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

Summary reports on Benin, Cape Verde, Central African Republic,  
the Comoros, Djibouti, the Gambia, Ghana, Guinea, Lesotho,  
Mozambique, Sao Tome and Principe, Sierra Leone, Swaziland  
and Vanuatu

### Report of the Secretary-General

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## I. INTRODUCTION

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

2. The Government of each of the countries concerned was asked whether it would wish the report to the General Assembly to be based on the findings of a review mission that would visit the country or whether it would prefer to provide information that would constitute the basis of a brief, interim report to the Assembly. The Governments of 16 of the countries concerned expressed a wish for the second form of report. As at 12 August 1985, 14 Governments had provided such information. In the case of Uganda, the Government had requested a review mission for 1985, but had asked for a postponement of the mission to late 1985. Should the timing of the mission permit, a full report will be made to the Assembly at its fortieth session.

3. Accordingly, interim summary reports have been prepared for 14 countries for which special programmes of economic assistance are being implemented, based on information supplied by the Governments of these countries through the Resident Co-ordinator of the United Nations system's Operational Activities for Development/Resident Representative of the United Nations Development Programme (UNDP). These summary reports address the main developments in the respective economies in the recent period and the status of the special programme of economic assistance. The countries for which interim reports have been prepared and the relevant General Assembly resolutions requesting the reports are as follows: Benin (resolution 39/185); Cape Verde (resolution 39/189); Central African Republic (resolution 39/180); the Comoros (resolution 39/193); Djibouti (resolution 39/200); the Gambia (resolution 39/203); Ghana (resolution 38/203); Guinea (resolution 39/202); Lesotho (resolution 39/183); Mozambique (resolution 39/199); Sao Tome and Principe (resolution 39/187); Sierra Leone (resolution 39/192); Swaziland (resolution 39/194); and Vanuatu (resolution 39/198).

## II. BENIN

### A. Background

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

5. The People's Republic of Benin is located on the coast of West Africa and covers an area of 112,622 square kilometres. It is bounded on the south by the Atlantic Ocean (Gulf of Benin), on the west by Togo, on the north by Niger and Burkina Faso (formerly Upper Volta), and on the east by Nigeria. The population is

estimated at 3.8 million, with an annual growth rate of 2.7 per cent. In 1981, per capita income was estimated at \$279. Benin has been classified by the United Nations as a least developed country.

## B. Economic situation

### 1. General

6. Benin continues to be affected by the international economic crisis, which had forced the Government to take austerity measures and to reduce the current and investment budget for 1985 as compared with that for 1984.

7. Significant developments during the period under review include:

(a) In 1984 and 1985, the Government organized sectoral round tables with its development partners to consider the implementation of projects in the tourist, cultural and health sectors, the Ouémé integrated rural development project and the issuing of the call for bids for the asphaltting of the Dassa-Parakou roads;

(b) In December 1984, the Government organized a national seminar on employment for the purpose of defining an employment policy for Benin;

(c) Following the expulsion of aliens from Nigeria in May 1985, approximately 200,000 people passed through the territory. This displacement, on a massive scale and concentrated within a few days, caused damage to roads and plantations and had considerable ecological consequences. Some of these people arrived at the Beninese frontiers without any means of support or their possessions. Some of them have remained illegally in Benin, thus presenting the Government with serious food, shelter and logistic problems. In April 1985, the Government launched an appeal for emergency aid to international organizations;

(d) The Government is at present drawing up an adjustment programme with a view to coping with economic difficulties and reviving growth on a permanent basis;

(e) At its first regular session of 1985, the Revolutionary National Assembly decided to defray the wages of the local communities through the national budget;

(f) In April 1985, the Government decided to cease systematic recruitment of students who had completed their training;

(g) The encroachment of the desert, which has a negative impact on agricultural production and results in an immediate food deficit, remains a permanent concern of the Beninese authorities. In this context, in April 1985 the Government organized a national seminar on desertification, at the conclusion of which 1 June was declared Tree Day.

## 2. National accounts

8. In 1982, gross domestic product (GDP) at the current market price in CFA francs increased by 21.5 per cent, or 9.6 per cent in real terms, thanks to the generally favourable economic situation in the subregion, particularly in respect of transit activities and re-exportation to Nigeria. In 1983, however, GDP at current prices increased by only 10.6 per cent, or zero growth in real terms, reflecting the economic crisis which slowed down economic activities throughout the subregion.

9. The economic crisis continued in 1984: GDP at current prices increased by 8.6 per cent, a reduction in real terms.

10. The GDP projections for 1985 show an increase of 11.5 per cent at current prices and 2.7 per cent in real terms. These projections are based on the assumption that the slight recovery noted in January-February 1985 will continue.

Table 1

### Benin: Evolution of GDP at current prices

(Billions of CFA francs) a/

Year Sector of activity	1982*	1983*	1984*	1985**
Primary sector	145.88	167.63	195.11	224.27
Secondary sector	42.26	50.68	57.27	65.74
Tertiary sector	144.63	160.76	165.59	176.96
GDP at factor cost	332.77	379.07	417.97	466.97
Net indirect taxes	34.05	26.58	22.48	24
GDP at market prices	366.82	405.65	440.45	490.97

Source: National Institute for Statistics and Economic Analysis.

\* Estimate.

\*\* Projection.

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

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### 3. Government budget

11. The revenues of the current budget dropped from 43,894 billion CFA francs in 1982 to 32,193 billion CFA francs in 1984 as a result of a reduction of customs duties and import taxes, which constitute the greater part of these revenues.

12. Expenditures during the same period were, respectively, 29,994 billion CFA francs in 1982 and 27,796 billion CFA francs in 1984. It may be noted that the various current budgets registered a current surplus of 13.9 billion in 1982 and 4.39 billion in 1984. These surpluses are, in fact, fictitious, since they result from the carrying forward of a number of expenditures or non-payment of bills. External assistance is still indispensable for the attainment of the growth targets contained in Benin's second State Plan (1983-1987) for economic and social development.

Table 2

#### Benin: Government budget 1982-1985

(Millions of CFA francs)

	1982	1983	1984 <u>a/</u>	1985 <u>b/</u>
Revenues	43 894	36 516	32 193	50 768
Expenditures	29 994	22 690	27 796	50 768
Including: Personnel	21 698	21 253	25 162	37 073
Equipment	3 143	947	1 757	3 756
Miscellaneous	4 813	490	877	9 939
Current surplus	13 900	13 826	4 390	-

Source: Benin authorities.

a/ Provisional balance sheet.

b/ Projections.

#### 4. Public debt

13. The large-scale investment programme undertaken in recent years has led to a considerable increase in capital transfers. This has resulted in the increase of outstanding public debt and its servicing. As at 31 December 1984, the outstanding public debt amounted to 383.07 billion CFA francs, including 313.07 billion CFA francs in external debts, as against 349.57 billion CFA francs in 1983.

14. The debt servicing, excluding the petroleum sector, was 7.9, 9.5 and 5.2 billion CFA francs in 1982, 1983 and 1984. In 1983, this debt servicing represented 21 per cent of the value of exports. The debt service appropriation for 1985 is 3.74 billion CFA francs.

#### 5. Balance of payments

15. Benin's foreign trade has for years been characterized by a persistent imbalance between imports and exports and a resultant sizeable current account deficit. However, the overall balance showed a surplus in 1981 and 1982 owing to a large increase in foreign loans. The 1984 estimates are not yet known.

Table 3  
Benin: Balance of payments  
(Billions of CFA francs)

	1981*	1982**	1983***
Exports, f.o.b.	65.0	44.0	45.0
Imports, c.i.f.	-120.0	-115.0	-120.0
Services (net)	4.8	6.9	5.3
Unrequited transfers	25.8	25.5	25.0
<u>Current account balance</u>	-24.4	-38.6	-44.7
Long-term movements of non-monetary capital	35.4 <u>a/</u>	21.7 <u>a/</u>	28.2
<u>Basic balance</u>	11.0 <u>b/</u>	-16.9 <u>b/</u>	-16.5 <u>b/</u>
Short-term movements of non-monetary capital	-	-	-
Net errors and omissions	-	-	-
<u>Global balance</u>	11.0	16.9	16.5

Source: Central Bank of West African States, annual report 1983.

\* Provisional data.

\*\* Estimates.

a/ Long-term and short-term.

b/ Including short-term movements of non-monetary capital.



C. Special programme of economic assistance

16. The outstanding projects of the special programme of economic assistance have been integrated in the National Investment Programme and are being pursued in the context of the Round Table of Donors and the economic and social development plan for the period 1983-1987.

D. Financing of the National Investment Programme

17. The National Investment Programme consisted of 270 projects estimated to cost 388,546 million CFA francs during the period 1983-1987. (Total Cost, i.e., extending beyond 1987, amounted to 526,881 million CFA francs.)

18. The situation as at June 1984, as described in the report of the Secretary-General (A/39/383) was that, of the 270 projects, 159 had secured funding totalling 202,386 million CFA francs. In addition, the Government had identified 74 projects for which the external assistance component was available but for which the local cost financing, including recurrent costs, was not available. The total external assistance required for these 74 projects was 52,080 million CFA francs; the local costing was 38,375 million CFA francs. Finally, the Government had identified 33 additional projects for which external assistance amounting to 95,628 million CFA francs was still required.

19. As at June 1985, in addition to the sums indicated above, a total of 104,127 million CFA francs in external assistance had been secured for 31 projects.

Table 4

Benin: financing of the National Investment Programme

(Millions of CFA francs)

Project title	Overall cost	Amount committed	Amount acquired	Source of financing <u>a/</u>	Type
<b>1. <u>Rural development</u></b>					
Development of national parks and environmental protection		1 029	1 029	CCCE	Loan
Hydrological management, Niger River basin (study)		200	200	BID	Loan
Low grounds project in villages		100	100	BOAD	
Cattle production, Okpara Ranch		832	832	ADB	
Forestry development	5 417	1 092	1 092	World Bank	
Total			<u>3 253</u>		
<b>2. <u>Industry and Energy</u></b>					
Nangbeto dam	65	-	41 750	Loan and consortium headed by World Bank	Loan
Petroleum production, second phase	17 542		12 000	EIB and World Bank	Loan
Lime kiln, Dadjo	-		2 542	Loan and BOAD	Loan
Gari manufacturing unit			860	BOAD	Loan
Total			<u>57 152</u>		

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Table 4 (continued)

Project title	Overall cost	Amount committed	Amount acquired	Source of financing a/	Type
<b>3. <u>Transport and communication</u></b>					
Third rural access roads project			5 000	IFAD and IDA	Loan
Dassa-Parakou road			22 800	German Development Bank, BOAD	
Savalou-Djoungou-Porga Road (study)			200	World Bank ADB AND ECOWAS	Loan
Abomey-Bohicon-Ketou and Save-Okeowo (study)			400	BID	
Mono-Sazue bridge			3 400	German Development Bank - BOAD	
			195	ECOWAS	Loan
Improvement of regional postal centre		960	765	Local	
Construction of three branch post offices in Porto Novo			153	Local	
Postal service in rural areas		474	379 94	UNDP Local	
Study on improvement of aeronautical equipment			58	Local	
Total			<u>33 445</u>		

Table 4 (continued)

Project title	Overall cost	Amount committed	Amount acquired	Source of financing a/	Type
<b>4. <u>Commerce</u></b>					
Census of tourist sites			20	FAC	Grant in aid
Rehabilitation of hotel equipment, Pendjari-Porga			400	CCCE	Loan
Construction of 50 villas, Abomey-Calavi			878	Local	
Study on the construction of a main office			25	Local	
Construction of middle-level houses, Natitingou-Lakossa-Abomey			30	Local	
Total			<u>1 353</u>		
<b>5. <u>General administration, education, health</u></b>					
Equipping the National Library and provincial libraries with technical material			70	FAC	Grant in aid
Improvement of archives			25	Local	
Universal literacy			2 499	Switzerland	Loan
Pharmaceutical products storage centre			90	Local	

Table 4 (continued)

Project title	Overall cost	Amount committed	Amount acquired	Source of financing <u>a/</u>	Type
Development and extension of the Cotonou maternity hospital			771	EDF	Grant in aid
Construction and equipment			1 386	UNDP and UNCDF	Grant in aid
Development of primary health care			221	The Netherlands	Loan
Rehabilitation of the Porto Novo hospital			3 860	EDF	Grant in aid
Total			<u>8 923</u>		
		Grand total	<u><u>104 127</u></u>		

- a/ CCCE - Caisse Centrale de Co-opération Economique  
 BID - Islamic Development Bank  
 BOAD - West African Development Bank  
 ADB - African Development Bank  
 EIB - European Investment Bank  
 IDA - International Development Association  
 IFAD - International Fund for Agricultural Development  
 ECOWAS - Economic Community of West African States  
 FAC - Fund for Aid and Co-operation  
 UNDP - United Nations Development Programme  
 EDF - European Development Fund  
 UNCDF - United Nations Capital Development Fund.

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### III. CAPE VERDE

#### A. Background

20. The economy of Cape Verde was described in some detail in previous reports of the Secretary-General on assistance to Cape Verde (A/33/167 and Corr.1, A/34/372 and Corr.1, A/35/332 and Corr.1, A/36/265, A/37/124, A/38/216, sect. V and A/39/389).

21. Situated some 450 kilometres west of Senegal, the Cape Verde archipelago comprises 10 major and 3 smaller islands. The total land area is about 4,000 square kilometres, of which only 14 per cent is cultivable. The population is estimated at about 316,000 (183,000 located in rural areas and 133,000 residing in urban centres). Its geographic location offers potential for servicing and providing transit storage facilities for international merchant and fishing ships operating in the area.

22. There are no known exploitable mineral resources. Fishing is to be increasingly promoted by the Government. The Government is also attempting to establish permanent labour-intensive programmes (particularly in the areas of soil and water conservation and the construction of roads and airports), with a view to reducing the unemployment rate, estimated at 30 per cent of the active population. These programmes are financed both by external sources and by the Government. Given the general lack of domestic employment opportunity, emigration, both permanent and for temporary employment, is common. Cape Verde is classified by the United Nations as a least developed country.

#### B. Economic situation

##### 1. Gross domestic product

23. It is estimated that in 1982 the gross domestic product (GDP) totalled 4,542 million escudos. Agriculture accounted for 17 per cent of GDP, public works and construction for 24 per cent and services for over 50 per cent. Per capita GDP was estimated at \$260.

24. Agricultural production covers only 15 per cent of domestic food requirements, with the balance provided primarily through food aid and some commercial imports. Persistent drought has aggravated this situation.

25. There has been a notable slowdown in international shipping. Earnings from services provided by the port of Mindelo, which was traditionally one of the country's main sources of revenue, have declined by more than 50 per cent.

##### 2. Government finances

###### Recurrent budget

26. The Government has, as a matter of policy, attempted to maintain recurrent expenditures within the limits of recurrent revenue; there was, however, a deficit of \$4.57 million in 1984 and a deficit of approximately \$4.30 million is forecast for 1985.

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Table 5

Cape Verde: recurrent budget

(Millions of United States dollars) a/

	<u>1983</u> (actual)	<u>1984</u> (actual)	<u>1985</u> (budgetary estimates)
Revenue	26.86	22.10	19.16
Expenditures	<u>21.32</u>	<u>26.67</u>	<u>24.26</u>
Balance	5.54	-4.57	-4.30

a/ Rates of exchange: 1983: \$1 = 72 Cape Verde escudos  
1984: \$1 = 80 Cape Verde escudos  
1985: \$1 = 91.76 Cape Verde escudos.

Investment programme

27. Capital expenditures for development are financed largely from external resources. The investment programme has almost doubled since 1980 to reach a total of \$49.1 million in 1984. The main priorities in the investment programme for 1984 were rural development, transport and communications and administration.

Table 6

Cape Verde: investment programmes, 1984

(Thousands of United States dollars)

Sector	Amount
Rural development	12 892
Fishing	969
Industry	1 525
Energy	2 266
Construction and public works	1 100
Transport and communication	16 663
Commerce	959
Tourism	272
Education, training, culture	3 367
Health and social welfare	2 125
Housing, urban development, sanitation	1 885
Administration	<u>5 111</u>
Total	<u>49 134</u>

### 3. External accounts

28. The balance-of-payments figures since 1980 reveal a continuing trade deficit, amounting to almost the equivalent of the national income, covered largely by foreign aid and remittances from overseas. In 1983, private transfers totalled over \$32 million and public transfers over \$33 million. Remittances declined by 25 per cent between 1981 and 1983 (the last year for which data are available) due to world-wide economic difficulties and the consequent increase in unemployment among Cape Verdeans living abroad. The declining value of the national currency (escudos) vis-à-vis the United States dollar - an effective depreciation of almost 75 per cent between 1980 and 1985 - has resulted in both a reduction in the dollar value of exports and an increase in the cost of imports, petroleum products in particular. The value of exports declined by more than 80 per cent between 1980 and 1983. In 1980, exports of goods covered almost 11 per cent of imports; in 1983 exports covered only about 2 per cent of imports. The relatively high level of imports reflects in part the requirements of the investment programme for development.

Table 7

#### Cape Verde: Balance of payments

(Thousands of United States dollars)

	1980	1981	1982	1983
Imports of goods, c.i.f.	91 788	104 575	96 951	84 436
Exports of goods, f.o.b.	10 463	7 620	4 066	1 934
Non-factor services	3 054	307	16 317	21 187
<u>Balance of trade and services</u>	-78 271	-96 648	-76 568	-61 315
Private transfers	45 611	43 990	35 217	32 877
Capital revenues	3 891	638	-3 870	-4 781
<u>Balance on current account</u>	-28 769	-52 020	-45 221	-33 218
Public transfers	33 789	25 747	30 115	33 151
Loans	2 708	22 725	21 411	-191
Errors and omissions	-1 154	4 240	6 353	4 213
<u>Overall balance</u>	6 574	692	12 658	3 955

29. As at 30 September 1984, the total external debt was \$116.6 million of which \$65.3 million has been disbursed. The total debt represents almost 150 per cent of GDP. According to the Government, debt service increased from \$175,000 in 1980 to \$4.5 million in 1984, over twice the value of exports in that year. Debt service for 1985 is projected at \$4.5 million.



30. The economy of Cape Verde is highly dependent on external economic conditions and has been severely affected by the recent weakness in the international economic situation as well as by the prolonged drought and the destructive effects of the torrential rains of September 1984.

C. Effects of drought and emergency programmes

1. Food situation

31. Inadequate and too-localized rainfall at the beginning of the rainy season aggravated the negative effects of the 1983 drought. However, the torrential rains of September 1984 followed by heavy rainfall in many islands in November 1984 resulted in a slight improvement in agricultural production. Production of the two principal crops during the 1984 campaign is estimated at 2,525 tons of maize (175 tons less than the prior year) and at 5,395 tons of beans, an increase of almost 70 per cent over. However, the increase in agricultural production did not match population growth. Total consumption needs for 1985 are estimated at 48,000 tons of maize, 7,200 tons of beans, 13,500 tons of wheat, 13,750 tons of rice and 2,490 tons of powdered milk. Taking into account stocks as at 1 January 1985, commercial imports foreseen for 1985 and confirmed food aid, the global deficit is approximately 2,500 tons.

32. The low level of domestic food production has seriously affected the nutritional levels of the population of the country, especially on the islands of Santo Antão, São Nicolau, Maio and Santiago. Over 43,000 persons belonging to vulnerable groups are now receiving food aid under the World Food Programme. The Government is attempting to strengthen the mechanisms for the distribution of food aid to vulnerable groups, mobilizing the human and material resources of the army and the civil administration.

33. The Government, in co-ordination with the United Nations Office for Emergency Operations in Africa, has appealed for emergency assistance.

34. The unmet emergency needs for assistance presented at the country-specific meeting for Cape Verde held at Dakar on 1 April 1985 were:

	<u>\$US million</u>
(a) Food aid requirements including transport	4.1
(b) Basic agricultural pastoral inputs	4.4
(c) Essential health actions	1.2
(d) Relief survival items	-
(e) Essential water projects	1.8
(f) Additional logistics (capita) inputs	<u>3.9</u>
	<u>15.4</u>

35. Needs have nearly been met in the area of food and health assistance. However, the projects in the water, sanitation and logistic sectors are still in need.

## 2. Water, unemployment and livestock

36. The cumulative effect of years of drought has created a serious water problem in Cape Verde. The scarcity of potable water is especially serious on the islands of Boa Vista, Santo Antão, São Nicolau and Fogo. Desalination facilities for seawater are already operating on the islands of São Vicente and Sal and another is shortly to be installed on Boa Vista.

37. In addition to the general programme for increasing the supply of potable water within the framework of the National Development Plan, the Government adopted an emergency programme to meet the needs of the critically affected population. External financial assistance is still urgently needed to implement the programme.

38. The rural population, constituting nearly 60 per cent of the total population, has been most seriously affected by drought. The area under cultivation declined substantially and unemployment increased. The Government is continuing its emergency programme of 2,000 additional jobs in the most seriously affected areas and the creation of other jobs in less affected areas. The programme is estimated to cost \$100,000 a month for six months and is in need of financial support from donors.

39. The livestock situation was very difficult during the first nine months of 1984 because of insufficient reserves of fodder. Many goats, cattle and sheep were slaughtered because of economic considerations which constituted an important loss of capital. In addition, many cows did not reach the reproduction stage; only 45 per cent were capable of full milk production. After the September rains, pasture improved in all islands except for the arid and sub-arid zones. Estimates by the Directorate of Animal Health show that cattle in 1984 needed 33,000 tons of fodder. Of this requirement, 26,000 hectares of forage pasture (0.7 ton per hectare), would yield 18,200 tons and 7,000 tons would come from peripheral forest growth and mulch from irrigated cultivation, such as banana trees. To fill the deficit of 7,800 tons of fodder for 1985 requires 950 tons of maize, or oats and ground-nut oil cakes, or sunflowers. Mineral salts and special mills to assist in mixing the feed are also needed.

## D. Special economic assistance programme

40. All projects under the special economic assistance programme were merged with or reflected in the projects prepared for presentation to the first Round Table of Development Partners, held at Praia from 21 to 24 June 1982, and were incorporated or reflected in the version of the First National Development Plan (1982-1985) finalized in the light of discussions which took place during the 1982 round table.

41. The Government continues to pursue the programme of its First National Development Plan (1982-1985), as described in the report of the Secretary-General (A/39/389, paras. 32-45). Technical assistance received in 1984 was estimated at about \$US 147.1 million from both traditional partners and non-governmental organizations, with continued emphasis on the agricultural, fishing, transport, communications, health, education and industrial sectors.

42. The status of the projects in the special economic assistance programme, described in the report of the Secretary-General (A/39/389, paras. 29-31 and tables 7-9, remains as set out in that document with the following changes:

<u>Table</u>	<u>Project</u>	<u>Change</u>
7	H-2 Renovation of the central hospital at Praia	Completed.
8	W-4 Water development on Fogo and Brava	Supplementary funding from the Federal Republic of Germany.
	W-6 Public works equipment for water development	Supplementary funding from the United Nations Capital Development Fund (UNCDF) and the Federal Republic of Germany.
	I-8 Desalination of water and production of electricity, São Vicente	Financing from Italy and the Netherlands.
	I-10 Electric generator for Praia	Financing from the Caisse Centrale de Co-opération Economique (CCCE).
	E-1 New primary schools	A programme with the African Development Bank (ADB) is under study.
	E-9 Training of secondary school teachers at Praia	Technical assistance from Portugal.
	H-1 Four 50-bed hospitals	Financing from the Netherlands and Italy.
	L-1 Territorial development group	Delete.
	L-7 Housing	Financing from the World Bank.
	G-5 Salt production on Maio	Discussions under way with Italy and ADB.
9	L-8 Establishment of a home mortgage programme	Delete.

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#### IV. CENTRAL AFRICAN REPUBLIC

##### A. Background

43. The special programme of economic assistance for the Central African Republic was launched in response to resolution 35/87 adopted by the General Assembly on 5 December 1980. The physical characteristics and the general economic structure of the Central African Republic have been described in previous reports of the Secretary-General (A/36/183, A/37/131, A/38/216 and A/39/384). The country is land-locked, with a total area of 623,000 sq. km. and a population estimated at 2,608,000 as at the end of 1984. The annual population growth rate is 2.5 per cent. Over 34 per cent of the population is urban. More than 80 per cent of the total national territory is arable land; the country is in general well watered. The economy is mainly agricultural and is characterized by an important subsistence sector. Manioc is the main food crop and cattle-raising is an important traditional activity. Food crops also include ground-nuts, maize, yams, sesame, rice and vegetables. The major export items are diamonds, coffee, cotton, timber and tobacco. Although the country's production base is relatively diversified in comparison with other countries of the region, the expansion of national production and of the export sector are hindered by the land-locked position of the country and by a severe lack of physical infrastructure. The Central African Republic is classified as a least developed country.

