



General Assembly

Distr.
GENERAL

A/41/592
19 September 1986

ORIGINAL: ENGLISH

Forty-first session
Item 84 (b) of the provisional agenda*

SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE: SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE

Summary reports on Benin, the Central African Republic, Chad,
the Comoros, Equatorial Guinea, the Gambia, Guinea-Bissau
and Sierra Leone

Report of the Secretary-General

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* A/41/150.

I. INTRODUCTION

1. The General Assembly, at its fortieth session, adopted a number of resolutions in which the Secretary-General was requested to report to the Assembly at its forty-first session on the economic situation and on the progress made in organizing and implementing special programmes of economic assistance for a number of developing countries.

2. Such resolutions pertaining to special economic assistance programmes have been adopted for several years by the General Assembly in response to what were considered extraordinary difficulties, exceeding the constraints most developing countries routinely experience, that were of sufficient magnitude to require special assistance. These countries have suffered a variety of unique circumstances such as social and economic fluctuations, and natural disasters that have interfered with national development. None of the countries with special economic assistance programmes had sufficient resources to cope with their special situation without external assistance. Hence, the international community, the programmes, specialized agencies, and other organizations of the United Nations system, have been called upon to provide support to these countries. Moreover, the Secretary-General has been requested to make efforts to mobilize resources to implement the special programme of economic assistance and to enable the Governments to articulate their priority needs to the donor community.

3. In consultation with the Office of Special Political Questions, it was decided that as of 1986 the United Nations Development Programme will assume responsibility for the implementation of General Assembly resolutions concerning the special economic assistance programme for nine countries which are among the least developed countries and engaged in the UNDP round-table process. This decision was taken because the countries taking part in the round table have increasingly integrated the special economic assistance programmes into the round-table consultations process so as to mobilize and co-ordinate donor support. Moreover, UNDP is more suitably equipped to carry out this task, because it is the lead agency in the round-table process and the role of the UNDP Resident Representatives in overseeing the implementation of the special programmes of economic assistance is pivotal.

4. The round-table process provides a particularly appropriate framework through its round-table conferences to assess the status and future needs of these countries since their current overall economic situation is the focal point of the consultations with the donors. The round-table process provides the Governments of the least developed countries with a mechanism to organize a continuing series of consultations with donors to mobilize support for the country's development strategies. Background documentation for the round-table meetings is prepared to identify constraints to development through the macro-economic analysis of the countries' current economic situation. Sectoral consultations that ensue as follow-up to the round-table conference generate detailed analyses of key sectoral issues and thereby suggest directions for subsequent development activities. The consultations provide the Governments with a means of presenting their recent policy initiatives and entering into an economic policy dialogue with donors to encourage a mutual commitment to implement new strategies. Donors profit from the round-table meetings and sectoral consultations by reviewing their past involvement

to determine whether their aid modalities and total financial commitments were conducive to bringing about the desired development objectives.

5. The present summary reports have been prepared based on information supplied by the Governments of the countries through the Resident Co-ordinator of the United Nations system's operational activities for development/Resident Representative of the United Nations Development Programme. These summary reports address the main developments in the respective economies in the recent period and the status of the special programme of economic assistance. The nine countries taking part in the round table included in this summary document and the relevant General Assembly resolutions requesting the status reports are as follows: Benin (resolution 40/222), Central African Republic (resolution 40/217), Chad (resolution 40/218), the Comoros (resolution 40/223), Equatorial Guinea (resolution 40/216), the Gambia (resolution 40/224), Guinea-Bissau (resolution 40/225), and Sierra Leone (resolution 40/220). Cape Verde (resolution 40/226) is not included in this report at the request of the Government.

II. BENIN

6. The special programme of economic assistance for Benin was initiated in 1981 to meet the specific economic and development needs of the country, in response to General Assembly resolution 35/88 of 5 December 1980. The basic features of the economy of Benin were described in some detail in previous reports of the Secretary-General, the most recent of which were contained in documents A/39/383 and A/40/441.

A. Economic situation

7. The economy of Benin continued to decline during 1985 and the first half of 1986. Among the key factors responsible for this decline during the 1980s are the increasing external debt obligations and unfavourable weather conditions affecting crop production.

8. Assistance from the donor community has increased steadily since 1983, the first year of the second plan. However, the government financing of the annual investment programme was seriously reduced given the weakened public financial situation. The investment budget of first priority for 1985 was reduced by almost half from CFAF 68.9 billion which had been anticipated in the second plan 1983-1987 to CFAF 36.3 billion. The rate of actual expenditure has only been 44.2 per cent or CFAF 16.1 billion.

9. In 1985, the total amount of assistance from external sources was provided, for the investment budget of first priority and the programme annex. This amount increased by 10 per cent from CFAF 23.2 billion in 1984 to CFAF 25.5 billion in 1985. It should be noted however that this figure only represents half of what the Government had anticipated. Moreover, of this CFAF 25.5 billion, CFAF 16.7 billion was in loans and CFAF 8.8 billion in grants from bilateral and multilateral sources. The United Nations system has contributed approximately CFAF 2.5 billion in 1985.

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10. However, the total amount of investment that had been budgeted for the second plan (1983-1987) had already been reduced from CFAF 598 billion to CFAF 498.5 billion in 1984. The successive reductions in the annual investment programme as was the case again in 1985 reduced this total amount further for the period 1983-1987.

National accounts

11. Gross domestic product (GDP) increased by 5 per cent between 1984 and 1985, from CFAF 450.9 billion to CFAF 473.6 billion. The increase was attributable to favourable agricultural production which offset the net decrease in the trade, transport, and industrial sectors. However, this weak increase in GDP corresponds to a stagnation in constant terms.

Table 1.

Benin: Evolution of GDP at current prices

(Billions of CFA francs) a/

Year Sector of activity	1982*	1983*	1984*	1985**
Primary sector	145.88	167.63	195.11	224.27
Secondary sector	42.26	50.68	57.27	65.74
Tertiary sector	144.63	160.76	165.59	176.96
GDP at factor cost	332.77	379.07	417.97	466.97
Net indirect taxes	34.05	26.59	22.48	24.00
GDP at market prices	366.82	405.65	440.45	490.97

Source: National Institute for Statistics and Economic Analysis.

* Estimates.

** Projection.

a/ The official currency exchange rate as at 1 August 1985 was \$US 1 = 438 CFA francs.

Key sectoral issues

12. The agricultural sector provides approximately 40 per cent of the GDP and 36 per cent of the foreign exchange earnings. The principal crops are food crops such as maize, sorghum, yams, cassava, beans and rice of which there is considerable exportation to Nigeria and Niger. The chief commercial crops are palm kernels, cotton, and peanuts. The agricultural sector experienced an increase in production of 30.8 per cent in 1984/85 compared to the previous harvest period.

13. The industrial sector consists mostly of important processing and substitution, and agricultural processing plants for food and beverages, vegetable oil, textiles and cement.

Government budget

14. The operating budget for 1985 was CFAF 50.7 billion, a decrease of 9 per cent from the 1984 budget of CFAF 55.9 billion. The rate of return on revenue was only 64.5 per cent yielding CFAF 32.7 billion. The poor performance in the trade and transport sectors resulted in a net loss in annual customs revenue between 1982 and 1985 of more than CFAF 8 billion. This loss was principally due to the persistence of unfavourable international terms of trade, to protectionist measures taken by certain neighbouring countries, beginning in 1983, which limited the volume of Benin's exports, and to a shift in the shipping trade away from Port Autonome in Cotonou to using other ports in the Gulf of Guinea.

Public debt

15. The external debt has increased by 28 per cent from CFAF 324 billion at the end of 1984 to CFAF 414 billion at the end of 1985 (these numbers must be taken with caution given the sharp increase of the United States dollar in 1984/85 compared to the CFA franc. The total amount of accumulated debt service has more than tripled since the end of 1983, from CFAF 18.4 billion to CFAF 56.5 billion at the end of 1985.

