27.2	13.8	-4.9	2.3	-10.3
Domestic credit					
Net claims on Government	2.5	56.7	107.3	119.7	171.8
Claims on official entities	0.1	0.6	0.8	3.3	5.0
Claims on private sector	10.3	41.1	43.7	46.8	60.8
Money	28.9	60.3	72.1	84.5	101.7
Quasi-money	14.3	31.3	39.8	51.8	74.5
Other items (net)	5.7	20.6	35.0	35.9	51.0

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977 and vol. XXXII, No. 2, February 1979.

Over the same period claims on the private sector rose from Le 19.3 million to Le 46.8 million and then to Le 60.8 million. Thus by far the most important influence on the expansion of money supply has been the deficit financing policy pursued by the Government.

Money proper increased at an average annual rate of 16.6 per cent between 1970 and 1977 and including quasi-money the rate of growth in money supply was 17.8 per cent a year. These high growth rates were eclipsed in 1978 when between December 1977 and October 1978 money proper rose by 20.4 per cent and with quasi-money the increase was 29.3 per cent. The inflationary influence of the increasing money supply does not yet appear to have abated.

#### 9. Wages and prices

As reported in last year's survey in 1974/75, 11 out of 15 trade groups were awarded wage increases ranging between 8 and 30 per cent; in 1975/76 only four trade groups were received wage rises but in 1976/77 the increase in daily wage rates ranged between 24 and 79 per cent and affected 13 of the 15 trade groups.

These substantial wage increases have been made necessary by the rise in consumer prices. From 1970 to 1977 the consumer prices index rose by 9 per cent or at an average rate of 9.7 per cent a year. The rate of increase was highest in 1974, 1975 and 1976 and lowest in the first three years of this decade. For 1978 consumer prices in the second quarter of the year were 11.5 per cent higher than in the same period of 1977.

#### 10. Employment and unemployment

In 1976 there was a fall in the numbers in wage employment because of the cessation of iron ore mining and the stagnation in the modern sectors of the economy. The number in employment at the end of 1976 was 61,889.

Registered unemployment rose from a monthly average of 11,050 during 1974/75 to 14,700 in 1975/76 and in the last quarter of 1977 increased to 16,433. The total fell to 15,357 in the first quarter of 1978.

11. Other social sectors

(a) Education. Since 1970/71 the number of pupils in primary education has risen from 166,107 to 207,000 in 1977/78 a total increase of 24.6 per cent or 3.2 per cent a year which is only a little higher than the rate of population increase. The primary enrolment is still less than half the eligible age group.

The secondary enrolment was 33,318 in 1970/71 and 52,000 in 1977/78; here the rate of increase has been 56 per cent or 6.6 per cent a year which is much higher than that recorded for the primary enrolment.

Enrolments at the Fourah Bay and N'Jala colleges totalled 798 in 1976/77 and there were a further 3,200 students being trained as teachers. This heavy effort in teacher training should help to reduce the proportion of unqualified teachers in primary schools which was more than 60 per cent of the total in 1977.

Under the IDA education project a large number of schools, colleges and training centres were being improved or were expected to become operational in 1977/78.

(b) Health. In 1976 there were 3,037 hospital beds in 37 hospitals and four clinics serving a total population of about 2.8 million. There were 293 medical practitioners in the Sierra Leone medical service and this gives a doctor/population ratio of 1:9,560 while there were on average 920 persons for each hospital bed.

The number of health centres run by the Government was 102 in 1976 and there were also 24 dispensaries. Judging from the number of persons attending these health centres and dispensaries they were very busy places indeed.

In line with a policy of integrated health care the para-medical school at Bo is to train medical assistants who will be able to diagnose and treat those diseases frequently found at the village level. Apart from the training programme for this school, there is the Fourah Bay College's Department of Community Medicine and the work of the Institute of Health Sciences.

The West African Health Secretariat has been established in Lagos to co-ordinate health developments in four English-speaking countries of the region. A West African Post-Graduate College has also been established.

(c) Housing. The Government is continuing to provide loans to civil servants for the construction of individual dwelling units and as reported in last year's survey further attempts were to be made to complete the formalities for setting up a housing finance company to provide loans to individuals to build their own houses. Experiments have been made to build low-cost housing units.

(d) Income distribution. Measures taken to provide wage earners with compensation for rises in consumer prices have had the effect of narrowing income differentials to some extent as it is generally the low-income groups that have been favoured. At the same time producer pricing has helped raise rural incomes having the general effect of narrowing the gap between rural and urban income levels. However, there is still evidence of wide income differentials in the community as a whole.

## B. MAJOR PROBLEMS

The substantial and increasing deficit in its merchandise account leading to difficulties in financing the over-all balance of payments is probably the most important problem facing Sierra Leone. A reliance on short-term credit to finance projects with relatively long gestation periods has resulted in skewness in the foreign debt profile which has further aggravated the already tight liquidity position of the Government. The deterioration in the balance of payments position, the substantial loss of net foreign assets and the severely intensified pressures on the budget in 1978 were in part due to the heavy debt servicing obligations of Government during the year.

## C. INTERNAL DEVELOPMENT POLICIES

Measures have been taken in the past two or three years to attempt to overcome the difficulties arising from the balance of payments and budgetary problems. Customs duties were increased in 1976 and there was a one year stand-by arrangement with the IMF which became effective on 2 June 1977. Expenditure increases for the Government were to have been held down and pay scales frozen at existing levels with vacancies unfilled. There was a debt rescheduling arranged by the Paris Club in September 1977 and in 1978 net foreign short-term borrowing and debt relief from the Paris Club was valued at Le 16 million. At the same time official capital inflows under the IMF Trust Fund amounted to Le 6.8 million.

It is obviously essential to stabilize the economy and relate expenditure to domestic resources plus what is available from external sources. The Government has already taken steps to formulate such a stabilization programme with a view to halting the deterioration in budgetary performance and the balance of payments, and ultimately creating an environment conducive to sustained and vigorous growth in the economy.

On 2 November 1978 measures were announced affecting the leone. This was de-linked from the pound sterling, pegged to the Special Drawing Rights (SDR's) with a new SDR/leone rate established. These changes were necessary to give the leone a more meaningful exchange rate.

## D. PROSPECTS FOR 1978 TO 1980

The rise in export earnings in 1978 was substantial due to higher prices for the major export items. Imports also increased at a fast rate and there should have been considerable growth in economic activity measured at current prices. However, inflation was higher in 1978 than in 1977 and the growth of the GDP at constant prices was only moderate.

For 1979 and 1980 the production of diamonds is expected to stabilize at 1978 levels while rutile mining will be restarted in 1979. The development of agriculture is the main priority area and the price incentives announced should result in increased production which should also benefit from more effective extension services and higher investments allocations. Cocoa, coffee and ginger production are expected to increase while expanding rice cultivation is a continuing preoccupation of the authorities. The integrated agricultural development projects in Kenema, Makeni and Koinadugu with World Bank and EEC support cover credit for inputs, feeder roads, market centres, etc. The prospects for these two years will be influenced substantially by the measures taken to stabilize the economy but on balance a continuation of a moderate rate of advance of GDP at constant prices is in prospect.

## SWAZILAND

### A. ECONOMIC AND SOCIAL DEVELOPMENTS, 1970-1978

#### 1. Introduction

Economic development has been rapid in Swaziland this decade and the indications are that this trend should continue. High world prices for the major export, sugar, contributed materially to this situation in the years 1974 to 1977 but other major factors were the doubling of capacity at the country's pulp mill and high growth rates in government spending. No detailed GDP estimates are available since 1973/74 but rough order-of-magnitude figures suggest that growth at constant prices since 1970 has been around 6 per cent a year and at current prices about 20 per cent a year, showing that, judging by the implicit GDP deflator, prices rose at the average annual rate of about 13.2 per cent during the 1970s.

The commodity producing sectors have provided a push for the development of the economy and services in general also grew at fast rates. In particular education and health services have expanded substantially and employment for Swazis within Swaziland registered rapid growth. In 1970 there were 45,400 persons in wage employment in Swaziland and by 1977 the total had grown to 69,300. Unfortunately inflation has been rapid in the country, particularly since 1974 and the indicators available show that consumer prices almost doubled between December 1970 and the average for 1977 registering an average annual increase of about 10 per cent. A further rise of 6.4 per cent took place in the first half of 1978 as compared with the average for 1977. The higher rise in prices shown by the implicit GDP deflator as compared with the consumer prices index indicate that prices of items other than consumer products increased even faster.

External trade statistics show that domestic exports grew from 50.37 million ~~emalengeni~~ in 1970 to 147.4 million in 1977 although this latter figure was below the record of 166.4 million ~~emalengeni~~ in 1976. Imports have risen continuously from 42.7 million ~~emalengeni~~ to 195 million and, as receipts under the Southern African Custom Union Agreement are related to imports, the rate of increase in customs receipts has also been rapid and the funds concerned have helped to provide finance for the increased level of government expenditure.

The balance of payments was particularly healthy in the year 1975 to 1977 and as a result Swaziland's net foreign assets rose from 22.1 million ~~emalengeni~~ at the end of 1974 to 94.7 million at the end of 1977. After a further rise in the first few months of 1978, these reserves had started to fall in the second quarter of the year in line with the very high level of development spending embarked upon in 1978/1979.

Total government spending was 16.6 million ~~emalengeni~~ in 1970/1971 but the budget for 1978/1979 envisages total spending of 169.4 million ~~emalengeni~~. This tenfold increase emphasises capital expenditure but current expenditure has nearly quadrupled over this eight year period. The very high capital expenditure in 1978/1979 includes two large projects, a third sugar mill and a railway link between Phuzumoya and Lavumisa, the latter to ensure that the current assets of the existing railway are not lost with the cessation of iron ore exports.

The development plan for the period starting 1 April 1978 has not yet been published and the draft is still to be finally approved but it appears that a substantial level of development spending is envisaged with some peaking of expenditure in the first half of the five-year plan period. This probably means that the high growth rate of the economy will be maintained at least up to the end of this decade.

## 2. GDP by industrial origin

The lack of detailed estimates makes commentary on the distribution of GDP difficult. In 1973/74 the two largest sector were the agriculture, forestry and fishing sector and that of manufacturing, contributing 35 per cent and 29 per cent of GDP respectively. Since then it seems likely that the services sectors have grown in relative importance despite continued growth in the two major commodity producing sectors.

## 3. Selected economic sectors

(a) Agriculture, forestry and fishing. Swaziland in 1976 had 165,000 hectares under cultivation, 1,206,000 hectares as grazing area and 95,603 hectares under commercial forests. The major commercial crops include sugar cane, citrus fruits, pineapples, seed cotton and rice. Some data on these crops, meat processed and the major cutting of trees for pulpwood and sawlogs are given in table 1.

Swaziland: Table 1. Commercial agricultural production, 1970 and 1975-1977

		1970	1975	1976	1977
Sugar cane	('000 tonnes)	1 420	1 867	1 929	1 992
Citrus fruit	('000 tonnes)	58.4	63.6	74.4	...
Pineapples	('000 tonnes) <sup>a/</sup>	11.2	19.2	20.0	21.6
Seed cotton	(tonnes)	2 700	10 700	12 200	14 555
Rice	(tonnes)	8 105	4 188	3 674	...
Meat processed	(tonnes)	3 907	3 412	7 788	...
Wood used for sawlogs and pulpwood	('000 <sup>3</sup> )	782	982	...	1 111

Source: Official data.

a/ For canning only.

Production of sugar cane, citrus, pineapples, seed cotton and timber used for pulpwood have been on a rising trend since 1970. The amount of maize produced varies significantly in line with climatic conditions but the general trend appears to be upward although output fell in 1976/1977.



The modern agricultural sector which employs nearly 30,000 workers is primarily engaged in the production and processing of products for export. In 1977 sugar production rose to 226,000 tonnes despite a fall in the average cane yield. Work commenced in 1977 on a third sugar mill which will cost some 129 million emalengeni excluding an earth dam which will cost a further 22 million. In the 1978/79 financial year approximately 40 million emalengeni was appropriated for this project by the Government, the Swazi nation and seven foreign investors. This mill will have a capacity of 100,000 tonnes of raw sugar and capacity at one of the existing mills is also being raised. Total sugar capacity could thus rise to 350,000 tonnes a year.

Wood pulp production rose by about 7 per cent in 1977 and the total quantity of primary roundwood processed for pulpwood, sawlogs, veneerlogs, logs for sleepers, mining timber and poles reached 1,136,459 cubic meters. Sales of products from the forest industry factories were valued at 38 million emalengeni as compared with 47 million in 1976. This fall was due to the reduction in woodpulp sales.

(b) Mining. This sector has been declining in real terms since 1970. The decline was mainly in the production of iron ore while output of asbestos increased. In 1978 the iron-ore mine had closed but exports continued from accumulated stockpiles; however, these are expected to be used up in 1979. Swaziland also has large unexploited coal deposits, chiefly low grade bituminous coal. These reserves are estimated at 164 million tonnes. Table 2 shows the output of the major minerals.

Swaziland: Table 2. Output of major minerals, 1970 and 1975-1977 (thousands of tonnes)

	1970	1975	1976	1977
Iron ore	2 348	2 240	1 936	1 441
Chrysotile asbestos	32.8	37.59	39.33	38.05
Coal	138.2	126.87	126.14	128.99

Source: Swaziland Government Central Statistical Office. The Monetary Authority of Swaziland.

(c) Manufacturing. A small number of large scale establishments account for a major share of the output from this sector but there are also a growing number of small manufacturing units. Growth has come both from increased output in the large establishments and from the new smaller units being added.

The National Industrial Development Corporation was established early this decade to promote industrial growth. Much of its activities in 1977 were designed to support existing ventures which were encountering difficulties due to the downturn in economic activity in southern Africa. However, several new projects were established with the corporation's assistance in 1977, the major ones being a sawmill, a bakery, a construction firm, a paint factory and knitwear and ceramic factories. In addition 13 projects involving a projected capital outlay of 25 million emalengeni were under examination.

The Small Enterprises Development Company was also established in 1970 to promote and assist small-scale entrepreneurs. Its activities include new industrial estates and intensification of small business management training programmes.

Output of selected major products is given in table 3.

Swaziland: Table 3. Production of selected manufactures, 1970 and 1975-1977

		1970	1975	1976	1977
Sugar	('000 tonnes)	156.5	211.5	208.3	226.0
Molasses	('000 tonnes)	40.2	62.8	65.8	69.2 <sup>b/</sup>
Sawn timber	('000 m <sup>3</sup> )	75.5	92.6	94.9	98.4
Veneer sheets	('000 m <sup>2</sup> )	...	347.5	143.3	255.5
Citrus canning	('000 tonnes) <sup>a/</sup>	5.5	9.0	17.5	13.3
Pineapple canning	('000 tonnes) <sup>a/</sup>	11.2	19.2	20.0	21.6

Source: Swaziland Government Central Statistical Office.

a/ Fruit used. b/ Estimates.

The output of woodpulp is not available but the value of exports has risen from 9.56 million ~~malengeni~~ in 1970 to 39.58 million in 1976 although it fell back to 21.47 million in 1977.

(d) Electricity. Swaziland imports part of its supplies from the grid in southern Africa. Consumption has risen from 90.4 million kWh in 1970 to 204.1 million in 1977, an over-all growth rate of 126 per cent or 12 per cent a year.

(e) Construction. This sector has also been growing rapidly in line with the increased capital expenditure in both the public and the private sectors. However, the use of foreign contractors reduces the impact on the economy. Employment in the construction industry as measured by wage employment grew by nearly 40 per cent between 1970 and 1977 but in 1977 still accounted for only about 3,500 persons. The very high level of development expenditure in 1978/1979 should have raised this total substantially.

(f) Transport services. The railway in Swaziland was built to carry iron ore to the port of Maputo but a cessation of iron ore railings was expected in mid-1979. A rail link was being built in 1978 between Phyzumoya and Lavumisa to connect with existing railway systems in the area.

Some data on transport services are given in table 4.

The 1977 railway freight tonnage was reduced significantly because of the much lower railings of iron ore.

Swaziland: Table 4. Selected transport indicators, 1970 and 1975-1976

	1970	1975	1976
Railways, freight ('000 tonnes)	2 914	2 706	2 631
Roads, commercial vehicles in use ('000)	3.6	6.1	6.7
Airports passengers handled ('000)	14.9	28.5	33.5

Source: As table 3.

In 1978 Royal Swazi National Airways Corporation was formed equipped with Fokkar Fellowship aircraft. It is intended to start services to Lusaka, Blantyre and Mauritius via Madagascar.

(g) Tourism. Up to 1975 there was a relatively satisfactory increase in the number of visitors staying at hotels and rest camps in Swaziland but in 1976 the numbers fell by 12 per cent because of the recession in the main tourist generating area. There were 98,950 such visitors in 1972, and the total reached 139,200 in 1975 before falling to 122,640 in 1976. There was some improvement in 1977 when the total reached 125,100.

#### 4. Expenditure and the GDP

Here also a shortage of up-to-date statistics makes commentary difficult. It seems, however, that both public consumption and gross fixed capital formation have grown faster than total expenditure since 1973/74. In that year 18.1 per cent of total expenditure went on gross fixed capital formation and increases in stocks while 11.6 per cent was for government consumption expenditure. The percentage for investment had probably risen to more than 20 per cent in 1977/78. The average rate of fixed capital formation of 18 per cent coupled with the average growth rate of GDP of some 6 per cent obtained since 1970 points clearly to the efficiency in capital judging by the low increment capital output ratio of about 3 to 1 which is indeed a good achievement for an African country.

#### 5. External trade and balance of payments

Although only a handful of products account for more than 80 per cent of Swaziland's exports, increases in both quantity and unit prices have enabled exports virtually to treble in the period 1970 to 1977. There has also been a wider spread of products being exported. As for imports, the rate of growth has been faster than for exports and one result has been that a comfortable surplus in 1970 was turned into a large deficit by 1977. Some part of this deficit was covered by remittances and items brought back after periods of employment in South Africa and another part by an inflow of capital.

The 1977 figures given below for imports in particular are subject to error; revisions may have the effect of changing the emphasis of the table to some extent.

Exports of sugar in 1977 were valued at 51.8 million emalengeni, a little less than the figure for 1976 but very much less than that recorded in 1975 of 80 million. For the second item in importance, woodpulp, the 1977 total was 21.5 million emalengeni compared with 39.6 million in 1976 but this latter figure included the export of stocks built up

in 1975. Also in 1977 iron ore exports were worth 9.3 million emalengeni, asbestos 14.4 million and citrus fruit was valued at 10.2 million emalengeni. The value of citrus exports more than doubled between 1976 and 1977.

Swaziland: Table 5. External trade and balance of payments, 1970 and 1975-1977  
(Millions of emalengeni)

	1970	1975	1976	1977 <sup>a/</sup>
<u>External trade</u>				
Exports	50.89	145.72	168.40	149.4
Imports	42.75	131.59	174.68	195.0
Balance	8.14	14.13	-5.68	-45.6
<u>Balance of payments</u>				
Goods and services (net)	-8.0	36.1	18.3	...
Private transfers (net)	0.3	1.0	1.7	...
Public transfers (net)	7.7	9.9	7.4	...
Capital	...	-11.5	1.5	...
Reserves and related items	...	-30.4	-24.2	...
Errors and omissions	...	-5.1	-4.7	...

Source: Swaziland Government Central Statistical Office and Swaziland Monetary Authority.

<sup>a/</sup> Rough estimates or provisional figures only.

## 6. Development aid and external debt

The balance of payments given above show that inflows of grants shown under public transfers (net) were not heavy in the years covered in the table. However data on the external public debt indicate a rapid build-up with the total rising from 16.4 million emalengeni at 31 March 1970 to 71.1 million at March 1977 and a higher total at March 1978. The 1978/79 financial year had been expected to result in a particularly high level of government capital expenditure with 39 million emalengeni being financed from external funds (mainly in the form of grants) and the likelihood of this figure being considerably higher.

## 7. Government revenue and expenditure

The large increases in both capital and current expenditure have already been mentioned. As table 6 indicates there was a substantial cash surplus in 1975/76 which was put to reserves and used to some extent in 1976/77 to finance the cash deficit.

Swaziland: Table 6. Government revenue and expenditure, 1970/71 and 1975/76-1978/79

	1970/71	1975/76	1976/77	1977/78 <sup>a/</sup>	1978/79 <sup>a/</sup>
Recurrent revenue	15.66	69.83	62.82	80.00	87.44
Recurrent expenditure	16.58	31.05	46.39	51.00	61.37
Capital expenditure	1.64	13.64	21.63	37.48	108.00
Total revenue	15.66	69.83	62.82	80.00	...
Total expenditure	16.62 <sup>b/</sup>	44.69	68.02	88.48	...
Cash surplus or deficit	-0.96	+25.14	-5.20	-8.48	...
Financed by:					
Domestic sources <sup>c/</sup>	...	-30.33	6.44	-3.36	...
Residually	...	5.18	-1.24	11.84	...

Source: As table 5.

a/ Estimates or revised estimates.

b/ Excluding transfers from current to capital account.

c/ Domestic borrowing and change in government balances.

Recurrent revenue **including** small sums in grants from abroad increased from 15.66 million emalengeni in 1970/71 to 69.83 million in 1975/76. There was a fall in 1976/77 but further rises in both 1977/78 and 1978/79 to 80 million emalengeni and 87.44 million respectively. Customs Union revenue was 18.1 million emalengeni in 1975/76 and then fell to 13.15 million in 1976/77. There were large increases in 1977/78 and 1978/79 to 38.94 million emalengeni and 54.15 million. The sugar levy provided revenue of 23.89 million emalengeni in 1975/76 but has since fallen sharply every year to only 4.5 million in 1978/79.

The increase in recurrent expenditure has been continuous in the period under review. The percentage rise was particularly steep in 1976/77 with expenditure increasing from 31.05 million emalengeni to 46.39 million or by 49.4 per cent. In the eight years to 1978/79 the average annual increase has been 17 per cent.

A healthy development is that capital expenditure rose much faster than for current expenditure. Capital expenditure for 1970/71 was extremely low at only 1.64 million emalengeni, rising to 37.48 million in 1977/78; 108 million was covered by the budget for 1978/79. Of this total 39 million emalengeni and 69 million respectively were being financed externally and from domestic funds. At the time of the budget statement in March 1978, a total of 43 million emalengeni still required funding.

## 8. Money and banking

In 1977/78 the Monetary Authority of Swaziland was in its fourth year of operations and there has been a progressive assumption of control of the country's monetary affairs. Data on monetary aggregates are available from 1974 and show that the net foreign asset build-up had been very rapid up to December 1977 accompanied by a sharp rise in the net deposits of the Government in the banking system in 1975 but only a small increase since then. Claims on the private sector virtually doubled between December 1974 and June 1978. The figures on the money supply are incomplete as they exclude rands in circulation but the local currency plus bank current deposits have risen from 16.9 million emalengeni to 28 million in three and a half years while quasi-money has grown particularly rapidly from 23.7 million emalengeni to 68.8 million. Total money supply including quasi-money rose at the average annual rate of about 28 per cent yearly, an excessive rate compared with the GDP growth rate of 6 per cent in real terms.

Swaziland: Table 7. Monetary survey 1974 to June 1978 (millions of emalengeni)

	End 1974	End 1975	End 1976	End 1977	June 1978
Net foreign assets	22.13	59.26	72.72	94.71	84.91
Net claims on Government	-9.00	-37.11	-35.68	-41.66	-34.22
Claims on private sector	29.25	43.58	46.56	48.80	58.37
Money	16.93	23.42	28.79	28.00	28.00
Quasi-money	23.73	38.08	48.31	61.48	68.75
Other items (net)	1.73	4.23	6.50	12.37	12.34

Source: The Monetary Authority of Swaziland, Quarterly Review, June 1978.

The most recent data suggest that the Government is drawing on its deposits in the banking system, but at the same time some fall is occurring in net foreign assets while credit to the private sector continues to increase. At June 1978 total bank claims on the private sector rose to 58.37 million emalengeni from 48.80 million at December 1977, an increase of 19.6 per cent in six months compared with moderate rates of 6.8 per cent and 4.8 per cent respectively in 1976 and 1977.

## 9. Wages and prices

The average earnings of male semi-skilled manual workers have risen from 52 emalengeni per month in September 1973 to 74 in September 1974, 85 in September 1975 and 103 in June 1976 an average annual rate of increase of about 25 per cent. For unskilled workers the rise has been from 25 emalengeni in September 1973 to 38, then 49 and to 51 emalengeni at June 1976 an average annual rate of about 26 per cent. These two categories account for the large majority of male employees in Swaziland.

Over the same period the consumer prices index for the lower income groups rose approximately at an average annual rate of some 11.8 per cent resulting a substantial increase in real wage. However in recent years prices have continued to rise rapidly.

#### 10. Employment and unemployment

The total number in wage employment in Swaziland rose from 45,400 in 1970 to 69,300 in 1977 and there were probably more than 20,000 working in South Africa.

The growth rate of local employment creation has been very satisfactory but there is still some way to go before jobs can be provided for all those persons now working abroad. The agricultural sector is the largest provider of employment accounting for 43 per cent of jobs in 1976; since 1970 the growth rates for employment in manufacturing and in finance and social services have been particularly rapid.

There is no information on unemployment.

#### 11. Other social sectors

(a) Education. Enrolment figures show a rapid build up of both primary and secondary education since 1970. In 1977 there were 96,835 primary students and 19,359 secondary students, a total of 116,194 accounting for about 21.6 per cent of the de jure population. However, while a high proportion of children in the relevant age groups are at school there is a plan for the general expansion of educational facilities at all levels. The general policy of the Government is still to improve the relevance and usefulness of educational and training programmes, relating them to life and work in the rural areas in particular. At the same time it is necessary to educate and train sufficient numbers of young people to meet the requirements of an expanding economy for high- and middle-level manpower.

(b) Health. Up-to-date information is incomplete but in 1975 there were 1,573 hospital beds and the number of registered doctors in 1976 was 71 although not all were in practice. Policy for health expansion is to continue to place emphasis on increasing health facilities in the rural areas and to train more local people for work in the health services. The provision of better housing and health conditions is to be aided by improved environmental sanitation for low-income families in both urban and rural areas.

#### B. MAJOR PROBLEMS

The rapid growth of the economy has raised a number of problems; there is still a shortage of qualified Swazi nationals for higher and middle-level posts in most economic sectors; in 1978, with the evidence of a widening deficit on external trade account, it seemed likely that the rate of growth of imports was fast outstripping the probable growth of exports at least in the short-term period; inflationary pressures continued to exert their impact on the economy. This inflation was mostly imported in the initial stages but wage demands together with the large increase in money supply create further pressure on costs and prices within the domestic economy. Departmental recurrent expenditure which doubled in four years and expenditure on capital projects which rose four times in two years at a time when revenue increases have slowed down considerably, no doubt aggravated the pressure on costs and prices.

These problems have accentuated the need for better economic management and one example has been the large number of proposals submitted for the formulation of the 1978 to 1983 development plan which were inadequately prepared.

### C. INTERNAL DEVELOPMENT POLICIES

It appears likely that improved administration and management could effect improvements in the scope and quality of most government services. Thus one of the cornerstones of the next development plan will be steps suggested for improving the Government's organizational and administrative machinery together with the training programmes necessary to make it work.

Some commentary on education and health policies has already been given in the relevant sectors. In the field of monetary policy, the Monetary Authority has continued to maintain an easy monetary policy in its effort to encourage over-all economic expansion. Liquidity and reserve requirements were unchanged in 1977/78 and the structure of interest rates was not altered. With high liquidity in the system, the Authority relaxed the restrictions on lending to non-resident companies.

In order to improve the system for dealing with project submission, the proposal was made that in future all projects proposed for financing from local funds be subject to scrutiny and appraisal by the central planning and budgetary machine of Government; this appraisal will be no less critical than that applied to projects financed by outside agencies.

The two major projects being developed in 1978/79, the third sugar mill and the rail-link have already been mentioned. In the plan period starting in 1978 the rural development areas programme will continue to be a major focus of activity in the agricultural sector. However, it has proved difficult in the past to plan and execute projects under this programme despite the high priority given to it.

While the Government was financially in a very strong position in March 1978 with the result that it could increase its rate of investment in the development programme, it saw little merit in running down the international reserves in order to finance projects which were unlikely to be socially and economically productive.

This, notwithstanding, the capital expenditure being attempted in 1978/1979 is at an all time record level and there may be a particular need for foreign contracting firms during the period of high expenditure to supplement local capacity.

The broad purposes of development policy in Swaziland continue to be to promote the widespread participation of the Swazi people in development in order to improve the general level of living and quality of life. At the same time the aim is to achieve a greater measure of independent control over the economic affairs of the nation. An increase in employment opportunities plus rural area development are looked upon as one of the most useful means of improving living standards.

### D. PROSPECTS FOR 1978 AND 1979

A particularly high level of development spending in both 1978 and 1979 should let the economy continue to grow at a relatively high rate, despite the loss of iron ore mining to the economy. A better economic climate abroad should help the tourist industry.

The trade deficit, which was at a level of some 45.6 million malengeni in 1977 seems likely to worsen in 1978 and 1979 owing to high imports of capital equipment. A substantial foreign borrowing thus appears to be necessary in these two years to meet the high capital spending; it also seems likely that Swaziland's high level of net foreign assets will be reduced to some extent as part is used up to assist in the funding of the development programme.



## TOGO

### A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970 TO 1978

#### 1. Introduction

Between 1970 and 1974 economic growth in Togo was relatively rapid mainly as a result of rising export receipts from phosphates which financed a substantial rate of capital formation. In 1975 however both world prices and the demand for phosphate rock fell sharply and have not regained their 1974 levels since. At the same time agriculture has been adversely affected by bad weather conditions and ageing trees in the case of cocoa and coffee. Production levels have either stagnated or declined for a number of crops in the past few years.

Gross domestic product at current market prices increased by 10.1 per cent on average per annum between 1970 and 1977. There are no country estimates of GDP at constant prices but judging from the rise in the consumer price index real GDP has probably increased at a very low rate over this period.

The value of exports increased from CFAF 15.2 billion in 1970 to CFAF 39.1 billion in 1977 or by 14.4 per cent yearly. Imports rose by 21.4 per cent on average per annum to reach CFAF 69.8 billion in 1977 from CFAF 17.9 billion in 1970. The visible trade gap has consequently widened and deficits in the goods and services account of the balance of payments have become increasingly common. Substantial inflows of aid and capital have been used to cover the external resources gap.

The Government budgetary position is weak as expenditure has continued to rise faster than revenue. It is difficult to comment on the financing of the apparent gap between recurrent revenue and expenditure but generally in the economy domestic credit expansion has been comparatively rapid leading to increases in the money supply and inflation.