44. The Central African Republic suffered from a catastrophic drought that lasted from November 1982 to the end of May 1983 and had adverse effects on all the sectors of the economy. Agricultural production of manioc declined significantly. Losses were also sustained in the cultivation of rice and the catch of fish from rivers and fish-ponds. Outbreaks of rinderpest in neighbouring countries infected the country's stock of cattle and the Government had to organize an extensive vaccination campaign. In addition, the dryness of the vegetation and lack of rainfall brought about numerous bush fires that destroyed many plantations as well as extensive areas of high forest. The industrial sector suffered from shortages of electricity and water. Trade and transport were seriously affected by the interruption of river navigation. Infantile diseases increased significantly as a result of the shortage of clean drinking-water.

45. A three-year recovery programme was instituted in 1983 covering the period 1983-1985. The positive effects of this programme are still awaited although the measures adopted within the framework of the three-year plan have resulted in the strengthening of some sectors: for example, the relaunching of the textile industry became effective with the liquidation of the Central African Textile Industry (ICAT) and the establishment in 1983 of the Central African Textiles Union (UCATEX) with a capital of 1.3 million CFA francs. Annual production capacity is around 4.4 million metres of unbleached fabric for loincloth and 1.4 million metres of miscellaneous articles (clothing fabrics, sheeting, etc.).

##### B. Economic situation

###### 1. Summary

46. The effects of the drought of 1982-1983, which severely affected production in 1983 and 1984, are still being felt; 1985 will be a year of precarious stabilization, with a continued need for external assistance.

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## 2. National accounts

47. Gross domestic product (GDP) in current prices increased 7.9 per cent, from 235.3 billion CFA francs in 1983 to a projected 253.9 billion in 1984. Preliminary projections indicate a further increase of 9 per cent to 277 billion CFA francs in 1985.

48. In constant prices, the economy grew by 1.6 per cent in 1982 and 0.8 per cent in 1983, with the decline mainly a result of the drought. Growth of 6.0 per cent is projected for 1984. Given an estimated annual population growth rate of about 1.5 per cent, per capita GDP may have increased slightly if actual GDP for 1984 is as large as the projected figure.

Table 8

Central African Republic: gross domestic product by sector of origin

Preliminary estimates for 1982-1983, projections for 1984 a/

(Billions of CFA francs) b/

	1982	1983	1984
Agriculture, forestry, livestock	76.2	87.0	89.7
Mining	11.5	12.4	17.4
Manufacturing industries	15.4	16.3	17.3
Water, electricity	2.5	2.3	3.4
Buildings and public works	8.4	10.5	12.5
Commerce	31.5	33.4	37.6
Transport and communications	8.4	9.6	10.1
Public administration	33.9	35.7	35.9
Other private services	9.8	11.7	12.9
Customs duties and one-time tax	15.0	16.5	17.1
GDP in current market prices	212.5	235.3	253.9
GDP deflator	14.2%	10.0%	10.0%
GDP in constant 1977 market prices	118.2	119.1	126.2
Growth in per cent	+1.6%	+0.8%	+6.0%

Source: Office of the High Commissioner for Planning and Economic and Financial Co-operation, March 1985.

a/ The figures for 1984 are official projections established for the economic recovery programme.

b/ Exchange rate: 1981 (Dec.) ..... 283 = \$US 1.00  
 1982 (Dec.) ..... 343       "  
 1983 (Dec.) ..... 413       "  
 1984 (June) ..... 420       ".

### 3. Agriculture

49. The agricultural sector accounts for approximately one third of the GDP. In 1983, as a result of the drought production of manioc, ground-nuts and rice declined by over 20 per cent but, with the exception of rice, recovered to 1982 levels in 1984.

Table 9  
Central African Republic: agricultural production  
(Thousands of tons)

	1982	1983	1984
<u>Staple crops</u>			
Manioc	253	208	258
Ground-nuts	76	58	81
Maize	7.9	6.4	7.8
Sorghum	41	38	42
Sesame	9.8	8.3	8.8
Rice	14.5	6.6	7.4
<u>Export crops</u>			
Cotton	5.0	9.3	13.1
Coffee	14.7	16.8	16.0
Tobacco	0.6	0.4	0.4
Diamonds (in thousands of carats)	265	250	326
Timber (logs, cubic metres)	85 300	81 300	87 900
Timber (sawnwood, cubic metres)	38 200	40 000	32 100

Source: Directorate of General Statistics and Economic Studies.

### 4. Public finance

50. One of the most difficult problems facing the country has been the need to reduce the budgetary deficit. The Government is making a serious effort to improve the collection of revenues and to restrain recurrent expenditures.

Table 10

Central African Republic: budgetary revenue and expenditures

(Billions of CFA francs)

	1980	1981	1982	1983	1984	1985 <u>a/</u>
Revenue	26.8	29.4	38.5	41.8	39.5	40.0
Expenditure	<u>30.3</u>	<u>34.8</u>	<u>39.1</u>	<u>41.7</u>	<u>39.7</u>	<u>40.8</u>
Deficit	-3.5	-5.4	-0.6	-	-0.2	-0.8

a/ Estimate.

5. Balance of payments

51. The balance of payments is characterized by a deficit in the trade balance, large net service payments primarily related to transportation and significant public transfers. The Government has adopted several measures including the curtailment of imports aimed at improving the balance-of-payments situation.

Table 11

Central African Republic: balance of payments

(Billions of CFA francs)

	1981	1982	1983	1984 <u>a/</u>	1985 <u>b/</u>
Trade balance (Fob/fob)	-5.4	-9.6	-6.7	-10.9	-8.0
Overall balance	-2.8	-9.6	-7.0	2.8	-1.1

a/ Estimate.

b/ Projection.

6. Debt situation

52. The country is faced with a serious problem of debt and debt service obligations. Total external debt which amounted to 71 billion CFA in 1981 increased to 110 billion CFA by the end of 1984.

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C. Review of the special programme of economic assistance

53. The first United Nations mission to the Central African Republic, organized in response to General Assembly resolution 35/87 of 5 December 1980, identified 37 projects for the special programme of economic assistance, as indicated below.

Table 12

Special programme of economic assistance for the Central  
African Republic (1981)

(Thousands of dollars)

Agriculture and livestock (12 projects)	99 000
Infrastructure, transport and telecommunications (7 projects)	10 700
Mines and energy (3 projects)	3 200
Education and training (6 projects)	16 800
Health (6 projects)	17 590
Social affairs (2 projects)	1 000
World Food Programme logistics	<u>500</u>
Total	<u>148 790</u>

54. Information on the implementation of the programme is contained in the reports (A/36/183, A/37/131, A/38/216 and A/39/384) submitted to the General Assembly following review missions organized by the Secretary-General in response to Assembly resolutions 35/87, 36/206, 37/145 and 38/211, respectively.

55. As at June 1984, out of nine projects still in need of external assistance, five were partially funded, two had good funding prospects and two had not received any financing.

V. THE COMOROS

A. Background

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

57. The Comoros archipelago is extremely poor in natural resources. Of its surface area of some 2,200 square kilometres, less than half is considered suitable for agriculture or animal husbandry. The estimated population is 420,000, with a rapid growth of 3.5 per cent per annum which exacerbates the food situation. There

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are no known mineral resources. The country is often hit by cyclones; the abundant rainfall is interspersed with drought. Fishing is based on small-scale traditional methods, although the exclusive economic zone has great potential. In addition, the distances between the islands are a serious hindrance to contacts between them and the economic and social development of the country. The Comoros is classified as a least developed country.

#### B. Economic situation

58. There is widespread malnutrition and protein deficiency in the Comoros. This is largely due to the traditional farming systems inherited from the colonial period which favoured export crops to the detriment of food crops. For example, rice production falls seriously short of national needs. Imports are currently between 20,000 and 25,000 tons annually and could reach 30,000 tons in 1986. Over the last few years, efforts have been made to encourage farmers to grow maize as a substitute for rice and to plant other food crops with a view to achieving food self-sufficiency.

59. The primary sector - agriculture, animal husbandry, fisheries, forestry - employs more than 80 per cent of the active population and accounts for almost all export earnings. These earnings depend heavily upon a few cash crops subject to strong price fluctuations over which the country has no control. The Comoros is the world's largest producer of ylang-ylang perfume essence and the second largest producer of vanilla. The manufacturing sector is very small and progress in developing this sector is slow. Notwithstanding a significant programme of public investments over the last few years, the physical infrastructure and basic utilities remain insufficient.

60. In December 1983, the Government issued the interim economic and social development plan for the period 1983-1986, which stresses the following priority areas:

- (a) Food self-sufficiency;
- (b) Improvement of inter-island communications;
- (c) Energy production and water supply;
- (d) Health and population programmes;
- (e) Training;
- (f) Physical planning and human settlements.

61. The Government submitted the interim plan as well as the investment programme for 1983-1990 to the International Solidarity Conference for the Development of the Comoros, which was held at Moroni from 2 to 4 July 1984.

### 1. Gross domestic product

62. In 1983 the gross domestic product in current prices was 40,380 million Comorian francs.\* It is characterized by the dominance of the primary sector (38 per cent) and the tertiary sector (46 per cent) and by the limited contribution of the secondary sector, provided by industry (5 per cent) and construction and public works (10 per cent).

63. From 1976 to 1982 the contributions of agriculture and commerce to the GDP diminished while the contributions of construction and public works, public administration and other services increased markedly.

64. Expressed in current prices, the contribution of agriculture to the gross domestic product fell from over 40 per cent in 1981 to 36 per cent in 1983, the decline being the result of the slackening of increases in the price of agricultural products in 1983. Value added in the commerce sector also decreased slightly, primarily because of slow growth in domestic and international prices. However, the public administration and the construction and public works sector increased because of the implementation of a large-scale programme of public investment and a considerable increase in the number of technical assistance personnel. The contribution of the "other services" sector to the gross domestic product also increased considerably.

### 2. Balance of payments

65. The 1984 balance of payments is basically characterized by the worsening of the current account deficit, which increased from 4,211 million Comorian francs to 14,297 million Comorian francs. The deterioration of the current account was due mainly to the more rapid increase in the cost of imports and to the heavy burden of non-factor services, as well as to unfavourable conditions for export products in foreign markets.

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\* The Comorian franc is convertible at a rate of 50 Comorian francs to 1 French franc; as of 1 August 1985 the exchange rate of the United States dollar was: \$US 1 = 438 Comorian francs.

Table 13

The Comoros: balance of payments, 1983 and 1984

(Millions of Comorian francs)

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

a/ A minus sign denotes an increase.

3. Government budget

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

Table 14

The Comoros: budgetary period 1983-1984

(Millions of Comorian francs)

	<u>1983</u>	<u>1984</u>
<u>Revenue</u>	5 353.8	7 941.7
Operating income	4 892.0	6 967.2
Capital revenue	461.8	974.5
<u>Expenditure</u>	5 255.2	8 008.8
Operating expenditure	4 425.2	7 008.5
Capital outlays	<u>830.0</u>	<u>1 000.3</u>
<u>Deficit (-) or surplus (+)</u>	<u>+ 98.6</u>	<u>- 67.2</u>

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### C. Special programme of economic assistance

67. The special programme described in the report of the Secretary-General (see A/38/216, paras. 93-114) was included in the interim economic and social development plan 1983-1986 and in the investment programme for 1983-1990, which was submitted to the International Solidarity Conference for the development of the Comoros organized with the assistance of the United Nations Development Programme (UNDP). Meeting at Moroni in July 1984, the Conference brought together representatives of 17 countries, 14 specialized agencies of the United Nations and 14 bilateral or multilateral assistance organizations. In the light of the consultations and negotiations which have taken place since the thirty-eighth session of the General Assembly and during the International Solidarity Conference, the status of the funding and implementation of the 19 projects in the special programme is as follows.

#### 1. Food self-sufficiency

68. The World Bank, the International Fund for Agricultural Development (IFAD), the African Development Bank and the French Central Bank for Economic Co-operation provide funding for the following: project 1, "Soil conservation and restoration", project 5, "Development of livestock production in agricultural areas", and project 6, "Regional development on the east coast of Grande Comore (Ngazidja)".

69. In addition, IFAD is funding the veterinary component of project 3, "Agronomic and veterinary laboratory"; the Food and Agriculture Organization of the United Nations (FAO) has undertaken a preliminary study on project 2, "Support for the commercialization of agricultural production", and France has shown an interest in project 4, "Development of sugar-cane production". The Government is thus seeking resources to fund the agronomic component of project 3 and the implementation of projects 2 and 4.

#### 2. Improvement of inter-island communications

70. The European Development Fund (EDF) has funded the technical and financial studies for project 7, "Ports of Moroni and Moheli", and will devote a large part of its next programme to implementing the work. The Government has also been assured of supplementary financial assistance from Saudi Arabia.

71. Funding has not yet been found for project 8, "Expansion of airport facilities". For the island of Anjouan the Government has requested a study on the construction of an airport adapted to current air traffic conditions. The Central Bank for Economic Co-operation will provide the necessary funding for the provision of the materials and equipment needed for project 9, "Construction of telephone exchanges", on which work has already begun.

72. The Government has not yet found any donors for Project 10, "Earth station".

### 3. Energy and water

73. The Central Bank for Economic Co-operation and other donors will provide part of the funding for project 11, "Electrification of Grande Comore (Ngazidja)". The African Development Bank and Kuwait have shown interest in project 12, "Water supply on Grande Comore (Ngazidja)".

74. With regard to project 13, "Water supply for Anjouan and Moheli", the Central Bank for Economic Co-operation has shown interest in the work concerning Anjouan but there has not yet been any reaction for the part relating to Moheli.

### 4. Health

75. Project 14, "Supply of medicines", has not yet been funded. Nevertheless, during the past year the Comoros has received gifts of medicines from several countries.

76. For project 15, "Malaria eradication", UNDP has taken the necessary steps to launch in 1985-1986 a malaria-control project which will be co-financed by the United Nations Capital Development Fund, the World Health Organization (WHO) and possibly by other sources, particularly France.

77. France has shown an interest in part of project 16, "Improvement of hospitals". Negotiations are under way with other donors to obtain funding for two health centres at Tsembéhou and Cichili.

### 5. Training

78. The Islamic Development Bank and India have each indicated their intention to contribute to project 18, "Vocational training". UNDP might include a vocational training project in the new country programme, with the International Labour Organisation (ILO) as the executing agency. The Government is seeking resources to fund project 17, "Construction of a multidisciplinary technical school in Anjouan" and project 19, "National school of management".

### D. Follow-up of the round table

79. A follow-up conference to the round table is planned with the participation of UNDP, the World Bank, the French Government and other major donors, to review the progress made in funding the projects selected from the portfolio of projects submitted to the donors' conference in July 1984. In order to ensure that this conference is successful and that firm commitments are obtained from certain countries, particularly the Arab countries of the Gulf, UNDP supported Comoros contact/sensitization missions will visit those countries in August/September 1985.

## VI. DJIBOUTI

80. The special programme of economic assistance for Djibouti was initiated in 1978 to help the country cope with its serious economic and social problems which were compounded by severe drought. In subsequent years, the Secretary-General has submitted reports to the Economic and Social Council and to the General Assembly (A/33/106, A/34/362, A/35/415, A/36/281, A/37/136, A/38/216, sect. VIII and A/39/392, sect. V) reviewing economic developments in the country and progress made in implementing the programme. In its resolution 39/200 of 17 December 1984, the Assembly renewed its appeal to the international community to provide assistance to Djibouti in order to enable it to cope with its difficult economic situation and to implement its development strategies. In the same resolution, the Secretary-General was requested to report to the Assembly at its fortieth session on the progress made in the economic situation and in organizing and implementing the special programme of economic assistance for Djibouti.

A. Economic review

81. Previous reports have detailed the basic constraints to economic development in Djibouti: a harsh arid environment which provides little scope for agricultural production and a consequent dependence on food imports; a poor natural resource endowment and thus no basis for significant industrial activity; an unusually high degree of economic reliance on the tertiary sector associated with the high degree of population concentration in the service oriented port city of Djibouti, limited skilled and managerial human resources; continued dependence on external assistance for budgetary and capital expenditures; and a relatively high population growth rate, especially when measured against resources. To the above must be added a continuing problem of refugees which further strains both the resource and administrative capacity of the Government. Djibouti has been classified by the United Nations as a least developed country.

82. By the end of 1984, the serious slowing down of the Djibouti economy which has characterized recent performance appears to have come to a standstill. There has been no further depletion of foreign reserves and the budget deficit has narrowed. Perhaps most important, recently there has been rain in nearly all parts of the country. There is now tangible evidence that the first generation of development programme following the 1983 Donors Conference are getting off the ground. However welcome these improvements may be, they do not resolve the fundamental constraints to development outlined above, or significantly reduce the vulnerability of Djibouti's extremely fragile economy, which remains highly dependent on external factors. There is an increased dependency on food aid. Finally, there has recently been a new influx of refugees, primarily drought victims from Ethiopia and Somalia, estimated at almost 15,000 (or nearly 5 per cent of the Djibouti population).

### 1. Gross domestic product

83. The lack of consistent and reliable serial data makes it difficult to establish overall trends in economic performance in Djibouti; accordingly, all of the figures cited below should be regarded as essentially indicative. The Government has estimated that gross domestic product at factor costs was 58.6 million Djibouti francs\* (DF) in 1983 and 59.0 million DF in 1984, indicating a gross domestic product (GDP) growth rate of 0.6 per cent. While this results in an aggregate per capita GDP on the order of \$450, this must be seen in the light of the fact that the expatriate community accounts for a sizeable share of GDP. In addition, given an estimated population growth rate of 3.0 per cent, real per capita income declined during the period under review. The economy continues to be dominated by the tertiary sector (75 per cent) followed by the secondary (15 per cent) and primary (10 per cent) sectors.

### 2. Government budget

84. The Government budget remains in deficit with recurrent expenditures exceeding revenue. This deficit, as well as capital budget expenditures, is financed by continuing draw downs from the national reserve fund and external budgetary support. Preliminary estimates indicate that capital expenditures were reduced by half between 1983 and 1984; a modest recovery is projected for 1985.

Table 15

#### Djibouti: Government budget, 1982-1985

(Millions of Djibouti francs)

	1982	1983	1984	1985 <u>a/</u>
Regular revenue	19.1	19.0	19.5	20.5
Recurrent expenditures	<u>19.9</u>	<u>19.9</u>	<u>20.0</u>	<u>26.0</u>
Balance	-0.8	-0.9	-0.5	-0.5
Capital expenditure	5.6	5.5	2.7	3.0

a/ Projected.

\* A fixed exchange rate of \$US 1.00 = 177.7 Djibouti francs is maintained. The DF is fully convertible and is backed by dollar deposits.

### 3. Balance of payments

85. Given the structure of the Djibouti economy, almost all major entries in the balance of payments reflect activities relating to non-residents. Most of the recorded "exports" are actually products in transit through Djibouti with little or no processing and thus minimal contribution to the economy: live animals, hides and skins from Ethiopia and "re-export" of products primarily to the French military base. Similarly, it is estimated that less than 50 per cent of the recorded imports is for the consumption of Djiboutians and expatriates outside of the military base. Djibouti does benefit from the services associated with this trade - port, communication and air-transport services - as well as services provided to non-residents.

Table 16

Djibouti: balance of payments: 1982-1985

(Millions of Djibouti francs)

	<u>1982</u>	<u>1983</u>	<u>1984</u>
Exports	20.8	16.6	15.6
Imports	<u>33.8</u>	<u>31.3</u>	<u>34.5</u>
Trade balance	-13.0	-14.7	-18.9
Net services	3.3	5.3	5.5
Unrequited transfers	8.0	4.7	5.7
Capital movements (private and public and including errors and omission)	-3.9	4.1	8

86. The decline in export earnings indicated above reflects in part budgetary constraints exercised by France with regard to its activities in Djibouti. Perhaps more significant, however, is impact of the de facto appreciation of the Djibouti franc vis-à-vis the French franc as a result of the strength of the United States dollar to which it is tied.

87. Traditionally, external financing, both loans and grants, covered the balance of payments deficit. Starting in 1982, these did not prove to be sufficient and the Government was forced to draw down its foreign exchange holdings. Several factors contributed to the situation - an increase in profits payable on foreign investments and in unrequited transfers abroad, increased capital imports, etc. At the same time, there was a significant decline in grant funds made available by the donor community. The situation appears to have improved recently, and it is believed that there has been no further depletion of foreign reserves in 1985.



B. Development activities

1. Special programme of economic assistance

88. The last review of progress made in implementing the special programme of economic assistance for Djibouti is contained in the report of the Secretary-General (A/37/136). At that time, it was indicated that only 4 of the 51 projects in the initial programme had not received any support. These as well as the projects being implemented were incorporated in the investment programme presented to the 1983 donors conference.

2. 1983 donors conference

89. At the donors conference, held at Djibouti in November 1983, the Government presented a comprehensive development programme designed to revitalize and modernize the tertiary sector and to create a sound foundation for the development of a diversified economy by promoting new sectors, such as light industry, agriculture, livestock farming and fisheries. Specific objectives include:

- (a) Developing the city of Djibouti as a major maritime port;
- (b) Combating poverty in urban and rural areas;
- (c) Establishing a modest industrial base;
- (d) Reducing food and energy dependency.

90. The related five-year (1984-1988) investment programme contained 117 projects valued at \$570 million. Information on the funding of this programme as of mid-1984 is contained in the report of the Secretary-General (A/39/392). No additional details on the implementation of the programme is available at this time; however, it is roughly estimated that funding has been received for about 75 per cent of the projects presented. Most of the assistance provided has been in the nature of capital assistance. Given the acute shortage of trained manpower, increased attention should be paid to technical assistance and training programmes.

91. Reference should be made to the efforts of Djibouti operating in a regional context to deal with the problem of drought. In February 1984, Djibouti in co-operation with Ethiopia, Kenya, Somalia, the Sudan and Uganda established the Intergovernmental Authority on Drought and Development (IGADD) to combat the effects of drought and other related natural disasters. A meeting is scheduled for October 1985 at which it is hoped to finalize the Programme and Plan of Action for the Authority.

## VII. THE GAMBIA

### A. Background

92. The special programme of economic assistance to the Gambia was launched in response to General Assembly resolution 36/220 of 17 December 1981 to help the country meet its urgent needs for rehabilitation and reconstruction arising from the events of 30 July 1981. The basic features of the Gambian economy were described in previous reports of the Secretary-General, the most recent of which was contained in document A/39/392, section VII.

93. In brief, the Gambia forms an enclave in Senegal and covers an area of 10,368 square kilometres. Preliminary results of the census conducted in 1983 indicate that the population now totals 696,000, with an annual growth rate of 3.5 per cent. Per capita gross domestic product for 1983/84 is estimated at approximately \$US 280. The Gambia is classified by the United Nations as a least developed country.

94. About 80 per cent of the population depends on agriculture for its livelihood. Ground-nuts are the principal source of cash income for farmers and account for 80 to 90 per cent of domestic export earnings (excluding re-exports). Owing to extensive cultivation of ground-nuts, local food production normally covers only about 70 per cent of the country's food requirements and some 35,000 tonnes of cereals, mainly rice, are imported annually.

95. Tourism, livestock, fisheries and transit trade to Senegal and other neighbouring countries are important economic activities. About 25 per cent of the salaried labour force is employed by the Government, mainly in construction, education and public health. Per capita income of the urban population is about four times higher than that of the rural population. The consequent rural-urban migration has resulted in the concentration of over 21 per cent of the population in the capital, Banjul. The population of greater Banjul has almost doubled between 1973 and 1983 from 78,600 to 147,400.

96. The dalasi (D) is the national unit of currency and is linked to the pound sterling; the current exchange rate is 5 dalasis to 1 pound sterling, following a 25 per cent devaluation in February 1984.

97. A stand-by arrangement for the Gambia was approved by the International Monetary Fund (IMF) Board of Executive Directors on 23 April 1984 for the purchase of \$US 12.6 million. The adjustment programme for the Gambia negotiated under this arrangement is aimed at reducing external and internal imbalances and at supporting the Government's efforts to diversify and restructure the economy. The planned improvements in the economic circumstances of the Gambia are expected to ensure confidence in the economy and encourage the flow of foreign capital.

B. Economic situation

1. Overview

98. The overall economic situation of the Gambia has deteriorated in the last two years with real per capita gross domestic product (GDP) in 1983/84 at a level 8.5 per cent below that of 1974/75. Production of ground-nuts in 1984/85 was less than half the previous year causing an almost equivalent reduction in export earnings. Deficits persist in the balance of payments and the Government budget. Debt service payments increased by 65 per cent in 1984/85; arrears have accumulated and are now in the vicinity of 50 per cent of GDP. The food situation is serious, due in part to an inability to pay for the required level of commercial rice imports.

2. Gross domestic product

99. After the recovery in 1982/83, in which real per capita GDP rose by 10 per cent, the economy deteriorated significantly with real per capita GDP declining by 13 per cent in 1983/84. The major causes of such year to year fluctuations in GDP are changes in ground-nut production and marketing and world prices for ground-nuts. Tourism has increased markedly in the last two years, with the hotels and restaurants sector almost doubling between 1981/82 and 1983/84.