16. Public enterprises have continued to experience financial difficulties that have inhibited their ability to become self-financing. Because of the loans outstanding owed by public enterprises the financial capacity of the banking sector has been severely reduced.

B. Special programme of economic assistance

17. The outstanding projects of the special programme of economic assistance have been integrated in the national investment programme and are being pursued in the context of the donors' round-table process and the economic and social development plan for the period 1983-1987.

C. Round-table process

18. A round-table meeting of donors was organized by the Government with assistance from UNDP and took place in March 1983 in response to Benin's economic decline. As a follow-up to the round table, sectoral consultations took place in 1985 for the following areas: (a) Integrated rural development in the province of Ouémé, (b) Integrated rural development in the province of Mono, and (c) Project to pave the road connecting Dassa-Zoumé and Parakou. Aggregate investment commitments which were made by the Arab Bank for Economic Development in Africa, the International Fund for Agricultural Development, the African Development Fund, the European Development Fund and the Fonds d'aide et de coopération, in relation to the sectoral consultations reached a total of CFAF 39.1 billion. Other consultations are planned in telecommunications and civil aviation in October-November 1986.

III. CENTRAL AFRICAN REPUBLIC

19. The special programme of economic assistance for the Central African Republic was launched in response to resolution 35/87 adopted by the General Assembly on 5 December 1980. The physical characteristics and the general economic structure of the Central African Republic have been described in previous reports of the Secretary-General (A/36/183, A/37/131, A/39/384), the most recent of which is the report of 13 September 1986 (A/40/441).

A. Economic situation

20. Despite the progress achieved recently in re-establishing economic stability, the economic situation in the Central African Republic remains precarious. Although there is potential in mining, agriculture and forestry, a number of constraints continue to hinder economic and social development. Because the Central African Republic is a land-locked country, the cost of importation and exportation is high and the time required for covering the distances to the destination results in delays. There is a dual economy, with the export sector only of marginal benefit to the majority of the population who remain largely dependent on subsistence production and constrained by a weak internal market owing to the geographic isolation and a rural economy that is not monetized.

National accounts

21. The GDP for 1985 was CFAF 303.1 billion, representing a real increase of 2.7 per cent, with per capita GDP at CFAF 116.264.

Table 2.

Gross domestic product by sector of origin

(Billions of CFA francs)

	1980	1981	1982	1983	1984	1985	1986(P)
Agriculture, forestry, livestock and fisheries	72.8	86.2	102.7	99.4	109.3	116.9	130.5
Mining	5.3	5.0	5.7	6.2	7.6	9.2	9.9
Manufacturing industries	16.0	18.6	18.4	19.1	21.7	22.9	25.7
Water, electricity	0.9	1.1	1.3	1.3	2.4	2.6	2.8
Buildings and public works	3.3	3.4	3.4	5.1	7.3	8.2	9.5
Commerce	41.5	44.6	49.3	51.6	58.3	66.4	71.6
Transport	8.0	8.8	9.7	10.2	11.5	13.0	13.9
Financial institutions	6.3	8.8	9.9	9.0	9.8	10.5	11.5
Collective services	33.8	38.7	41.6	40.9	43.0	46.0	-
Import duties	9.8	11.5	13.6	13.2	15.8	16.7	18.3
Other intermediary inputs	-3.6	-5.7	-6.7	-5.5	-5.8	-6.2	-6.8
GDP in current market prices	188.3	216.3	246.0	251.1	278.7	303.7	332.9
GDP deflator	-	1.132	1.119	1.087	1.021	1.058	1.070
Price index (base 82)	0.789	0.894	1.000	1.087	1.110	1.174	1.256
GDP in constant 1982 francs	238.6	242.0	246.0	231.0	251.0	257.0	265.0

Source: The figures are taken from the four-year plan 1986-1990: "The Central African economy and perspectives - March 1986.

Key sectoral issues

22. Agriculture is the principal economic activity accounting for approximately one third of GDP. Food production has stagnated or declined over the past few years, in part due to periodic drought, but also due to low food crop prices, lack of farming inputs, and deteriorated marketing channels. The key cash crops are coffee, cotton, and tobacco, which account for approximately 3 per cent of GDP. Coffee is the principal cash crop both in terms of value-added (56 per cent of cash crop production) and foreign exchange earnings (about 25 per cent of merchandise exports). Production varies dramatically according to weather conditions and output declined by 80 per cent in the 1983/84 drought compared to 1981 and 1982 levels.

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23. Livestock accounts for approximately 14 per cent of GDP. Forestry is also an important sector, contributing about 3 per cent of revenues, and in recent years has provided slightly more than one fifth of the foreign exchange revenues of the Central African Republic.

24. Diamonds and gold are the chief outputs of the mining sector, although diamond production has been falling and export earnings have stagnated, but they still account for 30 per cent of the exports. Diamond production contributed about 4.2 per cent of the total tax revenues. Manufacturing, which is mainly comprised of processing agricultural and forestry products, contributes about 6 per cent of GDP. Decline in agricultural production and general economic stagnation has slowed the pace of the manufacturing sector.

Government budget

25. The budgetary deficit was considerably reduced during the Government's national action programme for economic recovery. Between 1981 and 1985, recurrent revenues increased at an average annual rate of 14.3 per cent while recurrent expenditure increased by only 6.4 per cent per year. Under these conditions, the recurrent revenues and the recurrent expenditures represented 13.2 per cent and 12.6 per cent respectively of the GDP in 1985 against 11 per cent and 15.7 per cent in 1980.

Public debt

26. At the end of 1984, the total external debt, including IMF loans, was \$US 262 million. This total long-term debt represented 44 per cent of GNP and 166.7 per cent of exports of goods and services. External debt service payments at the end of 1984 represented 4.7 per cent of the GDP, or 17.7 per cent of the exports of goods and services.

Balance of payments

27. The balance of payments is currently characterized by a deficit in the trade balance, despite a previous surplus, large net service payments primarily related to transportation and significant public transfers. The Government has adopted several measures including the curtailment of imports so as to improve the chronic budget deficit.

Table 3.

Balance of payments

(Billions of CFA francs)

	1981	1982	1983	1984	1985
Trade balance (F.O.B./F.O.B.)	-5.4	-9.6	-6.7	-11.1	-8.0
Trade balance (F.O.B./C.I.F.)	-19.9	-28.0	21.7	-28.1	-23.5
Overall balance	-1.3	-10.7	3.4	4.4	-1.0

Source: Ministry of Planning, Statistics, and International Co-operation.

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B. Special programme of economic assistance

28. The first United Nations mission to the Central African Republic, organized in response to General Assembly resolution 35/87 of 5 December 1980, identified 37 projects for the special programme of economic assistance in agriculture, livestock, infrastructure, transport and telecommunications, mines and energy, education and training, health, social affairs, and World Food Programme logistics (see reports A/36/183, A/37/131, A/39/384). Most of the projects have been funded and are being merged into the round-table consultative process.

C. Round-table process

29. Through UNDP assistance, an in-country review meeting with the Government and donors was convened from 11 to 13 March 1986 in Bangui in preparation for the upcoming round table in December 1986. The meeting was quite successful in that it provided the Government with the opportunity to report on the relatively positive achievements of the 1982-1985 national action plan, and to present to the donor community its development strategy as outlined in the development plan for 1986-1990.

30. The objectives of the national action programme were to carry out measures to achieve economic and financial stability and to revitalize production in the principal export sectors while abandoning or restructuring the less productive ones. The results of this programme were largely positive, and the donor and business community reacted favourably to it. There has also been a continuing emphasis on rural development. The new development plan for 1986-1990 will follow basically the same orientation in order to ensure better management of the economy through the implementation of programmes and projects.

