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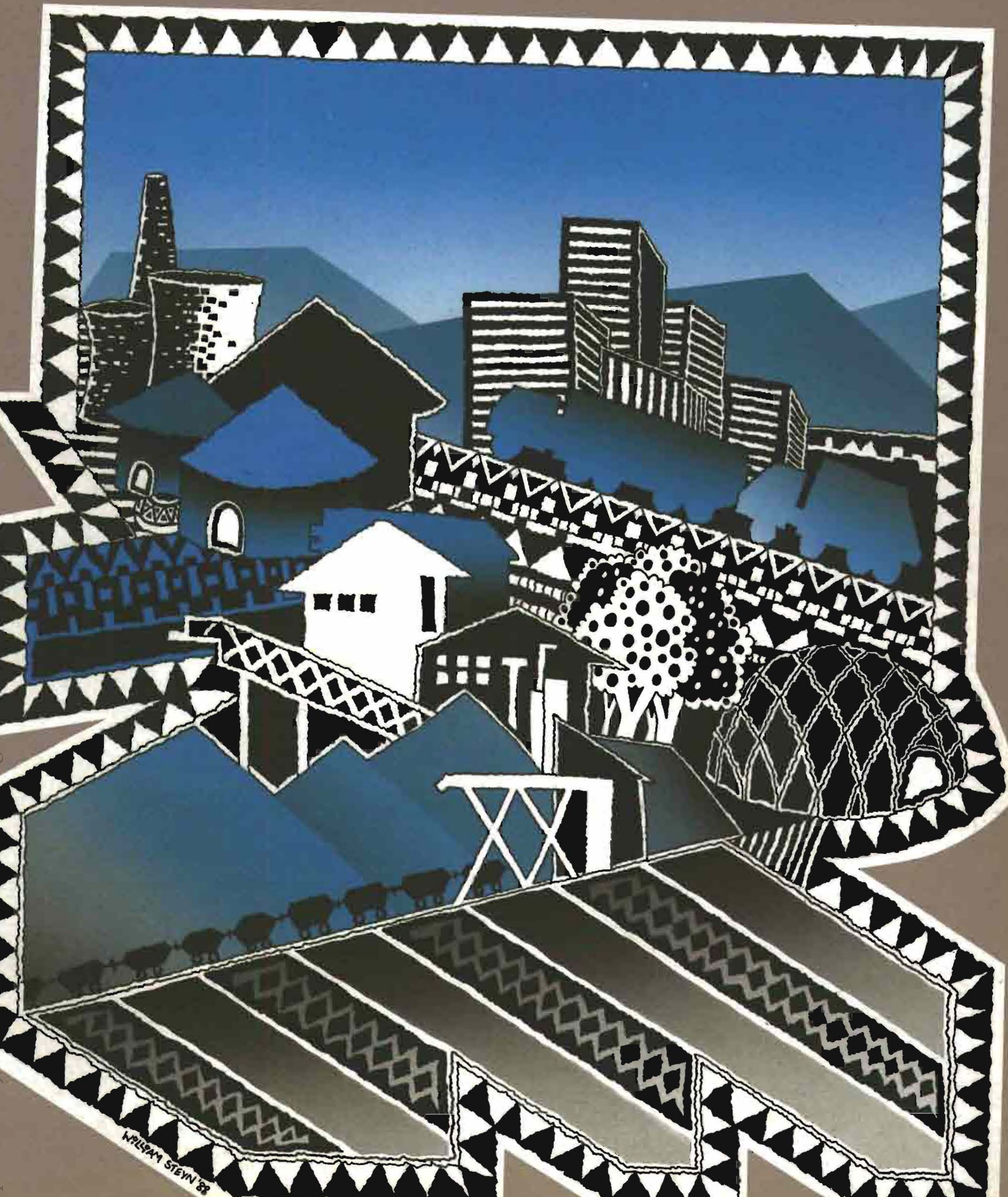

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Cover by William Steyn




Budgeting for public debt service

Dr M Reichardt, special adviser to the chief executive, Development Bank of Southern Africa.

With the growth in public indebtedness in the Third World and particularly in Africa, it became evident that government borrowing could no longer be financed from the revenue of projects in which loan proceeds were originally invested, but would involve new borrowing. In other words, the firm link between investment policy and debt policy was broken and public debt accumulation now is often unrelated to the creation of additional sources of revenue. How can this problem be overcome?

Governments planning for economic development usually also plan for the direct financing of the projects and schemes envisaged. While this may involve the use of their own available resources, in most cases it also includes loan financing. If loan financing is used, governments of developing countries often neglect to plan properly for the servicing of these loans in the future — for interest payments and capital redemption.

It is of the utmost importance that a government plans its capital expenditure not only according to the real needs and the absorptive capacity of the country, but also with a view to its capacity to service the loan part of the capital expenditure. For this purpose, debt service schedules must be drawn up to cover the next five to eight years. These must include all prospective public debt: foreign and domestic, capital and money-market debt, short- and long-term commitments, suppliers' credits, borrowing from other intra-government accounts and payment of any arrears. The sum of these various debt service obligations for each year represents the financial burden on the budget during that financial year.

In the context of the developing territories in Southern Africa, it is important to ensure that this annual debt service burden is related to the expected total revenue of the government of the respective developing territory. Internationally, export data are used as a yardstick for the annual debt service burden. However, because of the Southern African Customs Union and the openness of the borders within Southern Africa, such data is not readily available. Therefore, total government revenue is used as a yardstick. The funds needed for debt service may easily absorb up to 10 per cent of total revenue without being a real burden upon the budget, but they should not exceed 20 per cent, even for well-administered governments. Otherwise, too large a proportion of revenue has to be devoted to debt servicing, and this will hinder the government in its attempts to fulfil its many other functions.

Planning for development must, therefore, simultaneously be linked with debt service planning for the future. This may seem an obvious point but it is often neglected.

In addition, frequently there are projects, usually the ones with a high publicity value, which are decided upon on an *ad hoc* basis and thus escape proper development planning, let alone budgeting and provision for their financing and debt service. Responsibility for bridging financing gaps resulting from the implementation of *ad hoc* projects finally rests with the treasury, creating additional unplanned public debt.

Budgeting for capital expenditure must include provision for recurrent expenditure created by the implementation of capital projects. Such recurrent expenditure reduces the revenue base originally available for debt servicing. However, additional revenue created through capital projects may accrue to the treasury, and this broadens the revenue base.

Contingency planning is needed to cover any loans taken up by parastatals or

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non-government institutions, but guaranteed by government. Once a realistic estimate has been made of the likelihood of such guarantees being invoked, these may also be added to the existing debt service schedule. The budget laws of the Netherlands and Germany require that provision be made for anticipated defaults stemming from guarantees provided by the government.

It is essential that development planning be accompanied by debt service planning. If a government's development plan is too ambitious it must be scaled down or some of the projects postponed. Only if development and debt policies are clearly linked can the accumulation of excessive public debt be kept under control and the government enabled to service its debt. A government following such a practice also remains credit-worthy.

For the purposes of debt service administration, interest payments should be considered as recurrent expenditure, whereas neither the redemption nor the proceeds of borrowings are included in the budget as they are not considered to be either expenditure or revenue, but financing items below the line. This rule was already incorporated in the 1847 Appropriation Act of the United States and has been widely used internationally ever since. It avoids blurring the vision of the parliamentarians, and clearly distinguishes loan funds from non-repayable funds. It makes clear the fact that borrowed funds have to be repaid one day. In many countries, the annual provisions for interest and redemption payments are, therefore, not subject to parliamentary vote.

The budgetary and accounting systems of many governments are not conducive to cost-consciousness — in particular as regards the costs of interest and bank charges — among those who are primarily responsible for the growth of public debt, namely the spending departments or ministries. Often the budget system may not permit an explicit identification of the costs of borrowing money. As a result the spending agencies may not recognize the cost aspect of interest payments. In most developing countries only the ministries of finance have a complete overview. To avoid this situation arising, departments should be more involved in overall budgeting, to make them aware of the constraints of a budget. A more direct impact may be achieved if each department or ministry is debited under its vote with all interest and bank charges arising from its departmental development projects.

In some countries, budgetary laws make provision for avoiding where possible the accumulation of payment arrears. However, when a government, for whatever reason, finds itself in a financial crisis, such measures are usually ineffective.

In essence, a firm linkage between the development policy and the debt policy of a government provides the best guarantee that no disproportionately large amounts of debt accumulate, that no payment arrears develop and that the government is not faced with an unexpected demand for debt service. Otherwise, additional *ad hoc* borrowings have to be made on expensive non-concessionary terms, such as bank overdrafts and tapping, for example, of the accumulated reserves or pension funds. Frequent debt reschedulings have to take place, the credit-worthiness of the government declines and the government becomes more dependent on its creditors. Finally, creditors become unwilling to extend further credit to governments of developing countries. The past year has already seen European and American banks adopting this attitude towards developing countries, particularly those in Africa.

Economic prospects for Africa

Du Toit Malan, a researcher at the Africa Institute, surveys Africa's current economic plight, analysing some of the factors that have brought matters to this pass.

Since the beginning of the 1980s, talk of Africa's economic crisis has become commonplace. A steady deterioration in productivity has seen per capita incomes declining for seven consecutive years, and most of the hard-won gains made since independence have been wiped out. Even the improvements in literacy and health — Africa's two major achievements over the last twenty or thirty years — are now under threat; infant mortality rates are rising and expenditure on education is being curtailed.

Nor do the Africa's economic prospects, and especially those of sub-Saharan Africa, appear at all bright. Indeed, the continent's fragile economies face two interrelated problems which suggest disaster unless drastic action is taken. The more serious of these problems is the increased vulnerability of many people in Africa, mostly in the rural areas but by no means exclusively so, to the long-term agricultural decline on the continent — a decline that may yet result in a recurrence of the famine which struck huge areas between 1983 and 1985.

The second is the disastrous deterioration in the balance of payments position of most African states. Lower foreign exchange earnings, increased debt service obligations and lower real aid flows have combined to place many states in an almost impossible situation. This article outlines the extent of these two problems, their principal causes and their implications for the future.

Africa's worsening external debt burden

The economic problem which currently receives most attention is the continent's foreign debt of about US $200 million. In 1985 this was already equal to about 58 per cent of Africa's gross national product (GNP). In comparison, Latin America's foreign debt — which has become synonymous with the international debt crisis — equalled 46 per cent of its GNP. Perhaps even more serious is the fact that Africa's foreign debt is equivalent to about 400 per cent of its annual export earnings. Between 1971 and 1984, the debt burden increased 13 times in dollar terms or, in other words, at an annual rate of about 25 per cent.

The result was a debt service ratio (scheduled debt repayments as a percentage of export earnings) of about 40 per cent by 1987; the 22 most indebted states in sub-Saharan Africa have to cope with a debt service ratio of 55 per cent per year. This should be measured against the 30 per cent commonly regarded by economists as the maximum sustainable ratio — and then only over the short term and in conjunction with a favourable trade balance.

However, the actual amounts paid out are significantly smaller due to debt rescheduling agreements and a build-up in external arrears. By 1987 the total amount rescheduled and in arrears was US $12 000 million. This was of the same order as the total debt repayments which fell due in that year. The rescheduling agreements, too, have been a mixed blessing. They tend only to postpone the problem, while consuming so much of the scarce financial management capabilities of the governments involved that other priorities are neglected. Between 1975 and the middle of 1986, African governments negotiated 84 different rescheduling agreements with their official creditors. For some countries this has become an almost yearly exercise.

A weakening export performance

The postponement of debt obligations might still have been beneficial if export earnings could have been boosted in the meantime. However, the opposite seems to be happening. In 1986 alone Africa's total export earnings dropped by 27 per cent, from US$60 300 million to US $44 300 million, while its current account deficit increased threefold, from US $7 100 million in 1985 to US $21 500 million in 1986. Africa's export earnings have slumped by more than 50 per cent since 1980.

If the population growth of about 3 per cent is taken into account, this indicates a very sharp downturn in the per capita performance. The immediate cause is the weakening of commodity prices since the late 1970s. Non-oil commodity prices declined by 30 per cent between 1980 and 1986, while oil exporters were particularly hard hit by the world price for their product, which by 1987 was half that realized in 1979 and 1980.

International economic developments

Whatever one thinks about the claim commonly made by African leaders that colonialism, neo-colonialism or other external factors are the basic reasons for their countries' economic plight, the 1980s certainly gave some substance to their belief that a hostile international economic climate was undermining their efforts to put their external balance on an even keel.

The International Monetary Fund (IMF) recently published an analysis which concluded that commodity prices are in a

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long-term structural decline. This is caused by continual technological improvements which lead to the more efficient utilization of raw materials, their recycling and synthetic substitution and, consequently, to a lower demand for precisely those commodities constituting the major part of Africa's exports. Furthermore, technological advances like those of the "green revolution" have made other, more developed, Third World countries more efficient in producing commodities for which Africa traditionally enjoyed a competitive advantage. China and India, for example, became major tea producers, while Brazil increased its coffee market share.

Many Third World countries had to make strenuous efforts to improve their export performance in order to service their burgeoning foreign debts. This involved increasing the volume of their exports, in many cases leading to the flooding of the international commodity markets — which has translated into lower prices across the board for primary commodities.

The rising production of agricultural commodities in the European Economic Community (EEC), generally because of huge subsidies, was another contributing factor. The sugar market provides an example of how the EEC has harmed African producers. In 1983 it dumped 5 million tons of beet sugar on the international market at a cost of over US $900 million in export subsidies, thereby dramatically lowering the world price and ruining the market for producers like Malawi, Madagascar, Mauritius and Swaziland. The sugar price dropped by 50 per cent in 1984 alone.

Another cause of the lower commodity prices is the slowing of the economic growth rate experienced by the industrialized world. Whereas economic activity in the industrial countries grew by 3,4 per cent a year during the 1970s — which actually represented a marked decline after the growth rates of the 1960s — growth has slowed to an annual 2,3 per cent since 1980.

An even greater cause for concern is that another downturn has become possible in the wake of the crash of the international stock-markets in October 1987. The Organization for Economic Cooperation and Development (OECD) has projected increases in economic activity of only 2,25 per cent and 1,75 per cent for 1988 and 1989 respectively. More recent estimates have been a little higher, nevertheless these weak growth rates in the industrialized countries must be compared with the 2,5 to 3 per cent growth rate considered the minimum necessary to enable the heavily indebted Third World countries to earn large enough trade surpluses to service their debts.

Even the bonus of good harvests can be nullified by poor infrastructure and transport

The large Latin American debtors will be particularly vulnerable to the expected slow-down in the American economy because a high proportion of their exports is normally absorbed by the USA. The warning by the leaders of eight major Latin American countries that they will take unilateral action if nothing is done to alleviate their debt burden could, therefore, become significant. Henry Kaufman, a leading American economist, has warned that "Debt relief must begin now or it will be virtually impossible to alleviate the world's massive payments disequilibrium without a major economic contraction."

The American public debt of US$2 200 billion (twice the total foreign debt of the Third World), its own growing foreign debt (within four years America has changed from being the world's largest creditor to becoming its foremost debtor), and its major trade and budget deficits have combined with the unresolved Third World debt crisis to create a powerful time-bomb which could explode in the event of a serious policy miscalculation or other major mishap. For example, were the slow correction of these deficits — a process which became apparent during the first half of 1988 — to be reversed, or were sharp increases in inflationary pressures to be experienced, then the brittle confidence of the still nervous financial markets could be destroyed.

The United States presidential election later this year could not have come at a more inopportune time, since a new and inexperienced incumbent will probably be reluctant to take unpleasant action, even if this were to become necessary. A critical indicator will be the level of American interest rates, because the United States monetary authorities have to walk a tightrope. They have to keep interest rates reasonably high in order to attract sufficient foreign funds to finance the American debt, but at the same time they must take care not to restrict domestic economic growth by imposing excessive rates. While the slump on the stock-exchange has had a deflationary effect which has given the monetary authorities more leeway to lower interest rates, these are still expected to rise again towards the end of the year.

The significance of these developments for Africa is that they indicate a distinctly unfavourable climate for increased export earnings, or for the higher aid flows from the industrialized countries that will be necessary if a further worsening of the economic prospects of the continent is to be avoided.

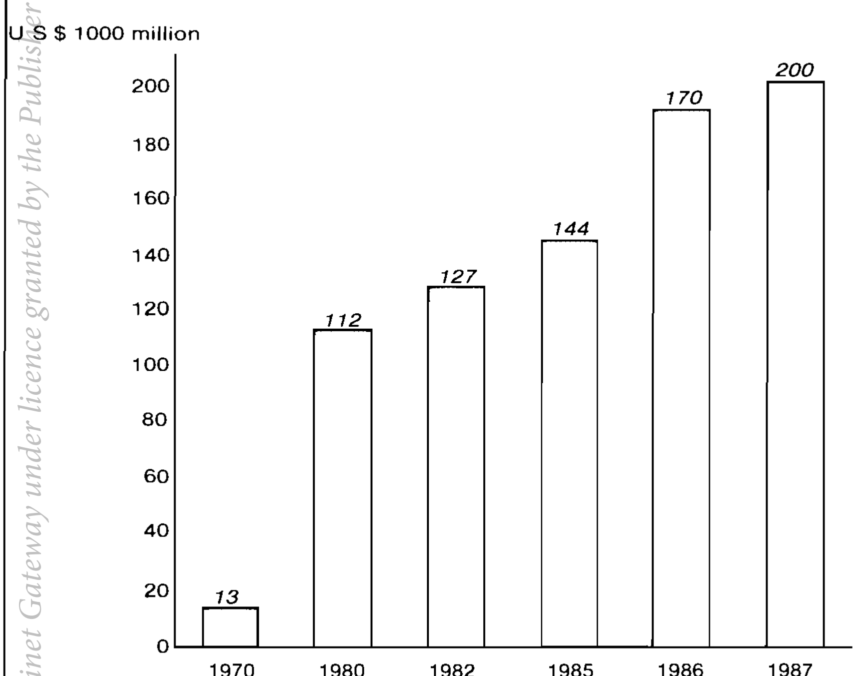
Reduced capital inflows

A major casualty of the United States's government's efforts to curtail its budget deficit has been its aid commitment. In

TABLE 1
GROWTH OF AFRICA'S GDP 1981-1987 *

Source *South*, January 1988 p 32
* Excluding Egypt and Libya

TABLE 2
AFRICA'S TOTAL FOREIGN DEBT (INCLUDING UNDISBURSED)



Source: UN Economic Commission for Africa

1986 American aid decreased by 20 per cent in real terms. This formed part of a world-wide trend, which saw a drop in real aid levels to sub-Saharan Africa for three consecutive years after 1984.

The effects of this development were aggravated by the increasing unwillingness of commercial banks to grant new loans to Africa and private investors' reluctance to commit new capital to the continent. Whereas sub-Saharan Africa still attracted a net inflow of direct investment of nearly US $1 500 million in 1982 (according to the OECD), this had changed to a net annual outflow of about US $90 million by 1985. A similar pattern was to be found in portfolio investment, with a net inflow of US $1 500 million in 1982 and a net outflow of US $230 million in 1985.

A number of major banks have declared their intention to halt their exposure in Africa. The perception in banking circles is that African states represent a high-risk area, as is illustrated by the sovereign risk ratings published in the September 1987 issue of the magazine *Euromoney.*

According to this survey, even Botswana, which has an exceptionally low debt exposure, a buoyant export performance, enough foreign exchange reserves to cover 24 months of imports and a history of political stability, was given a risk rating worse than that of South Africa in 1985, at the height of its financial and political difficulties. The result is that Africa as a whole has become a major net repayer of loans to commercial banks.

Capital flight has also assumed enormous proportions. Although the actual amounts involved are unknown, indications are that capital flight runs into millions of dollars even in the poorest countries. Inadequate controls, endemic corruption and a dramatic decline in the values of local currencies have combined with worsening economic prospects to provide the means, as well as the incentive, to withdraw money from African states.

Export earnings that never reach the exporting country entail a significant drain of scarce funds. Smuggling is rife in many states. According to the chairman of the gold committee of the Federation of Miners' Associations of Tanzania, "there is smuggling elsewhere in the world but here it is wholesale". The Tanzanian State Mining Corporation (Stamico) — officially the only organization in the country entitled to buy gold — estimates that less than half the total production passes through legal channels.

The smuggling of wildlife products is also big business in Africa. The illegal sale of rhino horn, at prices of up to US $5 000 per kilogram in the Middle East, has helped to reduce the black rhino population in Africa from about 60 000 in 1970 to fewer than 4 000 in 1987. Elephant poaching has also increased since the 1970s. The biggest single population of elephants in the world, in the Selous Reserve in Tanzania, has been halved in the last ten years. Even legal exporters use illegal means to keep their earnings abroad.

The most notorious illustrations of capital flight are provided by corrupt politicians who cache their money in foreign banking accounts or in the purchase of overseas properties. President Mobutu of Zaire, for example, is alleged to have hoarded sufficient personal wealth overseas that he would be able to solve his country's debt problem overnight simply by making half of his fortune available for debt redemption.

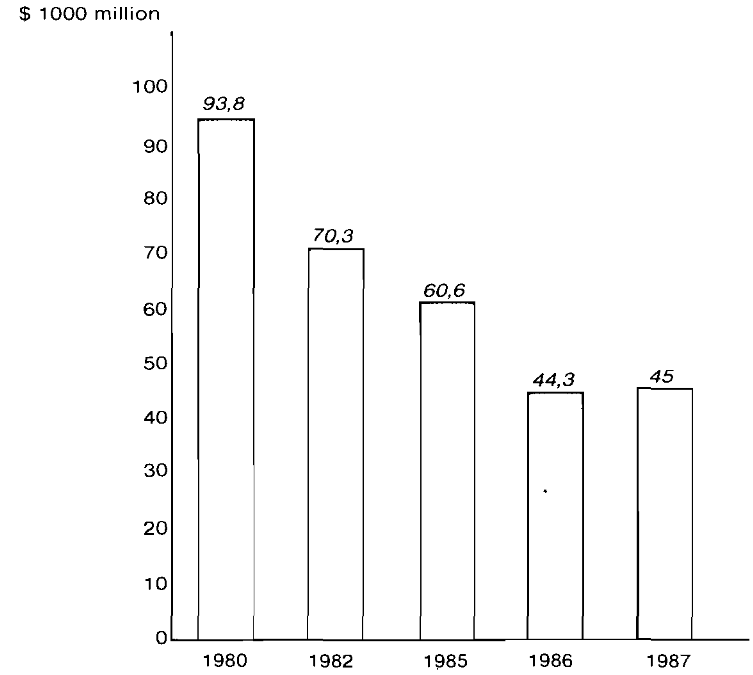
The devaluation of the Zambian kwacha also demonstrates how lucrative it has become to keep money abroad. In 1984, the official exchange rate was 1,8 kwacha to the US dollar; by 1987 one dollar would fetch more than 20 kwacha at the official rate. Residents of Zambia who had managed to hold back foreign exchange over these three years were therefore able to make a local profit of more than 1 000 per cent. With huge devaluations being a standard prescription in the IMF's adjustment programmes, the Zambian example is by no means an isolated one.

The combination of high debt repayments, capital flight, lower aid and commercial inflows and poor export performance has sharply curtailed the net inflow of funds to Africa. Although most sources still estimate a small net capital inflow, it seems probable that this is more than offset by the illegal export of capital. According to one report, Africa became a net capital exporter to the tune of nearly US $2 000 million in 1985. Even the IMF, which has become the chief provider of funds to tide African states over their foreign exchange crises, received almost twice the amount from Africa in the form of interest and repayments in 1986 than it loaned the continent. The figures for 1987 are expected to reveal the same trend.

A number of efforts are now being made to increase concessionary finance to the poorest and most indebted African countries. Proposals have centred on greater commitment of concessionary finance through multilateral development agencies such as the World Bank, the IMF and the African Development Bank.

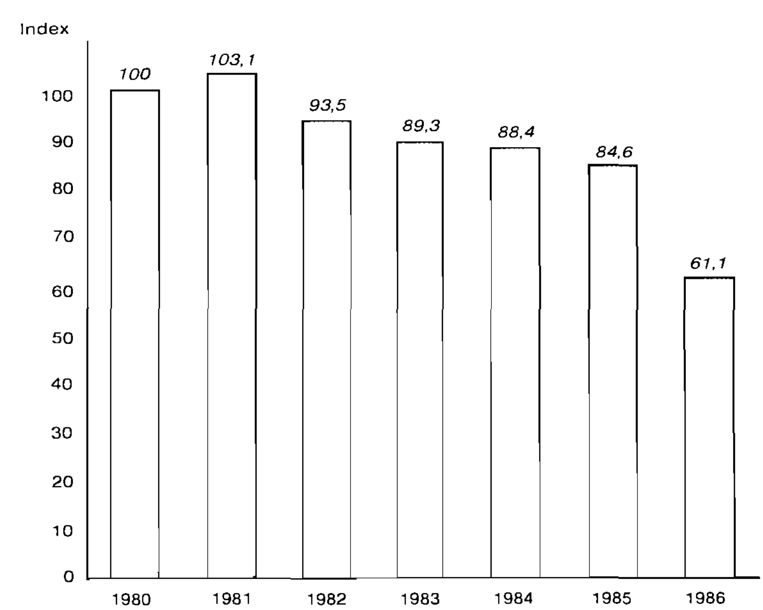
Fundamental to these is the decision to increase from US $3 000 million to US $8 200 million the IMF's structural adjustment facility (SAF), which offers money at a half per cent interest with a period of grace of five years. Perhaps as important, in particular cases, is the granting of easier terms on debt rescheduling agreements

TABLE 3
VALUE OF AFRICAN EXPORTS (thousand million U S dollars)



Source: UN ECA

TABLE 4
COMMODITY EXPORT PRICES (Index 1980 = 100)



Source. World Bank

by the Paris Club of official creditors. This involves longer repayment periods, lower interest payments and a greater grant element in development finance. France, Britain and Canada have already announced substantial conversions of loans into grants for low-income African states.

These efforts received a major stimulus in June this year, when the French government announced its intention of writing-off a third of the official loans it had made to some twenty deeply-indebted African states, each of which had an annual per capita income of less than US $280. Later, at the Toronto summit of the leaders of the seven leading industrialized nations, the United States withdrew its earlier objections to the reduction of interest rates on outstanding debt. A new consensus also emerged on the priority to be given to the provision of debt-relief to the poorest states of Africa. It remains a precondition for their eligibility for such concessions, however, that such states comply with the requirements of the IMF.

These measures add up to a considerable effort. If they all come to fruition — a big "if" given the recent record and the international climate — they could bring about a considerable reduction in the financial pressures on African governments. However, in the current international economic climate there must be some question as to whether larger financial inflows will be able to overcome the structural problems faced by African states. While larger financial inflows and reduced debt repayments are necessary preconditions if a further deterioration of Africa's economic situation is to be prevented, these measures in themselves will certainly not be sufficient and might even result in an even greater debt burden and dependence on outside aid.

