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CRITICAL ECONOMIC SITUATION IN AFRICA: REPORT OF THE UNITED NATIONS SECRETARY-GENERAL'S EXPERT GROUP ON AFRICAN COMMODITY PROBLEMS

Note by the Secretary-General

1. The Secretary-General has the honour to transmit to the General Assembly the Report of the Expert Group on Africa's Commodity Problems: Towards A Solution, prepared in the context of the annex to General Assembly resolution 43/27 of 18 November 1988 on the mid-term review and appraisal of the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.

2. The report should be read in conjunction with the comments of the Secretary-General, to be published separately.

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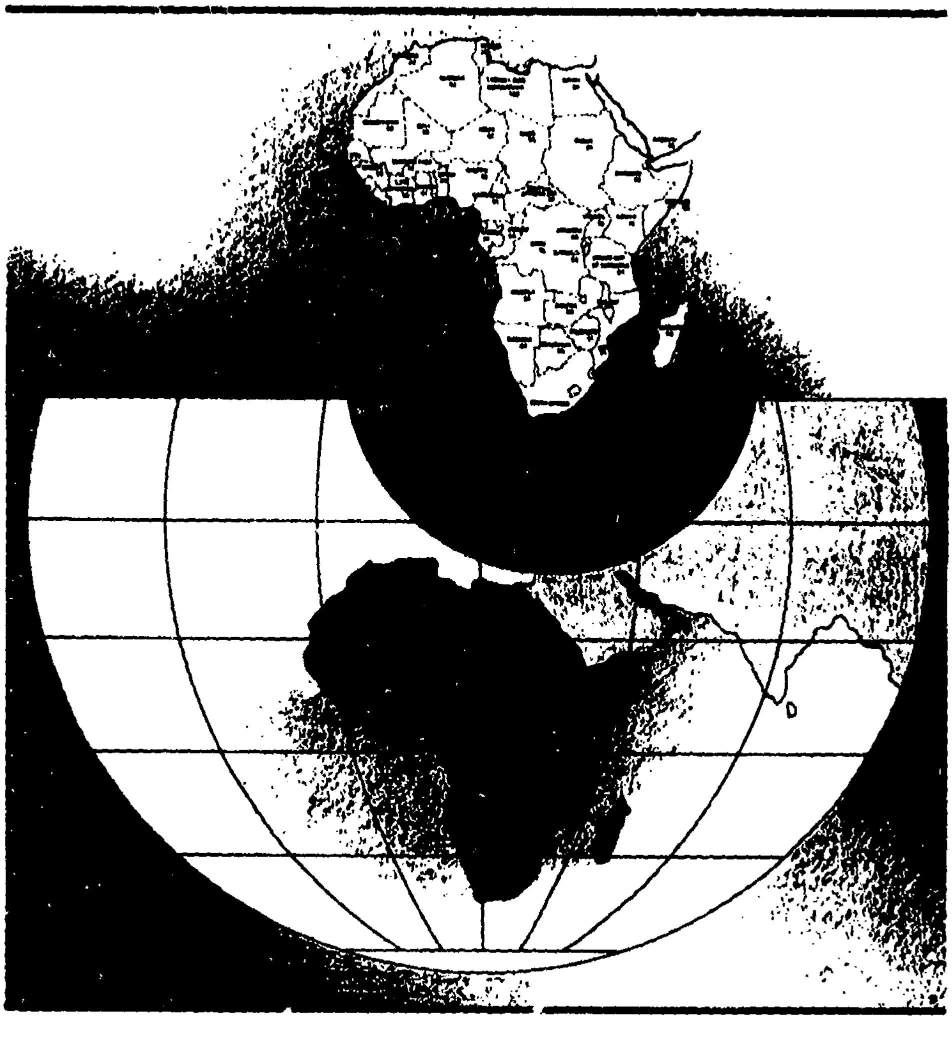
AFRICA'S COMMODITY PROBLEMS:
TOWARDS A SOLUTION

a report by:
UNITED NATIONS SECRETARY GENERAL'S
EXPERT GROUP ON
AFRICA'S COMMODITY PROBLEMS



NOTE

The maps in this report are for the convenience of the reader. The denominations, the classifications, the boundaries, and the colours used in them do not imply on the part of the Expert Group any judgment on the legal or other status of any territory, or any endorsement or acceptance of any boundary.

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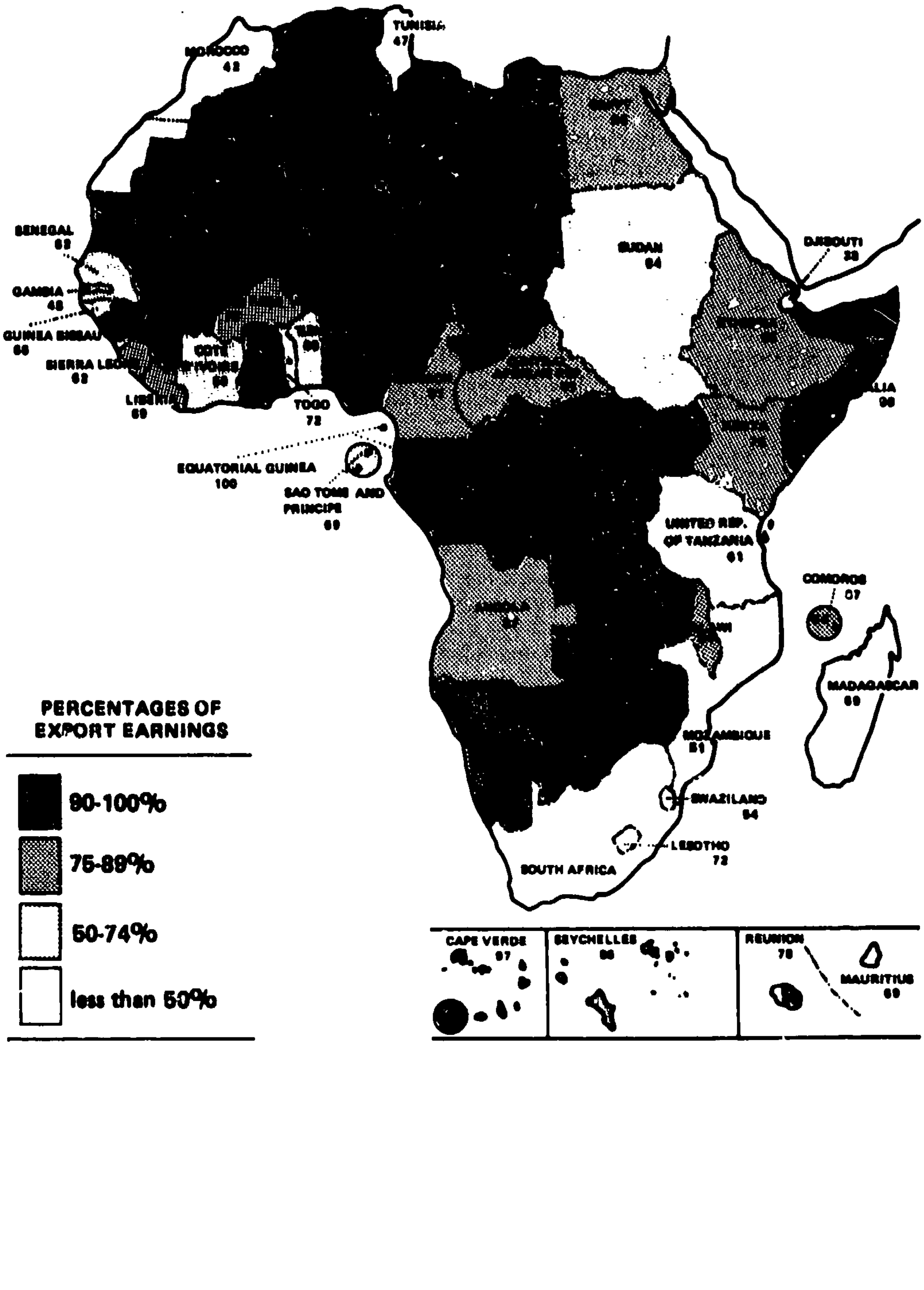
SHARE OF THREE LEADING COMMODITIES IN TOTAL EXPORTS BY COUNTRY, 1983-1984



PREFACE

This report was commissioned by me in response to a request contained in General Assembly resolution 43/27 of 18 November 1988 on Mid-term Review and Appraisal of the Implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. The request itself emanated from the preceding Assembly of Heads of State and Government of the Organization of African Unity.

I am most grateful to the Chairman and members of the Group of Experts who prepared the report for their hard work and their interesting and wide-ranging recommendations. I shall place the report before the General Assembly at its forty-fifth session and also ensure its consideration by the appropriate inter-agency mechanism. It deserves the careful attention, at the highest level, of the Governments, intergovernmental bodies and organizations to which it is addressed.

I hope that the recommendations, and the processes to which they give rise, will stimulate concrete and specific action, national and international, in response to the problems of Africa's commodity-dependent economies.

Javier PÉREZ DE CUÉLLAR
Secretary-General

CONTENTS

Chapter II

PROPOSALS FOR ACTION

List of Charts

ANNEX

Letter of Transmittal

Dear Secretary-General,

On behalf of the Expert Group which you established in March 1989. I have the honour to transmit the report on Africa's Commodity Problems. The Group. whose members participated in their individual capacities and not as representatives of their Governments or organizations, has endeavoured to respond as fully as possible to the mandate which it was given. We believe that the proposals made will. if implemented. make a contribution to the resolution of Africa's commodity problems.

We have received assistance from manv Governments, organizations of the United Nations system, particularly UNCTAD. UNDP and ECA, the Organization of African Unity, and others. including the private sector. It is a pleasure to acknowledge their help.

I personally wish to thank you for giving me the honour of chairing the Group and to thank the members of the Group for their active participation throughout the work.

Yours sincerely,

Malcolm Fraser

Rt. Hon. Malcolm Fraser. AC., CH.,
Chairman

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Claude **CHEYSSON** (France)	Member of the European Parliament Former Foreign Minister Former Development Commissioner of the European Communities Mr. Cheysson did not attend the first and second meetings. He attended the third meeting and then withdrew from the Group.

Foreword

On 22 March 1989 the Secretary-General of the United Nations announced the establishment of the Group of Experts on African Commodity Problems, with the following terms of reference:

"Pursuant to sub-paragraph (e) of paragraph 65 of the report of the Ad hoc Committee of the Whole of the General Assembly on the Review and Appraisal of the United Nations Programme of Action for African Economic Recovery and Development (UN PAAERD) 1986-1990 (A/43/664) and bearing in mind the region's high dependence on commodities in terms of exports, imports and production, the Group of Experts on African Commodity Problems is to examine the nature and causes of Africa's commodity problems and to make recommendations on national, regional and international measures for revitalization and diversification of Africa's commodity economy.

In this connection, the Group should, among other things, assess:

I The nature and causes of Africa's commodity problems bearing in mind commodities of export interest to African countries: their commodity export dependence, competitiveness, and related domestic and international policies;

Recent trends in prices of and earnings from export commodities, and their impact on recovery and development;

Interlinkages between export earnings, debt and resource flows;

Long-term supply and demand trends and prospects for commodities of export interest;

Protectionism and access to markets, especially of processed products, export promotion and marketing efforts

Existing mechanisms for stabilising export earnings including commodity agreements/arrangements, and compensatory schemes;

and

II. Make recommendations with regard to national, regional and international measures that could contribute to overcoming the problems identified. These should include measures aimed at:

Promoting both vertical and horizontal diversification of production and exports, bearing in mind the need in particular for a balance between export expansion and domestic requirements of food and industrial raw materials;

Increasing the capacity of African countries to process, market, distribute, and transport their exports of primary commodities; enhancing co-operation among producing countries,especially the rationalization of investment in commodity production, and supply management;

Encouraging the international community, including the international financial institutions, to support the diversification of African economies by contributing resources, as well as private resources development;

Improving access to markets of African commodities, in particular in their processed forms;

Achieving stable and more predictable conditions in international commodity trade, taking into account long-term perspectives;

Improved mechanisms and enhanced resources for compensatory financing for shortfalls in export earnings."

The appointment of the Group was in response to paragraph 65(e) of General Assembly resolution 43/27 of 18 November 1988. That resolution decided *inter alia* to accept the recommendation of the Ad hoc Committee of the Whole of the General Assembly on the Mid-term Review and Appraisal of the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAEPD) 1986-1990.

The decision incorporated in General Assembly resolution 43/27 itself originates from the twenty-fourth session of the Assembly of Heads of State and Government of the OAU.

Four meetings of the Group (in Geneva, Addis Ababa, London,, and Oslo) were devoted to substantive discussions and drafting of the report. The fifth meeting in Geneva adopted the report of the Group.

From the beginning, the Group decided that its work should reflect some knowledge of the real situation in the region. Therefore, apart from examination of studies commissioned by it and exchange of views with relevant organizations, the Chairman and members of the Group travelled extensively in Africa to gain first-hand insight into problems of the commodities sector. The Chairman of the Group personally met and exchanged views with several Heads of State and Government in Addis Ababa and in their capitals.

During its second meeting in Addis Ababa, the Group was addressed by the Secretary-General of the United Nations. Members of the Permanent Steering Committee of the OAU also presented a memorandum to the Group on issues before it and exchanged views with members.

Likewise, the Chairman of the Group met with responsible Ministers and senior officials in selected donor countries. These included Canada, France, Japan, Norway, the United Kingdom, and the United States. He also exchanged views with heads of international institutions including research institutions, and some international commodity organizations whose work has a bearing on Africa's commodity problems. A list of countries, persons and institutions with which the Chairman and members of the Group held discussions is attached at the end of this report.

UNDP provided the resources to cover the entire cost of the Group's work and provided support in a number of cases in connection with the country visits.

The Governments of Norway and the United Kingdom provided host facilities for the Oslo and London meetings. Several members of the Group and private organizations also supported the work of the Group in various ways.

The report itself is organized as follows. Chapters I and II present the problems as well as proposals for action including recommendations. Statistical tables are presented in the annex. A number of expert studies commissioned by the Group along with other studies on which the Group has drawn are listed in the bibliography. The studies offer useful analytical material for policymakers, researchers and students. It is, therefore, the sincere hope of the Group that resources will be found to publish some of these studies.

The analyses, views and recommendations in this report are the result of many discussions and deliberations among members. They represent the collective position of the Group on the issues before it. As an independent Group of Experts, whose members were acting in their personal capacities, the Group hopes that it will bring some fresh insights to the problems facing the commodity-exporting countries of Africa.

In this regard the Group is particularly concerned that its recommendations should receive adequate attention and be fully and openly discussed. In particular, the Group feels that the extent to which its recommendations are implemented effectively will depend on the follow-up mechanisms established for that purpose and therefore urges that these mechanisms be quickly established.

The Chairman and members of the United Nations Secretary General's Expert Group on African Commodity Problems wish to record their appreciation to African Governments for their keen support of the work of the Group, to donor Governments and the

UNDP for their generous support, and to the relevant United Nations agencies and international organizations, in particular the World Bank and IMF.

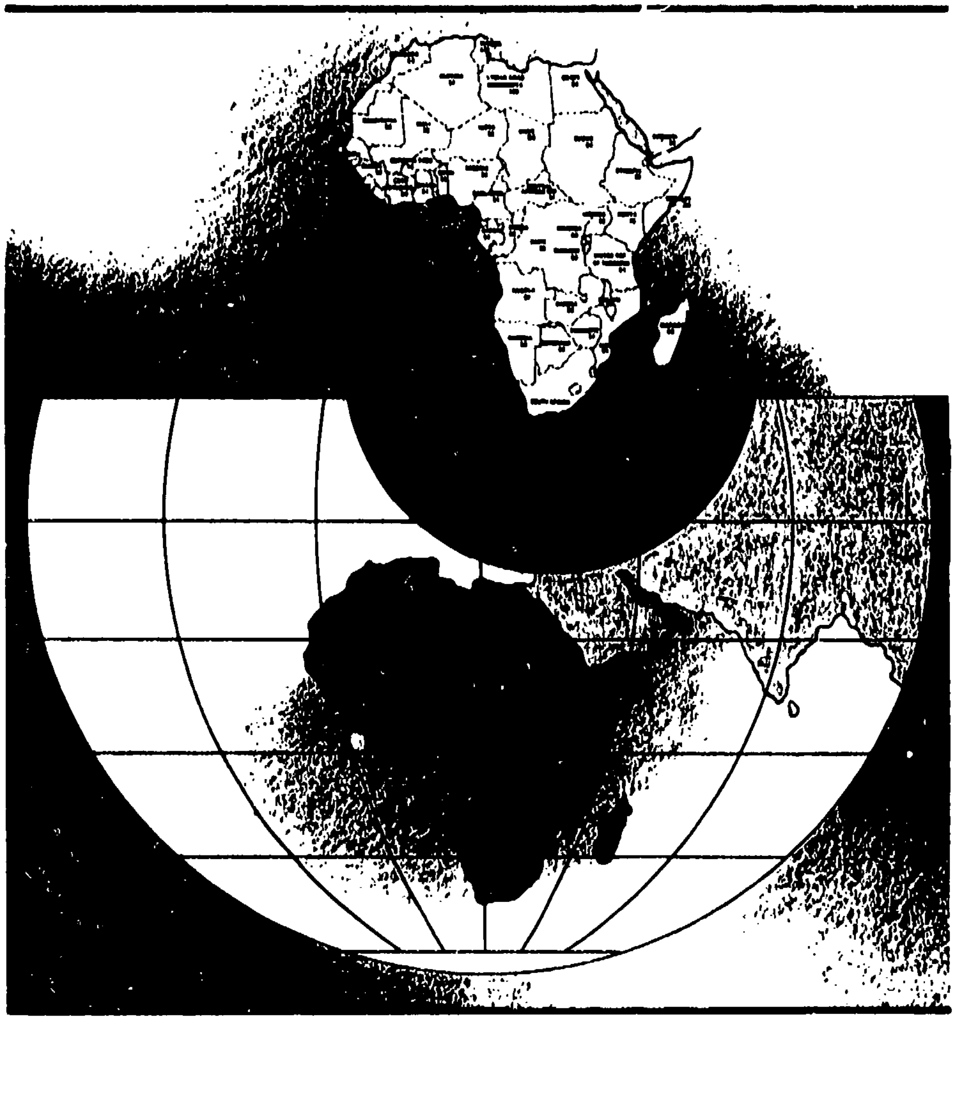
The Chairman and the members of the Group wish to express their appreciation to the Secretary-General of UNCTAD and the Executive Secretary of ECA and their Secretariats for their assistance and for the arrangements made to support their work. The Group also wishes to acknowledge the keen interest and assistance of the Secretariat of the Organization of African Unity.

Finally, the Group has found its task most interesting and challenging. The approach adopted in the following report is mainly oriented towards improvements in management and organization. This is so because we believe that many of the solutions are known. In addition, the World Bank and other organizations have provided estimates of resources required. What we have stressed in this report are the organizational and attitudinal changes necessary to address the problems of Africa's commodity sector. The vehicle we have chosen is the commodity sector strategy and policy package by which each African country could develop programmes more specifically adapted to its particular situation. To assist them we have set out in this report the broad elements of that policy package.

Abbreviations

ACP	African, Caribbean and Pacific States
CAP	Common agricultural policy of the EEC
GSP	Generalized System of Preferences
MFA	Multifibre Arrangement
MFN	Most favoured nation
NTB	Non-tariff barriers
ODA	Official development assistance
UN-PAAERD	United Nation Programme of Action for African Economic Recovery and Development
VER	Voluntary export restraint

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

The state of international primary commodity markets and the state of African economies have been at the top of the development agenda for the past quarter century. Many proposals have been advanced and acted upon, so much so that there is a strong temptation to think that anything worth saying has already been said. This report argues, however, that a clear focus on commodity strategy has often been absent. That commodity strategy should be built around three elements:

- A change in attitude;
- Organizational reform;
- Resource mobilisation.

To carry out this strategy the role and organization of government will require change. The international community and the multilateral institutions will also need to change their attitudes and organization.

The report has three critical premises. First, that major reform of economic policies and institutions, started in much of the continent in the early and mid-1980s, is now beginning to provide a context in which growth and adjustment can reinforce each other. Second, that an explicit commodity strategy is vital to both. Third, that further assistance from the international community is necessary to support the changes recommended. Without dynamism in that sector which is overwhelmingly the most important in every African economy, transformation of economic structures will remain an idle hope. Instead of neglecting what is the main source of food, income and investible surplus, African policy makers must use commodity production and trade as a motor for expansion.

The change in attitude that goes with this perspective is profound and far-reaching. It implies optimism and initiative in using commodity markets. It implies a reliance on own efforts. It implies trust in the skills of domestic producers. It implies, above all, a determination to regain a substantial share of international business in those activities where African producers right now have opportunities. Substantial sacrifices have already been made in the application of macro-economic policy but they will have been of little avail unless the opportunities created are rapidly exploited. This report argues that they can be taken and that the first steps are already being made.

The attitudinal shift hinges on the belief that real growth opportunities exist in primary commodity production and trade. The traditional emphasis on domestic processing of primary products is one dimension of diversification. But new product varieties, exploitation of resources so far little touched, investments in exploration of additional commodity reserves, association with foreign interests to strengthen marketing and distribution, all of these are routes which African producers have so far not fully exploited. Organizational reform emphasizes that Governments will do best to specialize in macro-economic policy, to minimize their direct involvement in production, and to shape incentive structures which encourage agricultural and mineral producers. The mobilization of resources implies, above all, making the maximum use of available assets. It implies utilising the information networks which have been expanding, albeit in fragmentary ways, across the continent. It also implies investments in human skills to meet the gaps which currently exist in certain dimensions of commodity production and trade. Finally, it implies highly selective use of public investment resources so as to support the most promising operations involving local and foreign capital.

The recommendations of the report aim at a comprehensive, mutually reinforcing policy package. To make this package operative several conditions will have to be met. It needs to be given appropriate institutional form and to be effectively publicised. It needs to be shaped to each country's situation and co-ordinated with other dimensions of a country's policy. The package will probably require technical assistance in assessing the potential for commodity activities. Implementation of the package will have to be gradual and oriented towards internationally competitive production. All components are necessary and no quick fix can be expected. The emphasis is on achieving the following strategic objectives:

- Increased reliance on African food crops and the attainment of food security at the household, national and regional levels;
- Diversification to enlarge the export base and capture more value-added;
- An increase in export earnings from primary and processed commodities;
- The development of intra-African co-operation and trade;
- More effective co-operation between producers and consumers of commodities; and,
- To halt desertification and reverse environmental degradation.

To achieve these strategic objectives policies must address the following critical commodity issues:

- An improvement in transport and storage facilities including ports, roads, and collection points;
- More effective agricultural research and extension services;
- Better rural education and a greater emphasis on agricultural education in universities and colleges;
- Assistance with packaging and quality control, better knowledge of the requirements of overseas markets, and vigorous promotion;
- Provision of adequate banking and credit facilities;

- A reliance on market-based pricing policies;
- The development of environmentally sound farming practices;
- A movement away from monoculture and the development of farming practices that will enable the farmer to choose between different crops;
- A greater involvement of the private sector throughout the whole process;
- The encouragement of direct foreign investment and the search for overseas partners for joint ventures to promote marketing and diversification;
- The encouragement of efficient exploitation of forestry and fishery resources;
- The encouragement of mineral exploration;
- The establishment of reasonable and practical rules of operation relating to foreign corporations;
- Encouragement of diversification at all levels and directions; and,
- Producer co-operation.

Although these steps are nationally based, Africa will make the most progress if regional co-operation becomes a keystone of the effort. That can be done with varying degrees of intensity and focus - but immediate action to encourage trade can be taken straightaway by African Governments alone. The measures include rationalisation of customs procedures and documentation; Africa-wide registration of vehicles to permit haulage trucks to operate on a region-wide basis; and organization of regional groups to handle international transport and generate economic load factors.

These recommendations will require support from the international community. The principal directions of policy change in industrialised countries should include:

- Significant additional financial resources to support the commodity strategy;
- More open markets for African exports of primary and manufactured primary products;
- A closer correspondence of technical and other assistance to African needs; and,
- Increased support for producer/consumer co-operation.

Given the significant efforts which a number of African countries have already made towards macro-economic reform, this support is essential if the fruits of change are to be obtained.

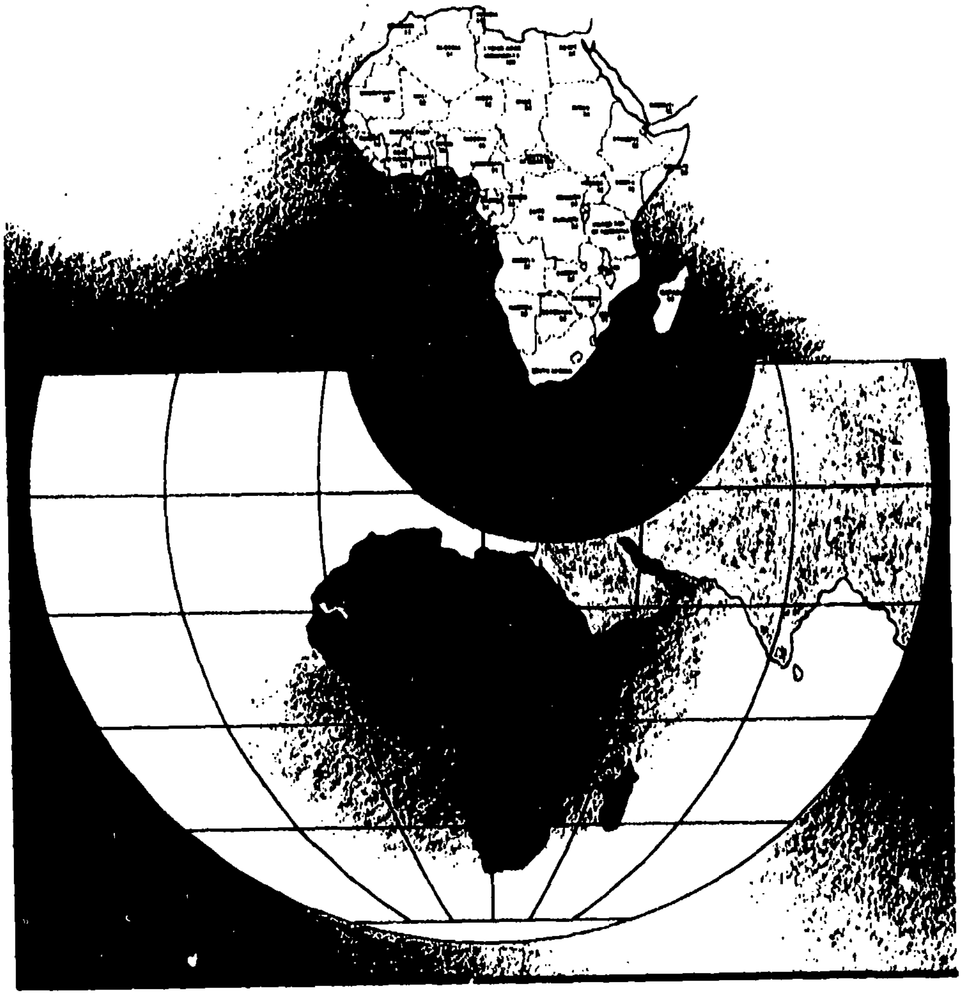
To carry out its recommendations the report argues that a follow-up mechanism must be created. National Governments will need support and the key agencies will be the World Bank, the African Development Bank, the International Monetary Fund, and some United Nations organizations, notably UNCTAD, ECA, FAO and UNIDO. Annual assessments of progress are needed and the Group believes that UNDP should be fully responsible for the co-ordination among agencies and monitoring of progress.