Internal development policies have recently concentrated on measures to revive agricultural production and to attain self-sufficiency in food crop output.

There are signs that world demand for phosphates is once again rising. If this trend continues, it should combine with a better performance in the agricultural sector to lead to some significant GDP growth in real terms between 1978 and 1980.

#### 2. GDP by industrial origin

Table 1 provides details on GDP by industrial origin. While agriculture and related activities remained the dominant sector of the economy, its proportionate share in total GDP declined sharply from 40.6 per cent in 1970 to 26.3 per cent in 1978. At the same time, the contributions of the commerce and services sectors rose significantly from 16.9 per cent to 22.7 per cent and from 13.7 per cent to 20.4 per cent respectively between 1970 and 1978. The share of the building and construction sector has increased markedly and was 8.8 per cent of GDP in 1978 compared with 2.9 per cent in 1970. The share of mining and manufacturing declined somewhat and that of electricity and water has remained virtually unchanged during the period under review.

Togo: Table 1. GDP by source, 1970 and 1975-1978 (billions of CFA francs)

	1970	Percentage	1975	1976	1977	1978 <sup>a/</sup>	Percentage
<u>At current prices</u>							
Agriculture, forestry and fishing	26.7	40.6	31.2	36.1	32.0	36.3	26.3
Mining	3.2	4.9	1.9	2.8	3.0	3.0	2.2
Manufacturing	6.6	10.0	8.4	9.6	11.0	11.0	8.0
Electricity and water	2.0	3.0	3.0	3.1	3.4	3.6	2.6
Building and construction	1.9	2.9	6.5	6.1	12.3	12.2	8.8
Commerce	11.1	16.9	27.6	26.1	29.5	31.4	22.7
Transport and communications	5.3	8.0	9.3	10.0	11.2	12.5	9.0
Services	9.0	13.7	21.6	24.3	26.6	28.2	20.4
Total GDP at factor cost	65.8	100.0	109.5	118.1	129.0	138.2	100.0
Indirect taxes less subsidies	7.6		13.8	15.8	17.7	19.6	
Total GDP at market prices	73.4		123.3	133.9	146.7	157.8	

Source: Official data from Togo.

a/ Provisional.

### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. Agricultural production in Togo was adversely affected during the drought years up to 1974. Drought conditions recurred during the 1976/1977 season. Fine weather has prevailed since then but, as shown in table 2, the level of agricultural output has not yet regained the 1970 level. Thus in 1977 cereal production was 26 per cent below the 1970 output and the production of roots and tubers was 53 per cent less than what it was in 1970. As a result of the decline in cereal production, the imports of cereals have been increased substantially since 1975.

The important export crops such as cocoa, coffee, and palm kernels have in addition to irregular climatic conditions, suffered from ageing trees which are only now being rehabilitated. The steady decline in cotton seed output since 1975 is attributable to the switch of acreage to food crop cultivation.

Togo: Table 2. Agricultural production, 1970 and 1975 to 1978  
(thousands of tonnes)

	1970	1975	1976	1977	1978
Cereals	323	269	278	239	...
Roots and tubers	1 625	848	856	759	...
Cocoa	23.2	14.6	17.8	14.1	15.8
Coffee	13.6	7.7	8.5	10.4	4.7
Palm kernels	14.8	7.7	7.5	1.3	0.6
Seed cotton	5.0	10.7	9.7	7.0	4.5
Groundnuts	...	0.7	0.5	0.2	0.6
Ghee butter	0.4	1.2	5.4	1.2	3.8
Fish catch	11.4	13.7	8.2	8.4	...

Source: Official data from Togo.

Because of unfavourable conditions for extensive livestock rearing, Togo imports annually up to 20,000 head of cattle from its neighbours - Benin, Mali, Niger and Upper Volta and additional meat supplies are imported from other countries.

(b) Mining. Phosphate rock is the most important mineral produced. Togo is a relatively large exporter and accounts for one sixteenth of the total world exports of this mineral. Output has varied markedly during the period under review because of changing world market conditions. During the past few years demand for phosphates from Togo has been high and has risen from 2 million tonnes in 1976 to 2.5 million in 1977 and is estimated at 3 million tonnes in 1978. There are plans to raise productive capacity to 4 million tonnes by April 1980.

A cement plant to be constructed jointly by Togo, Ghana and Ivory Coast will use the limestone deposits in the south-east of Togo. This plant will ultimately have a capacity of 1.2 million tonnes per annum. The exploitation of the iron ore deposits in the north had been expected to start in 1979 to supply the steel mill which was nearing completion at the end of 1978.

(c) Manufacturing. The manufacturing sector is still relatively small although the number of establishments has increased since 1970. In the past few years, however, many units have been operating at below capacity mainly because of the shortage of agricultural raw materials.

Beer and soft drinks production has expanded significantly from 94.1 and 35.5 thousand hectolitres, respectively in 1970 to 231.2 and 112.9 thousand hectolitres respectively in 1977. The demand for beer still exceeds supply and new production capacity was being installed in 1978 to serve the needs of the country.

The production of palm oil and palm kernels has fluctuated widely since 1970 as a result of varying weather conditions and this has affected the plants set up to process these products. Production of textile fabrics rose from 7.6 million yards in 1970 to 16.5 million yards in 1975. It fell to 14.9 million yards in 1976 before rising to 17.1 million yards in 1977. Cement production reached 239.1 thousand tonnes in 1977 compared with 150 thousand tonnes in 1975. Production was estimated at 300 thousand tonnes in 1978. The oil refinery near Lome which has a total capacity

of 1 million tonnes produced 66,953 tonnes of refined petroleum products during the last quarter of 1977 and 247,227 tonnes in the first quarter of 1978.

(d) Electricity. Electricity production has increased steadily but about two thirds of Togo's annual electricity needs are imported from Ghana. Production reached 64.6 million kWh in 1977 and imports totalled 108.8 million kWh. The consumption of electricity has risen at an average annual rate of 14.4 per cent between 1970 and 1977. This rapid rate of growth has reflected rapid rates of urbanization and expansion in the industrial sector.

(e) Construction. The building and construction industry expanded significantly in 1977 following the launching of a number of public infrastructure projects in 1978. The total turnover of enterprises engaged in the industry rose by 41 per cent in 1977 and in 1978 the eight most important enterprises doubled their total turnover. Major construction works in progress are for roads, hotels and public buildings.

(f) Transport. Goods unloaded at ports in Togo rose markedly from 261,000 tonnes in 1970 to 468,000 tonnes in 1976 reflecting a significant expansion of imports to Togo. Goods loaded, on the other hand declined from 71,200 tonnes in 1970 to 62,000 tonnes in 1975 and to 61,700 tonnes in 1976. The decline in the past few years has been due to the fall in the export volume of the major agricultural products.

Rail transport has had to face severe competition from road transport. The total number of passengers transported annually is about 2 million and freight tonnage rarely exceeds 50,000 tonnes. Railway traffic will however be boosted shortly when exploitation of limestone deposits begins to supply the cement plant. There is also an ambitious project to link Togo, Upper Volta, Niger and Mali by rail which should assure rail transport in Togo a brighter future.

Airport traffic has grown rapidly during the period under review. The number of passengers handled rose from 37,600 in 1970 to 115,600 in 1975 and to 147,000 in 1977.

(g) Tourism. The tourist industry has expanded rapidly particularly in the past few years. Hotel capacity rose to 1,000 rooms in 1977. Total tourist arrivals reached 70,700 in 1977 compared to 60,000 in 1976 and only 8,400 in 1970. Total hotel capacity will be expanded to 2,000 rooms by 1980.

#### 4. Expenditure and the GDP

Private consumption accounts for the greatest share of gross domestic expenditure but its share has fallen from 81.2 to 68.8 per cent of GDP from 1970 to 1978. Public consumption has risen at a very fast rate since 1970. It grew at an average annual rate of 28.5 per cent between 1970 and 1978 and its proportionate share in total GDP consequently expanded significantly from 7.1 per cent to 24.5 per cent during the same period.

An increasing share of the GDP has also been spent on gross domestic fixed capital formation since 1970. In 1970 capital formation represented 12.5 per cent of total GDP, by 1978 the proportion had risen to 31 per cent. In 1978 alone fixed capital formation increased by 36.5 per cent.

Gross domestic savings have varied significantly over the last few years. They reached CFAF 28.6 billion in 1975 following the 1974 phosphate export boom but fell progressively to only CFAF 10.5 billion in 1978. In 1970 they represented 11.7 per cent of GDP and in 1978, 6.7 per cent.

Togo: Table 3. Expenditure and the GDP, 1970 and 1975-1978 (billions of CFA francs)

	1970	Percentage	1975	1976	1977 <sup>a/</sup>	1978	Percentage
<u>At current prices</u>							
Private consumption	59.6	81.2	83.0	92.7	100.5	108.6	68.8
Public consumption	5.2	7.1	18.6	18.6	29.2	38.7	24.5
Gross domestic fixed capital formation	9.2	12.5	35.8	33.3	35.8	48.9	31.0
Increase in stocks	1.4	1.9	7.4	3.1	5.0	14.8	9.4
Exports less imports of goods and services	-2.0	-2.7	-21.4	-13.4	-23.8	-53.2	-33.7
Total GDP at market prices	73.4	100.0	123.4	134.3	146.7	157.8	100.0

Source: Official data from Togo.

a/ Provisional.

##### 5. External trade and balance of payments

Between 1970 and 1977 the value of exports from Togo rose by 14.4 per cent on average per annum and imports by 21.4 per cent a year. The visible trade gap has consequently widened substantially. It reached CFAF 30.8 billion in 1977 compared to CFAF 2.8 billion in 1970.

In 1977 exports expanded substantially both in terms of value and volume with export receipts growing at 57.0 per cent and export volume by 48.3 per cent. The important commodities leading to the high rise in exports were phosphates, cocoa and coffee. The same was true for imports with import value and volume growing by 57.2 per cent and 71.5 per cent respectively.

Provisional data for 1978 suggest further substantial increases in both exports and imports.

The net inflow of Government transfers (aid receipts) have been stable at about CFAF 10 billion between 1976 and 1978. Capital flows amounted to CFAF 8.8 billion in 1975. In 1976 they dropped to CFAF 8.1 billion before rising to CFAF 16.6 billion in 1977. The inflows of capital and aid receipts in 1976 and 1977

Togo: Table 4. External trade and balance of payments, 1970 and 1975-1977  
(billions of CFA francs)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	15.2	27.0	24.9	39.1
Imports	17.9	37.3	44.4	69.8
Balance	-2.8	-10.3	-19.5	-30.7
<u>Balance of payments</u>				
Goods and services (net)	-3.11	-24.86	-27.5	-31.8
Private transfers (net)	-0.11	0.60	2.0	3.0
Government transfers (net)	4.03	8.66	10.0	10.0
Capital (net)	1.58	18.80	8.1	16.6
Reserves and related items (net)	-1.97	-2.34	5.1	2.2
Errors and omissions	-0.42	-0.86	2.3	...

Source: IMF, International Financial Statistics, vol. XXX, No. 11, November 1977 and vol. XXXI No. 12, December 1978; and official data from Togo.

were not sufficient to cover the deficits for goods and services which have widened in recent years. The international reserves fell in 1975 and 1977 and at December 1977 net foreign assets were CFAF 4.32 billion compared with CFAF 22.38 billion at the end of 1974.

#### 6. Development aid and external debt

From the balance of payments data total grant aid receipts to the Government amounted to about CFAF 30.5 billion in the three year period to 1978. The increasing capital inflow since 1976 probably included substantial loans to the Government destined for the large public works projects. This has consequently raised Togo's external public debt substantially in the last few years. The level of external public debt was estimated to be about CFAF 156.7 billion in 1978 compared to CFAF 141.3 billion in 1977 and CFAF 55.6 billion in 1975.

#### 7. Government revenue and expenditure

As indicated in table 5, total recurrent revenue rose from CFAF 9.9 billion in 1970 to CFAF 20.2 billion in 1977 or by 10.7 per cent on average per annum. Recurrent expenditure rose yearly by 26.5 per cent on average during the same period and has exceeded recurrent revenue since 1975.

Togo: Table 5. Government revenue and expenditure, 1970 and 1975-1977  
(billions of CFA francs)

	1970	1975	1976	1977
Recurrent revenue	9.9	15.6	20.8	20.2
Recurrent expenditure	9.6	20.8	38.9	49.8
Capital receipts	2.4	12.1	14.3	22.3
Capital expenditure	0.9	11.4	11.6	9.6
Total receipts	12.3	27.7	35.1	42.5
Total expenditure	10.5	32.2	50.5	59.4
Balance	+1.8	-4.5	-15.4	-16.9

Source: Togo, The Treasury.

Investment expenditure expanded substantially from CFAF 0.9 billion in 1970 to CFAF 11.4 billion in 1975. There was little increase in 1976 but there was a fall to CFAF 9.6 billion in 1977. The over-all budgetary deficit has widened significantly since 1975. The cash shortages have been met by recourse to foreign borrowing.

#### 8. Money and banking

Money proper, that is currency outside banks plus demand deposits has expanded rapidly in the seven year period under review. It averaged an annual rate of increase of 20.0 per cent. In 1976 alone the money supply rose by 52.3 per cent but fortunately it increased by only 10.6 per cent in 1977. Quasi-money also increased steadily with an average rate of growth of 24.4 per cent between 1970 and 1977.

Net foreign assets have fluctuated over this period rising to 22.38 billion at December 1974, falling to CFAF 5.81 billion at the end of 1975 then increasing again to CFAF 12.8 billion at December 1976 before falling once more to 4.32 billion at the end of 1977.

Togo: Table 6. Monetary survey, 1970 and 1975-1978 (billions of CFA francs)

	End 1970	End 1975	End 1976	End 1977	July 1978
Net foreign assets	11.00	5.80	12.70	4.32	6.47
Domestic credit					
Net claims on Government	-4.74	1.40	1.16	1.85	5.12
Claims on private sector	8.37	24.64	32.23	44.59	51.03
Money	10.15	21.56	32.94	36.45	46.14
Quasi-money	2.52	6.72	8.27	11.63	13.73
Other items (net)	1.26	1.89	3.17	1.04	1.15

Source: IMF, International Financial Statistics, vol. XXX No. 12, December 1977, and vol. XXXI No. 12, December 1978.

Claims on the private sector accounted for the greater part of the increase in money supply since 1975. Private credit rose from CFAF 24.64 billion at the end of 1975 to CFAF 51.03 billion at December 1977. In 1970 the Government was a net creditor to the banking system but since 1975 it has borrowed regularly from the banks.

#### 9. Wages and prices

As reported in last year's Survey, large wage increases were granted in 1975 and since January 1977 rises of 15 per cent were authorized for employees in both the public and private sectors.

The rate of increase in the consumer price index has been about 11.7 per cent between 1970 and 1977. In 1977 alone the index rose by 23.2 per cent. Food and clothing accounted for the greater part of this increase. However, some deceleration was observed in the rate of inflation during the first nine months of 1978. This has been attributed to a good agricultural season which has brought down the prices of foodstuffs.

#### 10. Employment and unemployment

In 1977, 7.6 per cent of the total active population was in wage employment compared with 5.6 per cent in 1975. Wage earners in the public sector rose from 24,893 in 1975 to 36,137 in 1977 and those in the private sector from 25,140 to 35,856 in the same two year period. The rise in wage employment in the private sector is due to the large public work projects in progress.

Unemployment appears to be fairly substantial judging from the numbers of job seekers who failed to find employment in 1976.

#### 11. Other social sectors

(a) Education. The school population has risen steadily during the period under review. Primary school enrolment rose from 206,200 in 1970 to 421,400 in 1978 or by 9.3 per cent on average per annum. The primary enrolment rate in 1978 was more than 80 per cent. Enrolment in secondary schools was 18,700 in 1970 and 96,300 in 1978 and in higher education the total number of students was 260 in 1970 and 3,120 in 1978. Allocations from the public budget finance about 86 per cent of expenditure on education. Contributions by parents and external aid account for the remainder.

(b) Health. The health sector suffers from a severe shortage of personnel. In 1976/77 there were approximately 100 doctors and 1,000 nurses for a total population of 2.2 million. A major hospital exists in Lome and there are hospital centres in four other major towns. There are plans to build health centres in all the smaller towns.

(c) Housing. Because of the rapid growth of the urban areas, there is an acute shortage of housing particularly for the low-income groups. In 1977 ordinances were passed creating an urban land agency and expanding the activities of the Societe Immobilier du Togo.



## B. MAJOR PROBLEMS

Agriculture in Togo has been adversely affected by drought conditions and irregular rainfall. Production has tended to decline in the recent period and this has created problems in food supply and for agricultural exports. Substantial imports of food-stuffs are needed annually and food prices have been rising particularly in the urban areas.

In industry mention has already been made of the difficulties in obtaining raw material inputs for a number of enterprises. Several industrial units are operating below capacity. In certain sectors, notably cement and beer, demand exceeds supply.

The visible trade deficit has been increasing since the rise in imports has been substantial while the violent fluctuations in crude phosphate prices have prevented a steady increase in total export receipts. Government revenues have therefore not expanded fast enough and substantial over-all budgetary deficits have become common.

## C. INTERNAL DEVELOPMENT POLICIES

Development policy in agriculture is emphasizing the revival of production levels for both food crops and commercial crops through the national campaign for agricultural production which was launched in March 1977. Regional organizations for the development of subsistence production were created in October 1977.

To help contain the increasing trade deficit, the Government has decided to contain the rise in the import bill by reordering its investment priorities. A number of non-essential development projects have consequently been postponed.

Efforts are also being made to reduce domestic credit and the expansion of money supply. Indirect taxes were raised in 1977 to reduce some of the excessive liquidity in the system but this has led to an increase in consumer prices.

## D. PROSPECTS FOR 1978 TO 1980

There are definite signs that the national campaign for agricultural development launched in 1977 is meeting with some success. For instance, some 15,000 hectares of cocoa out of the 36,000 hectares in the country have been rehabilitated and it is expected that by 1980 about 4,400 hectares of new cocoa will have been planted. The use of better crop rotation systems, more chemical fertilizers and modern machinery elsewhere in agriculture has started to raise production.

There are signs of an improvement in the world market prices of phosphates and the prospects of an increase in demand are good. The Government recently signed financial agreements totalling CFAF 4,500 million with a consortium of European and Tunisian banks to boost production and there are plans to build a fifth production facility which would raise output capacity to 4 million tonnes. Increases in receipts from phosphate exports should combine with a good performance in a revived agricultural sector to transform the economic situation in Togo and provide good economic growth rates in the years 1978 to 1980.

## E. ECONOMIC CO-OPERATION

Togo has taken an active part in the establishment of regional institutions and programmes designed to strengthen economic co-operation. It played a key role in the creation of ECOWAS and provides the headquarters for the ECOWAS Fund for Economic Co-operation, Compensation and Development.

At the bilateral subregional level, mention has already been made of the agreement entered into with Ghana and the Ivory Coast to build a cement complex to serve the needs of the three countries. There are also plans to develop a transport system to link the port of Lome to the land-locked sub-Saharan States of the Upper Volta, Mali and Niger. This will involve the improvement of the railway system and the construction of good feeder roads. The Canadian Government and the Arab Bank for Economic Development in Africa (BADEA) have provided loans of C\$ 13 million and \$US 3 million respectively towards work on these projects.

## TUNISIA

### A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

#### 1. Introduction

From 1970 to 1977 the economy of Tunisia grew at an annual rate of 8.3 per cent a year measured by the GDP at constant prices; this is a much higher rate of growth than that achieved in the 1960s. The forecast for 1978 is for a growth of 7.9 per cent so that from 1970 to 1978 the GDP at constant factor cost probably grew by 8.2 per cent a year. At current prices the GDP growth rate at factor cost is estimated at 15.5 per cent annually and the implicit GDP deflator is 6.7 per cent a year which compares with an annual increase in consumer prices of 5.6 per cent and of wholesale prices of about 7 per cent.

In 1978 itself the growth rate of GDP at constant factor cost of 7.9 per cent compares with only 3.5 per cent in 1977; when measured at constant market prices the growth rates were 4.1 per cent in 1977 and 8.9 per cent in 1978. Thus the GDP growth rate achieved in 1978 was beginning to approach the average of 9.8 per cent a year achieved in the first five years to this decade which were years of particularly fast economic growth in the country. In the non-agricultural sectors growth averaged 8.3 per cent a year in 1977 and 1978 which was higher than the average for the fourth plan period from 1973 to 1976 of 7.6 per cent annually but below the target growth rate for these sectors in the first two years of fifth plan period of 9.6 per cent a year. The sums spent on investment in 1977 and 1978 were 645 million dinars and 750 million dinars respectively, equal to 30.4 per cent of the GDP at market prices; in 1973 to 1976 this ratio averaged 25 per cent.

A total of 889 million dinars was mobilized from domestic resources in 1977 and 1978 towards the investments totalling 1,395 million; this was 63.7 per cent of the amount required, the balance was obtained from external resources. Between 1970 and 1977 investment expenditure quadrupled, increasing at an average rate of 22.6 per cent a year. Domestic savings have risen by 21.4 per cent annually over this period and in 1977 the proportion of investment financed externally was 37.3 per cent compared with 32.5 per cent in 1970. In 1977 and 1978 there were 84,000 new jobs created equal to 36 per cent of the total forecast for the fifth plan period. Employment creation has been rapid this decade, the total in wage employment rising from 755,000 in 1970 to a provisional total of 970,000 in 1978; however, there were still an estimated 145,000 unemployed in 1978, although substantially below the 185,000 of 1976.

The dynamic development of the Tunisian economy from 1970 to 1977 can be attributed to the opening up of the economy with a large place given to private enterprise. Productive investment has been emphasized since 1970 especially that which increases employment and leads to a rise in the number economically active. The promotion of export industries was covered in legislation introduced in 1972 and the investment code was revised in 1974 to encourage industrial investments and decentralization.

Except in 1977, climatic conditions were generally favourable and this helped the growth rate in the agricultural sector. There was also an improvement in the country's terms of trade especially in 1974 and 1975. However, in 1977 the country was faced with many difficulties especially the drought, an unfavourable international situation and pressure for substantial wage rises from the trade unions. Despite these unfavourable events, it is possible to state that the economy in 1977 was much less vulnerable than in

1970. The high level of investment in that year and in 1978 will provide a good basis for further high growth in the economy and help towards achieving the strategic objectives of the fifth development plan especially the investment in water resources, for the promotion of industry and the growth of exports.

## 2. GDP by industrial origin

The main changes in the distribution of the GDP by sector between 1970 and 1977 have been the increases in the shares of petroleum, manufacturing industry and construction and falls for transport and communications and for other services. The reduction in 1977 for agriculture, forestry and fishing was only temporary and due to the poor climatic conditions in that year.

Between 1970 and 1977 the share of GDP from petroleum rose from 4.9 to 6.6 per cent, from manufacturing industry grew from 9.2 to 10.6 per cent and from construction increased from 7.5 to 10.3, per cent, the fall for transport and communications was from 7.6 to 6.8 per cent and for other services, excluding commerce, was from 26.3 to 22.9 per cent. The contribution of agriculture, forestry and fishing to GDP in 1970 was 19.3 per cent and this rose in 1976 to 20.6 per cent before falling to 18.4 per cent in 1977.

Tunisia: Table 1. GDP by source, 1970 and 1975 to 1978 (millions of dinars)

	1970	Percentage	1975	1976	1977	Percentage	1978 <sup>a</sup>
<u>At current prices</u>							
Agriculture, forestry and fishing	126.8	19.3	311.7	336.5	335.0	18.4	374.7
Mining	8.8	1.4	51.2	26.2	25.6	1.4	25.4
Petroleum products	31.9	4.9	116.2	102.2	120.6	6.6	134.9
Manufacturing	60.5	9.2	154.8	173.9	193.1	10.6	227.9
Electricity and water	13.1	2.0	23.9	27.8	33.0	1.8	34.7
Construction	49.0	7.5	136.3	160.8	187.0	10.3	218.4
Wholesale and retail trade	143.2	21.8	324.5	351.5	387.0	21.2	437.5
Transport and communications	50.2	7.6	84.6	97.4	124.9	6.8	144.8
Other services	172.8	26.3	324.6	358.0	416.8	22.9	473.7
Total GDP at factor cost	656.3	100.0	1 527.8	1 634.3	1 823.0	100.0	2 072.0

Source: Tunisie, Ministère du Plan, Séries statistiques rétrospectives, 1968-1973 et Budgets économiques, 1978 et 1979.

a/ Forecast.

The annual growth rates of major individual sectors at constant prices between 1970 and 1977 were 6.7 per cent for agriculture, forestry and fishing, despite the substantial fall in 1977 itself, 11.3 per cent for manufacturing industry and 7.1 per cent for other industries. For the service sectors as a whole the rate of growth averaged 8.6 per cent a year. Tourism has grown in relative importance in the period under review, representing about 4 per cent of GDP in 1977 against 2.6 per cent in 1970.

### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. This is still the most important productive sector but the rapid growth in manufacturing industry and construction in particular have had the effect of broadening the productive base in the economy, reducing to some extent the dependence on agriculture.

Tunisia: Table 2. Commercial agricultural production, 1970 and 1975 to 1977  
(thousand tonnes)

	1970	1975	1976	1977
Olives	125	468	870	425
Tomatoes	165	256	250	320
Citrus fruit	101	131	163	160
Table grapes	73	140	111	94
Meat	80	114	120	132
Fish	24	46	49	54

Source: As table 1.

Note: The figures may relate to agricultural seasons and not the calendar year.

Apart from the major commercial products shown in table 2, all of which show a substantial increase comparing 1977 and 1970, Tunisia produces much of its cereal requirements. In 1970, output of cereals was 713,000 tonnes and rose to 1,215,000 tonnes in 1975 before falling to 1,050,000 tonnes in 1976 and 670,000 tonnes in 1977. With a return to a more normal rainfall, the 1978 crop was forecast at 900,000 tonnes.

Output of olives is highly susceptible to the rainfall pattern and, as indicated in table 2, a very large crop of 870,000 tonnes was harvested in 1976, compared with more normal figures of 468,000 tonnes in 1975 and 425,000 tonnes in 1977, while the 1970 output was only 125,000 tonnes.

The poor figure for cereals in 1977 was due to the drought conditions prevalent during part of the growing season.

(b) Mining (excluding petroleum). The most important product is crude phosphates but iron ore, lead, zinc and salt are among other minerals produced. Output of phosphates has grown by 24 per cent between 1970 and 1978 but the quantity of iron ore mined has fallen by more than a half, similarly for lead, while the fall in zinc output has been about 20 per cent. Salt production grew by 41 per cent over this period.

There was a fourfold rise in the price of crude phosphates in 1974 and a further price increase in 1975 but, subsequently, the price has declined, so that in 1977 it was 56 per cent of that of 1975 and there was a further small fall in 1978. These price movements had an important influence on the realizations from the mining sector as a whole.

Tunisia: Table 3. Mineral production, 1970 and 1975 to 1978 (thousand tonnes)

	1970	1975	1976	1977	1978 <sup>a/</sup>
Phosphates	3 023	3 456	3 294	3 614	3 750
Iron ore	774	614	511	343	350
Lead	37.0	17.7	17.3	16.1	15.0
Zinc	22.4	13.7	13.4	12.4	18.0
Salt	245	380	425	334	345
Fluorspar	30.2	33.9	34.5	28.9	30.0
Barytine	...	15.1	22.3	5.0	10.0
Crude petroleum	4 164	4 600	3 710	4 300.0	4 800
Natural gas (million m <sup>3</sup> )	...	208	213	250	256

Source: As table 1.

a/ Early estimates.

(c) Petroleum and natural gas. The information on levels of production is given in table 3. This shows that output of crude petroleum has fluctuated to some extent in the period under review and the 1975 level of 4,600,000 tonnes was not restored until 1978 when it is estimated to have risen to 4,800,000 tonnes. Output in the recent period has risen because of water-injection used in the two largest producing fields.

Natural gas output was small in 1970 but its use has grown substantially as more has been piped for electricity production and for heating in industry.

(d) Manufacturing industry. This has been a key sector for growth since 1970 and as indicated earlier, the value added for the GDP at constant prices has increased by an average of 11.3 per cent a year between 1970 and 1977. There was only a relatively low rate of growth in 1977 itself of 4.2 per cent but the pattern of high growth appears to have been re-established in 1978.

The volume index of output from the manufacturing industry shows that average annual rate of growth from 1970 to 1977 was 6.8 per cent. The higher rate of increase for value added for GDP indicates some relative improvement in prices for manufactured products vis-à-vis the rest of the economy and that productivity and profitability have improved in this sector.

Information available for the past three years of the contribution to GDP by various subsectors of the manufacturing industry, show that growth has been particularly marked in all years for construction materials, for chemical industries in 1977 and for textiles in 1976.

Tunisia: Table 4. Production of selected manufactures, 1970 and 1975 to 1978

	1970	1975	1976	1977	1978 <sup>a/</sup>
Olive oil (thousand tonnes)	25	117	180	85	135
Sugar (thousand tonnes)	78	91	93	80	103
Tomato concentrate (thousand tonnes)	13	30	28	40	30
Cotton fabrics (million metres)	15.2	42.5	44.0	50.2	43.2
Clothing (million pieces)	4.1	26.9	41.2	44.0	44.0
Triple superphosphates (thousand tonnes)	383	305	343	487	500
Paper pulp (thousand tonnes)	19	22	20	22	24
Cement (thousand tonnes)	547	613	478	630	930
Index of production <sup>a/</sup>	100	138.5	147.2	158.6	...

Source: As table 1.

a/ All manufactures.

(e) Electricity. There has been a high growth rate in electricity production since 1970, the total output increasing from 576.7 million kWh to an estimated 1,572 million in 1978 equal to an average growth rate of 13.4 per cent a year. In 1977 and 1978 the growth rates were 18.5 per cent and 17.5 per cent, respectively.

(f) Construction. The rise in investment activity this decade has provided much more work in the construction industry. As was shown earlier, the contribution of construction to the GDF has risen from 7.5 per cent in 1970 to 10.3 per cent in 1977, indicating a growth rate in the sector well above the average for the economy as a whole. Cement production was 547,000 tonnes in 1970 and 630,000 tonnes in 1977 but a large rise to 930,000 tonnes was expected for 1978.

(g) Transport services. The growth in the sector as a whole has originated in greater tonnages handled at the sea ports, in more vehicles on the roads and in a substantial rise in passengers handled at airports, particularly up to 1975. However, the railway tonnage figures show virtually the same totals in 1970 and 1977.

The average annual increases from 1970 to 1977 were for freight handled at the ports: 4.1 per cent, passengers handled at airports: 8.4 per cent and road vehicles in use for freight and public passenger services: 10.8 per cent.

