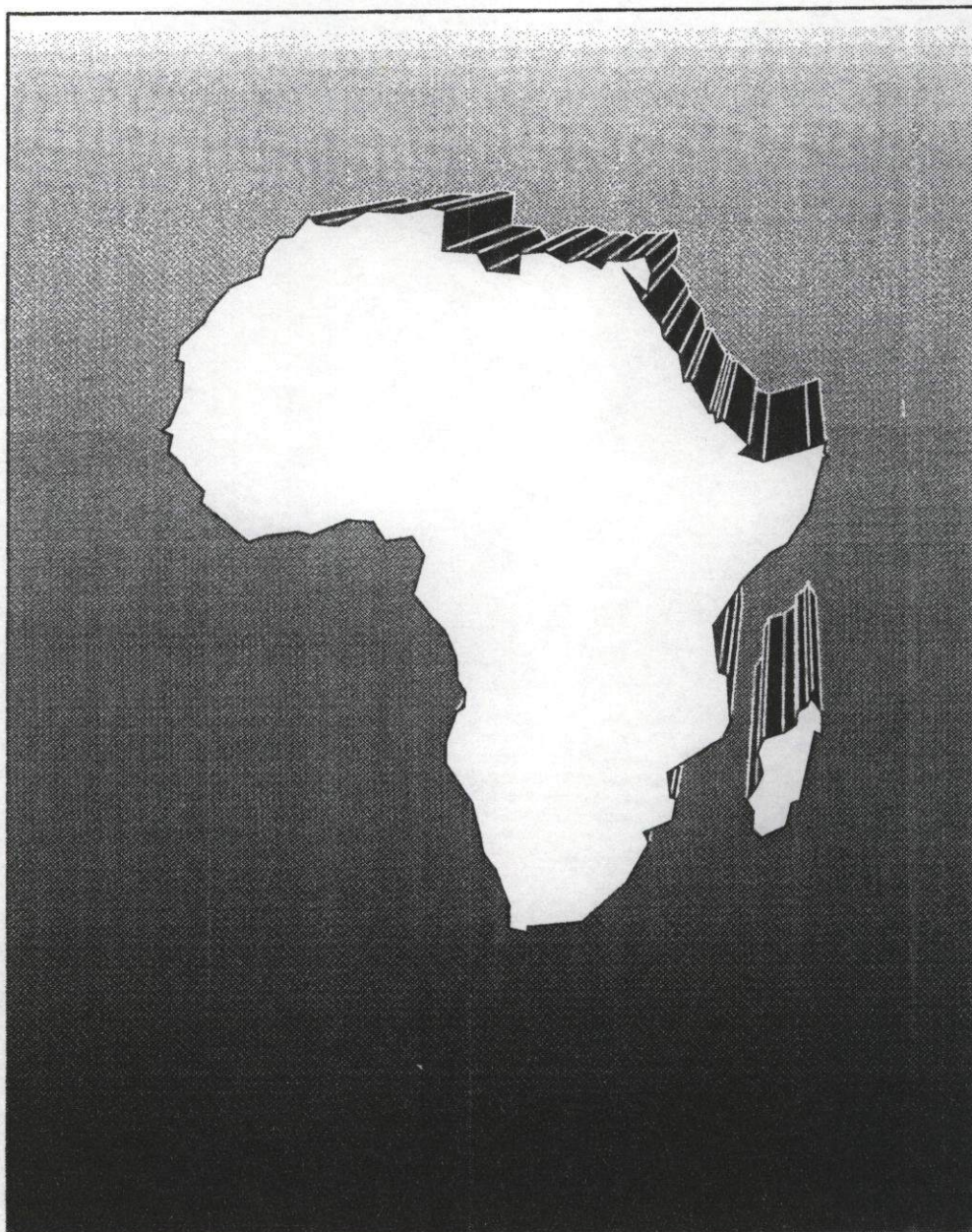

Economic Report on Africa 1992



United Nations
Economic Commission
for Africa

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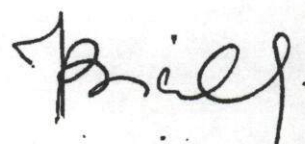
PREFACE

The Economic Report 1992 provides an analysis of the main socio-economic trends and issues in the African region in 1991 and the outlook for 1992. It updates, in the light of more data and information since December 1991, some of the preliminary assessments in my End-of-Year Statement on 12 December 1991 to the Corps Diplomatique and International Press in Addis Ababa.

The year 1991 was particularly rich in upheavals and socio-political turmoil that have had and continue to have deep repercussions, both short- and long-term, for the economic conditions in Africa. The hopes for recovery in the world economy failed to materialize and, at the same time, historic changes in the Eastern European countries and the USSR have deeply modified the world order, with far-reaching implications for African and other third world problems and needs. The Persian Gulf war was rapidly concluded at the beginning of 1991, but the impact and the negative consequences of that war and the crisis that prompted it have continued to be deeply felt in 1992 in many of the fragile and vulnerable economies of the African region. Even the Uruguay Round - the most comprehensive round of trade talks ever launched by the General Agreement of Tariffs and Trade (GATT), and which should have been concluded by the end of 1990 - had dragged on inconclusively throughout 1991, and continues to be bogged down on a number of critical issues. It is only now expected that the long drawn-out negotiations will end in April 1992, and that depends on whether a number of difficult outstanding issues can be resolved. But it is by no means certain, even at this stage, that the elements of a discernible final agreement, together with the special provisions envisaged for developing countries, will be to the advantage and lasting benefit of the African countries.

In Africa itself, despite a relatively good agricultural season and the fortunate ending of some sub-regional conflicts, civil strife and its aftermath have continued to overshadow and impact adversely on the economies of countries in the Horn of Africa, Mozambique, Angola and Liberia, to cite only those examples. In addition to that, many African countries experienced severe turmoil and socio-political tensions in 1991, as a result of the long simmering internal conflicts on the continent and what we would all like to see as a transition to democracy, notwithstanding the alarmingly negative economic and social situations that have so far been created in the process.

In the light of these developments, it is not surprising that the overall picture of African economic performance in 1991, though not substantially different from the one in my End-of-Year Statement, is far less favourable or encouraging. Yet, we continue to have high hopes that, if we redouble our efforts, the region will sooner than later return to the path of robust growth and sustainable development, possibly during the present decade. For one thing, the wind of change that is blowing across the continent in the quest for basic rights, individual freedom and democratic participation by the majority of our population in social, political and economic development has become almost unstoppable and sure to gather further momentum. In other words, we envisage that the fledgling democratization process on the continent will soon begin to yield dividends and constitute a positive anchor for sustainable development. It is our hope also that the international community, despite the failures of the past in fully addressing the daunting problems of debt and debt servicing, commodities and external flows in Africa, will play a more positive role in the future. Only on 18 December 1991, the United Nations General Assembly adopted the **United Nations New Agenda for the Development of Africa in the 1990s** as a successor programme to the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD). In calling for the accelerated transformation, integration, diversification and growth of the African economies through the internalization of the development process and enhancement of self-reliance, the **New Agenda** has not only stipulated the complementary roles for both Africa and its development partners, but it also calls for their collaboration both in fulfilling these basic goals and in addressing the basic problems of resource flows, commodities and Africa's external debt overhang.



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I. THE AFRICAN ECONOMY IN 1991 - AN OVERVIEW

Economic performance in the African region has turned out to be rather poor and disappointing in 1991, compared to the marginal improvement that was earlier on thought to have prevailed. According to revised ECA data, the overall regional output in Africa grew only by 2.3 per cent in 1991, compared to 3.2 per cent in 1990 and 2.7 per cent in 1989 (see table I). Indeed, the current estimate of 2.3 per cent may itself turn out to be on the high side when the current estimates are revised. With such lacklustre output growth performance and an assumed population growth rate of 3 per cent per annum for the region, it is obvious that income per head has fallen further in the African region in 1991 at the rate of some 0.5 per cent, reinforcing an unbroken trend that has typified the continent's socio-economic profile since the 1980s.

Major factors in the slower growth of output in Africa in 1991 were the prolonged recession in the world economy and the political upheavals in many countries in Africa itself. The recession in the Organization for Economic Cooperation and Development (OECD) countries accounted for stagnation in World trade, the continuous fall in commodity prices and weak demand for Africa's exports in 1991. The price of oil, post-Persian Gulf war, remained depressed at under \$US 20 a barrel, and as demand for oil remained flat, an immediate return to Organization of Petroleum-exporting Countries (OPEC) traditional policy of cutting production to boost prices was not possible. The lower price of oil cut into the revenues of the oil-exporting countries as production increases

could not match lower prices. The African countries dependent on traditional commodities found little or no financial respite from the continuing fall in the prices of such commodities as copper, aluminium, gold, silver, cocoa and coffee.

Table I Developing Africa: Economic Indicators, 1989-1991

	1989	1990	1991
Output growth (percentage)			
Developing Africa	2.7	3.2	2.3
Oil exporters	3.0	4.0	3.0
Non oil-exporters	2.3	1.7	0.6
Agricultural production (percentage growth)	1.9	0.8	2.5
Oil production (million tons)	293.5	321.2	336.5
Commodity prices growth 1/ (percentage, 1980 = 100)	-1.9	-3.9	-3.5
Consumer prices growth (percentage, 1980 = 100)	32.3	15.8	46.6
Current account deficit (billion dollars)	16.0	6.7	8.9

Source: ECA secretariat.

1/ Oil not included.

2/ Brent crude.

Debt, inadequate resource flows, and fundamental structural rigidities have continued to constrain efforts at broadening the production base, expanding and managing economic and social infrastructure, and bringing about adjustment with transformation in accordance with the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP).

The Gulf war was concluded rapidly at the beginning of 1991, but its repercussions have persisted for many African countries, especially those in the Mediterranean area and in the Eastern African subregion, in the form of cut-backs in tourism flows and revenues. Within Africa itself, despite the fortunate ending of some subregional conflicts in 1991, civil strife has persisted in most of the countries in the Horn of Africa, and in Angola, Liberia, Mozambique and Rwanda. Threats of civil war re-emerged in countries such as Chad, while

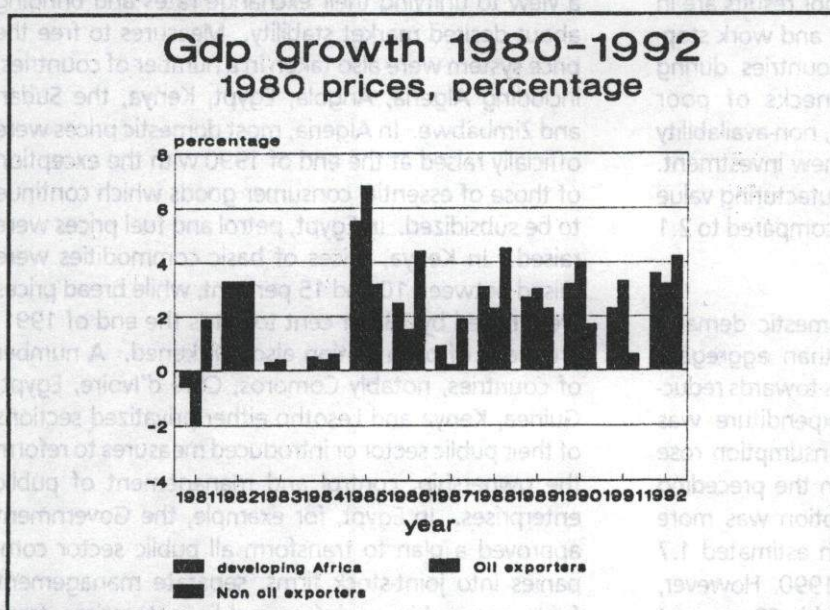


Figure 1

economic activity was disrupted in varying degrees by internal political and social conflicts in countries such as the Central African Republic, Madagascar, Mali, Togo and Zaire. The noticeable progress with the democratization process in Africa in 1991, although generally in line with the African Charter for Popular Participation in Development and Transformation, has not after all been without some initial social and economic costs.

Although the 1991 farming season was better than the 1990 one, thanks to good rainfall and agricultural incentives policies, its effects were outweighed by the world recession and disruption of national economies by political turmoil. The Food and Agriculture Organization of the United Nations (FAO) estimates that the volume of agricultural production rose by 2.5 per cent in 1991, compared to 0.8 per cent in 1990, with cereal, fibres, root crops, and livestock production all up in volume. But though the overall food situation is satisfactory, an emergency situation persists in the Horn of Africa and, to a lesser extent, in Angola, Liberia, Mozambique, Sierra Leone and Zaire. Despite the increase in cereals production to 87.8 million tons, 13.2 per cent higher than in 1990, the cereal import requirements for sub-Saharan Africa were set at 10.5 million tons for 1991.

In the mining sector, output rose by only 2.3 per cent in 1991, compared to 7.0 per cent in 1990. The output of non-fuel minerals either declined or stagnated while oil production rose by 5 per cent, compared to 10 per cent in 1990. Lower oil and metal prices reduced export revenues and forced many mineral-exporting countries to reduce imports or suppress their growth.

Output performance in the manufacturing sector was poor in 1991, with plant capacity utilization on the decline in many countries. The poor results are in part explained by the political turmoil and work stoppages prevailing in some African countries during 1991, and the customary bottle-necks of poor management, low labour productivity, non-availability of imported inputs and low levels of new investment. It is not surprising therefore that manufacturing value added in 1991 was only 1.3 per cent, compared to 2.1 per cent in 1990.

For the region as a whole, domestic demand grew by 2 per cent in 1991, less than aggregate output. With the trend in fiscal policies towards reducing budget deficits, government expenditure was generally restrained. Government consumption rose by less than 1 per cent in 1991, as in the preceding two years, whereas private consumption was more buoyant than in 1990, growing at an estimated 1.7 per cent, compared to 0.3 per cent in 1990. However, private consumption remained at roughly 60 per cent

of total output, as has been the case since the beginning of the 1980s.

The rate of growth of gross fixed capital formation, though positive, was on the decline in 1991. After rising by 7.3 per cent in 1990, gross fixed capital formation grew by only 2.6 per cent in 1991. However, the investment ratio remained practically the same in 1991 as in 1990, at 15 per cent.

Consumer prices maintained their upward trend in the African region in 1991, albeit at an accelerated pace. Provisional estimates put the regional rate of inflation in 1991 at 46.6 per cent, compared to 15.8 per cent in 1990. The rapid acceleration in the rate of inflation in some African countries in 1991, for example Liberia and Somalia, can be traced to a virtual breakdown of the economy involving the destruction of physical and administrative infrastructure and displacement of large segments of the population; but, in a number of others, such as Zaire, Nigeria, Egypt and Algeria, the major contributory factors are currency depreciation, heavy budgetary deficits and price liberalization measures. In contrast, the countries of the franc zone have been mostly untouched or little affected by the higher inflation, because of the cautious policies pursued by their monetary authorities. The fact is that the regulations of the franc zone impose strict limit on credits to governments which have therefore been unable to finance budgetary deficits through unlimited money creation, a major source of inflation in the non-franc zone countries in Africa.