It must be kept in mind that insufficient capital funds were not primarily responsible for the present state of these economies. How the available capital is used — an aspect which immediately points to the managerial deficiencies in Africa — is the crucial factor. However, at the moment a huge increase in capital inflows will be critical — if only to underpin the structural reforms undertaken over the last three years. Without this, most African states face the almost inevitable prospect of sinking into an economic and political morass. In the words of *South* magazine, "Africa's economic recovery, precariously balanced between economic necessity and political reality, will collapse in 1988 if the continent does not receive the financial assistance it was promised."

Although it is difficult to predict what will really happen to the aid promised for this year, the chances are that it will be enough to enable most African states — mainly those prepared to reach an accommodation with the IMF — to muddle through, while it could also provide a glimmer of hope to some of the most desperate low-income countries. A real breakthrough seems unlikely, however, except in a few special cases.

Africa's economic plight impacts particularly upon the young and vulnerable

The long-term agricultural decline

While Africa's financial difficulties might be described as a symptom rather than the cause of the continent's economic malaise, its agricultural problems lie right at the heart of the crisis. The agricultural sector in sub-Saharan Africa accounts for 70 per cent of the labour force, a third of the GDP and a major proportion of total exports in many states. This dominance, together with the poor agricultural performance since independence, provides a major explanation for the region's economic plight.

Because of better harvests due to better rainfall over most of Africa during 1985 and 1986, the attention of the outside world has tended to shift away from the continent's agricultural problems, although these remain fundamentally as severe as ever. In reality the improvement, which was particularly noteworthy in the drought-prone Sahel region, was so tentative that it only served to illustrate the vulnerability of the continent.

Although Africa's agricultural production grew by 7,2 per cent in 1985, this was only a 10,7 per cent improvement on the average for 1979 to 1981, while population increased by 15,7 per cent between 1979 and 1985. The growth in the 1985 production figures must also be seen in the context of the devastating drought that affected the majority of African states in 1983/84, killing an estimated one million people in Ethiopia alone. In 1986 — another favourable year for agriculture — production grew by 3 per cent, just matching population growth, only to fall behind again in 1987 with a 1 per cent increase, according to the UN Economic Commission for Africa. One cannot help concluding that the improvement in 1985 and 1986 was of a temporary nature, and that the long-term decline started to reassert itself once more in 1987.

The lack of progress in agricultural production in general, and in food production in particular, is of special concern in view of the consensus, as early as 1980, that Africa's economic reforms must focus primarily on agriculture. In the Lagos Plan of Action adopted by the Organization for African Unity (OAU) in 1980, it was agreed that 25 per cent of government resources should be allocated to the agricultural sector. The World Bank also called for agriculture to be given priority. By 1987 it had become evident that although progress had been made in some countries the overall position had not changed materially.

In June 1987 Professor Adebayo Adedeji, executive secretary of the United Nations Economic Commission for Africa, predicted that Africa would experience

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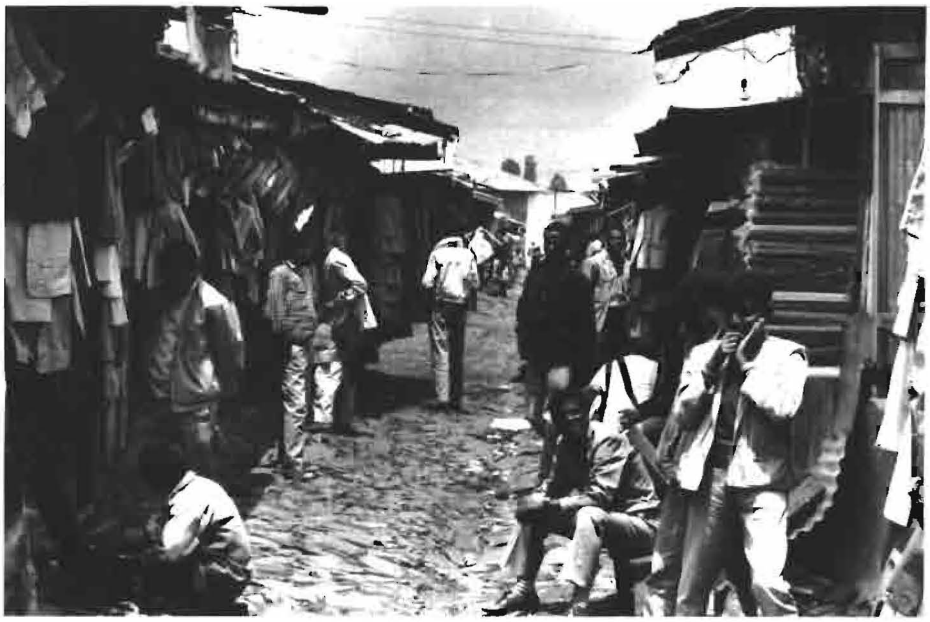

Given favourable conditions, economic initiative can create widespread prosperity

a disaster similar to that which struck the continent in 1983/84, because nothing had really been done to change the underlying causes of the previous famine.

An important aspect though, which has been addressed by at least 28 countries, is price incentives given to agricultural producers. This has been done in two ways, namely by raising domestic producer prices and by devaluing sharply the exchange rate of national currencies — in several countries by more than 70 per cent. The latter measure greatly improved the international competitiveness of agricultural exports and increased the amount of domestic currency received by producers. However, the benefits of these steps have been offset to some extent by falling international commodity prices (non-oil commodity prices have declined by 30 per cent since 1980), the higher costs of agricultural inputs and the fact that about 75 per cent of food production in sub-Saharan Africa is for own consumption, never reaches the market and therefore does not benefit from higher prices.

The lack of foreign exchange owing to the balance of payments crisis in Africa, has become a major constraint on the availability of imported inputs, such as raw materials, fuel and spares. It has also resulted in a shortage of transport equipment to move crops to the markets. The lack of inputs and transport has led to a situation in which agricultural productivity is declining, while at the same time any good harvests overwhelm existing transport capacity. In Tanzania this resulted in a substantial part of the record cotton crop going to waste last year, while harvesting in Zambia became so hampered by lack of transport that the operation was described as "chaotic".

The efforts of African governments to reduce their expenditure in order to meet the demands of the IMF that they close their budget deficits may also be cited as an important factor in the deterioration of Africa's agricultural performance. For example, René Dumont has calculated that the effectiveness of Zambia's agricultural extension services declined by between 60 and 80 per cent as a result of a 20 per cent cut in the funds allocated to them. Lower government expenditure also curtailed investment in necessary replacements and maintenance work on the economic infrastructure which serves the agricultural sector. This has resulted in even larger investments becoming necessary to rehabilitate infrastructure — a vicious circle that will require drastic action and a massive inflow of capital funds if a recovery is to be achieved.

The political risks associated with higher food prices and the allocation of a higher proportion of scarce government funds to agriculture constitute a major constraint on agricultural promotion in Africa. In Zambia higher food and other prices heightened tensions in the politically important urban areas, leading to the disruption of the IMF programme in that country. In Sudan riots over food prices led to the overthrow of President Nimeiry. In Ghana, Nigeria and Tanzania promising structural adjustment programmes are threatened by popular discontent. All of these instances illustrate the risks involved when governments try to redress the urban bias prevalent in the policies of almost all African states.

Long-term constraints

A number of long-term structural constraints have also continued to hamper agricultural progress. The lack of administrative capacity — especially in the notoriously inefficient parastatals responsible for agricultural marketing — is a severe handicap in many countries, because late payments, inefficient collection of harvests and a lack of storage facilities are severe disincentives for producers. Although institutional reforms have been initiated, they have proved to be particularly difficult to implement.

Increased population pressures in countries like Kenya, Malawi, Rwanda and Burundi, as well as in certain areas in Ethiopia and Nigeria, signify that the easy options of increased production through the mere extension of cultivation to previously unutilized areas have virtually come to an end. In almost all African states the high population growth rate spells ruin if agricultural, particularly food, production does not increase at the considerable pace of about 3 per cent per year.

Environmental degradation caused by shortened fallow periods, overburdened grazing areas and the resultant encroachment of the desert in many semi-arid areas of Africa has reduced the agricultural potential of the continent. It is estimated that each year 1,5 million hectares of usable land are lost through desertification on the fringes of the Sahara alone, and that 1 per cent of the natural forest and shrub cover of the Sahel vanishes. Africa as a whole loses 1,3 million hectares of forest and 2,3 million hectares of bushveld cover annually, while only 93 000 hectares are planted.

Rapid urbanization is another factor contributing to the greater vulnerability to poor food harvests. Most African farmers still produce only for their own subsistence needs, at the same time the food preferences of the urban populations have changed to crops such as wheat and rice which generally cannot be produced locally. This has increased dependence on food imports and food aid. Africa's total cereal imports rose by 10,7 per cent annually between 1973 and 1984, a development which exacerbated the foreign exchange position.

The ready availability of food aid from the EEC and the USA has become a problem in itself, because it has encouraged

Africa's fragile rural economies are only too vulnerable to drought and irreversible ecological damage

the shift in consumer tastes towards imported crops. Cheap or free imports of food tend to depress local food prices, and thus discourage local producers. They also enable African governments to continue promoting economic policies that would have been politically untenable if food aid had not been available. The question remains whether governments like those of Ethiopia, Mozambique, Zambia and Tanzania would have been able to pursue their destructive agricultural policies had food aid not been so readily forthcoming when shortages arose.

Continual political disturbances and civil wars in several African countries have also been a major cause of agricultural problems. The four countries expected to have the biggest food aid requirements this year — Ethiopia, Mozambique, Angola and Sudan — are all in the throes of major political and military conflicts. It is ironic that these countries have the agricultural potential to support their populations quite comfortably, as well as to export a substantial surplus, if only they could solve their political problems and follow only relatively sound economic policies.

The political unrest in these countries, the return of drought conditions in certain areas during 1987, as well as the prevailing inadequate management structures and economic policies, have resulted in about 4,6 million tonnes of food aid being needed this year, according to the UN World Food Programme. This equals more than 10 per cent of the total African cereal production in 1987.

Africa's economic problems can be ascribed, to a significant extent, to its failure to develop appropriate political structures. These structures need to be more responsive to the needs of both the rural and urban populations, to contain corruption, to exercise reasonable restraint on demands for public resources and to allow economic development to take place in line with the management and other capabilities of Africa's young and developing nations.

Some of Africa's difficulties can be directly linked to the over-optimism which prevailed at independence about the continent's economic prospects. This resulted in the planning of grandiose development projects patently inappropriate in view of the managerial and technical capabilities available to run them. A good example is provided by Tanzania, where the development objective was identified as a standard of living equal to that of the United States or Britain, though attained within a much shorter time span. More recently Mozambique stated its objective as the eradication of underdevelopment within one decade and the achievement of a projected annual economic growth rate of 17 per cent. In the case of both countries, this led to a disastrous over-extension of the economic resource base and an overwhelming dependence on outside aid just to prevent total collapse.

Conclusion

The increasing long-term proneness of the African continent to agricultural disaster, in combination with severe external and internal financial constraints and an increasingly unfavourable international economic environment, indicate the likelihood of more famines, the impoverishment of the populations of most countries and a higher incidence of political instability.

As early as 1983, the UN Economic Commission for Africa declared:

> The future which emerges from (the) historical trends scenario ... is horrendous ... riots, crimes and misery would be the order of the year 2008 if present trends continue without change. With their weak and fragile socio-political system, the sovereignty of African states will then be at stake.

It must be remembered that this statement was made before the recent slump in commodity prices and the slow-down in the economic growth of the industrialized countries.

At present there are three developments, albeit unpredictable, which could drastically alter the economic fundamentals presented above. The first is the effective and efficient realization of the promised aid flows in combination with appropriate and determinedly implemented adjustment programmes. Pointers in this direction are the experience of Ghana and, more recently, Tanzania where well-sponsored adjustment efforts are beginning to bear fruit in terms of higher growth rates. The Nigerian experience, where a determined military government is starting slowly to reap the fruits of a very severe and widely-ranging adjustment programme, is of particular importance. These three countries have been seen to turn the tide towards greater economic viability after years of deepening economic calamity. However, their recovery efforts are still fragile and could quickly begin to disintegrate in the event of a sudden deterioration in the internal political situation or in the external economic climate.

The second is the possible onset of a sharp recession in the industrial countries of the world. This would ensure that the worst-case scenario would be realized within a very short space of time. "Economic catastrophe" would be a not overly-dramatic description of what would then ensue in Africa.

The third is if Aids should fulfil its present threat to become the worst epidemic to strike the world this century. Although many of the available statistics on the disease in Africa should be treated with caution, enough is probably known to envisage an extremely grim scenario. The general consensus is that more than one, and perhaps several, million people in Africa are already infected, and indications are that this figure is doubling every six months. Dr Sher of the University of the Witwatersrand's Aids Research Unit foresees no real cure being found for Aids in the near future in spite of some progress being made. A worst-case forecast stated that 70 per cent of the population of tropical Africa could be infected by the turn of the century. It is especially significant that the disease seems more prevalent among the better educated urban élites, which constitute one of the scarce resources in the development of the continent.

In short, the prognosis for the economies of Africa is not good. One can only hope that, as in the case of India thirty years ago, the prophets of doom will be confounded by unexpected developments and that we will see Pliny's aphorism happily vindicated "Out of Africa there is always something new". Good economic news would be refreshing indeed.

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Ghana's economic decline

Douglas Rimmer, former director of the Centre for West African Studies at the University of Birmingham was a visiting senior research fellow at the Africa Institute earlier this year. In this article he analyses the reasons for Ghana's precipitous economic decline since independence.

Among my colleagues when I worked in the Department of Economics at the University of Ghana in the late 1950s was Emil Rado. In March 1986, Rado visited Ghana for the first time since 1960. Looking at Ghana in 1986 from the standpoint of 1960, he wrote as follows:

> I saw an economy and society in a state of near collapse. Water ran in the taps for five to six hours a day, and there were two days during the month with no water at all. Electricity was liable to break down any day, and did so five or six times a week. Perhaps five per cent of telephones worked in Accra (none in Kumasi as far as I could see). A letter posted in Kumasi took three to four weeks to reach Accra. Public transport within the main cities was non-existent . . . . Inter-city 'state transport' coaches were the only public transport I saw. There was no refuse collection; I saw smouldering piles of rubbish everywhere.

He went on to write of the loss of manpower: between one-half and two-thirds of top-level professional manpower had left the country; during the oil boom in Nigeria perhaps one-and-a-half million Ghanaians had migrated to that country. For those who stayed behind, a monthly wage covered barely more than a week's living costs. Industry operated at less than one-quarter of its capacity. The shops were bare, and even "respectable" Ghanaians were wearing the cast-off clothing and footwear of Europeans and Americans.[1]

Bad as conditions were in 1986, it must be added that they had been much worse. The nadir was 1983, when corpses lay in the streets of the cities. University vice-chancellors and registrars from Ghana who came to the Commonwealth Universities Conference held in Birmingham in August of that year were visibly malnourished; their collar-bones protruded, forming what were known as "Rawlings' necklaces".

From the standpoint of 1960, this descent into penury was almost incredible. Ghana had been the first of the black African countries to become politically independent, because it had long been among the most commercialized parts of tropical Africa, its physical infrastructure had been built up rapidly in the recent past, it was relatively well endowed both financially and in terms of exploitable resources, and it had a competent administration and, by African standards, a substantial stock of well-educated and professionally experienced people. Ghanaian independence in 1957 had attracted worldwide interest, and it had not then seemed ridiculous that the government of the new state should be regarded as setting standards and providing leadership for the rest of Africa. I, for one, shared fully in the euphoria.

Disenchantment soon appeared. The reasons were partly political. The government showed itself increasingly intolerant of opposition, or even criticism. According to rumour, I was nearly deported myself, for having told the party what it did not want to hear in a public lecture on Marx's theory of economic development.

But economic conditions also deteriorated. The 1950s had been economically buoyant. In the 1960s, GNP averaged over population was roughly constant, according to the official estimates, and shortages appeared of both imported and home-produced varieties of such essentials as food, medicines, spare parts and agricultural implements. These misfortunes were only a foretaste of what was to come. The shortages of goods became more pronounced and GNP per head trended down from 1970. Inflation had caused much distress in the early 1960s, but the rates then were modest compared with those experienced after 1974 — in two years (1977 and 1981) the index of consumer prices was recorded as rising by over 100 per cent. People whose money-incomes were inflexible suffered accordingly; it became impossible for anyone to survive on wage or salary earnings alone. In spite of exchange rate devaluations of 30 per cent in 1967, 20 per cent in 1972 and 58 per cent in 1978, the black market value of Ghanaian currency in 1982 was only one-tenth of the official value.

Not surprisingly, this economic performance produced political strife. Twice, in 1966 and 1972, the Army intervened to depose civilian governments. By 1979 the Army as a government was even more discredited than its civilian predecessors; Jerry Rawlings has described how soldiers walking through the market-places had urine thrown over them. Under Rawlings' leadership, junior officers and other ranks rebelled and there occurred the brief interlude of the Armed Forces Revolutionary Council, whose reforms included the execution of three former Heads of State and the bulldozing of market-places in a bid to discourage market forces. At the end of 1981, a third elected government was forcibly removed in what became known as Rawlings' "second coming", inaugurating the regime of the People's National Defence Committee (PNDC).

Finally, nothing is more revealing of the decline in Ghana's fortunes than the state of migration. In the 1950s, it was believed that 300–400 000 workers entered Ghana annually from the surrounding French territories. By the 1970s, huge numbers of Ghanaians were emigrating. A

President Nkrumah, in the halcyon days of Ghana's independence

Ghanaian's most precious possession, it was said, was now his passport. There are now Ghanaian communities to be found all over the world; I was told recently of one in Port Moresby, New Guinea. When the Nigerians decided early in 1983 to expel illegally resident aliens, about one million of them turned out to be Ghanaians (in 1985 the population was estimated at 12,7 million).

Nkrumah's aspirations of Ghanaian leadership in Africa now seem absurd. The country that was once an inspiration has become a symbol of what has gone wrong in Africa.

Why did things go wrong?

Broadly speaking, there are two opposing explanations of what has gone wrong in Africa. One of these assigns responsibility to changes in the external economic environment, the other to internal misconceptions and mismanagement. An obvious, and perhaps unexceptionable, compromise is to say that both sets of causes are to blame. Such debates have gone on with respect to Ghana since 1966.[2] In the case of Ghana, however, the case for attributing even a share of the responsibility to external causes is not very strong.

In 1961 the Nkrumah government took a series of measures intended to release the Ghanaian economy from the colonial mould in which it had hitherto been held. Imports were discouraged by high tariffs, and their total, composition and provenance were regulated by administrative licensing. The banks were obliged to repatriate their assets held abroad and to invest locally, mostly in government securities. Controls on prices were introduced. Many new manufacturing industries were established as state corporations, and large-scale mechanized farming was also initiated as a public enterprise. As the official financial reserves were drawn down, the government increasingly met its local obligations by printing money and its external obligations by borrowing from foreign contractors and suppliers. A seven-year national plan, inaugurated in 1963, envisaged the speedy emergence of Ghana as a socialist industrial power.

These brave new departures did not produce the expected results. Ghana may have become more "modernized", but it ceased to grow economically. Defenders of the government's economic measures — which, as Killick has observed,[3] were entirely congruent with the prescriptions of development economists at that time — naturally looked for extraneous explanations of this failure.

One candidate for the role of external causation is the movement of the commodity terms of trade. A favourable trend in these terms underlay Ghanaian prosperity between 1945 and 1958. Was it because of the increasing difficulty in earning imports, rather than because of a failure in the design of execution of policies for development, that economic progress in Ghana was checked?

The answer must be "no". There are two reasons. First, the fall in the terms of trade in the early 1960s mainly reflected a fall in the export price of cocoa, which in turn was chiefly the result of increased volumes of exports of cocoa from Ghana, then the principal world supplier of the crop. The consequence was that the purchasing power over imports of Ghana's exports fell much less than did the commodity terms of trade in the period 1959–66, the decline in the commodity terms being substantially offset by the increase in export volume. Ghana's capacity to import did not fall in the early 1960s; in fact it was increased, since export proceeds that declined only slightly in real value were augmented by the running down of reserves and the acceptance of foreign credits.

Second, the decline in the commodity terms lasted only until 1966. Subsequently, there was an improving trend — albeit one interrupted in 1971–72 — until Ghana was hit by the second oil-price shock in 1979. According to the World Bank, the index of Ghana's commodity terms rose from 111 in 1960 (1975 = 100) to 144 in 1979. Alternatively, using Unctad estimates, Ghana's commodity terms rose from 99 on annual average in 1960–62 (1975 = 100) to 145 on annual average in 1978–80. Over the whole 20-year period, the trend in relative prices was such that the same physical quantity of Ghana's

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exports would have bought increasing, not decreasing, values of imports — if the same physical quantities had been maintained. It is true that Ghana's commodity terms did deteriorate sharply after 1979 (the figure for 1983 is about 97 on the 1975 base), but this fails to explain earlier difficulties. What is most remarkable, as Robert Price has pointed out, is the association in the years 1973–79 of historically unprecedented world prices for cocoa and gold, Ghana's principal exports, with an acute shortage of foreign exchange in Ghana and the near collapse of the economy. "The international recession of the early 1980s . . . 'put the boot' to an already prostrate economy, making recovery more difficult but not causing the situation."[4]

International business is an alternative candidate for the role of author of Ghana's downfall. Nkrumah himself was ready to adopt the view that foreign direct investment had dire consequences for the host country (see his book on Neo-Colonialism (1965)), and the PNDC government in its early days (1982), and Jerry Rawlings personally, were much inclined towards it. But this view cannot be sustained in face of the evidence that foreign ownership of assets in Ghana diminished over time — in other words that, as the possibilities of Ghana being exploited by the multinationals shrank, the country became worse, not better, off. These firms faced increasing obstacles through legal restrictions on the scale of their participation, discrimination against them in import licensing, and controls on their remittance abroad of profits and recovered capital. Their reaction was what might have been expected. Until 1988, Ghana had received no major direct investments by foreign firms since the 1960s. "Even when the Limann government (of 1979–81) went out of its way to attract new foreign investors with a set of very lucrative incentives, there were no significant takers."[5] Much has been written in support of the argument that developing countries would serve their interests by "de-linking" themselves from international capitalism. Ghana is a case where, in practice, the de-linking has been done by the international capitalists.[6]

There was one important foreign business investment in the 1960s. Inconsistently with his hostility towards multinational enterprise, Nkrumah went to great lengths to secure the creation of the Valco alumina smelter by the American Kaiser and Reynolds corporations. The object was to guarantee a basic market for the hydroelectricity to be generated by the damming of the Volta River at Akosombo. Valco received fiscal concessions and was charged a relatively low price for electricity guaranteed for 30 years. The return to Ghana was envisaged mainly in terms of spin-offs — encouragement of other power-using industries, household electrification, irrigation of agriculture through control of the waters of the Volta, cheapening of transport through creation of the Volta Lake. In fact, these indirect benefits greatly disappointed expectations, and, by an appropriate weighting of the external diseconomies inflicted by the Dam, it is possible to arrive at the conclusion that the overall effect of the Volta Project has been negative.[7]

Even, however, if this conclusion is accepted, it is not clear that the failure can properly be attributed to extraneous causes. The Volta Project was a central feature of the government's own second development plan launched in 1959, and its realization was strenuously pursued by Nkrumah and his ministers.

A similar point may be made about the official medium-term debts to foreign contractors and suppliers that were amassed mainly in the years 1960–65. The civilian government of Dr Busia in 1969–71 was to represent these debts as the central problem of economic management in Ghana, and to suggest that many of them had been incurred in return for little of value and only as a result of the corruption of Ghanaian office-holders. Yet these debts had all been contracted by persons supposedly acting on behalf of Ghana's government in the execution of its programme for the restructuring of the economy through the setting up of new industries and the further development of the infrastructure.

In any event, these medium-term debts were not a crushing burden in Ghana's external accounts in the 1960s and 1970s. When they threatened to become so — in 1966, 1968 and 1970 — they were rescheduled. Finally, in 1974, they were "refinanced", in other words, converted into long-term, low-interest, intergovernmental loans with a 10-year grace period. Annual debt service actually paid, expressed as a ratio of exports of goods and non-factor services, was in the range 5–7,5 per cent between 1966 and 1982. Thus it was possible for the World Bank mission that visited the country in 1984 to observe that "Ghana has had a light debt burden in the past".[8]

In summary, Ghana in the first two decades of its independence was not seriously damaged by movements in its commodity terms of trade; it succeeded in attracting the one foreign business investment its government wanted and in repelling the others; and it was not in practice greatly burdened by external debt. Evidently the causes of its economic decline must be looked for internally, rather than in changing external circumstances.

Impoverishment by development

Ghana was impoverished by development policies. There is no novelty now in this statement. Killick was reluctant to reach it in his study of Ghanaian economic policies in the 1960s, but he provided all the facts needed to substantiate a belief that the country's economic afflictions began in about 1961 with the Nkrumah government's assertion of economic autonomy. The principal policy blunders revealed by Killick's analysis were as follows. There was failure to recognize that increased export earnings mattered more than greater domestic savings. Short-run efficiency in the use of resources was unduly neglected in favour of creating problematic dynamic nexuses. The flexibility of the economic structure was overestimated, as was the effectiveness of official direction. The appeal of modernity led to a choice of techniques in manufacturing and agriculture that were inappropriate to Ghanaian conditions. State enterprises foundered under the weight of the conflicting objectives enjoined upon them. Attempts at economic regulation — for example, in licensing imports and controlling prices — made impossible demands on administrative capacity and political probity.

They also produced a redistribution of income in favour of persons possessing political power or enjoying political patronage. Whether or not this had been the purpose of "development policies", as cynical Ghanaians had come to believe by 1966, it was certainly among the results of those policies. Sectional interests were therefore entrenched in the "policy blunders", and are the explanation, according to Killick, of why the policies of the administrations of the later 1960s show more continuity with, than change from, the policies of the Nkrumah period. Even so, what appears to have been a fairly determined attempt at economic liberalization was made by the Busia government in 1970–71. It was wrecked by a temporary fall in the cocoa market, which impelled the second devaluation of the cedi, which in turn gave a military faction led by Acheampong the excuse to seize power in January 1972.

Economic collapse and military rule

Ghana's decline accelerated in the 1970s. According to the World Bank mission of

1984, between 1970 and 1982 income per head fell by 30 per cent and real wages by 80 per cent; import volume fell by two-thirds; real export earnings fell by one-half, and the ratio of exports to GDP dropped from 21 to 4 per cent; the domestic savings rate fell from 12 to 3 per cent, and the investment rate from 14 to 2 per cent of GDP; finally the government deficit rose from 0,4 to 14,6 per cent of GDP and now represented 65 per cent of total government spending.[9]

The political economy of this period is under-researched compared with that of the 1960s. There is nothing that corresponds to Killick's study of the economy in the 1960s, and the appallingly destructive course of military government from 1972 onward has not attracted the intense outside interest that was generated by Nkrumah's downfall. The flow of statistical information has diminished both in quantity and reliability; the last of the regular annual *Economic surveys* by the Government Statistician, which had been maintained since 1955, related to 1969. But the following may be identified as leading features of this period.