Our report is not intended either to set a tone of casual optimism or indicate a panacea. It starts from where Africa is, tries to dispel the pessimism which has crippled behaviour, and argues that the chances are there provided the continent itself is prepared to seize them. For the last few decades both the advice and the practice of policy-making in Africa have underlined a need to move away from commodity production and invest in other, more dynamic, activities. Yet this will only be possible by paying far more attention to commodities than has characterized the past.

One of the oldest lessons of politics and economics is the difficulty of breaking free from established modes of thinking and practice. But history also teaches that once the break is made, the rewards are enormous. This report says that now is the time for that break in Africa. The calamities of recent years have, paradoxically enough, created the conditions in which the radical reorientation of development policy towards using rather than neglecting the commodity sector is a distinct possibility. Success will be the reward for the policy innovations.

CHAPTER I

AFRICA'S COMMODITY PROBLEMS: TOWARDS A SOLUTION



Chapter I

AFRICA'S COMMODITY PROBLEMS

1. General background

Africa is in deep crisis. Concern about Africa's halting pace of development is not new. It has been a focus of many international efforts that have reflected Africa's longstanding difficulties. The African continent has great potential in its human and physical resources. Yet, rather than progressing, as much of the rest of the world has progressed, the position of Africa has worsened.

Africa's persistent problems are well known; these consist essentially of limited financial resources and wide areas of extreme poverty, rapid population growth and intense underdevelopment - Africa contains 28 of the 42 least developed countries. Because of its heavy dependence on commodities, it is especially vulnerable to falling and widely fluctuating world commodity prices. In addition, Africa is subject to severe climatic stress.

In recent years, experience in a variety of spheres has re-emphasised Africa's problems and underlined the devastating human cost facing Africa - a cost that will be magnified many fold unless present trends are reversed. They impose a new urgency to the problems of Africa. These trends are:

(*a*) Lower economic growth, and particularly lower growth per head, than the rest of the world, and even declining income per head;

(*b*) Rapidly rising population;

(*c*) Declining export income;

(*d*) Increased food import dependence, in spite of which the extent of undernourishment and often starvation has grown;

(*e*) Increasing and now crippling overseas debt and greatly reduced capital inflows;

(*f*) A steady erosion of the existing capital stock;

(*g*) Continuing weaknesses in government policies and administration;

(*h*) Continuing weaknesses in human resources and the application of science and technology; and,

(*i*) Major environmental deterioration.

It is not that these factors have suddenly emerged. They have been developing to some extent for many years. What is new is that they have now combined and intensified to create a problem of truly crisis proportions which must be tackled as a matter of great urgency if the disasters of famine, malnutrition and disease are to be overcome.

(*a*) Lower economic growth

For a long time, the continent's economic growth has lagged behind the growth of the other developing, as well as developed, regions. However, until recently, growth rates were not disturbingly low across the continent. They are now, despite some important exceptions, such as Botswana and the Congo. Indeed, taking the continent as a whole, Africa's growth is now virtually at a standstill. Of 50 African States, over 20 have experienced negative GDP growth rates in the 1980s. In only 6 countries has growth exceeded 2 per cent.

Income per head for developing Africa as a whole has declined in each year since 1980, although there has been some improvement very recently.

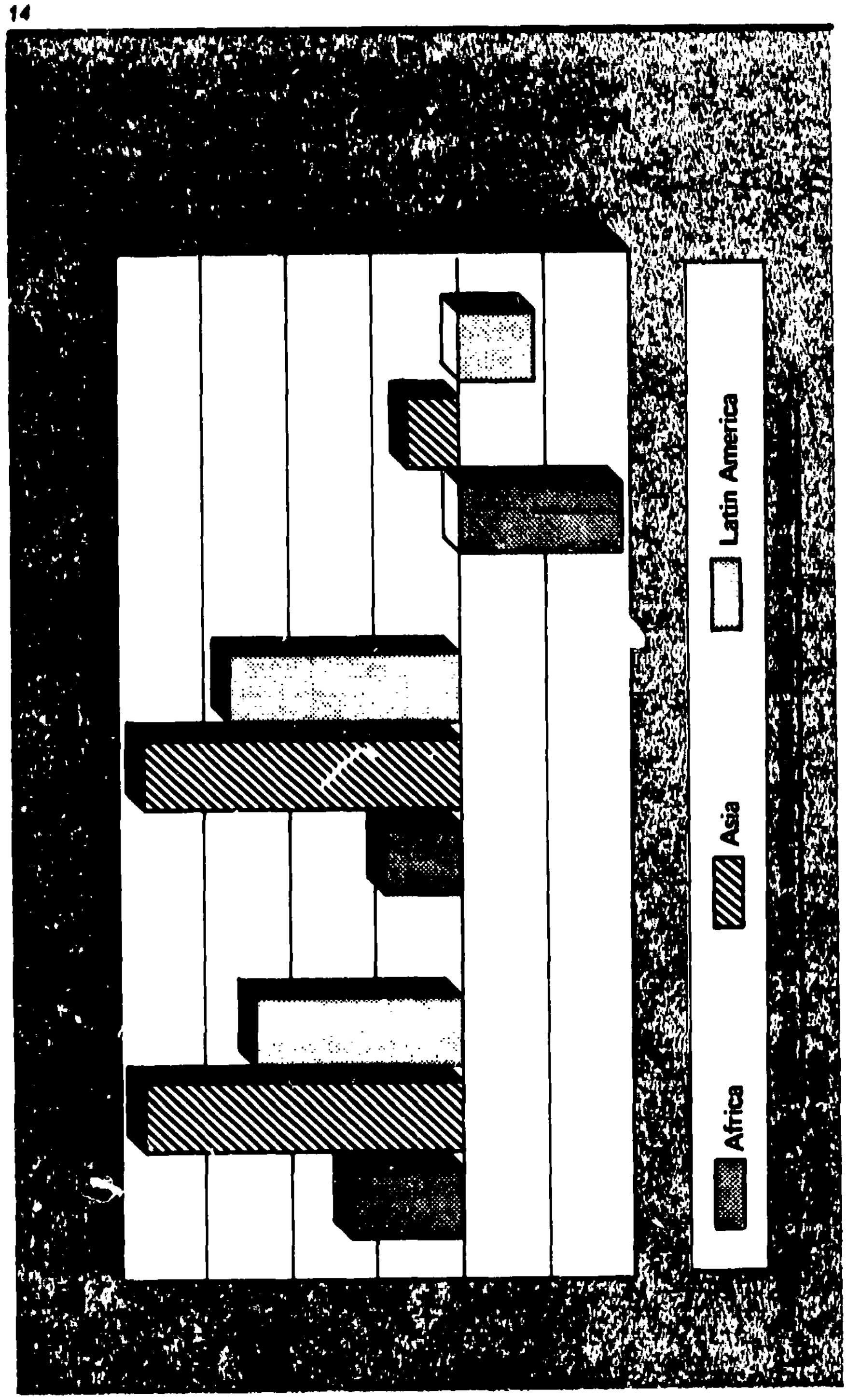
Annual average growth rates of GDP and per capita GDP
Developing regions
(Percentages)

Regions	Real GDP			Per capita real GDP		
	1960-1970	1970-1980	1980-1987	1960-1970	1970-1980	1980-1987
Africa	4.1*	4.1	1.3	1.3*	0.9	-1.9
Asia	6.2	6.2	3.2	3.7	3.7	0.6
Latin America	5.3	5.4	1.3	2.4	2.7	-0.9

Source: UNCTAD

* Excluding Libyan Arab Jamahiriya.

For many people, it is difficult to visualise what these conditions mean. If we recognise that there are several hundred million people living without proper shelter, with only brush covers, with an annual cash income much less than western families would commonly spend on one meal out, we start to appreciate the starkness of the problem. For those people health care is at best very inadequate and at worst totally lacking, malnutrition is a constant companion of children, and education is widely non-existent. This situation is worsening.


Africa
Asia
Latin America

(b) Rapidly rising population

Africa's population, now some 550 million, is growing at over 3 per cent a year. At this rate it will reach around 740 million in 10 years' time. Although there are important exceptions, such as Botswana and Rwanda, in most countries in Africa population growth is substantially exceeding food production, and food insecurity, already a problem, is growing worse. While food security makes economic sense because of the significantly improved productivity of well-fed people, it has a great - and overriding - moral implication as well.

(c) Declining export income

Africa is more dependent upon commodities in its export income than any other region - normally commodities account for between 85 and 95 per cent of total export income, depending upon how prices fluctuate. Leaving aside fuels, which have been excluded from this study[1] ,commodities earned $18 billion for Africa in international markets in 1988. This was 26 per cent lower in real terms than in 1980 and 35 per cent lower than in 1970.

The decline reflects both basic problems within Africa (and consequentially declining shares in world markets) and deteriorated terms of trade. By 1988 market shares for cocoa, coffee, cotton and copper had fallen by between 20 and 40 per cent of the 1970 market shares. Only in a few cases were African exporters able to hold their market shares (charts 2 and 3).

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1 Although fuel exports amounted in 1987 to 63 per cent of Africa's total export earnings we have chosen to exclude crude oil from most of our analysis. While crude oil production and exports exert a major influence upon Africa's aggregate GDP and export earnings, a majority of African countries lie outside this influence. Only 9 out of over 50 African countries derive more than 10 per cent of their exports from petroleum. The influences upon the supply and demand for oil are complex and dependent upon factors that are, to a large extent, unique to the oil market. Our analysis of the problems of Africa's commodity sector is therefore focused primarily on non-oil primary products.

The terms of trade have not been kind to Africa in the 1980s. From a peak in 1980, including petroleum, they deteriorated fairly steadily, in consequence mainly of primary commodity market weaknesses, falling overall by 40 per cent by 1988. Viewed against the longer term this deterioration still left the terms of trade better in the late 1980s than they had been in the early 1960s. But terms-of-trade deterioration was nonetheless a major contributor to the decline in real African export income in the 1980s. The $18 billion earnings from non-fuel commodities compares poorly with the $17.2 billion needed in 1987 (the latest year for which complete data are available to us) for debt servicing or with the $13 billion needed in 1988 for food imports.

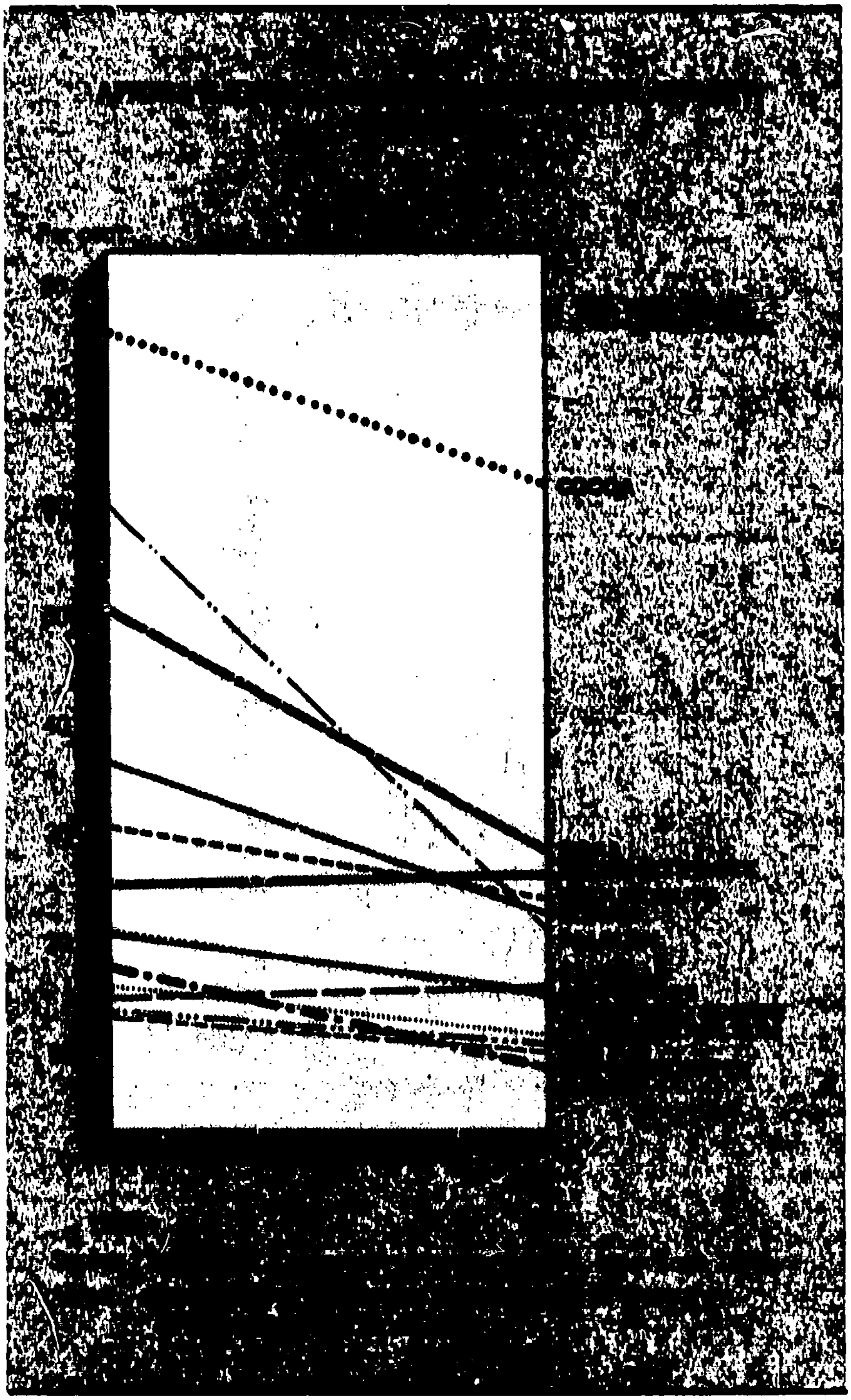
In addition to falling export income, the year-to-year income has fluctuated wildly. Export earnings, such as from Guinea's bauxite, and Burkina Faso's cotton, have too often fluctuated by more than 50 per cent from their trend value.

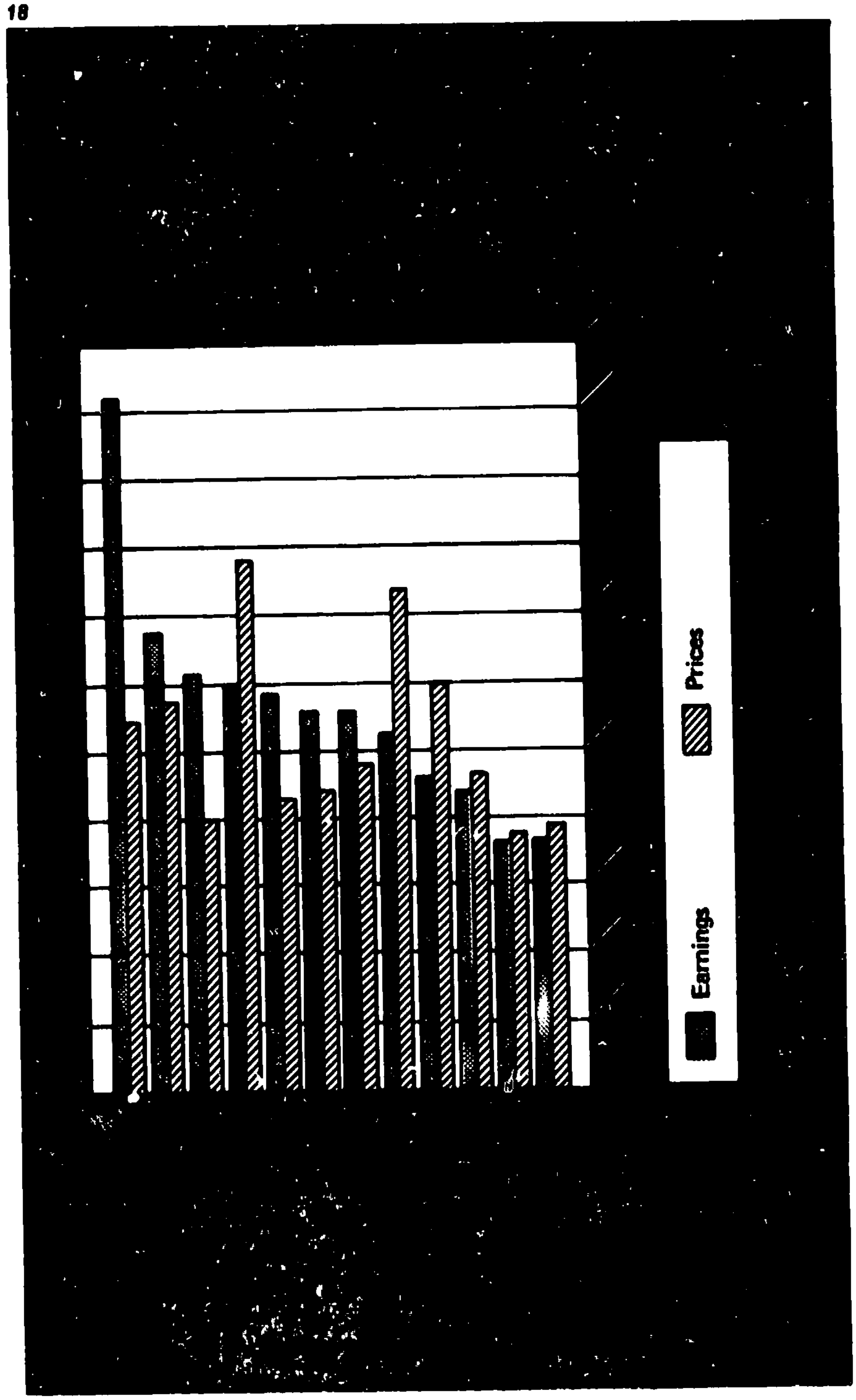
Africa's high dependence on commodities makes such changes and fluctuations particularly hard to bear without severe disruptions to its national economies.

(*d*) Increased food import dependence

The food situation in Africa is serious. Sub-Saharan Africa's food consumption already exceeds food production by 10 million tons per year. The food deficit for all of Africa exceeds 30 million tons. At the same time, IFAD estimates that an increasing number of Africans, in 1983-85 some 140 million, or almost one in four Africans, were undernourished.

The prospective situation is appalling. In sub-Saharan Africa, assuming existing food production and population growth rates are maintained, consumption could exceed production in the ten years to the year 2000 by about 50 million tons. Under optimistic assumptions and for cereals alone, Africa's import needs in the year 2000 are estimated to be over 45 million tons, about equally distributed between Northern and sub-Saharan Africa.




Earnings
Prices

Africa cannot conceivably pay for food imports of that order on world markets. The volume of Africa's wheat and rice imports have already increased by more than four times since 1970 while that of its main exports declined. More disturbing still, even were that amount of food available as aid it could not be physically handled and distributed to those requiring it. Whatever the qualifications appropriate to particular estimates, the magnitude of the potential problem, without effective counter action, is undoubted.

Ill-health, malnutrition and morbidity associated with inadequate diets are already a major brake on development. While new diseases have caught world attention, other diseases remain prevalent with a greater incidence of more virulent and resistant strains emerging. These influences will worsen under current prospects.

There are indications that the improvements observed in mortality rates until 1980 have been reversed. Average birth rates have declined but the prevalence of child malnutrition has increased.

(e) Increasing and now crippling overseas debt and greatly reduced capital flow

Africa's international debt has increased sharply since the mid-1970s. It rose from $108 billion in 1980 to almost $220 billion in 1987. Debt service payments have absorbed an increasing proportion of Africa's foreign exchange (charts 4 and 5). About 26 per cent of Africa's total export earnings in 1988 went to meet debt service obligations while formal obligations were 33 per cent of export earnings.

Total net financial transfers to Africa are a resultant of various official and private financial movements in both directions and these inevitably vary from year to year. Although there has been an increase in official financial flows in the last two or three years, because of offsetting outflows, net financial transfers have tended to decline. From a peak for the 1980s of $12.7 billion in 1982 (in 1987 dollars), they fell to $-2.1 billion in 1987, although UNCTAD estimates suggest that they were positive ($1.7 billion) in 1988. International bank lending shows a large degree of instability and direct foreign investment, which had increased from $1.1 billion to $2.4 billion between 1980 and 1982, fell to $0.8 in 1987.

(f) A steady erosion of existing capital stock

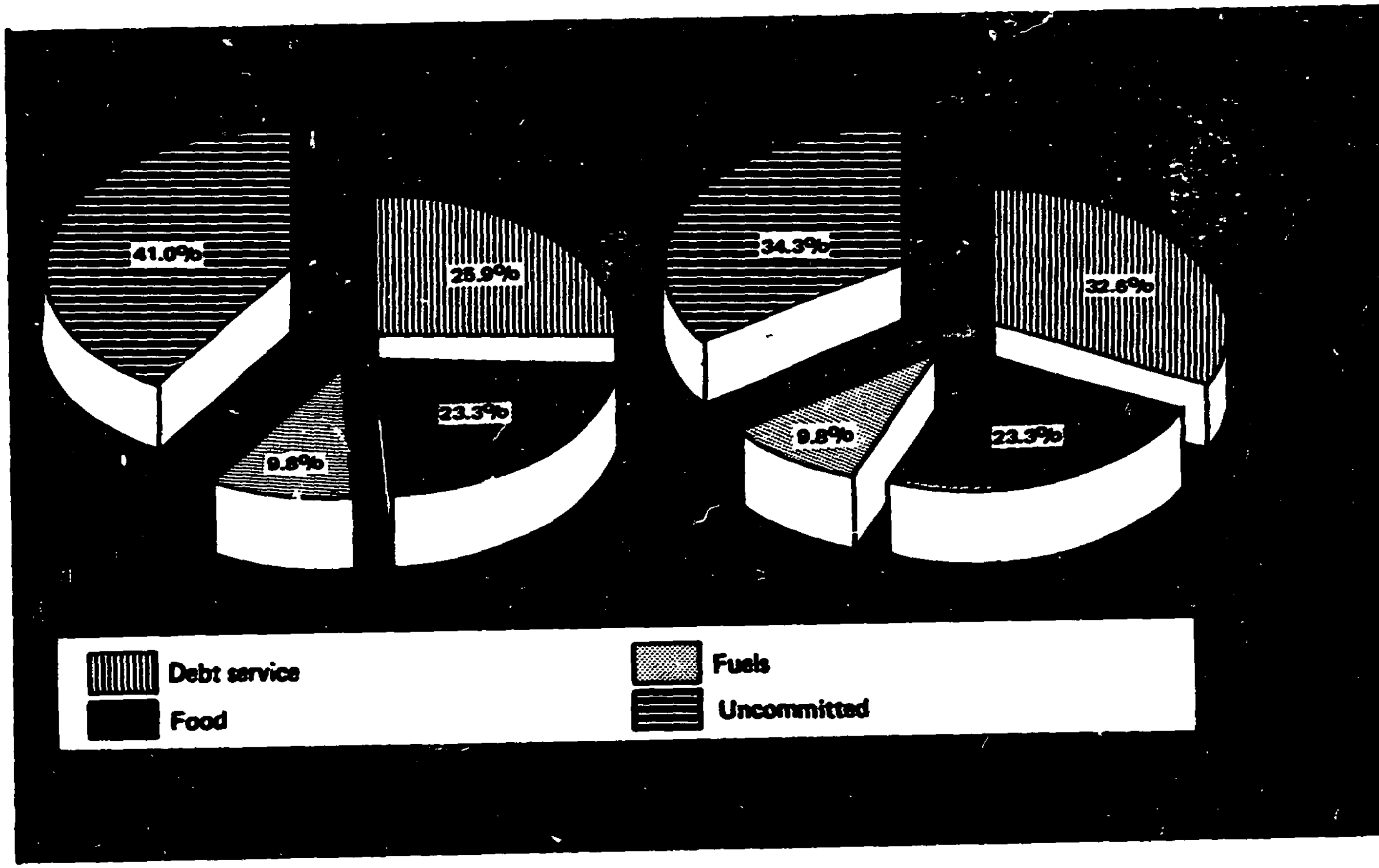
Associated with the scarcity of financial resources, but linked to a number of other factors, Africa is experiencing a steady deterioration of its physical capital. The value of imports of machinery and transport equipment by African countries declined from around $35 billion in 1981 to less than $22 billion in 1985 and 1986, in real terms a drop of almost 40 per cent. As a result of deteriorating capital stock and poor maintenance as well as difficulties in obtaining imported inputs, manufacturing capacity utilisation rates have fallen sharply.

United Nations estimates indicate that about 25 per cent of paved roads in Africa and a higher proportion of unpaved roads require substantial rehabilitation or reconstruction which cannot be undertaken for lack of resources. As a consequence, the cost of road transport has risen sharply.

(g) Continuing weaknesses in government policy and administration

The difficulties of administration in Africa stem from a number of factors but include the lack of a trained and experienced administrative class of managers. They also stem from the lack of institutional practices about the way things need to operate if long-term consistency is to be preferred over short-term political expediency.

They manifest themselves in several critical ways. Many Governments have tended to give inadequate or ineffective attention to economic matters. Political and military concerns frequently receive a higher priority.