Tunisia: Table 5. Selected transport indicators, 1970 and 1975 to 1977

	1970	1975	1976	1977
<u>Ports</u>				
Freight loaded (thousand tonnes)	3 459	3 785	4 320	4 394
Freight unloaded (thousand tonnes)	4 799	4 758	5 529	6 565
<u>Railways</u>				
Freight (million tonne/Km)	1 328	1 283	1 277	1 339
<u>Roads</u>				
Vehicles for freight and public passengers	2 767	3 820	3 915	4 871
<u>Airports</u>				
Passengers handled (thousand)	1 375 <sup>a/</sup>	2 420	2 562	2 549

Source: As table 1.

a/ 1971.

(h) Tourism. There was a fall in the number of nights spent at hotels in 1977, compared with 1976 with totals of 8,805,000 and 8,890,000, respectively. The forecast for 1978 is a total of 9,200,000. In 1970, the total had been 3,208,000 and in 1975 9,427,000.

With the substantial rise in hotel beds since 1970, the occupation rate at hotels was only 38.2 per cent in 1977, with a total of 64,097 beds. Tourism is highly seasonal in Tunisia, which is one reason for the comparatively low occupancy rate.

#### 4. Expenditure and the GDP

Tunisia has increased its investment effort substantially since 1970 and the rate of growth of gross fixed capital formation at current prices has been 23 per cent a year from 1970 to 1977, with the total capital formation excluding stock changes rising from 151.5 million dinars in 1970 to 645 million in 1977. The proportion of GDP represented was 20 per cent in 1970 and 30.2 per cent in 1977.

The proportion of GDP spent on consumption, both public and private, was 84.2 per cent in 1970 and 80.1 per cent in 1977. In 1977, public consumption was 15.5 per cent of total GDP. The level of domestic savings has risen from 15.8 per cent to 19.9 per cent of GDP over the period under review but, with the much sharper rise in investment expenditure, an increasing proportion has had to be financed from external resources. In 1977, about one-third of the investment was financed externally.



Tunisia: Table 6. Expenditure and the GDP, 1970 and 1975 to 1978 (millions of dinars.)

	1970	Percentage	1975	1976	1977	Percentage	1978 <sup>a/</sup>
<u>At current prices</u>							
Private consumption	507.5	67.0	1 032.1	1 192.8	1 380.8	64.6	1 557.2
Public consumption	130.8	17.2	250.2	275.0	332.3	15.5	384.8
Gross fixed consumption	151.5	20.0	461.0	550.0	645.0	30.2	750.0
Change in stocks	2.2	0.3	85.0	40.0	...	...	...
Exports, less imports of goods and services	-34.0	-4.5	-84.1	-153.8	-221.1	-10.3	-240.0
Total GDP at market prices	758.0	100.0	1 744.2	1 904.0	2 137.0	100.0	2 452.0

Source: As table 1.

a/ Forecast.

Domestic savings were lower in 1977 than the average for the period 1970 to 1977 because of the poor agricultural season and its impact on the overall growth rate of the economy. The savings rate was equal to 26.5 per cent of GDP in 1975 and 22.9 per cent in 1976.

The total net inflow of resources to supplement domestic savings was 4.5 per cent of GDP in 1970, 4.8 per cent in 1975, 8.1 per cent in 1976 and 10.3 per cent in 1977.

#### 5. External trade and balance of payments

Up to 1974, the balance of payments was in surplus and external reserves were increased but, since, then owing to the international economic situation, the increasing deficit on merchandise account and a current account deficit, there has arisen an overall deficit in the external payments account and some loss in the country's international reserves. In the years 1975 to 1977, these reserves fell by 39 million dinars.

The deficit on external trade was 69 million dinars in 1970 and rose to 318.4 million dinars in 1976. There was a further rise to 367.8 million dinars in 1977 and the forecast is for a deficit of 424 million dinars in 1978, with imports again rising faster than exports.

The major export items in 1970 were crude petroleum, phosphates and olive oil, which between them accounted for 65.5 per cent of total exports in 1970 and 57.7 per cent in 1977. Between 1970 and 1977, exports of textiles and clothing increased from only 2 million dinars in 1970 to 77.2 million dinars in 1977 and a further increase was expected in 1978. Other items to figure more prominently in Tunisia's merchandise exports in 1977 were triple superphosphates and phosphoric acid. In 1977, exports of these two products were worth more in value than crude phosphates. The growth in the export trade of the country since 1975 has come mainly from manufactured products.

Tunisia: Table 7. External trade and balance of payments, 1970 and 1975 to 1977  
(millions of dinars)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	98.8	345.6	338.3	390.1
Imports	167.8	572.8	656.7	757.9
Balance	-69.0	-227.2	-318.4	-367.8
<u>Balance of payments</u>				
Goods and services (net)	-58.3	-143.6	-243.1	-315.3
Private transfers (net)	14.2	54.7	55.7	66.9
Government transfers (net)	16.3	15.3	20.6	18.9
Capital	37.8	82.1	165.1	205.5
Reserves and related items	-10.5	6.8	6.9	25.3
Errors and omissions	0.5	-15.3	-5.2	-1.3

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977; vol. XXXII, No. 1, January 1979.

Imports into Tunisia contain a high proportion of capital equipment but the percentages for raw materials and semi-finished products and consumer goods, including foodstuffs are also substantial. In 1977, 29.6 per cent of imports were capital goods, 30.3 per cent raw materials and semi-finished products, 17.4 per cent were non-food consumer goods, 11.9 per cent were foodstuffs and 10.4 per cent were energy products. In 1970, 23 per cent had been capital goods and only 4 per cent were energy products.

As compared with 1970, the terms of trade moved in Tunisia's favour and in 1975 the index was 152.8 (1970=100). However, continuous rises in import prices together with some fall in export prices have reduced these trade terms to 144.3 in 1976, 139.5 in 1977 and an estimated 137.2 in 1978.

Based on the unit prices of exports and imports and the total value of both, the volume of exports rose by 42 per cent between 1970 and 1977 and of imports by 126 per cent. The average annual growth rates were 5.1 per cent for exports and 12.4 per cent for imports.

In the first nine months of 1978, the value of exports was 13 per cent higher and that of imports 17 per cent more than in the same period of 1978. This suggests that total exports and imports for 1978 will be 440 million dinars and 887 million dinars, respectively.

The balance of payments show that Tunisia has a positive balance for services, largely due to earnings from tourism and this net surplus, together with remittances from Tunisian workers abroad plus some small inflow of Government transfer has helped cover part of the large deficit on external trade. However the net inflow of capital has been more important, with a total of 452.7 million dinars received in the three years 1975 to 1977. Despite this net inflow, international reserves have had to be run-down to some extent to ensure an overall payments balance.

The indications for 1978 are that the much increased trade deficit was more than covered by net inflows of services, income, transfers and capital, with the result that at the end of the year there was some small increase in the level of the international reserves.

#### 6. Development aid and external debt

The external resources flow to Tunisia has included increasing proportions of private loans and long-term public loans this decade. The position is as follows:

<u>External resources inflow (in million dinars)</u>	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Grants, etc.	25.5	20.2	22.8	20.3	17.0
Participations	10.3	27.4	52.3	53.5	44.0
Long-term public loans	31.4	59.2	75.8	97.7	100.0
Medium-term private loans	19.7	14.2	78.1	122.2	165.0
Less capital outflow	-27.6	-45.5	-66.6	-82.9	-60.0

Such an inflow of capital has, naturally, led to a rapid increase in the external debt and to a substantially higher debt service burden. In 1970, the external debt was 322.1 million dinars, including 228.3 millions of public loans; by 1977 the total had risen to 786.6 million dinars, including 546.5 million public debt and, in 1978, it is estimated to have exceeded 1,000 million dinars with 623 million public debt and 378 million private debt.

Debt service charges increased from 36.7 million dinars in 1970 to 76 million dinars in 1978. The 1978 total was 11.4 per cent of current external receipts but, if capital repayments are included, the proportion is higher.

#### 7. Government revenue and expenditure

In the Government accounts there has been a faster rise in recurrent revenue than recurrent expenditure since 1970 and it has been possible to allocate the increasing budget surplus towards financing the capital budget. However, capital expenditure has grown much more rapidly than recurrent expenditure and there has been increasing recourse to external resources to finance such expenditure.

The average annual growth rates of recurrent revenue, recurrent expenditure and capital expenditure between 1970 and 1978 have been 16.9 per cent, 15.9 per cent and 23.5 per cent, respectively.

In 1977 and 1978, in order to help finance the capital budget, recourse was made to borrowing on the international financial market for 51.6 million dinars in 1977 and 62.4 million dinars in 1978.

Tunisia: Table 8. Government revenue and expenditure, 1970 and 1975 to 1978 (millions of dinars)

	1970	1975	1976	1977	1978 <sup>a/</sup>
Recurrent revenue	155.3	361.7	394.6	473.3	541.2
Recurrent expenditure	129.4	269.2	289.7	357.4	421.2
Recurrent surplus	25.9	92.5	104.9	115.9	120.0
Capital expenditure	64.7	196.7	249.0	318.2	350.0
Other capital receipts					
Domestic loans	8.4	24.8	48.2	76.2	92.0
Other domestic receipts	5.9	14.3	16.4	21.1	25.0
External receipts	26.6	38.0	36.9	108.5	100.9

Source: Tunisia, Ministère du Plan.

a/ Budget estimates.

## 8. Money and banking

In the period 1970 to 1977, net foreign assets first increased rapidly up to the end of 1974 and since then have fallen progressively but their level at December 1977 was 100.8 million dinars compared with only 8 million at December 1970. Domestic credit has risen throughout the period but with a much faster rate of growth in private sector credit than in net claims on the Government. The average annual growth rates were 19.5 per cent for private sector credit and 7.9 per cent for public sector credit.

Comparing December 1977 and December 1970, both the increase in net foreign assets and in domestic credit have had their influence on the growth of the money supply. Over the seven-year period, money proper rose by 16.9 per cent a year; including quasi-money, the annual growth rate was 19.6 per cent. These rates of increase in money supply can be related to the growth of GDP at constant market prices averaging 8.5 per cent a year and their inflationary impact has not been particularly strong. In fact, consumer prices in Tunisia have risen on average by only 5.4 per cent a year between 1970 and 1977, which is a particularly low rate in the circumstances of world inflation which has been prevalent.

In the first nine months of 1978 domestic credit rose by 15.4 per cent for the public sector and 11.1 per cent for the private sector; the increase in money proper was 12.3 per cent and including quasi-money was 11.7 per cent. The forecast increase in GDP at constant market prices for the year as a whole was 8.9 per cent.

Tunisia: Table 9. Monetary survey, 1970 and 1975 to 1978 (millions of dinars)

	End 1970	End 1975	End 1976	End 1977	Sept. 1978
Net foreign assets	8.00	145.72	129.52	100.78	101.65
Domestic credit					
Net claims on Government	84.78	69.51	124.80	144.74	166.99
Claims on private sector	255.66	674.72	763.44	888.45	988.00
Money	192.67	475.42	513.77	575.69	646.56
Quasi-money	58.21	192.42	258.49	300.33	331.65
Long-term foreign borrowing	18.05	49.67	57.12	58.34	70.74
Government lending funds	16.99	41.46	42.87	49.67	57.09
Other items (net)	62.54	130.99	145.50	149.93	150.59

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977; vol. XXXII, No. 1 January 1979.

#### 9. Wages and prices

According to the terms of a convention agreed between the Government and various social groups in February 1977 and named "The Social Pact", the Government has undertaken during the period of the Fifth Plan (1977-1981) to revise wages and salaries in line with price rises and the increases in production and productivity. Revisions will be made every time prices increase by more than 5 per cent and wages will be maintained at the new level for a period of six months.

In 1977, minimum wages were increased by 33 per cent and for public servants an increase of 11 dinars per month was granted for all personnel. In April 1978, minimum wages were increased by a further 11 per cent which is equal to the increase in prices since January 1977. Between 1970 and 1978, the hourly minimum wage rose by 54 per cent, while the official consumer prices index increased by 45 per cent up to 1977. For agricultural workers the rise in the minimum wage has been 142 per cent.

The rise in consumer prices was highest in 1975 at 9.5 per cent but, in all other years this decade, the increase has been between 2.1 per cent and 6.6 per cent a year. Between December 1977 and October 1978, the increase in consumer prices was only 3 per cent.

#### 10. Employment and unemployment

The total numbers in wage employment rose from 755,000 in 1970 to 935,000 in 1977 and the forecast is for a total of 970,000 in 1978. This means that in 1977, 15.8 per cent of the total population of 5,932,000 was in wage employment in Tunisia and the proportion of the active population in wage employment was 54 per cent.

Employment creation is the most important single policy preoccupation in Tunisia and high rates of economic development are aimed at providing employment for those joining the labour force and to reduce the level of unemployment. The productive sectors of the economy, including rural development, are being emphasized in this drive to create more employment.

While in 1970 approximately 20,000 new jobs were created, by 1973-1977 the average had risen to 40,000 a year. With the renewal of emigration to Libya for employment, 28,000 Tunisians found work in that country in 1977 and this, with the 35,000 who also found jobs in Tunisia, led to a reduction in the total unemployed from 185,000 to 157,000. A further fall in unemployment had been expected in 1978.

#### 11. Other social sectors

(a) Education. The primary enrolment was already high in 1970 and while there was a small fall in the number of pupils between 1970 and 1975, there were particular advances recorded in 1976 and 1977, so that in 1977 the number of primary pupils was 6.1 per cent higher than in 1970. The primary enrolment rate in 1977 was 83.2 per cent and was estimated at 85 per cent in 1978 with 1,012,800 pupils. The difficulty in reaching a higher enrolment rate in the country as a whole is because of the dispersion of the rural population; the enrolment rate is increasing only slowly despite building up the number of schools in the rural areas. The number of girls at school has risen rapidly this decade.

At the secondary levels, there were 191,900 students in 1970 and 232,800 in 1977. The growth rate in the enrolment was 21.3 per cent, or substantially above the growth rate of the primary enrolment.

Including students outside Tunisia, there were 36,000 in higher education in 1977 compared with 16,500 in 1970. The much higher enrolment means that Tunisia is now in a much better position to fill those posts requiring higher level training than in the past.

In 1977, a seventh year of primary education was introduced and an eighth year was introduced in 1978. At the secondary level, vocational training was developed further and, in higher education, short courses in more subjects were introduced to help meet the requirements for higher level technicians and persons requiring some basic higher level studies.

(b) Health. The programme for building health institutions was continued in 1977 and the total investment proposed from 1977 to 1981 is 99 million dinars. Two new medical faculties were built in the 1970-1977 period and also a faculty for pharmacy and another for dental surgery. Various facilities for paramedical personnel were extended. The number of students on different medical courses rose from 602 in 1970 to 2,325 in 1977.

However, in the rural areas, the position remains unsatisfactory and present medical facilities and personnel are concentrated in the towns and cities.

In 1977 the doctor/population ratio was 1:4,088 and the hospital bed/population ratio was 1:500.

Tunisia: Table 10. Social indicators, 1970 and 1975 to 1977

	1970	1975	1976	1977
<u>Total population</u> (thousands)	5 003	5 612	5 775	5 932
<u>Education</u>				
Primary enrolment (thousands)	934.7	932.8	968.4	991.9
Secondary enrolment (thousands)	191.9	201.8	213.0	232.8
Higher enrolment (thousands) <u>a/</u>	16.5	28.5	32.0	36.0
<u>Health</u>				
Number of doctors	793	1 210	...	1 451
Number of paramedicals <u>b/</u>	5 664	7 167	8 342	10 056
Number of hospital beds	12 451	13 048	13 077	13 169
Number of rural dispensaries	330	...	...	407
<u>Employment</u>				
Number of wage earners (thousands)	755	872	900	935

Source: National data from Tunisia.

a/ Includes students abroad.

b/ Working for the Ministry of Health.

(c) Housing. With a doubling of the number of dwelling units constructed between 1970 and 1977 to a 1977 total of 21,200, the magnitude of the housing crises has been reduced to some extent: over this period, a series of measures have been taken to facilitate home-ownership. A reorientation of the housing effort in favour of rural and peri-urban areas, especially in favour of families with lower incomes, was observed in 1977.

(d) Income distribution. A household budget survey in 1975 had revealed a real reduction in absolute poverty, with the proportion of the population living in a state of poverty having fallen from 27 per cent in 1966 to 16 per cent in 1975.

In 1977, a number of measures were taken to reduce disparities in living standards; these included a policy for wage increases which favoured those with low incomes; increased penalties on those who seek to declare falsely their incomes for tax purposes and a more intensive programme of rural development to raise rural incomes.

## B. MAJOR PROBLEMS

These included, in 1977, the continuing deterioration of the terms of trade of the country, protectionist policies in the world's developed countries and the exclusion of Tunisia from the list of countries eligible for international aid on favourable terms.

Tunisia in 1977 had to face important restrictions imposed by the EEC on two of its principal exports, textiles and olive oil.

In 1977 and 1978, Tunisia has had to seek loans on the international financial market and this, because of the interest costs and the other conditions, has had an impact on the external debt structure and is an encumbrance in the medium-term to the balance of payments.

#### C. INTERNAL DEVELOPMENT POLICIES

A group of economic policy measures have been adopted to deal with the problems identified above; first, to try to improve the trade balance, markets are being diversified and new markets developed especially in Arab and African countries; at the same time various measures to encourage exports are being developed including export insurance and guarantees and fiscal and banking incentives. Imports are also being discouraged.

Attempts are being made to mobilize domestic resources to reduce the need for external capital; money borrowed on the international financial market is being allocated for the more profitable investments. Investments in projects requiring heavy capital are being studied more carefully and one result is that while the project to develop the natural gas deposits at Miskar at a cost of 200 million dinars is to go ahead, projects for an iron and steel plant, a sugar mill and a plant for ammonium nitrate are temporarily being shelved.

Investments designed to create employment are being proceeded with in terms of the provisions of the Fifth Plan; rural development projects in areas of high unemployment have been given a higher priority. The effort to build-up small and medium scale industries has been intensified and certain measures have been taken to speed up this process, such as the grant of credits and the creation of various institutions.

#### D. PROSPECTS FOR 1978 TO 1980

The forecast is for an increase in the GDP at constant market prices of 8.9 per cent, while for 1979 it seems likely that the growth rate will be around 7 per cent based on an average agricultural year.

However, the increasing requirement for external resources has become a matter of concern and any decision to reduce the inflow could have an impact on growth rates in 1979 and 1980.

Employment creation has been particularly effective in the past few years and, in 1979, the forecast is for a further 45,000 jobs to be created compared with 40,000 in 1977.

In general, it is hoped to catch up in 1979 to 1981 on the lag in growth of 1977 and reach the plan target for the period as a whole. The average growth rate from 1977 to 1981 was planned to be 7.5 per cent a year.



## UGANDA

### A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970 TO 1978

#### 1. Introduction

Between 1970 and 1977 GDP registered a total growth of 3.3 per cent equal to an average of only 0.5 per cent a year. The rate of increase at current prices has been very substantial because of a high level of inflation particularly since 1973 and a rough measure suggests that the growth rate of GDP at current prices has been at least 20 per cent a year between 1970 and 1977 giving an implicit average GDP deflator of the same magnitude. In 1978 early estimates suggest a small increase in GDP at constant prices but another substantial rise at current prices. In 1977 the rise at constant prices was 1.5 per cent.

A particular feature in the economy has been a move away from monetary to non-monetary production. In 1970 the proportion of GDP arising in the money economy was 70 per cent; by 1977 this proportion had fallen to 63 per cent and the indications are that this trend will continue. Whereas in 1970 the contribution of monetary agriculture, forestry and fishing represented about one-half of the total value added in the sector as a whole, in 1977 monetary agriculture only produced 41 per cent of the GDP from both monetary and non-monetary agriculture. In fact the output of commercial crops, - coffee, cotton, tea, sugar and tobacco has fallen sharply while farmers have moved into producing more food crops which give them a better real return either in the way of cash sales or for their own consumption.

The largest and by far the most important commercial crop is coffee and output which was 201,500 tonnes in 1970 was only 155,900 tonnes in 1977 despite the large rise in coffee prices which occurred in 1976 and 1977. For cotton the fall in output has been much heavier from 466,800 bales to only 73,300 bales. Tea production fell from 18,220 to 15,180 tonnes and tobacco from 3,410 to 2,380 tonnes but for sugar only 11,400 tonnes were produced in 1977 compared with 144,000 tonnes in 1970.

These products make up the bulk of the country's exports and despite favourable price movements the volume of exports in 1977 was only 63 per cent of the level recorded in 1970. Some part of this fall can be attributed to transport difficulties particularly on the railway system to Mombasa but the greater part has been due to processing and transport problems leading to lower production within the domestic economy.

Total exports rose in value from 2,013 million Uganda shillings in 1970 to 4,864 million in 1977 while imports rose from 1,229 million to 3,290 million Uganda shillings. The trade surplus rose from 784 to 1,574 million shillings but Uganda's land-locked position meant that much of these surpluses had to be used to pay transport and other services charges. The balance of payments was in surplus in 1970 and again in 1977 but in the intervening years there was an overall loss of international reserves as deficits were incurred in 1971, 1973 and 1974 offsetting the small surpluses of 1972, 1975 and 1976. The forecast for 1978 is of exports and imports being approximately in balance at 2,500 million shillings resulting in difficulties over financing the overall balance of payments deficit.

Inflation has been particularly high in Uganda in the more recent period and consumer prices rose on average by 52 per cent in 1974, 18 per cent in 1975, 49 per cent in 1976 and more than 50 per cent in 1977. In 1978 there was a further rise probably at about half the level recorded in 1977. This high inflation has been fuelled by the deficit financing policy pursued by the Government. Figures on net claims on Government by the banking system are not available after 1975 but the estimates of revenue and expenditure show that Government's total debt rose from 3,701 million Uganda shillings at the end of June 1973 to Uganda shillings 7,526 million at June 30 1978. The size of the deficit between revenue and expenditure has fluctuated annually ranging from Uganda shillings 1,840 million in 1975/76 to Uganda shillings 982 million in 1976/77, to Uganda shillings 1,675 million in 1977/78 and while the estimates for 1978/79 suggest a total deficit of only Uganda shillings 71 million difficulties over financing may lead to a much higher figure in practice.

The coffee boom leading to much increased export earnings and Government revenue in 1977 has come to an end and the opportunity created to resolve many of the country's economic problems leading to the early restoration of previous levels of commercial crop production and industrial output appears to have been lost. There will now need to be a particular effort made to improve the efficiency of the economy, to resolve the continuing bottlenecks and try to ensure that farmers have the right incentives. One continuing serious problem is that of the purchasing power of the national currency which is still encouraging farmers to neglect commercial crop production in favour of food crops. Another is the inadequacy of the surface transport system to move greater quantities of coffee to export markets. Without some drastic early improvement it seems likely that the growth rate of the economy in 1979 and 1980 will stay at a low level. The action programme to rehabilitate the economy has to date had little impact in resolving Uganda's pressing economic problems. Shortages of foreign exchange seem likely to hamper progress in the two years ahead.

## 2. GDP by industrial origin

Uganda is heavily dependent on its agricultural sector and as much as 90 per cent of its large population earns a living from this primary activity. Measured at constant prices the relative importance of agriculture, forestry and fishing has increased from 52 per cent of total GDP in 1970 to 54 per cent in 1977; if measured at current prices the increase has been much more substantial with the contribution of the sector rising from 54 per cent in 1970 to 73 per cent in 1976. The reason for the rapid advance when measured at current prices is the much higher prices for food products which had led to a relative improvement of the terms of trade of the agriculture sector vis-à-vis the rest of the economy.

Table 1 presents data on the distribution of the GDP at both current and constant prices. Apart from agriculture, no sector shows an advance in its relative contribution at current prices and particularly noticeable falls are recorded for manufacturing (from 9.2 to 6.1 per cent), wholesale and retail trade (from 12.3 to 6.9 per cent) and in other services from 17.1 to 10.2 per cent) between 1970 and 1976.

Uganda: Table 1. GDP by source, 1970 and 1975-1977 (millions of Uganda shillings)

	1970	Percentage	1975	1976	Percentage	1977	Percentage
<u>At current prices</u>							
Agriculture, forestry and fishing	4 591	53.8	15 996	17 589	73.4		
Mining	144	1.7	59	43	0.2		
Manufacturing	782	9.2	1 317	1 463	6.1		
Electricity	90	1.0	89	83	0.4		
Construction	154	1.8	230	222	0.9		
Wholesale and retail trade	1 051	12.3	1 440	1 662	6.9		
Transport and communications	263	3.1	430	454	1.9		
Other services	1 462	17.1	2 215	2 447	10.2		
Total	8 537	100.0	21 776	23 963	100.0		
<u>At constant (1966) prices</u>							
Agriculture, forestry and fishing	3 775	51.8	3 966	3 992		4 088	54.3
Manufacturing	631	8.7	505	494		487	6.5
Other industry	333	4.6	246	212		197	2.6
Services	2 543	34.9	2 640	2 713		2 752	36.6
Total	7 282	100.0	7 357	7 411		7 524	100.0

Source: National data from Uganda.

At constant prices there is an increase in the relative contribution of both the agriculture and services sectors to GDP but a fall for manufacturing and other industry when 1977 is compared with 1970. In the case of manufacturing the fall in its GDP contribution from 8.7 per cent to 6.5 per cent from 1970 to 1977 is due to the inadequacy of the technical competence of both management and the capital equipment and a shortage of raw materials.

The constant price estimates show that value added by manufacturing and other industrial sectors actually fell between 1970 and 1977 while the growth rates of agriculture, forestry and fishing and of services of 1.2 per cent and 1.1 per cent a year respectively may be compared with the overall GDP growth rate of 0.5 per cent a year.

### 3. Selected economic sectors

(a) Agriculture, forestry, fishing. The decline in importance of commercial crops and the rise in the contribution of food crops is illustrated in table 2. Since 1970 the area under cash crops has fallen from 1,183,000 acres to about 855,000 in 1976 while the area under food crops has risen from 3,921,000 to 4,559,000 acres. There has been an overall increase in the total area under crops of about 6 per cent in this 6 year period accompanied by a 6 per cent increase in food output but a significant fall in the production of commercial crops. The evidence suggests a decline in productivity in the sector as a whole. What is particularly unsatisfactory is that whilst food production has not kept pace with population growth, the fall in commercial (export) crop output has led the total export volume falling by as much as 37 per cent between 1970 and 1977. There is little merit in the replacement of export crops with food crops when the availability of food per head of population is also reduced. Lack of foreign earnings make it more difficult to import those foodstuffs required to supplement locally available supplies.

Uganda: Table 2. Crop production, 1970 and 1975-1977

	1970	1975	1976	1977
<u>Processed products</u>				
Coffee ( thousand tonnes)	201.5	198.5	137.1	155.9
Cotton ( thousand bales)	466.8	172.5	133.5	73.3
Tea (thousand tonnes)	18.2	18.4	15.4	15.2
Sugar (thousand tonnes)	144.0	23.9	18.2	11.4
Tobacco ( thousand tonnes)	3.4	3.6	3.1	2.4
<u>Food crops</u>				
Plantains (thousand tonnes)	7 657.2	8 434.4	...	...
Cassava (thousand tonnes)	4 622.5	4 675.5	...	...
Sweet potatoes ( thousand tonnes)	3 723.2	3 765.0	...	...
Cereals (thousand tonnes)	1 718.5	1 701.7	...	...
Other products ( thousand tonnes)	659.7	795.6	...	...

Source: National data from Uganda.

This table shows that the major increase in production of food crops between 1970 and 1975 has been in plantains while output of other (non cereal and non root crops) has also risen. Some relative increase in the consumption of plantains (matoke) would be in line with a reduced real income per head and figures available show that the per capita income at 1966 prices in Uganda fell from 734 Uganda shillings in 1971 to 613 shillings in 1976 and probably even further in 1977.

Measures to rehabilitate the commercial agricultural sector have been taken over the last few years but on the evidence in table 2 the impact of these measures was not noticeable by 1977. Some part of the effort has required the extensive reequipment of various processing plants especially cotton ginneries and sugar mills and progress to date has not been particularly rapid. The road transport fleet was improved to some

extent in 1977 but the full impact of this improvement still remains to be felt. Producer prices have been raised fairly substantially between 1970 and 1977 but more or less in line with world market prices. As the coffee producer only receives a fairly small proportion of the realized price from exports and as he is paid in Uganda shillings which has lost a lot of its purchasing power on local markets, there is still a real problem of adequate incentive prices for the producer.

The relative increases in producer prices for coffee and cotton between 1970 and 1977 are compared below with the rise in consumer prices.

1977 compared with 1970

Index of coffee prices to producer	285
Index of cotton prices to producer	312
Index of consumer prices	530

This comparison helps to explain why to the farmer it has become more economic to produce food crops. The prices of such crops are related more to the increase in consumer prices than are the increases in coffee and cotton prices.

Livestock herds have been increasing in Uganda since 1970 with particular rises in pigs and poultry and lesser increases for cattle, sheep and goats.

For fishing, the catch has risen from 139,100 tonnes in 1970 to 195,000 tonnes in 1977 an increase of 40 per cent equal to an average of 5.8 per cent a year, well in excess of the population growth rate.

(b) Mining. There is only one important mine which is a copper mine. Unfortunately because of technical and management problems, output of blister copper has fallen from 16,958 tonnes in 1970 to 8,250 tonnes in 1975 and further to the very low figure of 2,273 tonnes in 1977.

(c) Manufacturing. The index numbers of manufacturing output show that production was at a peak in 1970 but has fallen consistently since then. A rough measurement would show that output in 1975 was about 60 per cent of that of 1970 and the figures in table 3 for items other than processed agricultural crops show that for a majority of products output was lower in 1977. Particular exceptions are cigarettes, fabrics, socks and stockings, corrugated iron sheets and mild steel products.

The level of output in 1977 could only be said to approach or exceed 1970 for beer, waragi, cigarettes and cotton and rayon fabrics; for all other commodities shown the output in 1977 was at best only 45 per cent of the 1970 level and at worst only 5 per cent.

The reasons for this poor performance include old equipment and while the rehabilitation programme contains substantial investment expenditure for the sector as a whole, delays have arisen from foreign exchange and transport problems. Other factors affecting production in manufacturing industry are poor management, shortages of raw materials and inadequate technical ability.