31. The total financial requirements for the plan are CFAF 275 billion with CFAF 27.8 billion financed by the state budget, CFAF 34.5 billion financed by grants already received, CFAF 88.6 billion financed by loans already signed, and CFAF 125 billion currently not financed. The plan will have to accommodate the various policy recommendations that will emanate from the structural adjustment programme currently under negotiation with the World Bank, and the adjustment programme agreed to with the International Monetary Fund on 23 September 1985. The total assistance from the United Nations system reached \$US 30,527,071 in 1985 and should play a catalytic role in mobilizing increased donor support.

IV. CHAD

32. The General Assembly adopted resolution 35/92 on 5 December 1980 concerning assistance to Chad. The economic situation and need for emergency humanitarian assistance in Chad have been described in several previous reports (A/36/261, A/36/739 and A/39/392).

A. Economic situation

33. Given its geographical isolation, its capricious climate and its volatile political situation, Chad has been classified by the United Nations as a least developed country, with all the attendant characteristics of severe underdevelopment: an annual per capita gross national product estimated at \$110 or less, adult literacy of less than 15 per cent and infant mortality now estimated at 210 per thousand.

34. Economic recovery in Chad from the very low levels resulting from the devastating effects of war and persistent droughts has been unsteady, at best. The situation is further aggravated by the dramatic drop in world commodity prices, ecological problems such as desertification and the nation's limited capacity to absorb economic inputs.

National accounts

35. Although there are no reliable estimates of GDP available, the World Bank estimates that per capita GNP declined by an average of 2.2 per cent per annum between 1960 and 1981. Available information indicates that in 1984, the GDP had decreased by 19 per cent in real terms compared to 1977.

Key sectoral issues

36. The majority of the country's highly diversified population of about 4.9 million is engaged in agricultural production (340,000 tons of cereal grains in 1982-1983). The exceptional drought of the 1984-1985 growing season provoked huge migrations of parts of the population (about 150,000 farmers), disrupting food production and resulting in a large cereal deficit. From November 1984 to October 1985, an estimated 215,000 metric tons of food aid were brought to Chad, about one third of which was handled through projects of the World Food Programme. The drought also decimated livestock herds (there were 4.7 million head of cattle in 1983) which are also victims of epizootic diseases. Fish production (at 100,000 tons per year before the drought) decreased by an estimated 50 per cent due to the large drop in the water level of Lake Chad and of the country's rivers, which also menaced the country with accelerated desertification. Although rainfall in 1985 was normal, and the consensus among donors is that the emergency situation is now over, there is a persistent basic food need among the disadvantaged parts of the population.

37. Industry is focused on agricultural processing activities, mainly in the area of the key cash crop, cotton (of which 59,917 tons were produced in 1984). Research into petroleum exploitation is expected and deposits of tungsten and uranium are known to exist in the disputed northern territory. The current fall in world prices for these commodities, especially in cotton prices, however, severely compromises the development prospects in these areas.

Government budget

38. The financial position of the Government of Chad was rarely stable even before the civil strife and the hostilities destroyed much of the basis for consistent financial planning. This has created a situation where the Government of Chad needs substantial external assistance in capital and technical aid together with large amounts of budgetary support to cover large-scale deficits.

39. Since 1983, the Government of Chad has consistently attempted to present a balanced budget at the expense of responding to real expenditure needs and as such operating under austere conditions with civil servants receiving half salaries. An indication of the extent of this austerity is provided by the preliminary budget for 1986 which indicates expenditure needs of CFAF 43 billion. The actual budget retained will admit to expenditures of only CFAF 26 billion with the Government's operating expenditure reduced by 69 per cent. The current situation is exacerbated by the severe limitations of public revenue, with the cotton sector, the main source of revenue, decimated by the drop in cotton prices. As such, a drop of CFAF 4 billion in the total receipts of 20 billion expected for 1986 is likely to produce a deficit of CFAF 10 billion.

40. Given that public finances do not produce sufficient revenues, the main problem for the next few years is how to finance the current requirements of the administration, in addition to the total financing of public investment through external resources.

Public debt

41. The outstanding foreign debt in 1985 totalled CFAF 40 billion (61 per cent of exports), while the domestic debt was CFAF 9 billion. Annual service charges are CFAF 2.8 billion, including 1 billion paid out of the 1985 budget (IMF and Bank of Central African States advances). This is compatible with the fiscal resources of the "Caisse Autonome". However, overdue payments total 18 billion, including about half the domestic debt.

Table 4.

Chad: Government budget 1986

(Millions of CFA francs)

Ordinary revenues:	
Direct contributions	4 975
Customs	12 070
Duties and taxes	774
Other	967
Extraordinary revenues: *	
BCAS profits	580
Total revenues	<u>19 366</u>
Expenditures:	
Public debt	100
Personnel	9 800
Defence	8 500
Operating costs	1 500
Equipment and maintenance	1 337
Other	4 472
Total expenditures	<u>25 709</u>

* France has pledged CFAF 1,500 million budgetary support and the United States of America has announced its intention to provide budgetary support, but is yet to indicate the amount of its contribution.

Balance of payments

42. What little data are available on Chad's foreign trade are highly unreliable, given the substantial amount of trade over borders (especially livestock) which is unaccounted for officially. Officially, Chad was able to run a balance-of-payments surplus in 1981 and 1982. Its current trade has been in deficit since 1981, a situation which has been exacerbated by the troubled cotton sector, and the increase in imports.

B. Special programme of economic assistance

43. At the pledging conference held at Geneva in November 1982, it was agreed that the projects of the special economic assistance programme would be incorporated into a comprehensive development plan and merged with the round-table process.

C. Round-table process

44. A round-table meeting was held at Geneva in December 1985, at which time the Government presented its Interim Plan (1986-1988) to the donors. Given the recent date of the meeting, and the disruptive events that occurred in February 1986, many donors are still in the process of preparing their assistance schemes. To date, little has been made available as to the nature of the bilateral donors' commitments in relation to specific sectoral proposals presented by the Government. None the less, there are indications that donors have already defined for themselves the major components of their assistance. In overall financial terms, it is to be noted that the European Community announced in its final statement at the December 1985 round-table meeting that its 1985-1990 assistance to Chad would cover roughly 25 per cent of the needs presented in the Interim Plan (not taking into account the mining and energy sectors).

45. Two major sectoral consultations, namely for transport and cotton have so far taken place as follow-up to the round-table meeting of December 1985, and consultations for food are planned.

46. Emergency needs in the cotton sector following the fall of world prices have been addressed in various meetings during the first half of 1986; a thorough study and proposals for a reform of the COTONTCHAD parastatal firm are currently being conducted by the World Bank through UNDP financing. The cost of rehabilitating the cotton sector is estimated at \$US 47.4 million, out of which the International Development Association approved a \$US 15 million loan on 24 June 1986.

47. With the help of an FAO consultant, the Government and UNDP have defined the terms of reference for a complete review of the agriculture, livestock, forestry and fishing sectors. The result will be an integrated strategy for this macro-sector, to be presented to donors in the last quarter of 1986. Most donors are in favour of an "integrated rural development" approach. Therefore, rather than gathering details on particular projects, the Government (with UNDP/FAO assistance) will focus on determining the priority of various policy and other related issues.

48. A study of the road network has been carried out by the World Bank through UNDP financing. It is expected that the World Bank will assume a leading role in the technical preparation of the sectoral consultations with donors, while USAID, the European Economic Community, Italy and France have expressed their commitment to assist in strengthening the transport sector.

49. Meanwhile, ongoing talks between the Government and UNDP on the overall follow-up to the Geneva round-table conference have confirmed the need for ad hoc meetings in the area of human resources, especially aid mobilization for the health and education infrastructures.

V. THE COMOROS

50. At its thirty-first session, the General Assembly initiated a special programme of economic assistance for the Comoros in order to enable the country to overcome the serious economic difficulties that it faced upon independence. The latest reports on assistance to the Comoros were contained in the reports of the Secretary-General of 11 September 1984 (A/39/392, sect. IV), and of 13 September 1985 (A/40/441).