41.0%
28.9%
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23.3%
Debt service
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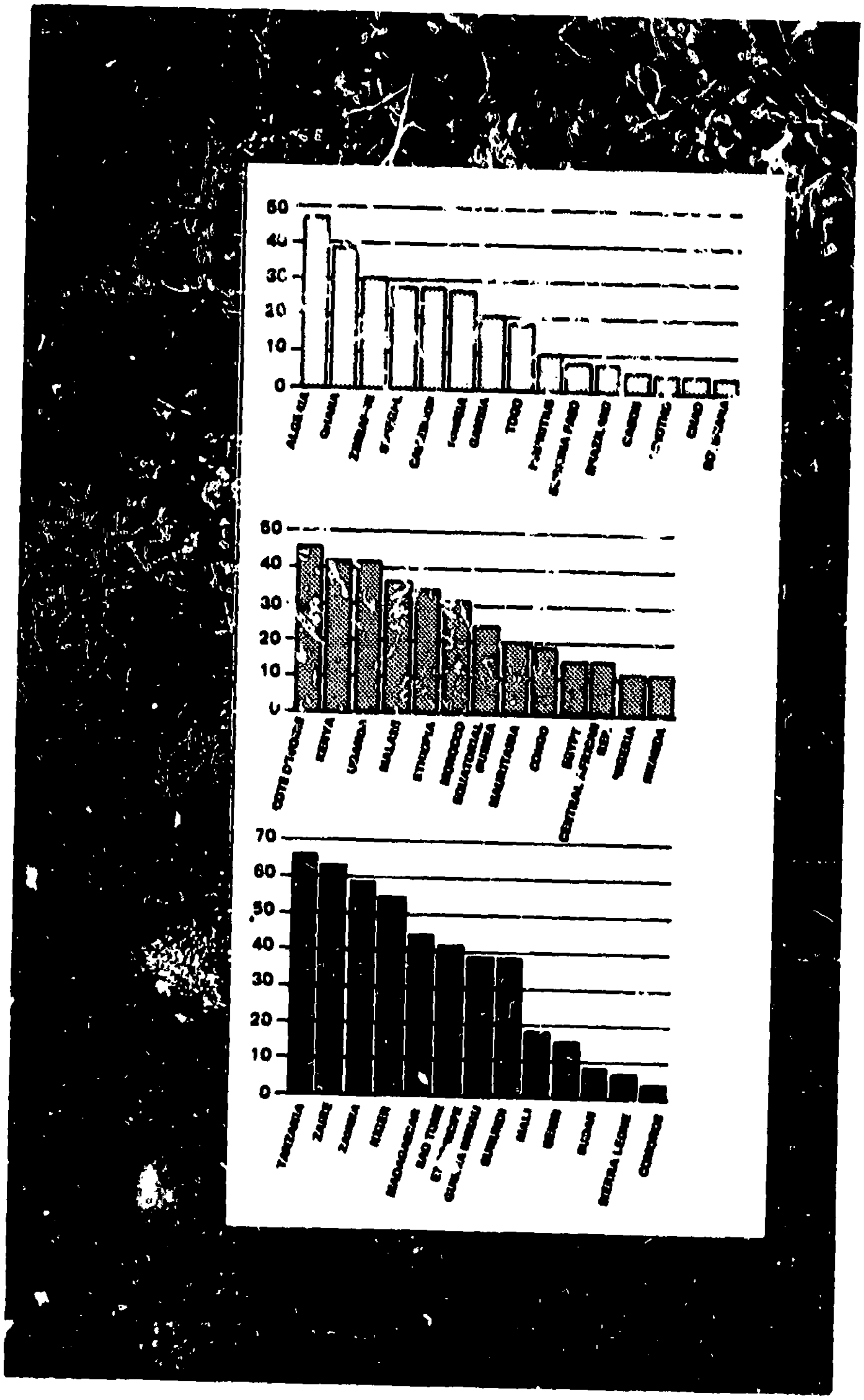
30
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Military expenditures have been and remain a major expenditure item, and a major use of Africa's scarce foreign exchange. The defence share of African budgets hovered around 12 per cent in 1980 and 11 per cent in 1985.

Good administration is also critical. The weakness in government administration is widespread in Africa, at all levels of contact with Africa's bureaucracy. Providing answers on time, giving individuals or corporations the information they ask for, and making decisions promptly and accurately, are of great significance. While a balance between the need for centralised and decentralised decision-making is desirable, and we recognise that significant reforms have been undertaken in recent years, we believe that in many African countries the balance remains too far towards centralised decision processes. Any shift to decentralised decision-making to ensure quicker and better decisions, however, has to ensure that the local bureaucracies are able to make effective and timely decisions and have the authority and incentive to do so. Especially in the face of increasing competition in the world market place, inefficiencies that make undertaking business in Africa difficult can no longer be afforded. To overcome these problems will require a clear delegation of authority and an attention to detail that so far has not been characteristic in Africa. Some countries in Africa, including the Central African Republic, Ghana and Guinea, are taking steps to reform their public administrations. Such steps need to be taken more widely.

(*h*) Continuing weaknesses in human resources and the application of science and technology

The gaps in the necessary skills and experience in Africa are already large and they are increasing. Africa's ability to educate its growing population diminishing and the quality of its educational institutions has fall substantially. From an already low base, expenditure per head on education has been declining. UNESCO figures show a fall from $32 a head in 1980 to $15 a head in 1987. By comparison, for all developing countries, expenditure per head on education over the same period was basically unchanged. Of the 550 million Africans, the number that are illiterate has grown to 125 million.

This is a critical situation which will accentuate existing difficulties. There is already a critical shortage of managerial infrastructure and administrative and entrepreneurial skills and of research capacity in both the governmental and private sectors in Africa. By any yardstick, whether literacy rates, percentage of school age population in secondary school and universities, or percentages of expatriates in scientific, managerial and academic positions, sub-Saharan Africa is on the bottom of the human capital scale in the developing world.

There has been inadequate investment by African countries to build African capacity in science and technology. The effectiveness of training has also not been adequately addressed in international assistance programmes.

Many of these serious weaknesses need not have occurred had it not been for grave problems with government administrations.

(*f*) Major environmental deterioration

The continent is experiencing major environmental deterioration through a self-reinforcing process of desertification, deforestation and land degradation, closely linked to rapidly expanding populations. Deserts in Africa have been encroaching on useful agricultural land at a rate of 6 to 7 million hectares, about twice the size of Belgium, each year and are directly affecting the livelihood of some 60 million people.

Deforestation is proceeding rapidly. Of the almost 700 million hectares of forests in Africa, between 3 to 4 million hectares are being cleared a year as a result of shifting cultivation and unplanned forest clearing. This reflects not only the pressures of population on the needs for farm land but the scarcity of fuelwood for a large and growing number of Africans. Thus the pursuit of survival hastens environmental degradation.

Most countries in Africa suffer soil degradation. Land degradation through desertification, water and wind erosion and salinity affects some 80 per cent or more of Africa's rangelands and a high proportion of its dryland cropping areas. Over 60 per cent of Africa's productive drylands are desertified. For some countries, such as Ethiopia, the annual rate of soil loss from soil erosion is particularly serious.

The effect of land degradation on soil fertility and hence on commodity production is catastrophic. In most of Africa soil fertility is declining and the ecological balance of grazing grounds is being upset. Much of this deterioration is occurring in the poorest areas in Africa. To reverse this situation requires greatly improved agricultural and forest management and policies to support them. Because land degradation is often associated with poverty, it will not be reversed for much of Africa without progress in economic development, and without significant external help.

2. The setting of Africa's commodity problems

(a) The potential

We have discussed this general background at some length because it impinges on the commodities sector. Certainly, however, the failure of the commodity sector is not because of a lack of potential. The continent of Africa, despite its problems, has great economic potential. While the situation varies among countries, overall it has a vast land area on which food and other agricultural production could be expanded There is a great potential to increase production of existing export crops and to develop new export products, or process existing export products or by moving into industrial production. Minerals and energy resources remain substantially untapped, and timber production could be increased without threatening the environment - indeed with better management, production could be increased while improving the ecological situation. Better use could be made of Africa's water resources. Fish production could be substantially expanded from its inland and its maritime waters. Better use could also be made of Africa's water resources for irrigation, in particular smaller-scale irrigation. Less than 4 per cent of Africa's hydro-energy potential has been realised. The continent's natural endowments, of course, also provide considerable potential for an increased flow of tourists. Great possibilities, therefore, exist but without major changes in attitudes and in actions, little will be realised.

We are also aware that many of the ways to improve the performance of the sector are known and for many, the means are within reach. The consequences of failing to reverse the current trends would be grave, however, not only for Africa but for the international community as well.

In the next chapter, we propose a number of measures that we believe are essential to turn the African commodity sector around.[2]

The countries of Africa are diverse in their geographic size, populations and population density, resource endowments, and in their access to the sea. They also range widely in their extent of economic development, income levels and the economic policies that have been undertaken. A high degree of commodity dependence is a common factor but the degree of dependence varies. For 11 countries or territories, however, around three quarters or more of their export income comes from a single commodity: Botswana (diamonds); Burundi, Ethiopia, Rwanda and Uganda (coffee); Cape Verde (fish); Guinea (bauxite); Liberia (iron ore); Reunion (sugar); Somalia (livestock); and Zambia (copper). In this report, therefore, we must frame our recommendations generally but we recognise that in some cases those recommendations would not be fully applicable, and in all cases will be applicable only with adaptation to local circumstances.

(*b*) The importance of commodities

We noted earlier that Africa's dependence upon export commodities was greater than that of any other region. That dependence is not only critical to external income, it is critical to the total income of national economies. The commodity sector provides close to half the national income for a few oil and non-oil countries and 90 per cent - 100 per cent of export income for most countries in Africa.

Moreover, much of Africa's population, of which two-thirds is in the non-urban areas, gains its livelihood from producing and trading in agricultural, fishery, forestry and mineral commodities.

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2 In this report the term "commodity sector" refers to economic activities in what is often referred to as the primary production sector. It embraces activities in agriculture, forestry, fishing and mining. While many other activities are related to the primary production or commodities sector they are best described for analytical purposes as industrial (secondary) or service (tertiary) activities.

The agricultural sector is not just the source of some two thirds of Africa's food consumption, and the main source of its export income, but it has generated a large part of domestic savings and government revenue. Although our attention will be focused mainly on agriculture, minerals production and exports are also important in Africa, non-fuel minerals exceeding 50 per cent of total export earnings for 7 countries.

(c) Why the failures?

The commodity sector's role in economic development therefore has been critical and will continue to be so for long into the future. It is the failure in the commodity sector which has been central to the economic crisis facing Africa - as both a contributor and a casualty.

External factors have been much less than helpful. Global consumption of almost all of Africa's major export commodities continues to rise. Nevertheless, prices for primary non-oil commodities have fared poorly compared with those for manufactured goods. Terms of trade for non-fuel commodities with respect to manufactured goods have fluctuated but have generally declined since 1960 and for the last three years have been lower than at any time since 1960.

External factors, however, have not been the only contributing factor. Other developing countries in other regions have had to face similar market problems and they have progressed while Africa has fallen further behind.

The many reasons for the failure in Africa's commodity sector, reflected in low productivity and uncompetitive production, also include ill-advised government policies, unenlightened administration and organization, a serious lack of agricultural scientists and extension officers, a poor knowledge of international markets, a lack of investment in transport and other infrastructure essential to effective competitive production and an economic policy framework which offer overseas investors few incentives. These have provided an inadequate environment in which productivity growth and competitiveness could be maintained, or even increased, and in which commodity production could be improved to meet Africa's needs.

The critical role of the commodity sector in Africa's economic development will remain for a considerable time. Given this, in general commodities have not received the attention they have needed from Governments. We also recognise that policy for the commodity sector must be put into the broader context which economic development encompasses.

The Group emphasises that the primary responsibility for turning around the African economic situation lies with African Governments and people themselves. They cannot, however, do it alone - the international community has a heavy responsibility to supplement their efforts and to ensure that policies external to Africa do not frustrate the significant efforts needed within the region.

Given the difficult and competitive international environment for most commodities, many looked to international commodity agreements to help in these circumstances. At various times in the past, several ICAs functioned satisfactorily and played a useful stabilising role and the rubber agreement continues to do so. Because, however, of the inadequacies of the structure of many of these agreements, the lack of adequate support by participants, and the lack of financial support, the price mechanism has not, with some notable exceptions, withstood severe imbalances between supply and demand. The need for commodity co-operation between consumers and producers regionally and globally today is certainly as great as it ever was. Such co-operation can range from information sharing, collaboration on research, market promotion and development, to price and income stabilisation.

Well structured international commodity agreements can, within their limits, perform a useful function provided they are given adequate support from both producing and consuming countries. For both coffee and cocoa, two commodities of great interest to Africa, the necessary co-operation among producers, as well as between producers and consumers, is still substantially lacking. Initiatives have now been taken to renegotiate a new international coffee agreement. However, the outcome one way or the other for international commodity agreements will not reduce the importance of changes we see as necessarily being undertaken on their own account by African Governments. These would include a continuation of reform programmes and the adoption of national commodity strategies and policies which will include the need for much stronger regional co-operation.

The mining industry could make a much larger contribution to Africa's economic development. While better macro-economic policies, better management, improved non-urban physical and social infrastructure, and the like, would help, dependence on foreign private investment is likely to be crucial. For some Governments in Africa, effective working arrangements with foreign companies have been satisfactory to both sides - as with Guinea's bauxite - and a number of African countries have promulgated new investment codes or other policy reforms to improve the investment climate. In most African countries, however, this will require a more attractive investment policy environment than currently exists.

If Africa is to be successful in expanding its production of its existing commodity mix at a more competitive level, or in diversification into new or processed products, the question of market access becomes extremely important. We judge, and recent IMF and World Bank studies give significant support to our judgement, that despite the benefits of the Lomé Convention and the preferences given to LDCs, developed countries do not provide the kind of market access that the developing countries of Africa need or which would be available if the developed countries refrained from narrowly self-interested protective policies and made the playing field more level.

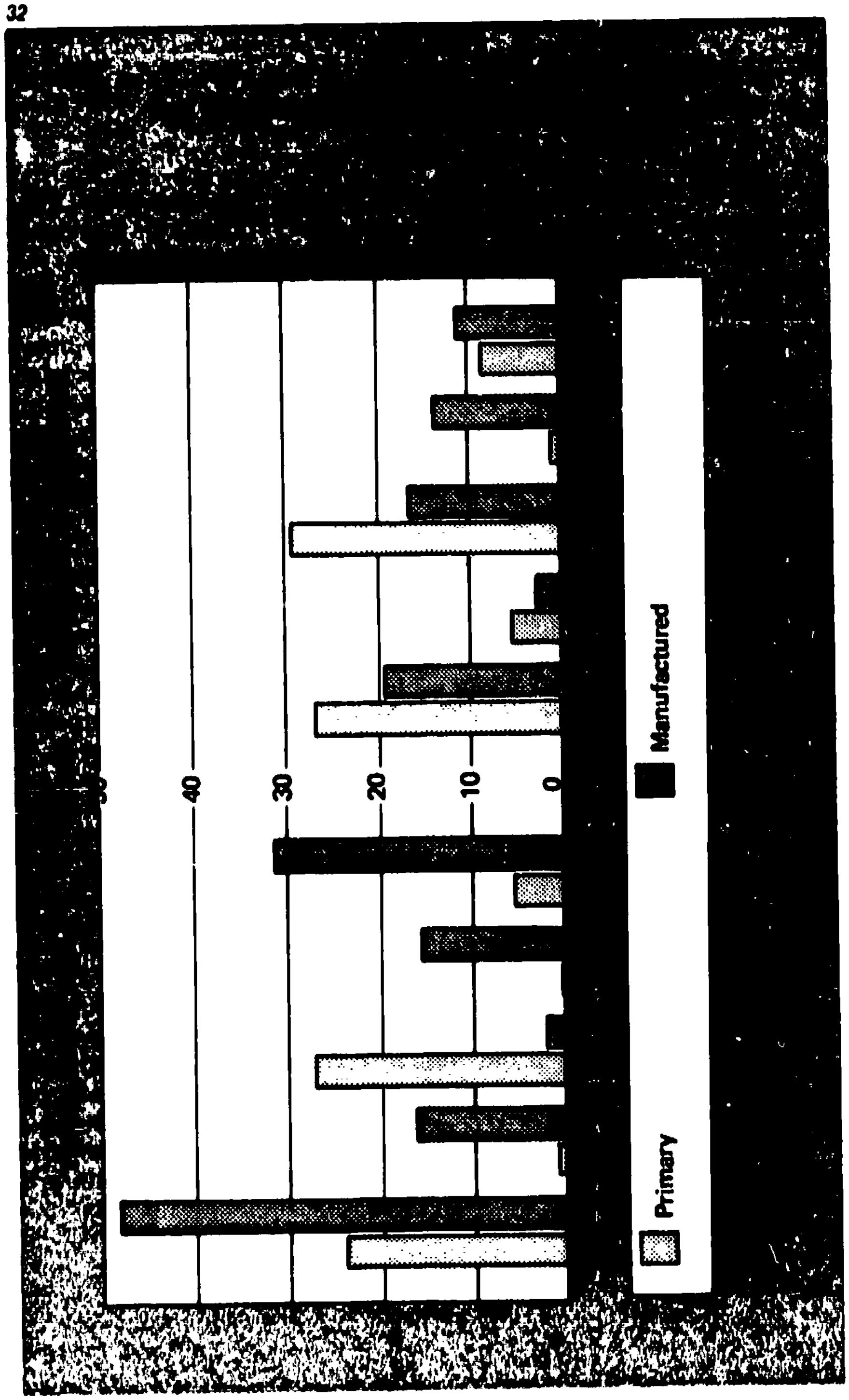
This has particularly significant implications for countries in Africa pursuing reform programmes with great courage and with political determination. Over thirty countries are now embarked on such programmes. Some countries have stuck to the programmes for five or six years and are determined to continue on the track. There is, however, a high probability that such programmes will fail unless the international community takes a wider view of its overall responsibilities.

The Fund and the Bank have addressed themselves to the macro-economic situation within particular countries, and resources have been provided subject to conditionality, a conditionality which is often regarded as excessively severe. The Fund and the Bank are not responsible for, and do not have direct authority for, direct foreign investment in such countries. Given their overall persuasive power, however, they have not taken sufficient steps to make sure that such countries embarking upon a diversified and expanded production base will gain adequate access to markets in industrial countries. Therefore, while attention is paid to the macro-economic elements, the broader trade policy situation is not brought into the equation.

It is also clear that many multinationals believe that, despite a reduction in the overall level of formal protective measures imposed by developed countries, administrative protection, including safeguard clauses, anti-dumping measures, rules of origin and the like, are being used more readily and with greater arbitrariness, particularly by the United States and the European Community.

Against that background, international businesses will not provide considerable sums for export oriented investments in Africa if they believe that market access to industrialised countries, in particular, might be shut off. A doubt is sufficient to prevent the investment.

We regard the overcoming of this aspect as a contributing factor to the eventual success of the African commodity sector and the steady diversification and broadening of Africa's productive base. It is not only the broad economic situation of particular countries that needs to be addressed. The trade policies affecting them and the question of external markets for new expanded production is also a critical element.


40
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0
Primary
Manufactured

(*d*) Some of the responses

The difficulties being faced in the African development process that we have illustrated have already stimulated a number of responses within African countries themselves. Many African countries have embarked upon major policy reforms which have been directed to the commodity sector. These have given rise to an upturn in African commodity production and exports since 1984, sometimes offset in part by price declines. Others, however, have yet to adopt serious reform measures.

We recognise that for many of the major African commodities, prospective market conditions do not look favourable. For many, global supply in the past has tended to exceed global consumption, even though that consumption is rising, and international prices have been low. Obviously, market prospects have to be judged carefully in considering future programmes for particular commodities. Yet much more important is the ability to sell competitively despite these difficult circumstances - as some of Africa's competitors have shown in expanding their market shares in commodities of importance to Africa.

There have also been responses by the international community. The United Nations agencies have, at the request of the Secretary-General of the United Nations, in accordance with their designated responsibilities and as far as it has been possible for them to do so, adjusted their work programmes to reflect the priorities of the United Nations Programme of Action for African Economic Recovery and Development.

Collectively, international financial institutions and development assistance agencies in particular are increasing their net resource flows to Africa. The IMF has sought to remedy the situation where there has been a net transfer of resources from Africa to the IMF. IFAD's net disbursements to Africa have increased and additional resources available from IDA-8 and to the African Development Bank should help further.

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(e) What else is needed?

These and other efforts are helpful but they will not be adequate without major changes in the commodity sector and in policies which affect the sector or without greater support from the international community - multilateral and bilateral donors, financial institutions and potential foreign investors in the private sector.

The Group has consulted extensively with the United Nations system agencies. It has also commissioned studies and analyses to supplement what was already available on the African commodity sector. The Group found that the assessments and the conclusions drawn from these studies and analyses reached a high degree of agreement. They differed little on what are the problems and their causes, and there was substantial consensus on what needs to be done.

Additional financial resources are necessary, as the recent World Bank study[3] makes clear, but resources alone will not solve the problem. Significant changes of attitudes are needed by Governments and communities in:

(*a*) Africa;

(*b*) Europe, the United States, Japan, the USSR and other industrialised countries; and

(*c*) International and non-governmental organizations

[3] World Bank, *Sub-Saharan Africa: From crisis to Sustainable Growth*, (Washington, D.C., 1989), discusses the policy and framework.

3. Essential elements of an approach

As well as financial resources and changes in attitudes, the Group also sees a need for changes in the organizational approach of African Governments, and of the international community to Africa's commodity sector problems.

The countries of Africa as a whole have to move rapidly towards improving their capacity to:

- Feed their own people;
- Develop and diversify their economies;
- Protect and repair their environment;
- Improve their living standards; and,
- Pay their own way.

These needs will not be met, however, without a successful commodity sector. During the course of economic development, the relative importance of the commodities sector invariably declines over time. The speed with which it declines is a product of development itself. In the African context, the most obvious route to overall transformation is thus, paradoxically, to strengthen the commodities sector. While our charter relates directly to commodities, the required changes will not take place without a macroeconomic policy and institutional framework that enables and encourages production expansion, productivity growth and increased competitiveness.

Some Governments have begun to put in place such a framework, with changes to macro-economic policies and related efforts to improve the administrative infrastructure and the climate for investment. These policies are a critical pre-requisite for turning around the performance of the commodity sector, but they are not by themselves sufficient.

What we see as necessary, therefore, is a conscious upgrading of the importance of the commodities sector within the planning, budgeting and policy formation of individual African countries. Such an upgrading requires, also as a matter of conscious governmental effort, a co-ordinated and internally consistent package of mutually reinforcing policies and measures relating to the commodity sector and its role in overall development programming.

These should be embodied in a commodity strategy which should have the following broad objectives:

- Increased reliance on African food crops and the attainment of food security at the household, national and regional levels;
- Diversification to enlarge the export base and capture more value-added;
- An increase in export earnings from primary and processed commodities;
- The development of intra-African co-operation and trade;
- More effective co-operation between producers and consumers of commodities; and,
- A limit to desertification and a halt to environmental degradation.

To achieve these strategic objectives, policies will need to cover such areas as:

- More effective agricultural research and extension services;

- Better rural education and a greater emphasis on agricultural education in universities and colleges;
- A greater reliance on market-based pricing policies;
- The development of environmentally sound farming practices, assistance with packaging and quality control, better knowledge of the requirements of overseas markets, and vigorous promotion;
- Provision of adequate banking and credit facilities and improvement in transport and storage facilities including ports, roads and collection points;
- A movement away from monoculture and the development of farming practices that will enable the farmer to choose between different agricultural activities;
- A greater involvement of the private sector throughout the whole process of input supply, marketing and distribution;
- The encouragement of efficient exploitation of forestry and fisheries resources;
- The encouragement of mineral exploration and development, and direct foreign investment in the mining sector;
- The establishment of reasonable and practical rules for the operation of foreign corporations;
- The search for overseas partners for joint ventures to promote marketing and diversification in all commodity areas ;
- Encouragement of diversification at all levels and directions; and,
- Producer co-operation.

We believe that African Governments and the international community should remedy the problems of African commodities. Three major areas in which results can be achieved are: attitudes, organizational change and resources.

(i) Attitudes

The need for a change of attitudes is fundamental. This will require, however, a long-term approach. In the sweep of history it has only been a short time since the decolonisation of Africa. Africans are attempting to cope with many problems left behind from colonial days: the small size of countries and the location of borders, the need to establish national identities, the dominance of links to the former colonial powers and the limited administrative infrastructure.

These factors influence attitudinal changes needed in Africa, which involve:

- A higher priority to the broad economic framework and environment within which commodity sector policies can be constructively developed;
- A greater recognition of the importance of the commodities sector to the economic growth of African societies;
- A shift towards institutional mechanisms that are more flexible and more capable of being administered with predictability and integrity;
- A recognition that greater emphasis must be placed on management at all levels that is consistent, predictable, honest and with determination to perform;
- A greater recognition of the threat to economies and livelihoods of sustained environmental deterioration;
- A recognition that continued population growth in Africa at the current rates will make it almost impossible to achieve significant progress; and,
- Increased recognition of the need for regional co-operation.

Despite the fact that these needs are little different from those required of many other countries, the special circumstances and constraints on African Governments need to be understood. In particular, it is essential that the international community take a long-term and understanding - rather than a short-term and impatient - view in assessing Africa's performance and prospects.

The transition to political and economic independence in Africa has involved extremely difficult choices and heavy social costs. It is recognised that for many countries the colonial experience in Africa was in many ways a very damaging one which compounded the difficulties of the transition. Most African Governments acknowledge that in their approach to development, there have been mistakes, including the treatment of the commodity sector. But thirty years is a short time for societies to learn by trial and error. It is also a short time to overcome ingrained cultural features of African societies which have served them well in facing up to the circumstances and challenges of the past but some of which are now widely accepted as inappropriate for the economic development process in the modern world.

This is not and cannot be an excuse but it does explain why expectations of Africa have at times been excessive. It also means that the necessary changes of attitudes will not come easily and will not be quickly achieved.

We urge, strongly, a change in attitudes on the part of the international community. We emphasise that such change should be based on considerations of self interest as well as the broader concern with the moral and ethical dimension. Continued and growing economic disparities among peoples and between continents is always a potential source of political, if not strategic, instability and threat. The threat from Africa is unlikely to fit a traditional pattern but already concerns in Europe about migration, legal or illegal, give a taste of a pressure that could increase if the disparities continue. Such disparities, as they increase, could lead to further resentment which could spill over in a number of directions.

The global impacts of environmental deterioration in Africa - not just through the potential loss of animal and plant species but also on the global climate through rapid deforestation - are also increasingly causing concern to the international community.

As well as self-interest, we believe that the international community still has a strong awareness of its moral responsibility for the less fortunate. We do not think that enjoyment of high standards of living in the industrialised countries can continue alongside deteriorating conditions - involving actual starvation, disease and death - for a sizeable proportion of the world's population.

It is easy to dismiss the colonial responsibility as being long passed and to blame the countries themselves as being undemocratic, wasteful and with fanciful beliefs in non-market solutions to their economies. There is an element of truth in all such claims - but only an element. Furthermore, advice provided by the international community to African countries supported, and possibly led to, what are now called mistakes. Moreover, it would be unrealistic to think that economies at such levels of educational, social and institutional development fit the market model to the extent that market solutions alone would suffice to resolve the commodity or other economic problems of African countries.

The role of the international community is critical in supplementing the resources available to Africa and in providing more equitable trading opportunities.

(ii) Organizational change

In many cases solutions to the problems of commodity production and marketing are known, but remedial action has been slow or wanting. The gap between that knowledge and the actual implementation of measures to resolve those problems remains large. While it would not always be the case, we believe the problem to be commonly one of organization, in the sense of a relevant structure and a management capacity to use that structure effectively.

A critical first step of organizational change is for those African Governments which have not already done so to improve their overall economic policy process. In so doing, they must give higher priority to the commodity sector as well as adapting their sectoral policies and improving the means of implementation. To achieve a satisfactory outcome regional co-operation and trade must also be given a higher priority.