First, from 1972 to 1982 economic life was again heavily administered. Imports and other uses of foreign exchange were strictly licensed. The exchange rate was officially fixed, and changed only once, in 1978.

Import, ex-factory and retail prices were controlled, as were interest rates in the organized credit market. Cocoa production remained subject to an export monopoly, as it had been ever since 1939. Since official prices were generally much below market-clearing prices, windfall profits were available to whoever secured price-controlled goods and was prepared to sell them for whatever they would fetch; there was consequently a strong shift of enterprise away from production and towards trade.

The senior army officers who governed Ghana from 1972 to 1979 were seemingly unable to comprehend the contradictions that developed between market forces and official stipulations. They coined the dreadfully apposite slogan "Make war on the economy". Acheampong himself is reported to have complained that "despite the needs of the economy, many Ghanaians are only interested in making money". But it should be added that these officers were themselves among the leading beneficiaries of the distorted price structure.

Second, from 1974 government spending far outstripped the totals of revenues, aid and non-inflationary borrowing. Deficit financing grew to become the major source of government funding. One cause was rising expenditure to support a public sector growing to meet the needs of patronage. Another was falling revenues through erosion of the tax base.[10]

The tax base contracted for several reasons. Export volumes and exporting profitability fell as the currency became increasingly overvalued. This overvaluation also held down revenue from import duties, since it made the cedi prices of imports artificially low. Controls on prices similarly held down the revenues from excises and sales taxation. Import licensing, price controls and the monopolization of cocoa purchases all increased the attractiveness of illegal transactions at uncontrolled prices, from which the government derived no revenue; up to 50 000 tonnes of cocoa per year are believed to have been smuggled out. Finally, Ghanaians faced by continuously rising prices and market shortages could, as a last resort, contract out of the market economy to a greater or lesser extent and revert to subsistence livelihoods. The sectoral composition of the GDP estimates shows an increasing share of agricultural output and a decrease in services; in other words the economy was experiencing de-commercialization.

Third, the public administration buckled under the strain. To some observers, Ghana had already become an administrative jungle by 1966,[11] but it has been argued that some degree of "agency ideology" or organizational ethos survived in the public services for the first ten to fifteen years of independence.[12] Certainly a commitment to the public realm could still be sensed among senior civil servants whom I met in Ghana in the aftermath of the first coup in 1966. Corruption and speculation were of course endemic, and more than forty official commissions of enquiry between 1966 and 1969 were to produce evidence of massive graft during the Nkrumah regime, affecting the state corporations in particular.[13] But the public administration in the 1960s was still a "going concern", recognizing institutionalized values of its own and able adequately to discharge routinized responsibilities.

By the late 1970s the structure had collapsed. No one could afford any longer to be a dedicated public servant. The increasing lag of salaries behind escalating prices drove public employees to find multiple employments — in trading and farming as well as in their offices — and to exploit for their own advantage, and as far as they could, the powers of their appointments. The increasing shortages of material inputs crippled the capacity to deliver public services. These factors, together with an antagonism between the military government and the professional classes that had become violent by 1978, led to the emigration of a large fraction of better-educated and trained manpower. By the early 1980s Ghana as a territorial unit was disintegrating. It had become one of those African states whose identity owes more to international recognition than to empirical fact.[14]

The committee of junior officers, NCOs and students that formed the government of Ghana in 1982 appeared initially even less capable than preceding administrations of understanding the problems it had inherited and of finding ways of resolving them. It was infected by neo-Marxism and dependency theory,[15] rather as, twenty years earlier, Nkrumah and his associates had suffered the contagion of primitive development economics.

But in April 1983 there occurred a remarkable turn-round in policy. Although the lava-flow of revolutionary rhetoric continued for some time, the PNDC was somehow persuaded to undertake an economic recovery programme under the tutelage of the IMF and World Bank and with the support of bilateral aid donors. A series of devaluations reduced the official value of the cedi by 97 per cent by September 1986. Foreign exchange then became available at auction through a so-called "second window", allowing the cedi to depreciate further; and since February 1987 all foreign exchange transactions, including those of the government, have been channelled through these auctions.

The approach to a realistic exchange rate, along with the removal of domestic price controls and liberalization of the import regime, have recreated producer incentives, while aid has helped rehabilitate the transport system. Appreciable advances have been made since 1983, but they have been advances from a remarkably low base and have been fortuitously helped by good growing weather for food crops. Ghana is still far from the relative economic standing in Africa that it enjoyed in 1960, and is unlikely ever to recover the political prominence it enjoyed at that time.

Economic lessons

Reflecting on this sorry record, I draw four principal conclusions. The first concerns exports, and in particular cocoa, the commodity in which Ghana's export concentration increased as its exports declined (the proportion rises from around 60 to 75 per cent). Cocoa was made subject to a statutory marketing monopoly from 1939, the effect of which was to hold down producer prices. The purposes were to protect the British balance of payments (since the monopoly lent its surpluses to the UK government) and to protect the profit margins of the expatriate

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companies in the cocoa trade, which became licensed agents of the monopoly. By an extraordinary feat of reasoning, the system was later declared to serve the interests of the cocoa farmers.

From the early 1950s, the difference between what was paid for Ghanaian cocoa and its realized export value was mostly appropriated as export duties, instead of being allowed to accrue as Marketing Board surpluses. The Marketing Board was then justified as a means of mobilizing resources for government. For this purpose it was unnecessary; export taxes can be collected without an export monopoly. But the Marketing Board survived, and, since it became a byword for inefficiency, corruption and patronage, it operated as a detraction from farmers' incomes additional to the export duties; by 1982 the Board had a payroll of 100 000, in spite of which students had to be recruited to help evacuate the harvest.

From 1959 the producer price was pushed down further, in the interest of generating more revenue for the government's development programme, and kept down in spite of rising living costs. By the late 1970s, farmers were receiving only about two-fifths of the free on board value of cocoa, net of the inflated marketing costs. The overvaluation of the cedi, which first developed in the early 1960s and continued, so far as cocoa farmers were concerned, until 1987, constituted a further, implicit, tax on the farmers' incomes, since the cedi equivalents of their earnings were less than they would have been at equilibrium rates of exchange. Allowing for this factor, farmers by the late 1970s were receiving at best one-fifth of the export value of their crops, and probably less.

It is an indication of the strength of the comparative advantage in growing cocoa in Ghana that output long held up in face of this heavy and discriminatory taxation. (It was helped, of course, by the lag between planting and production.) In the early 1960s Marketing Board purchases were actually trending up. But the trend was broken in 1966, and by 1974 decline had become precipitate. Annual purchases averaged abut 450 000 tonnes in the early 1960s; by 1983–85 they were down to 155 000 tonnes.

This trend in export volume (which was experienced also, for somewhat different reasons, in minerals and timber) explains Ghana's chronic lack of foreign exchange. It also explains the little benefit that Ghana obtained from improving commodity terms of trade between 1966 and 1979. Between the early 1960s and the late 1970s, the purchasing power of Ghanaian exports over imports rose by only about 25 per cent; in contrast, the purchasing power of Côte d'Ivoire's exports over imports quadrupled in the same period. The Côte d'Ivoire taxed its export-crop farmers heavily, but left a sufficient margin of private comparative advantage for output still to be increased. In Ghana, the goose that laid the golden eggs was garrotted.

My second conclusion relates to the financing of government. Until 1945 the colonial administration was required to be self-financing; and until 1957 the monetary system, under which currency used in Ghana was fully backed by, and freely convertible into, sterling, effectively prevented local borrowing for this purpose. In 1957 a Central Bank and a Ghanaian currency were created, and in 1961 the commercial banks were domesticated by exchange control. Government was freed from the constraint on its activities imposed by revenues. It borrowed heavily from the banking system, and resorted increasingly to deficit financing. The results, of course, were inflation and — given inflexible official pricing of foreign exchange — detachment of the internal from the external value of the currency.

Overvaluation at the official rate of exchange became the chief of the price distortions that characterized the Ghanaian economy until 1987. It reduced or destroyed the profitability of exporting and made importing, or more generally command of foreign exchange, highly lucrative. It helped drive economic activity out of lawful and into illicit channels. It also led to the accumulation of short-term external debt. Governments in Ghana were fiscally irresponsible from 1961, and more so from 1974. Perhaps nothing in the economic sphere so clearly distinguishes independent governments from colonial administrations, not only in Ghana but also in many other countries of tropical Africa.[16]

Third, the growth of the public sector in Ghana, the creation of numerous state enterprises to fill an alleged "entrepreneurial gap" and the proliferation of controls in an attempt to restrain market forces, spawned numerous opportunities for private enrichment based on the ability to give permissions and patronage. "Seek ye first the political kingdom", Nkrumah had said, and there was no lack of people willing to follow this advice, in the knowledge that power meant wealth. There may be societies capable of following the socialist path without abusing its objectives, but Ghana was not one of them.

My fourth and final conclusion is a rueful one. In my youth I was taught, and believed, that government was the fulcrum on which the material conditions of life are raised for everyone. I still would not deny this possibility. But what Ghana has shown in the last thirty years is the tremendous power that governments possess to destroy prosperity and push back the progress of society.

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Southern Africa: Economic policies and intraregional business relations amid political turmoil

J M Robertson, chief economist with RAL Merchant Bank in Harare, provides a personal analysis of the way that the economic policies pursued by the Frontline States in general, and Zimbabwe in particular, influence their prospects for economic growth and development and impact upon their relations with South Africa.

Colonialism and capitalism: The implications for policy

Post-independence Africa can be characterized in many ways. Some people would still maintain that colonialism was the best thing ever to have happened to Africa — and would add that the independent African states are now beginning to realize this. Others have even gone so far as to argue that the only states with a legitimate complaint about exploitation are those that were not exploited enough — backing this contention with the observation that the least developed areas in the world today are those that were not exploited at all.

Beliefs, attitudes and perhaps prejudices of this kind are a useful point of departure for a discussion of business relations between Southern African states, because a significant factor governing political attitudes in nearly all the countries concerned is the way in which Africans see themselves as having been affected by colonialism. That perception, in turn, has affected the policies their governments have adopted, which have usually been designed to redress the perceived problems of the past and to protect their peoples from a possible recurrence of the experience.

In arriving at and expressing their own characterizations of events since independence, African politicians have been inclined to adopt the language of the hard left. The foremost external champions of their causes have always been leftist thinkers and countries, from whom they received most of their moral, physical and military support while trying to shrug off the fetters of colonialism or what they perceived to be foreign domination of other kinds.

An almost automatic consequence of this has been that they have also adopted the political philosophies of the left, in the belief that these can best solve the problems and redress the wrongs of the past. From this perspective, asking for help from the exploitative capitalist neo-colonialist West would be like putting a cat in charge of a fish shop.

In their view, colonialism has become associated with capitalism, and the opposite of capitalism is automatically assumed to be the route by which to get rid of colonialism. Capitalism and free enterprise are identified with exploitation and oppression; in fact, exploitation is seen to have been the purpose of colonialism. It is a neat and plausible argument with its own internal logic, and one attractive to those who find it more comfortable to ascribe the bulk of their present-day problems to wrongs inflicted upon them in the past.

Given these premises, some of the policies that have resulted from this approach are equally logical. Colonialism brought with it foreign domination, foreign ownership of resources and foreign control. This control was wielded by foreigners and expressed through foreign political systems and foreign-owned companies. The foreign companies invested for their own purposes and generally with little regard for the interests of the colonized population. They sent profits to foreign shareholders and products to foreign buyers. The management and staff of the companies took their instructions from foreigners and worked for foreigners. Foreigners became rich while local populations remained poor.

It was with these assumptions that the rulers of newly-independent countries embarked upon the drafting of economic policies. Such ideas were adopted even in countries where they might have been reasonably dismissed as totally inappropriate. One of the more commonly observed results was that multinationals were regarded as dishonest and exploitative, whatever the evidence to the contrary.

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Against a background of history interpreted in these terms, opposition to foreign control inevitably became a rallying point and, as self-consciousness increased, virtually a battle-cry for the liberation movements. Since no one made any serious attempt to defend the free enterprise systems on which the business communities of these countries depended, it was almost inevitable that their opposites would find expression in the objectives and policies chosen.

Foreign control and foreign capital investment

With the advent of independence, foreign control was an inevitable first target for eradication. This was reinforced by a rapid realization that economic independence had not arrived with political independence. In most of the states it was thought that new economic policies could not be enforced before full control had been gained over all foreign-owned companies. Nationalization became the order of the day and within the first few years of independence control of vitally important companies moved into the hands of politicians and bureaucrats.

Most of these governments did not realize until much later that their actions had arrested the development of the companies they had acquired, and usually that of their countries as well. New investors did not readily commit themselves to countries in which existing investors were visibly struggling to survive, but even that did not lead these governments to reconsider their policies — the last thing they wanted was for their newly independent countries to be re-colonized by multinationals.

However, with investment dying away, new, efficient and productive jobs could not be created, and therefore governments themselves had to generate artificial jobs to reduce the embarrassment of rising unemployment. In order to compensate for deficiencies in their nations' resource bases and socio-economic development, many of them became dependent on foreign aid.

Having moved from a state of subjugation by foreign capitalists to dependence on foreign aid, it may seem that these countries have not succeeded in achieving anything useful. One could even argue that the use of aid funds for development has hardly ever been nearly as successful as the use of venture capital for the same purpose, and that aid has been much more of a curse than a blessing, even where some effort was made to see that the money was invested wisely.

African governments counter that argument with a number of others, most of

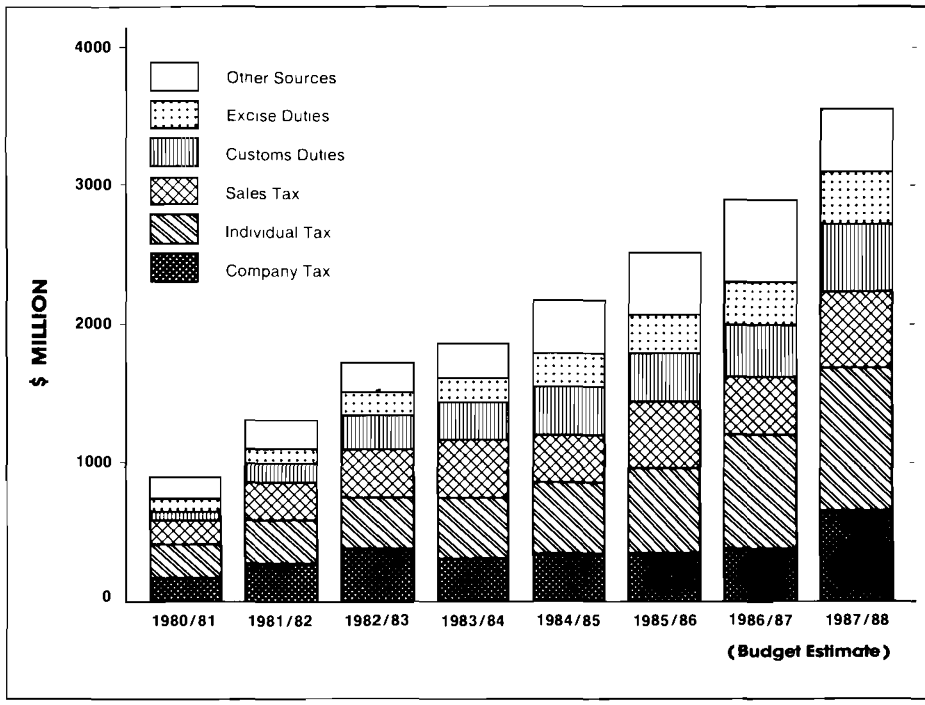

Fig 1 Zimbabwe: Central Government Revenue

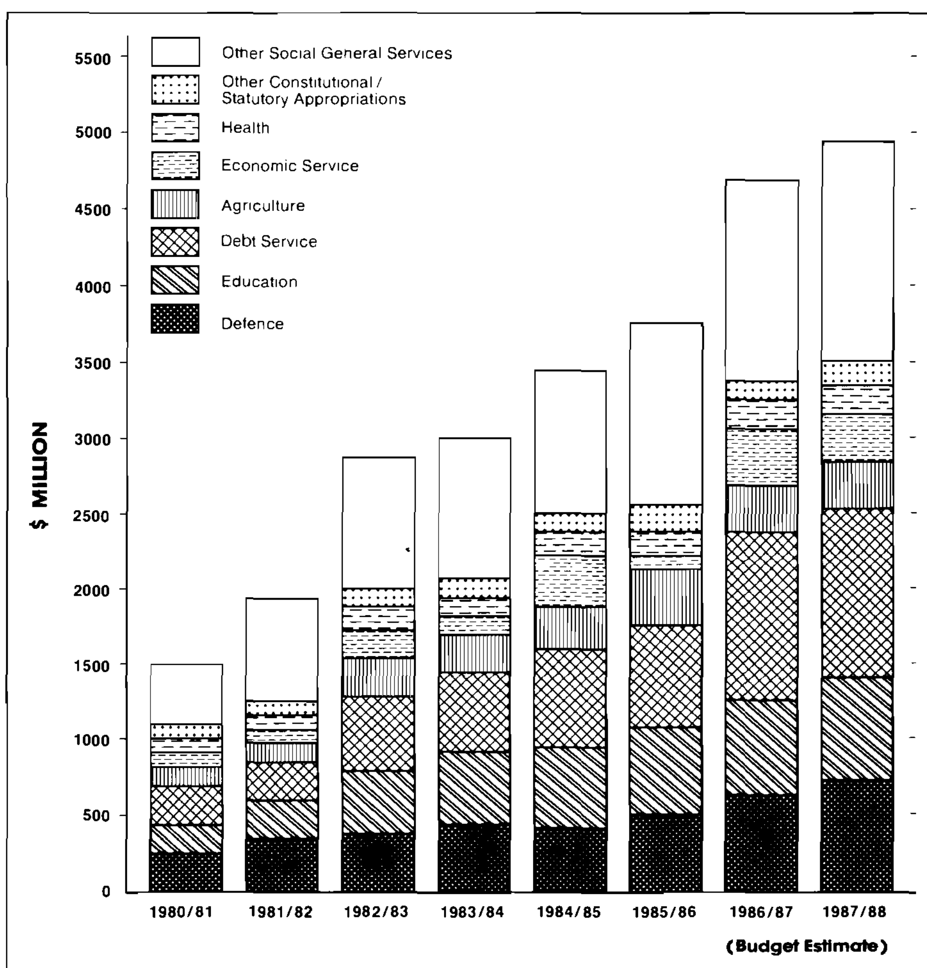

Fig 2 Zimbabwe: Central Government Expenditure (by Functional Classification)

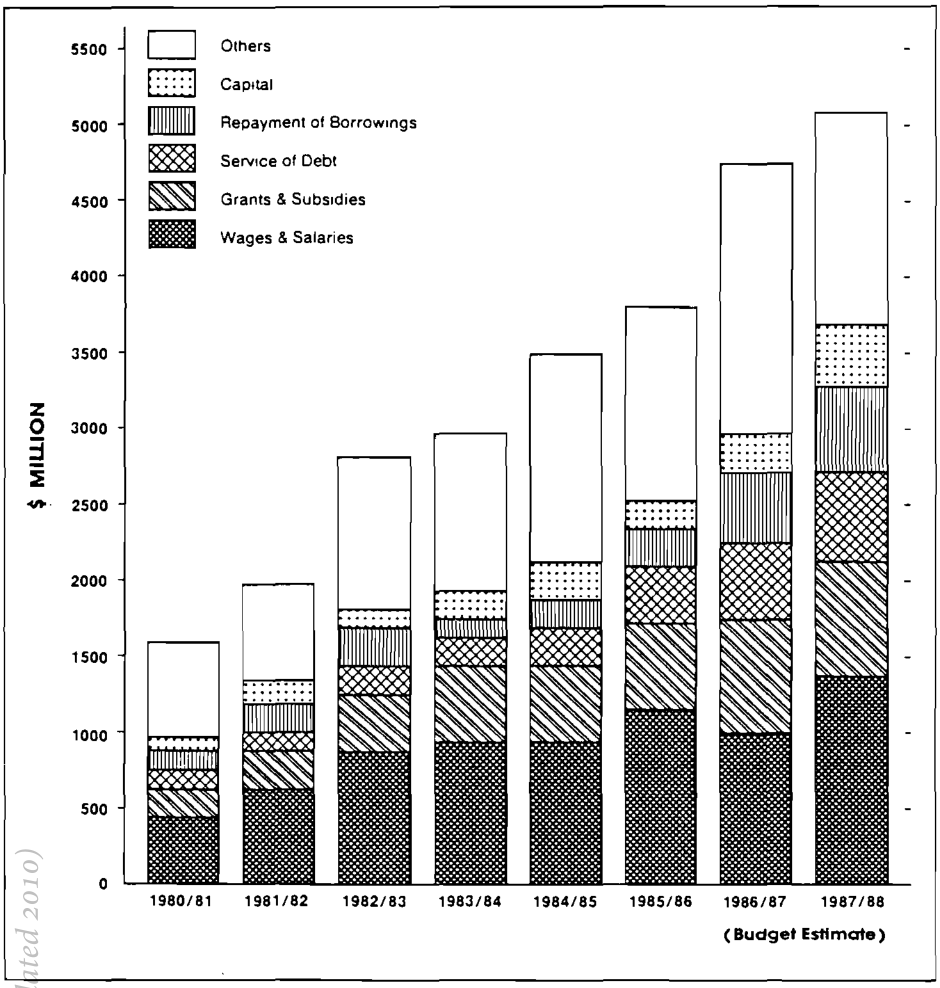

Fig 3 Zimbabwe: Central Government Expenditure (by Economic Classification)

which relate to the satisfaction they derive from running their own affairs, even if the tangible results are far from satisfactory. This should come as no surprise. Nobody enjoys paternalistic attitudes from others, even if these are accompanied by obvious material benefits. Far less would any one of us appreciate material benefits if they were packaged along with intolerance, arrogance and ridicule as standard fixtures.

I once had a brief and very telling conversation with Dr Chidzero, Zimbabwe's Finance Minister. It was in 1980 at a seminar and I had just listened to a lengthy official diatribe directed against the country's whites for the years of oppression, exploitation and deprivation suffered by the black population since 1890. During the tea-break I told Dr Chidzero that as the black population of Zimbabwe had grown from about half a million to eight million under colonial rule — a sixteen-fold increase in 90 years and a record probably never achieved in any other country — I felt that words like oppression, exploitation and deprivation were most inappropriate. I asked him how he could claim that Zimbabwe's people had suffered at all under colonialism. His answer was very much to the point: "You destroyed our dignity".

And there it is, an African perspective on a major issue. I have since given the matter a lot of thought and have come to realize that there are many examples of the same phenomenon to be found in various events and personal relationships — proving this to be a deeply felt human emotion. It is unfortunate that it is usually disruptive and often damaging and destructive.

Whether it is the teenager who willingly moves into a tiny bedsitter, abandoning the comforts of home simply to escape parental control, or the Palestinian refugee who willingly forfeits his life in a bid to punish Israel, dignity is the issue. If we ask what dignity there is in living in squalor in a Hillbrow flat or being shot by an Israeli guard, we shall have missed the point. The indignity lies not in how we live or die, but in having to take orders all the time from somebody else.

We want to be the masters of our own destiny. This is part of human nature, and if we are not sensitive enough to recognize it in other people, then perhaps we do not deserve any better than we get.

It might be argued that those who fight against controls do not deserve what they do get, especially when they regard their cause as noble and the fight leaves them battered and impoverished. There can be little argument, however, that the pursuit of liberation from colonial rule has left practically all the former colonial territories battered and impoverished and also very resentful of the need to continue what they consider to be a struggle against hopelessly unfair odds.

What they are admitting in showing their resentment is that the indignity of the way they live and die does become an issue before very long. Eventually it becomes the only issue. This is particularly true after a new generation has grown up without personal experience of colonialism, but with ample experience of life under a new set of rulers who have imposed their own form of domination. The new political dispensation which appeared to enshrine the principles of self-determination is soon seen to be based in reality upon raw, inept totalitarianism. The people are still having to take orders, often from an even more uncompromising ruling minority, and they feel cheated. The rulers also feel cheated, but for a different reason: economies that used to work for the white man, will not work for them. What is it that lies behind all their problems?

In the case of Africa's leaders, their response to political events and to the rather more permanent political environments within which they operate is to try to dictate the business climate within which their people must try to earn their living. And, as I mentioned earlier, a very large proportion of the policy objectives of African governments consist of ridding their countries of foreign control.

This obsession with taking control away from foreigners has become a preoccupation with securing control for themselves. Control means power, and the real basis of political objectives in young, independent countries is gaining, exercising and holding on to power.

This has very serious implications for the business sectors in all these countries. Not only do foreign-controlled companies find themselves unacceptable to those in power, the whole free enterprise system comes to be regarded as a legitimate political target. In their quest for power, the governments of these countries are no longer prepared to share it with the business community. As a result,

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governments almost throughout Central and Southern Africa have set about gaining control over business in general.

For some countries, such as Zambia, this meant outright nationalization, while in Mozambique, for example, private, fixed property was simply confiscated. In Malawi a large proportion of businesses are controlled by Press Holdings.

The Zimbabwean case

In Zimbabwe, a more subtle policy has been pursued. A few companies have been nationalized, mainly by being bought out by parastatals, and both the government and the party have also bought into a few. Control, however, is far more penetrating than the short list of government or party acquisitions would suggest. A host of new regulations and laws have been passed and the emergency powers legislation has been extended to give the government far-reaching leverage over the activities of businesses and their owners.

These controls extend into prices and wages, hiring and firing legislation, local borrowing limits, dividend limitations and regulations determining where new businesses may be established. Before proceeding with a project, approval must be obtained from foreign exchange authorities, a foreign investment committee, a new projects committee and sometimes from three or four separate ministries. In particular, the Ministry of Labour will require considerable details about job creation, skills requirements and technology transfer possibilities, and is likely to block applications for imported skills until it can be proved that these are not to be found in Zimbabwe.

In short, the owners and directors of a company can do little more than decide what they are going to ask permission to do. Without even acquiring shares, let alone nationalizing the companies, therefore, the government has gained all the control it needs.

That is the policy on existing investors. With regard to new investment from abroad, the controls and attitudes in general are considerably tighter. The net result is to limit the amount of investment allowed into Zimbabwe.

The theory behind this policy goes back to the attitudes to foreign control — the idea that most of the foreign domination of the past was expressed through foreign investment. As there was too much foreign control — and in Zimbabwe the government believes that there is still too much foreign control — there must have been too much foreign investment, which leads to the conclusion that no additional investment is desirable.

