

TWENTY-FIVE YEARS IN THE SERVICE OF CO-OPERATION FOR DEVELOPMENT

Technical Papers written by a Senior Advisor/Project Manager
of the United Nations (1969-1994)

Vol. I. Macroeconomic Perspectives, Area and Sector Studies



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PUBLISHER'S PREFACE

Today we publish, in two volumes, a collection of technical papers written by Victor Segesvary on subjects related to his work as Director of various development programs of the United Nations and Chief Technical Advisor to governments in Asia and Africa. These papers, which were not published to date, concern mainly macroeconomic problems, the promotion of trade and some specific sectors, such as groundwater use and irrigation

The texts included in these volumes are in English and French -- languages in which the author worked on those continents -- but those parts of the book which concern all collected writings, such as the table of contents, the author's introduction as well as the notice about him, are reproduced only in English.

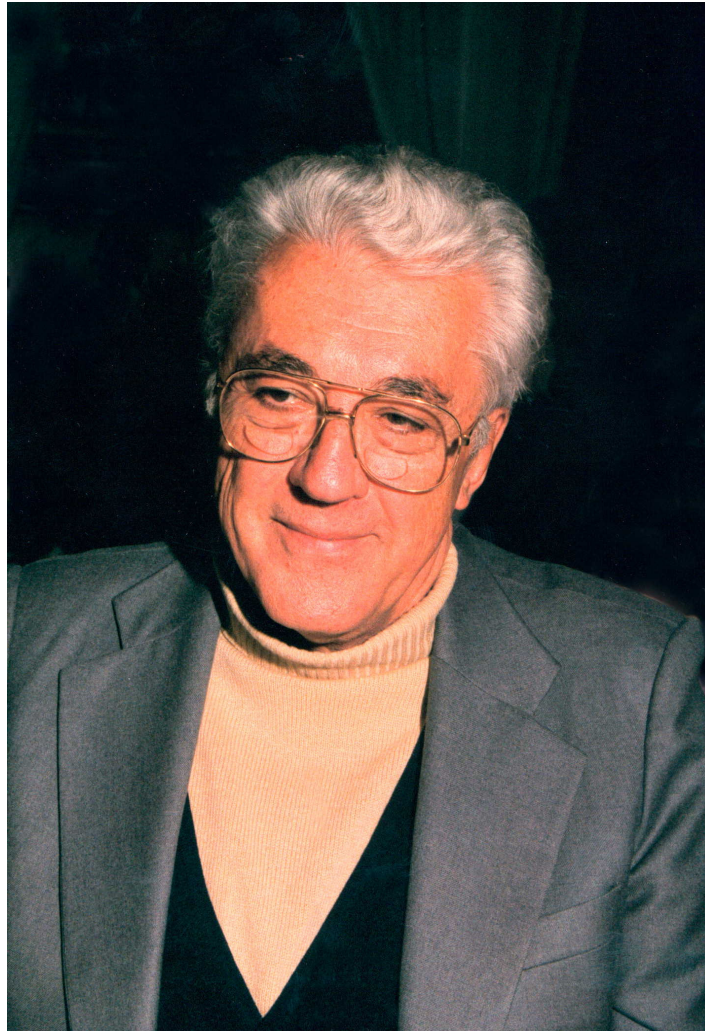
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The Hague (Holland), 25 March 2006

MIKES INTERNATIONAL

*In REMEMBRANCE OF THE COUNTRIES
WHERE I LIVED AND WORKED*



Victor Segesvary

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INTRODUCTION

The two volumes of this collection of papers – technical reports and studies – represent twenty-five years of my activities in the framework of international cooperation for development. Many other writings from this period – administrative documents or those related to internal procedures and problems either of the organization I worked with or the country's government I worked for – were naturally left aside. I eliminated as well from the collection some writings which do not add anything important to the impression the documents published here may give to the reader about international assistance in the second half of the twentieth century.

I was particularly keen to make available these documents to the public because they complement in a useful way the autobiography I am now writing. In this autobiography, I try to show what were the personal ideals and intentions of someone who sincerely committed himself to contribute to the development of the countries where he worked; thus, the papers figuring in this collection may permit the interested reader to relate various aspects of one or the other of the activities described to the corresponding writings as witnesses of the work carried out in the field.

This is essential in order to make it understandable why, after all those years passed in Africa or Asia, a sort of bitter feeling of dissatisfaction pervades my wonderful memories of the people and their lands where I lived, because those ideals and intentions which I wanted enthusiastically pursue could not be realized. The reasons of this feeling of dissatisfaction were, of course, manifold:

- Civilizational differences, which convinced me that our methods and procedures designed to transplant the Western way of development in areas of different cultural backgrounds, cannot succeed at all;

- The sometimes decisive difficulties of inter-cultural communication or, simply, of understanding each other.

- The terrible difficulties anywhere in the world to change centuries-old mentalities, existential patterns and ways of dealing with problems related to improving conditions of life;

- Those forgotten, but basic facts of everyday reality such as climate, availability of water and other natural givens;

- The incredible bureaucratic hindrances on both sides – the management of international cooperation as much as the local, governmental administration; and

- The diverging interests of those implicated in the field of cooperation for development, including some middle-level decision makers, local or foreign.

As mentioned before, these twenty-five years of unforgettable experiences completely changed my world view, though in many respects they only reinforced in me hitherto hidden but truly fundamental convictions, inherited from the past. I realized how important are those feelings of identity which determine people's personality through cultural and civilizational influences, or how decisive are inherited social structures and not verbally formulated affiliations between human groups and individuals. A good example for the understanding of a particular 'lifeworld' is that having lived or traveled in Arab and Muslim lands during years, enabled me only to comprehend and enjoy Arabic music — which reflect the languishing rhythms of desert life.

I have also learned enormously in the course of the work, to which the papers published here are witnesses, at the professional level. It is one thing to learn economics from the best textbooks available in the Western world, or to carry out, for example, market research or promotional campaigns in developed economies, but it is a completely different thing to work in a developmental context. After some experience, one gets to the point at which one starts to doubt even some basic truth, spelled out as such, in economic teaching or activity in circumstances we are accustomed to. Thus, by natural inclination I was never much interested in mathematical aspects of economic theory (without denying their usefulness for some purposes). I was, therefore, not surprised when in Ghana, to give an example, I had to finance from my program's funds, at the Government's request, a forecasting exercise carried out by the World Bank, regarding the evolution in the near future of the relations between the local currency and the mighty dollar. The study was, needless to say, well done, taking into account three, well defined scenarios. However, it became clear after only six months having been passed, that the depreciation of the local currency in respect of the dollar surpassed by far all previsions, well beyond the estimates given in the study.

It is evident that the technical papers collected in these volumes do not constitute an easily readable material for those who did not work in the context of international technical assistance, and even much less for the general public. I am very much aware of this fact and all the more thankful to Flórián Farkas, who is the Editor of MIKES INTERNATIONAL, for his readiness to publish this collection of documents among those impressive volumes of philosophy and literature which generally make up the list of the books brought out by MIKES INTERNATIONAL.

MACROECONOMIC PERSPECTIVES

Planning, Rehabilitation, and Aid Co-ordination

Program on Rehabilitation and Development

ICORC Meeting, Tokyo, March 1994

Integration of the Cambodian Economy into the Regional and World Economies

Discussion Paper

(Preliminary Thoughts and Proposals)

January 1994

EXECUTIVE SUMMARY

1. The Royal Government of Cambodia is firmly attached to the principle of integration of the Cambodian economy into the regional and world economies.

2. This integration will be carried out through developing the country's foreign trade – promotion of exports and rationalization of imports, through the promotion of tourism and through attracting, by every possible means, foreign private investment accompanied by a transfer of know-how, especially in organization and management techniques.

3. In order to have the integration process progress at the same pace as the country's reconstruction program, it will have to be implemented in a threefold time-horizon: short-, medium- and long-term, adapted to the rhythm of domestic economic developments.

4. The Royal Government's policies and strategies in respect of the integration process will embrace institution-building, legislative action, and measures aiming at the development of foreign trade, of tourism (which is not dealt with in this paper), and the promotion of foreign investment.

5. In the domain of institution-building three particular measures are proposed:

(a) Strengthening the Directorate of Foreign Trade of the Ministry of Commerce and the Directorate of International Cooperation of the Ministry of Foreign Affairs and of International Cooperation;

(b) Establishment of a specialized, autonomous (but not profit-making) institution, the *Cambodian Center for the Promotion of Foreign Trade and Foreign Investment* (CAMPROM);

(c) Creation of producers-exporters' associations by product group assuming duties in respect of the orientation of their members in view of a successful export drive.

6. In the legislative field, in addition to the on-going work on texts governing commerce in general, it will be particularly important to enact legal instruments granting financial and fiscal incentives to exporters.

7. Short-term actions related to the promotion of exports, to the rationalization of imports as well as to the promotion of foreign investment, will include export potential and market research studies; the gathering and dissemination of vital information to producers, exporters and importers; and, finally, the encouragement of investment in export-oriented industries (e.g., food processing).

8. Actions in the medium-term will include product adaptation and development of new products in the field of marketing; a particular effort to promote authentic handicraft production and exports as well as the setting up of export financing schemes by the reorganized commercial banking system.

9. The promotion of foreign private investment will probably pick up speed in the medium-term and will necessitate the establishment of a few investment promotion offices in selected, major business centers.

10. The above suggestions should be complemented by a continuous and extensive training program in all fields related to the development of foreign trade and the promotion of foreign private investment.

SECTION 1

Policy Objectives, Strategies and Priorities

The overall framework of this paper consists in the commitment of the Royal Government to consolidate the restoration of macroeconomic stability in the course of the process of rehabilitation, and thereby prepare the foundations for rapid reconstruction and for sustained economic and social development. In this perspective, the integration of the Cambodian economy into the subregional, regional and world economies appears as imperative in the context of globalization characterizing our world at the end of the present millennium.

It is, however, understood that this integration is conditioned by the success of the rehabilitation and reconstruction effort; the revival of the productive sectors; the repair and modernization of transportation and communication infrastructures; the establishment of a healthy financial system; the maintenance of monetary stability as well as the proper functioning of the nascent market economy. This, therefore, makes necessary to place the process of integration into the regional and world economies in a threefold time-horizon: short-term (up to 18 months); medium-term (up to 3-5 years) and long-term (beyond 5 years).

The multiple time-horizon appears all the more important as it permits to range the necessary decisions and actions indispensable to the integration process in a proper sequence, enabling the authorities to make coincide the initial steps of this process with the advance of various rehabilitation and reconstruction programs conditioning the success of the Royal Government's global developmental efforts.

In the perspective of integration, policies, strategies and priorities are falling under three headings: *institution-building, legislative action and measures aiming at the development of the country's foreign trade, of tourism and of foreign private investment*. In this paper, emphasis will nevertheless be laid on policies, strategies and priorities related to foreign trade development and the promotion of foreign private investment, without dealing with tourism development as such.

As Cambodia's integration into the regional and world economies means not only that the country would be able to benefit of the advantages offered by her partners. for example through the Generalized System of Preferences (GSP), but also that it has itself to offer market access or other bilateral/multilateral trade or investment facilities in the framework of regional or international cooperation. Therefore, several actions falling under the above indicated three headings must be completed before Cambodia's entry into such regional and international cooperative arrangements, in order not to harm the efforts of reconstruction; as examples of such actions can be mentioned the regulation of competitive trade practices, the upgrading of products to international standards or, finally, disposal and dissemination of the necessary information on conditions of market access or market characteristics in those markets.

All in all, the enormous effort needed to achieve the integration of the Cambodian economy into the regional and world economies in the foreseeable future must be, first, an *integrated approach* given the nature of these activities which cut not only across various macroeconomic problem domains but across all sectoral and functional spheres of action as well; second, such an effort has to take advantage of all the experiences made in other countries of the developing world, representing invariant techniques, methodologies and practices, on the one hand, and, on the other hand, to be, at the same time, genuine, context-oriented and corresponding to the nation's cultural traditions, that is, avoiding to imitate borrowed models.

SECTION 2

Measures Already Taken in View of the Implementation of the above Defined Policies and Strategies

Following the Royal Government's firm resolution to adhere to the policies and strategies indicated above, several steps were already taken in favor of the liberalization of trade transactions with foreign countries and of foreign investment inflows. Since July 1989 the private sector became free to establish trading companies with a maximum foreign participation of 49% in their capital. By mid-1993, over 500 trading companies were registered with the Ministry of Commerce, including five specialized State-owned organizations responsible for exports or imports of major commodities – rubber, timber, rice and fuel. In September of the last year, the general export/import licensing requirement was eliminated for most goods (with the exception of some products which are still banned for security, health and environmental reasons). Yet, quantity restrictions are in vigor on some imports to protect domestic producers or prohibitive measures are applied to exports of some goods, for example rice, in order to secure sufficient domestic food supplies. The port of Kompong Som or Sihanoukville was opened to international shipping, a first step in re-establishing foreign trade infrastructure.

The Royal Government is at present streamlining procedures for the registration of companies through the enactment of a commercial code. This important measure will be complemented by such basic legislative action as those concerning bankruptcies, trade litigation, brand name usage, restrictive business practices, or the establishment of the Chamber of Commerce.

In addition, 1993 saw a substantial progress in customs tariff reform. The tariff structure was simplified to a four band system and preferential tariffs were eliminated; import duties were reduced on the average by 50% (except for fuel for which the tariff was increased), and are hitherto based on invoice-value for valuation. It is foreseen that tariff reductions will continue depending on the evolution of fiscal revenues, especially on the success of the intended broadening of the non-trade tax revenue base. The 1994 budget carried the tariff reform further, increasing precisely non-trade revenue sources.

As far as foreign exchange is concerned, the law provides for full surrender of foreign exchange earnings at the official rate, but there are no formal limitations on the repatriation of profits. Foreign exchange regulations are expected to be liberated in the current year and, simultaneously to the unification of the exchange rate, the elimination of all foreign exchange restrictions is scheduled in June 1994.

A new investment code will be adopted in the coming months as well, offering more transparency and aiming to realize the double objective of ensuring external competitiveness as well as raising fiscal revenues – the objective being to raise the revenue-to-GDP ratio substantially over time as well as to compensate the anticipated loss in customs revenues owing to the sharp decline in transit trade.

SECTION 3

Measures to Be Taken For the Implementation of the above Defined Policies and Strategies

A. INSTITUTION-BUILDING

Institution-building measures will comprise, first, strengthening of the Ministry of Commerce and, in particular, its Directorate of Foreign Trade, as well as promoting some aspects of the activities of the Directorate of International Cooperation of the Ministry of Foreign Affairs and of International Cooperation; second, the establishment of a specialized organism dealing with practical problems of foreign trade and of private investment promotion. This organism will, of course, be under the supervision of the Royal Government, under the control and leadership, for example, of a Governing Council in which the Ministries of Commerce, Planning, Finance and Economic Affairs, etc. would be represented. The organism should be autonomous, that is, not part of the civil service in order to (i) facilitate the decision-making process in comparison to the central administration's procedures, and (ii) permit the remuneration of its officials – specialists in their respective fields – independently of the civil service's salary scale (without that autonomy there is a great risk that trained professionals will leave the organism and join private enterprises). This institution is expected to be self-financing after a couple of years of activity, charging users of its services to cover its costs without making any profits. The creation in such an organism is certainly justified because administrative bodies do not have in their purview to solve problems related to the promotion of exports or the promotion of foreign private investments, or to the rationalization of imports; they are not created for such a purpose and they cannot have competence in fields such as marketing, pricing of specific products, or merchandising/publicity.

If such an institution is created, it could be called the *CAMBODIAN CENTER FOR THE PROMOTION OF FOREIGN TRADE AND FOREIGN INVESTMENT (CAMBPROM)*. In its start-up activities and during the first three years of its existence it should receive a large-scale assistance, conceived in the form of an umbrella project, with only a few resident advisors (among them a resident chief technical advisor/coordinator), and a considerable amount of specialized consultancy services inputs, equipment supplies, and training (see Annex).

As a second institution-building measure the setting up of *producers-exporter's associations* per product group such as horticultural, fishery or crop products is suggested to facilitate the administration's and other concerned bodies' relations with those producers who produce for exports. These professional associations would work with the central administrations, CAMBPROM, etc. and would constitute appropriate channels for communication with producers in matters like quality

specifications and control, or market information (world prices/production cost ratio for example). These associations must be entirely the organs of the producers concerned and self-financing.

The above institutional setup presupposes that in the *Cambodian Chamber of Commerce* to be created, there will be *sub-divisions or sections for exporters and importers*, representing their interests and functioning in the same manner as the producers-exporters' associations in all questions touching upon their trade.

B. LEGISLATIVE ACTION

A series of legislative actions will be accomplished in 1994 by the Royal Government in relation to commercial activities. It would be essential to complement the legislation in course of preparation (including the Investment Code) with texts concerning *quality control* – in the first place for domestically produced foodstuff and imported pharmaceuticals (especially as it seems that there is an initiative by the French Government to equip the already existing quality control laboratory and train its personnel) and concerning *restrictive trading practices* (for which UNCTAD has a specialized service).

It is particularly important to initiate a legislation regarding *financial and fiscal incentives for exports* (privileged commercial bank lending rates or, in fiscal matters, to institute a drawback system).

It must be emphasized that the accomplishment of all legislative action in respect of trade matters – and one has to include in this package even legislation on transport, port management, transit and insurance – has to be achieved even before the initial steps aiming at the participation of Cambodia in regional and international cooperation would be taken; that means that the above mentioned legislative actions should be accomplished in the short-term.

The assistance to the Ministries of Trade and of Foreign Affairs and International Cooperation will have to take place in the short-term (the next 18 months), and the establishment of CAMBPROM at short- and medium-term (during the next 36 months).

C. DEVELOPMENT OF FOREIGN TRADE

The actions aiming at the development of Cambodia's foreign trade represent the major part of the present proposals, based on the existence of a market economy, and, therefore, mainly carried out by private firms or by State-owned but autonomous trading enterprises in the case of so-called strategic products. Actions related to exports consist in the promotion of exports and actions related to imports consist in the rationalization of imports (understood in the sense of importing from markets offering the best quality and technological advantages at the best prices and conditions).

The actions to be undertaken will be sequenced according to the time-horizon in which they should be carried out; this does, however, not mean that they will be completed during the time horizon indicated but will have to continue during the next period too. In general, development of foreign trade being a continuous affair, few actions can be said to be definitely terminated at one point of time as, for example, with legislative actions; even studies have to be continuously updated. In the present Cambodian context this means that actions to be started in the short-term will be carried out simultaneously with rehabilitation and reconstruction efforts, though new export initiatives may not yet be taken.

All actions enumerated below will be the responsibility of CAMBPROM:

(i) ACTIONS IN THE SHORT-TERM (next 18 months)

Export potential studies per product or product group. These studies are like flash photographs of an economic sub-sector or of a specific economic activity, examining all the parameters characterizing the product or product group in question from the point of view of export (quality, grading, production cost, possibility of transportation to foreign markets, etc.). Shortly, export potential studies identify potential exports, in particular in the category of nontraditional export goods. It may also be that for products exported at present or which were exported in the past such a study is not needed (probably for rubber or soya beans), whereas in the case of other products it appears to be necessary.

Market research studies per product or product group in selected markets. Market research will have to be carried out for most exported or imported goods (even in neighboring markets). Market research studies for potential export goods, or for traditional exports for which new markets should be opened up, are complementary to the export potential studies: where the conclusions of a potential study were positive, the market research study gives the answer in which market the exporters should try to sell their products. However, the results of a market research study may be inconclusive, that is, they establish that there do not seem to be good prospects for Cambodian goods on the target market studied. As far as imported goods are concerned, market research is aimed at the comparison of selected markets which offer the product in question on varying sales terms and characterized by varying qualities. This enables the importer to choose the best sources when he is doing his shopping around, taking into account not only market aspects, but financial terms and transportation facilities as well.

These studies should be conducted under the umbrella of CAMBPROM with the close involvement and participation of producers, exporters and importers. This is a good opportunity to demonstrate that the activities of a promotional organism such as CAMBPROM cannot be successful if the interested parties are not intimately involved.

Both above mentioned series of studies accomplish an *information function*. This must be complemented by an essential *information collection and dissemination* activity focused on CAMBPROM. The latter should acquire regular (daily) information on the evolution of prices of the country's major export products and on other market indicators through subscription to specialized services (e.g., Reuter) and acquisition of catalogues, etc., possibly getting some of the required

information through organizations like the International Trade Centre (ITC/UNCTAD/GATT) in Geneva. The information collected has then to be disseminated to producers and trading enterprises directly or through their professional associations. The same should be done for import products, whenever needed. Information channeled to private producers and traders plays a crucial role in the promotion of foreign trade operations, therefore CAMBPROM has also to create and develop a specialized documentation center consisting of statistical collections, product and market studies, specialized periodical publications, etc.

To facilitate export and import transactions bureaucratic procedures must be reduced. In this CAMBPROM could benefit of the vast experience accumulated by UNCTAD's FALPRO program which is at the disposal of developing countries and which scored numerous successes during the last 25 years.

Finally, a very important activity in the short-term related to the promotion of Cambodian exports will have to be carried out by the Ministry of Commerce together with the Ministry of Finance and Economic Affairs, with the assistance of CAMBPROM, namely, the channeling of investments into the potentially important export sectors. This concerns in the present situation of Cambodia the small- and medium-scale food processing industry. It is evident that certain commodities of the country's agricultural and horticultural production can be exported as perishables to neighboring markets, but most products could find more receptive but distant markets whence they were properly processed and easily transported in such a processed form (if the cost of processing is not prohibitive). Such investments, and the complementary offering of credits or other funding for the above purposes, are a crucial part of the efforts to integrate the country's market in the regional and world economies through the promotion of exports.

(ii) ACTIONS IN THE MEDIUM-TERM (months 18 through 36)

All the actions discussed above have to be continued during a consecutive 18 months period, even the investment and funding decisions, because the export potential and market research studies are expected to yield continuous information necessitating possibly new investments in more sophisticated and more processed forms of products to be exported – representing much higher added value from the economic point of view and generating higher revenues for the Government from the fiscal point of view.

As a result of the activities carried out during the first 18 months, *product adaptation*, whenever needed, though in the case of transformed products only, must be undertaken in order to satisfy frequently changing market requirements. Such product adaptation is not an easy matter as it means in many cases to change age-old mentalities and customs. It requires patience and imaginative approach.

After having laid the foundations for export development, another task is emerging, also linked to the innovative approach, namely, the initiation and creation of *new products* or of new varieties of the goods already produced, as well as the introduction of new processing techniques, etc. This action will be inevitable because of the imperative need for widening the exportable product range.

The development of the export industry and of a more sophisticated, rationalized import business will also make necessary to establish, as part of the reorganization and the ensuing new dynamics of the commercial banking system, *modalities of export and import financing*, on short- and medium-term basis. However, this aspect will not be dealt with here, as it is generally handled by the World Bank as part of its efforts of modernization and up scaling of the banking industry.

A particular aspect of export development in this phase will be the *promotion of handicraft exports*. It will have to be included, of course, among the potential studies during the first period of CAMBPROM activities, and the question of which form will be the most successful in promoting this sector has to be decided in accordance with the results of this study. Given the importance of handicraft production which is part of the country's cultural heritage, there will be the option either to create a special division in the promotional organism for handling handicraft exports, or to create a HANDICRAFT CENTER which would assume, at the same time, the role of a professional association of handicraft producers as well as the role of promotion of handicraft products on the domestic (tourist) market and on foreign markets.

The development of handicraft as well as of horticultural productions are actions which may have a strong impact on a particular segment of the Khmer population, in fact a segment representing the majority, namely, women. Promoting these productions for the home market and for exports will substantially enhance women's situation, increasing their monetary revenues and opening up hitherto not existing possibilities for a professional career and heightened social status.

SECTION 4

Promotion of Foreign Private Investment

CAMBROM will also have an important function in promoting foreign private investment in Cambodia. In close cooperation with ministerial departments, the Investment Commission and other concerned public or professional bodies it will produce promotional material relating to investment opportunities in Cambodia and relay them to investors abroad through its occasional promotional campaigns and, later, through its representations in a few major business centers. This whole activity cannot be scheduled before a considerable improvement in the country's economic situation takes place, that is, only in the medium-term horizon.

SECTION 5

Training in Foreign Trade Development Techniques

Training will be one of the most important components in the short- and medium-term program of development of Cambodia's foreign trade. The following training activities and events can be foreseen without being exhaustive:

(i) Training in programming foreign trade and in forecasting market trends for Ministry of Commerce officials;

(ii) Training in international trade negotiation techniques for Ministry of Commerce and Ministry of Foreign Affairs and International Cooperation officials;

(iii) Training through visits to selected countries (in and outside the region) – that is, study tours – for Ministry of Commerce officials who will become familiarized with solutions to problems encountered in the foreign trade sector in those countries;

(iv) Training, including study tours, in various aspects of export promotion and import rationalization for CAMBPROM officials, such as:

- Preparation of export potential studies,
- Market research techniques,
- Techniques of marketing proper (pricing, quality control, merchandising, publicity, etc.),
- Organization of Cambodian participation at trade fairs, etc.

(v) Training of foreign trade representatives from among Ministry of Commerce and CAMBPROM officials;

(vi) Training for Ministry of Finance and Economic Affairs, Ministry of Foreign Affairs and International Cooperation, and CAMBPROM officials in techniques of investment promotional campaigns abroad, and in organizing and managing investment promotion offices in some major centers;

(vii) Training in English language for all those who need it and are officials of the above indicated ministerial departments and CAMBPROM.

SECTION 6

Integration of Cambodia into Regional and World Economies

It can be seen from the preceding pages that the road to the integration of the Cambodian economy into the regional and world economies will be a long and difficult one. The main tools of this integration are: (i) sustained development of trade with the outside world, and (ii) constant and regular inflow of foreign private investment to contribute to, and accelerate, the country's economic reconstruction program.

The integration process cannot but be gradual, that is, it has to be concurrent with the successive stages reached in the reconstruction program. This cautious approach is necessary to avoid unwarranted shocks and crises in the course of economic and social development. For example, Cambodia should benefit of all possible advantages in international trade exchanges which do not imply reciprocity, like the GSP; on the other hand, premature entry into the regional and international trade agreements could hurt the economy as Cambodian market access will be assured to foreign traders but Cambodian exporters would not be able to benefit fully of the access to other markets.

In respect to foreign investments the legal and institutional framework, for example, must be ready when the inflow of foreign private investments starts, bureaucratic hurdles must be reduced in order not to discourage potential future investors by the dismal experience of others.

In fact, the rhythm of the integration process will depend on the Cambodians themselves, on their hard work, their inventiveness and their firm resolution to overcome the sad heritage of an unfortunate past.

Program on Rehabilitation and Development

ICORC Meeting, Tokyo, March 1994

Working Group 4

Integration of the Cambodian Economy into the Regional and World Economies

Final Document (Project)

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EXECUTIVE SUMMARY

1. The Royal Government of Cambodia is firmly attached to the principle of integration of the Cambodian economy into the regional and world economies.

2. The founding principle of this integration is the Kingdom's *openness* to the world and the Royal Government's intention to *make the country fully competitive* in the world economic context. In this vein, the Kingdom of Cambodia will participate in the work of all regional and international economic organizations and will endeavor to fully benefit of its openness and competitive position.

3. Integration into the regional and world economies will be carried out through: (i) Offering investment opportunities to Cambodian enterprises and individuals as well as attracting, by every possible means, foreign private investment accompanied by transfer of technology and know-how, especially in organization and management techniques, and (ii) Developing the country's foreign trade – promotion of exports of a widening range of goods and rationalization of imports with a view to improve the country's trade balance and external finances.

4. In order to enhance the integration process at the pace of the country's reconstruction program, it will have to be implemented in a threefold time-horizon: short-, medium- and long-term, adapted to the rhythm of domestic economic developments.

5. The Royal Government's policies and strategies in respect of the integration process will embrace institution-building, legislative action, and measures aiming at the promotion of private investment from national and external sources as well as the development of foreign trade.

6. In the domain of institution-building, governed by the pre-established rules of the game, four particular measures are proposed:

a/ Setting up of a *one-stop-service* in the framework of the National Investment Committee (NIC) to offer all the facilities encouraging by private investors;

b/ Strengthening the Ministry of Commerce and especially of its Directorate of Foreign Trade through capacity-building;

c/ Establishment, in the medium-term, of a specialized, autonomous (but not profit-making) institution, the *Cambodian Center for the Promotion of Foreign Trade* (CAMBPROM), in the wake of the establishment of the Chamber of Commerce;

d/ Creation of producers-exporters' associations by product group assuming duties for the orientation of their members in view of a successful export drive, especially through the respect of quality standards;

7. In the legislative field, it will be particularly important to enact legal instruments granting financial and fiscal incentives to producers and exporters, for example by the creation of an *Export Guarantee Fund*.

8. Short-term actions will include: (i) The encouragement of private investment in general, in *labor-intensive*, export-oriented industries and in hard currency earning activities in particular; (ii) The promotion of exports and the rationalization of imports, including the gathering and dissemination of vital information to producers, exporters and importers.

9. Actions in the medium-term will include product adaptation and development of new products in the field of marketing as well as the setting up of export financing schemes.

10. A continuous and extensive training program related to the promotion of private investment and to the development of foreign trade operations will be implemented. This program has to prepare participants for an atmosphere of competitiveness in all their work.

SECTION 1

Policy Objectives: Strategies and Priorities

The Royal Government of Cambodia considers the integration of the country's economy into the regional and world economies as not only a necessity for its sustained growth but as part of the irresistible worldwide process of globalization. The Government took already a series of measures with a view to ensure the full-scale economic and social development of the country in the interest of its people, – aiming, first of all, at increasing the living standards and at improving the quality of life for all Cambodians.

The Royal Government's policies are based on the overwhelming necessity to maintain security on the entire national territory, and to achieve and consolidate macroeconomic stability in order to re-establish the country's credibility in the community of nations as a State respecting the rule of law in accordance with the Constitution, the laws enacted by parliamentary procedure and the international charters and declarations of human rights.

The strategy followed in the realization of the overall goals of economic and social development is to gradually adopt and fully implement basic tenets of a competitive market-economy without, however, unduly exposing the population to unnecessary hardships during the transitional period. It is of the utmost importance for the orderly development of the country to establish rules of the game, thus ensuring a fair competition among all actors on the economic scene. The transition to competitive market-economy conditions – a challenge of uncommon proportions – necessitates, on behalf of the people, difficult adjustments in their mentalities and in their attitudes which contrast with what they were accustomed to in the recent past. It is therefore all the more imperative to adhere to a gradual process of transformation of the economy to take account of such slowly changing sensibilities, mentalities and attitudes.

In consequence, the integration process into the regional and world economies will also have to be gradual, that is, progressing at the same rhythm as the rehabilitation and reconstruction efforts to rebuild the country's devastated economy. The integration process can only be successful once the productive sectors are revived; the transportation, communication and utilities infrastructures repaired and modernized; a healthy financial system re-created; the monetary stability maintained, and the renascent market economy functioning. As a consequence, it is unavoidable to adopt a threefold time-horizon in the actions foreseen: short-term (up to 18 months); medium-term (up to 3 years); and long-term (beyond three years).

The multiple time-horizon appears all the more important as it permits to range in a sequence necessary decisions and actions indispensable to the integration process, enabling Governmental authorities to make coincide initial steps of this process with the advancement of various rehabilitation and

reconstruction programs and, through this coordination, to avoid economic shocks and social troubles in the sense of the hardships referred to above.

In the perspective of gradual integration the country will be able, on the one hand, to benefit of the advantages offered by such negotiated trade policy acts as obtaining the most-favored-nation (MFN) clause or the inclusion among the beneficiaries of the Generalized System of Preferences (GSP) granted by its most important trading partners. On the other hand, in cases where adherence to regional or international treaties and conventions would imply granting to other contracting parties market access or other multilateral/bilateral trade or investment facilities, a necessary restraint would apply.

The enormous effort needed to achieve the integration of the Cambodian economy into the regional and world economies in the foreseeable future must be, *first*, an *integrated approach* given that efforts toward integration cut across not only various macroeconomic problem domains but across all sectoral and functional spheres of action as well; *second*, such an effort has to take advantage of experiences made in other countries of the developing world, – representing invariant techniques, methodologies and practices, – and to be, at the same time, genuine, context-oriented and corresponding to the nation's cultural traditions, avoiding to imitate borrowed models.

The problem of integration into the international economic context relates to three major areas of activity, namely, *private investment* (including, of course, foreign private investment), development of the *foreign trade sector*, and *tourism*. In turn, policies, strategies and priorities concerning all three of them fall under three headings: institution-building, legislative action, and measures aiming at the promotion of these activities. In the present document emphasis will be laid on policies, strategies and priorities linked to the promotion of private investment and to the development of foreign trade, without dealing with tourism development as such.

SECTION 2

Private Investment: Structures of Decision, Evaluation and Promotion

The institutional structure of investment policies and strategies is entirely focused on the *Cambodia Development Council* (CDC), which is the highest decision-making level defining the framework for investment strategies and accepting or rejecting investment proposals in concrete cases. The *National Investment Committee* (NIC), depending directly from CDC, is the technical, coordinating and promotional arm of the latter. The Committee prepares investment proposals – more labor than technology-intensive, creating considerable value-added, export-oriented and source of increased foreign exchange earnings – whenever the Royal Government calls upon private investment in the interest of the national economy; it receives and evaluates investment proposals made by individual or corporate investors, or submissions made in response to Governmental appeals to investors, and submits each case, with its own technical and economic evaluation, to CDC.

There is an Investment Code promulgated in 1989 and amended in 1992 which is at present under revision. Although many provisions of this Code are still valid and applicable, the revision aims at more transparency in realizing the double objective of ensuring external competitiveness and raising the State's revenues. By decision of the Royal Government, of fundamental importance, all economic sectors, including State-owned enterprises, will be open for private initiative and investment according to priorities communicated in advance to the investment community. The Royal Government will also be taking new financial, fiscal and non-fiscal measures completing the incentives already granted to new investors. These measures, together with the establishment of commercial courts and organs of arbitration to resolve disputes and litigations, etc., will be instrumental to create an investment climate proper to the promotion of national and foreign private investment.

The National Investment Committee is also in charge of investment promotion at home and abroad; in order to attract foreign investment, it will Launch, in the long-term perspective, promotional campaigns in major business centers. In this sense, the most important function of the Committee will be that it will constitute a one-stop-service for investors offering them all the necessary information, assistance and guidance for obtaining as quickly as possible the necessary authorizations, titles (for example, land lease), or exemptions. The Committee will as well be at the investors' disposal, whenever needed, to facilitate the setting up of their businesses.

The National Investment Committee will, in the short-term, require assistance by the donor community, especially in respect of building up its capacities and structuring its services in accordance with its tasks as defined by CDC.

One of the priority sectors in which the Royal Government expects private investors to be active, is the development of tourism industry around the three main development centers of Phnom-Penh,

Sihanoukville and Seam Reap, and along the corridor Phnom-Penh-Sihanoukville. The Government decided to transform into an international airport the one in Sihanoukville, and to modernize the airport of Seamreap. All the above shows that the Royal Government is pursuing a deliberate policy of tourism development which may, at a later stage, play an important role in the regional integration process.

A very important aspect of Cambodia's future investment policies will be, and this theme leads over to the subject of the next section, the channeling of investments into the potentially important export sectors. The main concern in this domain is, at present, to build up a small- and medium-scale food processing industry not only to increase the value of agricultural or fisheries exports, but simply to make these exports possible. It is clear that most of the exportable commodities of these sectors cannot be sent abroad in their perishable form (probably even to neighboring markets), but must be processed to be easily transportable to more distant consumer markets (if, of course, the cost of processing is not prohibitive). In addition, there certainly will be a need to diversify exportable production of whatever sectoral origin (but especially in the industrial and handicraft sectors), through investment in small- and medium-scale enterprises for the products of which markets exist in the region or in the industrialized world. Such investment decisions will be crucial for the success of efforts to integrate the country's economy, at the end of this millennium, into the regional and world economies through the promotion of foreign trade activities.

SECTION 3

Development of the Foreign Trade Sector

The present situation of Cambodia's foreign trade sector is discouraging. Official (or registered) exports are practically non-existent; imports are carried out in a chaotic way. Smuggling operations are conducted on an extremely large-scale; the country's major trading partners during the last two decades, East European countries and the former Soviet Union went themselves through a total upheaval and ceased to be Cambodia's markets or suppliers. The production system of the country – in agriculture, fisheries, industry or mining (especially gems), – collapsed and is only slowly coming to life again. Finally, the biggest part of the export trade consists of re-exports to neighboring countries. The chaotic situation in the import trade is due to the absence of certain rules of the game by which all should be obliged to abide.

Actions related to exports will be considered in this document as export promotional activities, whereas actions related to imports will consist in the rationalization of imports (understood in the sense of importing from markets offering the best quality and technological advantages at the best prices and conditions, or in the sense to temporarily protect nascent industries or reduce the volume of unnecessarily imported goods paid for with foreign exchange).

A. INSTITUTION-BUILDING

Institution-building efforts, *in the short-term*, will concern the Ministry of Commerce, in particular its Directorates of Foreign Trade and of Domestic Trade. On the basis of a *National Program for the Development Cambodia's Foreign Trade*, a project of technical assistance executed by UNCTAD, in cooperation with the International Trade Centre (ITC/UNCTAD/GATT), and to be financed by UNDP and other donors, will be proposed. The purpose of this assistance will be the capacity-building of the Ministry of Commerce, especially in the field of export promotion (which is, however, intricately intertwined with the regulation and development of domestic trade).

Parallel to these studies, producers-exporters' associations per product group will be created. These associations are expected to facilitate the administrations' and other official or professional entities' relations and communications with those producers producing for export in matters relating to quality specifications and quality control, or market information. These associations will have to closely cooperate with the Chamber of Commerce (to be established soon), divisions of which will serve as exporters' and importers' professional bodies, representing their interests and functioning in the same manner as the producers-exporters' associations.

Finally, the capacity-building for institutions responsible for multilateral and bilateral trade negotiations – the Ministry of Commerce, the Directorate of International Cooperation in the Ministry of Foreign Affairs, and the Directorate of Economic Cooperation in the Ministry of Planning – will be carried out by specialized training courses in trade negotiating techniques.

In medium-term, a Cambodian Center for the Promotion of Foreign Trade (CAMPROM) will be created to carry out all actions and operationalize all commercial strategies decided upon by the Ministry of Commerce. This organism should be autonomous, that is, not being part of the civil service in order to (i) Facilitate the decision-making process in comparison to the central administration's procedures, and (ii) Permit the remuneration of its officials independently of the civil service's salary scale, but at a level comparable to those salaries paid by Cambodian firms or international firms established in Cambodia (without this condition there is a great risk that trained professionals will leave the organism and join private enterprises). CAMPROM should become a self-financing institution charging users of its services to cover its costs without making any profits; nevertheless, during its start-up activities and its first years of existence, it should receive a fairly large-scale technical assistance from international institutions.

B. LEGISLATIVE ACTION AND ARBITRATION

Since July 1989, several steps were taken in favor of the liberalization of trade transactions with foreign countries. In that year, the private sector was authorized to establish trading companies with a maximum foreign participation of 49% of their capital. By mid-1993, over 500 trading companies were registered with the Ministry of Commerce, including 5 specialized State-owned enterprises responsible for export or import of major commodities – rubber, timber, rice and fuel. In September of the last year, the general export/import licensing requirement was eliminated for most goods (exceptions were made for security, health and environmental reasons). There are still quantitative restrictions in vigor on some imports to temporarily safeguard the interests of domestic producers, or prohibitions maintained to export certain goods, for example rice, in order to secure sufficient domestic food supplies.

The Royal Government is at present streamlining procedures for the registration of companies through the soon-to-be-enacted commercial code. This important measure will be adopted through such basic legislative action as those concerning bankruptcies, trade litigation and related arbitration at tribunals or in the framework of the renascent Chamber of Commerce. The code will also deal with trade marks and restrictive business practices.

1993 saw as well a substantial progress in customs tariff reform. The tariff structure was simplified to a four band system and preferential tariffs were eliminated; import duties were reduced on the average by 50% (except for fuel), and are hitherto based on invoice-value for valuation. It is foreseen that tariff reductions will continue depending on the evolution of fiscal revenues, especially if the intended broadening of the non-trade tax revenue base will succeed.

The most important legislative or regulatory action to be initiated in the short-term, would be the enactment of legislative or regulatory texts concerning financial and fiscal incentives to producers in

agriculture, in the fisheries, and in the cottage and handicraft industries as well as to exporters; for example, the granting of some sort of (temporary) price or other subsidies to the producers, or incentives such as privileged bank lending rates or the institution a drawback system (reducing the customs tariff burden) to exporters. Texts concerning the establishment of national standards and quality control should also be enacted in this time-horizon. It will be indispensable that a much larger package of legislative action related to trade matters – transport, port management, transit and insurance – be enacted in the medium-term.

SECTION 4

Development of Foreign Trade

A. ACTIONS IN THE SHORT-TERM

The actions to be undertaken in the short-term, carried out by the Ministry of Commerce, will consist of export potential (per product or product group) and market research studies (per product or product group as well and on selected markets), the latter also serving import rationalization efforts by comparing conditions of procurement from various sources. These studies will also include efforts to reduce bureaucratic hurdles impeding export development (with the help of UNCTAD's FALPRO program).

Another sphere of immediate action should be in the field of acquisition and channeling to the interested parties of badly needed, because at present unavailable, market- and trade information. The Ministry of Commerce will start an essential information collection and dissemination activity, acquiring, for example, regular information on world prices of the country's major export or import products, and on other market indicators through subscription to specialized services, or to catalogues and other published sources. This information should be disseminated to producers and trading enterprises directly or through their professional associations. The Ministry will also start to build up a Documentation Center.

B. ACTIONS IN THE MEDIUM-TERM

Among the actions at medium-term, it is necessary to mention as examples a product adaptation program as soon as the first export potential and market research studies were completed, followed by a further move, conditioned by the progress of the rehabilitation and reconstruction program, especially, the hoped-for renaissance of the country's industrial structure, the creation of new products for exports.

An important final aspect of the Ministry of Commerce's activities in the development of foreign trade has to be, in close cooperation with the World Bank, the Asian Development Bank and bilateral donor organizations, the initiation of new modalities of export and import financing, in the short- and medium-term. However, it is well known that the commercial banks' debt collection from individual clients or enterprises shows a dismal record and, therefore, the banks will not be able to supply the necessary funding for foreign trade activities without the guarantee of the Government or a Western-styled export-import credit guaranteeing institution. The problem of a *Guarantee Fund* to ensure the necessary development of foreign trade operations will have to be solved with donor assistance.

SECTION 5

Human Resource Development

Human resource development will be one of the most important components in the short- and medium-term development program of Cambodia's foreign trade sector as well as of the investment-related services. The training programs in foreign trade development will be carried out by resident expatriate advisors or foreign consultants as well as all national resource persons available. They will take three forms: *first*, workshops and seminars in Phnom-Penh and in the provincial capitals; *second*, specialized training for particular functions in training centers abroad; *third*, study tours in selected countries and markets of the region or in industrialized countries, in particular those of East and Central Europe which are in the same phase of transition from a command to a market-oriented economy, in order to visualize and learn from practical examples what are the best methods of foreign trade development.

A very particular form of training events, if one might call them so, would be the organization of symposia with the participation of high officials of the Royal Government, outstanding national and foreign specialists (like, for example, the Director General of GATT), in order to create a national awareness of the absolute necessity to adopt mentalities and attitudes appropriate for promoting all market-oriented activities – which will lead Cambodia into its integration into the world economic context.

SECTION 6

Integration of Cambodia into the Regional and World Economies

The road to the integration of the Cambodian economy into the regional and world economies will be a long and difficult one. The main tools of this integration will be: (i) A constant and regular inflow of foreign private investment and a constant and regular national investment effort to contribute to, and accelerate the country's economic reconstruction program, as well as (ii) A sustained development of trade with the outside world.

The integration process cannot but be gradual, that is, it has to be concurrent with the successive stages reached in the reconstruction program. This cautious approach is necessary to avoid unwarranted shocks and crises in the course of economic and social development. The Royal Government is aware of the fact that the rhythm of the integration process will depend on the Cambodian people themselves, on their hard work, their inventiveness and their firm resolution to overcome the sad heritage of an unfortunate past. The Royal Government will take appropriate actions in that direction.

ANNEX

Designated Members of Working Group 4 Integration of the Cambodian Economy into the World Economy

Moderator: H.E. Keat Chhon, Minister of State in charge of Rehabilitation and Development, Vice Chairman of the Council for the Development of Cambodia

Participants

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H.E. Var Huor, Minister of Commerce
H.E. Chea Chanto, Minister of Planning
H.E. Pou Sothirak, Minister of Industry, Energy and Mines
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Program on Rehabilitation and Development

ICORC Meeting, Tokyo, March 1994

Working Group 4

Integration of the Cambodian Economy into the Regional and World Economies

**Executive Summary
of the presentation to the ICORC Meeting**

February 1994

1. The proposals of the Royal Government of Cambodia reflect an integrated program expressing national priorities and a broad, long-term vision for re-building the country. The National Program to Rehabilitate and Develop Cambodia is based on the Royal Government's commitment to achieve *sustainable growth compatible with equity and social justice*. The national effort will be directed toward serving the people and, therefore, focused on the development of rural regions. By pursuing equity and social justice as well as economic efficiency and market criteria, the Royal Government intends to achieve the overarching aim of *national reconciliation*.

2. The Royal Government is resolutely leading the country toward a full-fledged market-oriented economy. This implies a complete change of the Government's role in management of economic activities. It recognizes the private sector as partner in the rehabilitation and reconstruction program; private initiative will receive important incentives and private investment will be greatly encouraged. Nevertheless, Cambodia's absorption capacity is limited and capacity-building is a major task to be fulfilled in cooperation with the international community.

3. In consequence, the crucial elements of the Royal Government's strategy will be reform of the State administration and of the public service; realization of political and macroeconomic stability; establishment of a legislative and regulatory framework conducive to a fair and stable investment climate; provision of physical infrastructure required by reconstruction efforts and human resource development. This will strengthen Cambodia's competitive position internationally and its gradual integration into the regional and world economies. It will also re-establish the country's credibility in the community of nations as a State respecting the rule of law.

A. INSTITUTIONAL REFORM

4. At the heart of the National Program is the administrative reform of the State to ensure the good functioning of the public service through efficient management and human resource development. Here, the first and major task is to promulgate laws defining the organizational and functional modalities of public administration. These legislative measures will have to be rapidly complemented by other basic texts such as the codes of commerce and of procurement; the revised investment code, etc., with a view to dissipate all uncertainties and to render transparent the functioning of the State's apparatus.

5. The Cambodian civil service will be overhauled. Three main thrusts are envisaged: *First*, the creation and implementation of an institutional and organizational master plan; this will describe competences and responsibilities of civil servants at all levels as well as the standardization, if possible computerized, of the instruments of personnel management. *Second*, the rules and regulations governing the civil service must be adapted to the requirements of a modern and democratic administration (simplicity, administrative neutrality as well as the merit system). *Third*, a retrenchment exercise must be based on quantitative and qualitative needs of various branches of the civil service,

and the State's ability to pay. Only such an approach could ensure that rational and adequate decisions are reached concerning the size of the civil service and alternative solutions to eliminate redundancies.

6. The Royal Government is decided to increase the efficiency of the public sector in this transition. This will be done through endowing public officials with the required capabilities through: (i) Basic education; (ii) Training and upgrading capabilities of officials of the State administration; (iii) Transfer and incorporation of those who are redundant into the private sector. The Ministry of Education has established a three-phased rehabilitation plan for the general system of education. Upgrading and re-training will be carried out, with special emphasis on gender-related aspects, in the field of management capabilities (accounting, personnel, computerized procedures, etc.) common to all administrative branches; on the one hand, and, on the other hand, specialized tasks requiring specific skills (hospital or school management, etc.). Incorporation of retrenched personnel into the private sector necessitates a large-scale vocational training program. Separation payments and various kinds of incentives should be granted to those who will have to be transferred to the private sector.

7. The Royal Government is rebuilding its machinery to improve service delivery to its people through a dual strategy. System-wide reforms include promulgation of laws and implementation programs for financial systems, personnel systems, inter-ministerial coordination, and inspection. Specific management improvements include methods of delegation of operational decisions to technical level, materials management, results-oriented project management, NGO coordination, staff planning, monitoring, evaluation and service delivery assessment.

8. Key Ministries – such as agriculture, education and health – and the inter-ministerial coordinating role of the Council of Ministers have been identified as first targets for institution-building, involving development of operations manuals, training, information systems, computerization, and strategic policy management capacity. Guided and monitored by an administrative reforms secretariat attached to the Council of Ministers, and related units in each Ministry, these reforms are intended to increase absorptive capacity and improve service delivery.

9. A critical aspect of administrative reform is the setting up of a mechanism of aid coordination. This mechanism must ensure that consensus is reached on all major questions related to aid and debt management, and that the units in charge of foreign aid are efficient in mobilizing and using it. Under the direction of the *Cambodia Development Council* (CDC) which approves the programs of cooperation and takes strategic decisions concerning the allocation of resources, the *National Committee for Rehabilitation and Development* (NCRD) is the focal point for foreign aid coordination and management. The NCRD cooperates closely with the Ministries of Planning, Economy and Finance and the technical ministries in program identification, evaluation and monitoring procedures. This complex structure necessitates that officials of the concerned organisms receive extensive training in aid coordination related techniques. The Government's credibility in its interface with donors and its efficiency in using most effectively the funds received will in fact depend on the effective functioning of the coordinating institutional mechanism.

B. MACROECONOMIC POLICY

10. The Royal Government will pursue economic and financial stability and high growth through a combination of fiscal and financial policies supported by structural reform. Fiscal policy is the key to both stabilization and rehabilitation. For stabilization, the fiscal deficit will be kept to what can be externally financed. For rehabilitation, the Government's investment budget targets priority areas. The fiscal strategy aims to convert the Government's present current account deficit into a small surplus by 1996. This will, *inter alia* improve its ability to provide domestic counterpart funds for investment.

11. This cautious fiscal policy stance will be supported by monetary policy to restrain inflationary pressures while ensuring sufficient credit availability to support private sector activity on commercial terms. At the same time structural reform of the financial sector is designed to improve confidence in the system. Exchange rate policy will be flexible, supported by sound fiscal and financial policies.

12. The recent comprehensive budget and accounting reform provides the basis for greatly improved management and control, and for rationalization of government expenditure. Its ongoing implementation is the Government's first priority in the fiscal area. Further contribution to expenditure rationalization will be provided by implementation of administrative reform and redirection of military expenditure to civilian purposes, particularly to social sectors, to the extent the security situation permits.

13. Nevertheless, revenue will need to rise substantially to provide sufficient resources for the satisfaction of even basic social and economic needs. Early policy action, particularly with the customs reform of September 1993, is already being reflected in much improved revenue performance. These efforts will be intensified from 1994 with the design and implementation of fundamental reforms of the tax system and tax administration, both already underway. Further improvements in customs administration are also planned in 1994-1995.

14. The fiscal work program for 1994 includes progress in the reform of the public enterprises, including tabulation and elimination of their cross-debt; completion of a policy paper on these enterprises, specifying which enterprises should be divested; elaboration of a legal framework for the public companies; and formulation of a strategy for privatization.

15. To promote growth, Government's investment expenditure must give high priority to improve debilitated physical infrastructure, a binding constraint to development. Labor intensive projects with short gestation periods, which benefit large population groups and affect poverty, must be given priority. Future implications for recurrent expenditure must also be taken into account. To realize the benefits from increased capital investment, domestic capacity will need to be developed to plan rational infrastructure investment programs and operate efficiently physical facilities and public utilities. To support its rationalization efforts, the Government appeals to contributing countries and agencies for continuing assistance; and to focus this assistance on transport and infrastructure, on institutional strengthening; on master plan studies for rational long-term investment decisions, and priority investment projects.

16. A cautious fiscal policy stance has already enabled a redirection of monetary policy. However, the current lack of confidence in the banking system as well as the fact that foreign currency in circulation far exceeds domestic currency, restrict its efficacy. Confidence in the system, and the effectiveness of monetary policy, will improve with consolidation of political, economic and financial stability. It will also be facilitated by the transformation of the present banking system into a modern financial sector, with monetary policy conducted by market-oriented indirect instruments.

17. The Royal Government has completed the first stage of this transformation. The action plan for the second stage completes the division between central and commercial banking; promotes competition among commercial banks; develops the National Bank into a central bank with strong supervisory capabilities; and develops the tools for a more market-oriented approach to monetary policy.

18. The exchange rate will continue to be market determined; a new liberal foreign exchange law will be introduced. *De facto* exchange rate unification has already taken place. Further progress in monetary policy during 1993 and 1994 includes changes in the floor on interest rates payable on three months deposits (to reflect changes in inflation) and introduction of minimum reserve requirements for commercial banks.

C. RURAL DEVELOPMENT

19. A State Secretariat will steer the Government's efforts in rural development. The Secretariat determines priorities and programs and facilitates coordination between ministries and agencies involved in this field. With over 80% of the country's population in rural areas, rural development holds the key to stability and social justice.

20. The Government's strategy is integrated, people-centered and gender-sensitive, sustainable because people will participate in its formulation and implementation. Priorities in community development include: mine awareness and clearance; gradually increased food security; primary health care; adequate water supply; rehabilitation or construction of rural roads; integration and job creation for repatriated persons; initiatives to establish small enterprise and other income generating programs; provision of rural credit; and improved methods of dissemination of information. The protection of the environment will be a necessary complement to the community development framework.

21. The founding principles of the integration of the Cambodian economy into the regional and world economies are the Kingdom's openness to the world and its effort to make the country fully competitive. Integration will gradually occur through (i) Private foreign investment bringing with it technological and management know-how, and (ii) Development of the country's foreign trade sector, in particular through a resolute export promotion drive. In regard to private investment and, especially, the inflow of foreign private investment, Cambodia has a structure for decision-making, the CDC and its *National Investment Committee* (NIC) to assure a one-stop-service for investors. NIC will assume technical, coordinating and promotional roles. The primary objective is to attract investment proposals involving more labor than technology intensive processes; creating considerable value-added; and linked

to export-oriented, foreign exchange earning activities. The current revision of the existing investment code will ensure the regulatory framework of operations and offer the necessary incentives for national and foreign private investors.

22. The dynamization of Cambodia's foreign trade requires a series of institution-building measures, i.e., strengthening the capacities of the Ministry of Commerce; creation of a Chamber of Commerce and of producers-exporters association; and, at medium-term, creation of a *Cambodian Centre for the Promotion of Foreign Trade*. The legal and regulatory framework – the rules of the game – is already in preparation, and will be completed by the promulgation of national standards and the acquisition of the required laboratory equipment and training of qualified technical staff. A series of practical actions are foreseen to develop Cambodian exports and to rationalize imports; for example, export potential and market research studies, product adaptation and new product development, together with a large-scale training program – investment in the country's people – in the foreign trade sector.

Ghana

Umbrella Project for Strengthening Development Planning

Explanation

This was a particular type of program; probably the very first of this nature in the world of development co-operation, its nature was deliberately *multidisciplinary*. It was recognized that an 'umbrella' project constitutes the most feasible mechanism for accommodating studies which are interrelated but in various development sectors, since it was designed to allow for management flexibility to transcend sectoral boundaries in a prompt and efficient manner. The 'umbrella' character first of all expressed that the project's spheres of activities will be multidisciplinary, – a basic trait to which the management flexibility transcending sectoral boundaries also referred; but, second, it also meant that the project was not expected to have resident personnel in Ghana but its actions will be carried out by specialized professionals recruited in accordance with the nature of the tasks to be performed.

Its objective consisted in supporting the Government's strategies and policies aiming at the country's economic and social development, and this type of project was intended to offer the most appropriate management responses to selected and critical policy, planning and implementation issues, in the form of proposals and recommendations, resulting from short-term consultancies and concrete, practical studies in various development sectors to put the necessary information at the disposal of decision-makers on the feasibility and implications of the various alternatives toward meeting a particular objective; as well as formulation and implementation of training programs in priority areas, that is, human resource development in relation to specific sectoral problems.

The program produced some thirty (30) actions/consultations carried out in different domains of economic activity, including detailed studies, of which each presented its proper findings and recommendations. The latter led in seven cases to the approval of integrated technical assistance projects.

CHAPTER ONE

Developmental Policy Context

The project was conceived in the framework of the Ghanaian Government's First Economic Recovery Program in order to assist it in re-organizing and streamlining the country's planning system as a first priority. The project's orientation was therefore defined, from the beginning, with a view to:

- (i) The preparation of sectoral planning projects and, above all, of a project for the re-structuring of the entire central planning mechanism;
- (ii) The undertaking of consultancies and actions, whenever required, in other fields closely related to the reform of public administration, and
- (iii) The offering quick responses to the Government's requests in the broader perspective of the ongoing Structural Adjustment Program agreed upon between the Government and the World Bank.

In fact, the Ghanaian Government decided in 1983 to *decentralize* the country's public administration as reflected in the Provisional National Defense Council's Law 43 (PNDC Law 43). This uniquely important decision was taken at the time in an African context which was not yet ripe for such a move, and its authors were probably not at all aware of its far-reaching importance and difficult consequences. It turned out that the will to decentralize is unavoidably linked to the democratization process, – did not Henry Kissinger write in one of his recent articles that "decentralization is the highest form of democracy", – but in Ghana formal democratization in the form of the election of district and regional assemblies largely preceded the decentralization of the state's power, resources and administrative structures. The inherent resistance of officials and of other political and economic groupings at all levels whose interests were linked to the strongly centralized public administration structures could not yet be overcome, though many promising signs indicate that the trend toward decentralization is gaining in momentum.

In this perspective, the assistance in re-structuring the central and sectoral planning mechanisms could not be seen but as a part of the Government's immense effort to decentralize the public administration machinery, including the overwhelming need of training planners in all sectors of economic and social activity. A close cooperation was established with the official Governmental organism spearheading the preparation of public administration reform, the Public Administration Reform and Decentralization Implementation Committee (PARDIC).

The analysis of the project's activities shows the multiple dimensions in which it intervened, at the Government's request, to promote the streamlining of planning structures and to assist in the search for solutions to the almost insurmountable problems facing Ghanaian officials sincerely committed to the PNDC's decentralization policies.

Nevertheless, the program's as much as the work of the Ghanaian authorities in charge of decentralization of the public administration and of the re-organization and streamlining of the planning system encountered enormous difficulties. Among these difficulties were not only the resistance of people or groups attached to the maintenance of the former centralized bureaucracy, but also the fact that there are very few models, if any, in the world for the re-molding of a public administration and of a planning system, that is, the enterprise undertaken by Ghana could well be qualified as a *pioneer* action. This also meant that it was extremely difficult to find experts, both from developed and developing countries, who possessed the required experience as most of them were planners from centrally-planned economies and not with experience in decentralized planning; others, coming from countries of the West or from developing countries with market economies were mostly academics without much practical experience, or specialized in regional or urban, but not in national development planning.

The project, as a consequence of the definition of its role, that is, its objective being to assist the Government in "critical policy, planning and implementation issues", was expected to identify and recruit, on short notice if possible, high-level expertise (in one case the Government representative asked for a team of officials to carry out the assignment headed by an official of ministerial rank), people having long experience in relation to the problems to be solved, and available. This, of course, was not an easy task, especially because of the administrative obstacles due to established procedures, rules and regulations in the Ghanaian public administration as well as in international organizations. On the Ghanaian side, the long delays in the selection and approval of candidates represented the greatest difficulty, whereas on the side of the executing agency sometimes the months-long recruitment process, sometimes the fees asked for by the consultants selected (in line with their estimated high level of expertise and the ongoing market rates for it), were responsible for the delayed implementation of an assignment.

The greatest problem of all was the correct understanding of the concept of decentralized planning, and the necessity of its application in a country which followed the path of national economic and social development toward a market-type but mixed-economy. Ghana started off, at the beginning of the eighties, with a completely run-down economy, which was previously modeled after the strongly centralized, socialist type of economic management; the transition from the latter to a free enterprise system is extremely difficult, as the examples of the countries in Eastern and Central Europe evidence it in our days. In fact, decentralized planning is nothing but (i) programming or spelling out of *overall strategies and priorities* and, therefore, an arbitration in resource allocation and use (especially with a view to the scarce resources at the country's disposal), and (ii) a setting up of the 'rules of the game' for all participants, public or private. Perhaps most importantly, decentralized planning is an establishment of a program of national strategies and priorities on the basis of grassroots participation, – this is the reason why it is linked to democracy, – that is, taking into account people's real needs in the gradually enlarged frameworks of community, district, regional, and national development. If viewed in this perspective, planning is as normal a management exercise as programming in various units of market economies, – spatial units like towns; organizational units as corporations; and national entities like state- and federal budget making. It is however understandable that because of the necessity of evincing all vestiges and memories of yesteryear's dominant socialist model, in given historical circumstances such otherwise normal practices were identified by many with remnants of socialism or with a hidden intention to retain the past's obsolete management methods.

The apparent contradiction between organizational methods in a market-economy and decentralized (in contradistinction to socialist, radically-centralized) planning was sharpened in the eyes of quite a few Ghanaians and foreigners with the ever greater emphasis put on *management* and *privatization* by the World Bank, and other major donors of Ghana. This juxtaposition of privatization and decentralized planning, or grassroots programming, does not seem justified, however. Private enterprises and entrepreneurs in developing countries are badly in need of a program framework for establishing or promoting their businesses, of consensually decided and periodically adjusted 'rules of game', of measures at all levels of the economy facilitating their activities, and, especially, of guidance and protection in face of an eventual adverse course of events in the domestic or international markets. Experiences made during the last decades by private businessmen, not only in least developed but also in other African, Asian and Latin American countries, showed that if the necessary environment is not created, if the so-called 'accompanying measures' of privatization – political, legislative, social – are not taken in time, private entrepreneurship rapidly collapses, even in cases of repeated infusion of capital. Therefore, decentralized planning, or grassroots programming, should be seen as complementary to privatization, nay, as a pre-condition of the successful creation of a national entrepreneurial class and of a national, privately-owned industry.

This short survey of difficulties encountered by decentralized planning efforts in Ghana is only intended to give a hint of the problems met in the course of the program's implementation. The process of public administration reform advances slowly, and the streamlining of the central and sectoral planning systems is still not operational. However, the Ghanaian experience in the field of a broadly conceived national economic management is extremely interesting and valuable for all countries following the same path.

CHAPTER TWO

Activities and Outputs

In view of the great number of activities they were called project components and numbered according to the chronological order of the reception of respective Governmental requests, though it happened that some particular actions were not included in the series of components as originally it was not clear whether they will be financed out of the project's budget or by other sources, or because a rapid local decision was made to carry out a limited study and there was no need for a precise identification of the action between Accra and New York. On the other hand, four components were not implemented because either the Ghanaian side changed its mind in respect of its intentions, or another source of financing was found.

All activities had as outputs one or two reports, according to whether the international and local consultants presented a joint report or non, and in seven cases the reports provided the elements for the preparation of projects approved in the follow-up phase (in two additional cases, the project documents were prepared but never operationalized as either the Government never took a favorable decision, or the consultants' report was not unanimously in favor of such a project). In fact, in several cases the outputs – studies and recommendations – were never followed by any reaction from the Governmental authorities.

The presentation of various project activities and outputs will be grouped according to specific problem areas related to selected policy, planning and implementation issues, and current Governmental priorities. In this way, a better picture will be provided of the project's multifaceted activities and accomplishments than by simply enumerating them in a chronological order. The presentation will be structured in five main groups, of which some will have several subgroups. After a brief description of each component's activities, outputs (studies, reports, workshops or other training programs) as well as criteria of success, wherever possible, will be indicated (though in the case of most components this will be rather difficult, not to say arbitrary).

GROUP ONE

ESTABLISHING DECENTRALIZED PLANNING STRUCTURES

Subgroup A

CENTRAL PLANNING MECHANISM

Component III. Preparatory Assistance in Streamlining the Central Planning Process and Establishing Decentralized Planning Structures.

This was, without doubt, the most important activity carried out by the project through a high-level, four-member team of international consultants together with high Government officials, and a group of five legal experts of the Faculty of Law, University of Ghana/Legon. This component also included a study tour for three officials of the Planning and Research Department of the Ministry of Finance and Economic Planning (including the Acting Chief Director of the Department), each in a different country: African (Kenya, with an ongoing decentralized planning experience), Asian (Malaysia), and East European (Hungary, with a Socialist, but relatively decentralized economy). A very long and extensive follow-up action, comprising a national workshop to discuss the consultants' conclusions and a year-long work and deliberations of an inter-ministerial committee (called the Transitional Implementation Team), resulted in the creation of a national institution (the National Development Planning Commission) and the approval of a large-scale, technical assistance project – *Strengthening Government's Capabilities in Development Planning*.

OUTPUTS

(i) Report of the Hungarian TESCO consultants' group, "Streamlining the Central Planning Process and Establishing Decentralized Planning Structures," 1986;

(ii) Report of the Faculty of Law team, (Professors G.K.A. Ofusu-Amaah, R.B. Turkson, F.S. Tsikata, C.E.K. Kumado, P.W.K. Yankson, and E.N.A. Kotey, headed by the Dean of the Faculty, Professor G.K.A. Ofosu-Amaah), including a draft Planning Law, 1987;

(iii) Report of the National Workshop on the reorganization and decentralization of the planning system, March 1987.

SUCCESS criterion: The formulation and operationalization of this project is certainly an indication of its success, though the final shape of project GHA/85/002 was very different from the one proposed by the consultant-team, and many problem raised by them (such as the financing of decentralized planning activities in the regions) were not solved.

Subgroup B

DECENTRALIZATION OF SECTORAL PLANNING MECHANISMS

Component IV. Preparatory Assistance in Establishing a Planning, Programming, Budgeting, Monitoring and Evaluation Division of the Ministry of Education

This consultancy was executed by an Indian group of consultants.

OUTPUT: Report on “Assistance in Establishing a Planning, Programming, Budgeting, Monitoring and Evaluation Division in the Ministry of Education” by the Educational Consultants India Ltd., 1986. It was followed by the project: Strengthening Educational Planning in Support of EdSAP.

SUCCESS criterion: The above project was accepted for execution by UNESCO, but again with numerous changes in comparison to the recommendations made by the Indian consultants.

Component VII. Preparatory Assistance in Streamlining the Institutional Framework for Manpower Planning and in Strengthening the Manpower Division of the Ministry of Finance and Economic Planning

The International Labor Office carried out this activity under a subcontract. The ILO consultant not only presented a detailed report, but also submitted a full-fledged project document. However, no Governmental reaction was ever registered concerning this initiative.

OUTPUT: Report on “Streamlining the Institutional Framework for Manpower Planning and Strengthening the Manpower Division of the Ministry of Finance and Economic Planning” by S.B.L. Nigam, 1987, accompanied by a complete project document.

SUCCESS criterion: The meager result of this activity is that an awareness of the necessity of programming manpower in view of the development of the Ghanaian economy (giving the necessary orientation to educational plans and vocational training as well) was raised, but no decision was made by the Government on the multiple recommendations made by the ILO and Ghanaian consultants.

Component XIII. Needs Assessment of the Shelter Sector in Ghana

This activity was part the World Bank's PAMSCAD program, carried out by two individual consultants.