We believe that each African country, within an overall development strategy that raises the priority for commodities, should have a broad commodity strategy with a comprehensive, integrated and internally consistent package of mutually reinforcing policies relating to the commodity sector and its role in overall development programming. We have already defined the basic strategic objectives and indicated in broad terms the areas that would need to be covered by the policy. Inevitably the approach would be pragmatic and incremental but it would direct attention to the commodity sector within African countries, and provide a means by which coherent support could be channelled by the international community. It would also facilitate the development of regional commodity co-operation.

Such a strategy should also increase the policy attention given to human resources. Improved education at all levels is fundamental to economic development in Africa and specifically to the commodity sector. Increased emphasis on agricultural education, given the importance of agriculture, and more generally on management training, is particularly critical to the commodity sector since, without it, efforts to improve management capacities, to enable producers to adapt research results in agriculture, mining, forestry and fishing and in processing of commodities will fail or fall short of the potential available.

A critical second step is for the international community, and particularly the international institutions, to organise more effectively their approach to the problems of African development, to increase, improve and adapt their assistance programmes, to reflect a greater sensitivity to the problems of development, including commodity problems, and to find more effective ways of implementing these programmes with particular emphasis on regional co-operation.

Macro-economic reform, whatever approach is taken, clearly involves hard decisions to be effective (see for exemple changes in effective exchange rates, chart 7). It is important, however, that in removing imbalances in the economy-wide aggregates, reform should not retard longer-term economic growth or aggravate social inequities. Structural adjustment programmes in Africa are now typically joint efforts between the World Bank and the IMF and their recommendations go well beyond the traditional IMF programme that focuses simply on overall macro-economic policy, into numerous details of market organization, pricing and tax policy, and government administration. Unless their programmes are sufficiently sen[illegible] to the actual circumstances and near-term potentialities in each country, they risk creating serious new problems while trying to solve others. For example, new systems for getting crucial inputs to the agricultural sector cannot be created overnight, and rapidly dismantling existing arrangements, however flawed they may be, may perversely lead to reduction in agricultural output.

Reform programmes are still in evolution, and it is necessary, as the World Bank has said, to learn from experiences and mistakes. As the Bank's report has concluded, "there is now universal agreement on the need to combine fiscal and monetary measures with steps to minimise the adverse social impact of adjustment and particularly to reorient public spending in favour of basic education, health and nutrition[4]" .

Such reforms will need to include, as well, a more positive approach by the international community to direct investment and to ways of improving market access for African exports. Europe is the major market for African commodities. The Group accepts that the GSP generally, and the Lomé Convention in particular, has been

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4 The World Bank: Ibid. p.186

helpful but often the benefits have been offset by administrative restrictions, frequently arbitrarily administered, of various kinds, which not only directly affect Africa's commodity exports but discourage potential private investment in economic diversification in Africa.

(iii) Resources

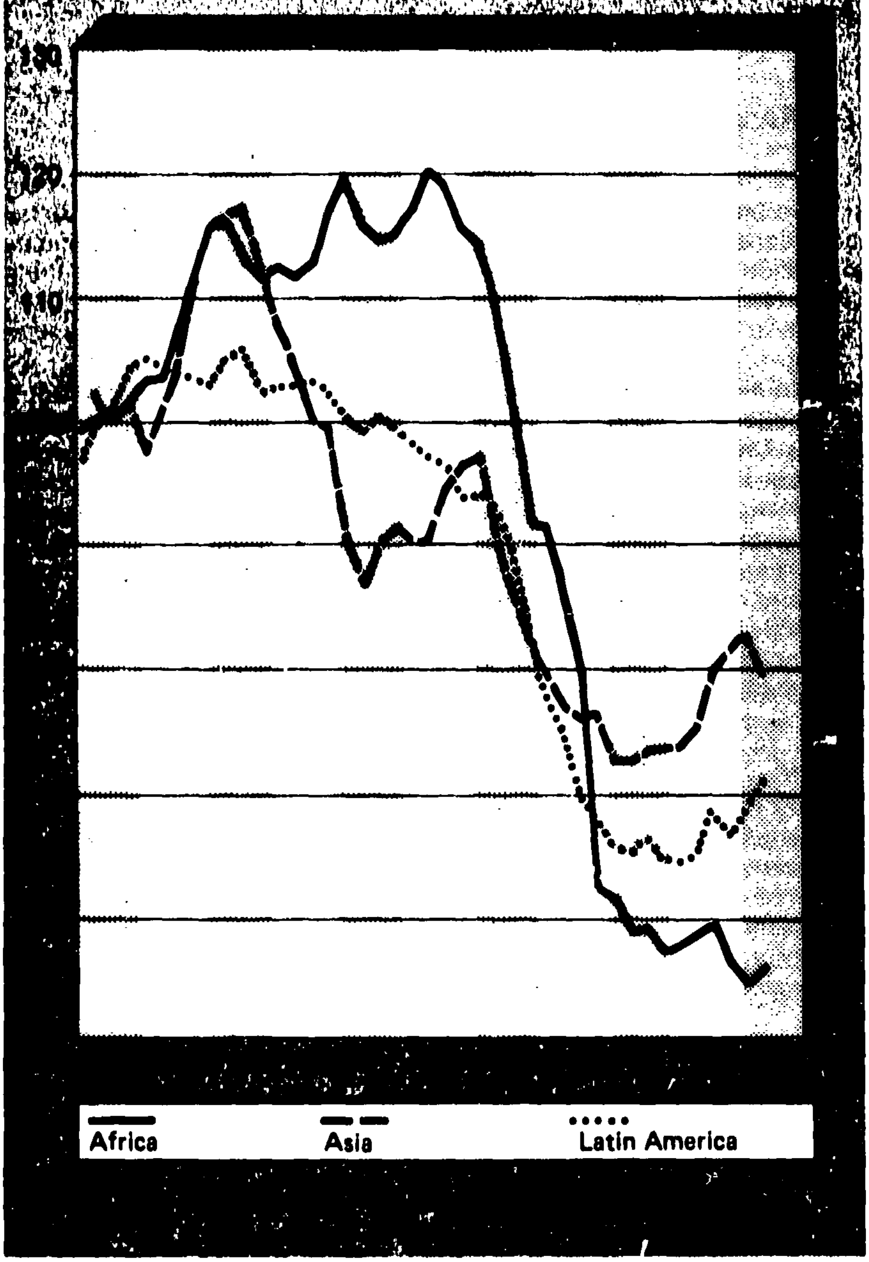
We believe there is a need for a collaborative programme to be considered regularly by national Governments, with the co-operation of the international donors to make better use of their available finances and skilled human resources.

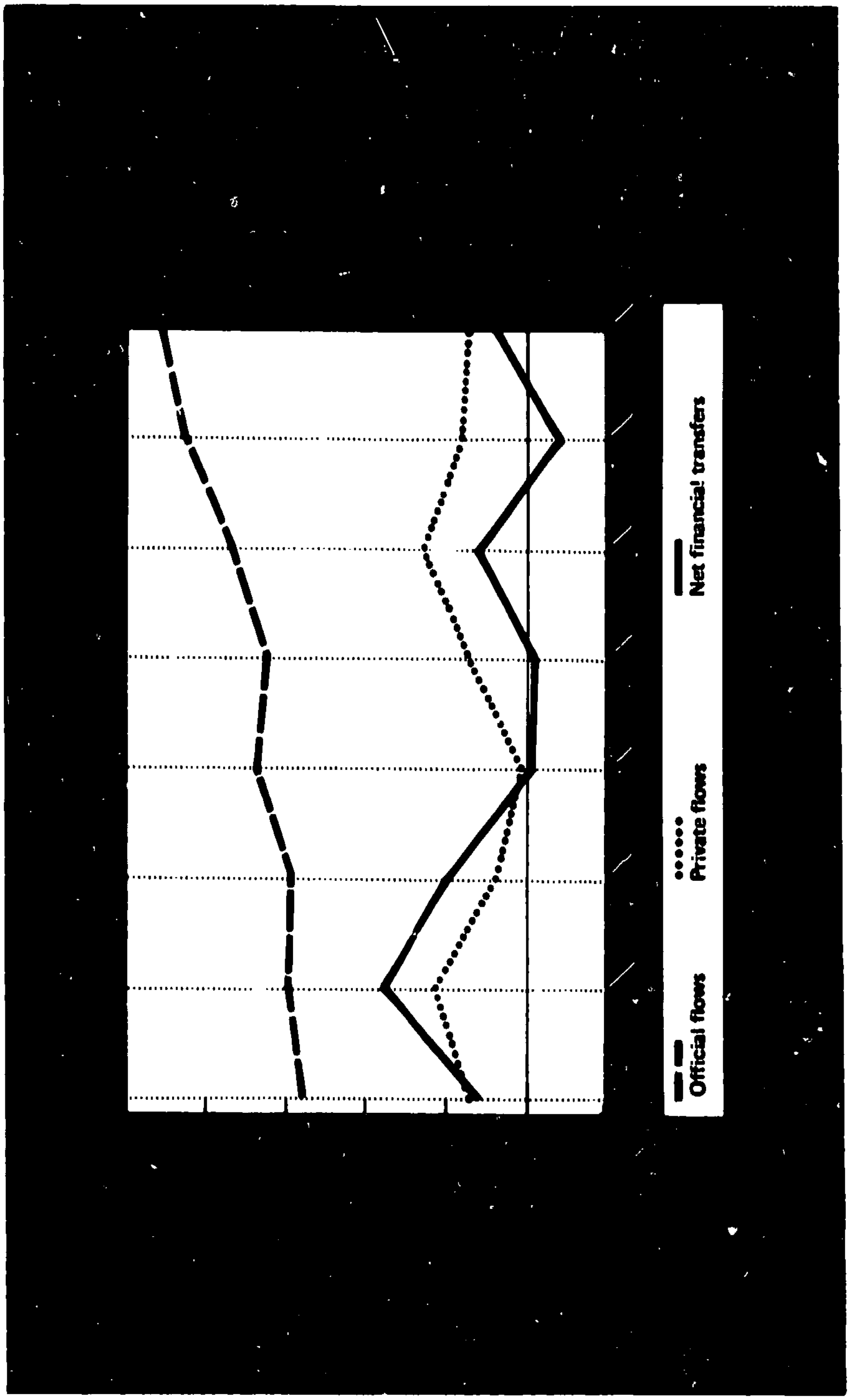
We have emphasised the essential need for changed attitudes and better organization if Africa's resources are to be used effectively. African recovery, however, will clearly require additional resources and in particular this will be the case where appropriate policy changes have been initiated. The World Bank has stressed this again in its recent publication referred to above. For Africa, a comprehensive and integrated approach is essential. Resources alone will not be effective unless the issues we raise elsewhere are seriously addressed. These include African Governments assigning a higher priority to the commodity sector and making better use of their available finances and skilled human resources.

African Governments should reassess the way their existing financial resources are allocated within their own countries, taking into account the recommendations made in this report. Further, if the international community is to be persuaded to contribute to the resource needs of an accelerated programme for Africa, explicit and sustained evidence of genuine self-help on the part of African Governments will be critical, and it is essential that, as a matter of urgency, African Governments reduce their military expenditures.

Chart 3

REAL EFFECTIVE EXCHANGE RATES
(1979 = 100)



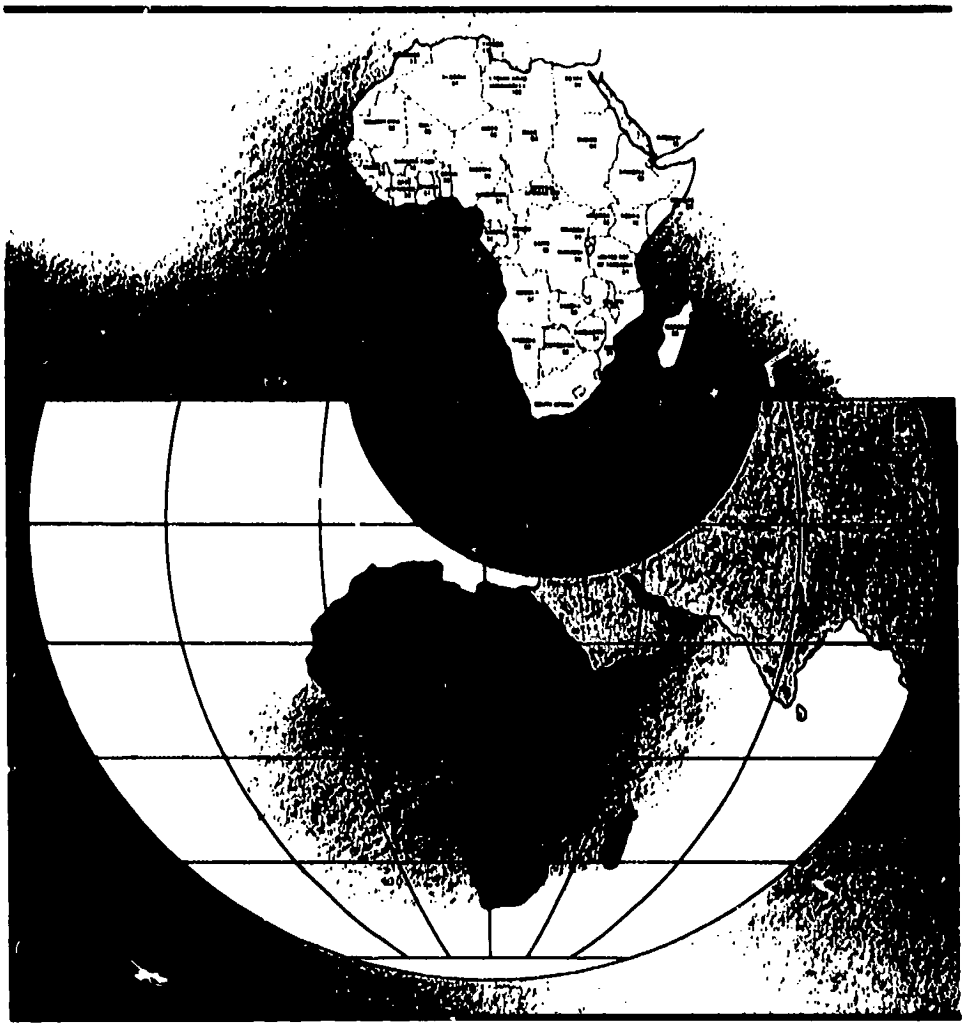

Official flows
Private flows
Net financial transfers

We also note, however, that the pressures on these countries from arms salesmen are strong, and recommend that Governments of arms-exporting countries and the United Nations should seek firm action to reduce that pressure. This action becomes increasingly important given the more relaxed international situation and pressures on arms suppliers to seek new markets.

That more relaxed international situation should also permit reductions in the military budgets of industrialised countries. Indeed, since the military budgets of the industrialised countries are so much larger than those in the countries of Africa, the redeployment of a small proportion of the industrialised countries' military expenditures for development purposes would in many respects be easier and more effective than seeking substantial changes in African Governments' expenditure patterns. Nevertheless, the Group regards cuts in military expenditure in Africa releasing African resources for development as enormously important. Such cuts would be a substantial demonstration that Africa was doing what it could to help itself, thus reinforcing Africa's claim for additional assistance from the West.

CHAPTER II

PROPOSALS FOR ACTION



Chapter II

PROPOSALS FOR ACTION

1. For action by National Governments

(i) Attitudes

We have already stressed the importance of attitude changes. These should be visible in explicit action by African Heads of Government, seeking important, high profile, occasions to publicise them. Moreover, unless those actually responsible for implementing policies on commodities are made aware of the importance their Governments place on those measures and why, the best made plans and programmes are likely to founder. To ensure the effective implementation of the changed approach to the commodity sector,

We recommend:

- **A conscious and overt upgrading of the importance of the commodity sector within the planning, budgeting and policy formulation process in individual African countries;**

- **That African Heads of Government involve themselves personally in effecting this change in attitudes, not only in their Governments and bureaucracies but**

also in their communities at large; and,

- **That the effective implementation of the desired shift in priority be ensured at the detailed decision making and administrative levels, through information, training or instruction programmes and that these programmes be closely monitored.**

(ii) Organization: Basic Prerequisites

As Africa develops, the structure of its output and employment will gradually swing away from primary products, as has been true of other developing regions. But at present Africa's economic strength lies predominantly in primary products, and the prospects for development will be enhanced by exploiting fully the potential that exists there. Our recommendations are predicated on this proposition, while recognizing that African countries must also prepare the way for the further evolution of their economies.

Our approach therefore emphasizes,

(1) Improving production and marketing of existing primary products;

(2) Encouraging diversification by developing new primary products, by additional processing of primary products, and by extending into other activities such as tourism and labour-intensive manufacturing;

(3) Public investment in physical, organizational, and human "infrastructure" to enhance value from primary product production and to prepare the way for eventual diversification from primary products; and,

(4) The provision of a satisfactory institutional framework for the optimal exploitation of primary product potential and, as well, provision of an increasingly educated and healthy labour force.

(a) A Commodity Strategy [1]

Changes are required in the overall policy framework for the commodity sector. Within that changed framework, the new measures to be taken need, above all, to be comprehensive, integrated and mutually reinforcing. Not all of these measures can be implemented quickly. Yet, simply to begin to meet demands now being made on the commodity sector, many changes have to be initiated immediately within the context of a strategic approach, to be applied consistently, on a step-by-step basis, over a period of years.

Such a strategic approach requires a clear understanding of commodity sector objectives in each country. The objectives we have specified have general validity but they will need greater precision for each country. Each country's Government also needs to know how those objectives will be met in the short, medium and longer term in the light of its commodity potential and market circumstances.

In the development of this approach it will be neither necessary nor desirable to add further administrative burdens to existing economic planning and administrative systems. We are concerned to emphasize, rather, the clarity of objectives and appropriate organization for their attainment.

We, therefore, recommend that each African Government:

- **Formulate, within an overall development strategy, a commodity strategy on which we elaborate below and a comprehensive policy package to support this strategy. Such a strategy and related policy package should be developed within the context of a long-term planning perspective and should take explicitly into account the macro-economic environment, the resource needs, the requirements for human resources development, research and technological development and the potential benefits from regional co-**

[1] As defined in the Annex below.

operation, as well as specifically commodity sector matters; and,

- **Commit itself to a clear public statement and public discussion each year on the approach to the commodity sector and the progress achieved with the commodity strategy, in order to underline the seriousness with which the question is being addressed.**

(*b*) Macro-economic reform

The ability to achieve commodity sector objectives will depend critically on general economic development policies, including exchange rate, taxation, budgetary and other macro-economic policies as well as on policies specific to the commodity sector. Given the bias against the commodity sector in past policies, the integral link with the development of such policies is crucial.

Over and above the lip service customarily paid to such linkages, there must be an operational means by which the policies and approaches to the commodity sector are given explicit and detailed attention in the development planning, budgeting and policy promotion process in African countries.

Many countries have already introduced macro-economic reform programmes, but many have still to do so. Given our earlier comments about some of the consequences of too inflexible an approach, we welcome the recently expressed view of the World Bank that structural adjustment programmes for Africa should be better phased and implemented, adequately funded, directed towards greater regional co-operation and strongly focused on protecting the poor and vulnerable groups.

We recommend that:

- **Those Governments that have embarked upon macro-economic reform programmes continue with those programmes and that those that have not yet**

moved to initiate necessary macro-economic reforms should do so; and,

- **In particular, African Governments should ensure that their macro-economic and social policies, notably exchange rate, taxation, price and other policies affecting producer incentives, are designed to give impetus to the commodity sector.**

We believe it is important that the development of the commodity strategy and the comprehensive policy package should be initiated and substantially co-ordinated by African Governments and not by international institutions. Given the shortage of the needed skills in Africa, however, and the importance of the international agencies and donors, their participation would, in our view, also usually be essential.

We recommend, therefore, that:

- **The active initiating and co-ordinating role in developing the commodity strategy and policies must be African but the package should be prepared with the participation of all sectors concerned and, if necessary, with the assistance of the relevant United Nations bodies in particular, UNCTAD, ECA, FAO, and UNIDO as well as the World Bank, IMF and the African Development Bank.**

(c) **Administrative reform**

However good economic reform programmes might be, they cannot be effective without a minimum level of administrative competence in their development and implementation.

In particular, a prerequisite to success in improving the commodity sector's performance in Africa is a substantial improvement of government administration affecting the sector, and of public and private management capacity more generally.

We, therefore, recommend that:

- **Priority be given to developing the capacities of African national administrations;**
- **To the fullest extent possible management of the commodity sector, where it cannot be sensibly privatised, be decentralised. Those with local responsibility should have adequate authority and be held accountable for the decisions they make; and,**
- **For parastatal organizations, particularly those in, or affecting, the commodities sector, African Governments ensure that there is a powerful public audit capacity with adequate resources and backing by those Governments for its effective independence.**

Much of the effectiveness of the resources that have gone to the commodity sector in the past has been lost because of bad decisions, inefficient investment, poor management, or because of lack of effective integration of the discrete components of a programme into a consistent and self-supporting whole. Measures to improve the efficiency of public expenditures in the commodity sector are critical. To this end, the development of an analytical capacity in African countries to assess objectively the way resources are used would be an important step to more effective resource use.

We recommend, therefore:

- **That African countries set up nationally or regionally an analytical capacity to evaluate public expenditures more critically than has commonly been possible to date.**

(*d*) Education

Improved education at all levels is fundamental to economic development in Africa and specifically to the commodity sector.

Some countries, such as Botswana, the Seychelles, Comoros and Ghana give a relatively high priority to education expenditure. In some other countries the priority has been declining. Yet, given the increasingly sophisticated technologies associated with the production and marketing of commodities and the increasingly competitive environment likely in the future, the need for educational skills in the commodity sector, as elsewhere in the African economy, will grow rather than decline.

Therefore, we recommend that African Governments:

- **Reverse the decline in, and improve the general level of education at, the primary, secondary, and tertiary levels;**
- **Redesign the curricula of secondary schools to give added room to subjects directly relevant to agriculture and other commodities, in particular, and to management in general; and,**
- **Give greater emphasis in tertiary level education to skills development and vocational training that bears upon commodity production, distribution and marketing.**

(e) **Population**

The subject of population growth is not formally within the mandate of the Group. Our report has shown, however, that expansion of numbers is currently far greater than annual increases in food production. Even if a dramatic reduction in birth rates were to occur in the near future, the population would still expand quickly for decades simply because of the growing number of people in the fertile age ranges. We believe that unless action is taken, the long-term strains on provision of food, health services and education, not to mention greater employment opportunities, will be extremely difficult to manage. African Governments must, therefore, as a matter of national priority, strengthen programmes for family planning. Without reduction in the rate of population growth there is a serious risk that all other efforts will be fatally undermined.

We recommend, in the strongest possible terms, that:

- **African Governments strengthen, as a matter of urgency, their existing population policies, involving family planning, as a means of reducing the currently very high birth rates and improving the welfare of their populations.**

(iii) The Commodity Strategy

(a) Food security

Given the enormity of the problems of hunger and malnutrition in Africa, and the awesome potential for this situation to worsen, food security must be on the top of the agenda for the commodity policy package in most countries.

Food security does not necessarily mean food self-sufficiency, provided export income can be earned from other sources. In most countries, however, the major increases in food availability for some time will have to come from domestic sources.

As long as population growth stays anywhere near its present rate, food supplies would need to grow rapidly - between 3 per cent to 4 per cent a year compared with less than 2 per cent at present - to maintain food supplies per head and reduce existing hunger, unless the existing heavy dependence on food aid is to continue and indeed grow. In particular, the urgency we have earlier placed on strengthened population policies in Africa is a necessary accompaniment to achieving food security objectives.

Policies to give greater priority to the commodity sector, and particularly to agriculture, will have a direct beneficial effect on food security - and are perhaps the critical solutions to the food security problem in Africa. Food security in the non-urban areas in particular, however, will need supporting measures including the provision of adequate storage and distribution facilities.

We recommend that:

- **African Governments give first priority to food security within their commodity sector policies but that they recognize that food security is most likely to be achieved if our other recommendations are followed; and,**

- **That special attention be given to the needs for specific local infrastructures, and to the special needs of women and children (see also the section below on the role of women).**

(*b*) Agricultural research and extension

Research is necessary to increase productivity, to improve competitiveness, including the competitiveness of natural commodities versus synthetic substitutes, and to develop new end uses for commodities. It is also a prerequisite for making correct decisions related to both horizontal and vertical diversification.

It is essential, given their limited resources, that African Governments be selective and concentrate their efforts on areas most important to them. For the smaller countries in particular, regional co-operation in research will often be inevitable as well as desirable.

We, therefore, recommend that each African Government:

- **Establish priorities in research and extension activities in relation to production of food, to reduction in pre-harvest and post-harvest losses, to major export commodities, and to those with a future potential in the context of the commodity strategy;**

- **Utilise local experts in research and in extension activities, and when local expertise is not available, press for a realistic inclusion of training elements in aid programmes;**
- **Develop better co-operation and communication among research institutes, with particular attention to their complementarities; provide means to follow research activities of relevance for African commodities undertaken elsewhere; and organise the effective dissemination of the findings;**

(c) Agricultural production efficiency

Inadequate use has been made in the past of technologies available to commodity producers, in part because of the lack of skills and the needed inputs, but also because of the lack of co-ordination by government agencies of the transport, finance and other institutional arrangements needed to enable farmers, with the appropriate training and extension services, to use available technologies.

The application of new technologies, as well as those available but commonly not fully used, requires co-ordinated action for the provision of seeds, fertilisers and other inputs and the means to finance them.

We therefore, recommend that:

- **Increased efforts be made to apply known and newly developed technologies to African commodity production; and,**
- **Greater emphasis be given in the commodity policy package to the co-ordination of the supply of technologies, inputs and producer credit, training and extension services.**

(d) Non-agricultural commodity production

Improvements in the production of minerals as well as forestry and fisheries products call for special measures.

Given Africa's potential for increased mineral production, substantially greater effort in this sector is warranted. Mineral exploration has been very limited and production practices have often been short-term rather than long-term in orientation. New investment in mining development has also been very low.

Because much of the mineral production in Africa, as elsewhere, is very large scale, high risk, in remote areas, and technologically sophisticated, the major developments have involved large State-run mining enterprises or foreign companies. These raise thereby on the one hand all the concerns about the frequent inefficiency of State enterprises, and on the other all the political and economic concerns about multinational corporations.

Further successful developments are likely to be of the same kind. Small-scale mining is important, however, in a number of contexts, such as for tin and rare earths, and the possibilities in these areas have often been discouraged by government action or inaction - for example, lack of security of tenure for small artisanal mining.

The further processing of minerals in Africa is limited compared with that in other regions. In the changing economic and policy circumstances of Africa, greater efforts should be made to provide the transport facilities, energy supplies and resources necessary to encourage an increased level of minerals processing.