Table 17

The Gambia: gross domestic product at factor cost by industrial origin in constant 1976/77 prices, 1981/82-1983/84

(Millions of dalasis) a/

	1981/82	1982/83	1983/84	Percentage share of GDP	
				1974/75-1976/77	1981/82-1983/84
Agriculture					
(excl. ground-nuts)	37.9	40.4	26.2	9.8	10.2
Livestock	24.0	24.7	25.4	7.2	7.2
Production of ground-nuts	38.5	54.8	39.5	17.8	13.0
Marketing of ground-nuts	25.4	38.9	27.2	13.5	8.9
Forestry and logging	2.2	2.2	2.3	0.6	0.7
Fishing	1.2	1.1	1.2	0.8	0.3
Total agriculture					
(excl. ground-nut market)	103.8	123.2	94.6	36.2	31.4
Medium- and large-scale manufacturing	7.0	8.7	6.9	1.8	2.2
Small-scale manufacturing	8.1	8.4	8.5	2.4	2.4
Electricity and water	2.7	2.9	3.2	0.6	0.9
Construction, mining and quarrying	22.2	17.5	18.4	5.7	5.7
Trade	38.1	39.1	36.6	12.2	11.1
Hotels and restaurants	6.8	10.5	13.2	2.6	3.0
Transport and communications	29.6	31.5	31.0	6.2	9.0
Banking and insurance	10.4	11.1	10.7	3.2	3.1
Real estate and business services	15.6	15.8	16.2	4.8	4.7
Other services	8.6	8.8	9.4	2.2	2.6
Government services	53.0	60.4	63.0	10.7	17.2
Imputed bank service charges	-7.7	-8.4	-7.8	-2.1	-2.3
GDP at factor cost	323.6	368.5	331.1	100.0	100.0
Indirect taxes - subsidies	37.1	40.6	36.0		
GDP at market prices	360.7	409.1	367.1		
GDP per capita (dalasi)	539	593	516		

a/ Exchange rate per United States dollar as at March 1981: 1.80; April 1982: 2.19; April 1983: 2.62; April 1984: 3.40; April 1985: 4.35.

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### 3. Agriculture

100. In terms of overall sectoral performance, the 1983/84 fiscal year proved to be the poorest agricultural season since 1978/79, although the impact of the drought varied greatly from crop to crop and between areas in the country. Gross domestic food grain production dropped from 104,000 metric tons of grain in 1982/83 to 56,400 metric tons in 1983/84. Although 1984 cereal production was 23 per cent above the drought-stricken 1983 harvest, and for the country as a whole 1984 production was about average, there were serious shortfalls in Lower River, North Bank and parts of MacCarthy Is. divisions owing to the prolonged dry spell in July-August 1984. Production of ground-nuts, the mainstay of the Gambian economy, was also reduced by the dry spell and by severe pest attacks. Marketed production for ground-nuts in 1984/85 is estimated at only 45,000 tons, less than half of the previous year.

101. Cotton production dropped severely from 2,400 metric tons of seed cotton in 1982/83 to 1,170 metric tons in 1983/84, a decline of 51 per cent. However, the Government is still determined to intensify efforts for the rapid expansion of cotton production. The Government also continued to place emphasis on the need to improve the nutritional standards of the people by providing cheap and good quality fish for local consumption from artisanal fisheries.

### 4. Government finances

102. Recurrent revenues have increased significantly in the last two years owing in part to improved tax yields and new tax measures. Deficits on current account, however, persisted. Government measures to restrain expenditures were more than offset by a 65 per cent increase in debt service charges, from D 26.4 million in 1983/84 to D 43.5 million in 1984/85. Debt service now amounts to over 25 per cent of domestic exports and is projected to increase. For the last three years debt servicing has been the largest single line in the Government budget; in the 1984/85 estimates it was, for example, over three times as large as the allocation for the Ministry of Works and Communications.

103. The financing required to cover the deficit on current account and development expenditures amounted to 15 per cent of GDP in 1983/84. In recent years approximately two thirds of this financing has come from foreign grants and loans, with the remainder from the domestic banking system and parastatals.

Table 18

The Gambia: central government finances

(Millions of Dalasis)

	Actuals <u>1982/83</u>	Revised estimates <u>1983/1985</u>	Estimates <u>1984/1985</u>
Recurrent revenue	105.6	150.5	172.6
Recurrent expenditure	<u>129.6</u>	<u>165.0</u>	<u>180.9</u>
Balance on current account	-24.0	-14.5	-8.3
Development expenditure	<u>43.8</u>	<u>75.2</u>	<u>154.9</u>
Total expenditure	173.4	240.2	335.8
Financing gap	-67.8	-89.7	-163.2

5. Balance of payments

104. Low export earnings, largely owing to the decline in the production of ground-nuts and ground-nut products and low prices in international markets, an increase in the volume and prices of imports, especially of petroleum products, food and manufactured goods, and the large increase in debt service charges has resulted in a rapid increase in external payments obligations. The deficit on current account has been over 20 per cent of GDP and the overall deficit approximately 15 per cent of GDP in recent years. Total debt is approaching 150 per cent of GDP; arrears have accumulated rapidly and are now in the vicinity of 50 per cent of GDP. As at end-March 1984, official external reserves were D 16.55 million, compared with D 9.38 million at end-March 1983. Although the reserves have shown some improvement, they were still only equivalent to less than three weeks of 1982/83 imports.

105. The devaluation of February 1984 should benefit farmers by enhancing producer prices in local currency terms, providing incentives for a greater volume of exports and, weather, international demand and prices permitting, of increasing export earnings. In addition, the Central Bank has been making increased efforts to mobilize foreign exchange accruals and curtail leakages, by ensuring that earnings are channelled through the banking system. Regulations have also been introduced to enhance the operational efficiency of the Central Bank in the performance of this task. In addition, a currency declaration form has been reintroduced at the airport to monitor the inflows of foreign currency from tourists and other visitors to the country. The operation of external accounts by hoteliers is being controlled to ensure that resources accruing to the Gambia from this sector are properly accounted for and duly surrendered.

## 6. Food situation

106. In a normal year, the Gambia needs to import at least 30,000 tons of rice to supplement domestic cereal production. For the 1984/85 marketing year (October/September), the deficit to be met by rice imports is estimated at about 39,000 tons. Commercial rice imports were planned at a level of 24,000 tons but, owing to the severe balance of payments problem created by the sharp drop in earnings from ground-nuts exports, only 12,000 tons had been imported commercially in 1984/85 as of 31 May 1985. Food aid received as at 31 May 1985 totals 9,300 tons, mostly reflecting amounts pledged for 1983/84 but which arrived in the 1984/85 marketing year. Food aid expected between June and September 1985 totals 1,190 tons of cereals, entirely for development projects. The uncovered rice deficit for June-September, namely, the last four months of the 1984/85 marketing season, is about 16,000 tons.

## 7. The Public Investment Programme (PIP) 1984/85-1987/88

107. A Public Investment Programme (PIP) 1984/85-1987/88, was prepared for the November 1984 Conference of Donors, superseding the last two years of the second five year plan and extending two years beyond that Plan. The period was selected to give donors a medium-term perspective on public investment in the Gambia and its needs for assistance. The PIP is intended as a bridge between the second and third five year plans.

108. Investment under the Programme is concentrated in the agriculture and natural resources, transport and communications, and public utilities sectors. External assistance of D 1,040 million or 89 per cent of total cost was envisaged of which D 411 million would be in the form of grants with the remainder loans. Pledges or expressions of interest and intent were made at the Conference of Donors by the African Development Bank, China, Egypt, the European Economic Community (EEC), France, Germany, Federal Republic of, Italy, Indonesia, Japan, the Netherlands and the Republic of Korea.

109. Four sectoral follow-up meetings (health, fisheries, agriculture and water resources) were agreed to in the November 1984 meeting. The meeting on the health sector was held in December 1984, the meeting on fisheries in June 1985, and the other two are scheduled for late 1985 as is a further meeting of the primary health care resources group. As of mid-1985, a funding gap exists of D 174.95 million or 22.5 per cent of total requirements.

110. Funds for the financing of the Second Agricultural Development Project (ADP II) aimed at increasing output of ground-nuts and upland cereals and included in the PIP had been secured, prior to the meeting of donors, following the signing of two loan agreements with the International Fund for Agricultural Development (IFAD) and the International Development Association of the World Bank on 18 April and 13 June 1984, respectively. The agreement for the Italian grant of \$US 9 million (approximately D 32 million) for co-financing of the Project was signed on 19 April 1984 in Rome. The Project, estimated to cost \$US 29 million (approximately D 104.4 million) and to be implemented over six to seven years, aims

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at consolidating progress made under previous plans, as well as assisting the Government with major sectoral reforms in agriculture. The Project will further improve production of rainfed food and export crops, and the principal benefits expected from the project will be derived from the incremental production of ground-nuts, cotton and food crops.



Table 19

The Gambia: Public Investment Programme (PIP) 1984/85-1987/88

(Millions of dalasis)

Sector	Total cost	Before 1984/85	Expenditure by year				After 1987/88	Financing			PIP 1984/85 1987/88	Funding Gap a/	As % of PIP
			1984/85	1985/86	1986/87	1987/88		Domestic	Loans	External Grants			
Agriculture and natural resources	425.33	70.47	58.23	86.65	70.95	69.92	69.11	46.37	162.00	216.96	285.75	31.75	11.1
Industry	28.11	8.58	10.08	5.25	1.20	1.00	2.21	5.21	24.20	0.70	17.53	4.05	23.1
Public utilities	173.35	19.85	11.50	22.00	38.00	40.50	41.50	16.35	98.00	59.00	112.00	39.75	35.5
Transport and communications	395.65	79.80	63.95	60.90	68.50	76.50	46.00	30.60	268.90	96.15	269.85	77.25	28.6
Tourism, trade and finance	15.90	-	-	2.50	2.50	2.50	8.40	-	14.40	1.50	7.50	7.50	100.0
Education	47.93	19.71	3.22	6.00	6.00	7.00	6.00	10.44	24.00	13.49	22.22	2.50	11.3
Health	38.08	9.26	6.77	3.70	5.25	6.10	7.00	14.50	9.36	14.22	21.82	10.00	45.8
Housing and community development	46.65	3.70	6.90	10.95	11.00	11.10	3.00	8.00	30.00	8.65	39.95	2.15	5.4
Total	1 171.00 (100%)	211.37	169.65	197.95	203.40	214.62	183.01	129.47 (11.0%)	630.86 (53.9%)	410.67 (35.1%)	776.62	174.95	22.5

Source: Government of Gambia.

a/ The General Public Services sector is excluded for submission to donor agencies.

## VIII. GHANA

A. Background

111. In response to a request received from the Government of Ghana, the Secretary-General dispatched a multi-agency mission to the country in May 1983 to assess possibilities and modalities of a short-term and medium-term programme of assistance geared towards employment generation for about one million returnees. A summary of the report of the mission was made available to the Economic and Social Council during its second regular session of 1983. In its resolution 1983/44 of 28 July 1983, the Economic and Social Council requested the Secretary-General to submit the report of the multi-agency mission to the General Assembly at its thirty-eighth session and to disseminate it as widely as possible. The report of the mission, contained in the report of the Secretary-General (A/38/215, annex), described the economic conditions in Ghana, which were exacerbated by the sudden influx of returnees, and recommended a programme of international assistance in various sectors of the economy. The programme, comprising short-term and medium-term components, aimed at providing assistance to Ghana to enable the country to pursue its economic recovery programme and to assist and reintegrate returnees. The following is a brief survey of developments during the subsequent period.

112. During the period under review, significant efforts were made by the Government to rehabilitate the economy particularly in the areas of mining, lumber, agriculture and transportation. Foreign assistance was sought to support these efforts. The World Bank group has taken a leading role in mobilizing resources for Ghana; the Consultative Group meetings were revived after a 13-year break in November 1983. Another such meeting was held in December 1984. Under the aegis of the World Bank Consultative Group, Ghana received considerable assistance from multilateral and bilateral sources. Among other assistance, two International Development Assistance (IDA) credits, comprising a Reconstruction Import Credit (RIC) of \$40 million in June 1983 and an Export Rehabilitation Project loan of \$95 million in January 1984 were provided. In the press release issued by the World Bank at the conclusion of the Consultative Group meeting in Paris on 12 December 1984, it was stated that donors expressed strong support for the Government of Ghana's Economic Recovery Programme, launched in April 1983, and that members of the Consultative Group uniformly applauded the further policy measures taken by the Government of Ghana since the last meeting of the Group in 1983. They noted that the reform programme was significantly ahead of schedule. Several donors also noted that this placed a special obligation on the international community to respond equally vigorously.

113. In August 1983, the International Monetary Fund (IMF) approved a one-year stand-by agreement of about \$252 million and provided an additional \$126.75 million under its Compensating Financing Facility (CFF). A second stand-by arrangement for special drawing rights (SDR) of 180 million (\$177 million) was approved for Ghana in August 1984 and an additional amount of SDR 58.2 million (\$57.2 million) under its CFF. The Fund's programme focused on the restructuring of prices, on improving the financial position of the public sector and on increasing the volume of imports to promote activity. Three key elements in the programme were: (a) flexible domestic price policy; (b) adjustments in producer prices for cocoa and other export crops to provide incentives to farmers; (c) lifting price controls on domestically produced foods.

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## B. The economy: 1983-1984

### 1. Overview

114. The economy underwent strains in 1983. It was affected by a severe harmattan season and drought which caused bush fires and destroyed large areas of cash and food crops, as well as an influx of over a million Ghanaians returning from Nigeria and a fuel shortage and consequent reduction in power supply. These difficulties were compounded by a shortage of skills in the civil service and key economic sectors as large numbers of skilled people had left the country. The overall performance of the economy was therefore unsatisfactory and almost all the major sectors showed a decline in production.

115. The rate of inflation, as calculated from the national consumer index, rose from 32.5 per cent in January 1983 to 174.1 per cent (the highest level in the country's economic history) in June 1983, when the effects of the surcharges and the period of short food supply had their impact on the economy. Inflation gradually declined in the third quarter of the year as limited quantities of foodstuffs became available. None the less, on the average, the rate of inflation in 1983 was far higher than the previous year. There were price increases in almost all the items which constitute the basket for measuring the consumer index. During the same period, wages increased but at a lower rate than inflation, thus effectively decreasing real income of wage earners.

116. The cumulative effect of external assistance, coupled with the bold reform measures the Government initiated during the year in the Recovery Programme described below, arrested the downward trend of the economy in 1983, and there were clear signs of recovery by the end of the year. Sectors other than agriculture grew by 3.5 per cent reflecting a modest improvement in capacity utilization.

117. Normal weather in 1984 ended three consecutive years of drought. Food production increased, with maize recording a bumper harvest. Food prices declined and consequently inflation also decelerated. By August 1984 the rate of inflation was down to 23 per cent. Hydroelectric power was first restored to general industry and later to aluminum smelting, resulting in increased capacity utilization and industrial production. Ghana in 1984 experienced the first economic recovery since 1978.

### 2. National accounts

118. After three successive years of negative growth, real GDP in 1984 grew by 7.6 per cent compared to 1983, led by a 10.2 per cent growth in the agriculture, forestry and fishing sector. Other sectors also had significant growth: 7 per cent in industry, and 4 per cent in the services sectors. Both agriculture and services recovered to slightly greater than 1981 levels, but industry was still more than 20 per cent below the 1981 level.

Table 20

Ghana: real gross domestic product: 1981-1985

(Millions of cedis at 1975 prices) a/

	1981	1982	1983*	1984*
1. Agriculture, forestry and fishing	2 881.2	2 787.5	2 628.0	2 897.0
1.1 Agriculture and livestock	2 000.7	1 916.1	1 772.0	2 038.0
1.2 Cocoa production and marketing	521.1	494.9	455.0	446.0
1.3 Forestry and logging	266.4	287.2	310.0	320.0
1.4 Fishing	93.0	89.3	91.0	93.0
2. Industry	751.8	623.8	546.0	586.0
2.1 Mining	65.6	60.1	54.0	56.0
2.2 Manufacturing	464.1	369.0	350.0	385.0
2.3 Electricity and water	48.1	44.2	27.0	25.0
2.4 Construction	174.0	150.5	115.0	120.0
3. Services	1 823.7	1 756.7	1 847.7	1 915.7
3.1 Transport and communication	177.0	179.0	192.0	198.0
3.2 Wholesale and retail trade	530.4	471.4)	513.0	544.0
3.3 Restaurant and hotels	15.0	17.4)		
3.4 Finance, insurance, real estate and business services	388.5	400.3	414.7	426.7
3.5 Government services	650.0	623.0	660.0	675.0
3.6 Other services	62.8	65.6	68.0	72.0
4. Sub-total	5 456.7	5 168.0	5 021.1	5 398.7
<u>Less</u> computed bank service charges	147.9	166.1	176.5	188.0
<u>plus</u> imports duties	53.2	34.3	43.0	50.0

Table 20 (continued)

	1981	1982	1983*	1984*
5. Equals:				
Gross domestic product	<u>5 362.0</u>	<u>5 036.2</u>	<u>4 888.2</u>	<u>5 260.7</u>
Memorandum items:				
GDP at current prices (millions of cedis)	74 326.6	89 716.8	190 270.9	272 986.2
GDP (at constant 1975 prices, change in per cent)	-4.5	-6.1	-2.9	7.6
GDP deflator (change in per cent)	81.7	28.5	118.5	33.3
GDP (at current prices, change in per cent)	73.4	20.7	112.1	43.5

Source: Information provided by the Central Bureau of Statistics, Accra.

\* Provisional.

a/ During 1974-1977 1 \$US = cedis 1.15 (annual average).

119. Trade volume increased in 1984. Exports had declined in current dollar terms for three successive years before recovering in 1984 to a level which was, however, still only little more than 50 per cent of that of 1980. Imports, which had also declined significantly in 1982 and 1983, recovered in 1984, but were still well below the level needed to acquire raw materials, spare parts and equipment needed for the recovery programme. On the capital account, while inflows of official grants and loans had increased over the period 1980-1984, debt servicing payments as a percentage of exports increased from 3.4 per cent in 1980 to 26.9 per cent in 1984. The debt-servicing payments on official medium-term loans increased almost threefold in 1984. The following table, which includes balance of payments projections for 1985 and 1986, was part of the report prepared by the Government of Ghana for the second meeting of the Consultative Group for Ghana (Paris, December 1984).

Table 21  
Ghana: balance of payments, 1980-1986

(\$US million)

	Actual			Provi- sional	Esti- mate	Projected	
	1980	1981	1982	1983	1984	1985	1986
Exports (f.o.b.)	1 103.6	710.7	607.0	439.6	580	663	828
Cocoa	(792.7)	(434.8)	(406.5)	(275.7)	(372)	(400)	(528)
Non-cocoa	(310.9)	(275.9)	(200.5)	(163.9)	(192)	(263)	(300)
Imports (f.o.b.)	-908.3	-954.3	-588.7	-531.1	-670	-968	-1 060
Oil					(-190)	(-253)	(-273)
Non-oil					(-480)	(-715)	(-787)
Trade balance	<u>195.3</u>	<u>-243.6</u>	<u>18.3</u>	<u>-91.5</u>	<u>-90</u>	<u>-305</u>	<u>-232</u>
Services (net)	-247.1	-261.1	209.4	-279.5	-164	-276	-311
Of which: interest payments	(-80.0)	(-80.9)	(-81.7)	(-82.0)	(-95)	(-119)	(-144)
Unrequited transfers (net)	79.7	82.9	82.4	110.0	154	157	172
Official (grants)	(82.9)	(87.2)	(83.6)	(113.9)	(151)	(153)	(167)
Private	(-3.2)	(-4.3)	(-1.2)	(-3.9)	(3)	(4)	(5)
Current account balance	<u>27.9</u>	<u>-421.8</u>	<u>-108.7</u>	<u>-261.0</u>	<u>-200</u>	<u>-424</u>	<u>-371</u>
Capital account balance	<u>125.3</u>	<u>107.8</u>	<u>137.7</u>	<u>173.0</u>	<u>104</u>	<u>358</u>	<u>451</u>
Official long-term loans (net)	95.7	49.2	15.8	37.1	104	294	416
Gross inflows	(120.4)	(77.8)	(55.2)	(84.4)	(154)	(347)	(483)
Amortization payments	(-24.7)	(-28.6)	(-39.4)	(-47.3)	(-50)	(-53)	(-67)
Official medium-term loans (net)	-12.9	41.9	97.0	30.33	12	-61	-100
Gross inflows	(-)	(49.1)	(103.2)	(67.8)	(118)	(190)	(120)
Amortization payments	(-12.9)	(-7.2)	(-6.2)	(-37.5)	(-106)	(-251)	(-220)
Private capital (net)	15.9	3.3	11.3	44.7	43	125	135
Direct investment	(15.6)	(16.3)	(16.4)	(14.5)	(3)	(12)	(20)
Suppliers' credits	(0.3)	(-13.0)	(-5.1)	(11.8)	(-20)	(60)	(65)
Others	(-)	(-)	(-)	(18.4)	(60)	(53)	(50)
Others	26.6	13.4	13.6	60.9	-55	-	-
Errors and omissions	-141.6	63.4	-1.7	-155.0	-	-	-
Overall balance	<u>11.6</u>	<u>-250.6</u>	<u>27.3</u>	<u>-243.0</u>	<u>-96</u>	<u>-66</u>	<u>80</u>
Financing	<u>-11.6</u>	<u>250.6</u>	<u>27.3</u>	<u>243.0</u>	<u>96</u>	<u>66</u>	<u>80</u>
IMF (net)	30.7	-11.7	-5.3	258.7	217	126	-20
Payment arrears reduction	-79.1	141.5	35.2	-33.7	-70	-60	-60
Others	36.8	120.8	-57.2	18.0	-51	-	-

Source: Government of Ghana.

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120. The budgetary situation has improved significantly. Over the period 1981/82 to 1985 the Central Government budget has shown a growth in revenue, greater than that of recurrent expenditure owing, *inter alia*, to strengthened tax administration and new taxes and fees. Revenues were only 56 per cent of recurrent expenditure in 1981/82, but reached 100 per cent in 1984, with a positive balance on current account budgeted for 1985. Development expenditures as a percentage of total expenditure almost doubled in the same period, from 9.7 per cent in 1981/82 to 18.0 per cent for the 1985 budget. The total budget deficit, which was close to 100 per cent of revenue at the start of the period, had declined to 17.9 per cent in 1984 and was estimated at 11.7 per cent for the 1985 budget.

Table 22

Ghana: summary of central government finances(Millions of cedis) a/

Item	1981/82 <u>b/</u>	1982 <u>b/</u>	1983 <u>b/</u>	1984 <u>b/</u>	1985 <u>c/</u>
Revenue	4 855.3	5 253.2	10 241.0	22 641.0	39 900.0
Expenditure:					
Recurrent	8 602.6	8 029.4	13 400.9	22 700.0	36 535.0
Development	926.9	816.7	1 354.4	3 994.0	8 025.0
Total:	9 529.5	8 846.1	14 755.3	26 694.0	44 560.0
Current account deficit	-3 747.3	-2 776.2	-3 159.9	-59.0	3 365.0
Total budget deficit	-4 674.2	-3 592.9	-4 514.3	-4 053.0	-4 660.0
Net lending	173.7	374.0	419.6	791.0	3 950.0
Net payments:	-4 847.9	-3 966.9	-4 933.9	-4 844.0	-8 610.0
Financing					
Internal loans	4 211.0	3 718.0	3 963.8	3 028.0	3 250.0
Of which bank of Ghana	1 672.7	433.6	455.0	-	2 000.0
External loans	389.3	215.1	970.1	1 820.0	5 360.0
Other receipts	347.6	33.8	-	-4.0	-
Total net receipts:	4 847.9	3 966.9	4 933.9	4 844.0	8 610.0

Source: Government of Ghana.

a/ Annual average exchange rates for 1 US dollar: 1978-1982: 2.75 cedis; 1983: 30.00 cedis; 1984: 50 cedis; April 1985: 53 cedis.

b/ Preliminary actuals.

c/ Original budget estimates.

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### 3. Review of selected sectors

121. In 1983 agricultural production was disappointing, largely owing to drought and bushfires. Cocoa production, for example, was adversely affected by bush fires which destroyed an estimated 300,000 hectares of cocoa farms. Cocoa production during the 1982/83 season was estimated at about 178,000 tonnes compared to 220,000 tonnes in the 1981/82 season. Targets set for the other major food crops such as maize, rice, cassava and plantain were not achieved. Food supply was sluggish during the first half of the year. Overall food shortages were exacerbated by the sudden return of 1 million Ghanaians expelled from Nigeria. The Government had to import commercially substantial amounts of grains in addition to food donations received from bilateral and multilateral sources.

122. Cocoa production in the 1984/85 crop year was estimated at 190,000-200,000 tons. During 1984 assistance was available to the Government for provision of inputs and raw materials to the cocoa sector and for the financing of essential imports for agriculture. A technical assistance grant from the United Nations Development Programme (UNDP) assisted in the reorganization of the management, finance and accounting system of the Cocoa Board in order to increase the Board's efficiency in its cocoa evacuation, distribution and marketing functions. Subsequently, an International Development Association (IDA) credit was granted for the rehabilitation of the cocoa sector.