OUTPUT: Report on “Strengthening the Housing Division of the Ministry of Works and Housing”, 1987. A project followed: Studies for Shelter.

SUCCESS criterion: n.a.

Component XVI. Formulation of a Sub-Sector Development Plan for Small-Scale Wood Industries and Crafts, including Market Test Operations Abroad in Respect of Three Product Groups

This ongoing activity was undertaken at the request of the Ministry of Industry, Science and Technology and the UNDP/UNIDO/World Bank Industrial Planning project. Among the sector studies undertaken in the framework of the latter, the wood sector study could not include the small-scale wood industry which in its majority is composed of craftsmen, representing therefore a study of a completely different nature. Consequently, the Umbrella Project accepted to carry out this study but linked to it a training program for craftsmen in simple, new techniques and a market test operation for selected product groups. It is a complex activity in which the project closely worked together not only with the Ministry of Industry, Science and Technology but also with the National Board of Small-Scale Enterprises and the Ghana Export Promotion Council. In view of this structure, a Steering Committee was created to supervise the progress of work. The implementation of the program was subcontracted to a Ghanaian consultancy firm. The third element, market testing, was completed in summer 1992.

OUTPUTS: 1/ Report on “The Ghanaian Small-Scale Wood Industry and Crafts,” 2 vols., by Ackuaku and Co., 1989; 2/ “Sub-Sector Development Plan for Small-Scale Wood Industries and Crafts” by Ackuaku and Co., 1990; 3/ “Report on the Training Programs for Craftsmen in Accra and Kumasi” by Ackuaku and Co., 1991; and, 4/ Report on “Test Marketing of Wooden Household Articles and Wood Carvings in Germany and the USA, 1992.”

SUCCESS criteria: This component can be considered as a great success for various reasons: first, a substantial sub-sector development plan was elaborated the implementation of which could considerably contribute to raising the revenues and the living standard of craftsmen and small wood-working establishments; second, the training programs conducted in Accra and Kumasi were eagerly followed by the participants; and, third, the whole program was implemented by a very small Ghanaian, specialized consultancy firm at the greatest satisfaction of all interested parties.

Component XXVI. Training for District Health Planners

This is the last activity undertaken by the project, but planned since about two years. It was delayed because of the ongoing re-structuring exercise in the Ministry of Health, the Planning Division of which is executing this component. Training activities targeting district-level health officials, and testing of a manual to facilitate local health planning, were conducted in four regions, namely, Brong-Ahafo, Upper East, Upper West and the Northern region. They took place in the second half of 1992.

OUTPUTS: 1/ Organization of two seminars for district level health planners, and 2/ “Guide for District Level Health Planners,” 1992, – a printed manual.

SUCCESS criterion: This activity was complementary to the activities of the already closed Health Planning and Support project; there were long discussions with the Ministry of Health about the

necessity of training district health planners, and the fact that the Ministry of Health adopted the program and carried it out itself, is a definite criterion of success.

(No component number) *Statistical Planning and National Accounts/Economic Statistics*

The Department of Technical Cooperation for Development (DTCD) implemented a statistical project in Ghana since long years. The Government requested to field a programming mission which, based on the last Evaluation Report of the DTCD project, would recommend what to do in the future and how to continue UN technical assistance to this important sector of macro-economic management. The programming mission's report was not only very well received by the Governmental authorities, but two of its main recommendations were implemented two years later: namely, the transformation of the Ghana Statistical Service from a ministerial department into an autonomous public body responsible to its own Board and the creation of a special class in the classification of the Public Service Commission, important for career development. Thus, a new project naturally followed: Reorganization of the Statistical System.

OUTPUT: Report by D.W. Flaxen, Deputy Director of the Central Statistical Bureau of the United Kingdom, 1986.

SUCCESS criteria: The above indicated transformation of the Statistical Service into an autonomous public body and the acceptance by the Government of a new statistical project with a very much changed orientation must be considered as evident successes of this project activity.

Subgroup C

REGIONAL/SPATIAL PLANNING

Component XXII. Project Formulation Mission for the Central Region Development Program

The Umbrella Project was requested to fund this mission which worked under the auspices of the Regional Bureau for Africa of UNDP.

OUTPUT: Mission report and project document: Central Region Integrated Development (CEDECOM).

SUCCESS criterion: n.a.

GROUP TWO

PUBLIC ADMINISTRATION REFORM

Component VII. Assistance in the Implementation of Targets for Redeployment in the Context of Structural Adjustment in Ghana

This consultancy was composed of two parts: first, the study proper of the appropriate means for redeployment of retrenched public service personnel, and, second, a study on financial and fiscal incentives to small-scale enterprises and small investors (presumably in favor of those retrenched from public service), who started a small workshop and made a small investment with their attrition grant. The component was subcontracted to ILO, but for the second part an individual consultant was recruited whose report was joined to the ILO report. During the period of this study, the Government initiated a close cooperation with the World Bank and the British Overseas Development Administration (ODA) in this field, to resolve the problem of retrenchment from the Public Service of 45,000 persons. Consequently, the two studies lost their importance, though they were commissioned by the Head of the Civil Service.

OUTPUT: Two reports were produced: 1/ "Employment Prospects" by W. Knowles and I. Appiah-Carr, 1987, and, 2/ "Creation of Small Businesses and Employment" by V.K. Mehta, 1987.

SUCCESS criteria: First, the Government implemented a successful retrenchment policy in the public sector in the course of the last years. Foreign donors participated in the effort under the World Bank's leadership, and one can surmise that some of the recommendations of the Umbrella Project's consultants were included, in a modified version, into the reform package. Second, the principal recommendation of the Mehta report, the creation a fund to assist small-scale enterprises to the tune of US\$10 million, was apparently found attractive, and the World Bank came up with a US\$30 million fund administered by the Small- and Medium-Scale Enterprises Administration.

Component XIII. Generating Employment for Retrenched Public Sector Workers in the Urban Informal and the Rural Sectors

This consultancy was implemented by ILO's "Jobs and Skills Program for Africa" (JASPA/ILO) with the participation of staff members and international and local consultants. Its recommendations were probably incorporated in the measures taken by the Ministry of Mobilization and Social Welfare; the proposed technical assistance projects were not yet approved.

OUTPUT: Report (title as above), 1989.

SUCCESS criterion: see above.

Component IX. Possibilities and Constraints to Mobilizing National Expertise Residing Abroad

The Government requested that this activity should be carried out by a Ghanaian living in a Western country. In view of the difficulty to find such an available professional, the work was subcontracted to the International Business and Technical Consultants (IBTC) in Washington, which enlisted the former Deputy Head of the Ghanaian Embassy as consultant for this component.

OUTPUT: “Possibilities and Constraints to Mobilizing National Expertise Residing Abroad” by F.A. Akuete, 1987.

SUCCESS criterion: No success could have possibly resulted from this study, as the financial means for the mobilization of Ghanaians working abroad were not available to the Government.

GROUP THREE

MACRO-ECONOMIC PERSPECTIVES

Subgroup A

POLICY PREPARATION

(No component number) *Assistance in the Preparation of the Second Phase of the Economic Recovery Program (ERP II)*

At the request of the Head of State himself, the project financed the detachment of a Ghanaian World Bank official to help the authorities in elaborating the strategies of the second phase of ERP.

SUCCESS Criterion: n.a.

Subgroup B

FINANCE AND BANKING

Component II. *Study of Price and Income Effects of Changes in Import Costs Induced by Different Exchange Rate Variation Scenarios*

The study was entrusted to the World Bank and possibly influenced decisions of the Government when devaluing the cedi in 1986.

OUTPUT: “Study on Price and Incomes Effects of Exchange Rate Adjustments” by T.W. Allen, 1986.

SUCCESS criterion: It is most probable that the above study made a considerable contribution to the Government's monetary and foreign exchange policies during this period, including a 50 per cent devaluation of the cedi.

(No component number) *Study of the Rural Banking and Credit Systems*

The Minister of Finance and Economic Planning requested the Deputy Director General of the Rural Credit Corporation of India to undertake this study.

OUTPUT: “Report on Policy Options for Increasing Rural Savings and Expanding Rural Credit” by Dr. M.C. Bhandari. 1987.

SUCCESS Criterion: The study contributed to the formulation of policies in respect of the rural banking system, the re-organization of which was initiated with World Bank assistance.

GROUP FOUR

ACTIVITIES RELATED TO DIFFERENT ECONOMIC SECTORS

Subgroup A

INDUSTRY

Component XIV. Pharmaceutical Sub-Sector Study in two parts: 1/ *The Ghanaian Pharmaceutical Industry*, 2/ *The Quality Control System for Imported and Domestically Produced Drugs*

These studies were carried out at the proposal of the Ministry of Industry, Science and Technology, and the UNDP/UNIDO/World Bank Industrial Planning project. In fact, the latter project programmed the preparation of sectoral studies of industrial branches, and prepared a study on the chemical industry in Ghana. Manufacturing of pharmaceuticals being considered as a sub-sector of the chemical industry, the study should have included them, but there were no funds available for this purpose. Therefore, the Umbrella Project recruited for both studies local expertise. It must be mentioned, however, that for the second part, in which an expatriate contribution would have been necessary, it was foreseen to recruit an outstanding expatriate expert to cooperate with the national consultant, but the approval of the Ministry was delayed during 5 months, and the expert foreseen (from the Organization of American States) was not available any more when advised of the approval of her candidature.

OUTPUTS: Two reports were prepared: 1/ Tackie, A.N. - Agbettor, E.O. "Report on Pharmaceutical Industry (Sub-Sector Study)", 2 vols., 1989; and, 2/ Sarpong, K. - Tackie, A.N. "Quality Control System for Imported and Domestically Produced Drugs," 1990.

SUCCESS criterion: With the closing of the industrial planning project, the two studies had no other impact than to call attention to the importance, and neglected state, of quality control requirements and procedures for domestically-produced as well as imported pharmaceuticals; though these activities were partly taken up by the World Bank in the framework of its huge health care program.

Subgroup B

EMPLOYMENT/TECHNICAL COOPERATION

Component VIII. Assessment of the Constraints to the Development of the Ghanaian Consultancy Industry

A quite well-informed study was carried out on the subject by the International Business and Technical Consultants (IBTC) which led to a follow-up project – Development of the Local Consultancy Industry. In addition to this consultancy, the project financed, together with the World Bank, a Regional Workshop on the development of West African Consultancy Industry.

OUTPUTS: 1/ “The Consulting Industry in Ghana. A Descriptive Analysis and Appraisal” by J. Kalotra and C. Humphrey, 1987. 2/ “Available Professional Skills and the Organization, Structure, Capabilities and Problems of Consultancy Firms in Ghana” by Prof. Kodwo Ewusi, 1987.

SUCCESS criteria: The project prepared by this component was considered as a success as it gave a badly needed impetus to the strengthening of the Ghanaian consultancy industry; an Association of Ghanaian Consultants was created as the roof-organization of the industry, and, finally, the policy framework for the development of the consultancy profession, proposed to the Government, was fully adopted and applied.

Subgroup C

TRADE/INTERNATIONAL NEGOTIATIONS

Component XXV. Restrictive Business Practices (RBP) - Formulation and Application of an Appropriate Legislation

This activity, subcontracted to UNCTAD, is a combination of consultancy and training. Two workshops were held in early 1992: the first on the basic concepts of RBP, and the second, for officials of the Trade Practices Commission, in the application of methods of control, and for the business community; in addition, a delegation of the Interministerial Committee on the preparing the Trade Practices Law with UNCTAD's experts and consultants, undertook a study tour in London (The Office of Fair Trading), and Geneva (UNCTAD Secretariat). Finally, the ‘Trade Practices Law 1992’ was elaborated and submitted to the Government end 1992.

OUTPUTS: 1/ Reports on the RBP Seminar, 1992; 2/ Prof. R. CRANSTON, Report on the Preparation of RBP Legislation for Ghana; 3/ Draft of the ‘Trade Practices Law’; and 4/ Report on the Trade Practices Law seminar, 1993.

SUCCESS criterion: The ‘Trade Practices Law’ is not yet promulgated and, therefore, not yet applied; thus, its practical results cannot be measured. However, the awareness of the necessity of the

existence of Restrictive Business Practices and of the need to remedy their obnoxious effects can be considered as a real success of this activity.

Component XXIII. Negotiating of International Contracts and Agreements

In monetary terms, this is the most important activity undertaken by the project (with a budget of US\$285,400). It is executed by the United Nations Centre for Transnational Corporations (UNCTC), and has three composing elements: technical assistance, workshops in Ghana, and placement of trainees abroad. A Model Contracts Committee was created which, assisted by expatriate consultants, submitted to the Government a series of such model contracts. The training program included the organization of five workshops on the following topics: 1/ Construction and Turnkey Contracts (1989), 2/ Joint Ventures and Management Contracts (1990); 3/ International Procurement (1991); 4/ International Loan Agreements (1991), and 5/ Development of International Capital Markets (1992). In addition, three officials participated in the 1991 and 1992 seminars on Investment Appraisal and Management, at Harvard's International Development Institute, and office equipment was supplied to the Model Contracts Committee.

OUTPUTS: 1/ Draft Model Contracts; and 2/ Reports on the five workshops.

SUCCESS criterion: Again, it is too early to conclude that this component was a success, though it can be pointed out that training of Government officials in international negotiation techniques, and the putting on the Government's table representative Model Contract Agreements, may be of tremendous help in the future for those dealing with international economic relations and negotiations on behalf of Ghana.

GROUP FIVE

EDUCATION

Component XI. Assessment of the Capabilities and Constraints of Ghanaian Training Institutions

A general inquiry into the state of non-academic training institutions.

OUTPUT: Report on “Capabilities and Constraints of Ghanaian Training Institutions” by K.E. Adjei and G.A. Haldane-Lutterodt, 1987.

SUCCESS criterion: None.

Component XV. Assistance in Establishing a Remote Sensing Application Unit in the Department of Geography, University of Ghana/Legon

This assistance program was accepted to be carried out under the project because remote sensing is an important means in regional/spatial planning, and is, therefore, closely related to the building up of a comprehensive, decentralized planning system. The project's contribution consisted in the organization of a national workshop, delivery of equipment as well as training abroad in specialized techniques, and led to a much larger contribution of DANIDA, the Danish Government's Agency for Development, and technical assistance dispensed by the University of Copenhagen.

OUTPUTS: 1/ The Remote Sensing Application Unit started functioning in 1991, and is already undertaking paid-for mapping activities; it is expected that it will obtain this spring a contract from the Ghana Environmental Protection Council, financed by the World Bank, which will include further training and procurement of some equipment; 2/ Report of the National Workshop on Remote Sensing in Ghana; 3/ Reports of Danish trainers in Accra and Ghanaian trainees in Copenhagen (four reports).

SUCCESS criteria: First, the creation of an operational Remote Sensing Application Unit is in itself a success, as it is an indispensable tool for spatial planning in the country's development; second, the sizable contribution of DANIDA in equipment and training (several hundred thousands of US dollars) is another criterion of the project's success as project funds in the form of seed money attracted other donors; and, third, the participation of the Unit in a World Bank-financed program of environmental protection is indicating as well a non-negligible outcome of the project's efforts.

Component XVII. Assistance to the Department of Planning, Faculty of Environmental and Development Sciences, University of Science and Technology/Kumasi (DoPUST)

The Ministry of Finance and Economic Planning designated DoPUST as the focal point for the training of planners in Ghana. It was therefore normal that the project assisted the Department since several years. The assistance given included specialized consultants (the recruitment of a specialist in

local-level budget planning never materialized, as the Department awaited, since a couple of years, the promulgation of a new budget law), purchase of books for the library and subscription to periodicals, as well as an extended tour at European and American universities for the Department's former and present deans, to discuss possibilities of twinning arrangements with the planning faculties or institutes of the universities visited.

OUTPUTS: 1/ Eight (8) reports by visiting consultants in the fields of teaching methodology including game simulation techniques; macro-economic planning and planning for the social sectors; 2/ TAMAKLOE, S. – TETTEH, A. Report of the mission exploring possibilities of twinning arrangements in Europe and the USA., 1991.

SUCCESS criteria: The most important result of the Umbrella project's assistance to DOPUST consists in enabling the Department to enlarge its teaching program from spatial and some (restricted) sectoral planning to areas of macro-economic and social policy planning, with improved methods and tools such as gaming and simulation; in addition, the exploration tour undertaken by the former and present deans of the department, gave some very positive results like a concrete proposal of cooperation with Rutgers University (the State University of New Jersey), conditioned, however, by the obtainment of the necessary financing from USAID or another donor organization.

Component XIX. Upgrading Ghanaian Polytechnics

The Ministry of Education requested this consultancy in which a 3-member team of Ghanaian consultants, – educators and a representative of industry, – worked out a basic report; an international consultant joined them during the last month of their work to finalize the report, enriched with experiences made in other countries, and to prepare a project document. In view of the considerable opposition to this initiative from the officials involved in the macro-economic management of the country (mainly the Ministry of Finance and Economic Planning), a workshop was organized to give an opportunity to the two sides to harmonize their views. This, however, did not happen and it was therefore not possible to operationalize the project of which a proposal was worked out by the consultant.

OUTPUTS: Two reports were prepared: 1/ “Upgrading Ghanaian Polytechnics to the Tertiary Level” (Draft Report) by Kofi, M.T. - Ofotsu-Caesar, F. - Glover, T., 1990, and 2/ “Upgrading Ghanaian Polytechnics to the Tertiary Level (including Project Formulation Framework)” by F.M. McCallion, 1990.

SUCCESS criterion: None, as internal dissensions caused shelving of the project *sine die*.

Component XXII. Training for postal administration

This activity was imposed on project management as there were no other funds which could cover the expenses of such training programs (as no program support project existed yet). This is the reason *par excellence* why the Evaluation Mission spoke of the illicit and unjustified use of the project.

SUCCESS criterion: None.

GROUP SIX

WOMEN IN DEVELOPMENT

Component X. *The Role and Participation of Women in Development in Ghana*

The consultancy was carried out by an international and a national consultant, and was successful enough to give birth to a technical assistance project – Assistance to the National Council of Women for Development.

OUTPUT: Two separate reports: 1/ “The National Council of Women and Development in Ghana: An Institutional Analysis” by Ms. G. Turkoz, 1987; and 2/ “The Role and Participation of Women in Development in Ghana,” by Prof. E. Ardayfio-Schandorf, 1987.

SUCCESS criterion: There are now several initiatives aiming at a heightened participation of Ghanaian women in developmental activities; the above two studies were among the first to expose the various aspects of the problem.

(No component number) *Women in Development in UNDP Assisted Projects in Ghana*

OUTPUT: Report by Ms. C. Endhoven, 1988, as a preparatory study for the Country-Program Review.

GROUP SEVEN

STUDIES RELATED TO UNDP'S MANAGEMENT OF THE COUNTRY PROGRAM

(No component number) *In-Country Review of UNDP's Fourth Country Program 1988*

OUTPUT: Report used in the Mid-Term Review exercise.

CANCELLED PROJECT COMPONENTS WERE AS FOLLOWS:

Component I. *Review, Evaluation and Updating of the Accountant General Department's Organization, Procedures and Operations*

Following a change in the holder of the position of the Accountant General, approval or revision of the Terms of Reference was delayed during months and therefore the component was cancelled.

Component VI. *Preparation of Action Guidelines for Financing Export Development*

Implementation of this component was already quite advanced and an Inter-Agency Agreement was signed with the International Trade Centre UNCTAD/GATT for the recruitment of two consultants, one in short-term and one in long-term financing, when the National Bank of Ghana engaged long negotiations with the World Bank, and finally dropped the component. The Agreement with ITC had to be cancelled.

Component XX. *Workshop on Legal Constraints to Enterprise Development.*

This activity was expected to be jointly implemented by the International Development Law Institute, Rome, and the Ghanaian Investment Centre. However, the Ghanaian counterpart institution always delayed the organization of the workshop and gave the impression that it is not interested in proceeding with this project. Finally, the component was cancelled in 1989.

(No component number). *Assistance to the Internal Revenue Service (IRS).*

The Ghanaian Secretary for Revenues requested the assistance of a Canadian staff member of DTCD in exploring the possibility to establish a twinning arrangement with Revenue Canada. However, when approached, DCTD decided to finance this consultancy out of its own funds.

Lessons and Pinpointers

Most of the lessons of this project were already noted in the preceding chapters. They can be summarized here briefly as follows:

(i) The project design intended to create a project with very broad objectives and a pronouncedly multidisciplinary approach. This objective was partially obtained, but only partially, because, first, the project was not used in such an extent as it could have been and it did not play the role in the Ghanaian economic recovery programs and public administration reform as well as in the implementation of the most varied sectoral problem solutions as its nature would have permitted; second, the open-ended design made possible its misuse to force the project management to accept for funding any other initiative for which no financing was found elsewhere.

(ii) The project design was intentionally worked out in a way to allow for rapid, decisive action in critical situations, in the solution of critical policy, planning and implementation problems, but did not foresee that for a correct functioning of the project in such a manner, the latter should have been dispensed of the administrative constraints. This default was apparent and evidenced very soon; suffice it to quote the Senior Advisor/Co-coordinator's Monitoring Mission Report of March 1986 where he clearly pointed out the he "cannot act in an autonomous way, but has to follow, as a matter of course, administrative and financial rules and can only initiate action through the regular organizational setup in which he is not integrated" (p. 3).

(iii) In order for the project to function as it was designed to do, and in order to accomplish the tasks assigned to it in general terms, it would have been necessary to have in Accra a resident, full-time senior advisor/co-coordinator, eventually located in the UNDP office but with an entirely independent setup of his own (administrative assistance, office equipment, vehicles, etc.), capable of reminding regularly and at all possible occasions the Governmental authorities that they have in this project a tool, a valuable instrument, for the rapid solution of problems whether in the macroeconomic field or in the sectoral or functional areas (see par. (i) above). But even such a resident coordinator could not do his job if he would not be authorized to bypass cumbersome rules and regulations, but would have to wait for months to obtain answers from various Governmental agencies to queries or in respect of selection of candidates, or if he would be obliged to submit as well to the slowness of administrative procedures in recruitment (including long salary negotiations in case of highly qualified professionals whose employment is perhaps not so frequent in the UN system) at Headquarters, or to get involved in internal dissensions on some particular problems (as was the case in respect of the support given by the project to the Department of Planning of UST in Kumasi), without being able to make his own decisions.

(iv) The success of functioning of an umbrella-type project necessitates that it should benefit of a follow-up mechanism in order to secure that its activities receive the required attention, and that its recommendations be considered, favorably or unfavorably, justifying through this follow-up action the initial request of the authorities.

The only pin pointers that can be given after seven years of functioning of the project are, first, that the idea and design of such a project was and is an excellent one; but, second, that such a project could not fulfill its objectives and accomplish its tasks without satisfaction of the conditions indicated in this Report, which did not obtain in the case of the present project.

It may be that in the future, when all UNDP-financed projects will be Government-executed, such a project will be tested and score more successes, – though even the results obtained by the Umbrella Project cannot be underestimated,– because all decisions will be made by one forum or one administrative body. In this case, the simplification of administrative procedures and the elimination of bureaucratic constraints might be possible, and the umbrella-type project having proved to be a valuable tool, Governments may be interested to have recourse to such type of instruments of action.

ANNEX

List of Reports

1. FLAXEN, D.W.

Assistance to the Statistical Service of Ghana. 1986.
2. ALLEN, T.W. (World Bank)

Study on Price and Income Effects of Exchange Rates Adjustment. 1986.
3. TESCO Team (Bartha, Bod, Illés, Zalai)

Streamlining of the Ghanaian Central Planning Process and Establishing Decentralized Planning Structures. 1986.
4. FACULTY OF LAW Team (Dean G.K.A. Ofori-Amaah, Professors R.B. Turkson, F.S. Tsikata, C.E.K. Kumado, P.W.K. Yankson, and E.N.A. Kotey)

Report on the Planning Law and Other Legal and Organization Aspects of Streamlining of the Central Planning Mechanism in Ghana. 1987.
5. EDUCATIONAL CONSULTANTS INDIA LTD.

Assistance in Establishing a Planning, Programming, Budgeting, Monitoring and Evaluation Division in the Ministry of Education, 1986.
6. BHANDARI, M.C.

Report on Policy Options for Increasing Rural Savings and Expanding Rural Credit. 1987.
7. KNOWLES, W. – APPIAH-CARR, I.

Employment Prospects. 1987.
8. MEHTA, V.K.

Creation of Small Businesses and Employment. 1987.
9. NIGAM, S.B.L.

Streamlining the Institutional Framework of Manpower Planning and Strengthening the Manpower Division of the Ministry of Finance and Economic Planning. 1987.

10. KALOTRA, J.S. - HUMPHREY, C.E.

The Consulting Industry in Ghana: A Descriptive Analysis and Appraisal. 1987.

11. EWUSI, K.

Available Professional Skills and the Organization, Structure, Capabilities and Problems of Consultancy Firms in Ghana. 1987.

12. AKUETE, E.A.

Possibilities and Constraints to Mobilizing National Expertise Residing Abroad. 1987.

13. TURKOS, G.

The National Council of Women and Development in Ghana: An Institutional Analysis. 1987.

14. ARDAYFIO-SCHANDORF, E.

The Role and Participation of Women in Development in Ghana. 1987.

15. ADJEI, K.E. – HALDANE-LUTTERODT, G.A.

Capabilities and Constraints of Ghanaian Training Institutions. 1987.

16. DROEGE, P.T. - AINA, T.

Strengthening the Housing Division of the Ministry of Works and Housing. 1987.

17. JASPA/ILO

Generating Employment for Retrenched Public Sector Workers in the Urban Informal and Rural Sectors. 1989.

18. ENDHOVEN, Ch.

Country Programme Review. 1988.

19. ENDHOVEN, Ch.

Women in Development in UNDP Assisted Projects in Ghana. 1988.

20. TACKIE, A.N. – AGBETTOR, E.O.

Report on Pharmaceutical Industry (Sub-Sector Study), 2 vols., 1989.

21. ACKUAKU, A.

Survey of Small-Scale Wood Industries and Crafts in Ghana, 2 vols. 1989.

22. ACKUAKU, A.

Sub-Sector Development Plan for Small-Scale Wood Industries and Crafts. 1990.

23. ACKUAKU, A.

Report on Two Workshops for Craftsmen (Design, New Tools, and Methodology). 1990.

24. ACKUAKU, A.

Test Marketing of Wooden Household Articles and Wood Carvings in Germany and U.S.A.

25. SARPONG, K. - TACKIE, A.N.

Quality Control System for Imported and Domestically Produced Drugs. 1990.

26. HARDIMAN, M.

Proposal for a Master's Program in National Development Policy and Planning (DOPUST). 1990. (Report in 2 parts).

27. DAVIS, L.R.

Report on Appropriate Teaching Techniques for DOPUST. 1990.

28. GREENBLAT, C.S.

Gaming and Simulation in Planning Exercises and Teaching. 1990/1991. (Report in three parts).

29. KIRKPATRICK, C.

Organization of Graduate Courses in Macro-economic Planning/DOPUST. 1992.

30. KIRKPATRICK, C.

Course Outlines, Workshops, Short Courses for In-Service Training, and Literature Resource Requirements. 1992.

31. TAMAKLOE, K. - TETTEH, H.

Report on Study Tour Exploring Possibilities of Twinning Arrangements With European and American Universities. 1990.

32. KOFI, T. – OFOTSU, C. – TITUS-GLOVER, J.C.

Upgrading Ghanaian Polytechnics to the Tertiary Level (Draft Report). 1990.

33. McCALLION, F.

Upgrading Ghanaian Polytechnics to the Tertiary Level (including Project Formulation Framework). 1990.
34. DEPT. of GEOGRAPHY, University of Ghana/Legon

Report of the National Workshop on Remote Sensing in Ghana. 1988.
35. AGYEPONG, G. – ASSASSIE, G. – YANKSON, P.

Remote Sensing Applications Study Tour Report. 1990.
36. STJERNHOLM, M. - BALSTROM, Th.

Mission Report on Training in Remote Sensing Techniques in Accra. 1990.
37. MINISTRY of HEALTH, Ghana

Report on Training Program for District Health Planners. 1992.
38. MINISTRY of HEALTH, Ghana

Guide for District Health Planners (printed manual). 1992.
39. UNCTAD

Report of the two Worskops on Restrictive Business Practices. 1992-1993.
40. CRANSTON, R.

Report on the Preparation of Restrictive Business Practices Legislation in Ghana. 1992.
41. GOEKJIAN, S.

Report on the Preparation of Models for International Contracts (with a series of Model Contracts in Annexes).
42. KOROMA, F.

Report on UNCTC Activities in Ghana, including Reports on 5 Seminars/Workshops held between 1989 and 1992). (Three reports).
43. ELDING, B. - DEWELL, M.

Evaluation Mission Report. 1989.
44. SANDERSLEY, P. – HAGGLUND, U. – GAISIE, A.

Evaluation Mission Report. 1991.

45. SEGESVARY, V.

Monitoring Mission Report. August 1985.

46. SEGESVARY, V.

Monitoring Mission Report. April 1986.

47. SEGESVARY, V.

Monitoring Mission Report. December 1986.

48. SEGESVARY, V. - BECCHI, F.

Monitoring Mission Report. March 1988.

49. SEGESVARY, V.

Monitoring Mission Report. November 1988.

50. SEGESVARY, V. - BECCHI, F.

Monitoring Mission Report. March 1989.

51. SEGESVARY, V.

Monitoring Mission Report. November 1989.

52. SEGESVARY, V. - ORLANDI, A.

Monitoring Mission Report. February 1991.

53. SEGESVARY, V. – SIRVAIN, J.

Mission Report. February 1992.

54. SEGESVARY, V.

Final Monitoring Mission Report, March 1993.

Commentaires

au Plan Quinquennal de Développement Economique et Social du Mali

1981 – 1985

par

Victor SEGESVARY

Mars 1982

AVANT-PROPOS

Ces commentaires du Plan Quinquennal de Développement Economique s et Social 1981–1985 de la République du Mali s'inspirent exclusivement de la rationalité économique et des principes d'une pensée logique et systématique. Ils ne reflètent que l'opinion personnelle de l'auteur sans engager en quoi que ce soit la responsabilité des différentes agences du Système des Nations Unies, en particulier de la CNUCED, du CCI et du PNUD.

Les commentaires critiques faits ici ne concernent que les grandes lignes et la base conceptuelle du Plan sans, bien sûr, discuter les grandes orientations qui relèvent des décisions politiques de l'Union Démocratique du Peuple Malien (UDPM), et n'analysent pas en détail les politiques sectorielles et les projets en découlant, car l'auteur ne possède pas tous les éléments lui permettant de procéder à une telle analyse.

Toutes les idées sont exprimées avec la volonté d'apporter, s'il n'était pas trop tard, des améliorations pour que le Plan puisse être réalisé avec plus de succès que les précédents, donc ils constituent une critique constructive, et ceci d'autant plus que l'auteur est personnellement engagé dans la bataille de développement que mène la République du Mali.

Néanmoins, en lisant ce Plan Quinquennal en ce mois de mars 1982, on est irrésistiblement envahi d'un sentiment d'illusion, en sachant tout ce qui s'est passé depuis 1978, l'année de base évoquée (la dernière année du précédent plan) et, surtout, en ayant des connaissances quoique fragmentaires, dispersées (vu que des informations fiables ne sont guère disponibles) des résultats de l'économie malienne en 1981 qui ne correspondent que peu à ceux escomptés par le Plan.

1. Y A-T-IL UNE STRATEGIE DE DEVELOPPEMENT DANS LE CADRE DU PLAN ?

Dans son chapitre III, le Plan esquisse d'abord les options de base et les recommandations du Parti qui constituent les grandes options fondamentales et qui définissent le cadre de toute politique économique et d'une stratégie de développement. C'est sur cette base qu'il fallait construire la stratégie du Plan 1981–1985.

Toutefois, il est difficile d'établir des correspondances entre ces options de base et les objectifs et stratégies globaux du Plan, d'une part, ainsi qu'entre ses objectifs et stratégies, les programmes sectoriels et les projets individuels qui les constituent, d'autre part.

On peut citer comme exemples des nombreuses inconsistances :

(i) En ce qui concerne les orientations, objectifs et stratégies dans les domaines de l'emploi et, plus particulièrement, la politique financière et commerciale, à l'exception du secteur des sociétés et entreprises d'Etat, il est à noter qu'aucune mesure n'est prévue, ni même esquissée dans le Plan visant à réduire l'emploi dans l'administration ou dans le secteur publique, de même pour la

réorientation de la formation des jeunes conformément aux besoins du développement économique. Il faut aussi remarquer qu'aucun chapitre ne couvre les mesures de planification financière et commerciale, ces secteurs figurent seulement dans les projections macro-économiques, sans identification des politiques qui permettront la réalisation de ces projections.

(ii) En ce qui concerne les objectifs, stratégies et programmes sectoriels et les projets individuels : la dynamique escomptée du secteur privé et son association au développement industriel, sinon au développement tout court, ne figure nulle part dans les programmes sectoriels et aucune mesure d'incitation n'est suggérée. Comment peut-on donc espérer que le capital privé, national ou étranger, va prendre en charge les « canards boiteux. » du secteur d'Etat, — les canards qu'on lui mette gracieusement à disposition, — à la suite seulement d'une décision administrative sans aucune incitation économique ?

L'inconsistance est particulièrement frappant par rapport à la stratégie de développement intégré de base, correspondant parfaitement aux recommandations du Parti et devant constituer la plus grande innovation de ce Plan Quinquennal — innovation méritant d'ailleurs la plus grande attention de la part de la communauté internationale. Cette stratégie est décrite (p. 19) comme suit : « Elles (ces actions) auront ceci de particulier, qu'elles seront décidées par la base et qu'elles ne seront pas imposées par le haut, qu'elles seront exécutées surtout par les intéressés eux-mêmes et très peu par des entreprises et services n'appartenant pas à leur milieu, qu'elles seront profitables aux ruraux et non pas indirectement, à travers des retombées économiques, peu visibles pour eux ». Ces louables déclarations d'intention ne sont nullement reflétées dans le corps des programmes sectoriels et projets individuels, les actions de développement intégré de base figurent en quasi-appendice à la fin de chaque titre exposant les projets de développement des grands secteurs économiques, soi-disant elles étaient décidées par les collectivités locales. Il est permis de douter que les initiatives des villageois auraient été incorporés dans le Plan, et que les chiffres cités dans les tableaux, résumant les actions de base, n'étaient pas décidées par les commandants de cercles ou autres autorités. En plus, il n'y a que peu d'indication de la limitation graduelle des pouvoirs et des compétences des Groupes de Développement Rural et du transfert progressif aux tons villageois de leurs pouvoirs et de leurs domaines d'action. (En tout cas, le Plan ne semble pas du tout tenir compte d'une réorganisation progressive des GDR et de la reformulation complète de leur mission, comme il était maintes fois souhaité dans les milieux gouvernementaux ou économiques.)

2. CONTRADICTION AVEC LA NOUVELLE POLITIQUE

Tout ceci mène à une conclusion impérative que le Plan Quinquennal 1981–1985 a été conçu et élaboré avant les grands changements d'orientation politique et économique décidés par le Parti début 1981. En conséquence, quelque « maquillage. » a été fait, par exemple la reprise du texte des décisions du Conseil National ou l'introduction d'une section sur les objectifs particuliers en ce qui concerne le secteur d'Etat, mais la plus grande partie du Plan, notamment les programmes sectoriels et projets individuels, non pas été adaptés et ajustés en fonction de la nouvelle politique. Il est probable qu'une complète refonte du Plan aurait pris beaucoup de temps. L'économie du pays n'était-elle pas comme un bateau errant sur les vagues de plus en plus violentes à la suite, en partie,

de la conjoncture internationale depuis 1978, et on ne pouvait plus laisser sans une direction planifiée, — mais n'aurait-il pas été plus rationnel et honnête d'avouer cette impossibilité et concevoir un plan intérimaire de deux ans en attendant la mise au point d'un plan à moyen terme conforme à tous points à la nouvelle politique des autorités suprême de la nation ?

3. II N'Y A PAS DE STRATEGIE DE DEVELOPPEMENT DANS LE PLAN

Une autre conclusion plus douloureuse s'impose à la lecture des cinq premiers chapitres du Plan Quinquennal concernant sa stratégie de développement. Par ailleurs, cette conclusion n'est pas une caractéristique particulière de la planification malienne, mais — malheureusement — maints autres pays en développement, beaucoup plus riches en ressources que le Mali, en donnent un triste exemple. C'est qu'en dernière analyse le Plan Quinquennal de Développement Economique et Social 1981–1985 ne présente, ne contient aucune stratégie de développement conçue sur la base des recommandations du Parti.

Il n'est pas question ici d'une planification quantitative précise, imposée d'en haut, comme dans les pays à économie de planification centralisée (pays du bloc socialiste). Ceci d'ailleurs ne correspondrait pas à la volonté délibérée des plus hautes instances du Parti comme exprimée en février 1981, Néanmoins, un plan n'en est pas un qui n'établit pas des priorités claires, et au niveau macroéconomique, et au niveau de divers secteurs de l'activité. Mais, surtout, il faut que le plan trace les chemins par lesquels les objectifs et les priorités seront atteints. Le plan doit montrer où on va et comment on y arrive.

Les agrégats macroéconomiques projetés dans le chapitre V du Plan représentent un exercice intellectuel méritoire, mais laissent le lecteur sur sa faim en ce qui concerne des indications nettes et claires à quel stade de développement arrivera le Mali à la suite d'immenses efforts déployés ? Quelles seront — faut-il le dire encore une fois — les priorités définies en fonction des buts à atteindre, les perspectives s'ouvrant à l'horizon 1990 ou 2000, car tout plan à moyen terme doit s'insérer dans une vision à long terme. En conséquence, quels sont les objectifs dont la réalisation doit être remise à plus tard ? On ne peut pas tout faire à la fois, encore moins dans un pays comme le Mali en butte à des difficultés énormes dues à des facteurs multiples (naturels, historiques, etc.)

Le Plan ne présente donc pas un concept de développement, une matrice sur laquelle sont bâtis, superposés les programmes sectoriels et les projets individuels le constituant. Il ressemble ainsi à une corbeille dans laquelle on a jeté tout ce qui s'est passé par la tête des planificateurs, tout ce qui figurait dans les propositions de diverses sources afin de satisfaire tout le monde ou de plaire à tout le monde, sans aucune cohérence, sans aucune consistance, sans aucune coordination, sans tenir compte des capacités d'absorption de l'économie (voir le taux de réalisation des investissements au cours du Plan précédent), c'est-à-dire ce n'est pas un plan dans le sens strict du terme.

D'autant plus que les projections macroéconomiques ne sont pas reliées aux programmes sectoriels et projets individuels comme il a été déjà Indiqué plus haut. Exemples qui sont pris dans des secteurs que l'auteur connaît le mieux :

— Comment sera réalisé que les dépenses intérieures brutes croissent moins vite que le produit intérieur brut ? Que l'épargne intérieure croît d'une manière jamais vue dans le pays ?

— Par quels moyens sera atteint le taux de croissance prévu des cultures industrielles (voir coton, arachide, tabac ou autre), de la production maraîchère, de l'artisanat, des industries alimentaires, etc. ?

— Comment va-t-on réduire le taux annuel de progression des importations à 3,1% et d'atteindre un taux annuel de croissance pour les exportations 4,8%, en vue de ce qui se passait ces dernières années ?

A ce point d'analyse il faut ouvrir une parenthèse : Sur les pages 40 et 41 le Plan établit que la couverture des importations par les exportations sera de 51% en 1985 au lieu de 47% en 1980, donc le déficit de la balance commerciale n'augmentera pas au même rythme qu'auparavant. Toutefois, il émet une réserve en disant « que le déficit réel en 1985 risque d'être relativement beaucoup plus important que prévu. », — constatation qui permet de mettre en doute les capacités prévisionnelles des planificateurs, — vu, surtout, qu'il en donne comme raison « la dégradation des termes de l'échange du commerce extérieur. ». A ce sujet, il suffit de se référer au dernier rapport de la Banque Mondiale sur l'Afrique au Sud du Sahara qui met en pièce ce mythe de dégradation continue des termes de l'échange, mythe servant de bonne excuse pour cacher les carences dans la gestion et la promotion des échanges extérieurs évoqué par la plupart des autorités nationales des pays africains. Bien sûr, ce rapport est contesté par beaucoup, mais l'auteur croît à la justesse de la grande partie de ses conclusions.

Pour terminer cette argumentation, il faut dire que les prévisions concernant les finances publiques manquent totalement de crédibilité. Qui est-ce qui croiserait que le déficit, de 20 milliards de francs maliens en 1980, ne serait que de 2,7 milliards de francs maliens, surtout après l'évolution de la première année du Plan (1981). Tout ceci relève plutôt des vœux pieux que de prévisions scientifiques, comme d'ailleurs la plus grande partie du chapitre V.

D'ailleurs, que veut dire la remarque sur la page 44 qui dit que l'un des moyens de la faible progression des dépenses publiques sera « un strict contrôle des dépenses des organismes dont le Ministère Finances a la tutelle ? ». Est-ce un reproche ouvert au Ministère des Finances ? Les autres Ministères ont bien contrôlés leurs dépenses jusqu'à ce jour ?

4. LE FINANCEMENT DU PLAN MONTRE UN GONFLEMENT INJUSTIFIÉ DES DÉPENSES

Selon le Chapitre VI, le financement des projets du Plan. Quinquennal représentera un financement se montant à 936,6 milliards de francs maliens. Les investissements totaux pendant la précédente période quinquennale — 1974–1978 — ont portés sur 400,9 milliards francs maliens, donc le financement prévu pour le Plan en cours est de 133,6% au-dessus du niveau établi pour la planification précédente, en termes courants ; assumant une inflation de 12% par an entre 1976 et 1979, le financement projeté pour les années 1981–1985 est de 88,4% supérieur, à prix constants, à celui des milieux de la décennie passée.

Les réalisations du précédent plan 1974–1978 n'ont atteint que 253,8 milliards francs maliens, soit 63,3% ; on peut se demander, légitimement, en quoi et par quoi la capacité d'absorption de l'économie nationale a été augmentée à tel point que la prévision d'un effort d'investissement presque double se justifie ? Ne court-on pas le risque que les réalisations ne soient pas en-dessus de 50%, ridiculisant tout effort de planification ?

Entre 1974 et 1978, les investissements prévus dans l'économie rurale étaient de l'ordre de 179,7 milliards francs maliens (44,8% du total dont seulement 50,9% ont été réalisés). Le nouveau Plan projette l'investissement dans le même secteur de 302,6 milliards de francs maliens (32,3% du total), c'est-à-dire presque trois fois et demi de plus que les réalisations atteintes durant la précédente période quinquennale. Est-ce vraiment réaliste ? Ne rejoignons-nous pas de nouveau le domaine des illusions, des vœux pieux ?

Ensuite, sous le titre « Les différents besoins de financement » on prévoit que sur le total de 936,6 milliards francs maliens d'investissements, 603 milliards ou 64,9% du total, représenteront la formation brute de capital fixe (FBCF), donc les investissements « stricto sensu. » (*dixit* dans le texte du Plan), et que 328,6 milliards ou 35,8% du total constituera un effort complémentaire. Cet effort complémentaire comprendra, tout jour selon le texte du Plan, les études, les frais de transport, les dépenses de services divers et de démarrage.

Néanmoins, les études, la recherche et les actions coopératives n'absorberont qu'une petite partie de l'effort dans le développement des ressources agricoles : 5,8%, et en ce qui concerne le développement des ressources animales : 12,3% (pour les autres secteurs, ces dépenses ne sont pas séparément indiquées ; d'ailleurs, dans le secteur minier elles représenteront presque la totalité de financement, entre autres la prospection.)

Toutefois, l'avant-projet du Plan Quinquennal dont la préparation a été terminée au printemps 1981, est beaucoup plus éloquent à ce sujet. Dans certains tableaux récapitulatifs à la fin des chapitres il donne une ventilation détaillée des dépenses (« Répartition du coût des opérations par nature des dépenses. »). Ainsi, on apprend combien représentent les charges récurrentes, décomposées en frais de fonctionnement et dépenses d'entretien d'infrastructure. On peut se demander pourquoi le texte définitif du Plan n'a pas reproduit ces éléments importants, mêmes en les complétant où l'avant-projet ne les reflétait pas ?

Ainsi, en ce qui concerne le développement des ressources agricoles, les frais de fonctionnement représenteront 27% et l'entretien de l'infrastructure 6%, des dépenses totales. Pour les ressources forestières ces pourcentages sont 42,3% et 7,3%, tandis que pour les ressources animales 28,3% et 9,5%.

Il nous paraît que les pourcentages de financement total consacrés aux frais de fonctionnement, — l'expérience du passé confirme également cette critique, — sont trop élevés par rapport aux véritables efforts d'investissements (FBCF), et ne servent qu'à entretenir un personnel pléthorique, inutile, et à couvrir les dépenses d'utilisation des véhicules, achat de fournitures, etc., toutes opérations non suffisamment contrôlées.

La part du financement total couvrant les initiatives des populations (initiatives de base) est de 40 milliards francs maliens, soit 4,3%, qui se décompose ainsi :

- Economie rurale : 19,8 milliards ou 6,5% du total sectoriel
- Secteur secondaire : 8,3 milliards ou 2,8% du total sectoriel
- Infrastructures : 4,6 milliards ou 1,8% du total sectoriel
- Ressources humaines : 7,3 milliards ou 8,6% du total sectoriel

Ceci passe de commentaires si l'on pense à l'importance donnée dans la nouvelle politique du Parti aux tons villageois et aux initiatives de populations.

En ce qui concerne la programmation dans le temps, il serait intéressant de savoir combien sur les Investissements prévus pour l'année 1981, 127,4 milliards francs maliens (13,6% du total), ont été réalisés ?

Le financement intérieur prévu pour la période quinquennale est de 126,3 milliards (14,4% du total) contre 40,7 milliards (9% du total) au cours de la période précédente. Il est permis d'émettre les doutes les plus sérieux sur l'obtention de ce financement intérieur. On prévoit sur les pages 51 et 51 du texte les sources suivantes : la participation des populations, l'incitation des privés (par le biais de la Chambre de Commerce, du CEFI et du CMCE), la création de banques spécialisées, le drainage de l'épargne par l'amélioration des conditions du crédit et de rémunération des capitaux (Caisse d'Epargne, Compte de Chèques Postaux), le financement maximum des projets relevant d'eux par les « Fonds. » existant ou à créer, et l'autofinancement maximum des investissements par les organismes d'Etat, les établissements publics, les sociétés d'Etat et les grandes opérations agricoles. Les compagnies d'assurance devront Investir une partie des fonds qu'elles mobilisent.

Est-ce réaliste ?

5. FINANCE ET COMMERCE

Comme il a été déjà indiqué, aucun chapitre n'est consacré dans le Plan au secteur Finance et Commerce ; ce secteur est traité uniquement dans le chapitre V contenant les projections macroéconomiques 1981–1985.

A part des remarques qui ont été faites auparavant sur ce sujet, il faut regretter l'absence totale (apparente) des consultations au cours de l'élaboration du Plan avec les organismes qui ont la charge des problèmes du commerce extérieur, comme le CMCE.

Ceci résulte dans les anomalies suivantes :

(i) L'assainissement des finances publiques est maintes fois évoqué, mais aucune mesure concrète ne figure dans le corps du Plan. Exemple : l'évolution contenue des dépenses de personnel

dans l'administration et le secteur d'Etat, — par quels moyens ? Ne fallait-il prévoir des fonds et des projets pour le reclassement des personnels obligés de quitter la fonction publique ou les entreprises publiques ?

(ii) Politique monétaire ou politique des prix : néant.

(iii) Mention de création des banques, de « guichets régionaux », de drainage de l'épargne : aucune mesure concrète ; ne devrait-on pas inclure ces propositions dans les prévisions de financement ?

(iv) Importations : par quels moyens réduira-t-on les achats à l'extérieur ? Les affirmations figurant sur la page 39 concernant ce point, sont en contradiction nette avec d'autres dans le chapitre sur le développement rural : l'obligation d'importer des tonnages croissants du sucre, par exemple. D'ailleurs, les prévisions sur l'autosuffisance alimentaire qui devrait presque être atteinte en 1985, ne sont pas du tout convaincantes.

(v) Exportations : il semble qu'en ce qui concerne les exportations l'on a utilisé une méthode de calcul prévisionnel très simple, mais fausse. Production moins consommation domestique égale exportations, sans tenir compte des conditions et des contraintes des marchés extérieurs. Donc, le résiduel est toujours destiné à l'exportation et les marchés étrangers doivent l'absorber. Non seulement une telle conception peut complètement fausser les prévisions, et arrive à une balance commerciale « inexplicablement » déficitaire (comment ceci est arrivé ? — demandera-t-on), mais on ne peut pas baser une véritable politique de promotion des exportations sur les résiduels destinés à l'étranger. Il faut produire en sachant que les productions seront destinées à l'exportation, et ces productions doivent être clairement planifiées (comme il a été fait dans le Plan concernant le coton fibre) et les mesures de promotion (qualité, conditionnement, transport, etc.) bien préparées.

Problems and Solutions

Related to the Present Appreciation of the Afghani

in Relation to the US Dollar and other Hard Currencies

(Preliminary Remarks)

These remarks before discussing the problem of the present appreciation of the Afghani are necessary in order to avoid misunderstandings and to define clearly the conceptual framework in which this paper is written:

1. The appreciation of the Afghani in relation to the US dollar and other hard currencies is seen not only from the perspective of exchange rate fluctuations and Afghanistan's balance of payment position, but it is considered, primarily, as a problem of the national economy, a basic disequilibrium which disturbs the normal functioning of the economic mechanism.

2. The subsidization of exports through a preferential exchange rate paid by the Da Afghanistan Bank to exporters is accepted only as a momentary palliative (which, truly, is quite helpful at present), but should not be considered as a permanent feature of the economic mechanism; export subsidy should only be used in the short term whenever it cannot be avoided. The sustained growth of exports must be realized by proper economic means; improved production and improved marketing.

3. Conditions in developing countries, and especially in least developed countries, render useless and inapplicable many principles of the good, old economic thinking and classical theories; therefore, recourse to the precepts of these theories, perfectly valid in a different economic environment (developed market economies), should be avoided.

A. REASONS OF RECENT MONETARY DEVELOPMENTS IN AFGHANISTAN

In the course of the last few months or weeks, the value of the Afghani in relation to the US dollar and other hard currencies has appreciated in an abnormal and unexpected way. Although it is true that the appreciation of the Afghani with respect to the dollar has been continuous and strong in the course of the last years (6% in 1351, 24% in 1352, 6.3% in 1353 and 3.2% in 1354), it has reached ominous proportions very recently: the rate of appreciation reached about 10% or more during the first two and a half months of 1355.

Notwithstanding the definite improvement of the balance of payments of Afghanistan due to increased cotton production and exports, higher natural gas prices and the relative stability of Karakul prices, as well as the unexpectedly smaller amounts spent for sugar imports, the appreciation of the Afghani cannot be justified by healthy basic developments in the country's economy, by structural changes, or an increase in productivity and production in general, etc.

It appears that after a thorough analysis of the factors involved, the principal reason for the appreciation of the Afghani in relation to hard foreign currencies is a serious disequilibrium between the abundance of foreign exchange available and the supply of the national currency. That means, in simple terms of market mechanism, that too many US dollars, DMs or other currencies are being offered at the money market, while the supply of Afghanis is becoming more and more limited.

As to the causes of this fundamental disequilibrium, they can be set out as follows:

1. Increase of foreign exchange availabilities

(a) As a result of the sustained efforts of the Government and of the exporting sector, Afghan exports are doing well and export earnings have correspondingly increased.

(b) There is a large volume of foreign assistance and aid flowing into the country in the form of money (cash) rather than in expert services or supplies of material.

(c) The growing number of Afghan citizens employed in neighboring, prosperous Iran results in an increased volume of remittances of foreign exchange;

(d) The spending of foreign exchange is, on the other hand, reduced because:

(i) Exports to certain markets generating foreign exchange earnings are not set off by corresponding purchases on those markets, i.e. by imports coming from those markets, though bilateral agreements require complete compensation (for example, Afghanistan is creditor of about US\$15 million of the USSR).

(ii) Although the level of imports increased in the course of the last years and the hitherto favorable trade balance turned into a trade deficit as of 1354, it seems that the level of imports has declined in the first months of 1355 as is illustrated by the fall of Governmental revenues from import duty collection. Statistical numbers are not yet available to define with precision the reasons for this situation, but it may be assumed that the ban of certain luxury items as well as uneconomically high import duties on many other merchandise contributed to this evolution.

(iii) The Afghan authorities do not intend, at least at the present time, to spend the accumulated foreign exchange reserves, at least partially, for productive investments in the framework of the Seven-Year Development Plan reducing automatically the country's foreign exchange availabilities, but generating expenditure in Afghanis.

(iv) Measures taken by some neighboring countries (like the liberalization of imports of rayon fibers and textiles by the Pakistani Government, hitherto channeled through Afghanistan) limit the volume of re-exports from the country. This factor has as an effect through reducing expenditure in foreign exchange and of Governmental income from import duties, as well as export earnings in currencies of neighboring countries which may also generate spending in Afghanis, if used for imports from those countries.

2. Limitation of money supply in Afghanistan

The scarcity of the Afghani on the money market is well illustrated by the fact that large-scale exporters cannot change their foreign currency holdings into Afghanis to cover their local expenses and that the commercial banking system is incapable of satisfying the needs of economic operators and of the public in general. As a consequence, even the cashing of simple checks, amounting to a couple of thousand Afghanis, becomes problematical. The main reason for the reduced supply of Afghanis is hoarding by the population of local currency because of the lack of confidence characterizing the economic climate, and uncertainty as to the Governmental authorities' intentions in the fields of investment (nationalization), taxation (abuses in tax collection) and private expenditures (for example, residential construction).

Estimates related to the monetary circulation give the following picture: the total supply of Afghani is, at present, around 16.5 billion, of which about 2 billion are in bank deposits, 2 billion in circulation, 1 billion is used in financing local trade with Pakistan and 1 billion, for the same purpose, in exchanges with Iran. This means that an estimated half of the total volume of Afghanis is in hoarded by the population.

A striking example may be given in relation to recent cotton purchases to illustrate the situation. The Da Afghanistan Bank spent 2.2 billion Afghanis through the cotton ginning companies for purchases of raw cotton from farmers; – it can be supposed that a good part of this amount has been hoarded by the growers. The ginned cotton is exported to the USSR and some less important markets and the exchange earnings are correspondingly swollen, but as it were indicated, purchases from Russia are lagging behind. The double result is: (i) The supply of Afghanis is reduced by the sums spent for cotton purchases and then hoarded by individuals; (ii) Foreign exchange earnings are

increased, but the spending of it through imports and generating expenditure in Afghanistan through local sales of the imported products is limited, without compensating for the effect of the hoarding of Afghani by cotton growers.

B. EFFECTS OF THE APPRECIATION OF THE AFGHANI

Although in the present, and strictly from the point of view of Afghanistan's balance-of-payments situation, the appreciation of the Afghani does not seem to bear unfortunate consequences, (for example, the Da Afghanistan Bank has built up healthy foreign exchange reserves amounting to about US\$55 million); however, its consequences will become disastrous in the medium- and long-term future:

1. Afghan exports will be badly hurt on foreign markets by the abnormal and unjustified appreciation of the Afghani, assuming that no Government subsidization, in any form, will cushion the effects of this appreciation. Export prices of Afghan products will inevitably soar and will render these products non competitive in comparison to similar goods exported by countries whose currencies are much cheaper than the Afghani in terms of the main hard currencies of the world. A resulting decline in Afghan exports will not only reduce foreign exchange receipts (and exports are the main foreign exchange earner of the country), but might have unpredictable and disastrous effects in the economic and social life of the country, such as slowing down of economic expansion, rising unemployment, etc.

2. As the disturbances already apparent in every day life indicate, the contracted money supply may induce dangerous and irremediable disruptions in the Afghan economy. The scarcity of the Afghani will act as a powerful brake on economic activities, discourage economic agents and stir up unrest of various types. If adequate measures are not taken in time, the authorities will have to revert to the only means remaining at their disposal, the printing of more and more bank notes, with its well-known and feared consequences of devastating inflation.

C. SOLUTIONS PROPOSED

The broad objectives to be realized fall under three headings:

1. The creation of a climate of confidence, not only in the business community but also in the nation, in order to promote economic activities and to encourage the economic and profitable use of all savings and incomes. This policy will be the most powerful deterrent for hoarding which can paralyze development and progress.

2. The stabilization of export prices (or their reduction; even through cutting costs, new investments and appropriate measures to improve production and marketing) and the sustained growth of export earnings in order to cover, gradually and from local sources, a larger part of the foreign exchange requirements of the Seven-Year Development Plan. It is considered that for Afghan exports the optimal rate of exchange would be, at the free market, US\$1 = Afs. 60-70.

3. The re-organization of the commercial banking system to enable it to serve as a necessary and efficient mechanism for channeling savings and idle funds into productive activities. This means that the commercial banking system should become a real service enterprise for the whole nation, public bodies as well as individuals.

To remedy the prevailing situation immediately and in the medium-term, the following measures are proposed which will have to be put into effect concurrently:

(a) Money Supply

Injection into the monetary circulation of about 500 million to 1 billion Afghanis during successive periods (say, periods of 2 to 4 weeks) in order to immediately ease tensions characterizing the money market at present. The injection of this considerable sum into the monetary circulation should be done, to the extent possible, against foreign exchange holdings of enterprises and individuals in order to reduce simultaneously foreign exchange availabilities. However, this sort of 'printing of new money' will not bear the expected results, i.e. it will also be absorbed through hoarding, if it is not coupled with some corollary measures.

(b) Foreign Exchange Reserves

Taking into account Afghanistan's need of foreign exchange reserves, kept with the Da Afghanistan Bank, the inflowing foreign exchange should be used for productive investment projects instead of expecting foreign aid or loans for the realization of these projects. The investment of foreign exchange availabilities will generate income and spending in local currency or, if it is used through the newly created Export Promotion Bank, for example, it will contribute to the growth of Afghan exports.

(c) Savings

The interest rate on deposits should be increased from 8 to 10%, in order to attract savings. The lending rate, 11% should be kept at its present level; in any case no justification can be given for the 3% earnings of the banks.

(d) Taxation

(i) Strict application of the income tax law, avoidance of abuses and elimination of uncertainties, which instead of inducing people to invest or to deposit savings in the banks, lead to hoarding.

(ii) Elimination of multiple taxation, i.e. if an enterprise or an individual was once taxed for the income of a given year, no new taxation should be permitted later – as is presently the case.

(iii) The tribunal foreseen by the tax law should be established in order to permit citizens or enterprises to have legal recourse against decisions of the tax authorities.

(e) Liberalization of Imports

(i) Lifting of import bans and reduction of import duties, which are now prohibitive, for the largest number of products possible.

(ii) Liberalization of imports of vehicles for personal use, motor parts, trucks, etc., on the condition that importers purchase the required foreign exchange at the Da Afghanistan Bank. As far as trucks are concerned, an additional condition should be imposed, namely, that buyers hand over to the appropriate Governmental administration two old, outdated trucks. In this way, a complete renewal of the Afghan lorries' population will be accomplished, enhancing conditions of transport and safety on the roads, reducing operational costs of transporters and, consequently, reducing freight rates.

(f) Re-exportation

Elimination of bureaucratic procedures and hindrances to encourage re-exportation which will also contribute to increase Governmental revenues from import duties (meaning, at the same time, spending of Afghani) in addition to absorbing foreign exchange holdings.

(g) Investment

Further incentives for private investment and, especially, correct application of the investment regulations.

(h) Publicity campaigns

Well organized and nationwide publicity campaigns should be organized and launched on all mass media to spell clearly out the Government's intentions in relation to past as well as future foreign investments to encourage savings and channel them into productive investment through the banking system and private entrepreneurship.

Aid Co-ordination

Reflections on Some Problems Related to Aid Co-ordination and Management

(with two case studies)

by

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Senior Advisor/Consultant

October 1988

FORWORD

The institutional aspects of economic and social development took on lately a crucial importance for all those involved in aid programs and assistance activities, first of all for the Governments concerned, but for multilateral and bilateral donors and aid agencies as well. The revision of institutional structures linked to policy strategies is now a priority objective both for the World Bank and for UNDP as reflected, for example, in the statement given by Mr. William H. Draper III, Administrator of UNDP, before the Second Committee of the United Nations General Assembly on the 6th of November 1987. Introducing his general account of UNDP's activities during the past year, the Administrator stated in relation to the implementation of rigorous restructuring programs, especially in Africa, that "UNDP knows that across Africa and in other regions as well, adjustments are being attempted under difficult conditions... They must be oriented to improve public institutions by introducing effective and appropriate management systems... and, of course they must demonstrate their value by leading to greater economic efficiency and growth."

The awareness of institutional and policy reforms is also evident in all recent World Bank programs and documents, not only in connection with structural adjustment programs, but in more general, policy orientation and strategy related discussions as well. In a recent paper by Geoffrey Lamb, Advisor on Public Sector Management (Projects' Policy Department), entitled: *Managing Economic Policy Change – Institutional Dimensions* (World Bank discussion papers, No. 14. Washington D.C., 1987), a policy-focused institutional reform approach is advocated. Mr. Lamb defines in a clear cut way the main elements of a successful co-operation between governments and multi- or bilateral organizations in the vital domain of institutional changes linked to economic policy and management reforms, namely:

"First, institutional requirements need to be more systematically addressed in the analysis and design of policy reform programs, specifying the framework of policy management in each case, and the organizational and other changes necessary to effect the policy improvements sought;"

"Second, given the long time horizon and political sensitivity of these changes, there needs to be a careful sequencing of institutional reforms, dealing first with the most urgent and tractable policy management issues;"

"Third, technical assistance for strengthening economic policy management should concentrate on specific policy management problems rather than provide general institutional support."

The present paper was written in exactly the same framework. The intention is to systematically deal with strategic issues in economic policy and policy-linked public sector management reforms. Foreign aid management represents a high priority in the present-day developmental perspective, it is a most urgent and, at the same time, a tractable policy management problem.

Foreign aid co-ordination and management is, in fact, closely related to the efforts of UNDP labeled as 'National Technical Co-operation and Assessment Programs' (NaTCAP) which directly raised the question, through evaluating the impact of technical assistance in recipient countries, of the relevance, adequacy and usefulness of the actual structures and methods of existing foreign aid co-ordination and management mechanisms. This series of projects are UNDP funded and OPS executed at the request of African Governments; they may be of a partial character, for example, the computerized treatment of data required for aid co-ordination and management in Ghana (International Economic Relations Division, Ministry of Finance and Economic Planning), or they may be of a global nature as, for example, in Zambia (Ministry of Finance). In Zambia the streamlining of the aid co-ordination and management structure, including governmental and donor agencies, and the effective role of the consultative group and of the Lusaka-based Joint Monitoring Committee, were required by the Government.

This re-structuring exercise also aimed at the creation of a strong, competent and efficient focal point for the co-ordination and management of aid flows and the consecutive external indebtedness at Central Governmental level.

Therefore, the present paper reflects actual experience and the search for practical solutions to problems encountered in the field. It puts forward, tentatively, an ideal-type scheme of aid co-ordination and management and then illustrates the prevailing conditions and the present situation in some selected cases – Zaire, Senegal – in which aid co-ordination and management procedures evidence some of the features of the ideal type proposed. This comparative approach, with reference to a conceptually evolved scheme, appears to be the best way to work out for each country aid co-ordination and management structures and mechanisms, taking into account local conditions and constraints without losing the perspective of an overall, standard concept which guarantees satisfactory performance and the successful integration of aid in national economic and social development.

PART ONE

An Ideal Type Model

INTRODUCTION

The two types of action covered by the general title "Aid Co-ordination and Management" are the following:

1. ACTIONS FALLING UNDER ECONOMIC CO-ORDINATION AND MANAGEMENT COMPRISE

(i) To define requirements of aid and of technical assistance (TA) in accordance with national developmental priorities, respecting, to the extent possible, donors' specific interests due to their own established policies and availabilities of human and technical resources;

(ii) To co-ordinate various donors' inputs with local counterpart contributions, with regard to finance, staffing, equipment and timeliness;

(iii) To follow-up closely implementation of aid-related projects and programs* with a view to identifying, at the earliest possible point of time, any delays, hurdles, deviations from set priorities, or major anomalies, including excess costs (for example, recurrent costs) not taken into account before;

(iv) To handle appraisals and evaluations of achievements and failures, and compound from reports of counterpart agencies and donor estimates of future aid needs related to on-going activities or emerging as new requirements.

* Project – an individual, specific unit of developmental action with financing tied to the framework established in advance – represents a much less flexible, but concrete form of aid commitments than programs, whereas programs are large, multi-faceted complexes of actions focusing on macro-economic and sectoral strategies, integrated in wide policy reforms -, implementation of which have an overall economic and social impact.

2. ACTIONS FALLING UNDER FINANCIAL CO-ORDINATION AND MANAGEMENT COMPRISE

- (i) To supply all data for, and to participate in negotiations with donors;
- (ii) To regularly follow-up disbursement of aid and all related costs and expenses globally, as well as project by project or program by program, presenting periodic reports to decision-making authorities and donors;
- (iii) To initiate action by the Government in case of disbursement delays, excess costs, or any anomalies in order to assure successful project/program implementation;
- (iv) To contribute to, and to participate in, the country's external debt management together with the Ministry of Finance and the Central Bank.

It is evident of the above, that aid co-ordination and management are practically synonym terms in the language used in this paper as they represent two interrelated aspects of the same activities; aid co-ordination and external debt management are equally closely intertwined: financial aspects of the former are part of the latter, whereas satisfactory management of the debt burden depends in a large extent on the success of developmental impact of aid projects and programs.

The model described on the following pages is not only coherent, but an ambitious one – a sort of Weberian ideal-type – which can be put into practice only gradually and, probably in the medium term only. Nevertheless, its aim is to stimulate debate and clarify ideas of those concerned – away from "crisis management" toward more lasting and adequate solutions.

A. OBJECTIVES

The objectives of aid co-ordination and management are:

- 1. To assure that financial and TA inflows correspond to broad national objectives as expressed in development plans, public investment programs (PIP) or any other authoritative policy declarations or strategy documents, responding to effective economic and social requirements and needs;
- 2. To assure regular and planned disbursement of funds as well as timely availability of personnel, equipment and other TA together with local inputs, from donors or counterpart national institutions, with a view to the successful implementation of projects and non-project aid programs;
- 3. To control external debt obligations and reimbursements, and periodically to produce balance sheets and previsions, taking into account not only unexpected, that is non-programmed needs, but also aid-related recurrent cost requirements;

4. To enable authorities in charge of the overall management of the national economy, to periodically review the aid process and debt situation and to decide on immediate corrective measures whenever necessary, or to modify medium- and long-term policies in view of the changing conditions.

B. FUNCTIONAL TASKS

In order to realize the objectives indicated above and to enable the Governmental authorities to take appropriate decisions (adjustments in overall project or program implementation, re-negotiation of debt payment schedule, etc.), two functional elements as components of the aid co-ordination and management process, are indispensable:

1. A smoothly and well-functioning information/communication system (data collection/classification, retrieval and dissemination to concerned decision-makers at all levels);

2. A first-order management function consisting in a close follow-up of, first, all aid commitments and project/program implementation, and, second, all financial inflows (disbursed and outstanding) and outflows (expenditures and reimbursements) as well as estimated recurrent needs and emerging, new requirements.