A. Economic situation

51. Given that the Comoros has no mineral resources, less than half of its land area is suitable for agriculture, and its export commodities are subject to fluctuating prices, the economy has been highly dependent on external aid. Moreover, food imports are at a high level to supplement the insufficient domestic agricultural productivity. Despite the recent gains made during the public investment programme, physical infrastructure and basic utilities remain inadequate.

National accounts

52. There was an estimated annual average real growth in GDP during 1980-1984 of about 4 per cent. However, this growth was largely the result of external aid which represented 35 to 50 per cent of GDP over the last five years under the investment programme. The sectors that grew the most rapidly, namely transport, trade and public works, benefited from this investment programme. Agriculture, which accounts for about 40 per cent of GDP did not experience a similarly rapid period of growth.

Key sectoral issues

53. About 28 per cent of agricultural production is of cash crops, the rest being food production. The principal export crop, of which the Comoros is the second largest producer, is vanilla. The other export crops include cloves, ylang-ylang and some copra. Synthetic vanilla however may interfere with the future profitability of this export. The average annual production of vanilla has tended to remain constant at around 900 tons. Food crops include coconuts, bananas, rice, root-crops of which 75 per cent is cassava, maize and legumes. An estimated 38 per cent of the food supply in 1980 was provided by imports, since food production has not kept pace with population growth.

54. Industry provides less than 5 per cent of GDP and consists primarily of processing plants for export crops. Tourism in the Comoros is not a flourishing sector given the scarcity of sandy beaches and competition from Mauritius and the Seychelles.

Government budget

55. International trade, mostly import duties, are the primary source of government revenues. In response to declining revenues, the Government undertook a number of reform measures in mid-1982 and has continued to take steps to improve

the public finances by exercising restraint in expenditure on personnel and equipment, strengthening units responsible for collecting direct and indirect taxes, and extending the turnover tax to additional products. Total revenues increased by 49 per cent compared to 1983. Government expenditures also increased considerably as a result of an increase in the service on the external public debt owing to the sharp rise in the exchange rate of the United States dollar and other currencies in which loans are denominated.

Public debt

56. There was an increase in disbursed debt from 40 per cent of GDP in 1980 to 110 per cent in 1984, and if the undisbursed amount was taken into consideration the debt would represent 200 per cent of GDP. Debt service will increase rapidly between 1985 and 1987 from \$US 3.36 million to \$US 8.18 million. Since 45 per cent of the borrowings have 5 to 7 per cent interest rates and a two-year grace period, the annual debt service will be an estimated 33 per cent of exports by 1986 and over 40 per cent by 1988. By 1987 when debt service will have reached approximately \$US 8 million, it will be equivalent to 17 to 18 per cent of the total external aid received in 1984.

Balance of payments

57. The 1984 balance of payments is basically characterized by the worsening of the current account deficit, which increased from 4,211 million Comorian francs to 14,297 million Comorian francs. The deterioration of the current account was due mainly to the more rapid increase in the cost of imports and to the heavy burden of non-factor services, as well as to unfavourable conditions for export products in foreign markets. The increase in the negative balance of the goods and services account and the parallel increase in the volume of government transfers and capital movements reflect the growing aid-financed investment programme.

Table 5.

Balance of payments, 1983 and 1984

(Millions of Comorian francs)

	<u>1983</u>	<u>1984</u>
Export (goods) (F.O.B.)	+ 7 419	+ 3 079
Imports (goods) (C.I.F.)	- 9 274	-12 981
Trade balance	- 1 855	- 9 902
Non-factor service balance	- 9 021.5	-16 581
Balance of goods and non-factor services	-10 876.5	-26 483
Balance of factor services	- 174.7	- 250
Unrequited transfers	+ 6 839.8	+12 436
Current account balance	- 4 211.4	-14 297
Capital account balance	+ 5 002.4	+11 753
Overall balance	791.0	- 2 562
Change in net reserves <u>a/</u>	- 791.0	+ 2 562

a/ A minus sign denotes an increase in reserves.

B. Special programme of economic assistance

58. The special programme of economic assistance consists of 19 projects in food self-sufficiency, communications, energy and water, health and training, which were previously described in the report of the Secretary-General (see A/38/216, paras. 93-114). These projects were included in the interim economic and social development plan for 1983-1986 and in the investment programme for 1983-1990 and were subsequently submitted to the round-table meeting of donors described below.

C. Round-table process

59. With the assistance of UNDP, the Comoros organized a round-table meeting of donors in the old format that was held at Moroni in July 1984. The meeting, called the International Solidarity Conference, brought together representatives of 17 countries, 14 specialized agencies of the United Nations and 14 bilateral or multilateral assistance organizations. This meeting proved to be useful in identifying the priority areas where external aid would be directed and it also helped to initiate a useful economic dialogue with the aid partners of the Comoros. A follow-up to the round table is planned with UNDP as the lead agency and with the World Bank and the French Government taking an active part together with other major donors, to review the progress made in funding the projects selected from the portfolio of projects submitted to the donors' conference in July 1984. Sectoral consultations are also planned as follow-up to the donor consultation process.

VI. EQUATORIAL GUINEA

60. The special programme of economic assistance to Equatorial Guinea was launched in 1979 in response to General Assembly resolution 34/123 of 14 December 1979. The basic features of the economy of Equatorial Guinea were described in some detail in previous reports of the Secretary-General (A/37/130, A/39/392), the most recent of which was contained in document A/40/430.

A. Economic situation

61. The economic performance of Equatorial Guinea did not improve during 1985. The country's economic growth in the medium term is strongly dependent on the magnitude and characteristics of external aid it may obtain to finance its fiscal budget, balance of payments, technical assistance and investment. The increase in export volume during the period 1980-1984 was counterbalanced by a decrease in world market prices for cocoa and coffee. The country continues to suffer from a structurally deficient physical and administrative infrastructure and a very limited base of human resources, which serve as constraints to development. A severe liquidity problem has led the national commercial banking system to a near standstill, resulting in the drain of already scarce domestic savings and investment funds.

National accounts

62. The gross domestic product increased during 1980-1985 at an average real annual rate of 1 per cent but with marked fluctuations. GDP increased more than population growth between 1980 and 1982 and kept increasing although at a slower rate in 1983. In 1984 however, GDP decreased by 5 per cent mostly because of the fall in investment and exports. In 1985, it increased again by almost 3 per cent due to an increase in exports that more than made up for the continuing adjustment in public expenditure.

63. On 1 January 1985, Equatorial Guinea became a member of the Banque des Etats de l'Afrique centrale (BEAC) and adopted the CFA franc as its monetary unit with a fixed rate vis-à-vis the French franc (1 F = 50 CFAF). At the same time, Equatorial Guinea also became a member of the Union douanière et économique de l'Afrique centrale (UDEAC). The integration of Equatorial Guinea into the BEAC and UDEAC has significant implications for the future development of the country. In the short term, the adoption of a convertible monetary unit has lessened the prevailing price distortion and the ensuing misallocation of resources. The change of monetary unit was, however, accompanied by a marked shortage of liquidity mostly caused by a very high shift of financial assets to neighbouring countries.

Key sectoral issues

64. Agriculture accounts for 50 per cent of GDP and virtually all exports. Eighty-five per cent of the country's exports is made up of cocoa, wood and coffee. In spite of recent efforts, Equatorial Guinea has still not reached the levels of production of cocoa achieved during the colonial period. The lack of a structured commercialization policy, the increase in taxes applied to fertilizers

as well as export taxes on cocoa, have resulted in a considerable reduction of production, which reached only 4,500 tons in 1985, i.e. 50 per cent of the forecast. Cocoa farming predominates in the island of Bioko. Out of the 45,000 hectares available for cocoa production, only 17,000 are currently productive.