Uganda: Table 3. Output of selected manufactures, 1970 and 1975-1977

	Unit	1970	1975	1976	1977	Percentage 1977 of 1970
Beer	('000 litres)	27 767	38 784	23 346	22 055	79
Waragi	('000 litres)	563	859	543	526	93
Cigarettes	(million)	1 536	1 754	1 813	1 867	122
Cotton & rayon fabrics	('000 m <sup>2</sup> )	49 555	33 544	38 835	36 568	74
Blankets	('000)	1 164	309	236	253	22
Socks and stockings	('000 dozen)	124.6	26.1	31.2	29.0	23
Soap	(tonnes)	12 925	3 574	2 549	1 116	9
Paints	('000 litres)	1 660	852	386	586	35
Matches, small	(10 gross cartons)	49 269	25 145	13 275	9 949	20
Matches, large	(200 boxes)	...	6 266	3 942	235	5 <sup>a/</sup>
Superphosphates	(tonnes)	24 761	3 993	1 902	1 177	5
Cement	('000 tonnes)	191	98	88	73	38
Corrugated iron sheets	(tonnes)	11 914	1 367	1 064	1 969	17
M.S. rounds, squares etc.	(tonnes)	17 616	6 333	5 704	7 892	45

Source: National data from Uganda.

a/ Of 1971 production.

(d) Electricity. Uganda's output of electricity was lower in 1977 than in 1970, the figures being 688 million kWh and 734.6 million kWh respectively. Sales in Uganda fell by 20 per cent over this seven year period but exports to Kenya rose by 10 per cent.

(e) Construction. Judged by GDP constant price estimates and consumption of cement this sector has been in general decline since 1970. The contribution of construction to GDP at constant prices fell by 30 per cent between 1970 and 1977 and the apparent consumption of cement fell by 62 per cent.

(f) Transport services. While the data on this sector are very patchy, Uganda has suffered during the last few years from shortages of transport equipment within the domestic economy and inadequate capacity for taking its export commodities to Mombasa. From July 1976 to June 1978, the Government allocated foreign exchange of Ug Shs 908 million to the transport sector of which Shs 343.3 million was for the purchase of railway rolling stock, Shs 179.4 million from aircraft, Shs 292.4 million for vehicles and Ug Shs 92.8 million for wagon ferries; spares accounted for Ug Shs 66.4 million. This expenditure has improved both internal and external performance but it was still true at November 1978 that much more coffee could be exported if the effective capacity on the railways was better.

Another purchase in 1977/78 was a telecommunications satellite.

#### 4. Expenditure and the GDP

Data available for the years 1970 to 1976 show that Uganda's expenditure on gross investment has fallen substantially as a proportion of GDP while consumption has come to take a larger share. Domestic savings as a proportion of GDP in 1976 were only half the level of 1970. These trends are presented in table 4.

Uganda: Table 4. Expenditure and the GDP, 1970 and 1974-1976 (millions of Uganda shillings)

	1970	Percentage	1974	1975	1976	Percentage
<u>At current prices</u>						
Consumption expenditure	7 902	83.6	14 458	21 090	24 573	92.9
Gross fixed capital formation	1 161)	13.3	1 571	1 541	1 209)	5.8
Change in stocks	100)		140	171	322)	
Exports less imports of goods and services	294	3.1	-144	-300	349	1.3
Total GDP at market prices	9 457	100.0	16 025	22 502	26 453	100.0
Savings as proportion GDP		14.9				7.4

Source: Based on national data from Uganda.

Between 1970 and 1976 consumption expenditure increased from 83.6 to 92.9 per cent of GDP at market prices and expenditure on investment fell from 13.3 to 5.8 per cent. Savings are estimated at 14.9 per cent of GDP in 1970 and 7.4 per cent in 1976, more than sufficient to cover the expenditure on investment. The low level of investment expenditure in 1976 would be insufficient to generate even a moderate growth rate in the GDP.

#### 5. External trade and the balance of payments

There are a small number of commodities which account for virtually all Uganda's exports and in the last two years one of these, coffee, has come to represent a much higher percentage of export earnings than its percentage of 51 in 1970. In fact in 1976 coffee accounted for 84 per cent of exports and in 1977 for 93 per cent.

The decline in export earnings from cotton and copper accounts in part for the relative increase in those from coffee but most was due to the large price rises for coffee in both 1976 and 1977. This coffee boom came to an end in 1978 but it is forecast that earnings from coffee at about Ug Shs 2.2 billion will account for nearly 90 per cent of Uganda's total exports in 1978.

Table 5 shows that Uganda had a trade surplus in all years 1970 and 1975 to 1977 but for 1978 it seems likely that there will be no surplus with imports approximating in value to exports. The table also shows the sharp rise in both exports and imports in 1977 with record totals established.

Uganda: Table 5. External trade and balance of payments, 1970 and 1975-1977 (millions of Uganda shillings)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	2 013	1 977	2 942 <sup>a/</sup>	4 864 <sup>a/</sup>
Imports	1 229	1 469	1 779 <sup>a/</sup>	3 290 <sup>a/</sup>
Balance	+ 784	+ 508	+1 163	+1 574
<u>Balance of payments</u>				
Goods and services (net)	184	- 510	344	604
Private transfers (net)	-50	- 25	- 48	- 40
Government transfers (net)	11 <sup>b/</sup>	119	64	16
Capital	495 <sup>b/</sup>	153	-119	-438
Reserves and related items	-640	-4	-19	-158
Errors and omissions		266	-222	15

Source: National data from Uganda. IMF, International Financial Statistics, vol. XXXI, No. 10, October 1978 (for balance of payments converted from United States dollars).

a/ Includes Government imports.

b/ Government capital only.

The balance of payments in the years shown in the table has been in surplus but in the period 1971 to 1974 there were deficits in three out of four years. In 1976 and 1977 there was a substantial outflow of capital compared with an inflow in 1975. Government net transfer receipts have been positive in all years 1975 to 1977 but have fallen markedly since 1975. For 1978 a substantial deficit on current account has been forecast which seems likely to lead to a rundown of the reserves built up in 1977.

#### 6. Development aid and external debt

The information on these subjects is incomplete but as the balance of payments shows, net transfer receipts by the Government have been only moderate in the years 1970 to 1977. They reached a peak of 119 million Uganda shillings in 1975 but in 1977 had fallen to only 16 million.

The external public debt at the end of June 1973 had risen to Ug Shs 1,538 million. It seems likely to have risen fairly substantially up to June 1978 despite some repayments in 1976 and 1977. However, most of the Government borrowing since 1973 has been internal. Total public debt charges in the estimates for 1977/78 were Ug Shs 670 million compared with 314 million for 1976/1977 and 372 million shillings in 1975/1976.



## 7. Government revenue and expenditure

In all the years 1970/71 and 1975/76 to 1977/78 there were large budget deficits which were covered partly by foreign borrowing but mainly by recourse to the domestic banking system. By the end of June 1978 the Government owed a total of Ug Shs 7,526 million; at June 1971 the public debt had been Ug Shs 2,103 million.

Uganda: Table 6. Government revenue and expenditure, 1970/71 and 1975/76-1978/79  
(millions of Uganda shillings)

	1970/71	1975/76	1976/77	1977/78	1978/79 <sup>a/</sup>
Recurrent revenue	1 389	2 070	3 216	5 744	4 769
Recurrent expenditure	1 337	3 121	3 728	4 628	4 638
Recurrent surplus	52	-1 051	- 512	1 116	131
Capital revenue	26	276	1 005	319	3 248
Capital expenditure	701	1 065	1 475	3 110	3 450
Overall balance	-623	-1 840	-982	-1 675	-71

Source: National data from Uganda.

a/ Budget estimates.

There was an attempt made in 1977/78 to reduce the outstanding debtor balance on recurrent account and in fact the recurrent surplus was 1,116 million in Uganda shillings. However, the actual level of capital expenditure was much higher than originally estimated so there was an overall budget deficit in the region of Ug Shs 1,675 million. For 1978/79 it has been forecast that sales of departed Asians property will raise Ug Shs 700 million while another Ug Shs 1,891 million will be raised from a public sector investment contribution. These if realized will help finance a particularly large capital expenditure of Ug Shs 3,450 million.

Recurrent expenditure rose by 246 per cent between 1970/71 and 1977/78 or by 19.4 per cent a year; over the same period capital expenditure increased by an average of 23.8 per cent a year. These percentage increases are in line with the growth of the GDP at current prices. Attempts have been made in the period under review to widen the tax base and increase rates of indirect tax to provide the additional funds required for the higher levels of recurrent expenditure.

## 8. Money and banking

While the figures are incomplete for recent years it seems evident that there has been a large increase in the money supply in Uganda, accompanied by a particularly sharp rise in net claims on Government. This combination has accentuated the inflationary pressure and consumer prices have been rising at a considerable rate.

Uganda: Table 7. Monetary supply, 1970 and 1975-1977 (millions of Uganda shillings)

	December 1970	December 1975	December 1976	December 1977
Net foreign assets	463	320	340 <sup>a/</sup>	500 <sup>a/</sup>
Domestic credit	1 484	5 338	...	...
Net claims on Government	575	3 745	...	...
Claims on official entities	60	...	...	...
Claims on private sector	849	1 629	1 831	2 716
Money	1 123	3 150	...	...
Quasi-money	563	1 426	1 743	1 614
Other items (net)	263	...	...	...

Source: IMF, International Financial Statistics, vol. XXXI No. 10, October 1978, Republic of Uganda-Action Programme, - A Three-year Economic Rehabilitation Plan 1977/78-1979/80.

a/ Estimate.

The rise in net claims on Government between December 1970 and December 1975 was from Ug Shs 575 million to Ug Shs 3,745 million equal to an average of 45.5 per cent a year. It is difficult to be specific about the last two years but the budget deficits totalled Ug Shs 2,657 million probably indicating, that net claims on Government were in the region of Ug Shs 6,000 million at December 1977.

Private sector credit has also risen but at a much milder rate than credit to the public sector. The average rate of increase between December 1970 and December 1977 was 18.1 per cent a year.

Money proper rose by 22.9 per cent a year between 1970 and 1975 but the rate of increase appears to have accelerated in 1976 and 1977 probably to about 40 per cent a year.

## 9. Wages and prices

Wage rates on average do not appear to have kept pace with the rise in consumer prices and as a result real living standards of wage earners have been reduced quite substantially since 1970. The annual wage bill is estimated at Ug Shs 1,331 million in 1970 and Ug Shs 2,399 million in 1977. The average wage has risen from Ug Shs 4,261 to 6,589 a year, an increase of 57 per cent. At the same time the rise in consumer prices has been about 430 per cent so that average real wages have fallen substantially. Any assessment of the fall is complicated because the distribution of the labour force changed substantially between 1970 and 1977.

In 1975 the consumer prices measured by the average of three index numbers rose by 18 per cent, in 1976 by 49 per cent, in 1977 by 53 per cent and a rise of at least 20 per cent seems likely in 1978.

10. Employment and unemployment

Total wage employment has risen by 16 per cent between 1970 and 1977 but all the increase took place in the years to 1975. Since 1975, the total has fallen from 371,259 to 362,792.

In 1970 it had been 312,352. The public sector has become much more important as an employer over the period under review. This sector accounted for 41 per cent of the total in wage employment in 1970 but 56 per cent in 1977.

The total numbers in wage employment account for less than one-tenth of the labour force and as indicated earlier the overwhelming majority of Uganda's workers are engaged in self-employment largely in the rural areas. There are no unemployment figures but with the importance of the rural sector, unemployment as such does not seem to be significant.

11. Other social sectors

(a) Education. There is a substantial private sector in education but details of its extent, quality of tuition etc. are lacking. In 1977 a rough estimate was that about half the eligible age group was at Government aided primary schools and a further 20 per cent at private schools. The growth in enrolments at Government aided primary schools has been from 720,127 in 1970 to 1,139,413 in 1977 a growth rate of 58 per cent or 6.8 per cent a year, well in excess of the rate of increase of the eligible age group. In 1977 there were 234,743 pupils in standard I compared with 128,310 in standard 7. Total secondary school enrolment in Government aided schools was 59,816 in 1977 compared with 49,394 in 1970 and here the rate of increase is 22 per cent substantially below that recorded for primary education. Again there are a number of private secondary schools but no details are available.

There are a number of technical training institutions and teacher training colleges. The enrolment at these institutions and colleges was 11,945 in 1976. Higher education accommodated 1,949 students in 1970 and 3,914 in 1976.

An education policy review committee was set up in 1977 and in November 1978 was expected to be reporting shortly. It appears that its report will emphasise the need for universal primary education up to standard 5. Double shifts will be required in the initial stages if such a policy is accepted. Curriculum changes are proposed to make the content of education more practically orientated in the direction of life in the rural areas. Some recommendations are also to be made about the languages of instruction at various levels in the school cycle.

There are only places at secondary schools for about 10 per cent of the pupils leaving standard 7 at primary school and the current selection is by an examination. It is proposed that this selection procedure be modified to include a system of internal assessment. There is also some emphasis on changing secondary schools from boarding to day establishments to save on the high costs of secondary education per pupil. This may take the form of the new schools being day institutions.

The action programme for economic rehabilitation gives a high priority to the expansion of the Namutamba Project which is intended to relate teacher training and primary education effectively to the needs of the rural areas. Other aspects of education policy are the rehabilitation and expansion of teacher training colleges and the launching of crash in-service training programmes for industrial, commercial, technical and managerial personnel. It is hoped to relate education and training both formal and non-formal to the development needs of Uganda.

(b) Health. During the period 1970-75 there has been some expansion of facilities for curative services although after 1972 it became difficult to man the hospitals and provide them with a number of requirements. Of 80 hospitals in 1975, 44 were in rural areas and of 78 health centres and 398 health units, all but 4 were in the rural areas. The total of hospital beds was 19,027 a rise of 3,281 compared with 1970.

The number of registered doctors has fallen between 1970 and 1976 from 588 to 468 but in 1976 there were also 186 licenced doctors. The total number of registered nurses and midwives in 1976 was 2,765 and there were also 5,494 enrolled nurses.

While there is an increasing demand for medical care, there is still a serious shortage of trained personnel to man these services and as a result there has been a deterioration in the standard of medical care. A number of training programmes have been launched to help resolve the manpower problem but the extent of the training was not adequate up to 1975. During the Action Programme attempts were to have been made to improve health facilities and abate or solve the basic health problems which include a high incidence of malnutrition, unsatisfactory water supplies and housing and high maternal and child morbidity and mortality rates.

(c) Housing. Due to lack of capital and building materials the private sector has not been able to provide adequate housing especially for the low-income groups. Consequently with a rise in the urban population, housing standards have tended to deteriorate and over-crowding has become common.

During the Action Programme emphasis has been laid on removing the major constraints in the housing and construction sector by training, purchases of equipment and rehabilitation of factories producing construction materials. The National Housing and Construction Corporation was expected to play a leading role in the construction of houses for sale to the public and private individuals would benefit from mortgage facilities provided by the Housing Finance Company of Uganda and other financial institutions. The Corporation was also expected to undertake housing programmes for low-income earners. In the period of the Action Programme various slum areas were proposed for identification with a view to improving the infrastructures and providing social amenities. Sites for low-income groups would be earmarked so that the people concerned could build their own houses.

(d) Income distribution. There has been a substantial levelling of income in Uganda between 1970 and 1977 with the urban dwellers suffering a fall in real incomes while the rural dwellers appear to have realized some relative improvement. However as indicated earlier there has been a fairly substantial fall in per capita real incomes in the country as a whole so it is not possible to point to any real beneficiaries of this equalising process. Black market activities have helped certain groups of people to maintain their real income levels and there is evidence of certain individuals benefiting very substantially.

## B. MAJOR PROBLEMS

Uganda's export earnings depend on a handful of commodities and that reduction in output of all these items since 1973 has meant that the volume of exports in 1977 has fallen by 37 per cent compared with 1970; in 1977 coffee earned 93 per cent of the total as against 51 per cent in 1970.

Although farmers have been able to maintain their real incomes by producing more food crops, the available data suggest that food production per head has probably been declining while the type of food intake for the population as a whole has probably been less beneficial than in the past. One of the basic health problems is a high incidence of malnutrition.

Real per capita incomes fell between 1971 and 1976 by 16 per cent and it seems that this trend is continuing although probably not as fast as in the past.

The Government has used deficit financing to a substantial extent over the last few years and one result has been the emergence of high level inflation. Consumer prices rose on average by about 40 per cent a year since 1974 and it needs a strong monetary and fiscal policy to ensure that this process is brought to a halt.

While the coffee boom in 1976 and 1977 enabled the balance of payments to record surpluses, the fall in prices in 1978 has led to the reemergence of a deficit. Foreign exchange controls are very severe at the present time and are leading to the reemergence of distortions in the economy before the steps taking under the Action Programme to rehabilitate the economy can have their effect. A shortage of foreign exchange seems likely to cripple the Action Programme over the next year or so.

The problems created for the economy from a shortage of trained and experienced managerial and technical personnel are still prevalent despite a better current availability of various categories of foreign workers.

In the transport sector a lack of effective capacity on the railway system is preventing Uganda from exporting more of the coffee which is still available in stock in substantial quantities. Such transport constraints would probably operate to a much more substantial extent if the measures taken to rehabilitate the cotton and sugar sectors were to have any success.

There are few indications that the programme to rehabilitate the industrial sector is having much immediate impact. It may well be that what is also required is an injection of more skilled manpower.

### C. INTERNAL DEVELOPMENT POLICIES

In general these are geared to the Action Programme which was originally scheduled to run to June 1980 but which now seems in urgent need of extension. This programme is a package of measures for economic rehabilitation designed to meet some of the problems listed above.

The major developments since 1970 have been the Nakivubo Pronouncements of May 1970 under which a 60 per cent interest was to be acquired by the Government in a number of important private companies. In May 1971 the new Government in power decided to reduce its participation in 11 private companies affected by the Nakivubo Pronouncements from 60 to 49 per cent. In August 1972 a package of measures was introduced designed to bring the control of the economy into the hands of Ugandans. The subsequent departure of non-citizens and the subsequent allocation of their businesses and properties gave rise to widespread mainly hostile external reaction. Financial and technical assistance operations were suspended and stringent conditions were placed on orders for imports to Uganda. The departure of non-citizens opened up large managerial and technical gaps which the country is trying to fill.

By the end of 1975 there were 23 parastatal corporations including 10 created after 1972, running over 250 enterprises. One of the policy recommendations in the Action Programme is that the Government should take early action to spin off those purely commercial enterprises under its direct management.

The overall objectives of the Action Programme are to rehabilitate the key sectors of the economy so as to restore and increase the level of production and put the economy on a sound base for future development. Managerial, technical and other skills needed to be raised, the transport service restored and inflation curbed. Commodity producing sectors and their processing facilities were in the forefront of the strategy as were plants to save imports.

Farmers were to be given incentives through a restructuring of crop prices while the services to farmers including marketing, transport inputs etc. etc., all needed to be restored or improved.

In 1977 it was announced that a considerable number of motor vehicles were on order to improve transport fleets in the country. In 1978 the budget speech reported that between July 1976 and June 1978 Ug Shs 908 million in foreign exchange had been allocated to the transport sector for railway rolling stock, road motor vehicles, aircraft and wagon ferries. A further Ug Shs 1,008 million had been allocated on a block basis to Government ministries.

The Foreign Investment Decree was enacted in October 1977 to amend the 1964 Foreign Investments (protection) act to provide more incentives to foreign investors.

One of the particular objectives of the Action Programme was to impose financial discipline to limit the growth in size of the public sector. Inflation was due to be curbed through mopping up the liquidity in the monetary system and increasing savings for development. Government borrowing from the banking system was to be restricted. The policy of increasing supplies had been expected to work better than price control in reducing inflation. Another policy measure was to ensure that all parastatal bodies were viable and any new projects would have to be shown to be economically and financially sound.

The package of measures is still being implemented, it seems likely in November 1978 that the results expected from the programme will not be quick in coming or easy to achieve particularly as foreign exchange constraints may be formidable.

#### D. PROSPECTS FOR 1978 TO 1980

One forecast is that the GDP growth rate in 1978 will be about 2 per cent in constant prices. This could be achieved despite the fall in coffee prices which has its own impact on import availability and progress in those sectors dependent on imported supplies. The key sector is still agriculture and there should be continuing growth in food crops in 1978 while the performance of the commercial crop sector remains uncertain. Coffee earned approximately Ug Shs 2,370 million from exports in the season ending in September 1978 compared with Ug Shs 4,210 million in the previous season. There are adequate stocks of coffee in hand to increase the sales level of 1,742 million bags achieved in 1977/78. For the years 1979 and 1980 much will depend on the success achieved under the Action Programme. Unless the managerial and technical problems can be resolved quickly the results of the actual expenditure in those two years may be slow in coming. On balance a continuation of the slow growth rate of the economy seems to be indicated.

UNITED REPUBLIC OF CAMEROON

A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

1. Introduction

In the period 1970-1977, the average annual rate of growth of GDP in has been from 3 to 4 per cent in real terms, which may be compared with the population growth estimated at 2.5 per cent. This result is below the average for the region as a whole but is comparable with growth in Sub-Saharan Africa. Growth in agriculture appears to have kept pace with the increase in population but the performance of industry has been far below expectations and it may have grown at only about 3 per cent per year in real terms, that is far below what is required in what must be a key growth sector. The country already has a network of industries, including highly advanced ones like the Alucan factory for aluminum smelting, but investments in the industrial sector have been less than expected and the objectives set by the third five year plan (1971-1972/1975-1976) were not achieved. Among the factors which explain the somewhat disappointing overall economic performance, are the drought which affected mainly the northern areas in 1973 and inflation and recession in the industrialised countries with the attendant fall in demand for some of the products exported among them timber. In agriculture though growth has been at about the level of the population increase, it has not been consonant with the efforts made by the Government to boost production; encouragement to agricultural output has included increased credits, subsidizing fertilizers usage and raising producer prices.

According to estimates made at the ECA the GDP at current prices increased by an average of 16 per cent a year between 1970 and 1977 and at constant prices by 2.4 per cent. This latter figure is too low and is based on an implicit GDP deflator of 13.3 per cent a year which compares with an annual increase in consumer prices of 10.3 per cent.

In the period under review imports have tended to grow more rapidly than exports so that the size of trade deficit has increased and the balance of payments has been most of the time in deficit, despite increasing flows of foreign resources. Inflation has been high, with the maximum rate recorded in 1974/1975. External causes played an important part in the increase in consumer prices but local food prices also rose substantially with demand exceeding supply in urban markets and the credit policy in operation led to an expansion of the money supply with its own inflationary impact. In the financial year 1976/77, GDP rose by 19.5 per cent at current prices and 8 per cent at constant prices or more than two times the 1970-1977 average. The excellent performance in 1976/1977 was due to the very good results obtained in the industrial sector, where the investment push undertaken by the Government under the new fourth five year plan was beginning to be felt; and also to the rise of commodity prices especially coffee and cocoa which earned the country much higher export receipts and shifted the terms of trade in its favour.

2. GDP by industrial origin

There are no reliable data on GDP at constant prices but the figures for current prices given below are based on estimates prepared in Cameroon. These show increases in the share of GDP arising in agriculture and in the transport sector between 1970 and 1977 but falls for commerce and in other services.

United Republic of Cameroon: Table 1. GDP by source, 1970/71 and 1975 to 1977  
(billions of CFA francs)

At current prices	1970/71	Per-centage	1975	1976	1977	Per-centage
Agriculture, forestry, fishing	92.4	32.4	213.1	257.3	291.5	36.2
Mining	2.0	0.7	2.0	2.5	2.8	0.4
Manufacturing	28.6	10.0	55.5	67.9	80.4	10.0
Electricity, water, etc.	4.7	1.6	6.4	7.4	9.1	1.1
Construction	10.8	3.8	25.3	28.0	32.0	4.0
Wholesale and retail trade	45.3	15.9	85.2	97.8	114.8	14.2
Transport and communications	20.3	7.1	51.9	64.3	74.5	9.2
Other services	81.5	28.5	149.0	172.6	201.1	24.9
Total GDP at factor cost	285.6	100.0	588.4	697.8	806.2	100.0

Source: Based on national data from the United Republic of Cameroon.

The proportion of the GDP arising in agriculture, forestry and fishing rose from 32.4 per cent in 1970/71 to 36.2 per cent in 1977 and in transport and communications from 7.1 to 9.2 per cent respectively. It remained unchanged at 10 per cent for manufacturing, rose slightly from 3.8 to 4.0 per cent for construction but fell from 15.9 per cent to 14.2 per cent for commerce and from 28.5 to 24.9 per cent for other services.

### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. This sector benefits from a diversity of climates and soils. In the South, the cultivation of traditional tropical crops is possible while in the northern areas livestock raising is feasible as well as the growing of cereals. However, despite the generally favourable climatic conditions, agricultural productivity is low and the farmers are cultivating smallholdings which average 1.6 hectares. The total cultivated area is only 3.2 per cent of the total area of the country and the rural population represents 71 per cent of the total population. Measured by the value added from agriculture, the growth of agricultural production seems to have been relatively satisfactory in the period 1969/1970 to 1976/1977. Output from this sector grew at current prices at around 18 per cent per year but this high rate of increase was helped by the sharp price rises for cocoa and coffee in 1976 and 1977. Constant price estimates would suggest a rise of around 2.5 per cent a year while according to the FAO the growth of agricultural production (without forestry) was only 1.5 per year in 1970-1977. Taking into account the uncertain nature of statistics relating to food crops, it seems more reasonable to assume a growth rate not very different from the rate of population increase. The most important commercial crops are cocoa, coffee both arabica and robusta, cotton, rubber, bananas, palm products and tobacco.



Cocoa and coffee alone provided 64 per cent of the total value of output in 1977 but output of both crops has varied substantially between 1970 and 1977 and in 1976/77 85,000 tonnes of cocoa and 82,000 tonnes of coffee were produced compared with 113,000 tonnes and 93,000 tonnes respectively in 1970/71. In 1977/78 there was a rise in output to 105,000 tonnes of cocoa and 85,000 tonnes of coffee. Sugar-cane output appears to be on a rising trend and similarly for bananas half of which are exported. While cotton output reached 48,000 tonnes in 1976/77 compared with 40,000 tonnes in 1970/71, it had been as high as 91,300 tonnes in 1969/70.

United Republic of Cameroon: Table 2. Output of selected agricultural and forestry products - 1970/71 and 1974/75 to 1976/77 (in thousand tonnes)

	1970/71	1974/75	1975/76	1976/77
Cereals	690	681	772	800
Plantains	959	1 060	1 160	1 210
Roots and tubers	1 788	2 196	2 247	2 254
Groundnuts	178	145	148	150
Cocoa	113	118	96	85
Coffee	93	109	80	82
Cotton	40	40	50	48
Sugar cane	92	173	176	180
Bananas	94	104	150	170
Logs <sup>a/</sup>	458	621	423	551

Source: FAO; and Bulletin de l'Afrique Noire No. 951, 22 mars 1978. No. 983, 13 December 1978.

<sup>a/</sup> Figures for calendar years starting 1970.

In 1977/1978 new increases have been made in the prices received by farmers: for cocoa the price was raised to CFAF 220 per kilogram against CFAF 150 in 1976/1977, for robusta coffee the price was raised by 18 per cent to CFAF 250 per kilogram.

Cattle herds have been increasing as well as those of other kinds of livestock particularly pigs. But meat production is still not sufficient to satisfy a rapidly increasing demand. Fish production has been stagnant at around 21,000 tonnes a year since 1970. Timber production has fluctuated substantially and was badly hit by the world recession in 1975. Figures in table 2 show that output of logs had risen from 458,000 tonnes to 621,000 tonnes between 1970 and 1974 but fell to 423,000 tonnes in 1975 before recovering to 551,000 tonnes in 1976. In 1976/77 output is shown as 1.2 million cubic metres and 1.4 million cubic metres were forecast for 1977/78. Exports included 363,000 cubic metres of logs in 1976/77 compared with 253,400 cubic metres in 1975/76. To stimulate the local processing of timber a law introduced in 1974 made it mandatory for the percentage of the cut logs processed to be raised to 60 per cent when the exploited area is over 10,000 ha while for an area of over 175,000 ha the exploiting firm must have a saw-mill, a veneer producing unit and a plywood factory.

In the fourth plan currently being implemented there has been a major shift of priority in favour of agriculture. Compared to the preceding plan the planned investments has more than quadrupled and agriculture is receiving more funds than manufacturing. There are two main directions in the investment programme, first the development of large scale projects such as for sugar cane and secondly the stimulation of small-scale farming through integrated development and the use of various incentives as well as expansion of extension services and marketing.

(b) Mining. The sector is still small. The aluminium smelting factory at Edea uses alumina imported from Guinea, and until recently apart from limestone only small quantities of cassiterite and gold were produced. But oil and gas deposits have been found whose exploitation has been started although as yet on a limited scale. There is a bauxite deposit of some 1.1 billion tonnes but it would require considerable investments estimated at CFAF 300 billions to ensure a production of 10 to 15 millions tonnes per year.

(c) Energy. Energy needs are covered by oil imports, hydro-electric generation and firewood. Total energy consumption has not increased much since 1970 and consumption per head has fallen between 1973 and 1976. The growth of electricity production was only 2.6 per cent per year between 1970/1971 and 1976/1977. This is more the reflection of the stagnation of aluminium production than of a low growth of demand in the rest of the economy. Aluminium consumes a large part of hydro-electric production. Hydro-power has risen by 11 per cent since 1970/71 while thermally produced electricity has increased 3.6 times. Important changes will occur in electricity production when the Song Loulou dam now under construction is completed in 1980-81. Another dam is to be built at Lagdo at a cost of CFAF 4.9 billion. Oil prospecting is continuing.

(d) Manufacturing. According to national accounts, manufacturing represented 10 per cent of GDP in 1977, the same proportion as in 1970/71. For the period 1970-1977 it seems that output from manufacturing industry has grown by nearly 16 per cent a year at current prices but the increase at constant prices has been much lower and not more than 4 per cent a year. The fact that the rate of growth of electrical production was so small probably proves that real growth in manufacturing was also low. The manufacturing sector is quite diversified, and ranges from a plant smelting aluminium to light industries producing food, drink and tobacco. According to 1975/1976 data, food, drink and tobacco is the leading sub-sector accounting for 37.2 per cent of output with plants transforming local products like cocoa beans, sugar cane and palm oil as well as producing beer, soft drinks and cigarettes. Cocoa processing is an important industry with an output valued at CFAF 10.3 billion in 1976-1977 and a capacity to process 43,000 tonnes of cocoa beans. There are two sugar mills, one having entered into production in 1977 and a third one is being studied in relation to the Lagdo dam project. Oil mills have a total capacity to treat 400,000 tonnes of products a year and in 1976/1977 2.4 million litres of cotton seed oil and 1.3 billion litres of groundnut oil were produced as well as 42,000 tonnes of palm oil. Beer brewing is the first industry in terms of output value and one single brewery had in 1976/1977 an output valued at CFAF 20.8 billion. Total beer production reached 1.33 million hl in 1976/1977 compared with 0.70 million hl in 1970. The output of textile factories has been growing rapidly and there are now units completely integrated for cotton and a synthetic textile plant. Output

of cotton cloth reached 37 million metres in 1976/1977 of which 80 per cent was sold on the domestic market. The wood processing industry is also important and in 1975/1976, 564,000 m<sup>3</sup> were locally processed out of a total cut of 1.2 million m<sup>3</sup>. The production of aluminium at Edea in the Alucam factory is based on ore imported from Guinea using Edea electricity for smelting. Production has varied between 45,000 and 53,000 tonnes yearly but has not shown any upward trend for many years. The capacity of the plant is 58,000 tonnes of aluminium a year. Around 50 per cent of aluminium produced is sold to metal processing factories in the country and the remainder is exported. Various aluminium products such as sheets, household utensils etc., are produced.