We recommend therefore that African Governments:

- **Enlarge the range of options for exploiting their mineral resources through the creation of conditions which encourage private sector involvement in min-**

eral exploration and processing activities;

- **Give greater attention to the promotion of small-scale mining where technically and economically feasible, including improving security of tenure for small-scale miners; and,**

- **Urge companies that are already engaged in mining in Africa to re-examine the possibilities for further processing of minerals.**

The prospects are also good for expanding Africa's returns from its fishery resources. Domestic fisheries using local water sources or artificial fish farming could make a significant contribution to food security.

Nearly half of Africa's fish exports come from licensing arrangements with foreign fleets and well balanced arrangements of this kind can provide the capital and expertise that African countries lack. It is not clear. however, that African countries have the capacity to police and monitor some of these agreements. Help in this respect could be sought from donor countries.

We recommend that:

- **African Governments, individually and jointly, undertake in-depth studies on the evolution of open water fishery stocks and develop the large unexploited potential for inland water fishing and fish farming;**

- **Governments of African countries owning ocean fishery resources support the development of joint ventures with foreign partners, thereby taking advantage of better technology, technical know-how and especially a better knowledge of world market and distribution channels; and,**

- **Where such a capacity is not available domestically, Africans seek assistance from donor countries and the relevant international agencies, both for the assessment of fishery resources, and for the monitoring**

and policing of agreements with foreign partners.

Forestry resources have suffered severely in many African countries. This has been the result of a combination of massive economic pressures and a lack of systematic policies to utilise forest resources effectively, consistently with maintaining the environmental balance. Forest resources are important as a source of fuel supply and for soil health; they are also important as a basis for a forestry product and timber processing industry. A comprehensive forestry policy is, therefore, an essential component of a commodity strategy.

Consequently we recommend, that:

- **African Governments encourage techniques and practices aimed at sound forestry exploitation and conservation to sustain timber yields, including promoting industrial forest plantations in areas where tropical forests are over-exploited and depleted.**

(e) Marketing

A major objective is to make African commodities competitive with those of other producers. Although production is the essential starting point, marketing is often the key to competitiveness, and must be central in the commodity policy package. That African commodities - traditional or new - can be marketed competitively is illustrated well in recent successful efforts such as Kenyan tea and cut flowers, and mangoes from Egypt. Given the many factors that affect the marketing process, and that specific reforms of the marketing system depend upon the circumstances of particular commodities and countries, we make only a few general recommendations covering three areas where improvement is required - the institutional framework; the physical facilities; and the human resources.

Successful marketing depends, above all, on providing the necessary incentives to producers and those involved at all stages of the marketing process. The approach to marketing also has to be integrated and comprehensive rather than piecemeal.

We recommend, therefore, that:

- **Each African Government establish, within the commodity policy package, measures aimed at improving the efficiency of the marketing chain, ensuring that the policies are integrated, mutually consistent and reinforcing at all stages of the marketing process;**

- **Marketing policies be set within an appropriate incentive structure for all aspects of the marketing process; and,**

- **Producer prices be closely related to market prices.**

Despite the wide use made in the past of marketing boards, these have frequently not helped overcome the marketing problems facing African producers and have often exacerbated them. While, in many cases, boards have been dismantled, many still exist. The abolition of marketing boards has at times caused problems since some of their functions, such as the provision of 'public goods' like quality control and supply reliability, were still necessary. Producer co-operatives can at times perform these functions, and should be encouraged, but these will frequently not be feasible or will lack the required skills. Therefore, there can be a role for marketing boards in market promotion, in quality control and supply reliability and, with clear limits, as a counterweight to large buyers, domestic or international. Marketing boards should not, however, be given monopoly power. It is also desirable that producers themselves play an important part in the marketing operations.

We recommend, therefore, that:

- **Where marketing boards exist, their role and mandate should be precisely defined, the aim being to ensure that they operate in a competitive environment; and,**

- **Encouragement be given to the development of pro-**

ducer co-operatives, and, more generally, producers should be more directly involved in the decision making of marketing boards.

There are a variety of trading mechanisms to meet particular circumstances in international markets that are not being fully availed of at present and which could help in a rapidly changing international environment. These include the deep changes in macro-economic policy and foreign relations policy which are under way in the Eastern European countries which could provide opportunities for African exporters. Despite the financial stringency which currently exists in those countries, new approaches, including barter and counter-trade, could contribute to creating addititional markets for African commodities.

We, therefore, recommend that African Governments:

- **Assess critically the various international marketing mechanisms available for a commodity (e.g. direct sales, auctions, long-term contracts), the mechanisms that could possibly be made better use of, (futures markets, counter trade, etc.), in the light of the specific conditions of the commodity and country; and implement policies which promote and facilitate marketing arrangements that best fit with the marketing system chosen, in particular, that make greater efforts to develop new overseas markets, including those in Eastern Europe and Asia.**

Upgrading of the physical infrastructure for marketing will need to be tackled by stages over a period of years. Without adequate facilities much effort elsewhere, however, will be wasted.

We recommend, therefore, that African Governments:

- **Individually or collectively introduce policies within their commodity strategy providing for the systematic improvement over time of storage and transportation facilities, roads, ports and port handling facilities and**

communications infrastructure with a view to enhancing the competitiveness of commodities through the lowering of transport and handling costs.

The importance of improved human resources, which we have stressed generally in this report, applies especially to marketing, particularly as the decentralisation of decision-making that we have emphasised will be difficult without it.

We recommend, therefore, that:

- **Education and training programmes for Africans in marketing be regarded as of high priority.**

(*f*) The role of women

Women contribute over 60 per cent of the staple food produced in the commodity sector. Women and children are also the vulnerable groups in food shortage situations. While greater emphasis on these groups should be built into food security programmes, increased staple food production is commonly the most effective way to improve food security. It is anomalous and inefficient, therefore, that in many countries of Africa the productive contribution of women is limited by their inferior legal status, especially with respect to property rights. We acknowledge the difficulties likely to be entailed in overcoming these problems, particularly as legal measures will often be required, but we think it important enough to try to surmount those difficulties. We believe that action on this front where applicable would be substantial evidence of a commitment to new attitudes and of a determination to succeed.

We recommend that.

- **Attention be given to the special problems likely to arise for women as a result of the structural transformation of African agriculture; and,**
- **Special attention be given to removing the constraints that currently exist on the participation, with**

equal rights, notably with respect to property, of women in the commodity production and marketing process, banking and land tenure areas.

(g) Diversification

World markets for some traditional exports could not absorb continued vigorous expansion of production in Africa and elsewhere. Although Africa will continue to depend heavily upon existing commodities for the immediate future, there is a consensus on the crucial importance, for the future of the African commodity sector, of diversification into non-traditional exports to world, as well as African, markets. These can include new commodities or commodity-related products such as minor crops, fisheries and forestry products, and the processing of primary products, as well as, in some cases, labour-intensive manufactures. This consensus includes agreement that stable and appropriately priced inputs and detailed and product specific marketing and technical knowledge are all necessary for success with such diversification efforts.

Were such diversification widely successful, this would reduce the vulnerability of African economies to the instability of export receipts and extend the commodity sector's economic linkages to other parts of the economy. The difficulties of achieving successful diversification include the frequent escalation of international trade barriers as the degree of processing increases, and the fact that markets are at times restricted as the diversification effort becomes successful in opening up a new market. Other countries are looking to diversify into much the same commodities, and competition from Asian, Latin American and East European countries is likely to be strong.

While recognising the difficulties, the Group notes that diversification efforts have often been successful for developing countries. It believes these diversification efforts must continue as a high priority.

We, therefore, recommend that African Governments:

- **Continue to give high priority to efforts to diversify within the commodity sector, seeking to develop new products and to search for markets for such products; encourage the further processing in Africa of agricultural and non-agricultural commodities; and expand the process of industrialization, including a strengthening of the necessary infrastructure and developing the skills required.**
- **Encourage, whenever economically feasible, the rehabilitation of existing plants through the introduction of the appropriate technology, promoting local ownership, and increasing the availability of essential equipment and inputs, domestically or through imports;**
- **Assist in the collection, dissemination and analysis of information relevant to diversification efforts with the help of appropriate international organizations.**

(*h*) Food aid

In some circumstances food aid can be helpful or, as our earlier discussion of African prospective food needs suggests, essential for many countries. Unless great care is taken, however, it can be damaging to indigenous farming industries and so prolong the need for food aid as well as slowing economic development.

We recommend, therefore, that African Governments:

- **In developing their commodity policy packages, should ensure that the assessment of the role of food aid should be fully integrated into the programme, thereby ensuring that the negative effects, as well as positive effects, are fully considered before food aid is accepted.**

(i) Environmental degradation

Environmental damage to Africa's land, water and forest resources threatens the long-term viability of Africa's commodity sector and the livelihood of its commodity producers.

We recommend, therefore:

- **That the development of a national commodity package should include, as a matter of urgency, the integration of effective and sustainable environmental management practices; and that, since particularly in the poorer countries, appropriate environmental policies will need outside funding, African countries request that donors, including non-governmental organizations, take this into account in their development assistance planning.**

(iv) Resources

The commodity sector in the past has not received appropriate priority in the allocation of financial and human resources.

African Governments have recently adopted as an objective that 25 per cent of budgetary expenditure should go to agriculture, indicating an acceptance that greater priority needs to be given to agriculture. Some countries have already moved in this direction - on the basis of recent development plans, Cameroon, Congo and Tunisia would approach the target figure. It is too early, however to know how far these targets will be achieved.

While we recognize that individual country circumstances vary, we would like to emphasize that, by reducing military expenditures, substantial resources can be released for other priority expenditures, notably for the commodity sector.

We recommend, therefore, that:

- **African Governments move quickly to achieve their objective that 25 per cent of their budget expenditure be directed to agriculture, including the related infrastructure,**

- **To help finance the increased resource needs, African Governments move quickly to reduce military expenditures from the current average of 10 per cent of government expenditure to a maximum of 5 per cent of government expenditure.**

- **In particular, public expenditures in the commodity sector be made in the context of the commodity strategy and policies and only after critical evaluation of their economic and social implications.**

2. For action at a regional level

(i) Attitudes

For a variety of historical reasons, African economies have maintained bilateral links with countries outside Africa, and specifically in Europe. In spite of its potential, and of many declarations of intent to expand trade and regional co-operation, recorded intra-African trade amounts to only 5 per cent of total trade, although unrecorded trade is thought to be closer to 10 to 15 per cent of total trade.

African leaders have spoken often of the need for greater economic co-operation among the countries of Africa. While we acknowledge the inevitable constraints that distance, transport costs, and to some extent ethnic and linguistic difficulties present to greater regional co-operation, such co-operation is vital in the long-term to greater African prosperity and stability, particularly in light of the smallness of markets in many African countries and of the fact that many of them are land-locked.

We, therefore, recommend that:

- **African Governments move concretely to bring a more realistic and effective approach to economic co-operation and integration of their commodity sector, as part of their commodity strategies.**

(ii) Organization

(a) Regional institutions

There is considerable scope for greater regional co-operation in a number of areas. This includes research and education, both of which will be crucial for the future development of the commodity sector. In fact, we understand that regional co-operation on education is substantially lower now than it was some 10 to 15 years ago.

We recommend, therefore, that:

- **African Governments make greater efforts to increase economic integration among countries of the region in higher education, agricultural research, market promotion and development, transport, other infrastructural development and co-operation; and,**
- **Make greater efforts to co-operate in the more effective use of rivers and lake basins as part of the regional economic integration process.**

Despite the limited progress so far made, there are already a very large number - between 200-300 bodies or organizations of one kind or another - concerned with inter-regional co-operation, which impose an excessive demand on Africa's limited skilled resources. By reducing the number of existing regional mechanisms, there could be a more effective utilisation of a smaller number of more directly targetted organizations.

We, therefore, recommend that:

- **ECA be authorised to lead in collaboration with UNCTAD a process of rationalising and consolidating regional organizations that could more efficiently advance regional co-operation.**

(b) Trade co-operation and Integration

A critical area for increased co-operation concerns inter-regional trade. Many man-made impediments to intra-African trade exist with particular impacts on the 15 land-locked countries of Africa. Such impediments include poorly defined transit procedures and delays at transit points, cumbersome customs procedures, tariffs in some cases, and lack of standardisation of rules regarding transport. We believe that removal of these man-made obstacles would be a significant step towards closer regional co-operation through trade. They are also measures that could be implemented quite quickly if countries wished to do so.

We, therefore, recommend that:

- **ECA should take the lead, in collaboration with UNCTAD, in mobilizing African Governments and the appropriate international agencies with a view to taking concrete steps to rationalise and simplify procedures and documentation relating to intra-African trade, in particular:**
  - **To streamline and simplify transit and customs procedures to eliminate delays at borders and transit points; . To standardise procedures and rules governing land transport. This should include Africa-wide registration of vehicles and Africa-wide procedures for bills of lading which would allow haulage contractors to operate on a region-wide basis as of right;**
  - **To remove all other impediments to intra-African trade, including all artificial protection and non-tariff barriers;**
  - **To form regional associations to organise international transport and adopt concentration ports and feeder systems that would allow economic load factors on long hauls;**

- **To create an association of shippers, including producer interests, to negotiate for better terms on overseas shipping; and,**

- **To expand comprehensive trade information networks at the regional and subregional levels for the provision of timely and accurate data on supply availabilities and demand, as well as on trading rules and regulations.**

The weakness of export credit facilities, and lack of currency convertibility, are important factors inhibiting intra-African trade

We recommend, therefore, that:

- **Deliberate efforts be made to strengthen export credit facilities in support of intra-African trade and existing payments mechanisms; and,**

- **The possibilities of a clearing or payments mechanism to provide convertible currency resources to support high levels of clearing and trade continue to be explored in consultation with the African Development Bank, Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), West African Clearing House, the Clearing House of the Preferential Trade Area of the Eastern and Southern African States (PTA) and the Clearing House of the Economic Community for Central African States (ECCAS).**

(c) Organised construction units

Infrastructure development in non-urban areas, the building of roads, bridges, port and harbour facilities, pose major problems of resources and of skills for African Governments. Yet the high cost of the military in Africa has often involved the development of human resources that could usefully be employed in infrastructure development.

Similarly, in the military or other organised construction units of many industrialised countries, engineering and construction skills exist which lack full opportunities for their use.

We recommend, therefore, that:

- **African Governments, acting collaboratively through the United Nations, establish a United Nations construction group consisting of engineering units from armies, or defence forces or other organised construction units of African countries and other United Nations member States, to act under United Nations auspices to assist with rehabilitation and construction of roads, bridges and other infrastructure in Africa.**

3. For action by the International Community

(i) Attitudes

As well as the attitude changes on the part of Africans that we regard as essential, we see a significant attitude change by the international community as equally crucial.

This attitude change will include recognition that, without more substantial help, Africa cannot overcome its problems, that there are no quick solutions and that, while the greater use of market mechanisms is essential, the market approach alone cannot solve Africa's problems.

We see a more positive approach by developed country Governments, and by multilateral and bilateral donor agencies, as essential. Such a change in approach is needed for the organizational changes we are proposing. It is particularly required in the light of the resource needs that have been identified and which have been quantified recently by the World Bank.

In a generally improving investment climate throughout the continent we note, for example, that 29 African countries have already acceded to the Multilateral Insurance Guarantee Agency. The remaining African countries should be encouraged to do so.

In particular, we recommend that:

- **In responding to the appeals for a more positive and understanding approach to the problems of Africa, the international community respond to the substan-**

tial efforts being made by many African Governments to overcome their problems;

- **In particular, developed country Governments should review the ways in which they can encourage private companies to respond positively through investment and technical co-operation in Africa; and,**

- **Recognizing that the investment climate in the host country is a critical factor in any decision making by the private sector in Africa, companies, particularly the multinationals, should now give serious consideration to Africa by insuring where appropriate against non-commercial risks with the Multilateral Insurance Guarantee Agency of the World Bank.**

(ii) Organization

(a) International participation

To increase production, productivity and competitiveness in Africa's commodity sector, the major organizational change we are suggesting is that development plans or programmes of African countries encompass a commodity strategy and, within that, a policy package. We consider the involvement of the competent United Nations organs in particular UNCTAD, ECA, FAO and UNIDO as well as the World Bank, the IMF, the African Development Bank, and other international agencies such as the OAU in that process on a regular basis to be important to their success.

We recommend, therefore, that:

- **The consultative groups of the World Bank or the UNDP Round Tables should respond positively and constructively to the approach suggested, whether by convening special sessions of the Round Tables or in other ways, with the competent United Nations organs mentioned above and with national Governments, as a means of mobilizing the resources**

needed for the strategic commodity policy packages.

(b) International commodity co-operation

Given the difficult and competitive international environment, the need for commodity co-operation between consumers and producers regionally and globally today is certainly as great as it ever was. Such co-operation can range from sharing information, collaboration on research, market promotion and development, to price and income stabilisation. The main conditions to be fulfilled for price-stabilising ICAs to be successful seem to be the following:

(i) Agreed price-levels should be market-related and compatible with dynamic market conditions. Provisions should be included for adjustment to changes in market conditions. Where possible such provisions should be automatic or semi-automatic .

(ii) Stabilisation measures should include buffer stocks and adequate financial resources must be assured for their effective operation.

(iii) In any ICA with stabilisation measures, the measures applied should be effective and capable of defending both "floor" and "ceiling" prices.

(iv) Where the measures include export quotas and other supply measures, these should be supported by the vast majority of the important producing and consuming countries.

In many commodity markets, including those where international producer-consumer agreements do not function, there would be gains from increased co-operation purely among producers. Co-operation in research on new end-uses, market promotion and development and other activities can be directly useful.

At the same time an effective producers association may, as in the case of rubber, indirectly encourage expanded and improved producer-consumer co-operation.

We, therefore, recommend that:

- **International efforts be increased with a view to establishing or re-establishing price stabilising ICAs for major African commodities, notably coffee and cocoa, whenever possible;**

- **In cases where full-fledged international commodity agreements do not seem possible, producer/consumer groups should be established for the exchange of market information and for further co-operation on marketing and development;**

- **Particularly in the present difficult circumstances of the world cocoa and coffee markets, we also recommend that the attention of African Governments be directed to the possibility of gains from increased co-operation among African and other producers of these two commodities, as well as renewed producer-consumer agreements; and,**

We also recommend that:

- **African Governments and producers generally co-operate in other activities such as research, market promotion and market development.**

It is also important that the Common Fund now enter into rapid practical operation and that it be addressed particularly towards the severe African commodity problems. Operations, at least in the initial phase, will have to concentrate on development measures as foreseen under its Second Window.

We, therefore, recommend that:

- **Sufficient resources be channelled into the Second Window and that these resources be replenished according to need.**

(c) Access to markets

We noted earlier that much of Africa's poor export performance is due to supply problems which need to be resolved in Africa. Nevertheless, the barriers to some of Africa's exports are significant and in many cases constitute major disincentives to reform and to diversification in Africa. Moreover, as African countries grow, expand the range of products they export, and generally diversify their exports, limits to market access could become more inhibiting than they are for traditional commodities.

A critical need, therefore, if African countries are to be helped in the longer term to benefit from the many domestic changes we have recommended, is a substantial reduction in those market access barriers, particularly in the developed countries, to basic primary commodity exports, to processed commodities and to the manufactures into which African countries will want to diversify.

For many commodity exports, tariffs are not a major problem since they are generally low. Correspondingly, however, tariff preferences, as in the GSP or more particularly under the EC's Lomé Convention, while helpful, are not large.

Temperate agricultural exports face the restrictive variable levies of the Common Agricultural Policy (CAP) in the EC, and non-tariff barriers for some products in the USA, Japan and other industrialised countries. Limited access is provided to African exporters under Lomé for some CAP products such as beef, sugar, rice and some horticultural products. These concessions are subject to various limitations, including quotas and, in some cases, specified time periods during the year. Although the quotas are not all currently restrictive, at the existing levels of exports, concern exists that were investment undertaken to utilise the quotas fully, they could well be reduced.

We recommend, therefore, that:

- **The industrialised countries accept as a firm longer-**

term objective the abolition of quantitative limits on imports of commodities important to Africa, and in the meantime commit themselves to liberalise such controls substantially and progressively; and,

- **In particular, the EC quotas on CAP items important to Africa be enlarged in the Uruguay Round or separately, and calendar or seasonal restraints be abolished.**

Further barriers consist of administrative protective measures that reduce substantially the gains that African countries might otherwise obtain from the preferential arrangements under Lomé. Restrictive rules of origin measures, as well as voluntary export restraints and anti-dumping measures have affected African exports - such as textiles from Zimbabwe and Mauritius - into the EC.

The particular significance for African development of the use of rules of origin and other administrative protection, however, is the uncertainty they induce, not just among African entrepreneurs but also for foreign investors, thereby greatly inhibiting the diversification process.

We recommend, therefore, that:

- **In the GATT, or in the industrialized countries, the effect of administrative protection in the EC, and in other industrialized countries, on Africa's existing or potential exports be reviewed with a view to operating rules of origin, anti-dumping and import restraint measures in ways that support rather than hinder the diversification efforts of African countries and are consistent with agreed international principles.**

The achievement of greater diversification, essential to Africa's development, can also be inhibited by escalating tariffs according to the degree of processing. Due to previous action, this problem is less serious than it was some years ago. Commitments have been made in the Uruguay Round negotiations to reduce the effects of remaining tariff escalation.

We recommend, therefore, that:

- **In the Uruguay Round or separately, the areas of serious tariff escalation affecting commodities of particular significance to African countries be eliminated.**

Internal taxes on tropical products in the developed countries are not in principle trade barriers but their effect is to reduce consumption and consequently the demand for imports. They remain significant for coffee, cocoa and tea in many OECD countries and are particularly high (around 50 per cent) on tea and coffee in the Federal Republic of Germany. These will have to be addressed in the context of Europe 1992, by which time we would hope they will be eliminated.

We recommend, therefore, that:

- **High duties or taxes in industrialised countries on tropical products, particularly beverages, be rapidly phased down to the general VAT levels.**

The Multifibre Arrangement was established to minimise disruptions to developed country textile and apparel industries. It was intended that the broad rules would allow developing countries growing access to markets in developed countries. In practice the arrangement has worked rather differently and in some sections of the market, developing countries fill a smaller proportion of total trade than twenty years ago.

We, therefore, recommend:

- **That the Multifibre Arrangement be discontinued or phased out as soon as possible after the expiry of the present agreement in 1991;**
- **That no Government apply tariff, non-tariff or ad-**

ministratively protective measures, to replace the measures previously in place under the MFA; and,

- **That countries should not invoke safeguard procedures against imports from the least developed countries**

We have already noted that some 28 of the 42 least developed countries are in Africa. For these countries in particular we believe that, while tariff restrictions are generally small or negligible, non-tariff barriers remain important.

We, therefore, recommend that:

- **Whether in the Uruguay Round or elsewhere, those countries with quotas and other non-tariff barriers affecting the exports of the least developed countries should remove them.**

Under present international divisions of responsibility, trade and market questions are considered in different fora to the questions of macro-economic policy, debt, resource flows and investment. Unless these elements are drawn together more effectively than at present, in the circumstances of African commodities, macro-economic policies run significant risks of failure.

We recommend, therefore, that:

- **The interest of the Bank and the IMF in securing better and more reliable access for exports of particular interest to African countries be more forcefully argued by those agencies in the GATT and other trade fora with the co-operation where available of other international organizations and major donor countries.**

(iii) Resources

(a) Aid policies

The international community has an extensive range of activities in Africa and official aid has increased in recent years. A major component of constructive international action with respect to Africa, now involving thirty countries, are funds flowing in the context of reform programmes.

We have pointed to some problems with these programmes and the need for a broader and better developed approach including appropriate conditionalities and adequate early funding of the programmes. That does not suggest relaxation of the macro-economic reform efforts by African countries. Nor does it suggest a diminution of financial or technical support by the IMF or the World Bank. In fact, as we comment later, additional external resources are urgently required.

We are concerned, however, about social pressures generated by such programmes and by interruptions to or adverse effects on the commodity sector. The World Bank in its recent report referred to above, noted that the improvements in macro-economic policy and economic performance are ultimately only a means to the priorities of improving health.

We, therefore, recommend that:

- **The World Bank and the IMF in their programmes to assist African countries through reform measures, protect vulnerable sectors from adverse effects in the development of those programmes; and,**
- **In particular, the World Bank implement in practice the principles which it has supported in its recent study on sub-Saharan Africa which would improve health, expand education, ensure food security and create jobs.**

The desperate need for balance-of-payments support for recovery is not always effectively met by what bilateral aid donors are offering. The goods and services supplied are primarily determined by bilateral aid donors and are sometimes unpredictable in their amounts and composition. Frequently they do not meet the priorities of the recipient country. Nor, despite much rhetoric and many formal meetings, are these support programmes well co-ordinated.

We believe that the policies of aid donors, whether multilateral, bilateral, governmental or non-governmental, should be tailored more specifically to the needs of the commodity sector and to the broad policy framework we have recommended.

We recommend, therefore, that:

- **Donors and NGO's should co-ordinate their aid policies more effectively, take into account the thrust of our recommendations in deciding their own programmes, and allocate resources to support programmes consistent with each country's commodity development strategy.**

We have emphasised in particular that aid donors will have a particularly important role in continuing, through training programmes, to raise the skill levels in African countries, particuiarly in production and management skills, and in commodity production and marketing.

We recommend, therefore, that:

- **Donors, especially non-governmental organizations, should give a higher priority to high-level training to Africans, including the strengthening of existing education institutions.**
- **In addition, donors and NGOs should use African experts rather than expatriates, but where this is not feasible, training elements be incorporated in technical assistance programmes in a way that is capable of being monitored by the recipient country.**

Since we believe that increased private investment in Africa is critical for commodity sector development, including diversification, we see a need for greater efforts by the international community to assist such investment to accompany the changes made by African Governments themselves. While acknowledging the efforts already made,

We recommend that:

- **The resources of the International Finance Corporation, designed to encourage the participation of the private sector in development in developing countries, especially in joint ventures, should be supplemented as required to avoid turning down desirable projects.**

We have indicated earlier that food aid be treated by African Governments as a part of their own concerted plan so as to avoid damage done at times in the past by food aid uncritically given and accepted.

We recommend, therefore, that food aid donors;

- **Recognise that untied financial aid is normally the best form of aid;**
- **Refrain from dumping subsidised food surpluses in African countries, either as commercial sales or as aid, and that where food surpluses are to be made available, they should be provided through multilateral agencies such as the World Food Programme; and,**
- **Adopt the practice of purchasing food aid to the maximum extent possible from other African countries, as is the practice of the World Food Programme.**

(*b*) International debt

The financial position of Africa as a whole has become increasingly precarious, with an already massive debt gradually made worse by rising interest rates - even if only applicable to part of the outstanding debt. It is not always understood that rescheduling, if unaccompanied by debt write-down, can lead to an increased overall debt. Recently $2 billion of African debt has been rescheduled. Rescheduled debt overall has added 25 per cent to Africa's total debt. The continued rescheduling of debt in those cases where it cannot be repaid makes little sense. There is, therefore, a powerful case in many instances for debt reduction.