65. In the continental part of the country, the available land is of poor quality, and most cultivation is for family subsistence. The commercial exports such as coffee are not of high quality due to poor handling and inadequate production techniques. However, Equatorial Guinea has 800,000 hectares of pristine jungle rich in rare and valuable timber which is the most important economic activity after cocoa production. Export earnings from timber increased from \$US 4,579,000 in 1984 to \$US 5,610,000 in 1985. The Gulf of Guinea has important fishing grounds that the Government is in the process of revitalizing to develop an export industry and to boost local consumption.

Government budget

66. The deficit of the public sector doubled between 1980 and 1982 because of substantial organizational problems that have persisted in spite of some improvement, the tax collection mechanism is still ineffective and underreporting of export revenues and illegal exports have also decreased total tax revenues. Revenues from the sale of services (energy, telecommunications etc.) were substantially inferior to the actual supply of the services. The fact that the country is now a member of the BEAC has an important bearing, since the BEAC sets a maximum limit to annual credit to the public sector of each member country equivalent to 20 per cent of the tax revenues of the preceding fiscal year. While this limitation is conducive to increased monetary and fiscal discipline, it has a significant impact on the development strategy of the country, since 40 per cent of public expenditures must be allocated to debt servicing. Moreover, tax revenues cannot be increased substantially in the short term and the new limits on the financing of the public sector create an immediate decrease in public investment as well as a dramatic decline in the real incomes of civil servants.

Public debt

67. Public debt has increased rapidly during the last six years, from \$US 50 million in 1980 to \$106 million in 1985. In 1985, the Government requested a meeting of the Paris Club to reschedule its external debt. In the subsequent meeting that took place in June 1985, the reimbursement of capital and a substantial share of the interest were rescheduled to 1990.

Balance of payments

68. The deficit in the current account balance increased at the beginning of the 1980s surpassing \$27 million in 1982. In mid-1983, the situation of the balance of payments and the drain on the public budget was such as to bring about the virtual discontinuation of payments thus increasing considerably the arrears in debt servicing. In 1984, the current account deficit was still about \$10 million and \$5.6 million in 1985. During the last year, however, the IMF suspended the

disbursement of its 4.6 million special drawing rights credit because Equatorial Guinea had not met several conditions specified in its agreement with the IMF. Discussions are continuing between the Government and the IMF to reach a new agreement later in the year.

Table 6.

Balance of payments

(Millions of current United States dollars)

	1982	1983	1984	1985	1986 (est.)
Exports	17 207	17 688	18 700	23 467	25 750
Imports	-45 441	-25 276	-30 000	-29 600	-33 500
Trade balance	-28 234	- 7 588	-11 200	- 6 133	- 7 750
Services	- 4 200	- 6 600	- 5 400	- 8 000	- 9 800
Interest payments	(- 3 200)	(- 5 300)	(- 3 900)	(- 6 000)	(7 600)
Unrequited transfers	4 800	5 800	6 500	8 500	8 400
Current account balance	-27 632	- 8 388	-10 100	- 5 633	- 9 150
Capital (account balance includes errors and omissions)	11 834	- 8 412	100	1 367	2 650
Official	16 800	9 000	100	3 000	5 000
Disbursements	25 400	22 200	9 500	10 000	11 600
Amortization payments	- 8 600	-13 200	- 9 400	- 7 000	- 6 600
Errors and omissions	- 4 966	-17 412	-	- 4 367	- 2 150
Overall balance	-15 800	-16 800	-10 000	- 7 000	- 6 500

Source: Ministry of Finance and data from the IMF.

B. Special programme of economic assistance

69. In response to the request of the Government, the Secretary-General sent an inter-agency mission to Equatorial Guinea in October 1979 to determine the country's requirements for urgent humanitarian and development assistance. Subsequent missions in 1980, 1981 and 1982 revised the programme of special economic assistance (see A/35/447 and Add.1, A/36/283, A/37/130 and A/39/392). Those projects that had not received funding but had remained a priority of the Government were incorporated in the three-year (1982-1984) economic development programme which was presented at the initial round-table meeting in April 1982. The Government has now indicated that the original special programme of economic assistance is no longer appropriate and is currently drafting a national development plan to be presented to donors at the upcoming round-table meeting.

C. Round-table process

70. The first round-table meeting was held at Geneva in 1982. The funding pledged at the round-table meeting totalled \$74,493,000. The Government has requested assistance from UNDP as the lead agency for the preparation of its second round table to take place during the first quarter of 1987.

71. Within the new round-table process, a set of sectoral development strategies has been prepared and approved, a macro-economic study has been undertaken, and a draft document for presentation to the round table is under preparation. A three-year investment programme is also being prepared. Bilateral donors and multilateral organizations have positively responded to the round-table preparations, and a meeting to review the draft document has been scheduled for September 1986.

VII. THE GAMBIA

72. The special programme of economic assistance to the Gambia was launched in response to General Assembly resolution 36/220 of 17 December 1981 to help the country meet its urgent needs for rehabilitation and reconstruction arising from the events of 30 July 1981. The basic features of the Gambian economy were described in previous reports of the Secretary-General, the most recent of which was contained in document A/40/441.

A. Economic situation

73. For some time, the Gambia has been experiencing growing economic and financial difficulties due in large part to its vulnerability as a mono-crop economy. Production of ground-nuts, which accounts for 85 to 90 per cent of its domestic exports, has shown a downward trend over the past several years (partly due to climatic factors), while world ground-nut prices have fluctuated erratically. At the same time, domestic expenditures have remained at high levels, to a considerable extent as a result of previous growth in public sector employment and in development outlays. Inflation has been in the order of 20 per cent.

74. Over the past several years, in the context of a series of stabilization programmes, the Government has taken a number of courageous measures that included the introduction of a flexible exchange rate system, adjustments in several key prices, and measures to control domestic credit expansion through restraints on fiscal outlays. However, in view of the seriousness of the current difficulties and the fact that their causes cannot be viewed as being temporary in nature, the Government has recently launched a comprehensive economic recovery programme. The programme is a large-scale action strategy for overcoming the major imbalances in the economy in the short term and laying the basis for sustained growth over the longer term.

National accounts

75. Given the slow growth of the economy combined with population growth averaging 3.2 per cent per year, per capita GDP has declined by 16 per cent in real terms between 1975 and 1985 to an estimated \$280. Gross domestic product in current market prices for 1984/1985 was 646.5 million dalasis, a decline of 8.7 per cent from 1983/1984 in real terms. Despite the growth in the livestock, manufacturing and tourism sectors, their combined contribution to GDP was not of sufficient magnitude to offset the deteriorating economic situation.

Table 7.

Gross domestic product by industrial origin at constant prices 1980-1985 a/

(Millions of dalasis at 1976/77 prices)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Agriculture	102.1	90.6	111.9	135.8	105.1	99.2
Industry <u>b/</u>	25.8	38.1	40.9	39.1	39.5	36.9
Services <u>c/</u>	194.6	180.1	191.1	217.6	213.9	190.6
GDP at factor cost	322.5	308.8	344.0	392.5	358.5	326.7
Indirect taxes less subsidies	48.4	31.4	28.9	35.0	37.1	34.5
GDP at market prices	370.9	340.2	372.9	427.5	395.6	361.2

Source: Central Statistics Department and World Bank staff estimates.

a/ All data in fiscal years, ending 30 June.

b/ Includes mining which is very small.

c/ Includes banking and insurance, imputed bank service charges, personal and household services, social, recreational and related services.

Key sectoral issues

76. Agriculture: The Government reported a decline in the production of ground-nuts, cotton, and cereals in 1985. Gross production of ground-nuts was only 65,000 to 70,000 tons. Net production of cereals was 90,130 metric tons leading to a deficit in the supply of cereals of 40,000 tons. Rice production declined to 8,270 tons while normal annual rice consumption is 55,000 metric tons thus requiring extensive imports. Much of the 1985 harvest was sold across the border for CFA francs especially given the rumours of impending local currency

devaluation. The Government agreed with the IMF in the Economic Recovery Programme to privatize the importation and sale of rice which had previously been sold at subsidized prices under the auspices of the Gambian Produce Marketing Board. As a result, rice prices more than doubled. Given competition from cheaper-priced cooking oils, it is anticipated that the world market price for ground-nuts will continue to decline, making diversification to other cash crops increasingly desirable. There is considerable potential in the fisheries sector, but this has not as yet been adequately exploited.