Cement production has grown from 153,000 tonnes in 1971/1972 to 331,000 tonnes in 1976/1977 and in this latter year the capacity available was almost completely used up. Projects are being developed to increase capacity.

In the fourth plan manufacturing industry has been allocated CFAF 104 billion and if mining and energy are added the total projected investment is CFAF 316 billion or 5 times the third plan total. The main policy orientations are the processing of local raw materials, the development of large agro-based industries and the creation of basic metal industries. The main projects for manufacturing include a new sugar mill, an increase of the capacity of the two cement factories, the extension of Alucam capacity from 58,000 to 80,000 tonnes, a paper pulp plant (Cellucam) with 122,000 tonnes capacity which at a cost of CFAF 59 billion will be one of the largest projects. There is also the petroleum refinery project planned for the energy sector which will cost CFAF 66 billion.

(e) Construction. The sector has developed to some extent but its contribution to GDP has risen only slowly despite the GDP figures which show an average growth rate of 16.8 per cent a year at current prices and at constant prices of between 4 and 5 per cent.

(f) Transport services. Total port traffic rose to 2,714,548 tonnes in 1977 or 13.5 per cent more than in 1976. Most of the traffic passed through the port of Douala. Other ports are Kribi which handles mainly timber for export, Tiko-Victoria and in the north Garoua. Douala Port traffic has grown at an average rate of 4.7 per cent per year since 1970, with specially high rates in 1976 and 1977. Imports are more important in terms of volume than exports, and have grown more rapidly than the latter since 1970. Douala port is being developed to accommodate increased traffic at a cost of CFAF 24.5 billion for the first phase. The railway length was doubled between 1969 and 1973 because of the construction of a line from Douala to Ngaoundere. Initially after this extension was completed, traffic rose strongly but competition from road transport has prevented further rapid gains. The number of rail passengers reached a maximum of 1.96 million in 1974-1975 but has dropped to 1.73 million in 1976/1977 against 1.91 million in 1970-1971. Goods traffic has risen to 1,409,000 tonnes in 1976-1977 from 1,023,000 tonnes in 1969-1970, and the total volume of traffic measured in tonne/km has doubled from 244.1 million in 1969-1970 to 486.4 million in 1976-1977. Road transport is obviously very important, but information is lacking on the number of vehicles in use and the quantities of merchandise transported.

United Republic of Cameroon: Table 3. Transport indicators, 1970 and 1975 to 1977.

	1969/70	1974/75	1975/76	1976/77
<u>Railways</u>				
Freight (thousand tonnes)	1 023	1 169	1 291	1 409
Freight (million tonne/kms)	244.1	400.1	437.3	486.4
<u>Douala Port</u>				
	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Freight unloaded (thousand tonnes)	1 115	1 331	1 380	1 714
Freight loaded (thousand tonnes)	727	717	848	802

Source: Bulletin de l'Afrique Noire No. 963, 5 Juillet 1978 and No. 975, 8 Octobre 1978.

Exports handled at Douala in 1977 included 334,000 tonnes of logs, 73,000 tonnes of coffee, 88,000 tonnes of bananas, 69,000 tonnes of timber products and 50,000 tonnes of cotton. Imports emphasized hydro-carbons, clinker and alumina.

#### 4. Expenditure and the GDP

Domestic expenditure has risen a little faster than GDP since 1970, so that the net inflow of resources has increased from 3.2 per cent of GDP in 1970/71 to 5.1 per cent in 1977. While private consumption expenditure has risen from 72.7 per cent of GDP in 1970/71 to 75 per cent in 1977, public consumption expenditure has fallen from 12.9 to 10.2 per cent and all the increase in the inflow of external resources has been used for increased capital investment. Total investment expenditure including stock changes was equal to 17.6 per cent of GDP in 1970/71 and 19.9 per cent in 1977. Domestic savings were 14.4 per cent of GDP at the start of this decade and were slightly higher at 14.8 per cent in 1977 (see table 4).

#### 5. External trade and the balance of payments.

Exports have grown very rapidly and in 1977 their value reached a level nearly three times that of 1970. In general exports have increased annually since 1972 but there was a setback in 1975 because of the impact of the world recession. The four major commodities are cocoa, coffee, aluminium and wood and the volume of exports rose by 16.5 per cent between 1970 and 1977 or at an average rate of 2.2 per cent a year. The rise in unit value of exports has been 130 per cent over this period. The average rate of increase in total export value was 15.2 per cent a year.

United Republic of Cameroon: Table 4. Expenditure and the GDP, 1970/71 and 1975 to 1977 (billions of CFA francs)

At current prices	1970/71	Per-centage	1975	1976	1977	Per-centage
Private consumption	233.6	72.7	495.4	593.1	692.2	75.0
Public consumption	41.5	12.9	70.8	79.5	94.2	10.2
Gross fixed capital formation	50.5	15.7	119.7	148.5	169.7	18.4
Change in stocks	6.2	1.9	8.8	11.0	13.6	1.5
Exports less imports goods and services	-10.5	-3.2	-33.0	-41.2	-46.7	-5.1
Total GDP at market prices	321.3	100.0	661.7	790.9	923.0	100.0

Source: Based on national data from Cameroon.

Imports grew slightly faster and more regularly than exports at an average rate of 16.2 per cent per year and the result was that the trade deficit which was CFAF 2.88 billion in 1970 had risen to CFAF 19.55 billion in 1977. Judging from the port statistics given earlier import volume rose by more than 50 per cent between 1970 and 1977 but if total imports are deflated by the average increase in unit prices of imports to all non-oil developing countries, the volume increase was 23 per cent or 3 per cent a year. Import volume has risen faster than the volume of exports in line with the increasing inflow of resources into Cameroon. Comparing 1977 and 1970 the terms of trade were practically unchanged but the 1977 position owed much to the rise in prices of cocoa and coffee in that year.

In the balance of payments the net deficit for goods and services was particularly high in 1975 and while it fell in the two succeeding years it was still twice as high in 1977 as in 1970. The capital inflow has been heavy in all years shown in table 5 and was also substantial in 1971 to 1974. However, much of the benefit from the substantial net receipts of transfers on government account was lost because of the high level outflow of private transfers.

Despite the inflow of capital in 1975 to 1977 the international reserves were reduced in each year but particularly so in 1975 when there was a fall of CFAF 12.86 billion.

#### 6. Development aid and the external debt

Development aid has been increasing since 1970 from DAC countries and from international organizations. Figures are available of net resource flows to Cameroon from all sources from 1974 to 1977 and these show a total of \$US 114.9 million in

United Republic of Cameroon: Table 5. External trade and balance of payments, 1970, 1975 to 1977 (billions of CFA francs)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	64.36	96.31	122.03	172.85
Imports	67.24	128.10	145.96	192.40
Balance	-2.88	-31.79	-23.93	-19.55
<u>Balance of payments</u>				
Goods and services (net)	-9.64	-33.93	-28.10	-18.67
Private transfers (net)	-3.94	-9.13	-7.66	-7.17
Government transfers (net)	5.30	10.37	13.69	8.72
Capital	16.44	20.49	21.01	16.98
Reserves and related items	-8.16	12.86	1.84	0.74
Errors and omissions	nil	-0.66	-0.78	-0.60

Source: IMF, International Financial Statistics, vol. XXX No. 12 December 1977; vol. XXXII, No. 1 January 1979 (Balance of payments converted from United States dollars)

1974 and \$US 327.0 million in 1977. Official development assistance from all sources rose from \$US 62.3 million in 1974 to \$US 186.5 million in 1977. The foreign debt has increased in parallel with the increased inflow of resources. The debt service has been estimated at \$US 58 million in 1976 for a total disbursed debt of \$US 551 million at the end of that year. This debt service is equivalent to 11.4 per cent of earnings from merchandise exports in 1976.

#### 7. Government revenues and expenditure

The budget has increased at current prices in line with the growth of GDP and for 1977/78 the total sum covered in the estimates was CFAF 137 billion compared with CFAF 50.09 billion in 1970/71. The average rate of increase was 15.5 per cent a year over a period when GDP rose at current market prices by 16.3 per cent a year. In 1978/79 the budget rose by a further 20.6 per cent to CFAF 165.25 billion.

Table 6 is based on budget estimates so it does not show the actual out-turn of revenue and expenditure. However the figures for the change of Government balances with the banking system indicate that the overall budget was in deficit in 1974/75 and 1975/76 but in surplus in 1976/77 and exceptionally so in 1977/78.

United Republic of Cameroon: Table 6. Government revenue and expenditure, 1970/71 and 1974/75 to 1977/78 (billions of CFA francs)

Budget estimates	1970/71	1974/75	1975/76	1976/77	1977/78
Fiscal receipts	50.09	75.77	90.23	128.00	120.50
Other receipts		8.23	9.77		16.50
Ordinary expenditure	44.28	69.20	80.60	90.91	98.46
Capital expenditure	5.81	14.80	19.40	37.09	38.54
Change in Government balances with banking system a/	...	-8.28	-3.42	2.24	30.35 b/

Source: Bulletin de l'Afrique Noire No. 951 22 Mars 1978. No. 966 12 Juillet 1978.

a/ Derived from data in IMF, International Financial Statistics, vol. XXX No. 12 December 1977 and vol. XXXII No. 1 January 1979.

b/ From June 1977 to April 1978 only.

In 1978/79 the Government has been able to make use of some of the reserves accumulated in 1977/78 and this has been one reason for the fairly substantial increase in proposed expenditure in that year and in fact the buoyancy of the economy led to a projected increase in fiscal receipts from CFAF 120.5 billion to CFAF 145.5 billion. In 1978/79 petroleum royalties figure for the first time in the budget with a total of CFAF 4.5 billion. Investment expenditure has grown from CFAF 5.81 billion in the 1970/71 budget to CFAF 38.54 billion in 1977/78 and ordinary expenditure has increased from CFAF 44.28 billion to CFAF 98.46 billion. The relative annual rates of increase were 31.0 per cent and 12.2 per cent respectively. For 1978/79 ordinary expenditure is set at CFAF 113.8 billion and capital expenditure at CFAF 51.4 billion.

The capital budget includes external debt provisions and in 1978/79 these came to CFAF 15 billion compared with CFAF 8.6 billion in 1976/77 and CFAF 9.6 billion in 1977/78.

## 8. Money and banking

With a fall in net foreign assets of CFAF 18.74 billion between December 1970 and December 1977, the rise in money and quasi-money in that period has been solely due to the expansion of domestic credit and most of this credit expansion has been to the private sector.

Claims on the private sector rose from CFAF 46.15 billion at December 1970 to CFAF 204.59 billion at December 1977 equal to an annual rate of increase of 23.7 per cent. Money proper rose at annual rate of 18.1 per cent and with quasi-money the increase was 23.1 per cent a year. The substantial increases in money supply had their own impact on the rise in consumer prices in the period under review.

Data are incomplete at August 1978 but the increase in domestic credit to the private sector between December 1977 and August 1978 was 18.3 per cent but money proper fell by 2.7 per cent and with quasi-money the increase in the money supply was 4.3 per cent.

One factor behind the small rise in total money supply in the first eight months of 1978 appears to have been the sharp rise in Government deposits in the banking system.

United Republic of Cameroon: Table 7. Monetary survey, 1970 and 1975 to 1978  
(billions of CFA francs)

	End 1970	End 1975	End 1976	End 1977	August 1978
Net foreign assets	17.42	0.43	4.21	-1.32	-0.08 a/
Domestic credit					
Net claims on Government	-14.88	7.05	-1.60	-7.44	-31.87 a/
Claims on private sector	46.15	110.67	141.09	204.59	241.94
Money	38.39	75.71	94.78	126.63	123.20
Quasi-money	6.39	30.04	37.96	56.87	68.15
Other items (net)	3.90	12.38	10.96	12.34	13.54 a/

Source: IMF, International Financial Statistics, vol. XXX No. 12, December 1977; vol. XXXII, No. 1, January 1979.

a/ April 1978.

9. Wages and prices

There is no direct information on wage levels but given the high rate of inflation these levels must have been adjusted from time to time. Consumer prices as measured by the index for African consumers rose at an average rate of 10.3 per cent per year between 1969/70 and 1976/77. Based on the more general index there was also an average increase of 10.3 per cent between 1970 and 1977 with sharp increases in 1974 and 1975, some fall in the rate of inflation in 1976 to 9.9 per cent and then a rise of 14.5 per cent in 1977. Consumer prices in the second quarter of 1978 were 14 per cent higher than a year earlier so the substantial rate of inflation of 1977 has continued. However, from March to June 1978 the increase was only 2.4 per cent which could indicate a damping down of the rate of price rises.

10. Employment and unemployment

The census of 1976 shows a total population of 7.7 million growing at the estimated rate of 2.5 per cent a year. The numbers economically active total 2.5 million, this is only 32 per cent of the population and is an extremely low rate. The urban labour force numbered about 638,000 with 359,000 wage-earners. The number of wage earners has risen substantially since 1970.



## 11. Other social sectors

(a) Education. In 1976/77 the number of students enrolled in primary schools reached about 1,380,000 or 85 per cent of the eligible age group. The rate of growth of the number of primary pupils between 1970 and 1974 was only 3.6 per cent a year but it increased rapidly from 1974 to 1976 and in 1976/77 itself grew by 18 per cent. Secondary and university enrolments have also grown rapidly this decade.

(b) Health. In 1976 there were 347 health establishments with 16,734 beds compared with 14,913 hospital beds in 1969. The increase of 12 per cent is less than the growth of population of 19 per cent. However, the increase in the number of doctors from 222 in 1969 to 299 in 1974 and probably to a higher total in 1978 accompanied by a substantial rise in the number of nurses and midwives indicates a better usage of existing health institutions and better service to the people. The available indicators point to a drop in mortality and some improvement in the health of the population as a whole but much still remains to be done.

## B. MAJOR PROBLEMS

Despite its varied natural resources, economic growth in Cameroon has been below expectations although the last two years have seen much better progress. The poor over-all growth record since 1970 has its origins in the general world economic situation but as well as skilled manpower shortages, there has been a generally unsatisfactory record for commercial agriculture. Despite the increase in producer prices and other incentives, output of commercial crops has not increased. Crops like coffee and cocoa appear to have been affected by some neglect on the part of the individual growers.

The production of timber was adversely affected as for other African producing countries by the world recession in 1975, from which recovery has been slow, and by Asian competition. The low real growth in output from agriculture, forestry and fishing has meant that the over-all GDP growth rate has been lower than might otherwise have been the case despite the efforts made to raise output in the other major productive sector, and the advances registered in the service sectors.

One element to be considered is the problem of economic management. The authorities themselves have recognized the bottlenecks and the relative lack of efficiency of the administrative machine. The level of investment achieved this decade is equal to about 19.7 per cent of GDP and should have been enough to result in an overall GDP growth rate of 5 per cent a year. That this has not occurred may point to some lack of effectiveness in the development effort.

## C. INTERNAL DEVELOPMENT POLICIES

The third development plan covered 1971 to 1976, that is most of the period under review. The plan called for a growth of 4.6 per cent per annum at constant prices. On the basis of the allocation of investment funds between sectors, the two most important sectors were industry and the economic infrastructure. Funds allocated for manufacturing industry were twice those for agriculture, while for the infrastructure the investment proposed was the same as for manufacturing industry.

Towards, the end of the plan it was clear that it would not be fully implemented because of certain difficulties, the most important being the stagnation of commercial crop and forestry production. In fact starting from 1973 a new policy concerning agriculture had been initiated under the general heading of a "green revolution" and the Government started to give a much higher priority to agriculture. The new fourth five year plan covering the period 1976/77 to 1980/81 shows a different strategy from that of the third plan. The rate of growth is much higher (7.1 per cent) and the revised volume of investments is now estimated at CFAF 931.0 billion. One feature of this plan is the shift in favour of agriculture and energy. Agriculture is now accorded high priority with an investment allocation of CFAF 164 billion compared with CFAF 104 billion for manufacturing industry. Investment proposed in the energy sector has risen sharply reflecting the policy of the Government to develop internal energy sources after the massive rise in the cost of imported oil. Though the amount allocated to infrastructure is considerable, the proportion of total capital spending on this sector is less than in the third plan. In 1978 a first appraisal has been made of the implementation of the first two years of the fourth plan and this shows some delay in the execution of various projects for the two years 1976/77 and 1977/78; CFAF 263 billion was invested or 71 per cent of the average amount forecast.

#### D. PROSPECTS FOR 1978 to 1980

It is difficult to make any forecasts of the likely course of the economy. There are unfavourable factors such as the drop in coffee prices which will slow economic growth but there appears to have been a start made in crude petroleum production while the higher level of investment planned and underway together with a policy of stimulating agriculture should help the growth of the economy. However, it may prove difficult to reach in full the growth rate of 7.1 per cent a year proposed for the fourth plan period in 1978 to 1980.

UNITED REPUBLIC OF TANZANIA

A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

1. Introduction

During the period 1970-1977, the average rate of growth of GDP at constant factor cost in Tanzania was 4.7 per cent per annum and as the population growth rate was 2.8 per cent a year the annual increase in per capita GDP was 1.9 per cent. This result while lower than the growth rate projected in various development plans was relatively satisfactory bearing in mind two drought years and the generally unsatisfactory world economic situation. The Ujaama village programme itself caused some disruption especially in agricultural output and in 1974 when this programme coincided with a period of drought the GDP growth rate fell to 2.5 per cent and substantial food imports were required. At the same time a sharp increase in import prices caused severe pressure on the country's balance of payments. However, the economy has since recovered and the annual rate of growth for the three years to 1977 averages 5.5 per cent per annum. During the period agriculture grew on average by 3.6 per cent per year at constant prices but with important fluctuations especially in 1973 and 1974, where growth was nil or negative and a strong recovery in 1975 to 1977. Manufacturing industry grew at 5.9 per cent at constant prices but showed the same growth pattern as agriculture with a trough in 1974 when the growth was only 1.4 per cent.

At current prices GDP grew by 17.3 per cent a year so the implicit deflator from 1970 to 1977 was 12 per cent annually. This compares with an annual increase in consumer prices of 12.2 per cent a year. The balance of payments suffered the strongest pressures in 1974 and the foreign reserves fell by 980 million Tanzania shillings. Net foreign assets fell further in 1975 to the very low level of Tan. shs. 357 million but then the situation improved and with the high prices prevailing for coffee and other commodities in 1976 and 1977, equilibrium was restored and net foreign assets rose to Tan. Shs. 1,513 million at December 1977 although they have since fallen back substantially in 1978.

In common with most African countries, Tanzania has endured substantial inflation since 1970 and the rate of increase in consumer prices was worst in 1974 and 1975 with increases of 19.3 and 26.4 per cent. The rate of price increase fell in 1976 to only 6.9 per cent but rose again to 11.5 per cent in 1977.

Between 1970 and 1977 the value of exports increased by 12.7 per cent a year and of imports by 14.8 per cent annually. There has always been a trade deficit and this increased from Tan. Shs. 477 million in 1970 to 1,814 million in 1977. Export volume has decreased substantially since 1970 and based on four major commodities was only 60 per cent in 1977 of the level of 1970. Over the same period imports have increased by about 14 per cent and the widening gap between exports and imports has been covered by an increasing inflow of aid and capital. Since 1970 cash crop production has been declining despite all efforts to boost production. In industry the management and productivity situation is unsatisfactory and the parastatal sector is not contributing as it should to the national economy.

The year 1977 was a good year with a GDP growth rate at constant prices of 5.9 per cent and excellent results in agriculture helped by good rainfall. The balance of payment was favourable and Tanzania also benefited from a high net inflow of aid and capital. In 1978, the economy will benefit from the accelerated investment effort but earnings from exports will show a substantial fall because the coffee boom came to an end in 1977. Growth of GDP at current prices will be smaller in 1978 because of lower receipts from coffee and because the rate of inflation appears to have declined to some extent. At constant prices a growth of about 5 per cent seems in prospect.

## 2. GDP by industrial origin

In 1977 agriculture contributed 49.9 per cent of GDP at current factor cost. This is the dominant sector in the economy and its share of GDP has risen from 41.2 per cent in 1970. However, its particularly high percentage of GDP in 1977 owes much to the high coffee prices obtaining in world markets. Because of the substantial advance in agriculture's share in total GDP, all other sectors recorded falls between 1970 and 1977; in manufacturing from 10.1 to 9.7 per cent, commerce from 12.7 to 11.7 per cent, transport from 8.7 to 6.5 per cent and in other services from 20.1 to 17.8 per cent. When measured at constant prices the share of agriculture is reduced while that for other services in particular shows an increase.

United Republic of Tanzania: Table 1. GDP by source, 1970 and 1975 - 1977  
(in millions of Tanzanian shillings)

At current prices	1970	Percentage	1975	1976 <sup>a/</sup>	1977 <sup>a/</sup>	Percentage
Agriculture, forestry, fishing	3 381	41.2	7 007	9 381	12 500	49.9
Mining	105	1.3	101	116	123	0.5
Manufacturing	828	10.1	1 774	2 047	2 416	9.7
Electricity and water	84	1.0	146	186	217	0.9
Construction	404	4.9	735	736	759	3.0
Wholesale and retail trade <sup>b/</sup>	1 046	12.7	2 172	2 351	2 936	11.7
Transport and communications	713	8.7	1 453	1 554	1 635	6.5
Other services	1 654	20.1	3 600	3 983	4 462	17.8
Total GDP at current factor cost	8 215	100.0	16 988	20 354	25 048	100.0
Total GDP at 1966 factor cost	7 680		9 553	9 995	10 587	

Source: United Republic of Tanzania: Economy Survey 1977-1978.

a/ Provisional.

b/ And hotels and restaurants.

### 3. Selected economic sectors

(a) Agriculture, forestry, fishing. Under the Ujaama village programme, part of the rural population was grouped into settlements centred on larger villages rather than in traditional scattered settlements. The object of this resettlement was to provide more easily the basic amenities such as education, health, piped water, banking and commercial services in the rural areas.

One other feature of rural life in the 1970s was the erratic pattern of rainfall and in 1974 there was a severe drought which caused a sharp fall in output and led to large scale food importations. The result has been that the growth of this sector to GDP at constant (1966) prices between 1970 and 1977 averaged 3.5 per cent a year. There are no direct statistics on total food crop production but trends are ascertained through consumption surveys, weather changes, and particularly the quantities handled by the National Milling Corporation. In 1977/78 199,500 tonnes of maize, 24,600 tonnes of paddy rice and 34,200 tonnes of wheat were purchased by the National Milling Corporation compared with 86,906 tonnes, 11,516 and 23,879 tonnes respectively in 1975/76. As for commercial crops, production of certain crops has declined while for others there has been an increase comparing 1977 and 1970. In table 2, it is seen that production of cashew-nuts, cotton lint, pyrethrum and sisal was lower in 1977 while output of coffee, sugar, tea and tobacco increased. The most serious fall was in sisal production with the 1977 output only half that of 1970. The general decline in sisal output has been occasioned by the competition of synthetics which has made commercial production uneconomic at current world prices for many growers.

United Republic of Tanzania: Table 2. Output of major commercial crops, 1970 and 1975-1977 (in thousand tonnes)

	1970	1974	1975	1976	1977
Coffee	44.58	44.67	62.42	55.36	48.68
Cotton lint	71.29	71.31	59.18	81.42	65.06
Cashew-nuts	114.00	121.70	80.34	83.64	96.75
Pyrethrum	3.65 <sup>a/</sup>	3.29	4.63	3.67	3.25
Sisal	209.00	132.00	124.00	113.70	104.83
Sugar	95.79 <sup>a/</sup>	96.18	103.24	112.07	124.44
Tea	10.46 <sup>a/</sup>	12.97	13.73	14.07	16.67
Tobacco	11.95 <sup>a/</sup>	18.15	14.19	19.13	18.27

Source: United Republic of Tanzania, Economic Survey 1975-1976 and 1977-1978.

<sup>a/</sup> 1971.

The value of the marketed output of these eight products was Tan. Shs. 878 million in 1971 and rose to Tan. Shs. 2,964 million in 1977. However, much of the increase was due to the sharp increase in coffee prices in 1976 and 1977. The substantial fall in coffee prices in 1978 will naturally have had a particular impact on total realizations from the marketed crops that year.

In forestry there is a programme aiming at producing enough soft-wood for local uses and to build up a surplus for export. Development of hard-wood species is also underway. There were 54,000 hectares of soft-wood plantations in 1975/76.

Livestock and fishing are both important in Tanzania but details of output are not available.

(b) Mining. The most important mineral produced is diamonds but as output of this mineral has been declining for many years, the contribution of the sector as a whole to GDP has also been falling. The output of diamonds was 87,500 carats in 1977 having been 163,000 carats in 1971. Salt production has varied this decade, the quantity sold having risen from 42,000 in 1970 to 45,000 tonnes in 1974 and 57,000 tonnes in 1976 before falling to 33,000 tonnes in 1977.

There are coal deposits in the Kiwera/Songwe valley which have been investigated in connection with a proposed iron works.

Cement production is based on local limestone deposits. Petroleum prospecting has been underway for some years. Phosphate deposits exist at Mijingu and research has been underway to establish if they can be exploited to supply the fertilizer factory at Tanga.

(c) Manufacturing. A number of the factories in the country are for processing agricultural products and this sector has been influenced by the relative stagnation of commercial crop output. However, at certain times in this decade output in manufacturing industry has suffered from a lack of other raw materials and spares, some interruptions in water and electricity supply and a decrease in labour productivity in various industries leading to high-cost output of particular products.

In 1976 there were 524 establishments covered in the census of production with 75,350 workers and an output valued at Tan. Shs. 5,246 million. In 1970 the comparable figures were 452 establishments, 48,699 workers and output valued at Tan. Shs. 1,744 million. The value added was Tan. Shs. 561 million in 1970 and Tan. Shs. 1,480 million in 1976.

Based on GDP estimates at constant prices the average growth rate for manufacturing industry including handicrafts from 1970 to 1977 was 5.3 per cent a year. There were relatively high growth rates in 1971, 1972, 1976 and 1977.

Some data on important products from manufacturing industry are given in table 3.

United Republic of Tanzania: Table 3. Production of selected manufactures, 1970 and 1975-1977

	1970	1975	1976	1977
Wheat flour (thousand tonnes)	43.1	35.5	72.7	81.0
Canned meat (thousand tonnes)	8.0	2.2	1.7	0.6
Beer (million litres)	31.2	64.3	69.5	75.1
Cigarettes (million)	2 599.0	3 511.0	3 678.0	4 013.0
Textiles (thousand m <sup>2</sup> )	58.4	87.4	82.7	78.9
Sisal products (thousand tonnes)	20.4	25.5	42.4	36.5
Cement (thousand tonnes)	176.8	266.0	243.6	246.5

Source: As table 2.

In 1978 the Government decided to simplify the customs procedures for the import of spare parts, raw materials and machinery in order to ease the problems of industry. Government policy is also to move where possible to an immediate adoption of a piece-rate system for employees based on work performance standards. However, the expectations of a worsening balance of payments position in 1978/79 means that the simplification of import procedures will have to be watched to ensure that the level of importation does not exceed the resources available.

(d) Electricity. Installed capacity reached 258.5 megawatts at the end of 1977, the major addition in the 1970s being the 100 MW added from the Kidatu scheme in 1976. Total units of electricity generated rose from 396 million kWh in 1970 to 612 million in 1977, an average annual rate of increase of 6.4 per cent over this period. This is a relatively satisfactory rate of increase and the largest users in 1977 were consumers working on a maximum demand tariff who purchased 336.5 million kWh. These consumers are mainly in the industrial sector.

(e) Construction. A poor rate of growth in this sector from 1970 to 1977 suggests that investment has not increased much when measured at constant prices. Local consumption of cement was estimated at 337,000 tonnes in 1970 but had fallen to 297,000 tonnes in 1977. There had been a rapid increase in cement consumption in 1971 and 1972 to 452,000 tonnes during the peak period of construction of the Tazara railway and other large projects but since 1972 there has been a regular fall in cement consumption each year.

In the construction sector efforts have been made to educate people on building low cost but good quality houses using such materials as are locally available. However, the urban areas continue to suffer from a shortage of housing particularly for the low income groups. Site and service schemes are being implemented. The construction of the new capital city at Dodoma has been in progress for some years.

(f) Transport services. The achievement of the decade was the completion of the Tazara railway linking Dar-es-Salaam in Tanzania to the Copperbelt in Zambia. However, on the negative side the dissolution of the East African Community Corporations led to some disruption in transport services and it was necessary to establish national corporations.

Growth in this sector has been comparatively rapid averaging 5.8 per cent a year at constant prices and much of the growth has been due to the carriage on Tanzania's transport system of traffic to and from Zambia.

The import tonnages handled at the three ports of Dar-es-Salaam, Mtwara, and Tanga increased from 2,195,000 tonnes in 1971 to 3,439,000 tonnes in 1977 while the total exports increased from 1,030,000 tonnes to 1,482,000 tonnes.

On the railways the tonnage carried other than on Tazara fell from 1,561,000 tonnes in 1970 to 1,302,000 tonnes in 1977 while on Tazara the tonnage carried rose from only 21,500 tonnes in the first year 1974 to 1,271,600 tonnes in 1977.

Road services have been important in the years to 1976 in carrying goods to and from Zambia but no data are available.

United Republic of Tanzania: Table 4. Selected transport indicators, 1971 and 1974-1977

	1971	1974	1975	1976	1977
<u>Ports</u>					
Goods unloaded (thousand tonnes)	2 195	3 172	3 296	3 149	3 439
Goods loaded " "	1 030	1 110	1 144	1 633	1 482
<u>Railways<sup>a/</sup></u>					
Freight handled " "	1 561	1 434	1 633	2 202	2 574
<u>Dar-es-Salaam bus service</u>					
Passengers transported (million)	69.7	77.0	80.8	86.2	87.0

Source: As table 2.

a/ Tazara railway and freight originating in Tanzania on other railway systems.