In fact, this first-order management function is expected to lead to a continuing analysis of the economic and financial impact of developmental activities and of the country's debt burden. One of its results should be pinpointing difficulties encountered in project/program implementation either on the donor side (delayed disbursement or delayed delivery of TA inputs etc.) or on the counterpart/national agency side (insufficient preparation, lack of personnel, etc.).

3. Finally, the analytic activities should result in periodic syntheses of (i) the developmental impact of aid as compared to global or sectoral national objectives, as well as (ii) the financial and debt situation, to be presented to the highest national authorities for decisions to be taken (corrective measures in project/program implementation, adjustments between national goals and aid commitments, restriction of short-term commercial credit inflows from abroad, or easing conditions for obtaining selective medium- or long-term financing for investment purposes, etc.). The presentation of periodic syntheses, including all relevant data, to national authorities and donors will make possible, at higher levels, a second-order management process with a view to appropriate decision-making and enforcement.

Besides the periodic, synthetic presentation of the overall economic and financial situation, it is important as well that the aid co-ordination and management organism when it becomes aware of any major anomalies in the aid process or of sudden changes, especially deterioration, in the country's external commitments, immediately alerts the higher-level management authorities to enable them to rapidly intervene and to take the required corrective measures of adjustment. This latter, *ad hoc* aspect of aid co-ordination and debt management is vital for developing countries in today's increasingly uncertain and unstable world economic conditions where adaptability to the "shifting sands" of reality is crucial for survival.

C. OPERATIONAL ASPECTS

The Information System

It must be clear from the preceding considerations that the essential operational element in aid co-ordination and management is the data collection, classification and retrieval system, the basis of all analytical and synthesizing work. The appropriate construal and good functioning of this system is indispensable for the execution of the tasks of the organism responsible for aid co-ordination and management. Consequently, some crucial points of the data collection, classification and retrieval process, based on past experience, will be highlighted.*

1. From the point of view of data collection, the two main sources are: (i) national implementing and/or supervisory agencies, (ii) donor implementing and/or funding institutions. In both cases, the major difficulty is to get data reported at regular intervals, – reports conceived in terms of classification communicated in advance to national or donor organizations by the co-ordination/management office. The data collection process is complicated by the fact that in most cases there will be different sources of economic or financial information in national as well as donor agencies. For instance, local donor representatives might not have up-to-date financial data at all, only their headquarters, or they might have data on global commitments or local expenses, but not on expenditures incurred abroad such as purchase of equipment, cost and tuition fees of scholarship holders, trainees or participants in study tours, cost of sub-contracts, etc.

Therefore, it appears indispensable that Governments officially request donor local representatives to nominate a liaison officer maintaining a continuous relationship with the organism in charge of aid co-ordination and management, and that the officer of the organism handling the relationship with a specific donor should be familiarized with rules and procedures of the latter. The local representative of a donor, if a coherent reporting system and required periodicity are mutually agreed upon, could obtain all relevant data from its headquarters in due time.

The same approach should be followed in co-operation with national agencies, the highest governmental authorities firmly instructing "host" or "focal point" institutions (for example, the Ministry Agriculture for the rural development sector, or the Ministry of Education for the combined culture/education sectors) to nominate liaison officers to report regularly and at prefixed periods, to the aid co-ordination and management office.

* In the following, it is assumed that a computerized information system will handle all data inflows and produce the required outputs on request.

2. In respect to classifications, it is necessary to work out a detailed system, adapted to the specific conditions of a given country (diversification and relative importance of economic and social activities, number and relative importance of donors, etc.). Successive steps of elaboration – trial and adjustment – are generally needed in order to reach an adequate classification system. It is difficult to steer away the work from the extremes usually found: *first*, the too general and therefore vague, and, *second*, the extremely detailed and therefore unmanageable (or practically useless) classification. It goes without saying that the definition of terms has to be very precise if classificatory mistakes are to be avoided.

3. Data retrieval should be guided by the analytical and synthetic needs related to the dissemination of information available and the decision-making process. Nevertheless, a more less comprehensive system of periodic requirements and forms of presentation (descriptive or comparative tables and diagrams, simple aid input/output analysis, etc.) has to be worked out from the beginning in accordance, again, with specific conditions, problems and requirements of the country, – if the computerized information system is to function as expected.

Ideally, the following types of information are expected to be retrieved from collected and computerized data (the list, of course, is not exhaustive):

(i) Descriptive – Giving periodically the status of financial and TA inflows; utilization of funds (project/program expenditure, training, equipment, etc.); progress of activities, and so on;

(ii) Comparative – By donors, sectors, functions, status of negotiation, or time periods concerning disbursements, debt repayment, internal/external reviews or evaluations, progress reporting, etc.

(iii) Advancement Indicators – Showing (in percent, diagrams or charts) activities, financial flows, project/program implementation or any other salient features characterizing the multiple variants involved in aid co-ordination and management, relative to their measurement bases, that is totals, targets, rates of implementation, time schedules, expected delivery dates, and so on.

Discrepancies, need of urgent adjustments, or major anomalies necessitating an immediate intervention on behalf of the national authorities will be considered *ad hoc* cases emerging in the process of data collection, and have to be immediately reported before entering the regular circuit of classification and retrieval.

All three aspects of the specific aid co-ordination and management information system are, of course, equally important. However, past experience shows that the success of these efforts depends primordially on the regular collection of all required data, as it was witnessed in many countries by the difficulties met by UNDP staff in the implementation of a relatively simple exercise, the *Development Report*.

First-Order Management Activities – Analytic and/or Synthetic

The principal outcome of first-order management based on the information system's outputs can be succinctly put as follows:

To be able to give an adequate and correct account, at any given point of time, of the actual status and probable trends of financial inflows and debt settlement outflows, as well as of the progress of all aid-related developmental projects/programs in order to assure that any required, corrective measures are immediately taken, and negotiations and co-ordination with donors carried out by the Government on the basis of comprehensive, accurately interpreted information.

Beside this fundamental purpose of the organism responsible for aid co-ordination and management which corresponds to the synthetic function, i.e., preparation of second-order management decision, the analytical results are expected to be:

(i) Specific input at aid negotiations to secure a complete coherence of financial aid and TA attributions with broad national objectives, plan targets, PIP strategy, and so on;

(ii) Continuous follow-up of the implementation of projects and programs to assure smooth progress, correction of deviations or failures, carrying out minor or major revisions, if required, without delay, – with a view to putting into practice national, developmental strategies, and permitting the authorities regular reimbursement as well as gradual reduction of foreign indebtedness;

(iii) Early identification of emerging problems or apparent anomalies leading, in close collaboration with the implementing agency, to modification of design or objectives, of resources provided, or modalities and procedures stipulated, that is, removal of constraints impeding the progress of the project or program cycle;

(iv) Accurate and detailed input for purposes of external debt management in form of periodic balances and prevision, of outstanding donor commitments and outstanding debt obligations; of aid-related recurrent cost requirements and qualified estimates of non-expected, non-programmed needs;

(v) Co-operation with other debt management agencies in global debt management; for example, with the Ministry of Finance concerning structural adjustment loans, IMF stand-by agreements or compensatory facilities, or with the Central Bank in respect of short-term commitments or various types of commercial debt.

D. INSTITUTIONAL CONTEXT

On the basis of experiences made during the last quarter of a century, and in view of the vital importance of aid co-ordination and debt-management for developing economies, especially in Africa, it appears necessary to locate the organization responsible for these activities in the Prime Minister's office, or under the aegis of any other governmental department (such as a National Development Planning Council, for example) which has authority for guiding and supervising all other administrative, para-statal and even private sector (Professional Associations, Employers¹ Federations, Chamber of Commerce and Industry, etc.) bodies.

It happened many times in the past that governmental organisms in charge of aid co-ordination and management were located in line Ministries with functional responsibilities which did not have the necessary constitutional authority over the various concerned national organizations to impose an effective co-ordination and management of aid inflows and their utilization. When aid co-ordination and debt management are assigned to the Ministry of Finance, as is the case frequently, the planning-related aspects of aid co-ordination get much less emphasis than debt management, not only because of a Finance Ministry's propensities, but also because of the great international publicity given to problems of indebtedness of developing countries leading to a perpetual "crisis" management.

Problems also arise when planning-related or economic aspects of aid co-ordination are separated from debt management aspects, but the later still tend to dominate. It happens all the more frequently that:

(i) Planning ministries handling aid co-ordination from economic point of view have normally a much weaker position in the governmental structure of many countries than the Ministry of Finance or the Central Bank, or even some sectoral Ministries;

(ii) The World Bank, the leading multilateral aid agency, puts generally a much greater emphasis – by definition as a banking institution – on financial, budgetary procedures and results, and therefore gives its guidance to, and acts through, the Ministry of Finance;

(iii) Even when economic planning and finance functions are united in one ministry, the former are not really integrated in the aid co-ordination and management processes;

(iv) As a result of the above, and related to World Bank policies, Public Investment Programs (PIP) are frequently prepared without taking into consideration global economic (planning) needs and objectives (by the way, the importance given to PIP preparation is, ironically, carried out most of the time at the expense of efforts praised and willed by the international donor community, in favor of the private enterprise).

As a consequence, we can conclude that it is inevitable that economic and social development planning as well as financial and budgetary management of the economy represent vertical (spatially decentralized, for example, between regions and centre) or horizontal (line ministries, para-statal, private sector institutions, banking system) interaction processes, being centered around multiple institutional focal points. Therefore, it appears as an essential prerequisite of effective and efficient aid co-ordination and management to locate this co-coordinating body at the highest level of the governmental hierarchy.

Nevertheless, at most stages of the aid co-ordination and management process, other governmental or public institutions involved in it will have to be closely associated with first and second-order management activities and decisions. In this way, aid co-ordination and management may well be a powerful, integrative factor contributing to the necessary building up of institutional linkages.

PART TWO

Zaire and Senegal

ZAIRE

THE NEW AID CO-ORDINATION AND MANAGEMENT STRUCTURE WITH EMPHASIS ON ECONOMIC EFFICIENCY

Since 1983, the Republic of Zaire decided to implement economic and financial structural adjustment programs accompanied by three successive stand-by agreements concluded with the International Monetary Fund (IMF). These programs scored important successes in the economic, financial and budgetary sectors in 1983 and 1984, but since mid-1985, economic aggregates and growth indicators took a downward turn and the highest political authorities of Zaire undertook a revision of economic policies without, however, abandoning the formerly agreed upon structural adjustment programs. The critical issue concerning which new solutions were searched for was the burden of reimbursement of foreign debt (almost 50% of the budget or 25% of export receipts) leading to a net overall financial transfer to foreign creditors as the inflow of capital and aid did not match the annual volume of capital and interest repayments.

It was decided to re-examine, in view of the above, (a) the objectives of the 1986-1990 Five-Year Plan, (b) the role of foreign assistance, (c) all agreements concluded with foreign partners, and, particularly, d) the existing agreements on foreign aid and assistance envisaging their eventual re-negotiation.

(a) *The Committee of Coordination of External Resources* In this particularly difficult context, the crucial role and function of the Committee of Coordination of External Resources (Comité de Coordination des Ressources Extérieures or CCRE), created at the time of the launching of the first Structural Adjustment Program (SAP) in autumn 1983, became evident for the success of the Government's economic and social development policies. Originally, the CCRE was assigned the following tasks:

(i) To accept, distribute between authorized recipients, and supervise the utilization of external resources provided on a bi- and multilateral basis;

(ii) To follow-up on the implementation of projects in order to ensure their efficient execution in accordance with the time-table agreed upon and arrangements concluded with donors;

(iii) To carry out routine inspection and conduct investigations, if necessary, and submit relevant reports to the Executive Council with recommendations aiming at the improved utilization of the resources received.

It was emphasized in the Presidential Decree creating the CCRE that all bilateral or multilateral aid and assistance ought to be exclusively channeled through it and their utilization had to be supervised by the newly created organization as well. With this provision the centralization of the administration and management of all foreign aid was in principle achieved and the organization reported to the Executive Council (Council of Ministers). The CCRE, under the presidency of the Ministry of Foreign Affairs and International Cooperation, was composed of representatives of the President's and Prime Minister's Cabinets, all ministerial departments operating in the economic sector (with the exclusion of the social sector ministries), the Bank of Zaire and the National Association of Enterprises.

In order to ensure the efficient coordination and supervision of foreign aid flows and their utilization, the Government set up three Commissions to facilitate the work of the CCRE:

- The Commission of Follow-up to the Consultative Group (OG)
- The Commission for Bilateral and Multilateral Programming
- The Commission for Claims and Disputes

(b) The *Commission of Follow-up to the Consultative Group* Of the three Commissions the first worked out its own terms of reference. Composed of the representatives of all members of the CG, it is a consultative organism to the CCRE; its Secretariat, called the "Cooperation and External Resources Unit" ("Cellule de Coopération et des Ressources Extérieures"), was located in the Ministry of Planning.

The tasks of the Commission, as defined in its Terms of Reference, embrace all main aspects of aid coordination and management with a view to help the Government in the implementation of its investment program, and to ensure that activities undertaken in cooperation with donor agencies are in line with Governmental policies and priorities. The Commission's tasks can be summarized under three headings:

(i) Global Policy

— Supervision of the implementation of the economic and financial adjustment program and of the follow up measures accompanying it;

— Examination of the effects of monetary adjustment and inflation which are consequent to the overall adjustment program.

(ii) Economic Policy

— Definition of, and follow up to, sectoral strategies;

— Implementation and updating of the public investment program, with particular emphasis on: (i) inter-sectoral priorities, (ii) implementation problems (technical, financial or administrative) arising out of decisions taken by national authorities or donor agencies, and possible solutions thereof; (iii) preparation of new project profiles, (iv) effects of recurrent costs on the national budget.

(iii) Financial Policy

— Follow up on the status of foreign aid pledges in comparison to the needs and priorities of various economic sectors; identification of new projects and initiation of pre-investment studies;

— Follow-up on disbursements of foreign aid in comparison of projections and requirements as well as with reference to the reimbursement schedule of foreign indebtedness, – the latter in order to measure the volume of net transfer and to pinpoint the obstacles disbursements as envisaged.

(iv) Watch-dog Role

— Identification of important impediments to development (technical, financial or administrative) at the inter-sectoral level, and proposal of adequate solutions to eliminate them;

— Examination of the general evolution of technical assistance with reference to accumulated past experiences and present and future requirements.

In the framework of these large policy and management objectives, the Commission was expected:

1. To set up in Kinshasa a permanent mechanism of coordination between the meetings of the CG to be convened at least twice a year and representatives of Zaire were to harmonize in advance their point of views in order to take unified positions during the deliberations of the coordinating mechanism;

2. To contribute to improved basic information flows necessary to the realization of policy and management objectives;

3. To encourage the enhancement of the impact of public investments and foreign aid on the economy.

Under the authority of the Commission *ad hoc* sectoral working groups were created:

- To examine sectoral policies and their implementation, including the timely disbursements of foreign and governmental funds;

- To co-ordinate donors' activities from a geographical and functional point of view, in order to ensure that specific projects were in line with governmental policies and priorities;

- To study the estimated costs of projects and other related propositions of governmental departments;

- To study new projects proposed by either Governmental administrations or donor organizations.

Finally, the Commission spelled out three fundamental conditions to be fulfilled by the Executive Council without which the Commission could not carry out efficiently its task of coordination:

First, formulation of public investment programs reflecting a well-defined national development policy, broken down into sectoral priorities, and incorporated into a series of projects, – expected to be coherent, well analyzed, maximizing the benefits thereof for the national economy, and in agreement with global strategies based on the potential available in the country;

Second, creation by the Government of an information flow – exact, standardized and regular, – on all macroeconomic, sectoral, financial, budgetary, social and commercial effects of economic policy and management;

Third, setting up a dynamic, efficient and competent secretariat.

(c) *Directorate of the Co-ordination of External Resources.* The Directorate of the Co-ordination of External Resources (Direction de la Coordination des Ressources Extérieures – DCRE) functioned until autumn 1987 as the 'Co-operation and External Resource Unit' of the Ministry of Planning, and its essential task was to serve as secretariat for the Committee of Co-ordination of External Resources and its commissions. The welcome upgrading of the unit to a directorate of the Planning Ministry meant that its responsibilities were greatly increased though it continues to serve as technical secretariat of the above national or joint (Zaire/Donors) organisms.

The decree establishing the new directorate assigns to it the following tasks:

- (i) To harmonize all activities of the Ministry of Planning aiming at the mobilization, co-ordination, management and utilization of external resources with reference to the objectives and priorities of the Five Year Plan, including participation in the evaluation of resource requirements and preparation of detailed requests to be submitted to the donors as well as in the negotiation, programming and follow-up to all external aid and assistance;

- (ii) To liaise between the Government and its foreign partners, on the one hand, and the Ministry of Planning and all other national organizations and institutions recipient of external aid, on the other;

(iii) To collect and process all information concerning external aid such as technical assistance, aid in capital, food aid, or assistance by non-governmental organization, in particular:

- Analysis of aid flows, their components and their evolution in time,
- Sequential classification of projects (project phases and implementation phases),
- Geographical classification of projects by location and aid source,
- Sectoral classification of projects according to the nature of assistance (technical assistance or capital aid),
- Follow-up disbursements, comparison of effective disbursements with previsions, analysis of discrepancies, etc.

(iv) To prepare reports on disbursements of aid by type and by source including bi- and multilateral financial aid programs such as stand-by credits, etc.,

(v) To disseminate the collected information, processed and synthesized, that is, to produce statistics on aid;

(vi) To establish project proposals to be submitted for financing to donors, – that is, programming multi and bilateral aid;

(vii) To provide technical support to, and serve as the secretariat of the Committee of Co-ordination of External Resources and its Commissions;

(viii) To follow-up the preparation and implementation of public investment projects with a view to negotiations with donors for their financing;

(ix) To follow-up the implementation of all projects with national counterpart institutions and organizations in order to systematically identify bottlenecks, anomalies, or delays, due to factors originating from either the governmental or donors' side, in view of increasing the absorption capacity of the Zairian economy in relation to foreign aid.

The Directorate is organized in three divisions – Multilateral Aid, Bilateral Aid, and Co-ordination of Technical Assistance Activities, – each with bureaus set up in accordance with geographical, institutional or functional criteria. The Multilateral and Bilateral Aid Divisions are also expected, in addition to the actions listed above, to carry out periodically analyses of the financial implementation rate by sector, by source of financing and by region, and to put forward proposals to improve performance if rates are lagging behind expectations. The Division in charge of technical assistance activities will be responsible for collecting, processing and dissemination of information, technical support to the commissions, global aid management (overall programming) and elimination of bottlenecks, delays, or anomalies.

It is most important that the Directorate will be the exclusive partner of donor organizations in dealing with problems emerging in the course of the implementation of projects whenever requested by the donors, in order to facilitate finding solutions to these problems and to speed up the putting into practice the new measures (administrative, technical, financial, etc.) agreed upon by both partners.

(d) *Directorate of Programming and Budgeting.* Following the transformation of the Co-ordination and External Resources Unit into a Directorate of Co-ordination of External Resources (DCRE) early last fall, a new and important department was created in the Ministry of Planning, under the name of Directorate of Programming and Budgeting (DPB). This Directorate is in charge of programming all investments, except those financed from external resources and of their inclusion in the Equipment and Current Expenditure Budgets. Investments financed out of external resources are programmed by the DCRE, though the DPB is responsible for the inclusion of national, counterpart expenditure in the Equipment Budget and for the inclusion of recurrent costs in the Current Expenditure Budget.

A parallel division of labor was set up between the two directorates concerning follow-up activities: the DPB takes care of the physical follow-up of implementation in co-operation with technical ministries and beneficiary organisms, whereas DCRE handles financial follow-up (disbursements, loans, grants, and technical assistance). In the new system of management, follow-up activities are widely interpreted, that is, instead of an 'ex-post' follow-up the two Directorates are expected to actively intervene in the decision-making process in respect of the Five-Year Plan and secure guidance in the preparation and updating of previsions. In the financial domain, the DCRE ensures the financial follow-up until the final credit disbursements – the reimbursement procedure is handled by the Office for the Management of External Public Debt (OGEDS) of the Ministry of Finance.

As a matter of course, all these activities are utterly dependent of regular and relevant information flows; therefore, a proper computerized system between various concerned departments is set up at present.

(e) *Inter-Ministerial Co-ordination.* The final step in the global co-ordination of public sector management in Zaire was undertaken end-October 1987 through the nomination of a Deputy Prime Minister responsible for the overall co-ordination of the economic and financial sectors. He oversees the following ministerial departments each headed by a 'Ministre Délégué' (not junior ministers but ministers having their authority delegated to them by the Deputy Prime Minister): Economy and Industry; Finance; Budget; Public and Para-statal Enterprises; and finally, Planning. The inter-ministerial co-ordination, the principal objective of which is the implementation of the Structural Adjustment Program (including the PIP almost entirely financed by external resources), is carried out at the weekly meetings of the Inter-Ministerial Co-ordination Committee. The latter, composed of the above-mentioned departments and chaired by the Deputy Prime Minister, frequently requests the participation of technical ministries if the subjects discussed (agriculture, transport, energy, etc.) concern their respective sectors.

Conclusions

The foreign aid co-ordination and management structure of Zaire, as described above, is well designed though complicated, and it is approaching the ideal-type model spelled out in the first part of this paper. It is the only case reviewed by the author, in which the economic and financial aspects of aid co-ordination and management are closely linked and given equal importance.

However, some aspects of the system – essential to its efficiency and success – are not clearly dealt with:

First, the data collection and retrieval process, – data related to foreign aid, project implementation, financial and budgetary implications, – does not appear to have been designed in all details and with all required specifications and modalities; it is thus not clear who will ensure and manage the indispensable flow of data;

Second, the complicated nature of the structure recently established may lead to overlapping and conflict of competence between departments and directorates (for example, Ministry of Budget and DEB) handling the same, or intertwined, problems;

Third, the success of the Zairian aid coordination and management structure will depend entirely on the effectiveness and efficiency of the persons or organisms involved in the co-ordination of various types of activities, based on the continuous flow and availability of information.

SENEGAL

SEPARATION OF AID CO-ORDINATION AND MANAGEMENT FUNCTIONS

The case of Senegal is included here to give an example of a country where the aid coordination and management structure is separated. Aid coordination is carried out by the organizations supervising the implementation of the Government's global economic and financial policies and strategies, whereas the economic management of aid is the responsibility of sectoral ministries or other relevant services, and the financial management is handled by the Ministry of Finance and the Central Bank (Banque Centrale des Etats de l'Afrique de l'Ouest, BCEAO).

The Government of Senegal, after having launched in 1980 an Economic and Financial Recovery Program covering the years 1981-1985, initiated in 1984 a thorough revision of its policies and decided to carry out a more comprehensive "Medium- and Long-Term Economic and Financial Adjustment Program" (Programme d'ajustement économique et financier à moyen et long terme or PAML), extending over the period 1984/85-1992/93.

The main targets of the PAML are the following:

- Privatization of a substantial part of State-owned enterprises and other publicly owned entities;
- Progressive reduction of the total volume of State subsidies (expected to be reduced by 50% by 1989/90);
- Improvement of the efficiency in the supervision and control of the public sector;
- Setting exact performance criteria, and
- Speeding up the liquidation process of bankrupt enterprises or organisms and closure of those which fulfilled their statutory objectives.

The PAML was presented to donor organizations' representatives at the first Consultative Group meeting in Paris in December 1984. The program was received with approval and renewed pledges of support to Senegal's efforts to reach a basic equilibrium in her economy.

In January 1985, the Government set up an Inter-Ministerial Council of Supervision of the implementation of PAML and a Technical Committee of Follow-up to it (Comité Technique de Suivi du PAML – CTS). The Inter Ministerial Council is chaired by the Head of State and its secretary is the Minister of Planning and Cooperation. The CTS is the secretariat of the Inter-Ministerial Council and its Coordinator a high-level civil servant who reports directly to the Minister of Planning and Cooperation.

This structure was evidently placed at the highest level of the State hierarchy to ensure its effectiveness and its possibility of intervention in all economic and social sectors of the country. However, coordination of foreign aid is only one of the tasks assigned to the CIS – it is included in the overall coordination and supervision of the adjustment program.

The Inter-Ministerial Council to be convened every three months/ is responsible to:

- Follow up the realization of the general economic policy objectives of the Government as well as of those related to sectoral strategies;
- Co-ordinate actions to be taken by all ministerial departments;
- Follow up implementation of various action programs launched by the Government.

In the framework of the wide powers of initiative, follow-up and supervision of the Inter-Ministerial Council the CTS has to conduct the following actions:

1. ACTIVITIES RELATED TO ITS FUNCTION AS THE INTER-MINISTERIAL COUNCIL'S SECRETARIAT

1.1 Co-ordination of the preparation of all documents to be submitted to the Council by ministerial departments and other technical services;

1.2 Preparation of the minutes of the Council's meetings;

1.3 Technical supervision and control of the implementation of the Council's decisions;

1.4 Submission to the Council of minutes of the joint meetings held by CTS with the local coordinating committee of donor organizations;

1.5 Carrying out all tasks the Council assigns to the CTS such as, for example, resource mobilization, participation in negotiations on financing of projects and programs, creating awareness among the Government's partners – national or foreign, etc.;

1.6 CTS, in general, will have to assure the regular diffusion of information about the implementation of PAML destined to the international community or to the Senegalese people.

2. FOLLOW-UP OF PAML

2.1 Follow-up on the disbursement of foreign aid resources; permanent updating of synthetic tables showing status of disbursement of external resources in order to co-ordinate them with available national resources;

2.2 Follow-up on national inputs and the impact of the PAML on the economy. that is, on the respect of engagements taken by Senegalese authorities together with donors in order to secure

the successful implementation of the PAML. However, each ministerial department will be in charge of the detailed follow-up at national level. Consequently, CTS will only proceed to synthesize data; it will define macro-economic indicators and continuously observe their evolution in respect of the implementation of PAML. On this basis, periodical follow-up reports are to be submitted to the Inter-Ministerial Council.

2.3 Co-ordination of the preparation and continuous, detailed updating of the adjustment program and of the measures taken or steps to be taken to make it operational. In fact, once again the CTS will be co-coordinating the work of all involved national organizations which will be responsible for detailed work plans and action programs; this implies the reinforcement of inter-sectoral co-operation what CIS has to facilitate through convening meetings of organisms active in different economic or social sectors.

3. DIALOGUE BETWEEN THE GOVERNMENT AND ITS FOREIGN PARTNERS

All follow-up activities to the PAML require a close co-operation between the Government and the donors participating in the Consultative Group. CTS carries out this foreign aid co-ordination function, together with the World Bank representation in Dakar, through, first, the supervision of the preparation of the meetings of the CG by the respective technical departments and services concerned either with global or sectoral problems; and, second, as the counterpart organization of the local co-ordination committee of donors, composed of technical advisors of their representations in Senegal. At monthly meetings, this committee and CTS regularly evaluate the progress of the PAML and of sectoral action programs.

Conclusions

As stated earlier, the structure described above assumes only the foreign aid co-ordination function but not the responsibility for the economic and financial management of aid. Therefore, it has a much more limited role than similar institutions in other cases. It should nevertheless be noted that the Senegalese model evidences a great advantage as foreign aid co-ordination is seen as part of, and entirely linked to, the implementation of the Government's economic policy objectives and sectoral strategies, encompassed in the Structural Adjustment Program. On the other hand, it is a shortcoming of the system that information collection and retrieval are not explicitly built into the model, although CTS made some efforts to develop an information flow between various departments and services involved in the implementation of PAML. The sectoral group meetings were a good start in this respect.

Proposals

of the Ministry of Commerce of Afghanistan

at the TCDC World Conference

Concerning Possible Fields of Technical Co-operation

With Other Developing Countries (1977)

The following proposals are related to the promotion of exports, directly (processing of products) or indirectly (packaging), as well as to questions in respect of import substitution. They mainly concern use of local raw materials, do not require heavy capital outlays, with the exception of paper production, offer job opportunities in the rural areas and, in one case, may have a considerable social impact (handicrafts),

1. *Small- and medium-scale fruit and vegetable processing*

Afghanistan has considerable fresh fruit and vegetable surpluses which are not consumed domestically and cannot be exported but to neighboring markets because perishable. It is therefore crucial from the point of view of increasing farmers' incomes as well as export receipts to process them; in canned or dehydrated form, or as juices, jellies, marmalades, etc. their transportation to more distant markets would be feasible and they could represent considerable earnings if their quality would be up to world market standards.

In addition, processing of fresh fruits and vegetables would also enable Afghanistan to export second and third quality fresh products and through this significantly increase exportable volumes.

The present world market is booming for first quality processed products if, of course, their packaging and labeling is up to accepted standards and their prices are competitive; for example, apricot halves in a simple syrup for preservation, packed in 5 kgs tins, are very much looked for by food industries (fruit salad production), a product what Afghanistan could easily export probably in large quantities,

2. *Medicinal herbs*

The collection and processing of medicinal herbs and spices, preceded by correct identification of plants and location of producing areas, should be re-organized and small- and medium-scale processing facilities established. It is sufficient only to refer to liquorice root exports to evidence how much extraction of liquorice essence would facilitate transportation and increase added value and export receipts. Organized production of spices at industrial plantations would as well be very beneficial to the national economy, especially as climatic and soil conditions seem to be favorable for their cultivation. Assistance could be requested in this sector from India and Romania.

Unfortunately, at present it is not well known which fruits and vegetables are available in commercial quantities, in which provinces or areas, what small- and medium-scale processing facilities (cottage industry) should be foreseen and where they should be located. However, the Export Promotion Department and the ITC/UNCTAD/GATT Export Promotion Project in the Ministry of Commerce will hopefully submit to the Government a 'master plan' in respect of this subject in about six months time, on the basis of which co-operation plans with developing countries may be negotiated in the future.

In this respect, the following developing countries, having the required experience, could be called upon: Algeria, Egypt, Kenya, Mexico, Romania, Turkey and Yugoslavia.

3. *Salt refining*

Local salt production would seem to justify better refining capacities for (i) edible salt production, and, importantly, (ii) for industrial use. For example, in the animal casings processing the presently used, locally produced rock salt is most inconvenient (salt imports for such purposes are prohibited) and stands for 25 to 30% of damages.

4. *Animal casings processing*

Animal resources represent one of the greatest wealth of the country, and export prospects for animal products are brilliant. Animal casings, perhaps the best in the world by their natural qualities, could be much more important export earners as hitherto (1 to 2% of total exports) if their collection, processing and packaging could be substantially improved. For example, organizing systematic collection and timely washing and cleaning (a question of hours) would result in keeping the lively, natural color of casings and eliminate their grayish coloring, a great handicap in export marketing. In the same vein, observance of hygienic standards during processing, prescribed by importing countries' authorities, would also be essential. It is estimated that through such quality and packaging improvements, exports of animal casings could be increased five or ten times and fetch premium prices at the same time; thus, revenues of the rural population would increase considerably, all the more as much waste could be avoided.

Algeria and Turkey, for example, could be of assistance in this field. Turkey's export performance in recent years is most encouraging.

5. *Skins processing up to the stage of finished leather*

At present, the most important export earners among livestock products of Afghanistan are hides and skins. Processing of skins reached the pickling and wet-blue stages, and only two firms, with limited capacity, produce some finished leather. It would be most remunerative to upgrade the tanning industry's capacities to export finished leather, not only in view of much higher value added and export earnings, but also because demand in industrialized markets is shifting more and more towards import of finished leather as a result of high earnings of people in those countries. Once again, as Afghan sheep and goat skins are considered among the best of the world, no export marketing difficulties for leather can be foreseen if proper quality is produced.

Kenya, India, Pakistan and Turkey may have the appropriate experience in this field to assist Afghanistan.

6. *Raw silk manufacturing*

During the last few years, silk cocoons were exported in growing quantities and only some hand-loomed silk as handicraft products. It would be much more profitable for the country to establish, in selected areas, raw silk manufacturing facilities as a FAO study already demonstrated it. Actual FOB export price for silk cocoons is around US\$ 12 000 per ton, for raw silk it would be around US\$ 30-35 000 per ton.

Of course, silk manufacturing should be supported by measures towards more extensive and large-scale silk worm husbandry.

The Republic of Korea is well known for its experience in silk production and could be requested for assistance.

7. *Establishment of a packaging industry*

Only one firm producing packaging material – corrugated cardboard boxes from imported sheets – is at present known in Afghanistan. Packaging of most exports is entirely unsatisfactory, for example fresh products are packed in gunny bags, with the exception of bulk raisins which are transported in those cardboard boxes. Therefore, no real export drive can be planned without the development of a national packaging industry using mostly locally available raw materials:

(i) Wood packaging: mainly for fresh agricultural products; popular wood and similar varieties are available in Afghanistan. It should be developed as a cottage industry with simple mechanical equipment.

(ii) Canning facilities for processed fruits and vegetables; import of tin sheets would not be too expensive to out price export products on foreign markets.

(iii) Glass containers: hollow glass production would not only substantially contribute to export promotion (fruit juices, jellies, etc.), but – more importantly – to import substitution. Requirements of the pharmaceuticals and soft beverages industries are to be taken into consideration in this respect.

(iv) Plastic packaging materials: it may be possible to develop production of plastic containers and sheets for packaging using first imported base products, later those manufactured by local petrochemical industries. Importance of such packaging materials are evident for export promotion (dried fruits, nuts, dehydrated vegetables, carpets, etc.), but also for substitution of imports (pharmaceuticals, veterinary products, and so on).

(v) Paper-based packaging: not only for cardboard box production, but mainly for retail (or consumer) packaging purposes, for example for raisins (see point 8).

8. Pulp and paper manufacturing

Locally available raw materials would certainly make profitable paper manufacturing which, in turn, could have a multiplier beneficial effect in such other Industries as packaging. For instance, the trend for raisin and dried fruit exports is packaging for retail sales: an estimated additional cost of 250 gms boxes is about US\$ 200 per ton of raisins. Afghanistan should export 80% of its raisins in such retail packages in the 1980s; calculating that 80% of total exports would be 50,000 tons, the annual foreign exchange savings would amount to US\$ 10 million if boxes could be produced locally.

9. *Handicrafts*

The Afghan Handicraft Promotion Centre, which functions under the supervision of the Export Promotion Department of the Ministry of Commerce, should create a network of rural handicraft co-operatives in order to be able to reach large segments of the rural population and promote handicraft activities among unemployed, seasonally jobless or family members. Rural Income could substantially be raised through, such activities. The co-operatives would assist producers in all aspects of handicraft production, especially vocational training, supply of small equipment, import of materials, etc. A complete project document is readily available in the Ministry of Commerce in respect of such assistance.

Assistance from India would seem to be most appropriate.

As far as possible assistance of Afghanistan to other developing countries is concerned, the Ministry of Commerce suggests preparation and management of, as well as follow-up to participation at international trade fairs and exhibitions. Several young Afghan officials were thoroughly trained in these activities and are capable to handle them independently as well as to assist trade fair organizations or export promotion institutions of other developing countries in this field.

Basic Aggregates of the National Economy

A System of National Accounts

**(Training material based on the principles and recommendations
of international organizations)**

by

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August 1977

1. The production, distribution and use of goods and services involve many complex processes and to understand these processes better an increasing amount of information is being gathered all over the world. As the volume of this information grows there is an increasing need to systematize it and to put together the mass of detail into a coherent picture of economic structure. The efforts to do this have taken a number of distinct, but partially related, forms. One is mainly concerned with the concept and measurement of national income and product and their development into a system of national accounts. Its usefulness lies in the fact that it gives a systematic presentation of the major economic flows in the framework of a comprehensive accounting system and that it facilitates the understanding of the statistical relationships among these flows.

2. Even a simple inspection of the figures, for a given year or over a period of time, yields information on certain structural properties of the economy which is a useful background for public policy formulation. For instance, it is relevant to know what part of the total product of the economy is devoted to consumption as opposed to capital formation; the extent to which the economy is dependent on foreign trade; the part which is played by foreign aid in providing the goods and services absorbed by the economy; the relative amounts of production originating in various sectors, such as agriculture, manufacturing and trade; the extent and the manner in which different parts of the economy make saving available for capital development; and other pieces of information of similar kind. Useful conclusions can be derived from such factual information without any elaborate analysis. Even a rough quantitative picture of the economy is valuable for many administrative purposes even if data do not attain a high degree of quantitative precision. National accounts are also useful because they provide a systematic framework for assessing the probable course of economic developments and the nature and extent of the adjustments needed in the available instruments of government policy.

3. The aim of national accounting is to describe the structure of an economic system in terms of transactions. Production is taken as a basic concept, it may be subdivided according to its uses; the products and their valuation is thus defined. In addition, the expenditure on these products must be considered and is traced back to its ultimate source either in domestic productive activity or in the rest of the world. By setting out the matter in this way a complete description is given of the transactions in an economic system and, consequently, this network of transactions is presented in terms of a system of accounts.

Section 1: *THE DEFINITION OF THE VALUE OF PRODUCTION*

4. Production is a basic concept which can be described as the provision of goods and services. Not all production, however, in this broad sense is included in the concept of economic production which enters into national accounting. It is, therefore, necessary to state as clearly as possible the line of distinction between the two productions.

5. In a monetary economy all goods and services are included in the concept of production if they are exchanged for money. However, it is obvious that a mere summation of commodities traded during a period would result in a measure of gross commodity transactions or turnover, rather than in one of the true, unduplicated production of the economy. Accordingly, two types of transactions must be excluded of the production:

(a) The value of *intermediate products*, that is commodities which are used up in the production of other commodities, and

(b) Isolating final products, that is commodities which have not been purchased and charged to current cost by other producers in the same period – *stocks* – and so cannot, in that period, form part of the value of the production of other commodities.

6. The required total of production free of duplication can be obtained in two ways. The first method consists in summing up the value of the gross output (sales plus the increase in stocks) of all producers and to deduct from this total the purchases of these producers from other producers, the intermediate products mentioned before. A net figure of this kind can be obtained for each producer separately and represents the value added by him to the value of the intermediate products with which he starts and hence his contribution to the total value of production. Looked at from a different point of view, this value added represents the wages, profits and other forms of income that accrue in productive activity. The second method consists in the following: In the calculation of net outputs, as described above, the value of all intermediate products appears positively as the output of one producer and negatively as the input of another producer. As a consequence all intermediate products may be cancelled out and the value of total production may be obtained by summing all final products as defined above.

7. These ways of deriving the total value of production are equivalent but their subdivision leads to three distinct classifications of the total:

(i) *Aggregate value added* may be subdivided to show the portion of total production originating in various producing units which may be grouped together by industry, by legal form or by other institutional categories;

(ii) The income shares which make up this value added may be recombined to yield the *aggregate of each type of income* generated in production;

(iii) Lastly, the total value of final products may be classified by product to show the *composition of the final output of the economy*.

8. In order to apply the foregoing notions, a definition of producer is needed. At first it may be supposed that transactors, that is, the producing and consuming entities in the economy, can be exhaustively and exclusively classified as either enterprises or households and that producers can be identified with the former category. Given this definition of the producer, it emerges that two types of final output may be distinguished. The first of these represent purchases by households from enterprises and the second represent purchases by enterprises which have not been charged by them

to current expense. The former is usually termed as *consumption expenditure* when viewed from the standpoint of households and the latter consists of *capital formation* in fixed assets and stocks.

9. Therefore, the limit of production as used in national accounting can be first drawn by separating households from enterprises and then separating two types of purchases by enterprises, namely those which are and those which are not charged to current cost. The production accounts of enterprises show all sales but only the purchases which are charged to current expense and are the intermediate products.

10. The distinction between enterprises and households is not in all cases sufficient to draw the limit of production as required. In the simplest case, households may buy direct services, such as domestic services, from other households. This can be done by recognizing a limited amount of production within households. One could say that what flows out of the "production account" of a household is the final product and should be included in the concept of production. In addition to this case, in which households render direct services to each other, the separation of transactors into households and enterprises raises problems as many households are engaged in activities which reasonably should be regarded as part of production. For instance, farm households are not only households from the consuming point of view but also enterprises engaged in agricultural production. These two aspects of their activity must be separated. These households usually produce agricultural products for their own consumption as well as for the market and the value of their auto-consumption must be imputed to their production, i.e. their net profit of production will include in addition to the net return on sales to the market a net return also on the value of the home consumed output. In industrialized economies, in which monetary exchange and the division of labor have progressed far, the separation of households from enterprises and the inclusion in the total product of production for home consumption, do not constitute important practical problems in national accounting because by far the greater part of production takes place for sale in the market by enterprises which in most cases are clearly defined. In developing countries, however, the reverse is the case and so it is important to set up clearly defined roles for drawing the limits of production.

11. The existence of government activity gives rise to further problems and these are solved in exactly the same way as for households. Government engages in selling and producing activities analogous to those which take place in business enterprises and these activities are separated from those of the general government. General government activities are treated like the activities of households. The hiring of the direct services provided by civil servants and members of the armed forces is dealt with as a household to household operation. The same treatment is adopted in case of private non-profit institutions although quantitatively the activities of these institutions will usually be of comparatively minor importance.

12. In defining production no distinction has been made so far between legal and illegal operations. It is proposed to include in production only activities in which the receipts are obtained with the free consent of the payer. Distributive activities on black markets would form part of production under this definition while the proceeds of thievery would be excluded.

13. Once the limits of production established, it appears clearly that certain flows will be found to cross the boundary. These flows can be described as to make up the constituents of *final product*.

The concept of final product thus obtained will not be altogether satisfactory because the production accounts of actual enterprises (or, for that matter, households) will not necessarily show just the flows which it is reasonable to regard as passing the boundary. For instance, coal mining companies sometimes provide free coal to their employees which, however, they do not show as part of wages but instead as coal consumed in internal operations. Since from the standpoint of the miners it is reasonable to assume that the free coal which they receive is part of their consumption, an imputation of sales of coal to miners by the mining company is made in the production account matched by a corresponding flow of imputed wage payments in the opposite direction. As a consequence, the free coal received by miners flows across the limit or boundary of production and intermediate products are converted into final products. The sum total of final products is thus made larger by the imputation. In principle, the converse of this situation may arise and products actually leaving the realm of production, and hence constituting final products, may be deemed to represent intermediate products. For instance, under certain contractual agreements, miners are required to purchase working tools such as lamps and explosives out of their monetary wages. It would be reasonable to regard these expenditures as direct business costs. This would involve a downward adjustment in the wage payments of the mining company and a corresponding upward adjustment in its intermediate purchases. Final products would be converted into intermediate products and the sum total of final products would be diminished. In practice, imputations of this type are rarely made in national accounting. As a general rule these types of imputation in national accounting are confined to cases in which a clear-cut benefit, supplementary to monetary wages, accrues to employees, and to the opposite cases in which parts of wage payments must be diverted to purchases that have obviously no direct utility to the wage earners. No allowance is made for the broad range of business costs which contribute to the amenities of working life such as better sanitary conditions in factories. Similarly no adjustments are made for the fact that much expenditure by consumers, such as expenditures on the journey to work, contain an element akin to business experience (but all these are, of course, deductible for taxation purposes).

14. In the case of government similar problems arise when expenditures of use to business are provided by the government. These expenditures appear as final products even though it might be possible to regard them as intermediate products. For example, seeds, fertilizers and other supplies given free of charge to farmers through agricultural experiment stations might be treated as intermediate products by replacing government purchases of these products by an imputed subsidy to farmers. It is difficult to think of quantitatively important cases in which a clear-cut separation of the business element in government services could be made and in practice such imputations are not attempted in national accounting.

15. *Gross and net concepts:* Fixed capital used up in the process of production has not been included so far in the commodities purchased by different industries. Consequently, product has been defined only on a gross basis, that is, before any provision for the consumption of fixed capital. Since this consumption is similar to the consumption of raw materials and the like, it is desirable to have a concept of *net product* in which provision for the consumption of fixed capital is deducted from the gross total. In a stationary economy, in which the quantity of fixed assets in use remains the same and does not change in quality, these provisions can be defined so that in each year they are equal to the replacement needed. In an economy, however, in which the stock of assets is changing in quantity, it is not equally simple to set up corresponding rules, and if the rules appropriate to a stationary

economy are applied it may be found that the provision will no longer be equal to the required replacement. A further complication is that in an economy characterized by changes in demand and/or by technical changes, these phenomena lead to obsolescence and the replacement of assets by different assets. It seems therefore reasonable to make these provisions on a straight-line basis with reference to the economic lifetime of the different kinds of fixed assets. No provision should be made for unforeseen obsolescence, which should be treated as a capital loss. Charges made for the depletion of exhaustible natural resources are not included in the provisions for the consumption of fixed capital. The only items with respect to these resources which enter capital formation are the construction and equipment used in making them available.

16. *National and domestic concepts*: If the production of all domestic producers is consolidated, the resulting total will measure the *production taking place in what is called the domestic territory of the country*. Some of the value added in this production accrues to foreign suppliers of factor services rather than to normal residents of the country. On the other hand, residents of the country, in addition to income which accrues to them from domestic production factors, derive income from abroad when they supply factor services to residents of foreign countries. If the total of domestic product is adjusted for these external flows of factor income by subtracting the outward flow and by adding the inward flow, there results a total termed the *national product*. This total refers not to production originating within the territory but to the total of production all over the world attributable to factors of production supplied by normal residents of the territory.

17. As an alternative formulation of the definition of the domestic product can be defined as the product attributable to *factor services rendered to resident producers*. Factor services rendered to resident producers of the given country when they are located abroad, including resident institutions functioning abroad, are included in domestic product. Domestic and national product can thus be defined in analogous terms: domestic product as the total of production attributable to factor services rendered to resident producers of the given country; national product as the total of production attributable to factor services supplied by residents of the given country.

18. The domestic territory of a country is defined to exclude overseas territories and possessions and to include, in addition to the territory lying within its political frontiers, ships and aircraft operated by domestic carriers even while in the territorial waters of another country or in the air above it. For instance, the operation of ships on time-charter should be treated as an enterprise activity of the country in which the ships' operators are resident, the value added in production by that enterprise being net of the charter fee paid to the ship's owners. This charter fee would constitute a payment for a non-factor service produced in the country of the owner. On the other hand, the construction of buildings for use by embassies, consulates and international governmental agencies should be considered part of the domestic fixed capital formation of the country of location irrespective of ownership. Buildings purchased, or rented should, in similar fashion remain part of the domestic fixed capital.

19. The definition of domestic and national concepts appears, as exposed until now, rather simple. There are, however, a great number of complications intervening in their computation of which the main ones we summarize below:

— Direct investment enterprises: The profits of direct investment enterprises such as branches and subsidiaries should be regarded as accruing to the parent concern in proportion to its investment in the enterprise and, in principle, should be included in the national product of the country of residence of the parent concern whether distributed or not. Where the enterprise is directed from abroad the income to be ascribed to the country in which it is located should be reckoned after charging the appropriate proportion of head office expenses.

— Commercial agencies transacting business for foreign principals should be treated as resident institutions of the country of location when the agencies' transactions are for their own account. When they act as agents for account of foreign principals the transactions would be classified according to the country of the principal rather than according to the country of the agencies.

— In the case of concerns operating in several countries, the famous transnationals, complicated problems arise in allocating their activities to different territories and in deciding what part of their profits accrue to residents. The practice of the International Monetary Fund is that production and the income arising therefrom should be ascribed to the territory in which the production takes place, costs and proceeds being calculated as if the concern in question bought or sold at market prices even if, in fact, some part of what it receives from, or transfers to, other units of the complex of which it is a member, is omitted from its records or entered only at a nominal value (intercompany transactions).

20. The term resident, including both individuals and institutions such as government agencies, corporations and non-profit institutions, is defined by the International Monetary Fund. Thus tourist or commercial travelers of a given country traveling abroad are treated as residents, but citizens of a given country who usually live abroad are not. The official diplomatic and consular representatives of a given country, including members of armed forces stationed abroad, are to be considered extraterritorial by the country in which they are located and therefore as residents of the given country. They are considered to contribute to the domestic product of the countries in which they are resident. Wages and salaries paid to locally recruited staff of foreign diplomatic and military establishments are regarded as factor income paid by these establishments and the corresponding factor services would be included in the national but not the domestic product of the country of location. Civil servants of the metropolitan countries who are engaged in the general administration of associated territories and who are located in these territories should be treated as residents of these territories. Payments made by the metropolitan governments to such civil servants constitute international transfers. International agencies, in which the members are governments, are not treated as residents of the country in which they are located. It is convenient, however, to treat the permanent staff of these agencies as normal residents of the country in which the organization is located. The wages and salaries paid would thus be included in the national but not the domestic product of the country of location.

21. *Market valuation:* Production should as far as possible be valued at market prices. Thus, the monetary purchases of households are valued at the prices actually paid and the same is true of purchases by private non-profit institutions, general government, and purchases on capital accounts. In the case of non-monetary transactions, that is, barter and production for own use, the prices to be applied are those at which the producer sells, or those at which producers of similar products sell in the same or neighboring localities. If producers provide their employees with goods and services which they do not produce themselves, these should be valued at the price paid by the employer for them.

22. *Market prices and factor costs:* In a system in which there are indirect taxes and subsidies the market value of all final products will exceed the total of incomes accruing to the factors of production by the excess of indirect taxes over subsidies. In these circumstances it is convenient to value final products at market prices, that is to say, inclusive of indirect taxes and exclusive of subsidies, since these are the prices actually paid by the final buyers. It would be possible, in principle, to value products at factor cost, but it is more interesting to adopt this procedure in the classification of production by industrial origin. The reason is that in this way the distribution of the factors of production can be approximated more closely since, in competitive conditions at any rate, it is reasonable to suppose that indirect taxes influence relative market prices rather than factor incomes. This, indeed, is the object of making the distinction between indirect taxes and subsidies on the one hand, and direct taxes and transfer payments, on the other. This distinction, which strengthens the invariance of the concept of factor income with respect to changes in the tax structure, is not immediately applicable as a criterion for classifying taxes and government grants to producers because in many cases it would not result in an exclusive classification of all taxes into one category or another. Accordingly, the following definitions are used:

— When paid by business, indirect taxes are those chargeable to business expense; when paid by individuals these taxes are those not levied regularly on income or wealth, and in the assessment of which no account is taken of the personal circumstances of the taxpayer.

— In principle, subsidies may be defined as negative indirect taxes which contribute to factor incomes although they do not enter into market prices. In practice, all current grants to producers are treated as subsidies because it is difficult to distinguish subsidies from transfer payments if the latter are made to enterprises.

Section 2: THE USES OF TOTAL PRODUCT

23. *The distinction between consumption and capital formation:*

The basic distinction is between the final product used up in the period of accounting and the final product the benefits from which accrue partly in the future.

24. Capital formation is confined to tangible assets in national accounting. Services, such as education, received by individuals are excluded, even though their benefits are realized at a later date, because human beings are not treated as capital assets. Expenditures by business the benefits from which may be expected to accrue in the future but which are not embodied in tangible assets, for example expenditure on an advertising campaign or that associated with long-term research and development, are conventionally excluded from capital formation. There are two kinds of capital formation: fixed capital formation and stocks. Fixed capital formation includes the value of the purchases and own-account construction of fixed assets (land and buildings, civilian construction and other works, machinery and equipment) by enterprises, private non-profit institutions in their capacity as landowners and general government. Changes in stocks of purchased materials, work in progress and finished products are included in capital formation if they are held by enterprises or as part of the

stockpiling operations of general government. Durable goods other than construction acquired by households are excluded from fixed capital formation. The change in stocks held by households, private non-profit institutions and general government is excluded with the exception just referred to (stockpiling by government). These excluded items will in all cases appear as consumption expenditure and, as in the case of all other consumption expenditure; their further use is not taken into account,

25. Capital formation like all other product flows is valued at market prices. Certain problems are encountered in case of own-account construction, consumption of fixed assets and the treatment of stocks. Own-account construction is valued at the cost incurred by the transactor undertaking the construction. Provisions for the consumption of fixed capital are valued at current market prices involving the valuation of the physical components. These are expressed in terms of a proportion of the assets that are being used up in production and should be valued in terms of the current market prices of these assets.

26. *Depreciation* charges include charges for foreseen obsolescence since they are based on the concept of the expected economic lifetime of the assets. In addition, provisions for the consumption of fixed capital include charges for accidental damage which should be determined by reference to the unexpired lifetime of the assets and valued at the current market prices of such assets.

27. Gross additions to stock are valued at purchase price or at cost to the producing enterprise if internal processing of these stocks is involved. Stocks withdrawn and charged to current expense are valued at current market prices or at current cost prices in the case of internal processing. This method of inventory accounting ensures that whenever a stock is either sold or withdrawn and used in production, a charge will be made in the production account that is sufficient to provide for its physical replacement at current prices.

28. In an open economy the concept of final product is not exhausted by consumption and capital formation. Exports represent an additional demand which is final from the standpoint of the exporting country. Similarly intermediate products are not confined to purchases of domestic products but will include all goods and non-factor services imported from abroad.

Section 3: *THE FINANCING OF PRODUCT FLOWS*

29. The final products absorbed by an economy thus consist of consumption and capital formation. The expenditure of individuals and institutions for these purposes are basically financed out of the incomes which arise in the production of these products. Actually, however, this circular flow of incomes and expenditures forms a complicated network of commodity and money flows determined by the structure of the economy. This process may be studied by an analysis of the actual transactions into which all individuals and institutions of the economy have entered during a certain period of time. Such a study will show the actual receipts and disbursements of individuals and others during the period, that is, only the sources of finance as they are manifest in the actual records of the transactors.

It is convenient to discuss these financial flows by considering in turn private consumption expenditures, general government expenditures and capital formation.

30. *The finance of private consumption expenditure:* Households have three main sources of finance available: (a) incomes they receive from their participation in productive activities; (b) transfers which they receive from other parts of the economy, and (c) borrowing.

Correspondingly to the distinction of expenditures on final products in consumption and capital formation, financing of these includes current and capital receipts. Current receipts include the incomes derived from participation in productive activity and transfers received in so far as they take the place of or supplement such income. Transfers which would be included in income under this definition are, for example, unemployment and health insurance benefits, public assistance, old-age pensions and family allowances paid to the general public. These transfers are distinguished from factor income payments in that they are not paid in exchange for the rendering of factor services in current production.

31. The sum of these two types of receipt constitutes the income of households. The whole of it is not, however, available for consumption or saving since households make transfer payments, for instance in the form of direct taxes regularly levied on income. If these outgoing transfers are deducted a net amount is reached which is termed *disposable income* and is available to finance consumption. If the whole of it is not spent on consumption a surplus will result which is called *saving*. If there is an excess of consumption over disposable income the resulting deficit is termed *dissaving* and, in most cases, is covered by borrowing.

32. *The finance of general government consumption expenditure:* Whereas households usually receive the greater part of their income from participation in economic activity, general government usually receives only a small amount from this source and depends for the greater part on taxes transferred from the various sectors of the economy. In analogy with the treatment of households the sum of these two items may be regarded as the income of general government from which outgoing transfers may be deducted to yield a total available to finance general government consumption expenditure.

33. *The finance of capital formation:* For the nation as a whole, domestic capital formation is financed from four sources. These are:

— First, the saving of the nation which comprises the saving of households, private and public corporations and general government;

— Second, the provisions for the consumption of fixed capital which are charged as expenses in production accounts.

— Third, the borrowing by the nation from abroad. Internal borrowing by one sector from another cannot contribute net to the finance of domestic capital formation as a whole since it is in each case matched by lending by another sector and the pairs of lending and borrowing items will cancel out. (As in the case of borrowing, capital transfers may take place between two sectors of the economy. These transfers cancel out and do not provide a net source for the finance of total domestic

capital formation, although they may of course contribute to the finance of capital formation of individual sectors. Examples of such transfers are capital levies, estate duties, or grants for capital development.)

— Fourth, international transfers, that is to say, transfers such as reparations, economic aid and the net inflow of migrants' capital. The sum of the last two sources is equal to the deficit of the nation on current account, that is to say, to the excess of imports, factor incomes and current transfers paid abroad over exports, factor incomes and current transfers received from abroad.

34. These immediate sources of the finance of consumption and capital formation can be consolidated in order to get the ultimate sources of such financing. In such a consolidation all transfers between households and government cancel out and what remains falls into two main categories. The first category is derived from production and is equal to the sum of (i) factor incomes, (ii) indirect taxes less subsidies, and, (iii) provisions for the consumption of fixed capital, which in turn is equal to the total value of production, that is the gross domestic product at market prices (GDP). The second category is derived from the rest of the world and is equal to the sum of (i) net factor incomes, (ii) net international transfers, and, (iii) net borrowing accruing to the nation.

Section 4: *SHORT DEFINITIONS OF THE MAIN AGGREGATES*

35. *Gross national product at market prices* is the market value of the product before deduction of provisions for the consumption of fixed capital, attributable to the factors of production supplied by the residents of the given country. It is equal to the sum of consumption expenditure, plus gross domestic capital formation, private and public, plus net exports of goods and services, plus net factor incomes received from abroad.

36. *Gross domestic product at market prices* is the market value of the product before deduction of provisions for the consumption of fixed capital, attributable to factor services rendered to resident producers of the given country. It is equal to the sum of consumption expenditure, plus gross domestic capital formation, private and public, plus net exports of goods and services of the given country. It differs from the gross national product at market prices by the exclusion of net factor incomes received from abroad.

37. *Net domestic product at factor cost* is the value at factor cost of the product, after deduction of provisions for the consumption of fixed capital (depreciation), attributable to factor services rendered to resident producers of the given country. It differs from the gross domestic product at market prices by provisions for domestic fixed capital consumption and the exclusion of the excess of indirect taxes over subsidies.

38. *Net national product at factor cost* is the value at factor cost of the product, after deduction of provisions for the consumption of fixed capital, attributable to the factors of production supplied by the normal residents of the given country. It is equal to the national income.

39. *National income* is the sum of incomes accruing to factors of production supplied by normal residents of the given country before deduction of direct taxes.

40. *Personal income* is the income from all sources of households and private non-profit institutions. It consists of compensation of employees, the income of unincorporated enterprises, dividends, interest (net of interest on consumers' debt), net rent and current transfers received by households and private non-profit institutions. It differs from the national income by the exclusion of factor incomes not received by households and private non-profit-institutions and the inclusion of current transfers to them.

41. *Disposable* income of persons is the income from all sources of households and private non-profit institutions after deduction of direct taxes and other current transfers paid by them. It is equal to the sum of consumption expenditures and saving of households and private non-profit institutions.

ANNEX

STANDARD TABLES

ACCOUNT 1. DOMESTIC PRODUCT

- 1.1 Net domestic product at factor cost
- 1.2 Provisions for domestic fixed capital consumption
- 1.3 Indirect taxes
- 1.4 Less subsidies

Gross domestic product at market prices

and

- 1.5 Private consumption expenditure
- 1.6 General government consumption expenditure
- 1.7 Gross domestic fixed capital formation
- 1.8 Increase in stocks
- 1.9 Exports of goods and services
- 1.10 Less imports of goods and services

Expenditure on gross domestic product

ACCOUNT 2. NATIONAL INCOME

- 2.1 Compensation of employees
- 2.2 Income from unincorporated enterprises
- 2.3 Income from property
- 2.4 Saving of corporations
- 2.5 Direct taxes on corporations
- 2.6 General government income from property and entrepreneurship
- 2.7 Less interest on the public debt
- 2.8 Less interest on consumers' debts

National income

and

- 2.9 Net domestic product at factor cost
- 2.10 Net factor income from the rest of the world

Net national product at factor cost

ACCOUNT 3. DOMESTIC CAPITAL FORMATION

- 3.1 Gross domestic fixed capital formation
- 3.2 Increase in stocks

Gross domestic capital formation

and

- 3.3 Saving of corporations
- 3.4 Provisions for fix capital consumption in corporations
- 3.5 Net capital transfers to>corporations
- 3.6 Net borrowing of corporations
- Finance of gross capital formation in corporations
- 3.7 Finance of gross capital formation in non-corporate private sector
- 3.8 Finance of gross capital formation in non-corporate public sector

Finance of gross domestic capital formation

ACCOUNT 4. HOUSEHOLDS AND PRIVATE NON-PROFIT INSTITUTIONS

Current Account

- 4.2 Interest on consumers' debt
- 4.3 Direct taxes
- 4.4 Other current transfers to general government
- 4.5 Current transfers to rest of the world

Disposal of income

and

- 4.7 Compensation of employees
- 4.8 Income from unincorporated enterprises
- 4.9 Income from property
- 4.10 Current transfers from general government
- 4.11 Current transfers from rest of the world

Income of households and private non-profit institutions

Capital Reconciliation Account

- 4.12 Finance of gross capital formation in non-corporate private sector

Disbursements

and

- 4.13 Saving
 - 4.14 Provisions for fixed capital consumption
 - 4.15 Net capital transfers from corporations
 - 4.16 Net capital transfers from general government
 - 4.17 Net capital transfers from rest of the world
 - 4.18 Net borrowing
-

Receipts

ACCOUNT 5. GENERAL GOVERNMENT

Current Account

- 5.1 Consumption expenditure
 - 5.2 Subsidies
 - 5.3 Current transfers to households
 - 5.4 Current transfers to rest of the world
 - 5.5 Saving
-

Disposal of current revenue

and

- 5.6 Income from property and entrepreneurship
 - 5.7 Less interest on the public debt
 - 5.8 Indirect taxes
 - 5.9 Direct taxes on corporations
 - 5.10 Direct taxes on households
 - 5.11 Other current transfers from households
 - 5.12 Current transfers from rest of the world
-

Current revenue

Capital Reconciliation Account

- 5.13 Finance of gross capital formation in non-corporate public sector
 - 5.14 Net capital transfers to corporations
 - 5.15 Net capital transfers to non-corporate private sector
-

Disbursements

and

- 5.16 Saving
 - 5.17 Provisions for fixed capital consumption
 - 5.18 Net capital transfers from rest of the world
 - 5.19 Net borrowing
-

Receipts

ACCOUNT 6. *External Transactions* (rest of the world account)

Current Account

- 6.1 Exports of goods and services
 - 6.2 Net factor income from rest of the world
 - 6.3 Current transfers from rest of the world
-

Current receipts

and

- 6.4 Imports of goods and services
 - 6.5 Current transfers to rest of the world
 - 6.6 Surplus of nation on current account
-

Disposal of current receipts

Capital Reconciliation Account

- 6.7 Surplus of nation on current account
 - 6.8 Net capital transfers from rest of the world to corporations
 - 6.9 Net capital transfers from rest of the world to households
-

Receipts

and

- 6.11 Net lending to rest of the world
-

Disbursement

Two Training Program Proposals for the United Nations Staff College

The Secretary General's reform proposals for the United Nations at the threshold of the new millennium emphasize, even more than it was until now, the importance of development assistance and cooperation activities which represent one of the essential priorities of the organization. This is reflected in the new structure of the three unified Secretariat departments concerned with economic and social problems. All things being equal, it can be supposed that the United Nations' role in development will be more and more emphatically required.

The two training programs described below – the first a classical type in line with the UN's practice of the last two decades, the second an innovative one, opening up new perspectives for the organization's future – are proposed to be included in the United Nations Staff College's activities for the following reasons:

The *first program* would aim to give program/project managing personnel in UNDP offices and in governmental departments or national institutions assuming responsibility for United Nations technical assistance/cooperation activities, the necessary basic knowledge in a specific field – for example, trade promotion, regional planning, or communications-linked computer technologies, including the use of Internet – which is indispensable for the managers concerned:

1. I became aware of this need during my career in UN technical cooperation, spanning over almost a quarter of a century, when I had frequently encountered difficulties in explaining the requirements of my work to management personnel, even at senior levels, who, sometimes, not even had a basic training in economics.

2. Such a program initiated by the Staff College would be complementary to efforts undertaken in some executing agencies to work out a comprehensive methodology in respect of how to

- (i) Determine the need for assistance in a given country,
- (ii) Define the national and international context by which the activities in question are conditioned, and
- (iii) Formulate an integrated program fitting into these contexts and assure, in the domain concerned and in the context of a given country, the sustainability of the activities identified.

This first program proposed for the Staff College is, then, clearly based on the recognition that *one cannot manage a program, a project, a firm, or an institution without having a certain familiarity, albeit not an 'expert' knowledge, of the specific field with which the given entity's activities are concerned.*

The *second program* is intended to introduce management personnel in charge of United Nations programs and projects to the new perspective in international relations, that of inter-civilizational encounters* in form of dialogue or confrontation. This dimension certainly will be a decisive factor in interstate relationships in the twenty-first century. I reached this conclusion after years of study and reflection which were summed up in my 'Inter-Civilizational Relations and the Destiny of the West: Dialogue of Confrontation?' to be published by The Edwin Mellen Press in 1998, and, at a more practical level, in the study 'From Illusion To Delusion: Globalization and the Contradictions of Late Modernity', at present under consideration by publishers.

Management of programs and projects does not depend of the management capabilities only of the person in charge, though such capabilities are essential for their successful implementation, but also of the manager's knowledge of, and familiarity with, the particular problems characterizing the specific cultural context in which the activities are inserted.

In this regard, suffice it to refer here to the long standing practice of transnational companies operating in a great variety of countries which have recourse to management personnel knowledgeable of the ethos, of the ways of acting and behaving in a particular cultural world, because such a personnel is able to avoid major mistakes in product design, marketing practices, or publicity campaign, etc., precisely because of its extensive knowledge of the local context.

This second program proposed for the Staff College reflects, therefore, the conviction that *there is no world culture (which could only mean the thorough Westernization of other civilizations), and that all assistance and cooperation activities must be formulated taking into account a given civilizational orbit's particular features. Therefore, such activities must imperatively be adapted to the cultural variations characterizing each different – local or national – environment.*

NOTE

Inter-civilizational encounters represent completely different phenomena than those designated today as 'multiculturalism'. Multiculturalism is about the coexistence of different cultures in one and the same country – in the case of minorities, immigrants, etc. Inter-civilizational encounters, as dialogue or confrontation, stand for the interface of great cultures and civilizations of the world. Today this mostly means an interface between the Western and the other world civilizations.

It would be impossible to outline here practical modalities of the formulation and organization of each of the above described programs. However, one can lay down some guiding principles for setting them up.

For the program concerning specific fields of activity in which program management personnel could be initiated, the following first steps can be foreseen:

(i) To begin with, an initial study – carried out in cooperation with UNDP headquarters personnel, resident coordinators, and national, governmental and sectoral, high-level officers – should establish which are the fields in which such training is necessary. It goes without saying that, for example, in the domains of agriculture or public health when in most countries there are local FAO or WHO representative offices or advisors, no training should be considered. Macroeconomic management personnel – in planning or programming, determination of strategic investment priorities, or revamping of an economy's structure, for example – would definitely need training in basic concepts. In the same vein, training would be needed in the fields of trade policy, customs administration, export and import promotion, etc., that is, the domains of UNCTAD and ITC, as well as in such other areas as air transport organization and control (ICAO), or reinforcement of selected local institutional structures, for example national consultancy services (several agencies).

(ii) In certain fields like macroeconomic management or management of financial markets (for example, stock exchanges) the program would be implemented in cooperation with the World Bank, the International Monetary Fund, or selected non-UN organizations.

(iii) The structure of the program should be extremely flexible to respond to the needs, though fixed in advance on a yearly basis as opposed to programs organized *à la carte* to satisfy specific demands. Thus, courses should be of a maximum length of ten days, eventually repeated during the year, and sometimes taking up a particular aspect of a problem area.