77. Tourism: Although the tourist industry has expanded more rapidly than any other economic sector with a doubling of tourist arrivals since 1982, it accounts for only about 2 per cent of GDP (value added by hotels and restaurants). Profitability is constrained by the heavy initial outlay required for building and equipping hotels at a high debt-to-equity ratio, and high operating costs. It is estimated that out of the 1983/84 receipts of D82 million (about \$US 20 million) only about \$US 10 million was accrued in net foreign exchange benefits, the rest was used to pay debt servicing, imports and salaries. Thus, despite its substantial growth, the potential benefits from tourism have not yet fully materialized.

Government budget

78. Recurrent revenues have increased significantly in the last three years, owing in part to improved tax yields and new tax measures. Deficits on current account, however, have persisted, with the deficit estimated at 12.5 per cent of GDP in 1984/85. Government measures to restrain expenditures were more than offset by the 65 per cent increase in debt service charges from D26.4 million in 1983/84 to D43.5 million in 1984/85. For the last four years, debt servicing has been the largest single line in the Government budget. In recent years, approximately two thirds of the financing required to cover the deficit on current account and development expenditures has come from foreign grants and loans, and the remainder from the domestic banking system and parastatal organizations.

Public debt

79. The current stock as at June 1985 of medium and long-term public debt was \$312 million, which is equivalent to about 200 per cent of GDP. Such a large outstanding public debt has placed a considerable burden on the future balance of payments. Although only 11 per cent of the Gambia's debt was incurred through loans from private creditors, their hard terms coupled with payments to the IMF have caused the rapid increase in debt service obligations from 5 per cent of the budget outlays in fiscal year 1980/81 to 28 per cent in fiscal year 1984/85. The estimated debt service ratio for 1985/86 will be about 50 per cent of domestic exports not including outstanding arrears. Sizeable arrears due to the IMF have been accumulated and total external arrears have reached approximately \$US 56 million. The external debt service due in 1984/85 was \$18 million, which further eroded the current account deficit from 17 per cent of GDP in 1983/84 to 25 per cent in 1984/85.

Table 8.

Structure of external debt a/
(as of end June 1985)

	Millions of United States dollars	Percentage of total
A. Suppliers' credit b/	12.2	4
B. Financial institutions	22.2	7
C. Multilateral loans c/	171.7	55
D. Bilateral loans	80.8	26
of which - Paris Club countries	18.5	
- OPEC countries	47.2	
- other	15.2	
E. Total, medium and long-term debt	286.9	92
F. IMF, use of credit outstanding	24.8	8
Total, including IMF	311.7	100

Sources: World Bank, IMF, and mission estimates.

a/ Medium and long-term debt, including undisbursed, and outstanding use of Fund credit (line F). Table does not include short-term debt (less than one year maturity).

b/ Norway only.

c/ Includes IMF Trust Fund.

Balance of payments

80. Low export earnings, due to the decline in the production of ground-nuts and in their international prices, combined with a large increase in debt service charges have resulted in a rapid increase in external payments obligations. The deficit on current account has been over 20 per cent of GDP and the overall deficit approximately 15 per cent of GDP in recent years. A loss of confidence in the banking system given the inadequate foreign exchange holdings has caused an outflow of private capital.

B. Special programme of economic assistance

81. Six projects were recommended for the special economic assistance programme in 1982. The programme is being pursued in the context of the round-table process and was reviewed at the round-table meeting held in November 1984.

C. Round-table process

82. With the assistance of UNDP the Government organized a round-table meeting for which a Public Investment Programme (PIP) 1984/85-1987/88, superseding the last two years of the second five-year plan and extending two years beyond the plan was prepared. The round-table meeting held in November 1984 examined the investments of the programme which were concentrated in the sectors of agriculture and natural resources, transport and communications, and public utilities. External assistance of D1,040 million or 89 per cent of total cost was envisaged, of which D411 million would be in the form of grants and the remainder loans. UNDP total assistance in 1985 was \$US 1,206,997.

83. As a follow-up to the round-table donors' meeting, three activities have taken place. Sectoral consultations were held in Banjul in December 1984 for health and in June 1985 for fisheries. This was followed by an emergency meeting in London which was attended by selected donors in order to consider the closing of the balance-of-payments gap which was considered critical. Preparations are in progress for the sectoral meeting for agriculture and water resources, expected to take place in early 1987.

VIII. GUINEA-BISSAU

84. The initial special programme of economic assistance for Guinea-Bissau was formulated in 1978 and was approved by the General Assembly in its resolution 33/124 of 19 December 1978. After a review mission, the special programme of economic assistance was reformulated as described in the 1982 report of the Secretary-General (A/37/137). In resolutions 38/221 of 21 December 1983 and 39/186 of 17 December 1984, the General Assembly renewed its urgent appeal to all Member States to continue to provide assistance. The most recent review mission's report on Guinea-Bissau is in document A/40/423.

A. Economic situation

85. There has been a continued worsening of the economy and the financial stability of Guinea-Bissau since the last report on special programmes of economic assistance in mid-1985. External debt and debt payment arrears have increased and continue to be the principal constraint to development. The country experienced a critical shortage of foreign exchange that resulted in a loss of import capacity, reducing fuel and spare parts supplies and thereby causing electricity blackouts and disruption to transport and to some agricultural activities.

86. In April 1986, the Government decided to adopt a package of austerity measures which included a freeze on salaries, a reduction in the number of civil servants, an increase in taxes, a reduction in the budget deficit, an increase in prices, a reduction in the ceiling for credit, and a continued devaluation of the Guinea-Bissau peso (crawling peg). Assistance from the international community is indispensable to minimize the initial negative impact of the austerity measures.

87. External financing in 1985 was \$US 52.2 million, \$US 2.6 million less than in 1984. The rate of response by the donors to the needs expressed by the Government was 54.7 per cent. Moreover, the composition of aid to development projects has shifted with the percentage of loans increasing in comparison with grants. This means that in order to maintain a constant level of investment, Guinea-Bissau would have to increase considerably its external debt although at present the Government has not considered this an appropriate policy. Therefore, between 1982 and 1985, the country saw a decrease in investments from \$US 52 million to \$US 37.6 million. Given the decrease in bilateral aid from \$US 26.9 million in 1984 to \$US 17 million in 1985, Guinea-Bissau had to call upon the international banking community.

88. Multilateral assistance, which represents around a quarter of the total assistance to Guinea-Bissau is almost entirely provided in roughly equal shares by the United Nations system (estimated at \$US 7.3 million for 1984 and \$US 6.8 million in 1985) and the European community (estimated at \$US 7 million for 1984 and \$US 6.5 million for 1985 for development projects, balance of payments and food aid. There has been a trend over the last few years for a decrease in assistance although since 1984 this trend seems to be reversing. The Government has indicated that the round table which took place in Lisbon in 1984 was responsible for this recent trend toward increased assistance notably by the World Bank and the African Arab Fund.

National accounts

89. There was a real increase in the gross domestic product of around 6 per cent in 1984 and 1985 at current market prices, from 16.113 million Guinea-Bissau pesos in 1984 to 23.602 million pesos in 1985. However, this increase in GDP due to increased agricultural production has been offset by the pressure from the large external debt obligations.

Key sectoral issues

90. Agriculture constitutes the principal economic activity of the country, contributing over 50 per cent of the GDP. The increase in agricultural production for the second consecutive year provides some hope that there will be a continued improvement for the long term. There was a 24.5 per cent increase in the production of cereals in 1984 and an increase of 16.3 per cent in 1985. An increase of 14.5 per cent is predicted for 1986. The volume of cereals increased from 132,000 tons in 1983 to 192,000 tons in 1985 which is equivalent to a food security rate in cereals of 93 per cent.