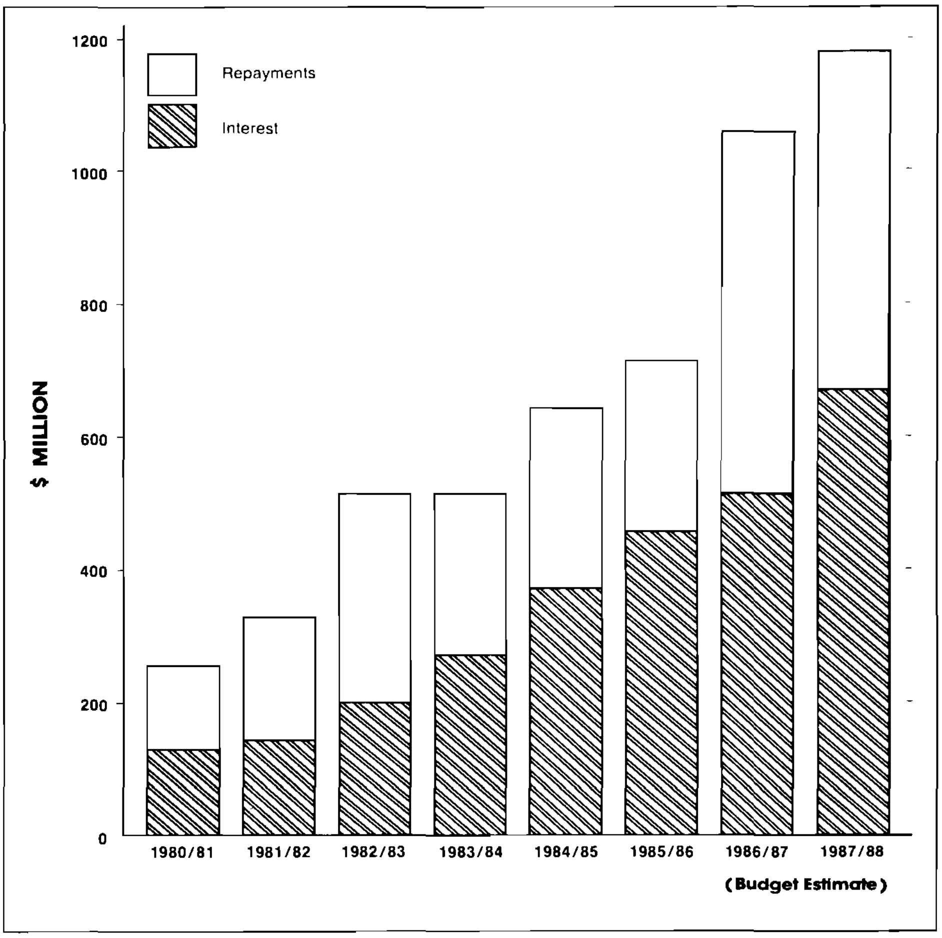

Fig 4 Zimbabwe: Central Government Debt Service

Coupled with this attitude, an assessment that about 70 per cent of the productive capacity in Zimbabwe belongs to or is controlled by foreign-owned companies has given rise to the belief that the country's economy is controlled by foreigners. This conclusion is certainly open to question if one considers the other components that form part of the total — the infrastructure, the marketing and transport parastatals, and even the labour force itself.

On the basis of this debatable assessment, the Zimbabwean government believes that new foreign investment should be permitted only on a highly selective basis, and to prevent the 70 per cent foreign ownership from increasing, it should be stipulated that all new investors find a local partner who must be offered at least 51 per cent of the equity of any new company. Through the foreign investment committee, the government can determine who a new investor may choose as his local jont venture partner and can claim for itself the right of first refusal.

Combined with either of the other policies and attitudes mentioned above, this helps to explain why foreign investors are reluctant to come to Zimbabwe.

Part of the political turmoil referred to in the title of this article is self-inflicted. It may not be dramatic or obvious, but it is expensive. If it could be demonstrated that Zimbabwe had underperformed on gross domestic product growth to the extent of only one per cent a year since 1980 because of these policies — and I would claim that to be a ridiculously low estimate — they would already have cost approximately a billion dollars.

Investors, whether potential or already active within the economy, see themselves as having to enter or as having entered a situation in which political rather than business considerations have the more important bearing on their chances of success.

Very few investors who are not already involved in Zimbabwe's economy, respond favourably to this investment climate. Investors will readily invest funds in circumstances where their business skills have a substantial bearing on their

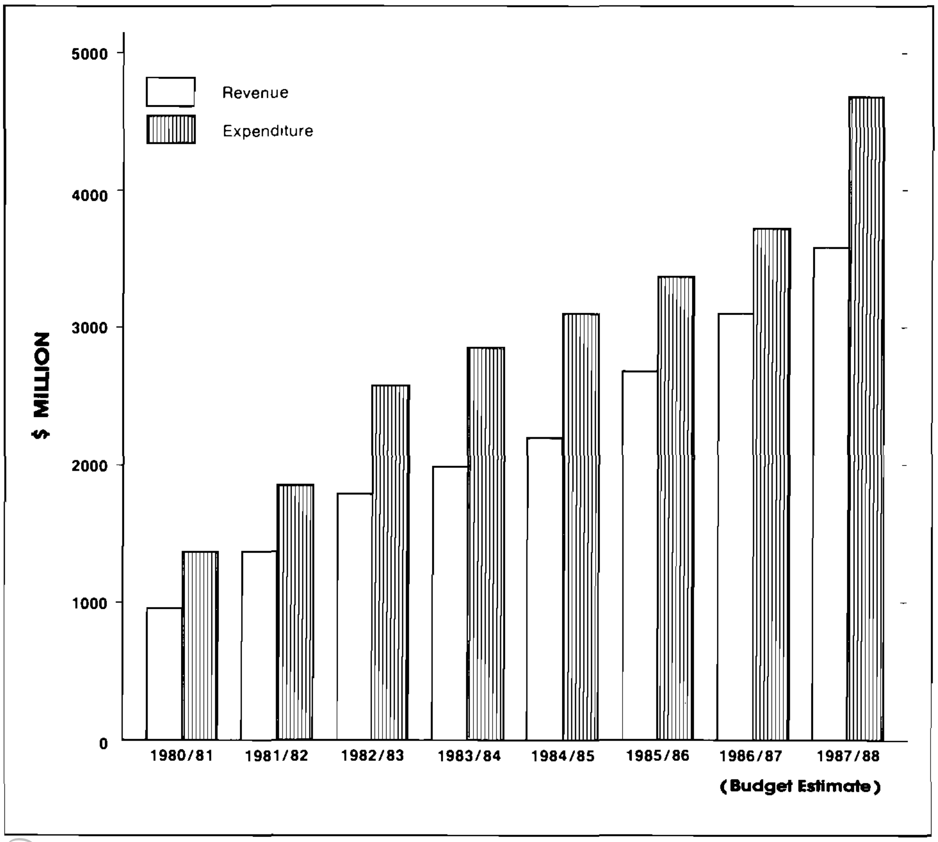

Fig 5 Zimbabwe: Central Government Revenue and Expenditure

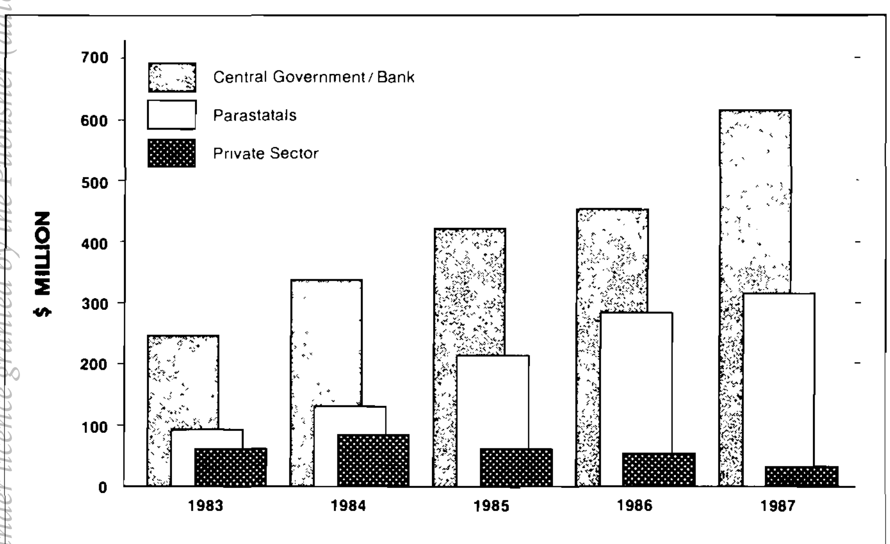

Fig 6 Zimbabwe: Debt Service (interest/amortisation)

chances of success. If this is not the case, they are most likely to choose a different country, unless at least a minimum level of success can be guaranteed.

Joint ventures involving local partners from the private sector are, theoretically, more acceptable. In practice, however, the local contribution tends to appear too limited to the foreign partner for the arrangement to have a chance of functioning well. Despite a few exceptions that have worked, foreign investors see themselves as having to provide all the technology, all the imported capital equipment and all the commitment towards making the investment a success. At the same time, they face the prospect of having a 49 per cent say in management, a 49 per cent share of the heavily taxed profits and dividends and perhaps no say at all in matters of wages, prices, staff appointments and company policy.

Zimbabwe's development needs are considerable, but in the present investment climate its financial resources are severely limited to the amount of foreign currency the country can earn, borrow or obtain as gifts. This sum is not sufficient to maintain its existing capital base; even the current consumption needs are not being met. In consequence, Zimbabwe now faces the same daunting problems with which the other countries in the region have been struggling for years.

In these conditions, productive sector growth will not be possible unless there is a dramatic improvement in the country's terms of trade or an even more dramatic improvement in the generosity of lenders and donors. Zimbabwe would be unwise to rely on changes of this sort. Its only real option is to make the necessary changes to existing conditions so that it can earn more.

In basic terms, the development costs that will have to be incurred to effect this growth in its productive capacity and earning power are beyond its means. Zimbabwe has to accept that this essential growth will have to be funded with foreign money. The country's debt situation clearly indicates that it cannot afford to borrow sufficient funds. These, therefore, have to be attracted in the form of venture capital, and to achieve this, Zimbabwe will have to change its policies dramatically in order to improve the investment climate.

If the Zimbabwean authorities choose not to improve the investment climate enough to succeed, in effect they will be choosing not to strive for economic growth, but will be opting for increasing poverty, deepening deprivation and worsening social unrest.

Perhaps a first priority in Zimbabwe's endeavours to promote growth should be to correct a number of fallacies currently standing in the way of success.

It should be recognized, for instance, that the question of who owns a productive and successful company is of far less importance than the facts that it is there and that it is successful. Speaking for all Southern Africa's developing countries, the preoccupation with ownership and control of foreign-owned companies has done nothing to increase the success of such companies and has tended to obscure these countries' urgent need for

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more such companies.

A second fact is that the foreign investor is needed just as much, if not more than his money. It is a fallacy to believe that the money alone will suffice. It is not money that creates productive capacity, but people. A person with knowledge, experience and a commitment to success will make his money do things that it could never do in the hands of somebody who does not have the necessary attributes.

As a result of the developing countries' fear of foreign enterprise, able people are kept out of the region by making it impossible for investors to staff a new business with capable, skilled employees. Allowing such people into Zimbabwe and the rest of the region's developing countries, preferably as settlers, would, contrary to popular belief, stimulate the generation of job opportunities at all levels. Present attitudes are costing production, jobs and economic growth.

In other parts of Southern Africa the process of localizing former foreign-owned companies started two or three decades ago. Zimbabwe is only now catching up, unfortunately paying scant regard to the effect that this process has had on countries like Tanzania, Zambia and Zaire. Zimbabwe is following the same path as they took, and all because of yet another fallacy — that if the government purchases shares, this amounts to redistributing the wealth of foreign-owned companies to the people of Zimbabwe. Wealth, in this context, is represented only by assets, and *real* wealth is the ability to *create* assets. Real wealth is therefore ability, and the belief that real wealth can be equally redistributed has to be one of the greatest fallacies of our time.

Redistribution of wealth, therefore, is not effected merely through a change in

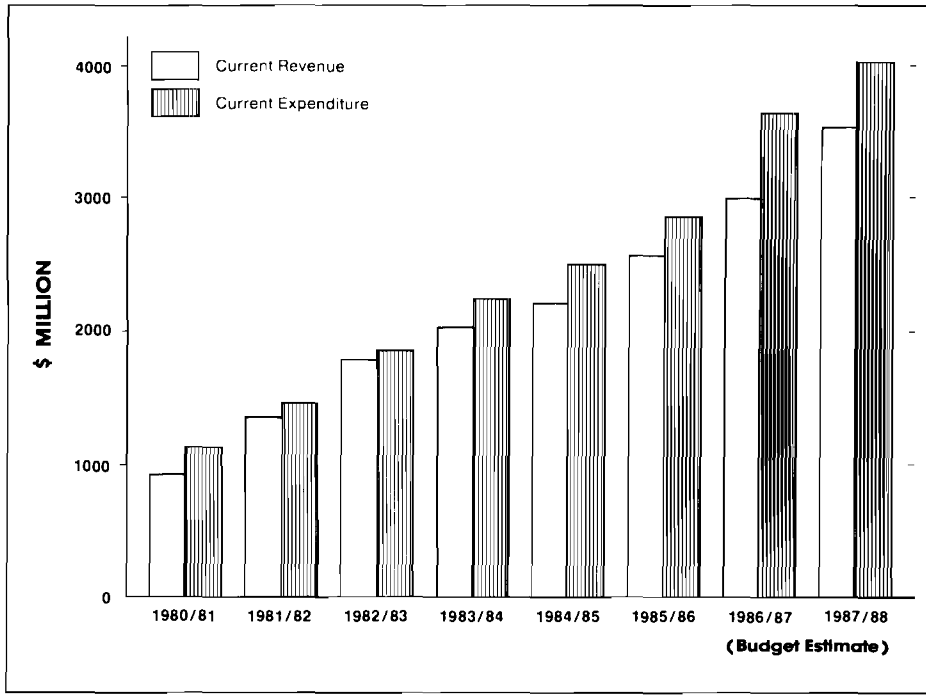

Fig 7 Zimbabwe: Central Government Current Revenue and Current Expenditure

Year to June 30	Employment 000's	Earnings $'m	Personal Income Tax $'m	Personal Tax as % of Earnings	Indirect Tax $'m	Indirect Tax as % of Earnings	Personal and Indirect Tax $'m	Personal and Indirect Tax as % of Earnings
1976	1 041 8	1 101 7	108 816	9,9	108 338	9,8	217 154	19,7
1977	1 022 8	1 200 7	113 867	9,5	165 074	13,75	278 941	23,2
1978	999 2	1 290 3	128 403	9,9	198 754	15,4	327 157	25,3
1979	985 4	1 417 3	138 983	9,8	207 854	14,7	346 837 ·	24,5
1980	997 3	1 691 3	172 084	10,2	237 971	14,1	410 055	24,3
1981	1 023 8	2 137 8	238 503	11,2	327 978	15,3	566 481	26,5
1982	1 041 8	2 655 9	331 970	12,5	556 083	20,9	888 053	33,4
1983	1 039 6	3 043 2	393 408	12,9	769 951	25,3	1 163 359	38,3
1984	1 034 8	3 250 0	460 011	14,2	923 184	28,4	1 383 195	42,7
1985	1 040 0	3 500 0	546 765	15,6	965 683	27,6	1 512 448	43,2
1986	1 050 0*	3 900 0*	664 500	17,0	1 137 800	29,2	1 802 300	46,2
1987	1 060 0*	4 370 0*	817 397	18,7	1 236 987	28,3	2 054 384	47,0
1988	1 065 0*	4 500 0*	921 000**	20,5	1 342 500	29,8	2 263 350	50,3

* Estimate.
** Budget Estimates.

The above table compares average earnings with average direct and indirect tax payments by individuals. By expressing the comparison in percentage terms the inflationary distortions are eliminated. Average taxes paid upon earning and spending each dollar are seen to have risen from 24,3% in 1979/80 to 50,3% in 1987/88. The average for higher income earners possibly comes to 70% or more of each dollar earned and spent.

Fig 8 Zimbabwe: Relationship between average tax burden on individuals and total earnings 1976–1988

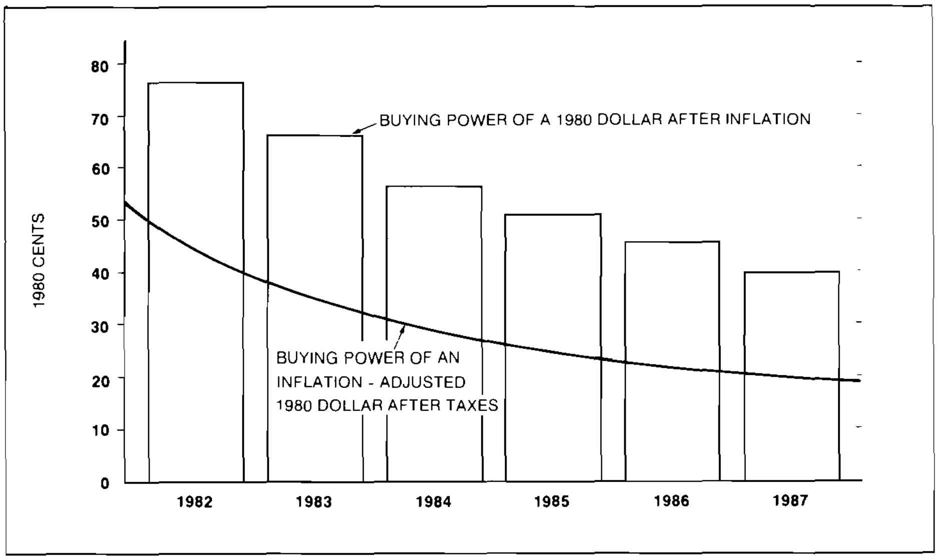

Fig 9 Zimbabwe: Dollar Erosion

the ownership of assets. Redistributing real wealth involves redistributing ability. This can be done up to a point, but not all people can acquire such ability, any more than all people can become concert pianists of Olympic athletes.

By its actions, the Zimbabwean government has encouraged many of the country's talented people to leave and has discouraged many others from coming. Wherever they are now, they are still using their abilities to generate goods and services that are of benefit to people other than Zimbabweans. At a considerable cost, Zimbabwe has exported valuable human capital — people who could have contributed to its economic growth.

Zimbabwe's investment policies do not recognize that the country has isolated itself from essential sources of knowledge, nor do they recognize that the country cannot isolate itself from the penalties of not knowing enough to keep up.

Its investment policies also take no account of either the extremely rapid growth in population, or of the fact that the youngsters old enough to enter the job market (now numbering some 200 000 per year) are better educated and have higher expectations with each passing year. The politics do nothing to help provide for them.

Intraregional relations among the Frontline States

The things the Frontline States do to each other make up another list of usually unhelpful and sometimes even alienating actions taken to ensure that none of their neighbours get an edge on them in any field of intraregional relations.

The Preferential Trade Area (PTA) was formed to stimulate trade between member states so as to cut down imports from outside the region and especially to reduce dependence on South Africa. However, since the Frontline States are all short of foreign exchange, they want hard currency for their major exports, and so they omit many of these exports from the common list of exports that can be traded for Uaptas through the PTA clearing house.

To a large extent all the Frontline States are commodity exporters, and produce many of the same commodities. Despite the extensive overlap there are openings for trade in some commodities, though these are sometimes shunned because of ideological considerations and preferences. Rice from Malawi used to be a very important import for Zimbabwe, but the special trading relationship with Malawi was recently scrapped and Zimbabwe now purchases rice from socialist countries with whom it wants to show solidarity.

Transporting goods to or through PTA countries presents transport companies with nightmares of constantly changing border controls and requirements, which are often altered without any warning. This results in delays of several days while the problems are sorted out — all of which does nothing to promote the smooth flow of trade between PTA countries.

Thus, Zaire suddenly demanded that drivers of heavy vehicles entering the country from Zambia obtain a work permit before they could proceed. To do this officially, they had to go back to the Zairean embassy in Lusaka. Unofficially, and with no chance of a receipt, they could pay immigration officials for one at the border. Zimbabwe unexpectedly imposed new fumigation requirements on agricultural produce movements, and transporters of Malawian tea spent days arguing that fumigating tea would not be a good idea. The Zambians recently increased the sum payable for driving heavy vehicles on their terrible roads by 300 per cent, payable in US dollars, and road tolls in Tanzania have also gone up. In Mozambique for a while one had to go to a separate customs official to clear the goods being transported for each separate customer, even if the goods were all in one container.

The situation is not much better in the Southern African Development Co-ordination Conference (SADCC), which was formed in an attempt to overcome dependence on South Africa's transport routes and technical superiority. The way the members of SADCC take one another to the limits of their respective patience on issues such as rail tariffs, oil pipeline tariffs, port charges, electricity prices and services in general, creates the impression that each country is doing its utmost to prevent its neighbours from doing anything.

South Africa provides the Frontline States with the perfect excuse for their failures. Quite simply, everything that goes wrong there is blamed on South Africa. This is a great relief to many of the politicians in the Frontline States since the problems their countries face are largely beyond them, given the policies they have chosen. The inadequacy of these policies would be more obvious to their electorates if South Africa did less to present itself as their ideal common enemy.

Without South Africa to blame, all the Frontline States would have to adopt much more exacting policies to handle the real problems of Africa — the scarcity of capital, shortages of skills, unemployment, erratic weather patterns, poor infrastructure and communications, outdated technology, dependence on weakening commodity prices, lack of discipline and, in some cases, open corruption.

By blaming just about all these issues on South Africa, the Frontline States try to let themselves off the hook. The entire world seems ready to believe almost anything they say about South Africa and responds to these accusations — no matter how far-fetched — by sending aid to the "victims".

These states constantly claim to be attacking apartheid; the liberation of Africa is the great quest of their leaders and no sacrifice is too great to achieve this objective. A large part of the turmoil in

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Southern Africa is the result of their efforts to maintain an explosive situation so that they can keep world sentiment alive and against South Africa.

This, too, is having its own, separate repercussions against the real interests of the Frontline States. Zimbabwe might be trying to keep out foreign investment, but many of the other countries in the region have rewritten their investment codes recently, in the earnest hope that they will now begin to enjoy investment-led growth.

Unfortunately, the perceived explosiveness of the whole region makes it most unattractive to risk-shy investors, and the improved incentives offered by some countries now hardly attract a second look.

The irony is that the best way the Frontline States could help overcome apartheid would be to succeed in running their own affairs properly. Their every failure strengthens the resolve of South Africa's right wing and reinforces its determination to maintain that which black leaders claim they want to see eliminated from South African politics.

I wish I could argue that, against the background I have painted, there appeared to be a distinct hope of progress within the individual Frontline countries or in the business relations between them. In the short to medium term, the prospects for progress seem extremely poor. For business relationships this will mean very slow growth in trade and possibly a decrease in trade specifically with South Africa. It will mean continuing verbal attacks and continuing efforts to break free of dependence on South Africa's transport routes.

I don't imagine that their collective efforts will have much success, either in making their countries themselves more independent or in inflicting pain on South Africa. They cannot change much in the scheme of things from their positions of weakness and they are likely to suffer damage themselves if they try too hard.

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"On the beaches . . .": South Africa's local government elections

Richard Humphries, research officer at the Centre for Policy Studies, University of the Witwatersrand, analyses the broader issues at stake in South Africa's forthcoming local elections.

South Africa stands on the verge of potentially momentous municipal elections. The results, particularly of the elections for white and black local authorities, could have a profound impact on the immediate course of South African politics in general and on aspects of the government's reform programme in particular.

When, in 1984, the Council for the Coordination of Local Government Affairs recommended a uniform term of office for councillors in South Africa's racially-segregated system of local government, few of its members could have predicted the remarkable politicization of local government issues which provides the context within which the elections will now take place. This politicization of local government structures and local level politics has been one of the major characteristics defining South African politics during the 1980s. In many respects, the elections will constitute an unofficial general election for all parties involved in the tricameral parliament and, to a lesser extent, a test of opinion for black councillors and of the government's reform programme aimed at the ultimate incorporation of blacks into central government.

Overall, some 7 536 councillors will be elected to serve in local government structures. There are an estimated 1 126 local government bodies in the country.

Local government has figured particularly prominently in the government's constitutional reform programme during the 1980s. New structures have been created, such as the regional services councils and the Coordinating Council, while others have been amended or abolished, such as the development boards and the provincial authorities. These changes have been carried out in accordance with the constitutional distinction between "own" and "general" affairs, and have fundamentally altered the general milieu in which local government functions.

This article is divided into four parts. The first deals with some of the factors facilitating the politicization of local government structures during the 1980s; the second section examines the party platforms and manifestoes of the major parties participating in the elections for white local government structures, while the third analyses aspects of government strategy towards the elections for the black local authorities. The conclusion examines some of the policy implications of the elections process and results.

The election context: Increasing politicization of local government

Over the past decade or so, South Africa's local government system has become thoroughly politicized. Of course, elements of it have always been politicized to some degree — the white municipal elections in Johannesburg, for example, have been fought on a party political basis for some fifty years, while the system of local government in black townships has always been a contested issue, both in white and, more importantly, in black politics. The removal in the early 1970s of the municipal franchise for coloureds within integrated structures in the Cape, and the establishment of essentially advisory structures under the white municipalities were highly contentious, and still influence the attitude of the Labour Party to local government. The present political conflict around local government and the October municipal elections occurs at a time when urban issues have arguably never featured as prominently in government policy as they now do.

Government policy on urban issues is also now generally framed with the recognition that policy options have to be rooted in the urban areas themselves; in the past, successive South African governments generally viewed urban areas policy in the broader context of the strong relationship between urban and rural South Africa.

For all these reasons the context in which the October elections will take place assumes a fundamental importance.

At a formal constitutional level the major general influence on local government issues was the result of the adoption

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Number of Councillors

	White	Coloured	Indian	Black	Total
TVL	1 079	75	180	596	1 930
OFS	550	65	–	419	1 034
CAPE	1 440	1 080	50	110	2 680
NATAL	582	101	140	638	1 461
TOTAL	3 651	1 321	370	1 763	7 105

Source: From a speech delivered by Minister Chris Heunis at the Opening of the 56th Annual General Meeting of the United Municipal Executive, Cape Town, 12 March 1987.
The 431 representatives serving on rural coloured Boards are not included in this Table.

Number of Councils

	White	Coloured	Indian	Black	Total
TVL	151	30	41	80	302
OFS	85	9	–	70	164
CAPE	213	219	7	92	531
NATAL	67	18	26	18	129
TOTAL	516	276	74	260	1 126

Source: Information supplied by Department of Constitutional Development and Planning.

of the new constitution in 1983. Based on a division between own and general affairs, the new constitution incorporated whites, coloureds and Indians into a tricameral parliamentary structure, but excluded blacks. Although the major changes to local government structures in terms of these new constitutional principles were only to be felt with the introduction of regional services councils, from 1987 onwards, it was already evident by the early 1980s that the government intended to introduce changes based on these principles.

From the mid to late 1970s even, government had been concerned about the functioning of Indian and coloured local government structures, particularly in view of the refusal of these communities to accept the principle of autonomous, segregated local government structures.

Regional services councils

The changes embodied in the regional services councils concept also have a history. They were initiated in response to the financial predicament of white local authorities in the 1970s, but these financial considerations were soon transformed by wider political issues as the debate around the proposed constitutional changes gathered momentum. The 1982 report of the President's Council into local and regional management systems, chaired by Denis Worrall, provides evidence of this. The committee argued that local government had to involve "full civil and political rights", and in order to meet this "essential requirement" local government in the country had to be transformed.[2]

The regional services council concept became the major vehicle for this transformation of local government. The councils were designed to achieve a number of goals: creating additional sources of revenue for financially-strapped local authorities, effecting economies of scale in the provision of municipal services such as water and electricity on a metropolitan basis, and of allowing political representation for all three (and later all four) systems of local government in the decision-making process on the councils.