(iv) The essential innovation of the program would be to be entirely focused on *practical and not theoretical* training, that is, courses given and workshops led by practitioners in the matter, having wide experience in development cooperation. For this purpose, personnel of United Nations departments or institutions as well as consultants could be used, if they respond to the most important criteria of having had a practical experience in non-Western countries.

The material used for this program should be supplied by the concerned UN organizations and institutions as well as the instructors who know better their own needs. Documents of the most successful courses could then be disseminated by the College.

For the program of orientation (a better word than training in this case) in respect of the world's different cultures and civilizations many of the above enumerated requirements are also applicable. It is, perhaps, necessary to specify here what cultures are to be included in this program: the Chinese (Confucian and Taoist), the Hindu, the Buddhist, the Islamic and the African (despite rich variations in African cultural traits, there are definitely some common, shared features prevalent in most of Africa, except in areas where Islam is dominant). When speaking of cultures, I do not mean national cultures like the cultural differences between countries belonging to the same civilization; differences, for example, like

between Italian and French cultures, both, however, belonging to the Western civilization, or the secular, Turkish national culture and the Asian forms of the Muslim way of life, because both are part of the Islamic civilizational orbit.

These cultural orientation programs should be organized twice a year for a one week period. They should be conducted by people who have an in-depth knowledge of the subject, the culture in question (preferably people born into that culture), and who are also capable to simply explain its beliefs and values, its myths and rituals, its social practices and ways of life to an audience from the outside world. In setting up such programs the greatest difficulty will be to find the right people as instructors and course leaders.

Again, these programs should be entirely practice-oriented, giving practical clues to those who are going to work with people belonging to a totally different cultural community. *The aim here evidently is cultural conditioning of people in the preparation for their work in a particular area of the world.*

There can be no material prepared in advance for this program, but after having concluded the first two programs in each cultural theme, some documents, completed by a reading list, could be prepared by the College with the help of the instructors.

New York, February 4, 1998

Victor Segesvary

COUNTRY STUDIES

Afghanistan

Among the Least Developed of Developing Countries

An Analytical Study

by

Victor SEGESVARY

ITC Project Manager

June 1977

INTRODUCTION

This study is based on the document (TD/B/AC.21/3 dated 25 February 1977) entitled: *Basic Data on the Least Developed Countries – Report by the UNCTAD Secretariat*. It was prepared in view of the meeting of multilateral and bilateral financial and technical assistance institutions with representatives of least developed countries, scheduled to take place in mid-March 1977, but postponed at the last moment.

The above document states that the definition of developing countries and territories used has been adopted for purposes of statistical convenience only, and follows that given in the UNCTAD *Handbook of International Trade and Development Statistics, 1976*.

Least developed countries were identified on the basis of criteria relating to per capital income, literacy and the relative share of manufacturing in total output. They total 29 countries at present; four (Bangladesh, Central African Empire, Democratic Yemen and Gambia) were added to the original list of 25 hard-core least developed countries in December 1975. This original list comprised the following countries: Afghanistan, Benin, Bhutan, Botswana, Burundi, Chad, Ethiopia, Guinea, Haiti, Laos People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Sikkim, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta, Samoa, Yemen.*

18 of these least developed countries are in Africa, 7 in Asia, 2 in Middle East, 1 in Central America and 1 in Oceania.

The group of least developed countries thus now comprises a population (1975 estimate) of 247 million, or 12.9% of the population of all developing countries, as defined above.

16 of the least developed countries are also land-locked, of which 11 are in Africa and 5 in Asia.

* Statistics are not available for Sikkim therefore the analysis is based on 28 countries.

SECTION ONE

Population, GNP and Real Product

A. POPULATION IN 1975

Total population of the least developed of developing countries is estimated to have amounted to 246.78 million in 1975, while inhabitants of the total developing world have been estimated to number 1,906.57 million.

Bangladesh is, of course, the biggest country of the least developed group with 76.82 million inhabitants, followed by Ethiopia (27.95 million), Afghanistan (19.28 million), Sudan (17.76 million), Tanzania (15.16 million), Nepal (12.57 million) and Uganda (11.55 million).

Only four other countries, – the Arab Republic of Yemen (6.67 million), Upper Volta (6.03 million), Mali (5.70 million) and Malawi (5.04 million), – have more than 5 million inhabitants, nine have a population of 2 to 5 million, four a population of 1 to 2 million, and the remaining four less than 1 million.

The highest average annual, demographic growth rate between 1970-1974 was witnessed by Botswana and Uganda, with 3.4 and 3.3% respectively; seven other countries had rates between 2.5 and 2.9% per annum – Rwanda and the Arab Republic of Yemen (2.9%), Benin, Niger, Tanzania and Democratic Republic of Yemen (2.7%), and Somalia (2.6%).

The group's average population growth rate is 2.5% annually; six countries, – Burundi, Ethiopia, Gambia, Malawi, Mali and Sudan, – have the same rate, whereas for the rest the population is growing slower .between 2.0 and 2.4%: Afghanistan, Bangladesh, Guinea and Laos (2.4%), Nepal and Upper Volta (2.3%), Central African Empire, Lesotho and Samoa (2.2%), Bhutan and Chad (2.1%), Maldives (2%), with the exception of Haiti which, with a population growth of 1.6% per annum, has one of the lowest rate in the whole developing world.

B. PER CAPITA GNP

(PER CAPITA GNP OF 1975 BASED ON THE AVERAGE OF 1973-1975 PRICES)

The average per capita GNP of the hard-core least developed countries in 1975 amounted to 130 US dollars, as apposed to 390\$ for all developing countries. The seven countries with the highest per capita GNP were in the 200\$ – 300\$ bracket, followed by thirteen countries falling in the 100\$ to 200\$ range, with eight countries having a 1975 per capita GNP below 100\$.

Afghanistan occupies the 15th position with a per capita GNP of 113\$ in 1975.

The distribution of the 28 countries of the group in the above indicated brackets is as follows:

200 – 300\$: Samoa, Botswana, Sudan, Uganda, Democratic Republic of Yemen, Arab Republic of Yemen, Central African Empire;

100 – 200: Haiti, Gambia, Tanzania, Lesotho, Malawi, Guinea, Benin, Niger, Afghanistan, Bangladesh, Chad, Maldives, Nepal;

100\$ and below: Ethiopia, Somalia, Burundi, Upper Volta, Mali, Rwanda, Bhutan, and Laos.

C. PROJECTED PER CAPITA GNP IN 1980

1. Variant A

Assuming continuation of the growth rate of per capita real product of the period 1960-1970:

The average projected 1980 per capita GNP of the least developed countries is estimated to amount to 136\$, while for the whole developing world to 446\$.

With US dollars 322 projected per capita GNP in 1980 Botswana takes the first place; four countries will be in the 200-300\$ range: Uganda (251), Sudan (233), Arab Republic of Yemen (222) and Tanzania (204); 14 countries will fall in the bracket of 100-200\$, Afghanistan with Guinea being in the 15th position with 114\$ projected per capita GNP in 1980, preceded by the Central African Empire (198), Gambia (185), Haiti (168), the Democratic Republic of Yemen (166), Malawi (159), Lesotho (150), Niger (134), Benin (126), Bangladesh (116), and followed by Ethiopia (106), Upper Volta (101) and Nepal (100).

Six countries will remain below the US dollars 100 mark of projected per capita GNP in 1980: Chad (90), Somalia (89), Rwanda (87), Laos (75), Mali (73) and Burundi (69). No data are available for Bhutan, Maldives and Samoa.

2. Variant B

Assuming a continuation of the growth rate of the per capita GNP of the period 1970-1975:

The average projected per capita GNP for 1980 does not change on the basis of the period 1970-1975 for the least developed countries, 136\$, but slightly decreases for all developing countries to US dollars 463.)

Once again Botswana is in the first position with 634\$ projected per capita real product, almost the triple of that of Sudan which occupies the second position. Only four countries ranked in the range of 200 to 300\$: namely Sudan (237), Gambia (213), the Democratic Republic of Yemen (206) and the Central African Empire (205).

Under this assumption, Afghanistan's position among the least developed countries will improve as it is expected to occupy the 12th place. Eleven countries will fall in the bracket between 100-200\$: Haiti (196), Uganda (193), Malawi (186), Tanzania (170), Lesotho (154), Guinea (133), Afghanistan (124), Benin (123), Bangladesh (116), Somalia (106), Nepal (102), and seven countries will not be able to pass the threshold of 100\$: Ethiopia (98), Burundi (96), Niger (93), Upper Volta (90), Chad (89), Rwanda (77) and Mali (69). No data are available for Bhutan, Laos, Maldives, Samoa and the Arab Republic of Yemen.

3. Variant C

Assuming the growth rate of per capita Gross National Product of 3.5% called for in the International Development Strategy:

The 1980 average projected per capita gross product of the least developed countries is put at 154\$ on this basis against 463\$ for all developing countries.

Samoa (356) and Botswana (343) will be the leaders, followed by seven countries in the 200-300\$ bracket: Sudan (283), Uganda (271), Democratic Republic of Yemen (260), Arab Republic of Yemen (247), Central African Empire (246), Haiti (205), Gambia (203).

In this case, Afghanistan will occupy the 16th position together with the 15 countries whose per capita product is expected to fall in the range of 100-200\$: Tanzania (190), Lesotho (171), Malawi (170), Guinea (144), Benin (140), Niger (140), Afghanistan (134), Bangladesh (129), Chad (119), Maldives (119), Nepal (119), Ethiopia (115), Somalia (110), Burundi (106) and Upper Volta (106).

Only four countries, Mali (96), Rwanda (95), Bhutan (83) and Laos (81), will remain under the 100\$ mark of projected per capita gross product.

D. AVERAGE ANNUAL GROWTH RATE OF TOTAL REAL PRODUCT (IN PERCENT)

1. 1960-1970

The average annual growth rate during the period 1960-1970 was 3.4% for the least developed countries, but almost the double, 5.2%, for all developing countries.

Tanzania was by far the best performer during the sixties with an average annual growth rate of 7.8%, the other leaders being Botswana (3.6%), Niger and Uganda (5.3%), Upper Volta (4.9%), Malawi (4.8%), Rwanda (4.7%), Ethiopia and Laos (4.3%), Gambia and the Arab Republic of Yemen (4.2%), and Benin (4.1%).

Two countries alone had a real product growth rate between 3 and 4%, Bangladesh (3.8%) and Lesotho (3%), whereas three countries had a rate of between 2 and 3%: Afghanistan (2.5%) ranking

15th, Nepal (2.3%) and Sudan (2.1%). Another four had an annual growth of 1 to 2%: Somalia (1.8%), Central African Empire and Guinea (1.3%), Haiti (1%). The real product of Mali progressed only 0.3%, that of Chad not at all, and, finally, Burundi (-2.7%) and the Democratic Republic of Yemen (-2.8%) had a decreasing real product. No data available for Bhutan, Maldives and Samoa.)

2. 1970-1975

Based on the period of 1970-1975, the average annual real product growth rate of the least developed countries continued at 3.4%, and the rate for all developing countries rose to 6.2%.

As a result of the country's development efforts during the period 1970-1975, Afghanistan occupied 6th place among the least developed countries, with an average annual growth rate of real product of 4.2%. It was preceded by Botswana which scored an astonishingly high rate of 20.9%, Malawi (8%), Gambia (7.1%), Somalia (5.3%) and Guinea (4.3%).

Burundi and Haiti (4.1%) continued to have a yearly growth level above the 4% mark, followed by Tanzania (3.9%), Bangladesh (3.8%), Benin and Lesotho (3.6%), Ethiopia (2.8%), Nepal and Upper Volta (2.6%), Sudan (2.4%), Rwanda (2.1%), Central African Empire (2%) and the Democratic Republic of Yemen (1.5%). In four countries the annual real product declined during the 1970-1975 period: Uganda (-0.1%), Chad (-0.3%), Mali (-0.8%) and Niger (-2.1%). No data are available for Bhutan, Laos, Maldives, Samoa and the Arab Republic of Yemen.

3. 1974-1975

The years 1974-1975 saw a striking acceleration of the growth of real product in the least developed countries' group with 6.1%, while the rate was much less in all developing countries, only 4%.

Afghanistan's place in the group further improved with an average annual growth rate of real product of 5.3%, placing it in the 4th position after Bangladesh (11.4%), Sudan (5%) and Somalia (5.8%). Two more countries reached a growth rate of 5%, Lesotho and Malawi, whereas Mali (4.3%), Haiti (3.5%), Guinea (3.3%), Rwanda (3.2%), Botswana and Tanzania (3%), Gambia (2.9%), the Democratic Republic of Yemen (2%), Nepal (1.8%), Chad (1.7%), Benin (1.3%), Niger (1.3%), Upper Volta (1.1%), Burundi (1%), and Central African Empire (0.9%) were in the bracket between 0-4% growth. A marked regression of real product took place in Ethiopia (-1.0%) and Uganda (-2.0%). No data are available for Bhutan, Laos, Maldives, Samoa and the Arab Republic of Yemen.

E. AVERAGE ANNUAL GROWTH RATE OF PER CAPITA REAL PRODUCT

1. 1960-1970

This rate was extremely low, 0.9% annually, in the least developed countries during this decade, and the triple of this rare, 2.7%, in all developed countries.

With an outstanding performance, 5%, Tanzania took the first place with a growth rate well above the average of the developing world. Upper Volta (2.6%), Niger (2.5%), Botswana and Malawi (2.2%) had the next highest rates followed by Laos and Uganda (1.9%), Ethiopia (1.8%), Rwanda (1.7%), Gambia (1.6%), Benin (1.4%), Bangladesh and the Arab Republic of Yemen (1.3%), the growth rate of which were all still above the average of the least developed group. Among the countries below that average Lesotho (0.8%) preceded Afghanistan occupying the 15th position with a rate of 0.1% per annum, whereas Nepal's per capita real product had no growth at all.

Real product in the rest of the least developed group's members decreased during the period under review: Sudan (-0.4%), Haiti (-0.6%), Central African Empire and Somalia (-0.9%), Guinea (-1.1%), Chad and Mali (-2.1%), Burundi (-5%) and the Democratic Republic of Yemen (~5.4%). No data are available for Bhutan, Maldives and Samoa.

2. 1970-1975

The annual rate of real product growth remained 0.9% for the least developed countries, but increased considerably, by 3.6% per annum, for the developing countries as a whole.

Once again, with an incredibly outstanding performance, 17%, Botswana tops the evolution in the least developed country group, followed by Malawi (5.4%) and Gambia (4.5%), both demonstrating as well high rates during the 1970-1975 periods. Then came Somalia (2.6%), Haiti (2.5%), Guinea (1.9%) and Afghanistan (1.8%), obtaining a much improved position with the 7th rank in comparison former performance. Eight more countries – Burundi (1.6%), Lesotho (1.4%), Bangladesh (1.3%), Tanzania (1.2%), Benin (0.9%), Ethiopia Nepal and Upper Volta (0.3%) – witnessed also some increase, whereas the rest of the group saw its real product declining during the period: Sudan (-0.1%), Central African Empire (-0.2%), Rwanda (-0.8%), the Democratic Republic of Yemen (-1.2%), Chad (-2.4%), Mali (-3.2%), Uganda (-3.3%) and Niger (-4.6%). No data are available for Bhutan, Laos, Maldives, Samoa and the Arab Republic of Yemen.

3. 1974-1975

The acceleration of development of the least developed countries is reflected in the much increased annual growth rate of real product, 3.5%, in recent years, while that of all developing countries fell considerably by 1.5%.

In 1974-1975, Bangladesh had, surprisingly enough, the highest rate of real product growth with 8.8%, but only Sudan (3.4%) and Somalia (3.1%) separated Afghanistan of this fellow Asian country, taking the 4th place with 2.8%. Other countries with a positive growth of real product were Lesotho (2.7%), Malawi (2.6%), Haiti (1.9%), Mali (1.8%), Guinea (0.9%), Gambia (0.4%), Rwanda and Tanzania (0.3%). On the contrary, almost half of the least developed group witnessed negative growth of real product: Botswana and Chad (-0.4%), Nepal (-0.5%), the Democratic Republic of Yemen (-0.7%), Upper Volta (-1.2%), Central African Empire (-1.3%), Benin and Niger (-1.4%), Burundi (-1.5%), Ethiopia (-3.4%) and Uganda (-5.1%). No data were published by Bhutan, Laos, Maldives, Samoa and the Arab Republic of Yemen.

FIRST CONCLUSION

1. UNCTAD's estimate of Afghanistan's population appears to be very high. More recent estimates set it at a much lower level, slightly, over 16 million; if the forthcoming official census will reflect recent estimates, then forecasted per capita GNP and real product indicators will have to be revised. In this case, Afghanistan will certainly pass from the middle of the least developed countries group, the 15th rank out of 28 countries, to those with higher per capita GNP around or above of the 200 dollars mark.

2. The variations of Afghanistan's position in the least developed group in accordance with the different assumptions underlying the projected per capita GNP in 1980, show clearly that the country's development accelerated during the period 1970-1975 as its per capita GNP is estimated at 124 dollars against 113 dollars calculated on the basis of the growth rate of the period 1960-1970. Consequently, the projected 1980 per capita GNP of Afghanistan got closer to the average of all least developed countries, 136 dollars, although still lagging behind. The fact that Afghanistan stands in 16th place among the least developed assuming a yearly 3.5% growth of per capita gross national product with 134 dollars, evidences not only that the Afghan economy's total performance was extremely low in the beginning of the sixties but indicates, once again, the acceleration of development during the last years (as it is also shown by the real product growth rates), which, however, could not compensate the sluggish progress of the preceding decade.

3. The gradually improving performance of the Afghan economy is clearly proved by the analysis of the average annual growth rate of total real product, as it was only 2.5% during the 1960-1970 decade, almost doubled, to 4.2%, when calculated with reference to the preceding period,

and reached 5.3% during the 1974-1975 biennium. It is most encouraging that from the 15th place among the least developed countries taking into account the first assumption, Afghanistan occupied 6th place on the basis of its economic results in the 1970-1975 period, and obtained the 4th position in 1974-1975. Fully concordant with these considerations are the positions occupied by Afghanistan in the least developed group in respect of the annual growth rates of per capita real product, 15th and 4th in case of the first and third assumptions, with the slight change under the second assumption, when it occupied the 7th, though obtained the 6th rank when the annual growth rate of total real product is considered.

SECTION TWO

Agriculture

A. AGRICULTURAL LABOR FORCE AS PERCENTAGE OF TOTAL LABOR FORCE IN 1970

The proportion of agricultural labor force to total labor force was 81% for the least developed group compared to 65% for all developing countries.

Taking the 25 least developing countries (no data available for Bhutan, Maldives and Samoa) in order of decreasing importance of their agricultural labor force to the total, Afghanistan falls in the second part of the group with 82%, and occupies the 17th position. Nepal, Chad, Mali, Niger and Rwanda had more than 90% of their labor force occupied in agriculture, and fifteen countries between 80 and 90%. Only Laos, Haiti, the Arab Republic of Yemen and Bangladesh had a proportion of agricultural labor force to total labor force of between 70 and 80%, and the Democratic Republic of Yemen was below that mark (62%).

B. PERCENTAGE SHARE OF AGRICULTURE IN TOTAL GDP

The share of agricultural output in total Gross Domestic Product was 48% for the group of least developed countries, but only 22% for all developing countries.

Burundi (76%), Nepal (69%), the Arab Republic of Yemen (63%) had the highest proportion in this respect; five countries had agricultural output representing between 50 and 60% of GDP, among them Afghanistan with 51%. Seven other countries showed a ratio of 40 to 50%, seven followed with percentages between 30 and 40%, and two only, Guinea (27%) and the Democratic Republic of Yemen (19%) were above or below of the quarter of GDP. No data are available for Bhutan, Laos, Maldives and Samoa.

C. AVERAGE ANNUAL GROWTH RATE OF AGRICULTURAL PRODUCTION

1. 1965-1970

Agriculture grew by 2.3% in the least developed countries and by 3.3% in the whole of the developing world. Afghanistan witnessed a zero growth of its agricultural production during the period under review as well as Chad. Only two other countries showed a worst performance, a declining agricultural production, the Gambia (-1.1%) and the Arab Republic of Yemen (-4.5%). Best performers were Rwanda (8.1%), Burundi and Sudan (6.4%), Benin (5.9%), Laos (4.6%), Botswana (4.5%), Tanzania (4%), Uganda (3.5%) and Guinea (3.2%). The remaining twelve countries had an average growth of agricultural production of between 0 and 3%. Data are not available for Bhutan, Maldives and Samoa.

2. 1970-1975

Average annual growth rates of agricultural production went down during the next period, both for the least developed countries, 1.9%, and for all developing countries, 2%.

As could be concluded from the analysis of GNP and the evolution of real product, Afghanistan performed incomparably better since the beginning of the seventies than during the sixties. This is also true for agricultural production, as with an average annual increase of 3.9% Afghanistan took the 5th position in its group. It was preceded by the Arab Republic of Yemen which evidenced a remarkable advance of its agricultural production with 12.8% per annum, followed by Burundi (9.5%), Botswana (6%) and Sudan (5.1%). Scoring a growth rate above 3%, together with Afghanistan, were Malawi (3.7%) and the Democratic Republic of Yemen (3.5%). Eleven countries witnessed an agricultural growth between 0 and 3%, whereas seven witnessed a decrease in their agricultural output: Tanzania (-0.2%), Uganda (-0.5%), Niger and Upper Volta (-1.7%), Chad and Ethiopia (-2.3%) and Mali (-4.4%).

Without going into a detailed analysis of agricultural production's annual growth rates for each year between 1970 and 1974, it must be mentioned that, despite the considerable drop of 5.8% in 1970-1971 due to drought, even in that year the decline was more accentuated in some other least developed countries (Bangladesh -11.2%, Upper Volta -6.6%, Laos and Tanzania -5.4%) than in Afghanistan, where agricultural production picked up by 14.3% in 1971-1972, being only behind Burundi (25.9%). In 1972-1973 and 1973-1974, increases of the Afghan agricultural production were 6.3% and 4.2%, respectively, above the average of the least developed countries group, 4.7% and -0.8%, and of the developing world, 3.2% and 2.3%. In both these years there were, of course, some really outstanding performers in this field, 52.5% in Lesotho in 1972-1973 and 23.9% in Gambia in 1973-1974, as well as dramatic drops of -20% in Mali and -19.4% in Niger in 1972-1973 and -11.2% in Ethiopia in 1973-1974. No data are available for Bhutan, Maldives and Samoa.

3. 1974-1975

With a 36.4% increase in agricultural output the Arab Republic of Yemen was in the first place during this period, followed by Guinea (11.2%), Sudan (8.5%), Bangladesh (8.1%), Mali (6.1%), Botswana (5.8%), Rwanda (5.5%), Chad (4.8%), Upper Volta (4.7%), Tanzania (4.1%) and Niger (4%). Afghanistan (1.6%), occupying the 19th place, was the last in the group that showed an increase of agricultural output. Countries whose agricultural output dropped were the Democratic Republic of Yemen (-0.7%), Burundi, the Central African Empire and Uganda (-0.8%), Malawi (-3.1%) and Gambia (-11.4%). No data are available for Bhutan, Maldives and Samoa.

D. AVERAGE ANNUAL GROWTH RATE OF FOOD PRODUCTION

1. 1965-1970

In the least developed countries, the annual rate of growth of food production was 2.4% against 3.6% in all developing countries.

The highest increase was achieved by Rwanda (8.1%), followed by Burundi (6.5%), Sudan (6.1%), Benin (5.1%), Botswana (5%), Tanzania (4.7%), Laos (4.5%), Uganda (3.7%) and Guinea (3.2%). Twelve countries had food production growth rates between 0 and 3%, and four experienced a decline, among them Afghanistan (-0.4%), Chad (-0.2%), Gambia (-1.1%) and Arab Republic of Yemen (-4.2%).

2. 1970-1975

Average annual food output growth rates dropped in the least developed group by 2.1% and by 2.5% in all developing countries.

As the rate of growth of agricultural production that of food production became quite satisfactory in Afghanistan (4.1%) during the period 1970-1975 putting it at the 5th place in the least developed group, preceded only by the Arab Republic of Yemen (12.4%), Burundi (9.4%), Botswana (5.9%) and Sudan (5.7%). The Democratic Republic of Yemen (3.7%), Malawi (3.4%) and Lesotho (3.1%) followed with rates of above 3% yearly growth, while twelve other countries food output grew annually by 0 to 3%. Five had declining food production, Upper Volta (-1.4%), Niger (-1.5%), Ethiopia (-2.7%), Chad (-4.2%) and Mali (-4.8%).

Data for each year between 1970 and 1974 show that once again Afghanistan's food output dropped in 1970-1971, -3.9%, (the drop was more pronounced in Bangladesh (-9.4%) and Upper Volta (-6%), but picked up vigorously the following year (14.1%), and continued to increase at a sustained pace by 6.2% in 1972-1973 and 3.3% in 1973-1974. The 1970-1971 performance of the Afghan food producing sector was only topped by Burundi (26.5%), whereas in the next two years outstanding performers were Lesotho (58%) in 1972-1973 and Gambia (23.9%) in 1973/74. No data are available for Bhutan, Maldives and Samoa.

3. 1974-1975

This year food production in the least developed countries grew rapidly, by 6.2%, faster than in all developing countries which had a growth rate of 4.5%.

As for agricultural production, Afghanistan had among the lowest growth rates, 1.6% and occupied the 18th place, with only two countries, Ethiopia (1%) lagging behind and the Central African Empire experiencing zero growth. Countries with declining food output were the Democratic Republic of Yemen (-0.7%), Burundi and Uganda (-0.8%), Malawi (-5.6%) and Gambia (-11.4%). The highest growth rates were obtained in the Arab Republic of Yemen (36.1%), Guinea (11.2%), Sudan (9.3%), Bangladesh (7.8%), Mali (6.4%) and Tanzania (6.2%). Data are not available for Bhutan, Maldives and Samoa.

SECOND CONCLUSION

1. With its agricultural labor force representing 82% of the total labor force, Afghanistan shares the fate of the great majority of least developed countries whose one major characteristic is the predominance of rural population. The same is true concerning the percentage share of agriculture in Gross Domestic Product, extremely high in most OF THE least developed; in this respect Afghanistan's 51% places it with those whose share of agricultural output in total GDP is more important and above the average of the group as a whole.

The disproportion between these two ratios, typical as well of the least developed countries, is striking in the case of Afghanistan, too; 82% of the labor force produces only 51% of total GDP. However, the low productivity of the population working in agriculture (due allowance being made to other factors such as climate) is much more important in some other: countries in the least developed group, taking only one example, Guinea, where the ratio of agricultural labor force to total labor force is 84%, whereas the share of agriculture in GDP is only 27%.

2. The analysis of average annual growth rate of agricultural production shows that the performance of Afghan agriculture during the sixties was extremely low; in fact this vital sector of the Afghan economy was in virtual standstill, reflecting its subsistence supporting function. Consequently, Afghanistan found itself at the bottom of the list of the least developed group in contradiction to its position in the case of other indicators.

The 1970-1975 periods brought a marked change: the Afghan agricultural output was climbing by 3.5% a year despite the drop in the first year of the period due to the severe drought. This drop was compensated in fact by the very high performances of the following years, 14.3%, 6.3% and 4.2% a year and Afghanistan was among the leaders in its group from the point of view of the dynamics of agricultural output.

Once again, the situation was reversed during the last year under review, 1974-1975, when a minimal increase (1.6%) of agricultural production, made Afghanistan the last among the least developed countries with a positive performance, just preceding those members of the group which experienced a declining agricultural production.

3. The annual growth rate of food production clearly followed the curb of agricultural output in Afghanistan as in other least developed countries, although rates of yearly food production's growth or decline were always amplified by other factors. When agricultural output was stagnant, food production decreased (-0.4%), when it was increasing, food production rose even faster, except in 1974-1975 when the low rate of growth of agricultural and food output was exactly the same.

SECTION THREE

Industry

Among the indicators concerning the growth and level of manufacturing activity in the least developed countries published by UNCTAD, only for two were data available concerning Afghanistan: the share of manufacturing in GDP and the average annual growth rate of real GDP arising from manufacturing. No data related to gross domestic investment were communicated to UNCTAD by the Afghan authorities. For these reasons, the comparative analysis of Afghanistan's position among the least developed in the manufacturing sector remains incomplete.

A. SHARE OF MANUFACTURING IN GDP

(BASED ON DATA FROM 1968 THROUGH 1975)

In the least developed group the share of manufacturing activities in Gross Domestic Product was very low, only 9%, compared to 19% for the developing countries as a whole.

One of the least developed, the Democratic Republic of Yemen, leader of the group, had in its GDP an even higher share of manufacturing than the developing world in general, 25%, followed by 11 other countries with between 10% to 15% share of manufacturing output in their GDP. Among them, Afghanistan occupied the 5th position with a share of 11% (1969), preceded only by Mali and Rwanda (15%), and Malawi (14%). Eight countries had a percentage of 5% to 10% of their GDP produced by manufacturing activities, for four others this proportion was even less (Burundi and Gambia 3%, Lesotho and the Arab Republic of Yemen 2%). No data are available for Bhutan, Laos, Maldives and Samoa.

B. ANNUAL AVERAGE GROWTH RATE OF REAL GDP ORIGINATING IN THE MANUFACTURING SECTOR 1960-1970

This rate was higher in the least developed group during the sixties, 7.9%, than in all developing countries where it was 7.2%.

Rwanda showed by far the most outstanding performance with a 31.3% average growth per annum of its real GDP produced by manufacturing, although Tanzania (18.2%), Malawi (17%), Benin (12.4%) and Uganda (10.3%) also witnessed considerable increase. In twelve countries manufacturing's share of real GDP rose by 5% to 10%, among them in Afghanistan by 51% placing it at the 17th rank, and in three others between 0 and 3%. In Burundi real GDP's part arising from manufacturing declined by 0.4%. No data are available for Bhutan, Laos, Maldives, Nepal, Samoa, the Arab Republic of Yemen, and the Democratic Republic of Yemen.)

THIRD CONCLUSION

The share of manufacturing activities in Afghanistan's Gross Domestic Product was in 1969 relatively high with 11%, but if more recent data were available this share should even be higher. In most other developing countries this indicator is based on one of the years between 1970 and 1974, therefore the comparison is not entirely correct. It must also be mentioned that for some countries data reflect total industrial activities and not only manufacturing.

As for total real product, during the decade between 1960 and 1970 Afghanistan's manufacturing production advanced much slower compared to other least developed countries, leaving it among the worst performers from this point of view.

SECTION FOUR

Export Performance

A. EXPORTS IN 1975

Total exports of 26 least developed countries (no data available for Bhutan and Maldives) amounted to 3.138 billion dollars in 1975, while those of all developing countries reached 197.941 billion dollars.

With 270 million dollars of total exports, Afghanistan took the 4th place in the least developed group, after Sudan (437m), Tanzania (370m) and Bangladesh (312m). Two more countries had exports above the 200 million dollars mark, Uganda (258m) and Ethiopia (231m), four between 100 - 200 million dollars, and sixteen below 100 million dollars.

In view of its large population, Afghanistan stands only at the 14th position as far as exports per capita are concerned with 14 dollars. Botswana took the first place (177.9\$), followed by the Democratic Republic of Yemen (111.3\$), Gambia (94.2\$), Samoa (46.7\$), Guinea (29.4\$), Somalia (28.1\$), Central African Empire (27.3\$), Malawi (27.1\$), Sudan (24.6\$), Tanzania and Uganda (22.4\$), Haiti (17\$) and Niger (15.2\$). At the bottom of the list were Bangladesh (4.1\$), Laos (3\$) and the Arab Republic of Yemen (1.6\$).

B. 1975 EXPORTS AS PER CENT OF GNP AT AVERAGE 1973-1975 PRICES

For the least developed countries as a group, 1975 exports represented 9.5% of GNP compared to 40% for all developing countries.

Exports of Botswana generated 57.8% of GNP, those of Gambia 51.7%, of the Democratic Republic of Yemen 47.75%, of Somalia 28.7%, of Guinea 18.2%, of Malawi 17.4% and of Tanzania 14.1%. Afghanistan took the 8th position with 13.4% of its GNP coming from exports, followed by five other countries whose exports represented more than 10% of GNP. Ten countries had a ratio of exports to GNP of between 5 and 10%; at the bottom of the group were Laos (4.1%), Bangladesh (3.7%) and the Arab Republic of Yemen (0.8%). No data are available for Bhutan and Maldives.

C. ANNUAL AVERAGE GROWTH RATE OF EXPORT VALUE

1. 1960-1970

The average annual growth rate of export value was 4.6% for the least developed group against 6.9% for the developing world during this period.

Laos was astonishingly the best performer with 24.5%, followed by Nepal (22.8%), Upper Volta (19.7%), Rwanda (18.4%) and the Central African Empire (10.5%). Twelve countries had annual growth rates of export value between 5 to 10% and six others between 0 and 5%; among them Afghanistan in the 19th position, with a yearly export value growth rate of 4.1%. Three countries or territories saw their total value of exports decline on the average: the Arab Republic of Yemen (-3.8%), the Democratic Republic of Yemen (-3.9%) and Samoa (-4.1%). Data for Bhutan and Maldives are not available.

2. 1970-1975

In the 1970-1975 period, the average annual growth rate of export value increased more rapidly in the least developed group, by 7.3%, while it soared by 30.2% in all developing countries.

Following only Botswana (46.4%), Afghanistan occupied the 2nd position with a yearly average export value growth rate of 31%. Three other countries realized rates between 20% and 30%: the Arab Republic of Yemen (29.7%), Gambia (23.6%) and Somalia (23.5%); ten between 10 and 20%, and eight between 0 and 10%. Three countries witnessed their average annual export value declining: Uganda (-1.8%), Benin (-1.9%) and Bangladesh (-9.7%). No data are available for Bhutan and Maldives.

3. 1974-1975

In 1974.1975, the export value average of least developed countries declined by 2.5% and that of all developing countries by 5.6%. During this period there was an extremely wide fluctuation in the export performance of developing or hard-core least developed countries, most probably as an effect of the three-fold increase in oil prices.

By an incredibly high 219.4% of increase in export value, Nepal took the first place among the least developed, followed by Somalia (36.9%), Niger (32.1%), Gambia (25.6%), the Democratic Republic of Yemen (22.7%), Upper Volta (22.2%) and, in 7th position, Afghanistan with 16.9%. Only six more countries had a positive growth rate of export value against thirteen more countries whose export performance was negative: Sudan (-0.9%), the Central African Empire (-2.1%), Lesotho (-7.1%), Upper Volta (-7.7%), Laos (-9.1%), Benin (-11.8%), Ethiopia (-13.8%), the Arab Republic of Yemen (-15.4%), Mali (-16.7%), Tanzania (-18.1%), Bangladesh (-18.8%), Chad (-18.9%) and Samoa (-46.2%). No data are available for Bhutan and Maldives.

D. ANNUAL AVERAGE GROWTH OF PURCHASING POWER OF EXPORTS

1. 1960-1970

This important indicator related to the terms of trade increased by 3.4% annually for the least developed group of countries during the decade under review and by 5% for all developing countries.

The highest average annual growth of purchasing power of its exports was obtained by Laos (2%), Rwanda (18.5%), Upper Volta (14.7%), Burundi (11.7%), Nepal (8.6%), Mali (8.2%), Niger (7.8%), Malawi (7.5%), Botswana (7.1%), the Central African Empire (6.6%), Gambia (6.5%), Chad (6.4%), Uganda (6%), Benin (4.8%), Ethiopia (4.2%), Bangladesh (3.7%) and Sudan (3.6%). Below the average were Lesotho (2.9%), Tanzania (2.5%), Afghanistan in the 20th position with 1.9%, Somalia (1.8%) and Haiti (0.7%). For four countries the purchasing power of their exports decreased, Guinea (-0.5%), the Democratic Republic of Yemen (-2.8%), Samoa (-4.5%) and the Arab Republic of Yemen (-9.2%). No data are available for Bhutan and Maldives.

2. 1970-1975

Since the beginning of the seventies the purchasing power of the least developed group's exports declined considerably, by 7.1% annually, whereas an 11.8% increase took place for the developing world as a whole.

This adverse development did not affect Afghanistan whose exports gained 16.2% per annum in purchasing power (2nd position), only preceded by Botswana (26.7%). Another nine countries had also the purchasing power of their exports increased from year to year: the Arab Republic of Yemen (12.2%), Gambia (7.4%), Somalia (7.3%), Upper Volta (4.9%), Malawi (3.5%), Niger (2.9%), Guinea (2.4%), Nepal (1.8%) and Lesotho (1%).

The rest of the least developed experienced decreasing purchasing power of their exports: Haiti (-1.1%), Rwanda (-2.5%), Ethiopia (-3.3%), the Central African Empire (-4.4%), Sudan (-6.4%), Laos (-7%), Samoa (-7.4%), Tanzania (-8.1%), Burundi (-8.3%), the Democratic Republic of Yemen (-9%), Chad (-11.3%), Mali (-11.4%), Uganda (-13.2%), Benin (-14.1%) and Bangladesh (-22.4%).

3. 1974 - 1975

For the least developed group the situation further deteriorated; its annual average purchasing power of exports declined once again by 8.8%, but during this period all developing countries experienced the same difficulties with an 11.8% decrease of their exports' purchasing power.

Most astonishingly, Nepal witnessed a 198.5% increase of the purchasing power of its foreign sales, followed by Somalia (30.4%), Niger (24.6%), Gambia (17.4%), Upper Volta (15.3%), Afghanistan, which continued to benefit of an increase, took the 6th position with 12.4%, Rwanda (8.1%), Malawi

(5%), Guinea and Haiti (1.2%). All other of the least developed group experienced a decrease of the purchasing power of their exports: the Arab Republic of Yemen (-20.9%), Ethiopia (-21.6%), Chad (-22%), Bangladesh (-22.6%), Uganda (-24.2%), the Democratic Republic of Yemen (-24.8%) and Samoa (-49.7%) in the worst situation. No data are available for Bhutan and Maldives.

E. PER CAPITA INCREMENT IN PURCHASING POWER OF EXPORTS IN 1975 DOLLARS

1. 1960-1970

The per capita increment of purchasing power of exports in constant US dollars was a minimal 1.9% for the least developed group during the 1960-1970 periods against 14.4% for all developing countries.

Eighteen of the least developed had a positive increment: Gambia (24%), Botswana (18.5%), the Central African Empire (13.3%) and Uganda (12%) having realized the best results. In the 19th position Afghanistan occupied the first place (-0.4%) among those whose per capita increment of purchasing power of exports decreased, the largest losses having been suffered by Samoa (-74.5%) and the Democratic Republic of Yemen (-147.6%). For Bhutan and Maldives no data are available.

2. 1970-1975

The least developed suffered again a decrease, -8.1%, in per capita purchasing power of exports in constant dollars, whereas the same indicator rocketed by 37% for all developing countries.

There were only nine countries with increased per capita increment of the purchasing power of their exports, among them Afghanistan in the 3rd place with a growth of 6.6%, preceded by Botswana (114.1%) and Gambia (19.6%). Seventeen countries saw the per capita purchasing power of exports falling, the Central African Empire (-10.8%), Bangladesh (-12.2%), Benin (-14%), Sudan (-14.2%), Tanzania (-18.1%), Samoa (-26.8%), Uganda (-31.2%) and the Democratic Republic of Yemen (-93.1%) witnessed the greatest decreases. No data for Bhutan and Maldives are available.

3. 1974-1975

The slowing down in the increase in the per capita purchasing power of exports was considerably less for least developed countries during 1974 - 1975, 1.6%, as for all developing countries, 16.9%.

Afghanistan was in the 5th position with an increase of 1.2%, after Gambia (12.4%), Somalia (6%), Nepal (5.2%) and Niger (2.7%). Three more countries showed some low increments, whereas eighteen least developed once again experienced a fall in the per capita purchasing power of their exports, and Samoa (-46.1%) and the Democratic Republic of Yemen (-47.5%) having suffered the greatest losses. No data are available for Bhutan and Maldives.

F. COMMODITY STRUCTURE OF EXPORTS IN 1973

Total exports of the hard-core least developed countries reached in 1973 2,688 million dollars, of which 40.1% represented goods and beverages, 36.8% crude materials, 4.8% fuels, 5.5% non-ferrous metals and 10.8% manufactured goods. For all developing countries 1973 exports totaled 111,580 million dollars, of which 19%, 15.6%, 40.3%, 3.9% and 20.6% belonged to the above mentioned product groups, respectively.

Of Afghanistan's total 1973 exports, 159 million dollars, 48.2%, were food and beverages; 20.8%; crude materials, 12.6%; fuels and 10.1% manufactured goods. Among the hard-core least developed countries, listed in order of decreasing percentages of their exports of the foregoing commodity groups, Afghanistan took the 11th place as exporter of food and beverages, the 17th place as exporter of crude materials, the 2nd place as exporter of fuels and the 4th place as exporter of manufactured goods.

As a matter of course, the largest item in the least developed countries' exports was food and beverages, which represented 100% of total exports for the Maldives, 88.3% for Burundi, 86.5% for Somalia, 77.9% for Malawi and 75.8% for Uganda. Food and beverages represented the lowest share in total exports of the following countries: Bangladesh (5.7%), the Democratic Republic of Yemen (5%) and Laos (0.8%).

Crude materials stood for 94.3% of Laos's total exports, followed by Gambia (86%), Sudan (84.5%), the Arab Republic of Yemen (71.4%) and Niger (67.1%). On the bottom of the list were Burundi (7.3%), the Democratic Republic of Yemen (7%) and Botswana (6.2%). For fuel, the largest exporter in the least developed group is the Democratic Republic of Yemen representing 72.1% of its total exports, then Afghanistan, as mentioned earlier, and Chad (7.7%). Nineteen least developed countries did not export fuel and derivatives at all.

Six of the least developed countries exported non-ferrous metals, with Guinea (72%), Botswana (46.4%) and the Central African Empire (30.8%) as leaders. With respect to exports of manufactured goods, Bangladesh (59.4%), Haiti (27.9%), Nepal (24.4%) were the best export performers, while Burundi (1.7%), Rwanda (1.5%), the Arab Republic of Yemen (1%), Somalia (0.7%), Sudan (0.3%) and Uganda (0.2%) were the worst. Six least developed did not export manufactured products at all. No data are available for Bhutan.

G. RELATIVE SHARE OF THE MAIN MARKETS FOR EXPORTS, 1973

61.4% of the least developed group's total exports went to the developed market economy countries, 28.5% to other developing countries, and only 9.4% to Socialist countries. The share of developed market economies in all developing countries export markets was 73.4%, whereas developing countries absorbed 20.5%, and Socialist countries a mere 4.6%.

Afghanistan exported 49.4% of its total exports to the developed market economy countries, 23% to other developing countries and 27.6% to Socialist countries. In group, when members are ranked in accordance with each export market from those with highest share to those with the lowest, Afghanistan took the 18th position with sales to the developed market economy countries, the 16th position as exporter to other developing countries, but ranked first as exporter to the Socialist countries.

Sixteen least developed countries export more than half of their total exports to the developed market economies (Botswana and Lesotho the totality of their exports), the others between 20 and 40%, with the exception of Somalia (18.2%) and Laos (1.9%), while the Maldives did not export to them at all.

Seven members of the least developed group sell over 50% of exported goods to other developing countries (Maldives 100%), the rest 20 to 40%, except Uganda (19.3%), the Central African Empire (15.3%), Samoa (12%), Guinea (11.2%), Benin (6.3%), Burundi (4.8%), Haiti (2.5%) and Gambia (1.5%). Botswana and Lesotho do not trade with other developing countries.

Behind Afghanistan, first supplier of Socialist countries among the least developed, the Arab Republic of Yemen (22.2%), Guinea (21.5%)", Sudan (19.3%), Bangladesh (10.8%), Nepal (10.7%) and Mali (10%) export the highest share of their exports to the Socialist world; eight others export less than 10% of their total exports to them, while twelve least developed countries do not sell at all to the Socialist countries. No data available for Bhutan.

H. LEADING EXPORTS OF HARD-CORE LEAST DEVELOPED COUNTRIES

(RANKED ACCORDING TO 1973 VALUE IN MILLION DOLLARS)

Afghanistan's main export items occupy the following ranks among the 31 leading exports of hardcore least developed countries: 2nd in cotton; 4th in oil-seeds, nuts, kernels; 7th in hides and skins; 8th in fresh fruit and nuts; 19th in dried fruits; 24th in natural gas; 25th in undressed fur skins; 27th in flour coverings, tapestries, etc., and 29th in wool and other animal hair.

The main export items of Afghanistan represented, in percent, the following shares, first of the total exports of all developing countries, and, second, of total world trade (except the Socialist countries) of the same product:

	% in total 1973 exports of all developing countries	% in total 1973 world trade of the product
Fresh fruits	2.3	0.9
Dried fruits	18.5	7.8
Natural gas	4.1	1.1
Undressed fur skins	74.1	2.8
Floor coverings, tapestries	4.9	0.9
Cotton	0.3	0.2

FOURTH CONCLUSION

1. With 270 million dollar of total exports in 1975 (this figure appears to be extremely high as the 1975-1976 total exports represented only 223.4 million dollars according to the Central Statistical Office), Afghanistan, one of the largest countries in the least developed group, took the 4th place in respect of export earnings. However, her per capita exports, amounting to only 14 dollars, placed it in the middle of the group. This ranking will nevertheless be improved, if it is confirmed that the high population figure, indicated by UNCTAD, is incorrect because official estimates are much lower.

The importance of exports for the Afghan economy is shown by the 'fact that they represent 13.4% of the Gross National Product, and it is certain that in the coming years this ratio will be much higher as the limited absorption capacity of the domestic market, coupled with constantly growing agricultural and industrial production, will oblige Afghan enterprises to turn more and more to foreign markets.

2. The analysis of the average annual growth rates of export value and of purchasing power of exports show the same variations, following the same curb, as in the case of the growth rate of real product and of agricultural production. The period between 1960-1970 witnessed a relatively slow growth, 4.1% and 1.9%, respectively, for the export value and purchasing power of exports. Then the situation reversed completely between 1970 and 1975 and the two indicators grew by 31% and 16.2% in a surprisingly accelerated manner, placing Afghanistan in the second position of the least developed countries' group, although there was a discrepancy between the increases of the export

value and the purchasing power of exports. The latter rose much slower than the former due to the effect of inflation of import prices. In the two years, 1974-1975, growth of both the export value and exports' purchasing power slackened, 16.9% and 12.4%, respectively, but these increases were still more than satisfactory.

Nevertheless, these growth rates in current terms do not exactly reflect reality because they do not take world wide inflation into consideration. It is therefore most useful to consider the calculation of growth of Afghanistan exports' purchasing power per capita in constant (1975) dollars which evidences that real increase was much slower. Thus, this growth rate was 0.4% for Afghanistan between 1960 and 1970; 6.6% between 1970 and 1975, but only 1.2% in the years 1974-1975. Of course, Afghanistan's position among the least developed remained more or less the same as in the case of growth rates in current terms, because the inflation hit almost all least developed countries to the same extent, although developing countries as a whole witnessed much higher growth rates in constant terms as their exports were more diversified, including a higher proportion of manufactured products, and some benefited of bilateral and regional arrangements compensating the effects of strong inflationary pressures.

It can however be concluded that Afghan exports showed a very good performance since the beginning of the present decade due certainly to quality improvement, better marketing and introduction of new export items.

3. The commodity pattern of Afghan exports follows closely that of other least developed countries, although food and beverages represent a more limited share of the total than for the majority of countries in the group, and fuel as well as manufactured products stands for a relatively higher percentage in comparison to the others. That shows that Afghan exports are already more diversified than exports of the bulk of the least developed countries.

The geographical distribution of Afghanistan's exports in comparison to the other least developed is also more even: the position of developed market economy countries as Afghanistan's clients is much less pronounced than in the case of the overwhelming majority of the group; its trade with developing countries is relatively high (of course, this means mainly Pakistan and India), and Afghanistan is by far the first trading partner of the Socialist countries among the least developed.

SECTION FIVE

Import Development

A. IMPORTS IN 1975

Total imports of the least developed countries amounted to 6,121 million dollars in 1973 against 174,122 million dollars for all developing countries, whereas per capita imports were 25 dollars in the least developed group against 92 dollars in all developing countries.

With 350 million dollars Afghanistan took the 4th place, after Sudan (957m), Tanzania (772m) and Bangladesh (711m). Five more countries' 1975 imports were above the 200m mark: Ethiopia (315m), the Democratic Republic of Yemen (312m), the Arab Republic of Yemen (294m), Malawi (248m) and Uganda (200m). Eleven countries total imports ranged between 100m and 200m, while six countries had imports not reaching 100m. Data for Bhutan and Maldives are not available.

Imports per capita in dollars were, of course, high in the countries of small population, Botswana (266\$), Samoa (240\$), the Democratic Republic of Yemen (186\$), Lesotho (121\$) and Gambia (113\$). With 18\$ per capita imports in 1975 Afghanistan occupied the 20th place, and only five members of the least developed group had lower per capita imports than Afghanistan. No data are available for Bhutan and Maldives).

B. IMPORTS AS PER CENT OF GNP AT AVERAGE 1973-1975 PRICES

Imports represented 18.5% of total aggregate Gross National Product of least developed countries, compared to 35.3% of total aggregate GNP of all developing countries.

For six of the least developed countries imports were more than half of their respective GNP, an extremely high ratio: Botswana (86.4%), the Democratic Republic of Yemen (79.6%), Samoa (67.3%), Lesotho (67.2%), Gambia (62.3%) and Somalia (52.3%). For ten other imports represented 20 to 50% of their GNP and for the rest (no data available for Bhutan and Maldives) less than 20%. Afghanistan occupied the 17th position and its imports represented 17.4% of its GNP at average 1973-1975 prices. Only two countries had imports representing less than 10% of their GNP, Bangladesh (8.5%) and Uganda (7%).

C. ANNUAL AVERAGE GROWTH RATE OF IMPORT VALUE

1. 1960-1970

Imports of least developed countries grew annually on the average by 5.7% compared to 6.7% for all developing countries.

Four members of the least developed group, Laos (21.7%), Botswana (20.5%), Niger (13.7%) and the Arab Republic of Yemen (12.1%) had their import value grown during this period at an annual average rate of above 10%, the others at a rate between 0 and 10%. Afghanistan took the 20th position with an annual average growth of import value of 2.4%. No data for Bhutan and Maldives available.

2. 1970-1975

The first 5 years of the decade saw an acceleration of imports in all developing countries as a result of more rapid industrialization and growing food requirements due to natural disasters. The annual average growth of imports was 15.6% for the least developed and 25.8% for the whole developing world.

Highest annual import growth rates were witnessed by the Arab Republic of Yemen (55.8%), Lesotho (31.5%), Mali (30.7%), Botswana (30.4%), Nepal (29.5%), Somalia (29.2%), Rwanda (27%), Gambia (26.8%), Upper Volta (26.3%) and, in the 10th position, Afghanistan (25.6%), Sudan also experienced a growth rate of slightly over 25%, but the rest of the least developed between 10 and 25%, except the Democratic Republic of Yemen (9.2%), Guinea (7.4%) and Uganda (3.1%). Two countries had declining values of their imports, Laos (-15.2%) and Bangladesh (-1.3%). No data available for Bhutan and Maldives.

2. 1974-1975

The annual average growth of import value further increased for the least developed countries to 16.1%. It was much lower than during the beginning of the seventies, 17%, for all developing countries.

Nepal was the leader among the least developed with a surprising 106% growth of its import values, followed by Rwanda (65.5%), the Arab Republic of Yemen (54.7%), the Central African Empire (47.8%), Sudan (45.9%), Burundi (44.2%) and Afghanistan, in 7th position, with 44%. Most of the members of the group had a growth rate of 20 to 40%, seven below 20%, and four countries experienced their export values falling during the period: Uganda (-6.1%), Bangladesh (-7.2%), Laos (-23.1%) and the Democratic Republic of Yemen (-23.2%). No data are available for Bhutan and Maldives.

D. ANNUAL AVERAGE GROWTH RATE OF IMPORT VOLUME

1. 1960-1970

In the sixties the average annual growth rate of import volume was 5.3% for the least developed countries against 4.6% for all developing countries.

Highest import volume growth rates were witnessed by Laos (23.7%), Botswana (16.8%), Niger (14.4%) and Upper Volta (14.1%). All the other least developed (with the exception of Bhutan and Maldives for which data are not available) had slow import volume increases per year, between 0 and 10%, with Afghanistan (1%) among those having the lowest rates. The import volume of Burundi (-0.8%) and the Democratic Republic of Yemen (-2%) decreased.

2. 1970-1975

A considerable deceleration of import volume growth took place in the beginning of the seventies for the least developed – an annual average growth rate of 0.1% only – while import volume grew for all developing countries by 8.1%.

With an exceptional high import volume growth rate of 34.9% the Arab Republic of Yemen was in the first position, then seven countries followed with yearly increases between 10 and 20%, among them Afghanistan (11.4%) at the 8th place. The import volume of the rest grew by less than 10%, except for Chad (-2.1%), Ethiopia (-3.6%), the Democratic Republic of Yemen (-5.5%), Guinea (-7%), Uganda (-9%), Bangladesh (-15.2%) and Laos (-26.6%). Data are not available for Bhutan and Maldives.

3. 1974-1975

During the last two years of the period under review, import volume of the least developed increased annually by 8.4% compared to 9.3% for all developing countries.

Following Nepal (92.5%), Rwanda (57.6%) and the Arab Republic of Yemen (44.6%), Afghanistan was in the 4th position with an annual average growth of 38.5% of its import volume. Four more countries witnessed growth rates also above 30%, the Central African Empire (36.9%), Mali (36.8%), Sudan (35.1%) and Burundi (34.8%), whereas the remaining members of the group had growth rates below 30%, but Upper Volta (-1.1%), Botswana (-3.9%), Tanzania (-7.6%), Bangladesh (-11.6%), Uganda (-13.1%), Laos (-28.1%) and the Democratic Republic of Yemen (-28.2%) had declining import volumes. No data available for Bhutan and Maldives.)

E. PER CAPITA INCREMENT IN VOLUME OF IMPORTS IN CONSTANT US DOLLARS

1. 1960-1970

In constant dollars the increment in per capita volume of imports was 6.6% for the least developed and 12.9% for all developing countries.

Highest increments were scored by Botswana (119.2%), Laos (67.3%), Samoa (57.7%), Gambia (22.1%), Lesotho (18.1%), Niger (18%), Tanzania (16.5%), Benin (12.8%), Chad (11.5%), Malawi (11.3%) and Upper Volta (11.2%); nine other countries had yearly import volume increments from 0 to 10%. In constant terms, Afghanistan's import volume declined by 1.7% between 1960 and 1970, ranking the country in the 24th position; Mali (-0.6%), Guinea (-0.9%), Nepal (-1.3%), Burundi (-5.2%) and the Democratic Republic of Yemen (-165.3%) experienced the same evolution. (No data are available for Bhutan and Maldives.)

2. 1970-1975

The import volume of least developed countries declined, in constant terms, by 3.2% in the first five years of the seventies, against a 21.5% increment in import volume of all developing countries.

As during the preceding decade, Botswana showed the highest increase (95.9%), followed by Lesotho (50.4%), Gambia (34.5%), Samoa (34.2%), the Arab Republic of Yemen (32.7%), Somalia (18.5%), Mali (13.3%), Sudan (12.7%), Malawi (12.4%), Benin (12.1%), Upper Volta (8.2%), Rwanda (7.6%), with Afghanistan witnessing a 6.2% rise in import volume ranked in the 13th position. Two more countries had some increase, Nepal (5%) and Burundi (2.9%), but the import volumes for eleven declined, for a few by more than 50%: the Democratic Republic of Yemen (-95.6%) and Laos (-64.3%). For Bhutan and Maldives no data are available).

3. 1974-1975

The progression of import volume slackened in both the least developed group with an increase of only 1.4%, and in the whole developing world with 5.8%.

Samoa was the leader with 54.5%, followed by Gambia (17%), Sudan (13%), the Arab Republic of Yemen (12.7%) and the Central African Empire (10%). Among the fourteen other countries having an import volume increment of between 0 and 10%, Afghanistan took the 13th position with an increase of 6.2%, while for seven other least developed countries their import volume dropped; the Democratic Republic of Yemen (-80.8%) and Botswana (-19.2%) experienced the largest decrease. No data are available for Bhutan and Maldives.

FIFTH CONCLUSION

1. Corresponding to the size of its population and its economy, Afghanistan took the 4th place among the least developed with 350 million dollars of total imports in 1975, but only the 18th place as far as per capita imports are concerned (18\$). However, as mentioned in the preceding conclusions, if the population figure given in the UNCTAD statistics is revised and official estimates are lower, then Afghanistan will have a different position in respect of per capita imports, probably among the first twelve of the least developed group.

With its imports representing 17.4% of the Gross National Product – a very low ratio – Afghanistan was in the 17th position among the least developed countries. This indicator shows that the country's economy is not heavily dependent on foreign supplies, a fact which can be considered as a favorable situation if, at the same time, it would not also evidence that industrialization advanced at an extremely low pace and, consequently, the need for importing equipment and other investment goods was reduced.

2. However, the annual average growth rate of import value suggests that Afghan imports accelerated considerably in the seventies, by 25.6% between 1970-1975 and by 44% in the year 1974-975 against only 2.4% during the entire decade 1960-1970. Although these high average growth rates reflect as well the galloping inflation on world markets, the increase in Afghanistan's import volume since the beginning of the seventies, 11.4% from 1970 to 1975 and 38.5% during the last year of this period (1974/75) compared to 1% in the sixties, clearly indicated that the increased volume of imports industrialization and economic development were somewhat picking up.

SECTION SIX

External Finance

A. PER CAPITA FOREIGN EXCHANGE RECEIPTS *(1965-1968 AVERAGE AND 1975 EXPRESSED IN 1975 DOLLARS)**

1. Per capita export purchasing power in 1965-1968

The per capita export purchasing power of the least developed countries as a group was 20.7 dollars against 61.5 dollars for all developing countries.

The Democratic Republic of Yemen was by far the leader with 259.7\$, but all other least developed countries were under the 100 dollars mark, with Gambia (94.4\$), Samoa (84\$), Botswana (51.6\$), Uganda (50.6\$), Tanzania (44.9\$), the Central African Empire (42.9\$), Guinea (33.1\$) and Sudan (32.1\$). Eight countries had per capita export purchasing power of between 10 and 20 dollars, and the rest, with the exception of Bhutan and Maldives for which no data are available, had below 10 dollars, with Afghanistan (8.4\$) in the 19th position.

2. Per capita export purchasing power in 1975

The least developed countries per capita export purchasing power decreased in 1975 to 12.8 dollars, while that of all developing countries fell even more to 8.6 dollars.

Botswana held first place with 177.9\$, followed by the Democratic Republic of Yemen (111.3\$), Gambia (94.2\$), Samoa (46.7\$), Guinea (29.4\$), Somalia (28.1\$), the Central African Empire (27.3\$), Malawi (27.1\$), Sudan (24.6\$), Tanzania (24.4\$) and Uganda (22.4\$). Four countries were in the 10 to 20 dollars bracket, among them Afghanistan, with US dollars 14\$, in the 15th position. The remaining eleven countries fell below the 10 dollars mark with the Arab Republic of Yemen (1.7\$) at the bottom. No data are available for Bhutan and Maldives.

B. PER CAPITA EXTERNAL ASSISTANCE**

1965-1968

8.1 US dollars were per capita external assistance in the least developed countries amounted to 8.1 dollars between 1965 and 1968 against 11.9 dollars in all developing countries.

Among the least developed countries, Botswana benefited of the highest per capita external assistance (63.6\$), followed by Laos (54.6\$), Democratic Republic of Yemen (35.8\$), Lesotho (32.2\$), the Central African Empire (28.8\$), Somalia (22.5\$) and Guinea (21.3\$). Another seven countries received per capita external assistance of between 10 and 20\$, whereas the remaining fourteen countries under 10\$ with Afghanistan (7.4\$) occupying the 18th position

1975

In 1975 the least developed countries received a much higher per capita external assistance, 14.7\$, than during the preceding period, and slightly more than of all developing countries 14.6\$.

Samoa (95.1\$) preceded Botswana (77.6\$), the Democratic Republic of Yemen (50\$), Somalia (46\$), the Central African Empire (30.2\$), Tanzania (26.5\$), Sudan (26.4\$), Benin (25.3\$), Lesotho (24.9\$), Maldives (22.1\$), Rwanda (20.9\$) and Niger (20.6\$). In the 10\$ to 20\$ bracket were ten countries, whereas six closed the list with less than 10\$ per capita external assistance. The position of Afghanistan worsened as it fell back to the 24th place with 6\$ foreign assistance per head of the population.

C. TOTAL PER CAPITA RECEIPTS

1965-1968

As far as total per capita foreign exchange receipts were concerned an extremely striking, wide difference separated the least developed countries which had 28.8 dollars, and all developing countries which benefited from 73.4 dollars.

* The 1965-1968 export and external assistance receipts are expressed in terms of their relation to imports at 1975 prices.

** Net disbursements of loans and grants from developed market economy countries and multilateral agencies, net disbursements of loans from Socialist countries of Eastern Europe and China, and gross disbursements of loans and grants from members of OPEC and multilateral agencies largely financed by the latter, including IMF oil facility.

The Democratic Republic of Yemen (295\$) was, by far, in the lead, with Botswana (115.2\$) and Gambia (110.8\$) still over the 100 dollars mark. Samoa (94.8\$), the Central African Empire (71.7\$), Uganda (57.4\$), Laos (57\$), Guinea (54.4\$) and Tanzania (52.4\$) received between 50\$ and 100\$ per capita foreign exchange receipts. Three countries fell in the category of .40\$ and above of total per capita receipts, three others ranked in the category between 20\$ to 30\$, while five countries received 10\$ to 20\$, among them Afghanistan with 15.8\$ occupying the 21st position. The remaining two countries (data were not available for Bhutan and Maldives), Nepal (7.5\$) and the Arab Republic of Yemen (3\$) were at the bottom of the list with an extremely low per capita total foreign exchange receipts.

1975

Whereas per capita total foreign exchange receipts were slightly less, 27.5 dollars, in the least developed countries in 1975 compared to the period 1965-1968, it increased considerably in the group of developing countries reaching 133.2 dollars.

Botswana led the least developed group with 255.5\$, almost ten times higher than the group's average, but the Democratic Republic of Yemen (161.3\$), Samoa (141.8\$) and Gambia (110.6\$) also benefited of high foreign exchange receipts. Somalia (74.1\$), the Central African Empire (57.5\$) and Sudan (51\$) were above the 50\$ mark, fifteen other countries had per capita total foreign exchange receipts between 20\$ and 50\$ with Afghanistan, in the 22nd position, closing the list of this category with 20\$. The remaining four (no data are available for Bhutan and Maldives) did not receive more than 10\$ per head.

D. NET FLOW OF LOANS AND GRANTS, 1965-1975

1. TOTAL NET LOANS AND GRANTS

1965-1968

For hard-core least developed countries net loans and grants totaled 530.99 million dollars during the period 1965-1968 against 7,566.98 million dollars for all developing countries.

With 46.11 million dollars Laos was the first beneficiary of net loans and grants between 1965-1968, followed by Afghanistan (46.11m) in the second position, Ethiopia (43.51m), Tanzania (38.66m), Malawi (30.56m), Uganda (27.30m), Sudan (24.21m), Chad (23.47m), Niger (22.38m), the Democratic Republic of Yemen (21.11m), Somalia (21.05m) and Mali (20.42m). The rest of the least developed countries received less than 20 million dollars on the average, with Samoa (0.64m), Maldives (0.29m) and Bhutan (0.09m) at the bottom of the list. No data are available for Bangladesh).

1970

633.29 million dollars were received by the least developed countries compared to 9,690.04 million given to the developing world as a whole.

In 1970 Laos held again the first place with 69.29 million dollars in net loans and grants, with Tanzania (56.42m), Ethiopia (47.37m), Niger (41.35m), Malawi (39.97m), Uganda (39m), Guinea (32.93m), Somalia (30.15m), Nepal (24.33m), Rwanda (22.57m), Upper Volta (22.13m), Chad (21.44m), Mali (20.50m) and Afghanistan (18.78m) in the 14th position, constituting the first part of the least developed group, Samoa (1.52m), Gambia (1.29m), Maldives (0.24m) and Bhutan (0.21m) received the smallest part of loans and grants. For Bangladesh no data are available.

1975

In comparison to 1970, total loans and grants accorded to the least developed group almost doubled in 1975 to 2,912.82 million dollars, but the total received by all developing countries increased further as well to 22,356.31 million dollars.

With more than 1 billion dollars (exactly 1,023.70m) Bangladesh occupied the first place, and Sudan (357.46m), Tanzania (337.74m), Ethiopia (115.41m) and Mali (107.73m) received the largest part of foreign assistance. Nine countries had loans and grants totaling between 50 and 100 million dollars. In the 15th position Afghanistan (49.46m) headed the group of least developed countries having received less than 50 million dollars; and. Guinea had the lowest share with 8.16 million dollars.

2. PER CAPITA NET LOANS AND GRANTS

1965-1968 (average)

Per capita net loans and grants received by least developed countries amounted to 3.9 dollars between 1965 and 1968 and to 4.9 dollars in all developing countries.

Botswana (28.9\$), Laos (24.8\$), the Democratic Republic of Yemen (16.2\$), Lesotho (14.6\$) and the Central African Empire (13.1\$) led the least developed group (data are not available for Bangladesh), all others having received less than 10\$ per capita in net loans and grants, with Afghanistan (2.9\$) in the 19th position and at the same level as Burundi and Maldives (2.9\$).

1970

Net loans and grants per capita slightly increased in the least developed countries in 1970 to 4.2\$, while reaching 5.7\$ in all developing countries.

Once again Botswana (24.6\$) and Laos (23.4\$) were the leaders, together with Samoa (10.9\$), Somalia (10.8\$), Lesotho (10.7\$) and Niger (10.3\$). The rest of the least developed group received less than 10\$ of per capita net loans and grants (no data are available for Bangladesh), and Afghanistan fell back to the 25th place (1.1\$) only preceding Sudan (0.8\$ and Bhutan (0.3\$).

1975

Per capita net loans and grants almost trebled to 11.8 dollars in the least developed countries during 1975 against 11.6 dollars in all developing countries.

Twenty-one countries of the least developed group had over 10 dollars per capita inflow of net loans and grants with Samoa (95.1\$), Botswana (69.8\$), the Central African Empire (29.6\$), the Democratic Republic of Yemen (28.9\$), Tanzania (22.3\$), Lesotho (22.2\$), Maldives (22.1\$) and Sudan (20.1\$) receiving the highest shares. Afghanistan (2.6\$), once again in the 25th position, was among those having less than 10 dollars per capita, while Guinea (-1.8\$) suffered a net loss.

3. NET LOANS AND GRANTS IN 1975 AS PERCENTAGE OF GNP*

Net loans and grants represented 9.3% of the least developed countries' aggregate GNP in 1975, but only 3.0% of the aggregate GNP of all developing countries.

The ratio of net loans and grants to GNP was the highest in Botswana (24.6%), Rwanda (23.6%), Mali (23.2%), Somalia (20.4%), Laos (17.9%), Niger (16.1%), Upper Volta (15.4%) and Benin (15%), followed by seven other countries with per capita net loans and grants representing 10% to 15% of GNP. For ten countries the ratio was less than 10% (no data are available for Bhutan, Maldives and Samoa), with Afghanistan in the 22nd position with net loans and grants representing 2.5% of its 1975 GNP.