91. This positive trend is certainly due in part to better weather conditions, but is also due to the new incentives to production including an increase in prices for farmers, improved provision of inputs such as seeds and fertilizers and of essential consumer goods made possible by assistance to the balance of payments.

92. The limited manufacturing sector is characterized mainly by inefficient State-owned enterprises.

Government budget

93. The government budget deficit rose from 4.7 billion pesos (\$US 4.7 million) in 1984 to 7.7 billion pesos (\$4.8 million) in 1985 (based on an exchange rate of 100 GB pesos for 1 United States dollar in 1984 and 160 GB pesos for 1 dollar in 1985). The benefits and salaries of the public employees represented more than 90 per cent of the Government's budgetary revenue.

Public debt

94. By 31 December 1985 the external debt had increased to \$271.3 million and the debt payment arrears to \$31.3 million. This caused the donors to delay and even restrict the disbursement of funds already agreed to and caused a temporary halt to some development projects that were already under way. The difficulties caused by the enormous external debt pose a serious risk to the recent momentum of increased productivity in agriculture.

Table 9.

External debt - 1981-1985

(Billions of United States dollars)

	1981	1982	1983	1984	1985
Outstanding debt, disbursed (end of period)	100.1	139.1	175.1	228.9	271.3
including medium- and long-term debt	(93.5)	(123.8)	(138.8)	(178.8)	(247.9)
(of which: arrears)	(4.7)	(8.1)	(10.7)	(12.6)	(16.2)
Scheduled debt service	5.9	7.7	7.6	12.9	12.5
Debt service payments	1.7	3.5	3.4	4.9	4.9
Arrears	4.2	4.2	4.2	8.0	7.6

Source: Guinea-Bissau authorities.

Balance of payments

95. The balance of payments has continued to deteriorate and the overall deficit reached \$11.3 million in 1985. The rate of financing of imports by exports declined from 29 per cent in 1984 to 18.5 per cent in 1985. A deterioration in the terms of trade was responsible for a loss of approximately \$US 3 million, corresponding to a rate of 5 per cent of coverage.

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Table 10.

Balance of payments

(Millions of United States dollars)

	1980	1981	1982	1983	1984 (Prel.)	1985 (Proj.)	1986 (Proj.)A.
A. Current account	<u>-26.4</u>	<u>-23.1</u>	<u>35.2</u>	<u>-29</u>	<u>-36.2</u>	<u>-50.1</u>	<u>-46.8</u>
Trade account	-49.8	-38.1	-57.6	-49.8	-42.7	-51.4	-48.6
Exports, f.o.b.	11.3	13.9	11.8	8.6	17.4	11.6	15.4
Imports, f.o.b.	-61.1	-52.0	-69.4	-58.4	-60.1	-63.0	-64.0
Services (net)	-15.8	-4.5	-11.6	-11.3	-17.9	-19.3	-19.3
Transfers (net)	39.2	19.5	34.0	32.1	24.4	20.6	21.1
B. Capital account	<u>20.1</u>	<u>24.2</u>	<u>24.1</u>	<u>17.2</u>	<u>28.4</u>	<u>38.4</u>	<u>35.4</u>
Medium- and long-term	20.1	24.2	24.1	17.1	28.4	38.4	35.4
C. SDR allocation	<u>0.5</u>	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
D. Errors and omissions	<u>- 3.0</u>	<u>- 8.0</u>	<u>- 8.7</u>	<u>- 5.4</u>	<u>- 6.7</u>	<u>+ 0.4</u>	<u>-</u>
E. Overall balance (A+B+C+D)	<u>- 8.8</u>	<u>- 6.4</u>	<u>-20.0</u>	<u>-17.3</u>	<u>-14.5</u>	<u>-11.3</u>	<u>-11.4</u>
F. Net foreign assets							
(increase -)	8.1	2.2	15.8	13.1	6.5	3.9	-
Use of Fund credit	-0.7	2.8	-0.3	-0.4	-1.6	-1.0	-1.0
Change in other net foreign assets	8.8	-0.6	16.1	13.5	4.9	4.9	-
G. Payments arrears (decrease -)	<u>0.7</u>	<u>4.2</u>	<u>4.2</u>	<u>4.2</u>	<u>8.0</u>	<u>7.4</u>	<u>-</u>
Medium- and long-term	0.7	4.2	4.0	3.6	7.0	6.4	-
Short-term	-	-	0.2	0.6	1.0	1.0	-
Goods and services accounts	-65.6	-42.6	-69.2	-61.1	-60.6	-70.7	-67.9
Current account (excluding official transfers)	-78.4	-46.2	-79.9	-72.0	-68.5	-78.2	-
Gross domestic product	160	176	173	154	157		

Source: Guinea-Bissau authorities.

B. Special programme of economic assistance

96. The initial special programme of economic assistance for Guinea-Bissau was formulated in 1978 and was approved by the General Assembly in its resolution 33/124 of 19 December 1978. The programme was reformulated in 1982 (see A/37/137) in preparation for the 1983-1986 national development plan and the round-table meeting held in May 1984. In 1983, after finalizing the national development plan, those projects of the special economic assistance programme that were not funded or fully funded were integrated into the new development plan presented at the May 1984 round-table meeting.

C. Round-table process

97. With the assistance of UNDP the Government held a preliminary meeting in Geneva in June 1983 for the round-table meeting of donors which was held in Lisbon from 21 to 23 May 1984. As a result of this round-table meeting, the donors announced contributions totalling close to \$US 90.7 million. The first follow-up meeting of the round table took place from 16 to 18 April 1985 in Bissau. The participants acknowledged the critical role of external assistance to support the Government's stabilization programme. The Government approached the bilateral donors to obtain a continuation of aid to the balance of payments. The follow-up meeting also recommended an extension of the stabilization programme in order to consolidate the results already obtained thus far.

98. A special consultation took place for non-governmental organizations in November 1985 and a sectoral consultation for health was held in February 1986. A National Technical Co-operation Assessment and Programme (NATCAP) exercise financed by UNDP to evaluate technical co-operation is currently under way. Future sectoral consultations are planned for agriculture in October 1986, fisheries in February 1987 and human resources possibly in April/May 1987. Given the important problems relating to public debt and the balance of payments, the Government requested assistance from UNDP to prepare for a meeting in late 1986 or early 1987 to discuss non-project assistance with the principal development partners. The Government has acknowledged that the round-table process assists with a better definition and orientation of its economy, better co-ordination and utilization of external assistance and reinforces co-operation between the donors.

IX. SIERRA LEONE

99. In its resolution 37/158 of 17 December 1982, the General Assembly expressed concern about the serious socio-economic problems being experienced by Sierra Leone, and requested the Secretary-General to dispatch a multi-agency mission to Freetown to consult with the Government on the additional assistance requirements. The report of that mission is contained in the report of the Secretary-General (A/38/211, annex), which describes the economic and social situation of Sierra Leone as at early 1983 and presents the country's high-priority needs for external assistance. The most recent reports on Sierra Leone were contained in documents A/39/392, section VIII, and A/40/441.

A. Economic situation

100. Statistical data from Sierra Leone continue to be deficient, thus making it difficult to undertake a detailed quantitative analysis of recent economic trends. For example, because national accounts have not been published since 1980/81, there are multiple estimates of gross domestic product. Furthermore, estimation of agricultural and mineral output and of external trade remains inaccurate because of the high proportion of unrecorded exports and imports. Nevertheless it is generally agreed that real GDP per capita and investments have been declining and there is a trend of increasing imbalances in domestic and external payments. Inflation is increasing at a rapid rate, which is reflected in the swiftly rising prices of consumer goods. Growing imbalances of external payments have resulted in an extreme shortage of foreign exchange with a resultant decline in imports of consumer goods as well as raw materials and intermediate goods for manufacturing.