In the period between the Browne Committee report in 1980 and the promulgation of the Regional Services Council Act in 1985, the form and powers of the proposed metropolitan bodies changed dramatically in response to wider political issues. The financial problems of the black local authorities were seen by government as being at the heart of their legitimacy problems, and in the wake of the violence which flared in the Vaal Triangle in late 1984, government accepted the need to include the black local authorities on the proposed regional services councils.

The provisions of the Regional Services Council Act evoked considerable political debate across a wide spectrum. Within white political circles, the Progressive Federal Party opposed the Act because it perceived it to be entrenching, and resting on the basis of, segregated local authorities. The right-wing Conservative Party opposed the Act chiefly because of the multiracial decision-making process of the councils. Participants in black, coloured and Indian local government generally welcomed the measure for the additional finance which it would raise for infrastructural upgrading in their areas, although they had reservations about the basis upon which representation on the councils was to be determined. The white local authorities, from differing political positions and for different reasons, were generally critical, at least in the early stages of the deliberations on the proposed councils.

Provincial government

If the establishment of regional services councils succeeded in stirring considerable controversy, the abolition of the elected nature of the provincial councils in 1986 virtually invited widespread party political involvement in local government. It had been clear from the Worrall report that provincial councils would have to be remoulded in accordance with the spirit of the new constitution. In 1986 they were transformed from directly-elected, whites-only bodies, into state-appointed, multiracial structures responsible for general affairs on the second tier of government.

One of the consequences of the abolition of their elected character was to focus the attention and energies of white political parties upon the municipal level as a substitute for the mobilization of support for party policies at a national level.

In addition, gaining political control of a municipality allowed the dominant political party to nominate the municipal representatives for the regional services council.

Given that the National Party had an obvious vested interest, as the governing party, in ensuring the success of regional services councils, this made it all the more important for it to maintain its almost traditional control of the majority of local authorities. On the other hand, the Conservative Party's implacable opposition to the councils simply spurred it on in its bid for local level political power as a possible means of disrupting the functioning of these institutions.

Devolution

Government policies towards local government and the restructured provincial governments were intended to promote the devolution of power, the decentralization of administration to lower levels of government and a minimum of administrative control over local government. There is considerable debate as to whether government policies during the 1980s lived up to this stated intention; whether they did or not is less important than the way the rhetoric of devolution reinforced the determination of political parties to capture control of local government. The Conservative Party's municipal manifesto, for example, is explicit on this point:

> The government has decided that more matters of a political nature will be *delegated* to municipal councils. The significance of this is that in future municipal councils will be able to a far greater extent to make decisions of *political significance*. For example, municipal councils will be able to decide about the *opening of public facilities* to all races; they will be able to make recommendations about the opening up of *white residential areas* to other race groups; . . . the opening up of central *business districts* to black and other traders . . . . Add to this the fact that municipal councils will play a crucial role in the regional services councils . . . . Then one can see that the municipal councils now have a political significance which previously they did not have to the same degree (own translation).[3]

Within white politics, the founding of the Conservative Party served to further politicize local government. The schism in the National Party in 1982 not only saw a number of parliamentarians leaving the party, but manifested itself on city councils where Conservative Party supporters left the formal or informal National Party-dominated councils to form Conservative Party caucuses.

The Conservative Party, with its commitment to total politics, has contested municipal by-elections since its inception and has achieved some widespread successes. With its power-base in the Transvaal and the Orange Free State and its claim to represent the traditional interests of Afrikanerdom, the rise of the Conservative Party constitutes the first serious challenge in decades to National Party control of local government structures in these two provinces. The National Party has been compelled to find ways of responding to the Conservative Party's mobilization at the municipal level. This has contributed further to the politicization of local government.

Participation — or not?

Within black, coloured and Indian politics, local government conflict has centred around the issue of participation within government-created structures. For the last twenty years official policy towards coloured and Indian local government has held out the ideal of autonomous, racially-segregated structures. However, participants within these structures have always refused to consider autonomy; instead they continue to press their claims for direct representation on white municipalities.

In the black community, the political conflict surrounding local government has flowed less from its segregated nature, than from a variety of factors, not all of which have been directly related to local government. The rapidly developing and powerful extra-parliamentary movement, based mainly in the black townships, opposed the local government structures, partly on the grounds that national political issues had to be resolved before an acceptable system of local government could emerge, and partly because it denied the claims of the councillors that their participation was simply a difference of tactics with the extra-parliamentary movement and not one of goals. Participation was equated with collaboration.

However, the extra-parliamentary movement and its civic associations, did utilize local government *issues* such as housing, rent and service charge increases and the corruption which often accompanied the allocation of sites for housing and business purposes, as a means to mobilize residents against the black local authorities and the State. These campaigns reached their height between 1984 and 1986 and led directly to the declaration of the states of emergency to forcibly restrict political activity and violence in the townships. The protection and maintenance of the black local authorities was a major aim of the states of emergency, one of which is still in force. These issues will be considered in greater detail in the section on the election of black local authorities.

Though these various factors collectively served to politicize local government institutions, they impacted differentially on structures serving whites, coloureds, Indians and blacks. These differences will be important in assessing trends within and the likely outcomes of the October election campaigns in each community.

The white municipal elections

General election trends

The immediate political context of the white municipal elections is informed by the results of the May 1987 general election and by the possibility that another general election will be held within the next eighteen months, unless amendments to the constitution can be agreed upon.

The 1987 general election revealed a number of very important electoral trends in white politics, especially in the Transvaal. The governing National Party, although losing substantial support to the Conservative Party, gained a number of constituencies from the opposition Progressive Federal Party, chiefly by attracting support from the English-speaking and Jewish communities.

The Conservative Party emerged as the major right-wing political party, totally eclipsing the older *Herstigte Nasionale Party*. The election results showed that the Conservative Party combined strong support in the rural areas of the two northern provinces with an impressive foothold in urban and peri-urban constituencies on the Witwatersrand and in Pretoria.

This trend was maintained in the by-elections of early 1988, especially in the blue-collar peri-urban seat of Randfontein, where the Conservative Party trebled its majority over the National Party. The party presently holds the urban constituencies of Roodepoort, Brakpan, Nigel and Randfontein, while in three other urban constituencies only the split in the right-wing vote denied the party these seats. The emergence and growth of the Conservative Party testifies to an important shift in Afrikaner political opinion. Claiming to represent the traditional nationalist ideals of Afrikanerdom, the Conservative Party is poised to attract more support than the National Party from Afrikaners.

Similar shifts of opinion manifested themselves in the English-speaking community, which has traditionally supported parties to the left of the National Party. In the general election, large numbers of English-speakers voted for the National Party, which allowed it to win a number of seats from the Progressive Federal Party seats, victories that more than compensated for losses to the right. Despite this new-found large-scale English-speaking support the National Party remains, for mainly generational and seniority reasons, an Afrikaner-led party, whose main opponent is now also Afrikaner-dominated.

The municipal elections will provide a partial indication of the extent to which these trends have continued during the eighteen months since the general election. Their importance is reinforced in this respect because the municipal elections are being fought almost exclusively on national political issues. Certainly, the Conservative Party is approaching the elections in the knowledge that they are vital to its ambition of defeating the governing National Party in a general election. Party spokesmen refer to the elections as being a "practice run" for gaining power and, given their expected success, as a way of forcing the National Party to hold an early general election to counter the "swing to the right". The party also sees the municipal elections as

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providing the means of paralysing the National Party's reform programme at municipal level, particularly in the regional services councils.

The Conservative Party

The Conservative Party began planning for the municipal elections virtually in the wake of the general election. These preparations were also an integral part of the party's attempts to capitalize on and, more importantly, to consolidate the support which it gained in the general election. It appears to have been enormously successful in doing so. Conservative Party branches in the Transvaal have increased by 55 per cent since the general election; in Klerksdorp 14 new branches were established in June 1988 alone, while in Witbank 28 branches were established in March. This institutionalization of the party is most marked in those constituencies which the party won in the general election; party organization is only deemed inadequate in certain constituencies within Johannesburg and in its northern suburbs.[4]

The chief secretary of the Conservative Party argues that the recent growth of the party and its electoral success have also served to increase the desirability of, and thus competition for, office within the party. Potential municipal candidates who expected to compete for the party's nomination had to sign up new party members in order to bolster their chances of victory in nomination proceedings. A similar process has occurred in elections for branch office bearers. In both cases, competition for party positions served to further institutionalize the party.[5]

This expansion of party grassroots structures and of membership on the eve of the municipal elections, whilst clearly a partial response to the need to organize for the elections, will no doubt also serve to mobilize a broader range of supporters for the party's policies. Party membership grew during May, June and July 1988 by a figure equal to the total membership enrolled during the first six years of its existence.[6] The party hopes to build on this growth to secure 1 million votes in the municipal elections, compared with the combined right-wing vote of some 610 000 in the general election.[7] These ambitious projections should be seen against the 1 million votes which the National Party received in the general election, and the fact that voter turnout at general elections is substantially higher than at municipal elections. This increase in votes is expected not only on account of projected growth in support in areas where the Conservative Party has a strong presence, but also because of the wider geographic area which the party will be contesting in the municipal elections. This is particularly so in Natal and the Cape. For example, the party did not contest any seats in Pietermaritzburg in the general election, but will be doing so in the forthcoming municipal elections.

English-speaking support

Although the party regards itself as the authentic voice of contemporary Afrikaner nationalist ideals, it boasts a growing support base amongst the English-speaking community.

The Conservative Party, despite comparisons of its mobilizing tactics with those of the National Party during its ascent to power, makes a determined effort to transcend the narrow ethnic exclusivism which characterized the National Party in earlier periods.[8] Evidence of this attempt to build support within the English-speaking community is plentiful. The Conservative Party's municipal manifesto expresses a commitment to the rights of *whites*, whilst a recent editorial in the party's journal *Die Patriot*, explaining the growth of the party, was framed almost solely in terms of the experience of whites, in general, with the process and consequences of reform. The editorial contained only one specific reference to Afrikaners or Afrikanerdom. In the same edition, a columnist referred approvingly to the introduction of the party leader at the Free State Congress as "the leader of whites".[9] Its weekly journal contains two pages in English, while its special edition on party policy for the municipal elections is a bilingual publication.

Nevertheless, the Conservative Party also takes seriously its claims to represent the ideals of Afrikaner nationalism. Meetings, at least in the Transvaal, are preceded by the singing of traditional songs recalling, in essence, the past glories and concerns of Afrikaner nationalism. The party also maintains close links with a variety of recently established Afrikaner cultural and political organizations which give expression to a contemporary conservative interpretation of Afrikaner history and desirable future policies.

Party organizers go so far as to argue that they will eventually be supported by those English-speaking voters who presently support the National Party. These people will "hitch their reins to Afrikaner nationalism when they see that it is ultimately this which will look after their interests".[10] In line with these expectations the party predicts that it will gain control of a number of Natal South Coast municipalities.

It is understandable that the Conservative Party has realized the electoral limitations of an emphasis on Afrikaner ethnic exclusivity. The National Party retains substantial Afrikaner support, especially from the elderly and middle-aged who, in effect, have had a lifetime's attachment to the party. Of equal importance, the general embourgeoisment of most Afrikaners means that they are no longer sufficiently economically and politically disadvantaged vis-à-vis the English community to allow such a strategy to succeed at the ballot box. Given these vehicles, the Conservative Party, despite its image, *is* developing appeals to broader white interests, in the face of what is perceived to be an uncertain future for whites in a unitary state with a black majority.

This strategy appears to be paying off. A recently released opinion poll shows that English-speaking support for the party doubled, admittedly from a small base, between May and August of this year.[11] The results of the municipal elections in certain areas of Natal and the Cape in particular will provide a true measure of English-speaking support for the Conservative Party.

The party also has the potential to attract support from younger voters — which it classifies as the "young working class" — for essentially economic reasons. Faced with the reality of a deteriorating financial position and the inability to reproduce the standard of living enjoyed by their parents, at a time when many of them are on the threshold of important career and family commitments, these voters might find economic factors sufficient reason to support the Conservative Party. If links between economic decline and political reform are made, the movement to the party might be even greater. It remains to be seen in what quantities this group will vote in the municipal elections.

National issues

Given the Conservative Party's use of the municipal elections as a means to increase and mobilize support for itself in the next general election, it is not surprising that its municipal manifesto contains a mix of local and national issues. Many of the matters are of little direct relevance to municipal issues, but the party commits itself to acting on these policies if and when it gains power in the general election. Thus it raises issues such as: influx control — pledging to reintroduce it; the use of black labour in white areas; law and order; white unemployment and the protection of white school children from possible terror attacks.

The party also promises to liaise with central government to find ways of alleviating the housing shortage amongst whites, especially young couples, the elderly and the needy. The relevance of these issues to the municipal campaign is also justified by the Conservative Party on the grounds that municipalities which it controls after 26 October will be able to raise these issues as an interested party with central government and thereby pressure it to act on them.

Municipal issues

In the more conventional municipal field the party concentrates its focus on Group Areas-related issues, promising to maintain and extend exclusive facilities for each race group. These issues do indeed provide the core platform of the party's campaign for municipal power, which takes its cue from the party's general policy guideline to "at all time actively promote White majority occupation in the RSA".[12] Municipalities have been granted the power to make independent decisions on an important range of such issues — including the opening up of public facilities to all races — or are consulted by higher tiers of government for their views — as is the case with the declaration of central business districts as open trading areas.

Regional services councils

Another key focus of the Conservative Party's campaign is an attack on the newly introduced regional services councils. These are condemned on various grounds, but principally because they are multiracial decision-making bodies and because (it is alleged) white taxpayers, through the levies payable to these councils, are being called upon to meet the costs of improving facilities in black, coloured and Indian residential areas. The party argues that the allocation of levy income should match the apparent racial derivation of the funds, thereby ensuring that white areas receive the major share of funds available for distribution. This attitude of the Conservative Party is consistent with its commitment to financial apartheid in matters of taxation, illustrated by its slogan "rands have colour".

It should also be noted that the Conservative Party disagrees fundamentally with the philosophy underlying the regional services councils, namely that the provision of infrastructure in black, coloured and Indian areas will remove a major source of the "revolutionary" anger directed at the South African government. Some R300 million will be spent on infrastructural upgrading in the Transvaal alone this financial year.

Given the constitution of the regional services councils, the Conservative Party needs only to control some 35 per cent of the votes on an individual regional services council in order to be able to veto the body's decision-making process. If, for example, the party decides to veto the budgets (as it has already said it will do) the hitherto smooth functioning of the regional services councils in the Transvaal will be severely disrupted. This action will then force the Administrator to take budgetary decisions on behalf of the councils.

The party anticipates that it can take control of 6 of the 12 regional services councils in the Transvaal, but if it does particularly well on the East and West Rand and in Pretoria it could control as many as 10 councils.[13]

Considerable uncertainty exists, however, about the Conservative Party's precise intentions towards the regional services councils *after* the municipal elections. Its manifesto commits the party to participation in order to negotiate the best possible deal for its supporters and councils within the framework of the racial allocation of levy income. Such a course of action is clearly contrary to the provisions of the Regional Services Councils Act. This position is also broad enough to contradict the declared intention of paralysing the regional services councils by refusing to agree to their budgets. In fact, known supporters presently participate on regional services councils in the Northern Transvaal and the Free State without any apparent attempt to disrupt their workings.

Dissension

One Conservative Party-controlled municipality in the Free State formally reaffirmed its participation in the Bloemarea Regional Services Council in the wake of particularly critical remarks by the deputy leader of the Conservative Party earlier this year.[14] This raises the possibility of dissension between national and municipal leadership within the party on tactics towards the regional services councils in 1989. Conservative Party municipal leaders may argue that disrupting the councils will harm the chances of the party gaining power in national elections, since "disruption tactics" would allow the National Party to accuse it of irresponsibility. On this basis the party might live with its hatred of the councils until its expected accession to power, whereupon it would simply abolish the regional services councils.

Conservative Party policy towards the regional services councils has previously caused a minor split in the party; the present chairman of the Bosveld Regional Services Council, a former provincial councillor, was a member of the Conservative Party, but left the party after a difference of opinion towards regional services councils. The policy implications of this dissension will be discussed in the conclusion to this article.

Election prospects

The Conservative Party enters the final stages of the municipal election campaign in a supremely confident mood, bolstered by widespread successes in municipal by-elections across the country during the last year. In the Transvaal it has won by-elections in Benoni, Vereeniging, Klerksdorp and Westonaria, amongst other municipalities; in Natal it won in Ladysmith, while its provincial secretary was retumed unopposed in Scottburgh; in the Cape it has won Bredasdorp, Kraaifontein and Malmesbury, while in the Free State it has taken control of Parys and won by-elections in Senekal, Heilbron and Hertzogville, amongst others.[15]

Besides being widely expected to make a clean sweep of the Transvaal *platteland*, which the party already dominates at the parliamentary level, the Conservative Party is looking to the East Rand for a breakthrough in support and expects to dominate the West Rand. It is optimistic that it will win control of a number of towns to complement its parliamentary representation in these areas. In the light of the Randfontein by-election result, the party has identified 35 urban constituencies, most of which would be in the East and West Rand, for special attention in the municipal elections.

The obvious symbolic prize for the party, given the essentially Afrikaner character of the city and its status as the administrative capital, would be Pretoria. The party failed to win any seats in Pretoria in the general election, because of a split right-wing vote, but came very close in its own right in a number of constituencies. However, party spokesmen are surprisingly cautious in their predictions of success in this city.

Success, or a good showing in regions outside of areas where the party performed well in the general election of 1987, is crucial to its ambitions to defeat the National Party in the next general election. The party has to extend its support base in urban areas in the PWV region and in other provinces if it is to have any chance of winning an election. The party seems to understand this imperative.

It might well be on the verge of a significant breakthrough in urban areas on the Witwatersrand. Party spokesmen argue that canvassing figures for the municipal elections show that the swing to the party is now greater in urban areas than in rural areas. This apparent surge of support is attributed to perceived uncertainty over the principle of residential segregation, the abolition of influx control and a subsequent perceived increase in crime.[16]

Party propaganda also feeds off, and greatly encourages, a perception that the National Party is not true to its word, and that it alters its policies despite promises that it would not do so.

The National Party in retreat?

Faced with this aggressive strategy by the Conservative Party of turning the municipal elections into a *de facto* national election, the National Party has been placed on the defensive. Unable or unwilling to contest large parts of the Transvaal and the Free State on an open ticket, the National Party has had to rely on thinly-disguised independent candidates to fight its cause in these areas.

This strategy reflects, in part, the changes in the nature and support base of the National Party and in its policies which has occurred during the last decade. Of particular importance is the decline in Afrikaner support for the party; a parallel increase in English-speaking and Jewish support, following the demise of the United Party and the failure of the New Republic Party and Progressive Federal Party to win over significant numbers of former United Party supporters; and the consequences of the reform programme (manifested most clearly by the introduction of the tricameral parliament) for internal party organization and behaviour.

Throughout its history, and until relatively recently, the National Party has articulated Afrikaner nationalist concerns about language, culture and the economic and political subordination of Afrikaners in general to English-speakers. Although the National Party portrayed itself as the champion of Afrikaner nationalist concerns, which it was, considerable numbers of Afrikaners continued to vote for the United Party. Symbolic perhaps of the strong identification of the National Party with Afrikaner nationalist concerns and its limited English-speaking support, is that the constitution of the party was only translated into English in 1979, by which time the drift of English-speaking voters to the party was already under way.[17]

The 1983 referendum on the proposed tricameral parliament was probably decisive in facilitating English support for the National Party, even though a vote affirming the desirability of the proposed changes was not a direct indication of party political preference. Wynand Malan's assessment of the consequences of the referendum results for the National Party (he was still then a member of the party) can be quoted by way of illustration:

> Although the referendum did not require people to choose between political parties . . . one by-product is . . . that people are going to feel that they owe it to P W Botha to help him implement the new dispensation, and in an election campaign they will be able to do this only via a party and therefore they will vote for the NP. In this sense, the party's image as the exponent of purely Afrikaner interests has . . . faded still further. The ideal would be that the NP, indeed that all political parties, would project themselves in terms of their political convictions rather than as ethnic groups. But this is a long process, a slow tempering of nationalism (own translation).[18]

In the context of continuing internal Afrikaner political divisions over the terms of the reform policy, many English-speaking and Jewish voters clearly felt that they had to support the National Party in the 1987 general election in order to counter the dangers of the growth of the right-wing. As it has argued, the result of the 1987 general election meant that the National Party could no longer be regarded as an ethnic body within white politics.[19]

English-speaking support

Earlier this year public debate arose about the extent to which this new found English-speaking support was reflected in leadership positions within the National Party, when the *Sunday Times* asked whether the party was not perhaps taking this support for granted.[20] Similarly, the resignation or dismissal of the Mayor of Durban from the National Party on the issue of open beaches also raised this point. Whether deliberate or not, editorials on consecutive days in the National Party-supporting English-medium newspaper *The Citizen* defended both English-speaking and Jewish support for the party.[21] In the latter case, the editorial responded to points made by the leader of the Progressive Federal Party in the Johannesburg City Council on the morality of Jewish support for the National Party. The National Party had earlier announced that it would be fielding a number of Jewish candidates in Johannesburg. In this respect the results of the municipal elections in English-dominated areas of Natal and the Cape will be of major significance to the National Party. Johannesburg and its northern suburbs will also be vital to the National Party's attempts to consolidate and retain its English-speaking support.

Finally, important changes to decision-making processes within the party have occurred during the last decade as an adjunct to the reform process. Firstly, the centrality of party congresses in the formulation of party policies has gradually diminished since the accession to power of Mr P W Botha. In a move to facilitate the acceptance of reform policies within the party, he has drawn a distinction between "policy" and "principle"; the role of the congresses was to be limited to "principle", while the leadership of the party and government should have a freer hand with "policy" issues. Secondly, the functioning of the tricameral parliament and associated institutions such as the President's Council seems also to have diminished the former, almost grassroots, populist nature of the party, reducing links between the leadership and party supporters.

Municipal election campaign

The National Party's municipal election strategy has been shaped by these various developments, as well as by the vigorous challenge of the Conservative Party's campaign. For tactical and, probably, practical reasons much of the National Party's involvement in the northern provinces will be restricted to supporting independent candidates who are obviously party supporters. Explanations for this unprecedented decision by a ruling party to abstain from an opportunity to mobilize party supporters directly in defence of party policies seems to be the result of a number of considerations.

Firstly, it is a tactical response to the Conservative Party's introduction of national political issues into the local government arena. By abstaining from direct involvement, the National Party hopes to claim credit for not bringing party politics into municipal affairs, thus hopefully obtaining support from persons uncomfortable with this politicization of municipal elections.

Secondly, the National Party seems to have had some difficulty in getting supporters to stand on an open ticket in opposition to the Conservative Party and its high profile campaign. Businessmen, for example, fear loss of patronage if their political preferences are openly revealed in this way.[21] In virtual confirmation of this pressure a columnist in the Conservative Party's newspaper talks of the "social suicide" which it is claimed is now the lot of National Party supporters, presumably in the rural Transvaal.[23]

This strategy of campaigning behind independents on an ostensibly non-party political platform does have the obvious advantage of allowing the National Party to claim victory over the Conservative Party should its independent candidates triumph, while denying defeat should they lose. The Transvaal leader of the party has also justified the limiting of direct National Party involvement to the major urban areas by arguing that there is a greater need to control the urban municipalities than those in the rural areas.[24] This is a clear reference to the consequences of the election for the regional services councils and to the party's desire to restrict pressures in the urban areas for a relaxation of residential segregation.

Prospects

Nevertheless, the National Party looks certain to lose its hitherto unchallenged dominance of local government in the Transvaal and the Free State, particularly in the rural areas. In Natal and in the Cape, the party will be looking for a good showing in the metropolitan areas, while also wishing to restrict any advances by the Conservative Party into these provinces. A potentially serious consequence of the party's strategy of supporting independents might be the difficulty of mobilizing its supporters behind these candidates. Voting percentages might well be decreased by a feeling among voters that municipal elections are not important for national politics or for the National Party. Recent evidence from opinion polls suggests that Conservative Party supporters *are* more intent on voting in the municipal elections than are National Party supporters.[25]

A further potentially damaging consequence for the party may be that its differing tactics in metropolitan and rural areas will exacerbate differences between urban and rural interests within the party. This could easily translate into differing interpretations of party policies between the urban and rural wings within the party, especially on the sensitive issues relating to group areas.

The National Party's municipal manifesto is a virtual point-by-point response to the major issues raised by the Conservative Party. It restates the provisions of the controversial Group Areas Bills presently before Parliament, arguing that the proposed amendments would in fact reinforce the principle of residential segregation. It also reaffirms the principle of own affairs as the basis of local government structures, in direct response to claims by the Conservative Party that the multiracial regional services councils signify the beginning of multiracial local government. It defends the councils on the grounds that economies of scale are ensured through the bulk supply of basic services; that they do not influence the internal workings of (white) municipalities and that no group domination takes place on the councils. Urbanization and squatting are prominently dealt with; squatting is deemed to be unacceptable, while informal townships are to be permitted and upgraded into conventional towns.

The various aspects of group areas and the sharing of facilities are central to the municipal campaign. This also demonstrates the extent to which national political issues have become local and vice versa. The Conservative Party likes to argue that its electoral success in the Transvaal has been due in no small measure to its exploitation of the scrapping of beach apartheid in Natal. As one National Party organizer in Pretoria put it: "The beaches have never been closer to Pretoria".[26]

The National Party is enormously sensitive to the impact on its support base of Conservative Party charges that it is, at best, unable and, worse still, unwilling to uphold the principle of residential segregation, with its particular consequences for local government. The National Party fears that this issue could "destroy the National Party's grassroots organizational ability in even more areas than is now the case",[27] while a Natal Member of Parliament has argued:

> If the National Party were to abolish the Group Areas Act or to fail to enforce it strictly in Ladysmith, I would have no hope of holding the Klip River seat for the National Party (own translation).[28]

This sensitivity explains the haste and determination with which the government attempted to steamroller the trilogy of Group Area-related legislation through Parliament in August and September.

The Progressive Federal Party

Direct and open Progressive Federal Party participation in the elections is restricted to Johannesburg, Randburg and Sandton. Under a young, revitalized leadership the party is fighting a high-profile, aggressive campaign to gain control of Johannesburg. It has been helped in this by the support of the Five Freedoms Forum, which should ensure that those people who deserted the party in the general election, because it was seen as too conservative, will once again vote for it.

The party's municipal manifesto argues for the opening of all residential areas, in contrast with the attempts by the National Party to limit the process of desegregation to specified areas. The process of desegregation of the cities, the Progressive Federal Party argues, should be achieved through the market mechanism, but must be accompanied by the maintenance of minimum community standards. The party's philosophy and approach to the municipal elections is to stress the centrality of the city to a post-apartheid South Africa.