4. NET LOANS AND GRANTS IN 1975 AS PERCENTAGE OF IMPORTS

For the least developed group net loans and grants represented 50.4% of their 1975 aggregate imports, whereas only 11.8% for developing countries as a whole.

In 1975, total net loans and grants covered more than the totality of their imports in Bangladesh (144%) and the Central African Empire (117%). For seven other countries this coverage was more than 50%: Niger (87.5%), Rwanda (82.3%), Laos (81.7%), Burundi (76.8%), Mali (71.8%), Chad (55.5%) and Upper Volta (53.4%), for eleven other members of the group between 20% and 50%. Finally, for five countries (data are not available for Bhutan, Guinea and Maldives) between 10% and 20%. Afghanistan fell in the last group, the 21st position, with total net loans and grants covering 19% of its imports.

* 1975 GNP expressed in dollars at 1974 prices.

E. OFFICIAL DEVELOPMENT ASSISTANCE (ODA) 1965-1975 **(DAC MEMBER COUNTRIES AND MULTILATERAL AGENCIES)**

1. TOTAL ODA

1965-1968

The total official development assistance flow to the least developed countries amounted to 504.60 million dollars between 1965 and 1968 against 6,584.39 million dollars to all developing countries.

Afghanistan was in the 2nd position with 42.54 million dollars of total ODA, preceded only by Laos (67.69m) and Tanzania (36.62m). Ethiopia (36.09m) as well as Malawi (30.08m) being above the 30 million dollars mark. Further, five countries received between 20 and 30 million dollars of ODA, ten between 10 and 20 million dollars, while seven countries obtained less than 10 million dollars (no data are available for Bangladesh).

1970

Total ODA increased to 564.60 million for the least developed countries and to 7,135.97 million for all developing countries.

Highest amounts were received by Laos (69.25m), Tanzania (52.45m) and Ethiopia (42.76m). Three countries were in the 30 to 40 million dollars bracket, eight in the 20 to 30 million dollars range, with Afghanistan (27.71m) in the 8th position; another six countries had between 10 and 20 million dollars, whereas the remaining seven obtained less than 10 million dollars (no data for. Bangladesh is available).

1975

Between 1970 and 1975, total ODA flow to the least developed group more than quadrupled to 2,427.44 dollars, while it less than doubled to 12,768.97 dollars for the whole developing world.

Bangladesh took first place (923.89m), followed by Tanzania (276.52m), Ethiopia (117.44m) and Mali (109.05m). Nine countries benefited of an ODA flow of more than 50 million dollars, five received between 40 and 50 million dollars, – Afghanistan, with 47.99 million was in the 15th place; – two between 30 to 40 million; one between .20 to 30 million and the remaining seven less than 20 million dollars.

2. BILATERAL ODA

1965-1968

From bilateral sources, official development assistance flow to least developed countries amounted to 424.25 million dollars in the three years 1965-1968 compared to 5,757.31 million dollars to all developing countries.

Laos received the highest bilateral ODA share with 66.93 million dollars, Afghanistan with 39.39 million dollars was in the second position, and Tanzania (32.78m) was the third among those above the 30 million dollars mark. Of the remaining countries (no data are available for Bangladesh) seventeen countries received between 10 and 30 million dollars, the rest less than 10 million dollars.

1970

Total volume of ODA to the least developed countries decreased in 1970 and fell to 392.36 million dollars against 5,565.74 million dollars to all developing countries which also represented a slight decrease.

Again Laos had the first place (68.46m), with Tanzania (37.90m), Ethiopia (32.66m), Malawi (25.91m), Uganda (24.38m) and Afghanistan, in the 6th position with 21.35 million dollars, being those who received the highest amounts of ODA this year. However, in 1970 only seven more countries benefited of a flow of ODA between 10 and 20 million dollars, the rest had less than 10 million (no data are available for Bangladesh). It is true that 1970 was a bad year from the point of view of official development assistance and the volume of ODA declined in almost all least developed countries in comparison to the preceding and following years.

1975

1,684.80 million dollars went to the least developed countries in the form ODA in 1975 and 9,718.11 million to all developing countries.

Bangladesh (703.88m) occupied the first place, followed by Tanzania (234.53m), Ethiopia (73.12m), Sudan (60.16m), Mali (55.70m), Rwanda (53.66m) and Upper Volta (53.12m). With US dollars 32.55m ODA received by Afghanistan it occupied the 13th position, the bulk of the least developed had ODA between 20 to 40 million dollars, one between 10 and 20 million, and seven below 10 million.

3. MULTILATERAL ODA: NON-CONCESSIONAL

1965-1968

Between 1965-1968 eight least developed countries did not receive at all multilateral ODA on non-concessional terms, the others as Afghanistan had a negative one with only two, Ethiopia (4.17m) and Sudan (3.74m), as actual beneficiaries (no data are available for Bangladesh).

In 1970, nine least developed countries did not figure among beneficiaries of multilateral, non-concessional ODA, twelve showed negative amounts, among them Afghanistan, and only six received actual assistance. No data are available for Bangladesh).

In 1975, only six of the least developed received multilateral ODA on non-concessional terms, Afghanistan among them (2.47m), occupying the 5th place.

4. MULTILATERAL ODA: CONCESSIONAL

1965-1968

Multilateral ODA on concessional terms represents, in general, the bulk of total multilateral ODA. In 1965-1968 it amounted to 78.92 million dollars for least developed countries and 615.62 million for all developing countries. Mali received the highest share (10.18m), just above the 10 million dollars mark; Afghanistan occupied the 11th position (3.69m), and Bhutan received no concessional, multilateral ODA at all. No data are available for Bangladesh.

1970

148.88 million dollars and 786.97 million dollars multilateral, concessional ODA flowed in the least developed group and all developing countries, respectively, in 1970. Tanzania (13.31m), Mali (11.50m), Malawi (11.03m) and Niger (10.43m) were above the 10 million dollars mark; Afghanistan, with 6.84m, was in the 10th position, while Bhutan did not figure among the beneficiaries. For Bangladesh again no data are available.

1975

The least developed countries benefited of 701.42 million of multilateral, concessional ODA this year, but for all developing countries not enough information is yet available to compound this figure. Bangladesh received 203.57m, Mali 53.32m, Ethiopia 44.32m, Niger 43.45m and Tanzania 41.99m. Twelve other countries obtained between 10 and 40 million dollars, Afghanistan with US dollars 12.97m occupying the 17th position. The remaining eleven countries had less than 10 million dollars.

5. TOTAL MULTILATERAL ODA

1965-1968

Total multilateral ODA to the least developed amounted to 80.35 million dollars and to all developing countries to 827.08 million dollars. Mali (9.83m), Ethiopia (9.75m), Sudan (7.56m), Niger (6.38m), Chad (5.76m), Upper Volta (5.60m) and Benin (5.42m) were the main beneficiaries. Afghanistan took the 11th place with 3.5m; Bhutan did not receive multilateral ODA at all. No data are available for Bangladesh).

1970

172.24 million dollars went to the least developed and 1,570.41 million to all developing countries. In the 13th position Afghanistan (6.36m) was in the middle of the least developed group, of which Guinea (18.24m), Tanzania (14.55m), Sudan (12.10m), Mali (11.22m), Malawi (10.80m), Niger (10.31m) and Ethiopia (10.10m) received the highest amounts.

1975

In five years the total multilateral ODA to the least developed climbed to 742.64 million dollars and that to all developing countries to 3,050.86 million dollars. Bangladesh (220.01m), Mali (53.35m), Ethiopia (44.32m), Niger (43.45m) and Tanzania (41.99m) were the main beneficiaries; with 15.44m Afghanistan was in the 16th position.

F. TECHNICAL ASSISTANCE DISBURSEMENTS, 1962-1975

(BILATERAL CONTRIBUTIONS FROM DAC MEMBER COUNTRIES PLUS CONTRIBUTIONS FROM MULTILATERAL AGENCIES)

1. TOTAL TECHNICAL ASSISTANCE DISBURSEMENTS

1962-1966

Technical assistance amounted, on the average, to 126.3 million dollars to the least developed countries and to 1,080.7 million dollars to all developing countries during these years. Following Laos (18.2m), Afghanistan took the 2nd place with 15.7 million dollars, followed by Tanzania (14.4m); all other least developed countries remained below the 10 million dollars marks of average technical assistance. Bhutan and Maldives received no such assistance. No data are available for Bangladesh).

1970

Technical assistance disbursements reached 243.4 million dollars for the least developed countries and 1,879.1 million dollars for the whole developing world. Afghanistan was in the 3rd place receiving 20.9m, Laos (39.6m) and Tanzania (21.2m) took lead; Ethiopia (19.6m), Uganda (14.3m), Rwanda (11.7m), Niger (11.1m), Somalia (10.6m) and Burundi (10.5m) were above the 10 million dollars mark. No data are available for Bangladesh).

1975

The technical assistance flow more than doubled reaching 523.6 million dollars to the least developed group as well as to all developing countries with 3,787.8 million dollars. Tanzania (57.4m), Bangladesh (42.2m), Ethiopia (38.5m), Upper Volta (31.9m), Sudan (30.4m) and Rwanda (30.1m) led the least developed group; Afghanistan followed with 25.7m occupying the 7th position. Four more countries received above 20 million dollars, nine between 10 and 20 million, and the remaining eight less than 10 million dollars.

2. PER CAPITA TECHNICAL ASSISTANCE DISBURSEMENTS

1962-1966

In the least developed countries technical assistance per capita was 1 dollar on the average, but only 0, 7 dollar in all developing countries. Laos (7.1\$), Somalia (3.7\$) and Samoa (2.3\$) received the highest per capita amounts among the least developed. Afghanistan took the 11th position with 1.1 dollar, together with the Central African Empire and Uganda. The rest had less than 1 dollar per capita technical assistance; Bhutan and Malawi received no assistance at all. No data are available for Bangladesh).

1970

Technical assistance per capita increased to 1, 6 dollar in the least developed group and to 1.1 dollar in all developing countries during the year 1970. Afghanistan was in the 20th position with 1.2\$ per capita technical assistance, in the lead were Laos (13.4\$), Samoa (6.4\$), the Central African Empire (5\$) and Botswana 4.7\$). Two countries had more than 3 dollars technical assistance per head, six above 2 dollars, nine above 1 dollar and six under 1 dollar. No data are available for Bangladesh).

1975

Per capita technical assistance increased to 2.1 dollars in the least developed group and 2 dollars in all developing countries in the mid-seventies. Samoa (26.7\$), Botswana (22.5\$) and Lesotho (10.6\$) were above the 10 dollars mark; eight other countries were between.5\$ and.10\$, thirteen between 1\$ and 5\$, –Afghanistan, with 1.3\$, taking the 22nd position, – whereas four countries had less than 1 dollar.

3. LOANS FROM SOCIALIST COUNTRIES OF EASTERN EUROPE AND FROM CHINA, 1970 -1975

During the whole period, Afghanistan was by far the largest beneficiary of these loans, with 29.3m, 36m, 29.6m 35.9m, 32m and 50.9m dollars, respectively, during the years of the period under review. Only Mali and Tanzania received substantial amounts in addition to Afghanistan. Total loans from the Socialist countries and China to the least developed represented 64.2 million dollars in 1970 and 199.6 million dollars in 1975.

SIXTH CONCLUSION

1. Per capita export purchasing power is relatively low in Afghanistan. In 1975, it was not more than 12.4% of per capita GNP in comparison to 61, 6% for Botswana, 50.8% for the Democratic Republic of Yemen, 55.1% for Gambia, 24.3% for Guinea, and 30.2% for Somalia.

2. Per capita external assistance is even lower: 5.3% of per capita GNP against 26.9% for Botswana, 22.8% for the Democratic Republic of Yemen, 49.5% for Somalia, 14.6% for the Central African Empire, 16.6% for Tanzania, etc. It is evident that Afghanistan is among the countries which receive the lowest share of the external assistance flowing into the least developed countries.

3. It is interesting to note that Afghanistan in general received a much larger proportion of the net flow of loans and grants going to the least developed during the period 1965-1968 than in the seventies. While it was the second largest beneficiary in the years, it fell to the 14th position in 1970 and to 15th position in 1975. That was also reflected by the figures concerning per capita net loans and grants; because of its large population compared to the total amount of net loans and grants, its position among the least developed was 19th between 1965 and 1968, but 25th only in 1970 and 1975 – at the very bottom of the list.

4. In consequence, net loans and grants represented in 1975, when Afghanistan ranked in the 22nd position among the least developed, only 2.5% of its GNP and only 19% of its imports (21st position). These indicators prove that in the future Afghanistan has to request a much higher proportion of financial assistance given by the international community to the least developed countries in order to achieve a sustained growth of its economy.

5. Data concerning official development assistance, bilateral or multilateral, indicate the same situation, although they make it clear that Afghanistan benefited more of bilateral ODA flows than multilateral ODA, and it received less of multilateral ODA at concessional terms than most of the least developed. However, the share of Afghanistan of technical assistance disbursements was higher than her share of official development assistance, probably due to contributions from the United Nations system.

La position du Mali
dans le groupe des pays les moins avancés
(Analyse d'indicateurs généraux et sectoriels)

par

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INTRODUCTION

Cette étude est basée sur le document. TD/B/AC 17/8 (30 juin 1973) de la Conférence des Nations Unies sur le Commerce et le Développement (CNUCED), intitulée : *Données de base relatives aux pays les moins avancés*. Rapport du Secrétariat de la CNUCED.

La définition des pays et territoires en développement utilisée dans cette étude est celle de *Manuel de statistique du Commerce International et du développement — Supplément 1977* de la CNUCED.

Les pays en développement les moins avancés sont, d'une part, les 25 pays repris de la liste initiale établie par l'Assemblée Générale des Nations Unies en décembre 1971* et, d'autre part, les six autres pays ajoutés à la liste au cours de la présente décennie : quatre en décembre 1975 (Bangladesh, Gambie, République Centrafricaine et Yémen démocratique), deux en décembre 1977 (Cap Vert et Comores).

Le groupe des pays les moins avancés compte 253,2 millions d'habitants (estimations de 1976), soit 13,1% de la population de l'ensemble des pays en développement (1'934,69 Millions).

La position du Mali sera toujours comparée à celle des autres pays de la CEAO qui sont membres du groupe des pays les moins avancés (Haute-Volta et Niger), compte tenu des efforts soutenus de coopération et d'intégration sous-régionales.

NOTES

Sauf indication contraire, le terme dollar s'entend dollar des Etats-Unis d'Amérique.

Les taux annuels de croissance et de variation sont des taux composés.

* Afghanistan, Bénin, Bhoutan, Botswana, Burundi, Ethiopie, Guinée, Haïti, Haute-Volta, Lesotho, Malawi, Maldives, Mali, Népal, Niger, Ouganda, République démocratique populaire de Lao, République Unie de Tanzanie, Rwanda, Samoa, Sikkim, Somalie, Soudan, Tchad, Yémen. Néanmoins, concernant le Sikkim aucune donnée n'est disponible.

PREMIERE SECTION

Population

Parmi les pays les moins avancés, le Mali occupait la 10^{ème} place du point de vue de la population avec 5,84 millions d'habitants en 1976. Les pays les plus peuplés dans le groupe sont par ordre d'importance et en millions d'habitants : le Bangladesh (80,56), l'Ethiopie (28,19), l'Afghanistan (19,80), le Soudan (16,13), la République Unie de Tanzanie (15,61), le Népal (12,86), l'Ouganda (11,94) ; les autres pays se situent en dessous du seuil de 10 millions d'habitants.

Du point de vue de la croissance démographique, le Mali se situait au 15^{ème} rang avec un taux de croissance annuel moyen de 2,5% (1970 – 1976) ce qui représente d'ailleurs le taux de croissance démographique moyen et des pays les moins avancés, et de l'ensemble du groupe des pays en développement. Les taux de croissance les plus élevés sont ceux du Botswana (3,8), de l'Ouganda (3,3), de la République Arabe du Yémen (3,0), du Bénin, du Niger, de la République Unie de Tanzanie et du Yémen démocratique (2,7), de l'Ethiopie, de la Gambie, du Malawi, du Ruanda et de la Somalie (2,6). L'Afghanistan, les Comores et le Soudan ont le même taux de croissance démographique annuel que le Mali.

En ce qui concerne les membres les moins avancés de la CEAO, la Haute-Volta occupait la première place du point de vue de la population avec 6,17 millions d'habitants, suivie du Mali (5,84) et du Niger (4,73).

DEUXIEME SECTION

Indicateurs généraux

Le PIB par habitant en dollars est calculé aux prix constants de 1970. En 26^{ème} position, le Mali avait un PIB per capita de 59 \$. Le premier du groupe étant le Botswana (322), viennent ensuite dans l'ordre le Soudan (126), la Gambie (120), le Cap-Vert (116), Haïti (115), la République Unie de Tanzanie (114), le Lesotho et le Yémen démocratique (111), l'Ouganda (108), la Somalie (102), la République centrafricaine et le Malawi (100). Pour les autres pays du groupe, le PIB par tête d'habitant se situait au dessous de 100 dollars (la moyenne du groupe est de 88 dollars ; pour l'ensemble des pays en voie de développement elle est de 251 dollars).

Le Niger (98) est de loin le mieux placé des pays membres de la CEAO, mais la Haute-Volta (58) se tient très près du Mali.

En calculant *le PIB per capita en dollars aux prix de 1976*, la position du Mali s'est un peu améliorée, elle se situe au 23^{ème} rang avec 107 dollars. L'ordre des autres pays a toutefois subi des changements importants : le Botswana garde toujours la première place (456), suivi de la Somalie (299), du Soudan (296), de la République Arabe du Yémen (255), de la République centrafricaine et de l'Ouganda (239), du Cap-Vert (237), du Yémen démocratique (222), de Haïti (217), de l'Afghanistan (104), du Comores (179), de la République Unie de Tanzanie (175), du Bénin et de la Guinée (169), du Malawi (161), et de la Gambie (160) ; pour le reste des pays, le PIB par habitant était inférieur à 150 dollars. La moyenne du groupe des pays les moins avancés s'est située à 135 dollars et à 491 dollars pour l'ensemble des pays en voie de développement.

De nouveau, le Niger (146) est le premier des pays membres de la CEAO, et la Haute-Volta (106) était à peu près au même niveau que le Mali.

Le taux moyen de croissance annuelle du produit réel par habitant entre 1970 et 1977 était de 0,9% pour le Mali le plaçant en 14^{ème} position. Les pays ayant montré une forte croissance annuelle étaient le Botswana (9,4), le Lesotho (5,9), le Malawi (4,2), la Somalie (3,8), la Gambie (3,4), la République Arabe du Yémen (3,3), l'Afghanistan et le Yémen démocratique (2,5), Haïti (2,2), le Bangladesh et la République Unie de Tanzanie (1,8), le Rwanda (1,7), le Tchad et le Népal (0,6). En Guinée, la croissance annuelle du produit réel par habitant était de zéro, tandis que les autres pays du groupe non mentionnés, connaissaient une nette décroissance (le Niger -0,2 et la Haute-Volta -0,5%). Ce taux se situait entre 3 et 5% au Soudan, en République centrafricaine, en Ouganda et au Cap-Vert, mais seulement (0,6 et 2,7%, respectivement, pour les pays les moins avancés et pour tous les pays en voie de développement).

L'analyse, seulement pour le Mali, des taux annuels moyens d'accroissement du produit réel total par habitant, au prix du marché, entre 1960 et 1977, montre clairement les effets désastreux de la sécheresse, mais également un accroissement très fort entre 1974 et 1977 :

TAUX ANNUELS MOYENS D'ACCROISSEMENT DU PRODUIT REEL TOTAL

(en pourcentage)

<u>1960–70</u>	<u>1970–77*</u>	<u>1970–73</u>	<u>1973–74</u>	<u>1974–75</u>	<u>1975–76</u>	<u>1976–77**</u>
0,3	3,4	0,8	0,5	12,7	4,8	6,5

TAUX ANNUELS MOYENS D'ACCROISSEMENT DU PRODUIT REEL PAR HABITANT

(en pourcentage)

<u>1970–73</u>	<u>1973–74</u>	<u>1974–75</u>	<u>1975–76</u>	<u>1976–77**</u>
0,8	0,5	12,7	4,8	6,5

* Tendance

** Estimation préliminaire

Les projections du PNB par habitant, en dollars, pour 1990 sont faites selon trois hypothèses :

L'hypothèse A prend comme base de projection le taux de croissance du produit réel par habitant observé pendant la période 1960–1970 ;

L'hypothèse B suppose le maintien du taux de croissance observé pendant la période 1970–1977, et

L'hypothèse C est fondée sur l'objectif de 3,5% de croissance annuelle fixé par la Stratégie Internationale du Développement pour l'ensemble des pays en voie de développement.

Dans cette étude l'analyse est faite à partir des projections contenues dans les hypothèses B et C, l'hypothèse A n'ayant qu'une valeur historique. Selon l'hypothèse B, le Mali se placera en 1990 en 20^{ème} position avec un PNB par habitant de 117 \$, il sera devancé par le Botswana (1'555), la République Arabe du Yémen (394), le Yémen démocratique (303), Haïti (285), le Malawi (279), la Gambie (256), l'Afghanistan (254), la République Unie de Tanzanie (220), le Lesotho (203), la Somalie (201), le Soudan (189), le Bénin (168), la Guinée (165), le Rwanda (152), le Tchad (150), le Niger (148), la République centrafricaine (147), l'Ouganda (146) et le Cap-Vert (113). Le Burundi, les Comores et le Népal seront également au-dessus du seuil des 100 dollars du PNB per capita, tandis que les autres pays du groupe se situeront en-dessous de cette limite.

En ce qui concerne l'hypothèse C, le Mali occupera le 25^{ème} rang, avec un PNB par habitant de 167 dollars. De nouveau, le Botswana occupera la première position (715), suivi par Samoa (484), le Soudan (469), la République Arabe du Yémen (405), l'Ouganda (395), la République centrafricaine (387), le Cap-Vert (363), le Yémen démocratique (353), Haït (340), l'Afghanistan et les Comores

(291), la République Unie de Tanzanie (277), le Bénin (275), la Guinée (267), la Gambie (259), le Malawi (254), le Niger (246), le Burundi (199), le Tchad et le Rwanda (194), les Maldives (173), la Haute-Volta (170) et l'Ethiopie (167).

Il apparaît donc que dans les deux hypothèses le Niger devancera le Mali ; dans l'hypothèse B, la Haute-Volta n'atteindra pas les 100 dollars du PNB par habitant en 1990, mais dans l'hypothèse C, elle sera mieux placée que le Mali.

La moyenne des pays les moins avancés serait de 146 et 217 dollars sur la base des deux hypothèses, et pour l'ensemble des pays en voie de développement elle sera, respectivement, de 696 et 775 dollars.

TROISIEME SECTION

Le secteur agricole

En premier lieu, du point de vue *du pourcentage de la main-d'oeuvre agricole par rapport à la population active totale en 1976* (les pays étant classés en ordre décroissant de ce pourcentage), le Mali était en 6^{ème} position avec 89%, précédé seulement par le Bhoutan (94), le Népal (93), le Rwanda (91), le Niger (90) et la République centrafricaine (89). Pour treize autres pays du groupe, la main-d'oeuvre agricole représentait entre 80% et 90% de la population active totale, et seulement pour deux pays, le Cap-Vert (59) et Bénin (48) moins que 60%.

Des pays de la CEAO, ce pourcentage était le plus bas pour la Haute-Volta (84), la moyenne étant 83% pour les pays les moins avancés et 61% pour l'ensemble des pays en voie de développement.

En ce qui concerne *la part de l'agriculture dans le PIB en 1976* (de nouveau en ordre décroissant), le Mali se rangeait en 17^{ème} position avec 38%. Pour le Népal, la République Arabe du Yémen, le Bangladesh et la Gambie, le secteur agricole représentait plus de 60% du PIB ; pour onze autres pays, il se situait entre 40 et 60%. Seulement pour trois membres du groupe des pays les moins avancés se trouvaient en-dessous de 30%, la Somalie (28), Guinée (22) et Yémen démocratique (21).

Sur ce plan donc, le Mali avait une position se situant bien en-dessous de la moyenne du groupe (47%), quoique ce pourcentage pour l'ensemble des pays en voie de développement ne fût que de 22%.

Concernant *le PIB par habitant provenant du secteur agricole (1976)*, le Mali, avec 39% occupait la 28^{ème} position et se situait très loin de la moyenne du groupe des pays les moins avancés (63%) et encore plus en arrière par rapport à l'ensemble des pays en voie de développement (105%). La République Arabe du Yémen s'est trouvé au premier rang (158), ensuite venaient le Botswana (146), Samoa (141), l'Ouganda (120) et le Soudan (113) ; puis suivaient treize autres pays ayant un PIB par habitant provenant du secteur agricole compris entre 50 et 100%. Pour le reste des membres du groupe, ils n'atteignaient pas les 50%.

L'analyse de la tendance des taux moyens de croissance annuelle de la production agricole entre 1970 et 1977 montre que le Mali se range en 10^{ème} position avec un taux de 1,6%, derrière le Botswana (4,8), l'Afghanistan (4,3), la Gambie (4,2), la République Arabe du Yémen (3,8), le Soudan (3,5), le Rwanda (3,3), le Malawi et la République Unie de Tanzanie (3,1), Samoa (2,9), le Yémen démocratique (2,6), le Bhoutan, le Népal et la Haute-Volta (2,2), le Bangladesh (1,8) ; Haïti et le Lesotho (1,6) réalisant le même taux que le Mali. En Somalie, en Ethiopie et au Bénin, le taux moyen de croissance annuelle de la production agricole était négatif, c'est à dire avait enregistré une chute de 0,1, 0,6 et 1,3%, respectivement. Pour le Niger, aucune croissance de la production agricole n'a eu lieu pendant la période examinée.

La croissance annuelle de la production agricole était de 2,0% pour le groupe des pays les moins avancés et de 2,4% pour les pays en voie de développement.

La croissance annuelle de la production agricole au Mali a considérablement évolué depuis 1960 (en pourcentage) :

<u>1961–1970</u>	<u>1970–1977</u>	<u>1970–1973</u>	<u>1973–1974</u>	<u>1974–1975</u>	<u>1975–1976</u>	<u>1976–1977</u>
<u>tendance</u>						
2,1	1,6	-11,5	9,9	27,0	8,8	-0,8

La situation du Mali se révèle beaucoup moins bonne sur le plan de l'analyse des *taux moyens de croissance annuelle de la production vivrière entre 1970 et 1977*, avec seulement 1,0% de progression par an (19^{ème} rang). Ce taux était pour le Botswana de 4,0%, suivi du Soudan (4,6), de l'Afghanistan et de la Gambie (4,2), de la République Unie de Tanzanie (3,9), de la République Arabe du Yémen (3,3), du Rwanda (3,1), du Yémen démocratique (3,0), de Samoa (2,8), du Bangladesh (2,3), du Népal et de la Haute-Volta (2,2), du Bhoutan, du Burundi et du Malawi (2,1), de Haïti, du Lesotho et de l'Ouganda (1,8). La production vivrière a fléchi dans cinq pays du groupe (parmi eux, le Niger (-0,1%) dont la moyenne était de 2,2% contre 2,6% pour l'ensemble des pays en voie de développement.

La croissance de la production vivrière au Mali pendant la même période que pour la production agricole, oscillait au rythme de cette dernière production (en pourcentage) :

<u>1961–1970</u>	<u>1970–1977</u>	<u>1970–1973</u>	<u>1973–1974</u>	<u>1974–1975</u>	<u>1975–1976</u>	<u>1976–1977</u>
<u>tendance</u>						
1,8	1,0	-11,9	9,0	24,7	9,4	-1,7

QUATRIEME SECTION

Le secteur industriel

La part de la production industrielle dans le PIB du Mali était de 11% en 1976, le classant en 7^{ème} position ; il était précédé (en ordre décroissant de la part du secteur manufacturier dans le PIB) par la République centrafricaine (20), le Niger (15), le Malawi et la Haute-Volta (13), l'Afghanistan (12), Haïti et le Népal (11). Les deux autres pays les moins avancés de la CEAO avaient donc des secteurs industriels plus importants que celui du Mali. Pour le reste des pays du groupe, la part de la production industrielle dans le PIB était moins de 10%, le Cap-Vert, le Lesotho et la République Arabe du Yémen étant les derniers avec seulement 2%.

La moyenne des pays les moins avancés était de 0% et celle de l'ensemble des pays en voie de développement de 19%.

En ce qui concerne *le taux moyen de croissance annuelle du PIB réel provenant de l'industrie manufacturière* entre 1970 et 1977, le Mali s'est classé 11^{ème} avec un taux de 2,7%. Le précédaient le Yémen démocratique (12,3), le Botswana (10,2), la Somalie (7,4), Haïti (6,5), le Burundi (6,2), le Bénin (5,9), le Rwanda (5,6), la République Unie de Tanzanie (5,1), le Lesotho (4,4) et les Comores (3,0). Le Soudan (2,6) et le Malawi (2,4) avaient encore une progression annuelle au-dessus de 2%, mais les autres pays les moins avancés avaient un taux (la moyenne du groupe était 2,1%) se situant entre 0 et 2% (le Niger 1,7 et la Haute-Volta 0,2%). Pour le Bangladesh, la République centrafricaine et l'Ouganda dont les taux moyens de croissance annuelle étaient négatifs, soit -0,3, -4,1 et -5,9%. Pour tous les pays en voie de développement ce taux était de 7,1%.

Pour le Mali, cette croissance annuelle a de nouveau montré de grandes fluctuations :

<u>1960–1970</u>	<u>1970–1977</u>	<u>1970–1973</u>	<u>1973–1974</u>	<u>1974–1975</u>	<u>1975–1976</u>	<u>1976–1977</u>
<u>tendance</u>						
7,3	2,7	7,5	-15,4	7,8	0,3	5,8

Selon le critère du *PIB par habitant provenant du secteur manufacturier en 1976*, calculé en dollars, le classement des pays les moins avancés était le suivant : République centrafricaine (48), Soudan (26), Niger (23), Afghanistan et Botswana (22), Malawi (20), Ethiopie (16), Bénin, Ouganda, République Unie de Tanzanie et Yémen démocratique (15), Haïti et Haute-Volta (14), le Mali occupant la 16^{ème} position avec le Tchad, les Comores et le Népal avec 11%, ce qui représentait la moyenne du groupe. Ce taux était de 91% pour l'ensemble des pays en voie de développement. Pour le reste, le PIB par habitant provenant du secteur manufacturier était en-dessous de 10% ; la Guinée et le Lesotho occupant les dernières places avec 3 et 2%, respectivement.

CINQUIEME SECTION

Les investissements

En considérant *la part de l'investissement intérieur brut dans le PIB en 1976*, le Mali a occupé la 9^{ème} position avec 19%, il était précédé par le Botswana (42), la Somalie (34), le Yémen démocratique (24), la République centrafricaine et Samoa (22), le Malawi et la République Unie de Tanzanie (21), et les Comores (20). Pour quinze autres pays les moins avancés les investissements intérieurs bruts représentaient entre 10 et 20% du PIB (au Niger et en Haute-Volta 16%), tandis que pour le Népal (9), le Bangladesh et l'Ouganda (6), ils représentaient moins de 10%. La moyenne du groupe était de 13% et celle de tous les pays en voie de développement de 22%.

Du point de vue de *l'investissement intérieur brut par habitant en 1976* (en dollars), le Mali n'arrive qu'en 17^{ème} position avec 20 dollars. Seul le Botswana avait des investissements par habitant dépassant 100 \$ (186) ; quatre pays se situaient entre 50 et 100 dollars (Samoa 66, République centrafricaine 53, Soudan et Yémen démocratique 52). En ordre décroissant suivaient : la Somalie (40), les Comores et la République Unie de Tanzanie (36), le Malawi (33), le Bénin (31), la République Arabe du Yémen (30), l'Afghanistan (25), le Niger (24), Haïti (23), la Gambie (21) et la Guinée (20). La Haute-Volta n'avait que 17 dollars d'investissement intérieur par habitant. Le Népal (9) et le Bangladesh (4) avaient moins de 10 dollars,

La moyenne du groupe des pays les moins avancés était de 17 \$, un montant très inférieur à celui de l'ensemble des pays en voie de développement, soit 105 dollars.

Il est inquiétant de constater que *le taux de croissance réelle (moyenne annuelle) de l'investissement intérieur brut entre 1970 et 1976*, était négatif pour le Mali que l'on peut interpréter comme un désinvestissement de l'ordre de 1,8%. Le tableau suivant montre l'évolution de ce taux depuis 1960 (en pourcentage) :

<u>1960–1970</u>	<u>1970–1976</u>	<u>1970–1973</u>	<u>1973–1974</u>	<u>1974–1975</u>	<u>1975–1976</u>
6,0	-1,8	-3,4	7,4	-1,3	-6,0

Pendant la période 1970–1976, le Yémen démocratique a fait le plus grand effort avec un taux de 38,3%, suivi du Botswana (33,1), du Rwanda (19,9), du Burundi (14,9), de la Somalie (13,1), de l'Afghanistan (13,9), de Haïti (10,4), de la Haute-Volta (10,2), du Tchad (9,7), du Lesotho (9,1), de la Guinée et du Niger (6,0), de la Gambie (3,7), du Soudan (3,5), de la République centrafricaine (2,6), de la République Unie de Tanzanie (2,4), et du Bénin (0,9). Sept pays dont le Mali ont vu leurs investissements décroître, en particulier l'Ouganda (-9,0), le Bangladesh (-8,9) et l'Ethiopie (-8,3). La croissance réelle annuelle des investissements dans les pays les moins avancés était de 0,1%, alors qu'elle était de 9,7% pour tous les pays en voie de développement.

SIXIEME SECTION

Commerce extérieur

A. LES EXPORTATIONS

En considérant *la valeur totale des exportations* en 1977, le Mali a occupé la 13^{ème} place avec 110 millions de dollars. La République Unie de Tanzanie s'est classée première (670m), ensuite venaient le Soudan (620m), l'Ouganda (600m), le Bangladesh (450m), l'Ethiopie (300m), l'Afghanistan (270m), la Guinée (250m), le Yémen démocratique (220m), le Botswana (200m), le Malawi (130m), Haïti (150m), et le Rwanda (130m). Le Niger se situait à la même hauteur que le Mali, alors que les exportations de la Haute-Volta n'atteignaient que 90m de dollars similairement au Bénin et au Népal.

Les exportations totales du groupe des pays les moins avancés se sont élevées à 4'930 millions de dollars et celles de l'ensemble des pays en voie de développement à 125'730 millions (les exportations des pays producteurs de pétrole ne sont pas comprises dans ce total).

Le Mali occupait également le 13^{ème} rang (16,2%) du groupe des pays les moins avancés lorsqu'on retient pour critère de base *le pourcentage des exportations total par rapport au PIB en 1977*. Pour trois pays les exportations représentaient plus de 50% du PIB : ce sont le Botswana (50,1), la Gambie (53,6), et le Yémen démocratique (52,1) ; pour Samoa elles représentaient un tiers et pour quatre autres pays entre 20 et 25% du PIB (Guinée 24%, Somalie 23,7%, Rwanda 23,1% et République Unie de Tanzanie 22,7%). Pour la grande majorité du groupe des pays les moins avancés ce pourcentage se situait entre 10 et 20% (Niger 14,7 et la Haute-Volta 12,8%), et pour sept pays en-dessous de 10% dont la République Arabe du Yémen (seulement 0,6%). La moyenne du groupe était de 13,9% et celle de tous les pays en voie de développement de 17,4%.

En ce qui concerne *la valeur des exportations par habitant en 1977*, le Mali, avec 18,4 dollars, s'est placé en 19^{ème} position. Les plus hautes valeurs per capita étaient obtenues par (dans l'ordre décroissant) le Botswana (281,7m), le Yémen démocratique (122,2), Samoa (100), la Gambie (90,9), la Guinée (53,9), l'Ouganda (48,6), la République Unie de Tanzanie (41,7), le Soudan (37,5), le Malawi (33,9), le Cap-Vert (32,3), Haïti (31,6), la Somalie (29,9), le Rwanda (29,5), la République Centrafricaine (29,4), le Bénin (27,4), le Niger (22,6), le Burundi (21,5) et le Lesotho (18,5). Pour cinq pays du groupe, la valeur des exportations par habitant s'est située en-dessous de 10\$; c'était notamment le cas pour la République Arabe du Yémen avec seulement 1,4 dollars. Pour la Haute-Volta cette valeur s'élevait à 14,3 dollars. La moyenne des pays les moins avancés était de 19,1 dollars et celle des pays en voie de développement de 75,4 dollars ;

La position du Mali était favorable si l'on considère *le taux moyen de croissance annuelle de la valeur des exportations entre 1970 et 1977*, car il occupait la 8^{ème} place avec 18,8, de concert avec

la Gambie, le Lesotho et la République Arabe du Yémen, il était précédé seulement par le Botswana (41,1), le Rwanda (26,6), la Haute-Volta (25), la Guinée (23,8), Haïti (20), le Burundi (19,8) et le Niger (19,3). Toutefois, deux partenaires du Mali parmi les moins avancés de la CEAO avaient réalisé une meilleure performance que lui. Dix autres pays avaient encore une progression annuelle des exportations supérieure à 10%, quatre moins de 10%, tandis que les ventes à l'étranger du Cap-Vert (-1,4) et du Bangladesh (-2) ont enregistré une régression.

La moyenne des pays les moins avancés était de 12% contre 19,7% pour l'ensemble des pays en voie de développement.

A l'exception de la période de la sécheresse, la performance de l'économie malienne concernant les exportations était excellente, comme le démontre le tableau ci-dessous :

<u>1960–1970</u>	<u>1970–1977</u>	<u>1970–1973</u>	<u>1973–1974</u>	<u>1974–1975</u>	<u>1975–1976</u>	<u>1976–1977</u>
5,1	18,8	20,7	10,3	-15,6	79,6	13,4

Un indice intéressant, calculé par la CNUCED, est *la variation entre 1970 et 1977 du pouvoir d'achat des exportations par habitant en dollars constants de 1977*. Selon cet indice le Mali s'est classé 11^{ème} avec 5,7 dollars per capita (seulement 2,1 dollars entre 1960 et 1970 ainsi qu'entre 1976 et 1977). Le plus haut pouvoir d'achat des exportations par habitant était obtenu par le Botswana (212,5) ; suivaient ensuite, loin derrière, la Guinée (22), la Gambie (20,5), Samoa (20,4), le Rwanda (15,6), Haïti (10,6), la Haute-Volta (7,6), le Niger et la Somalie (6,0) et le Malawi (5,8).

Onze pays avaient un indice négatif, c'est à dire que le pouvoir d'achat des leurs exportations par habitant avait régressé : ils se rangeaient de la République démocratique Populaire Lao (-1,0) et l'Ethiopie (-1,5), au Cap-Vert (-58,6) et le Yémen démocratique (-103,9). Cet indice pour le groupe des pays les moins avancés était également négatif (-3,9%), tandis que pour l'ensemble des pays en voie de développement, il était de 14,0%.

Du point de vue du *taux moyen de croissance annuelle du pouvoir d'achat des exportations entre 1970 et 1977*, le Mali s'est encore mieux classé occupant le 5^{ème} rang avec 8% ; il était seulement précédé par le Botswana (25,8), le Rwanda (14,2), la Haute-Volta (13,9) et la Guinée (10,4). Le Niger était 8^{ème} avec 7,4%.

Neuf pays connaissaient une régression avec moins de 1% de taux annuel de croissance : le Soudan, la République démocratique populaire Lao et l'Ouganda, tandis que la chute était encore plus aggravée pour le Cap-Vert et le Bangladesh avec moins de 12% par an. Il n'est pas surprenant dans ces conditions que la moyenne du groupe ait été de -0,1% contre 6,0% pour tous les pays en voie de développement.

Toutefois, comme le montre le tableau ci-après, la progression du pouvoir d'achat des exportations maliennes n'était pas régulière :

<u>1960–1970</u>	<u>1970–1977</u>	<u>1970–1973</u>	<u>1973–1974</u>	<u>1974–1975</u>	<u>1975–1976</u>	<u>1976–1977</u>
8,2	8,0	7,3	-17,2	-18,5	77,7	15,9

L'analyse de *la composition des exportations par produits* des pays les moins avancés (année la plus récente disponible pour chaque pays, pour le Mali 1975) montre que :

— Le Mali avec 41% de ses exportations composées de produits alimentaires s'est placé au bon milieu du groupe ; toutefois, en-dessous de la moyenne de 47%, contre 31,9% pour l'ensemble des pays en voie de développement. Pour le Niger ces produits représentaient 30,2% et pour la Haute-Volta 74,8% ;

— Le Mali compte parmi les plus gros exportateurs de matières premières d'origine agricole (47% du total) ; il en est de même de la République centrafricaine, du Tchad, de la République démocratique populaire Lao, du Lesotho, du Soudan et de la République Arabe du Yémen. La moyenne pour le groupe des pays les moins avancés était seulement de 23,3% et celle de tous les pays en voie de développement de 7,7%. Pour le Niger, ces produits ne constituaient que 0,2% des exportations totales et pour la Haute-Volta 13,6% ;

— Seulement deux pays dans le groupe des pays les moins avancés sont des exportateurs importants de combustibles, le Yémen démocratique (92,6% du total) et l'Afghanistan (20,3%) ; pour le Mali, ces produits ne représentaient que 0,1% du total des exportations ;

— Du point de vue des minerais et métaux, les exportations maliennes ne représentaient que 0,2% de la valeur totale des exportations. Les plus gros fournisseurs dans ce domaine sont : la Guinée (87,3% des exportations totales) et le Niger (60,9% ; quatre autres pays avaient exporté de ces produits entre 10 et 20% ; on peut relever que même la Haute-Volta est mieux lotie que le Mali dans ce domaine (0,3% contre 0,2%) ;

— En ce qui concerne les produits manufacturés, ils représentaient pour quatre pays entre 30 et 60% des exportations totales (Bangladesh 60,9, Comores 56,1, Botswana 36,6 et Haïti 32,4), tandis que pour cinq pays ces produits se rangeaient entre 10 et 30% ; au nombre de ces pays on trouve le Mali avec 11,7% (Népal 24,4, République centrafricaine 23,7, Bénin 17,6, République Unie de Tanzanie 12). La moyenne du groupe était de 13,6% et celle de tous les pays en voie de développement de 29,5%.

Finalement, du point de vue de leurs parts relatives sur les principaux marchés des exportations (année disponible la plus récente), huit pays seulement parmi les moins avancés avaient moins de 50% de leurs ventes extérieures sur des marchés autres que ceux des pays développés à économie de marché : le Mali (1974) 43,5%, la Haute-Volta 40,4%, la République Arabe du Yémen 26,8%, l'Afghanistan 23,1%, la Somalie 19%, le Rwanda 13,2%, le Népal 12% et la République démocratique populaire Lao 4,0%. Pour le Niger, la part des économies de marchés était de 70%, pour le groupe des pays les moins avancés de 61,9% et pour l'ensemble des pays en voie de développement de 65,7%.

Le Mali avait dirigé seulement 36,1% de ses exportations vers les autres pays en voie de développement, moins que huit autres pays (Bhoutan 100% ; République démocratique populaire Lao 96%, Rwanda 86%, Népal 84,1%, Somalie 75%, la Haute-Volta 58,9%, Maldives 50% et Bangladesh 39,5%). Pour le Niger ce pourcentage était de 29,9%, pour le groupe des pays les moins avancés il était de 27,9% et pour tous les pays en voie de développement de 25,5%.

Pour les exportations allant aux pays socialistes, le Mali a occupé la 3^{ème} place dans le groupe avec 18,5, précédé seulement par la République Arabe du Yémen 53,4% et l'Afghanistan 43,6%. Quatorze pays dont le Niger n'avaient pas d'exportations vers les pays socialistes. La moyenne était de 8% pour le groupe des pays les moins avancés et de 7,1% pour l'ensemble des pays en voie de développement.

B. LES IMPORTATIONS

Quinzième en ce qui concerne *la valeur totale des importations en 1977* avec 170 millions de dollars, le Mali est précédé par le Soudan (1 milliard), la République Unie de Tanzanie (800m), le Bangladesh et la République Arabe du Yémen (650m), le Yémen démocratique (500m), l'Ethiopie (450m), l'Ouganda (400m), l'Afghanistan (380m), le Bénin et le Botswana (220m), la Haute-Volta (200m), le Malawi (195m), le Népal (180m) et Haïti (170m), tandis que le Niger était 19^{ème} avec 150m. Le total des importations du groupe des pays les moins avancés s'est élevé à 7'410 millions et celui de l'ensemble des pays en voie de développement 148'510 millions de dollars.

Le Mali avait la même position si l'on retient comme critère de base *le pourcentage des importations totales par rapport au PIB en 1977* avec 25,1%. Pour le Lesotho les importations représentaient 146,3% du PIB ; suivi du Yémen démocratique 118,4%, la Gambie 80,4%, Samoa 78,1%, le Botswana 63,9%, le Cap-Vert 52,2%, la République Arabe du Yémen 38,15%, la Somalie 37,9%, le Bénin 37,5%, la République démocratique populaire Lao 30,3%, la Haute-Volta 28,4%, le Tchad 27,9%, la République Unie de Tanzanie 27,1% et le Niger 20%).

Pour le groupe des pays les moins avancés, ce pourcentage était de 20,9% et pour tous les pays en voie de développement de 20,6%.

Les importations par tête d'habitant en 1977 ne s'élevaient au Mali qu'à 28,4 dollars le plaçant à la 20^{ème} position. Pour le Botswana elles se chiffraient à 309,9 dollars, suivi du Yémen démocratique (277,8), de Samoa (233,3), du Lesotho (148,1), de la Gambie (136,4), du Cap-Vert (129), de la République Arabe du Yémen (91,8), du Bénin (66,9), du Soudan (60,5), de la République Unie de Tanzanie (49,8), de la Somalie (47,9), du Malawi (36,7), de Haïti (35,8), du Tchad (35,6), de l'Ouganda (32,4), de la République centrafricaine (32,1), de la Haute-Volta (31,7), du Niger (30,9), et de la République démocratique populaire Lao (29). Avec seulement 7,9 dollars d'importations par tête d'habitant le Bangladesh occupait la dernière place. La moyenne du groupe était de 20,9 dollars et celle de l'ensemble des pays en voie de développement de 20,6 dollars.

Concernant *le taux moyen de croissance annuelle de la valeur et du volume des importations entre 1970 et 1977*, le Mali s'est classé en 6^{ème} position avec 20,2% et 9,6%, respectivement. Cette

fourchette démontre clairement la détérioration des termes de l'échange au cours de cette décennie. Bien sûr, le même phénomène caractérisait également l'évolution des importations des autres pays les moins avancés dont (par ordre décroissant de la valeur) : la République Arabe du Yémen (53,5 et 37,1), Lesotho (25,8 et 12,2), le Botswana (24,3 et 10,8), la Haute-Volta (23,0 et 11,3), la Gambie (22,6 et 9,8), la Somalie (19,9 et 7,5), Bénin (19,3 et 6,3), Afghanistan (19,1 et 8,6), Burundi (19,1 et 6,3), Haïti (18,4 et 5,6), Rwanda (17,6 et 6,1), le Soudan (17,4 et 5,1), Ethiopie (14,7 et 1,2), Niger (14,5 et 3,1), République Unie de Tanzanie (14,1 et 0,6), le Cap-Vert et Samoa (14,0 et 1,6), Yémen démocratique (13,9 et 1,6), Tchad (13,7 et 3,7), l'Ouganda (13,8 et 0,5), Malawi (12,4 et 1,2), Népal (11,5 et 0,6), Guinée (9,2 et 2,6), République centrafricaine (8,5 et -2,5), République démocratique populaire Lao (-1,9 et -12,5) et Bangladesh (-2,2 et -12,9). Le taux moyen des pays les moins avancés était de 13,6 et 1,3% contre 18 et 5,2% pour les pays en voie de développement.

L'évolution plus détaillée de la croissance annuelle de la valeur et du volume des importations du Mali s'est faite comme suit (1960–1970 ; fonction exponentielle de tendance) :

	<u>1960–70</u>	<u>1970–77</u>	<u>1970–73</u>	<u>1973–74</u>	<u>1974–75</u>	<u>1975–76</u>	<u>1976–77</u>
Valeur	1,1	20,2	32,8	62,7	-1,1	-15,8	13,3
Volume	2,1	9,3	18,1	22,1	-4,5	-16,2	15,8

Finalement, la variation du volume des importations par tête d'habitant en dollars constants de 1977 situe le Mali en 8^{ème} rang pour la période 1970-1977 ; les résultats détaillés suivants pour les périodes comprises entre 1960–1970, 1970–1977 et 1976–1977 : 5,3% entre 1960 et 1970, 10,3% entre 1970 et 1977, et 3,3 dollars entre 1976 et 1977. Des variations considérables peuvent aussi être constatées concernant les importations des autres pays les moins avancés (en ordre décroissant de la valeur pour les 3 périodes susmentionnées) : Botswana (29,1, 125,3 et 5,0), République Arabe du Yémen (3,2, 79,4 et 29,0), Lesotho (24,2, 71,4 et 9,2), Gambie (24,0, 51,9 et -7,0), Bénin (14,6, 15,8 et 3,4), Haute-Volta (11,7, 14,1 et 3,1), Somalie (1,1, 13,2 et 15,8), Samoa (66,3, 10,3 et 30,0), Soudan (7,8, 9,9 et -1,7), Haïti (9,6, 8,5 et -2,5), Afghanistan (-2,2, 6,2 et 3,1), Burundi (4,3, 4,4 et 3,2), Rwanda (12,0, 4,3 et -4,7), Tchad (12,3, 3,6 et -1,1), Niger (20,0, 0,7 et 8,5), Ethiopie (4,6, -1,2 et 2,4), Népal (5,1, -3,0 et 0,1), Cap-Vert (-4,1, 3,1 et -11,3), Malawi (12,2, -3,6 et -5,7), Ouganda (6,2, -6,9 et 16,9), République Unie de Tanzanie (10,0, -8,2 et 5,0), Guinée (12,0, -11,0 et 2,5), République centrafricaine (6,0, -12,5 et 12,2), Bangladesh (10,1, -17,1 et -1,9), Yémen démocratique (94,2, -33,5 et 55,4) et République démocratique populaire Lao (27,2, -56,9 et 7,2).

Ces variations étaient en moyenne de 9,3 -2,6 et 2,7% pour le groupe des pays les moins avancés et de 16,9, 14,7 et 4,9% pour l'ensemble des pays en voie de développement.

SEPTIEME SECTION

Les finances extérieures

L'analyse des *rentrées de devises par habitant dans les pays les moins avancés* (moyennes 1965–1968, 1972, 1975 et 1976, en dollars constants de 1976*) se présente sous trois aspects : (i) le total des entrées par habitant de devises, décomposé en (ii) le pouvoir d'achat des exportations, par habitant, et (iii) en aide extérieure, par habitant.

La position de divers pays les moins avancés variaient dans chaque catégorie très peu au cours des différentes périodes étudiées ; par conséquent, la position du Mali par rapport aux autres membres du groupe sera seulement définie pour l'année 1976.

Le total des entrées de devises par habitant, en dollars, était le suivant pour le Mali au cours des années sélectionnées :

<u>1965–1968</u>	<u>1972</u>	<u>1975</u>	<u>1976</u>
21,4	25,9	38,5	34,7

En, 1976, le Mali s'est placé en 19^{ème} position après le Botswana (337,4), le Yémen démocratique (201,9), Samoa (130), le Cap-Vert (112), la Gambie (37,6), le Soudan (70,2), la Somalie (67,3), la République Unie de Tanzanie (51,6), la République centrafricaine (49,9), le Niger (46,6), la Guinée (46,1), le Lesotho (45,5), le Malawi (42,9), Haïti (42,1), le Bénin (40,1), la République Arabe du Yémen (39,4), le Rwanda (39,3) et l'Ouganda (36,1). La Haute-Volta avait 26,5 dollars, tandis que le Bangladesh et le Népal étaient en queue du groupe avec 11,9 dollars par tête habitant. La moyenne du groupe était de 29,3 dollars contre 74,9 dollars pour tous les pays en voie de développement.

Le pouvoir d'achat des exportations maliennes par habitant, en dollars, est indiqué dans le tableau suivant :

<u>1965–1968</u>	<u>1972</u>	<u>1975</u>	<u>1976</u>
6,1	11,2	9,6	16,6

* Les recettes d'exportation et les rentrées au titre de l'aide extérieure pour 1965–1968, 1972 et 1975 sont exprimées en pouvoir d'achat à l'importation aux prix de 1976.

De nouveau, le Botswana (260,9) a réalisé la meilleure performance en 1976, suivi du Yémen démocratique (102,9), de la Gambie (64), de Samoa (46,7), de la Guinée (44,2), du Soudan (34,3), du Cap-Vert (33,3), de la République Unie de Tanzanie (31,4), de l'Ouganda (30,3), du Malawi (20,6), de la République centrafricaine (20,5), de Haïti (26,3), de la Somalie (26,1), du Bénin (23,4), du Rwanda (10,9), du Niger (18,0), du Lesotho (17,0), et le Mali (16,6) au 18^{ème} rang (pour la Haute-Volta le pouvoir d'achat n'était que de 12,2 dollars). Pour le groupe des pays les moins avancés la moyenne s'élevait à 16 dollars et pour l'ensemble des pays en voie de développement à 60,6 dollars.

L'aide extérieure par habitant au Mali pendant les années examinées se chiffrait (en dollars) comme suit :*

<u>1965–1968</u>	<u>1972</u>	<u>1975</u>	<u>1976</u>
15,3	14,7	28,9	18,1

* Versements nets au titre de prêts et de dons, y compris les crédits à l'exportation garantis, des pays membres de l'OCDE/CAD et des institutions multilatérales essentiellement financées par ces derniers ; versements nets au titre de prêts des pays socialistes d'Europe orientale, de l'URSS et de la Chine ; versements bruts au titre de prêts et de dons des pays membres de l'OPEP et des institutions multilatérales essentiellement financées par ces derniers et le mécanisme pétrolier du FMI.

En 1976, le Yémen démocratique a reçu la plus large aide extérieure par tête habitant (99 dollars), ensuite les Comores (84,2), Samoa (83,3), le Cap-Vert (78,7), le Botswana (76,5), la Somalie (41,2), la République Arabe du Yémen (38,2), le Soudan (35,9), les Maldives (32,9), le Niger (28,6), le Lesotho (28,5), la Gambie (22), la République centrafricaine (21,5), le Rwanda (20,4), la République Unie de Tanzanie (20,2) et, en 16^{ème} position, le Mali avec 18,1 dollars d'aide extérieure par habitant (Haute-Volta, 14,3). Pour quatre pays cette aide était inférieure à 5 dollars : Ethiopie (4,8), Népal (3,9), Bhoutan (2,7) et Guinée (1,9). Les moyennes du groupe des pays les moins avancés (13,3) et celles de tous les pays en voie de développement (14,3) étaient très proches.

L'analyse de *l'apport net de prêts et de dons aux pays les moins avancés pendant la période 1965–1976* en provenance des pays membres de l'OCDE/CAD et des institutions multilatérales essentiellement financés par ces derniers, est intéressant à plus d'un titre : (i) leur montant total, (ii) leur montant per capita, (iii) leur montant en pourcentage du PIB en 1976, et (iv) leur montant en pourcentage des importations en 1976, sont comparés sur les pages suivantes :

En ce qui concerne les points (i) et (ii), les positions d'une année à l'autre ne variant pas beaucoup, la position du Mali sera définie seulement pour 1976.

Les prêts et dons nets reçus par le Mali se chiffraient à (en millions de dollars) :

<u>1965–1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>moyenne</u>								
20,4	20,7	20,8	36,7	40,1	70,2	106,1	113,3	85,0

Le Mali s'est rangé au 6^{ème} rang parmi les pays les moins avancés en 1976, derrière le Bangladesh (521,5), la République Unie de Tanzanie (310,2), le Soudan (247,8), l'Ethiopie (134,6) et le Niger (128,9). Neuf autres pays avaient une aide extérieure dépassant 50 millions de dollars, dix autres recevaient entre 10 et 50 millions, et le reste du groupe bénéficiait seulement une aide inférieure à 10 millions. Le groupe des pays les moins avancés totalisait 2'394,5 millions de dollars en 1976 contre 21'044,9 millions pour tous les pays en voie de développement.

Les prêts et dons nets par habitant reçus par le Mali (en dollars) s'élevaient à :

<u>1965–1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>moyenne</u>								
4,3	4,2	4,1	7,1	7,6	13,0	19,1	19,9	14,6

Le chiffre de 1976 a permis au Mali de prendre le 16^{ème} rang dans le groupe des pays les moins avancés. Il était devancé par Samoa (76,7), le Botswana (76,5), le Cap-Vert (43,7), les Comores (38,1), le Lesotho (28,5), le Niger (27,3), la Somalie (21,7), la République centrafricaine (20,5), la République Unie de Tanzanie (19,9), les Maldives (19,3), le Rwanda (18,5), la Gambie (18,3), le Bénin (15,7), le Soudan (15,4) et Haïti (14,7). La Haute-Volta a reçu 13,7 de dollars. Le Mali s'est élevé bien au-dessus de la moyenne du groupe (9,5 dollars) et de l'ensemble des pays en voie de développement (10,8) dollars.

Selon la valeur des prêts et dons nets reçus par rapport au PIB de 1976, Samoa (25,7%) s'est classé à la première place suivi des Comores (19,7), du Cap-Vert (19,5), de la Somalie (18,2), du Niger (17,9), du Botswana (17,3), du Lesotho (16,6) et du Rwanda (15,4) en pourcentage du PNB au lieu du PIB, le Mali a occupé la 9^{ème} position avec les prêts et dons représentant 14,1% de son PIB. Pour quatre autres pays, ces derniers constituaient plus de 10% du PIB, et pour le reste du groupe, les pourcentages obtenus sont moindres, l'Ouganda (1,5) et la Guinée (0,5) détenant les pourcentages les plus bas (Haute-Volta 13,1). La moyenne du groupe était de 7,3% et celle de l'ensemble des pays en voie de développement de 2,4%.

Selon le critère de la valeur des prêts et des dons nets reçus par rapport aux importations, le Mali s'est classé au 7^{ème} rang en 1976 avec le taux très élevé de 56,7%, précédé seulement par le Niger (123,9), la République centrafricaine (110,3), le Burundi (77,9), le Rwanda (76,9), la Somalie (70,7) et le Bangladesh (68,3). Pour seize pays, ce pourcentage s'est situé entre 20 et 50% (la Haute-Volta 49,8), tandis que pour quatre pays il était moins de 20% : la Gambie (13,4), République Arabe du Yémen (11,7), Yémen démocratique (6,3) et Guinée (4,2). Pour le groupe, les prêts et dons représentaient 30,3% des importations de 1976 contre 10,5% pour l'ensemble des pays en voie de développement.

L'aide totale accordée à des conditions de faveur aux pays les moins avancés en provenance des pays membres de l'OCDE/CAD et des institutions multilatérales essentiellement financées par ces derniers, s'est élevée à 503 millions de dollars entre 1965 et 1968* (contre 6'372,9 millions de dollars

* Total des apports bilatéraux de source publique et aide multilatérale accordée à des conditions de faveur, non compris le Bangladesh.

à l'ensemble des pays en voie de développement) ; cette aide a été quadruplée pendant les huit années consécutives pour atteindre 2'186,1 millions de dollars en 1976 (elle a été seulement multipliée par deux pour tous les pays en voie de développement atteignant 12'648,3 millions).

Le pays bénéficiaire de la plus grosse partie de cette aide était en 1976 le Bangladesh (518,7) ; se rangeaient ensuite la République Unie de Tanzanie (267m), l'Ethiopie (140,7m), le Niger (125,4m), le Soudan (115,6m) et, en 6^{ème} position, le Mali avec 86,0 millions de dollars. La Haute-Volta suivait immédiatement après (83,2m), puis le Rwanda (78,9m), Haïti (71,7m), la Somalie (67,3m), le Malawi (64,1m), l'Afghanistan (63,9m), le Tchad (60,9m), le Bénin (51m), le Népal (49,9m), le Botswana (47,8m), la République Arabe du Yémen (47,4m), le Burundi (44,4m), la République centrafricaine (38,1m), le Lesotho (30,2m), la République démocratique populaire Lao (28,4m), le Yémen démocratique (23,2m), l'Ouganda (19,9m), le Cap-Vert (13,1m), les Comores et Samoa (11,6m), la Guinée (11,5m), la Gambie (9,9m), le Bhoutan (3,2m) et les Maldives (1,5m).

Dans cette aide octroyée à des conditions de faveur, *les dons* représentaient en 1969 (les données ne sont pas disponibles pour la période de 1965–1968) 415,0 millions de dollars, soit 80% de l'aide totale allant au groupe des pays les moins avancés contre 3'732,8 millions de dollars, soit environ 55% du total, pour l'ensemble des pays en voie de développement.

Sur ce plan, le Mali s'est rangé à la 7^{ème} place avec 59,4 millions de dollars, représentant 69% de l'aide reçue à des conditions de faveur. Le Bangladesh était de nouveau le premier (227,4m), suivi de la République Unie de Tanzanie (195,7m), du Niger (100,4m), du Rwanda (64,1m), de la Haute-Volta (63,9m), de la Somalie (57,6m), du Tchad (52,8m), du Soudan (49,9m), du Burundi (43,4m), du Népal (38m), du Botswana (37m), de la République centrafricaine (36,1m), de Haïti (33,9m), du Bénin (33m), de l'Afghanistan (32,3m), du Malawi (32,1m), du Lesotho (27,6m), de la République Arabe du Yémen (26,3m), de la République démocratique populaire Lao (17,8m), du Yémen démocratique (15,8m), du Cap-Vert (13,1m), des Comores (11,2m), de l'Ouganda (10,9m, de Samoa (9,6m, de la Gambie (7,1m, de la Guinée (6,2m, du Bhoutan (3,2m et des Maldives (1,5m).

Le total des apports reçus par le Mali en provenance des pays membres de l'OPEP et des institutions multilatérales essentiellement financées par les membres de cette dernière,* était de 1973 à 1976 (versements bruts en millions de dollars) :

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total*	0,8	13,6	30,6	3,0

* Tous les versements au Mali étaient faits à des conditions de faveur, c'est à dire en forme de prêts comprenant un élément de libéralité de 25% sur la base d'un taux d'actualisation de 10%.

En 1976, le groupe des pays les moins avancés** a reçu 805, 2 millions de dollars dont 631,2 millions à des conditions de faveur (plus de 80%) des pays membres de l'OPEP en comparaison de 6'141,3 millions de dollars versés à l'ensemble des pays en voie de développement dont 4'571,6 à des conditions de faveur (moins de 70%). Le Mali s'est classé 13^{ème} parmi les récipiendaires avec 3 millions de dollars (en 1975 il a reçu dix fois plus, soit 30,6 millions et occupa la 7^{ème} place, mais ce fut une année exceptionnelle). Il était précédé par le Soudan (330m), la République Arabe du Yémen (209,6m), le Yémen démocratique (141,6m), la Somalie (36,9m), l'Afghanistan (14,7m), les Comores (14,3m), le Cap-Vert (10,7m), l'Ouganda (7m), le Niger (6,6m), le Bangladesh (6m), la Guinée (4,1m) et le Bénin (3,7m).

En 1968, les pays socialistes d'Europe orientale et l'URSS avaient versé 29,7 millions de dollars aux pays les moins avancés (276,7 millions à tous les pays en voie de développement), contre 35,9 millions en 1976 (260,5 millions à l'ensemble des pays en voie de développement), en comparaison d'une aide financière de 106 millions de dollars en 1973 et 105,1 millions en 1975. En 1976, les principaux bénéficiaires étaient l'Afghanistan (46,8m), la Somalie (23m), l'Ouganda (18,9m) et le Mali (5,0m).

La République populaire de Chine a versé aux pays les moins avancés 2,8 millions de dollars en 1968 (12,1 millions à l'ensemble des pays en voie de développement) et 39,5 millions en 1976 (202,2 millions pour tous les pays en voie de développement), en comparaison à l'aide chinoise de 46,9, 70,2, 103 et 122,4 millions de dollars entre 1972 et 1975. En 1976, le Mali était le principal bénéficiaire de ces prêts avec 8,2 millions de dollars. Toutefois, entre 1971 et 1975, la République Unie de Tanzanie et la Somalie avaient reçu, ensemble, plus de 70% de cette aide.

L'encours de la dette extérieure publique des .pays les moins avancés est analysé sous les deux aspects suivants : (i) dette active, (ii) paiement au titre du service de la dette, et ces deux éléments sont comparés à la valeur des exportations.

La dette active en millions de dollars** en 1977 était la plus élevée pour le Bangladesh (1'942,8m), suivi du Soudan (1'107m), de la République Unie de Tanzanie (913,8m), de l'Afghanistan (911,2m), de l'Ethiopie (430,8m), du Mali, en 6^{ème} position (375,7m), de la Somalie (277,2m), du Malawi (258,1m), de l'Ouganda (211,5m), du Botswana (161,2m), du Niger (112m), du Bénin (94,5m), de la Haute-Volta (84,4m), de la République centrafricaine (78m), du Tchad (71,9m), du Népal (44,3m), du Rwanda (34,6m), du Burundi (23,7m), du Lesotho (16m) et de la Gambie (13,7m).

Le rapport entre la dette et la valeur des exportations en 1977 a mis en évidence la position précaire du Mali. Ce rapport était plus élevé seulement pour le Bangladesh (4,3), suivi immédiatement par l'Afghanistan et le Mali avec une dette active 3,4 fois plus élevée que leurs exportations. Ce rapport était le suivant (en ordre décroissant) pour les autres pays les moins avancés : la Somalie (2,8), le Tchad et le Soudan (1,8), la République centrafricaine, l'Ethiopie, le Malawi et la République Unie de Tanzanie (1,4), le Niger (1,0). Pour neuf pays, ce rapport était en-dessous de 1 (Haute-Volta 0,9), c'est-à-dire leur endettement était inférieur à la valeur de leurs exportations.

** Montants versés ; pour certains pays le Secrétariat de la CNUCED a estimé la dette vu le manque de données précises. Au total, 20 pays seulement figuraient sur la liste.

Sur le plan des *paiements au titre du service de la dette en 1976* (en millions de dollars), le Mali avait une position favorable, 14^{ème} du groupe des pays les moins avancés, avec seulement 3,7 millions de dollars. Ces paiements s'élevaient à 119,4m pour le Soudan, suivi dans l'ordre décroissant du service de leurs dettes : 64,9m pour le Bangladesh, 27m pour la République Unie de Tanzanie, 26,9m pour l'Afghanistan, 24,7m pour l'Ethiopie, 13,4m pour le Malawi, 9,7m pour la République centrafricaine, 9,4m pour le Tchad 8,3m pour le Bénin, 6,6m pour le Niger, 5,4m pour l'Ouganda, 4,7m pour la Haute-Volta, 4,4m pour le Botswana, 3m pour la Somali, 2,8m pour le Burundi, 1,7m pour le Népal, 0,7m pour le Rwanda, 0,4m pour la Gambie et pour le Lesotho.