123. The timber sector, although encouraged by the depreciation of the cedi and the retention by exporters of 20 per cent of export earnings was constrained by shortages of equipment, smuggling and port capacity to handle exports. These problems were receiving attention and the sector was benefiting from rehabilitation credits.

124. The performance of the industrial sector during 1983 was also very low as a result of the lack of raw materials, the inability of manufacturers to find enough cedis to support their import licences and power cuts which affected production. With few exceptions (such as in the tobacco industry) firms which depended heavily on imported inputs operated below their installed capacities.

125. In the mining sector there was a slight recovery in 1984, raising the value added by 4.1 per cent after four years of continuous decline. Following UNDP grants, private investment was made in diamond mining and negotiations were started on the rehabilitation of the mines owned by the State Gold Mining Corporation. Private investment in the Ashanti Goldfields was also made through the International Finance Corporation (IFC) and Lonrho. Renegotiation of the Volta Aluminium Company's Master Agreement between the Ghana Government and Kaiser Aluminium has been successfully completed.

### 4. Recovery programme

126. The Government's Economic Recovery Programme (1984-1986) focused on rebuilding infrastructure and mobilization of Ghana's traditional exports: cocoa, timber and gold. Other main features of the programme included the reform of prices,

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restoration of production incentives, arresting inflation and reduction of budget deficits. The Government bolstered the recovery programme by the introduction of a system of surcharges and bonuses aimed at giving incentives to exporters and earners of foreign exchange. The cost of imports rose sharply after the introduction of this system, and imports were consequently reduced and revenue from import duties fell. In 1983 production in general was constrained and output levels were much lower than the targeted levels or those of 1982.

127. In 1984 the reform measures were consolidated, despite the effect of power cuts and of reduction of electricity exports to Benin and Togo. The main accomplishments were:

(a) Exchange rate policy: the cedi was adjusted on 22 April 1983 from cedis 2.75 = \$US 1.00 to two rates applying to specified receipts and payments, and resulting in an implicit weighted average rate of cedis 25 = \$US 1.00. The multiple rates were unified at a rate of cedis 30 = \$US 1.00 on 10 October 1983. Since then, Ghana has pursued a flexible exchange rate policy with a view to keeping the exchange rate constant in real terms. In April 1984 the cedi was again adjusted to cedis 35 = \$US 1.00, and to cedis 50 = \$US 1.00 by the end of the year, thus registering a change of over 1,700 per cent in local currency terms. In April 1985 it was again adjusted to cedis 53 = \$US 1.00. These measures established a foundation for balance of payments viability and conditions of stability for continued economic growth.

(b) Pricing policies: following the adjustment in the exchange rate, the reforms attempted the establishment of realistic relative prices. Cocoa producer prices were raised twice from cedis 12,000 for the 1982/83 season to cedis 30,000 for the 1984/85 season. For the 1985/86 season the producer price has been increased to cedis 66,600 per ton. Administered prices of imported goods were adjusted to permit a full pass through of the higher cedi cost following successive exchange rate movements. Subsidies on products were phased out and resulted in price adjustments in line with prevailing exchange rates. Tariff rates on most utilities were adjusted upwards by 100 per cent or more. Price controls have been operated with increasing flexibility and pragmatism and, more recently, a significant degree of liberalization has been introduced.

(c) New legal régimes: a new Investment Code has been promulgated, as well as a Minerals Code and a Petroleum Code, the latter two designed to streamline the Government's efforts to exploit these natural resources.

(d) Incomes policy: to cushion workers from a severe erosion in their real incomes following the major shifts in relative prices throughout the economy, wages were adjusted twice, resulting in a doubling of the minimum wage. In spite of continuing inflation, there was a modest increase in wages in real terms.

(e) Interest rates: a flexible interest rate policy was adopted. Nominal rates were adjusted twice. Real rates remained negative, but the Government was committed to achieving positive rates in the short to medium term.

(f) Fiscal policy: in spite of the adverse impact on revenues of the drought and the lower than anticipated import levels, the Government's recourse to inflationary bank borrowings was severely curtailed. This was achieved through large and politically difficult expenditure cuts.

(g) Payments arrears: despite severe foreign exchange constraints, substantial progress was made in improving the country's credit-worthiness through a marked reduction in external payments arrears.

(h) Rehabilitation programmes were launched for key sectors to ensure an adequate supply side response. These were supported by quick disbursing credits from several donors: bilateral and multilateral. The key sectors included agriculture (cocoa), forestry (timber) and mining (gold) - all export oriented.

Since the Economic Recovery Programme was initiated, several bilateral credits and loans and the provision of technical assistance has been extended to Ghana by Japan, Canada, the Federal Republic of Germany, Switzerland and other developed countries. The United Kingdom of Great Britain and Northern Ireland has agreed to write off loans totalling approximately \$50 million. In addition, arrangements are advanced for financing from Kuwait and Saudi Arabia.

### C. Returnees

128. In January 1983 over 1 million Ghanaians, almost 10 per cent of the population, returned from Nigeria to a land affected by drought and serious economic difficulties. The official policy was to send the returnees back to their villages and to integrate them into society with minimal or no cost to public funds.

129. Generous food assistance was made available for the resettlement of the returnees, and social services were strengthened to accommodate them. Medicine and equipment donated by the international community filled a major gap which the Government would have found difficult to do without.

130. The returnees were encouraged to participate in the resettlement programme which could in the long run lay the basis for agricultural and economic development. Special co-operatives were formed all over the country, especially in the Ashanti Region from which over 30 per cent came. Individually, they brought to these co-operatives a wealth of expertise vital to the success of ventures of this nature. For example, at Abokobi just 20 miles outside Accra, the 30 members of a returnee co-operative farm include 3 masons, 3 carpenters, a machinist, 10 drivers, an agricultural extension officer, an electrician, a bank accounts clerk, a teacher and a nurse. They have organized market gardening and are planning to extend their agricultural production. In addition, they plan to branch into handicrafts and agricultural processing. In another area the returnees are successfully running a co-operative farm which they plan to improve with irrigation.

131. The success of the resettlement programme had forced people with diverse training and interests to the realization that, in the absence of co-operation, no individual returnee could survive the transition successfully. They have ushered

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in a new spirit of co-operation which if strengthened by outside assistance would accelerate the recovery of the economy and the removal of those factors which originally forced people to leave Ghana in search of a better life. No specific external aid has been made available for the resettlement programme in spite of appeals to implement the special report on assistance to Ghana (A/38/215) of 13 August 1983. If assistance was forthcoming the dreams of many would be realized.

## IX. GUINEA

### A. Background

132. At its thirty ninth session, the General Assembly, in its resolution 39/202 of 17 December 1984, recalled Economic and Social Council resolution 1984/59 of 26 July 1984, in which the Council confirmed the urgent need for international action to assist the Government of Guinea in its efforts to bring about national reconstruction, rehabilitation and development, and noted with concern the grave balance-of-payments problems facing Guinea and the weakness and underdevelopment of Guinea's economic and social infrastructure. The Council had requested the Secretary-General to consult with the Government of Guinea and to organize a programme of social, economic and humanitarian assistance to support the actions of the Government with a view to discharging the urgent task of national reconstruction and rehabilitation. Pursuant to Council resolution 1984/59, the Secretary-General dispatched a mission to Guinea in August 1984. The report of that mission (see A/39/572, annex), dated 9 November 1984, provided a survey of the economic situation in Guinea as of mid-1984 and a description of the country's economic policies and development strategies and presented recommendations for follow-up action.

133. Guinea, a coastal state of West Africa, is bounded by Guinea-Bissau, Senegal, Mali, the Ivory Coast, Liberia and Sierra Leone, and covers an area of 245,857 square kilometres. In 1983, the total population was estimated at about 6 million people, growing at a relatively low rate of 2.3 per cent per annum since 1980, reflecting a marked deterioration in the health situation, the direct consequence of which has been an increase in the infant mortality rate to almost 200 per thousand in 1983 (the highest in the world). Per capita gross domestic product (GDP) is estimated at about \$270. Guinea is classified by the United Nations as a least developed country.

134. Guinea gained its full independence from France in October 1958 after a referendum in which it voted against membership in the French community under the new constitution of the French Fifth Republic. Following the death of President Sékou Touré in March 1984, a new Government took office in April 1984 firmly committed to far-reaching economic reforms.

B. Economic situation

1. Gross domestic product

135. Between 1973 and 1978, the gross domestic product grew at an annual rate of 5.8 per cent, largely as a result of the opening of two new bauxite mines in 1974, the Compagnie des bauxites de Guinea (CBG) and the Office des bauxites de Kindia (OBK), which accounted for 24.5 per cent of GDP in 1977. Since 1977, the growth of GDP has been far less impressive, averaging less than 1 per cent, well below the rate of population growth (see table 23). The stagnation of GDP stems from the difficulties of the mining sector, which after reaching a peak in 1980, experienced some difficulties owing to the world economic crises, the resulting reduced demand and lower prices for aluminium. In 1984, the rural sector accounted for 37.9 per cent of GDP, the secondary sector, including mining, 25.5 per cent, and the tertiary sector 36.6 per cent (the administration's share being 10 per cent).

136. Apart from mining, Guinea's development has been based solely on the public sector. Despite the investments which have been made, the public sector has declined since 1973, with the exception of the civil service. Public enterprises have been producing at less than 15 per cent of capacity and registering heavy losses. These difficulties led to a degree of liberalization from 1980 onwards and paved the way for the economic reform programme aimed at encouraging private sector development, which is at the core of the Interim Programme of National Rehabilitation (1985-1987) which has now been formally adopted by the Government and its implementation launched on 1 July 1985.

137. In the rural sector, the performance of collective agriculture has not lived up to expectations but small-scale peasant farming has managed to provide some supplies for the country, despite adverse environmental conditions. Nevertheless, agricultural output has not ensured food self-sufficiency, hence the importation of an average of 70,000 tonnes of rice each year (including 30,000 tonnes of food aid).

138. In the secondary sector, owing to the lack of foreign exchange to procure supplies, manufacturing is in serious difficulty. Compensating for the decline of the public sector, activities in the informal sector have developed in trade and services.

Table 23

Guinea: gross domestic production at constant 1981 prices a/  
1979-1984

(Billions of syli) b/

Description	1979	1980	1981	1982	1983	1984
1. <u>Rural sector</u>	11.082	11.428	13.004	12.746	12.864	12.991
1.1 Agricultural enterprises	0.019	0.024	0.026	0.026	0.026	0.026
1.2 Peasant output	6.806	7.694	7.985	8.578	8.664	8.750
1.3 Animal husbandry	1.131	0.482	1.327	0.535	0.540	0.545
1.4 Fisheries	0.176	0.210	0.208	0.229	0.231	0.233
1.5 Water and forestry resources	2.930	3.018	3.458	3.370	3.403	3.437
2. <u>Industrial sector</u>	7.157	8.214	7.626	8.330	8.313	8.754
2.1 Mining	5.926	7.311	6.314	6.986	6.972	7.390
2.2 Manufacturing industries	0.915	1.005	0.976	1.018	1.015	1.035
2.3 Power	0.294	0.317	0.336	0.324	0.323	0.329
3. <u>Public works</u>	1.762	2.248	1.872	2.292	2.314	2.383
4. <u>Transport/communications</u>	0.611	0.427	0.651	0.425	0.433	0.454
5. <u>Commerce/banking/insurance</u>	5.486	5.708	5.842	5.778	5.893	6.187
6. <u>Administration</u>	3.340	3.290	3.566	3.325	3.392	3.527
Totals	<u>29.438</u>	<u>31.315</u>	<u>32.561</u>	<u>33.108</u>	<u>33.209</u>	<u>34.296</u>

Source: Guinea authorities.

a/ Totals may not add due to rounding.

b/ The monetary unit in Guinea is the syli. As at 1 July 1985, the value of the syli was GS.1 = \$US 0.044

## 2. Public finances

139. As mentioned earlier, economic activity is concentrated in the public sector, especially in the areas of trade, industry, transport and banking; the State is also the majority shareholder in semi-public corporations (mining industries).

140. There is no single budget in Guinea, and it is very difficult to have reliable data on Government revenues and expenditures. Table 24 below should therefore be considered as purely indicative.

Table 24

### Guinea: State budget 1979-1984

(Millions of sylis)

	1979	1980	1981	1982	1983	1984
<u>Income</u>						
Operational budget	6 436.90	8 067.98	8 810.25	12 175.00	6 196.96	9 723.54
Planning budget	3 828.34	3 544.89	3 962.38	5 411.27	3 098.84	6 758.77
Total income	10 265.24	11 612.87	12 772.63	17 586.27	9 295.80	16 482.31
<u>Expenditure</u>						
Operations	4 701.16	6 400.28	6 036.71	9 816.38	5 762.63	6 160.92
Investment	495.24	645.73	948.49	959.47	952.14	1 074.08
Debts	1 022.40	1 179.81	2 472.28	1 999.21	2 369.47	1 132.85
Subsidies/State enterprises	7 416.14	1 216.14	-	5 540.00	3 275.19	not available
Total expenditure	13 634.94	9 441.96	9 457.48	18 315.06	12 809.43	
Surplus (+)	-3 369.70	+2 170.91	+3 315.15	-728.79	-3 513.63	

Source: Ministry of Finance.

141. Both revenues and expenditures fluctuate widely from one year to another with revenues varying, partly because of difficulties in tax collecting, while 65 to 70 per cent of total expenditure are for diverse operational expenditures. A very high proportion of expenditure is earmarked for payment of public debt. With the amounts owed exceeding those actually paid, arrears are mounting up. Subsidies to public enterprises absorb some 30 per cent of the State budget. Overcoming the problems of those enterprises therefore appears to be a major priority. Generally, except in 1980-1981, the State budget shows a large deficit which has been financed primarily through money creation and the constitution of arrears.

### 3. Balance of payments

142. The balance-of-payments situation is governed by three key factors - the decline of the rural sector; the strength of the dollar; and mining output, which generates export earnings and thus provides foreign exchange to cover imports.

143. Bauxite and aluminium account for 99 per cent of export earnings. Guinea has recently begun exporting diamonds (50,000 carats during the first four months of 1985). Agricultural exports (pineapple and coffee) are now of marginal importance.

144. Total imports (mainly, foreign-financed investments of the Planning Ministry, food aid and the general import programme) amounted to \$380 million in 1983, 57 per cent of which were channelled through public enterprises, 36 per cent through mining companies and 7 per cent through private companies under licence.

145. In spite of its balance-of-trade surplus, Guinea's current account shows large deficits owing to the large negative figure for net transfers (representing repatriation of the income from the mining companies' investments and of the services which they use for their operations). The balance on capital account is not sufficient to make up the deficit on current account.

146. At the end of 1983, the outstanding foreign debt, excluding arrears, amounted to \$1.2 billion, or about 75 per cent of GDP, distributed as follows: 26 per cent owed to the countries of the Development Assistance Committee (DAC), 47 per cent to the socialist countries and 17 per cent to multilateral institutions. Despite the relatively favourable terms of the loans, Guinea has been unable to meet its payments. At the end of 1983, arrears amounted to nearly \$200 million, of which three quarters represented principal, owed mainly to DAC countries since the arrears owed to the Eastern European countries are cancelled out by 56 per cent of the output from the Kindia Bauxite Office (production of bauxite intended for the Union of Soviet Socialist Republics).

### C. Consolidation of the national economy

147. The Government of the Second Republic has made a fundamental political choice in order to remedy the effects of an inadequate development model. It has decided to abandon the system of economic management based on the centralization of economic decision-making and the collectivization of the means of production. Private initiative has been called upon to demonstrate its dynamism in contributing to economic development, with the market replacing the State as the real regulator of the economy. The State will be responsible for mobilizing domestic and foreign resources, and establishing a favourable institutional and regulatory framework.

#### 1. Interim Programme of National Rehabilitation (1985-1987)

148. Pending the creation of the conditions necessary for the emergence of a genuine development plan, the Government of the Second Republic has adopted the Interim Programme of National Rehabilitation (PIRN) for the period 1985-1987.

149. The immediate problems facing the country and affecting all economic activities, and which need to be addressed are the following:

- (a) The inward-looking nature of the rural sector and the decline in agricultural exports;
- (b) The exchange rate and price discrepancies between official and parallel markets;
- (c) The lack of economic management and weakness of institutions;
- (d) The weight of the quasi-public sector on the State budget and the magnitude of public expenditures;
- (e) The scarcity of foreign exchange to finance imports and investments.

150. In the productive area, the sectors relating to agriculture, infrastructure, mining, industry and energy will have priority. Preference will be given to quick-yielding operations which require little capital investment.

## 2. Structural adjustment programme

151. For the short-term, the Government of Guinea is currently negotiating an economic recovery programme with the International Monetary Fund (IMF) and the World Bank. A structural adjustment credit is presently under preparation, which would involve assistance on the issues of exchange rates, control of credit and public finance, decontrol, deregulation and stimulus to the private sector. The investment code has been completed and a new tariff structure proposed. The Government will reorganize the civil service and redefine the structures of the ministries. As noted, the State will generally disengage from the productive sector. Under this structural adjustment, the Government will seek the closure of 10 enterprises and the liquidation of a number of others. The World Bank will provide five Investment Bank consultants to assist the Government in the physical disposal of assets and in negotiating joint ventures.

152. One of the cornerstones of the economic recovery programme would be the reform of the monetary system, including a substantial devaluation of the Syli.

153. Considering these proposed reform measures and in order to mobilize resources in support of the balance of payments, a meeting with the major donors may be held in the fall of 1985, so as to mobilize between \$80 to \$100 million for balance-of-payments support and structural adjustments as a first step in the road to financial recovery.

## D. Special programme of economic assistance

154. As a follow-up to the recommendations contained in the Secretary-General's report on "Assistance to Guinea" (A/39/572, annex), emergency activities were identified under two separate headings, according to the nature of the activities



involved, the intention being, however, that the two types of activities were to be carried out simultaneously beginning in January 1985, namely:

(a) An emergency humanitarian assistance programme in response to the Secretary-General's appeal to Member States on 28 December 1984;

(b) An interim programme of economic rehabilitation.

155. As at 31 May 1985, five months after the start of the programmes, the Government has reported the progress indicated in the following paragraphs.

#### 1. Emergency Humanitarian Assistance Programme

156. In the recent past, in particular at the time of the earthquake of December 1983, which left 20,000 homeless and without the basic necessities, Guinea has been the recipient of emergency humanitarian assistance. Apart from immediate assistance to the stricken population, some sources of assistance also provided special financing for the medium-term rehabilitation or development effort which is still under way today. However, the appeal made in December 1984 was of a different nature, since it was not a matter, at that time, of coping with destruction caused by an unforeseen natural disaster, but rather of mobilizing the international community to assist the new Government in its efforts towards reconstruction and economic and social recovery and in the steps already taken towards that end with its traditional partners from the earliest days of the Second Republic.

157. As a result of the Secretary-General's appeal, it has already been possible to expand the initial direct bilateral contacts to the entire international community on the basis of the report of the economic survey organized in August 1984.

#### Multilateral assistance

158. The Office of the United Nations High Commissioner for Refugees (UNHCR): from July 1984 to February 1985, emergency assistance to Guinean returnees consisted in \$1,102,000 for the purchase of medical kits and vehicles, for setting up health care delivery systems and for distributing foodstuffs and agricultural inputs.

159. UNEOTF (United Nations Emergency Operation Trust Fund): emergency assistance for agricultural equipment consisted in: \$800,000 approved following the earthquake of December 1983 to finance the delivery in April 1985 of 6,000 ploughs which are greatly needed during the present recovery phase.

#### Bilateral assistance

160. Provision of agricultural inputs (fertilizers, seeds) and school equipment, financed mainly by France and China. In addition, the economic partners have maintained their programme of technical and food assistance.

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161. Emergency humanitarian assistance to date has fallen far short of identified needs. However, the Interim Programme of Economic Rehabilitation has progressed very smoothly following the joint UNDP/World Bank consultations with the authorities which began in October 1984.

## 2. Interim Programme of Economic Rehabilitation

162. In accordance with the Secretary-General's recommendations of 9 November 1984, the preparation of the Interim Programme began with the mobilization of experts from the United Nations system in co-operation with financing of the World Bank and the United Nations Development Programme (UNDP). In addition to the multidisciplinary team of consultants, some 250 national officials from central and technical Government offices were mobilized by the authorities to participate in the sectoral and subsectoral commissions in preparing a programme providing for a series of activities which were, as far as possible, in line with the country's new economic approach. The preparation of the Programme between December 1984 and April 1985 was, at the same time, a learning experience which enabled the national officials to become fully aware of the concerns of the Government with respect to the immediate problem faced by Guinea. It culminated in the adoption of a programme, but it also helped to advance political and economic thinking and to promote an awareness of the magnitude of the problems facing Guinea today.

163. UNDP is assisting the Government in its development planning process through a project whose purpose is to help streamline the general organization of the national economy and strengthen the co-ordinating capacity for management and planning in the sectors and subsectors which are crucial to economic recovery and growth, namely, mining, processing industries, industrial fishing, feeder roads, and foreign trade. To the same end, the World Bank is involved in a \$9 million project of technical assistance for economic management. The objective of this project is to improve Guinean services responsible for the planning, evaluation and follow-up of the public investment programme, macro-economic and sectoral planning, and the management of the para-public sector. This World Bank-assisted project has a technical assistance component with a view to the disengagement of the State from productive sectors of the economy, where it was involved through such intermediaries as State and semi-public companies and enterprises. This restructuring of the para-public sector is part of the liberalization of the economy and will result in the liquidation of non-profitable enterprises and the total or partial transfer of certain enterprises to the private sector.

164. The expertise for these two UNDP and World Bank projects will be mobilized with effect from 1 July 1985. This policy of rehabilitating and revitalizing enterprises has led, in the electricity sector, to the granting of a \$8 million loan to Guinea by the International Development Association (IDA) for the purpose of improving the organization and management of that sector and overhauling the installations for the production, conduction and supply of electricity.

165. In the transport sector, a meeting of donors has just been held at the Conakry Railway Office on the question of rehabilitating an initial 36-kilometre section and carrying out a diagnostic survey of Guinea's railways. The meeting brought together, among others, representatives of the World Bank, the European Economic Community and the Central Economic Co-operation Fund.

166. Efforts to mobilize donors for the other sectors of the economy will continue in the months ahead within the framework of advisory panels organized under the auspices of the World Bank.

167. Finally the Government of Guinea has decided, for the future, to seek the assistance of the World Bank in organizing an aid consultative group for the co-ordination and mobilization of external assistance for Guinea.

## X. LESOTHO

### A. Background

168. The special programme of economic assistance for Lesotho was instituted in 1977 in response to Security Council resolution 402 (1976), which requested the Secretary-General to organize such a programme to enable Lesotho to overcome the economic difficulties arising from the serious interference with its internal and external movements of goods and persons following the declaration by South Africa of the independence of the so-called Transkei bantustan. The initial programme consisted of an emergency programme related to the immediate impact of the border closure, mainly for internal transportation, civil aviation and food; and an accelerated development programme, designed to enhance Lesotho's capability to implement fully the United Nations resolutions on apartheid and bantustans.

169. A subsequent special programme of economic assistance, consisting of 10 specific projects, was formulated in response to Security Council resolution 527 (1982) of 15 December 1982 in connection with South Africa's attack on Lesotho's capital, Maseru, on 9 December 1982, and dealt with the refugee situation and its vulnerability to South African military and economic pressures.

170. The most recent report of the Secretary-General on assistance to Lesotho (A/39/385), was dated 17 September 1984. The basis of that report was a review mission undertaken from 14 to 20 May 1984. The mission also participated in the Lesotho round-table conference which took place concurrently. As a result of the mission, the project proposals contained in the initial special programme of economic assistance that remain unfunded have been incorporated in the proposals submitted by the Government to the round-table conference. It is the intention of the Government to pursue these projects within that context. The present report will briefly review the current economic situation of Lesotho and the assistance requirements of the 10 specific projects formulated in response to Security Council resolution 527 (1982).

### B. Economic situation

#### 1. The economy

171. Lesotho's size, its economic history and unique geographic position and its limited natural resources result in a very high level of dependence upon the Republic of South Africa. One of the major features of Lesotho's economy is the

large difference between gross national product (GNP) and gross domestic product (GDP). In 1981/82, for example, the GDP per capita was M 254 and GNP M 428.\* The difference is accounted for by income from abroad, almost all of which represents remittances from the Basotho miners in the Republic of South Africa. The implications of the difference reflect one of the principal characteristics of the economy, namely, its great dependence on migrant labour and migrant remittance which are, respectively, the major sources of employment and purchasing power in Lesotho's economy. Agricultural production and productivity is very low while industry is still at the initial stages of development. Water resource development, one of the country's major resources, is also at an initial stage of development. Finally, human resources development is still at a stage that does not satisfy the economy's human power requirements.