Stabilization measures dominated the economic scene in most African countries in 1991. A number of countries, notably Algeria, Egypt, Kenya, Madagascar, Mozambique, the Sudan and Zimbabwe either devalued their currencies or introduced changes with a view to unifying their exchange rates and bringing about desired market stability. Measures to free the price system were also taken in a number of countries, including Algeria, Angola, Egypt, Kenya, the Sudan and Zimbabwe. In Algeria, most domestic prices were officially raised at the end of 1990 with the exception of those of essential consumer goods which continue to be subsidized. In Egypt, petrol and fuel prices were raised. In Kenya, prices of basic commodities were raised between 10 and 15 per cent, while bread prices were raised by 33 per cent towards the end of 1991. The pace of privatization also quickened. A number of countries, notably Comoros, Côte d'Ivoire, Egypt, Guinea, Kenya and Lesotho either privatized sections of their public sector or introduced measures to reform the ownership, control and management of public enterprises. In Egypt, for example, the Government approved a plan to transform all public sector companies into joint-stock firms, separate management from ownership and free public enterprises from

government intervention in management. Henceforth government companies have the freedom to set up their own work systems and staff regulations. In Kenya, in April 1991, the Government announced far-reaching measures affecting some 150 state enterprises. The objective of the policy is to stem the flow of public funds to these enterprises and to encourage the private sector to get more involved in commercial activities. Under this scheme, enterprises vital to national security will undergo internal restructuring to improve their operational efficiency. Non-strategic firms, on the other hand, will either be liquidated or sold to the private sector.

There were also tangible efforts to improve the investment climate through adjustment of investment codes in a number of countries such as Angola, Cameroon and Zambia. In Angola, the new investment law includes attractive provisions for the repatriation of profits and dividends, guarantees for the property of investors and a number of tax exemptions or tax reduction measures. Foreign investment is specially welcome in the oil industry, the power and water industries and large-scale projects in general. In Cameroon, investment codes provide generous export incentives and put high value on the use of local inputs. Measures concerning lower taxation as an incentive instrument have been taken in several countries. In Mauritius, for example, local substitute industries will receive the same tax benefits as enterprises in the free manufacturing zone for the importation of their raw materials. These enterprises are also encouraged to export part of their production. In the Comoros, taxes on the exports of cloves and copra have been scrapped and those on vanilla cut from 20 to 10 per cent. In Guinea, taxation was reoriented to boost industry, while export taxes were abolished on all products originating from within the country, with the exception of those derived from mining. In a similar vein, Malawi cut some taxes with a view to strengthening its domestic industrial sector. The surtax on most commodities was reduced by between 5 and 10 per cent, import duties cut by 5 per cent for capital equipment and machinery, excise duties removed from some manufactured good products, and personal income taxes reduced by an average of 10 per cent. A surtax of 5 per cent has however been introduced on certain services including electricity for industrial and commercial use, telecommunications and some professional business services. Gabon, likewise, slashed profit tax rates by between 40 and 50 per cent for non-oil producing firms. Egypt also introduced a 10 per cent sales tax and raised customs duties.

Within the framework of policy reforms, increased attention was also being given to the reduction of budget deficits, through increased revenues and the containment of expenditure rises. With the rate of increase in revenue hardly matching that of

inflation, the burden of adjustment tended to fall more heavily on expenditure containment particularly of social expenditures and of investment with far-reaching implications for the provision of basic social services. Insufficient progress on debt relief put further strain on government budgets as debt-service obligations continued to grow. To cope with the situation, a number of countries took steps to reduce their civil service staff levels or freeze new employment in the public sector. Zimbabwe, for example, is expected to reduce its civil service staff by about 25 per cent in all sectors, with the exception of education. Similar measures are planned in the Congo. To protect the poor and disadvantaged sections of the population, some governments, such as in Algeria and Uganda, have set up social protection programmes.

Despite the sacrifices made, growth and development remained illusive for many countries. The performance under conventional structural adjustment programmes has been at best patchy and, in many ways, disappointing. Failure to adequately address the supply side of the African development equation, together with the almost complete reliance on the power of the market to create the necessary conditions for sustained growth are, no doubt, among the principal reasons for the indifferent performance and the negative impact of the reform programmes in Africa.

Within the framework of a general slowdown in world trade in 1991, Africa's exports fell by 5.6 per cent in value and increased by 3.0 per cent in volume. Aggregate imports on the other hand increased by 3.6 per cent, in terms of value, even though the rise in volume was only 2.4 per cent. The oil exporters experienced a severe loss in export revenues, estimated at 9.7 per cent, due to lower oil prices and weak demand for oil, but fared better none the less than the non-oil exporters. The regional trade deficit is estimated at \$US 7.3 billion in 1991 compared to \$US 2.5 billion in 1990. Since the services deficit declined to \$US 19.2 billion in 1991, from \$US 22.6 billion in 1990, and official transfers improved by nearly 10 per cent to \$US 11.5 billion while private transfers contracted from \$US 7.8 billion in 1990 to \$US 6.2 billion in 1991, the current account deficit rose from \$US 6.7 billion in 1990 to \$US 8.9 billion in 1991.

The forecasts for 1992 have been prepared on the basis of various assumptions: unchanged domestic policies, oil prices that remain at their 1991 levels, restoration of political stability, prevalence of normal conditions in agriculture, and the end of the world recession and particularly a strong recovery in the advanced industrialized economies. If these assumptions obtain, regional GDP in Africa will pick up from the estimated 2.3 per cent in 1991 to about 3.6 per cent in 1992. The rebound will be felt mostly in Central

and Eastern Africa, as political stability returns to these subregions, output growing by about 4.4 and 4.6 per cent respectively. Oil exporters will grow by about the same rate as in 1991, namely 3.3 per cent, while non-oil exporting countries are expected to register a relatively stronger growth of 4.2 per cent; that is, significantly higher than the 0.6 per cent recorded in 1991. However, these projections remain highly tentative as the region's prospects continue to be

shrouded in considerable uncertainty. Externally, the recovery in the advanced industrialized economies may not materialize and most probably be a weak one, while no significant improvements are to be expected in terms of debt relief and resource inflows. Internally, political conditions may not stabilize. Moreover, the severe drought conditions now prevailing in most of Southern Africa will inevitably lower the regional outcome in 1992.

Despite the sacrifices made, growth and development remained elusive for many countries. The performance under conventional structural adjustment programmes has been at best patchy and, in many ways, disappointing. Failure to adequately address the supply side of the African development equation, together with the almost complete reliance on the power of the market to create the necessary conditions for sustained growth are, no doubt, among the principal reasons for the indifferent performance and the negative impact of the reform programmes in Africa.

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II. SUBREGIONAL AND ECONOMIC GROUPING PERFORMANCE

There were significant variations and divergence among the subregions and economic groupings and countries in Africa during 1991 (tables II and III). Output performance in 1991 was weak and generally poorer than that of 1990 in all subregions, except North Africa, and only in the latter and in West Africa did the rates of growth exceed the overall regional average of 2.3 per cent. The Central African subregion was the hardest hit by the economic down-turn, and the only subregion that experienced a negative growth rate, with output falling by 3.6 per cent. The variations in output performance as between subregions, economic groupings and countries centre, for the most part, on the out-turn in the agricultural and food sector, and on differences in political stability and in relations with the world market.

In North Africa, output grew by 3.4 per cent in 1991 as against 2.8 per cent in 1990 and 2.4 per cent in 1989. A major factor in the upswing is the recovery in agricultural output and tourism. In the Maghreb, 1988-1990 were years of poor and erratic rainfall, and the advent of good rains in the spring of 1991 has generally boosted agricultural production. Tourism flows have also resumed after the abrupt interruptions brought about by the Persian Gulf crisis though they are not yet back to their pre-war levels. In spite of lesser momentum of oil production in 1991, a country such as Algeria has achieved significantly good results (3 per cent growth) in its hydrocarbon sector in 1991 while the decline in oil production in Tunisia has been halted.

In West Africa, output grew less in 1991 than in 1990. This was mainly due to some slowdown in Nigeria where oil production increased very little, if at all, in 1991, according to official reports, and the manufacturing sector has performed at a lower rate than in 1990 owing to rising production costs. The fall in the exchange rate of the naira, price deregulation and a budget deficit, all combined to produce higher costs and lower demand. Among other West African countries, Ghana did reasonably well, its GDP growing by almost 5 per cent. Agriculture recovered from the bad 1990 season, despite low cocoa prices, and the mining sector continued to grow strongly. Exports of gold and timber expanded. In Côte d'Ivoire, in con-

trast, output contracted, once again, by almost 1 per cent in 1991. There were very unfavourable results in agriculture due to lower volumes of commercial crops, and industrial production declined. In construction, activity remained minimal because of the reduction of investment, although there are signs that the year 1992 may see the start of a recovery. In the Sahel, output increased by 2.2 per cent in 1991, double the rate achieved in 1990. This was due entirely to a record cereal crop as performance in the non-agriculture sector was generally disappointing. In Mauritania, mining output declined by 5.2 per cent and in the Niger, a 17 per cent contraction was recorded.

In Central Africa, Gabon benefitted from the continuing growth of its oil sector with production reaching 15 million tons, compared to 13.5 million tons in 1990 and 7.7 million tons in 1987. In addition, investment has revived, with an attendant boost for the construction sector. If exports of goods and services did not rise in 1991 as strongly as in 1990, they still gained some 11 per cent in volume. But almost all other countries in the subregion suffered a set-back: in the Congo, oil production increased by only a small margin, while the contraction of investment and of government spending depressed the economy. The country is also faced with a huge debt-service burden at a time of low oil prices. As a result, the Congo's GDP grew in 1991 by only 1.6 per cent. In Cameroon, the recession which started in 1987 is continuing, with GDP dropping further by 3 per cent in 1991. Work stoppages and demonstrations during the year have only worsened the situation. In Zaire, the year was marked by political turmoil, culminating in widespread looting in September and, for some time, a virtual stop of almost all production activities and trade. There was even some damage to plant and commercial infrastructure. The mining industry, already plagued by accidents, suffered a deep fall in 1991, with copper production, for example, down by a third. The GDP in Zaire may have fallen by at least 10 per cent in 1991. Another country in the subregion that is in crisis is Rwanda, with population pressure on the land approaching its upper limits, and armed conflicts erupting sporadically since 1990.

Table II Developing Africa: Growth output by subregion and economic grouping, 1989-1991

Country group	Per capita GDP in current dollars 1990	Share of total output 1990	Output growth 5/		
			1989	1990	1991
North Africa	1135	54	2.4	2.8	3.4
Sub-Saharan Africa 1/	340	48.9	3	3.3	1.5
Central Africa 2/	500	10.4	-0.3	0.1	-3.6
Eastern Africa 3/	279	17.3	3.2	2.2	1.3
Southern Africa	374	9.5	2.6	1	1.5
West Africa	339	18.3	3.8	5.1	3.2
Sahel	379	6.9	2.6	1.1	2.2
Sub-Saharan Africa without Nigeria	385	43.8	3.8	1.5	0.3
Oil exporters	812	61	2.2	4	3.3
Non-oil exporters	350	39	3	1.2	0.6
Least developed	537	23.8	2.3	2	1.3
Others 4/	219	15.2	1.4	1.6	0.2
Franc zone	593	13.9	1.1	0.2	1.3
Mineral exporters	381	7.9	0.1	0.5	-3.7
Beverages exporters	241	13	3.6	2	1
Developing Africa	524	100	2.7	3.2	2.3

Source: ECA secretariat.

1/ Including the Sudan, which is a member of the North African group.

2/ Including Southern Africa.

3/ Including the Sahel.

4/ Non LDCs and non-oil exporters.

5/ 1980 prices.

In Eastern and Southern Africa, some of the countries were in a war situation for most of 1991. In Ethiopia, for example, armed conflict lasted until the end of May, while in Somalia it is still raging. In Mozambique, the civil war is yet to be settled and the countryside remains plagued by armed attacks. A major political crisis erupted during the year in Madagascar, leading to a virtual paralysis of the economy for months on end. The consequent fall in output in Ethiopia in 1991 is not in question; only its magnitude is yet to be fully ascertained. In Somalia, on the other hand, the task of estimating such output losses as have occurred is presently not even possible. In Mozambique, however, despite rebel activity, the economy is reported to have grown exceptionally in 1991 by some 5.3 per cent, compared to a fall of 0.8 per cent in 1990. In Madagascar, output growth has all but halved, with the economy growing by 2 per cent instead of the 4.0 per cent forecast, sharply down from the 7.6 per cent recorded in 1990. In Kenya, tourist revenues and lower coffee prices affected the economy adversely, but growth was still a commendable 3.6 per cent and should rebound in 1992. In Southern Africa, the situation was mostly unfavourable. In Zambia, GDP fell by nearly 3 per cent, with both agriculture and mining declining. In Zimbabwe, output gained a mere 1.1 per cent in 1991, again because of poor agricultural results and a disappointing performance in manufacturing. But good

results were recorded in such countries as Botswana, Malawi and Mauritius. In Botswana, the mining sector recovered strongly in 1991 and GDP growth may have reached a high 8.3 per cent. In Malawi, growth was boosted by an excellent agricultural year, during which agricultural value added rose by 9.7 per cent, compared to only 0.1 per cent in 1990. In Mauritius, the sugar crop was adversely affected by bad weather, but the export processing zones (EPZ) continued to grow at a rapid pace. Labour shortages have appeared in Mauritius, an additional indication of the amazing success of its manufacturing industry.

Owing to lower oil prices and persistent structural problems, the oil exporters did not do as well in 1991 as in 1990. They recorded a growth rate of 3.3 per cent, which was a significant decline over their 4 per cent growth rate in 1990. But oil exporters fared generally better than the non-oil-exporters since, in spite of lower oil prices in 1991, production increased by about 5 per cent. But the economy of many oil exporters was overburdened by debt-service obligations and a decade-long legacy of uneconomic investment. In Algeria, for example, the manufacturing sector that was built at great cost since independence has not performed as expected and has generally failed to provide job opportunities for the growing ranks of unemployed youth, while debt service takes a large share of export revenues.

As a group, African least developed countries (LDCs) have performed poorly in 1991. Their growth rate has dropped to 1.3 from 2 per cent in 1990, chiefly reflecting the trends in such large countries as Ethiopia and the Sudan. Following two years of drought, GDP in the Sudan is reported to have stagnated in 1991, as it did in 1990, although it may in fact have declined, given the magnitude of crop failures in 1989-1991. The African LDCs in the Sahel generally had an improved economic performance in 1991 and, for others, such as Benin, Botswana, Burundi, Malawi, Togo and the United Republic of Tanzania, the results were above average.