The Progressive Federal Party is still suffering from the effects of its somewhat dismal performance in the general election. Senior party supporters in Pretoria, where the party has had an official presence on the city council, refused to fight the elections on a party ticket. Instead they have combined with supporters of the National Democratic Movement, which is not contesting the municipal elections, to create a "Pretoria 2000" ticket, which stresses a creative non-party-political, local option approach to the city. In Sandton, too, the Progressive Federal Party appears to have split, since many prominent supporters are behind the establishment of the "Sandtonians", an independent grouping of candidates, while a rump of the party fights to retain Progressive Federal Party control of the council. In the Western Cape, a major Progressive Federal Party stronghold, the party has decided against direct involvement. Like the National Party, it will be informally supporting sympathetic independents.

The Progressive Federal Party will be hoping that its recent change of national leadership and a revised security policy will serve to attract former supporters. Party strategy also attempts to undercut and limit defections to the National Party by supporters who are concerned about the growth of a right-wing challenge to the National Party.

Other parties

Of the other opposition parties, the newly-established Independent Party led by Denis Worrall is formally competing in a limited number of municipalities and is contesting a handful of wards in various Reef towns. The *Herstigte Nasionale Party* appears to be contesting only a very limited number of wards in the Transvaal, so completely has it been undermined by the Conservative Party.

Reform on the left?

The municipal elections might well prove to be important in laying the basis for a reformed opposition grouping to the left of the National Party. The Progressive Federal Party and the Independent Party have come to a close understanding of each other's strategy in the municipal elections and there appear to be close links between the Progressive Federal Party's Johannesburg leadership and the Independent Party. Similarly in Pretoria, the co-operation between the Progressive Federal Party and the National Democratic Movement might provide a basis for a future coalition.

Whatever the results of the municipal elections, they, and the party political involvement which has characterized them, will decisively change the face of white local government. Some of the possible national policy consequences of these local realignments will be discussed later.

The black municipal elections

General context

The elections for the black local authorities will take place within a very different context to that in which the first round of elections for these bodies occurred in 1983 and 1984. The difference is partly the result of fundamental changes in government policy towards the incorporation of blacks into central government and other structures outside of the homelands. It is also a consequence of the bitter and often violent struggle between the government and the exiled groupings and the multitude of extra-parliamentary organizations active in township politics. This conflict has been elevated to the level of a "revolutionary" and "counter-revolutionary" struggle by the respective parties. The outcome of the election process is crucial to both sides — at least in the short term.

The 1983 and 1984 elections took place when the National Party government was still firmly committed to the orthodoxies of Verwoerdian apartheid as it affected the political rights of blacks outside the homelands. Blacks were excluded from representation in the tricameral parliament and from the regional services councils as initially conceptualized, and government argued that the municipal franchise was a substitute for parliamentary representation.[29] One of the consequences of this approach was to prompt *Inkatha* to abstain from official participation in the elections, even though its participation might well have increased the percentage polls and made for easier relations between Pretoria and Ulundi.

Over the past four years the government has steadily abandoned major tenets of its separate development policies, although it still adheres to aspects of geographic and racial partition. It has conceded and granted black representation on general affairs structures (the regional services councils and the provincial governments). The major stumbling-block has been the difficulty of securing agreement with possible black participants who can deliver a significant constituency, on the terms and methods of representation in central government. The municipal elections are partly designed to secure such representation. In terms of the Promotion of Constitutional Development Act, passed earlier this year, a major portion of black representation in the proposed national negotiating forum will be drawn from regional electoral colleges, consisting in turn of representatives of the black local authorities. Earlier drafts of this legislation did not include any linkages between the black local authorities and the proposed forum. The importance of the elections must have increased to the government since it decided on this linkage.

Government spokesmen stress that the local authorities are a crucial cog in the constitutional reform programme. They also argue that the black community must identify its leaders at the local community level. If this cannot be done successfully at the municipal level, the government stands little chance of incorporating blacks into the central government (presumably on an elected rather than a co-opted basis). Thus a Member of the Executive Committee in the Transvaal has argued:

> If we cannot succeed at the local government level, which is going to become increasingly important in the future, in securing the positive involvement of people and communities, particularly in respect of the election and development of their leaders, then we have no hope of developing higher structures, with responsible leaders at their head (own translation).[30]

The elections also form an integral part of the government's attempts to stabilize local government in the townships in the wake of a sustained period of violence between 1984 and 1986. This violence was directed largely against the black local authorities, in a bid to render the townships "ungovernable". Alternative structures were often created to replace official structures, a process in which "street committees" played a major role.

In the wake of the violence, the government has implemented a sophisticated "counter-revolutionary" strategy, which combines strong security action with a concerted attempt to improve the material living conditions of township residents. The restoration of a sound local authority system in the townships is regarded as a key variable in evaluations of the success of the counter-revolutionary strategy and of the state of emergency.

Development and politics

The often poor state of infrastructure in the townships has generally been regarded by government spokesmen as the principal reason for the lack of legitimacy of, and support for, black local authorities. Improve living conditions, it has consequently been argued, and political support and the legitimacy of the local authorities will grow. The major channel for this improvement of living conditions has been the regional services councils, although funds have also been provided from a variety of other sources. The national security management system acts in a co-ordinating capacity for many of these programmes.

A former Administrator of the Transvaal argued the point strongly in 1987, linking the urgency of the upgrading process to the imminence of the municipal elections:

> The mere fact that somebody understands the purpose, objects and functions of an organization does not necessarily mean that he accepts and supports it. No, he has to have trust in it and believe it is necessary for his well-being. The only way in which this can be achieved is by visibly illustrating to the voter the accomplishments of the institution concerned. He has to see with his own eyes that the local authority is doing something from which he will personally benefit, and that this something cannot be provided by someone else at a lower cost to the voter. In a nutshell, this in my opinion, is the only way in which we can secure the support of the electorate at the next elections. We must ensure that visible improvements are effected in our towns and, what is more, the electorate must be made aware that these improvements were brought about by the local authority.[31]

The other key elements in the government's approach to the election are security action and restrictions on political activity by the extra-parliamentary movement. The terms of the state of emergency are one such element, but more important short-term actions were the restrictions placed on certain persons and organizations in February 1988. These latter restrictions have effectively prevented a wide range of organizations from campaigning against the elections. The affected organizations include the United Democratic Front, Cosatu, and the Soweto Civic Association.[32]

These restrictions came after obvious concern in a number of government departments — both civilian and security — about the ability of the black local authorities to withstand concerted mobilization against them in the run-up to the elections. This concern can be traced in a variety of speeches by Transvaal provincial spokesmen during 1987, more than a year before the elections.

During 1986 and 1987 the Transvaal Provincial Administration consistently urged white local authorities to assist neighbouring black local authorities in a variety of ways. The establishment of co-ordinating committees — loosely structured and regulated — was proposed, partially as a means to render technical and administrative assistance to the generally poorly-equipped black local authorities. The general goals of the co-ordinating committees were to foster and improve the standing of black local government in those communities. However, the imminence of the elections and the need to maintain a functioning system of local government were also presented as reasons for the establishment of co-ordinating committees, as the following lengthy quotation illustrates:

> The municipal elections of 1988 are of crucial importance because it is essential that the blacks make a success of them. The elections are just around the corner, and if by the time they are held, we have not normalized black local government in a democratic fashion, I do not know when we will again secure a grip on the situation, and you can try to imagine for yourselves what consequences continuing and protracted instability will have for every aspect of our lives. We must join forces to secure a return to peace and normality, for it is only in such a climate that something permanent can be built.
>
> A bitter struggle is being waged to destroy local government and to destabilize this vital foundation-stone. It is precisely because

> orderly forms of local government constitute the basis and the vital organs of peaceful living conditions that unrest is directed at them. The agitator and the activist will try to frustrate our efforts precisely at this level of government because they know that this is where they can achieve their greatest success.
>
> The attempts of the radical and extra-parliamentary organizations to force the government back to the drawing-board, and even to include the street-committees in the negotiation of alternative local structures, must be foiled. This can only be done if black local government functions properly (own translation).[32]

The major themes to emerge from this statement are the absolute imperative of normalizing local government in the wake of the assault on it between 1984 and 1985; the relative ease with which structures of local government, as opposed to those of central government, can be undermined; and the necessity for the government not to lose the initiative in constitutional planning as a result of the actions aimed at the local authorities.

These themes are effectively security and politically-conscious ones. They were, however, complemented by a recognition amongst government officials that the black local authorities were rather fragile institutions in the technical and administrative senses. They lacked a sound financial base, were manned largely by relatively inexperienced staff and run by councillors who were often perceived to be corrupt. These factors combined to make them vulnerable institutions.

Yet until shortly before the announcement of the February curbs, and other later interventionist moves by the government around the elections, it appears that civilian administrators placed an inordinately high degree of responsibility on the shoulders of sitting councillors to secure a reasonable voter turn-out in the elections.

> No doubt, the forces of revolution will do their utmost to stop the people from voting. It will be primarily up to you, as councillors who believe in law and order, to effectively neutralize the attempts of these forces, for, to a large extent, your position as leaders of your community will be judged in terms of the success you achieve in persuading the voters to express their desires by means of the ballot box.[34]

Two events within the country early in the year seem to have been decisive in prompting the government to announce the February restrictions. The UDF declared it would not participate in the elections,[35] while Cosatu, the largest black trade union grouping, announced that it would oppose the elections.[36] A week after Cosatu's declaration the curbs were promulgated. A statement by the chief of the security police, justifying the curbs, linked the UDF and Cosatu to ANC activities and programmes, implying control of these organizations by ANC leadership. The spectre of opposition orchestrated by the UDF and Cosatu, as national umbrella organizations, clearly tilted government into taking these measures (over and above the provisions of the state of emergency) to restrict opposition to the municipal elections.

The curbs were followed by the introduction of prior voting procedures for the elections, designed to restrict the incidence of "intimidation" and thereby increase the numbers of persons voting. Intimidation of voters was advanced by the government as a reason for the generally low polls in the 1983 and 1984 elections. Furthermore the extensive publicity campaign of the Bureau for Information to promote the elections seems to have been hurriedly decided upon.

The most systematic presentation of the government's expectations about the elections is the analysis presented by the head of the Bureau for Information, Mr Dave Steward, to the September congress of the Transvaal Municipal Association. He re-affirmed the argument that the linkages between the black local authorities and the proposed national negotiating forum have given these elections an extra significance for both local and national constitutional development.[37]

This is clearly so, yet it must be noted that the use of municipal councillors as a basis on which to secure some black representation on the proposed forum has distinct political limitations. These follow from the nature of existing municipal leadership. In the absence of national political parties contesting the elections, municipal leadership is localized to the specific township and is highly fractious and individualistic in nature. It is not based upon the mobilization of distinct political issues. Its major rationale is rather to effect improvements in township living conditions. With few exceptions this results in almost continual leadership disputes around rival personalities rather than about issues of substance or ideology.

Attempts to form national organizations around this municipal leadership, which would partly compensate for these limitations, have not met with much success. The rival groupings of the Urban Councils Association and the United Municipalities of South Africa are not well organized. Again they differ mainly on the question of participation in the proposed forum and on the conditions of participation; there do not seem to be any serious ideological divisions between the two groupings.

This conservative and moderate leadership could therefore not deliver any defined national, or even regional constituency, into the proposed forum. Given time and assuming a lengthy state of emergency which will continue to hamper political activity by committed opponents of the South African government, this might well start to change.

Prospects

It is somewhat difficult to predict the outcome of the elections for the black local authorities, since they depend on a multitude of variables. The most important of these is whether the security forces are able to contain the programme of disruption which the government anticipates in the period immediately before the elections. Should this be contained, and given the opportunity to vote prior to election day itself, then the number of votes cast might show an increase over that of the last elections. This does not mean that the percentage poll will increase, however. The involuntary registration of voters from a variety of registers, chiefly from housing lists, will have ensured a bigger voters roll, but might well have simply ensured a lower percentage poll. Local and regional factors must also be taken into account. The continuing rent boycotts in parts of the Transvaal, and the impact of the labour stay-away earlier this year, illustrate a capacity for the extra-parliamentary organizations to mobilize despite the restrictions of the state of emergency.

The opposition to the elections recently voiced by prominent church leaders, including Archbishop Desmond Tutu, will also have an adverse effect on the polls.

Within the townships, two segments of the community might well vote in large numbers. The granting of the municipal franchise to the squatters and other new entrants to the urban areas (after a three-month stay) could be exploited by candidates with promises of housing and services to squatter areas. Should this happen, and the promises not be fulfilled, the consequences could be far-reaching as frustration sets in with time. Elderly residents might also be easily mobilized.

In Soweto, the Sofasonke Party is attempting to regain the dominance in the council that it once enjoyed. It registered 22 000 voters for the elections and is confident of a 50 per cent poll. It argues that its favourable record in Soweto's local government and the poor image of the present councillors will prompt this extensive participation. The party combines elements of the style and issues of the extra-parliamentary movement with participation in the council. It is also making a determined effort to mobilize support from Soweto's burgeoning squatter camps.

Another example of a successful strategy of participation is that of Tom Boya in Daveyton. A charismatic leader, he has been mayor of the township for nine years. There appears to be little organization against the elections in the township; indeed Daveyton is something of an enigma amongst Witwatersrand townships, with the extra-parliamentary movement having made few inroads there.

Policy consequences of the elections

This final section examines briefly some of the possible consequences of the anticipated election results, particularly for the government. The point needs to be made at the outset that hypotheses about policy consequences depend not only on expectations of the results, but of the strategies which the victorious parties will follow after the elections. Nevertheless, it is possible to isolate certain policy themes which might be affected by the results and by probable post-election strategies.

The first theme is that of centre-local relations. As noted in the first section of this article, one of the characteristics of local government restructuring during the 1980s has been the commitment of govemment to the devolution of functions and political power to local governments. This programme has only recently begun to effect local authorities, with further steps expected in 1989.[38] To the extent that decision-making opportunities are increased at the local government level, local governments possess greater autonomy and independence from higher levels of government.

Not many governments comfortably tolerate competing centres of power when these are controlled by an opposition political party which uses them for political purposes at variance with the goals of the governing party. Questions about the sovereignty of parliament and about national political goals quickly surface. South Africa has not escaped such experiences at the local government level. The best-known examples of this occurred in the 1950s and 1960s when, in the face of ever-tightening apartheid policies, United Party-controlled municipalities were often accused of obstructing the direction of racial policies. Until 1971 the municipalities were charged with the implementation of influx control and other aspects of the administration of the townships. A major rationale for the removal of municipal control and the establishment of administration boards was the central govemment's wish to limit possible deviations from central policy. Dr Verwoerd's speech to the 1956 conference of the Institute of Administrators of Non-European Affairs is the best exposition of the National Party government's views on centre-local relationships in this regard.

South Africa may well be standing on the threshold of a return to such arguments. Should the Conservative Party manage to gain control of large numbers of municipalities, especially in the PWV region, and decide to follow obstructionist policies either through the local authorities themselves or via its representation on the regional services councils, the government might well reconsider its policies of devolution.

It takes a strong and secure government to ignore challenges to its policies. The growth of the right wing, and its aggressive campaign for power, might also lead the National Party to reconsider its present approach to devolution. This does not necessarily mean that all aspects of devolution will be reconsidered, since government-appointed bodies could be instituted. Such appointed bodies are not totally consistent with the principles of devolution. Government-nominated bodies would also meet the demands from coloured, black and Indian participants for means to restrict attempts to disrupt the working of various institutions.

Government spokesmen, in particular the Minister of Constitutional Development and Planning, have already referred to the need to uphold the "sovereignty of parliament" in any process of devolution. As early as 1983, for example, when the broad guidelines for local authority restructuring were being discussed, Mr Heunis twice referred to the need to ensure that the "actions of local authorities are not at cross purposes with those of the central government".[39]

He also made the same point with specific reference to the role of council officials in advising councillors on courses of action:

> I foresee that elections for municipal councils being fought on partisan lines. This will have definite implications for the chief administrative officer. A local authority's policies are made by councillors working closely with officials who can to some degree *influence policy making* . . . this environment within which the chief officer operates will change, requiring of him the same sensitivity required of senior officials in government departments. Furthermore they will have to adhere to national goals in their policy advice *to the elected* representatives.[40]

It does seem that an unstated assumption in the government's devolution programme was that of continuing National Party hegemony over local authorities. Such dominance would allow it to control and regulate local affairs in tandem with national policies. The rise of the Conservative Party in particular has threatened that assumption.

The election results will have both short and long-term consequences for the regional services councils and government policy towards them. Govemment pursues a number of political objectives through the councils, whose operations are really still only in their infancy. They can be expected to undergo a substantial change in function, and maybe even structure, over the next five years.

It is not only the Conservative Party which will be raising fundamental challenges to the regional services councils in the years ahead. The black, coloured and Indian local authorities will also attempt to restructure the regional services councils in ways which will make these bodies more advantageous to them. The following are among the issues that will have to be addressed.

- The transfer of additional functions to the councils.
- The relationship of the local authorities to the councils in terms of the distinction between "own" and "general" affairs.
- The need to adjust the basis of representation on the councils. This follows from the growth in the consumption of basic services that can be expected, particularly in the black local authorities, which will in turn lead to calls for a review and adjustment of voting strengths on the councils. What one group of councils gains, others will have to forego. It is difficult to know whether this will drastically effect the voting strengths of the black local authorities, especially in the PWV area, during this period.
- The role of the councils in financing new areas of expenditure. Questions that will arise here include the meeting of budget deficits of local authorities (especially black), the maintenance of infrastructure, and providing subsidies for a range of services which are presently met by higher tiers of government.

A related aspect is the possible effects of the election results on the composition of the provincial (white) municipal associations and, less likely at this stage, the United Municipal Executive. These associations work closely with the central and provincial governments, reacting to policy directions and proposed legislation. Should the Conservative Party do well in the northem provinces it could well influence the nature of this contact and the generally good co-operation which presently exists.

Finally, should the percentage poll for the black municipal election prove to be lower than in 1983, this would have consequences for both local and central govemment, especially as to perceptions of the legitimacy of these structures.

However, this depends to a large extent on conflicting explanations of a lower poll — whether it is due to "intimidation" or "apathy" on the part of voters.

Significantly, some government spokesmen now argue that an acceptable system of black local government will only emerge once agreement is reached on the terms of black participation in central government. This implies that government is prepared to live with some of the problems around the black local authorities until agreement on the national question is reached.

Should the poll be considerably higher than in 1983 then the government will be bolstered in its determination not to talk or negotiate with the African National Congress. A high poll is already regarded by government as indicating the rejection of revolutionary change.

It is for indications of the strength of the white right-wing and the percentage poll in the black townships that the results of the municipal elections will be most keenly awaited. Whatever the results, they have already profoundly altered aspects of South Africa's local government system.

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The ports of Dar es Salaam and Mombasa: Recent developments

Denis Fair, senior research fellow at the Africa Institute, continues his series about the ports of Africa.

For more than ten years Dar es Salaam has suffered the image of a port unable to cope with the demands made upon it. Its management has been weak, its handling equipment inadequate and cargo and ships have experienced high transit and turn-around times. Failure to match the capacity of the port to the traffic generated by the 1 860 km line of the Tanzania Zambia Railway Authority (Tazara), opened in 1974, created chronic problems of congestion for exporters and shipping companies alike. It discouraged Zambia from making greater use of the port and caused that country to divert much of its copper exports to South African harbours. But now, of East Africa's two major ports, Dar es Salaam is facing a more exciting period of development than its counterpart Mombasa. Both ports are enjoying expansion and modernization but Dar es Salaam's are related to growing regional connections which are having a marked impact on the port's growth and significance.

Mombasa is the larger port. It handled 6,9 million tonnes in 1986, of which 71 per cent were imports. Dar es Salaam handled 3,6 million tonnes of which 75 per cent were imports. At both ports oil and oil products accounted for 57–59 per cent of the total volume of commodities imported. However, while Mombasa is uncertain about future traffic volumes, Dar es Salaam's 1987 traffic increased substantially over that of previous years. After its current rehabilitation and modernization its present capacity will more than double.

These developments have come none too soon. Apart from the pressures placed upon it by its links with Zambia and by its own national demands, traffic has been building up with that part of its hinterland which it shares with Mombasa, namely eastern Zaire (Kivu), Uganda, Rwanda and Burundi. Uganda, for example, has been dissatisfied with persistent problems over its transit trade with Kenya and is attempting to reduce its dependence on Mombasa. But, more urgently, sanctions imposed by western countries on South Africa and fears, as yet unfounded, that it might retaliate by blocking the use of its harbours, have intensified the efforts of the Southern African Development Co-ordination Conference (SADCC), established in 1978, to improve other outlets.

By mid-1987 Zimbabwe, Zambia and Malawi were dependent on South African routes for 62 per cent of their international trade. With substantial financial assistance from the World Bank and donor countries, most attention has been paid to rehabilitating the port of Beira and the rail and road corridor from Harare. However, the expansion and modernization of Dar es Salaam is also a critical element in the total plan. In 1986 nearly a millon tonnes of transit cargo passed through Dar es Salaam from and to its hinterland countries. Of this total, 75 per cent was attributable to Zambia mainly in the form of copper exports and petroleum imports.

Dar es Salaam

Plans to improve the port of Dar es Salaam have been on the cards for some time. In early 1985 finance was finally forthcoming from international donors for a US$150 million modernization programme. The major donors are Denmark, Norway, Sweden, Holland, Italy and the United Kingdom. The World Bank coordinates this external funding. Also being implemented is the rehabilitation of the ports of Zanzibar, Pemba and Tanga in order to help take the load off Dar es Salaam where the following developments are taking place.

First, three berths are being converted to a container terminal. This is now under construction by a Japanese firm and will be completed by mid-1988. Handling capacity will then increase to 120 000 containers per year from a throughput of 30 000 in 1986. Turn-around times for large container ships, such as those of the British-East Africa Conference (Beacon), will be reduced from 3–5 days to 24 hours. In addition, the Tanzania Harbours Authority (THA) has built a container clearance depot 15 km from the city, a function formerly performed at the dockside where it compounded the congestion.

Secondly, eight general cargo berths will be upgraded to handle an additional 1,5 million tonnes. The work will be completed in 1991. Thirdly, is the rehabilitation of the Kurasini oil terminal now under way and the construction of grain storage facilities to replace the existing practice of manual bagging. Fourthly, better management, maintenance and training facilities are being instituted as this area has long been regarded as one of the port's "weak spots". Finally, the entrance channel is to be widened, deepened and straightened to allow the passage of larger ships and the use of the harbour for 24

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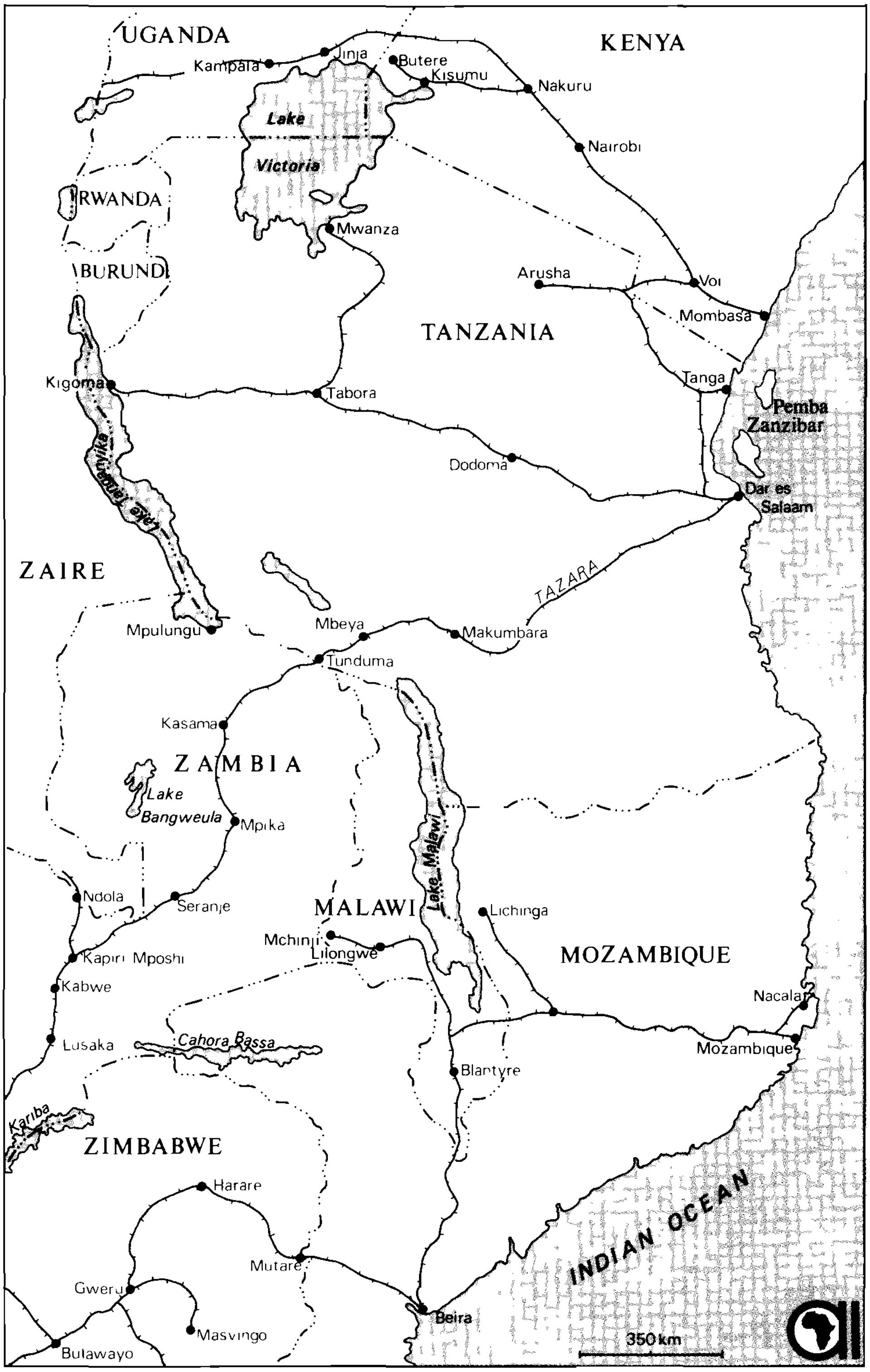
hours a day. When the total programme is complete, possibly in 1992, the capacity of the port will increase to 4 million tonnes per year from its present 2,5 million tonnes.

Complementing plans for the port has been the financing of a ten-year rehabilitation programme, commenced in 1985, for both the Tazara railway and the Tanzania Railway Corporation (TRC) system. Work on the Tazara line costing over US $225 million is being supported by the World Bank, a number of European countries, the United States Agency for International Development (Usaid) and the Chinese. By mid-1988 three-quarters of the funding for the project had been obtained.