172. The devastating drought that has plagued large parts of the African continent for several years running, has also affected Lesotho. The adverse drought effects in Lesotho have resulted in different kinds of suffering and hardships to the nation. In response to the continuing adverse impact of the drought and its effects, the Lesotho Government has evolved remedial measures to alleviate and overcome the effects. The measures are of two kinds:

- (a) Projects addressing the emergency drought relief aspects;
- (b) Projects aimed at resolving the continuous threat of drought in the medium- and long-term perspective.

173. Figures are not yet available but the effects of the drought will have an adverse impact on the growth of the GNP. Income earned by Basotho workers in South Africa grew only slightly after a period of strong annual increases. Consequently, the growth of GNP slowed down somewhat. The growth of overall production was not large enough to avoid a further increase of unemployment.

## 2. Employment

174. Lesotho's population is projected to grow from 1.2 million in 1976 to nearly 1.5 million at the end of 1985 and to reach 2 million by the year 2000. The labour force is projected to grow from 670,000 in 1976 to 829,400 by the end of 1985 and to reach 1,005,000 by the year 2000. Lesotho's most difficult challenge is to provide productive and remunerative employment opportunities within Lesotho for its people. The safety valve has been migrant labour to the Republic of South Africa. Recent developments in the labour market of South Africa indicate that the need to reduce dependence on the migratory labour system is now more urgent than ever before. Since 1976 the numbers of migrant workers have been declining. The situation is worsened by the fact that the wage sector in Lesotho is very small and the rate of job creation is very low. The diminishing employment opportunities in South Africa coupled with the increasing labour force in the country creates a serious employment challenge for Lesotho.

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\* The monetary unit in Lesotho is the maloti M. As at 1 June 1985, the value of the maloti was M 1 = \$US 0.50.

175. There is always a threat that the migrant labourers in South Africa may be repatriated either gradually or suddenly. For example, in April of this year, 3,000 Basotho mine workers were dismissed over a pay dispute. While a number of them have subsequently been rehired, others will not be. Lesotho must, therefore, be prepared to absorb them. The economy must be restructured in such a manner that productive employment opportunities are created in order to absorb the increasing labour force as well as the migrant workers in the event of repatriation. Priority will thus, from now on, be given to productive sectors such as agriculture and industry, and industrial development strategies are being revised accordingly.

176. In recognition of the fact that very few job opportunities are being created in Lesotho every year and that the labour force is growing at a faster rate than job opportunities and the possibility of gradual or sudden repatriation of migrant workers, the Government requested the International Labour Organisation (ILO) Southern African Team for Employment Promotion (SATEP) to prepare a long term employment plan for Lesotho for absorption of the growing labour force and to prepare contingency and emergency programmes for migrant workers. ILO/SATEP fielded a two-man mission which was primarily a fact finding mission concerning the scope and the requirements of the project during the last part of 1984. The project document has now been prepared and steps to prepare the plan are under way. A four-man team is now in Maseru making the preparatory arrangements for the main mission which will be composed of eight experts in various fields to be complemented by technicians in agriculture, engineering and one or two senior Government officials who will participate in the formulation of the envisaged employment plans. It is expected that the plans will be ready at the latest in September 1985.

#### C. Government budget

177. Preliminary figures for 1984/85 indicate a significant improvement in the Government's budgetary situation. Total revenue is estimated at M 225 million, an increase of 27 per cent compared with 1983/84. The major contribution to this large revenue increase was an increase of over M 40 million, or 38 per cent, in customs union revenues. Total expenditure in 1984/85 rose by M 21.5 million or 15 per cent compared with 1983/84. Capital expenditure is estimated at M 70 million, giving an increase of M 12 million or 21 per cent compared with 1983/84. The efforts made by the Government to consolidate the fiscal situation, combined with an extraordinary increase in customs union revenues, led to a substantial strengthening of the Government budget.

178. Since 1980 the Government's capital programme has borne the main burden of financial retrenchment. This has resulted to some extent because of a deteriorating capacity to absorb aid but there has also been a considerable scaling down in spending on non-viable projects. In 1984/85, however, the substantially increased rate of capital spending was to a large extent related to a major international airport project which is now virtually completed.

179. In the last quarters of 1984/85, a large general salary increase (of about 40 per cent) was implemented which will cost about M 30 million in a full year. This was the first revision of public service pay since 1980. For 1985/86 the overall Government budget deficit is fixed at M 36 million of which M 29 million is expected to be covered by concessional aid inflows leaving M 7 million to be raised commercially. Customs union revenue in 1985/86 will rise by M 10 million to M 162 million, while on the expenditure side the additional public service pay bill of M 30 million is the major item.

180. As can be seen from table 25, capital expenditure has been stagnant throughout the Plan period, declining substantially in real terms. By the last year of the Plan, 1984/85, it amounted to about M 40 million in 1980/81 prices, a drop of 35 per cent since the beginning of the Plan. The difficulty in raising capital expenditure reflects two constraints: firstly, absorptive capacity appears to be low, due to, inter alia, the insufficiency of trained personnel to evaluate viable projects and put them into execution. Secondly, budgetary pressures have increased especially in the last two years of the Plan, owing to the renewed growth of recurrent expenditure, pre-empting part of the solid gains achieved with regard to current revenue.

181. During 1984 the maloti depreciated by a total of 38.5 per cent against the dollar. One effect of this has been to increase the competitiveness of Lesotho's exports, but this has been more than outweighed by the accelerated inflation (estimated at 20 per cent in 1985). Debt servicing increased from M 10 million in 1981/82 to M 41 million in 1984/85.

Table 25

Lesotho: summary of government budgetary operations during the  
Third Five-Year Development Plan, 1980/81-1984/85

(Millions of maloti)

	1980/81	1981/82	1982/83	1983/84	1984/85 Projected actual
<u>Total receipts</u>	125.5	124.8	144.2	177.4	225.0
Revenue	104.3	111.1	134.8	169.9	215.0
Grants	21.2	13.7	9.4	7.5	10.0
<u>Total expenditure</u>	166.1	183.6	185.2	199.3	233.0
Recurrent	103.9	116.6	121.7	141.5	163.0
Capital	62.2	67.0	63.5	57.8	70.0
<u>Deficit</u>	<u>-40.6</u>	<u>-58.8</u>	<u>-41.0</u>	<u>-21.9</u>	<u>-8.0</u>
<u>Foreign financing</u>	<u>10.6</u>	<u>44.2</u>	<u>24.0</u>	<u>10.7</u>	<u>8.0</u>
Drawing	12.4	46.3	42.9	32.7	30.0
Amortization	-1.8	-2.1	-18.9	-22.0	-22.0
Domestic financing (net)	<u>30.0</u>	<u>14.6</u>	<u>17.0</u>	<u>11.2</u>	<u>0.0</u>
Gross national product	<u>542.0</u>	<u>643.7</u>	<u>791.3</u>	<u>915.1</u>	<u>1,051.5</u>
Deficit as percentage of GDP	<u>7.5</u>	<u>9.1</u>	<u>5.2</u>	<u>2.4</u>	<u>0.8</u>

Source: Data provided by the Government of Lesotho.

D. Balance of payments

182. Lesotho's exports peaked in 1980/81 and then declined slightly in each of the following three years, while imports have continued to increase. Remittances from workers in South Africa are a dominant item in the current external account and to a great extent offset the trade deficit on imports.

Table 26

Lesotho: summary of balance of payments

(Millions of maloti)

	1980	1981	1982	1983*	1984**
Current account	-8.7	-42.9	-29.7	-6.9	31.0
(a) Goods and services	<u>-92.6</u>	<u>115.4</u>	<u>84.9</u>	<u>78.3</u>	<u>-77.0</u>
Exports, f.o.b.	46.6	44.6	40.6	31.6	35.0
Imports, c.i.f.	343.0	415.2	509.2	579.7	654.0
Workers' remittances	205.0	255.0	388.0	470.0	530.0
Other, official, net	8.6	7.7	10.2	9.2	2.0
Other, private, net	7.4	7.9	5.9	9.0	14.0
(b) Unrequited transfers	<u>83.9</u>	<u>72.5</u>	<u>55.2</u>	<u>71.4</u>	<u>108.0</u>
Long-term capital, net	28.5	32.2	31.5	31.0	26.4
Official	25.0	28.0	27.3	26.0	21.4
Private	3.5	4.2	4.2	5.0	5.0
Short-term capital	23.3	18.6	-11.9	4.2	-52.8
Official	-	20.0	7.0	2.0	18.4
Commercial banks	23.3	1.4	-18.9	2.2	-34.4
Errors and omissions	-8.8	-6.3	19.3	1.2	10.6
Surplus(+)/deficit(-) <u>a/</u>	34.3	1.6	9.2	29.5	15.2

Source: Data provided by the Government of Lesotho.

\* Provisional.

\*\* Preliminary estimates.

a/ Surplus/deficit is defined as change in net foreign assets.



#### E. Agriculture sector

183. The overall picture of agriculture in Lesotho remains one of low productivity with output, in per capita terms, continuing to decline. Agriculture is still the most important sector of the economy; it is the largest employer accounting for about 70 per cent of the total domestic employment and provides basic subsistence for about 90 per cent of the rural population. Agriculture also provides about 50 per cent of the country's exports. Of agriculture exports, over 75 per cent come from livestock, a subsector whose contribution to the GDP has grown over the years and now surpasses that of crop farming.

184. Drought conditions during the past three years held production of staple grain crops below the 10-year average for most crops. In livestock the numbers of cattle declined by an average of 3 per cent since 1980/81. Numbers of small stock continued to expand by more than 10 per cent per annum through 1981/82, but have declined at an average of 2 per cent per annum since. The Government efforts in the agriculture sector have been redirected from infrastructural and institutional building into agricultural production. Two major thrusts are in the range-restocking programme and the National Watershed Management and Soil Conservation which is oriented towards facilitating irrigation for vegetable and crop production.

#### F. Emergency appeal

185. As a result of the drought situation, an emergency appeal was made to the international community to deal with short-term implications of the drought as outlined below:

##### Emergency drought relief projects:

<u>Project</u>	<u>Estimated cost</u> (United States dollars)
Rehabilitation of drought-prone areas	2 600 000
Seed production	205 000
Micro-scale water	4 924 500
Pullet rearing	498 400
Vegetable seedling and fruits	562 800
Integrated food and nutrition	99 000
Food self-sufficiency	4 415 900
Health	152 100
Minor roads construction	1 350 000
Agricultural marketing	3 000 000
Food aid warehouses and logistics	5 334 300

The total cost for emergency drought projects would thus be about \$US 23 million. All these projects would directly help Lesotho to overcome the devastating effects of the current drought cycle. Many of these projects, or some of their aspects, would also be contributing to the long-term measures undertaken by Lesotho to ensure itself against adverse drought effects in the future.

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186. The response of the international community for food aid is as indicated in table 27 below:

Table 27  
Lesotho: food aid position (April 1985)  
(All figures are in metric tons)

	<u>1984/85</u>
(a) <u>Total crop production</u> (grains)	220 000 approx.
Commercial imports	75 000 (average)
(b) <u>Food aid</u>	
Project Food Aid	
World Food Programme	19 000 (up to Dec. 1984)
Catholic Relief Service	<u>16 000</u> (up to Dec. 1984)
Total	<u>35 000</u>
(c) <u>Emergency (free distribution)</u>	
WFP (Wheat flour)	2 490
(Vegetable oil)	270
Federal Republic of Germany (Maize flour)	1 180
European Economic Community (Rice)	862
Catholic Relief Service	
(Bulgar wheat)	6 000
(Vegetable oil)	985
Denmark (Whole maize)	<u>6 568</u>
Total	<u>18 315</u>
(d) <u>Monetization</u>	
United States of America (Wheat)	15 000 (arrived 1985)
EEC (Wheat)	14 000 (arrived 1985)
Japan (Rice)	600 (arrived 1985)
FRG (Wheat)	3 000 (arrived 1985)
Italy (Rice)	1 000 (expected time of arrival (ETA) 1985)
WFP (Wheat)	4 000 (ETA) 1985)
Norway (Maize)	<u>500</u> (ETA) 1985)
Total	38 100
(e) Grand total	<u>91 455</u>
<u>Grain reserves</u>	
Mountain emergency (Maize)	1 500
Strategic wheat	7 000

Source: Data provided by the Government of Lesotho.

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187. In addition, the Lesotho Government has presented the following medium and long-term projects to the international community aimed at resolving the continuing threat of drought in Lesotho:

Essential medium to long-term structural reforms

(\$US 159 million)

<u>Project</u>	<u>Estimated cost</u>
1. Watershed management	99 million
2. Destocking project	33 million
3. Minor roads construction	27 million

188. It is worth noting that these priority structural reform programmes will be pivotal in Lesotho's future development plans. To date, however, only the Food and Agriculture Organization of the United Nations (FAO) has responded by supporting two projects, namely, micro-scale water harvesting and ground-water development for domestic supply irrigation and livestock watering for the amount of \$US 205,000 and assistance to seed production and processing for the amount of \$US 230,000. Other responses have so far been of a general nature.

G. Special programme of economic assistance

189. As indicated earlier, this report will only review the economic assistance needs of the 10 specific projects urgently requiring support in response to Security Council resolution 527 (1982). The programme with respect to each of these projections has been reported by the Government of Lesotho and is summarized in the following paragraphs.

Project 1: Strengthening of police services

190. Based on the Commonwealth Secretariat Report, consultations continue with potential donors on this project.

Project 2: Establishment of an emergency reserve of medical supplies

191. Funding for outstanding drug requirements still have not been identified.

Project 3: Urgent improvements to hospital facilities and services  
(Queen Elizabeth II National Hospital)

192. The study indicated in the previous report (see A/39/385, annex) has been completed, and based on the study the Government has decided to construct a new hospital facility. The Project is to be discussed with the EEC programming mission expected in the second half of this year.

193. With regard to the construction of a new laboratory referred to in the previous report, no donor has been identified.

Project 4: Consultancy on the establishment of a fire brigade in Maseru:

194. There has been no response by the international community concerning this project.

Project 5: Maize/silo complex

195. Stage 1 of the project which consists of a Maize Mill and the first group of silos is now being implemented. An amount of M 11.3 million has been made available for the project from Government funds. Meanwhile, the Swedish Government has agreed to finance a study on national food reserve storage. No response has been received from other donors so far.

Project 6: Afforestation

196. The British Government is continuing its assistance on the afforestation programme, while the Government of the United States is providing assistance for the soil conservation measures.

Project 7: Labour intensive public works

197. In addition to the projects mentioned in the previous reports which are now either completed or continuing, a new road Rothe/Thetsane financed by the Federal Republic of Germany is about to commence. In view of the recent developments in the mining sector of South Africa, more labour intensive works are obviously necessary. A number of projects have now been identified and donor support for their implementation is sought.

Project 8: Expansion of the Maseru and Maputsoe industrial estates

198. As yet there is no donor assistance secured. However, the project has been submitted to the Kuwait Fund for International Economic Development. Meanwhile the British Government has indicated an interest in building two more shells in Maseru.

Project 9: Maseru electricity supply

199. The terms of reference for the study have been agreed upon with the African Development Bank and the project is to be presented to the Board in June 1985.

Project 10: New Maseru International Airport

200. Consultations with the African Development Bank were successful, and the project is due for completion in the middle of July.

## XI. MOZAMBIQUE

201. The special economic assistance programme for Mozambique was first initiated in 1976 in response to Security Council resolution 386 (1976) of 17 March 1976 concerning economic difficulties arising from the country's application of economic sanctions against the régime in Southern Rhodesia. Pursuant to subsequent resolutions of the various intergovernmental bodies, the programme expanded its focus to encompass the rehabilitation and development efforts of the Government. The most recent previous report, of the Secretary-General (A/39/382), reviewed economic developments through 1983 and called to the attention of the international community urgent needs for immediate assistance as well as some priority programmes designed to establish a basis for future development. In its resolution 39/199 of 17 December 1984, the General Assembly reiterated its appeal to the international community to provide financial, material and technical assistance to Mozambique and requested the Secretary-General to prepare a report on the development of the economic situation and the implementation of the special programme of economic assistance for that country.

A. Economic situation1. General

202. Previous reports have presented detailed information on the critical economic situation of Mozambique. Although relatively richly endowed, the country confronts severe obstacles in its efforts to promote economic and social development: a colonial heritage of an economic structure geared to service other countries and a consequent neglect of domestic production for domestic consumption; a geo-political situation which has required both sacrifices as well as the major expenditure of scarce resources in a continuing effort to achieve peace and security for its inhabitants; and a continuing series of natural disasters - droughts, floods and cyclones - which set back what little progress has been achieved.

203. There has been no improvement in these fundamental constraints during the period under review. If anything, the internal security situation appears to have deteriorated. On 23 March 1985, the Council of Ministers issued a press communiqué announcing measures aimed at improving the overall situation which include specific measures to reinforce national defence and the introduction of a policy of maximum austerity, specifically in respect of fuel consumption and policies to ensure improvement of economic and financial management.

204. Mozambique has continued to suffer from natural disasters. The 1982/83 drought was one of the worst in recent history, severely affecting more than one-and-a-half million people, approximately 11 per cent of the total population. Basic weaknesses in the internal transportation infrastructure as well as internal instability complicated the distribution of assistance made available. During the first two months of 1985, precipitation has been fair to good throughout most of the country; however, the pattern of these rains was somewhat irregular. Heavy downpours brought floods in the central and southern zones of the country, but should in general improve soil fertility. Summer crops were lost in the affected

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areas but winter crops should be good. On 26 March 1985, cyclonic winds with speeds of about 100 km per hour struck southern Maputo province cutting off electrical supply to the capital, adversely affecting water supplies, hospitals, industrial activities, port operations, irrigation schemes, communications and public services.

205. In spite of the difficulties confronting it, the Government is continuing on a pragmatic approach to deal not only with the immediate crises but also to establish a basis for long-term development. In May 1984, an Economic Action Programme for 1984-1986 was prepared by the Government aimed primarily at increasing production and trade in the rural areas. Under this programme, more emphasis is to be given to supplying the smallholder family subsector with agricultural inputs and basic consumer goods. It is anticipated that the official prices for food and export crops will be increased. Complementary fiscal, credit, wage and price measures would deal with balance of payments and budgetary problems and the still large deficits of state enterprises. Reference has already been made to the more recent austerity programme adopted by the Government. However, the ability of the Government to implement these policies of structural transformation is severely curtailed by the overwhelming need to devote time and resources to the more pressing problems of national security and emergencies.

## 2. Economic performance

206. Although there is limited reliable statistical data, all indications are that, in 1983/84, the economy of Mozambique continued to deteriorate. Preliminary estimates of Global Social Product were 74 billion meticaïs,\* a decrease of almost 6 per cent from the previous year. Per capita income was estimated at approximately \$125 in 1983; given the above it can only have declined further in 1984.

207. While tax revenues have been increasing in recent years, primarily the result of a revision in the tax system and better collection, the overall deterioration in economic conditions resulted in a 5 per cent decline in 1984. At the same time, current expenditures continued to increase by approximately 10 per cent between 1983 and 1984. Expenditures on defence and security account for more than 35 per cent of total expenditures. Investment expenditure was scheduled to decline by more than 35 per cent between 1983 and 1984, reflecting a decline in official assistance, the inability to obtain credit, and a Government policy of restraint. Overall, the State budget remains in significant deficit.

208. The critical balance-of-payments situation reflects the continuing economic deterioration in the country. As part of the colonial legacy, merchandise exports covered only a small portion of imports with the balance financed by services. The decline in exports to its lowest level since 1978 reflects primarily the reduction in the production of agricultural export commodities. Imports also declined in 1984, reflecting the acute shortage of foreign exchange (and credit)

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\* Exchange rate: 1983: \$US 1.00 = Mt 40.183; 1984: \$US 1.00 = Mt 42.443. It should be noted, however, that the domestic currency has been reported as trading up to 1,500 per US dollar on the black market.

with a resultant marginal improvement in the current account balance. Receipts from transit trade and workers' remittances declined sharply after independence and have not recovered. Anticipated revenue from the export of electricity produced at the Cohora Bassa dam to South Africa has not materialized since the disruption of transmission lines by armed bandits has prevented the agreed level of power from being achieved. Foreign borrowing and assistance has not been sufficient to close the financing gap. As a result, Mozambique has experienced a nearly total loss of reserves. In addition, by the end of 1984, payments arrears totalled approximately \$545 million.

209. By the end of 1984, the country's outstanding external debt totalled \$2.4 billion (including arrears). Of this, 92 per cent represents bilateral public debt owed to members of the Organisation for Economic Co-operation and Development (36 per cent), centrally planned economies (30 per cent) and countries of OPEC (the Organization of Petroleum Exporting Countries) (16 per cent). At a Paris Club meeting in October 1984, agreement was reached to provide debt relief on accumulated arrears as at 30 June 1984 as well as debt service payments falling due between 1 July 1984 and 30 June 1985. This still leaves an estimated \$550 million in payments due in 1984-1986. In spite of the debt relief obtained, the debt service ratio at the end of 1984 was equivalent to about 174 per cent of the value of exports of goods, not including accumulated arrears.

Table 28  
Mozambique: balance of payments

(Billions of meticaïs)

	1982	1983	1984
Trade balance	<u>-20.9</u>	<u>-18.9</u>	<u>-17.4</u>
Exports <u>a/</u>	12.6	8.8	6.5
Imports <u>b/</u>	33.5	27.7	23.9
Net factor income	<u>-0.9</u>	<u>-1.5</u>	<u>-2.8</u>
Current account balance	<u>-21.8</u>	<u>-20.4</u>	<u>-20.2</u>
Capital account	<u>17.9</u>	<u>6.4</u>	<u>9.6</u>
Official capital grants	3.0	3.6	7.0
Net medium and long-term loans	14.9	2.8	6.1
(Scheduled amortization)	(12.5)	(13.2)	(16.9)
Debt relief	-	-	8.7
Errors and omissions	<u>-1.6</u>	<u>-0.6</u>	<u>1.4</u>
Overall balance	<u>-5.5</u>	<u>-14.6</u>	<u>-12.0</u>

a/ Merchandise and non-factor services.

b/ Includes debt relief provided in 1984 in respect of 1983 (\$US 58.9 million) and 1984 (\$US 146.8 million).

#### B. Foreign assistance

210. Under present circumstances, the Government of Mozambique has been forced to devote much of its attention and effort to coping with the emergency situation. It is grateful for the assistance received. It would emphasize the need to respond not only to urgent emergency needs but also to the requirements for rehabilitation and development.

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# 1. Emergency assistance

211. The emergency needs of Mozambique as presented at the country specific meeting convened at Geneva on 15 March 1985 totalled \$88.5 million, to include food aid (\$39.2 million), agricultural inputs (\$17.0 million), essential health action (\$10.0 million), relief survival items (\$3.4 million), essential water projects (\$10.9 million), and logistic inputs (\$3.9 million). These figures are under constant review and are revised in accordance with changing circumstances. As at June 1985, the Office of Emergency Operations in Africa stated that the latest reports indicated little progress in terms of pledges or commitments for non-food items.

212. Even before the current emergency, Mozambique has relied on food aid to supplement domestic production and commercial imports to meet domestic food requirements. The Government has reported that in 1984 food aid, which included maize, wheat and rice, totalled 308,451 tons. Table 29 shows the current global supply forecast for the period 1 March to 31 December 1985:

Table 29

## Mozambique: cereals supply forecast (Global)

1 March-31 December 1985

(Thousands of metric tons)

	<u>Maize</u>	<u>Wheat</u>	<u>Rice</u>	<u>Total</u>
<u>Requirements</u>				
Normal market	162.5	115	90.0	367.5
Additional market requirements	10.0	-	7.5	17.5
Disaster requirements	168.2	-	19.0	187.2
Operational stocks	<u>64.9</u>	<u>23</u>	<u>10.0</u>	<u>105.9</u>
Total	405.6	138	134.5	678.1
<u>Supply</u>				
Stocks available	19.5	16.9	11.2	47.6
Planned market production	88.0	1.0	14.8	103.8
Commercial purchases	18.6	40.0	45.1	103.7
World Food Programme projects	39.9	-	-	13.9
Food and commitments	<u>100.2</u>	<u>17.4</u>	<u>21.8</u>	<u>139.4</u>
Total	240.2	75.3	92.9	408.4
<u>Deficit</u>	<u>164.4</u>	<u>62.7</u>	<u>41.6</u>	<u>269.7</u>

## 2. Rehabilitation projects

213. In addition to the above emergency and food aid requirements, the Government has called to the attention of the international community a limited number of priority rehabilitation projects designed to link emergency assistance with the development efforts of the country. Full details on these projects which are outlined below can be obtained from the appropriate authorities of the Government of Mozambique.

	<u>Estimated cost</u> <u>(millions \$US)</u>
(1) Rehabilitation of rural commercial network	22.0
(2) Support for health network (medicines)	4.0
(3) Water supply and construction	5.3
(4) Rehabilitation of rural roads	1.9
(5) Irrigation schemes	50.8

## XII. SAO TOME AND PRINCIPE

### A. Background

214. A review mission visited Sao Tome and Principe in June 1984 in response to General Assembly resolution 37/146 of 17 December 1982. The report of this mission is contained in the report of the Secretary-General (A/39/394, annex).