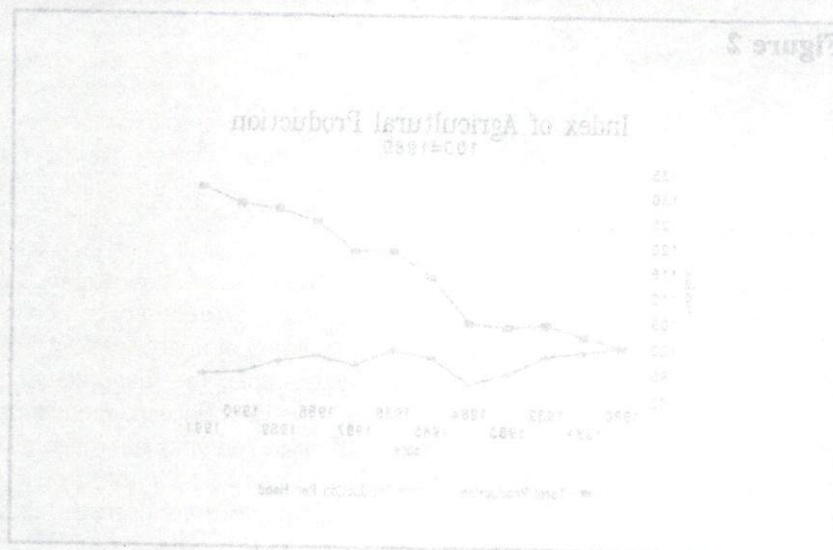
Countries belonging to the franc zone had an average performance well under the regional one, with output growth at only 1.3 per cent. Since 1987, the performance of these countries has lagged because of the problems encountered by the relatively large economies of Cameroon, Côte d'Ivoire or Senegal. The beverages exporters, which include some 11 countries, had a bad year in 1991, with coffee and cocoa prices reaching historic lows during the year: coffee sold at an average US cents 49.8 cents per pound, a level unseen since 1973, and cocoa was down to US cents 54.1/lb, the lowest price since 1975 when it was US cents 56.5/lb. Average auction prices for tea at US cents 83.57/lb were lower than in 1990 but higher still than the prices obtaining in the first half of the 1970s. The mineral exporters in the zone were hit by the bear market prevailing since 1990, when the metal boom ended. According to the International Monetary Fund (IMF), metal and mineral prices declined by 11.7 per cent in 1991 and were 20 per cent less than in 1989 at the peak of the boom. In Mauritania, where iron mining was the dynamic sector of the economy during the last decade, it has recorded production drops in both 1990 and 1991, with production at 11 million tons. Not only has mining equipment aged considerably, but the metal content of the ore is reportedly down. In the Niger, the worldwide slow-

down of nuclear energy has dealt a severe blow to the economy, and the national budget has had to be drastically curtailed as mineral revenues dipped. In 1991, there was a further drop in uranium production and exports but GDP grew, overall, by 3.4 per cent because of an excellent agricultural crop. Guinea has achieved growth exceeding 4 per cent since 1988 due in part to its mining industry. Apart from being a major producer of bauxite (14.45 million tons in 1991), it also produces diamonds and gold; and this diversification has to some extent cushioned its mining sector from price vagaries. In Zaire, which together with Zambia are the major mineral producers in the region, economic performance during the year has been near catastrophic, as mining stopped altogether after September 1991, following riots in the country. In addition, Gecamines, the national mining company, has been unable to carry out the investment programme needed to renew mining equipment and restore production capacity.

Table III provides a frequency distribution of the countries in the region according to output growth rates. The number of countries experiencing growth rates of 6 per cent and above fell significantly from eleven in 1990 to only two in 1991, namely Botswana and Gabon. More than a third of the African countries achieved growth rates in the range of 3 to 6 per cent while the number of those with negative growth rates remained at 12 as in 1990.

Table III Frequency distribution of African countries according to the growth rates of GDP, 1988-1991

Growth rate (%)	1988	1989	1990	1991
Negative	6	9	12	12
0-3	14	15	19	16
3-6	14	21	9	21
More than 6	17	6	11	2



III. AGRICULTURE

According to data provided by FAO, agricultural production (including fisheries, livestock and forestry) in Africa increased by 2.5 per cent in 1991, compared with 0.8 per cent in 1990. The better performance of agriculture resulted mainly from large gains recorded in West Africa, where production grew by 4.2 per cent, compared to -0.6 per cent in the previous year, and in North Africa where it grew by 3.5 per cent. In the Great Lakes area, agricultural production did not show significant variations from what was attained in 1990; in Central Africa it grew less than in 1990 (1.5 to 3 per cent); and in Eastern and Southern Africa by only 0.4 per cent in 1991.

Table IV Growth of agricultural production (in percentage)

Subregion	1989	1990	1991
North Africa	-0.7	3.4	3.5
West Africa	3.8	-0.6	4.2
Central Africa	-5.3	3.0	1.5
Great Lakes	1.8	1.0	1.0
Eastern and Southern Africa	3.2	0.2	0.4
Developing Africa	2.0	0.8	2.6

Source: FAO Computer Printouts, December 1991.

Aggregate cereal output in the region was 87.8 million tons in 1991, some 13.2 per cent higher than in 1990. Output of roots and tubers, which traditionally provide a key share of the food supply in much of tropical Africa, reached 120 million tons in 1991, compared with 118 million tons in 1990. Among roots and tubers, cassava production expanded by 2 per cent to reach 75 million tons in 1991, reflecting mainly the huge increases in Nigeria and Zaire, the two largest producers in the African region. The larger output in Nigeria was in particular the result of favourable rainfall patterns as well as the diffusion of new high-yielding varieties and the continuation of restrictive government import policies on cereals. Large crops were also realized in Angola, Burundi, the Congo, Gabon and Malawi.

In the North African sub-region, the estimate for wheat production is at 13.1 million tons, an increase of 30 per cent on the level attained in 1990. In Algeria, for example, following favourable weather, output is estimated at 1.7 million tons, some 0.7 million tons more than in

1990. In Egypt, wheat production increased by 5 per cent to 4.5 million tons. In Morocco, production increased by more one-third to 4.94 million tons. The output of wheat in Tunisia is estimated at 1.8 million tons, about 0.7 million tons higher than in 1990.

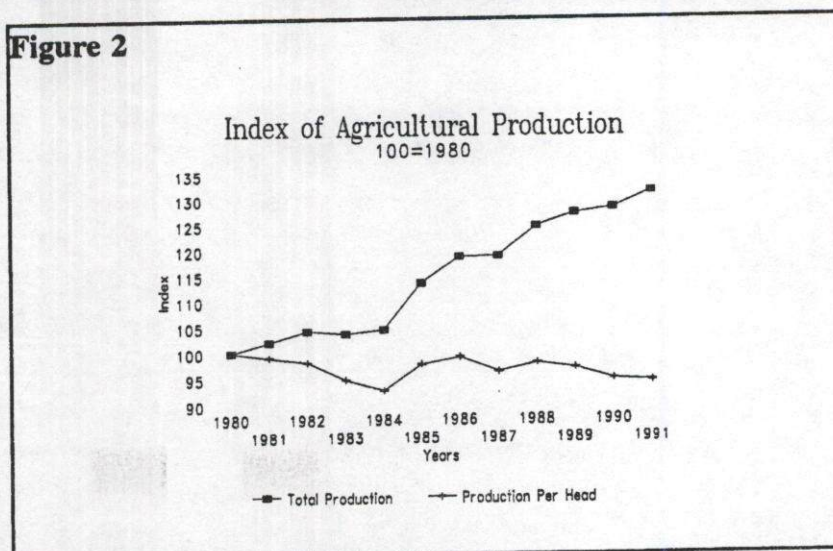
In West Africa, aggregate output of coarse grains is estimated at 22 million tons, nearly 20 per cent higher than that of 1990. In the nine Sahel member countries of the Permanent Inter-State Committee for Drought Control in the Sahel (CILSS), output of cereals reached a record level of over 9.1 million tons in 1991.

In Eastern Africa, production of coarse grains reached some 17 million tons in 1991, only slightly higher than what was attained in 1990. In the Sudan, which suffered severe drought in 1989-1991, the aggregate cereal production in 1990/91 is estimated at 3.8 million tons, an increase of 1.8 million tons or 91 per cent over the harvest of 1990. The main season harvest in Ethiopia is estimated at 6.5 million tons of cereals and pulses, which is slightly below the harvest attained in 1990. The main season cereal crop harvested in Kenya is estimated at about 15 per cent below average following below normal and erratic rainfall.

In Southern Africa, the subregion's coarse grain harvest in 1991 declined to 15 million tons, some 4 per cent less than in 1990.

Following the good 1991 main season harvests, the food supply situation in many parts of the continent has been satisfactory. But, an emergency situation remains in the Horn of Africa and in other areas torn by war and civil strife. Food aid requirements for

Figure 2



sub-Saharan Africa in 1991/92, though less than in 1990/91, are still at 2.8 million tons, a figure which could rise because of drought in southern Africa. In Somalia, about 4.5 million people or 60 per cent of the total population are exposed to famine or severe malnutrition. In the Sudan, despite the favourable harvest, over 7 million drought-affected and displaced people continue to need food assistance. In Ethiopia, emergency food aid is needed for 4.5 million persons affected by drought, 360,000 internally displaced persons and 1.3 million demobilized soldiers and their families. In Djibouti, food supplies have been seriously strained by the presence of some 90,000 refugees from Somalia and Ethiopia.

In Southern Africa, several countries face serious food deficits which are compounded by logistic constraints and late arrivals of pledged food aid. In Angola, the long civil war has dilapidated the country's logistic infrastructure and marketing systems and large sections of the population lack adequate food supplies while deliveries of cereal food aid cover only about 50 per cent of requirements. In Mozambique, cereal production is forecast not to exceed 50 per cent of domestic requirement in 1992, while the civil war continues in the countryside.

In West Africa, farming activities have been affected by civil strife in Liberia and Sierra Leone.

Africa's industrial crops in 1989-1991 and its share in total world production are given in table V. For practically all crops listed, production increased in 1991 compared to 1990, except for coffee. Tobacco and cotton made substantial gains, 13.3 and 7.2 per cent respectively, while sugar production increased by only 0.8 per cent. These divergent trends reflect in part the weather patterns and also the state of demand.

fell to 75,000 tons from 86,000 tons in 1990, with export revenues declining from \$US 254 million to \$US 209 million, with more losses in Robusta coffee, which accounts for around 80 per cent of Cameroon's coffee exports at an average of only US cents 45/lb in 1991. In Ethiopia, production has fallen markedly since reaching a peak of 3.9 million bags (of 60 kg) in 1983/84 and an estimated 3.1 million bags in 1989/90. Drought, coffee berry disease, aging trees and the inadequate use of fertilizers have been the principal restraining factors. The marketing reforms that are being instituted, including a change from a flat rate to an *ad valorem* export tax and a substantial hike in producer prices, should reduce losses by curtailing smuggling and boosting exports of higher value washed coffee. In Uganda, 1991 was a disaster year for coffee exports. Export volumes fell 27 per cent from 77,265 tons to 56,393 tons and export values 29 per cent from \$US 78 million to \$US 55 million. In Zaire, coffee exports fell by 37 per cent from 2.35 million bags in 1989/90 to 1.74 million bags in 1990/91. The outlook for Zaire's coffee industry is dismal due to the lack of investment, the decaying transport infrastructure and the poor price prospects. An increasing proportion of Robusta beans are left to rot on account of these constraints. In Burundi, the Government relinquished its near monopoly over coffee marketing and invited the private sector to buy and export the crop. Meanwhile, the coffee campaign looks promising with the 1991/92 harvest expected to be about 12 per cent up on the 1990/91 harvest (38,000 tons compared with 33,911 tons). The increase is due to good maintenance and rains at a crucial time. In Côte d'Ivoire, with effect from the 1991/92 season, the Government dispensed with the export quotas introduced since 1977 to control supply to the world market. The 1990/91 crop is estimated at 3.3 million bags (equivalent to 198,000 tons) but the Government plans to raise production to 5 million

Table V Production of industrial crops

Commodity	1989		1990		1991	
	'000 metric tons	Percentage share of world production	'000 metric tons	Percentage share of world production	'000 metric tons	Percentage share of world production
Coffee	1267	20.8	1267	20.8	1237	21.0
Cocoa	1380	56.1	1369	53.8	1376	52.9
Tea	291	12.0	311	12.4	314	12.3
Tobacco	323	4.6	345	4.8	391	5.5
Cotton	3646	7.3	3240	6.0	3475	6.0
Sugar	5616	5.3	5876	5.3	5925	5.3

Source: FAO Computer Printouts, December 1991.

For coffee, the production of which declined from 12.7 million tons in 1990 to 12.4 million tons in 1991, prices were at record lows in 1991. Robusta coffee was more affected than Arabica, but revenues dropped for all producers. In Cameroon, production

bags, a target that may turn out to be unrealizable because of the shortage of investment capital in the coffee sector.

Cocoa producers have borne the brunt of prices at levels unseen for a decade, and a market depressed by huge stocks. Prices averaged only US cents 54.21/lb, 6 per cent less than in 1990. Efforts to conclude a new price pact at the International Cocoa Organization failed because of consumers opposition and the opposition of producers like Brazil which prefer a free market situation. In Cote d'Ivoire, the world's largest cocoa producer, all the main 1990/91 season crop of 760,000 tons had been sold forward, and producer prices were left unchanged at CFAF 400/kg in 1991/92. In Cameroon, the 1990/91 cocoa crop was 5,000 tons less than the 125,000 tons in 1989/90. Export earnings were however higher, at \$US 270 million, compared to \$US 16 million in 1990. In Ghana, production is estimated at 293,000 tons in 1991 and export revenues were about \$US 394 million, compared to \$US 370 million in 1990. In Nigeria, the 1990/91 harvest was 150,000 tons compared with 160,000 tons in 1989/90. Depressed world cocoa prices, the high cost of imported fertilizers and chemicals account for the serious lag in production. In addition, farmers are receiving between N6,000 and N12,000 per ton of cocoa, compared with N12,000 to

N24,000 per ton a year ago. In Equatorial Guinea, cocoa exports fell markedly, to just over 4,000 tons in 1990. The lack of shipping operations between Malabo and European ports has been blamed in part, resulting in the stocking of some of the harvested cocoa. In 1991, the World Bank launched a comprehensive six-year rural development programme which incorporated a new cocoa rehabilitation project as one of its main elements. The ambitious target of this programme is to reach an export level of 26,000 tons of cocoa per year by the year 2000. In Togo, production in 1990/91 is estimated at 5,000 tons. Depressed world market prices for cocoa obliged the Government to reduce the prices offered to producers to CFAF 250/kg in 1990, compared with CFAF 360/kg in 1986/87.

A deficit is predicted in 1992 in the cocoa market, and cocoa prices should peak up, maybe by as much as 23 per cent per lb. Such a development would provide much-needed relief to African producers, but they will have to contend with rising Asian production and possible further loss of market share.

BOX 1 FORESTRY AND THE ENVIRONMENT IN AFRICA

One of the major environmental concerns in Africa is the negative impact of the over-exploitation of tropical forests and savannah woodlands. These are being lost at the alarming rate of over 5 million hectares annually, with over half of the deforestation taking place in such areas as the Côte d'Ivoire, the Congo and Zaire. Over 50 per cent of the original forest cover in some countries has already disappeared in the last 15 years, and the situation is reaching critical proportions in others, so much so that the overall tree cover in Africa is now less than 30 per cent. The main causes are forest clearing for agriculture, shifting cultivation and timber exploitation. The loss of plant cover leads to other problems such as decreasing soil fertility, erosion and the loss of genetic resources and diversity. Deforestation and unscrupulous exploitation of wildlife resources result in great losses in the genetic materials that have significant economic value in improved crop species, new drugs and medicines, and as raw materials for industrial products. Unique species and protected natural areas are also a major attraction for the growing tourist industry in African countries. The damaging effects of deforestation and the consequent desertification that has for some time been increasing of the rate 7 to 20 km per annum, were greatly amplified during the African crisis of the 1980s. Some of the principal causes of persistent desertification have been the over-dependence on fuelwood as the source of energy, deforestation for various reasons, including over-grazing, mining, agriculture and exploitation of forest products for export, soil erosion and the non-maintenance and management of watershed and catchment areas. And, if there is anything that the practical experience in Africa has demonstrated, it is the need to intensify anti-desertification activities and the importance of developing research and development activities in soil and water conservation and deforestation control for sustainability. The non-governmental organizations (NGOs), particularly those of women and youth as well as grass-roots groups will all have to be more fully involved. Also, given the ecological and economic endowments of Africa's tropical forests and savannah woodlands, their conservation must be considered also as an integral part of the global measures to protect forests in all climatic zones and promote sustainable management.