(g) Tourism. The number of bed-nights spent at hotels in Tanzania rose from 599,800 in 1970 to 980,534 in 1977 although it had been as high as 1,116,888 in 1976. However, the number of bed-nights spent by visitors in Tanzanian hotels was 379,000 in 1970 and 541,000 in 1977, again there was a fall from a peak of 641,000 in 1976.



The total foreign exchange earnings from tourism were estimated at Tan. Shs. 96 million in 1970 but had fallen to Tan. Shs. 73.3 million in 1977. Such earnings were at a peak by Tan. Shs. 119 million in 1972.

#### 4. Expenditure and the GDP

The data on expenditure are given in table 5 and show that there has been an increase in the proportion of GDP spent on private consumption comparing 1977 with 1970; the percentage on public consumption has also increased but there was a fall in the relative expenditure on capital formation.

United Republic of Tanzania: Table 5. Expenditure and the GDP, 1970 and 1975-1977  
(millions of Tanzanian shillings)

At current prices	1970	Percentage	1975	1976	1977	Percentage
Private consumption	6 300	68.7	14 171	15 599	20 335	71.9
Public consumption	1 208	13.2	3 259	3 421	4 052	14.3
Capital formation	2 256	24.6	4 004	4 663	4 843	17.1
Exports less imports of goods and services	-596 <sup>a/</sup>	-6.5	-2 423 <sup>a/</sup>	-544 <sup>a/</sup>	-960 <sup>a/</sup>	-3.3
Total GDP at market prices	9 168	100.0	19 011	23 139	28 270	100.0

Source: Based on national data from Tanzania.

a/ Balancing item.

In 1970 68.7 per cent of GDP went on private consumption, 13.2 per cent on public consumption and 24.6 per cent on capital formation. There was an inflow of resources estimated at 6.5 per cent of GDP to provide the additional resources required over and above the total GDP at market prices. In 1977 the proportions were 71.9 per cent for private consumption, 14.3 per cent for public consumption and 17.1 per cent for capital formation. There was an inflow of resources equal to 3.3 per cent of GDP in that year.

From 1970 to 1976 the proportion of GDP at market prices spent on capital formation was 22.4 per cent. This is a relatively high proportion which should have been more than adequate to generate an average GDP growth rate of 6 per cent. That this did not happen can probably be traced to the difficult world economic situation from 1974 onwards, to the drought in 1974 in particular and to problems arising from the Ujaama village programme.

Based on table 5 the level of domestic savings was equal to 18.1 per cent of GDP in 1970 but only 13.8 per cent in 1977. In 1974 and 1975 the savings ratio fell sharply to 9.9 per cent and 8.5 per cent respectively and capital formation had to be financed to a higher proportion from external resources.

#### 5. External trade and balance of payments

Exports grew during the period under review but especially so in 1976 and 1977 with the boom in coffee prices. Imports have also risen at a fairly rapid rate and between 1970 and 1977 exports increased in value at an average annual rate of 12.7 per cent while imports rose by 14.8 per cent a year. The higher rate of increase for imports led to the trade deficit rising from Tan. Shs. 477 million in 1970 to Tan. Shs. 1,814 million in 1977. However, the worst trade deficit recorded during the period was in 1975 when it reached Tan. Shs. 2,965 million with exports only covering 48 per cent of imports.

The major export items from Tanzania are coffee, cotton, diamonds and sisal and their share in total exports has risen from 50 per cent in 1970 to 61 per cent in 1977. However, the 1977 result was due to the sharp rise in earnings from coffee and it is already clear that for 1978 the total value of exports and the earnings from coffee will fall substantially.

The composition of imports has varied significantly over the period under review especially consumer goods which represented a higher percentage of the total when food imports were increased substantially as in 1974 and 1975. However, in 1977 consumer goods made up 18.5 per cent of the total, intermediate goods 45.5 per cent and capital goods 35.9 per cent. Tanzania has to import a substantial part of the supplies required in its manufacturing industry. The volume of imports probably rose by an average of 2 per cent a year between 1970 and 1977 but in the case of exports there was a decline in volume from 100 in 1970 to about 60 in 1977 based on the volume index published until 1974 and the volume of the 4 major commodities from 1974 to 1977.

United Republic of Tanzania: Table 6. External trade and balance of payments, 1970 and 1975-1977 (millions of Tanzanian shillings)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	1 797	2 764	4 108	4 161
Imports	2 274	5 729	5 350	5 975
Balance	-477	-2 965	-1 242	-1 814
<u>Balance of payments</u>				
Goods and services (net)	-345	-2 458	-839	-1 055
Private transfers (net)	79	85	96	161
Government transfers (net)	12	673	361	790
Capital	456	1 681	520	1 224
Reserves and related items	147	113	-179	-1 318
Errors and omissions	-347	-94	41	198

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977; vol. XXXII, No. 1, January 1979.

The balance of payments in all the years given in table 6 shows a deficit for goods and services covered to some extent by a net inflow of private transfers and government transfers. There has also been a large capital inflow with particularly high net totals in 1975 and 1977. In 1975 the international reserves were also reduced because of the magnitude of the deficit on goods and services but in 1977 these reserves were increased substantially.

#### 6. Development aid and external debt

Tanzania receives important amounts of aid and the total net flow of resources rose from \$US 169 million in 1974 to \$US 407 million in 1977. Of these totals official development assistance was \$US 162 million in 1974 and \$US 343 million in 1977. Thus a high proportion of the net resource inflow has been in the form of grants and soft loans having an important impact on the level of the external debt. For 1976 the World Bank estimated that debt service payments on Tanzania's external public debt were estimated at 8.1 per cent of earnings from exports of goods and services. In 1970 the proportion had been 7.3 per cent.

#### 7. Government revenue and expenditure

The rates of growth of recurrent revenue and recurrent expenditure between 1970/71 and 1977/78 were 19.7 per cent and 19.3 per cent respectively. Thus the size of the recurrent surplus increased but in 1977/78 it was only sufficient to finance 9 per cent of the development budget. As shown in table 7, external resources have become increasingly important in providing finance for the development budget; in 1977/78 they provided 66 per cent of the total required.

United Republic of Tanzania: Table 7. Government revenue and expenditure 1970/71 and 1975-1977/78 (millions of Tanzanian shillings)

	1970/71	1975/76	1976/77	1977/78
<u>Recurrent budget</u>				
Revenue	1 683	3 919	5 204	5 913
Expenditure	1 631	3 716	4 428	5 633
Surplus	52	203	776	280
<u>Development budget</u>				
Expenditure	889	2 253	2 489	3 088
<u>Financing</u>				
Recurrent surplus	52	203	776	280
Domestic borrowing	457	906	184	504
Other domestic resources	110	113	127	260
External borrowing	258	562	1 402	2 044
Foreign grants	12	469		

Source: As table 2.

In 1970/71 domestic resources provided 70 per cent of the funds for the development budget with domestic borrowing alone accounting for 51 per cent. But by 1977/78 the share of domestic resources in financing this budget had fallen to 34 per cent.

Data are not available on the breakdown of foreign resources in the last two financial years but it seems that external borrowing would have accounted for more than a half of the external funds obtained.

For 1978/79 there is a large increase in the development budget to Tan. Shs. 5,548 or 36.6 per cent more than the originally estimated Tan. Shs. 4,062 million for 1977/78. However, as only Tan. Shs. 3,088 million was spent in 1977/78 it may prove difficult to reach the total of Tan. Shs. 5,548 for 1978/79.

Recurrent expenditure for 1978/79 is increased to Tan. Shs. 6,719 million or 19.2 per cent higher than the actual expenditure for 1977/78. Total expenditure is estimated at Tan. Shs. 12,267 million and recurrent revenue at Tan. Shs. 6,968 million; non-bank domestic borrowing should reach Tan. Shs. 440 million, a further Tan. Shs. 268 million is expected from the development production funds and a further Tan. Shs. 175 from miscellaneous receipts. In addition Tan. Shs. 711 million will be raised from the domestic banking system. A total of Tan. Shs. 3,583 million is expected from foreign grants and loans, of this total grants are estimated at Tan. Shs. 1,749 million and loans at Tan. Shs. 1,834 million. Various other receipts are expected including those arising from increased taxes.

#### 8. Money and banking

The government sector including official entities has become much more important in the Tanzanian economy since 1970 and this is particularly reflected in the credit advanced by the banking system.

Between December 1970 and December 1977 net foreign assets increased from Tan. Shs. 768 million to Tan. Shs. 1,513 million and total domestic credit from Tan. Shs. 1,639 million to Tan. Shs. 7,482 million. Thus the rise in domestic credit was by far the most important influence behind the rise in the money supply and the details given in table 8 show that the major increases in credit have been to the Government and to official entities. Net claims on the Government rose from Tan. Shs. 277 million in December 1970 to Tan. Shs. 3,044 million in December 1977 while claims on official entities increased from Tan. Shs. 457 million to Tan. Shs. 2,161 million and claims on the private sector from Tan. Shs. 905 million to Tan. Shs. 2,277 million. The annual rates of increase averaged 41 per cent for government credit, 24.8 per cent for official entities and 14.1 per cent for the private sector.

The growth rate of money proper between 1970 and 1977 was 20.6 per cent a year and of money including quasi-money was 20.3 per cent annually. These growth rates may be compared with the rise in consumer prices averaging 12.2 per cent a year.

United Republic of Tanzania: Table 8. Monetary survey, 1970 and 1975-1978  
(millions of Tanzanian shillings)

	End 1970	End 1975	End 1976	End 1977	June 1978
Net foreign assets	768	357	561	1 513	845
Domestic credit					
Net claims on Government	277	2 358	3 396	3 044	3 501
Claims on official entities	457	1 780	1 958	2 161	2 334
Claims on private sector	905	1 613	1 767	2 277	2 100
Money	1 755	4 404	5 486	6 497	6 248
Quasi-money	563	1 297	1 636	1 970	2 202
Other items (net)	90	406	562	529	328

Source: IMF, International Financial Statistics, vol. XXX, No. 12, December 1977; vol. XXXII, No. 1, January 1979.

In the first half of 1978 there was a substantial fall in net foreign assets but domestic credit increased by 6 per cent. The money supply was unchanged over this period. The planned increase in money supply for 1978 has been set at 14 per cent.

#### 9. Wages and prices

Wages have increased substantially since 1970 and in 1977 the average wage per annum reached 8,017.7 shillings. Based on 1972, average wages were 92 per cent higher in 1977 having risen by 46 per cent in 1974 and 16 per cent in 1977. Wages have generally risen in response to the high rate of inflation. The average increase in consumer prices has been 12.2 per cent a year between 1970 and 1977 and price rises were particularly strong in 1974 and 1975 because of the drought and because of international events. The rise in consumer prices was 19.3 per cent in 1974 and 26.4 per cent in 1975 but only 6.9 per cent in 1976 and 11.5 per cent in 1977. In the first quarter of 1978 consumer prices were 4.6 per cent higher than in the first quarter of 1977 reflecting a substantial fall in the rate of inflation.

#### 10. Employment and unemployment

There was an increase of 16.5 per cent in numbers employed in 1973 but since then there has been a relative stagnation and the numbers employed in 1977 were 474,090 compared with 472,500 in 1973. The fall in employment in the construction industry following the completion of the railway line of Tazara in Tanzania was particularly large the total falling from 104,780 in 1973 to 49,000 in 1977 and despite growth in all other sectors this fall could not be recouped so that total wage employment in 1977 was only 0.4 per cent higher than in 1973.

Data on unemployment are not available but there has been some tendency to discourage rural dwellers from moving to the towns and even the repatriation from urban to rural areas of persons unemployed in the towns.

#### 11. Other social sectors

(a) Education. There has been a very large increase in the numbers enrolled in educational institutions this decade, but the real progress has been registered in primary education where enrolments more than doubled passing from 827,974 in 1970 to 2,020,883 in 1977. There were particularly large rises in primary pupils in 1975 and 1976 and the primary enrolment rate reached 60 per cent in 1977. With the emphasis on increasing the primary enrolment rate the growth in enrolments at secondary schools and in higher education has been less spectacular but has nevertheless been substantial.

There were 41,960 students at government secondary schools in 1977 and a further 19,820 at private schools. The total of 61,786 in 1977 compares with 41,078 in 1970. Over the same period 1970 to 1977 the number of higher education students in East African colleges rose from 2,086 to 3,075. In an attempt to relate primary education more effectively to the realities, rural subjects are now included in the curriculum in order to prepare pupils for life in the countryside. Adult education has had a profound impact and after 15 years of effort the illiteracy rate had fallen to 39 per cent at the end of 1975.

(b) Health services. The main policy orientation has been on preventive medicine and the provision of more health facilities in the rural areas. In 1977 the number of hospital beds available was 31,487 compared with 28,054 in 1972. There were 181 rural health centres in 1977 as against 99 in 1972. The number of trained personnel has also grown with particular increases in the medical assistants. There were 727 doctors in 1977, 400 assistant doctors, 930 medical assistants, 1,393 rural medical aids, 1,235 grade A nurses and 4,423 grade B nurses. However, despite this progress the country still has a high mortality rate and a high incidence of endemic diseases. Among the health objectives of the Government is the provision of clean water to all the population by the year 1991.

(c) Housing. The efforts to eradicate the housing problem, which is especially serious in the urban areas for the low-income groups, include educating people in building low cost but good quality housing using locally available materials particularly burnt bricks, timber and roofing tiles; site and service programmes; the provision of infrastructure services and the implementation of town master plans. The National Housing Corporation continues to construct low- and medium-cost residential houses and is producing construction materials such as burnt bricks and tiles. The Tanzania Housing Bank provides loans for low-cost and other housing. In 1977 the number of housing loans approved by the bank increased to 4,077.

#### B. MAJOR PROBLEMS

In 1977/78 the economic relationship with the former East African Community countries continued to weaken. The border between Tanzania and Kenya continued to be closed and trade between the two countries declined drastically. Legislation had to be passed aimed at creating corporations to deal with the services which were previously undertaken by the East African Community in Tanzania.

Tanzania continues to depend to a certain extent on imported cereals. These cost Tan. Shs. 230 million in 1977/78, a reduction and a sharp reduction on the levels of 1974 and 1975 but still indicating that domestic cereal output must be increased substantially.

The balance of payments was in surplus in 1976 and 1977 helped by the high earnings from coffee but the price fall of coffee in 1978 reveals the fragility of the balance of payments which is heavily dependent for equilibrium on high capital and transfer receipts.

The rapidly increasing investment programme is creating its own problems. The sharp increases in domestic credit to the Government and the parastatals to help finance this programme has in the past created fairly substantial inflation through increases in the money supply.

The output of the key cash crops has generally declined since 1970 despite steps taken to raise producer prices and improve the inputs to farmers including subsidizing the prices of fertilizers and insecticides.

### C. INTERNAL DEVELOPMENT POLICIES

The various development plans in operation this decade have been to some extent motivated by the policy of self-reliance which has found a particular emphasis in the Ujaama village programme that apart from helping the distribution of social services and other amenities in the rural areas was also designed to lay the basis for increased agricultural production.

The year 1978/79 is the third year of the third five year development plan and the emphasis for that year is the completion of on-going projects in all sectors. Those projects aimed at strengthening the existing service facilities to the public would be given first priority.

While the target growth rates in the various plans operative so far this decade were achieved to an extent of only about 70 per cent, what was done in the field of investment should have laid a useful foundation for the achievement of higher growth rates in the future. However, there is a strong awareness that the level of development expenditures proposed should be better related to the absorptive capacity of the country. With an improvement in skills, more availability of equipment and materials this capacity has increased and this means that higher investment expenditures are becoming increasingly possible.

In the budget speech made on 15 June 1978 the Minister for Finance and Planning stated that as from that date the Tanzanian Government had decided that they recognized formally that the East African Common Market had been dissolved. Thus any taxable goods received from Kenya and Uganda were subject to taxation. The Transfer Tax Act was also to be repealed.

D. PROSPECTS FOR 1978 TO 1980

Tanzania continues to receive substantial aid from external sources some part of which is in the form of capital and much of this capital is of the soft-loan variety. This means that investment activity can continue at a high rate without this causing too much of a problem over debt servicing.

A high level of investment activity will help create a relatively high level of growth in the economy and certainly the 1978/79 budget covers a particularly high rate of government development expenditure. However, on the negative side in 1978 and 1979 will be the impact of the fall in coffee prices on external earnings and on the incomes of farmers producing coffee.

The GDP growth rate in 1978 and 1979 should be above the average achieved so far this decade.



## UPPER VOLTA

### A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-1978

#### 1. Introduction

The economy of Upper Volta is basically agricultural but the climate is difficult and not conducive to rapid economic growth. In the early years of this decade, drought inflicted heavy losses of livestock and crops and there was a net decline of production and incomes. After 1973, agriculture recovered and a high level of foreign aid led a large increase in investments. There are no GDP estimates at constant prices and according to official data, the rate of growth of GDP at current factor cost was 7.5 per cent per year while consumer prices increased by 7.7 per cent yearly. If deflated by the consumer prices index there has been no real growth in GDP between 1970 and 1977 but other indicators suggest that the average growth rate at constant prices could have been in the region of 3 per cent a year.

Exports were affected in the drought years because of the lower agricultural production and after 1973 they grew less rapidly than imports.

The value of imports was nearly four times as high in 1977 as in 1970. There was already a trade deficit in 1970 with exports only 37 per cent of imports but in 1977 this deficit had risen to CFAF 37.7 billion with the coverage of imports by exports falling to 26.5 per cent. The large and increasing inflow of aid receipts and remittances has enabled a balance to be achieved in the basic balance of payments.

Inflation increased after 1973 partly because of higher import prices and price rises for local foodstuffs. From 1975 to 1977 consumer prices rose on average by 10.4 per cent a year. A fall is shown in the official prices index in 1976 but this seems likely to have been a statistical mistake. In 1977 the GDP increased by 4.5 per cent at current factor cost and this seems to indicate a fall in real terms. For 1978 projections show a growth rate at current prices of 6 per cent, with a fall in agricultural output and a slowdown in the rate of investment. The trade deficit is expected to remain at the same level as in 1977. In May 1978 consumer prices were 32 per cent higher than in May 1977.

#### 2. GDP by industrial origin

Compared with the overall GDP growth rate of 7.5 per cent a year at current prices, agriculture's growth rate was 7.6 per cent so there was a small rise in the share of GDP originating in agriculture from 44.5 per cent in 1970 to 44.7 per cent in 1977. The proportion of GDP originating in manufacturing industry fell from 16.7 per cent to 14.4 per cent over this period but from construction the proportion rose from 2.6 to 4.7 per cent in line with the increased investment effort being undertaken. The contribution of the services sector increased from 14.2 to 16.3 per cent but that from commerce fell from 17.7 to 15.6 per cent.

In 1977 the value added by the agriculture sector fell by 1.7 per cent and that of manufacturing industry was virtually unchanged. All other sectors recorded increases and there was a particular increase in output from the construction sector.

Upper Volta: Table 1. GDP by source, 1970 and 1975 to 1977 (billions of CFA francs)

	1970	Percentage	1975	1976	1977	Percentage
Agriculture, forestry and fishing	36.31	44.5	57.28	61.66	60.62	44.7
Manufacturing	13.62	16.7	18.60	19.48	19.58	14.4
Electricity and water	0.45	0.5	0.65	0.78	0.86	0.6
Construction	2.10	2.6	3.15	3.90	6.35	4.7
Wholesale and retail trade	14.43	17.7	17.63	18.83	21.19	15.6
Transport and communication	3.08	3.8	4.21	4.55	5.00	3.7
Services	11.60	14.2	19.01	20.64	22.07	16.3
Total at current factor cost	81.59	100.0	120.53	129.84	135.67	100.0
Total at current market prices	88.84		132.84	143.34	150.79	

Source: National data from Upper Volta.

Early estimates for 1978 indicate moderate growth for both agriculture and manufacturing and further expansion in construction. The services sectors are also forecast to grow in line with the production sectors.

### 3. Selected economic sectors

(a) Agriculture, livestock and forestry. Agricultural output is virtually determined by the rainfall pattern as rainfed agriculture is practiced in the western and southern parts of the country where most of the population lives; the northern areas where rainfall is less abundant are chiefly occupied by nomadic cattle raisers. According to the 1975 census, only 6.4 per cent of the people live in towns of more than 10,000 inhabitants so the overwhelming majority of the population is rural.

The growth of agriculture has been only modest in the period 1970 to 1977 due largely to the impact of the drought years. An average increase of 1.6 per cent a year in the volume of agricultural output has been assessed by FAO for this period with a fairly substantial recovery since 1973. The main food crops are millet and sorghum while cotton, groundnuts, sesame and karité provide the bulk of Upper Volta's exports.

In 1977 crop production was less than in 1976 and output of millet and sorghum fell by 8 per cent but the total cereal crop in 1977 appears to have been higher than in 1970. The cereal deficit for a population of 6.3 million is estimated at 17 per cent of demand.

Industrial crops have followed the same pattern as food crops, with a decline in production in the first years of the decade because of the drought followed by a recovery and higher production in more recent years. In particular the production of cotton has risen substantially and a record crop of 55,253 tonnes was obtained in 1977. In 1978 because of adverse weather the crop is estimated at only 38,000 tonnes. The planted area has been increasing and production should rise once again when rainfall is more normal.

Upper Volta: Table 2. Agricultural production, 1970 and 1975 to 1977

	1970	1975	1976	1977
Millet and sorghum (thousand tonnes)	941	986	1 200	1 100
Groundnuts (tonnes)	7 804	18 063	11 000	10 000
Sesame (tonnes)	5 200	5 000	6 000	5 000
Konte (tonnes)	19 784	4 912	31 000	32 400
Cotton (tonnes)	36 248	30 563	50 695	55 253

Source: National data from Upper Volta.

Livestock appears to have been less affected by the drought than in other Sahelian countries. According to a study carried out by the FAO, cattle losses in the drought years were 8 per cent in Upper Volta compared with an average of 29 per cent in the Sahel as a whole. The animal herds have now grown larger than that pre-drought levels with cattle being estimated at 3 million head and sheep and goats at 5.6 million in 1978 compared with 2.25 million and 4.0 million respectively in 1970.

The rainfall pattern in 1978 appears to have been unfavourable and in some areas the food situation has been as serious as it was during the drought. One direct consequence of the poor rainfall has been the large drop in cotton production.

However, there are some reasons for optimism over the future of agriculture provided rainfall patterns return to normal and provided diseases can be eradicated. One growth point is in vegetable exports to Europe which in 1976 reached 11,296 tonnes compared with 3,836 tonnes in 1972. The total value of fruit and vegetable exports was CFAF 410 million in 1976. Unfortunately there are very real problems to be overcome such as the present impossibility of using rich and fertile lands in the Liptako-Gourma area because of river blindness. Government policies are aimed at grouping peasants into regional organizations responsible for agricultural extension, the supply of fertilizers, pesticides and improved seeds and the marketing of produce.

(b) Mining. There is at present no significant mining production in Upper Volta but various deposits have already been located and the mining industry has been given a high priority in the 1977-1981 plan under implementation. Phosphate deposits have been discovered, one of them the Kodjari containing some 112 million tonnes of ore, a nickel deposit has also been located at Bonga near the railway line which is reported to contain between 30 and 70 million tonnes of ore. Research is being continued on diamond, lead and copper deposits. There are also projects for the exploitation of a marble deposit at Tiara, the reopening of a goldmine whose exploitation had stopped in 1966 but which has become profitable again with the rise in gold prices, and above all of the Tambao manganese deposits. The exploitation of the Tambao deposits would have particular economic repercussions in a country which is at present only an agricultural producer. The total cost of the exploitation of the mine including the building of a railway from Ouagadougou to Tambao (334 km) is high and has been estimated at CFAF 51.4 billion.

(c) Energy. Energy consumption is still very low averaging only 18 kgs of coal equivalent per head in 1976 against an African average of 397 kgs. This low consumption per head reflects the low level of industrialization. All energy requirements are met from imported oil or firewood. The consumption of imported oil products has grown at a high rate since 1970 estimated at 11.4 per cent a year and the production of electricity rose from 27.16 million kWh to 69.84 million kWh or by 12.5 per cent a year between 1970 and 1977. In 1976 a dam on the Black Volta river to produce 320 million kWh a year was approved and as were 2 x 1,500 Kw generators for the power station at Bobolasso.

(d) Manufacturing. Manufacturing industry contributed 14.4 per cent of GDP in 1977. Its growth rate at constant prices has been low since 1970. However this poor performance is only true when both factory and handicraft industries are combined. Where factory enterprises are concerned it appears that output has grown quite rapidly in the last few years with the number of establishments increasing. In 1976 six factories were built involving a total investment of CFAF 5 billion. Other projects were approved including the increase in the production capacity of the sugar complex of Soshu, a modern soap factory and fabric production from locally produced cotton. The total value of the sales from manufacturing industry reached CFAF 20.8 billion in 1976 with 41 per cent from drink and tobacco industries and 27 per cent from mechanical, metallurgical and electrical industries. Textiles, hides and skins accounted for a further 21 per cent. The most important factories were those producing beer, sugar, soap, edible oils, flour, shoes and motor-cycles.

(e) Transport services. Traffic to and from external markets is carried over the Abidjan-Ouagadougou railway. Traffic on the railway has followed the trend in the general economy, increasing up to 1972, declining in 1973 and 1974 and then resuming its upward trend. In 1976 the total load carried was 57 per cent higher than in 1970. Complete results are not available for 1977, but data for the first three quarters of the year suggest that traffic has dropped slightly. Not much is known about road transport in terms of goods transported. But the number of trucks and other utility vehicles in 1977 was almost double the 1970 figure, while the consumption of gasoline and diesel oil has also doubled. As for air transportation, the number of passengers handled at Ouagadougou airport doubled from 1970 to 1977.

Upper Volta: Table 3. Selected transport indicators, 1970 and 1975 to 1977

	1970	1975	1976	1977
<u>Railways</u>				
Freight (thousand tonnes)	332.4	393.5	521.7	511.5 <sup>a/</sup>
<u>Airport</u>				
Passengers handled (thousand)	...	74.4	90.4	102.2

Sources: BCEAO, notes d'information et statistiques, No. 262, juin 1978.

a/ Part estimated.

#### 4. Expenditure and the GDP

There has been a faster growth in total expenditure than total production (10.4 per cent against 7.4 per cent a year) between 1970 and 1977 and an increasing level of expenditure has been financed from external resources. In 1970 the gap between expenditure and production was equal to 7.9 per cent of GDP; in 1977 it reached 19 per cent. Private consumption has grown more rapidly than GDP and its share of total GDP reached 97.1 per cent in 1977. Public consumption dropped slightly to 4.1 per cent of GDP in 1977 compared with 4.3 per cent in 1970. Capital expenditure has been financed completely from foreign sources and as the inflow of resources has increased so capital formation has risen to reach a level equal to 17.8 per cent of GDP in 1977. Domestic savings which amounted in 1970 to a mere 2.2 per cent of GDP became a negative 1.3 per cent in 1977.

Upper Volta: Table 4. Expenditure and the GDP, 1970 and 1975 to 1977 (billions of CFA francs)

	1970	Percentage	1975	1976	1977	Percentage
Private consumption	83.03	93.5	130.03	140.94	146.40	97.1
Public consumption	3.87	4.3	3.23	3.46	6.26	4.2
Gross fixed capital formation	8.06	9.1	19.70	22.27	26.77	17.7
Changes in stock	0.91	1.0	2.10	2.65	...	...
Exports less imports of goods and services	-7.03	-7.9	-22.22	-25.98	-28.64	-19.0
GDP at market prices	88.84	100.0	132.84	143.34	150.79	100.0

Source: National data from Upper Volta.

#### 5. External trade and the balance of payments

Upper Volta exports consist of agricultural commodities and livestock products. The most important items are live animals, cotton, groundnuts and Karité nuts. The drought years had their own impact on export earnings but the growth of exports was resumed in 1974. However for the period as a whole the growth rate of exports in value was 15.2 per cent a year from CFAF 5.06 billion in 1970 to CFAF 13.6 billion in 1977. Imports grew much more rapidly partly because of the important effort made to increase investment and partly because of higher consumer demand. The growth rate of imports in value was 20.8 per cent a year from CFAF 13.7 billion in 1970 to CFAF 51.4 billion in 1977. There was a trade deficit of CFAF 37.7 billion in 1977 compared to CFAF 8.6 billion in 1970.

The volume of imports has probably risen by about 7 per cent a year between 1970 and 1977 but exports have grown less rapidly in volume possibly by about 4 per cent a year. The terms of trade have moved against Upper Volta since 1970 with the index probably reaching 87 in 1977 compared with 100 in 1970.

Despite the large and growing deficit, the balance of payments remained in surplus up to 1974 because of growing foreign aid and remittances from migrant workers. In 1975 there was a small deficit of CFAF 2.14 billion and the monetary data suggest that there was a smaller deficit in 1976 but a substantially larger one in 1977.

Upper Volta: Table 5. External trade and balance of payments, 1970 and 1975 to 1977  
(billions of CFA francs)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	5.06	9.37	12.69	13.61
Imports	13.70	32.39	34.42	51.36
Balance	-8.64	-23.02	-21.73	-37.74
<u>Balance of payments</u>				
Goods and services (net)	-10.25	-39.80	-38.5	...
Private transfers (net)	6.44	10.07	10.0	10.8
Government transfers (net)	6.17	20.77	22.6 <sup>b/</sup>	25.7 <sup>b/</sup>
Capital	2.11	6.28		
Reserves and related items	-3.33	2.14	1.2 <sup>c/</sup>	3.7
Errors and omissions	-1.14	0.54	4.7 <sup>c/</sup>	...

Source: IMF International Financial Statistics, vol. XXX, No. 12, December 1977 and vol. XXXI, No. 11, November 1978 (balance of payments converted from United States dollars).

a/ Estimates prepared at ECA.

b/ Foreign aid inflow.

c/ Includes private capital

## 6. Development aid and external debt.

As indicated by national accounts and balance of payments the inflow of foreign resources to Upper Volta has been on an increasing scale since 1970. The deficit of goods and services was equal to 19 per cent of GDP in 1977. External assistance to Upper Volta as a percentage of its GDP is large. External aid as measured by official grants and all capital rose from CFAF 8.28 billion in 1970 to CFAF 27.05 billion in 1975. Measured from other data the total rose from CFAF 6.34 billion in 1970 to CFAF 29.12 billion in 1975 but fell to CFAF 22.6 billion in 1976 to recover to CFAF 25.7 billion in 1977. Foreign aid increased considerably during and immediately after the drought years. It has stayed at a high level subsequently as Upper Volta is one of the least developed among the developing countries. The amount of external debt

incurred has increased considerably growing according to one source from CFAF 4.79 billion in 1972 to CFAF 32.53 billion in 1977, while debt servicing doubled from CFAF 522 millions in 1972 to CFAF 1,094 million in 1977. The World Bank estimated that the Upper Volta's service payments on external public debt were equal to 3.8 per cent of earnings on goods and services in 1976.