215. The archipelago of Sao Tome (860 sq km) and Principe (140 sq km) is located in the Gulf of Guinea, 325 km west of Gabon, its nearest neighbour on the African continent. The isolation of the country is heightened by the lack of regular air and shipping services as well as by the absence of adequate telecommunication services with the outside world. Based on data from the 1981 census, the population in 1984 was estimated to be 104,400, with an annual growth rate between 2.8 and 3.0 per cent. Sao Tome and Principe has been classified by the United Nations as a least developed country.

216. The economic problems of the country stem to a large extent from the structure inherited at independence. In the pre-independence period, the agriculture sector was organized into large, privately owned plantations devoted mainly to export crops, in particular cocoa, which in recent years still accounted for about 80 to 90 per cent of the total value of exports. The country imports most of its staple food requirements and is thus dependent on earnings from cocoa exports to pay for imports of food as well as the necessary agricultural inputs.

217. A major effort of the Government has been to reduce the dependence on cocoa. In recent years, the issue has become even more pressing as the volume of cocoa production and the price of cocoa on the world market have declined. The price fell from 129.0 dobras (Db) per kg in 1977 to Db 65.1 per kg in 1981 before rising to 94.6 Db per kg in 1984, which was still, however, less than 75 per cent of the 1977 level. In terms of United States dollars, the price declined to an even greater extent.

218. The drought that affected some parts of the country in 1982 and 1983, combined with the erratic pattern of rainfall in other parts, had a serious negative effect on the already fragile situation. The limited production of staple foods declined, and cocoa production was reduced by almost two thirds.

## B. Economic situation

### 1. Summary

219. Real growth in gross domestic product (GDP) has been substantially negative in recent years. Public sector deficits have increased, reaching 70 per cent of GDP in 1984. There has been a persistent trade deficit in the balance of payments and a net outflow on services. The outstanding disbursed external debt is estimated to have risen from \$US 15.7 million at the end of 1980, to \$87.0 million (over 200 per cent of GDP) at the end of 1984. The ratio of debt service payments to exports of goods and non-factor services rose from 1.6 per cent in 1980 to an estimated 26.9 per cent in 1983.

### 2. National accounts

220. Gross domestic product (GDP) at current market prices was estimated at Db 1,609 million in 1984, up 5.6 per cent from the previous year but lower by 1 per cent than the estimated GDP in 1980. However, real GDP (at 1983 prices) has declined steadily since 1980 and in 1984 was less than 70 per cent of the 1980 level. Per capita GDP in 1984 was approximately \$330, compared with \$486 in 1980.

Table 30

Sao Tome and Principe: gross domestic product by branch  
of economic activity, at current factor costs, 1980-1984

(Millions of dobras) a/

	1980	1981	1982	1983	1984
Agriculture, livestock forestry and fishing	580	420	379	454	379
Extractive industries	4	4	4	4	4
Manufacturing industries	118	95	112	130	142
Electricity, gas, water	31	32	37	40	46
Building and public works	105	118	156	114	137
Commerce, hotels, restaurants and services	90	76	106	114	142
Transport	106	90	125	133	166
Banks and insurance	16	15	18	15	19
Public administration	248	281	331	381	418
GDP at factor cost	1 298	1 131	1 268	1 385	1 453
Indirect imports net of subventions	327	279	281	138	156
GDP at current market prices	1 625	1 410	1 549	1 523	1 609
GDP at constant 1983 market prices	1 939	1 672	1 728	1 523	1 457

Source: Government of Sao Tome and Principe.

a/ Exchange rate: 1980: 35.0 dobras = 1 United States dollar  
 1981: 40.0 " "  
 1982 (October): 41.5 " "  
 1983 (October): 42.6 " "  
 1984 (July): 43.0 " "

### 3. Public finance

221. The deficit on current account has increased from 9 per cent of recurrent revenues in 1982 to almost 50 per cent in 1983. Provisional estimates for 1984 show the deficit still at 40 per cent of recurrent revenues, or over 16 per cent of GDP. Capital investment has fluctuated; as a percentage of GDP it was 24 per cent in 1981, 49 per cent in 1982, 21 per cent in 1983 and 49 per cent in 1984. The overall deficit, taking into account extrabudgetary operations, increased from 18 per cent of GDP in 1981 to over 70 per cent of GDP in 1984.

Table 31

Sao Tome and Principe: public finance, 1981-1984

(Millions of dobras)

	1981	1982	1983	1984 <u>a/</u>
Recurrent revenues	644.4	577.4	518.2	654.9
Recurrent expenditure	515.8	590.5	764.6	921.0
Current account balance	128.6	-53.1	-246.4	-266.1
Investment expenditure	338.4	755.0	323.1	785.0
Budgetary balance	-209.8	-808.1	-569.5	-1 051.0
Balance of extra-budgetary operations	-48.8	79.8	-227.8	-115.0
Overall balance	-258.6	-728.3	-797.3	-1 166.0

Source: Government of Sao Tome and Principe.

a/ Provisional.

### 4. Balance of payments

222. Cocoa accounted for 80 to 90 per cent of export earnings in recent years. Secondary export crops are copra, palm kernels and coffee. The pattern of imports reflects the structural weakness of the economy with consumer goods, basically food, accounting for more than half of all imports. Oil imports also represent a significant cost.

223. The balance of payments has been characterized by a persistent trade deficit and net outflow on services (mainly due to transport charges) that is covered for the most part by short-term capital movements. There was a significant improvement in the trade balance in 1983 and 1984 in comparison with 1982, achieved through drastic measures to reduce imports. This has serious implications for the economy, given its reliance on imports not only for food but also for inputs necessary to development. Of equal concern is the heavy reliance on short-term capital movements to finance the deficit and the implication this has for debt-service obligations.

Table 32

Sao Tome and Principe: balance of payments, 1980-1984

(Millions of dobras)

	1980	1981	1982	1983	1984
Exports	590.5	276.4	360.5	365.5	539.6
(of which cocoa)	(550.7)	(225.0)	(327.7)	(290.8)	(459.2)
Imports	-538.3	-523.8	-1260.0	-639.5	-485.9
Trade balance	52.2	-247.4	-899.4	-274.0	53.7
Services (net)	-152.0	-126.6	-387.2	-231.3	-255.0
(of which transport)	(-269.0)	(-186.3)	(-355.1)	(-173.7)	(-212.4)
Private transfers (net)	16.5	30.4	19.2	51.1	142.2
Official transfers (net)	-10.9	-13.9	13.9	104.6	42.4
Current account balance	-94.4	-257.5	-1 253.5	-349.6	-16.7
Capital (net) <u>a/</u>	-335.4	91.3	963.4	283.3	332.9
(of which medium and long term)	(5.8)	(113.3)	(64.6)	(-134.2)	(-104.7)
Overall balance	-429.8	-266.2	-290.1	-66.3	315.2
Change in reserves	-429.8	-266.2	-290.1	-66.3	315.2

Source: Government of Sao Tome and Principe.

a/ Including errors and omissions.

5. External debt

224. The outstanding disbursed external debt is estimated to have risen from \$US 15.7 million at the end of 1980 to \$87.0 million (over 200 per cent of GDP) at the end of 1984. Debt service has risen from 1.6 per cent of the value of exports of goods and services in 1980 to 26.9 per cent in 1983 and in 1985 to a projected \$5.88 million or 50 per cent of 1984 exports.

Table 33

Sao Tome and Principe: external debt, 1980-1984

(Millions of United States dollars)

	1980	1981	1982	1983	1984
Debt (disbursed, end of year)	15.7	17.5	32.6		87.0
Arrears					1.38
Debt service	0.21	0.51	1.91	2.17	
Interest	(0.03)	(0.04)	(0.38)	(0.43)	
Amortization	(0.18)	(0.47)	(1.53)	(1.74)	
Debt service ratio	1.6	8.3	24.0	26.9	

6. Food assistance

225. As indicated previously, under normal circumstances the country must meet a large part of its food requirements through imports. This situation was aggravated by the 1982-1983 drought, which reduced the already limited domestic production of staple crops. The Government has provided the following information on the situation in 1985.

Table 34

Sao Tome and Principe: food assistance: 1985

(tons)

Commodity	Basic food requirements	Estimated imports	Food assistance requested
Rice	4 200	1 856	1 420
Sugar	2 150	1 325	825
Wheat flour	4 800	2 020	380
Beans	900	449	451
Powdered skim milk	600	273	327
Vegetable oil	1 500	780	720

C. Special programme of economic assistance

226. The initial special programme of economic assistance for Sao Tome and Principe, formulated in 1978, consisted of 47 projects amounting to \$21.4 million, as outlined below:

	<u>Millions of dollars</u>
Agriculture (6 projects)	1.3
Industry (5 projects)	2.7
Minerals and natural resources (5 projects)	1.2
Transportation (14 projects)	11.8
Education and training (5 projects)	1.3
Health (6 projects)	1.3
Social development (2 projects)	0.3
Housing and urban development (4 projects)	<u>1.5</u>
Total	<u>21.4</u>

227. There have been substantial changes in the programme since it was initially formulated; some projects have been funded, new projects added and some projects withdrawn by the Government. Detailed information on the implementation of the programme as of mid-1984 was contained in the previous report of the Secretary-General (A/39/394, annex).

228. A UNDP Round Table meeting on Sao Tome and Principe is scheduled to take place in late 1985 at which projects, including or subsuming some of those in the special assistance programme, will be presented to donors.

XIII. SIERRA LEONE

A. Background

229. In its resolution 37/158 of 17 December 1982, the General Assembly expressed concern about the serious socio-economic problems being experienced by Sierra Leone, and requested the Secretary-General to dispatch a multi-agency mission to Sierra Leone to hold consultations with the Government on the additional assistance needed for the country's economic and social development. The report of that mission is contained in the report of the Secretary-General (A/38/211, annex), dated 13 June 1983, which describes the economic and social situation of Sierra Leone as of early 1983 and presents the country's high-priority needs for external assistance. The most recent report on Sierra Leone was contained in the report of the Secretary-General (A/39/392, sect. VIII).

230. The Republic of Sierra Leone, on the north-west African coast has a land area of 27,925 square miles. Its population was 2.75 million as of the last census conducted in 1973, and is currently estimated at between 3.2 and 3.6 million with a growth rate of 2.0 to 2.3 per cent per annum; the next census is due to be

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conducted in December 1985. The country is favourably endowed with natural resources - agricultural, mineral and water - and has the potential to achieve self-sustaining growth. In recent years, however, it has experienced serious economic and financial difficulties, owing in part to the adverse impact of the slow-down in global economic activity and in part to structural imbalances in its economy. Sierra Leone is classified by the United Nations as a least developed country.

## B. Economic situation

### 1. Overview

231. Agriculture, which contributes 30 per cent or more of the gross domestic product (GDP), is the principal source of livelihood for about 70 per cent of the population and the largest sector in the economy. Mining, trade, transport and communications and public services are the other sectors which contribute 10 per cent or more to the GDP. The industrial sector is very small; manufacturing and handicrafts together contribute less than 5 per cent of the GDP. The manufacturing subsector consists of medium-to-small enterprises producing import-substitution goods which have, however, a high import content. Industries processing local agricultural or other raw materials are underdeveloped. Dependence on external trade is indicated by the large proportion of external trade in relation to GDP (49 per cent in 1980/81) and of the large share of taxes and duties on international trade (over 50 per cent during 1979/80) in the total revenues of the Government. Urban consumption has a high import content.

232. According to available official data, after a decade of economic stagnation in the late 1970s and early 1980s, recent performance shows declining per capita real GDP and investment, increasing imbalances in domestic and external payments and accelerating inflation. One result of the growing imbalance in external payments has been the extreme shortage of foreign exchange, leading to an increasing scarcity of imported consumer goods and a sharp decline in raw materials and intermediate goods which, in turn, has led to a progressive fall in value added in the non-agricultural sectors of the economy. In addition to the severe scarcity of foreign exchange, there has been in recent years a drying-up of trade and commercial credits, large commercial payments arrears and unmitigated strains on Government finances. Commercial activity and employment have fallen.

233. The two-tier exchange rate system, which the Government adopted in December 1982 with a view to drawing foreign resources to the official banking system and consequently reducing parallel market activities, was abolished in July 1983, and the rates unified at leones (Le) 2.50 to the US dollar. Progressive worsening of the balance-of-payments deficits and the continued existence of a parallel market in which the leone was being traded at increasingly large discounts necessitated a further devaluation on 21 February 1985 to \$US 1 = Le 6. Despite this, however, trading in the leone continues in the parallel market at a large discount. Given the existence of a parallel market (due to a perception by the trading community that the balance-of-payments deficits reflects an overvaluation of the currency) and a severe foreign exchange shortage, export earnings are diverted from the banking system into the parallel market. Only by a combination of appropriate domestic economic and fiscal policies and adequate balance-of-payments support can this situation be corrected.

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## 2. National accounts

234. GDP at current market prices is estimated to have increased from Le 1,029 million in 1978/79 to Le 1,995 million in 1983/84, but by barely 1 per cent per annum in real (constant 1972/73 prices) terms. With population estimated to be increasing at more than 2.0 per cent per year, the decline in GDP per capita averaged more than 1 per cent per year. This trend of decline in real GDP per capita represents a deterioration of the trend of the 1970s, during which the growth of GDP had kept pace with population increases, according to the Central Statistics Office.

235. Gross fixed capital formation is also estimated to have declined during the 1980s, from 13 per cent of GDP in 1978/79 to about 8 per cent in 1982/83 and 1983/84. The decline has been experienced in both public and private investment; the latter is estimated at about one third of the total investment.

236. Since the consumption/GDP ratio is estimated in the region of 95 to 100 per cent, almost all investment is financed from external sources. Public investment, primarily in agriculture and physical and social infrastructures and financed principally by external loans and grants, fluctuated between 5 and 11 per cent of the GDP during this period, but was declining. Private investment was mainly in the non-agricultural sector.

Table 35  
Sierra Leone: gross domestic product and  
expenditure, 1978/79-1982/83

	1978/79	1979/80	1980/81 <u>a/</u>	1981/82 <u>a/</u>	1982/83 <u>b/</u>
GDP in current market prices	1 029.2	1 555.5	1 338.0	1 565.0	1 955.0
Agriculture, forestry, and fishing	326.9	350.9	403.5	450.0	570.0
Mining and quarrying	115.9	124.6	119.7	129.6	168.8
Manufacturing	54.5	58.7	60.0	70.7	85.7
Trade and tourism	114.6	152.6	171.0	222.0	235.0
Transportation and communications	107.2	159.2	180.6	222.0	296.7
Other	310.1	309.5	403.2	491.2	638.8
Gross domestic expenditure in current prices	1 113.4	1 332.9	1 512.5	1 761.5	2 125.0
Consumption	975.3	1 145.6	1 332.0	1 580.0	1 954.0
Gross investment	138.1	187.3	180.5	181.5	171.0
Resource gap (-) in current prices	-84.2	-177.4	-174.5	-196.5	-130.0
GDP at 1972/73 factor cost	401.7	418.0	420.0	420.1	420.5
<u>(Annual per cent change)</u>					
GDP in current market prices	21.1	12.3	15.8	17.0	27.5
GDP at 1972/73 factor cost	6.0	4.1	0.5	-	-
Gross domestic expenditure in current prices	24.8	19.7	13.5	16.5	20.6
<u>(Per cent of GDP)</u>					
Consumption	94.8	99.1	99.6	101.0	97.9
Gross investment	13.4	16.3	13.5	11.6	8.6
Gross domestic saving	5.2	0.9	0.4	-1.0	2.1
Resource gap (-)	-8.2	-15.4	-13.0	-12.6	-6.5
<u>Consumer prices</u> <u>(Annual per cent change)</u>					
Consumer price index for Freetown (average)	14.1	19.3	13.7	26.3	49.4

Source: Government of Sierra Leone.

a/ The GDP data are provisional estimates.

b/ Projections.

### 3. Balance of payments

237. There has been a deterioration in the balance of payments, reflecting both a fall in the volume and value of exports and increased import prices, especially fuel. Up to the early 1970s, long-term capital imports (mainly private) more or less covered current account deficits. Since then the overall balance has shown deficits. However, because of the existence of a parallel market with significant though fluctuating levels of unrecorded transactions, the data on exports, imports and balance of payments have to be interpreted with particular caution. This need for caution is indicated also by the large size of the item short-term capital and errors and omissions in most years since 1978/79.

238. In 1982/83 minerals, mainly diamonds, bauxite and rutile, accounted for about 75 per cent of the value of recorded exports with agricultural commodities - cocoa, coffee and palm kernels - accounting for the remainder. Recorded exports, although fluctuating from year to year, have declined since 1979/80; exports in 1982-1984 averaged little more than half the level for 1979/80. The trend for recorded imports was similar but the contraction during the two years 1982-1984 was even more sharp; imports in 1983/84 were only half of those in 1981/82. Both the trade and current account balance showed large deficits throughout this period, although the size of the deficits were reduced during 1982-1984. The reduction in imports was due mainly to the restrictive fiscal policies adopted by the Government during this period as part of the economic stabilization programme, formulated in consultation with the International Monetary Fund (IMF), in connection with an agreement on a stand-by credit of \$50.2 million from the Fund, approved in February 1984.

239. Capital account movements have been influenced by the large borrowing by the Government (mainly suppliers' credits) for its investments in connection with the Organization of African Unity (OAU) Conference in 1980. However, the more significant development is the increasing private capital outflow, indicating primarily a loss of confidence. Since the capital account inflows had largely offset the current account deficits earlier, and were not available after 1979/80, the period 1980/81-1983/84 has been marked by large overall balance-of-payments deficits. This represents 10 per cent or more of the GDP in three out of the six years 1978/79-1983/84 and provides an indication of the magnitude of the external payment problem that the country faces.

Table 36

Sierra Leone: balance of payments 1978/79-1983/84

(Millions of SDRs)\*

	1978/79	1979/80	1980/81	1981/82	1982/83 <u>a/</u>	1983/84 <u>a/</u>
Exports, f.o.b.	122.3	177.0	131.5	118.5	88.0	103.8
Imports, f.o.b.	-217.3	-270.2	-242.2	-247.1	-161.1	-125.8
Trade balance	-95.0	-93.2	-110.7	-128.6	-73.1	-22.0
Services	-51.6	-57.9	-54.8	-61.0	-51.6	-50.0
Private transfers	5.5	6.0	7.7	8.0	3.8	3.8
Current account balance	-141.1	-145.1	-157.8	-181.6	-120.9	-68.2
Government transfers	9.5	13.2	30.7	22.8	18.3	24.7
Long-term capital	45.9	60.6	9.9	-6.7	-7.0	-28.8
Short-term capital and errors and omissions	34.6	22.5	-8.2	45.3	36.2	-26.2
Allocation of SDRs	3.2	3.2	3.2	-	-	-
Overall balance	-47.9	-45.6	-122.2	-120.2	-73.4	-98.5
Of which: covered by arrears accumulation	(34.9)	(16.1)	(58.6)	(86.2)	(40.0)	(-1.5)

(Per cent of GDP)

Exports	16.2	20.9	13.4	10.3	7.1	10.9
Imports	28.9	32.0	24.7	21.6	13.0	13.3
Current account deficit	18.7	17.2	16.1	15.9	9.5	7.1
Overall deficit	6.4	5.4	12.5	10.5	5.8	10.3

Gross official foreign reserves

(end of period)

(Millions of SDRs)

Holdings of SDRs	0.5	1.3	0.1	-	-	-
IMF reserve position	-	-	-	-	-	-
Foreign exchange	25.9	28.1	16.5	10.3	9.4	3.7 <u>b/</u>
Total	26.4	29.4	16.6	10.3	9.4	3.7 <u>b/</u>

\* Special drawing rights.

a/ The balance-of-payments data are provisional estimates.

b/ At end-June 1984.

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#### 4. Public expenditure and income

240. Central Government expenditure started to increase rapidly after 1972/73. Recurrent expenditure rose from Le 57 million in 1972/73 to Le 365 million in 1983/84 and development expenditure from Le 14 million to Le 104 million, while other expenditure (extrabudgetary spending) rose from Le 4 million in 1972/73 to nearly Le 72 million in 1980/81, after which it has declined, to an annual average of Le 21 million in the 1981/82 to 1983/84 period.

241. The accrual of tax and other current revenues and of grants increased from Le 64.6 million in 1972/73 to Le 272 million in 1983/84. However, this increase was less than the rate of growth of expenditures. Tax and duties on international trade is a significant component of revenue and fluctuates as a result of both changes in rates and the buoyancy of taxable exports and imports. The tax/GDP ratio was 14.5 per cent in 1972/73, rose in 1978/79 to 18.3 per cent, but declined to 7 per cent in 1982/83 and to only 5 per cent in 1983/84. In view of the potential tax base of the country, these percentages are low, reflecting not only low rates but also numerous exemptions as well as tax avoidance.

242. As a result of developments in expenditure and revenue, the overall deficit of the Government increased from Le 10 million in 1972/73 to Le 270 million in 1982/83, before decreasing to Le 179 million in 1983/84. In relation to GDP, the deficit was 2.7 per cent in 1972/73, rose to 11-13 per cent during 1978/79-1982/83, and declined to about 8 per cent in 1983/84 and to a projected 6 per cent in 1984/85.

Table 37

#### Sierra Leone: Government revenue and expenditures

(Millions of leones)

	1981/82	1982/83	1983/84	1984/85 <u>a/</u>
<u>Expenditures</u>	408.3	409.0	469.3	481.3
Recurrent	248.8	261.7	365.4	328.3
Development	94.9	100.0	103.9	108.0
Other	23.4	40.0	-	10.0
Arrears reduction	41.2	8.1	-	35.0
<u>Revenues and grants</u>	206.3	181.3	271.7	273.9
Direct taxes	43.5	43.4	74.2	49.8
Indirect taxes	130.8	100.3	129.2	135.1
Non-tax revenues	8.9	12.3	12.7	n.a.
Grants	23.1	25.5	55.6	55.0
Deficit (as percentage of GDP)	12.9	11.4	7.9	6.0

Source: Government of Sierra Leone.

a/ Budget.

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243. There has been a change in the structure of current expenditure. Overall, the share of expenditure on personnel (including wages and most allowances and salary grants to primary and secondary school teachers) rose from 54.3 per cent in 1975/76 to 58.8 per cent in 1983/84. However, in the case of some ministries which are mainly engaged in development activities, the ratios between personnel expenditure and total expenditure changed much more significantly: in agriculture and natural resources, personnel expenditures increased from 39.9 to 70.6 per cent; in public works from 66.7 to 93.4 per cent, in transport and communications from 47.1 to 67.2 per cent and in education from 62.3 to 69.9 per cent. In health services there was a decline from 59.4 to 48.6 per cent, as a result of substantial payments for supplies, although in 1982/83 the ratio was 57.1 per cent. Altogether, the ratio of expenditure on personnel in these five ministries rose from 58.1 per cent to 69.4 per cent. Recurrent expenditure other than personnel costs in the five ministries fell in real terms. This was not only because of the deteriorating financial position of the Government but also because of the worsening foreign exchange position of the country, which limited expenditures on imported inputs. The decline in efficiency of the staff and work force has become increasingly clear.

244. As regards development expenditure from the Government's own resources, the tightening situation is evident. In 1975/76, development expenditure from local sources was Le 15 million, of which Le 6 million was counterpart financing. In 1983/84, domestic development expenditure was Le 26 million, of which Le 13 million was local cost financing for externally financed projects. Even here, all such local financing was derived from external sources, mainly from STABEX payments and commodity sales. In real terms local financing development expenditure has shrunk greatly, resulting in a local cost problem, since all the agreed counterpart funding for the externally financed projects could not be provided.

## 5. Public debt

245. The deterioration of the financial situation of the Government and of the external position of the economy as a whole was reflected in the monetary aggregates. With the deterioration of the Government's financial situation, bank financing started to increase in the mid-1970s. Since 1976/77, the largest share of the overall Government deficit has been financed through net domestic rather than through external borrowing.

246. In 1974, internal debt was Le 44 million, 9 per cent of the GDP, largely in the form of bonds in circulation and Treasury Bills. Advances from the Central Bank of Sierra Leone were only Le 4 million. At the end of June 1984, the internal debt of the Government stood at Le 1,049 million, 36 per cent of the GDP. Most of this was held by the banking system. Advances were Le 25 million; most of the Government's indebtedness to the Central Bank had been converted into Government stock, of which Le 575 million was irredeemable 1 per cent stock. The very rapid expansion in domestic debt, especially that of central bank financing, resulted from the relatively slow growth in revenue in comparison with the expansion in recurrent and extrabudgetary expenditures. This increase in debt has, in turn, contributed to inflation and the serious weakening of the external position of the

country; net foreign assets declined to Le 692 million by 30 June 1984. In 1983/84, internal interest payments were Le 35.2 million. During the year, internal debt increased by over Le 200 million. An orderly and definite improvement in deficit financing needs to be achieved in the near future.