African cotton production increased by 7.2 per cent from 3.24 million tons in 1990 to 3.4 million tons in 1991 because of good weather in growing areas,

particularly the Sahel, and the stimulus of strong demand for the crop. In Mali, which is now francophone Africa's biggest cotton producer (ahead of

Côte d'Ivoire), seed cotton production rose to an estimated 276,000 tons in 1991, 8 per cent more than original targets. The area under cultivation during 1990/91 stood at 205,000 ha, as opposed to 189,000 ha in 1989/90. The growth in production is partly attributed to increased use of fertilizers and high-yielding seed varieties. In Egypt, production has declined in recent years because of unfavourable producer prices. The forecast for 1991/92, though higher than the crop in 1990/91 (812,000 tons compared to 796,000 tons), is sharply under the 845,000 tons of 1988/89. Revised estimates of the 1991/92 crop place the area under cultivation at 859,170 feddans (1 feddan = 0.42 ha), lower than the official target of 916,000 feddans. A lint output of no more than 1.33 million bales is forecast for the 1991/92 season. As a result of lower crops and higher domestic utilization, exports have dropped and were in 1990/91 only 48,000 bales, compared to 685,000 bales in 1986/87. To boost production, domestic prices will be progressively aligned to export ones, and the state monopoly on the crop lifted in 1994. In the Sudan, production in 1991/92 is estimated at 416,000 bales, compared with 374,000 bales in 1990/1991. The area under cotton is estimated at 465,000 acres in 1991/92, compared with 484,000 acres in 1990/91. Domestic consumption is expected to remain at around 70,000 bales. In Benin, record production of 160,000 tons of cotton seed and 60,000 tons of lint is expected in 1991/92. In the United Republic of Tanzania, the 1990/91 season's cotton production is set at 256,000 bales but projected to rise to 299,000 bales in 1991/92. In Burkina Faso, cotton production for 1990/91 is estimated at 176,000 tons while lint output is estimated to reach 73,000 tons. Burkina Faso's lint production is forecast to increase by a further 5.5 per cent to 77,000 tons in 1992.

African tea production rose from 311,000 tons in 1990 to 314,000 tons in 1991. In Malawi, a record 20,132 tons was sold at the Limbe auction for the 1990/91 season at an average price of MK 244 t/kg. Since production in 1990 was static, this suggests that an increasing share of output is being marketed domestically rather than on the London Auction Floors. Prices for Malawi tea at the London Auction through August 1991 averaged 76 pence/kg, which is about 5 per cent up on 1990. Overall, it seems that the 1991 export earnings from tea are higher than in 1990, when they reached \$US 46 million. In Kenya, the largest tea-producing country on the continent, significant growth was noted in the industry in 1990. Production of ready-made tea increased by 13 per cent from 95,000 tons in 1989 to nearly 107,000 tons in 1990. Several factors account for the expansion, notable among which were increased acreage under tea, favourable weather, increased processing capacity and the increasing number of tea growers.

Deliveries to the Tea Marketing Board for 1991 are set at 195,000 tons.

African sugar production was 5.93 million tons in 1991, lower than in 1990 because of weather conditions in some producing countries. In Egypt, output rose from 966,000 tons in 1990 to 1.04 million tons in 1991. Over the same period, production increased from 618,000 tons to 648,000 tons in Morocco, while it declined from 527,000 tons to 500,800 tons in the Sudan. In Mauritius, production dropped again in 1991, down to 590,000 tons from 624,000 tons in 1990. Mauritius sugar production has been on a down trend since 1987 because of bad weather, including floods and drought. Moreover, with rapid industrialization, it is becoming harder to mobilize manpower to harvest the crop which now contributes only 7.2 per cent of export revenues. However, the Government has launched a five-year programme to modernize the industry with investment funds of R7.5 billion. In Swaziland, the 1991 season export receipts rose by 13 per cent to a record E451.4 million, up E52 million from 1989/90. Export values were enhanced by the weaker exchange rate of the Lilangeni against the major currencies used in sugar contracts. Sugar production for the 1991/92 season is expected to remain at the level of 142,468 tons realized in 1990/91.

The International Sugar Agreement average price declined from US cents 12.55/lb in 1990 to US cents 8.97/lb in 1991. The fall was mainly due to the large 1990/91 world crop, the absence from the international market of major buyers such as China and the USSR, and surplus supplies of Cuban sugar originally earmarked for the USSR and China. Prospects for a record world harvest in 1991/92 and a further build-up of stocks have continued to depress prices.

African tobacco production rose strongly in 1991: in Zimbabwe, the largest producer, there was a record crop of at least 160,000 tons, 19 per cent higher than in 1990. A poor harvest in Brazil contributed to raise prices substantially. In mid-August 1991, the average price was over \$Z 10/kg, a rise of 60 per cent on the price in 1990. The country earned \$Z 866 million (\$US 354 million) from export sales. In Malawi, 1991 was a bumper year for tobacco earnings. About 57,205 tons of tobacco was sold at an average price of K 8.19/kg for flue cured tobacco and K 6.69/kg for burley tobacco. These prices are around 30 per cent up on prices for the same period in 1990. Healthy profits in the tobacco industry are attracting investment. A new tobacco processing and marketing company, Centraleaf, has recently been established in order to create and exploit external markets. The quantity of small holder tobacco bought by ADMARC

substantially from 5.8 million kg in 1989 to 16.6 million kg in 1990, an increase of over 188 per cent.

The average price for tobacco in the international market increased from US cents 178.38/lb in 1990 to US cents 185.20/lb in 1991. The prospects of prices increasing even further looks bright as the world's major supplier of tobacco, Brazil, has been hit by bad weather.

Increased food production, the expansion of export crops and environmental protection were the main focus of agricultural development policies in Africa in 1991. In Rwanda, for example, incentives were provided for the intensive application of inputs such as fertilizers. In the Sudan, because of drought, more land was allocated for food crops like wheat and grains in the Gezira irrigated scheme, in order to compensate for losses in rain-fed agriculture and lessen dependence on food aid. As in the Sudan, Tunisia and Morocco continued to place a premium on irrigated agriculture. In the Libyan Arab Jamahiriya, the first phase of the Great Man-made River was completed, featuring a pipeline 430 km long carrying water into a giant 4 million litre reservoir from 100 underground wells at Tazerno and 125 at Sarir.

Price liberalization and institutional reforms constituted another major policy concern in 1991. In

Ethiopia, the Government policy appeared to promote privatization in the marketing of agricultural commodities with parastatals playing a progressively restricted role. In Zambia, the Government committed to the liberalization of marketing operations, raising producer prices for selected food crops, among other measures.

Licensing requirements were gradually phased out in Kenya, while in Mozambique, the role of marketing parastatals has been greatly reduced, with a substantial proportion of domestic production now being channelled through private traders. In the United Republic of Tanzania, marketing cooperatives have become independent of government control, while in Zaire, the rice-purchasing monopoly of the rice mills has been abolished.

The 1992 agricultural year has already started in many parts of the region. While it is reasonable to expect an average agricultural year in 1992, there are already disturbing reports about severe drought in Southern Africa. The countries most affected are Botswana, Lesotho, Malawi, Mozambique, Namibia and Zimbabwe, and some if not all of them will have to depend on massive imports of food, and the Government of Zambia has already declared that country a disaster area.

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IV. MANUFACTURING INDUSTRY

Structural constraints, such as heavy dependence on external inputs, the fact that many countries have had to allocate a large share of their external revenues to debt servicing, and large cuts in public sector investment, continued to hamper the growth of manufacturing in the region in 1991. In addition both the aftermath of the Persian Gulf crisis and war, and the widespread political turmoil and civil disturbances across the region during 1991 have further constrained industry. Available information points to a reduction of capacity utilization in 1991 which, in many cases, was around 45 per cent for the major subsectors of the manufacturing industry.

As shown in table VI, the share of manufacturing industry in Africa's total output remains very low, at an average of 10.5 per cent in 1989-1991 compared to 11 per cent in the 1988-1990 period. In 1990, the manufacturing sector had shown some early signs of recovery, recording a growth rate (MVA) of 2.1 per cent, compared to only 1.3 per cent in 1989. In the event, the growth rate of MVA dropped once again, increasing by only 1.3 per cent in 1991, a reversal to the 1989 growth level.

Within the overall regional average performance, however, the subregional growth patterns has been quite varied. In North Africa, growth in MVA was around 3 per cent in the 1990-1991 period, a significant improvement over the 0.7 per cent growth in 1989. Egypt and Morocco account for an average of 57 per cent of the manufacturing output of North Africa, hence developments in these two countries directly influence subregional performance.

Since 1989, there has been a sharp reduction in the growth rate of the manufacturing sector in Egypt from the 1980-1987 average of 10.4 per cent down to no more than 3.5 per cent in 1990-1991. The sector, which is dominated by public corporations, has experienced severe structural problems, but steps are now being taken to reform it and reduce direct government intervention. There has been very substantial growth of Egypt's textiles exports and under the country's current five-year plan, LE 12.26 billion are earmarked for investment in the industrial sector, with growth projected at 7 per cent per year in 1991-1992. In Morocco, where the growth of manufacturing declined in 1991 to only 2.6 per cent, the Government has modified the investment code to attract more foreign direct investment and improve the investment climate for domestic private capital. The manufacturing sector in the Libyan Arab Jamahiriya, dominated by small-scale processing of food, tobacco, wood, paper, textiles and soap, accounts for only 6 per cent of GDP and, in recent years, investment allocations to the sector have declined considerably, by 42 per cent in 1989-1990 dropping further in 1990-1991. Heavy investments in petro-chemical and steel complexes notwithstanding, manufacturing value-added declined by 3.3 per cent in 1990, compared to a growth of 7 per cent in 1989. In Algeria, the manufacturing sector may have recorded a fall in output of around 8 per cent in 1991 while capacity utilization was around 50 to 60 per cent.

In West Africa, the subregional outcome depends on performance in Nigeria, Senegal, Côte d'Ivoire and, to some extent, Ghana. These four countries, together, accounted on average for 85 per cent of subregional manufacturing output in 1989-1991. Despite implementation of structural adjustment programmes in the countries of the subregion, and the widespread privatization in progress, foreign direct investment was negligible in the subregion in 1990-1991. There has been little progress in manufacturing, its share in subregional GDP at 7.1 per cent in 1989-1991, compared to 7.0 per cent in 1980-1988. However, manufacturing value-added is estimated to have risen by 3.6 per cent in 1990 and 5.1 per cent in 1991. In Nigeria, which alone accounted for 58.5 per cent of total manufacturing output in the subregion in 1990-

Table VI Indicators of manufacturing sector performance in Africa (in percentage)

	Share of manufacturing in GDP (1980 prices)			MVA growth rates (1980 prices)		
	1989	1990	1991 ^{a/}	1989	1990	1991 ^{a/}
West Africa	7.1	7.1	7.2	2.0	3.6	5.1
Central Africa	12.9	7.9	11.3	-4.4	-1.2	-14.5
Eastern and Southern Africa	12.7	12.47	12.5	6.2	0.0	2.1
North Africa	11.9	11.9	11.9	0.7	3.2	3.3
LDCs ^{b/}	9.2	9.1	9.1	4.9	1.5	0.8
Oil-exporting	8.7	8.5	8.6	2.9	1.6	4.3
Non-oil exporting	13.7	13.8	13.5	-0.3	2.7	-1.8
Developing Africa ^{7.1}	10.6	10.5	10.4	1.3	2.1	1.3

Source: ECA secretariat.

^{a/} Preliminary

^{b/} With the inclusion of Zaire and Zambia in the list of LDCs, the number of LDCs in Africa is now 31. These estimates, however, exclude Zaire and Zambia.

1991, manufacturing value-added increased by 7.7 per cent in 1990 and 7.9 per cent in 1991. Overall capacity utilization in Nigerian manufacturing increased from 42 per cent in 1989 to around 50 per cent in 1991, mainly on account of greater intensity in the use of local raw materials. Manufacturing enterprises using locally sourced inputs achieved higher rates of capacity utilization averaging around 60 per cent, compared with the less than 30 per cent achieved by enterprises relying extensively on imported inputs, a good example of which is the Delta steel plant producing at about 15 to 20 per cent. In addition, the steep rise in industrial costs as a result of currency devaluation and deficit financing has tended to raise prices and depress demand. Many large-scale projects, including aluminium and steel plants, continued to be implemented in 1991. In Ghana, improved supply of industrial raw materials and essential inputs and new investments have contributed to recovery of the manufacturing industry. Still, the growth of the sector has been slower since 1988, dropping to only 0.6 per cent in 1989. The sharp rise in Ghana's oil import bill from \$US 160.9 million in 1989 to \$US 225.8 million in 1990 caught up with the manufacturing sector in 1991, and its growth rate declined to only 2.1 per cent.

In Eastern and Southern Africa, the growth performance in industry was adversely affected in 1990 and 1991 by the scarcity of foreign exchange resources for imported inputs. Manufacturing value-added posted a negative growth in 1990 and appeared to have recovered only slightly in 1991 with a positive growth rate of 2.1 per cent. In Mozambique's war-torn economy, industrial output dropped by almost 15 per cent in 1990 and grew only marginally in 1991. Since independence, civil war and economic destabilization have cost the country approximately \$US 20 billion or four times its external debt. With shrinking foreign exchange allocations and higher oil import bills, the manufacturing sector in Zambia has been in decline for most of the 1980s, with negative growth of 3.5 per cent in 1990 and zero growth in 1991. Zimbabwe alone accounts for an average of 24 per cent of the subregion's manufacturing output. The doubling of the country's oil import bill to \$US 382 million in 1990 adversely affected industrial output with MVA dropping from an increase of 4.3 per cent in 1990 to 2.1 per cent in 1991. The Government eased restrictions in 1991 to allow in more capital goods and equipment for retooling of industry, but this has not prevented the down-turn in industrial growth.

In Central Africa, political instability in Zaire severely disrupted economic activities and resulted in a steep decline of MVA by 25 per cent in 1991. A decision by Zaire's copper giant, Gecamines (GCM), to suspend some 100,000 tons or 45 per cent of its forward deliveries of copper in 1991 also placed a strain on the foreign exchange resources of the in-

dustrial sector. GCM turnover, estimated at \$US 1 billion, accounts for 45 per cent of the country's foreign exchange earnings and 60 per cent of the national budget. MVA in Cameroon declined by 5.8 and 2.9 per cent respectively in 1990 and 1991. There was a better performance in MVA in Gabon and the Congo in 1991 which, because of their small share, had little effect on subregional manufacturing output.

The declining trend in foreign direct investment in the African region continued in 1991. According to the IMF, only four of the twenty developing countries that accounted for 90 per cent of total net flows of \$US 143 billion in 1981-1990 are African countries - Egypt (\$US 9.4 billion), Gabon (\$US 0.6 billion), Nigeria (\$US 5.62 billion) and Tunisia (\$US 1.39 billion). Total foreign direct investment in Africa is small and on the decline in some individual countries. For instance, the net flow of foreign direct investment to Zimbabwe fell by an annual average of 6 per cent between 1985-1990, forcing a delay in the implementation of the country's industrial strategy of emphasizing capital goods and engineering industries.