101. The Government, in response to the serious economic difficulties, undertook corrective measures in December 1985, which have had mixed success. The Government's gold and diamond office that was set up to export precious minerals so as to channel foreign exchange through the official banking system has been ineffective owing to an over-valued currency. Price controls to curb inflation have merely resulted in shortages and heightened under-the-counter trade in virtually all essential commodities. This situation will remain as long as the causes of inflation such as huge budget deficits and an explosion in the money supply remain, and as long as the parallel market in foreign currency and smuggling flourish because of price and exchange rate distortions.

102. In response to the failure of the 1985 corrective measures, the Government has decided to introduce new measures in 1986/87. The protracted negotiations with the IMF for a stand-by arrangement have resulted in an agreement in mid-1986 to undertake a package of stabilization measures which includes, inter alia, floating the leone as from 27 June 1986, eliminating subsidies for petroleum products and rice, liberalizing the import licensing régime, and increasing producer prices of major agricultural commodities as an incentive to increase production. In addition to the stabilization measures, the Government is adopting structural adjustment policies that affect, inter alia, public sector management, agricultural and industrial production, investment, wages and employment.

103. The Government's development programme is to a large extent financed and implemented through its development estimates. In this connection, for the year 1985/86, some Le 215.7 million was made available to finance the development programme, of which, Le 45.4 million was to come from domestic sources and the balance of Le 170.3 million from external donors. Thus this assistance from donors in the period 1985/86 represented an increase of Le 30.1 million over 1984/85 when donors' assistance was estimated at Le 77.04 million for 1985/86, Le 66.3 million were grants and the balance from loans.

104. The implementation of the development programme has encountered difficulties, owing to the general economic crisis highlighted above and, until recently, inadequate policy responses. Ongoing projects continue to be funded externally by the World Bank, UNDP, ADB, IFAD, etc., but inadequate local counterpart funds and constant suspension of disbursements due to non-payment of debt service obligations have made project implementation very difficult. This has also meant that projects in the pipeline are not coming on stream as fast as would normally be the case.

The donors seem to stand ready to give further project assistance if the economic environment can assure the attainment of project objectives.

National accounts

105. Estimates suggest that there has been no real growth in the GDP, which, when taken with estimated population increases of more than 2 per cent a year, indicates an obvious decline in per capita GDP. Indications are that investment has been declining in both the public and private sectors and that most of the investments continue to be financed by external sources.

Key sectoral issues

106. The agricultural sector accounts for 30 per cent of the GDP, about 25 per cent of the export earnings, and employs approximately 70 per cent of the work force. The chief commercial crops are coffee, cocoa, palm kernels and rice grown largely to reduce the need for costly imports. The terms of trade have continued to fluctuate and production of the principal agricultural exports has fallen.

107. Only half of the manufacturing capacity is in use due to a shortage of foreign exchange to purchase spare parts, fuel and other critical inputs. Diamond output fell from 665,000 carats in 1979/80 to 290,000 carats in 1983/84. Mining of iron ore was discontinued in 1976, revived in 1982 and discontinued again in early 1985. The basic infrastructure continues to deteriorate owing to the lack of maintenance.

Table 11.

Gross domestic product and expenditure (1980/81-1983/84)

(Millions of leones)

<u>Gross domestic product and expenditure</u>	<u>1980/81 a/</u>	<u>1981/82 a/</u>	<u>1982/83 a/</u>	<u>1983/84 b/</u>
GDP in current market prices	1 338.0	1 565.0	1 995.0	2 514.0
Agriculture, forestry and fisheries	403.5	450.0	570.0	725.0
Mining and quarrying	119.7	129.6	168.8	217.5
Manufacturing	60.0	70.0	85.7	101.0
Trade and tourism	171.0	201.5	235.0	306.5
Transportation and communications	180.6	222.0	296.0	372.0
Other	403.2	491.2	638.8	792.0
Gross domestic expenditure in current prices	1 512.5	1 761.5	2 125.0	2 604.0
Consumption	1 332.0	1 580.0	1 954.0	2 415.0
Gross investment	180.5	181.5	171.0	189.0
Resource gap (-) in current prices	-174.5	-196.5	-130.0	-90.0
GDP at 1972/73 factor cost	420.1	420.1	420.5	422.6

Source: IMF: Recent Economic Developments, October 1984. Data provided by Sierra Leone authorities and IMF staff estimates.

a/ The GDP data are provisional estimates.

b/ Projections.

Government budget

108. Large and growing deficits characterize the Government's budget. The continuous increase in the overall deficit is a result of the rapid growth in expenditures against a slow growth in revenues. The overall budget deficit increased from Le 495.7 million in 1984/85 to an estimated Le 833 million in 1985/86 (17 per cent of GDP). Government revenue estimated to be 13.5 per cent of GDP in 1981/82 is estimated to be only 8.3 per cent of GDP in fiscal year 1985/86.

Public debt

109. Public debt and debt service are major constraints to development. The order of magnitude and the seriousness of the debt problem is represented by the very high ratios of total public debt to GDP, of debt service to government revenues,

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and of external debt service to export earnings. Indeed, the large external debt and the heavy debt service with which Sierra Leone must grapple is a major reason for the weakness of the currency.

110. According to estimates and projections made by the IMF, the external public debt (disbursed and outstanding) stood at SDR470 million at the end of June 1984. The debt service obligations which had been reduced by half in 1983/84, were projected to increase progressively from SDR70 million in the next year. The corresponding variations in debt service/export earnings ratio would be 46.5 per cent in 1985/86 and 52.5 per cent in 1987/88 before a decline to 45.7 per cent in 1988/89.

Balance of payments

111. A macro-economic environment typified by distortions and imbalances that are a disincentive to growth and a decline in exports and export prices and capital outflow have caused a balance-of-payments crisis. Shortage of foreign exchange and its poor management have caused serious debt payment arrears and given rise to an extensive black market in foreign currencies. Gross fiscal imbalance has resulted in deficits in excess of 14 per cent of GDP, financed mainly by domestic bank credit. This has resulted in the virtual doubling of the money supply between fiscal year 1984 and 1985 and is the principal cause of inflation. The fiscal deficit due largely to declining revenue collection has meant that counterpart funds for development projects have been hard to come by. As a result, project implementation has become problematic.

B. Special programme of economic assistance

112. An assistance programme composed of 71 priority projects, costing \$275 million, was presented in the report of the Secretary-General (A/38/211, annex). Of these projects, 27, costing \$124 million, were considered especially urgent. In addition, 18 other important projects with a total cost of \$196 were identified. As at mid-1984, less than 3 per cent of the resources required to implement the priority projects had been mobilized. Sensitization missions to major donors have been undertaken and the projects will be discussed at the upcoming round-table meeting in 1986.

C. Round-table process

113. With the assistance of UNDP the Government has scheduled a round-table meeting for later in 1986. Documentation describing a programme for rehabilitation and economic recovery is currently being prepared for the meeting. This programme is to be the main item on the agenda of the round table which is planned for later in 1986. Keeping in view the serious economic and physical imbalances, the decline in GDP and investment and deterioration in productive capacities and physical and social infrastructure, the programme has given heavy emphasis to a public investment programme to be implemented during three fiscal years 1985/86 to 1987/88.

114. Thus, reforms in economic management aimed principally at correcting the imbalances, the revival of productive activity and investment and the Public Investment Programme 1985/86 - 1987/88 are viewed by the Government as interrelated and a complementary component of the macro-economic strategy to achieve the objective of rehabilitation and a revival of the country's economy.

115. In the past, arrangements for aid co-ordination and the mobilization of external resources have been unsatisfactory. The responsibilities for these important tasks were diffused among several government ministries and there was no effective aid-co-ordination machinery in place. In an effort to improve this situation, the Government has recently established an aid-co-ordination committee in the office of the President which will work towards the consolidation of assistance efforts and interact on a regular basis with all the donors providing assistance to Sierra Leone.