En 1976, ces paiements au titre du service de la dette représentaient 3,8% des exportations du Mali, le plaçant au milieu du groupe des pays les moins avancés (13^{ème} position), ce pourcentage étant 21,6% pour le Soudan, suivi du Tchad (20,9%), de la République centrafricaine (18,7%), du Bangladesh (15,7%), du Bénin (11,1%), de l'Afghanistan (10,8%), du Malawi (9,1%), de l'Ethiopie (8,9%), du Niger (7,8%), de la Haute-Volta (6,3%), de la République Unie de Tanzanie (5,7%), du Burundi (5,1%), de la Somalie (3,5%), du Botswana (2,4%), du Lesotho (2,2%), du Népal (1,7%), de l'Ouganda (1,5%), de la Gambie (1,1%) et du Rwanda (0,9%).

REGIONAL STUDIES

Central Asian Regional Study
With a Proposal
Concerning Intra-Regional Economic Coordination

Spring 1994

SHORT COUNTRY STUDIES

Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan

Introduction

BRIEF DESCRIPTION OF THE ECONOMIC SITUATION IN THE SUBREGION

Geography

The geography of the four countries is almost identical: each covers vast areas most of which are arid but interspersed with fertile valleys along the two major rivers, the Amu Darya and the Syr Darya, flowing at the foothills of high mountain ranges. The largest part of the cultivated areas is irrigated; for example, only 7% of Kyrgyzstan's territory is arable, but 72% of it is irrigated. Kazakhstan has the largest territory, roughly equaling that of Western Europe, stretching from the Caspian Sea to China.

Demography

The most populous state is Uzbekistan with almost 21 million inhabitants; Kyrgyzstan and Tajikistan have the highest rate of demographic growth, 2 to 2.5% per annum for the former and 2.9% annually for the latter (which would be 3.5% without the effect of net migration). This, of course, implies that a considerable increase of new entrants in the labor force will be felt in the years to come. The most important characteristics of the subregion's population are: (i) the presence of a more or less important Russian minority in each country, and (ii) the very pronounced mixture of various ethnic groups, with different cultures and languages, – the result of past population movements reflecting realities in pre-modern societies which were not politically organized in national states. Thus, in Uzbekistan Uzbeks represent less than 75% of the population, the other ethnic groups being Tajiks, Karakalpaks and Russians, whereas in Tajikistan Tajiks represent 58% of the total, the rest being Uzbeks (23%), Russians (8%), and the Pamiris of Gorno-Badakhshan. Migration trends are negative in Tajikistan, reducing population pressures, but positive in Kazakhstan as the return of Kazakhs to their homeland not only from the former States of the Soviet Union but also from neighboring China, Mongolia, Iran and Afghanistan, largely exceeds Russian emigration.

Production

The structure of production in the subregion reflects the regional specialization developed in the former USSR as a result of centrally-planned economic activities and of the effort to promote interdependence among member republics. Agriculture represents 30 to 40% of Net Material Product (NMP) of each country; mining, energy, and manufacturing (or, rather, assembling parts of electrical appliances, and partial transformation of imported agricultural commodities for use in other republics of the USSR) as much. Processing of local products and distribution are the weakest among economic activities. Cotton, grain and livestock (meat, wool, and leather) are the main agricultural productions; the former badly suffers from insufficient water supplies due to the drying up of the Aral Sea basin (an ecological crisis of which, originally, the extension of cotton production was the principal cause).

SECTION ONE

Short Description of Each Country

KAZAKHSTAN

Geography. Kazakhstan, whose land area roughly equals that of Western Europe, stretches from the Caspian Sea to China.

Population. Mid-1992: 16,892,000 with a 1.1% increase per year between 1985-1990, – the slowest rate of increase in any former Muslim Republic of the Soviet Union. The birth rate of Kazakhstan is also lower than that of its Central Asian neighbors, at 24.5 per thousand during the same period, and unlike the other Central Asian states, the majority of the population, 56.9%, is urban.

The number of young Kazakhs entering the working force is increasing rapidly and the ethnic balance is tilting in favor of Kazakhs, who are consolidating their position as the largest ethnic group. The reason is, as indicated already before, that Kazakhs are migrating into Kazakhstan from neighboring republics, as well as from Iran, Afghanistan, China and Mongolia, while there is only a slight, net Russian emigration. Ethnic relations are generally better than in the other Central Asian states as there is a higher degree of inter-marriage between Slavs and Muslims.

Economy. Kazakhstan's economy is geographically divided into two sections. In the north, heavy industry and large-scale collective agriculture (mainly grain cultivation) is dominated by Russians. The south is agricultural, employs mainly ethnic Kazakhs, tends to focus on cotton and is badly effected by the water crisis of the drying up Aral basin.

Several important foreign investments were and are made in the oil and energy sector; but no significant foreign interest is shown in the less glamorous agricultural sector, apart from some Israeli firms, despite the fact that this is likely to be the sole motor for growth in the country in the foreseeable future.

The collapse of the USSR resulted in a disruption of trade and payments between the former Soviet republics ending, at the same time, subsidies from the centre. In 1993, the country experienced the second economic shock caused by the collapse of the ruble zone.

During the transition to a market economy, rapid changes in prices, disruptions in supply, loss of former markets, delays in the receipt of accounts receivable, etc., have put a severe strain on the on the financial status and liquidity of most enterprises, even those which could be economically viable.

One of the major problems faced by enterprises is delays in settlements. When they are not paid on time by their customers, they must in turn delay payments to their supplies, which lead to a cascading

problem of liquidity throughout the system. Although much of the delay is caused by the inability of enterprises to make payments as a result of financial difficulties or of market conditions, the most significant factor appears to be the inefficiency of the payments system. Currently, payments take weeks to clear, which leads to increasing, floating amounts of money, which in turn decreases already scarce financial resources. Risks of fraud are also greatly increased by the inefficiency of the system. Moreover, the current payments system does not generate adequate information for the liquidity management of banks.

Two issues are becoming more and more critical in the relationship between the banks and the enterprise sector: the arrears of illiquid or insolvent enterprises, and the provision of term credit to enterprises for restructuring and new investments. There is a need to design a special fund or alternative institutional mechanisms, for lending to post-privatization restructuring.

Employment. A large part of the labor force is working in agriculture, and the sector is taking on more people. Though very little unemployment has been allowed from 1989 to 1992, total state sector employment shrank by 12%. There are, however, significant but unquantifiable number of workers who are either underemployed or on short-time working, indefinite unpaid leave or simply not appearing for work.

Foreign investment. Despite of a new foreign investment law, much more work remains to be done in the policy, legal, institutional fields for the regulation and promotion of foreign investment:

1. Foreign investment regime – policy formulation; legislation; international and bilateral investment protection agreements; options to attract portfolio investments including tax policies; and an assessment of financing and insurance facilities available for foreign investors;
2. Foreign investment negotiation and monitoring mechanisms;
3. Foreign investment promotion – promotion strategy, materials and events, media campaigns, etc.

Agriculture. The main agricultural products are grain, meat and wool. Due to its large-scale and relative efficiency, the sector employs, in contrast to other Central Asian countries, only 23% of the labor force. Rice is grown in the area east of the Aral Sea, but the desiccation of the sea has resulted in salts being blown into the rice fields, reducing output. The gradual drying up of the Aral Sea and inefficient use of water resources had also affected the cotton industry in the southern part of the republic. In 1991, a severe drought coupled with problems in the distribution of fertilizers affected major crop producing areas, while disruptions in trade and budgetary constraints slowed economic activity in general.

Mining. Coal, chrome, lead, tungsten, copper, zinc and phosphates are available, and a ferrous metallurgy industry.

Industry. Kazakhstan has a specialized manufacturing base which was mainly geared to the Soviet market, with metallurgy, heavy machinery and machine tools, petrochemicals, agro-processing and textiles being the most important industrial activities. Agricultural machinery, cement, washing machines, knitted garments and, even steel, are produced. The light industry is stronger than in the rest of Central

Asia. The extent of specialization is such that about one half of the finished goods consumed in the country are imported, while almost three fourth of total exports (including inter-republican trade) are intermediate goods and raw materials.

Foreign trade. The so-called external trade, with non-union partners, was regularly in deficit, financed in the past by Moscow.

At present all trade must go through 12 sector-oriented foreign trade bodies. This requirement overturns the liberalization of foreign trade on January 25, 1992, when licenses for exports were abolished. In principle, after the currency reform of November 15, 1993, enterprises and citizens should all be able to obtain hard currency through exchange bureaus. In practice, access to hard currency is limited. The state retained the right to oblige enterprises to sell to it certain goods enabling it to fulfill inter-republican trade obligations. In the short run, however, it will be necessary to proceed with foreign trade liberalization by reducing, or better, eliminating the present taxes on exports (now over 40%) and by stopping the practice of subsidizing imports.

The product specialization which characterized the economies of the former Soviet republics led to high ratios of external trade to GDP. Kazakhstan had the largest inter-republican trade deficit among the republics of the former USSR, with a ratio of 12% to GDP in 1989; the foreign (convertible currency) trade deficit is estimated to have been equivalent to 1% of GDP in the same year. Nevertheless, the inter-republican capital account surplus – largely the result of transfers to the National Bank from the Union's central bank – was more than sufficient to cover the inter-republican current account deficit.

Budget. Transfers and subsidies now amount to about six% of GNP; they will have to be cut substantially.

Energy. Kazakhstan's economy is highly energy intensive, with a per capita energy consumption similar to that of Western Europe despite a far lower per capita GDP. This is a result of the combined effects of the high energy demand of industry (steel production is the largest single user), the use of outdated equipment in industry, and the absence of price signals which would foster energy conservation. Energy prices are far below market levels. For example, electricity prices for households are just two percent of Western European prices and prices for heating oil or gas are negligible.

Aid coordination. The National Agency for Foreign Investment is also in charge of coordinating foreign aid and debt.

KYRGYZSTAN

Geography. Only about the 7% of the territory are arable, 72% of which is irrigated.

Population. In contrast to most countries in Eastern Europe and the Soviet Union, Kyrgyzstan's population has grown rapidly over the past two decades – at between 2 and 2.5% per annum – implying that new entrants into the labor force will be correspondingly higher from the 1990s on.

Agriculture. Agriculture, which accounts for some 30% of GDP, is expected to be a key source of growth over the medium term.

The structure of production reflects the regional specialization developed in the former USSR to promote interdependence among the republics. Recent disruptions in inter-republican trade and terms of trade deterioration from the initial phase of price liberalization (reflecting prior subsidization of inputs) caused severe shocks that are expected to require important changes in patterns of production in order to ensure the viability of the sector. Sensitiveness to short-term concerns – shortages and profitability – is at present unavoidable, but the long-term objective of restructuring production in order to exploit Kyrgyzstan's comparative advantages should not be lost from sight.

Processing and distribution is the weakest link in the sector. The facilities remain highly centralized and state controlled. And the low priority given to improving the food processing and distribution industries resulted in old, outdated and poorly maintained equipment and technologies. The very limited capacity in food processing restricts the availability of many products in the growing season.

Restructuring the existing administration towards a more regulatory role is a condition of the sector's reform

Livestock productivity in the state sector also has stagnated and is now about half of West European levels. However, given resource endowments, in particular substantial grazing lands that are appropriate for small ruminants, the current emphasis on intensive livestock production needs to be reassessed in the context of forthcoming market economy conditions.

Industry. The value produced by the industrial sector was slightly under 30% of GDP in the late 80s, but rose to 38% in 1991. It accounted for 20% of labor force (mechanical and electrical engineering, vehicle assembly, washing machines, electrical appliances, etc., in the heavy industrial sector, whereas in the light industry textiles and food processing are dominant. These industrial branches together secure 75% of industrial production and 80% of industrial exports. The importance of others, such as chemicals, leather goods, or construction materials, is less notable. Previously, the Soviet Union controlled certain, mainly defense related industries, representing 70% of total industrial output.

About 7,500 separable units constitute the various industrial branches, and 7% of GNP is produced by private enterprises. Most are small businesses, in addition to 1100 cooperatives, but 240 new, small

enterprises were formed since 1990. Bureaucratic hurdles; difficulty to obtain necessary inputs are their main problems, because the state allocates in priority to its own enterprises. Thus, virtually everything needed to make function an enterprise is available only at the discretion of the state. Additionally, there is little access to credit and on mostly unfavorable terms only. Competitive, commercial banking does still not exist. Credit allocation was primarily in the form of low cost refinancing from the National Bank, as commercial banks granted credits to the state-owned-enterprises – the banks' main shareholders.

The rigid vertical integration of industry creates much inefficiency. Even new enterprises are obliged to proceed in this way because of the non-availability of external infrastructural support industries within the region. Sourcing and distribution support systems do not yet exist or are not privatized.

The continuing mistrust of market mechanisms, a ponderous regulatory structure, the total lack of business information, of accounting standards, and of general business skills is still prevailing. With no standard documents, each so-called Privatization Commission appears compelled to reinvent the wheel. Considerable time is thus consumed on technical issues in the process – contracts for labor, management and sale agreements, disposition of social assets, etc.

The undeveloped nature of the wholesale trade leads, therefore, enterprises to regard the state order system favorably, because it guarantees a market for their output and without requiring marketing or distribution efforts on the part of the enterprise, carrying its own authorization for allocation of inputs. The state order, which guarantees to the enterprises the market for a large proportion of their output and the supplies of materials necessary for production, dominates, on the average, 70% of resource allocation. Emphasis should be put in the future on the segmentation of the existing distribution system and the encouragement to create a widespread wholesale trade.

Several factors are slowing the process of re-structuring. First, the lack of real owners of capital has resulted in de facto takeovers by managers, workers, ministries, and organizations which are all competing for control but none has the ultimate responsibility. Second, the undeveloped nature of bank ownership. Third, transfer of state assets to workers' collectives, which in many cases own up to 70% of the shares of their enterprise. Finally, technical and financial capacity to undertake restructuring or modernization is lacking as well.

Foreign Trade. During 1991, after several years of virtual stability, exports earning convertible currencies declined dramatically whereas such imports rose considerably.

Kyrgyzstan's strongest prospects for export expansion in the next few years may be wool products and tobacco, which are both based on domestic production, and which together contributed one third of the value of total exports in 1991. There is also an industrial base in electrical engineering, which was a major net exporter in inter-republican trade. These three industries in the past exported almost entirely to the ruble zone, and their potential for trade in convertible currencies is not yet known. An aggressive export promotion effort for these and other manufactured commodities, facilitated through technical assistance, should be pursued.

Tourism. Technical assistance is essential to formulate a strategy for the expansion of tourism.

Outlook. According to the International Monetary Fund (IMF) Kyrgyzstan's macroeconomic situation in 1992 is grave. A major contraction in output is expected, and a sharply rising unemployment rate. The key factors behind this bleak outlook are: (1) major terms of trade problems resulting, in large part, from increases in the prices of petroleum products; (2) the likely absence of substantial assistance from Russia and, according to presently available information, from foreign sources; and (3) disruptions in inter-republican trade, coupled with considerable uncertainties regarding the possibilities for trade in convertible currencies. Some bright spots are represented by minerals extraction, agro-processing, hydroelectric energy, and tourism.

A weakening political consensus for reform, because of economic decline already experienced and the uncertain prospects for recovery can be expected. In particular, there may be a tendency to equate the economic decline caused primarily by external factors with the enactment of domestic reform, thus slowing or reversing progress of the latter. Timely and effective implementation of the structural and sectoral reform program will require a substantial strengthening of institutional capacities.

Unstable macroeconomic conditions and sharp declines in output and income provide a poor environment from which to initiate reform. Moreover, legal, regulatory and bureaucratic obstacles have combined with a shortage of competition to block the transmission of price and profit signals to individuals and would-be entrepreneurs as there is no stable legal regime for property rights, no business environment with transparent mechanisms for market entry and exit, and no trend to minimize state participation in ownership and control of the productive sectors of the economy. Frequent administrative restructuring, the instability of the reforming institutions and the admitted uncertainty about how to proceed have retarded the reform program. On the other hand, one can enumerate among inconvenient features of recently enacted legal measures: (i) the specification of certain labor provisions; (ii) regulations spelling out how business entities are to obtain resources; the lack of institutions for arbitration of civil disputes (enforcement), aggravated by the lack of allocation of funds for recruitment of additional judicial personnel; there is no comprehensive bankruptcy code (stipulated by the Privatization Act of 1991), thus constituting a disincentive for creditors to lend and to investors to borrow.

Aid Coordination. Project selection, evaluation and implementation are the responsibility of the planning organization and the line ministry concerned – mainly the Ministry of Economy and Finance – within the context of the overall program of public investment consistent with the economic and social priorities set by the Government. /See: Republic of Kyrgyzstan. Management of External Assistance: Principles and Organization. GOSCOMINVEST. Bishkek, November 1992. p. 6./

TADJIKISTAN

Population. In mid-1991, the country's population numbered 5.4 million, and the demography galloped between 1985-1990 at 2.93% per annum. This rate would have been even faster had it not been for increasing emigration, mainly by Russians, Belarusians and Ukrainians. Excluding net migration the population was rising at 3.48% per annum. According to the 1989 census, Tajiks comprise 58% of the population, Uzbeks 23% and Russians 8%. The Pamiris of Gorno-Badakshan regard themselves as a separate nationality. They speak a variety of related Iranian dialects that are different from Tadjik.

Economy. Cotton and non-ferrous metals are the main economic resources. The economy experienced a state of near collapse in 1991, after the cutting of trade relations with Russia which implied the cutting of fuel supplies as well, the eruption of the civil war of 1992 and the floods in early 1993. The only present hope for any economic improvement will be through a recovery of cotton production, unlikely in 1993. The country's small manufacturing base is dependent on energy supplies from the outside; it is often hampered by lack of spare parts and the obsolescence of industrial plants, and it lost its traditional markets either because of the recession or because of increased external competition.

Tajikistan was the poorest republic of the USSR in terms of income per inhabitant. The rural population was growing faster than the urban, putting severe pressure on scarce land and water resources, and unemployment was officially acknowledged to be a serious problem even before glasnost. The situation in 1991, when 46% of budgetary revenues came from the Soviet Union, was more favorable.

Employment. Wages are awfully low, and as there is a considerable backlog of unpaid wages, many people are on short-time jobs or on indefinite unpaid leave. Tidies proved unwilling to leave their farms, where incomes were relatively high due to the existence of communal agricultural markets.

Prices. Steep prices in Tajikistan, although linked at present to specific short-term factors, have structural roots. The failure to undertake an indispensable economic reform means that too much money chases too few goods, produced by too few enterprises with little or no competition between them. As a result price liberalization had the sole effect of liberating pent-up inflationary pressures without the slightest prospect of removing their structural causes.

Agriculture. Agriculture dominates the economy, accounting for 38% of Net Material Product (NMP – the Soviet GDP measure) and 43% of employment in 1990. Production relies heavily on irrigation (of about three quarters of arable land); cotton, the principal crop, is grown on irrigated land in the north and south-west. Livestock raising and fruit and vegetable production are also significant.

Energy. Major hydroelectric installations were built on the River Vakhsh in central Tajikistan in the 1970s and 1980s, and they supply about three-quarters of the country's power demand.

Manufacturing. The biggest manufacturing plant is the 517,000 ton/year aluminum smelter at Tursanzada, west of the capital, Dushanbe, on the Uzbekistan border. It imports its raw material. The smelter has occasionally been closed because of war-related supply disruptions. Fruit, tobacco, cotton and leather produced in Tadjikistan is now increasingly used in barter trade with Pakistan and China. Enterprises tend to be unwieldy and have been subject neither to proper privatization nor necessary budget constraints.

Transport. Most transport is by road or air. High mountain ranges cross the country from east to west, making road travel very difficult in winter. There is a 480 km railway line from Uzbekistan to Dushanbe, Kurgan-Tyube and Kulyab.

Foreign Trade. Tadjikistan ran a substantial deficit on transactions with the former USSR, which was largely financed through transfers from Moscow. In 1991, however, Tadjikistan recorded a surplus on intra-union trade, reflecting shortages of Soviet supply of consumer goods and energy. It is likely that in both 1992 and 1993 the country ran a severe deficit with the rest of the former USSR. Intermediate goods (raw materials and some manufactured products), which dominate its exports, are mainly aluminum, raw cotton and textile products. Intermediates are also significant on the import side, where capital goods are the principal category, followed by energy, all of which has in the past been supplied by the Soviet Union.

While recognizing that the country should reduce its dependence on trade with other republics of the former USSR, the government is giving priority to developing trade links with neighboring countries outside the ruble area, in particular Iran, Pakistan, Afghanistan and China. Tadjikistan's membership of the Economic Cooperation Organization, along with its Central Asian neighbors, Azerbaijan, Afghanistan, Turkey and Pakistan, may contribute to the diversification in the long term of the country's trade.

The trade and exchange regulations in effect in Tadjikistan are largely based on those inherited from the former USSR. Liberalization was planned and legislation to this effect was drawn up in early 1992. The civil war of 1992 prevented any progress on this issue and has forced the government to impose export tariffs to raise revenue. Export tariffs to non-ruble zone states have to be paid in hard currency. Information is, however, scarce and unreliable, but it is assumed that the surrender requirements for hard currency earnings have not been abolished.

UZBEKISTAN

Population. In mid-1991, Uzbekistan's population was estimated at 20,955,000 inhabitants; it grew by 3.5% per year. Uzbeks make up, according to the 1989 census, 71.4% of the population, Russians 7.3%, and other nationalities 20.3%. The largest other ethnic groups are Tadjiks and karakalpaks, a formerly nomadic people closely related to the Kazakhs, who inhabit the western part of Uzbekistan, south of the Aral Sea.

Economy. Almost three fifth of the land area consists of desert landscapes and steppe, largely semi-arid terrain, with the rest comprising fertile valleys around two major rivers at the foothills of high mountain ranges. Almost all cultivated land must be irrigated. In 1991, agriculture accounted for 43% of NMP, with industry representing 33%.

The authorities show caution concerning privatization, thus privatization of land ownership is not under consideration. The important issue in Uzbekistan is control of water resources. So far there have been no water disputes over water use between the new countries of Central Asia, but the issue remains a potential source of friction in the region. The government has embarked on a somewhat piecemeal, explicitly gradualist reform process – a sort of measured pace of adjustment to market economy conditions. Three factors appear to underlie this approach: first, the need to move away from the heavy dependence of the economy in the past on the production and export of raw cotton and develop exploitation of the considerable potential in mineral and energy resources as well as production of key industrial sectors; second, the need to ensure adequate food supplies and social benefits – health and education – to the people, particularly in view of the very high proportion of children; and third, the serious risk of instability if adjustment measures are perceived as excessively harsh for the majority of the population with relatively low income levels.

Cotton represents a major component of output, accounting as it does for the largest part of agricultural production. However, only 10% of the cotton is spun domestically and there is virtually no further processing beyond yarn. Uzbekistan has a clear comparative advantage in cotton textiles and additional cotton processing capacity, if not limited to spinning, but extending activities into weaving/knitting, dyeing and finishing, and confection stages. Cotton processing and manufacturing could become the leading industrial sector, providing the country with urgently needed hard currency and employment opportunities – according to the European Bank of Rehabilitation and Development (EBRD). It is also the sector that is ideal for the development of export-oriented medium-sized private enterprises.

The government's policy of sustaining production and employment at any cost has stoked high inflation. In 1992, there was a growing backlog of unpaid wages due to inter-enterprise and inter-republican arrears, and shortages of goods. However, reform and rationalization could only be accomplished by (i) desegregating, reorganizing, and privatizing most of the enterprises; (ii) establishing clear lines of accountability transferring it from managers to owners (including the state); (iii) separating the state's ownership, regulatory and management functions; (providing the appropriate legal and regulatory environment for fostering private property rights); and (iv) creating competitive markets through

the removal of barriers to free trade, and improvements in public infrastructure, especially communications. No one of these steps, without the others, will ensure success.

In some respects the policy course pursued by the Uzbek government has been successful. So far the output decline has been much less than in the majority of the other former countries of the USSR. In 1992, real GDP fell by about 10% against an average of 18% in other members of the Community of Independent States (CIS – created by Russia, of which all former republics of the USSR participate); while in 1993 it even showed a modest (1%) growth against an estimated 10-12% decline in the CIS as a whole. Until mid-1993 inflation was significantly below the average rate in CIS members. At the same time, political and social stability has been maintained. However, all this has been achieved at the expense of (i) substantial macroeconomic imbalances due, in large part, to pervasive consumer and producer subsidies; (ii) a high state involvement in the economy, and (iii) a slow pace of structural reforms. By the beginning of 1994, with the exception of a small number of basic necessities, the liberalization of consumer prices was completed and the relative producer prices came closer to their economically justifiable level. The major shortcomings in the area of liberalizing the economy have been the maintenance of the state order system (covering in 1993 20 to 80% of the production and distribution of the most important commodities) and widespread controls of foreign economic relations. The state intervention system also includes controls on prices and profit margins, fiscal penalization of enterprises, etc. The considerable financial subsidies mostly go to ailing state enterprises (in 1992 approximately Rb100 billion has been advanced so far to such enterprises). It is, therefore, understandable that the enterprise sector is characterized by a monopoly structure.

Nevertheless, the presently small private sector is growing rapidly. It is estimated that only 5-9% of the output is currently produced by private enterprises. Most of this activity is from the small private farm sector, with the remainder largely from trading and other small-scale service activities (accounting for 23% of total output in the sector for the first nine months of 1992, according to government statistics). Virtually no medium- and large-scale enterprises are privately run. To date about 40,000 small-scale businesses are already privatized, and in areas of consumer services, local industry, housing and public catering the privatization is virtually completed. Much less has been achieved in privatizing the medium- and large-scale enterprises and in the field of enterprise reforms. However, there is a mass privatization program under preparation which is scheduled for implementation from this year. The program has a particular emphasis on employee and management buy-outs and the authorities are currently examining the possibility of a voucher scheme, similar to that of other countries. Employee buy-outs are likely to be partly funded by subsidized credit from the Government and may account for as much as 50% of the properties transferred. For the near future, the Government plans to retain majority ownership of the larger state enterprises, especially in the natural resource sector such as oil, gas and gold. The Government has, in fact, stated that enterprises in sectors that have important forward linkages with the rest of the economy (such as mining, metallurgy, air and rail transport, pharmaceuticals, and other technology-intensive industries) would not be privatized. This means that a large portion of State-owned enterprises will remain in public hands for the years to come.

Under legislation introduced in June 1992, joint ventures are entitled to a two-year tax holiday, free repatriation of profit, retention of foreign exchange earnings and license-free trading with abroad of their products and of external inputs.

The main deficiencies of the current program are as follows: state-owned enterprises are mainly leased or cheaply sold to the workforce (often as a collective), rather than divested through an auction or a voucher system; there are frequent profile restrictions imposed for long periods; private property rights are still confused in many respects, leaving too much room for the state and local authorities to impose different restrictions on them. In private sector development, the most serious constraints have been unfavorable entry rules, mainly in the form of cumbersome licensing procedures; financial constraints, high tax burden, lack of access to commercial space, low mobility of the labor force (artificially restricted by a system of residence permits), and limited competition throughout the economy. In effect, the new Enterprise Law of December 1992 contains a provision which is an incentive to continued vertical integration, market segmentation and monopoly control. It provides that the shareholders or participants in a society or partnership "will enjoy right of priority to obtain products (services) manufactured (rendered) by the society and the partnership" (Part 1, Chapter 2, par. 2). The provision also detracts from the independent identity of a company vis-à-vis its shareholders, confuses creditor and shareholder rights, and encourages anti-competitive tying arrangements.

Employment. Uzbekistan lags behind other countries belonging to the CIS in most indicators of social development. The Employment Act of 1991 established a network of over 100 employment centers throughout the country. However, labor remains highly immobile throughout the economy; major reasons for this are the continuing practice of residence permits and housing shortages, which make it difficult for individuals to move from one area to another. The provisions in the employment and bankruptcy laws are also inadequate to deal with large-scale redundancies.

Agriculture. Uzbekistan's vast deserts are of little productive use, only 10% of its land area is cultivated, 95% of which is irrigated, with a large and rapidly growing population concentrated in densely settled oases and recently developed irrigation tracts. Though there are areas suitable for development, water resources are fully utilized and the agricultural sector will almost certainly have to release water to other sectors. Agricultural strategy must, therefore, focus on increasing productivity from already developed land and water.

The main agricultural crop, as already indicated, is cotton; in addition to cotton, agricultural produces include fruit, vegetables, silk cocoons and grain. The republic produces more than 4 million tons per year, but such a level will not be sustainable because of the drying up of the Aral Sea. Between 1960 and the early 1980s, the irrigated area rose from about 2.3 million to 4.5 million hectares, irrigated by 170'000 km of canals, accounting for more than 25% of the Central Asian total of irrigated lands. By the mid-80s, however, it became clear that water resources were over-exploited, and that water transfers from the Siberian rivers and other sources did not represent a practical solution. Because of rising environmental concerns coincided with a deteriorating fiscal situation in the USSR irrigation expansion slowed markedly. In contrast to area expansion, agricultural technology appears to have changed little, and crop yields have stayed fairly constant. Trends in agricultural value-added have reflected the growth of cultivated area, but, since the mid-80s, the value-added of agricultural production has stagnated. Nevertheless, there are potentially large productivity gains in the Uzbek agriculture, since yields are relatively low, and both input use and spoilage rates are high.

Of the total cultivated area of 4.22 million hectares in 1991, 41% was under cotton, 32% grain crops, 11% fruits, 4% vegetables, and 12% was used for other cultivation. Between 1987 and 1991, the share of

cotton in the cultivated area declined by 16%, the share of grain increased by 3%, and the shares of fruits and vegetables increased by 2 and 1%, respectively. Shortages of machinery and fuel have made harvesting difficult. The desperate need for export earnings means that in the short term there is little choice but to carry on with cotton as the main crop. Locally produced grain, although a major crop covers only one-quarter of domestic consumption needs. As a result Uzbekistan depends on Russia and Kazakhstan for grain supplies and has also been forced to import US grain.

The lack of incentives to increase production, owing to direct government control of marketing and distribution systems hampers considerably agricultural development, as production depends largely on state orders. The farming enterprises are permitted to sell only a portion of their produce on the free market, that is, farmers can sell, depending on the type of produce, 5 to 50% of the volume ordered by the state on the free market, and any amount produced in excess of the state order can be sold freely. Thus, central controls of farm output are still great and state procurement prices are still set below market levels. Further liberalization of the agricultural sector is therefore needed in order to remove distortions between input prices and producer prices, and provide the necessary incentives for farmers.

Farmers will exploit the land fully only when property rights have been well defined. The option of full privatization has been ruled out by the Government for now. An alternative is a generalized land leasing. For this to be successful, farmers must have full rights over the use of land and the freedom to organize their productive activities (Government claims that, during 1991-1992, it distributed 350,000 hectares to rural households). This would generate revenue for the Government, thus compensating for the revenue loss from the elimination of the state order system. The system would also be economically efficient because the farmer, a primary decision-maker in a market-based economy, has now little freedom to decide what goods to produce, where to sell them, and which inputs to use and where to buy them. In short, wholesale and retail markets and markets for factors of production (labor, capital, land, and water) barely exist. The absence of well-developed markets inhibits the generation and dissemination of information and the allocation of resources to the most productive activities. This means that actual output is lower than potential output, probably by a substantial margin. Alternative market intermediaries are just beginning to emerge but are still dwarfed by government parastatals, which dominate processing and distribution of products and inputs, and thus enjoy considerable monopolistic powers. Neither private parties nor state enterprises have the right to export and import agricultural commodities and inputs directly.

While collective farms are classified as cooperatives that do not qualify for budgetary allocations, state farms are corporations that do qualify. The reorganization of collective farms has already begun through land leasing made on an individual basis or for a group of farmers. In other words, the Government is seeking to create true cooperatives or associations of farms within the present collective farms. In the longer term, it is hoped that farm management will revert increasingly to the members of the association and that managers will be retained only as cooperative managers at the discretion of members. As for the state farms, the Government has ceased giving them budgetary allocations and is moving towards converting them into collective farms. Thus, 300 state farms have been transformed into cooperatives, and the Government expects to achieve its goal to convert all of them within three or four years.

Prices. They serve as an accounting device and as a mechanism for effecting income transfers among social groups. For this reason, prices for inputs and farm products bear little relation to their scarcity in the domestic market or to international prices.

The result of the Government input and output pricing policy is that (i) imports and the domestic consumption of commodities not produced by the country (for example, tea and sugar) are subsidized; (ii) imports and the domestic consumption of commodities that the country does not produce (for example, grain) are subsidized and their production is taxed; and (iii) the production of commodities exported by the country (for example, cotton) is taxed, but their consumption is subsidized. Total transfers into agriculture from input subsidies were US\$916 million in 1990, but transfers out of it reached US\$600 million, about the equivalent to roughly 8% of the sector's GDP. Because the Government is the direct recipient of some transfers, the reform of agricultural price policy must be linked to its ability to create and benefit from alternative resources of revenue. Today, farmers are the only ones who may realize productivity gains and increased savings, but they can do so only if the huge resources transferred to the rest of the economy are returned to them.

Energy. The country has developed a highly energy intensive economy. High energy consumption is dominated largely by chemical industries, non-ferrous metal refining and large scale pumping for irrigation (34% of electricity consumption is for agriculture), and demand is characterized by low thermal efficiency in relation to industrial output. Uzbekistan was a leading supplier of natural gas to the USSR; a pipeline stretches from Bukhara to the Urals for the export of natural gas. Nevertheless, a high proportion of local industry is based on energy from gas.

Mining. Uzbekistan has two options for addressing the low productivity of state-owned mining enterprises: privatization and unhampered trade in the products (see also policies in the agricultural sector). The Government has eschewed privatization. The freer trade option involves elaborating a commercial strategy, introducing firm budgetary constraints, and increasing the accountability and autonomy of managers. In addition, the Government would have to close its unprofitable mining operations, rationalize personnel; privatize ancillary services in those operations that can be competitive, and liberalize the prices of mineral commodities. In fact, because projects change hands not infrequently, neither the enterprise conducting exploration nor the mining outfit can actually integrate the costs and benefits of the mining cycle into one account. Consequently, two options are available to improve the efficiency of the existing operations: (i) transferring the existing state-owned enterprises to the private sector, and (2) laying the foundations for a mixed economy sector in which state owned enterprises, foreign investors, and local private companies can coexist on equal terms, under free market mechanisms and prices.

Manufacturing. Technology in the industrial sector is generally outdated, energy-intensive and heavily polluting. Most industry is based on the processing of local products. Only about 12% of Uzbekistan's cotton, 20% of sheepskins and 60% of its silk cocoons are processed within the country, although foreign investment is being thought to finance processing plants, particularly in heavily populated rural regions, where agricultural land is scarce and there are few job opportunities. Agricultural machinery is manufactured in Tashkent, – cotton harvesters and textile machinery, – and there is a chemical industry, – especially for fertilizers, – and metallurgy. Tashkent is also the site of Central Asia's only aviation factory. The Uzbek economy is not much dependent on, or burdened by, existing obsolete

defense-related enterprises established by the USSR central government. Most of such enterprises are in the ancillary sectors, such as computers, defense research, and some consumer goods, making their redirection to civilian purposes relatively smooth.

A great handicap is the dramatic expansion of inter-enterprise credit arrears which increased from less than Rb 2 billion at the beginning of 1992 to about Rb 31.5 billion by end-May.

EBRD intends to intervene particularly in fostering small business development to dismantle current monopolies and encouraging the creation of wholesale markets, grading, packaging and storage facilities in rural areas. The Bank would assist in distribution projects and transfer of know-how in areas such as market analysis, product development, pricing and marketing techniques. EBRD will promote rehabilitation of existing plants and promoting foreign investment in the construction of new facilities, particularly in the case of cotton, silk, leather, fruits/vegetables and other commodities processing with export potential.

Services. Relatively little information is available regarding the role and the size of the service sector in the economy.

Transport. Uzbekistan's infrastructure is well-developed, but the road and rail networks are in a poor state of repair. In 1989 the country had 3,406 km of railways, or 7.7 km per 1,000 square km, and 39,800 km of roads. The transport system and location policies display the familiar characteristics associated with command economies. In particular, the system is structurally integrated, resource allocation is centralized, prices are administered, transport is relatively undifferentiated from production, and little regard is paid to the needs of consumers. In addition, real maintenance expenditures, particularly for road transportation, have declined drastically during the past years to about one-sixth of the 1982 level.

Public finance. The main reason for the budgetary deficit has been the loss of net transfers from the Soviet Union. During late 1980s, these transfers increased considerably, from 20.8% of the budget in 1987 to a peak of 43.2% in 1990, before falling slightly to 42.8% in 1991. Although the country has initiated the necessary fiscal and revenue-raising reforms demanded by multilateral institutions, very little revenue is received from taxes. Corruption, weak institutions, economic recession and poor tax compliance have hit revenues severely.

Current expenditures accounted for approximately 80% of total Government outlays in 1992. The scarcity of investment in infrastructure, if continued, will constrain the ability of the economy to generate sustained growth in future years. The level and coverage of social expenditures (they dominate current items of the budget) is comparable to those of much more affluent countries and is therefore unlikely to be sustainable. In addition, such transfers are generally not targeted to specific groups in need. Another concern is the fact that a large proportion of government expenditures are extra-budgetary and essentially outside the central budget process (included are, for example, the pension, and employment and social insurance funds). The incidence of taxes on enterprises is very high, including payroll, enterprise profit and export taxes of up to an average tax on enterprise profits of over 50%. The recently introduced 30% value added tax is expected to produce a major portion of the revenues.

Foreign trade. Trade with Russia has been in deficit and trade with countries outside the former USSR has been in surplus because of an inability to import due hard currency shortages. Exports to non

CIS partners is expanding, especially cotton exports. Disruptions in trade caused the inter-republican trade deficit; therefore the inter-republican trade balance recorded deficits around Rb 3.5 billion annually (11.4% of GDP). Virtually all trade with countries of the former Soviet Union is now undertaken through bilateral agreements (especially for cotton), which have now been signed by thirteen former republics. Prices are based more and more on international prices in these agreements. With the intensification of difficulties in supply towards the end of 1991, notably for foodstuffs, the Government decided to increase imports from outside the former USSR and sought to barter cotton for food grains. Instruments to control trade patterns rely heavily on quantitative restrictions. Licensing requirements now cover all consumer goods traded with the CIS (subsidies on these goods are higher in Uzbekistan than in other republics). In addition, trade with the CIS is at present severely hampered by the breakdown in the clearing and payments system, previously managed by the USSR Central Bank (Gosbank). Under previous arrangements, trade payments were virtually guaranteed by Gosbank. Under the current system, most payments are cleared through Central Banks of CIS member states, and this process can take up to six months. As a result, an increasingly predominant share of trade is now settled on a barter basis, rather than through ruble payments. Consequently, there is an urgent need to introduce a more sophisticated inter-bank settlement system.

Barter now makes up a significant proportion of trade even with other countries, and China has become an important, if not the most important, trading partner (the most important is still Russia). Uzbekistan has signed a number of agreements to enable it to trade with regional partners from outside the former USSR. With the exception of China, the volume of trade with these partners is not large and represents more of a long-term promise of new markets than an immediate answer to the collapse of trade with the former Soviet Union. One main factor is the country's extreme dependence on the export of a narrow range of non-food raw materials which account for over 65% of total exports.

On the regulatory level, there has so far been little liberalization of trade. Enterprises are allowed to import at will using the hard currency which the government has allowed them to retain, and their only obligation is to register with the Ministry for Foreign Economic Relations. All other imports require licenses. Exports require licenses if the products are deemed to be strategic materials, such as cotton, fertilizers, mineral products and silk cocoons (recently the number of items requiring license was reduced from 176 to 76). In 1991 enterprises were forced to surrender to the government on the average 70% of the foreign currency which they earned at the rate of Rb1.8:\$1. In 1992 the surrender rate was reduced to 60%, half of which was put into an emergency fund under government control and the other half was split evenly between central and local government. Since then the rate is probably that set by the central bank, which is generally in line with the market rate for the Russian rouble in Moscow. It appears, according to the EBRD that the Government intends to abolish this system of taxation of exports and impose a flat tax of 20 to 30% on enterprise exchange receipts.

Trade and currency policy and regulation is still evolving and has been a major cause of market distortions. At the end of 1993 the picture in this field was roughly as follows. Foreign trade was still heavily monopolized by state enterprises. Trade taxes and licenses depended on the commodity and direction of trade. Most exports to the former Soviet Union were taxed at 10%. For exports to the rest of the world licensing requirements were established for 70 products, with export taxes ranging between 2 and 40%. No import duties were applied on imports from the former Soviet Union, but duties up to 40% were levied on imports from other countries. In May 1993, a new 35% tax on hard currency proceeds was

introduced. Since early 1994, especially following the issuance of a new presidential decree, a number of important steps have been taken towards foreign trade liberalization. The tax on hard currency proceeds has been reduced to 15%, and another 15% has to be sold to the central bank at a market rate. Import duties have been suspended until July 1995. Private enterprises are now encouraged to engage in foreign trade activities, and private individuals can open foreign currency accounts.

Environment. Cotton monoculture, excessive irrigation and excessive use of chemical fertilizers, pesticides and defoliants, in addition to high population growth rates and its concentration in the Aral Sea area as well as the absence of modern irrigation and drainage systems, have resulted in severe environmental problems. Crop rotation, which is used to protect the soil, was not practiced, and livestock development absorbed much of the organic fertilizers which were already in short supply. As regards water usage, no economizing has been traditionally necessary as water has remained a free commodity; thus intensive use of water in irrigation (added to the lack of controls and effective monitoring) became customary. The primary environmental damage is caused by agricultural runoff and discharges of industrial wastewater. Much of the contaminated water is treated inadequately, if at all. However, legislation is being drafted to introduce water tariffs which will encourage farm managers to reduce seepage by lining the canals as well as evaporation and application of more water than required.

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PROPOSAL

Concerning Intra-Regional Economic Coordination

According to an EBRD report, on January 10, 1994, during the visit of the Kazakh President to Uzbekistan, an agreement was signed between the two countries setting up a *single economic space*. Kyrgyzstan joined the agreement on 16 January 1994. The agreement attempts to establish a form of common market by including provision for free movements of goods, services, capital and labor between the countries, as well as the coordination of budget, credit, taxation, customs and monetary policies. Such a move would imply:

A. ECONOMIC RE-STRUCTURING AND MUTUAL ADAPTATION OF THE REGION'S ECONOMIES

By *economic re-structuring* I mean changing the structure of economic activities in the Central Asian region, in particular those in the production and distribution sectors. This complex problem is closely related to the separation of the four countries included in this study – Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan – from the economy of the Soviet Union in which they were integrated. Thus, economic re-structuring signifies the unavoidable re-orientation of economic activities toward the satisfaction of domestic needs in the region as a whole as well as toward responding to the demand in neighboring countries and world markets. By contrast, I call *privatization and enterprise reform the organizational re-structuring of national economies*, including reform of State-owned enterprises, extensively dealt with by international assistance institutions such as the International Monetary Fund or the World Bank. Such an economic policy or organizational reform was already initiated in most countries of Central Asia at national level, and regional cooperation is not expected to play an important role in respect of such policies, except the evident need of training personnel carrying out such reforms in each country in regional institutions in order to ensure the coherence or concordance of enterprise development in the whole region (see in the section on training).

Economic re-structuring, as described above, will also offer a golden opportunity for the region's countries to mutually adapt their economic activities. I mean by *mutual adaptation* that in re-orienting their agricultural and industrial productive sectors (not speaking about mining and energy which depend on the natural endowment of each country) as well as the related support and distribution activities, they will be able to harmonize their future programs to avoid duplications and initiating or developing activities already successfully implanted in other countries, enlarging thereby the region's market as a whole for each other's products. If one country is already producing certain agricultural or industrial goods which are in demand in other countries, the latter would purchase from the former instead of producing them itself, and thus could use its physical, human and financial resources for other activities important for the region as a whole.

B. DEVELOPMENT OF INTRA-REGIONAL COMMUNICATION INFRASTRUCTURE

KYRGYZSTAN

Kyrgyzstan's telecommunications infrastructure is insufficient to support the desired outward orientation of the economy, it is a major constraint. While local and interregional communications within the CIS are available to all subscribers, international communications are restricted with all traffic routed through a network in Moscow. Six regions and 54 districts operate as separate profit and loss centers though results from all activities (i.e., post, telecommunications, press, etc.) are combined in the regional and consolidated financial statements. Historically development plans were established in Moscow. The networks therefore use analogue transmission techniques and electromechanical switches at all levels of interconnection. Equipment is obsolete, manufacture of its spare parts rapidly being discontinued worldwide.

There is wide recognition of the need to rehabilitate and expand the existing local and regional networks. Regional communication will need to be strategically and technically planned in cooperation with the regional cooperative venture, *Intertelecom*.

Early investments are needed because of the very high correlation (close to one) between the growth of international trade and telecommunications.

KAZAKHSTAN

Being a landlocked country without previous experience in international trade (most trade with the world was done through Moscow), Kazakhstan lacks the necessary transport links (e.g., pipelines), marketing network and skills to redirect its exports substantially.

While alternative routes would be an advantage for Kazakhstan, there remain strong economic reasons for maintaining linkages to the Russian economy as most essential supplies of many industrial raw materials and intermediate products are imported from there. An important Russian east-west rail route runs through Kazakhstan territory and the cheapest routes for water transport between the Caspian and the outside world run through Russia. Thus, the development of alternative markets and alternative transit routes may be costly, according to the EBRD.

A regional transport solution, such as a pipeline consortium may be recommended to distribute evenly these heavy investments among the neighboring countries. Pipeline connections to the Black Sea, Turkey or the Persian Gulf are alternative projects currently under consideration.

UZBEKISTAN

The country's main challenge in the telecommunications sector is to avail itself with new technical opportunities to meet the demands of customers for improved international, long distance, and local services. This challenge will rest on major financing and funding decisions in a range of planning and operational strategies, appropriate tariff policies, and cost-effective and organizational approaches to modernization. The sector must pursue one key reform in order to realize to this overriding challenge: the reorganization of the institutional structure of the sector so that the Government creates a framework for encouraging service improvements, privatizing sectoral enterprises, putting the sector's operation on a commercial basis, and upgrading existing facilities. Only when a strong institutional structure is created to take these steps will the sector be prepared to attract investment.

During 1993 the EBRD completed studies to formulate its strategies in the transport and communication sector in the five Central Asian and the three Trans-Caucasian republics. Strategy papers were prepared for each country (the report on The Euro-Asian Corridor: Strategic Issues in Transport, Telecommunications and Energy Sectors is completed), and, as of now, Euro 33 million for technical cooperation has been approved by the European Commission.

EBRD's medium-term strategy for the transport sector will be to focus on assistance for completion of the international transport operations and the internal road and rail transport network; advisory assistance for improved policies and facilities, and strengthened maintenance programs.

The rail network of Central Asia is currently operated under a unified association of national rail ministries.

C. INTEGRATION OF THE REGION'S ECONOMY INTO THE WORLD ECONOMY

KYRGYZSTAN

The ratio of exports and imports to gross domestic product (GDP) is extremely high. The dependence upon inter-republican rather than foreign trade links is the greatest, especially for exports. In 1991, the Government initiated the liberalization of foreign trade and the establishment of free economic zones in view of such integration.

Several issues could be addressed jointly with other States:

1. The phased elimination of the role of republican authorities in determining trade contracts;
2. Termination of the quota system governing the distribution of enterprise output between domestic and inter-republican or foreign sales;

3. Steps to avoid new barriers to inter-republican trade, involving the creation of a mechanism for resolving;
4. The coordination of price liberalization policies among states; and
5. Improvements in the modalities of clearing mechanisms among national central banks.

Full restoration of trade to pre-reform levels would in any case not be warranted since trade figures in the past were inflated by large flows of intermediate products into, and out of domestic industrial activities (for example, in sugar and electronics manufacturing/, trade in intermediate products is estimated to represent 25 to 40% of total trade. Some of these activities were supported by the Union for non-economic reasons and can be expected to decline permanently, particularly in light of ongoing relative price shifts.

For the longer-term, the potential for developing national resource-based exports needs to be further explored, as does the feasibility of substitutability of goods previously destined for or originating from inter-republican trade.

Enterprises have had very limited experience in foreign transactions, and will need assistance in identifying potential export markets and adapting production to their requirements. The lack of export know-how in every area – production, product design, marketing, etc. – is enormous; Turkey and the newly industrialized countries of East Asia may be the best source of information in this field given their successful experiences.

The incentive structure should also ensure that after-tax profitability for exporting for hard currency is greater than for ruble exports to overcome the historical legacy.

Based on a strategy of export development to be designed, the longer-term trade patterns should be based on Kyrgyzstan's comparative advantages in international markets. Policy interventions in production and processing should be fiscal in nature (e.g., compensation payments) and should not involve delivery quotas and input allocations.

A common tariff structure vis-à-vis the rest of the world should be adopted at the regional level.

KAZAKHSTAN

The EBRD, in line with its mandate to foster privatization and the restructuring of the defense industry, could provide commercial and marketing know-how to develop the capability to negotiate deals and assist in the identification of potential partners.

The Government will have to gradually ease, and then remove, its control and intervention from the marketing, storage, pricing and delivery of agricultural products and inputs. Another legacy of the past, which seems to prevail, is the practice of issuing state orders at imposed prices, where a large percentage of farm output is sold well below the average cost of production.

Food distribution is the weakest link in the agricultural and food sector. EBRD will focus on the creation and rehabilitation of wholesale markets and storage facilities in larger cities as well as in production areas. This could include packaging and grading facilities to improve the average product quality as well as upgrading transport vehicles to reduce losses encountered in the farm and distribution centers.

UZBEKISTAN

Specialization of output has led to a very high degree of commodity concentration in trade. The degree of specialization in cotton is most conspicuous, representing about 80% of exports in 1991. EBRD intends to assist Uzbekistan in the identification of foreign partners for specific transactions, in elaborating tender arrangements, in the evaluation of bids, and in securing the most favorable terms for the country's economy.

In the future the government aims to increase production and sell gas to Asia where demand is rising fast, if pipelines will be available.

As a first step of the Euro-Asian Trade Facilitation program, EBRD will undertake in 1994 a project to identify, within the development of a long-term strategy for the facilitation of inter-regional and international trade and transport to, within and through the countries of the region. Another program of high priority projects will be that aiming at elimination major current bottlenecks; facilitate equipment rehabilitation and modernization, including inter-modal operations; create opportunities for privatization and development of the markets, and, finally, carryout research and feasibility studies especially related to important existing or new links in the Euro-Asian corridors.

D. REGIONAL MEASURES TO LIMIT UNEMPLOYMENT ACCOMPANYING ECONOMIC AND ORGANIZATIONAL RE-STRUCTURING

KYRGYZSTAN

The economic re-structuring did not result until now in growing unemployment, labor reallocation has occurred by way of labor movement among enterprises within a conglomerate, redeployment within enterprises, shortened workweeks and leave of absence with reduced pay.

KAZAKHSTAN

The restructuring of industry has drastically increased unemployment. Alleviating this situation is critical during the transition, not only to prevent a decline in living standards but, more important, to maintain the morale of the population. The number of unemployed increased from about 4,000 in January 1992 to over 70,000 by the end of 1992 (i.e., one% of the total labor force). However, presently the

unemployment rate is less than four% because firms cannot lay off employees. A high proportion of those currently unemployed have been laid off by material production units and in the service sector (especially military complexes), and the rate of unemployment is expected to continue accelerating rapidly. Still, for those firms in operation, excessive over manning is causing serious decline in productivity. Even more important, the shrinkage of output makes it difficult to find non-inflationary financing for those underemployed, while the individual claims on the reduced output exacerbate inflation and may fuel social and possibly ethnic tensions. Furthermore, people will not have a strong incentive to take up private sector job opportunities while they enjoy employment safety in the state sector.

Because of shrinkage of the Aral Sea, agricultural production is declining and fish production is disappearing, therefore in this sector as well a rise in unemployment can be expected.

An Employment Fund was created in 1991, and a reform of the Social Security Funds undertaken, the existing comprehensive system of cash allowances maintained, the Pension Fund was separated from the budget, and a new legislation is under consideration to revise the indexation of pensions as well as to reassess them, together with allowances and wages in the enterprise and civil service sectors. These efforts try to strike a balance between efficiency and social objectives.

UZBEKISTAN

Development of small-scale food processing plants in the villages to ease unemployment (currently 15-20% in this sector), would also halt the massive spoil of fruits and vegetables.

E. HARMONIZATION OF ENVIRONMENTAL POLICIES

KYRGYZSTAN

The lack of clarity in respect of environmental liability can be a barrier to investment.

Water resources and allocation: Kyrgyzstan is endowed with abundant water resources flowing downstream through the four other states of Central Asia and the Xingjian province of China. Of the 47.5 billion m³ average annual flow, the former Soviet Union allocated 11.5 billion m³ to Kyrgyzstan. This allocation is apparently still endorsed by the five states of Central Asia. Out of this allocation, 5.3 million m³ originate from the Mau Daryl and Sir Daryl, thus representing only 4% of the average annual flow of these two rivers. Any program to improve efficient utilization of water resources in Kyrgyzstan would therefore have limited effect on the Aral Sea. Service fees should be calculated on a per hectare basis (the application of volumetric charges is impossible in the run-of-river schemes, except if there are water users associations), therefore a system of water charges should be worked out and users associations created

Agro-ecological problems of rangeland degradation through overgrazing, soil erosion in the arable lands, and soil and water contamination from intensive livestock production facilities and agro-processing plants need to be monitored and reversed.

There is a need for integrated water resource development and management that takes into account the conflicting objectives of food grain production, higher-value crop production for export, energy generation and protection of the Aral Sea environment.

Any further use of water resources should therefore be preceded by an environmental assessment to evaluate the impact of new projects.

KAZAKHSTAN

The country experienced a severe drought in 1991 as a result of the structure and operation of the productive sectors of the economy and the absence of environment monitoring and protection.

Water diversion to ever-extending agricultural areas (mainly cotton), the loss due to poorly designed and ill-operated irrigation and drainage structures, over-irrigation and evaporation of surface waters in the Aral basin, contributed to the dramatic decrease in the volume and area of the Aral Sea and the dramatic increase in soil and water salinity. The shrinking of the Aral Sea is having a serious impact on Kazakhstan's climate with higher temperatures and a decrease in rainfall, expanding desertification and salinization, loss of pasture land and reduction of forests, increased incidence and duration of salt storms, and pollution of air and soil.

One of the victims of environmental problems is rice growing in the area east of the Aral Sea, as the desiccation of the sea has resulted in salts being blown into the rice fields reducing output.

The situation with regard to irrigation and water shortages is severe in Kazakhstan southern districts (oblasts) – Chimkent and Kyzl Orda. There is an urgent need for coordinated action to manage and ration water in the Central Asian drainage basin. Nevertheless, along with other states of the region, Kazakhstan has demonstrated a lack of political will in this regard, though the Kazakh Government declared ecological disaster zones

An excessive and indiscriminate amount of fertilizer and pesticide has been used in agriculture which has depleted top layers of fertile soils and contributed to a further increase in surface and underground water contamination. Industries discharged waste freely into the ground, in adjacent rivers and in the air, due to the lack of incentives to moderate pollution outflows. This contributed to increasing ground water contamination, river water degradation and forest destruction due to trans-boundary flows of air pollutants.

In the USSR, while exceedingly strict environmental standards and guide-lines did exist, their monitoring and enforcement was at best very weak since the capacity of the authorities to comply with them was inadequate. Current pollution problems and degradation of natural resources stem mainly from past economic policies that promoted quantitative targets set for the whole country and its different sectors by the central planning authorities. These policies were accompanied by pricing policies under

which natural resources were undervalued and the environment as a whole was treated as a free good, both by productive sectors and by consumers. Thus, the lack of environmental policies, of sound environmental regulations, realistic environmental standards, and an environmental management system incapable of enforcing those regulations and standards has led over the years to over usage of natural resources and their degradation, as well as to pollution levels with increasingly adverse effects for public health.

The main tasks today are: (i) To identify the key health and safety related issues related to toxic and hazardous wastes, air pollution, agrochemicals, and water pollution, and to the extent possible carry out a risk assessment identifying priority issues and sites; (ii) To identify and assess the present condition and risk of irreversible damage to sensitive and valuable biological, environmental and natural resources; (iii) To carry out a preliminary assessment of water resources based on available information to identify critical issues in the near-, mid-, and long term, and develop a prioritized work plan; (iv) Identify priorities for environmental management and action and outline the related policy and institutional reforms, programs, and investment activities, including an outline of time schedules and resource needs.

Guidelines and regulations should be developed for high priority sectors related to privatization and restructuring in industry and agriculture, particularly in the area of environmental review, environmental audit, and environmental liability and concerning assessment of information resources and monitoring systems. One positive achievement is that the privatization program does not cover those activities which may create ecological risks.

UZBEKISTAN

Expansion of irrigated land in favor of cotton production since the Second World War resulted in the gradual drying up of the Aral Sea. Inflows into the Sea have diminished markedly. The average net volume change between 1961 and 1974 was minus 15.8%, and between 1974 and 1985 minus 36.4%. The actual area of the Sea between 1974 and 1985 was a mere 51,110 sq km, down from 61,836 sq km between 1961 and 1974. By the early 1990s there was no possibility of increasing the amount of irrigated land, because the available water supply has been exhausted.

The misuse of agricultural chemicals and the desiccation of the Aral Sea have affected the health of people living in cotton-growing areas and along the courses of the rivers that once flowed into the Aral Sea. The Karakalpak minority, which lives in the area around the Aral Sea, has suffered particularly badly from high infant mortality rates and respiratory illnesses.

EBRD will particularly intervene in areas such as increasing use of non-toxic and natural agricultural inputs to promote environmental cleansing and conservation, hopefully leading to gradual decontamination of the food cycle. In this context, the rehabilitation of existing fertilizer plants represents an imperative for international institutions.

Water allocation in the Central Asian region, as done in the past, was confirmed by recent agreements between riparian countries. Coordination is effected through the Inter-Ministerial Coordination Committee, and implemented by the two river basin commissions (BVOs), one each for the Amu Darya

and Syr Darya. The BVOs control all river and canal off takes that affect more than one country, manage inter-republic and inter-sectoral allocations, and monitor water use and water quality. The Syr Darya BVO is supported by a strong analytic and monitoring capability; the Amu Darya BVO needs assistance. Although these arrangements worked satisfactorily to date, the Aral Sea mission urged that a legally binding treaty be signed – also involving riparians other than the republics of the FSU – so as to guard against the dangers of future water disputes. This should be pursued all the more that legally binding criteria for seasonal water allocation must be complemented by long-term water resource management of river basins. Responsibility to developing strategies could be assigned to the two BVOs, reflecting also regional agreements on the Aral Sea. Uzbekistan would need to develop a national water strategy within the context of the regional plan.

Because water resources of Central Asia have been exploited fully, production strategy must thus focus on increasing value-added from land and water that have already been developed. Continued growth of value-added will depend crucially on crop diversification and agro-industrial development in line with Uzbekistan's comparative advantage. Liberalized markets and prices will provide the primary signals and incentives for attaining this objective, but Government support services will also play a crucial role. Any developmental path for Uzbekistan's agriculture must be consistent with measures that address environmental concerns.

Concerning the Aral Sea, priority should be given to assisting the 'disaster' zone affected directly by the diminishing sea, including activities in health, water supply, employment, population planning, delta reclamation, and the stabilization of the exposed seabed. Even if saving water to augment Aral Sea flows is "not a viable option" (World Bank report), such programs may still – directly or indirectly – help alleviate regional problems. For instance, the reclamation of agricultural lands in the lower Amu Darya could, in conjunction with investments, alleviate water quality and health problems. A broad study of drainage disposal should be undertaken to evaluate (1) how to preserve the desert lakes, (2) reutilizing water currently evaporated from their surface, and/or (3) collecting such waters to augment flows to the Aral Sea.

According to the EBRD's report, the five Central Asian states made significant progress, on a regional basis, in addressing the most urgent environmental concern – the problem of the Aral Sea. The meeting of heads of states in Nukus, on 12 January, established a fund to save the Aral Sea. Uzbekistan, Kazakhstan, Kyrgyzstan and Turkmenistan (only Tajikistan was excused from contributing to the fund) agreed to pay one% of their 1994 budget into the fund. The trend is towards decentralized responsibility for environmental management infrastructure, particularly protection and production of clear water, solid waste disposal, waste water and air quality management. The water management problem which is at the heart of the environmental crisis in the region is an international problem because the major river systems and the Aral Sea are shared by a number of countries.

As the experience of OECD countries has shown, the market alone cannot resolve all environmental problems. Macroeconomic reforms must be coupled with efforts to develop institutions, regulatory instruments, and economic incentives that discourage behavior damaging the environment – for example, through price reforms that reflect not only the full cost of production but also a reasonable estimate of the costs of resource use on environment and health. A system in which environmental laws represent a statement of goals must be transformed into a system in which those laws provide operational

requirements for controlling the sources of environmental risks. The practice of setting unrealistic standards that cannot be enforced contributed to the general disregard for environmental laws and regulations, and should thus be avoided in the future. Authorities should consider adopting more realistic ambient standards, and establish interim ones that will make possible a transparent transition to the new standards in a reasonable time period (over 10 to 15 years). New sources of pollution should be required to meet these standards immediately.

Environmental liability for past pollution will become an important issue during the privatization process. In practice, the burden of any clean-up will have to be assumed, in one way or another, by the state.

Reform measures must be completed with the creation of an effective regulatory and legislative framework for environmental concerns. Establishing this framework will likely require that standards be revised to reflect the region's administrative, technical, and financial capacity. Since resource requirements are likely to exceed what can be provided, it is imperative that a strategy be developed to establish priorities that can be used readily by decision-makers. An environmental strategy could serve as a framework for facilitating the coordination of international assistance to the sector.

Energy and natural-resource prices must be rationalized as environmental damage is associated with wasteful use of energy. Water conservation implies rationalizing charges for all forms of water use. Fees for waste water discharges to rivers must also be established. Subsidies for fertilizers and pesticides should be eliminated as rapidly as possible.

The necessity of designing an efficient information management system in respect of emissions and discharges, and ambient monitoring is a foremost task for the Ministries of Environment; environmental auditing of industrial plants, municipal utilities, and mining facilities could be undertaken most effectively during the transitional years, in conjunction with analyses of the long-term economic viability of industries, mines, or municipalities. The purpose of these audits would be to identify the environmental problems associated with the facilities or sites in question and to recommend low cost solutions to these problems. Investigations of waste minimization and/or pollution prevention measures are an essential part of these audits.

F. TRAINING

KYRGYZSTAN

It is urgent to train staff of GOSCOMINVEST enabling them to help private organizations obtain the services of consultants in connection with the most important foreign investment projects.

A regional seminar offering intensive courses in procurement, audit, project appraisal and other aid-management related matters is indispensable. The new approach in project appraisal must be based on the critical evaluation of economic costs and benefits, with reduced importance given to public

investments (in comparison to central planning procedures), on a changed project evaluation system and on institutional arrangements for investment programming and monitoring.

To assist the training needs of the banking sector in Uzbekistan, Kyrgyzstan and Tajikistan in the medium- and long term, the EBRD, together with the European Union, the Government of Turkey and the Turkish Bankers' Association, has initiated a technical cooperation project for the establishment of a Regional Banking Training Centre (RBTC) located in Tashkent.

The training in statistics should be redirected to underpin the monitoring of developments needed for policy making in a market economy.

A major staff retraining program is required for telecom staff with phased training programs, and, most importantly, a program of trainers of trainers.

A public sector management training program should include: (i) Redefining the role of civil service and support its restructuring for its functions in a market economy; (ii) Identifying the attitudes, knowledge and skills needed by civil servants to meet new job requirements; (iii) Developing a strategy for the necessary training; (iv) Initiating training of selected civil servants, through seminars, study tours, and follow up training programs to be carried out by graduates of the preceding events; (v) Developing capacity in selected training institutions in the region to provide future training for the public service.

Central Asian Regional Study

**Subregional Seminar on Preventive Development and
Regional Cooperation**

Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan

SUGGESTED AGENDA

Prepared

by

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INTRODUCTION

The subject matter of the Seminar, as defined in its title, necessitates some clarification because the expression *preventive development* is not used frequently in the international developmental field or in the specialized scientific literature. The word *preventive* stands in this connection for taking measures in advance in the various areas of economic and social development in order to avoid through them the occurrence of natural or man-made disasters, including in the latter category a whole range of problems, for example:

1. *Population*: The rate of demographic progression as well as the eventual occurrence, due to economic, social and environmental reasons, of conflictual situations between population groups spread across several countries in the subregion;

2. *Human Resource Development*: Specialized human resource development – training in selected particular fields such as telecommunications – may be realized at the subregional level at lesser cost for each participating country than if each country would undertake the same training program on its own. An additional benefit would be, and not the least important, that training people from different countries of the subregion together may be an instrument of developing between them mutual understanding and solidarity, as it happens in other parts of the world;

3. *Environment*: The crisis situation in the Aral Sea basin is the best example to show that in the subregion of Central Asia, for geographical and historical reasons, environmental problems cannot be solved but by a *joint effort* of the States concerned.

In this sense, then, the term *preventive development* could be considered as equivalent to the one used in the political field, *preventive diplomacy*, though, instead of negotiations, it implies employing practical measures aiming at economic development and social promotion. Such measures are, therefore, intended to prevent natural or man-made disasters as well as conflictual situations created by the present difficulties of societies and economies of the subregion which are in transition between two, totally different, economic systems and social orientations. The expression 'transitional' also evidences the fact that countries of the subregion, in the past closely integrated into a huge and complex economy and into a society closely knit through a centrally directed command structure, became, as a result of recent historical developments independent and have to find the best ways, without incurring the danger of social upheavals, to enter in the world economy and to adopt the distinguishing features of a modern society.

Integration into the world economy and society cannot but be facilitated through subregional cooperation, especially in view of the particularities of the Central Asian subregion, – shared culture and history as well as commonly experienced administrative and large-scale management problems and traditions. Cooperation at subregional level will also be a powerful factor in succeeding to realize sustained material and human development in each of the countries participating in the common effort.

Subregional cooperation and preventive development presupposes, however, one decisive political condition, the firm resolution of all Governments to construe such region wide cooperation. The political will to succeed together is an inevitable element or the underlying foundation of the entire process. An uncontested proof of this political will was given by the Presidents of Kazakhstan and Uzbekistan when on 10 January 1994 they signed an agreement establishing a *single economic space* between the two countries. Kyrgyzstan joined the agreement on 16 January 1994. The creation of a single economic space provides for the free movement of goods, services, capital and labor as well as for the coordination of budget, credit, taxation, customs and monetary policies between the contracting parties.

The organization of this Subregional Seminar is, then, an important step in the direction of the realization of the single economic space the creation of which was decided by the majority of the Governments of the region. In addition, the Seminar is entirely in line with recent resolutions of the General Assembly of the United Nations, especially resolution 181 adopted at the forty-eight session, in respect of the *Integration of the Economies in Transition Into the World Economy* which

"Reaffirms the need for the full integration of the countries with economies in transition as well as all other countries into the world economy, in particular through improved market access for their exports of goods and services; such integration will simultaneously support the systemic transformation of countries with economies in transition towards market-oriented policies and will have a positive impact on world trade and global economic growth and development".

Most importantly from the point of view of the present project, the General Assembly in its resolution 188 of the same session on the *International Decade for Natural Disaster Reduction*.