In 1991 as in 1990, various industrial policy initiatives are being undertaken by regional and international financial institutions to stimulate industrial growth and, in general, make African industry more competitive in terms of operations and cost. In this respect, shift of emphasis towards small- and medium-size enterprise (SMEs) has appeared. Zimbabwe, for example, had set up a venture capital company, with an initial capital of \$Z 50 million, to buy minority share holdings in new and expanding small- and medium-size enterprises. By July 1991, the Zimbabwe Investment Centre (ZIC) had approved projects worth \$Z 2 billion, most of which are in manufacturing and mining. These projects are expected to yield \$Z 1 billion in additional export earnings and to create 40,000 jobs. The European Investment Bank (EIB) is providing ECU 6.8 million (\$5.2 million) in support of small- and medium-size enterprises in Malawi. A loan of ECU 6.5 million will go to the Reserve Bank of Malawi for on-lending to small and medium-size companies via the country's commercial banks and development finance institutions, while ECU 300,000 will be for equity investments of the Economic Community (EC) in the Investment and Development Bank of Malawi (Indebank). Indebank approved 19 projects in 1990 valued at K 25.9 million, a 38.5 per cent increase over 1989. The African Project Development Facility (APDF), an affiliate of the African Development Bank (ADB) that was established to provide assistance through the private financial institutions which support SMEs in Africa was also in operation in 1991, giving preference to projects which use domestic raw materials, create jobs, and are export-oriented and open to foreign investment. The International Finance Corporation (IFC), a World Bank affiliate was joined by

France's Banque nationale de Paris (BNP) in 1991 in financing a \$US 50 million scheme to make loans available in hard currency to small- and medium-size enterprises in Africa and Asia in the range of between \$US 2 million and \$US 6 million per loan. In 1991, projects were being financed in four African countries - Madagascar, Mauritius, Morocco and Tunisia. Also, the Meridian International Bank has created a private enterprise fund in 1991 to support small-scale enterprises in African countries. A start-up amount of \$US 10 million will be used to capitalize local financial services companies who will be required to support SMEs with investment thresholds as low as \$US 100,000, only taking up a stake of at least 10 per cent of their equity and providing them with leasing facilities, management and accounting services.

In conjunction with the investment incentives provided by African Governments to industrial development, export processing zones (EPZs) are being set up in a number of countries in the region to attract foreign investment and to promote export of manufactures. As long as they measure up to the rules of origin criteria, products manufactured in African EPZs are allowed to enter the EEC duty- and quota-free. Following the success of Mauritius, where the growth of the EPZ helped to raise the share of manufacturing in GDP from 15 per cent in 1979 to 22 per cent in 1990, other African countries, such as Botswana, Egypt, Kenya, Togo, etc., are taking steps to establish EPZs. By the end of 1991, Egypt had created seven industrial free zones in existing ports where land is leased to investors at low rates ranging from \$US 1.50 to \$US 2.0/m² for erecting factory buildings and between \$US 3.75 and \$US 5.00/m² for warehousing. In 1990-1991, 147 new projects were licensed in the free zones by the autonomous investment authority, GHIC. Among the incentives offered to investor is a 10-year tax holiday for firms in the new industrial zones and a flat rate of 5 per cent in custom duties on materials imported by the zones' industries.

In 1991, Togo commissioned a feasibility study for the construction of two pilot structures of 50,000 sq ft and 100,000 sq ft as part of a scheme to develop an EPZ site of 600,000 sq ft of industrial factory buildings. Botswana has launched the Selebi-Pikwe Regional Development Project (SPRDP), as an EPZ zone, with the objective of diversifying the economy away from the diamond industry. The wide range of incentives under the Government's Financial Assistance Policy (FAP) are unprecedented, as it includes capital grants towards the fixed cost of projects to a maximum of 65 per cent of capital investment or P 1,000 per citizen job created. Between 1988-1991, the SPRDP created 1,688 new jobs. At the end of 1990, almost P 109 million had been approved but P 59 million actually disbursed for 2,467 projects expected to provide 5,000 local jobs. In addition to the

manufacturing under-bond scheme launched in 1990, the Kenyan Government announced in June 1991 that it intended to establish an EPZ to boost manufactured exports and create jobs. As part of the implementation phase of the EPZ, the Government relaunched the Kenya External Trade Authority (KETA) in 1991, under which the export compensation scheme, started in 1974, will allow exporters to recoup up to 20 per cent of production costs. Also, as part of the investment incentive package, EPZ operators are allowed to retain all of the foreign exchange earned from exports. Kenya's EPZ has already started operations by exporting its first consignment of 500 kg of horticultural products.

Privatization and divestiture exercises continued on a wider scale in Africa in the 1990-1991 period. In the United Republic of Tanzania, the Government has outlined new measures to reform the parastatal sector, involving the phasing out of government subsidies, complete or partial privatization and liquidation of unprofitable enterprises. Egypt, through USAID, has contracted the services of a consulting firm to provide long-term technical assistance to the country's privatization programme. The Egyptian Government scrapped direct ministerial supervision of public enterprises in 1991 and established holding companies which will now hold shares up to a maximum of LE 20 million, depending on the size of the enterprises earmarked for privatization.

In Kenya, the Government declared in the 1991/92 budget its intention to reform strategic enterprises and sell off 138 non-strategic public sector enterprises through public offerings on the Nairobi Stock Exchange, private placements, managerial and employee buy-outs, and public auction in certain cases. In 1991, Zimbabwe started to overhaul its public enterprises to improve efficiency, increase accountability and cut the losses currently underwritten by the Government. Direct subsidies and transfers to state-run companies amounted to \$Z 650 million in the fiscal year 1989/90, up on \$Z 450 million in 1988/89. In the 1991/92 budget, there is an allocation of \$Z 598 million in subsidies to cover parastatal losses up to June 1991. Under Zimbabwe's 1990/91-1994/95 five year reform programme, it is planned to reduce subsidies to a maximum of \$Z 40 million by 1994/95. The country's privatization programme will include outright sale of shares and assets to the private sector, the issuance of leasing and management contracts and the contracting out of some services.

As revealed by the various economic recovery programmes and medium-term plans of African countries, the second Industrial Development Decade for Africa, 1991-2000 (IDDA II) is now being used as a benchmark for the preparation of national industrial strategies and policies. The aim of IDDA II, as with

IDDA I, is to develop an integrated, broad-based industrial sector in Africa with emphasis on entrepreneurial and skills development, small- and medium-size enterprises, food production and processing industries for food self-sufficiency and enhancement of production capabilities in construction materials, clothing and textile industries, and energy. The IDDA-II also retains the Lima target for Africa to attain a 1.4 per cent share of world industrial output by the year 2000.

The manufacturing industry in Africa is expected to share in the economic upturn and recovery that is forecast for the region as a whole in 1992, by growing

by about 7.0 per cent. This rather exceptional figure which, viewed against the background of performance during the last decade, appears somewhat upward biased, is predicted on the expected rebound of manufacturing activities in such countries as Zaire following the end of the riots of the past year. But, whatever happens, the greater likelihood is that there will still be a net improvement in manufacturing performance in 1991, with most economies in the region benefitting from better agricultural conditions and agro-industrial linkages, lower or stable oil prices and an improved international economic and financial environment.

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V. TRADE AND THE BALANCE OF PAYMENTS

World trade volume increased by only 1 per cent in 1991, compared to 4.3 per cent in 1990 and 7.0 per cent in 1989, reflecting the recession in the global economy and the dislocations caused by the Persian Gulf war. The fall in world demand implied by the slower growth of world trade directly affected developing Africa's external transactions. The value of exports decreased by 5.6 per cent in 1991, and with unit values down by 8.3 per cent, volumes increased by 2.9 per cent. The value of imports, on the other hand, increased 3.6 per cent with the volume of imports growing 2.4 per cent and unit values by 1.2 per cent. As a result, the terms of trade for African countries declined by a margin of 9.8 per cent, while the purchasing power of exports decreased by nearly 7 per cent. There was no change in Africa's share of world trade, African exports representing in 1991 a mere 2.2 per cent of world exports.

Table VII Indicators of the merchandise trade of African countries, 1989-1991 (annual percentage change)

	1989	1990	1991
Exports			
Value	15.8	24.6	-5.6
Volume	13.2	15.0	2.9
Unit value	2.3	8.3	-8.3
Imports			
Value	9.6	11.6	3.6
Volume	7	3.3	2.4
Unit value	2.4	8.0	1.2
Terms of trade	-0.1	0.3	-9.4
Purchasing power of exports	13.1	15.4	-6.7
Share of developing Africa in world trade	2.1	2.3	2.2

Source: ECA secretariat.

For the major African oil exporters, export revenues decreased by 9.7 per cent, the result of the drop of oil prices from a level of \$US 33.23 a barrel in the last quarter of 1990 to a level of \$US 18.30 a barrel in 1991. On average, oil prices declined by a full 17 per cent in 1991, so that export values went down despite a higher volume of oil exports. But, individual country performances have varied: the sharpest drop in export revenues was recorded in Nigeria (21.5 per cent), followed by Cameroon (17.8 per cent), Egypt (16.7 per cent), Libyan Arab Jamahiriya (10.2 per cent) and Algeria (3.6 per cent). In the Libyan Arab Jamahiriya, lower prices could not be compensated for because production had reached full capacity. Exports increases in such countries as Tunisia (9.0 per cent) reflect, besides oil, the performance of other export

products and of tourism during 1991. In the Congo (15.7 per cent) and Angola (8.2 per cent), oil production and exports rose simultaneously in 1991.

Table VIII Total exports of the major African oil exporters, 1989-1991 (in billions of dollars)

Countries	1989	1990	1991	Percentage change 1990-1991
Gabon	1.6	2.5	2.3	-7.8
Algeria	9.5	13.0	12.5	-3.6
Libyan Arab Jamahiriya	7.8	11.4	10.2	-10.2
Nigeria	7.9	13.7	10.4	-21.5
Tunisia	2.9	3.5	3.8	9.0
Egypt	3.8	4.6	3.9	-16.7
Congo	1.1	1.3	1.6	15.7
Cameroon	1.7	2.1	1.7	-17.8
Angola	3.0	3.7	4.0	8.2
Total	39.4	55.8	50.3	-9.7

Source: ECA secretariat.

Oil-importing countries' exports rose by 4 per cent in value, to around \$US 21 billion, or 29.5 per cent of total developing African exports. Given the fall in export prices, this would amount to a volume gain of around 2 per cent although available data are still too uncertain to make possible a precise estimation.

In the event, many countries seem to have experienced falls in export revenues during the year. In Morocco, export values at \$US 4.3 billion in 1990 dropped to \$US 3.992 billion or 6.4 per cent less in 1991. There were serious problems concerning the export of phosphates, which is a major export product, and the price of which rose substantially (+10 per cent). Côte d'Ivoire exports were set at CFAF 830.4 billion in 1991, a slight decline from the 1990 figure. In dollar terms, Côte d'Ivoire exports would seem to have dropped by 5.6 per cent in value but, in volume terms, they appear to have stagnated, unit prices declining by 3.1 per cent. Ghana seems to have again increased its exports in 1991, despite low cocoa prices. An important factor has been the country's booming gold industry, which has contributed some \$US 700 million in export revenues in 1991, a huge 50 per cent increase over 1990. In Kenya, exports rose 10 per cent in value in 1991, with declining coffee sales counterbalanced by more sales of tea and of horticulture products. Kenya seems to be in a good position to boost its horticultural exports to Europe, where it enjoys a strong position, and seems well placed to supply the market during the European winter.

African imports hardly changed in 1991, with a volume growth of only 2.4 per cent. Lower export revenues in a depressed world market, poor economic performance, and the situation of many countries hurt by civil strife, explain this outcome. In addition, debt-servicing requirements weighed heavily on current accounts, limiting the amount of export revenues available for financing imports. This was the case for example of Algeria which, in 1991, had to pay some \$US 8.2 billion or 68.7 per cent of forecast exports in interest and capital amortization. Other oil exporters, such as Nigeria, the Congo and Cameroon also face considerable debt repayments obligations which limit their import capacity at a time when higher imports are necessary for growth.

The world recession and the ensuing slowdown of world trade produced a sharp fall in commodity prices in 1991. African export values, which had risen sharply in 1990 by 8.3 per cent mainly because of the high oil prices prevailing after the outbreak of the Oersian Gulf crisis, declined by around 8.3 per cent. After a short-lived rise during the beginning of January, the price of crude oil fluctuated under and around \$US 20 a barrel for Brent crude which is close in quality to African crude. For other commodities, the ECA index, calculated on 1980 basis for a range of products which account for over 80 per cent of the value of non-oil exports, shows a fall of 3.5 per cent relative to 1990. This trend is confirmed by the United Nations index of primary commodities (excluding oil) which indicates that average prices declined by nearly 3 per cent in 1991 for the commodities exported by developing countries. A similar index calculated by the IMF on 1985 basis shows a larger drop of 4.6 per cent in 1991.

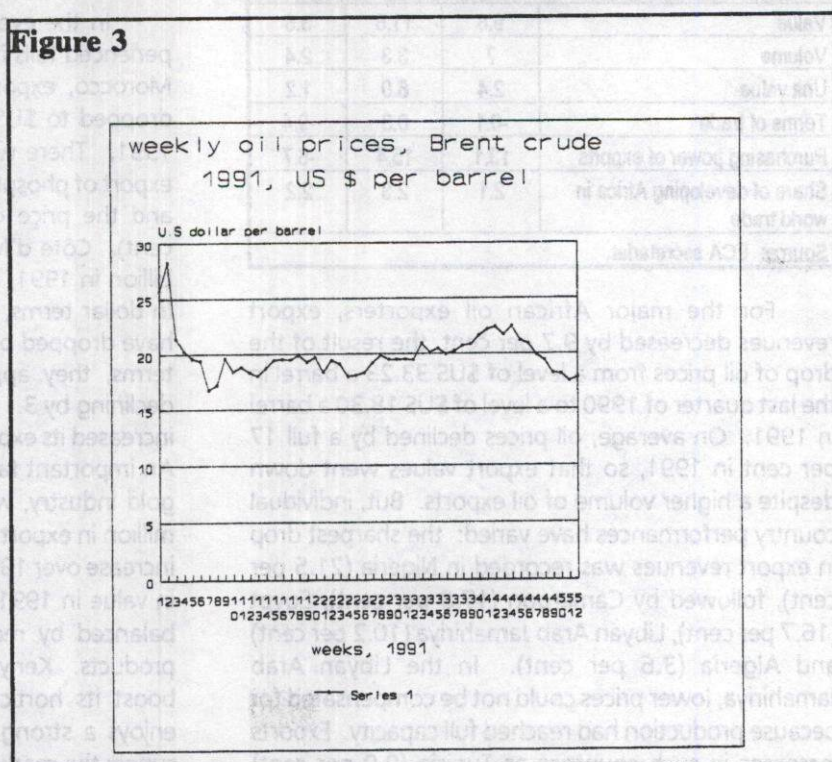
Beverages prices, which have been on a downward trend since 1988, reached very low levels in 1991, levels which in some cases had not been observed for the last 15 years or so. For cocoa and coffee, the over-supply in the market, which is burdened by huge stocks, continued to pull down prices, while the organizations entrusted with the regulation of the market, the ICCO and the ICO, failed either to conclude new agreements between producers and consumers or to renew old ones. The price of cocoa went down to US cents 54.1/lb, less than half the level of 1984. However, despite stock levels of 1.55 million tons at the end of September 1991, world surpluses are forecast to decline

in 1992 and this should boost prices significantly. Coffee prices were down to US cents 49.5/lb for Uganda coffee which is arabica coffee. This is only 48.76 per cent of the 1987 price level and, for robusta coffee, the decline has been even more severe. The International Coffee Organization has not been able up to now to conclude a new agreement, despite the optimism shown by producers at its latest London meeting in September 1991.