Rehabilitation includes track improvement and maintenance, the purchase of new locomotives and goods wagons, a heavy duty workshop at Mbeya and the strengthening of maintenance and management capabilities. These measures will increase the line's capacity to 1,6 million tonnes per year by 1991–92. The original design capacity was never reached and the amount of goods carried was only 0,65 million tonnes in 1981–82 when Zambia was exporting most of its copper through South African harbours. The line made its first profit only in 1985. However, improvement in operating efficiency is now being experienced with transit times from Zambia to the port down from some 20 days to a more reliable 15 days. Cargo carried reached a record 1,2 million tonnes in 1987. Most of Zambia's copper is now being exported via this route on which tariffs are less than half of those by rail to the port of Beira in Mozambique. EASA reports that a branch line from Tazara to the Zambian port of Mpulungu on Lake Tanganyika is being contemplated in order to tap traffic to and from Rwanda and Burundi.



A comparatively small tonnage of goods between Zambia and Dar es Salaam is carried by road, but to strengthen the link the road is being repaired and upgraded. In addition, the Tazama oil pipeline from Dar es Salaam to Ndola, which carries some 600 000 tonnes per year, is being refurbished with assistance from the European Investment Bank and other donors. Further additions to cargo through the port will come when Malawi's northern route is fully operational in 1991. This will add some 400 000 tonnes per year, or 25–30 per cent of Malawi's total external trade. The US$110 million project, financed by the World Bank, the European Economic Community, the United States, Britain and West Germany, involves a lake and road route to Mbeya where it joins the Tazara line. As part of the project are the provision of extra cargo handling and fuel storage and transhipment facilities at Dar es Salaam, and the improvement of shipping facilities at ports on Lake Malawi.

Meanwhile, work on the TRC's central railway corridor joining Dar es Salaam with Rwanda, Burundi, Uganda and eastern Zaire has commenced. Estimated to cost US$35 million and financed mainly by the European Economic Community the programme will upgrade the track and roadbed, overhaul and purchase locomotives and goods wagons and provide technical assistance and training facilities. In 1986 nearly 220 000

Dar es Salaam harbour. The Chinese have been building extensions at the far end

tonnes of goods to and from these countries passed through the port of Dar es Salaam. Nevertheless, some 60 per cent of all Tanzania's transport is by road but, as a complement to rail transport, the system is badly in need of rehabilitation. US$250 million is now being sought to raise the country's proportion of good roads to 70 per cent by 1993.

Promotion of the development and greater use of Dar es Salaam has not only been the work of the SADCC, the Zambian and Tanzanian governments and the THA. The private sector has also played a significant role. Zamcargo is the transport subsidiary of Zambia Consolidated Copper Mines (ZCCM) and is responsible for the export of the latter's copper and the import of equipment and supplies. Along with its subsidiary, the United Kingdom based Sea Cargo International (SCIC), it accounts for 25 per cent of the trade passing through Dar es Salaam. In order to reduce congestion in the port itself, Zamcargo operates the large Kurasini container depot adjacent to the harbour. The firm is diversifying its handling business to include commodities and countries other than Zambia. It is now directly promoting Dar es Salaam as a transit port for Zimbabwe and Malawi as complementary to Beira and has extended its freight forwarding services to these two countries. However, with Beira only 700 km from Harare compared with 3 000 km from Dar es Salaam, the volume of traffic from Zimbabwe is not likely to be significant, particularly as it will also be routed via Maputo when the direct rail link to that harbour is restored in 1989.

Mombasa

Since its establishment in 1978, the Kenya Ports Authority (KPA) has steadily improved Mombasa's Kilindini harbour. Three new deep water berths have been built, the main channel has been dredged and a container terminal was completed in 1983. In 1984 a complementary inland container depot was established at Nairobi. In 1986 the port handled 120 000 containers. Further modernization is under way, with financial assistance from the European Investment Bank to improve storage facilities for bulk liquids, general cargo and containers, and to repair and rehabilitate four berths and two oil terminals. The work should be completed by mid-1989 and will reduce the turn-around time of ships.

Despite these ongoing improvements, cargo passing through the port has recently fluctuated from a peak in 1981 of 8 million tonnes to a low of 6,3 million in 1985, followed by a slight rise to 6,9 million in 1986. The number of cargo ships calling has declined from 1 360 in 1982 to 1 203 in 1986. Significantly, there has been a decrease in the volume of transit cargo passing through the port to and from Uganda, Rwanda, Burundi, eastern Zaire and southern Sudan. It fell from 500 000 tonnes in 1983 to less than 300 000 tonnes in 1986. Part of the problem arises from political troubles in Uganda and difficult Kenya/Uganda relations. *African Business* reports that in March 1987 Uganda accused Kenya of withholding its oil supplies; in April Uganda announced that it had made arrangements to export its coffee through Dar es Salaam and to use that port, together with Tanga, as import points. In May it was reported that 70 000 tonnes of Ugandan import and export cargo was stranded in Kenya. The reasons seem complex, in part due to strained relations between the two countries over the expulsion of aliens from Kenya, and in part to the inability of the Kenyan railway system to meet both its and Uganda's transport needs. Accusations and counter-accusations flowing from these events have followed reaching occurrences of open hostility along the Kenya/Uganda border in December until the issue was defused by a meeting of the two leaders.

The outcome is that Uganda has turned to Dar es Salaam rather than Mombasa to handle its import and export traffic. This is being done via Lake Victoria to Mwanza by ferry and thence by rail or road to Dar es Salaam. Fuel imports and sugar exports have increased notably via this route since the end of 1987. Uganda, it is reported, plans to have 60 per cent of its international traffic directed through Tanzania in due course. However, as the *Economist Intelligence Unit* (EIU) points out, this should not be seen as "a definitive change of policy". Tanzania's rail and road system is also hard-pressed to cope with the rise in Ugandan traffic without the increased tonnage of Zambian goods now using the port of Dar es Salaam. Delays, particularly of sugar imports and coffee exports, are being experienced both at the port and at the Lake Victoria trans-shipment points. Moreover, by mid-1988 relations between Uganda and Kenya had so improved that goods were again being routed via Mombasa. However, there is little doubt that Uganda has now found an alternative outlet for its international traffic and the route via Dar es Salaam, particularly when that port's modernization is complete, may well prove a valuable alternative to Uganda's sole dependence on Mombasa should any untoward event, political or otherwise, intervene.

The overall decline in the level of traffic through Mombasa in recent years has meant that KPA revenue has stagnated while expenditure has risen, leading to a deficit of K £1 million in 1985. The situation has been worsened by a general decline in maritime trade and competition from other East African ports. There have been charges that mismanagement and inefficiency have increased turn-around times for container vessels from 48 to 72 hours, resulting in the transference of business to Dar es Salaam by some shipping agents and conference lines.

Moreover, a work-force now increased to 13 000 as a result of the merger between KPA and Kenya Cargo Handling Services (KCHS) has not shown a measurable improvement in port operations. A strike in October 1987 hardly helped matters. An added financial burden, according to *EIU*, arises out of the settlement of the assets of the former East African Railways and Harbours Corporation following the collapse of the East African Community in 1977. The KPA has to remit K£7,5 million annually to Uganda with K£29,7 million still outstanding.

In Kenya's 1979–83 national development plan it was stated that the government recognized the desirability of establishing a second port. In its 1984–88 plan this ideal has been kept under review but the government admits that one of the problems it faces is the uncertainty about future traffic volume. More to the point, therefore, are plans to strengthen Mombasa's road and rail links with its hinterland. A $45,5 million programme aims to raise Kenya Railways haulage capacity and will be supported by the International Development Association (IDA) and the British Overseas Development Association (ODA). The EEC is assisting initially with US $41 million to rehabilitate numerous sections of the road between Nairobi and Uganda, Rwanda and Burundi. These developments should revitalize this "northern corridor" and help Mombasa to recover some of the pull over its hinterland recently lost to Dar es Salaam. Good relations between Uganda and Kenya also remain a vital factor in securing Mombasa's hold over its hinterland.

Sources: Africa Economic Digest, Africa Research Bulletin, African Business, EASA (Trade and Investment in Southern Africa), Economist Intelligence Unit — Country Profiles and Country Reports, Kenya national development plans, Modern Africa, New African, Ports of the World (Lloyds, London), South, Weekly Review (Nairobi).

B·O·O·K·S·H·E·L·F

The greening of Africa: Breaking through in the battle for land and food *by Paul Harrison. London: Paladin (1987) 380 pp. ISBN 0 586 08642 0.*

Africa appears to present the greatest of the world's developmental challenges in the immediate future. After surveying the scope and origins of the continent's problems — escalating debt, chronic food shortage, ecological damage and soaring population growth rates — the author surveys some of the innovative efforts of Africa's peasants to combat the evils that threaten their existence. By concentrating on developmental successes, however small in scale, he hopes to offer affordable blueprints for emulation elsewhere.

Foreign aid reconsidered *by Roger C Riddell. London: James Currey (1987) 309 pp. ISBN 0 85255 104 5.*

This major study on the theoretical, moral and practical aspects of foreign aid provides a thorough reconsideration of the arguments and evidence in the debate on this controversial subject. This book is addressed to professional aid administrators as well as academics and students.

Africa and Europe: From partition to interdependence or dependence? *edited by Amadu Sesay. Beckenham: Croom Helm (1986) 250 pp. ISBN 0 7099 4406 3.*

This collection of essays, compiled to mark the centenary of the Berlin Conference and the subsequent partition of Africa by the European powers, includes essays on Africa's pre-colonial, colonial and post-colonial relationships with Europe. Political, economic and strategic aspects of international contact receive attention and contributors include Dennis Austin, James Mayall and Timothy M Shaw.

Agricultural commercialization and government policy in Africa *by J Hinderink and J J Sterkenburg. London: KPI (1987) 328 pp. ISBN 07103 0239 8.*

This book deals with the process of agricultural commercialization in sub-Saharan Africa. This is an important aspect of economic growth, particularly in less-developed countries. The authors analyse the changes in the nature of commercialization across time and between regions. Half of the study is devoted to case studies which permit the detailed examination of commercialization in different contexts. The book concludes with a discussion of Africa's current plight and the prospects for improvement.

Angola to the 1990s: The potential for recovery *by Tony Hodges. London: Economist Publications (1987) 145 pp.*

This publication is one of the Economist Intelligence Units' series of special reports and provides an assessment of Angola's prospects into the next decade. Against a background of comprehensive economic data, the author analyses the strengths and weaknesses of what is potentially one of Africa's richest nations.

Integrated rural development: The Ethiopian experience and the debate *by John M Cohen. Uppsala: Scandinavian Institute of African Studies (1987) 267 pp. ISBN 91 7106 267 X.*

During the 1970s integrated rural development was one of the most popular development strategies employed by Third World governments and international aid agencies. Since then it has been subjected to increasing criticism, though, according to the author of this book, the critique has been formulated with too little attention to detailed case studies. Most of this book is devoted to just such a case study, of the Chilalo Agricultural Development Unit (CADU), one of the oldest and best-known projects supported by the Swedish International Development Authority.

The Club du Sahel: An experiment in international co-operation *by Anne de Lattre and Arthur M Fell. Paris Organisation for Economic Co-operation and Development (1984). 112 pp.*

This report describes the Club du Sahel, which was established in 1976 by the states of the Sahel to assist in the work of drought control. In addition to addressing drought damage, the Club has also promoted studies, planning and action by the Sahelian countries and aid donors conducive to the region's long-term development.

Economic and social origins of Mau Mau, 1945–53 *by David Thorp. London: James Currey (1987) 304 pp. ISBN 0 85255 024 3.*

Kenya's Mau Mau revolt played an important part in convincing Britain's Conservative government that the military repression of African resistance to imperial rule was unjustifiably expensive. Dr Thorp examines in detail the origins of Mau Mau as an alliance of various groups in Kenyan society, against the background of imperial policy and the post-war economic crisis in the colony.

Politics, participation, and poverty: Development through self-help in Kenya *by Barbara P Thomas. Boulder: Westview (1985) 228 pp. ISBN 0 8133 7068 X.*

This book analyses the roles of self-help organizations and community projects in the political economy of Kenya, and examines the competition through self-help for power and scarce resources. The author also looks at the effect that group activity has on household economic behaviour and at the contribution that self-help organizations can have on the building up of rural infrastructure. She also asks whether self-help in the Kenyan context can lead to structural change and a more equitable distribution of resources, or if it simply perpetuates and reinforces current inequalities.

Democratic liberation in South Africa: Its history and prospect *edited by Jeffrey Butler, Richard Elphick, and David Welsh. Cape Town: David Philip (1987) 426 pp. ISBN 0 8195 6197 5.*

In 1986 a conference was held at Houw Hoek, near Cape Town, to discuss aspects of the liberal tradition in South Africa. The papers delivered at this conference are published here, and deal with the history and character of the liberal tradition in South Africa, liberal theory in South Africa and the opportunities and dangers confronting liberals in contemporary South Africa.

Book Announcement

Martin E H Büscher, *Afrikanische Weltanschauung und ökonomische Rationalität: Geistesgeschichtliche Hintergründe des Spannungsverhältnisses zwischen Kultur und wirtschaftlicher Entwicklung.* (African world-view and economic rationality: The conflict between culture and economic development viewed against the background of the history of the mind), Rudolf Haufe Verlag, Freiburg i B (Bd 29 der Schriftenreihe des Instituts für Allgemeine Wirtschaftsforschung der Albert-Ludwigs-Universität), 1988, 100 pp.

The dismal record of foreign aid in Africa has shown that vast funds and armies of aid personnel generally succeed better in furthering corruption and "white elephants" than in promoting economic progress. Scholars as well as practitioners of development increasingly realize that the *homo oeconomicus* of economic theory is an abstraction from social, cultural and political reality — a fact, which is even more significant in respect of Africa than of other less developed regions of the world.

The pursuit of economic development in Africa is unlikely to get far as long as traditional beliefs, values and practices clash head-on with the demands of modern production, marketing and financing. A growing awareness of these issues is stimulating studies analysing the salient aspects of the interaction of African society with present-day efforts to dynamize and generally re-orientate it.

Büscher's study is a slightly modified version of his doctoral dissertation in economics. Much of his insight and material was acquired during a year of study in Zimbabwe.

Guided by Max Weber's Economic ethics of world religions, he compares the assumptions and cultural background which fashion the Western world-view, with the basic elements of the African world-view. The conflict between the two is analysed with particular reference to the concepts of time, group and community. Life force, and the congruence of religion and life. Subsequently, the implications for economic theory are discussed with regard to progress and development, consumption patterns and economic *Leitbilder*, industrial mentality and development, and economic rationality and reciprocity.

The insights thus gained are then applied in discussing the manifestations of the clash between traditional and Western world-views in public administration, production and employment, markets and trade, as well as finance and banking. The concluding section gives an overview of the fundamentals of the African world-view as it relates to the scientific and technological orientation of the development policies conceived by Westerners.

Büscher ends on a note of scepticism regarding the prospects for rapid change by means of the structural transformation of African economies as epitomized in the so-called Berg Report, issued by the World Bank in 1981, and the OAU's Lagos Plan of Action (1980). While writing that he "does not plead for the total abandonment of developmental endeavours", he states that ". . . the promotion of economic development processes which 'make sense' in the African world-view, is a task extremely difficult to achieve from a Western perspective" (p 78). Underlying this is the question as to who is to be 'developed' and towards what? Büscher does not venture to answer these issues, which he expects to persist for a long time, but indicates the area where a synthesis between African tradition and western concepts and structures has to be sought:

> For Black Africa this means that the broad issue of religion and world-view must be squarely faced as a matter of priority; social values must not be prematurely analysed and judged in terms of Western criteria, and an effort must rather be made to develop a thorough understanding of the people concerned, taking into account the values and norms encompassed within the African world-view (ibid, free transl).

Büscher concludes that true dialogue between those representing the western, scientific and technical world-view with representatives of the African, spiritual world-view demands much more than scientific and intellectual abilities, and can only take place through actual participation. In his view, this can lead to a re-evaluation of African problems so as to bring about a new understanding and orientation concerning the complex social reality as well as the proposed solutions and practical measures.

As a trained economist, Büscher has made a valuable contribution to an issue which, with some notable exceptions, economists tend to regard as the domain of 'imprecise' disciplines like anthropology and sociology. The book, which provides an extensive bibliography, can be recommended to all involved in the Africa-related development and aid "business".

G M E LEISTNER
19 September 1988

AFRICA MONITOR

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Jenny Macgregor

NORTH AFRICA

Algeria

Continuing on a cautious reformist path, Pres Chadli Bendjedid reshuffled his **cabinet** on 15 February, making changes which emphasized the need to improve economic management. In preparation for the sixth congress of the ruling FLN party, a commission has been appointed to evaluate the second five-year plan (AC 4/3; ARB 15/3).

Chad

The much publicized meeting of the **OAU ad hoc comittee on Chad**, to be held in Senegal from 10–12 April, and at which Chadian Pres Habré and Libyan leader Col Gaddafi were to meet, has again been postponed. It will be held in Addis Ababa (Ethiopia) on 24 May (DT 31/3, 6/4; WA 21/3, 4/4, 25/4; AED 1/4, 15/4).

Egypt

The government has approved a three-year extension of the seven-year old **emergency laws** because of a "need to combat Moslem fundamentalist and terrorist threats" (C 21/3; ARB 15/4).

The eldest son and a nephew of the late Pres Nasser are among a group of 20 people facing charges of anti-American and anti-Israeli terrorism. Known as "Egypt's Revolution", the group has been linked with four attacks on US and Israeli diplomats in Cairo between 1984 and 1987 in which two people were killed and eight wounded. Should **Khaled Abdel Nasser** choose to end his self-imposed exile in Yugoslavia and face trial, his conviction could lead to a death sentence. Wide support for Nasser's actions is thought to come from even his fathers worst enemies, the fundamentalist Moslem Brotherhood (ARB 15/3; C 23/3).

Libya

Libya has agreed to resume the supply of crude oil to **Ghana** on favourable terms. In addition, it has agreed to reschedule without interest Ghana's remaining debt for oil supplied in 1983 (H 26/3; WA 4/4; AED 6/5).

Morocco

The **Polisario Liberation Front** has called on Morocco to enter direct talks to end 12 years of conflict. Some 70 countries now recognize the Sahrawi Arab Democratic Republic (SADR) as an independent state, while none has formally acknowledged Moroccan sovereignty over the area. Both sides now support the idea of holding a self-determination referendum under UN auspices (H 1/3; DT 2/3, 7/3).

Sudan

Prime Minister Sadiq el-Mahdi has formed a **government of national reconciliation** in a move designed to help him tackle the country's economic plight and to end five years of civil war in the south. The charter of national unity has been signed by Sadiq's Umma Party and its coalition partner, the Democratic Unionist Party (DUP), the southern parties, the Sudanese National Party and the National Islamic Front (NIF). In return for the co-operation of the **NIF**, whose wealth and militancy Sadiq needs to shore up his greatly reduced national authority, he has pledged to introduce a revised form of Shariá (Islamic) law, which was abolished by ex-Pres Nimeiri in 1983. The NIF is to be given charge of the country's foreign affairs (AA 18/3, 1/4, 15/4, 29/4; SWB 15/4, 27/4, 30/4; DT 22/3, 20/4; AED 22/4).

Agreement with the **World Bank** on an economic reform package was reached in mid-March, but the release of funds now depends on government approval of the reform package and the signing of a policy framework paper (AED 25/3, 1/4).

Tunisia

Hopes that Libya would join the **North Africa Pact** of Algeria, Tunisia and Mauritania on the fifth anniversary of this non-aggression treaty, were dashed as **Libya** insisted at the last minute on abolishing national frontiers. Tunisia, which wishes to see a widening of the regional power bloc, has expressed concern over Morocco's exclusion, and is making efforts to reconcile its differences with Algeria, which supports the Polisario Front (DT 23/3).

Pres Ali has agreed to an easing of former Pres Bourguiba's tough anti-fundamentalist policies by allowing the revival of **Islam** on condition that it takes a tolerant and progressive form. Relaxation of his predecessor's authoritarian style has also resulted in the reform of the organization, structure and methods of the **Democratic Constitutional Assembly (RCD)**, the new name given to the ruling Socialist Destourian Party (PSD). Pres Ben Ali has stressed that the change in the party's name marked its "opening to all Tunisians" demonstrating the need to rehabilitate "the practice of democracy" (S 6/4; ARB 15/4).

WEST AFRICA

Benin

An attempted **military *coup*** on 26 March resulted in the arrest of over 100 soldiers, including senior officers and the head of public security, Lt-Col Kouyami. New reformit policies, which have included tough austerity measures, are the source of the present opposition to Pres Kérékou, who has been in power for 16 years (SWB 16/4; TWR 20/4; AED 22/4; JA 4/5).

Burkina Faso

Capt Compaoré has initiated an **institutional reform** and political action programme which appears to be aimed at centralizing political and economic decision-making and neutralizing potential sources of opposition. The Committees for the Defence of the Revolution (CDRs) have been abolished and are to be replaced by Revolutionary Committees, which will be more administrative in function and more centralized in structure. The economy is to be run on the basis of state capitalism, with priority being accorded to the private sector. Plans for a "people's army" will involve the restructuring of the armed forces (SWB 12/3; AED 18/3, 25/3; WA 21/3; ARB 15/4; NA 5/88).

Burkina Faso and **Côte d'Ivoire** have agreed on a June deadline for the formal break-up of the jointly owned *Regie des Chemins de Fer Abidjan-Niger* **(RAN)** into separate nationally owned railways. RAN operates the 1 170 km line from Ouagadougou to Abidjan, providing a vital transport outlet for landlocked Burkina Faso. Facilities are extremely run down, and RAN's debts now total around $279 mn (AED 1/4).

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Côte d'Ivoire

The **International Monetary Fund** has announced loans totalling $240 mn following agreement on the government's economic programme for 1988 and the ratification of a one year standby agreement. The economy deteriorated in 1986–87, mainly because of the fall in the world price of cocoa (by 20 per cent) and of coffee (by 40 per cent) (WA 14/3; ARB 31/3). In 1985 **per capita income** slumped to $650 from a high of $1 150 — approximately a 25 per cent drop in real terms. The fall was mainly due to falling commodity prices (WA 21/3).

The government is abandoning its long-standing programme of increasing **cocoa** output to 1 million tonnes a year. The change in policy is the result of the government's new agricultural plan, designed to shift the emphasis away from reliance on cocoa, given the continued fall in world prices to their lowest level in five years. Coffee output will continue to be expanded, but only the best land will now be developed. Diversification involves increasing rice and maize production to enable the country to become a net exporter of both products by 1990, while rubber and palm oil production are targeted for expansion (AED 15/4, 29/4; DT 20/4; AA 29/4).

The Gambia

Thomas Senghore, head of Gambia's central bank since 1982, has resigned in response to a dispute over the country's economic restructuring programme **(ERP)** which has led to sharp increase in the price of many consumer goods (DT 8/3). Citing the 6,5 per cent increase in National Income during 1986/87, Finance Minister Sisay has reported that measures taken under the ERP and a substantial rise in donor assistance have stabilized the economy, allowing for attention to shift from stabilization to the measures needed to promote sustainable economic growth. However, the current account deficit (25,6 per cent of GDP) is expected to remain high during 1988/89, raising questions about the willingness of creditors to continue plugging the resource gap (AED 18/3; AA 29/4).

Ghana

Relations between Ghana and **Nigeria**, strained by Nigeria's expulsion of illegal immigrants in 1983 and 1985, improved markedly during a three-day visit in April to Nigeria by Ghanaian leader Flt-Lt Rawlings. A joint commission is identifying fields of co-operation in the economic, cultural and military spheres (WA 25/4; SWB 19/4).

Ghana is to import 200 000 tonnes of crude oil from **Algeria** this year. The two countries have also agreed on a number of products for exchange and on cultural, scientific and technical co-operation (ARB 31/3).

Ghana has drawn up a three-year plan (1988–90) to increase earnings from **non-traditional exports**. Earnings from non-traditional agricultural produce rose by 5 per cent in 1987, while those from manufactured products increased by 72 per cent (ARB 31/3).

Five years after embarking on its **Economic Recovery Programme**, drawn up by the International Monetary Fund (IMF), Ghana's economy has improved to the point where the **World Bank** believes that the country is in a position to pursue a growth-oriented adjustment strategy. However, shortfalls in agricultural production, pressures on the labour market due to public sector retrenchments and the falling price of cocoa have put the government under both political and social pressures. In an effort to offset the social and political costs of its ERP, the government, with World Bank initiative, has set up the novel **Pamscad programme** (Programme for Actions to Militate against the Social Costs of Adjustment). Pamscad will play a role in helping 45 000 civil servants who are to be retrenched over the next two years, and includes a set of projects geared to generate at least 40 000 jobs. Basic needs projects aim to provide drinking water to some 600 000 rural people, supplementary feeding and aid for the primary health sector. The effectiveness of the programme, which has attracted loan pledges worth $85 mn, will depend on the speed of disbursement by the lending agencies and on the implementation of the projects (ARB 29/2, 31/3; WA 14/3; AA 15/4).

Liberia

Pres Doe has announced a strict **economic austerity programme** aimed at reviving the deteriorating economy (H 22/4).

Another ***coup*** attempt, the eighth since Pres Doe took power in April 1980, was uncovered on 22 March. Thirteen of the 19 people arrested were subsequently charged with treason. The alleged leader apparently committed suicide while under arrest. The suspects include three leading members of the banned opposition **Liberia Unification Party** (LUP) and six army personnel (H 1/4; AED 1/4; WA 11/4; ARB 15/4).

Mali

Pres Traore has called for sweeping changes in the party leadership to resolve Mali's acute economic crisis. In recent months the government has adopted several **economic reforms** to liberalize the economy by dismantling or privatizing loss-making state enterprises and reducing the size of the civil service. The public sector accounts for more than 60 per cent of the annual deficit. These painful reforms have aroused strong reservations among some party members and in the armed forces (DT 5/4; AED 22/4).

Niger

Niger's heavy debt servicing burden of $66,2 mn and low per capita income were the factors influencing the exceptional move by France, Spain, Britain and the US of granting a **20-year rescheduling of guaranteed debt**. Total external debt at the end of 1985 amounted to $990 mn, or 64 per cent of GNP (AED 29/4).

Following Col Saibou's visit to **Nigeria**, the two countries have agreed on the equitable sharing of water from the Niger basins and Lake Chad in order to increase their supplies. Bilateral relations are also to be reinforced and activities of the joint co-operation committee to be expanded (SWB 30/3; AED 15/4).

Nigeria

The government has announced a **population policy**, the first of its kind in the country, which aims to lower the rate of population growth from 3,3 per cent a year to 2,9 per cent by the year 2000, by encouraging birth control and limiting the maximum number of children per woman to four. With an estimated **108 mn people**, Nigeria is the most populous nation in Africa, and has one of the fastest growing populations in the world. Nigerian women have protested at the implicit bias in the policy which does not apply to men as well, since custom allows the latter to take more than one wife (DT 10/3, 30/3; ARB 15/4).

Nigerian Airways, which has a debt of $166,5 mn, has been forced to sell its only Boeing 747 to help pay its creditors. On the domestic front, the three main airlines have expressed fears that they may be forced out of business through increased fares and the 50 per cent increase in fuel costs. If the internal lines are grounded this will have severe effects on the efforts to restore the Nigerian economy, since flying remains the only effective way of travelling long distance in Nigeria (AConcord 4/3; AA 29/4).