"Commends those countries exposed to disasters which have already taken initiatives to reduce their vulnerability, encourages them to continue with the implementation of natural disaster mitigation policies during the International Decade for Natural Disaster Reduction in the context of their socio-economic process, taking into account the targets for progress in disaster reduction defined by the Scientific and Technical Committee, *and also encourages them to pursue the possibilities of regional cooperation within the framework of the decade*" (my emphasis).

A. ECONOMIC RE-STRUCTURING, INCLUDING MUTUAL ADAPTATION OF THE REGION'S ECONOMIES

Before defining this first, and probably most important, item of the suggested Agenda for the Seminar, we have to clarify the terms used in this regard. By *economic re-structuring* we mean to change the structure of economic activities in the Central Asian region, particularly of those in the production and distribution sectors. This complex problem is closely related to the separation of the four countries – Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan – from the economy of the Soviet Union in which they were integrated and from the point of view of which they were functionally specialized. Thus, economic re-structuring signifies the unavoidable re-orientation of economic activities toward the satisfaction of domestic needs in the region as a whole as well as toward responding to the demand in neighboring countries and on the world markets.

By contrast, we call *economic reform* those efforts aiming at privatization and the introduction of a market economy with all its requisites, including the reform of enterprises that will remain in the ownership of the State. This aspect of new economic policies really means an organizational re-structuring of the respective countries' national economies which is extensively dealt with by multilateral assistance institutions such as the International Monetary Fund or the World Bank. Economic reform thus defined is completely different from the re-structuring of the productive and distributive activities of the economies. This kind of economic policy and organizational reform is pursued in most countries of Central Asia at national level. Regional cooperation is not expected to play an important role in respect to these policies, except the evident need of training in regional institutions of specialized personnel carrying out such reforms in their respective countries, in order to ensure the coherence and concordance of enterprise development in the whole region (see the section on training).

Economic re-structuring, as described above, will also offer a golden opportunity for the region's countries to mutually adapt their economic activities. We mean by *mutual adaptation* the re-orientation of their agricultural and industrial (and, perhaps, also mining and energy) sectors as well as the related support and distribution activities. Mutual adaptation thus means the harmonization by those countries of their future programs with a view to avoid duplications by initiating or developing activities already successfully carried out in one of them. If one country is already producing certain agricultural or industrial goods which are in demand in other countries, and if this country has a comparative advantage in doing so, other members of the regional cooperation scheme would purchase from the one specialized in this production instead of producing those products themselves, and thus could employ their own physical, human and financial resources for other activities important for the region as a whole.

As a concrete example one could cite the case of processing some agricultural commodities – cotton, tobacco, wool, – which are produced by most countries of the region. Kyrgyzstan, for instance, produces all the three above indicated commodities, but only 13, 10 and 5% of the production, respectively, are processed domestically; the rest were sent in the past, as raw material, to the Soviet Union for processing. After a detailed study of comparative advantages for these agro-industrial activities in individual countries, a common decision could distribute the tasks of producing and processing such commodities at the regional level. The same could be said of the pharmaceutical and medical supply industries, including the development of locally produced herbal medicines (it appears that Kazakhstan and Uzbekistan which already produce syringes, are intending to coordinate their efforts).

Such a regional division of labor may imply a considerable rationalization of productive structures through

1. Slowly changing each country's specialization, based in the past, on non-economic considerations as well as modifying the uneconomic land use patterns and normalizing relative price structures compared to international price levels;
2. Gradually disrupting the vertical integration of the industrial structure is a *sine qua non* condition of economic reform; and
3. Facilitating for each country the programming of infrastructural investments, secure sufficient raw material for large-scale agricultural units, and improve the market environment for agriculture.

Economic re-structuring could therefore be a major factor in preventing natural disasters, or correcting past policies and practices which created disaster-prone situations. The best proof for this is the present situation in the Aral Sea basin. The desiccation of the Aral Sea and the environmental degradation of its vast surrounding area, designated as the environmental tragedy of our century, are menacing not only the health but also the livelihood of the populations living in the basin. Notwithstanding the urgent need for adequate measures aiming at the gradual re-establishment of a proper environmental balance, at least partially, in the Aral Sea area, the re-orientation of productive activities of its populations is inevitable as the production of cotton will probably have to be discontinued for environmental reasons. This re-orientation may have to be coupled with measures facilitating the slow migration of these populations, if required, to other parts of their respective countries.

B. DEVELOPMENT

OF THE INTRA-REGIONAL AND WORLD WIDE COMMUNICATION INFRASTRUCTURE

Central Asia is a land-locked, mountainous region, with extremely difficult intra-regional communications (this term covering all forms of transport such as modal transport or pipelines as well as telecommunications) and communication facilities with the outside world are almost non-existent, except with countries of the Commonwealth of Independent States (CIS).

Various organs of the United Nations are since long time preoccupied with problems of land-locked countries. This preoccupation was again expressed recently in resolution 169 of the forty-eighth session of the General Assembly which re-affirmed

"The right of access of land-locked countries to and from the sea and freedom of transit through the territory of transit States by all means of transport, in accordance with international law",

though it re-affirmed, at the same time, the sovereign rights of transit developing countries to ensure that facilities granted to land-locked countries will not "infringe upon their legitimate interests".

Taking into account the possibility of conflicting interests of land-locked and transit developing countries, the General Assembly invited

"Land-locked developing countries and their transit neighbors to intensify further their cooperative arrangements for the development of transit infrastructures, institutions and services to facilitate the faster movement of goods in transit",

and requested UNDP to promote subregional, regional and interregional projects and programs in this field.

In resolution 170, specifically concerned with *Assistance to Land-locked States in Central Asia*, the General Assembly emphasized "the importance of elaborating a program for improving the efficiency of the current transit environment, including better coordination between rail and highway transports" as well as the necessity to establish a multi-country transit system, recognizing

"The important role played by bilateral cooperative arrangements, multilateral agreements and regional and subregional cooperation and integration in comprehensively solving the transit problems of the land-locked developing countries and improving the transport transit systems in the newly independent and developing land-locked States in Central Asia and their transit developing country neighbors."

Problems of communications, therefore, fall into two distinct categories: the *intra-regional* and the *international or worldwide* transport and communications. Evidently, difficulties of transit, so much emphasized by the General Assembly of the United Nations, apply only in the latter case. It is also clear that solutions of the intra-regional transport and communication problems will contribute to the solution of communication with the outside world. In both cases early action is needed because of the very high correlation between the growth of intra-regional or international trade, on the one hand, and investments to improve the transport and telecommunications networks, on the other.

Coordination of investment and programming of intra-regional transport and communication facilities is of utmost importance for the economic re-structuring of Central Asian economies. Intensification of cooperation in the agricultural and industrial fields and increase of trade between different countries of the subregion cannot be achieved without the improvement of intra-regional transport, with heavy emphasis on modal transport (road-air probably) and rehabilitation and expansion of local and regional networks as well as technologically well-developed telecommunications. The fact that networks in the subregion use analogous but obsolete techniques and equipment makes possible a common, but costly effort of renewal and replacement in this field.

However, problems related to the development of communications with the outside world will be more difficult to solve than the intensification of intra-regional communications. States of the subregion might negotiate together with transit countries the legal framework enabling them to establish common investment programs for transporting their goods towards foreign markets: modal transport with possible road-rail-river combination (which will be facilitated by the already close cooperation between national rail authorities) and the construction of a pipeline in view of the fact that several of them are producers of oil and natural gas. It is evident that some alternative routes towards international markets will have to be found; nevertheless, existing links with the external world have to be fully exploited such as the Russian east-west railroad which runs through Kazakhstan's territory or the major water transport linking the Caspian region and countries of West Asia through, in turn, Russian territory. Pipeline projects to the Black Sea, Turkey and the Persian Gulf are currently under consideration.

In respect of telecommunications, the main problem is that all countries are closely integrated in the network of the former Soviet Union, or of the present CIS. Until now, all international traffic is routed through Moscow where capacities are strained to the utmost. Telecommunications will have to be strategically programmed at subregional level; this may be facilitated by the already existing regional cooperative venture, *Intertelecom*.

Studies completed in 1993 by the European Bank for Reconstruction and Development (EBRD) concerning the transport and telecommunication sectors of the five Central Asian and three Trans-Caucasian republics (*The Euro-Asian Corridor: Strategic Issues in Transport, Telecommunications and Energy Sectors*), including strategy papers for each country, represent an important step toward the formulation of a region wide strategy for inter-regional and international communications.

C. INTEGRATION OF THE REGION'S ECONOMY INTO THE WORLD ECONOMY

The process of integration of transitional and underdeveloped economies into the world economy has three major component: foreign trade, private foreign (or direct) investment and tourism (tourism will not be dealt with here as its development depends of each country's natural endowment and, therefore, is part of a national program of infrastructure investment and promotional activities).

In respect of *foreign trade*, Resolution 181 of the forty-eighth session of the UN General Assembly (*Integration of the Economies in Transition Into the World Economy*), already quoted, requested the Secretary General to (1) intensify the role of the United Nations system to help these countries in their efforts to integrate the international economy through enhanced ability "to conduct analytical activities to provide policy advice and technical assistance", and, more particularly, (2) to study

"Possible areas of economic and technical cooperation *among* countries with economies in transition, as well as *with developing countries*, identifying the role the United Nations system could play in this field, with a view to encouraging greater participation by those countries in the world economy" (my emphasis).

Countries with economies in transition of the Central Asian region share certain fundamental characteristics in their foreign trade sector, including inter-republican trade as well as trade with countries located outside the former Soviet Union, which facilitate the elaboration of a common approach and strategies aiming at their integration into the world economy:

1. High ratios of export and imports to the Gross Domestic Product (GDP);
2. Strong dependence on inter-republican trade rather than trade with countries not member of the CIS, though it appears that past figures concerning intra-Soviet trade were inflated by large flows of intermediate products for a one-stage domestic processing (for example, sugar and electronics parts in Kyrgyzstan which represented every year around 25 to 40% of total foreign transactions);

3. As a consequence of the above, an extensive specialization of output leading to a very high degree of commodity concentration in trade (80% of Uzbekistan's exports consisted in 1991 of cotton, for example);

4. Little exposure to foreign trade and, consequently, very limited experience in trading and proper marketing techniques or export-import strategies, and no incentive structure to influence trade flows such as enhancement of after-tax profitability of export operations to hard currency markets which could be instrumental in overcoming historical legacies;

5. Disruption of trade in general, scarcity of foreign exchange, and instability of relative prices in the inter-republican trade.

In addition, some features of domestic trade may also unfavorably influence foreign trade patterns in the region's countries such as the lack of proper infrastructure (beside transportation of goods), especially wholesale markets, storage, packaging and grading facilities in producing areas as well as urban centers from which consignments to foreign markets are sent.

Gradual liberalization of foreign trade in the medium-term as well as of all prices (at producer, wholesale, exporter/importer levels) as an aspect of economic reform, is an important condition for these transitional economies establishing close links with foreign markets, especially,

(a) The termination of quota systems (State orders or authoritative distribution of output between domestic, inter-republican and foreign sales),

(b) Exclusively fiscal intervention of the State in production and processing activities;

(c) Establishment of a clearing mechanism among central banks of the Central Asian region and other CIS members;

(d) Creation of a judiciary mechanism for resolving inter-republican trade conflicts;

(e) Creation of free zones if preliminary studies prove that such zones (which require considerable investment and a special legislation) will have a sufficient number of foreign enterprises settling in them and will generate the expected revenues for the governments concerned.

It goes without saying that future trade patterns of the Central Asian countries will have to be worked out according to the principle of comparative advantage in each product sector or sub-sector; that exchange, on acceptable terms, with other republics of CIS will be maintained; and that for all non-energy products trade with neighboring Asian and Middle Eastern markets will be explored as a matter of priority preferably, however, for transactions carried out on a hard currency basis.

The EBRD expected to launch an Euro-Asian Trade Facilitation program in 1994 in order to identify major current bottlenecks such as need for equipment rehabilitation and modernization; inter-modal operations and facilities; research and feasibility studies related to existing or important new links in the Euro-Asian corridors, and other possible initiatives in the field of transport infrastructure and equipment.

This program is expected to produce an outline of a long-term strategy of inter-regional and international trade and transport to, within and through the countries of the region.

Another very important aspect of the integration of transitional economies of Central Asia into the world economy is *foreign private investment*, that is, direct investment of foreign private enterprises into productive sectors of the subregion (it is evident that investments into infrastructural projects, such as road building, can only be financed from funds granted or lent by international organizations or by bilateral donor governments), including support activities, for example warehouse building by an investor for pharmaceutical products. It appears that until now emphasis was laid mainly on the formulation of Public Investment Programs (PIP) with funds of the World Bank or EBRD and that no particular effort was made to promote foreign private investment. The only exception is EBRD's strategy for Uzbekistan in which it is foreseen an assistance in the identification of foreign partners for specific transactions, in tender arrangements, in the evaluation of bids, and in securing the most favorable terms for the country's economy.

Regional cooperation in the development of foreign trade may be outlined, as a concrete example, around a program composed of *institution-building* and *legislative action* as well as measures aiming at *export promotion and import rationalization*. Because the Central Asian region's integration into the regional and world economies means not only that it would be able to benefit of the advantages offered by partners like the Generalized System of Preferences (GSP), but also that it is ready itself to offer market access or other bilateral/multilateral trade or investment facilities in the framework of regional or international cooperation. Therefore, several actions falling under the above indicated three headings must be completed before the countries in the region could enter into regional and international cooperative arrangements in order not to harm the efforts of national development; as examples of such actions can be mentioned the regulation of competitive trade practices, the upgrading of products to international standards or, finally, disposal and dissemination of the necessary information on conditions of market access to, or characteristics of, foreign markets.

In this perspective, the establishment of a specialized regional organism dealing with practical problems of foreign trade and of private investment promotion could be envisaged. This organism will, of course, be under the supervision of participating Governments; the Governing Council would be composed of their representatives. The organism should, however, be autonomous and not staffed by civil servants, in order to (i) facilitate the decision-making process in comparison to central administrations' procedures, and (ii) permit the remuneration of its officials – specialists in their respective fields – independently of any civil service's salary scale (without that autonomy there is a great risk that trained professionals will leave the organism and join private enterprises). This institution is expected to be self-financing after a couple of years of activity, charging users of its services to cover its costs but without making profits. The creation of such an organism is certainly justified because administrative bodies do not have in their purview to solve problems related to the promotion of exports, to the rationalization of imports, or to the promotion of foreign private investment; they were not created for that purpose and cannot have competence in fields such as marketing, pricing of specific products, or merchandising/publicity.

If such an institution is created it could be called the *CENTRAL ASIAN CENTER FOR THE PROMOTION OF FOREIGN TRADE AND FOREIGN INVESTMENT* (CACPROM). In its start-up

activities and during the first three years of its existence it should receive a large-scale foreign assistance, conceived in the form of an umbrella project, with only a few resident advisors as well as a considerable amount of specialized consultancy services inputs, equipment supplies, and extensive training programs.

A series of legislative actions were already accomplished in relation to commercial activities in most countries of Central Asia. It would be essential to complement this legislation (including the Investment Code), in each State, with texts concerning *quality control* – in the first place for domestically produced foodstuff and imported pharmaceuticals and concerning *restrictive trading practices*. It is particularly important to initiate, at the national level, a legislation regarding *financial and fiscal incentives for exports* (privileged commercial bank lending rates or, in fiscal matters for example, to institute a drawback system). In all these respects, CACPROM could render valuable services of coordination and information to Governments and enterprises in the region.

Practical actions aiming at the development of the Central Asian region's foreign trade are conceived in the framework of a market economy, therefore mostly carried out by private firms or by State-owned but autonomous trading enterprises whose activities are based on commercial principles. These actions fall into two broad categories: (1) Actions related to exports consisting of the promotion of exports and (2) Actions related to imports consisting of the rationalization of imports (understood in the sense of importing from markets offering the best quality and technological advantages at the best prices and conditions). Such actions must always be sequenced according to the time-horizon in which they should be carried out; this does, however, not mean that they will be completed during the time horizon indicated but will have to continue during the next period, too. In general, development of foreign trade being a continuous affair, few actions can be said to be definitely terminated at one point of time as, for example, with legislative actions; even studies have to be continuously updated.

All actions enumerated below would have to be carried out by CACPROM:

(i) *Actions in the Short-Term*

Export potential studies per product or product group. These studies are like flash photographs of an economic sub-sector or of a specific economic activity, examining all the parameters characterizing the product or product group in question from the point of view of export (quality, grading, production cost, possibility of transportation to foreign markets, etc.). Shortly, export potential studies identify potential exports, in particular in the category of nontraditional export goods. It may also be that for products exported at present or which were exported in the past such a study is not needed, whereas in the case of other products it may appear necessary.

Market research studies per product or product group in selected markets. Market research will have to be carried out for most exported or imported goods (even in neighboring markets). Market research studies for potential export goods, or for traditional exports for which new markets should be opened up, are complementary to the export potential studies. When the conclusions of a potential study are positive, the market research study gives the answer in which market the exporters should try to sell their products. However, the results of a market research study may be inconclusive, that is, they establish that there do not seem to be good prospects for the goods produced in the Central Asian region on the target market

studied. As far as imported goods are concerned, market research is aimed at the comparison of selected markets which offer the product in question at different terms of sales and characterized by varying qualities; this enables the importer to choose the best sources when he is doing his shopping around, taking into account not only market aspects but financial terms and transportation facilities as well.

Both above mentioned series of studies accomplish an *information function*. This must be complemented by an essential *information collection and dissemination* activity focused on CACPROM. The latter should acquire regular information on the evolution of prices of the region's major export products and on other market indicators through subscription to specialized services (e.g., Reuter) and acquisition of catalogues, etc., possibly getting some of the required information through organizations like the International Trade Centre (ITC/UNCTAD/GATT) in Geneva. The information collected must then be disseminated to producers and trading enterprises directly or through their professional associations. The same should be done for import products whenever needed. Information channeled to private producers and traders plays a crucial role in the promotion of foreign trade operations, therefore CACPROM has to create and develop as well a specialized documentation center consisting of statistical collections, product and market studies, specialized periodical publications, etc.

To facilitate export and import transactions bureaucratic procedures must be reduced. In this CACPROM could benefit of the vast experience accumulated by UNCTAD's FALPRO program which is at the disposal of all countries and which scored numerous successes during the last 25 years.

Finally, a very important activity in the short-term related to the promotion of Central Asian exports will have to be carried out by national Governments, with the assistance of CACPROM, namely, the channeling of investments into the potentially important export sectors. This concerns first of all the small- and medium-scale processing industry for food products and other agricultural crops like tobacco, or for livestock products such as wool. It may be that certain commodities of agricultural and horticultural origin can be exported as perishables to neighboring markets, but most products could find more receptive but distant markets whence they were properly processed and easily transported in such a processed form (if the cost of processing is not prohibitive). Such investment decisions and the complementary offering of credits or other funding for the above purposes are a crucial part of the efforts to integrate the region's market in the regional and world economies through the promotion of exports.

(ii) *Actions in the Medium-Term*

All the actions discussed above have to be continued in the medium-term because export potential and market research studies are expected to yield continuous information necessitating eventually new investments in better processed and more sophisticated products to be exported – representing much higher added value from the economic, and generating higher revenues for the Government, from the fiscal point of view.

As a result of the activities carried out in the short-term, the next step should therefore be *product adaptation*. Whenever needed and possible, such an adaptation has to be undertaken in order to satisfy frequently changing market requirements. It is not an easy matter as it means in many cases to change age-old mentalities and customs. It requires patience and imaginative approach. Pursuant to the export

potential and market research studies, another task is emerging besides product adaptation, also linked to the innovative approach, namely, the initiation and creation of *new products* or new varieties of the products already produced, introduction of new processing techniques, etc. This action is inevitable because the need for widening the exportable product range will be imperative.

CACPROM will also have an important function in promoting foreign private investment in the region. In close cooperation with relevant ministerial departments of national Governments and other concerned public or professional bodies, it will produce promotional material relating to investment opportunities in the various countries of Central Asia, and relay them to investors abroad through its occasional promotional campaigns and, later, through its representations in a few major business centers.

The enormous effort needed to achieve the inclusion of Central Asian economies into the regional and world frameworks in the foreseeable future must be, first, an *integrated approach* given the nature of the activities which cut not only across various macroeconomic problem domains but all sectoral and functional spheres of action as well; second, such an effort has to take advantage of all experiences made in other countries in transition, representing invariant techniques, methodologies and practices, on the one hand, and to be, at the same time, genuine, context-oriented and corresponding to the region's cultural traditions, that is, avoiding to imitate borrowed models, on the other hand.

The integration process into the regional and world contexts cannot but be *gradual*, that is, it has to be concurrent with the successive stages reached in the economic reform and economic re-structuring programs. This cautious approach is necessary to avoid unwarranted shocks and crises in the course of economic and social development. For example, Central Asia should benefit of all possible advantages in international trade exchanges which do not imply reciprocity (for example, GSP); on the other hand, premature entry into regional and international trade agreements could hurt Central Asian economies as they would have to offer market access to foreign traders but their own exporters will not yet be able to benefit fully of the access to other markets. In respect to foreign investments the legal and institutional framework must be ready before the inflow of foreign private investments starts, and bureaucratic hurdles must be reduced in order not to discourage potential future investors by the dismal experience of others.

D. REGIONAL MEASURES TO LIMIT UNEMPLOYMENT

ACCOMPANYING ECONOMIC REFORM AND RESTRUCTURING

It could be objected to the inclusion of this item on the suggested Agenda of the Subregional Seminar that measures aiming at the reduction of unemployment and the elimination of its structural causes is a matter pertaining to the policies of national Governments. However, it is tentatively included in the Agenda as the economies of all countries in Central Asia are in transition toward a market economy, and this process implies economic reform and the re-structuring of productive and distributive sectors both of which inevitably increase unemployment or, in the rural areas, underemployment. This means that unemployment is not a cyclical phenomenon; it is not linked to the present economic processes like in the Western market economies in the present, but is the consequence of a particular situation which is considered as temporary.

Although appropriate measures to reduce industrial unemployment have been taken, such as labor reallocation by way of transferring labor between enterprises within a conglomerate, redeployment within enterprises, shortened workweeks and leave of absence with reduced pay, and, as a general device, the extension or the maintenance of the social safety net was pursued, nevertheless, the number of unemployed is increasing at an accelerating rate in most countries. Alleviating this critical situation which may lead to social troubles is important not only to prevent a decline in living standards but also to maintain the morale of the population. In Kazakhstan, for example, the number of unemployed increased from about 4,000 in January 1992 to over 70,000 by the end of 1992 (i.e., one% of the total labor force). For those firms still operating excessive over manning is causing serious decline in productivity. Even more important, the shrinkage of output makes it difficult to find non-inflationary financing for those underemployed, while the growing number of individual claims on reduced output exacerbate inflation and may fuel social and, possibly, ethnic tensions. Furthermore, people do not have a strong incentive, in these circumstances, to take up private sector job opportunities while they enjoy employment safety in the state sector.

Another important factor in including unemployment in the Agenda of the Subregional Seminar is the ecological-cum-economic crisis created by environmental damage. Because of the shrinkage of the Aral Sea agricultural production is steadily declining and there is no more fish production in the region, therefore a rise in rural unemployment continues.

In this situation, several initiatives could be taken at the regional level to complement national measures combating unemployment. Regional projects with international financing could be launched to start highly labor-intensive public works, specifically in the Aral Sea basin, which would simultaneously alleviate unemployment and slow down the decline of living standards, on the one hand, and contain the environmental damage or improve environmental conditions in this area, on the other hand. Another possibility for such highly labor-intensive projects would be the implementation of a regional program for the improvement of intra-regional communications or for opening up access to neighboring markets which would help the economic re-structuring process.

Development of small-scale food processing plants in the villages could be another device to reduce rural unemployment and underemployment. Such a regional initiative could include such local, small-scale processing activities into programs of coordination of trade expansion aiming at neighboring markets and, at the same time, would also halt massive spoiling of the fruits and vegetables production.

E. HARMONIZATION OF ENVIRONMENTAL POLICIES AND COOPERATION AT SUBREGIONAL LEVEL

One of the most important chapters in the framework of subregional cooperation in Central Asia will have to be the harmonization of environmental policies, the carrying out of joint actions to combat environmental degradation and trying to reverse man-made environmental catastrophes as well as safeguarding the remaining fragile ecosystem of the region. It is all the more necessary to establish large-scale cooperation in this field that Central Asia witnesses a serious degradation of soil and water resources with the concomitant reduction of production capacities, best exemplified by the desiccation

and ecological degradation of the Aral Sea basin where, by the early 1990s, there was no possibility to increase the irrigated land as the available water supply was exhausted. As an example of the economic effect of such an environmental change, one can also refer to the rice production area, east of the Aral Sea in Kazakhstan, where due to desiccation salt is blown into the rice fields, reducing output considerably.

To this major agro-ecological problem must be added soil and water contamination from intensive livestock production, and the rangeland degradation which might severely restrict in the future essential agricultural activities.

The importance of a global regulation concerning the environment can be shown, as far as the region's national economies are concerned, by an example related to economic reform and privatization, – policies on the agenda of all subregional Governments. It is a well-known fact that the lack of clarity on environmental liability can be as much a barrier to foreign investment as the ecological degradation which has profound economic effects and may deter some foreign enterprises to bring in the capital needed for modernization and operations of the privatized or 'commercialized' local firms. It is evident that liability for past pollution cannot be an obstacle for the privatization process, and the burden of any clean-up will have to be assumed by Governments with the assistance of the international community.

The very first aspect of such cooperation in the areas of environmental protection and natural resources utilization will have to be the rational allocation of water resources between countries of the region. This allocation will probably be based on a preliminary assessment of water resources, the identification of critical issues in the near-, mid- and long-term, and a resulting, prioritized program. It was already recommended by the World Bank's Aral Sea mission that the present arrangements at regional level should be replaced by a legally binding treaty, with the participation of all riparian countries and not only the former republics of the Soviet Union, to safeguard against future disputes by establishing priorities for foreseeable situations in which resource requirements will exceed available water volumes.

From the institutional point of view, an *integrated water resource development program and management structure* has to be created which will take into account the conflicting objectives of various agricultural productions such as food grains, crops for exports, or rangeland preservation as well as requirements of energy generation or the protection of environment and, most importantly, the protection of the health of the populations concerned. The proposed regional framework does not exclude decentralizing responsibilities to local authorities (at different levels), especially protection and production of clear water, solid waste disposal, or waste water and air quality management. Such an integrated approach will certainly necessitate designing an efficient information management system; environmental auditing of industrial plants, municipal utilities, and mining facilities; that is, the regional management authority will have to regularly carry out environmental assessments. The transitional period is a very appropriate moment to implement these measures which can be undertaken in conjunction with analyses of long-term economic viability of specific economic activities whether a new economic reform is considered or a re-structuring of industrial or mining activities is envisaged such as the implantation of new industries.

Regional coordination is already carried out by the Inter-Ministerial Coordination Committee decisions of which are implemented by the two river basin commissions (BVOs), one each for the

Amu Darya and Syr Darya. Based on recent agreements in respect of water allocations which, in general, followed the previously established pattern, these organisms control all take-offs, manage inter-republic and inter-sectoral allocations, and monitor water use and water quality. This institutional framework may well be completed and reinforced to serve as the basis of the future integrated water resource development program and management structure.

A subregional resource development program and integrated management will have to revise those aspects of economic activities, programming methodologies and administrative measures which were instrumental in man-made environmental degradations and ecological disasters, among others:

1. Abandonment of practices of the past setting quantitative targets for national economies and, within them, for different productive or distributive sectors, replacing them with programming based on qualitative elements, on quantified estimates, but not mandatory targets, and on environmental requirements.

2. Revision of pricing policies which undervalued natural resources and treated the environment as a free good, that is, freely exploitable for man's needs. Prices, henceforth, will have to comprise a reasonable estimate of the costs of environmental resource use. In concrete terms, for example, a system of water charges will have to be established and calculated either on a per hectare basis, or, if users' association were organized, employing volumetric charges. However, these policy revision will not be enough; it has to be implemented parallel to a public information campaign in the whole region in order to explain to the populations that natural resources are not free goods but that their availability is limited, therefore they have to be used economically or, if inevitable, in a restricted way for given, particular uses.

3. The reduction of fertilizer and pesticide use and industrial waste management will imply elimination of the practice of employing in agriculture excessively and indiscriminately these two substances, which resulted in a depletion of top layers of fertile soils and contributed to the dangerous contamination of surface and groundwater reservoirs. Existing and newly created industries should not be allowed to discharge waste into the ground, in adjacent rivers or in the air, contributing to ground water contamination, river water degradation and, due to trans-boundary flows of air pollutants, destruction of forests (as it happens in Western countries where the 'acid rain' coming from nowhere, destroys whole forests). The most urgent objective must be the gradual decontamination of the food cycle.

4. Establishment of an effective regulatory and legislative framework coupled with realistic environmental standards and the creation of necessary conditions for their enforcement under regional supervision. This action is all the more indispensable that in the past, while exceedingly strict environmental standards and guidelines did exist, their monitoring and enforcement was at best very weak since the authorities were unable or unwilling, for specific reasons, to make people and firms comply with them. During the transitional period, interim standards could be promulgated for existing establishments, but the new, strict regulations should be applied from the outset to the enterprises created in the wake of reforms. "A system in which environmental laws represent a statement of goals must be transformed into a system in which those laws provide operational requirements for controlling the sources of environmental risks" (EBRD), – nobody could express it better.

5. As reports of the World Bank and of the EBRD emphasize it, water resources in Central Asia have been already fully exploited; as a consequence – and this shows the crucial importance of an economic re-structuring program – production strategies will have to focus on increasing value-added from land and water that have already been developed. Continued growth of value-added will thus depend on crop diversification and agro-industrial development in line with the regional economies' comparative advantage. Liberalized markets and prices will provide the primary signals and incentives for attaining this objective, together with the Governments' support services in the framework of the guidelines laid down in the subregional diversification (or re-structuring) program.

The *Aral Sea basin* should be given first priority in the regional policy of arresting environmental degradation due to over-irrigation and evaporation of surface waters as well as poorly designed and ill-operated drainage works. Gradually, even if partially only, ecological characteristics of the Aral Sea basin must be re-established. Assistance to this 'disaster' zone affected directly by the diminishing sea has to include programmed actions in the fields of health, water supply, employment, population planning, delta reclamation, and the stabilization of the exposed seabed. Even if saving water to augment Aral Sea flows is "not a viable option" (World Bank), such programs may still – directly or indirectly – help alleviate regional problems as EBRD's proposed strategy clearly states it. For instance, the reclamation of agricultural lands in the lower Amu Darya could, in conjunction with investments, alleviate water quality and health problems. A broad study of drainage disposal should also be undertaken to evaluate (i) preserving the desert lakes, (ii) reutilizing water currently evaporated from their surface, and/or (iii) collecting such waters to augment flows to the Aral Sea.

An encouraging step in addressing the most urgent environmental concern, the desiccation of the Aral Sea, was taken at a meeting of the heads of states in Nukus, which took place on 12 January 1994. This meeting established a fund to save the Aral Sea. Uzbekistan, Kazakhstan, Kyrgyzstan and Turkmenistan (only Tajikistan was excused from contributing to the fund) agreed to pay one per cent of their 1994 budget into the fund.

F. SPECIALIZED TRAINING IN REGIONAL CENTERS

Specialized training programs in regional centers should be undertaken, either on continues or temporary basis, to train staff for tasks related to economic reform measures – transition to a market economy and privatization – or to the regional cooperative actions enumerated in this Agenda, such as the economic re-structuring in all States of the region.

A quite comprehensive list of training opportunities was already drawn up in various reports, but also examples of training activities which were carried out with success in other transitional economies were taken into consideration in composing the list below. It is not exhaustive, but it is simply intended to indicate what kind of training programs could be envisaged in the framework of a Central Asian subregional cooperation:

Economic Reform

1. Regional seminar offering intensive courses in procurement, audit, project appraisal and other aid-management related matters. As the importance of the public sector investments (in comparison to central planning procedures) is increased, a changed project evaluation approach and different institutional arrangements for investment programming and monitoring have to be introduced. The new approach in project appraisal must be based on the critical evaluation of economic and environmental costs and benefits.

The Organization for Economic Cooperation and Development (OECD), backed by UNDP, the World Bank and the European Communities, signed an agreement with republics of the CIS to assist them in improving and harmonizing their accounting standards. Even the creation of a Co-coordinating Council on Accounting Methodology is foreseen. Training institutions in the subregion should certainly benefit from this program of cooperation.

2. Training staff in handling foreign private investors, in enabling them to help local private enterprises in obtaining the services of consultant firms in connection with the evaluation of important foreign investment projects (in cooperation with CACPROM).

3. Training personnel in statistical methods needed for policy making with a view of monitoring developments in a market economy, instead of only reflecting figures of central planning committees or offices.

Public Service

4. This program should start as early as possible, specifically with the training of trainers. It should include: (i) redefining the role of civil service and motivating it for the restructuring of its key functions in a market economy; (ii) identify the attitudes, knowledge and skills needed by civil servants to meet new job requirements; (iii) develop a strategy and programs for the necessary training; (iv) initiate training of selected civil servants through seminars, study tours and follow up training to be carried out by graduates of the programs themselves; (v) develop capacity in selected training institutions in the region to provide future training for the public service.

Banking

5. To assist the banking sector in the medium- and long term the EBRD, together with the EU, the Government of Turkey and the Turkish Bankers' Association, has initiated a technical cooperation project for the establishment of a Regional Banking Training Centre (RBTC) located in Tashkent.

Telecommunication

6. A major staff retraining program is required for telecom staff adapting their skills to new and high-tech equipments and methods. This should involve training programs phased in accordance with the progress in establishing a modern telecommunications network as well as the training of trainers.

Training in Foreign Trade Development and Foreign Direct Investment Promotion Techniques

Subjects may include:

- 7 Foreign trade statistics and foreign trade flow forecasting;
- 8 International trade negotiation techniques;
- 9 isits to selected countries (in and outside the region) in the form of study tours to familiarize officials with the solutions of problems encountered in the foreign trade sector of those countries;
- 10 Specialized courses and study tours in various aspects of export promotion and import rationalization for CACPROM officials and staff of ministries and other concerned institutions of various countries, relative to topics such as preparation of export potential studies, market research techniques, techniques of marketing proper (pricing, quality control, merchandising, publicity, etc.), organization of participation at trade fairs, etc.
- 11 Specialized training in matters related to trade representation functions abroad for Ministry of Commerce officials of countries in the region and the staff of CACPROM;
- 12 Training for officials of relevant ministries and of CACPROM in techniques of investment promotional campaigns abroad, and in organizing and managing investment promotion offices in some major centers;
- 13 Training in English language for all those who work in regional or subregional institutions or are officials of CACPROM.

GROUND WATER DEVELOPMENT, WATER USE AND IRRIGATION IN ARID REGIONS

Small-Scale Irrigation in the Sahel

A Conceptual Framework

by

Victor Segesvary

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1. INTRODUCTION

1.1 The region of Sahel, as officially defined, consists of seven countries: Senegal, The Gambia, Mauritania, Mali, Burkina Faso, Niger and Chad. They are united by more or less identical physical and economic conditions as well as the predominance of the Islamic civilization (with Burkina Faso being an exception) in its Sunni form (Malikite rite). In addition, these countries were all, beside The Gambia, under French colonial rule which also represents a unifying factor as far as legal concepts are concerned.

1.2 The Sahelian countries are characterized by extreme poverty and a persistent drought which both interact and influence economic conditions; the slow process of desertification is also related to these influences through the effects of precisely these prevailing economic conditions.

1.3 The latest data given by the World Bank indicate that in low-income countries of Sub-Saharan Africa (of which the Sahelian countries, with some others such as Ethiopia, represent the poorest segment) the GNP per capita declined annually by 0.3% between 1970 and 1979, the per capita agricultural output by 1.1% and the per capita volume of exports by 4.5%. The life expectancy at birth was 46 years and the death rate of children aged 1-4 27 per thousand in 1979 (*Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. Washington D.C., 1983, p.3).

1.4 The present paper deals with problems of small-scale irrigated schemes in the Sahel of which the conceptual framework and practical applications were developed only very recently. However, the importance of informal or traditional small-scale irrigation was increasingly recognized in the course of the past years for those countries benefiting not only of readily available water resources like rainfall, run-off or natural storage, but also of groundwater development through pumping (*op.cit.* p.80). It is also evidenced that small-scale irrigation appears to be particularly adapted to the conditions prevailing in the Sahel: "in most of Sahelian Africa" – says the World Bank's above quoted report – "farmers admitted to formal irrigation schemes are usually without prior experience in irrigation and the peculiar discipline it requires, and most are drawn from a peasantry practicing a very extensive type of farming in areas of hazardous rainfall. Thus, expansion of irrigation is also limited by the speed with which farmers not accustomed to irrigation can absorb new techniques and the required cultivation discipline." (*op.cit.* p. 77).

1.5 Thus, the new approach of improving living conditions and of promoting agricultural development through small-scale irrigated schemes requires a substantial overhauling of hitherto dominant concepts and policies. The discussion which follows is destined to be a first contribution to the formulation of more adapted concepts, programs and policies and intends rather to launch a debate and stimulate further investigation than to present a final and definite framework.

2. THE CONCEPT

2.1 In view of the climatic and hydrological conditions of the Sahel, the concept of small-scale irrigation schemes based on groundwater development seems the only possible solution of tremendous human sufferings and recurrent economic crises. This approach is founded on the preliminary hydrological research carried out in most Sahelian countries, since more than a decade, by multilateral and bilateral agencies, in the first place the UN Department of Technical Cooperation for Development. This research concluded that most countries in question possess quite large groundwater reserves sufficient to supply drinking water or water for domestic needs as well as for irrigated agriculture of a limited scope.

2.2 Conditions of existence in the Sahel characterized during the last decade by severe and persistent drought also explain the fact that in the region water cannot be considered as a simple product, irrigation schemes as one of the alternatives of investment priorities in national plans, because access to water is a question of life or death for all human beings living there. Water is of utmost importance for human survival as much as for the survival of animals and plants which constitute the indispensable ecological environment.

2.3 The importance of water is reflected by the Islamic precepts, – it should not be forgotten that the Prophet was born and lived in Arabia where living conditions must have been similar to those in Sahelian Africa. The Prophet declared that "free access to water was the right of the Moslem community. No Moslem should want for water, such is the general principle laid down by the Prophet who made water the perfect, indispensable and priceless element of purification to obtain a state of grace")CAPONERA, D.A. *Water Laws in Moslem Countries*. Vol. 1. Rome, FAO, 1973. p.11). The Holy Koran sanctioned these principles which were developed by the tradition and the great commentaries (al-Bukhari, Yahya ibn Adam, etc.). The Right of Thirst is generally admitted in the Sunni doctrine; the Malikite rite recognizes that in case of privately-owned waters, the individual who has the financial means is liable to pay compensation for water consumed (CAPONERA, *op.cit.* pp. 10-26).

2.4 A very strong and cohesive community structure, at the village or ethnic level, is a main feature of societies in Sub-Saharan Africa which led to a land tenure system entirely different from other parts of the world – Asia, Middle East, Europe, – as most of the land is held by communities; the communal land of the villages is subdivided between families (compounds including, for example, the 'strange farmers,' that is foreigners). There were, of course, communal lands which remained in the community's ownership for public purposes. Water points belonged automatically to the community which owned the land and which could even sell water under certain circumstances. For example, it was admitted that owners of herds passing through the land of a village community and benefiting of its water supplies should pay compensation, a 'price,' as ownership of the livestock was perceived as an external sign of wealth that is of the financial capability to reimburse the village for operation and maintenance costs. There were of course differences between families and villages; one was richer than the other because, for example, early occupants ('founders') obtained the best lands in the area. Nevertheless, the land tenure system never had such an impact on water distribution as in Asian, Arab or European countries.

2.5 In respect to water rights (ownership and use), it is important to note that six of seven Sahelian countries (Senegal, Mauritania, Mali, Burkina Faso, Niger and Chad) inherited and maintained in force a number of legal provisions governing water resources which had been promulgated by the colonial administration of the former French West and Equatorial Africa (CAPONERA, *op.cit.*, Vol. II. pp. 303-310). In principle, almost all waters, whether surface or underground, were considered as part of the public domain, meaning in the centralized French system that they were belonging to the State. Nevertheless, the two relevant decrees of 5 March 1921 and 29 September 1928 dealt with groundwater only in a very limited sense; therefore they were in practice considered as private waters until 1955. Since that date, however, underground aquifers of whatever origin, nature or depth were considered to be part of the public domain (Decree 55-490 of 5 May 1955). Thus, with the exception of privately-owned waters, public waters could not be appropriated and the right of their use was subject to prior authorization or concessions. This conception was taken over by all governments after independence and at present all water resources belong to the State in the six above-mentioned countries. Communities use, without encountering any administrative difficulties, surface or ground waters of which their usage was traditionally established; through large-scale irrigation schemes or exploitation of groundwater resources through drilling, all financed by the State. Few problems concerning their use by communities or individual farmers were experienced in the past, except that users are subject to the payment of a contribution in kind to the organization in charge of management in order to cover depreciation, operation and maintenance costs.

2.6 In the Gambia, all lands are State owned, communal or native tenure lands with the exception of Banjul, the capital city, where considerable private holdings exist. The occupation and use of communal or native tenure lands is governed and ruled by customary practice, and surface as well as groundwater rights for domestic, farming and animal use are exercised in accordance to customary practices as well.

2.7 In view of all the above, and in accordance with Islamic and community traditions, the small-scale irrigation schemes would be based on the village communities, with each having one or two, eventually three, groundwater wells, dug or drilled, supplying water for 200 to 300 persons and enough for the irrigation of 3 or 4 hectares. The management of these schemes would be in the hands of the village council or a specially designated water management committee. This self-management appears to be the best way to make water use efficient, in the limits of water availability and the pumps' capacities, as regulation in the community's interest will tend to eliminate disproportionate or unjustified use by one farmer or any other waste. This committee would also be responsible for reimbursement of funds in the framework of any cost recovery system.

2.8 In case of larger villages (say up to 3,000 inhabitants) where the construction of a simple water distribution system is required, the self-management principle could be maintained, but metering devices should be introduced and specially trained personnel put in the service of the water management committee.

3. THE CONCEPT IN PRACTICE

3.1 The best formulation of objectives in evaluating groundwater supply schemes, in line with the now classical procedures, was given as follows:

"The economic problem is essentially to establish the best means to exploit the groundwater resource up to the point where the net returns are greater than the costs and, furthermore, where the net returns to any development are greater than alternative uses of the investment and recurrent resources. Analysts have to establish the most efficient ways available for development whilst taking due account of the multiple objectives of public development policy. It is quite likely that the form and extent of groundwater exploitation will vary depending upon whether the options are viewed from a public or private viewpoint. If, in addition, in appraising investment options a social welfare function has to be maximized which takes a different account of benefits to, say, rich and poor farmers, or puts forward alternative resource ownership patterns to those obtaining at present, then the economic analysis problem is thereby immensely complicated" (CARRUTHERS, Ian and STONER, Roy, *Economic Aspects and Policy Issues in Groundwater Development*. World Bank, Staff Working Paper No.496. Washington D.C., The World Bank, 1981. p. 5).

3.2 It should however be evident in view of the foregoing discussion, that this method is not applicable in the case of small-scale irrigation schemes in the Sahel region. First of all, it makes no sense to speak of net returns or internal rate of returns in comparison of costs or alternative uses of investment capital or recurrent expenditure as the supply of drinking water for the survival of human beings and animals is not a commensurate, quantifiable objective with any other economic purpose. Any national community or any State is morally obliged to give preference to such a program; therefore it reflects incomparable 'social gains' or 'social returns' from the point of view of the society and the government. In addition, any type of rate of return does not have much meaning when the total cost per well is not more than 10 to 20,000 US dollars. The only quantifiable measurement which can be reasonably applied – availability of drinking water supply being secured – would concern the participation of villagers in a cost recovery scheme according to their contributory capacities; then only the benefit/cost ratio applied to the net monetary income induced by irrigated plots could be meaningful.

3.3 The economic and social conditions prevailing in the Sahel, as outlined above, and the proposed community management of groundwater resources on communal land, would also permit to avoid the 'distribution dilemma' between the rural rich and poor, a problem which is a major preoccupation of policy makers and planners in Asia, the Middle East or Latin America. In the African social structure and land tenure system in general, and in those of the Sahelian countries in particular, the question of equity in water use is not so stringent and it appears best to trust the village communities in assuring equitable distribution of available water resources.

3.4 The same holds for efficiency as it was already stated above. The management of water wells in the interest of the community and the avoidance of waste can only be done through such a form of local 'public control,' – a term which, by the way, does not necessarily mean State

administrative control as supposed by most of the specialized, professional circles. This opinion is based on some recent authoritative statements and experiences of the two last decades:

"In the light of experience in other areas of rural development, it is possible to argue that the potential gains from public control (i.e. control imposed by the State administration), pursued for either efficiency or equity reasons, can be largely illusory. Any prospectus neglects the inefficiencies and costs of imposing more responsibility upon the already overburdened bureaucratic administrative process... In fact the most important task of control of subsequent withdrawals from private wells has proved absolutely impracticable in almost all circumstances" (CARRUTHERS-STONER, *op.cit.* pp. 30-31).

3.5 The same World Bank study then supports the solution proposed in this paper formulated simply in view of the economic and social conditions in the Sahel:

"In poorer areas or where holdings are traditionally small, the individual farmer can afford neither to construct a well nor to operate and maintain it. In these circumstances some form of co-operative or joint ownership may arise. It is normal for the initiative to stem from, and have the direct or indirect support of, the Government. Generally a small group is a better proposition than a larger one, particularly if it is based upon a family link, although it is an economic fact that a large well is potentially cheaper than a small one in terms of cost of water delivered. Government support often takes the form of a loan to the farmers' group to construct a well, and this is repayable on very favorable terms. Thereafter the operation and maintenance is a matter for the group. This is the principle of a number of the World Bank IDA-funded agricultural credit projects in Indonesia" (CARRUTHERS-STONER, *op.cit.* pp. 47-48).

However, the authors express finally a word of caution: "As with all co-operative enterprises, there is a great difference in the success level achieved between co-operatives imposed from above by the Government and those spontaneously arising from the farmers' own initiative" (giving examples from Bangladesh and Indonesia, *op.cit.* p. 48), – an opinion which grants due importance to the proposal to base the small-scale irrigation schemes in the Sahel on traditional village communities.

4. SOME ASPECTS OF SMALL-SCALE IRRIGATION ECONOMICS

4.1 From the economic point of view, three types of hydrological data are the most important concerning the availability or disposable quantity of water for agricultural and horticultural purposes:

- (i) The level of groundwater conditioning the depth of wells and the height of water lift required (conditioned, of course, by other aquifer characteristics such as permeability and porosity);
- (ii) The capacity of the pumps used (hand, animal-moved or motor); and
- (iii) The estimated level of recharge of underground water reservoirs.

4.2 It is generally recognized that the optimum depth at which to establish the water table, or at which the exploitation of groundwater yields optimum use, is essentially an economic decision. First of all, it has to supply enough drinking water or water for domestic use (about 30 per person and per day, although estimates vary from 20 to 40 liters) and for needs of animal breeding (50 liters per day and per head of cattle or 2.0 liters per day and per head of sheep and goat). This is a minimum which might be satisfied by simple hand pumps.

4.3 In addition, groundwater supplies should be sufficient for

- (a) Small-scale horticultural activities during the dry season, and
- (b) Complement any water supplies during the rainy season, especially towards its end in September and October, in order to make satisfactory rain-fed cultivation of cereals possible. This depends on what crops are to be grown, what maximum intensity can be sustained, and what is the cost of the drainage effort required. For example, crops have different rooting depths – less for wheat than for cotton. But the depth of water tables for successful cultivation is also dependent on its salinity. In turn, salinity depends on soil characteristics and on evaporation, and so on. Therefore, in setting up small-scale irrigation schemes, it is particularly important that hydrological and agro-economic research should be highly correlated and policies based on their coordinated results.

4.4 To obtain additional agricultural production in village-type irrigation is vital from two points of view. First, it has to yield supplementary food quantities to satisfy the population's nutritional requirements as it was stated, among others, in a World Bank study on the basic needs of the rural population in The Gambia:

"There can be little doubt that the only satisfactory long-term solution to this problem (i.e. sufficient, satisfactory nutrition) lies in raising the general standard of living of the farm population, either by increasing the production of cash crop, thereby making possible increased purchases of food, or by increasing food production for consumption by the farmers and their families, whichever is more economical at any given moment. In consequence, stimulation of rural production ought to remain the main development strategy of The Gambia, complemented – but not replaced – by a number of specific measures for meeting basic needs" (*The Gambia: Basic Needs in The Gambia*. Washington D.C. The World Bank, 1981. p.27).

The second point of view concerns the need to increase the rural population's monetary income not only for obtaining a satisfactory nutritional status, but also in order to permit the elevation of its living standards as well. Without going into further details in respect of the impact of such an increased monetary revenue of the farmers on national economic development of the Sahelian countries (growing internal market for nascent home industries, increased foreign exchange receipts from exports, if any, etc.), its importance must however be emphasized for the cost recovery proposals included in the present paper.

4.5 The pumps' capacities will, of course, exert considerable influence in relation to the realization of the above objectives. It appears from the various estimates that pumps with capacities of no more than 10 to 12 m³ per day could only supply the necessary quantities of drinking water, water for domestic use and for animal breeding of a village community of 200 inhabitants. It is, then, evident that installation of motor pumps with a daily capacity of 150 m³ could only suffice, if hydrological conditions permit, to develop the area's agricultural production. The problem does not seem to be at all the so-called tube well efficiency (high operating hours per year) in such conditions; it could not be relied upon anyway as a criterion as tube wells operated during shorter periods supplementing, for example, deficient rainfall supplies at certain moments of the year, represent effective investments.

4.6 The natural and induced recharge of aquifers must be correctly estimated before setting up small-scale irrigation schemes. Natural recharge of the groundwater system (precipitation, run-offs from hills and rocks, seepage from rivers and canals) varies from month to month and from year to year and wells with shallow access are vulnerable to falls or to fluctuations in the water table. The trade-off between quantities pumped and consequent aquifer depletion is more a temporal than a spatial phenomenon in the Sahelian region. It might not even be necessary to balance the recharge from season to season. In cases where in the longer term an overall balance can be achieved, an optimal regime for the groundwater extraction is possible with a great degree of flexibility, if sufficient data (rainfall, river flow and infiltration rates) are available. This involves the concept of optimal conjunctive use of resources which can be applied on a local or regional scale.

5. COST RECOVERY POSSIBILITIES

5.1 There is no possibility of recovering investment expenditure incurred by the authorities if groundwater availabilities (and pump capacities) do not permit to extract more water than the volume sufficient only to satisfy drinking water requirements and domestic needs. A cost recovery system can be envisaged in cases where the rural population's net monetary income is increased through greater and marketable agricultural output and larger revenues obtained from animal husbandry.

5.2 Even in this case the cost/benefit ratio must be much higher than the break even point as allowance must be made for additional needs in nutrition and a modest rise in living standards.

5.3 The best way of cost recovery in the prevailing economic and social conditions of the Sahel appears to be, – whether investment in drilling or digging, purchase of pumps and their installation, and preparation of simple distribution systems is made with funds out of the State budget or obtained from foreign donors, – through regular banking channels, especially national agricultural development banks. The authorities may decide to recover total costs, between 10 and 20'000 US dollars per well and pump, or to consider well-drilling as public responsibility (infrastructure) and recover only the cost of the pump and of the construction of the simple distribution system (2 to 3'000 dollars). Operation and maintenance would be in any case at the charge of the beneficiaries.

5.4 Long-term credits (10 years or more) should be given for repayment of costs and, whenever needed, short-term credits (up to 2 years) to cover initial operating and maintenance expenditure. The credits should be taken by the village council or irrigation management committee which is responsible for repayment on schedule.

5.5 Government or donor funds deposited with the bank selected to carry out the small-scale irrigation financing program should be divided into three parts: the largest one for financing of the schemes; a smaller one as a subvention fund, if required, to subsidize, for example, interest rate charges the bank cannot avoid for statutory reasons; and a part, around 20% of total funds, as a guarantee reserve for cases of default as no collaterals from the villagers can be expected.

5.6 If donor funds are used for the purpose of financing these village-type irrigation schemes, a percentage of the recovered amount can be transferred by the bank to the institution or Government department handling the nation's foreign debt (if the funds were not gifts). Otherwise, repayments should be considered as a revolving fund in order to finance the extension of the rural small-scale irrigation schemes to all parts of the national territory where groundwater exists and can be extracted at reasonable costs.

Etude de faisabilité
d'un système de recouvrement des coûts
relatifs aux projets d'exploitation d'eau souterraine
au Mali

par

Victor Segesvary

Novembre 1984

PREMIERE PARTIE

Principes relatifs au recouvrement des coûts des périmètres irrigués et aux mesures d'application correspondantes

Ces principes sont définis dans divers documents des organismes internationaux et dans les études des consultants travaillant pour eux. Les considérations générales qui suivent, et qui constituent un cadre de réflexions, sont basées en particulier sur deux études : Paul DUANE, *A Policy Framework for Irrigation Water Charges*. IBRD Staff Working Paper No. 218, Juillet 1975, et l'ouvrage collectif, *Efficiency and Distributional Equity in the Use and Treatment of Water. Guidelines for Pricing and Regulations*. DIESA and DTCD, Natural Resources / Water Séries. No. 8/. New York, United Nations, 1980.

Néanmoins, il faut toujours se rappeler que ces études concernent avant tout l'irrigation par des eaux de surface et reflètent des expériences des pays à un autre stade de développement économique et social que la situation passée et présente des pays les moins développés, en général, et africains au Sud du Sahara, en particulier.

Les deux caractéristiques les plus importantes des systèmes de recouvrement des coûts des périmètres irrigués sont :

1. Le niveau et la structure des prix imposés pour le volume utilisé afin d'optimiser les bénéfices nets pour l'économie nationale, c'est-à-dire la fixation des prix 'efficients',
2. L'ajustement souhaité de ces prix d'efficience, ou l'imposition de taxes alternatives, en fonction des objectifs de distribution des revenus.

Toutefois, l'expérience a prouvé — à l'exception de quelques projets réussis en Inde ou au Mexique, par exemple, — que l'institution des prix assurant l'usage efficace de l'eau n'est possible que dans des cas limités et qu'elle est toujours très coûteuse. Il est pratiquement impossible pour des petits périmètres irrigués.

Dans l'absence des prix basés sur le volume d'eau consommé, la stratégie de recouvrement des coûts des projets d'irrigation dépend de la fiscalité en un sens plus général et de la faisabilité et du caractère souhaitable de l'imposition de taxes spéciales aux bénéficiaires, donc aux usagers d'eau. Il faut, en effet, prendre en considération que l'impact des projets d'irrigation, même des petits périmètres irrigués, sur les revenus des gouvernements est multiple et potentiellement important. Par exemple, des recettes provenant des taxes à la production, des taxes sur les revenus des personnes physiques, des taxes sur les intrants (engrais, etc.), ou les soi-disant marges de commercialisation, peuvent à moyen terme augmenter d'une façon substantielle et contribuer à l'amortissement des investissements liés à ces projets. Il serait toutefois imprudent de procéder à des ajustements dans la structure générale de la fiscalité pour recouvrir les coûts encourus par l'extension des efforts d'irrigation, car la stratégie fiscale ne peut être formulée dans la perspective de son impact sur un seul secteur ou une seule région.

C'est pour cela que dans les études précitées on préconise l'imposition de taxes discriminatoires à l'encontre des usagers d'eau tenant compte des objectifs de recouvrement des coûts d'investissements et de l'efficience dans l'usage de l'eau.

Donc, la 'rente du projet' — comme définie par la Banque Mondiale — est le montant maximum que le paysan pourrait payer tout en retenant un certain bénéfice du projet d'irrigation. Ceci signifie que le montant de cette 'rente' doit être ajustée pour tenir compte du coût marginal du travail familial supplémentaire et d'autres frais accrus ainsi que du fait de l'incertitude due à l'inclination du paysan de préférer un revenu inférieur mais sûr, à un revenu plus grand mais moins sûr.

La distinction la plus importante dont il est nécessaire de tenir compte dans l'établissement d'éventuelles charges fiscales aux dépens des usagers de l'eau est le seuil critique de consommation défini par la Banque comme le niveau de consommation auquel la valeur sociale d'une unité de consommation supplémentaire égale la valeur sociale d'une unité supplémentaire du revenu fiscal. Ce seuil varie, bien sûr, de pays en pays, mais en général il est estimé se situer entre un tiers et deux tiers du moyen du revenu national. Il est normal que la population rurale dont le revenu annuel est en dessous de ce seuil critique ne soit pas imposée pour l'usage de l'eau obtenue par l'irrigation, même ceux dont le revenu dépasserait ce seuil ne pourront être taxés au maximum que si les nouvelles charges fiscales n'auraient un effet négatif, donc décourageant, sur leurs activités productrices ou leurs dépenses de consommation liées à la production. Par exemple, une politique discriminatoire de prix relative aux intrants ou à la commercialisation des récoltes pourrait amener les villageois d'adopter de techniques de production inadéquates ou de se détourner de la culture des produits importants pour l'économie nationale.

En conséquence, le niveau de recouvrement des coûts et l'application des mesures fiscales dépendront des quatre critères suivants :

(a) L'évaluation des besoins du Gouvernement en nouvelles ressources fiscales par rapport aux nécessités de promouvoir la production agricole nationale dans le cadre d'une stratégie alimentaire et d'une politique économique planifiée et globale ;

(b) Le seuil de pauvreté, c'est-à-dire le niveau de revenu en dessous duquel la charge fiscale des paysans ne devrait pas être alourdie par une nouvelle taxe ;

(c) La stratification, du point de vue des revenus, des bénéficiaires potentiels des périmètres irrigués ainsi que le volume et la distribution éventuelle des bénéfices découlant des activités nouvelles ; et,

(d) La faisabilité de ces taxes sur les bénéfices ayant égard aux contraintes politiques et administratives dans le contexte d'un pays donné.

Dans l'étude de Paul Duane il a été proposé de calculer, selon le cas, deux indices en vue de la détermination des charges fiscales pour l'usage de l'eau :

— *L'index du recouvrement des coûts*, consistant dans la proportion du revenu supplémentaire de l'Etat plus les éventuelles taxes sur les bénéfices par rapport aux coûts supplémentaires encourus par les autorités (calculée aux prix de marchés), et

— *L'index de recouvrement des bénéfices*, consistant dans la proportion du revenu supplémentaire de l'Etat plus les éventuelles taxes sur les bénéfices par rapport aux revenus supplémentaires des paysans grâce aux équipements d'irrigation, avant le paiement de la charge fiscale pour l'usage d'eau et des taxes sur les bénéfices, mais après le paiement d'autres impôts de toute nature correspondant aux revenus supplémentaires tirés de nouvelles activités.

Dans cet ordre d'idées, le principe d'une taxe progressive sur les bénéfices est similaire à celui régissant la progressivité des impôts sur les revenus, en distinguant entre les divers groupes de la population dont les capacités de contribution sont plus grandes ou plus restreintes, les recettes assurées par la progressivité fiscale dépassent de loin celles provenant d'une taxe uniforme, car dans ce dernier cas les capacités de contribution limitée des plus pauvres et de ceux qui ont tiré le moins de bénéfices des nouvelles possibilités, a l'effet de niveler vers le bas le niveau des recettes fiscales.

La considération essentielle dans la formulation d'une politique de recouvrement des coûts d'investissements et d'opérations des périmètres irrigués reste l'appréciation par les autorités du juste niveau des revenus nets supplémentaires que les populations rurales puissent recevoir. Si l'opinion prévaut que ces bénéfices nets supplémentaires des paysans devraient être aussi grands que possibles, autant les recettes fiscales supplémentaires seront restreintes, et vice-versa. *Il est évident que l'appréciation concernant le taux plus ou moins élevé de recouvrement des coûts implique une comparaison entre la valeur sociale (valeur du point de vue de la collectivité, de la société) des recettes fiscales supplémentaires et la valeur sociale du revenu supplémentaire des populations rurales concernées.*

La valeur sociale des revenus supplémentaires de l'Etat et du secteur public dépend, en premier lieu, de la distribution marginale des dépenses publiques entre les différentes utilisations, et de l'efficacité et de la productivité avec lesquelles ces dépenses publiques sont faites. Il est estimé que la valeur sociale des recettes supplémentaires pour la collectivité est d'ordinaire plus élevée que la valeur des dépenses de consommation supplémentaires des membres plus aisés de la société.

Car la valeur sociale d'accroissement des revenus de ceux bénéficiant des avantages offerts par l'irrigation, dépend de leur niveau de consommation par rapport au niveau de consommation des autres segments de la population, plus un usager de périmètres d'irrigation est aisé en comparaison au moyen national moins sera la justification sociale d'une consommation accrue dont il peut bénéficier ; au contraire, autant que les bénéficiaires sont plus pauvres, autant l'accroissement de leurs revenus acquiert du point de vue social une justification accrue. En conséquence, pour ceux en dessous du 'niveau critique de consommation' la valeur sociale de consommation supplémentaire égalera la valeur sociale des recettes fiscales supplémentaires. Les paysans se trouvant dans une telle situation devraient donc être considérés, par définition, comme dispensés d'une contribution fiscale visant au recouvrement des coûts d'investissements et d'opérations liés à la création de nouveaux périmètres irrigués.

DEUXIEME PARTIE

Le revenu de la population rurale

(Notes sur les capacités de contribution de ces populations
en vue de la création des périmètres irrigués villageois)

1. EVALUATION GENERALE DU REVENU DES PAYSANS

Il n'y a pratiquement pas de données statistiques détaillées disponibles concernant les revenus de la population rurale permettant d'analyser avec un certain degré de précision ses capacités de contribution à une taxe fiscale sur l'utilisation d'eau, d'une part, ou en vue de la création des périmètres irrigués villageois, d'autre part. La pauvreté des paysans du Sahel est universellement connue dont l'une des causes majeures est la condition naturelle de l'existence, donc les variations pluviométriques donnant lieu de plus en plus à une sécheresse permanente.

La meilleure évaluation du pouvoir d'achat du paysan malien se trouve dans *l'Etude des opérations de développement rural (ODR) et des organismes similaires*, financée par la Banque Mondiale et préparée pour le compte du Ministère du Plan par la Société d'Aide Technique et de Coopération (SATEC) en 1982. La période couverte par cette analyse compréhensive s'étend de la campagne 1975/76 à celle de 1980/81 prenant comme base de référence la campagne de 1971/72.

L'étude conclut que, globalement, « l'évolution de la commercialisation (publique et privée) a été défavorable au paysan au cours de la période considérée » (p. 60, d'où viennent également les chiffres et citations qui suivent). Il ressort des chiffres calculés par ces consultants « que le revenu monétaire net paysan semble s'être érodé entre 1971 et 1980/81 passant de 17'600 francs maliens par tête en 1971/72 à 11'400 francs maliens par tête en 1980/81 (chiffres constants 1980) ». Les variations montrent une chute considérable à partir de 1977/78, le niveau le plus bas ayant été atteint en 1980/81, ceci après déduction des consommations intermédiaires et tenant compte d'une augmentation de l'indice de prix (1979/80=100) de 35 en 1971 à 118 en 1980/81.

Selon les données fournies par la Banque Centrale du Mali (*Rapport d'activités de l'exercice 1982* et le projet du *Rapport de l'exercice 1983* non encore publié) concernant la production agricole et les revenus bruts distribués aux producteurs et aux autres intervenants, cette détérioration du revenu net monétaire par tête, en francs constants, de la population rurale devait encore s'accroître, à l'exception du secteur cotonnier.

Cette évolution s'est produite malgré, d'une part, de la fluctuation conjoncturelle de la production, ainsi en 1978/79, année de bonne récolte et de forte commercialisation, « le revenu monétaire net paysan ne semble pas avoir dépassé celui de 1971/72 (15'400 francs maliens contre 17'600 francs

maliens) » ; d'autre part, l'extension du marché libre nettement plus rémunérateur dans la commercialisation totale (y compris pêche et élevage), qui représentait 36% des revenus totaux en 1975/76, 52% en 1977/78 et près de 50% en 1980/81 (malgré la chute de la production cotonnière commercialisée officiellement).

En effet, les prélèvements publics par les circuits officiels (ODR, Etat, SOMIEX, moins les subventions), sont restés considérables quoiqu'ils étaient réduits au cours des dernières campagnes à la suite des difficultés rencontrées par les productions exportées — arachide, puis coton — 25 à 30% de la production commercialisée actuellement contre 40 à 45% durant la précédente décennie. Mais la réduction des prélèvements publics n'a pas amélioré la situation des paysans, car les secteurs du commerce, du transport et de la transformation ont vu leur part progresser, de 16% en début de la période à 25% aujourd'hui. De ce fait, la part revenant au producteur n'a pratiquement pas augmentée malgré la hausse des prix à la production en 1980/81 (p. 59). En même temps, la valeur nominale des revenus nets officiels est restée à peu près au niveau de 1975/76 dont on voit aisément l'incidence budgétaire.

L'étude de la SATEC conclut son analyse ainsi : « Cette baisse apparente des revenus réels paysannaux est inquiétante dans la mesure où elle montre que les prélèvements opérés par les circuits officiels (pourtant en baisse relative), ne sont pas compensés par des surplus suffisants sur le circuit parallèle. Dans ces conditions un repli sur l'autoconsommation ne peut être écarté ».

2. ANALYSE PRELIMINAIRE DES CAPACITES DE CONTRIBUTION DES PAYSANS BENEFICIAIRES DES PERIMETRES IRRIGUES VILLAGEOIS

La principale source d'approvisionnement en eau est dans la plupart des régions du Mali à part des bassins des deux grands fleuves qui le parcourent, le Niger et le Sénégal, l'eau souterraine, en général de bonne qualité, mais ne satisfaisant que partiellement les besoins des villages. La pluviosité annuelle varie de 250 à 1'300 mm et se répartit d'une manière très inégale.

La population rurale est très dispersée, plus de 80% des quelques 10'000 villages comptent moins de 600 habitants. Seulement environ 25% des villages, ne comprenant pas plus qu'à peu près 18% de la population rurale, ont accès à des points d'eau modernes fournissant de l'eau potable. Les habitants de plus de 7'000 villages doivent ainsi se contenter de l'eau contaminée qu'ils trouvent dans les puits creusés traditionnellement ou, quand ces derniers s'assèchent durant la saison sans pluies, dans quelque eaux de surface également contaminées.

La consommation d'eau par individu ou par famille est difficile à évaluer, selon les estimations les plus fréquentes, elle est, comme dans les autres pays du Sahel, de 15 à 30 litres par jour et par tête pour les besoins personnels et hygiéniques, et de 40 litres en comptant tous les besoins ménagers.

L'analyse préliminaire des capacités de contribution des paysans bénéficiaires des périmètres irrigués villageois est basée sur le rapport (DP/UN/MLI/82/005) intitulé : *Exploitation des eaux souterraines au Mali, Conclusions et recommandations du projet*, préparé à l'intention du

Gouvernement malien par l'Organisation des Nations Unies, agent d'exécution du Programme des Nations Unies pour le Développement, Mai 1984.