Metal and mineral prices are on a downward slope, as the recession in industrialized countries depress demand. For copper, the most important metal export of Africa, prices went down by 12 per cent, despite lower supplies from Zaire. The disturbances in that country boosted the price of cobalt which, at some point in the last quarter of 1991, was selling at \$US 30/lb because of the interruption of Zaire's shipments. But, with the exception of iron ore, most metal and metallic ore prices went down, the United Nations index showing a huge 14.1 per cent decline on average in 1991. The price of phosphate was significantly higher in 1991, showing a rise of 10.9 per cent relative to 1990. Since 1987, the total rise in phosphate prices is of the order of 36.5 per cent.

Cotton price went down in 1991, after growing rapidly since 1988. Bumper crops in the United States and China, the major world producers, are the cause of this development. Sugar prices on the free market were affected by a production supply of about 1 million tons. Prices have declined in 1991 to around US cents 9/lb from US cents 12.5/lb in 1990 and US cents 12.8/lb in 1989. Prospects for 1992 are bleak,

Figure 3



with a forecast of further oversupply. However, most African exporters are selling their sugar on the organized market only, for example, the EEC market, where import prices have risen to US cents 17.55/lb in 1991, three times the free market level.

The recession in the world economy has not been accompanied by a burst of inflation. Export prices of the main partners of Africa have increased only moderately. For OECD countries, export prices denominated in national currency were on average less than 1 per cent higher in 1991 than in 1990. In fact, import values for African countries increased by only 1.2 per cent in 1991, much less than the 8.0 per cent recorded in 1990. For food, which is a major import item in Africa, prices went down because of record crops in 1990. For the 1990/91 season, African cereal imports reached 30 million tons from 26.1 million tons in 1989/90, while average prices went down both in 1990 and 1991.

Figures concerning the balance of payments are only approximate and indicate only the broad trends in the main accounts. In 1991, of course, the trade deficit was higher since exports decreased and imports rose. The deficit, which was around \$US 2.5 billion in 1990 (from a huge \$US 9.3 billion in 1989), has grown to \$US 7.3 billion in 1991. But the deficit in services has apparently declined in 1991 to \$US 19.3 billion from \$US 22.6 billion in 1990, while official transfers have risen to \$US 11.5 billion, compared to \$US 10.6 billion in 1990. On the other hand, private transfers have contracted to \$US 6.2 billion in 1991, losing \$US 1.8 billion in 1990 partly as a result of the loss of expatriate earnings and remittances from the Gulf area where a large number of Egyptians, Sudanese and other nationals from North and Eastern Africa were employed before the Persian Gulf crisis.

BOX 2

AFRICA AND THE URUGUAY ROUND OF TRADE TALKS

The Uruguay Round of Trade Negotiations is the most comprehensive round ever launched by GATT. Apart from promoting the liberalization of trade in manufactures, which was the main objective of previous rounds, the present round aims to bring trade in agriculture and textiles within GATT rules and disciplines. More significantly, it embraces a number of new areas - services, trade-related investment measures (TRIMs), and trade-related aspects of intellectual property (TRIPS), which had not been covered in previous GATT rounds. Another new issue is the functioning of the GATT System (FOGS), which seeks to enhance GATT surveillance of trade policies, and establishes a new system of cooperation with international financial institutions to achieve greater coherence in global economic policy-making.

Several elements in the evolving agreements presented to the Trade Negotiating Committee in the form of a draft Final Act in December 1991 are of particular interest to African countries. For example, reduction of support for agricultural production in the developed countries, particularly in the European Community, could lead to higher prices for non-concessional food imports. Furthermore, African countries could find it more difficult to provide needed support for their own agricultural sector without running afoul of GATT rules. On the other hand, a number of African countries could benefit from increased agricultural exports, such as beef - that is, if they can overcome the more stringent regulations on phyto-sanitary standards that may be part of the new agreement. While many African countries could also benefit from tariff reductions on tropical products, the calculation is that they may be at a net disadvantage because the general extension of liberalization to other developing countries will erode the margin of preference that African countries enjoy at present under the Lome Convention.

It is particularly in the new areas of services TRIMs and TRIPs, where the developed countries are dominant and African countries are particularly weak, that there is special cause for concern. For example, while increased international competition in these services could lead to lower prices in the service markets (e.g., lower borrowing costs and better shipping and insurance rates), from which African countries could benefit, the budding service industries in African countries could be adversely affected, and developing countries could lose control of the financial sector of their national economy.

The lumping together of the various issues for negotiation in a single Final Act, to be administered by an umbrella organization - the Multilateral Trade Organization - poses a number of problems for African countries, in particular the possibility of cross-retaliation between, for example, trade in goods and trade in services, or between these and policies on TRIMs and TRIPs.

Developed countries have stressed that, on the whole, developing countries would benefit from lower prices which would result from greater liberalization of trade and services, but this has not allayed the concern of developing countries that their infant service industries will be strongly affected by increased liberalization and perhaps dumping, that their freedom to provide subsidies for their agricultural sector will be severely constrained, that several TRIM measures that they have so far used to increase the contribution of industries to their national development (such as those designed to encourage the use of local materials in manufactures or to export a fixed proportion of output), will now be difficult to maintain. In particular, the obligation to afford national treatment to multinationals would allow foreign companies to become dominant in weak domestic economies with struggling infant industries. Similarly, the new TRIPS agreement, which the developed countries want to use to stop the counterfeiting and piracy of ideas, will mean that African countries will have to pay systematically more for the use of patents and copyrights, a development that will severely constrain their access to technology.

These fears have not been fully allayed by the special provisions for developing countries, and the least developed among them, in the draft Final Act.

If the final agreement emerges more or less as presented in the draft, it will open a whole new chapter in the history of international trade. It will call for considerable effort by the developing countries to ensure that their development interests are closely safeguarded.

The upshot has been a rise in the current account deficit, which is provisionally set at \$US 8.9 billion. This is \$US 2.2 billion larger than the 1990 figure, but still only half the 1989 level. It implies a rise in the flow of

resources to the region, either through investment or through higher debt accumulation. In any case, IMF data shows a rise in Africa's total reserves from SDR

17,284 million at the end of 1990 to SDR 19,263 million in September 1991.

There are as yet no figures on resource flows for the year 1991. From the balance-of-payments data however, which are only approximate, it can be seen that official transfers increased by 8.4 per cent in 1991, which may be an indication of more external resources being available to the region as implied by the current account deficit itself. From data published by OECD for the year 1990, it appears that there has been an upward trend in net resource flows to developing countries since 1987. For 1990, total net flows to developing countries have been \$US 144.2 billion, a 17 per cent rise in current terms and 4.5 per cent in

real terms. For Africa, the same data show total flows of \$US 32 billion in 1990, but the flows stagnating since 1988 and lower in real terms than in 1982.

According to OECD, official development assistance (ODA) represented 87.5 per cent of net resource flows to Africa in 1990, while export credits and private flows account respectively for only 3.1 and 9.4 per cent; in particular, NGO assistance, which represented only \$US 0.8 billion in 1982, had risen to \$US 1.4 billion in 1989, while direct private investment and loans had, together, contracted from \$US 4.8 billion to only \$US 0.4 billion. These trends clearly demonstrate the magnitude of the shift of private capital flows out of Africa.

(SDS 15.7 billion) and the debt-service ratio declined by 1.0 percentage points. This contrast with sub-Saharan Africa where most economies incurred losses from the rise in oil prices and poor performance prevented an improvement in the indicators. Sub-Saharan Africa's debt ratio, the highest in the world, remains at an unsustainable 81.1 per cent while the debt-service ratio, though lower than in 1988 when it amounted to 26.4 per cent, rose to 21.2 per cent in 1991 from 20.9 per cent in 1990.

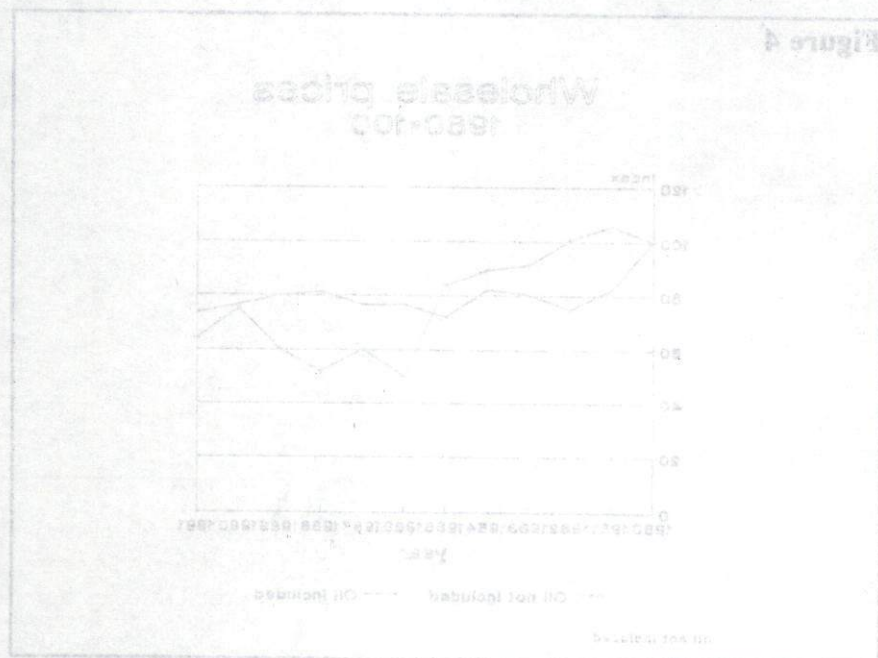
The debt structure in Africa has not changed over the past five years. Long and medium-term obligations account for 85 per cent of the total volume, while short-term debt, mostly interest arrears, makes up the difference of 14 per cent. The outstanding long- and medium-term debt decreased to \$US 228.3 billion in 1991 from \$US 229.3 billion in 1990 as a result of the sharp 8.3 per cent reduction in private lending. In contrast, commitments to official bilateral and multilateral creditors increased by \$US 3.8 billion to reach \$US 125.6 billion. The share of multilateral and bilateral creditors in the total debt is predominant in

external debt, amounting to 51.1 per cent, the main reason for the apparent decline which was limited to North Africa. Taken as a whole, the countries of North Africa recorded successive declines of 5.1 and 3.3 per cent in 1990 and 1991, in their external commitments, but individually, and with the exception of Egypt whose outstanding debt decreased from \$US 52 billion in 1988 to \$US 32 billion in 1991, the commitment of the countries of the subregion increased, by 1.8 per cent in the case of the Libyan Arab Jamahiriya and 28.3 per cent in the Sudan. Algeria and Morocco faced new difficulties in honouring their debt obligations while the Sudan has virtually ceased paying either the principal or interest due on foreign debt. In sub-Saharan Africa, which accounts for most low-income and severely indebted countries (23 out of the 28 in the developing countries as a whole), no improvements whatsoever have been observed.

On the contrary, the volume of commitments in sub-Saharan Africa increased slightly by 1.3 per cent in 1991, rising from \$US 128.4 billion to \$US 130.4 billion. While disbursements of new loans increased

by 9.4 per cent, actual debt-service payments increased by 2.3 per cent. If interest arrears on long-term obligations, which account for about one quarter of the short-term debt, are taken into account, a considerable and growing gap appears between new borrowing and payments due. And the obvious implication for sub-Saharan Africa is that the negative effects of payment arrears on the increasing debt volume have hardly been attenuated by the many measures taken so far by donors to restructure and reduce debt and debt servicing.

Africa's debt burden remains heavy, accounting for



VI. EXTERNAL DEBT SITUATION IN 1991

According to preliminary estimates, Africa's external debt as of late 1991 stood at \$US 275.1 billion. Compared to 1990, the volume of contractual debt obligations diminished by about \$US 1.9 billion, a slight contraction of 0.7 per cent. However, this development should not be construed to mean that Africa, on the whole, benefitted to the same extent as other developing countries from the specific debt-relief measures undertaken by official bilateral and private creditors in 1990-1991. The restructuring of Egypt's external debt, amounting to \$US 28 billion, was the main reason for the apparent decline which was limited to North Africa. Taken as a whole, the countries of North Africa recorded successive declines of 5.1 and 3.3 per cent in 1990 and 1991 in their external commitments, but individually, and with the exception of Egypt whose outstanding debt decreased from \$US 52 billion in 1988 to \$US 35 billion in 1991, the commitments of the countries of the subregion increased, by 1.8 per cent in the case of the Libyan Arab Jamahiriya and 28.3 per cent in the Sudan. Algeria and Morocco faced new difficulties in honouring their debt obligations while the Sudan has virtually ceased paying either the principal or interest due on foreign debt. In sub-Saharan Africa, which accounts for most low-income and severely indebted countries (23 out of the 26 in the developing countries as a whole), no improvements whatsoever have been observed.

On the contrary, the volume of commitments in sub-Saharan Africa increased slightly by 1.2 per cent in 1991, rising from \$US 158.4 billion to \$US 160.4 billion. While disbursements of new loans increased by 9.4 per cent, actual debt-service payments increased by 5.3 per cent. If interest arrears on long-term obligations, which account for about one quarter of the short-term debt, are taken into account, a considerable and growing gap appears between new borrowing and payments due. And the obvious implication for sub-Saharan Africa is that the negative effects of payment arrears on the increasing debt volume have hardly been attenuated by the many measures taken so far by donors to restructure and reduce debt and debt servicing.

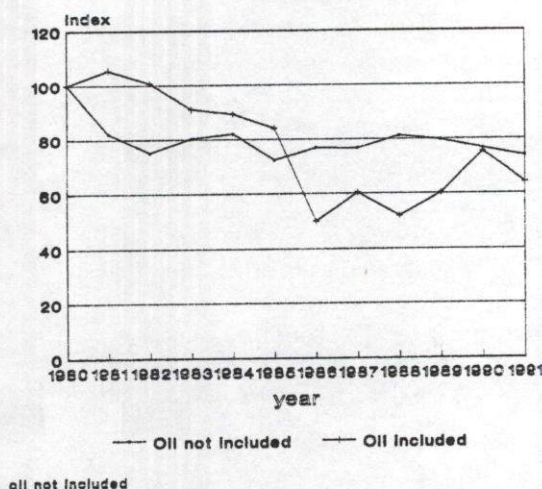
Africa's debt burden remains heavy, accounting for

72.8 per cent of regional GDP while actual debt service, which rose from \$US 25.7 billion in 1990 to \$US 26.3 billion in 1991, absorbed 27.5 per cent of export earnings. The pattern of the debt indicators for North Africa and sub-Saharan Africa does not always accurately reflect however the situation of certain individual or groups of countries. In North Africa, where the Libyan Arab Jamahiriya and Algeria made exceptional gains from the Persian Gulf crisis windfalls, the debt burden of Egypt was relatively eased, with debt service remaining at the same level as in 1990 (\$US 15.7 billion) and the debt-service ratio declined by 1.6 percentage points. This contrasts with sub-Saharan Africa where most economies incurred losses from the rise in oil prices and poor performance prevented an improvement in the indicators. Sub-Saharan Africa's debt ratio, the highest in the world, remains at an unsustainable 81.1 per cent while the debt-service ratio, though lower than in 1988 when it amounted to 26.4 per cent, rose to 21.2 per cent in 1991 from 20.9 per cent in 1990.