The Toronto Agreement of 1988 sanctioned debt and debt service reductions on public and publicly guaranteed debt for low-income developing countries. Even though some progress has been made in debt relief for low-income countries of Africa in recent years, the impact of that Agreement has not been adequate. We believe considerable scope exists for further improvement with regard to the scale of relief, timing and additionality. We see both a reduction in the debt stock and in debt service payments as important means by which the international community can assist African countries by releasing resources to support their commodity sector.

We, therefore, recommend that for African Governments that have initiated programmes of the kind considered necessary in this report:

- **There be increased efforts to reduce both the debt stock and debt service. As far as bilateral official debt is concerned this should be attained by debt cancellation or equivalent measures on official development assistance debt by creditor Governments that have not already acted in this respect;**
- **Further relief be granted by moving beyond the terms of the Toronto Initiative in respect of the remaining Paris Club debt; and,**
- **In particular, we recommend the availability of a moratorium of three to ten years with interest**

charged at IDA rates and the resource cost not deducted from aid allocations;

We also recommend:

- **That ways be found to refinance the arrears of IMF and World Bank loans; and that**
- **Where African countries have undertaken strong and comprehensive economic reforms their commercial debt be eligible for international action at least comparable with that recently undertaken for Mexico.**

(c) **Compensatory financing**

For the African countries, a high proportion of the instability in their export earnings arises from the instability in earnings from commodity exports. Much of this instability arises from factors beyond their control.

Compensatory finance is one way of providing bridging finance to tide a country over a temporary, self-reversing shortfall in foreign exchange earnings. While it should provide a relatively quick disbursement of foreign exchange, some difficulties have been experienced in its operations - in its timeliness, the amount obtainable, the conditionalities which were progressively introduced and very tight repayment conditions. A new facility, providing short-term contingency financing, has recently been integrated into that of compensatory finance but because of the complications it introduced, this short-term contingency financing mechanism has not been used by African countries.

A United Nations Secretary-General's Advisory Group on Financial Flows for Africa [2] agreed in 1988 that the lack of an effective

[2] United Nations: *Financing Africa's Recovery: Report and Recommendations of the Advisory Group on Financial Flows for Africa*: New York 1988.

compensatory financing mechanism has contributed to the long-term financing problems of many African countries since it forced them to use less satisfactory ways to cope with the unpredictable changes in the export earnings of commodity producers. The Group endorses this conclusion.

We, therefore, recommend:

- **Drawing rights under the compensatory financing component of the CCFF should be related to the size of the shortfall, by increasing the quota limits significantly;**
- **The automatic disbursing, low conditionality character of the compensatory financing component of CCFF should be restored, at least up to 50 per cent of eligible drawings. This would provide some assurance on availability of bridging finance without allowing countries to avoid balance-of-payments adjustment when these are needed; and,**
- **For countries eligible to make SAF or ESAF drawings, compensatory finance be provided from the same concessional sources.**

(*d*) Additional resources

Our recommendations obviously involve additional resources for Africa. We have quite deliberately not quantified the sums needed because the World Bank has recently published a long-term perspective study on sub-Saharan Africa which details resource needs to the year 2000. That study indicates that 9 per cent of GDP, or $US27 billion (in 1987 dollars) a year, will be required to fill the savings gap.

We have indicated that it is an essential first step that African Governments themselves improve their resource allocation processes.

African Governments have recently adopted as an objective 25 per cent of budgetary expenditure on agriculture. Their ability to do this quickly would be aided if they reduced military expenditures as we have recommended. A reduction of military expenditure in Africa from the average levels for the 1980s of 10 per cent of government expenditures to 5 per cent of government expenditure would save some $3.7 billion a year. If that were all devoted to agriculture on a continued basis, it would go 20 per cent of the way towards meeting African Governments' target of 25 per cent of budget expenditure for agriculture.

Even so, to finance the programme that we see as urgent will call for increased overseas assistance, and this at a time when official development aid not only falls far short of the widely accepted target of 0.7 per cent of GNP in most donors, but when some Western countries have been reducing their aid expressed as a percentage of GNP. Yet there are many aid recipients of the past whose needs are now much less or negligible and new donors of importance have emerged.

The World Bank estimates that annual GDP growth rates of between 4 and 5 per cent per annum will be required to raise per capita incomes between 1 to 2 per cent up to the year 2000. On the basis of these targets and of its projections about investment requirements, debt relief, domestic savings, and the external trade balance, the resource gap of 9 per cent of GDP for sub-Saharan Africa, equivalent to approximately $27 billion in 1987, must be augmented by perhaps $10 billion to encompass North Africa. OECD data indicate that net ODA to Africa amounted to about $18 billion in 1988. Therefore, additional net transfers of some $15-20 billion a year will be required. These estimates cover the whole of African development needs as defined, not merely the commodities sector. But our recommendations make clear that the commodities sector must be put into a broader context, including in particular the education and health sectors and the overall provision of infrastructure.

We strongly urge countries that fall short of the widely accepted target to take their objectives more seriously. We recognise however that various international organizations have urged greater compliance with this target over twenty years. Since our responsibility relates to Africa, we believe it necessary to indicate a series of steps which collectively would enable the international community to meet the resource gap as identified by the World Bank. We see those additional resources could come, among other things. from the following:

(1) If the economies of industrialised countries continue to grow at current rates. and on the basis that total ODA levels are maintained, a further half to one billion dollars could be provided annually;

(2) If Africa's share of current ODA increased by 10 percentage points that would provide $4.6 billion. We believe that such a shift could be justified. given the urgency we have underlined in this report:

(3) An 0 1 percentage point increase in the overall ODA/GNP ratio from all those industrialised countries whose present ODA/GNP ratios fail short of the widely accepted ODA/GNP target ratio would provide $15 billion annually, which could be directed primarily to Africa.

We recommend, therefore, that:

- **Industrialised countries meet urgently and commit themselves, over ten years, to fill the resource gap identified from a combination of these measures.**

In addition. as we have already recommended. Africa itself can make a budgetary contribution of some $3.7 billion by halving its military expenditures, some part of which would represent a saving of foreign exchange now spent on imports of military equipment.

We believe that these steps are relatively modest, when one takes into account the wealth of the industrialised countries. Yet they could make a substantial contribution to cover the estimated net resource gap.

Over 30 African Governments are committed to difficult and courageous reform programmes. For the practical and humanitarian reasons which this report underlines the Group strongly urged the industrialised countries to play their part in now making these reforms work.

We also emphasize that the resources available to the IMF should be substantially increased. The last quota increase occurred in 1984. Quota increases represent an exchange of assets and therefore do not, in most countries, call for increased budgetary outlays.

Terms of IMF lending, while somewhat below market interest rates, are nonetheless difficult for poor countries with serious debt problems. Moreover, a number of poor countries remain in arrears with the IMF. Such arrears, until cleared up, impede other relations with the IMF, and with the international financial community more generally. At the end of 1989, the IMF held 103 million ounces of gold, a legacy of historical subscriptions by member countries: its book value was the equivalent of $4.7 billion. The market value of this gold at the end of 1989 was $41.1 billion. The gold is not essential to IMF operations and serves no socially useful function at present. By selling a relatively small portion of the gold, the IMF could raise enough profits to rectify the arrears of poor countries with the IMF through new, low interest loans, and to contribute additional resources to the IMF Trust Fund for subsidising interest rates on other advances to poor countries. (The Trust Fund was created with the profits from IMF gold sales following the first oil shock in the mid-1970s).

We, therefore, recommend that:

- **The IMF inaugurate a programme of selling 20 per cent of its gold holdings over the next few years, the proceeds to be used to rectify the arrears of poor countries with the IMF in the context of agreed programmes and to augment the resources of the IMF Trust Fund to be used for interest rate relief on new loans.**

We also recommend that:

- **Member Governments take urgent action to implement the decision of the Board of Governors of the IMF on quota increases.**

4. Follow-up

At the request of the Secretary-General of the United Nations, the Group has given considerable thought to the most appropriate follow-up mechanism. This is particularly important because if this report is to be successfully implemented, it will be merely the beginning of an ongoing and continuing process.

If our recommendations are accepted, the follow-up will involve two main elements. National Governments will, in many cases, seek external assistance in applying the principles of the report to their own particular circumstances. In the first instance, this will involve assistance in the development of commodity strategies for each country and the consequential policy packages. It may also involve assistance on an ongoing bases, for subsequent review and updating of these strategies and policy packages. This is more likely to involve discussions in each country but also with the World Bank and the IMF, the African Development Bank and other United Nations agencies.

A second element would be the preparation of annual reports and assessment of progress for the Secretary-General of the United Nations. It would be helpful if independent consultants could be involved in this assessment.

For these reasons, the agency responsible for the co-ordination of the follow-up to this report should be endowed with sufficient resources, authority and neutrality to pull together the elements of substantive contributions of all agencies including the World Bank, the African Development Bank, the IMF, relevant United Nations agencies and donors, to the best advantage of Governments requesting assistance. The Group especially stresses the importance of a neutral agency to co-ordinate the follow-up in view of the divergent approaches of major organs to African development.

Under existing arrangements, the co-ordination, follow-up, monitoring, and reporting on the implementation of the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-1990, is entrusted to a United Nations steering committee which is essentially a co-ordinating organ. It is supported by an inter-agency task force as its main operative subcommittee.

The Group very strongly believes that there should be a single international agency for the co-ordination of assistance in the development of the commodity strategy and policy. This will avoid each country having to integrate the separate advice of a number of agencies, a process which will not work because it is cumbersome.

A number of possibilities clearly arise but the Group feels strongly that UNDP should be fully responsible for the co-ordination of follow-up processes as they relate to the necessary technical assistance drawing in the World Bank and the IMF, the African Development Bank, UNCTAD, ECA, FAO, UNIDO and other agencies and organizations. Donors would also be significantly involved. We believe that a high-level interagency committee should be established for this purpose under the auspices of UNDP with the relevant agencies playing an active part. We emphasise that the importance of the task would require that very senior people must be involved.

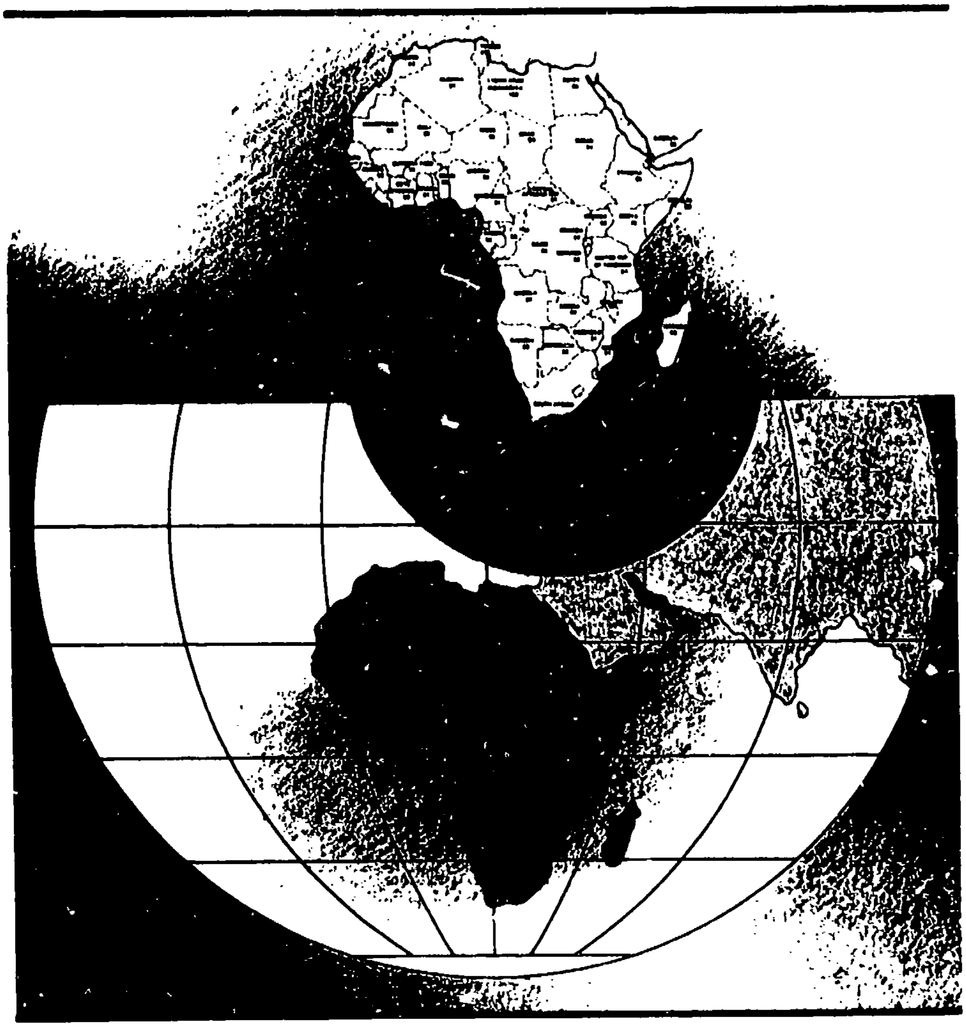
UNDP is centrally placed. It has offices in each country and through its Round Tables is already closely involved in the development process in each country. Its broad responsibilities add weight to this recommendation.

For these reasons we recommend strongly that:

- **There should be a single international agency for co-ordination of the development of the commodity sector strategy and policy package;**

- **UNDP should be the international agency responsible for the follow up process, in particular co-ordinating the development of the commodity sector strategy and policy package, drawing upon the World Bank, the IMF, the African Development Bank, the relevant United Nations organs, especially UNCTAD, ECA, FAO, UNIDO and other agencies as well as donors as appropriate, and reporting annually to the Secretary-General of the United Nations on the implementation of our recommendations.**

ANNEX



Elements of a Commodity Strategy

The Commodity sector should be a top priority in the planning and policy formation of African countries. A series of mutually reinforcing policies and measures relating to the sector need to be taken. These should be encompassed in a Commodity Strategy which should have the following broad objectives:

- Increased reliance on African food crops and the attainment of food security at the household, national and regional levels;
- Diversification to enlarge the export base and capture more value-added;
- An increase in export earnings from primary and processed commodities;
- The development of intra-African co-operation and trade;
- More effective co-operation between producers and consumers of commodities; and,
- A limit to desertification and a halt to environmental degradation

To achieve these strategic objectives, policies will need to cover such areas as:

- More effective agricultural research and extension services;
- Better rural education and a greater emphasis on agricultural education in universities and colleges;
- A greater reliance on market-based pricing policies;
- The development of environmentally sound farming practices, assistance with packaging and quality control, better knowledge of the requirements of overseas markets, and vigorous promotion;

- Provision of adequate banking and credit facilities and improvement in transport and storage facilities including ports, roads and collection points;
- A movement away from monoculture and the development of farming practices that will enable the farmer to choose between different agricultural activities;
- A greater involvement of the private sector throughout the whole process of input supply, marketing and distribution;
- The encouragement of efficient exploitation of forestry and fisheries resources;
- The encouragement of mineral exploration and development;
- The establishment of reasonable and practical rules for the operations of foreign corporations;
- The search for overseas partners for joint ventures to promote marketing and diversification in all commodity areas including such things as direct foreign investment in the mining sector;
- Encouragement of diversification at all levels and directions; and
- Producer co-operation.

List of Tables

Table 1

SELECTED ECONOMIC INDICATORS FOR AFRICA

Country or area	Population			Income	
	Total (mn) 1986	Growth (%)[1] 1970-86	Density[2]	per cap ($) 1986	Growth (%) 1980-86
Algeria	22.5	3.1	9	2713	0.6
Angola	9.0	3.0	7	495	0.7
Benin	4.2	2.9	37	335	-0.5
Botswana	1.1	3.9	2	997	8.6
Burkina Faso	7.1	2.2	26	205	1.6
Burundi	4.9	2.2	175	268	0.0
Cameroon	10.2	2.6	21	1070	4.1
Cape Verde	0.3	1.5	85	353	4.0
C.A.R	2.7	2.2	4	391	-0.6
Chad	5.1	2.1	4	178	2.7
Comoros	0.5	3.3	210	356	-0.6
Congo	1.8	2.5	5	1033	2.5
Côte d'Ivoire	10.2	3.9	32	920	-2.3
Djibouti	0.5	6.6	21	471	-4.8
Egypt	48.0	2.4	48	776	3.5
Equat. Guinea	0.4	2.0	14	294	..
Ethiopia	44.6	2.7	36	119	-1.8
Gabon	1.2	1.3	4	2882	-1.1
Gambia	0.8	3.1	67	213	1.3
Ghana	14.1	3.1	59	407	-1.8
Guinea-Bissau	0.9	3.5	25	185	1.7
Kenya	21.8	4.1	37	333	-1.0
Lesotho	1.6	2.5	52	181	-0.5
Liberia	2.3	3.2	20	723	-4.5
Libyan Arab Jam.	3.7	4.1	2	5479	-7.8
Madagascar	10.3	2.7	18	259	-2.5
Malawi	7.2	3.0	61	170	-0.6
Mali	8.3	2.4	7	188	0.5
Mauritania	1.9	2.8	2	413	-1.4
Mauritius	1.1	1.5	574	1365	3.2

1 Growth is average annual grouth.

2 Density in inhabitants per square kilometre.

Table 1 *(concluded)*

SELECTED ECONOMIC INDICATORS FOR AFRICA

Country or area	Population			Income	
	Total (mn) 1986	Growth (%)[1] 1970-86	Density[2]	per cap ($) 1986	Growth (%) 1980-86
Mozambique	14.4	3.6	18	138	-6.5
Morocco	22.5	2.4	50	657	0.7
Namibia	1.6	2.7	2	635	-3.8
Niger	6.3	2.7	5	294	-4.7
Nigeria	98.8	3.5	107	473	-5.1
Reunion	0.5	1.3	215	3931	3.0
Rwanda	6.2	3.3	236	297	-0.9
Saint Helena	0.07	3.0	22	..	..
Sao Tome and Principe	0.1	2.1	107	347	..
Senegal	6.6	3.2	34	564	0.6
Seychelles	0.1	2.5	283	2680	-2.2
Sierra Leone	3.7	1.6	51	309	-2.0
Somalia	5.5	3.0	9	351	-1.1
Sudan	22.2	3.0	9	382	-3.4
Swaziland	0.7	2.9	39	628	0.3
Tanzania, U.R.	23.0	3.4	24	214	-2.4
Togo	3.1	2.6	54	322	-3.4
Tunisia	7.2	2.2	44	1222	1.4
Uganda	16.0	3.1	68	278	0.3
Zaire	30.9	2.9	13	180	-1.4
Zambia	6.9	3.2	9	257	-3.3
Zimbabwe	9.1	3.4	23	583	-1.0
AFRICA:	539.7	3.0	19	584	-1.7

Sources: UNCTAD, *Handbook of International Trade and Development Statistics 1988*, New York, 1989,

UNCTAD, *Statistical Pocketbook*, New York, 1989.

1 Growth is average annual growth.

2 Density in inhabitants per square kilometre.

Table 2

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Algeria				
Petroleum & products	72	90	83	70
Gas natural & manuf	26	7	2	2
Fruit	-	-	1	4
Angola				
Petroleum & products	83	77	53	17
Coffee	4	14	24	38
Cereals	-	-	1	3
Fish	-	-	4	5
Iron ore	-	-	5	11
Hard fibres	-	-	3	1
Benin				
Cotton	35	19	32	15
Cocoa	28	22	19	15
Palm oil & kernel	17	28	24	45
Petroleum & products	9	3	2	-
Coffee	7	2	3	4
Groundnuts	-	-	6	4
Botswana				
Diamonds	78	62	28	-
Other meat	9	16	35	43
Bovine meat	8	15	31	27
Copper-nickel matte	3	6	4	-
Livestock	-	-	1	30
Burkina Faso				
Cotton	48	39	29	16
Vegetable oil	15	14	22	18
Livestock	12	25	31	48
Hides & skins	4	4	2	2
Cereals	3	1	-	-
Other meat	1	1	2	5
Bovine meat	1	1	2	5
Groundnuts	-	1	12	6

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Burundi				
Coffee	87	91	87	82
Tea	4	3	2	1
Cotton	1	2	5	5
Hides & skins	1	1	6	2
Cameroon				
Petroleum & products	38	35	.	.
Coffee	23	24	27	25
Cocoa	20	24	30	32
Timber	9	10	12	9
Bauxite	6	2	4	10
Cotton	3	3	3	3
Vegetable oil	1	1	3	4
Cape Verde				
Fish	65	44	41	34
Bananas	16	18	8	22
Fruit	16	16	8	22
Vegetable oil	.	.	.	3
Petroleum & products	3	1	.	.
Livestock	.	.	.	3
Centr African Rep.				
Diamonds	33	32	21	44
Coffee	31	27	26	19
Timber	23	30	29	8
Cotton	11	8	17	23
Other meat	2	3	7	7
Chad				
Cotton	29	31	44	52
Petroleum & products	9	.	4	.
Other meat	.	12	7	13
Bovine meat	.	.	6	12
Livestock	58	43	32	19

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Comoros				
Vanilla	56	44	28	39
Cloves	30	28	21	9
Copra	1	6	11	16
Congo				
Petroleum & products	91	87	66	1
Timber	5	9	22	64
Diamonds	2	4	1	15
Sugar	1	1	4	20
Côte d'Ivoire				
Cocoa	35	31	23	25
Coffee	23	29	28	33
Petroleum & products	11	5	4	1
Timber	10	16	22	26
Cotton	3	2	2	1
Fruit	3	4	5	6
Palm oil & kernel	3	3	4	2
Bananas	1	1	1	3
Djibouti				
Livestock	25	12	-	
Petroleum & products	9	14	2	1
Hides & skins	4	4	-	-
Egypt				
Petroleum & products	61	49	13	3
Cotton	20	26	50	46
Fruit	3	2	3	2
Bauxite	2	3		-
Rice		2	6	13
Equtorial Guinea				
Cocoa	54	84	68	58
Timber	41	11	5	22
Coffee	5	5	16	17
Fruit	-	-	1	1
Vegetable oil	-	-	1	2

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Ethiopia				
Coffee	66	68	40	58
Hides & skins	12	12	10	9
Petroleum & products	8	5	1	1
Vegetable oil	2	2	12	9
Livestock	2	1	3	1
Gabon				
Petroleum & products	82	81	76	38
Manganese	6	7	9	22
Timber	6	7	12	32
Uranium & thorium		4	2	5
Gambia				
Groundnuts	45	73	94	99
Fish	3	7	3	1
Rice	.	.	.	.
Cotton	.	.	.	.
Ghana				
Cocoa	59	72	70	74
Bauxite	24	15	8	9
Petroleum & products	8	3	2	1
Fish	4	4	.	.
Timber	2	4	13	11
Manganese	1	1	2	3
Guinea				
Bauxite	89	91	83	62
Cocoa	2	2	2	3
Coffee	2	2	3	9
Livestock	2	2	3	4
Vegetable oil	1	1	3	5
Timber	.	1	3	8
Fruit	.	1	2	5
Bananas	.	.	1	4

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Guinea-Bissau				
Cashew nuts	29	4	2	2
Groundnuts	24	40	65	58
Palm Oil & kernel	13	23	12	24
Cotton	6	5	-	-
Prawns	4	24	3	-
Timber	3	2	3	2
Kenya				
Coffee	30	29	26	29
Petroleum & products	24	25	19	13
Tea	21	15	13	17
Fruit	4	3	2	1
Hard fibres	2	1	4	1
Cereals	1	1	3	4
Hides & skins	1	2	3	3
Other meat	1	1	3	4
Liberia				
Iron ore	64	57	70	72
Rubber	17	16	13	16
Timber	8	12	5	3
Coffee	5	6	1	2
Cocoa	3	2	1	1
Libyan Arab Jamahiriya				
Petroleum & products	100	100	100	100
Madagascar				
Coffee	39	45	30	29
Vanilla	17	7	7	9
Cloves	13	15	13	8
Fish	7	5	5	2
Petroleum & products	5	5	8	4
Prawns	5	5	4	2

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Madagascar *(continued)*				
Pepper & pimento	2	1	2	3
Sugar	2	2	4	5
Hard fibres	2	2	3	1
Bovine meat	1	3	4	3
Other meat	1	3	6	6
Rice	-	-	2	7
Malawi				
Tobacco	55	50	46	39
Tea	20	17	20	26
Sugar	9	16	10	-
Cereals	5	1	4	6
Coffee	2	1	-	-
Groundnuts	2	6	8	13
Cotton	1	1	3	5
Mali				
Livestock	57	48	42	66
Cotton	39	41	40	13
Groundnuts	2	8	12	10
Cereals	2	2	2	1
Other meat	-	-	2	3
Fish	-	1	2	7
Mauritania				
Iron ore	45	64	74	75
Fish	42	19	7	6
Livestock	11	17	11	18
Copper	-	-	8	1
Mauritius				
Sugar	65	68	86	92
Fish	2	2	1	-
Tea	2	2	2	4

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Morocco				
Phosphates	23	32	44	24
Fish	10	6	6	7
Fruit	9	12	10	18
Petroleum & products	4	4	1	-
Mozambique				
Fish	27	9	4	1
Prawns	16	14	5	1
Tea	9	9	4	6
Cotton	8	5	13	7
Sugar	6	9	14	12
Petroleum & products	6	4	5	8
Copra	3	7	7	7
Fruit	3	1	1	1
Hard fibres	2	2	3	1
Timber	2	2	3	3
Groundnuts	2	1	2	3
Cashew nuts	-	-	6	10
Niger				
Uranium & thorium	85	83	51	5
Livestock	12	12	24	48
Cereals	1	1	4	14
Hides & skins	1	1	2	2
Groundnuts	-	-	16	31
Nigeria				
Petroleum & products	96	93	92	53
Cocoa	3	3	4	17
Groundnuts	-	1	3	12
Palm oil & kernel	-	1	1	4
Tin	-	-	-	4
Rubber	-	-	-	2

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Reunion				
Sugar	74	82	83	84
Fish	4	1	-	-
Rwanda				
Coffee	73	72	67	52
Tin	12	6	12	24
Tea	8	12	7	4
Hides & skins	3	3	2	2
Livestock	-	3	11	4
Sao Tome & Principe				
Cocoa	61	75	76	79
Copra	8	5	9	11
Palm oil & kernel	-	-	2	5
Coffee	-	-	1	2
Senegal				
Fish	32	18	10	7
Groundnuts	20	29	45	58
Phosphates	10	12	19	8
Prawns	4	5	3	1
Cotton	3	3	2	1
Petroleum & products	-	19	4	3
Seychelles				
Petroleum & products	69	-	-	-
Fish	11	16	6	2
Copra	6	17	25	52
Spices	3	11	39	42
Sierra Leone				
Diamonds	32	60	61	65
Cocoa	17	12	6	3
Coffee	13	15	7	4
Bauxite	13	5	4	2
Fish	5	1	-	-

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Sierra Leone *(continued)*				
Palm oil & kernel	3	4	8	8
Prawns	3	1	-	-
Iron ore	2		9	14
Petroleum & products	1	1	3	1
Somalia				
Livestock	76	75	53	43
Bananas	11	8	15	23
Fruit	11	8	15	23
Fish	2	1	3	1
Hides & skins	-	4	6	7
Petroleum & products	-	2	2	-
Other meat	-	1	7	3
Sudan				
Cotton	42	46	51	60
Vegetable oil	14	20	29	19
Livestock	12	5	2	6
Cereals	7	9	2	1
Groundnuts	6	15	18	8
Roots & tubers	3	1	-	-
Hides & skins	2	2	3	2
Petroleum & products	1	2	2	-
Swaziland				
Sugar	39	38	36	23
Fruit	13	8	7	8
Other meat	2	3	3	2
Cotton	2	3	1	1
Bovine meat	2	2	2	1
Iron ore	-	2	10	23
Rice	-	-	1	3

Table 2 *(continued)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Tanzania				
Coffee	40	32	22	6
Cotton	13	12	16	14
Cloves	8	8	9	8
Hard fibres	6	9	13	4
Tea	5	4	3	3
Cashew nuts	4	5	7	7
Tobacco	4	4	4	3
Diamonds	3	3	4	8
Cocoa	1	1	-	-
Petroleum & products	1	3	5	7
Other meat	-	-	1	3
Togo				
Phosphates	47	44	61	32
Cocoa	13	18	17	34
Cotton	12	3	2	1
Coffee	10	10	10	16
Palm oil & kernel	3	2	2	5
Groundnuts	1	-	-	3
Petroleum & products	-	13	-	-
Tunisia				
Petroleum & products	41	49	38	24
Vegetable oil	4	5	15	14
Fish	2	1	1	1
Phosphates	2	3	10	13
Fruit	2	2	2	5
Iron ore	-	-	1	3
Uganda				
Coffee	95	96	73	59
Cotton	2	2	13	21
Tea	1	2	5	6
Copper	-	-	4	8

Table 2 *(concluded)*

DEPENDENCY ON INDIVIDUAL PRIMARY COMMODITIES INCLUDING FUEL [1]

Country or area/ Commodity	1982-1986	1977-1981	1972-1976	1967-1971
Zaire				
Copper	58	55	67	67
Coffee	19	20	11	6
Petroleum & products	18	13	2	-
Timber	2	2	1	1
Rubber	1	2	2	2
Tin	1	2	2	3
Palm oil & kernel	1	2	4	6
Zambia				
Copper	98	92	92	95
Zimbabwe				
Tobacco	20	15	14	14
Cotton	7	7	5	2
Sugar	4	4	5	3
Cereals	3	3	5	4
Coffee	3	1	1	-
Copper	2	3	-	-
Other meat	2	4	6	8
Bovine meat	1	3	5	8

Sources: Computed from UNCTAD ETS and Comtrade databanks.