## 7. Government revenue and expenditure

Up to 1975 the budget did not increase by more than 10 per cent per year in line with the cautious budget policy being followed. However in 1976 budget expenditures increased by 40.2 per cent, in 1977 by 9.5 per cent and in 1978 by 32.3 per cent reflecting the new emphasis on much higher capital expenditure. While the budgetary estimates show an equilibrium, there have been actual budget surpluses created in most years. The net deposits of the Government in the banking system rose from CFAF 3.84 billion at December 1970 to CFAF 9.29 billion at December 1974 then fell to CFAF 4.92 billion in December 1975 to recover to CFAF 7.74 billion at December 1977. A particular exception was in 1975 when Government net deposits fell by CFAF 4.37 billion probably indicating the impact of high supplementary expenditure in the difficult conditions of 1975.

From 1970 to 1977 recurrent revenue grew at an average rate of 13.0 per cent a year, recurrent expenditure by 14.0 per cent a year and capital expenditure by 25.5 per cent a year. There was a rise of 23.9 per cent in recurrent expenditure in 1978 and one of 44.7 per cent for capital expenditure.

Despite the increases in expenditure at a rate well above the apparent growth of GDP, total government expenditure in Upper Volta is still small as a proportion of total GDP and in 1977 was only 16 per cent. However, there are also substantial expenditures in the public sector financed by foreign donors which are not included in table 6.

Upper Volta: Table 6. Government revenue and expenditure, 1970 and 1975 to 1977  
(in billions of CFA francs)

	1970	1975	1976	1977	1978
<u>Budget estimates</u>					
Recurrent revenue	9.74	15.06	20.86	22.92	28.30
Other receipts	0.02	nil	0.26	1.27	2.30
Recurrent expenditure	8.44	12.63	16.74	21.15	26.20
Capital expenditure	0.90	1.30	3.07	3.04	4.40
Other expenditure	0.42	0.83	1.32	nil	nil
<u>Apparent balance a/</u>	1.60	-4.37	2.03	0.79	...

Source: National data from Upper Volta. IMF, International Financial Statistics various issues.

a/ The change in Government net deposits in the banking system for the year concerned.

## 8. Money and banking

The dynamic element in money supply growth between 1970 and 1977 has come mainly from credit to the private sector. Claims on the private sector increased from CFAF 5.63 billion at December 1970 to CFAF 45.75 billion at December 1977, a rate of growth of 34.9 per cent a year. Net deposits of the Government in the banking system were higher at December 1977 totalling CFAF 7.74 billion than at December 1970 when they were CFAF 3.84 billion. Net foreign assets were lower at December 1977 than December 1970 at CFAF 5.86 billion compared with CFAF 9.63 billion. These monetary movements helped to slow down the rate of expansion in money supply to some extent but money proper rose by an average of 19 per cent a year and including quasi-money the growth rate was 21 per cent a year.

The growth rate of money proper of 19 per cent a year between 1970 and 1977 has no doubt contributed to the rise in consumer prices estimated according to the official index at about 7.7 per cent yearly.

Upper Volta: Table 7. Monetary survey, 1970 and 1975 to 1978 (in billions of CFA francs)

	End 1970	End 1975	End 1976	End 1977	May 1978
Net foreign assets	9.63	15.91	12.64	5.86	3.73
Domestic credit					
Net claims on Government	-3.84	-4.92	-6.95	-7.74	-5.90
Claims on private sector	5.63	21.59	32.41	45.75	48.12
Money	9.13	22.50	27.56	30.78	32.74
Quasi-money	0.23	1.82	4.00	4.79	5.35
Long-term foreign borrowing	0.89	4.16	4.47	4.99	4.89
Other items (net)	1.18	4.11	2.08	3.32	2.98

Source: IMF, International Financial Statistics, vol. XXX No. 12, December 1977, vol. XXXI No. 11 November 1978.

## 9. Wages and prices

The minimum wage has been adjusted upwards several times since 1970. The latest revision was in 1977 with an increase of 6.8 per cent over the level of 1976, the total increase since 1970 being 132 per cent. Minimum wages have more than doubled while, an index for African consumers in the capital city shows a price rise of 114 per cent between 1970 and 1977.

The consumer prices index rose by 38 per cent between 1970 and 1975, an average of 6.7 per cent a year with virtually all the increases occurring in 1974 and 1975. In 1975 there was a rise in prices of 18.7 per cent and between 1975 and 1977 the average increase was 10.4 per cent. A fall in the index is shown for 1976 but the sharp rise recorded in 1977 suggests that 1976 produced a freak result. In the first half of 1978 consumer prices showed a further significant rise.



## 10. Employment and unemployment

The population is engaged mainly in agricultural pursuits and the number of wage earners is small being estimated at about 43,000 in 1977, a rise of 34 per cent over the level of 32,000 in 1970. However, rural poverty and a lack of employment opportunities encourages migration to neighbouring coastal states especially the Ivory Coast. Probably one-sixth of the adult males work outside Upper Volta and the value of their remittances has been estimated at CFAF 10.8 billion in 1977 as against CFAF 6.4 billion in 1970.

## 11. Other social sectors

(a) Education. Though the primary school enrolment ratio was low in 1977 at only 14.0 per cent of the eligible age group, the number of pupils has been growing steadily at 6.8 per cent per year since 1970, a rate well in excess of the population growth rate. There were an estimated 178,500 primary pupils in 1978 compared with 105,700 in 1970.

Over the same period the number of students at secondary schools has doubled from 10,879 to 20,459 and in higher education has more than trebled from 903 to 3,200. This substantial expansion in education at all levels led to a large rise in expenditure on education from CFAF 1.8 billion in 1970 to CFAF 4.5 billion in 1977.

(b) Health. What is significant for health services as for education is the relative improvement, in this case reflected in the growth in the number of doctors and nurses compared to population while the growth in hospital beds has at least kept pace with population. In 1977 there were 2,500 hospital beds, 117 doctors and 1,412 registered nurses compared with 1953, 60 and 750 respectively in 1970. The 1977 ratios were hospital beds: 1 per 2,548 persons, doctors: 1 per 54,460 persons and nurses: 1 per 4,513 persons. Unfortunately the doctor/population ratio is still extremely low and endemic diseases are prevalent at a high level leading to a high mortality rate. A particular health problem is the prevalence of the river blindness disease which closes large areas of fertile land to human habitation.

## B. MAJOR PROBLEMS

Upper Volta is one of the poorest countries in Africa with an estimated GDP per head of only \$US 120 in 1977. There has to date been little mineral exploitation although deposits have been proved. High transport costs due to long distances make exploitation uneconomic. Agriculture is subject to the erratic climate which can have a very severe impact on production in a year of poor rainfall. The low educational level of the past has meant that 90 per cent or more of the population is illiterate and as just seen health services still need a fundamental improvement. The country is heavily dependent on external aid to make any impact on the growth rate of the economy. The drought though less severe in Upper Volta than in other Sahel countries nevertheless inflicted heavy losses on the economy. The recovery since 1974 has been relatively good but the 1978 agricultural season in particular was influenced adversely by relatively poor rainfall. As a least-developed, land-locked country Upper Volta seems to be severely constrained in its development efforts. Its absorptive capacity for development is still adversely affected by a lack of skills in the population at large and a low proportion of resources at the disposal of the Government.

## C. INTERNAL DEVELOPMENT POLICIES

The period 1970-1977 included the 1972-1976 five year plan. That plan emphasized agriculture and related activities like the supply of water and irrigation, industry and the economic infrastructure. Despite the drought, the total volume of investments planned appears to have been carried out. However, the impact of these investments on output does not appear to have materialized to the extent anticipated. A new plan for 1977-1981 has been prepared. This plan makes provision for a total investment of CFAF 208.7 billion compared with CFAF 63.2 billion for 1972-1976. Public sector investments in 1977-1981 are assessed at CFAF 112.2 billion with a further CFAF 96.5 billion in the private sector. The overall total is equal to an average of CFAF 41.7 billion a year and virtually all will have to be financed externally. The two main priority sectors are industry and the infrastructure, the proportion of investments going on agriculture has been reduced to 13.3 per cent. One large project is the Tambao manganese mine which requires direct expenditure on the mine together with a railway and, township expenditure and the total cost is estimated at CFAF 51 billion. When in operation the mine will have a substantial impact on the economy and even when under development it will have a particular impact on construction and other economic sectors.

In agriculture a growth rate of 3.3 per cent a year is planned with a higher rate of increase for commercial crops such as sugar cane and cotton. If the manganese mine is developed in the period the industry growth rate will be as high as 12 per cent a year. The rate of investment could reach 25 per cent of GDP in 1981 but this may culminate in widening the trade deficit and necessitate increased foreign aid inflows.

Upper Volta has strong links with its neighbours, in particular with the Ivory Coast and the Sahelian countries. The transport system of Upper Volta is linked to that of the Ivory Coast through the Abidjan-Niger railway; Upper Volta supplies migrant workers to that country and there are many other fields of economic co-operation. Since the onset of the drought in the Sahel co-operation among the countries concerned has been intensified to promote the development of water supplies in the region so as to minimize the effect of erratic rainfall in the future.

## D. PROSPECTS FOR 1978 TO 1980

Reports refer to poor crops in some regions in 1978 and the real growth of the economy will be particularly influenced by what is spent on investment. It seems likely that real growth in the economy in 1978 will again be fairly small. The plan for 1977-1981 calls for a very high level of investment, and in particular the exploitation of the Tambao mine could have a particular impact on the economy. With reasonable climatic conditions in 1979 and 1980 and a high rate of investment expenditure these years could see GDP growth rates at constant prices well above the average achieved so far this decade.

ZAIRE

A. ECONOMIC AND SOCIAL DEVELOPMENT, 1970-78

1. Introduction

In the first few years of this decade economic growth was comparatively rapid with the GDP increasing at constant prices by 5.3 per cent a year between 1970 and 1974. However, the fall in copper prices in 1975 to a particularly low level and the very little recovery in its price since has led to a period of declining GDP and in fact estimates suggest that between 1974 and 1977 there was an average reduction in GDP at constant prices of about 3.8 per cent a year. Thus from 1970 to 1977 the GDP increased at constant prices at an annual rate of only 1.4 per cent a year. In contrast GDP at current factor cost has risen by an average of 26.9 per cent a year, the country having experienced particularly rapid inflation especially since 1973. The implicit GDP deflator is 25.1 per cent a year for the period 1970 to 1977 and this compares with an annual average yearly increase in consumer prices of 32.4 per cent.

The rise in consumer prices between 1973 and 1977 has averaged 50 per cent a year and over the same period the increase in money proper has been 29.2 per cent a year. Thus the increase in money supply has reinforced inflationary pressures but the much higher rate of increase in consumer prices also suggests that the local currency became sharply over-valued.

In 1976 Zaire negotiated the rescheduling of its foreign debt and devalued its currency from 1 Zaire equals 2 US dollars to 0.86 Zaire to 1 US dollar. In 1977 and again in 1978 the brief rebellions in the copper mining province of Shaba further worsened the country's economic situation but with international help Zaire drew up a recovery programme which included strict public spending and import controls.

The strict import controls have improved the external trade position to the extent that there was a trade surplus of 324.2 million Zaires in 1977 whereas in 1975 there had been a deficit of Z.20 million and a smaller surplus of Z.200.7 million was recorded in 1976. The devaluation of the national currency contributed to the larger trade surplus in 1977 but high coffee prices also helped materially.

For 1978 data are scarce but the trade surplus in the first quarter of the year was Z.50.8 million, consumer prices rose by 23.6 per cent between December 1977 and June 1978 and the country's international reserves rose by \$US 32.2 million from the end of 1977 to September 1978. In terms of net foreign assets of the banking system there appears to have been some reduction in the size of the negative balance. However, despite some improvement in particular fields the result for the year as a whole must be a further reduction in the GDP in real terms due to the loss of copper production in the months of and following the insurgency.

2. GDP by industrial origin

Despite the uncertainty of the figures shown in table 1 it is obvious that measured at current prices some very large changes have occurred in the distribution

of Zaire's GDP between 1970 and 1977. The most important is that the share of mining in the total has fallen from 19.8 per cent to only 3.4 per cent due to the decline in the profitability of copper mining in the wake of the fall in copper prices on world markets and increased production. The share of wholesale and retail trade in total GDP has almost quadrupled from 5.7 to 19.8 per cent and for the transport sector there has been a decline from 10.4 to 5.4 per cent. Other services increased their share of GDP from 27.9 to 36.6 per cent over this period. The value added by the agricultural sector was 21.7 per cent of total GDP in 1977 compared with 21.3 per cent in 1970.

For manufacturing its share of GDP was 6.5 per cent in 1977 a reduction from the 7.6 per cent in 1970. There has probably been little growth in this sector measured at constant prices between 1970 and 1977 due to the effects of the Zairianisation policy and a shortage of raw materials both imported and locally produced.

Zaire: Table 1. GDP by source, 1970 and 1975 to 1977 (millions of Zaires)

At current prices	1970	Per- centage	1975	1976	1977	Per- centage
Agriculture, forestry, fishing	155.4	21.3	344.7	659.4	840.0	21.7
Mining	144.2	19.8	130.7	145.4	132.5	3.4
Manufacturing	55.5	7.6	168.0	191.1	249.1	6.5
Electricity etc.	8.6	1.2	10.2	11.6	15.5	0.4
Construction	44.1	6.1	101.7	157.0	241.0	6.2
Wholesale and retail trade	41.6	5.7	255.7	491.0	763.0	19.8
Transport and communications	75.7	10.4	81.5	135.0	207.0	5.4
Services	203.3	27.9	193.5	893.0	1 414.8	36.6
Total GDP at factor cost	728.6	100.0	1 526.0	2 693.5	3 862.9	100.0

Source: ECA estimates.

### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. Zaire has substantial agricultural resources measured in terms of both cultivable land and forest areas. The rainfall is generally abundant and a wide range of plants can be grown. Moreover 47 per cent of Africa's forest resources are to be found in Zaire. Agriculture occupies around 70 per cent of the population and has traditionally played a large role in the economy. However since the 1960's there has been a steep decline in agriculture, marked by a sharp fall in production for export while large parts of the economy have reverted to subsistence production and one result is that some food shortages have developed in the cities, in particular Kinshasa. According to the FAO the average annual rate of growth of agricultural production has been only 1.3 per cent between 1970 and 1977 and population growth is estimated at 3 per cent.

year so agricultural output and also food output per head has declined. It is estimated that the volume of agricultural exports has fallen by 5.7 per cent a year since 1970. Palm oil exports have fallen drastically and cotton production has fallen to the point that local textiles factories had difficulties over their raw material supplies and have cut back on production. The food deficit is a serious aspect of the agricultural situation: it is reported that in 1977 imports of maize and wheat totalled nearly 300,000 tonnes and the prospects for 1978 were for a figure of nearly 400,000 tonnes, almost double the imports for 1975. The authorities have taken stock of the situation and in the recovery programme outlined in November 1977, agriculture has been given a high priority alongside transport and mining. The deterioration of the road transport system has had an important influence on the decline in marketed agricultural output and needs to be restored to make it once again possible to move supplies more readily to and from the markets.

Zaire: Table 2. Output of major agricultural products, 1970 and 1974 to 1976  
(thousand of tonnes)

	1970	1974	1975	1976
Coffee	72.2	77.1	82.5	91.7
Seed cotton	52.0	58.3	54.1	51.4
Palm clusters	1 324.7 a/	1 174.5	1 155.5	1 134.2
Groundnuts	180.0	303.5	318.0	329.3
Maize	375.0	476.8	506.4	513.5
Rice paddy	188.0	201.3	207.3	212.3
Cassava	10 000.0	11 447.3	11 844.1	12 229.6
Other roots and tubers	537.4 a/	569.4	579.9	593.9
Sugar cane	699.9 a/	816.4	813.0	833.8
Bananas	1 592.8 a/	1 655.9	1 697.4	1 741.6
Pineapples	321.5 a/	352.8	363.3	370.0
Gubber	40.4 a/	30.9	20.7	31.9
Logs	149.1 a/	156.0	158.5	162.2

Source: Departement du Plan, Republique du Zaire. 1970 figures from other sources.

a/ 1972.

Fishing is important in Zaire and the targets in various development plans had been for a substantial increase in the catch from the level of about 130,000 tonnes a year recorded in the early years of this decade.

(b) Mining. Mining was an important sector in the Zaire economy when copper production was profitable as in the years to 1974. It still plays a dominant role in the country's export trade. Mining production is very diversified, including copper, cobalt, zinc, diamonds, tin, manganese, gold, silver and since 1975 crude petroleum. The most important products are copper, cobalt and diamonds. In the early months of 1974 copper prices were high and the industry was particularly

profitable but there was a very sharp fall in prices from late 1974 and the average for 1975 was only 60 per cent of the 1974 level. Since 1975 there has been very little increase in prices while costs have continued to rise. In September 1975 the Lobito railway through Angola was closed and the subsequent closure of the Zambian/Rhodesia border forced Zaire to use the ports of Durban and East London in South Africa meaning that the copper industry had to incur higher transport costs on its exports. The fall in copper prices caused the large project being developed at Tenke-Fungurume to be put into moth-balls until such time as market conditions make it economic to continue the venture. As shown in table 3 copper production recovered to some extent in 1977 from the depressed 1976 level but in June 1978 the Shaba crisis forced mining production to come to a halt for a time. The situation now appears to be returning to normal and the prospects for an early reopening of the Dilolo-Lobito railway are also good. For the future the impact of investment programme carried out by the main mining company, Gecamines, could lead to a rise in output capacity to nearly 600,000 tonnes a year but exploitation of this increased capacity will depend on market conditions.

Zaire: Table 3. Mineral production, 1970 and 1975 to 1977

	1970	1975	1976	1977
Copper (thousand tonnes)	387.0	495.9	443.9	480.7
Cobalt (thousand tonnes)	14.0	13.4	10.7	...
Diamonds (thousand carats)	12 408	12 810	11 821	11 500
Zinc concentrate (thousand tonnes)	185.2	141.6	125.5	...
Manganese ore (thousand tonnes)	347.0	308.5	182.2	...
Gold (kg)	5 505	3 247	2 686	...
Silver (tonnes)	46.0	71.3	76.9	...
Cassiterite (tonnes)	8 932	6 386	5 318	...
Crude petroleum (thousand barrels)	nil	25.5	9 075.1	9 100

Source: National data from Zaire up to 1976.

For 1977 press reports including those in the Marches Tropicaux et Mediterreneens.

Despite the substantial development of the mining industry to date the considerable resources of Zaire have not been fully explored. Apart from the rich copper deposits at Tenke-Fungurume whose exploitation has been suspended and where there are reserves of 50 million tonnes of 5 per cent copper and 0.4 per cent cobalt, rich iron ore deposits have been discovered in Haut-Zaire. In other regions there are indications of gold, monazite and diamond, while bauxite reserves of 65 million tonnes have been found in Bas-Zaire. Once the copper market recovers and all transport links are reopened, the mining industry can expect a period of profitable exploitation.

Crude petroleum production started at the end of 1975 and output has been around 9,100,000 barrels in 1976 and 1977.

(c) Energy. Energy needs are covered by imported oil, hydro-electric production and fuel wood. Zaire produces crude petroleum but its refinery cannot process the oil and relies instead on imported feedstocks. The hydro-electric resources are considerable and output has been raised periodically over a long period. At present Inga II is under construction and the low-cost energy expected to become available will provide a basis for a number of high-energy using projects. Electricity production has increased from 1970 to 1976 in line with the requirements of the economy growing from 3,230 to 4,015 million kWh or by 3.7 per cent a year. The growth rate was not high but was related to a high level of electricity production at the start of the period. The energy production potential of the country has greatly improved with the development of the Inga project and at the end of March 1977, Zaire had an installed capacity of more than a million kilowatts compared with 809,400 kilowatts in 1970. In April 1978 three further generators with a capacity of 477 MW were installed at Inga. However, energy from these generators will not be used until a 1,820 km electric power line between Inga and Kolwezi is completed and in operation some time after 1980.

(d) Manufacturing. There is a fairly wide range of products but the sector as a whole produced only 6.5 per cent of the GDP in 1977 and it seems that output has grown little in real terms since 1970. Some production figures are given in table 4.

Zaire: Table 4. Output of selected manufactured products, 1970 and 1975 to 1977

	1970	1975	1976	1977
Sugar (thousand tonnes)	42.7	...	43.7	53.0
Cigarettes (billion units)	4.4	3.9	3.2	2.9
Beer (million hl)	3.3	4.8	4.6	4.2
Grey cloth (million m <sup>2</sup> )	67.8	...	78.4	71.9
Printed fabrics (" ")	52.0 a/	...	73.6	69.3
Shoes (million pairs)	6.0	...	...	5.1
Tyres (tonnes)	747 b/	...	3 394	3 700
Cement (thousand tonnes)	426	770	534	489

Source: Based on national data from Zaire.

a/ 1971.

b/ 1972.

There are strong linkages of manufacturing industry with agriculture and mining as products from these two latter sectors are processed in manufacturing enterprises. Thus the relatively poor performance of commercial agricultural output and mining in recent years has had its own impact on manufacturing. Apart from these influences, the sector has also been affected by the large scale programme of Zairinisation in 1974/1975. Because of the shortage of qualified personnel to run the factories, the programme resulted in production losses which had the result of encouraging the Government to offer back 60 per cent of the concerns taken over to the former owners. Another problem adversely affecting manufacturing was the widespread shortage of materials and spare parts.

For 1976 and 1977 there has been some recovery in output from this sector and it is reported that turnover of the major 120 firms had risen. Compared with 1970, output of cigarettes was lower in 1977, that of beer was 27 per cent higher and sugar production had grown by 24 per cent but was still short of domestic demand. Production of printed cloth was 33 per cent more in 1977 than in 1971. Another important product cement shows a reduction from its high point in output reached in 1975 and in 1977 489,000 tonnes were produced compared with 426,000 tonnes in 1970. Palm oil production was 210,000 tonnes in 1970 but appears to have fallen very significantly since then.

Among projects under development is a new brewery which will produce 500,000 hl of beer from 1979 onwards and a number of sugar factories to increase output by 125,000 tonnes a year.

(e) Transport services. Recent data are limited but what are available show that river traffic fell in the years to 1976 while railway traffic was on a declining trend up to 1973. The disruptions to rail traffic because of the closure of the Dilolo-Lobito railway running through Angola in 1975 were subsequently made good by increasing use of other but more expensive outlets to the coast. The possible reopening of this railway to Lobito would have a beneficial impact on the export and import trade. The renovation of the road system would also help speed up the economic recovery of the country.

Air traffic has grown significantly since 1970 and statistics show a 51.3 per cent increase in the number of passengers handled by 1976.

An important project in the transport sector is the proposed Kinshasa-Ilebo railway. This project has not yet been started but when completed it will enable traffic to be carried by rail from the mineral rich Shaba province to Matadi at the coast.

#### 4. Expenditure and the GDP

Investment expenditure has been comparatively high this decade and capital formation plus the increase in stocks made up 25.6 per cent of GDP in 1970 and 23.5 per cent in the three years 1975 to 1977. However in 1977 the proportion had fallen to 18.6 per cent because of the effect that the economic difficulties were having on investment and the curtailment of the large new copper mining venture.

Private consumption expenditure was equal to 45.5 per cent of GDP in 1970 but had risen to 66.6 per cent in 1977 because of the high rate of inflation in the period since 1973. Public consumption expenditure fell over this period from 27.4 to 20.9 per cent of GDP.

Domestic savings have fallen as a proportion of GDP from 27.1 per cent in 1970 to 12.5 per cent in 1977. In this later year they were able to finance only two-thirds of total investment expenditure, the balance being provided from external sources.



Zaire: Table 5. Expenditure and the GDP, 1970 and 1975 to 1977  
(millions of Zaires)

At current prices	1970	Per- centage	1975	1976	1977	Per- centage
Private consumption	432.7	45.5	1 102.0	1 798.9	2 829.5	66.6
Public consumption	260.9	27.4	437.6	528.9	888.0	20.9
Gross fixed capital formation	202.1	21.2	547.5	650.3	688.2	16.2
Change in stocks	42.2	4.4	65.3	89.8	100.6	2.4
Exports less imports of goods and services	14.4	1.5	-223.0	-160.5	-259.2	-6.1
GDP at market prices	952.1	100.0	1 929.4	2 907.4	4 247.1	100.0

Source: ECA estimates.

#### 5. External trade and balance of payments

There is some conflict between the figures quoted by various sources but on the basis of the data presented in table 6, exports increased in total value more than imports between 1970 and 1977 so that in 1977 there was a much greater trade surplus. However, the main reason for the relatively low figure of imports in 1977 was the strict import controls in operation which naturally had a strong adverse influence on the level of economic activity by the country as a whole.

Zaire: Table 6. External trade and balance of payment, 1970 and 1975 to 1977  
(millions of Zaires)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	397.9	413.4	747.3	846.9
Imports	267.8	452.4	546.6	522.7
Balance	130.1	-39.0	200.7	324.2
<u>Balance of payments</u>				
Goods and services (net)	-21.7	-326.8		
Private transfers (net)	-38.7	-31.4		
Public transfers (net)	28.5	58.4		
Capital	18.6	211.4		
Reserves and related items	14.2	71.4		
Errors and omissions	-0.9	17.0		

Source: IMF, International Financial Statistics Vol. XXX No. 12 Dec. 1977; vol. XXXI No. 11 Nov. 1978 (Balance of payments converted from US dollars).

There had been a particularly poor external trade result in 1975 with exports earning less than the cost of imports so that there was a trade deficit of Z. 39 million. The strong advance in export earnings in 1976 was due to the devaluation of the currency, the sharp rise in coffee prices and the first full year of production of crude petroleum. There was a further increase in export earnings in 1977 with much of it due to the continued advance in coffee prices. It seems that export volume has risen since 1970 despite a fall in the agricultural exports such as palm oil. Copper exports in 1977 were 9 per cent higher than in 1970 and coffee exports were 18 per cent more. The new volume exports of crude petroleum would more than have compensated for the fall in other product exports. Such crude petroleum exports were more than 1 million tonnes in 1977 probably valued at about Z. 90 million. However, it would appear that the average increase in the volume of exports from 1970 to 1977 was probably in the region of 2 per cent a year. For imports there would have been a fall in the volume of about 2 to 3 per cent a year.

The balance of payments recorded a large deficit in 1975 despite a very large capital inflow. For 1976 the situation appears to have been of approximate balance but in 1977 there was a substantial increase in Zaire's international reserves. In both 1976 and 1977 the net deficit on goods and services account would have been much reduced from the high figure of minus 326.8 million Zaires recorded in 1975.

#### 6. Development and external debt

There is little information on external aid but the balance of payments figures for 1975 in table 6 show that receipts of Government transfers and the capital inflow were both substantial in that year. Data for 1976 and 1977 are not yet available but while the net capital inflow was probably reduced in those years, receipts of Government transfers could have increased.

The public sector external debt is reported to be 1.8 billion Zires at the end of 1976 including sums not disbursed, there was a very fast growth in the level of this debt since 1972.

As long as export prices for copper and other major export commodities were high, reimbursement of debt up to 1974 was not a problem for Zaire. However, the very low export earnings in 1975 precipitated the foreign exchange crisis and a wide-ranging debt rescheduling was negotiated with the creditor countries in 1976 and as a result, a grace period of three years was granted on 85 per cent of the debt service charges outstanding as at June 1976 along with debt repayment for the second half of 1976 and the whole of 1977. However it was also agreed that the rescheduled debt would be repaid over a seven-year period.

#### 7. Government revenue and expenditure

The continuous rise in net claims of the banking system on the Government since 1973 reflects the deficit financing policy in operation. Between December 1973 and 1977 these net claims on the Government rose from Z. 185.6 million to Z. 1,147.2 million. There were particularly large increases in 1976 and 1977 of Z. 379.4 million and Z. 341.0 million respectively. However, the monetary statistics from December 1977 to May 1978 suggest that the rate of net borrowing by the state from the banking system has decreased to some extent.

Zaire: Table 7. Government revenue and expenditure, 1970 and 1974 to 1976  
(millions of Zaires)

	1970	1974	1975	1976
Revenue	321.3	538.6	431.9	507.7
Foreign grants	27.8	53.9	55.4	...
Recurrent expenditure	281.4	688.4	558.0	625.6
Capital expenditure	84.1 <sup>a/</sup>	230.8 <sup>a/</sup>	152.5	181.4 <sup>a/</sup>
Overall balance	-16.4	-326.7	-223.2	...
Financed by				
Domestic sources	12.6	211.0	118.4	379.4 <sup>b/</sup>
Foreign sources	3.8	115.7	104.8	...

Source: IMF, International Financial Statistics vol. XXX No. 12 Dec. 1977;  
vol. XXXI No. 11 November 1978. Also data from national publications and press reports.

<sup>a/</sup> Includes other items of expenditure and extra-budgetary operations in 1976.

<sup>b/</sup> Increase in net claims on Government by banking sector.

No detailed figures are available for 1977 but the budget projected an overall deficit of Z. 293.1 million with public debt servicing taking Z. 249 million. As shown above the increase in net claims on the Government in 1977 was Z. 341 million so the projected deficit was actually surpassed.

## 8. Money and banking

The growth of money supply has been very fast this decade and by December 1977 money proper had grown on average by 28.1 per cent a year since 1970 and including quasi-money the growth rate was 29.2 per cent. Over the period net foreign assets declined from Z. 109.5 million to -60.5 million Zaires and the main instigator of the increase in money was the very large rise in domestic credit both to the Government and to the private sector. With a high rate of expansion of the money supply, there has been a particularly rapid rise in consumer prices.

The high rate of inflation has had its own impact on the domestic currency and black market activities have become very common with other currencies being used in transactions. In 1976 the local currency was devalued and towards the end of 1978 a further devaluation was made this time of 10 per cent compared with the earlier devaluation of more than 70 per cent. However, the large discrepancy between the official parity of the Zaire and its rate of exchange on parallel markets is a continuing major problem.

In 1978 figures for the first five months show some improvement in the level of net foreign assets and a lower level of credit expansion especially in the private sector. The expansion in money and quasi-money in this period was reduced to 9.3 per cent.