The debt structure in Africa has not changed over the past five years. Long- and medium-term obligations account for 86 per cent of the total volume, while short-term debt, mostly interest arrears, makes up the difference of 14 per cent. The outstanding long- and medium-term debt decreased to \$US 228.3 billion in 1991 from \$US 229.3 billion in 1990 as a result of the sharp -8.3 per cent reduction in private lending. In contrast, commitments to official bilateral and multilateral creditors increased by \$US 3.8 billion to reach \$US 175.6 billion. The share of multilateral and bilateral creditors in the total debt is predominant in

Figure 4

Wholesale prices 1980=100



sub-Saharan Africa (82.6 per cent of total debt), in contrast to North Africa where private creditors account for 25 per cent. In 1991, sub-Saharan Africa has been the main recipient of donor grants amounting to \$US 6 billion, \$US 3.8 billion of which came from multilateral institutions and \$US 2.2 billion from governments.

Table IX Africa's external debt and debt service, 1988-1991

	1988	1989	1990	1991*
Total external debt (in billions of dollars)				
Developing Africa	256.1	265.9	277.0	275.1
North Africa	122.2	125.0	118.6	114.7
Sub-Saharan Africa	133.9	140.9	158.4	160.4
Debt service (in billions of dollars)				
Developing Africa	22.8	23.8	25.7	26.3
North Africa	12.9	14.4	15.7	15.7
Sub-Saharan Africa	9.9	9.4	10.0	10.6
Gross domestic product (in billions of dollars)				
Developing Africa	355.2	341.6	348.6	377.7
North Africa	194.7	177.2	156.7	179.9
Sub-Saharan Africa	160.5	164.4	191.9	197.8
Exports of goods and services (in billions of dollars)				
Developing Africa	83.8	82.0	91.9	95.7
North Africa	45.6	40.4	43.6	45.6
Sub-Saharan Africa	38.2	41.6	48.3	50.1
Ratios (in percentage)				
Ratio of debt to GDP				
Developing Africa	72.1	77.8	79.5	72.8
North Africa	62.8	70.5	75.7	63.8
Sub-Saharan Africa	83.4	85.7	82.5	81.1
Ratio of debt to goods and services exports				
Developing Africa	305.6	324.3	301.4	287.5
North Africa	268.0	309.4	272.0	251.5
Sub-Saharan Africa	350.5	338.7	328.0	320.2
Ratio of debt service to goods and services exports				
Developing Africa	27.2	29	28	27.5
North Africa	28.3	35.6	36	34.4
Sub-Saharan Africa	25.9	22.6	20.7	21.2
Sources: OECD, 1990, Survey; IMF WEO, May 1991; ECA, data base; WDT 1991-1992; MEED, 1991; various sources.				
(*) preliminary estimates				

As the lack of access of low-income sub-Saharan African countries to financial markets has been accompanied by a rapid withdrawal of commercial loans over the past 10 years, their only recourse as they embarked on economic reform programmes is official development assistance. However, the financial needs of the countries of the former socialist countries of Eastern

Europe should inevitably severely strain the public resources allocated for development assistance, which are limited and inadequate to meet all needs. This imbalance between limited resources and increasing financial demands could lead to resource allocation criteria, which would penalize countries such as those in sub-Saharan Africa.

The debt-rescheduling activities undertaken in 1991, together with the joint interventions of the IMF and the World Bank, within the framework of special support programmes for reform and balance-of-payments programmes, were limited in scope, compared to those of 1990. A new formula for supporting the efforts of low-income countries was drawn up in 1990 by the IMF. The Rights Accumulation Programme is designed to enable countries with loan arrears to the IMF pay up those arrears and restore their credibility with the multilateral and bilateral creditors. Zambia, the first and only country in the continent to have benefitted from that arrangement, was able to mobilize only \$US 650 million in 1991, the first year of the three-year programme, out of its total arrears to the IMF of \$US 1.4 billion. The system, essentially similar to the debt conversion or buyback scheme applied to Madagascar in 1990 and recently used to restructure the Niger's commercial debt, simply involves certain donors making the necessary funds available to the country concerned. But there are two problems in the generalization of such a measure: first, whether donor countries are ready to contribute to the buyback of the loans the arrears; and, second, the ability of the debtor countries to convince donors and secure their commitments to the transactions. And, as admitted in the World Bank debt tables and accompanying notes,¹ the measures still do not fully address the specific problems of an increasing number of countries, such as Mozambique, Somalia and the Sudan whose ratio of debt (excluding the concessional element) to export earnings is higher than 1,000 per cent.

With regard to debt rescheduling, new agreements have been signed with the public and private creditors during 1990. For the category of low-income countries, the Paris Club has restructured the loans from public sources for Burkina Faso and Egypt in the amount of \$US 71 million and \$US 21.2 billion respectively. The Niger, Nigeria and Mozambique have concluded agreements based on various formulas with commercial banks. The Niger (\$US 108 million) and Mozambique (\$US 23 million) were the first countries to use the World Bank's IDA Debt Reduction Facility which is a debt refinancing fund for countries eligible

1 World debt tables, 1991 to 1992, p.8.

for the International Development Association (IDA) programme.

Among middle-income countries, Senegal was the only country, at the end of September 1991, to have successfully negotiated the rescheduling of its \$US 150 million public debt according to the menus of the Toronto Plan. There was one ray of hope however from the G7 Summit held in Houston in July 1991, which not only recognized debt to be a major obstacle to growth, but invited the traditional creditors of the Paris Club to extend the current reduction schemes to middle-income countries on the basis of quite diversified modalities. These measures, known as the Houston terms, could be applicable to the Congo, Côte d'Ivoire and Gabon.

In 1991, the strategy for dealing with Africa's debt generally adhered to the logic of the Toronto Plan, even if quite new measures were applied to Egypt's debt. The predominance of arrangements provided for under the Toronto Plan would seem to be justified by the huge debts of the continent's low-income countries. But such a view is partial and certainly does not take into account debts owed to private sources whose role is far from negligible. It should be pointed out that since 1988, the Toronto Plan has been substituted for the initial negotiation framework that the Paris Club had hitherto presented to low-income countries that were heavily indebted to public bilateral and multilateral creditors. The number of options as well as the rescheduling period have increased. Similarly, since 1990, the benefits of some of these provisions have been extended to middle-income countries.

There has been, therefore, no significant debt relief for Africa 1991. It is well known that since 1990, new proposals have been made; for instance, those by Mr. John Major, the then British Chancellor and now Prime Minister, in Trinidad, and those by the Dutch Minister for Overseas Cooperation, Mr. Jan Pronk, at the 1990 United Nations Conference on Least Developed Countries held in Paris. These proposals showed that donors are gradually moving towards the "African Common Position on Africa's External Debt Crisis". Unfortunately, they are still meeting considerable opposition; hence, the strong appeal of the United Nations Secretary-General, at the United Nations special session of December 1991, for an urgent solution to the problem. On that particular occasion, he proposed, in particular, the cancellation of bilateral debts and the reduction of private debts owed by low-income and heavily indebted African countries. Other views have also been expressed: the Conference of Finance Ministers of Commonwealth member countries, held in Zimbabwe in October 1991, insisted on the urgent need to implement the Trinidad Provisions and to extend to other countries the debt-reduction measures already applied to Egypt and Poland. Furthermore, during the October 1991 IMF General Assembly in Bangkok, the Director General of the International Monetary Fund pleaded with the G7 countries to make greater efforts for the debt relief of the poorest countries, and not only for those which have honoured their commitments without rescheduling or revision. These various positions show a convergence of views on the problem, and need only to be implemented to make a real impact on the African debt problem.

VII. THE SOCIAL SITUATION

The devastating economic crisis of the 1980s has left Africa with a legacy of widespread deterioration in social and human conditions. According to the UNDP Human Development Report (1991) sub-Saharan Africa, on the average, exhibits the lowest human development index (HDI) in the world. It is commonly agreed that human development is a necessary condition for sustained and sustainable socio-economic development. As reiterated in the United Nations New Agenda for the Development of Africa in the 1990s, adopted by the United Nations General Assembly in December, there must be:

"special attention to human development and increased productive employment...rapid progress towards the achievement of human-oriented goals by the year 2000 in the areas of life expectancy, integration of women in development, child and maternal mortality, nutrition, health, water and sanitation, basic education and shelter."

Democratization, poverty alleviation and the inseparable links between a viable environment and social development policies are also integral to human development and long-term growth and development.

In 1991, the health sector in Africa, with its predilection towards curative services, continued to face daunting problems. The amount of financial input required to provide acceptable levels of health services and medicines is presently beyond the paying capacities of governments. Also, the major bottle-

necks in the health sector remain unchecked and in many cases are cascading toward greater complexities. Among the major indicators of health sector underdevelopment are unacceptably high levels of infant, child and maternal morbidity and mortality rates. Poor health status of the African population is exacerbated by an unsanitary environment, inadequate application of the United Nations Expanded Programme of Immunization (EPI) against the six major killer diseases of children. Available data indicate that the above problems can be easily checked if the political will were there. For example, UNICEF (1991) points out that malnutrition, which ramifies into many areas of children's health "...can now be prevented at low cost...and governments willing to make that effort now have effective and affordable measures to make it happen". Likewise, diseases like diarrhoea - one of the major causes of death among African children - can be controlled effectively, and at a relatively little cost, by widespread application of oral rehydration therapy (ORT) and by the provision of safe drinking water. The latter, argues UNDP (1991), could be provided (as has been done in India) from deep wells "...for capital costs of less than \$ 1.00 per user per year - with operating and maintenance costs of \$ 0.10 per user. Similar low costs have been achieved in programmes in Ghana and Malawi." To transform the African health landscape in the 1990s, the social development policy agenda must give the highest priority to universal and free primary health care (PHC), paying particular attention to maternal and child health (MCH) and the containment of the HIV/AIDS pandemic.

The decline in gross enrolment ratio of the first level, precipitated by the socio-economic crisis of the 1980s in sub-Saharan Africa, continues into the 1990s. Consequent to structural adjustment regimes, there has been an increase in the private costs of education resulting from a widespread introduction of school fees, a deceleration in the rate of growth of government expenditure allocation to education and a rise in educational costs generally. The result has been increased attrition rates, especially among female students, qualitative decay, not only in learning but also in physical equipment, and tight and/or irregular attendance of qualified teachers. All these factors have conspired to make education inaccessible to the poor who represent such a major part of Africa's population and on whom much of the future productivity increase for recovery depends. As UNDP (1991) points out, "the education increases people's capabilities - and can thus improve the income and welfare of the

In 1991, the provision of basic education, which is central to the improvement of the human condition, continued to present a dismal picture. For example, UNESCO (1991) projects that the global literacy rate would have risen to more than 75 per cent before the year 2000. However, in sub-Saharan Africa, this figure will be only 59.7 per cent. For the LDCs, most of which are in Africa, a figure of 49 per cent is projected. While the total global number of illiterate people is expected to decline in the 1990s, from 948 million in 1990 to 932 million by the year 2000, the number of illiterate people in sub-Saharan Africa will continue to rise, due to low participation rates that have characterized the education sector in the past. Currently, 70 per cent of the adult population remains illiterate, 80 per cent in rural Africa, causing people's capacity for utilizing modern development to remain low, in addition to limiting their chances of improving their welfare and that of society at large.

BOX 3

AIDS PANDEMIC AND ITS IMPLICATIONS FOR AFRICA'S SOCIO-ECONOMIC DEVELOPMENT IN THE 1990s

According to the latest estimates by the World Health Organization (WHO) (January 1992), there are 10 to 12 million adults and children infected with HIV worldwide, resulting in 2 million AIDS cases. At this rate, by the year 2000, WHO estimates that "cumulative totals of 30-40 million men and women will have been infected, and 12-18 million will have developed AIDS...". In sub-Saharan Africa, HIV/AIDS is increasing at a phenomenal rate. Thus, despite weak epidemiological surveillance, the number of cumulative AIDS cases reported to WHO by African countries, in 1991 and early 1992, was 129,270 compared to 42,167 for the period 1979-1988". Underreporting, for various reasons, is thought to be rampant, but WHO estimates nevertheless that the number of people currently infected with HIV in Africa is over 6 million. As many as one-third of pregnant women attending some identified urban antenatal clinics are HIV-infected. As a result of this, WHO now projects that 5 to 10 million HIV-infected children will have been born in Africa by the year 2000. In some countries, "child mortality rates, which had been substantially reduced during the past decade by successful immunization and other childhood survival programmes, are again rising to their 1980 levels because of childhood deaths from AIDS", says WHO. Life expectancy at birth will actually drop by 5 to 10 per cent in those African countries where the prevalence of HIV infection is already high, instead of rising by the 20 per cent projected by the year 2000, in the absence of AIDS.

The AIDS pandemic aggravates the health crisis in Africa, as it puts enormous pressure on the extremely limited and rapidly deteriorating health infrastructure. UNICEF estimates that during the 1990s more than 10 million children worldwide will be orphaned, and most of these will be in Africa, thereby imposing incalculable and unprecedented socio-economic and psychological burden on individuals, the extended family system and society. In some Eastern and Central African countries, where the HIV/AIDS pandemic has spread at staggering rates, more than half of all hospital beds are being occupied by AIDS patients or HIV-related complications, and the indications are that the care for AIDS victims would claim up to half of all national expenditure for health in high prevalence countries in Africa if the needs of AIDS patients were to be fully met. There is evidence also to indicate that the system of information, education, and communication (IEC) in Africa has not had the desired impact on HIV/AIDS prevention. Among other reasons, the advent of the AIDS pandemic coincided with Africa's socio-economic crisis, in which the education budget of many countries was being cut by more than 50 per cent. Denial, complacency and stigmatization of infected persons have combined to impede prevention and control efforts in Africa, and there is need for aggressive social mobilization, centred on community participation, with local community opinion leaders being central to the process, if the pandemic is to be effectively brought under control.

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The decline in gross enrolment ratio at the first level, precipitated by the socio-economic crisis of the 1980s in sub-Saharan Africa, continues into the 1990s. Consequent to structural adjustment regimes, there has been an increase in the private costs of education resulting from a widespread introduction of school fees, a deceleration in the rate of growth of government expenditure allocation to education and a rise in educational costs generally. The result has been increased attrition rates, especially among female students, qualitative decay, not only in learning but also in physical equipment, and flight and/or irregular attendance of qualified teachers. All these factors have coalesced to make education inaccessible to the poor who represent such a major part of Africa's population and on whom much of the future productivity increase for recovery depends. As UNDP (1991) points out, "free education increases people's capabilities - and can thus improve the income and welfare of the

country as a whole". Social development policy on education must therefore aim, in the 1990s, at increasing literacy rates and gross enrolment ratios. In particular, special attention must be directed to gender parity in terms of primary school enrolment, as this has far-reaching ramifications for long-term socio-economic transformation. For instance, there is an inverse relationship between female education and high fertility levels, the latter causing severe imbalances between social infrastructure and the population. Also, given the present and foreseeable socio-economic realities in Africa, education at all levels should emphasise the orientation to self-reliance, self-employment and the acquisition of basic skills. Also, the development of entrepreneurship is fostered by adult literacy programmes where numeracy training is appreciated by the vast majority of petty traders and rural women who form the majority of impoverished populations.