1 Significant dependence of 3 per cent or more in any one period.

Table 3

EXPORT CONCENTRATION RATIOS FOR AFRICA, 1985

Country or area	No. commodities exported	Concentration	Country or area	No. commodities exported	Concentrantion
Algeria	44	0.54	Malawi	33	0.53
Angola	17	0.87	Mali	25	0.58
Benin	23	0.43	Mauritania	14	0.62
Botswana	-	-	Mauritius	42	0.66
Burkina Faso	23	0.54	Mozambique	46	0.27
Burundi	13	0.78	Morocco	95	0.26
Cameroon	47	0.40	Namibia	-	-
Cape Verde	9	0.57	Niger	27	0.74
C.A.R.	13	0.45	Nigeria	87	0.94
Chad	9	0.62	Reunion	38	0.71
Comoros	9	0.78	Rwanda	8	0.81
Congo	25	0.89	Saint Helena	-	-
Côte d'Ivoire	120	0.37	Sao Tome and Principe	14	0.70
Djibouti	-	-	Senegal	54	0.31
Egypt	83	0.54	Seychelles	8	0.81
Equatorial Guinea	12	0.58	Sierra Leone	22	0.39
Ethiopia	28	0.62	Somalia	18	0.76
Gabon	28	0.79	Sudan	43	0.34
Gambia	14	0.52	Swaziland	-	-
Ghana	33	0.54	Tanzania,U.R.	53	0.36
Guinea-Bissau	11	0.56	Togo	22	0.46
Kenya	104	0.34	Tunisia	107	0.41
Lesotho	-	-	Uganda	17	0.93
Liberia	20	0.63	Zaire	44	0.42
Libyan Arab J.	29	0.92	Zambia	30	0.84
Madagascar	43	0.44	Zimbabwe	82	0.29

Sources: UNCTAD, *Handbook of International Trade and Development Statistics, 1988*, New York, 1989, Table 4.5

Notes: See next page.

Table 3 *(concluded)*

EXPORT CONCENTRATION RATIOS FOR AFRICA, 1985

Notes:

The Number of Products is defined according to the three digit SITC category; it includes, however, only those items where 1985 Exports were greater than either $ 100,000 or 0.3% of a country's Total Exports.

The Concentration index takes the square root of the aggregate commodity shares (each share itself squared) and normalizes to make all results lie between 0 and 1, with the latter figure representing maximum concentration.

Compared with OECD countries which are relatively dependent on agricultural exports (e.g. Australia, Denmark, Ireland and New Zealand), where the concentration index is 0.2 or less, the African countries exhibit (with few exceptions) much higher degrees of concentration.

A comparison of changes in the number of products and in the concentration index between 1970 and 1985 shows that somewhat more than half of the countries have increased the range of products exported but rather less than half have reduced their concentration ratios. In 14 of 44 countries for which data in both years could be obtained, an increase in the number of products and a reduction in the extent of concentration could be observed.

Table 4

AFRICA'S EXPORTS OF INDIVIDUAL NON-FUEL PRIMARY COMMODITIES AS A PERCENTAGE OF WORLD EXPORTS

Commodity	1970	1980	1987
Total non-fuel commodities	9.1	5.3	4.1
Live animals, meat and meat preparations	3.7	2.3	1.6
Bovine meat	2.6	0.9	1.0
Fishery commodities	3.1	2.9	4.1
Coarse grains	1.5	0.7	1.7
Bananas	12.2	12.6	13.0
Sugar	4.5	5.2	5.5
Coffee	33.6	24.1	19.9
Cocoa beans	72.6	61.6	58.7
Tea	9.5	9.9	10.6
Spices	15.0	6.7	5.8
Groundnuts	27.7	24.3	21.1
Palm oil	57.3	27.3	18.4
Tobacco	3.4	5.2	4.8
Natural rubber	7.5	5.2	5.7
Non-coniferous timber	7.1	6.7	5.9
Cotton	11.0	8.3	7.9
Sisal	47.7	31.8	25.5
Bauxite	5.6	17.0	19.6
Bauxite (actual weight)	5.2	15.6	18.5
Alumina (aluminium oxide and hydroxide)	2.9	2.0	1.5
Aluminium	1.6	2.2	2.5
Copper ore	17.9	14.8	12.9
Unrefined copper	18.2	14.3	12.4
Refined copper crude	10.6	8.2	7.3
Iron ore	7.7	4.0	3.7
Phosphate	22.5	21.5	23.4

Source: UNCTAD

Table 5

AFRICA'S MAIN EXPORT COMMODITIES EARNINGS AND PRICES IN 1987 (1982 = 100)

Item	Earnings 1987	Price 1987
A. AGRICULTURAL COMMODITIES		
1. Cocoa beans	135	115
2. Coffee	88	93
3. Cotton	112	96
4. Sugar	123	80
5. Tobacco	117	86
6 Tea (black and green)	112	88
B. FISHERY		
7. Fishery products	204	109 [a]
C. FORESTRY		
8. Tropical timber	105	147
D. MINERAL COMMODITIES		
9. Copper (refined)	92	120
10. Aluminum (primary)	120	156
11. Phosphate rock	73	78
12. Iron ore	73	75

Source: UNCTAD, *Commodity Yearbook 1989, New York*, 1989.

a Fish meal, any origin, c.i.f. Hamburg

Table 6

PRICE FLUCTUATIONS AND PRICE TRENDS [1], 1962-1989 [a]

Commodity	Trend		Instability	
	1962-1978	1978-1989	1962-1978	1978-1989
A. AGRICULTURAL				
1. Cocoa	+7.4	-6.7	31.1	14.7
2. Coffee	+3.4	-3.3	30.6	14.6
3. Cotton	+1.5	-4.5	17.9	13.2
4. Sugar	+7.4	-12.4	62.0	65.0
5. Tea	-3.2	-3.1	22.9	15.1
6. Groundnut oil	+3.1	-7.5	21.0	23.3
7. Tropical timber	+1.0	-0.1	21.3	12.7
8. Hides and skins	+1.4	-5.9	20.3	23.7
B. MINERALS				
9. Copper	-5.3	-3.7	22.1	26.7
10. Aluminum	-1.0	-3.7	11.8	28.8
11. Phosphate rock	+5.6	-3.9	41.2	13.2
12. Iron ore	-1.3	-1.8	12.4	6.8

Source: UNCTAD, *Commodity Yearbook 1989*, New York, 1989.

Notes: Price Trend is calculated as the annual average rate of change of price, measured as a percentage. Prices are taken in constant dollars. The formula is $\log(P) = a + bt$ where P is the price and t is time. Instability is measured as the average percentage deviation of price from its exponential trend level.

1 Nominal prices deflated by the unit value of manufactured goods exported by developed countries.

a 1989 figures cover first 7 months only.

Table 7

AFRICA'S TERMS OF TRADE AND PURCHASING POWER OF EXPORTS, 1960-1988
(1980 = 100)

Year	Terms of Trade	Purchasing Power of Exports
1960	49	23
1965	37	31
1970	36	47
1975	67	64
1980	100	100
1985	95	74
1988	59	52

Source: UNCTAD, *Handbook of International Trade and Development Statistics, 1988*, New York, 1989, Tables 2.5 and 2.6.

Table 8

PRODUCER PRICE SHARES [1] FOR SELECTED EXPORT COMMODITIES, BY COUNTRY, 1980, 1985 AND 1987

Item	1980	1985	1987
Benin			
Cotton	0.38	0.87	-
Palm oil	0.31	1.01	-
Burkina Faso			
Cotton	0.35	0.79	0.64
Burundi			
Coffee	0.61	0.34	0.62
Tea	0.27	0.27	0.41
Cameroon			
Coffee	1.21	0.77	1.27
Cocoa	0.57	0.54	0.80
Cotton	0.51	1.11	0.94
Central African Rep			
Cotton	0.38	0.79	0.68
Coffee	0.46	0.28	0.69
Chad			
Cotton	0.32	0.79	-
Congo - Peoples Rep			
Coffee	0.68	-	1.74 [a]
Cocoa	0.28	0.27	0.40 [a]
Côte d'Ivoire			
Coffee	1.14	0.70	1.48
Cocoa	0.57	0.53	0.77
Palm oil	0.35	1.24	0.93
Equatorial Guinea			
Cocoa	0.12	0.70	0.75
Coffee	0.28	0.85	-
Ethiopia			
Coffee	0.55	0.62	-

Table 8 *(continued)*

PRODUCER PRICE SHARES [1] FOR SELECTED EXPORT COMMODITIES, BY COUNTRY, 1980, 1985 AND 1987

Item	1980	1985	1987
Gambia			
Groundnuts	0.71	0.57	1.51
Cotton	0.48	0.52	-
Palm oil	2.95	-	
Ghana			
Cocoa	0.66	0.28	0.41
Guinea			
Coffee	2.19	0.11	-
Palm kernels	0.90	-	
Guinea-Bissau			
Groundnuts	0.61	0.70	0.24
Palm kernels	0.48	0.67	-
Kenya			
Coffee	0.66	0.69	0.72 [a]
Tea	0.89	1.08	0.85 [a]
Sugar	0.44	1.43	1.34 [a]
Liberia			
Rubber	-	-	-
Coffee	1.85	0.72	1.44
Cocoa	0.95	0.12	-
Madagascar			
Coffee	0.77	0.36	0.52 [a]
Vanilla	0.04	0.02	0.01 [a]
Cloves	0.17	0.02	0.02 [a]
Malawi			
Tobacco (fire-cured)	0.21	0.26	0.21
Tea [2]	0.55	0.65	0.50 [a]
Cotton	0.41	0.53	0.55

Table 8 *(concluded)*

PRODUCER PRICE SHARES [1] FOR SELECTED EXPORT COMMODITIES, BY COUNTRY, 1980, 1985 AND 1987

Item	1980	1985	1987
Mali			
Cotton	0.35	0.68	0.57
Groundnuts	0.45	-	1.29
Mozambique			
Cotton	0.49	1.00	0.31
Tea	2.47	-	-
Nigeria			
Groundnuts	0.58	-	-

Source: World Bank/UNDP, *African Economic and Financial Data 1989.*

1 Computed as the ratio of the nominal official producer price within each country to the international reference price for the same commodity.

2 Farmgate.

a 1986.

Table 9

GOVERNMENT EXPENDITURE AS A SHARE OF GDP, AND DEFENSE EXPENDITURES AS A SHARE OF GOVERNMENT EXPENDITURE, 1987

(in per cent)

Country or area	Government expenditure/GDP	Defence/ Government Expenditure
Benin	17.3 [a]	..
Botswana	41.5 [a]	7.1 [a]
Burkina Faso	19.4	17.3
Burundi	24.9 [a]	..
Cameroon	24.3	8.8 [b]
Central African Rep.	13.7 [a]	..
Chad	24.5 [a]	..
Comoros	36.3	..
Congo	29.4	..
Côte d'Ivoire	34.0	3.9 [c]
Egypt	47.1 [a]	17.7 [a]
Ethiopia	35.7	30.6
Gabon	37.0	..
Gambia	52.4	..
Ghana	14.3 [a]	6.5 [a]
Guinea Bissau	57.7	5.1 [c]
Kenya	31.4	10.1
Lesotho	57.2	9.6 [c]
Liberia	24.8	8.9
Madagascar	23.7	..
Malawi	30.0	5.2
Mali	24.4	8.1 [a]
Mauritania	33.0	..
Mauritius	24.2	0.9
Morocco	31.0	12.5 [a]

Table 9 (*concluded*)

GOVERNMENT EXPENDITURE AS A SHARE OF GDP, AND DEFENSE EXPENDITURES AS A SHARE OF GOVERNMENT EXPENDITURE, 1987
(In per cent)

Country or area	Government expenditure/GDP	Defence/ Government Expenditure
Niger	20.5	3.6
Nigeria	19.1	4.5
Rwanda	23.6	8.9 [a]
Senegal	22.3	10.6 [a]
Seychelles	64.6	..
Sierra Leone	16.9	2.1
Somalia	20.0 [a]	5.1
Sudan	26.2	10.7
Swaziland	29.1	5.4
Tanzania, U.R.	25.1	14.1 [b]
Togo	30.2	8.9 [b]
Tunisia	36.4	10.1
Uganda	6.4	13.9
Zaire	29.5	3.7 [b]
Zambia	36.7	..
Zimbabwe	39.7	17.2
ALL AFRICA	31.2	10.6 [b]

Source: World Bank/UNDP, *Africa Economic and Financial Data*, 1989.

a 1986.

b 1985.

c 1984.

Table 10

FDI TRENDS IN AFRICA, 1980-1988
(millions of dollars)

Item	1980	1981	1982	1983	1984	1985	1986	1987	1988	75-80	81-87
AFRICA	770.8	1549.7	1410.8	1206.7	1378.9	2570.6	1751.3	2227.2	2853.4	816.8	1727.9
Africa Oil exporters	458.9	1133.0	1011.5	1186.2	1143.6	2237.3	1571.4	1759.3	2370.0	281.0	1434.6
Other Africa non-oil	311.9	416.7	399.4	20.5	235.3	333.3	179.8	467.9	483.4	535.8	293.3
Africa's share in world (%)	0.6	2.7	3.2	2.7	2.7	5.3	2.3	1.9	2.0	2.5	2.7
Africa's share in developing countries (%)	2.7	10.3	9.9	11.6	11.4	19.3	12.6	9.5	11.4	10.3	11.8

Source: UNCTC, "Foreign Direct Investment in Africa and Strategies to encourage Transnational Corporations to respond positively to the improved Investment Climate", 16 January 1990.

Table 11

TARIFFS ON SELECTED COMMODITIES BY DEGREE OF PROCESSING IN MAJOR WORLD MARKETS, 1986
(Per cent or ad valorem)

Item	EEC			Japan		USA
	MFN	GSP	ACP	MFN	GSP	MFN
Coffee						
Raw	9.0	6.5	1.3	0.0	-.-	0.0
Roasted, ground	6.5	12.0	3.3	20.0	10.0	0.0
Extracts, preparations	18.0	9.0	0.0	24.2	7.5	0.0
Tea						
In bulk	0.0	-.-	-.-	12.5	2.5	0.0
For retail sale	5.0	0.0	0.0	20.0	14.0	0.0
Extracts, essence	12.0	0.0	0.0	17.3	8.0	0.0
Cocoa						
Beans	3.0	-.-	0.0	0.0	-.-	0.0
Paste	15.0	11.0	0.0	15.0	7.5	0.0
Butter	12.0	8.0	0.0	2.5	0.0	0.0
Powder	16.0	9.0	0.0	21.5	10.5	0.5
Chocolate	-.-	-.-	-.-	30.0	12.5	1.9
Sugar						
Raw	-.-	-.-	-.-	37.5	-.-	14.6
Processed	10.0	-.-	-.-	28.4	-.-	4.2
Molasses	-.-	-.-	-.-	28.1	-.-	4.5
Spices						
Unground, unprocessed	7.5	4.4	0.0	1.21	0.0	0.7
Ground processed	11.8	4.0	0.0	6.6	0.0	4.7
Essential oils						
Essential oils	4.5	0.0	-.-	3.9	0.0	0.9
Mixtures	5.3	0.0	-.-	6.6	0.0	4.4
Preparations	6.6	0.0	-.-	7.2	0.0	5.3
Vegetable plaiting materials						
Raw	0.5	0.0	0.0	5.0	5.0	2.8
Plaits	3.4	0.0	-.-	5.8	0.8	5.2
Basketwork, wickerworks	6.2	0.0	-.-	9.4	0.0	6.6

Table 11 *(continued)*

TARIFFS ON SELECTED COMMODITIES BY DEGREE OF PROCESSING IN MAJOR WORLD MARKETS, 1986

(Per cent or ad valorem)

Item	EEC			Japan		USA
	MFN	GSP	ACP	MFN	GSP	MFN
Oilseeds, vegetable oils						
Oilseeds	0.0	-.-	-.-	1.0	-.-	3.4
Vegetable oils	7.2	7.2	1.0	8.5	8.3	4.3
Fatty acids, fatty alcohols	8.8	4.4	0.9	5.4	0.9	4.4
Margarine	25.0	-.-	5.0	35.0	-.-	0.0
Soaps	6.9	0.0	-.-	6.5	0.0	4.1
Tobacco						
Unmanufactured	24.4	14.8	0.0	0.0	-.-	72.6
Manufactured	78.8	67.0	0.0	14.3	-.-	11.0
Rice						
Unmilled	12.0	-.-	2.4	0.0	-.-	5.1
Milled processed	-.-	-.-	-.-	16.7	-.-	16.4
Manioc, roots, tubers						
Fresh, dried	6.0	-.-	3.0	11.3	-.-	13.5
Flour	-.-	-.-	0.0	12.5	-.-	-.-
Meals; starches	30.0	-.-	0.0	22.8	-.-	0.0
Bananas						
Fresh	20.0	0.0	0.0	25.5	14.3	1.7
Flour, prepared	17.0	0.0	0.0	-.-	-.-	5.9
Tropical nuts						
Unshelled, crude	2.2	0.0	0.0	7.9	1.5	5.2
Shelled, prepared	15.0	6.0	0.0	21.0	8.3	7.6
Tropical fruit						
Fresh, dried	8.0	2.3	0.0	9.1	4.0	8.7
Preserved	13.4	3.7	0.9	21.0	8.9	-.-
Prepared, fruit juices	24.0	13.1	4.6	27.5	11.4	46.7
Tropical wood						
In the rough	1.3	-.-	0.0	0.4	0.0	3.4
Simply worked	3.1	0.0	-.-	2.6	1.3	2.0
Veneers, plywood	4.0	0.0	0.0	8.4	0.1	4.4
Wood articles	4.9	0.0	-.-	-.-	-.-	6.3

Table 11 *(continued)*

TARIFFS ON SELECTED COMMODITIES BY DEGREE OF PROCESSING IN MAJOR WORLD MARKETS, 1986
(Per cent or ad valorem)

Item	EEC			Japan		USA
	MFN	GSP	ACP	MFN	GSP	MFN
Fish						
Fresh, chilled, frozen	13.5	5.2	0.0	6.1	-.-	0.6
Dried, smoked	12.7	7.5	0.0	11.9	5.0	2.4
Prepared preserved	17.2	8.4	0.4	13.7	6.8	9.1
Meat						
Fresh, chilled, frozen	11.6	1.7	0.0	11.8	-.-	6.4
Salted, dried, smoked	19.5	-.-	1.0	19.8	-.-	9.6
Prepared preserved	18.1	11.5	3.1	19.2	6.4	3.9
Molluscs, crustaceans						
Fresh, chilled, frozen	10.7	4.3	0.0	6.5	6.7	3.7
Preparations	18.0	6.0	0.0	12.4	5.7	5.3
Rubber						
Natural rubber	0.0	0.0	-.-	0.0	-.-	0.0
Simple manufactures	3.7	3.7	0.0	3.5	0.0	4.7
Tyres, tubes	3.6	3.6	-.-	3.2	0.0	3.1
Other articles	4.8	0.0	-.-	3.5	0.0	5.2
Jute						
Raw	0.0	-.-	-.-	0.0	-.-	0.0
Processed	-.-	-.-	-.-	-.-	-.-	0.3
Yarns	5.3	0.0	0.0	10.0	0.0	4.1
Woven fabrics	8.7	0.0	0.0	20.0	0.0	1.3
Made-up articles	7.7	0.0	0.0	11.2	0.0	3.8
Sisal, henequen						
Raw	0.0	-.-	-.-	0.0	-.-	0.0
Processed	-.-	-.-	-.-	-.-	-.-	8.0
Twine, cordage	12.0	12.0	0.0	6.5	0.0	4.2
Aluminium						
Bauxite	-.-	-.-	-.-	0.0	-.-	0.0
Alumina	-.-	-.-	-.-	5.4	0.0	0.0
Aluminium, unwrought	-.-	-.-	-.-	3.0	0.0	1.3
Aluminium, worked	7.3	0.0	0.0	7.1	0.0	3.9

Table 11 *(continued)*

TARIFFS ON SELECTED COMMODITIES BY DEGREE OF PROCESSING IN MAJOR WORLD MARKETS, 1986

(Per cent or ad valorem)

Item	EEC			Japan		USA
	MFN	GSP	ACP	MFN	GSP	MFN
Copper						
Copper ores and concentrates	-.-	-.-	-.-	0.0	-.-	0.3
Copper, blister	-.-	-.-	-.-	7.3	0.0	1.0
Copper refined	-.-	-.-	-.-	7.6	0.0	-.-
Copper and copper alloys, worked	5.2	0.0	0.0	6.8	0.0	4.9
Iron						
Iron ores and concentrates	0.0	-.-	-.-	0.0	-.-	0.0
Pig iron, cast iron and spiegeleisen in pigs, blocks, lumps and similar forms	2.7	-.-	-.-	3.7	0.0	0.3
Iron or steel powders, shot or sponge	3.0	0.0	0.0	3.7	0.0	0.9
Ingots of iron and steel	3.5	0.0	0.0	5.7	0.0	3.9
Lead						
Lead ores and concentrates	-.-	-.-	-.-	0.0	-.-	6.1
Lead and lead alloys, unwrought	-.-	-.-	-.-	-.-	-.-	-.-
Lead and lead alloys, worked	5.8	0.0	0.0	7.2	0.0	4.8
Phosphate						
Phosphate rock	0.0	-.-	-.-	0.0	-.-	0.0
Phosphoric acids	11.0	0.0	0.0	4.9	0.0	0.0
Superphosphates	4.8	0.0	0.0	2.9	-.-	0.0
Tin						
Tin ores and concentrates	- -	-.-	-.-	0.0	-.-	0.0
Tin and tin alloys, unwrought	-.-	-.-	-.-	-.-	-.-	-.-
Tin and alloys, worked	3.7	0.0	0.0	3.4	0.0	2.5

Table 11 *(concluded)*

TARIFFS ON SELECTED COMMODITIES BY DEGREE OF PROCESSING IN MAJOR WORLD MARKETS, 1986
(Per cent or ad valorem)

Item	EEC			Japan		USA
	MFN	GSP	ACP	MFN	GSP	MFN
Zinc						
Zinc ores and concentrates	-.-	-.-	-.-	0.0	-.-	0.0
Zinc and zinc alloys, unwrought	-.-	-.-	-.-	-.-	-.-	-.-
Zinc and zinc alloys, worked	7.1	0.0	0.0	5.4	0.0	5.5
Petrochemicals						
Hydrocarbons	7.1	0.0	0.0	4.7	0.0	7.0
Acrylic, cycl. alcohol	7.8	0.0	0.0	8.6	0.8	6.7
Carboxylic 4	8.2	0.0	0.0	6.2	0.0	7.9
Nitrogen function	8.1	0.0	0.0	6.2	0.3	10.7
Other	7.5	0.0	0.0	5.6	0.0	11.1
Condensation polyc. and polyadci	7.9	0.0	0.0	6.0	0.0	6.4
Polimerization and copol	11.9	0.0	0.0	7.0	0.0	7.5

Source: Computations based on GATT Tariff Study, 1988 computer files and 1989 GSP schemes.

Notes: -.- = Tariff rate not available or inapplicable.

MFN = Tariff rate applied under the most-favoured-nation principle.

ACP = Tariff rate applied by the EEC to African, Caribbean and Pacific countries under the Lomé Convention.

GSP = Tariff rate applied under General System of Preferences.

LDC rates applied by EEC and Japan are zero.

GSP and Caribbean Basin Initiative rates applied by USA are zero.

Table 12

COVERAGE OF NON-TARIFF BARRIERS (NTBs) ON AFRICAN EXPORTS, 1986

Country	Trade Coverage (%)		Frequency Coverage (%)
EEC	Primary :	23.6	26.8
	Manufactured :	48.2	19.3
U.S.A.	Primary :	0.8	5.3
	Manufactured :	16.3	2.6
Japan	Primary :	27.1	29.2
	Manufactured :	2.0	16.5
Australia	Primary :	0.0	0.9
	Manufactured :	15.6	13.8
Canada	Primary :	5.3	8.5
	Manufactured :	31.3	20.1

Source: UNCTAD data base.