Zaire: Table 8. Monetary survey, 1970 and 1975 to 1978 (millions of Zaires)

	End 1970	End 1975	End 1976	End 1977	May 1978
Net foreign assets	109.53	-50.6	-50.7	-60.5	-51.6
Domestic credit					
Net claims on Government	99.91	426.8	806.2	1 147.2	1 257.1
Other public sector	...	35.8	28.8	29.3	20.3
Claims on private sector	42.68	283.1	356.2	507.1	539.5
Money	186.47	463.0	680.0	1 058.8	1 174.1
Quasi-money	21.53	89.1	99.2	181.7	182.1
Import prepayments	9.95	41.4	103.7	313.5	296.1
Other items (net)	34.34	102.3	258.0	69.7	113.6

Source: IMF, International Financial Statistics Vol. XXX No. 12 Dec. 1977; vol. XXXI No. 11 Nov. 1978.

#### 9. Wages and salaries

No information on wages and salaries is available since 1974, but the high level of inflation has had a particular impact on fixed income earners. Consumer prices have risen rapidly especially from 1974 onwards. Between 1970 and 1973 this rate of inflation averaged 12.3 per cent a year but then it accelerated to 27.4 per cent in 1974, 30.7 per cent in 1975 and to the particularly high level of 85.1 per cent in 1976. In 1977 the rate was still extremely high at 63.3 per cent and the increase between December 1977 and June 1978 was 23.6 per cent.

#### 10. Employment and unemployment

Data are not available on recent trends in employment. The labour force is growing in line with the total population but with the decline in the GDP in recent years the urban population is experiencing growing unemployment. This has probably had the effect along with falling real incomes of reducing the attractions of urban life leading to some dampening down of migration to the urban areas.

#### 11. Other social sectors

(a) Education. In 1975/76 there were 3,529,710 pupils in primary schools, 506,848 in secondary schools and 25,391 students at the national university. Enrolments are still increasing at all levels of education although progress is now slower for primary education than at the higher levels. The primary enrolment rate in 1975/76 was about 66 per cent of the eligible age group but it varies quite widely

between provinces. The present growth rate in primary school enrolments of about 3 per cent a year is only maintaining the 1975/76 enrolment rate. In contrast the increase in secondary enrolments of some 40,000 pupils a year has raised the proportion of the children in the age group concerned substantially since 1970. The expansion of secondary education has been particularly impressive in Kivu, Shaba and Kasai Oriental provinces. Admissions to the first year of secondary education related to the persons in the last year of primary school are particularly high in Kinshasa, Bas-Zaïre, Equator and Shamba provinces but low in Kivu, Eastern Kasai and Haut-Zaïre.

(b) Health. In 1976, there were 1,263 doctors, about half being foreign nationals and the doctor/population ratio was about one for every 20,000 persons, a low ratio but showing an improvement on earlier years. There were also 2,400 qualified nurses and 15,000 hospital auxiliaries. The number of hospital beds has not changed in many years and includes 55,439 in hospitals as such and a substantial number of additional beds in dispensaries and clinics.

The present health problems continue to include endemic diseases while the rural areas are still poorly served compared to the main urban areas where the health facilities are concentrated.

#### B. MAJOR PROBLEMS

The present difficulties stem to a large extent from the continuing poor price of copper on world markets. Low export earnings and high transportation costs have led to a cut-back on imports to contain the balance of payments. A low volume of imports is inhibiting progress in the economy at large.

Inflation is still high in Zaïre although figures for 1978 show a substantial reduction from the particularly high level recorded in 1976. The money supply growth rate is also more under control but the Government budget is still depending to a considerable extent on credit from the domestic banking system. There are substantial external loans that will need to start to be repaid in two years time despite the debt rescheduling exercise of 1976.

Other problem areas include the decline of agriculture and the deterioration of the internal transport system. The developments in neighbouring countries since 1975 severely restricted Zaïre's export outlets. Deficit financing has helped fuel inflation and the movement away from the local currency is reflected in the level of black market transactions taking place.

The brief rebellions in the Shaba province in 1977 and then again in 1978 interrupted production and caused much anxiety; scarce resources had to be diverted to security purposes which retarded the country's attempts at economic recovery.

Zaïre is still in a difficult situation and a shortage of skilled manpower in many directions is having its own impact. Shortages of materials for industry and of food in the cities are outward reflections of the difficulties facing the economy.

### C. INTERNAL DEVELOPMENT POLICIES

At the beginning of this decade, the Government launched several ambitious projects. These projects were justified on the hypothesis of increasing copper revenues being available. In 1973 a programme to take over control of foreign businesses was started which was extended to many of the larger enterprises. Zaire citizens also began to replace foreign nationals in management and other fields. After a period of difficult transition this Zairinisation policy was revised. The new policy included measures to return 60 per cent of the capital to the former owners. Foreign participation in economic development is being encouraged by a series of measures including the lifting of restrictions on profit and capital repatriation. A current requirement is that all industries including those which are State-owned will have to operate on the basis of economic viability.

In the programme announced in 1977 great emphasis was laid on the development of transport, agriculture and mining and on an improvement of the efficiency of public management and administration. Farmers are being encouraged to increase production of both food and export crops. Mining reorganisation is intended to increase productivity and profitability. An important feature of the programme is regional decentralisation. It is hoped to stimulate competition by relaxing foreign exchange restrictions. To ensure better management the Government is making certain policy changes and is taking a tighter control of public expenditure. Credit policies are also aimed at more effective control.

In 1978 further steps have been taken to assist economic recovery with assistance being given by the main aid donors and international organisations. In November 1978 an international conference was held between Zaire and its main economic partners to discuss measures needed to speed recovery.

### D. PROSPECTS FOR 1978 to 1980

For 1978 itself the possible outcome is for a further reduction in GDP. Copper output has suffered from the insurgency in Shaba in June. However indications are that the policy of monetary and fiscal restraint is having its impact especially on the level of inflation while the strict import controls are enabling the balance of payments deficit to be contained; in fact international reserves increased in 1978. Throughout 1978 copper prices made a small but continuous recovery and with a reduction in the stocks overhanging the market the prospects for a further, possibly substantial, rise in copper prices seem favourable. With a restoration of real profitability in the copper mining industry at some stage in 1979 and more transport links available for exports as seems likely, the economic situation should be a lot easier. Any easing of import controls would of course, improve the prospects in manufacturing industry and commerce in particular. Thus the recovery of the Zaire economy should start to show results in 1979 and continue into 1980.

## ZAMBIA

### A. ECONOMIC AND SOCIAL DEVELOPMENTS, 1970-1978

#### 1. Introduction

The Zambian economy grew by 2.6 per cent a year between 1970 and 1977, which is less than the growth rate of the population. The reasons for this poor performance include a depressed world market for copper for most of the period, difficulties over the external transport links and balance of payments problems.

Up to 1974 the growth rate of GDP this decade had been 5.4 per cent a year at constant prices but in the last three years growth has been negative. The world recession had a crucial impact on the demand for copper in the years 1975 to 1977 and even in 1978 demand was still very flat.

Excluding the mining sector, GDP has increased by about 3.5 per cent a year from 1970 to 1977; in agriculture the rate of growth was 2.8 per cent, in manufacturing 3.2 per cent and in services 3.1 per cent a year. There was a particularly high rise in the production of electricity as new generating stations came into service at Kafue and the north bank of Kaniba.

Substantial borrowing from abroad together with deficit financing since 1974 has led to a sharp increase in the level of the public debt and high rates of inflation; although import and exchange controls have been used to restrict imports in face of the low export proceeds, the balance-of-payments position continued to be tight. At the end of 1977 Zambia's net foreign assets were -142 million Kwacha and IMF assistance was sought in 1978 to try to redress the difficult situation faced by the country.

The action taken by the central Government in 1978 includes a tight programme of expenditure while the Central Bank took measures to restrict credit. It is hoped that as a result of the measures taken inflationary pressures will be reduced.

Figures for the first few months of 1978 suggest that exports could be somewhat less than in 1977 but that imports will be higher for the year as a whole.

The outlook for the economy in 1979 is for a continuation of the difficult conditions prevailing in 1978. While the copper market was showing some signs of improvement in 1978 as this survey was being prepared, it is still too early to expect the restoration of a price level which will make the Zambian copper industry profitable again and help to remove the constraints on the economy caused by inadequate foreign exchange earnings.

#### 2. GDP by industrial origin

The data given in table 1 cover the years 1970, 1975, 1976 and 1977. They thus exclude 1974 which was the last good year as regards the price of copper. In 1974 mining accounted for 32.4 per cent of the GDP and mineral revenues provided 39 per cent of government current revenue.

Comparing 1970 and 1977 the table shows that at current prices the contribution of mining to GDP has fallen from 36.3 to only 12.6 per cent; for agriculture, forestry and fishing it has risen from 10.7 to 13.6 per cent and for manufacturing the rise is from 10.2 to 17.9 per cent. Thus the relative share of total GDP of these three major commodity producing sectors has declined from 57.2 to 44.1 per cent.

The decline in the contribution of the commodity producing sectors has been accompanied by an increase in the share of wholesale and retail trade, transport and communications and especially other services, the rise for the latter being from 18.9 to 27.8 per cent.

Zambia: Table 1. GDP by source, 1970 and 1975-1977 (in millions of kwacha)

At current prices	1970	1975	1976	1977
Agriculture, forestry, fishing	136.1	196.5	256.5	260.3
Mining	460.3	208.6	335.2	241.5
Manufacturing	129.2	276.4	305.3	344.0
Electricity etc.	15.5	36.0	39.0	38.0
Construction	90.3	150.8	181.2	154.0
Wholesale and retail trade a/	133.6	213.5	222.5	263.0
Transport and communications	48.8	86.8	95.5	92.0
Services	239.3	418.2	477.6	534.5
Import duties less banking charges	15.4	26.0	3.4	-6.0
GDP at producers' values	1 268.5	1 612.8	1 916.2	1 921.3
At constant (1965) prices				
Agriculture, forestry, fishing	113.5	128.5	135.9	137.0
Industry-manufacturing	82.1	112.5	107.9	102.0
- Mining	212.2	204.5	227.6	207.0
- Other	67.7	119.2	126.6	109.9
Services	323.3	421.6	416.8	419.0
Import duties less banking charges	19.3	11.6	4.6	3.9
GDP at 1965 producers' values	818.1	997.9	1 019.4	978.8

Source: Republic of Zambia, Central Statistical Office, Monthly Digest of Statistics, vol. XIV, Nos. 3 to 6, March/June 1978 (Government Printer, Lusaka, July 1978).

a/ Includes hotels and restaurants.

### 3. Selected economic sectors

(a) Agriculture, forestry and fishing. This sector still provides the livelihood of the majority of Zambia's people and while its growth rate since 1970 has been only moderate, there is growing evidence of a much wider range of crops being produced in larger quantities while livestock slaughterings now no longer include imported animals.

Unfortunately, figures for marketed production year by year show sharp fluctuations due partly to climatic conditions and partly to changing attitudes of peasant producers to the level of producer prices.

Information on the marketed level of selected items is given in table 2.



Zambia: Table 2. Commercial agricultural production, 1970 and 1975 to 1977

Item	Unit	1970	1975	1976	1977
Maize a/	('000 tonnes)	133.3	559.5	750.0	696.5
Sunflower seed a/	" "	-	8.2	16.0	13.3
Shelled groundnuts a/	" "	3.7	6.5	9.5	7.5
Seed cotton a/	" "	5.4	2.6	3.9	8.9
Sugar cane a/	" "	321.6	768.2	779.6	691.4
Tobacco a/	" "	5.2	7.0	6.5	5.9
Milk delivered	('000 litres)	1 445.3	1 197.3	1 109.5	1 105.8
Cattle slaughtered b/	('000)	68.4	71.7	77.6	-
Pigs slaughtered b/	('000)	29.7	55.5	50.2	-
Poultry production	('000)	4 968	13 301	15 641	14 156

Source: Republic of Zambia, Agricultural Statistics Section of Ministry of Agriculture.

a/ Deliveries to official marketing organizations.

b/ Slaughtering of local stock only.

Apart from the products shown in table 2, new items grown in the last few years include soya beans, wheat, tea and coffee. Rice is also being grown on an increasing scale. For 1977/1978 deliveries to official marketing organizations were soya beans 14,151 bags of 90 kg, wheat 59,158 bags of 90 kg, paddy rice 23,256 bags of 80 kg, made tea 82,446 kg and roasted coffee 43,947 kg. All these crops seem likely to assume increasing importance over the next few years.

Agricultural credit has been increasing rapidly; loan advances by commercial banks and other financial institutions were 12.1 million kwacha in 1970/1971, K28 million in 1974/1975 and probably K40 million in 1977/1978. Fertilizer usage has also been increasing from the level of 87,592 tonnes in 1974. However, in 1978 there was some scaling down of the subsidies on fertilizers.

Consumers' subsidies on maize were also reduced. Agricultural producer prices have varied somewhat over the period under review although the trend has generally been upward.

(b) Mining. Although the production target for copper in the second development plan at 900,000 tonnes for 1976, output varied between 683,300 tonnes in 1970 and 712,900 tons in 1976. Output in 1977 was 659,800 tonnes and seems likely to be significantly less in 1978. The export price of copper was nearly K1,000 per tonne in 1970 reached a peak of about K1,250 in 1974 and then fell sharply to only K736 per tonne in 1975 before recovering to K923 per tonne in 1976 and K969 per tonne in 1977. In July 1976 the currency was devalued by 20 per cent or otherwise prices in kwacha for 1976 and 1977 would have been much lower. Present indications are that the realized price in 1978 should be higher than in 1977.

The output data for the major minerals produced in Zambia are given in table 3.

Zambia: Table 3. Mineral production, 1970 and 1975/1977

	Unit	1970	1975	1976	1977
Copper, blister	('000 tonnes)	103.1	21.1	18.3	10.8
Copper, electrolytic	" "	580.2	619.2	694.6	649.0
Zinc	" "	53.5	46.8	37.1	40.0
Lead	" "	27.3	19.1	13.5	13.3
Cobalt	" "	2.05	1.84	1.62	1.70
Coal	" "	623.2	813.9	762.0	708.1

Source: As table 1.

Production of blister copper fell sharply from 103,100 tonnes in 1970 to a mere 10,800 tonnes in 1977.

As regards other minerals, production in 1977 was substantially less than in 1970 for zinc, lead and cobalt while coal output was higher, although not as high as in 1975.

In the first two months of 1978, 100,900 tonnes of electrolytic copper and 4,700 tonnes of blister copper were produced.

It is hoped to double cobalt production over the next few years.

(c) Manufacturing. Owing to the foreign exchange shortages in recent years manufacturing output has declined. The index of manufacturing production (1969 = 100) rose from 111.3 in 1970 to 136.3 in 1975 but fell to 129.6 in 1976 and 127.3 in 1977. The details given in table 4 show that the textiles and clothing and non-metallic minerals subsectors are the ones to show falls in production in both 1976 and 1977.

Zambia: Table 4. Manufacturing production, 1970 and 1975 to 1977 (1969 = 100)

Subsector	1970	1975	1976	1977
Food, beverages and tobacco	117.0	136.1	132.7	132.7
Textiles and clothing	116.6	160.0	158.7	137.2
Wood and wood products	96.2	92.6	67.7	97.0
Paper and paper products	118.6	190.5	155.4	174.5
Chemicals, rubber, plastics	109.5	133.7	130.6	139.5
Non-metallic mineral products	120.9	145.9	129.5	119.9
Basic metals	101.9	97.3	100.3	110.1
Metal products and other	99.3	123.3	122.9	103.2
<b>All manufactures</b>	<b>111.3</b>	<b>136.3</b>	<b>129.6</b>	<b>127.3</b>

Source: As table 1.

A fairly substantial number of projects was completed in the manufacturing sector during the 1970s either through installing new production units or expanding existing ones. Of importance are the petroleum refinery at Ndola, the glass factory at Kapiri Mposhi, nitrogen chemicals, a second kiln at the Ndola Cement factory, the reconstruction of Zambezi sawmills and the expansion of the Zambia Sugar Company's factory at Nakambala.

(d) Electricity. In 1970 Zambia's own generating stations produced only 975 million kWh of electricity but in 1977 the total had risen to 8,683 million kWh and imports had ceased. Large capacity generating stations had been commissioned at Kafue and on the north bank of Kariba. However, consumption within Zambia has not kept pace with the increase in capacity, having risen from 4,000 million kWh in 1970 to 5,645 million kWh in 1977.

Hydro-electric production accounts for probably as much as three fifths of the available energy supplies in Zambia, with two thirds of the balance coming from liquid fuels and one third from coal.

The present surplus electricity production capacity forms a useful basis for the expansion of industry. The petroleum refinery utilised 820,000 tonnes of crude petroleum in 1977 which cost some K70 million. In 1970 the total cost of petroleum imports had been only K14.9 million.

(e) Construction. This sector is subject to wide fluctuations in output. Output of private contractors at current prices rose from K93.2 million in 1970 to K216 million in 1975, K270.2 million in 1976 and K286.3 million in 1977. At the end of 1977 there was 28 weeks' work in hand for the major contractors compared with a more common figure of 46 weeks at the end of each of the years 1974, 1975 and 1976. Employment in the industry fell from 73,810 in June 1975 to 54,790 in June 1976 and further to 50,270 in December 1976. Much of this fall was due to the completion of the TAZARA railway.

(f) Transport services. At the end of 1977 the total paved road in Zambia was 4,948 kilometres and there were in all 35,168 km of roads including 22,550 km unclassified. In the period 1970 to 1977 there has been a substantial increase in the length of paved road in the country.

The numbers of vehicles on the roads has risen continuously but the total new vehicles registered was 9,391 in 1976 and 5,374 in 1977 compared with figures of approximately 13,500 each in 1970 and 1975.

The Zambia Railways traffic figures have been affected by the border closure with Southern Rhodesia in 1973 and by the closure of railway traffic through Angola in 1975. The opening of the TAZARA railway in 1975 helped to raise traffic levels but the total in 1976 was 4.9 million tonnes compared with 6.8 million tonnes in 1972.

Air traffic has shown a rising trend since 1970 with 544,000 passengers handled at airports in 1970, 604,000 in 1975 and 673,000 and 737,000 respectively in 1976 and 1977.

A very real problem has been the transport links to ports in other countries for Zambia's imports and exports. After the railway in Angola was closed in 1975, Zambia made increasing use of both Dar-es-Salaam and Mombasa but when Kenyan trucks were no longer able to move Zambian goods over Tanzanian roads, this means of access was also closed and increasing use was made of the TAZARA railway to Dar-es-Salaam. In 1978 problems arose due to the long delays in the turn-round of rolling stock on this railway. Both imports and exports were delayed sometimes for long periods.

#### 4. Expenditure and GDP

Table 5 shows that the share of public consumption rose substantially from 15.6 per cent of GDP at market prices in 1970 to 30.6 in 1977. Similarly the share of private consumption rose from 39 per cent to 45.3 per cent respectively and thus the share of domestic savings fell roughly from 45.4 per cent in 1970 to 24.1 per cent in 1977. Even at the relatively slower rate achieved in 1977 due to the world recession, Zambia's savings performance is remarkable by any standard.

Zambia: Table 5. Expenditure and GDP, 1970 and 1975 to 1977 (millions of kwacha)

	1970	1975	1976	1977
<u>At current prices</u>				
Private consumption	494.3	827.8	831.5	870.0
Public consumption	198.5	420.0	480.0	588.0
Gross fixed capital formation	372.3	604.0	605.0	608.0
Change in stocks	-11.5	+30.0	-115.3	-110.0
Exports less imports	214.9	-269.0	115.0	-35.0
Total GDP at market prices	1 268.5	1 612.8	1 916.2	1 921.0

Source: As table 1.

The investment performance is also remarkable with the share of total investment (including changes in stocks) declining marginally from the figure of 28.4 per cent of GDP in 1970 to 25.8 per cent in 1977.

The total investment in 1977 allowing for stock changes was K497.3 million and this was financed 64 per cent from domestic savings and 36 per cent from foreign resources. In 1975 the proportions were 38 and 62 per cent respectively and in 1970 there was a substantial accumulation of foreign reserves with all the investment being financed domestically.

#### 5. External trade and balance of payments

The price of copper and the level of copper sales continue to be the basic constituents of the external trade and balance-of-payments situation as is shown clearly in table 6.

Zambia: Table 6. External trade and balance of payments 1970 and 1975 to 1977  
(millions of kwacha)

	1970	1975	1976	1977
<u>External trade</u>				
Exports	714.97	521.05	751.91	708.53
(Copper)	(681.4)	(472.0)	(688.6)	(645.9)
Imports	340.71	597.61	468.59	529.60
Balance	+374.26	-76.56	+283.32	+178.93
<u>Balance of payments</u>				
Goods and services (net)	181.5	-359.0	-65.4	-192.4
Private transfers (net)	-105.1	-83.3	-87.4	-77.2
Government transfers (net)	0.6	4.0	4.4	12.0
Capital (net)	30.3	195.8 <sup>a/</sup>	12.3 <sup>a/</sup>	57.8 <sup>a/</sup>
Reserves and related items	-92.4	242.5	136.1	199.8
Errors and omission	-14.9	...	...	...

Source: As table 1.

<sup>a/</sup> Includes errors and omissions.

In the years 1975 to 1977 there were deficits on goods and services account compared with the substantial surplus realized in 1970. These deficits were accentuated by the substantial outflows of private transfers and, despite inflows of foreign capital in each year, there was a loss of reserves and related items.

In the first four months of 1978 total exports were valued at K177.5 million and imports at K194.2 million. The import figures were probably high in this period because of attempts to bring in items before the budget. The better copper prices in the later months of the year would suggest that total exports might almost approach the 1977 level but it seems that imports will be higher in 1978 than in 1977.

#### 6. Development aid and external debt

In 1978 it is expected that grants rather than loans will start to become relatively important as a source of development finance. The balance-of-payments figures show that net transfers received by the Government in 1977 were higher than in earlier years but they nevertheless totalled only K12 million. Loan receipts have been much higher than aid in grant form and one result has been the substantial rise in Zambia's public debt since 1970. The total public debt in 1970 was K310 million of which K132 million was external. At the end of 1976 total debt stood at K896 million with K552 million external. There were further increases in 1977.

## 7. Government revenue and expenditure

The very large reduction in Government receipts from mineral revenues in the years 1975 to 1977 led to the appearance of large deficits in the Government accounts. These deficits were filled by short term borrowing from the Central Bank.

In 1974 mineral revenues were K252.2 million compared with K171.5 million in 1970. After falling to K59.5 million in 1975 they were only K11.6 million in 1976 and were actually negative in 1977. There was an over-all cash surplus in 1970, with total receipts in excess of payments by K51.4 million. In 1975 the deficit was K208 million, compared with K189.6 million in 1976 and K183.4 million in 1977.

Zambia: Table 7. Government revenue and expenditure 1970 and 1975 to 1978 (millions of kwacha)

	1970	1975	1976	1977	Budget 1978
Current revenue	432.43	448.34	443.02	499.02	531.82
Current expenditure	274.99	580.99	608.39	660.69	652.70
Capital receipts	133.28 <sup>a/</sup>	169.79	303.73	138.54	171.03
Capital expenditure	239.33	245.56	327.42	160.28	140.00
Over-all balance	+51.39	-208.42	-189.56	-183.41	-89.93

Source: As table 1.

<sup>a/</sup> Excludes revenue appropriations of K106 million.

The increase in current expenditure has been 140 per cent between 1970 and 1977; over the same period current revenue has risen by a mere 13 per cent.

In 1978 an attempt has been made to improve the budgetary position with expenditure in the budget below the level of 1977 both on current and on capital account. It is expected that the deficit will be only half that recorded in 1977 at about K90 million.

## 8. Money and banking

The monetary aggregates are shown in table 8.

In December 1970 net foreign assets were positive to a level of K381.5 million, whereas at the end of 1977 they had fallen to -K142.2 million. The Government was a net depositor in the banking system in December 1970 to the amount of K169.7 million; in December 1977 it was a net borrower of K822.6 million.

Zambia: Table 8. Monetary survey, 1970 and 1975 to 1977 (Figures in millions of kwacha at end year)

	1970	1975	1976	1977
Net foreign assets	381.50	-63.24	-91.73	-142.20
Domestic credit				
Net claims on Government	-169.67	315.20	604.79	822.62
Claims on private sector	142.92	394.36	395.79	440.66 <sup>a/</sup>
Money	185.96	322.09	376.76	386.48
Quasi-money	169.62	171.64	246.72	312.21
Other items (net)	-0.81	152.64	285.39	379.70 <sup>a/</sup>

Source: IMF, International Financial Statistics, vol. XXI, No. 3 July 1978 and earlier issues.

a/ October 1977.

Over these seven years total money supply including quasi-money almost doubled registering an average annual rate of increase of 10 per cent. The major factors for this expansion in money supply were the increased Government reliance on the banking system as well as the large bank credit extended to the private sector. A good part of the inflationary impact of such a large expansion in domestic credit was mitigated by the substantial fall in foreign exchange held by the banking system.

The tight credit policy being followed in 1978 is expected to lead to much lower rates of increase of the various monetary aggregates.

#### 9. Wages and prices

Average wages of Zambians in employment rose from 1,014 kwacha in the quarter ending on December 1972 to 1,469 kwacha in the same period in 1976. Against this increase of 44.9 per cent, consumer prices rose by 50.6 increase between the years 1972 and 1976. This indicates that real wages remained fairly constant.

The rise in consumer prices in 1976 itself was 17.2 per cent and this was followed by one of 18.6 per cent in 1977. In the first four months of 1978 the rate of increase was reduced with a rise of 4.7 per cent in this period.

Between 1970 and 1977 consumer prices rose at an average annual rate of 10.3 per cent with most of the increase occurring since 1974.

#### 10. Employment and unemployment

At the end of 1970 there were only 340,520 Zambians and 27,950 non-Zambians in wage employment (excluding domestic services). The majority of the labour force was still dependent on self-employment in such industries as agriculture and trading.

After increasing in the earlier years of this decade wage employment began to fall in 1975 with the world recession and there was a substantial reduction in 1976 as employment in the construction industry fell mainly owing to the completion of work on the TAZARA railway.

The data on unemployment are incomplete but the numbers registered as unemployed have been around 12,500 for the last few years. This figure is probably an understatement of the actual numbers of unemployed.

## 11. Other social sectors

(a) Education. Figures on enrolments show substantial growth so far this decade. In 1970 primary enrolment was 694,670 and preliminary figures for 1976 show a total of 912,600 equal to 86.3 per cent of Zambian children aged 7 to 14. For secondary education the increase was from 52,472 to 78,805 and the estimate for 1977 is 84,030. The number of students at the University has also grown sharply from 1,231 in 1970 to 2,569 in 1976/77.

Owing to the substantial rise in school enrolment the budget allocations for recurrent expenditure on education exceeded K100 million in 1978.

(b) Health. Since 1970 progress has been recorded in both the provision of health facilities and training facilities. There is still a substantial shortfall in the numbers of Zambians trained and qualified for the various branches of the health service but present training facilities are turning out more graduates than in the past.

In 1976 the Mporokoso hospital was completed and that at Kabompo was virtually finished. Two training schools and three rural training centres had also been virtually completed. Six rural health centres were also constructed. In the years 1972 to 1975 six district hospitals, phases II to VI of the University Teaching Hospital and various other institutions including rural health centres were completed. By May 1976 there were 759 full time health institutions compared with 629 in January 1972. The total number of hospital beds and cots rose from 16,300 to 19,500 over this period. In 1976, 853 trainees graduated from the various nursing schools in the country and by the end of the year over 1,000 medical assistants had been trained.

In 1977 the three nurses training schools at Ndola, Mansa and Kabwe with a combined intake of 490 trainees a year were completed and two other schools were nearing completion. Training facilities for rural health workers are being developed. In December 1977 the number of full time health institutions had risen to 835 but shortages of medical and para-medical personnel continued to present problems over the proper manning of all these establishments.

## B. MAJOR PROBLEMS

The problems for the economy stem almost entirely from the low price of copper on world markets and the difficulties in moving imports and exports to and from the ports of Africa via other countries' transport systems. Low copper earnings created a basic balance-of-payments problem and shortages of foreign exchange inhibit the adequate supply of imported raw materials and other inputs. Manufacturing industry in particular suffers badly from such shortages and many plants are running at only 30 to 50 per cent capacity. Shortages of particular commodities in the shops leads to a situation in which prices can readily be increased. At the same time inflationary pressures are accentuated because the low level of mineral revenues has caused the Government to borrow heavily from the banking system to sustain levels of both current and capital expenditure.

The transport problems caused by the loss of the use of other countries' transport systems have become progressively worse since 1973 and while there was a period of improvement in 1977 with the TAZARA railway working fully, in 1978 there have been numerous and costly delays due to the slow turn-round of rolling stock on this system.



### C. INTERNAL DEVELOPMENT POLICIES

With the serious problems created by low copper prices and difficulties over movements of imports and exports there has been a reassessment of development priorities and, although the third development plan is not likely to be released before October 1978, it seems that in outline the policy likely to be adopted is as follows:

(a) the growth rate target will be substantially less than that of 6.8 per cent a year adopted in the second plan period;

(b) particular emphasis will be given to rural development which, besides agriculture, covers small-scale and cottage industries, rural electrification, feeder roads and better education and health facilities;

(c) employment creation would also receive a high priority, the policy would stress the adoption of appropriate technology;

(d) there would be a major shift in favour of the productive sectors and labour-intensive methods of productions;

(e) in line with this latter policy, both agriculture and manufacturing industry would be favoured.

Apart from these policy objectives related to the new development plan, the programme to bring the economy back onto course in 1978 and 1979 includes tight control of Government expenditure coupled with a restrictive credit policy. The objective of these measures is to reduce the balance-of-payments deficit and the inflationary pressures which have accompanied the credit expansion of the years 1975 to 1977.

Subsidies were reduced in 1978 and this has helped to reduce the over-all level of the Government deficit. A policy of continuing vigilance in the control of excessive pricing is expected to limit consumer price rises.

Export promotion is being encouraged and stringent import control and exchange control will continue; Government imports will also come under strict scrutiny. The exchange control regulations forbade most persons normally resident in Zambia from remitting any proportion of their earnings abroad as they had been able to do in the past. Other restrictions were also introduced in 1978 to reduce the high level of private transfers from Zambia.

### D. PROSPECTS FOR 1978 TO 1980

At the present time the outlook for both 1978 and 1979 is not particularly hopeful. At best only small growth in GDP can be expected in this period, while at worst some further falls could occur. While the price of copper has strengthened in the second half of 1978 and there has been some reduction in the world stocks of copper, the market has not yet reached the stage where a realistic rally is in prospect. The transport problems which have plagued the economy for so many years have not yet been overcome and foreign exchange shortages will continue to limit the effective capacity in various parts of the economy.

For 1980 the outlook could be more promising with the long awaited substantial upward adjustment in copper pricing having its impact.