247. Taking into account the effect of the re-scheduling by the Paris Club in February 1984, it is estimated that the external public debt (disbursed and outstanding) stood at \$470 million at the end of June 1984. The debt service obligations were projected to increase progressively from \$70 million in 1985/86 to \$99 million in 1987/88 before falling to \$92 million in the next year. The corresponding variations in debt service/export earnings ratio would be 46.5 per cent in 1985/86, 52.5 per cent in 1987/88 before a decline to 45.7 per cent in 1988/89. These estimates of debt service do not include obligations of the private sector and thus understate the total burden of external debt on the economy.

248. The country's large debt-service obligations are due in part to the unfavourable structure of the debt, in particular the high proportion represented by non-concessional loans, mainly suppliers' credits, which have high interest rates and short maturity periods of five years or less.

249. The large external debt, and the heavy burden of the debt service obligations contribute to the weakness of the currency and undermine investor confidence. The debt service obligations projected above would be beyond the repayment capacity of the Government unless adequate balance-of-payments support and one or more further re-schedulings of the debt are forthcoming.

### C. Special programme of economic assistance

250. An assistance programme composed of 71 priority projects, costing \$275 million, was presented in the report of the Secretary-General (A/38/211, annex). Of these projects, 27, costing \$124 million, were considered especially urgent. In addition, 18 other important projects with a total cost of \$196 were identified. As at mid-1984, less than 3 per cent of the resources required to implement the priority projects had been mobilized.

251. A round-table conference of donors for Sierra Leone is tentatively scheduled to convene in November 1985. Documentation has been approved in principle by the Government of Sierra Leone for the purpose of sensitization missions to major donor capitals which took place from 5 to 14 June 1985. Based on the discussions during these meetings, some additional work on the documentation was required and it is now being finalized. It was also made clear during the sensitization missions that an agreement between IMF and the Government of Sierra Leone was an essential ingredient for a successful round table. This may affect the eventual timing of the conference.

252. The principal objective of the round table will be to improve the climate for aid flows through better mutual understanding and appreciation by the donors and the representatives of the Government of the constraints and problems on both

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sides. As a result of these problems most of the donor-assisted projects and programmes are experiencing delays and other difficulties, and the level of donor assistance to Sierra Leone has been falling.

253. The conference of donors for Sierra Leone is not a pledging conference. The volume of assistance from individual donors and the purposes for which it is to be utilized will continue to be decided through discussions between the Government and donors, exchange of delegations, and negotiations on individual projects and programmes. Furthermore, the proposed round table will be followed by more detailed sectoral programme consultations and country reviews. A second round table could also be organized in about two years.

254. The focus of the assistance programme is on rehabilitation and recovery of the economy and is designed to complement the reforms in economic policies and management. The programme is visualized as the first stage of a longer-term six-year programme. The second phase is expected to be of larger size.

255. The needs of project and non-project external assistance, are estimated at \$756 million. Non-project assistance includes technical assistance, food aid, balance-of-payments support and assistance towards meeting the recurrent costs of maintenance and operation of infrastructure and social services. Almost one half of the needed assistance is for balance-of-payments support and meeting recurrent and local costs.

#### XIV. SWAZILAND

##### A. Background

256. In response to a request received from the Government of Swaziland, the Economic and Social Council, in its decision 1984/106 of 10 February 1984, requested the Secretary-General to send an inter-agency mission to Swaziland to assess that country's priority needs in the light of the cyclone damage incurred in January 1984 and its medium-term and long-term implications for the economy. The report of that mission is contained in the report of the Secretary-General (A/39/598), dated 23 October 1984, which describes the economic situation of Swaziland and contains an assessment of damage that resulted from the cyclone. It also provides details of the emergency response to the disaster and of outstanding requirements for assistance.

257. Swaziland is a land-locked developing country of 17,360 square kilometres with a population of about 600,000 and an estimated per capita in 1982 of approximately \$US 880.\* Bounded by Mozambique on the east and South Africa on the north, west and south, Swaziland has three topographical and climatic regions: the high veld, with a temperate climate, the middle veld, which is suitable to food crops, and the low veld, which has a hot and dry climate and is subject to periods of protracted drought. The majority of Swazis reside in rural areas and are engaged in

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\* The monetary unit in Swaziland is the lilangeni (E) (plural: emalangeni). As at 1 June 1985, the value of the lilangeni was E 1 = \$US 0.50.

subsistence farming and one third of the labour force is employed in the modern sector. Six per cent of the labour force works in the mines of South Africa and contributes to the economy through remittances. The economy is both dualistic, being divided into a well-developed modern sector and a traditional sector, and open, with foreign trade representing two thirds of the gross domestic product (GDP).

## B. Economic situation

258. Swaziland continues to experience a difficult economic situation owing to the compounded effects of: the 1981-1983 drought, the January 1984 Cyclone Domoina, reduced investment and the world-wide recession which remains particularly severe in southern Africa. Real growth of the economy remains negligible, as it has been since 1981, and per capita incomes are falling as the population grows by 3.4 per cent per year. Swaziland has a relatively high ratio of paid employment to working age population (29 per cent in 1982), but this too is declining and employment generation has become a major priority of the Government. Important opportunities exist for productive investment but the recent slower growth of Government revenues and the burden of cyclone rehabilitation on the budget restrict the ability of Government to support new investment from current revenues.

### 1. Central Government operations

259. The Fourth Development Plan (1984-1988) was approved by the Cabinet late in 1984. The Plan forecasts that the economy will grow by 0.7 per cent per year during the remainder of the Plan period, which implies a continuing annual fall in per capita incomes of 2.6 per cent. Government revenue is targeted to grow at 1.5 per cent per year and the trade deficit is expected to widen, mainly owing to the poor prospects for the price of sugar. In light of these conditions, the main targets of the fourth Plan are: (a) greater efficiency and control over the use of public funds; (b) stimulation of private investment; (c) promotion of job creation especially through vocational training programmes and (d) the establishment of productive agricultural employment opportunities in the rural areas. It is estimated by the Government that it will take five years to complete the repair of damage caused by Cyclone Domoina, and this is reflected in the 1985/86 capital budget by a shift in the allocation of resources from the social sector to the economic sector of approximately 10 per cent as compared with 1984/85.

Table 38

Swaziland: Central Government operations, 1980/81-1985/86

(Millions of emalangeni)

	1980/82	1981/82	1982/83	1983/84	1984/85		1985/86
					Budget	Preliminary estimate	Preliminary budget
Revenue and grants	<u>163.3</u>	<u>134.2</u> a/	<u>182.1</u> a/	<u>187.4</u>	<u>215.2</u>	<u>203.0</u>	<u>229.1</u>
Tax revenue	139.9	119.6	163.3	166.6	192.8	186.7	203.9
Non tax revenue	14.0	10.2	23.4	12.7	16.0	14.0	13.8
Grants	9.4	4.4	5.4	8.1	6.4	2.3	11.4
Expenditure and net lending	<u>142.2</u>	<u>182.2</u>	<u>199.4</u>	<u>203.0</u>	<u>224.5</u>	<u>236.6</u>	<u>244.8</u>
Current expenditure	84.5	109.1	124.0	136.2	149.8	156.8	157.2
Capital expenditure	45.3	61.9	57.7	53.9	61.0	58.7	80.4
Net lending	12.4	11.2	17.7	12.9	13.7	21.1	7.2
Overall surplus or deficit (-)	<u>21.1</u>	<u>-48.0</u>	<u>-17.3</u>	<u>-15.6</u>	<u>-9.3</u>	<u>-33.6</u>	<u>-15.7</u>
	<u>21.1</u>	<u>-48.0</u>	<u>-17.3</u>	<u>-15.6</u>	<u>-9.3</u>	<u>-33.6</u>	<u>-15.7</u>
Financing	<u>-21.1</u>	<u>48.0</u>	<u>17.3</u>	<u>15.6</u>	<u>9.3</u>	<u>33.6</u>	<u>15.7</u>
Foreign	6.2	6.3	0.8	4.9	-0.5	17.1	16.7
Gross borrowing	(11.0)	(12.3)	(10.5)	(14.2)	(10.2)	(39.5)	(35.9)
Amortization	(-4.8)	(-6.0)	(-9.7)	(-9.3)	(-10.7)	(22.4)	(19.1)
Domestic borrowing	-27.3	41.7	16.5	10.7	8.8	16.5	-1.1
Monetary authorities	(-21.7)	(38.2)	(6.2)	(1.01)		(-1.7)	
Banks	(-7.8)	(1.2)	(10.3)	(5.78)		(-)	
Other	(2.2)	(2.3)	(-)	(1.21)		(4.4)	
Errors and omissions				(1.21)			

Source: Data provided by the Swazi authorities.

a/ Some E 30 million received from the South African Customs Union in 1982/83 was generated in 1981/82.

260. The introduction of a sales tax in September 1984, at a single nominal rate of 5 per cent, is proving to be a significant source of revenue. However, receipts from the Southern African Customs Union continue to be the major source of Government revenue (approximately two thirds); the rate of growth of the receipts has remained stable at around 5 per cent. Further efforts to improve the revenue base are planned, focusing on a revision of fines, fees and other miscellaneous rates, and improving collection efficiency.

## 2. Balance of payments

261. Although the balance of payments was favourable both in 1983 and 1984, this was in large part due to special factors which are unlikely to be repeated in 1985 or 1986, namely, an extremely large short-term capital inflow in 1983, which was only partly reversed in 1984, and a large improvement on current account in 1984 owing to delays in the arrival of imports related to cyclone repairs, the selling of stocks of the Swaziland chemical industries and receipts of reinsurance claims for cyclone damage. Short-term capital inflows continue in 1985 under the influence of lower interest rates prevailing outside the Rand monetary area. The current account deficit before 1981 was financed by large inflows of investment capital for both private and public sectors associated with the major new projects of those and preceding years. Much of the Government deficit since then has been financed by a run-down in its cash reserves which is the equivalent to a reduction in the level of foreign reserves. Hence, the overall trend in the official reserve position has been declining since 1977. Although the balance of payments is somewhat better than previous years, the downward trend remains a matter of concern and indicates the need for overall restraint in public spending, diversification of exports and better promotion of private investment.

Table 39

Swaziland: summary balance of payments, 1979-1984

(Millions of emalangen)

	1979	1980	1981	1982	1983	1984
Current account balance	<u>-89.7</u>	<u>-96.0</u>	<u>-100.8</u>	<u>-83.0</u>	<u>-111.0</u>	<u>-18.4</u>
Trade account	-118.7	-119.0	-107.7	-107.6	-176.5	-125.8
Exports, f.o.b.	203.4	286.9	340.3	368.4	351.0	390.0
Imports, f.o.b.	-322.1	-405.9	-448.0	-476.0	-527.5	-515.8
Services (net)	-14.8	-27.3	-35.1	-42.4	0.5	36.0
Transfers (net)	43.8	88.0	62.6	109.5	119.0	71.4
Goods and services account	-133.5	-146.3	-142.8	-150.0	-176.0	-89.8
Long-term capital (net)	<u>78.4</u>	<u>29.4</u>	<u>41.1</u>	<u>52.7</u>	<u>34.1</u>	<u>26.7</u>
Public sector	31.7	15.8	10.5	20.8	30.6	25.6
Private sector	46.7	13.6	30.6	31.9	3.5	-1.1
Basic balance (A+C)	-11.3	-66.6	-59.7	-30.3	-76.9	8.3
Short-term capital (net)	<u>6.0</u>	<u>88.4</u>	<u>37.2</u>	<u>24.6</u>	<u>96.1</u>	<u>31.8</u>
Deposit money banks	3.1	4.4	-2.4	-1.0	1.7	-0.2
Other short-term capital including errors and omissions	2.9	84.0	39.6	25.6	94.4	32.0
Overall balance (A+C+E)	-5.3	21.8	-22.5	-5.7	19.2	40.1
Reserves (increase - )	5.3	-21.8	22.5	5.7	-19.2	-40.1
Central bank foreign assets	6.7	-8.5	20.0	-8.7	-39.0	-14.6
Central bank foreign liabilities	-0.3	-0.8	-6.4	0.7	10.5	-
To IMF	-	-	-	-	10.5	-
Other	-0.3	-0.8	-6.4	0.7	4.9	-1.1
Government balances abroad (increase - )	-1.1	-12.5	8.9	13.7	4.4	-4.2

Source: Central Bank of Swaziland.

### 3. Sectoral reviews

262. Agricultural production showed a marked improvement in the 1983-1984 season with record crops in maize, sugar and pineapples. Table 40 shows the major food crops grown between 1978 and 1984 on Swazi Nation Land, mainly maize, and the major crops of individual tenure farms, mainly sugar. Maize production reached 110,000 tons as compared to 51,000 tons in 1982/83. Preliminary estimates of the 1984/85 maize crop are approximately 90,000 tons or 70 per cent of total demand. As in previous years, the deficit will be made up by purchases from South Africa through normal commercial channels.

263. Sugar production reached 380,000 tons in 1983/84 and 402,000 tons in 1984/85. However, the falling price of sugar and the declining proportion of the crop being sold under quota or to protected markets has resulted in a reduction in revenue for the industry.

264. Pineapple production also continues to grow steadily and world prices have improved since 1983 owing to reduced supply from other areas.

265. Total production in citrus has shown a downward trend in recent years and the 1983-1984 crop was seriously affected by Cyclone Domoina. Cotton, however, has made some recovery since the 1981-1982 drought, but production is still below earlier years. It is expected that the planned textile mill will stimulate production.

Table 40

Swaziland: agricultural production

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
(Thousands of metric tons)						
Food crop statistics for Swazi Nation Land 1978/79-1983/84 <u>a/</u>						
Maize	97.5	96.7	93.7	61.8	51.3	110.0
Sorghum	1.6	1.6	1.1	1.1	1.1	0.5
Beans	1.1	0.3	0.9	0.7	0.7	0.2
Ground-nuts	1.5	1.3	0.6	0.5	0.5	2.6
Major crops of individual tenure farms 1978/79-1983/84 <u>b/</u>						
Sugar cane	2 242.4	2 195.9	2 782.3	3 249.7	3 491.7	3 562.3
Cotton	6.9	9.2	10.9	5.9	4.1	8.1
Pineapples	29.9	27.6	29.3	30.0	34.7	38.1
Rice	5.0	0.3	0.9	0.9	0.3	0.2
Maize	10.0	8.8	9.0	9.0	9.0	0.6*
Citrus fruits	62.4	57.4	66.6	58.5	53.4	46.1*
Total	<u>2 356.6</u>	<u>2 299.3</u>	<u>2 898.1</u>	<u>3 354.0</u>	<u>3 593.2</u>	<u>3 660.8</u>

Source: Data provided by the Government of Swaziland.

\* Estimated figures.

a/ Crop year beginning 1 September.

b/ Precise crop years vary.

266. Wood pulp has been the second major export (after sugar) since 1979. Production in 1984 was a record 180,000 metric tons and prices also resumed an upward trend in 1984. Sawn timber accounts for less than 4 per cent of total exports and demand in the sub-region remains slack.

267. The manufacturing industry is dominated by processing local agricultural and forest products. Recessionary forces in the region aggravated by drought conditions in 1982 and 1983 saw reductions in agriculturally-based manufacturing industries such as cotton ginning and meat processing. The chemical and fertilizer plants experienced particular difficulties following a marked decline in demand because of the drought and the fertilizer plant which is temporarily closed down. The number of new firms in the country has also fallen during the recent past, reflecting the impact of the incentives package offered in South African "homelands". However, a marginal increase in manufacturing output was experienced in 1984 following the inauguration of a brick manufacturing company. Although production in 1984 was insignificant, sources suggest that the works could be running at full capacity (1 million bricks per week) by mid-1985. Prospects for the manufacturing sector in 1985 and beyond will be further improved by the implementation of two other important industrial projects, namely, a cotton spinning mill and a shoe factory.

268. In a concerted effort to compete with the incentives offered in the homelands, the Government has introduced a new package of financial incentives for investment. All new firms in manufacturing industries not previously represented in Swaziland are, under certain conditions, exempted from Company tax for the first five years of operation. For new firms in existing industries and for expanding firms, the system of allowances is to be made more favourable. These measures were introduced in the 1985 budget speech.

269. In the mining sector, there had been improvement since 1983 owing to increases in the value and volume of sales of both coal and asbestos, despite declines in the production of both minerals. In 1984, however, foreign exchange earnings fell to E 18.1 million, mainly because of a decrease in asbestos exports. However, coal exports showed an increase following a rise in production. Diamonds were also exported following successful exploration efforts in previous years.

270. In the transportation sector, the Government has signed a loan agreement with the World Bank for \$8.6 million to support the road rehabilitation programme that is being undertaken following Cyclone Domoina. The Project will assist in repairing about 700 km of main roads and approaches to key bridges and 500 km of district roads. The project is being supplemented by USAID (United States Agency for International Development) (\$1.06 million) and the Government of the United Kingdom of Great Britain and Northern Ireland, which has undertaken the reconstruction of one of the principal damaged bridges (Big Bend).

271. The project for expanding Matsapha Airport is expected to be completed in 1986 and the northern rail link is scheduled to be opened late in 1985. When the latter has been completed, it is foreseen that Swaziland Railways will once again be able to break-even in its operations, although Phuzumoya Bridge on the southern link to South Africa still has to be repaired. The Luphohlo-Ezulwini hydro-electric scheme has been completed, with the result that Swaziland is now approximately 70 per cent self-sufficient in electric-power generation.

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272. Education and training continues to take the largest single share of the recurrent budget (24 per cent). The principal new capital expenditure foreseen in this sector during the Plan period is the construction with the assistance of the European Economic Community (EEC) of a new Vocational Training Centre at Matsapha.

273. The health sector budget is also to be slightly increased in 1985/86 in an attempt to remedy the currently inadequate funding of hospitals, especially in the area of drugs. The emphasis of preventative health programmes continues to be in the maternal and child health sector and in the control of infectious and water-borne diseases. Potable water supplies currently reach 80 per cent of the urban and 40 per cent of the rural populations. The Rural Water Supply Board continues its programme in the rural areas and a recently approved UNDP project, financed from the United Nations Emergency Operations Trust Fund, makes available an additional \$750,000 to provide potable water to an additional 25,000 people. This project will focus particularly on the needs of drought prone areas where surface water supplies dried up completely during the 1981/83 drought.

274. In the housing sector, no new initiatives are planned until a national housing policy has been formulated.

#### B. Special programme of economic assistance

275. The special economic assistance programme consisted of 23 projects in five sectors aimed at repairing and reconstructing Swaziland's infrastructure resulting from the cyclone and flood damage: nine projects in roads and bridges rehabilitation at a cost of E 39.5 million, five projects in agriculture at about E 11.2 million, two projects relating to power at E 1.2 million, four projects in water supply at E 1.1 million and three projects in public facilities at E 1.7 million. The total amount of funding required was estimated at E 54.7 million. In the following paragraphs, information provided by the Government concerning some of the assistance received after the appeal for emergency assistance has been summarized.

##### Housing

276. The United Nations Centre for Human Settlements sent a consultant for six weeks in February-March 1985 to undertake a more detailed assessment of damage to housing and settlements caused by Cyclone Domoina. The consultant's report estimates that approximately 4,500 homesteads and 30,000 people were affected by the cyclone. However, as most of these homesteads had been constructed from traditional materials, the repairs or reconstruction required were undertaken by the occupants on their own initiative in the months following the cyclone. No significant assistance has been received in this sector.

##### Railways

277. Reconstruction of bridges, embankments and of the permanent railway was undertaken by the Swaziland Government in the months following the cyclone at a total cost of E 6.5 million. Unfortunately, the temporary bridge that was constructed over the Usutu at Phuzumoya was washed away by heavy rains in

February 1985 with consequent disruption of the southern rail link to Richards Bay. However, the Danish International Development Authority (DANIDA) has now approved an interest free loan of E 6 million for the construction of a permanent bridge at Phuzumoya.

#### Roads and bridges

278. Immediately following the cyclone a programme of short-term rehabilitation works was undertaken. This operation involved such activities as the erection of the three Bailey bridges, supplied by the United Kingdom, reconstruction of sections of roads, and repairs of washed away approaches to bridges and culverts. An important feature of this programme was that it catered for protection works that had to be effected prior to the coming of the 1984/85 rains so as to avoid further deterioration of the already weakened network. The work was carried out either using the roads branch force or short contracts. The expenditure is estimated at E 6,375,000. The permanent rehabilitation projects for which funding has been secured and the works that are in progress are described in the following subparagraphs:

(a) Mkhondvo to Mahamba road rehabilitation projects: a loan of E 6.06 million has been obtained from the African Development Fund (ADF) for the rehabilitation of the damaged road and the building of an 11 km access road to Hlatikulu. The consultants were appointed in January 1985. Tender documents have been completed and are awaiting clearance from ADF. It is planned that tenders will be returned in mid-July and construction works to commence in August 1985.

(b) Big Bend Highlevel Bridge: the Government of the United Kingdom has made a grant towards the reconstruction of the highlevel bridge at Big Bend to the amount of E 4.8 million. The consultants were appointed in December 1984. Design and site investigations are progressing according to plan. Tender calling is scheduled for the end of May 1985 and the construction contract is expected to be awarded in early August 1985. According to the work programme, it is anticipated that the bridge will be open to traffic before the 1986/87 rains.

(c) Nsoko Road Bridge: the Danish Government has provided a loan of E 3 million for the design and construction of the road bridge at Nsoko. The loan has been approved and appointment of consultants is being finalized. The design and construction period is assessed at 16 months. Completion is therefore expected before the rains in 1987.

(d) Road Rehabilitation Project: a loan amounting to E 16.3 million (\$US 8.6 million) has been secured from the World Bank for the rehabilitation of about 700 km of main roads and 500 km of district roads to pre-cyclone condition. The loan agreement was signed in February 1985. The programme has been split into two parts. Consultants have submitted proposals and the assessment is being finalized. The programme is spread over a period of 24 months.

(e) Improvement of plant availability: USAID has provided a grant of \$US 750,000 to assist in the repair of plant and vehicles in the Roads Branch to improve the prevailing low availability. This provision for plant repair, together with two rehabilitation engineers, will assist in the rehabilitation of some 300 km

of district roads over a period of two years. At the same time, it was recognized by several donors that technical assistance would be required to strengthen the Roads Branch of the Ministry of Works and Communication if the reconstruction work was to be carried out effectively. The technical assistance so far obtained is as follows:

- (i) Rehabilitation Programme Advisor: UNDP/DTCD (Department of Technical Co-operation for Development of the United Nations Secretariat) funded an advisor to the Ministry of Works to complete the preparation of the rehabilitation programme and follow up implementation. A fellowship for the Acting Chief Engineer of the Ministry is also being provided;
- (ii) Rehabilitation engineers: USAID has provided two engineers to assist in the rehabilitation programme. The district and rural construction teams have been reinforced and reorganized into four independent units, each engineer being responsible for two of them;
- (iii) The United Kingdom/Overseas Development Agency (ODA) supplemented engineers: the ODA is providing salary supplements for the posts of the Senior Roads Engineer and the Maintenance Engineer who will be devoting more of their time to routine maintenance and development projects.

#### Agriculture

279. It should be noted that a detailed programme for the assistance required to rehabilitate the agriculture sector had not been drawn up at the time of the Inter-Agency Mission's visit to Swaziland. Consequently, the mission report does not cover all the areas in the agricultural sector affected by Cyclone Domoina. The situation in the priority areas is as follows:

(a) The Foot and Mouth Disease protection fence on the Mozambique border is critical to the well-being of the livestock industry. Initial estimates for its repair were E 175,000 but it has since emerged that this figure is far below the real costs owing to the damage to access roads. The fence had been constructed by the EEC; E 45,000 from savings against the original allocation, plus an additional grant of E 90,000 have been made available by EEC for rehabilitation of the fence. Of this amount, approximately E 50,000 has already been utilized to purchase some fencing material for repairs, but the balance cannot be spent until a considerably larger amount of money is available for rehabilitating the access roads. It is now intended to engage the services of a consultant who would draw up a cost estimate for this programme and seek the funds required from EEC or other donors. The Public Works Department has been requested to draw up the terms of reference for this consultancy.

(b) The majority of the agricultural feeder roads constructed under the first two phases of the Rural Development Areas Programme (RDAP) were damaged by flooding, but to date no funding has been received for rehabilitating these roads. An FAO (Food and Agriculture Organization of the United Nations) Investment Centre project identification mission, which will draw up the terms of reference of the new phase of RDAP, is visiting Swaziland in May-June 1985 and will address this issue.

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(c) Widespread damage to dams and irrigation systems was caused by Cyclone Domoina and 75 small farmers were identified as having lost their pumps and delivery systems as well as pipes and pump houses. These farmers were required to pay 25 per cent of the rehabilitation costs while the balance of 75 per cent was contributed by USAID. However, the Ministry of Agriculture confirmed that a number of other farmers were similarly affected who did not receive any assistance of this type. Ad hoc repairs have been undertaken on some of the other dams and irrigation schemes from Government funds but no assistance has been received for this programme.