The first phase of Nigeria's **petro-chemical development programme** has come on stream with the opening of the N150 mn Ekpan and N1 bn Kaduna plants. The petro-chemical projects, which are the first in black Africa, will earn the country $150 mn a year through exports and import substitution (AConcord 5/4; DT 22/3).

The dissolution on 29 February of the executive of the **Nigerian Labour Congress (NLC)** led to major skirmishes between the government and most sectors of the labour movement. Under the leadership of Ali Chiroma, the NLC had waged a nationwide campaign against plans to abolish the oil subsidy. Fuel price increases ranging from 6 to 50 per cent came into effect on 10 April, following the announcement of the full commercialization of the **Nigerian National Petroleum Corporation (NNPC)**. The increases, which aggravated grievances over more general economic issues such as the rising cost of food and increasing urban unemployment, resulted in **riots and widespread industrial unrest** in the transport, health and banking sectors and the construction industry. Six people died at Jos, Plateau State, in violent clashes between civilians, spearheaded by students, and the police. In response the government banned all forms of public demonstration, detained suspected ringleaders, and closed more than 20 universities. The riots are seen to have clearly demonstrated the political risks implicit in the Structural Adjustment Programme (SAP), which includes removing subsidies and privatizing state companies. The government has expressed concern that the clashes will undermine its efforts to reschedule the country's external debt. The cost of fuel has been one of the major obstacles to the renewal of a vital agreement with the IMF (AED 18/3, 15/4, 22/4, 29/4; AC 18/3; WA 14/3, 25/4; DT 26/4; C 26/4; WR 25/3).

Senegal

The 28 February **general elections** ended with the proclamation of a **state of emergency** and a curfew in the capital. **Riots**, the worst in 20 years, erupted when the preliminary results were announced amid accusations from the opposition that the elections had been rigged. Leader of the main opposition PDS party, Abdoulaye Wade, who received 26 per cent of the presidential vote, claimed to have won 56 per cent of the votes. Pres Diouf was re-elected with a reduced 73 per cent share of the vote. **Wade** and seven members of the PDS party were detained and are to face trial on the charge of incitement to violence. Diouf has pledged that the post-election violence will not lead to any change in the country's multi-party democratic system. There are 13 new appointments in Pres Diouf's new cabinet, while the two most important posts of economy and finance, and planning and co-operation have new ministers. Diouf did not make the expected conciliatory move of appointing any opposition politicians as ministers (DT 9/3; WA 14/3; AConcord 11/3; SWB 10/3, 19/3, 8/4; JA 9/3; AED 4/3, 11/3, 18/3, 15/4, 29/4; AA 4/3; AC 18/3; DN 7/4).

Togo

The **International Development Association (IDA)** is providing a $40 mn loan to partially finance the government's $130 mn transport sector investment and maintenance programme for 1988–90. The project's overall aim is to help to speed growth in agriculture, industry and tourism, and to maintain the country's role as a transit route for neighbouring countries (ARB 29/02).

Togo has consolidated its position as the leading financial centre of West Africa with the opening of the head office of another major banking group — **ECO Bank**. Backed by the African and West African Development Banks, its overall objective is to contribute to the financial, economic and social development of the Economic Community of West African States **(Ecowas)** (WA 4/4).

The World Bank has approved a $45 mn third **structural adjustment loan** in support of the government's three-year recovery programme for 1988–90. The programme hopes to achieve an annual GDP growth of 5 per cent by the mid-1990s. In the face of high debt service commitments, the Paris Club has granted "exceptional treatment" by agreeing to a **rescheduling** over 16 years (AED 15/4).

CENTRAL AFRICA

Cameroon

The World Bank has approved a $103 mn loan to support the country's **cocoa revitalization project**. It is estimated that Cameroon's current production of 100 000 tonnes of cocoa per year will be boosted by 38 000 tonnes by the end of the century (ARB 31/3).

Domestic economic recession has more than halved the volume of trade with **France**, the country's main trading partner, over the past two years (AED 15/4).

Paul Biya has been re-elected President with a 98,75 per cent share of the vote. Biya, who ran unopposed for a second five-year term, has won a clear mandate for his programme of "cautious democratization and economic rigour". For the first time since independence in 1960, the four million Cameroonian voters had a choice in most constituencies between two lists of candidates, all vetted by the party, standing for the 180-seat national assembly. There was a 92,5 per cent turnout for the elections (DT 27/4; AED 25/3, 29/4, 10/5; SWB 18/3, 2/5; WA 18/4; ARB 15/4).

Congo

Creditor banks of the congo have rescheduled part of the country's **external debt** of around $1,7 bn (ARB 31/3).

Central African Republic

Pres Kolingba has commuted the death sentence on former emperor **Jean Bedel Bokassa** to forced labour for life. The main reason for the clemency decision is considered to have been Kolingba's concern to avert possible political unrest and ethnic conflict (AED 4/3; ARB 15/3; DT 2/3).

Diplomatic relations with the **Soviet Union** have been restored because of the wish to develop bilateral co-operation. Ties were broken in 1980, during the brief rule of Kolingba's predecessor David Dacko, following the September 1979 overthrow of Bokassa (AED 1/4).

Equatorial Guinea

Equatorial Guinea has signed a contract with **South Africa** for the construction of a satellite tracking station at Bioko linking Pretoria with Europe. SA will supply all the material and engineering support and the security contingent. The contract also provides for extending and modernizing Malabo airport (WA 21/3; SWB 16/3; BD 16/3; H 16/3).

Gabon

Representatives of Gabon's creditor governments have agreed to allow the country to spread debt service payments falling due in 1988 over a 10-year period. **External debts** total some $2 bn (H 24/3; WA 14/4).

Sao Tomé and Príncipe

On 8 March the government crushed a ***coup*** attempt, the first since 1979, by a 46-strong armed group thought to be dissident members of the *Frente Nacional de Sao Tomé and Príncipe* (FRNSTP). South Africa has categorically denied allegations of involvement in the attempt (WA 14/3, 21/3; SWB 10–14/3; C 10/3, 19/3; AED 18/3, 25/3; AC 1/4).

Zaire

Donors have pledged around $220 mn for Zaire's first **transport rehabilitation project**. The 5-year programme, due to start in 1989, aims to completely overhaul the ageing rail and river route along which copper and other mineral exports are transported from Lubumbashi to Matadi port, so reducing costs and travelling time from 45 to 22 days (AED 1/4).

Former deputy prime minister and central bank governor, **Sambwa Pida N'bagui**, has been appointed **prime minister** as part of an extensive government reshuffle. **Nguza Karl-I-Bond**, Zaire's ambassador to Washington and former exiled opponent of Mobuto, returns to the government as minister of foreign affairs and international co-operation. The reshuffle is seen as being motivated primarily by economic considerations, with priority being given to the need for a further rescheduling of external public debt (SWB 9/3; AED 11/3; WA 14/3; AA 18/3; ARB 15/4).

EAST AFRICA

Burundi

The International Monetary Fund has fixed the conditions for disbursing the second tranche of the structural adjustment facility **(SAF)**, first agreed to in August 1986. Disbursement has been delayed because of the September 1987 ***coup*** and financial difficulties resulting from the sharp drop in prices for coffee. The Burundi franc has been **devalued** by 9 per cent and further smaller devaluations are likely (AED 4/3, 11/3; ARB 31/3).

Pres Buyoya has called on ex-Pres **Bagaza** and all refugees to return home (DT 27/4; SWB 30/4).

Comoros

A **new political party**, the *Union Regionale pour la Defense de la Politique du President Ahmed Abdallah* has been founded by the president's son, **Nassuf Abdallah**. Founded in Domoni, Anjouan, the president's island of origin, it claims to be purely regional in its policies. The secretary-general is Madjid Chakir, the president's son-in-law, who is also prefect of Domoni (ION 16/4).

Exports showed a more than 50 per cent fall in 1987 to $12 mn. The fall stems mainly from poor vanilla sales, exacerbated by the decline in the dollar. Clove exports increased by 150 per cent in terms of volume, but only 89 per cent in value. Imports increased by 19,5 per cent over those in 1986 (ION 9/4). Madagascar, the worlds leading producer of vanilla, has agreed with France to reduce its quota of vanilla on the international market to 967 tonnes, thus allowing the Comoros to increase its share of the market by 20 per cent to 180 tonnes (ION 23/4; AB 3/88).

In support of the government's cut in public spending and reduction of foreign debts, **France** is to provide FFR 29,5 mn in budgetary aid (ION 16/4).

Ethiopia

Heavy fighting in southern **Sudan** has resulted in an upsurge in the number of **refugees** into Ethiopia in recent months. The estimated 30 300 increase since the beginning of the year has brought the number of refugees to 235 000. Sudanese refugees began entering Ethiopia in 1962 (SWB 27/4).

On 19 March the Ethiopian government lost control of **Afabet**, where a third of its forces in Eritrea were concentrated. There was widespread speculation that this could mark a turning point in the course of the conflict. In the wake of this and other heavy defeats in recent months, the **Eritrean People's Liberation Front (EPLF)** and the **Tigré People's Liberation Front (TPLF)** have agreed to restore relations, after two years of strain, in order to facilitate bilateral co-operation and destabilize further the regime of Col

Mengistu. Two senior members of the **Oromo Liberation Front (OLF)** have visited the EPLF's main base at Nacfa to discuss the co-ordination of joint activities with the EPLF. They have called on members of the Oromo tribe not to join the Ethiopian army. In what Western diplomats see as an all-out attempt to end the war, the government has moved in 70 000 men to reinforce more than 60 000 government troops and people's militia who are being driven out of strategic cities (ION 26/3, 2/4, 16/4, 30/4; TWR 23/3; SWB 12/4, 27/4; BD 19/4).

The **International Committee of the Red Cross (ICRC)** has been banned by the Ethiopian government from operating in the northern provinces of Eritrea and Tigray. The government has also withdrawn its own relief commission and forbidden non-government food relief trucks to move beyond its lines.

The Ethiopian government says the relief workers have been withdrawn in view of the mounting rebel activity in the region. It has called on all foreign relief agencies to hand over their operations to the government's Relief and Rehabilitation Committee (RRC). The ICRC has rejected the appeal to hand over its activities unless at least three ICRC delegates can return to the north to monitor the operation. The Red Cross, together with other aid organizations, has been helping roughly a million people. It is estimated that 3,2 million people in the region face **starvation** (DT 10/3, 21/4; S 15/4, 10/5; C 7/4).

The Ethiopian and Somalian armies have completed a disengagement of forces along the border in accordance with the peace agreement signed on 4 April. The withdrawal follows the resumption of diplomatic relations after an 11-year break. **Pres Barré of Somalia** says the recent agreement on the normalization of relations "will not curtail Somalia's support for the liberation movements". Barré said the agreement was aimed at enabling the country to use its resources for development rather than defence (C 5/4; WR 15/4; AED 15/4; SWB 27/4; DT 28/4).

Kenya

The **general elections** held on 18 March, in which voters queued behind a portrait of the candidate of their choice, have brought no change in the policies of the government. Pres Moi, as sole candidate nominated by the Kenya African National Union (Kanu), was declared president without elections. Pres Moi carried out a **major government reshuffle**, replacing his vice-president of ten years, Mwai Kibaki, with former minister of home affairs **Joseph Karanja**. George Saitoti remains in charge of the finance ministry, providing crucial continuity in the run-up to the June budget (ION 26/3; DT 29/3; AED 25/3, 1/4; WR 25/3, 1/4; ARB 15/4; AA 1/4).

Sudanese rustlers killed 192 villagers and injured 50 others in a raid on 30 nomadic camps in the remote north-western district of Turkana. Security forces have since killed most of the gang of 50 and recovered about 3 000 livestock (E 23/4; SWB 19/4, 27/4).

Madagascar

In 1987 the country's **inflation rate** jumped from 11 per cent to 33 per cent. Economic growth for the year was a low 2 per cent, while income per head of population has continued to decline (ARB 31/3; ION 9/4).

Rwanda

Pres Habyarimana has paid an official visit to **Mozambique** to "consolidate and strengthen bilateral ties of friendship of solidarity" (SWB 15/4).

Seychelles

Despite pressure from the **International Monetary Fund** to reduce the number of **state-owned firms and institutions** in the country, the 1986 figure of 35 remains unchanged, with power still concentrated in the same hands. The IMF maintains that the funding of loss-making public enterprises from the national budget was one of the main causes of the worsening deficit in 1986, when funding represented 19 per cent of public expenditure and bank loans (ION 16/4).

Somalia

Somalia is relying increasingly on **international food aid**, with the proportion of imported foodstuffs in relation to total consumption growing from less than 33 per cent in the 1970s to 63 per cent during the period 1980–84 (ION 2/4).

Tanzania

The Sec-Gen of Tanzania's ruling Chama Cha Mapinduzi (CCM) party paid a five day visit to **Zanzibar** on 10 April, aimed at reasserting the authority of the party over the twin islands — Arab-oriented Pemba and African-oriented Unguja (Zanzibar) — amid signs of a resurgence of separatist feelings. Many Zanzibaris resent the degree of control exercised by the mainland over their affairs and are opposed to planned moves, supported by Zanzibar's Pres Wakil, to integrate further the islands' political and economic system with the mainland. Additional police have also been despatched and the former chief minister, Seif Sharif Hamad, a Pemba, has been called upon to refrain from political activity. The previous outbreak of Zanzibari nationalism in 1982 led to the resignation of the island's president. In addition **Pemba**, which produces nearly 90 per cent of the cloves which are Zanzibar's main foreign exchange earner, feels under-represented in Tanzanian institutions (ION 19/3, 16/4; NA 4/88; AA 18/3).

Donors are providing urgently-needed bilateral help for the **transport sector**, in view of the country's pressing problems with crop movements and difficulties in adhering to the suspended IMF standby programme. A $200 mn five-year programme which focuses on core routes in agricultural areas is being drawn up with World Bank co-ordination (AED 29/4). Renovation and extension of the northern transport corridor between Malawi and Tanzania, a 1 500 km route, will be completed by 1990 at a cost of $100 mn. It will enable the Tazara line to handle a larger proportion of exports and imports from **Malawi, Zimbabwe and Zaire.** The port of Dar es Salaam is in the process of rehabilitation to enable it to increase its handling capacity from 2,5 million tonnes to 4 million tonnes a year (ION 12/3).

The World Bank has approved a $45 mn **structural adjustment loan (SAL)** to support the country's three-year economic recovery programme (WA 25/4).

The government has raised the **producer prices of crops** during the 1988/89 farming season by between 10 and 25 per cent (ARB 31/3).

Uganda

Uganda's **economy** grew by 6 per cent in 1987, its first real growth for four years, as security improved in the south and west and factories began to produce more following years of stagnation. The estimated rise followed a 0,2 per cent fall in 1986 and an average decline of 3,0 per cent a year in the previous three years. If the government keeps to targets set by the World Bank backed economic recovery programme, it is estimated that GDP could increase by as much as 8–9 per cent in 1988 (AED 6/4; DN 6/4; DT 27/4).

The government has approved a three-phase rehabilitation programme for its **Kilembe copper mines** in the south-west, which ceased production in the late 1970s. It is now seeking $100 mn to revive the mines (ARB 31/3; TS 5/4; DT 7/4).

Six thousand rebels have surrendered to the Ugandan army in the north-east since a government delegation made a peace agreement with the rebel **Uganda People's Army (UPA)** on 16 April. The **Ugandan People's Democratic Army (UPDA)** had agreed to join forces with the National Resistance Army in a possible major breakthrough in the two-year old guerrilla war in the north. The rebel group is thought to have around 2 500 soldiers and to be the most professional armed opposition to the government (ARB 15/4; AC 15/4; SWB 27/4, 2/5; DT 28/4, 4/5).

Pres Museveni has called on the US to use its influence on both **Kenya** and **Zaire** to stop what he sees as attempts to destabilize Uganda. Both these countries have in turn accused Uganda of allowing Libyan-backed dissidents to use Uganda as an operational base against their countries. Uganda's main contacts with **Libya** involve barter deals for cheap oil. Pres Museveni has accused these countries of overestimating Libya's influence on his government. The situation is calm but remains potentially volatile (AA 29/4).

Uganda and **Sudan** have signed a memorandum providing for the return of up to 60 000 **Ugandan refugees** who fled across the border into southern Sudan almost ten years ago when Idi Amin was toppled in 1979 (ARB 15/4).

SOUTHERN AFRICA

Angola

Representatives of **South Africa**, Angola, **Cuba** and the **US** are due to meet in Britain in early May. The proposed conference will focus on Cuban withdrawal from SA and the implementation of UN Resolution 435 in Namibia (SWA) (AA 4/3; WR 18/3; BD 24/3; AED 25/3; S 31/3; ARB 15/4).

Botswana

Pres Mmusi has said that the planned **Sua-Pan soda ash development project**, which is to be established jointly with South African companies, will make South Africa dependent on Botswana for its soda ash, so complementing — not contradicting — SADCC objectives to reduce economic dependence on the country. African Explosives and Chemicals Industries (AECI) expects to take up the majority of the 52 per cent shareholding in the R600 mn Soda Ash Botswana (SAB) company (AED 15/4; C 30/4).

Zimbabwe has renewed a special trade pact with Botswana, reversing an earlier decision to terminate the 31-year-old agreement by June 1988, taken to conform with rules of the 15-nation preferential trade area (PTA). Cancellation would have made Botswana more reliant on South Africa (H 12/3; C 14/3).

On 28 March **South African forces** raided a house in Gaborone, killing four people whom they claimed to be ANC terrorists. Three of the dead were Batswana women, while the fourth was identified as a South African, Solomon Molefi, the ANC's regional commander in Botswana (BD 29/3; S 29/3, 30/3; SWB 30/3; AED 1/4; C 8/4).

Lesotho

The **state of emergency** introduced on 25 February "because of the prevailing climate of crime", was invalidated following a court application by the Law Society, on the grounds that it did not conform to the provisions of the Emergency Powers Act of 1982. It was subsequently reinstated by King Moshoeshoe II (C 11/4; SWB 16/4, 2/5; LT 21/4; S 2/5).

Several ministries changed hands and a new ministry was set up in the first **government reshuffle** since the military came to power in 1986. **Col Thaabe Letsie**, a member of the Military Council and cousin of the king, is the new Minister of Foreign Affairs (TS 19/3; LT 24/3; AED 1/4; NA 2/87).

Malawi

Malawi's **economy** declined by 0,2 per cent in 1987/88, compared with 2,8 per cent growth the previous financial year. The poor performance was attributed to low export prices, sharp rises in prices of imports and transport bottlenecks. In his budget speech the Minister of Finance forecast that economic growth would reach 2,5 per cent in 1988/89. Inflation, which increased to 26 per cent last year, is expected to drop to 20 per cent this year. The expected budget deficit of \$66,6 mn is equal to 8,1 per cent of GDP (S 29/3; AED 1/4; ARB 30/4; AB 5/88).

The National Statistics Office has reported a 3,7 per cent annual **population growth** rate between 1977–87, bringing the population to 7 982 60 (ARB 31/3).

The World Bank's international development association has granted Malawi a loan of R27 mn to develop a shorter route for its exports and imports through Tanzania (S 22/3).

Mozambique

Former European representative of Renamo, **Paul Oliveira**, has given himself up to the Mozambican authorities and requested amnesty. He claimed that the movement has no policy other than "war for war's sake", and that it continues to receive aid from South Africa (ION 26/3; SAB 8/4).

Evo Fernandes (a founder member and former secretary-general of Renamo) was found murdered on 21 April in Lisbon, Portugal (SWB 22/4; C 23/4; AED 29/4; ION 30/4).

In a surprise move Pres Chissano sent a personal envoy, Jacinto Veloso, to visit Pres Botha in **South Africa**. SA has agreed to Chissano's proposal to re-activate the **Nkomati Accord** (S 28/4; C 27/4).

Prominent exiled SA anti-apartheid activist, **Albie Sachs**, who worked for Mozambique's Ministry of Justice, was seriously injured by a car bomb in Maputo on 7 April (S 8/4, 11/4; WM 14/4).

South Africa

The **US** and **Britain** vetoed a Security Council resolution calling for new mandatory **economic sanctions** against South Africa in protest against the government's latest crackdown on political opposition. France, West Germany and Japan abstained; there were 10 votes in favour. The Reagan administration strongly opposed new moves in Congress to impose additional US sanctions, saying a ban would cost more than \$1 bn (C 9/3; BD 24/3).

On 15 March the minister of finance presented an **austerity budget for 1988/89**. The record budget of R53 bn envisages for the first time in decades a drop in real spending: expenditure is up 12,6 per cent against a current inflation rate of 14,2 per cent. Expenditure on protection services (mainly defence and police) rises by 20 per cent to R12 bn, while social services spending (health, education and housing) is up by 12 per cent to R19,7 bn (C 17/3; S 17/3; FM 18/3; SAB 25/3; AED 25/3).

The Appellate Division has invalidated Pres Botha's proposed incorporation of **Moutse** into **Kwandebele**, to the relief of many of the residents, but posing serious political questions about the self-governing state's independence plans. The judgement ends a three-year battle in favour of Moutse's 120 000 tribesmen and deprives Kwandebele of a third of its land and two-fifths of its potential citizens (BD 30/3; S 30/3).

TBVC States — The South African government has had to intervene in order to alleviate the serious economic problems of the independent states, guaranteeing **loans from commercial banks** worth R1,3 bn during the past two years. The Department of Foreign Affairs spends an estimated 83 per cent of its total budget on the TBVC states. The Development Bank has reported a total long-term debt overhang of R5 bn for the four independent homelands. The level of debt, which is predicted to increase further, is blamed largely on financial mismanagement. In the 1987/88 financial year the total transfers by the South African government to the TBVC countries amounted to R1,8 bn, of which R1,4 bn was in respect of budgetary aid (C 17/3; BD 10/3, 28/4).

Bophuthatswana — The Minister of Defence, **Brig Hennie Riekert** resigned on 19 April from the position he has held for nine years. No reasons were given, but his resignation is believed to be related to February's abortive ***coup*** (C 20/4).

Venda — Pres Mphephu died after a short illness on 17 April at the age of 63. Frank Ravele, chairman of the ruling party, has been appointed acting-president (S 19/04, 21/4; ST 29/4).

Transkei — Documents filed by trustees in the Transkei Supreme Court reflect the estimated liabilities of former Prime Minister Chief George Matanzima to amount to over R3,7 mn (C 9/3).

South West Africa/Namibia

South Africa's **budgetary assistance** to the Namibian administration has been reduced from R537 mn to R350 mn for the 1988/89 fiscal year (S 18/3).

Drought and famine of disastrous proportions are threatening Ovambo, home of more than half the country's population. To alleviate the situation water is being pumped to the region from the **Calueque water scheme**, 30 km inside Angola (C 12/3; S 30/3).

Namibia's interim government has declared expanded South African authority in the region unacceptable, and demanded an urgent meeting with Pres Botha. Following his visit to SWA/Namibia on 8 April, Pres Botha promulgated sweeping new powers for the territory's SA appointed administrator-general, Louis Pienaar, and called for elections to be held for each of the territory's 11 ethnic groups. Political analysts see the move as an attempt to impose an apartheid-style government in Namibia, despite demands by a majority in the interim cabinet for a non-racial administration (S 29/3; BD 20/4; WM 21/4; SWB 21/4; DT 21/4; NN 4/88).

Zambia

Kaunda has threatened to expel from the ruling Unip party those officials who oppose his **proposed constitutional amendments** to the regulations regarding members of parliament. Seven of the nine committees set up to examine the proposals have expressed their opposition (H 22/4; S 25/4).

The government has intensified its campaign against suspected **black-marketeers** by withdrawing their trading licences. A total of 187 traders, mostly Indians and Greeks, have lost their licences, leading to accusations of racism (H 9/3; DT 11/3; S 15/3; AC 1/4).

Zimbabwe

Following the **merger** of the ruling Zimbabwe African National Union **(Zanu)** and the rival Zimbabwe African People's Union **(Zapu)** on 9 April, veteran opposition leader **Joshua Nkomo** has been appointed to the new post of interim second vice-president (Simon Muzenda has been the vice-president since independence). The merger will give Pres Mugabe the (unanimous) votes needed to circumvent and revise the British-drafted constitution which dictates a multi-party system for the first ten years after independence. This will allow him to pursue his goal of creating a one-party socialist state. Integration of all organs of Zanu and Zapu from national down to cell level will now take place, and the central committee is to be enlarged (BD 5/4; C 13/4; SWB 11/4, 12/4, 19/4; DT 19/4).

Pres Mugabe has announced a **general amnesty** affecting several categories of people, including dissidents who surrender their weapons, Zapu "fugitives", people who have been collaborating with dissidents and criminals who have served at least one-third of their prison sentence and still have up to 12 months to serve. Dissidents have been given until 31 May to come in from the bush. He has also announced approval by the government of a single command structure for the **defence force** (SWB 21/4, 25/4; BD 25/4).

A recent study by the Department of Labour has estimated that **unemployment** will affect 24 per cent of the country's labour force by 1990. Between 1986–90, 857 000 pupils will leave school and enter a job market with only 144 000 new openings. The country needs an estimated Z $2,4 bn in new investment to create in excess of 200 000 jobs by the year 1990 (H 8/4).

Britain has replaced South Africa as Zimbabwe's largest **export market**, though South Africa remains Zimbabwe's main source of imports (H 9/4; C 11/4).

The United Nations Commission for Human Settlements has estimated that with the population expected to reach 13,5 mn by the year 2000, 162 500 **housing** units will have to be built every year if everyone is to be housed "decently" (H 8/4).

Zimbabwe's **mineral exports** passed the billion dollar barrier last year, earning the country $1 087 mn in foreign currency. Gold was the main contributor, earning $350 mn, followed by coal (H 7/4).

Sources

AA — Africa Analysis; AB — African Business; AC — Africa Confidential; A Concord — Africa Concord; AED — Africa Economic Digest; AIB — Africa Institute Bulletin; ARB — Africa Research Bulletin; BD — Business Day; C — Citizen; DN — Daily News; DT — Daily Times; E — Economist; FM — Financial Mail; H — The Herald; LT — Lesotho Today; ION — Indian Ocean Newsletter; JA — Jeune Afrique; NA — New African; NN — New Nation; S — Star; SAB — SA Barometer; ST — Sunday Times; SWB — Summary of World Broadcasts; TS — Times of Swaziland; TWR — Third World Reports; WA — West Africa; WM — Weekly Mail; WR — Weekly Review; ZN — Zimbabwe News.

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GABON
CONGO
ZAIRE
KENYA
RWANDA
BURUNDI
Cabinda
SEYCHELLES
Pemba
Zanzibar
TANZANIA
ANGOLA
COMOROS
MALAWI
ZAMBIA
St. Helena
SOUTH ATLANTIC OCEAN
SWA/NAMIBIA
ZIMBABWE
MOZAMBIQUE
MADAGASCAR
BOTSWANA
MAURITIUS
VENDA
BOPHUTHATSWANA
SWAZILAND
LESOTHO
SOUTH INDIAN OCEAN
RSA
CISKEI
TRANSKEI
Tristan da Cunha