With total overall productive employment expanding at 2.4 per cent per annum, while the African labour force expands at 3.2 per cent per annum, the unemployment situation in Africa worsened further in 1991. The employment prospects for the 1990s remain bleak. According to the ILO/JASPA African Employment Report (1991), "the employment situation will deteriorate further during the 1990s. Employment will expand fastest in the informal sector (3.5 per cent per annum) followed by the rural sector (2.5 per cent per annum) and the modern sector (2.0 per cent per annum). The two most important labour absorbers during the 1990s will continue to be the rural and informal sectors, generating 71 and 23 per cent respectively of all new jobs. The modern sector is unlikely to generate more than 6 per cent of the jobs required in the future." The number of urban unemployed in Africa is expected to triple during the 1990s, rising from about 14 million to 44 million, the urban unemployment rate to increase from 18 per cent to 31 per cent. It is against this background that African Heads of State and Government at their OAU summit in Abuja (June 1991) passed a Declaration on the employment crisis in Africa, calling on African Governments, *inter alia*, to adopt more employment-intensive development strategies, and for African Governments and external donors to allocate a greater proportion of their resources in support of human resources development and utilization programmes.

A significant improvement in the social situation in Africa in the 1990s would require the articulation of a national social policy in each African country and its vigorous implementation within the framework of integrated socio-economic development policies and programmes. Elements of such a national social policy can be derived from important decisions adopted by African leaders, and the international community in 1991 such as the OAU Declaration on the Employment

Crisis in Africa (Abuja, June 1991), the resolutions of the Conference of Ministers responsible for Human Resources Planning, Development and Utilization (Addis Ababa, November 1991) and the United Nations New Agenda for the Development of Africa in the 1990s (New York, December 1991). Implementation of the decisions in the above documents has barely begun, and therefore needs to be pursued with determination and vigour by all concerned, especially authorities responsible for economic and social planning. The African Charter for Social Action adopted by ECA/OAU Ministers responsible for Social Affairs (Arusha, October 1989) contains most of the elements propounded by the human development approach, such as education and literacy, health, employment, participatory development, etc. Although some progress has been achieved in the implementation of the Kilimanjaro Plan of Action (Arusha, 1984) on population policy in Africa, much remains to be achieved. If Africa is to honour its new compact with its own peoples and the international community, as promised in the New Agenda in relation to human development and place African development on a firmer and sustainable foundation for the 1990s, then vigorous implementation of national social policies must be accorded the highest priority.

The democratization process is one crucial element of national and social policy in Africa. Peaceful and democratic participation by the African public has been highly emphasized as a prerequisite for programmes designed to enhance human development. Various conventions on human rights adopted in Africa and the international community have been encapsulated in the African Charter for Popular Participation in Development and Transformation, which defines the rights and obligations of people and their organizations as well as of governments and bilateral institutions in the development process in Africa. Participatory development is expected to lead towards putting these international conventions and programmes into practice. The African commitment to democratization and popular participation enshrined in the African Charter has been renewed in the New Agenda.

There has been significant progress in the march towards democratization in the African continent in the 1991-1992 period even though substantial problems remain. During November 1991, the exemplary election in Zambia led to a peaceful transfer of power and Nigeria successfully and peacefully completed its first phase of a transfer of power to civilians through assembly and gubernatorial elections at state government levels. Also in 1991, peaceful transfer of power through elections were accomplished in Benin, Cape Verde, Guinea-Bissau and Equatorial Guinea. There is now an increasing commitment to pluralistic and competitive democracy and free elections offering

greater choices and more freedom of speech, association and movement. Some of the countries which have now embraced multi-party democracy and free elections in 1991-1992 include Kenya, the United Republic of Tanzania, Comoros, Seychelles, Ethiopia, Uganda, Cameroon, Rwanda, Burundi, Mauritania, Mali and Sierra Leone. In Ghana, a clear process of

political reform leading eventually to multi-party elections is firmly in place. These developments confirm that Africa has largely accepted to move towards the direction of democratization. The challenge now is to ensure that the process of democratization is peaceful and sustainable.

Figure 5

Coffee, Cocoa & Tea price U.S cents per lb

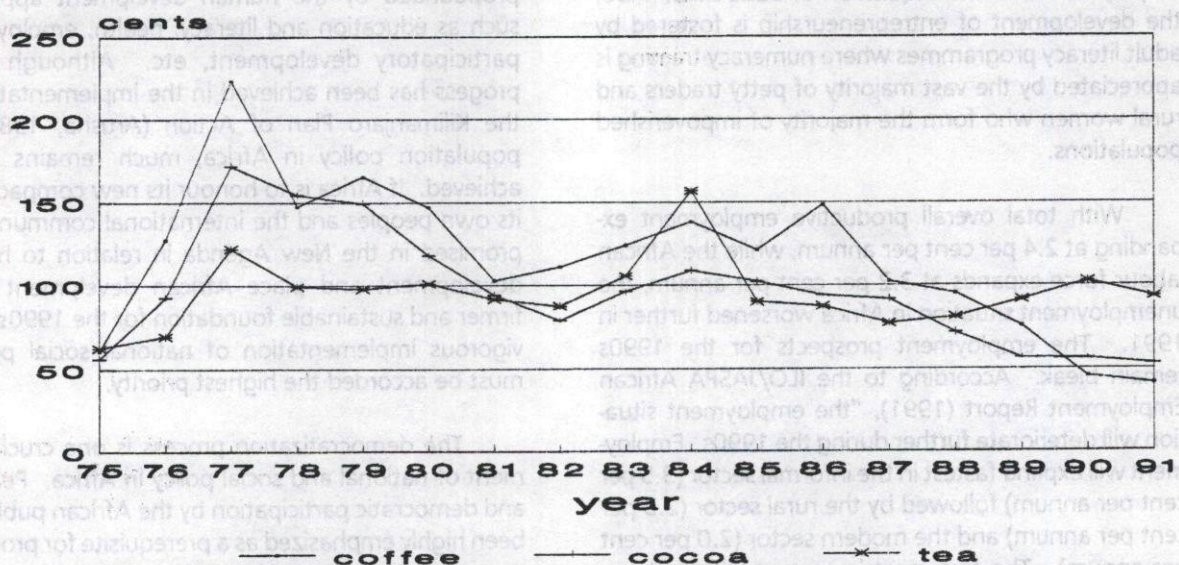
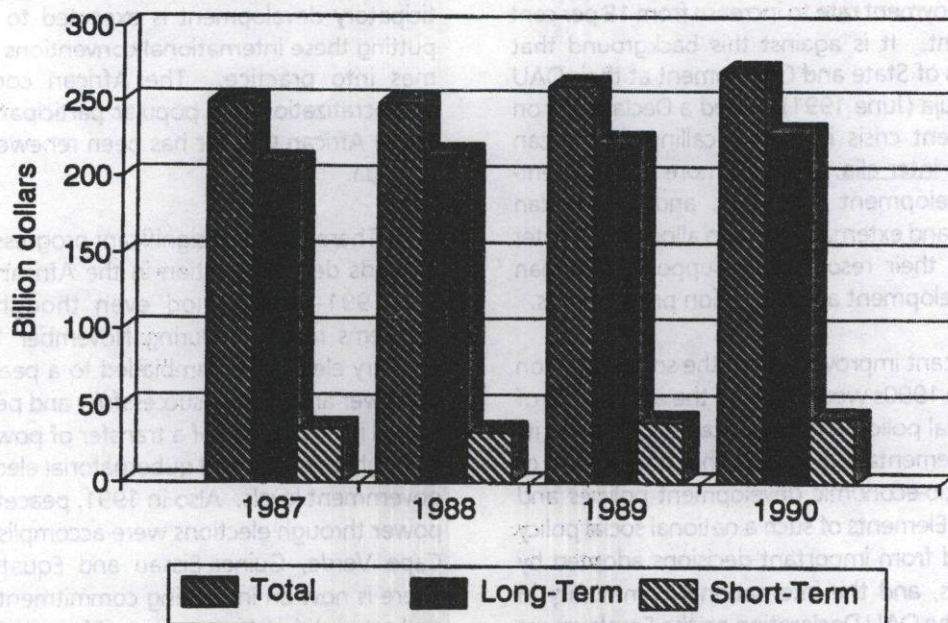


Figure 6

Africa's total external debt 1987 - 1990



VI. PROSPECTS FOR 1992

The prospects for the African economy in 1992 are expected, as usual, to be critically influenced by a number of domestic and external factors. The fast pace of change in both the internal and external domain of development however makes it extremely difficult to gauge Africa's economic conditions in 1992. And if recent experience is any guide, forecasts made under the circumstances can at best be highly tentative and may only reflect the general tendency. Among the major arguments in the exercise is the health of the industrialized countries, Africa's main trade and development partners, as performance of these economies will greatly influence the continent's export performance and determine the level of resources that could be made available to support its reform programmes. The closer integration of regional markets, which has become a major feature of the world economy, may not be beneficial or even neutral regarding the prospects for Africa's trade. The year 1992, it is to be noted, is the inaugural year for a Single European Market. Africa has always viewed the event with mixed feelings. At the global level, the stalemate in the Uruguay Round of negotiations further compounds the uncertainties regarding the impact on Africa's external development environment. Domestically, Africa is in transition, politically and economically. The political situation remains fluid in a number of countries. The restructuring efforts by the majority of African economies are changing the configuration of their economic systems and some time there may be need to harmonize these systems internally and regionally. Moreover, there is the known vulnerability of the African economies to external shocks and to drought. All these and other factors will have a bearing on the functioning of national economies.

Table X Outlook, 1992

Group/subregion	GDP growth (percentage)			
	1980-1990 (average)	1990	1991	1992
Developing Africa	2.1	3.2	2.3	3.6
North Africa	2.3	2.8	3.4	4.0
Central Africa	2.4	0.1	-3.6	4.4
Eastern Africa	2.7	2.2	1.3	4.6
West Africa	1.6	5.1	3.2	2.5
Sub-Saharan Africa	1.9	3.3	1.5	3.4
Sub-Saharan Africa without Nigeria	2.3	1.5	0.3	4.2
Oil exporters	2.0	4.0	3.3	3.2
Non-oil exporters	2.4	1.7	0.6	4.2
LDCs	2.4	2.0	1.3	3.6

Source: ECA secretariat.

With the above in mind, ECA prepared preliminary projections for 1992 based on a number of assumptions. It is to be emphasized that these forecasts are subject to further revisions as conditions evolve during the year. The major underlying assumptions, for now, are:

- A fairly strong recovery will take place in the industrialized countries;
- Oil prices will be roughly equivalent to their average 1991 level, that is in the neighbourhood of \$US 21 a barrel;
- The political situation which has been so troubled in Africa during 1991 will settle down allowing countries to return to normal activity;
- The present economic policies in African countries will be continued; and
- "Average" conditions will prevail during 1992 in respect of weather patterns to which agriculture is most sensitive.

Using these general guidelines, and taking into account the peculiar circumstances of each country, particularly the policies announced in budget documents and the forecasts already made by the governments, it is estimated that the African economy may grow by about 3.6 per cent in 1992. It is to be noted however that this is an average of differentiated results by countries and subregions. In Central and in Eastern Africa, the two subregions most hit by political turmoil in 1991, growth will rebound strongly with output increasing by 4.4 and 4.6 per cent respectively. In North Africa, where output grew by 3.4 per cent in 1991, there should be a further gain in 1992, bringing up growth to 4 per cent. In West Africa, prospects are less sanguine, and output may grow by no more than 2.5 per cent, a significant decline from the 3.2 per cent recorded in 1991.

Oil exporters will maintain their 1991 performance, their combined output growing by 3.3 per cent. The more important change will come to the non-oil exporters who will register a substantial recovery, with GDP growing by 4.2 per cent, compared to a mere 0.6 per cent in 1991.

The above forecasts may be on the optimistic side, if, for example, the emerging trends in Southern Africa are taken into account and other uncertainties were built into the forecast. But, on the other hand, if stability returned to countries such as Zaire, there is no doubt that the mere return to normal conditions would be translated in a substantial recovery. In 1991, it is estimated that Zaire output may have declined by

up to 10 per cent if not more, and just a return to normal would mean a significant rebound for Zaire's economy.

In terms of absorption, domestic demand is forecast to increase by 3.4 per cent, private consumption by 5.3 per cent and fixed capital formation by 3.3 per cent. The trend of private consumption is not too surprising, since consumers would be making up for the consumption forgone last year. However, the share of private consumption in GDP will remain at 60 per cent. Investment, for its part, will increase slightly and the rate of investment will be 15.4 per cent, not

significantly different from its level during the past three years.

Exports of goods and services are forecast to rise by 4.4 per cent and imports by 5.5 per cent, a sharp improvement over 1991. The surplus on goods and services will remain at practically the same level as in 1991, at 9.2 per cent of GDP. However, if corrected for terms of trade this surplus may be significantly reduced. At current prices, the region has registered a current account deficit of around \$US 8.9 billion in 1991, representing 2.4 per cent of GDP and in 1992 the current account deficit may be of the same order.

BOX 4

UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s

On 18 December 1991, the United Nations General Assembly adopted the United Nations Agenda for the Development of Africa in the 1990s as a successor programme to the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD).

The New Agenda calls for the accelerated transformation, integration, diversification and growth of the African economies essentially through the internalization of the development process and enhancing self-reliance. It emphasizes the instrumentality of the human dimension of development in terms of human resources development, increased employment, rapid progress towards the achievement of human-centred goals by the year 2000 in the areas of life expectancy, integration of women in development, child and maternal mortality, nutrition, health, water and sanitation, basic education and shelter. The Agenda stipulates complementary roles for both Africa and its development partners and calls for their collaboration in the fulfilment of these basic goals.

Within this framework, Africa committed itself to the implementation of transformational strategies and policies; the rigorous pursuit of regional and subregional economic cooperation and integration and, the establishment of the African Economic Community; the implementation of programmes for the second United Nations Transport and Communications Decade in Africa and the second Industrial Development Decade for Africa; the intensification of the democratization process and the full participation of the people in the development process; the creation of an enabling environment that is conducive to attracting foreign and domestic investment and encouraging savings; promotion of sustainable development at all levels of socio-economic activity; integration of population factors into the development process; pursuit of agricultural policies geared towards integration of rural economies in national contexts, food security and self-reliance in food and empowering the food producers, especially women, with the necessary resources. Africa is also determined to intensify South/South cooperation.

The international community, in turn, committed itself to supporting African efforts geared towards achieving accelerated growth and human-centred development on a sustained basis. A major priority is the addressing of the external debt problem through the adoption of innovative and bold measures. A central element of support is the provision of adequate resource flows to Africa. To this end, a minimum of \$US 30 billion in net official development assistance (ODA) has been estimated as required in 1992, after which the real net ODA would need to grow at an average rate of 4 per cent yearly. The international community also committed itself to granting improved market access to African exporters through substantial reduction in or removal of trade barriers, and to providing the resources needed to diversify African economies. The United Nations system should play a major role in the implementation of the Agenda, through devising specific programmes for Africa and devoting adequate resources for their implementation, and by contributing to the process of efficient follow-up and monitoring of the implementation of the Agenda.

Statistical Annexes

(The Statistical Annexes will be issued under a separate cover as an addendum to this report.)