(d) While some repairs have been made to the approximately 300 dip-tanks that were silted up or damaged by the floods, there has been no comprehensive programme and no assistance from external sources.

#### Water supply

280. Following an assessment of the damage caused by the cyclone on water supply systems, the Rural Water Supply Board reported that 20 systems in the areas of river intakes, pump houses and pipe lines were severely damaged. Of these, five had still been under construction. In June 1984, the Canadian International Development Agency (CIDA) approved a contribution of \$US 188,000 to support the reconstruction of 11 Rural Water Systems. All the work has been completed. An additional amount of E 78,000 was approved by the Unitarian Service Committee of Canada in September 1984 for repairs to other cyclone damaged systems in the rural areas and the work has also been completed. The Water and Sewerage Board, which is responsible for servicing urban areas, reported substantial damage on four dams, one treatment works, one pumping station and six motors and two pipe bridges. The total estimated costs of repair was E 640,000. The Canadian Government through the Unitarian Service Committee of Canada has contributed \$US 137,000 for this purpose and the balance was financed by Water and Sewerage Board Maintenance. All repair works have been completed. The Government has approached EEC to consider financing a reconstruction study for the 36 gauging stations which were destroyed by the cyclone. It is anticipated that the study will commence in June 1985. In the meantime, USAID has approved a grant of \$US 220,000 for the supply of equipment. It is estimated that approximately E 1 million will be required for the actual reconstruction work, namely, for replacing the weirs, instrument towers, strip-chart recorders and telemetry stations. The actual figure will be confirmed upon completion of the study.

281. Other areas of rehabilitation include:

(a) Health clinics: the water supply systems for nine clinics were identified as needing a major repair; this has been undertaken by USAID at a total cost of E 130,000;

(b) Education: repairs to schools and other educational institutions have mainly been undertaken by the Government; a grant of \$US 50,000 (E 100,000) was given by the United Nations Educational, Scientific and Cultural Organization (UNESCO) for this purpose to offset the costs to the Government;

(c) Power: reconstruction of damaged sub-stations and power lines has been undertaken by the Swaziland Electricity Board;

(d) Telecommunications: repair costs of the damaged telephone network have been absorbed by the Department of Posts and Telecommunications;

(e) Public buildings: repairs to public buildings has been undertaken by the Government.

Table 41 summarizes the response of the international community as at 1 June 1985.

Table 41

Swaziland: international assistance received under the  
special economic assistance programme

(Millions of emalangeni)

	Estimated cost	Amount of funding received
<b>A. <u>Roads and bridges</u></b>		
Big Bend Bridge	5.0	4.8
Nsoko Bridge	1.9	3.0
Twelve major bridges	3.0	
Grand Valley Road	4.1	6.1
Major road repairs	4.0	)
Gravel road rehabilitation	12.0	) 17.7
Foot-bridges	0.5	)
Equipment	3.0	
Technical assistance	6.0	1.6
	<u>39.5</u>	<u>33.2</u>
<b>B. <u>Agriculture</u></b>		
Foot-and-mouth disease fence	0.2	0.2
Agricultural feeder roads	4.0	
Dams and irrigation systems	5.0	
Dip tanks	1.0	
Agricultural inputs	1.0	
	<u>11.2</u>	<u>0.2</u>
<b>C. <u>Power</u></b>		
Luphohlo-Ezulwini	0.6	
Transmission repair	0.6	
	<u>1.2</u>	
<b>D. <u>Water supply</u></b>		
Rural water supply	0.2	
Pumping stations	0.1	0.1
Lusoti Dam	0.4	
River gauging stations	0.4	0.2
	<u>1.1</u>	<u>0.3</u>
<b>E. <u>Public facilities</u></b>		
Health clinics	0.3	0.1
Schools	0.4	0.1
Public buildings	1.0	
	<u>1.7</u>	<u>0.2</u>
<b>Total</b>	<u>54.7</u>	<u>33.9</u>

## XV. VANUATU

### A. Background

282. In its resolution 38/218 of 20 December 1983, the General Assembly expressed concern at the severe constraints on the economic development of Vanuatu, particularly those ensuing from its geographical isolation, and also at the continued structural imbalances in the economy of the country, particularly its overwhelming dependence on imports. Further, the Assembly requested the Secretary-General to mobilize the financial, technical and economic assistance of the international community with a view to meeting the short-term and long-term development needs of Vanuatu. Pursuant to that resolution, the Secretary-General dispatched an inter-agency mission to Vanuatu in June 1984 to consult with the Government and to prepare a report on the country's urgent development needs. The report of that mission (A/39/388, annex), dated 24 August 1984, describes the economic, financial and social conditions of Vanuatu as of early 1984 and presents the country's requirements for development and its high-priority needs for external assistance.

283. Vanuatu is an archipelago of some 80 widely dispersed islands stretching in a north-south direction of some 850 kilometres. It is located in the south-west Pacific Ocean, approximately 800 kilometres from Fiji in the east, 800 kilometres from the Solomon Islands to the north-west, and 400 and 1,750 kilometres from New Caledonia and Australia, respectively, in the south-west. The land area of some 12,200 square kilometres is unevenly distributed; the eight largest islands - including Espiritu Santo (about 4,000 sq km) and Malekula (over 2,000 sq km) - account for about 85 per cent of the total land area.

284. Until July 1980 when it became an independent country, the Republic of Vanuatu was governed as the Condominium of the New Hebrides by France and the United Kingdom of Great Britain and Northern Ireland. For 74 years this involved three administrative and two legal systems.

285. Since independence, the Government has been faced with the formidable tasks of integrating the previously separate administrations, fostering a sense of national unity and an effective local government system through the 11 administrative centres, obtaining and retaining the finance and skills needed for development and overcoming the constraints imposed by the wide dispersement of the islands and the nature of the terrain.

286. The population of Vanuatu (known as Ni-Vanuatu) is estimated to be 127,800. It is composed predominantly of people of Melanesian stock. The Constitution declares the national language of the Republic to be Bislama, a form of pidgin spoken throughout the islands; the official languages are Bislama, French and English. In addition, some 40 languages are still spoken by the settlement communities.

## B. Economic situation

### 1. General

287. The development objectives and strategies of the Government remain substantially unchanged and are as stated in the First National Development Plan for 1982-1986 (FNDP), namely: (a) promoting balanced regional and rural growth; (b) promoting fuller utilization of the country's agricultural, human and other resources and of the private sector; (c) encouraging the continuing growth of a national entrepreneurial class; and (d) preservation of Vanuatu's cultural and environmental heritage and the progressive attainment of the long-term goal of national reliance. Following a mid-term review in January 1985, the FNDP was updated, and the document was published, taking into account the most recent statistical data available.

288. At its twenty-first session in New York in April 1985, the Committee for Development Planning considered the application of Vanuatu for inclusion in the list drawn up by the United Nations of the least developed countries and concluded (see E/1985/29, para. 115) that Vanuatu qualified for inclusion in the list.

### 2. Income

289. Real incomes for 1984 are estimated to have grown by 4 to 5 percent over 1983, although no detailed surveys have been completed. For 1985, economic activity will be affected by relief and reconstruction following two major cyclones in January. Incomes are not likely to increase because of the widespread damage to agricultural crops including copra, the major export.

290. Tourism is also showing a decline in 1985 which could be due to the rapid decline of the Australian dollar or to the political instability in New Caledonia. Tourists from Australia (the major source) often combine their tours to these adjacent islands, and may be postponing trips or going elsewhere because of the present unrest. The Government recently devalued the national currency, the vatu, by 9.6 per cent in order to encourage the tourist industry. As at 1 August 1985, the exchange rate was \$US 1 = 109 vatus (VT).

291. The Government and the Asian Development Bank have recruited a national accounts statistician who is presently undertaking surveys which will result in Vanuatu's first United Nations System of National Accounts GDP and GNP estimates. It is intended that GNP estimates will be disaggregated by ethnic population groups in order to shed light on the extreme dualism which presently is found in the country between what is known as the "expatriate community" and the indigenous population. The work of this expert is part of an 18-month project and the first comprehensive set of estimates of GDP and GNP will not therefore be available until about June of 1986.



### 3. International trade and balance of payments

292. Exports of copra rose to over 46,000 metric tons in 1984, an increase of nearly 20 per cent. Prices received were relatively high and there was an increase in the quality of copra owing to superior drying methods. The result was more than a doubling of copra export earnings.

Table 42

Vanuatu: principal components of merchandise exports 1980-1984

(Value in millions of vatu; volume in metric tons)

	1980	1981	1982	1983	1984
Total exports (f.o.b.)	2 449	2 833	2 201	2 940	4 300
Domestic exports: value	880	1 402	1 027	1 781	3 128
Cocoa: value	93	116	56	182	134
volume	723	944	548	1 232	781
Copra: value	592	1 070	708	1 308	2 643
volume	27 000	47 000	35 000	39 000	46 682
Beef: value	75	160	184	192	142
volume	366	804	776	1 054	632
Coffee: value	7	8	2	5	2
volume	54	61	7	133	14
Others: value	113	48	77	94	207
Re-exports: value	1 569	1 430	1 174	1 159	1 173

Source: National Planning and Statistical Office, Overseas Trade-Export.

293. For 1985, exports are expected to fall back to the 1983 level or even lower because of extensive cyclone damage to coconut trees in the northern islands of Vanuatu last January.

294. The balance of payments is characterized by a persistent trade deficit, which, to a large extent, is being offset by surpluses in the services account. In addition, international assistance received has helped Vanuatu maintain a favourable balance of payments.

Table 43  
Vanuatu: balance of payments 1980-1984

(Millions of vatu)

	1980	1981	1982	1983	1984
Exports (f.o.b.)	<u>2 449</u>	<u>2 832</u>	<u>2 201</u>	<u>2 940</u>	<u>4 301</u>
Domestic exports	880	1 402	1 027	1 781	3 128
Re-exports	1 569	1 430	1 174	1 159	1 173
Imports (f.o.b.)	<u>4 519</u>	<u>4 698</u>	<u>5 184</u>	<u>5 815</u>	<u>6 056</u>
for home consumpt.	3 269	3 569	4 210	4 803	5 272
for re-export	1 250	1 129	974	1 012	784
Trade balance	<u>-2 070</u>	<u>-1 866</u>	<u>-2 983</u>	<u>-2 875</u>	<u>-1 755</u>
Services and investment income					
(Net)	<u>267</u>	<u>807</u>	<u>793</u>	<u>1 036</u>	<u>1 375</u>
Credits	2 966	3 309	4 027	4 122	4 561
Debits	2 699	2 502	3 234	3 086	3 186
of which: tourism (net)	836	1 155	1 930	2 068	2 210
Net transfers	<u>3 212</u>	<u>3 934</u>	<u>3 364</u>	<u>3 165</u>	<u>3 300</u>
Current balance	<u>1 409</u>	<u>2 875</u>	<u>1 174</u>	<u>1 326</u>	<u>2 920</u>
Capital account (net)	-	-	<u>810</u>	<u>560</u>	<u>865</u>
Long-term (including					
reinvested earnings)	-	-	620	780	880
Identified short-term			190	-220	-15
Basic balance	<u>1 409</u>	<u>2 875</u>	<u>1 984</u>	<u>1 886</u>	<u>3 785</u>
Errors and omissions					
(including unidentified					
short-term capital)			<u>861</u>	<u>-705</u>	<u>-982</u>
Overall balance	<u>1 409</u>	<u>2 875</u>	<u>2 845</u>	<u>1 181</u>	<u>2 803</u>

Source: Central Bank of Vanuatu.

295. Early in 1985, it was announced that British budgetary assistance was to be terminated, possibly due to a combination of financial constraints in Britain and good export performance in Vanuatu during 1984. After the disastrous cyclones in January 1985, however, a review of the first decision resulted in a retention of 100 million vatu of the 180 million originally anticipated. Whether any such assistance will be forthcoming in 1986 is unknown at this time. The budgetary contribution from the French Government is normally expected to match the British contribution, but this year it could be as high as 185 million vatu, which was the level originally expected from both ex-colonial powers.

296. Special cyclone relief and reconstruction assistance from many aid donors during the first half of 1985 will also contribute favourably to the balance of payments.

#### 4. Finance

297. Import duties remain the largest revenue source, their estimated relative share in total revenue for 1985 being 41 per cent.

Table 44  
Vanuatu: sources of public receipts, 1981-1985 a/

(Millions of vatu)

	1981	1982	1983 (estimated)	1984	1985
Total revenue	2 371	2 485	2 508	2 827	3 217
Tax revenue	1 016	1 261	1 393	1 787	1 985
Import duties	710	901	964	1 172	1 330
Export duties	130	91	87	129	146
Turnover tax on hotels etc.	-	63	110	115	135
Business and other licences	94	115	116	195 )	
Company and shipping registration fees	52	65	66	96 )	325
Land registration fees	1	1	16	30 )	
Airport and wharfage taxes	29	26	34	43	49
Non-tax revenue	305	304	302	342	321
Interest and rents	157	141	123	136	92
Posts and telecommunications	148	163	179	206	224
Other revenue	151	163	199	214	349
Grants and grants-in-aid	899	743	600	490 b/	285
Transfers from reserves c/	-	13	14 d/	-	277

Sources: Ministries of Finance, Commerce, Industry and Tourism and the Central Bank of Vanuatu.

a/ Components may not always add up to totals due to rounding.

b/ This amount is still under negotiation.

c/ Amounts shown broadly represent annual deficits.

d/ The actual figures are likely to show that the 1983 budget was in surplus.

298. Expenditures for general administration, education and health continue to absorb a large share of the Government's spending, amounting to over 75 per cent in 1985.

Table 45

Vanuatu: components of public expenditure, 1981-1985

(Millions of vatu)

	1981	1982	1983	1984 (estimated)	1985
Total expenditure	2 371	2 485	2 510	2 827	3 217
Public service	2 029	2 402	2 428	2 723	3 077
General administration	487	667	735	855	1 153
Education	608	629	679	729	766
Health	275	353	338	389	389
Transport, communications and public works	457	542	523	571	589
Miscellaneous and other common services	202	211	152 <u>a/</u>	179	180
Debt and interest payments	69	61	62	71	105
Grants and subsidies	193	22	20	32	35
Transfers to reserve, co-operative federation and localization fund and unallocated <u>b/</u>	80	-	<u>c/</u>	-	-

Sources: Ministries of Finance, Commerce, Industry and Tourism and the Central Bank of Vanuatu.

a/ Including reduction of 68 million VT in public service expenditure.

b/ Amounts shown broadly represent annual surpluses.

c/ The actual figures are likely to show that the 1983 budget was in surplus.

299. The price increase for low income consumers in urban areas was 3.6 per cent from the fourth quarter of 1983 to the corresponding quarter in 1984. For high income consumers the rate was 5.7 percent. The probable reason for these low rates, in spite of an approximately 5 per cent revaluation of the vatu in March 1984 is that the exchange rates of the currencies of some of Vanuatu's major trading partners fell substantially during the year.

C. Special development projects

300. As noted, special cyclone relief and reconstruction assistance has been received from many aid donors during the first part of 1985. With regard to the 35 special development projects costing \$74.6 million, which were proposed by the Government for financing by the international donor community and listed in the report of the Secretary-General (A/39/388, annex) the Government has reported the following progress with respect to each of these projects:

(a) Agriculture

A-1. Tanna coffee development (estimated cost: \$746,000). The Government has sought equity share in the company from the Caisse Centrale de Coopération Economique (CCCE), whose response is awaited. If the request is approved, the funds will be made available in the form of a soft (4.5 per cent) loan. The Government has been unable to obtain grant funds for its equity contribution.

A-2. South Santo cattle development on Espiritu Santo (estimated cost: \$2.0 million). A request for the Government's equity participation in the project is being sought from the Australian Joint-Venture Scheme. A loan from the Asian Development Bank (ADB) is being sought to meet the Company's loan requirements.

A-3. Espiritu Santo and Vanua Lava industrial forest plantations (estimated cost: \$630,000). The ADB carried out a general review of the forestry sector in Vanuatu in late 1984. Among other things, the study concluded that a commercial plantation in Espiritu Santo (not Vanua Lava) would be financially viable. A team of consultants, funded by the European Development Fund (EDF), is presently in Vanuatu carrying out a detailed project formulation and appraisal exercise. Interest in funding the project has been expressed by several multilateral and bilateral aid agencies.

A-4. Establishment of a copra crushing mill (estimated cost \$4.94 million). A feasibility study was carried out at the end of 1984 by a West German oilseeds company. The study showed that a copra-crushing mill project would provide a high financial rate of return. The company has offered to provide equity investment in the project. The Government is currently reviewing the feasibility study.

A-5. Development of oceanic fisheries in Vanuatu (estimated cost \$50,000). Informal discussions have been held with the Japanese Government on this project. The Government is currently reviewing the project before formally seeking assistance from Japan in the provision of a vessel.

A-6. Tanna island honey (estimated cost \$115,000). Discussions on this project have been held with FAO. The Government plans to request FAO's assistance, under the Small Projects Programme, to fund a study during 1985 into the feasibility of developing honey production in any of the islands of Vanuatu. It is hoped that any development proposal resulting from the study could be implemented during 1986.

A-7. National livestock water supply (estimated cost: \$525,000). A multi-donor (United Kingdom, France and the Australian Development Assistance Bureau (ADAB)), multidisciplinary review of the livestock sector is currently being carried out. The terms of reference of the review include the need to investigate current water supplies for cattle in the country and to draw up detailed proposals for any new investments which are required. It is expected that any such proposal resulting from the review will subsequently be funded by one of the donors represented on the team.

(b) Transport

T-1. Bauerfield International Airport upgrading (estimated cost \$11.15 million). The Government, in January 1985, formally accepted the ADAB offer to provide A\$ 3 million (plus escalation) for the urgent repair of failed and weak areas of Bauerfield and to provide 35-40 mm resealing to bring the pavement to a maintenance-free condition for the operation of Boeing 737 aircraft. The ADAB offer is restricted to work on the present runway length. Materials investigations, cost estimation, implementation, planning and design will, however, delay implementation of the works until about June 1986. The Government is currently having discussions with interested parties on possible assistance with the runway extension.

T-2. Santo Port - copra storage shed (estimated cost: \$650,000). ADAB has indicated its intention to fund the replacement of the copra storage facilities at Santo after the sheds sustained further damage during the January cyclones. Work is expected to be completed during 1985.

T-3. Santo Port upgrading (estimated cost: \$2.07 million). The project "Phase 1 Wharf Development" (replacement of the main wharf by a 40 metre wharf plus berthing dolphins) was approved by the Government early this year. The wharf development has been included in Vanuatu's first African Development Bank/World Bank multi-project loan request. A wharf engineering and design study should be completed this year with the works being implemented under the 1987 multi-project loan (with CCCE co-financing).

T-4. Replacement craft for Roena barge (estimated cost: \$900,000). The Government is studying a recently received United Kingdom funded report which examines options to refurbish or replace the Roena. The Government of the United Kingdom has indicated its willingness to assist in funding.

T-5. Agricultural feeder roads (estimated cost: \$5.6 million). There has been no recent progress on this project.

T-6. Port Vila - integration of international and inter-island wharves, (estimated cost \$2.0 million).

T-7. Port Vila - provision of additional costal fishing wharf (estimated cost: \$700,000). The Government has delayed a decision on these two projects (T-6 and T-7) until it receives a report on the relocation of the petroleum storage facilities at the port. The latter report has recently been received and a decision is due shortly.

T-8. Inter-island wharves and jetties (estimated cost: \$6.9 million). The Japanese Government has indicated possible funding for the construction of wharves at Malakula and Tanna during fiscal year 1986. Japanese engineers are expected to carry out further cost investigations on the wharves this year at the time construction begins on the Commercial Centres project on Ambae, Tanna and Ambrym (see L-3). The Government has also requested \$US 1.3 million from ADB for outer-island wharf construction in the 1985 multi-project loan. The selection of the individual wharves to be included in the project will depend on detailed investigation (cost and design), which will be undertaken by the technical assistance accompanying the loan and upon final consultation with the Government.

T-9. Pekoa airport upgrading (estimated cost: \$7.0 million). The CCCE has carried out a pre-feasibility study examining the equipment and upgrading requirements of Pekoa and has indicated a willingness to provide funding assistance. The Government is studying the Bank's proposals.

T-10. West Coast Santo road (estimated cost: \$6.4 million) and T-11. South Malakula road (estimated cost: \$8.9 million). No progress as yet.

T-12. Ambae road (estimated cost: \$1.242 million). The Government has included a request for \$US 1.6 million in the 1985 ADB multi-project loan for rural road construction, of which \$US 1.12 is to be allocated to the proposed Ambae road.

#### (c) Telecommunications

C-1. Expansion of the rural telecommunications system (estimated cost: \$2.61 million). The South Pacific Economic Bureau (SPEC) has undertaken to assist Vanuatu (and other South Pacific countries) in implementing its telecommunications programme through the South Pacific Telecommunications Development Programme which seeks to raise \$A 100 million over the next few years for regional telecommunications development. Work is programmed to start in 1986.

#### (d) Energy

E-1. In-depth review of feasibility study for wood-fueled power station (estimated cost: \$50,000). The wood-fueled power station feasibility study was presented to the Government in September 1984 but proved to be deficient in a number of areas. A reviewing consultant funded by United Nations Pacific Energy Development Programme (UNPEDP) identified areas where additional work



was required and further work has been completed under a recent UNPEDP funded consultancy to prepare the terms of reference for the appointment of consulting engineers to carry out a final assessment of viability and prepare tender documents.

E-2. Hydroelectric power studies (estimated cost: \$100,000). Mitsui consultants have recently delayed the commencement of a preliminary assessment of the hydroelectric potential of the Sarakata (Santo), Brenwe (Malakula) and Teouma (Efate) rivers that had been timed to start in April 1985.

E-3. Urban power development study (estimated cost: \$100,000). This study will follow a decision on the implementation of the wood-fueled power station and completion of the studies on hydroelectric and geothermal power station.

E-4. Geothermal resource assessment (estimated cost: \$450,000). The Government is presently assessing a proposal by New Zealand geothermal consultants to carry out geophysical, gravity and microseismic surveys on Efate and to identify prospective sites within the geothermal reconnaissance area for shallow heat flow bores. New Zealand has indicated a willingness to fund part of this work.

E-5. Rural energy planning (estimated cost: \$150,000). At the recent regional energy conference at Apia, the Government submitted a request to SPEC for technical assistance to carry out: (i) studies of energy consumption patterns in selected communities; (ii) studies of the technical, economic, and social viability of a range of energy technologies, including photovoltaic, microhydro, charcoal and woodstoves; and (iii) studies to advise on rural energy policy options.

(e) Social services

S-1. Strengthening vocational education in Vanuatu (estimated cost: \$86,000). It is expected that a project document will be submitted in late 1985.

S-2. Secondary schools for Tanna and Malakula (estimated cost: \$3.8 million). A suitable site has not, as yet, been found on Tanna, but this is under investigation. On Malakula, it has been decided to convert existing buildings so that a Form 1 (Grade 7) class can begin to be accommodated as soon as possible.

S-3. Upgrading of health facilities (estimated cost: \$84,000). The United Kingdom has indicated its intention to fund the extension works at Vila Base Hospital. The Government is currently considering the extension options submitted by a funded consultant of the United Kingdom and work is expected to begin later this year. Similarly, ADAB has agreed to fund the upgrading of the Northern District Hospital (Santo). Architectural drawings are under way and construction work is expected to begin later in the year.

S-4. Rural water supplies (estimated cost: \$900,000). The Government is still seeking assistance to supplement existing finance so that it may reach its national goal of supplying the total population with adequate water supplies by 1990.

S-5. Port Vila - sewerage system (estimated costs: \$100,000). The Government is presently discussing a terms of reference with the World Health Organization which has offered to carry out a preliminary study of the sewerage system needs of the Port Vila urban area in October and November 1985.

S-6. Establishment of a Vanuatu National Provident Fund (estimated costs: \$280,000). A study was completed by an expert of the International Labour Organisation earlier this year, a request was subsequently put to the UNDP for funding, and a draft project document has now been received for the consideration of the Government. It is anticipated that this project will be under way as soon as an appropriate expert can be recruited to set up the system.

(f) Local government

L-1. Construction of seven Local Government Council headquarters buildings (estimated costs: \$950,000). No progress reported.

L-2. Local Government works unit (estimated cost: \$1.4 million). No progress reported.

L-3. Regional commercial centres (estimated costs: 1.0 million). The first commercial centre on Epi was completed late last year through Australian funding. A further three commercial centres, on Tanna, Ambae and Ambrym, will be completed this year funded by the Japanese. The Government may seek funding for commercial centres for the remaining seven local Government Council areas after it has gauged the success of the design of the first four.

(g) Natural disaster preparedness

D-1. Natural disaster preparedness planning assistance (estimated cost: \$20,000). A funded consultant of the United Nations is expected shortly to review present disaster preparedness procedures and to advise on and establish effective early warning and disaster relief co-ordination systems.

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