Note: *Trade Coverage* is calculated as the percentage of the value of all exports affected by NTBs; *Frequency Coverage* is the percentage of the number of all export products affected by NTBs.

Table 13

PRIMARY AND SECONDARY EDUCATION IN SUB-SAHARAN AFRICA, 1965-1986 [a]

Country or area	Percentage of age group enrolled in :			
	Primary Education		Secondary Education	
	1965	1986	1965	1986
Ethiopia	11	36	2	12
Chad	34	43	1	6
Zaire	70	..	5	..
Malawi	44	64	2	4
Mozambique	37	82	3	7
Tanzania, U.R.	32	69	2	3
Burkina Faso	12	35	1	6
Madagascar	65	121	8	36
Mali	24	22	4	7
Burundi	26	59	1	4
Zambia	53	104	7	19
Niger	11	29	1	6
Uganda	67	..	4	..
Somalia	10	20	2	12
Togo	55	102	5	21
Rwanda	53	67	2	3
Sierra Leone	29	..	5	..
Benin	34	65	3	16
C.A.R.	56	66	2	13
Kenya	54	94	4	20
Sudan	29	50	4	20
Lesotho	94	115	4	22
Nigeria	32	..	5	..
Ghana	69	63	13	35
Mauritania	13	46	1	15
Liberia	41	..	5	..
Guinea	31	29	5	9
Senegal	40	55	7	13
Zimbabwe	110	129	6	46
Côte d'Ivoire	60	78	6	20
Cameroon	94	107	5	23
Botswana	65	105	3	31
Mauritius	101	106	26	51
Gabon	134	126	11	27

Source: World Development Report

a Countries are ranged in ascending order of per capita GNP in 1987.

Table 14

VARIABILITY OF STAPLE FOOD PRODUCTION IN SELECTED AFRICAN COUNTRIES, 1961-1988

Country/ Region	Standard Deviation of Production from Trend ('000 mt)	Coefficient of Variation (per cent)	Probability of actual Production falling below 95% of Trend (per cent)
NORTH AFRICA			
Algeria	519	28.0	50.0
Egypt	338	5.8	25.0
Libyan Arab Jam.	63	22.2	42.9
Morocco	1,349	26.4	39.3
SUB-SAHARAN AFRICA			
Burkina Faso	212	12.1	35.7
Ghana	1,280	23.0	32.1
Nigeria	887	7.1	28.6
Senegal	340	47.4	35.7
Tanzania, U.R.	790	11.6	32.1
Zaire	526	4.0	10.7

Source: FAO/IFAD.

Table 15

GROWTH OF POPULATION, STAPLE FOOD PRODUCTION AND VARIABILITY OF STAPLE FOOD CONSUMPTION IN SELECTED AFRICAN COUNTRIES, 1961-1983

Country/ Region	Population Growth	Production Growth	Consumption Variability (1979-1987, in per cent)
NORTH AFRICA			
Algeria	3.0	[illegible]	8.5
Egypt	2.4	1.4	1.7
Libyan Arab Jam.	3.9	5.1	2.2
Morocco	2.5	2.2	5.8
SUB-SAHARAN AFRICA			
Burkina Faso	1.8	2.2	8.5
Ghana	2.9	2.2	27.8
Nigeria	3.3	1.8	38.6
Senegal	3.0	0.2	9.8
Tanzania, U.R.	3.3	4.2	3.5
Zaire	3.1	2.5	1.2

Source: FAO/IFAD.

Note: The Population and Production figures are average annual growth rates.

Table 16

NET RESOURCE FLOWS TO AFRICA, 1980-1988
(billions of dollars)

Item	1980	1982	1983	1984	1985	1986	1987	1988
Official flows	13.9	14.8	14.6	16.8	18.1	18.3	21.2	22.7
ODA	11.6	11.8	11.3	12.6	14.0	15.8	18.1	17.9
Bilateral	8.8	9.9	8.3	9.5	10.5	11.8	13.4	12.9
Multilateral	2.8	2.9	3.0	3.1	3.5	4.0	4.7	5.0
Other official flows	2.3	2.2	2.6	2.4	3.9	2.1	2.6	3.3
Bilateral	1.5	1.3	1.8	1.2	2.7	0.7	1.1	1.6
Multilateral	0.8	0.9	0.8	1.2	1.2	1.4	1.5	1.7
Total export credits	4.1	4.1	3.7	2.7	1.4	1.9	-0.3	-1.4
Private flows	3.5	3.1	4.8	1.5	0.7	2.3	4.8	2.2
Direct investment	1.1	2.0	2.4	0.7	0.2	0.3	0.6	0.8
International bank lending[1]	2.2	1.1	2.0	0.8	0.4	1.7	3.6	1.0
Total bond lending	0.2	0.0	0.4	0.0	0.5	0.2	0.5	-0.3
Other private	0.0	0.1	0.0	0.0	0.1	0.1	1.1	0.5
Grants by non-governmental organisations	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.4
Total net resource flows[2]	22.2	24.3	18.6	17.7	21.7	24.7	24.9	23.5
Total net resource flows (in real terms)	*31.4*	*36.5*	*28.0*	*27.2*	*33.0*	*30.5*	*26.7*	*23.5*
Net financial transfers[3]	3.0	9.0	5.0	-0.4	-0.5	3.0	-2.1	1.9
Net financial transfers (in real terms)	*4.2*	*13.5*	*7.5*	*-0.6*	*-0.8*	*3.8*	*-2.3*	*1.9*

Sources: UNCTAD secretariat estimates, based on data from OECD, Development Co-operation Efforts and Policies of the Members of the Development Assistance Committee, various issues; OECD, Geographical Distribution of Financial Flows to Developing Countries, various issues.

Notes: Gross financial flows less amortization gives total net resource flows; Total net resource flows less interest payments and profit remittances gives net financial transfers.

1 Includes long and short term transactions.
2 Based on OECD data.
3 Based on balance-of-payments statistics.

Table 17

EXTERNAL DEBT/EXPORT AND DEBT-SERVICE/EXPORT RATIOS, 1987
(in per cent)

Country	External Debt/ Export	Debt-Service/ Export	
		paid	*due*
Algeria	217.7	46.8	47.4
Benin	537.5	15.9	57.0
Botswana	27.7	3.7	3.4
Burkina Faso	214.4	7.8	12.7
Burundi	687.2	38.5	38.9
Cameroon	190.0	27.8	18.2
Central African Rep.	318.0	14.8	18.9
Chad	186.5	4.2	5.8
Comoros	573.4	4.1	31.2
Congo	443.6	18.7	63.4
Côte d'Ivoire	374.0	45.6	29.1
Egypt	343.1	15.0	24.8
Equatorial Guinea	487.3	24.2	47.7
Ethiopia	446.0	34.0	39.9
Gabon	148.3	5.2	24.5
Gambia	277.4	20.3	13.1
Ghana	298.3	38.7	17.9
Guinea-Bissau	1781.5	39.0	119.6
Kenya	341.9	41.7	30.2
Lesotho	72.2	4.4	4.0
Madagascar	813.8	44.3	68.0
Malawi	448.1	36.2	32.0
Mali	620.3	18.1	20.3

Table 17 (*concluded*)

EXTERNAL DEBT/EXPORT AND DEBT-SERVICE/EXPORT RATIOS, 1987
(in per cent)

Country	External Debt/ Export	Debt-Service/ Export	
		paid	*due*
Mauritania	430.0	20.1	45.0
Mauritius	64.1	10.0	6.1
Morocco	381.7	31.2	44.0
Niger	523.0	55.1	43.2
Nigeria	369.0	11.7	24.0
Rwanda	331.1	11.3	13.9
Sao Tome & Principe	956.5	41.2	102.2
Senegal	386.4	27.9	21.7
Sierra Leone	757.5	6.7	35.4
Sudan	1562.7	8.7	93.4
Swaziland	57.8	7.0	25.4
Tanzania (U.R.)	965.5	21.1	65.7
Togo	269.7	18.2	33.2
Tunisia	182.2	26.7	25.7
Uganda	377.4	41.3	31.2
Zaire	439.4	23.9	48.0
Zambia	670.3	13.6	58.7
Zimbabwe	152.2	30.5	25.4

Sources: World Bank/UNDP, *African Economic and Financial Data*, 1989.

Note: paid including arrears.

Table 18

DEBT SERVICE PAID, FUELS AND FOOD IMPORTS AS A PERCENTAGE OF EXPORT EARNINGS, 1987

Country	Fuels	Food	Debt service	Total
Developing African Total	**8.8**	**23.3**	**25.9**	**59.0**
Algeria	4.3	21.1	46.8	72.2
Angola	-	9.8	-	-
Benin	92.3	33.9	15.9	142.9
Botswana	41.2	58.1	3.7	103.0
Burkina Faso	13.5	60.2	7.8	81.5
Burundi	14.8	24.0	38.5	77.3
Cameroon	2.4	20.2	27.8	50.4
Cape Verde	-	619.1	-	-
Central African Rep.	2.9	32.2	14.8	49.9
Chad	-	12.8	4.2	-
Comoros	-	104.3	4.1	-
Congo	6.1	6.9	18.7	31.7
Côte d'Ivoire	13.8	17.2	45.6	76.6
Djibouti	-	360.4	-	-
Egypt	8.0	114.4	15.0	137.4
Equatorial Guinea	-	12.0	24.2	-
Ethiopia	67.3	48.2	34.0	149.5
Gabon	0.7	7.4	5.2	13.3
Gambia	27.2	252.8	20.3	300.3
Ghana	18.2	9.9	38.7	66.8
Guinea	-	12.2	18.3	-
Guinea-Bissau	-	226.0	39.0	-
Kenya	47.0	8.4	41.7	97.1
Lesotho	2.7	796.6	4.4	803.7
Liberia	11.9	17.6	-	-
Libyan Arab Jam.	0.0	13.9	-	-

Table 18 (*concluded*)

DEBT SERVICE PAID, FUELS AND FOOD IMPORTS AS A PERCENTAGE OF EXPORT EARNINGS, 1987

Country	Fuels	Food	Debt service	Total
Madagascar	19.3	17.8	44.3	81.4
Malawi	9.8	7.5	36.2	53.5
Mali	35.4	21.2	18.1	74.7
Mauritania	11.8	27.7	20.1	59.6
Mauritius	16.0	28.1	20.0	64.1
Morocco	47.9	31.1	10.0	89.0
Mozambique	-	143.6	-	-
Namibia	-	6.2	-	-
Niger	13.6	26.4	55.1	95.1
Nigeria	2.6	7.5	11.7	21.8
Rwanda	51.1	20.2	11.3	82.6
Sao Tome & Principe	-	68.1	41.2	-
Senegal	38.9	32.0	27.9	98.8
Seychelles	98.6	89.1	-	-
Sierra Leone	15.2	97.9	6.7	119.8
Somalia	11.4	102.8	-	-
Sudan	37.7	41.1	8.7	87.5
Swaziland	-	11.5	7.0	-
Tanzania, U.R.	72.0	19.6	21.1	112.7
Togo	20.9	29.7	18.2	68.8
Tunisia	27.6	34.3	26.7	88.6
Uganda	11.9	7.7	41.3	60.9
Zaire	3.9	19.2	23.9	47.0
Zambia	11.0	3.3	13.6	27.9
Zimbabwe	10.9	2.3	30.5	43.7

Source: UNCTAD.

CHAIRMAN'S VISITS AND DISCUSSIONS

1. AFRICAN CONTACTS

Visits: Egypt, Gambia, Ghana, Nigeria, Senegal and Sudan. (see attached list of individuals whom the Chairman met, pages 154-164)
Discussions: During the Second meeting of the Group in Addis Ababa, Ethiopia the Chairman held discussions with the Presidents of Egypt, Mali and Zambia and with the OAU Permanent Steering Committee.

2. DEVELOPED COUNTRY CONTACTS

Visits: Canada, EC, France, Japan, USA and United Kingdom (see attached list of individuals whom the Chairman met, pages 154-164)

3. CONTACTS WITH THE UNITED NATIONS SYSTEM

(a) Food and Agriculture Organization of the UN, Rome, Italy

(b) International Fund for Agricultural Development, Rome, Italy

(c) International Monetary Fund, Washington, DC, USA

(d) World Food Council, Rome, Italy

(e) World Food Programme, Rome, Italy

(f) World Bank, Washington, DC, USA

4. CONTACTS WITH COMMODITY ORGANIZATIONS

(a) International Cocoa Organization, London, UK

(b) International Coffee Organization, London, UK

(c) International Sugar Organization, London, UK

(d) International Wheat Organization, London, UK

5. NON-GOVERNMENTAL ORGANIZATIONS

(a) Ford Foundation, New York, USA

(b) Rockefeller Foundation, New York, USA

(c) African American Institute, Washington, DC, USA

(d) Brookings Institution, Washington, DC, USA

(e) Overseas Development Council, Washington, DC, USA

(f) Institute for International Economics, Washington, DC, USA

(g) International Food Policy Research Institute, Washington, DC, USA

(h) National Center for Food and Agriculture Policy, Washington, DC, USA

(i) CONFINDUSTRIA, Rome, Italy

(j) Research and Information System for the Non-Aligned and Other Countries, New Delhi, India

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INDIVIDUAL AUTHORS

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Eicher, C.K.	The Role of International Assistance in Building Africa's Scientific and Managerial Capacity and Addressing its Commodity Problems, August 1989
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Hagelberg, G.B.	The World Sugar Situation, the EC and US markets and Africa, August 1989.
Havrylyshyn, O.	Prospects and Problems of Co-operation among Developing Countries, August 1989
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Shakotko, R.	Commodity Export Prospects in sub-Saharan Africa, August 1989
Singer, H.W.	Food aid for sub-Saharan Africa: Scale and Impact, August 1989
Stevens, C.	EEC restrictions on the import of commodities from Africa, August 1989
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ORGANISATIONS

ANZ Bank

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Note: Documents dated June-August 1989 were prepared specifically for the Expert Group.

LIST OF FIELD VISITS

VISITS BY MEMBERS TO AFRICAN COUNTRIES[1]

1.	V.N. Bourmistrov (USSR)	Botswana Mozambique Zambia
2.	A.B. Chikwanda (Zambia)	Côte d'Ivoire Mali
3.	R.N. Cooper (USA)	Morocco
4.	S. Coulibaly (Côte d'Ivoire)	Botswana Mozambique
5.	G.K. Helleiner (Canada)	Tanzania, United Republic of
6.	M. Huslid (Norway)	Mozambique Zambia
7.	Y. Okawa (Japan)	Mali Côte d'Ivoire
8.	S. Tate	Egypt Sudan

[1] Reports on these visits by the members concerned were presented to the Group and have been taken into account in the preparation of the Report.

LIST OF THE CHAIRMAN'S COUNTRY AND FIELD VISITS

ACCRA

1 Flt. Lt. J.J. Rawlings
Chairman of the PNDC

2 Mr. Justice D.F. Annan
Member, PNDC

3 High Officials in the Economic Sector

4 Dr. D.K. Agama
Governor of the Bank of Ghana

5 Entreprise Sector
Representatives

BANJUL

6 Sir Dawda Kairaba Jawara
The President

7 Mr. B. B. Dabo
Vice President

8 Mr. O. S. Jallow
Minister of Agriculture

9 Mr. M. Jatta
Minister of Planning

CAIRO

10 Dr. Attef Sidky
Prime Minister

11 Dr. Esmat Abdel Meguid
Deputy Prime Minister and Minister for Foreign Affairs

12 Dr Yusef Wali
Deputy Prime Minister and Minister of Agriculture

13 Dr. Yosri Mustafa
Minister of Foreign Trade

14 Mr. Atef Ebeid
Minister of State for Administrative Development

15 Dr. Boutros Ghali
Minister of State for Foreign Affairs

DAXAR

16 M. Abdou Diouf
Président de la République

17 M. Serigue Lamine Diop
Ministre de l'Economie et des Finances

18 M. Cheikh Cissokho
Ministre du Développement Rural

19 M. Djiboka Ka
Ministre du Plan et de la Coopération

20 M. Seydina Oumar Sy
Ministre de Commerce

21 M. Alassane Ouattara
Gouverneur de la Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO)

KHARTOUM

22 Lt. General Omer Hasan Ahmd El-Bashir
Chairman of the National Salvation Council

23 Col. Salah Eldin Karar
Member of the National Salvation Council and Chairman of the Economic Committee

24 Col. Mohd El-Amin Khalifa
Member of the National Salvation Council

LAGOS

25 Major-General I.O.S. Nwachukwu,
Minister of Foreign Affairs

26 Mr. S.J. Ukpanah
Minister of Trade

27 Dr. Chu S.P. Okongwu
Minister of Finance and Economic Development

28 Mr. Alhaji S. Mamman
Minister for Agriculture, Water Resources and Rural Development

BRUSSELS

Commission of the European Communities

29 Mr. M. Marin Gonzalez
vice-President ,of the Commission and Commissioner-in-charge for relations with ACP countries

30 Mr. R. Mac Sharry
Commissioner for Agriculture

31 Mr. M. Bangemann
Commissioner for International Market and Industry

32 Mr. Dieter Frisch
Director-General for Development (DG VIII)

33 Senior officials meeting chaired by Mr. A.J. Fairclough
Deputy Director-General for Development (DG VIII)

LONDON

34 Sir Geoffrey Howe
Secretary of State for Foreign and Commonwealth Affairs

35 Mr. Christopher Patten
Minister of Overseas Development

36 The Honourable Alan Clarke
Minister of State for Trade,
Department of Trade and Industry

37 Mr. Robin Leigh Pemberton
Governor, Bank of England

38 Mr. Andrew Crockett
Executive Director, Bank of England

Intergovernmental Organizations

39 Mr. A.F. Beltrao
Executive Director, International Coffee Organization

40 Mr. E. Kouame
Executive Director, International Cocoa Organization

41 Officials of the International Sugar and Wheat Organization

42 Officials of the Commonwealth Secretariat

Enterprise Sector

43 Mr. Anthony Archdeacon
Assistant Regional Director,
Africa (AFCAR), Barclays Bank PLC

44 Mr. Phillip Brazier
Chairman, Brook Bond Group

45 Mr. Phillip Crowson
Economic Adviser, Rio Tinto Zinc Corp PLC

46 M' 'asley Davidson
Chairman Plantations Group, Unilever

47 Mr. Phiroze Gutta
Adviser Bank for Commerce
& Credit, International

48 Mr. Saxon Tate
Chairman, London FOX
Director, Tate & Lyle, PLC

49 Mr. John Walker
Managing Director,
United Molasses, Tate & Lyle, PLC

50 Mr. Straun Wiley
Sector Chairman Service,
Leisure and Africa, J Lyons

NEW YORK

51 Mr. J. Perez de Cuellar
United Nations Secretary-General

52 Mr. A. Blanca
Director-General for Development
and International Economic Cooperation

53 Mr. W. Draper III
Administrator, United Nations Development Programme

54 Ford Foundation

Mr. John D. Gerhart
Deputy Vice-President

Mr. Norman R. Collins
Director, Rural Poverty and Resources

Ms. Enid C.B. Schoettle
Director, International Affairs

55 Rockefeller Foundation

Mr. Kenneth Prewitt
Senior Vice-President

Mr. Robert Herdt
Director, Agricultural Sciences

56 African-American Institute
Mr. Frank Ferrari

OTTAWA

57 Ms. Monique Landry
Minister of State for External Relations

58 Senior Officials Meeting Chaired by Mr Jean Chretian
Associate Under Secretary of State for External Affairs

59 Messrs Keith Bosley
Chairman, House of Commons, Committee on External Affairs, Andre Oeullet and David McDonald,
Members of Canadian Parliament

PARIS

60 M. Jean-Louis Bianco
Secrétaire Général de la Présidence de la République

61 M. Jacques Attali
Conseiller spécial auprès du Président de la République

62 M. Roger Fauroux
Ministre de l'Industrie et de l'amenagement du territoire

63 Mme. Edwige Avice
Ministre délégué auprès du Ministre d'Etat,
Ministère des Affaires Etrangères

64 M. J.-P. Prouteau
Président du Comité Afrique-
Caraibes Pacifique du CNPF

ROME

65 Mr. Eduardo Saouma
Director-General, FAO

66 Mr. B.P. Dutia
Assistant Director-General, FAO

67 Mr. James Ingram
Executive Director, World Food Programme

68 Mr. G. Trant
Executive Director, World Food Council

69 Mr. Idriss Jazairy
President, International Fund for Agricultural Development

70 Mr. D.F. Brown
Vice-President, International Fund
for Agricultural Development

71 Members of the Confederation of Italian Industry

TOKYO

72 Mr. Taro Nakayama
Foreign Minister

73 Mr. Minoru Endo
Director General, United Nations Bureau,
Ministry of Foreign Affairs

74 Mr. Takeo Fukuda
Former Prime Minister

75 Mr. Eiji Fukunaga
Managing Director, Africa Society of Japan

76 Mr. Yusuke Kashiwagi
Chairman, Bank of Tokyo

77 Mr. Mizuo Kuroda
Executive Advisor, Nippon Steel Co Ltd

78 Mr. Fuyuhiko Maki
Executive Member, Board of Directors and President,
Committee on Co-operation with Africa, Keidanren

79 Mr. Koichiro Matsuura
Director General, Economic Co-operation Bureau,
Ministry of Foreign Affairs

80 Mr. Tsuneo Oyake
Vice-President, Overseas Economic Co-operation Fund

81 Mr. Mitsuhide Yamaguchi
President, Overseas Economic Co-operation Fund

82 Mr. Kensuke Yanagiya
President, Japan International Co-operation Agency

WASHINGTON DC

83 State Department

Mr. Kenneth Lee Brown
Acting Assistant Secretary of State, African Affairs

Ms. Alison Rosenberg
Deputy Assistant Secretary of State, Economic Affairs

Mr. Walter A. Lundy
Director, Economic Policy Staff, Bureau of African Affairs

84 International Monetary Fund

Mr. M Camdessus
Managing Director

Senior Officials Meeting
Chaired by Mr. M. Touré

85 World Bank

Mr. Barber Conable
President

Mr. Moeen Qureshi
Senior Vice-President, Operations

Mr. W.P. Thalwitz
Senior Vice-President, Policy, Planning and Research

Mr. Edward V.K. Jaycox
Vice-President, Africa Regional Office

Officals Meeting
Chaired by Mr. S. O'Brien
Chief Economist, African Region

86 International Food Policy Research Institute

Mr. John Mellor
Director

Mr. Nurul Islam
Senior Advisor

Mr. Christopher Delgado

Mr. Tshikala Tshibaka

Mr. Sudhir Wanmali

87 Institute for International Economics

Mr. F. Bergsten
Director

Ms. Caroline Lancaster

Mr. Philip Verleger

Mr. John Williamson

88 Overseas Development Council

Mr. John Sewell
President

Mr. Stuart K. Tucker

89 National Center for Food and Agricultural Policy, Resources for the Future

Mr. George E Rossmiller
Director

90 Brookings Institution

Mr. John D. Steinbruner

Mr. Francis Deng

Ms. Nora Lustig

NEW DELHI

91 Research and Information System for the Non-aligned and other Developing Countries

Prof. S. Chakravarty, Vice-Chairman

Dr. V.R. Panchamukhi, Director

LIST OF MEETINGS

1. First Meeting, Geneva, Switzerland, 15 and 16 April 1989
2. Second Meeting, Addis Ababa, Ethiopia, 22 to 25 July 1989
3. Third Meeting, London, UK, 29 September to 2 October 1989
4. Fourth Meeting, Oslo, Norway, 1 to 4 December 1989
5. Fifth Meeting, Geneva, Switzerland, 5 to 7 April 1990

منتدى العالم الثالث

third world forum — foro del tercer mundo — forum du tiers monde

OFFICE OF THE CHAIRMAN

Cairo: 22/4/1990

To : H.E. the Hon. Malcolm Fraser
Chairman of the UNSG Group of Experts on African Commodities

Dear Chairman,

Thank you for sending me the Final Report of our Group as it has been approved in its last meeting that I have missed because of some health problems.

I understand that this document is now in final shape and there is no room for further discussion. But I feel rather unhappy with certain aspects. As it stands, the Report is an act of faith in the market forces that I do not share. In the first place it vertually endorses entirely the adjustment policies imposed on many African countries without any substantiation. For example those African countries which have adjusted in the early 1980's are still waiting for the inflow of capital they had been promised as a prize compensating the multiple sufferings their people have endured. Secondly, the report asks the Governments to reduce the direct involvement in the commodity sector "which is overwhelmingly the most important in every African country" in the words of the Report. I know nothing about the structure of the private sector and its capabilities in every African country. Thirdly, the Report understates the case for diversification, beyond commodity processing, at least as a longer term option, while the competition from new materials is bound to grow.

This being said I agree with almost all the recommendations of the Report. Therefore I am happy to sign the document if this letter could be published as "some reservations" from one of the Group's members. I cannot endorse policies I am fighting currently in my own country.

With my best regards, I remain

Yours Sincerely

I.S Abdalla

Ismail-Sabri ABDALLA

Ambassador Martin Huslid
PERMANENT MISSION OF NORWAY
TO THE UNITED NATIONS
825 THIRD AVENUE
NEW YORK, N. Y. 10022

New York, 31 May, 1990

The Rt. Hon. Malcolm Fraser
Chairman, UN Secretary-General's Expert
Group on African Commodity Problems
Geneva
Switzerland

Dear Mr. Chairman,

I suppose it is unavoidable that any report by a group of 16 members to a certain extent becomes a compromise report where everyone has to adapt somewhat in order to reach a balanced and unified message. So also with our report which I have just signed, hoping that it will bring out some useful new perspectives and ideas with regard to Africa's commodity problems.

This being said I respectfully ask that the following points - which I have limited to two - be added to my signature as it were, not as reservations but rather as supplements and precisions which I consider as important in connection with our conclusions:

1) A central point in our report is the formulation of national commodities strategies and comprehensive policy packages to support these strategies.

It seems to me imperative for such strategies to succeed, i.e. to have positive economic results, that they take place within realistic perspectives of supply and demand. If that is not the case, un-coordinated national strategies including struggles to regain or enlarge market shares might lead to losses rather than gains. The point I make is maybe self-evident but I do not think that it has been sufficiently focussed on in our report. A main conclusion I draw from what I have underlined is to stress even stronger than does the wording of our report <u>the importance of international commodity co-operation, comprising both exporter and importer countries</u>.

2) We underline of course in our Report also the importance of <u>diversification</u> (horizontal and vertical) for the development of the economies of African countries.

At least for certain commodities the long-term perspectives would seem to lie more in diversification than in an increase in the production of the commodity in question. We know, however, that the process of diversification requires large sums of financial resources (in addition to the human ones). We have recognized also this in the Report and have made recommendations for the increase in financial transfers to African countries. Given the vital need for an acceleration of the diversification process, I would have hoped, however, that a specific financial instrument could be created as a result of our report; in precise words a Diversification Fund for Africa. I therefore put forward again this proposal here, hoping that it might be materialized in the follow-up process.

Yours sincerely,

Martin Huslid

Martin Huslid