Cette analyse pourrait être affinée afin de devenir plus précise et définitive après l'accomplissement du travail des consultants qui élaboreront un programme de développement rural intégré pour quatre ou cinq périmètres irrigués villageois dans la région de Kolokani, en évaluant la rentabilité future des productions, — maréchage, élevage, éventuellement pisciculture, — et tenant compte de tous les facteurs positifs ou limitatifs.

Les résultats obtenus au cours de la phase actuelle des travaux du projet MLI/82/005 ont apporté un élément nouveau et essentiel du point de vue de l'économie malienne, notamment la vérification de la possibilité de développement hydro-agricole à grande échelle grâce à l'exploitation des eaux souterraines. L'objectif actuel de l'hydraulique villageoise poursuivie dans l'ensemble des pays sahéliens pourrait donc en être fondamentalement modifié et élargi, il devient en effet possible, chaque fois que les conditions naturelles le permettent, d'aboutir dans de courts délais et grâce à des investissements modestes à une autosuffisance alimentaire des communautés rurales et même leur assurer des revenus monétaires supplémentaires par la commercialisation des surplus de produits maraîchers et de l'élevage. Dans la zone d'intervention du projet, relativement peu favorisée du point de vue climatologique et lithologique, on estime que cette politique de développement peut être mise en pratique par plus de 30% de la population.

La poursuite des études entreprises montrera d'ailleurs très probablement que cette proportion peut être augmentée de manière significative dans d'autres régions du Mali à régime pluviométrique plus favorable.

Les études poursuivies depuis plusieurs années dans la région de Kolokani, et basées sur la surveillance de l'évolution des nappes en régime naturel et sous l'influence de pompages, ont permis de définir avec une bonne précision les apports annuels par infiltration donc, théoriquement, les débits exploitables sans risque d'épuiser la nappe souterraine des grès infracambriens du plateau Mandingue. Pour la saison pluvieuse de 1983 à pluviométrie fortement déficitaire, cet apport a été chiffré à 110'000 m³/km² soit, pour une année normale, 170'000 m³/km². Vue que la densité des agglomérations n'est que d'un village pour 40 km², les ressources disponibles dépassent de loin les 7'500 m³ d'eau par an nécessaires, en moyenne, à la satisfaction des besoins domestiques d'un village.

A présent, la majorité des pompes à énergie humaine sont utilisées en partie pour l'irrigation de parcelles maraîchères à raison de 1'400 m³ par pompe, le revenu induit étant compris entre 350'000 et 500'000 FCFA par an. L'utilisation de pompes à traction animale ou à énergie thermique permettrait de considérablement développer ces activités à un taux de rentabilité très élevé : 8,35 pour les cultures en saison sèche (tomates, oignons, tabac, pommes de terre) et 8,8 avec un complément d'irrigation en saison pluvieuse (maïs et patates douces) avec un forage pouvant fournir de 6 à 10 m³/h à une profondeur n'excédant pas une vingtaine de mètres. L'objectif primordial de la politique gouvernementale, l'autosuffisance alimentaire des communautés rurales, pourrait ainsi être rapidement atteint avec possibilité d'autofinancement.

La recherche systématique du débit maximum par forage grâce à l'utilisation des méthodes géophysiques et à la poursuite de la forage jusqu'à une profondeur suffisante a permis d'obtenir pour

35% des forages productifs des débits supérieurs à 6 m³/h et pour 13% d'entre eux plus de 10 m³/h jusqu'à 30 m³/h. L'équipement de ces forages avec un moyen de pompage adapté à leur capacité permettrait de disposer des volumes d'eau nécessaires pour la création de petits périmètres irrigués rentables sur le plan économique et susceptibles d'être rapidement mis en oeuvre après une phase d'expérimentation pilote. Ce type de développement présente une grande souplesse dans l'exécution dont le rythme peut être adapté à la disponibilité des fonds.

L'utilisation des pompes mises en place par le projet a permis aux communautés rurales desservies d'augmenter considérablement la superficie et les rendements des cultures maraîchères dont l'irrigation était assurée pendant une faible partie de la saison sèche à partir des points d'eau traditionnels. En fonction des ressources renouvelables en eau souterraine, des débits instantanés des forages exécutés et des rendements annuels en produits maraîchers atteints à partir des pompes à motricité humaine (30'000 francs maliens par an et par 100 m²), il est possible d'envisager un développement hydro-agricole par pompage ; et le rapport bénéfice/coût attendu a été calculé pour différents moyens d'exhaure : pompes à main, pompes solaires et petites pompes à moteur, compte tenu de leurs débits respectifs. Le tableau suivant résume la rentabilité estimée des petits périmètres irrigués selon le type de pompe utilisée :

<u>Moyens d'exhaure</u>	<u>Production agricole annuelle en million FCFA</u>	<u>Coût annuel million FCFA</u>	<u>Rapport bénéfice/coût</u>
Pompes à main avec capacité de 10 à 25 m ³ /jour	1,75 – 4,4	0,98	1,7 à 4,3
Pompes solaires avec capacité de 20 à 120 m ³ /jour	3,5 – 21,0	4 à 9,9	0,88 à 2,12
Pompes moteur/saison sèche avec capacité de 150 m ³ /jour	26,3	3,15	8,35

Il est généralement admis que les pompes à main représentent la meilleure solution pour l'approvisionnement en eau domestique des agglomérations rurales ; toutefois, leur débit relativement faible ne permet pas d'exploiter au maximum les ressources renouvelables en eau souterraine et donc de développer d'une manière significative la production agricole de la région qui souffre d'une insuffisance alimentaire chronique.

Les pompes à énergie solaire ne permettent d'utiliser que le quart environ du volume journalier qu'un forage peut fournir et, en raison de leur prix d'achat encore élevé, ne peuvent pas être recommandées dans un schéma de développement dont l'amortissement doit être assuré par les utilisateurs.

En revanche, l'installation d'une motopompe sur un forage produisant de 6 à 10 m³/h permettrait la création d'un périmètre maraîcher de 3 à 4 hectares et produirait un revenu monétaire supplémentaire aux villages de plus de 13 millions de FCFA ; en outre, l'irrigation d'appoint en saison pluvieuse présenterait un intérêt économique non négligeable. Le coût de l'investissement, de l'ordre de 1,25

millions de FCFA par hectare, s'avère comme étant relativement bas comparé à ce qui est généralement admis pour les projets conventionnels d'irrigation à partir des barrages-réservoirs.

Selon les calculs basés sur l'expérience passée, le coût moyen d'un forage productif par m³/h exploitable serait de 820'000 FCFA environ. Il est intéressant d'indiquer le prix de revient d'un m³ d'eau exploité par pompe manuelle et par pompe à moteur thermique :

Pour une pompe manuelle de 1 m ³ /h (3'650 m ³ /an) :	136	FCFA/m ³
Pour une pompe manuelle de 2,5 m ³ /h (9'125 m ³ /an) :	54,50	FCFA/m ³
Pour une pompe à moteur :	28,50	FCFA/m ³

Si l'on considère que le forage fait partie de l'infrastructure du pays, donc son coût ne doit pas être pris en charge par les utilisateurs, le prix de revient d'un m³ d'eau serait le suivant :

Pour une pompe manuelle de 1 m ³ /h :	22	FCFA/m ³
Pour une pompe manuelle de 2,5 m ³ /h :	9	FCFA/m ³
Pour une pompe à moteur :	21,50	FCFA/m ³

TROISIEME PARTIE

La procédure proposée pour le recouvrement des coûts relatifs à la création des petits périmètres irrigués

La procédure proposée dans les pages qui suivent n'est qu'un cadre dans lequel se situeront les recommandations concrètes à élaborer fin mars ou début d'avril 1985. En effet, il n'est pas possible de prévoir à l'heure actuelle des formules réalistes pour les quatre ou cinq périmètres prévus dans la région de Kolokani ; il est nécessaire d'attendre les résultats du travail des consultants qui mettront sur pied un programme de développement intégré de ces périmètres en indiquant les productions prévues et en évaluant la progression des revenus des populations intéressées dans les années à venir (moyen terme).

La procédure proposée est souple et permettra non seulement le recouvrement des coûts relatifs à la création des petits périmètres irrigués, mais également la constitution d'un fonds de roulement (revolving fund) qui assurera l'extension continue de ces périmètres villageois au fur et à mesure que les forages à débit d'eau suffisant soient exécutés dans les différentes régions.

Il est très important de noter que cette procédure est tout à fait conforme à la politique déclarée des autorités maliennes en la matière et à la stratégie qu'elles ont décidé d'appliquer. Ceci était confirmé par leurs Excellences le Secrétaire Général de la Présidence et le Ministre d'Etat chargé de l'Economie et du Plan ainsi que par les autres hauts fonctionnaires consultés. De même, cette position ressort clairement des documents de travail concernant la maîtrise de l'eau préparés à l'intention des plus hauts échelons de l'UDPM.

1. CONSIDERATIONS ESSENTIELLES APPROUVEES PAR LES AUTORITES

Les considérations essentielles pour l'application avec succès de la stratégie de maîtrise de l'eau décidée par les autorités, sont les suivantes :

(a) Le Gouvernement n'a pas l'intention de taxer l'usage de l'eau, un produit naturel, condition de vie ou de mort dans la zone sahélienne ;

(b) De même, les autorités considèrent que dans l'état actuel des choses les forages représentent un investissement dans l'infrastructure de base du pays dont les coûts ne peuvent pas être couverts sous une forme quelconque (taxe fiscale, crédit bancaire) par les villageois bénéficiaires des périmètres d'irrigation, — c'est l'Etat qui doit assumer cette responsabilité ;

(c) En raison des principes évoqués sous les points (i) et (ii) ainsi qu'à cause de la situation créée par la sécheresse dévastatrice dans le Sahel depuis plus d'une décennie avec les résultats qu'on connaît, l'imposition d'une charge fiscale aux usagers d'eau ne pourrait pas être envisagée dans les périmètres nouvellement créés ;

(d) Ceci d'autant plus que l'introduction d'une telle charge devrait être faite sur tout le territoire national en bouleversant le système des redevances pratiquées dans le cadre des Opérations de Développement Rural ou des organismes similaires comme l'Office de Niger, l'Opération Riz Ségou, l'Opération Riz Mopti, etc. (voir dans l'Annexe I le tableau des redevances perçues par les ODR).

(e) Le Fonds National de l'Eau n'existe pas encore, mais sa prochaine création pourrait apparemment avoir des implications pour la procédure de recouvrement des coûts relatifs à la création des périmètres irrigués villageois. Toutefois, il semble aujourd'hui que la création du Fonds et l'application d'une procédure basée sur l'octroi des crédits bancaires, ne seraient pas du tout incompatible. Le Fonds National de l'Eau aura comme mission la centralisation des fonds devant être consacrée à la tâche de la réalisation de la politique de maîtrise de l'eau, mais ne pourra pas remplir des fonctions de distribution des crédits et de la collecte des fonds au moment de remboursement annuel par les villageois. Donc, au moment de la mise en pratique de la procédure proposée, une convention entre le Fonds, d'une part, et la banque chargée de la distribution des crédits aux comités villageois, d'autre part, devra définir les modalités des versements (pourcentage des recouvrements, périodicité, etc. en fonction des accords passés avec les bailleurs de fonds) au Fonds et à la Caisse Autonome d'Amortissements (CAA), si les fonds en provenance de l'extérieur ne constituent pas de dons ou si, dans le cadre du Fonds National de l'Eau, des réserves seraient constitués en prévision des situations d'urgence. Il serait toutefois impératif que dans l'absence des deux obligations susmentionnées, la totalité des recouvrements par la banque chargée du financement des périmètres irrigués villageois reste avec elle afin de servir comme un fonds de roulement pour l'extension graduelle et continue des périmètres irrigués sur tout le territoire national.

2. LES MODALITES DE L'OCTROI DU CREDIT ET DU RECOUVREMENT

Les fonds en provenance de l'extérieur seront versés sur un compte auprès de la Banque Nationale de Développement Agricole (BNDA), la banque la mieux qualifiée d'être chargée de cette opération. La BNDA serait tenue de présenter, à intervalles réguliers, un rapport sur l'utilisation des fonds au Gouvernement et aux représentants des bailleurs de fonds à Bamako.

Toute décision d'octroi de crédit doit être soumise à la Direction Nationale de l'Hydraulique et de l'Energie pour avis technique préalable.

Les modalités de l'octroi du crédit et du recouvrement proposées ci-dessous seront similaires à celles établies entre le Gouvernement et la BNDA, d'une part, et le Programme Alimentaire Mondial (PAM), la Banque Mondiale et la Caisse Centrale de Coopération (CCCE), d'autre part. Donc, elles ne constitueront pas une nouveauté ni dans le financement de la politique agricole du Gouvernement, ni dans sa coopération avec les bailleurs de fonds étrangers, mais s'intégreront dans un ensemble déjà existant en présentant des variations selon les caractéristiques de ces activités nouvelles que sont les

petits périmètres irrigués villageois et selon les besoins et les capacités de contribution des populations rurales concernées.

(a) Types d'utilisation des fonds

Tenant compte du pourcentage d'éventuels versements au Fonds National de l'Eau ou à la CAA, si besoin en est, et qui devront être définis à l'avance, il serait souhaitable de retenir trois types d'utilisation des fonds :

(i) *Une ligne de crédit ou fonds de roulement* qui servira à la réalisation des objectifs du Gouvernement, donc à la création et l'extension des périmètres irrigués villageois. 60 à 70% du total des fonds devraient être consacrés à cette utilisation ; les financements accordés dans le cadre de ce crédit devront être recouverts, par tranche annuelle, des comités villageois.

(ii) *Un fonds de subvention* — environ 10 à 15% du total devant faciliter l'obtention des crédits par les communautés villageoises qui ne pourront pas satisfaire aux conditions d'octroi statutaires et réglementaires de la BNDA ; par exemple, pour réduire le taux d'intérêt de 9% que la BNDA est statutairement tenue d'imposer à, disons, 5% que les comités des périmètres irrigués seront capables de payer ; une subvention donc, couvrant la différence de 4 pourcent, pourrait leur être accordée sur cette deuxième tranche des fonds (bonification).

(iii) *Un fonds de garantie* — 20 à 25% du total — pour couvrir les pertes de la banque (risques propres) quand le principal ou les intérêts, ou les deux, ne seront pas recouvrables.

Il est à noter qu'au cas de calamités naturelles ou autres circonstances exceptionnelles (risques dépassant les capacités des paysans villageois), et si des campagnes à bonnes récoltes peuvent être espérées raisonnablement dans le proche avenir, un rééchelonnement des dettes aura lieu et non un recours au fonds de garantie.

(b) Types de crédits

(i) *Crédit à moyen terme*, par exemple sur dix ans, pour couvrir les frais d'investissements (prix d'achat d'une pompe et le coût des aménagements nécessaires comme canalisations, construction des réservoirs, etc.).

(ii) *Crédit à court terme*, par exemple sur deux ans, pour couvrir les frais d'opération et de maintien, si besoin en est (achat de carburant pour une pompe à moteur, etc.), avant que les nouvelles productions envisagées ne permettent aux paysans de couvrir sans recours à une aide extérieure les frais de maintien et d'opérations.

(c) Mise initiale

Les règlements de la BNDA demandent que les emprunteurs contribuent une mise initiale de 15 à 20% des investissements prévus. Néanmoins, il n'est exigé que 5% en espèces, le reste de cette

mise initiale puisse être couverte par les villageois par leur contribution en nature comme la fourniture de la main-d'œuvre ou autres prestations au cours des travaux d'aménagements, etc. Dans l'incapacité des paysans de contribuer même les 5% en espèce, le fonds de subvention pourra couvrir le montant.

(d) Les intérêts

L'affectation des intérêts à la BNDA permettra à cette dernière de couvrir la gestion de ces fonds en provenance de l'extérieur tenant compte du fait qu'à moyen terme l'extension des petits périmètres d'irrigation n'atteindra probablement pas des zones éloignées où la banque ne dispose pas de représentations, et devra assumer des frais inhabituels dans la procédure d'octroi et de distribution des fonds.

3. POINTS IMPORTANTS A NEGOCIER AVEC LA BNDA LORS DE LA CONCLUSION DE CONVENTION COUVRANT LES DIFFERENTES MODALITES DE L'OCTROI ET DE COLLECTE DES CREDITS

En connaissance des conclusions du rapport des consultants élaborant un programme de développement intégré des périmètres irrigués villageois dans la région de Kolokani, et avant la signature d'une convention avec la BNDA, les points suivants devraient être négociés avec cette dernière et, éventuellement, son autorité de surveillance :

(i) La durée exacte des prêts ;

(ii) Le taux d'intérêt perçu sur les prêts octroyés aux comités des villageois des périmètres irrigués ; dans ce domaine, il faudrait convaincre la BNDA et son Conseil d'Administration d'accepter, même au prix d'amendement des statuts et règlements de la banque, la réduction de taux généralement pratiqué (9 pourcent) au niveau le plus bas possible, n'excédant en tout cas pas le 5% ;

(iii) Le problème de rééchelonnement dans des cas mentionnés ci-dessus ;

(iv) L'acceptation de revoir les conditions et les modalités préalablement fixées après la tenue de la Table Ronde des Bailleurs de Fonds, en fonction du volume d'assistance obtenu et le caractère (dons, prêts) de cette assistance.

ANNEXE

Redevance selon les ODR par les terres irriguées

ODR	en kg de paddy/ha		rapport redevance
	<u>rendement moyen</u>	<u>redevance</u>	<u>à rendement en %</u>
ARSD	1'600	70	4
CMDT (périmètre de Klela)	1'800	56	5
OZL	850	50	6
OHV (périmètre de Bankoumana)	2'500	400	16
ORS	1'100	180	16
ORM	1'100	250	23
ON	1'700	400	24

Source : Etude SATEC, page 131.

**Etude de faisabilité d'un système de recouvrement des coûts
relatifs aux projets d'exploitation d'eau souterraine
en République du Cap-Vert**

par

Victor SEGESVARY

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INTRODUCTION

La recherche, la gestion et l'exploitation des eaux souterraines en République du Cap-Vert, où ces eaux représentent l'essentiel des ressources hydriques vu la faible pluviométrie, constituent un facteur de survie de la population. Le secteur de l'eau doit donc avoir une priorité absolue dans le plan de développement économique et social et l'assistance de la communauté internationale.

Dans cette perspective, une analyse des effets socio-économiques des projets d'assistance dans le secteur de l'eau signifie une analyse de la situation existentielle des habitants de l'archipel, car tout dépend de l'accès à l'eau, de sa qualité et de son volume disponible. En conséquence, les projets d'assistance rendant plus facile l'accès à cette ressource précieuse, améliorant sa qualité et augmentant la quantité d'eau potable et de l'eau servant à irriguer les terres cultivables, ne peuvent avoir que des effets bénéfiques sur les conditions économiques et sociales des habitants des îles.

Aucun tableau d'ensemble en ce qui concerne la situation actuelle ne ressort des documents consultés ; il y a des estimations de la consommation globale de l'eau (ce qui ne signifie pas grande chose) et sur la consommation par tête d'habitant qui pourrait être autour de 10 l/jour ; un niveau extrêmement bas. En outre, il est également considéré que le volume d'eau utilisé pour l'irrigation devait être de beaucoup inférieur à la norme généralement admise (40 m³ par hectare). De même, il y a peu de données sur la situation sanitaire, et encore moins sur les divers aspects de la santé primaire.

Dans les pages qui suivent beaucoup de détails sont repris des études consultées afin d'illustrer la complexité du secteur de l'eau au Cap-Vert et pour refléter toutes les difficultés que rencontrera la mise en oeuvre d'un système fiscal ou tarifaire de recouvrement des coûts auprès des utilisateurs de l'eau.

PREMIER CHAPITRE

Quelques données sur la capacité de contribution de la population du Cap-Vert

Il n'y a pas de données disponibles concernant le revenu des populations capverdiennes — citadine ou rurale — et très peu d'estimations du Produit National Brut (PNB) ou revenu per capita. Le Premier Plan Quadriennal 1982-85 ne comporte aucune information à ce sujet.

Les estimations du revenu per capita se rangent de 170 dollars EU (Banque Mondiale) à 262, 270 et même 315 dollars EU (documents divers, par exemple, rapport de l'OMS, etc.).

Les quelques données rassemblées ci-dessous et provenant de différentes études de consultants concernant certains projets d'exploitation des eaux souterraines en vue d'irrigation, ou d'autres sur les perspectives du développement agricole, sont fragmentaires et basées sur des estimations. Néanmoins, elles reflètent les disparités des revenus ruraux dans les différentes îles, d'une part, et entre les diverses strates de la population agricole, d'autre part.

En ce qui concerne ce dernier point, il faut mentionner que la structure de la société rurale des îles du Cap-Vert est totalement différente des autres pays de l'Afrique sahélienne. Au lieu de la propriété communale dans le cadre de laquelle les paysans labourent de génération en génération des terres de superficie plus ou moins grande dont ils ont l'usufruit, au Cap-Vert la propriété privée domine à l'instar des traditions européennes. En conséquence, la société rurale se compose des propriétaires (la possession de quelques hectares représente déjà une grande richesse, sans qu'il y ait de grands domaines) et des paysans sans terre. Ces derniers se divisent en métayers (qui louent la terre et payent la moitié de la récolte au propriétaire chaque année), des fermiers (qui louent la terre pour une période plus longue et payent une rente fixe au propriétaire) et les ouvriers agricoles qui offrent leur service. Le Gouvernement a entrepris d'éliminer graduellement les injustices découlant de ce système ; le métayage fut aboli, le fermage limité à une certaine superficie, des terres ont été expropriées par l'Etat, en particulier celles des propriétaires absents, et données en usufruit aux métayers ou fermiers qui les ont cultivées. Les dernières mesures ne touchent pas les émigrés dont la contribution à l'équilibre de la balance des paiements est extrêmement importante.

En vue de la politique de 'participation populaire', le Gouvernement poursuit, en outre, la promotion des coopératives ; ce mouvement pourrait donner une nouvelle dynamique à la transformation des structures de la société rurale.

Il faut toutefois tenir compte du fait que, selon toutes les prévisions, l'archipel connaîtra une accélération de l'urbanisation jusqu'à la fin du siècle quand la population des villes représentera plus de la moitié de la population totale.

La firme hollandaise Van der Zee & Plaisier BV – Rural Development Consultants avait fait deux études concernant l'île de Santa Antão ; la première, *Development of Non-irrigated Land Use of the Ribeira Grande Valley*, ainsi que la seconde, *Development of Irrigated Land Use of the Upper Alto Mira Valley*, datées du mars 1983, donnent quelques estimations du revenu paysannal.

Dans la vallée de Ribeira Grande le revenu moyen annuel d'un agriculteur (sur la base du taux de change de 1\$ EU = 54 escudos CV à des prix 1980) était évalué à 356 dollars EU (somme à laquelle devait s'ajouter environ 28 dollars par personne et par an pour 75% des familles, provenant du salaire gagné par un programme d'emploi financé par l'Etat, et 36 dollars par personne et par an pour chaque habitant, représentant le transfert des émigrés). Toutefois, ce montant relativement élevé est trompeur ; une analyse plus poussée en fonction de la stratification sociale a montré qu'environ 75% des paysans avaient moins de 200 dollars de revenu annuel et que presque 50% moins que 135 dollars.

Dans la haute vallée d'Alto Mira, où les consultants ont considéré la distribution de la terre plus ou moins équitable, la distribution des revenus a révélé les mêmes disparités que dans l'autre vallée étudiée. Le revenu annuel des métayers/fermiers et ouvriers agricoles était évalué à 115 dollars EU (même base qu'auparavant), tandis que celui des propriétaires, et des propriétaires qui en même temps ont aussi pris d'autres terres en fermage, était estimé à 170-250 dollars EU. Dans certaines zones, le revenu annuel de ce groupe a même atteint 280 dollars EU. Dans ces chiffres, les salaires provenant des programmes d'emploi étaient compris pour plus de 50% des fermiers. Donc, les consultants avaient considéré que le revenu moyen annuel de la population rurale dans la haute vallée d'Alto Mira s'est approché au minimum existentiel de 225 dollars EU (aucune référence concernant ce minimum n'est citée), mais avaient également reconnu que les revenus dans cette vallée étaient plus élevés que dans les autres régions de l'île ou de l'archipel.

Une étude très complète sur les perspectives du développement rural, intitulée : *Esquisse de schéma directeur de développement rural des Iles du Cap-Vert*, préparée en 1981 par SCET-AGRI, une firme française de consultants, analyse en détail la valeur ajoutée dans l'agriculture et l'élevage en année de pluviométrie moyenne et durant la campagne 1980/81.

En ce qui concerne la valeur ajoutée potentielle dans l'agriculture et l'élevage en année de pluviométrie moyenne, les estimations faites par SCET-AGRI reflètent les grandes disparités entre les îles et indiquent non seulement la valeur ajoutée globale par île, mais également par tête d'habitants dans les campagnes :

<u>Iles</u>	Valeur ajoutée de l'agriculture et de l'élevage		<u>Population rurale</u>	Valeur ajoutée par paysan
	<u>en contos</u>	<u>%</u>		<u>en escudos CV</u>
Santiago	496'360	57,4	97'803	5'080
Santo Antão	144'660	16,7	33'941	4'260
Fogo	126'730	14,7	27'193	4'660
Sao Nicolau	35'480	4,1	9'902	3'580
Brava	33'250	3,9	5'124	6'490
Boa Vista	11'800	1,4	2'068	5'710
Maio	7'810	0,9	2'659	2'940
Sao Vicente	6'070	0,7	5'046	1'200
Sal	2'080	0,2	4'938	420
CAP-VERT	864'240	100,0	188'674	4'580

Source : SCET-AGRI, *Rapport général*, p. 18.

Note : Concernant les chiffres extrêmement bas de la valeur ajoutée globale et par tête d'habitant des îles de Sao Vicente et de Sal, il faut tenir compte de leurs conditions particulières. Pour Sao Vicente, de l'influence du plus grand port de l'archipel, Mindelo, et pour Sal, de l'influence de l'aéroport international, dont les activités constituent les ressources principales de la population.

En année de pluviométrie moyenne et pour la campagne 1980/81, la répartition de la valeur ajoutée de l'agriculture et de l'élevage était, selon les calculs de SCET-AGRI, la suivante :

<u>Valeur ajoutée*</u>	Année moyenne		Campagne 1980/81	
	<u>Contos</u>	<u>%</u>	<u>Contos</u>	<u>%</u>
Agriculture irriguée	161'750	19	139'380	24
Agriculture en sec	470'320	54	269'370	45
Elevage	232'170	27	192'480	31
Total	864'240	100	601'230	100

Source : SCET-AGRI, *Rapport général*, page 18. 1 Conto égal 1'000 Escudos de Cap Vert.

* Le calcul de la valeur ajoutée n'a pas tenu compte pratiquement d'aucun intrant à l'exception de quelques dizaines d'hectares de terres appartenant à des fermes d'Etat (engrais et produits phytosanitaires), ni d'aucune mécanisation (hormis le pompage).

Donc, la valeur ajoutée de l'agriculture et de l'élevage par habitant en milieu rural (agglomération de moins de 1'000 habitants) était de 3'190 escudos alors qu'il aurait dû être, en année de pluviométrie normale, de 4'580 escudos. En conséquence, le rapport conclut : « Ainsi on estime que la valeur ajoutée du secteur n'a représentée en 1980/81 que 70% de la valeur moyenne d'une période hors sécheresse et compte tenu de l'accroissement de la population rurale, on peut conclure que le revenu des ruraux a pratiquement été divisé par deux en une quinzaine d'années ».

DEUXIEME CHAPITRE

Une approche préliminaire au recouvrement des coûts d'investissement et d'exploitation concernant les eaux souterraines en République du Cap-Vert

La mise en valeur et l'exploitation des ressources d'eau en République du Cap-Vert, où l'eau est le bien le plus rare et le plus précieux, est extrêmement complexe et difficile à traiter. En conséquence, mettre en place un système juste et équitable de recouvrement des coûts d'investissement et d'exploitation de ces eaux est également une affaire de grande complexité et demande des études variées et détaillées en fonction de multiples paramètres qui doivent être pris en considération.

Pour indiquer les difficultés inhérentes au domaine de ressources d'eau dans l'archipel du Cap-Vert, qu'il suffise ici de citer le résumé clair des problèmes à résoudre qu'on trouve dans l'étude des consultants français BURGEAP :

« Sauf à dessaler l'eau de mer (à Mindelo et à Sal), on ne dispose que d'eaux souterraines, avec des débits ponctuels très petits. Les nombreux modes de captage (forages, galeries) doivent permettre de réduire l'incidence catastrophique des périodes de sécheresses, mais le recours à des ressources inexploitées sera progressivement limité par un coût de mise à disposition croissant. Cette contrainte entraîne une impérieuse nécessité d'optimiser les prélèvements et l'usage de l'eau. Aussi l'affectation judicieuse des ressources aux besoins, et le contrôle permanent de l'exploitation et des aquifères doivent-ils constituer une préoccupation constante » (BURGEAP, *Etude et mise en valeur des eaux souterraines – Etude de l'organisation du service de l'eau*. 1981, page II).

A. L'ECONOMIE DES RESSOURCES EN EAU

Aux Iles du Cap-Vert, l'économie des ressources en eau est une économie de pénurie. Ces ressources sont essentiellement constituées par les eaux souterraines et les sources auxquelles elles donnent naissance.

Beaucoup d'estimations divergentes existent en ce qui concernent les ressources techniquement exploitables, déjà exploitées et l'accroissement prévisible de ces dernières ; toutefois, il est certain que de longues et coûteuses investigations préalables seront nécessaires pour la mise en oeuvre du programme de mobilisation des ressources en eau et que les résultats de ces recherches hydrogéologiques modifieront, selon toute probabilité, les prévisions actuelles.

Les ressources en eau sont largement tributaires de l'irrégularité des pluies. Pour affranchir le pays de ses irrégularités climatiques et pour accroître les ressources, il est généralement admis qu'il faut

- Exploiter les aquifères en profondeur par l'intermédiaire de forages et de galeries ; probablement deux tiers des ressources nouvelles devront être exploitées par galeries de grande longueur ;
- Viser à réduire les pertes en mer par des prélèvements bien situés ;
- Augmenter l'infiltration des eaux de superficie par la construction de diguettes et de barrages de rétention ;
- Définir la meilleure localisation des zones de prélèvement non seulement du point de vue hydrogéologique, mais aussi pour réussir l'ajustement des ressources en eau avec les ressources en sol ;
- Exploiter les transferts possibles de bassin à bassin par galeries profondes lorsqu'une ressource en eau peut difficilement être employée sur le bassin versant sous lequel elle s'écoule par manque de terres cultivables.

Il est évident de ce qui précède que l'évaluation de l'accroissement d'exploitation ne peut être entreprise que bassin par bassin ou zone par zone tenant compte des contraintes économiques, et en établissant un double bilan : d'une part, celui des ressources disponibles et techniquement exploitables qui permettent de satisfaire les besoins dans la zone étudiée, et, d'autre part, celui de l'activité économique génératrice des besoins en eau (en plus de l'eau nécessaire pour les besoins humains) par rapport au coût d'exploitation des ressources en eau locales.

En fonction d'une telle économie de pénurie, quatre principes directeurs de la gestion des ressources en eaux s'imposent :

1. L'exploitation du maximum d'eau possible tout en assurant la conservation de la ressource (études hydrologiques et hydrogéologiques, contrôle permanent des aquifères) ;
2. L'optimisation de l'utilisation de l'eau comprenant
 - Une bonne connaissance des ressources de chaque zone ;
 - Des arbitrages judicieux dans le cadre de la politique de développement planifié ;
 - La production de l'eau au meilleur coût ;
 - L'adéquation des tarifs aux usages ;
 - La réorganisation de l'agriculture irriguée.
3. La réalisation de l'équité dans l'accès à l'eau potable, donc la fourniture de la quantité d'eau potable nécessaire aux besoins des populations, à un prix abordable (le problème par excellence de la tarification).

4. L'établissement et le maintien de l'équilibre financier du secteur de l'eau, ce qui suppose une autonomie du secteur (c'est-à-dire la gestion autonome de toutes les ressources), par la stricte comptabilisation des coûts et recettes et par la création des structures de gestion permettant la transparence de la gestion financière.

B. LA GESTION ECONOMIQUE ET FINANCIERE DU SECTEUR DE L'EAU

Il apparaît de diverses enquêtes que les principaux problèmes à résoudre sur le plan économique et financier dans l'avenir, figurant, probablement parmi les premières tâches du nouvel organisme en voie de création, chargé globalement du secteur de l'eau, seront :

1. L'obtention de l'autonomie financière. A présent, le secteur de l'eau est dépourvu de moyens d'action propres et les fonds perçus auprès des consommateurs à l'occasion des ventes d'eau ne lui sont pas directement affectés. Cet état de choses constitue un frein très lourd au développement du secteur ; la nouvelle autorité devra pouvoir couvrir automatiquement l'accroissement des dépenses par l'accroissement des recettes lors de l'augmentation importante des volumes distribués.

2. L'incitation à la gestion optimale (économie des moyens). Un système incitatif à la bonne gestion par l'octroi des subventions selon des critères prioritaires et selon l'efficacité dans l'utilisation de l'eau pourrait être mis en place, au lieu d'une approche cas par cas résultant d'un compromis entre les nécessités et les possibilités budgétaires.

3. L'établissement précis du coût réel de l'eau distribuée. La situation d'aujourd'hui est caractérisée par l'inexistence d'un inventaire et d'une évaluation des installations, calculée sur une base uniforme ; la dispersion des dépenses de fonctionnement, y compris les prestations diverses, entre les budgets des différents ministères et organismes intéressés (E.A.M., E.A.S., etc.) ; et, enfin, les charges de la dette contractée pour le financement du secteur de l'eau ne sont pas systématiquement recensées. L'évolution des coûts dans les années à venir sera influencée par la mise en service d'installations nouvelles, donc leur évaluation devrait également être effectuée sur la base des données et des hypothèses unifiées afin d'obtenir des coûts unitaires globaux et cohérents et, surtout, reflétant les conditions physiques et économiques du Cap-Vert.

4. L'unification des tarifs de vente de l'eau dans la mesure du possible et dans le cadre des unités géographiques et économiques. Actuellement, les tarifs sont très variables suivant les lieux et l'usage, mais ils sont presque toujours inférieurs au prix de revient. Il apparaît donc que ces tarifs ne correspondent à aucune politique cohérente, mais sont le résultat de la combinaison des facteurs historiques, de la diversité des installations, de l'intention de favoriser un certain type de consommation ou une autre, ou de faciliter le financement des solutions de dépannage.

En conséquence, les options de base qui sous-tendent les propositions contenues dans la section suivante, sont :

(a) Les besoins financiers du secteur doivent être couverts essentiellement par un système de recouvrement des coûts sous forme de taxes ou de recettes — tarif de vente de l'eau ou frais de branchement, par exemple ;

(b) Les financements extérieurs doivent bénéficier directement au secteur lequel devrait, en contrepartie, supporter directement la charge de la dette correspondante (intérêts et remboursement). Toutefois, les dons ne seront pas inclus dans le calcul des coûts à récupérer, mais une provision prévisionnelle pour le remplacement futur des équipements et des installations devrait y figurer ;

(c) L'aide publique (subventions inscrites dans le budget de l'Etat), tant qu'il y en aura, devrait exclusivement servir à la réalisation des travaux neufs ou le renouvellement des ouvrages de base comme galeries, forages, adductions, et ne devrait jamais couvrir les frais d'exploitation (frais de fonctionnement et d'entretiens, frais de renouvellement des appareils électromécaniques, etc.).

(d) Il apparaît aujourd'hui qu'une péréquation générale du prix de l'eau ne serait pas utile, car elle n'assurera pas l'utilisation optimale de l'eau et pourrait conduire à une localisation injustifiée des activités économiques consommatrices d'eau. Par contre, il faudrait prévoir la péréquation du prix de l'eau potable dans le but d'assurer l'équité et la satisfaction des besoins essentiels de la population ;

(e) Le tarif ou les taxes devraient être modulés suivant les catégories des consommateurs, — par exemple, en fonction du volume d'eau consommé, — et les différents usages de l'eau, pour permettre la réalisation des objectifs de la politique gouvernementale portant sur :

- L'équilibre financier global,
- L'optimisation de l'emploi des ressources financières,
- L'optimisation de l'emploi des ressources en eau,
- L'amélioration de la situation sanitaire, et,
- L'application des principes d'équité et de la justice ou, sous un autre angle, une politique des transferts sociaux.

Ces dispositions et options découlent directement du Code de l'Eau, incorporé dans la loi No. 41/11/84 du 18 juin 1984, publiée à la même date dans le numéro 24 du Boletín Oficial, República de Cabo Verde.

En effet, la loi stipule que l'usage normal de l'eau, dans les limites prescrites en elle, est permit à tout le monde, quoique cet usage est sujet au paiement des taxes fixées par des textes législatifs (Art. 6). La gestion des ressources en eau doit se faire au plus grand bénéfice de la collectivité, tout en assurant le développement et la conservation de ces ressources dans des conditions d'utilisation rationnelle (Art. 7). Toutes les municipalités, entités publiques et personnes privées doivent contribuer au développement, à la protection et à la conservation et au meilleur usage des ressources hydriques

et des ouvrages hydrauliques ; pour réaliser cet objectif, la loi prévoit la création des associations d'utilisateurs de l'eau ; l'institution du débat public concernant les projets importants relatifs aux ressources en eau ; la participation des représentants des utilisateurs dans les organes de gestion du secteur de l'eau, ainsi que la création des associations de défense de l'environnement (Art. 9).

En ce qui concerne le régime fiscal ou tarifaire concernant l'usage de l'eau, l'article 35 du Code de l'Eau en définit les orientations principales :

- Le régime tarifaire doit contribuer à la distribution rationnelle, efficiente et juste de l'eau et à l'amélioration des conditions sanitaires de base et de l'environnement (par. a) ;
- Il doit assurer l'équilibre financier du secteur (par. b) ; promouvoir l'utilisation optimale des ressources en eau (par. c) ;
- Servir d'instrument de la politique économique générale et de la réalisation du Plan National concernant les Ressources en Eau (par. d) ;
- Contribuer à la réforme agraire par la stimulation de la production coopérative et l'exploitation directe de la terre par ceux qui la labourent (par. e) ;
- Contribuer à la régularisation des productions commercialisées en fonction des objectifs de la politique des prix à la production et à la consommation (par. f) ; et, finalement,
- Garantir la participation des bénéficiaires directs au financement des investissements, aux coûts des recherches et de constitution de fonds de réserve, proportionnellement aux bénéfices obtenus de la disponibilité accrue des ressources en eau (par. g).

C. PROPOSITION CONCERNANT DEUX VARIANTES POSSIBLES DE RECOUVREMENT DES COÛTS D'INVESTISSEMENT ET D'EXPLOITATION DANS LE SECTEUR DE L'EAU

En ce qui concerne les propositions qui suivent, il faut tenir compte du fait qu'elles ne représentent que les grandes lignes d'orientation à suivre dans l'avenir si les autorités capverdiennes acceptaient l'une ou l'autre des variantes suggérées. Une étude d'au moins de deux à trois mois serait nécessaire pour élaborer un système de taxation et de tarification en détail, après la mise en place du nouvel organisme, en voie de création, qui sera globalement en charge du secteur de l'eau. Même cette étude ne sera, probablement, que provisoire, car un système définitif du recouvrement des coûts d'investissements et d'exploitation ne pourra être élaboré avant l'acquisition des connaissances certaines concernant le volume disponible et la recharge régulière des eaux souterraines.

En outre, il faut aussi considérer que dans la situation qui prévaut dans l'archipel du Cap-Vert certaines méthodes pratiquées en d'autres circonstances, comme les différents calculs de rentabilité des projets d'investissement visant à établir une priorité entre les différentes opportunités de mise des fonds, ne pourront aucunement s'appliquer. En effet, quand l'existence même de la population ainsi

que tout le fonctionnement de l'économie dépendent de l'accès à l'eau en volume suffisant et, surtout, de bonne qualité pour la consommation humaine, ces investissements ont un caractère impératif et inéluctable.

1. LA DIVERSITE DES PARAMETRES ET DES METHODES

La plus grande difficulté dans l'établissement d'un système fiscal ou de recouvrement des coûts (la différence entre ces deux approches sera reflétée par les deux variantes proposées dans les pages qui suivent) réside dans l'extrême diversité (i) des données hydrauliques et hydrogéologiques dans les îles composant l'archipel ; (ii) des structures de production et de distribution qui en résultent ; (iii) des usages différents quoique entrecroisés, et (iv) des différentes méthodes d'estimation et de calcul utilisées par les intervenants multiples.

(a) *La diversité structurelle et géographique*

La diversité structurelle, conséquence des données géographiques, concerne la très grande hétérogénéité des installations hydrauliques du point de vue du mode de production et de distribution. Les écarts des prix de revient sont très importants entre les installations urbaines et les installations rurales, — ces dernières n'étant très fréquemment qu'un simple forage, équipé d'une pompe à moteur, rarement pompe manuelle, et avec ou sans un réseau simple de distribution, — et entre les différents types d'installations urbaines, suivant qu'elles utilisent des eaux souterraines gravitaires ou pompées, ou de l'eau dessalée de la mer.

Il ne serait toutefois pas utile de moduler les taxes ou tarifs en fonction de cette diversité structurelle, dans les limites d'une certaine zone définie, une île par exemple, ou une zone hydrographique (l'expression du Code de l'Eau : les critères d'une telle zone hydrographique restent, toutefois, à définir) en raison essentiellement de trois arguments :

(i) Pour assurer l'équité — qu'une localité soit alimentée par un mode de production ou par un autre (gravitaire, pompage, dessalinisation) est un phénomène qui est, avant tout, du aux données naturelles, mais résulte aussi d'un arbitrage tendant à assurer l'optimisation des ressources dans une zone géographique donnée. Une différenciation du tarif suivant le mode de production à l'intérieur de cette zone refléterait obligatoirement cet arbitrage dans l'intérêt général, et il serait contre le principe de l'équité de faire supporter les conséquences de cet arbitrage à un groupe de consommateurs plutôt qu'à un autre.

(ii) Pour éviter les difficultés de la répartition de certaines charges, notamment des frais du personnel et d'utilisation des véhicules qui, souvent, constituent les frais d'exploitation les plus importants ; en conséquence, la différenciation du prix de revient dans l'intérieur d'une zone exploitée par une même équipe, serait artificielle et discriminatoire.

(iii) Pour éviter la complication des tâches administratives et de contrôle, ce qu'une trop grande diversité des tarifs appliqués dans le cadre d'une même zone d'exploitation entraînerait sûrement, tout en augmentant les coûts correspondants.

Néanmoins, des exceptions devraient être faites dans le cadre de zones géographiques ou hydrographiques définies, pour des grandes villes comme Praia et Mindelo.

(b) *La diversité des usages*

A première vue, la diversité des usages ne pose aucun problème, car il est habituel, en matière de prix de revient ou de recouvrement des coûts, de faire une seule distinction entre l'alimentation en eau potable et l'irrigation. En effet, l'irrigation est le seul usage de l'eau qui utilise des installations spécifiques. Par contre, les usages commerciaux et industriels utilisent l'eau potable dont le prix de revient est le même en tous les cas.

En raison de cela, mais également à cause de l'option de l'équité sociale et les mesures de stimulation fiscale ou financière prévues par la loi, il sera nécessaire d'introduire des tarifs modulés en fonction des différents usages ou du volume d'eau potable consommée.

(c) *La diversité des méthodes et des calculs utilisés*

Pour illustrer l'énorme diversité des méthodes et des calculs utilisés par les différents intervenants (surtout consultants) pour estimer les coûts d'investissement et d'exploitation dans le secteur de l'eau au Cap-Vert, une série d'exemples seront cités avant même d'identifier certaines sources d'erreur qui mettent en évidence la nécessité de revoir la méthodologie utilisée afin d'établir une base saine de tarification ou de taxation.

En plus, il faut encore une fois rappeler ce qui était dit plus haut que le système élaboré dans l'état actuel des choses ne pouvait être que provisoire, l'avenir dépendant des recherches et investigations hydrogéologiques qui doivent cerner, avec autant de précision que possible, les disponibilités en ressources d'eau souterraine et les recharges annuelles potentielles, afin d'éviter une surexploitation et d'assurer la conservation et la protection des ressources. En fonction des nouvelles données, le régime fiscal de l'eau ou le système de recouvrement des coûts devrait être révisé.

(i) Calculs du coût de l'eau potable

Sur la base de calculs faits auparavant, l'étude déjà citée de BURGEAP (p. 61) donne une estimation rapide des coûts de l'eau potable, incluant les amortissements. Ainsi, dans les îles S. Nicolau, Boa Vista et Santo Antão, où les eaux gravitaires, captages et forages prédominent, le coût de m³ d'eau est entre 13 et 20 Esc ; dans l'île de Santiago, y compris Praia, avec les mêmes modes d'approvisionnement, elle coûte entre 20 et 32 Esc. étant donné que dans les régions d'Assomada, de Tarrafal et de P. Badejo, il faut souvent recourir à des refoulements et à un personnel nombreux. Dans les îles de Fogo et de Brava, à refoulement généralisé, le coût est de 75 Esc., tandis qu'à Maio où l'eau des puits doit être transportée par des camions jusqu'aux lieux de consommation, il est de 140 Esc. Finalement, l'eau de dessalement coûte 396 Esc par m³ à Sal (l'assainissement des puits d'eau saumâtre en plus de dessalement y compris) et à S. Vicente 82 Esc étaient prévus par m³ pour une nouvelle unité de dessalement.

Selon les auteurs de cette étude, les éléments utilisés dans les estimations étaient d'origine et de précision diverses. Les calculs, la plupart du temps, étaient fondés sur des consommations parfois mesurées, parfois estimées, concernant soit le présent, soit le proche avenir. Dans certains cas, le coût du m³ a été calculé à partir de la dépense totale, connue ou estimée, ou à l'inverse.

En général, les dépenses effectives des secrétariats administratifs, l'amortissement estimé des équipements, les dépenses du Ministère du Développement Rural, sont comprises dans les chiffres donnés, très approximatifs. Une indication des effets de la diversité des méthodes est donnée en ce qui concerne le coût de revient de l'eau à Praia en 1985 : le chiffre de 40 Esc. provenait du rapport des consultants W.P.W., tandis que selon les méthodes de BURGEAP, le coût de revient devait être de 24 Esc.

Dans l'annexe B de la même étude, on trouve des chiffres plus détaillés, partiels ou par unité de production, concernant l'eau potable. En ce qui concerne l'eau de dessalement, les coûts y figurant sont complètement disparates et non comparables. Pour l'eau tirée des forages deux calculs sont évoqués. Le premier, contenu dans une note technique du projet PNUD/DCTD (analysée plus loin), un calcul théorique selon la méthode dite de 'barème bleu', conclut que le coût de revient d'un m³ d'eau serait 17 Esc, le coût total se décomposant ainsi : 6% pour le coût du forage, 45% pour l'équipement du pompage (pompe, groupe et génie civil), 49% pour le coût de fonctionnement. Le second calcul, basé sur la campagne de forage à San Nicolau entre 1977 et 1980 arrive à un coût de 2,5 Esc. (au prix de 1981) par m³ exploitable (forage amorti en 20 ans). En effet, le mètre de forage productif, incluant les frais causés par les échecs, temps d'immobilisations, piézomètres, reconnaissances géologiques (sauf galeries) et essais, était de 15'500 Esc. L'investissement au m³ d'eau par jour revenait donc à 18'000 Esc, ou 2,5 Esc. par m³ exploitable. A ceci devait être ajouté le coût de l'exhaure, indiqué comme suit* :

— Eolienne (20 m ³ /jour) (en cours d'installation)	3 Esc/m ³
— Pompe à main (5 m ³ /jour)	12 Esc./m ³
— Aérogénérateur couplé à une pompe électrique immergée (70 m ³ /jour à 60 m)	13 Esc./m ³
— Pompe immergée avec groupe électrogène	9 à 27 Esc./m ³
— Pompe à axe vertical avec moteur thermique	15 à 21 Esc./m ³

* Calcul selon la méthode de la note technique NT4 — Rapport BURGEAP R.400/E/843/10.80 (voir autres références dans la note de la page 97 de cette étude).

Il est donc évident que le pompage par éolienne est de loin préférable au moyen d'exhaure classique, d'autant plus que les charges récurrentes pour les éoliennes sont faibles.

Le moyen de pompage le plus répandu au Cap-Vert, en particulier à l'île de Santiago, est *l'eau pompée* dans les puits. En 1980/81, on comptait environ 1'000 puits dans l'ensemble du pays,

dont 500 à Santiago. A l'époque, ils fournissaient approximativement 22'000 m³/jour, soit 4 fois plus que les forages. Ce sont les particuliers qui exploitent ces puits dans les ribeiras, même des forages, avec des pompes centrifuges de marques diverses (LISTER, BERNARD, etc.) et avec des débits se rangeant généralement entre 5 et 30 m³/heure. Le prix de l'exhaure est compris entre 2 et 5 Esc.le m³.

Le coût de *l'eau refoulée* à Monte Genebra, calculé selon les méthodes du coût marginal à long terme et du 'barème bleu', avait été respectivement 21,25 et 20,50 Esc. par m³.

Le coût de *l'eau gravitaire* (au prix de 1980) est le moins élevé pour les captages de sources, revenant à S. Nicolau à 2 Esc. par m³, y compris les salaires du personnel expatrié et le financement par un prêt sur 30 ans à 2% l'an (projet exécuté par BURGEAP). De même à S. Nicolau, l'eau obtenue par une *galerie de faible extension* (tranchée 75 m, galerie 28,5 m, débit 52 m³/jour) était de 9 Esc. le m³, ou 3 Esc. sans compter les frais de l'assistance technique.

Selon BURGEAP, *une seule galerie de grande extension* (2'200 m) était, à l'époque, en cours de réalisation au Cap-Vert (Faja, S. Nicolau) dont le coût de l'eau était estimé entre 3,5 et 7,5 Esc. par m³ suivant le débit obtenue (2'000 m³/jour à 1'000 m³/j), avec un prêt de 2% sur 30 ans.

Il est à noter que l'un des avantages de l'exploitation de l'eau gravitaire, même pour les galeries, est que les frais de fonctionnement sont très faibles.

Selon l'analyse des coûts des ouvrages de génie civil et de leur incidence sur le coût de l'eau (au prix 1981, amortissement sur 30 ans, taux d'intérêt 8 pour cent), le coût global ventilé par un m³ d'eau pour 1 station, 1 réservoir, une ou plusieurs fontaines et 500 m d'adduction, serait par débit croissant :

<u>20 m³/jour</u>	<u>50 m³/jour</u>	<u>100 m³/jour</u>	<u>200 m³/jour</u>
4,3 Esc./m ³	3,2 Esc./m ³	2,7 Esc./m ³	2 Esc./m ³

Un tableau récapitulatif du coût approximatif de l'eau en Esc./m³ – 1981 (BURGEAP, p. 100) est reproduit ci-après.

	<u>Investissement</u>	<u>Exhaure</u>	<u>Distribution</u>	<u>Total</u>
Dessalement (bonnes conditions)	—	—	—	80 à 10
Forages (S. Nicolau)	2,5	3 à 27	2 à 4,3*	7,5 à 34
Puits particuliers	3**	2 à 5	0 à 2	5 à 10
Captages	2	0	0 à 4	2 à 6
Galeries	3,5 à 7,5	0	0 à 2	3,5 à 9,5

* A la borne-fontaine

** Coût estimé à 200'000 Esc. pour 10 m³/j sur 20 ans.

Des calculs comparatifs devront encore être réalisés pour l'eau des barrages superficiels, pour l'eau recueillie par impluvium et citerne individuelle dans des zones d'habitat dispersé sans nappe souterraine économiquement accessible, dont le coût était estimé à 110 Esc./m³ (citerne 20 m³, impluvium 65 m³).

(ii) Calculs du coût de l'eau d'irrigation

Le rapport BURGEAP indique aussi les estimations des coûts de l'eau d'irrigation, incluant les amortissements. Il arrive pour un total de 1'850 hectares de superficie irriguée à une dépense globale annuelle de 90'580'000 d'Escudos dont 950 hectares et 59'130'000 Escudos pour l'île de Santiago et 800 hectares et 23'360'000 Escudos pour l'île de Santo Antão. Toutefois, les auteurs reconnaissent que les superficies prises en considération sont approximatives, le terme de surface irriguée recouvrant des conditions d'irrigation très variables ; de même, la présomption d'un besoin théorique de 40 m³ d'eau par jour et par hectare ne devait correspondre à la réalité, car selon toutes les indications le volume d'eau consommée pour l'irrigation est de beaucoup inférieur au besoin théorique postulé.

Pour les calculs, les coûts unitaires moyens, cités plus haut, ont été utilisés, donc 2 Esc./m³ pour l'eau gravitaire des captages (sans distribution), 6 Esc./m³ pour les puits particuliers, 8 Esc./m³ pour les puits exploités par le Ministère du Développement Rural à Santo Antão (tenant compte du poids de la structure d'entretien) ; et, finalement, pour l'eau des forages, y compris frais de fonctionnement et amortissement à Santiago 6 Esc./m³ (forages très productifs situés dans les ribeiras où la nappe est peu profonde) ; à Maio 9 Esc./m³ (forages de productivité moyenne, nappe à profondeur moyenne) ; à S. Nicolau 13 Esc./m³ (estimation) ; à Fogo, et Monte Genebra 20 Esc./m³.

Il ressort des chiffres indiqués dans les pages précédentes que les dépenses d'eau potable de S. Vicente et Praia représentent 61% et, avec Sal, 85%, des dépenses totales du secteur de l'alimentation en eau potable de l'archipel. Par ailleurs, les dépenses d'eau d'irrigation à partir des forages ne représentent que 11% des dépenses d'eau potable, pour un volume exploité équivalent (environ 4'500).

On peut donc raisonnablement conclure que le calcul de prix de revient réel du m³ d'eau doit être repris par l'étude prévue : les quantités effectivement exploitées à chaque forage, l'évaluation de l'accroissement prévisible, et, surtout, l'affinement des détails de l'étude concernant les trois centres urbains ou 'assimilés' afin d'arriver à une évaluation plus réaliste des dépenses du secteur de l'eau et de réussir à réduire les coûts de production.

(iii) Calculs des investissements futurs dans l'hydraulique rurale

Dans une autre étude de BURGEAP (R.455–E.979 du juillet 1981), incorporée dans le rapport de SCET-AGRI intitulé : *Esquisse de schéma directeur de développement rural des Iles du Cap-Vert*, des coûts estimatifs de l'équipement hydraulique requis pour l'irrigation sont chiffrés, tenant compte des conditions suivantes (ordre de grandeur vraisemblable) :

— Un débit de 1'000 m³/jour pourrait être obtenu en moyenne par une galerie d'altitude, dans une zone recevant une précipitation annuelle de 700 à 800 mm, au prix d'une longueur drainant de 1 km, soit pour une longueur totale de 1'500 à 2'500 m selon les cas, compte tenu de la partie sèche à traverser pour atteindre la nappe ;

— La longueur de la galerie sèche, qui dépend de la topographie et du gradient d'écoulement, peut être élevée ; elle était prévue de 1'400 à 1'500 m à Faja, et semblait pouvoir atteindre 1'500 à 3'000 m à Fogo selon la forme du 'noyau central imperméable' de l'île, — une formule encore totalement inconnue.

Ainsi, le coût global d'investissements que devront couvrir le financement obtenu et les recouvrements par taxes ou tarifs, était calculé (sur la base des prix de 1981) comme suit :

Forages en régie (hors assistance technique)

— de reconnaissance, le mètre	700 FF
— d'exploitation, le mètre	900 FF

Galerie (hors assistance technique, d'après l'exemple de Faja), le mètre 3'300 FF

Adduction villageoise moyenne comportant une station de pompage

(pompe, moteur ou groupe), un réservoir de 40 à 100 m³, une fontaine

et 500 m de canalisation 150'000 FF

Géophysique : 20% du coût des forages

Assistance technique, imprévus et divers : 25% du total.

L'estimation globale du coût du développement hydraulique du Cap-Vert (Tableau 3) a été calculée, sur les bases indiquées ci-dessus, île par île et par type de captage ; le montant total pour chaque île était (au prix 1981 en milliers de francs français) :

BOA VISTA	2'200
BRAVA	34'630
FOGO	137'200
MAIO	2'300
SAL	150
SANTIAGO	118'870
SANTA ANTÃO	113'300
SAN NICOLAU	28'250
SAN VINCENTE	1'300
TOTAL CAP-VERT	438'200

Le montant estimatif des investissements s'élevaient, à l'époque, au total d'environ 440 millions de francs français, ou 80 millions de dollars EU, ou autour de 4 milliards d'Escudos CV.

L'ensemble de ces investissements devait correspondre à la mise à disposition de 70'000 m³/jour d'eau supplémentaire environ. Considérant l'amortissements des galeries sur 50 ans et des forages sur 20 ans, et admettant que l'investissement soit financé par un prêt sans intérêt, supposé amorti sur 30 ans pour l'ensemble des travaux, les auteurs du rapport sont arrivés à un ordre de grandeur (hypothétique) du coût d'investissement moyen du m³ d'eau fourni de 5 Esc. Pour l'eau provenant des forages, les frais de fonctionnement devaient y être ajoutés, en moyenne de l'ordre de 3 à 6 Esc./m³ en fonction des charges en personnel.

Dans l'annexe 6 de l'étude de SCET-AGRI, les coûts d'aménagement du secteur irrigué étaient estimés comme suit (y compris le coût total de la mobilisation de l'eau — forages et galeries —, l'aménagement et l'équipement des nouveaux périmètres et l'extension ou la réhabilitation des périmètres traditionnels) :

BOA VISTA	135'000 contos
BRAVA	390'000 contos
FOGO	1'650'000 contos
MAIO	45'000 contos
SANTA ANTÃO	2'000'000 contos
SANTIAGO	1'630'000 contos
SAN NICOLAU	300'000 contos
SAN VINCENTE	48'000 contos

donc un total de 6'198'000 contos ou 6,2 milliards d'Escudos, ou environ 111 millions de dollars EU (au taux de change utilisé dans l'étude) pour l'aménagement des périmètres irrigués des 8 îles de l'archipel.

Une comparaison précise entre les deux calculs n'est pas possible, car, par exemple, BURGEAP inclut le coût des adductions villageoises simples, ou l'île de Sal dans le total. Toutefois, il est frappant de voir les variations considérables entre les estimations des deux études de consultants, et par île, et concernant le total des investissements requis pour lequel l'estimation de SCET-AGRI dépasse de 50% ou de 2 milliards d'Escudos celle de BURGEAP.

Ceci illustre bien la nécessité de reprendre tout le travail en utilisant une méthode uniforme appliquée à l'évaluation des installations existantes autant que pour estimer les besoins futurs.

(iv) Révision et amélioration des méthodes de calcul et d'estimation

Le premier impératif dans la révision et l'amélioration des méthodes de calcul et d'estimation est leur unification. Afin d'asseoir une fiscalité ou une tarification relatives à l'usage de l'eau sur des bases saines, les coûts calculés doivent être homogènes, élaborés selon les mêmes méthodes et tenant compte des mêmes hypothèses.

Le problème ne réside donc pas dans le choix de la méthode utilisée, mais dans la cohérence découlant de l'utilisation de la même méthode. Ensuite, et ceci est peut-être plus important encore, quelle que soit la méthode utilisée, — par exemple, le 'barème des charges d'emploi des matériels', dit barème bleu (Ministère des Travaux Publics, Paris), ou une autre, — il faut absolument reconsidérer les hypothèses de base, c'est-à-dire les paramètres qu'on incorpore dans les formules mathématiques de la méthode de calcul choisie.

Dans tous les pays en développement, en particulier dans les pays sahéliens, ces éléments employés dans les calculs doivent être adaptés aux conditions locales, — naturelles (géographiques, climatiques, etc.), économiques (niveau d'organisation et de gestion, capacité de paiement du pays ou des habitants, etc.), financières et fiscales, entre autres ; sinon les taxes, tarifs ou système de recouvrement des coûts, basés sur des paramètres ne correspondant pas à ces conditions locales, ne refléteront pas la réalité, rendront impossible le maintien de l'équilibre financier du secteur concerné et obligeront les autorités à une révision continue des taux d'imposition, de tarifs ou de recouvrement.

L'importance du choix correct des paramètres ou hypothèses incorporés dans les formules de calculs multiples est encore plus éclatante dans un pays comme la République du Cap-Vert avec ses diversités de tout ordre et la complexité des données de sa situation. Selon une information orale, il existerait 240 marques de différents équipements dans le secteur de l'eau du Cap-Vert, — il est douteux que les calculs des coûts puissent tenir compte des variations de paramètres qui s'ensuit, sauf s'il y avait une certaine homogénéité dans une zone donnée. En conséquence, cette adaptation des méthodes par la variation des paramètres en fonction des conditions locales devrait être la première tâche à entreprendre par le nouvel organisme chargé du secteur de l'eau (éventuellement, avec l'assistance d'un consultant), en même temps que l'établissement d'un inventaire complet des équipements et des installations existants, y compris leur âge, leur état de fonctionnement, et tous les autres facteurs pouvant influencer la validité de calculs des coûts et des charges divers.

Une certaine incohérence des paramètres utilisés dans les études citées ressort, par exemple, de différentes périodes d'amortissement des forages considérées (15 ou 20 ans selon BURGEAP ou le projet PNUD/DCTD, 1981), de différents taux d'intérêt (8, 6 et 2% dans les mêmes études) escomptés pour les prêts et les délais de remboursement de ces derniers, les divers taux d'actualisation utilisés (8% pour tous les équipements dans l'analyse du projet PNUD/DCTD), la durée de mise à disposition moyenne annuelle ou la durée d'utilisation annuelle moyenne (hypothèses dans les études, 270 et 216 jours, respectivement). Est-ce que ces dernières hypothèses sont valables et réalistes dans les conditions naturelles et économiques du Cap-Vert ?

D'ailleurs, ces difficultés sont clairement mis en évidence dans la seule étude détaillée obtenue : *Calcul du coût d'installation et d'utilisation des forages FT 201 et FT 202*, préparée par le projet PNUD/ DCTD en février 1981, basée sur l'expérience pratique et non sur des estimations théoriques.

Toutefois, il est différent de faire des calculs pour deux forages définis, surveillés, que d'avancer des hypothèses valables à l'échelle nationale ou, au moins, à l'échelle d'une zone géographique ou hydrographique, afin d'élaborer un système de recouvrement des coûts et des charges en forme de taxes ou de tarifs, qui reflète les dépenses et les bénéfices réels.

(v) Calcul des charges futures

Une fois la méthode de calcul adaptée et l'inventaire d'équipements et d'installations existants réalisé, il faut calculer non seulement les charges actuelles, mais également les charges futures ainsi que les besoins d'investissement dans l'avenir. En effet, les taxes ou tarifs doivent être déterminés pour une période d'application donnée, alors que les charges de cette période ne sont pas encore certaines, mais peuvent être simplement évaluées sur la base des données disponibles. C'est pourquoi il est souhaitable de prendre en compte les charges et les consommations prévisionnelles des 5 années à venir, pour rechercher un équilibre pour cette période en termes constants. L'équilibre de trésorerie pourrait être obtenu par un coût unitaire de base, tel que le cumul des recettes provenant des taxes ou de consommations vendues (au cas de tarification), évaluées à ce coût unitaire, année par année, au moins égal sinon supérieur au cumul des dépenses.

Le renouvellement des ouvrages et de certains équipements ainsi que la charge de la dette éventuellement contractée pour la réalisation des ouvrages, constituent les charges d'investissements.

Si les investissements sont couverts par des dons extérieurs ou sont autofinancés, la charge de renouvellement de l'ouvrage, à l'issue de sa durée de vie, doit être comprise dans le coût ou prix de revient, soit en tant qu'amortissement actualisé chaque année en fonction du coût effectif de renouvellement — coût moyen — soit en tant qu'une prise en compte d'un nouvel investissement à l'issue de la durée de vie — coût marginal à long terme.

Si les investissements sont réalisés à l'aide d'emprunt (en totalité ou en partie), on doit prendre en considération pour le calcul du coût moyen, un amortissement financier égal à la charge de la dette, d'une part, et la constitution de fonds de renouvellement, d'autre part. Pour le calcul du coût marginal à long terme, la charge de la dette résultant des conditions de financement sera prise en compte année par année. Quand le renouvellement des investissements deviendra nécessaire, les charges de la dette future hypothétique qui sera contractée pour le financement, seront considérées.

Ces deux modes de calcul du coût (ou de prix de revient) pourront être utilisés alternativement afin de concilier les objectifs d'équilibre financier global et d'optimisation de l'emploi des ressources. Le coût marginal à long terme permet d'assurer que l'utilité économique pour le consommateur de l'utilisation d'un mètre cube d'eau supplémentaire soit, à tout moment, équivalent aux frais engendrés par la production d'un mètre cube d'eau supplémentaire, donc le coût marginal à long terme garantit l'optimisation de l'emploi des ressources (combien important à l'archipel du Cap-Vert). Toutefois, ce coût pourrait être, suivant les cas, inférieur ou supérieur au coût moyen, ce qui pourrait entraîner, éventuellement, un déficit de trésorerie qu'il s'agira de compenser. Néanmoins, quand le recouvrement est fait par une fiscalité appropriée, la couverture d'un tel déficit peut être anticipée et assurée.

2. PROPOSITION CONCERNANT LES MODALITES DE RECOUVREMENT DES COUTS
(FISCALITE, TARIFICATION OU CREDIT BANCAIRE).*

Dans les propositions qui suivent, on assumera l'acceptation de deux hypothèses :

— D'abord, que les différentes modalités de recouvrement des coûts soient différenciées géographiquement, dans les différentes zones hydrographiques, ou île par île, sauf le tarif de l'eau potable de la tranche de base dont la péréquation dans tout l'archipel aura lieu ;

— Ensuite, que le mode de calcul du coût marginal à long terme — visant à l'optimisation de l'emploi des ressources hydriques — soit utilisé dans l'élaboration du système de recouvrement des coûts dans le secteur de l'eau, sauf pour l'établissement de la tarification pour l'eau potable.

Les propositions comprendront deux variantes et l'usage de l'eau potable et l'usage de l'eau pour irrigation, donc pour des activités productrices, sera toujours distingué ; toutefois, la seconde variante de la proposition ne concerne que le cas de l'irrigation.

VARIANTE 1

L'eau potable

Sur la base des calculs effectués et résultant en un coût unitaire de l'eau dans les différentes zones ou îles, un régime de tarification sera institué qui sera modulé.

Afin de pouvoir subventionner la consommation d'eau potable par les couches les plus démunies de la population ainsi que la vente de l'eau aux fontaines publiques une tarification à 4 paliers est suggérée :

— Tranche de base calculée selon la norme généralement admise du minimum de consommation de 20 litres d'eau par jour et par habitant et tenant compte d'une famille de grandeur moyenne, 5 personnes, elle sera de trois m³ par mois et sera taxée à un tarif subventionné, pratiqué dans toutes les zones ;

— Tranche moyenne qui devra être calculée en fonction de la consommation passée et prévisionnelle, probablement jusqu'à dix m³ par mois et par famille, elle sera taxée à un tarif égal au coût moyen de l'eau ;

— Tranche supérieure, c'est-à-dire au delà de la limite supérieure de la tranche précédente, qui sera taxée à un tarif plus élevé que le coût moyen afin de compenser la subvention de la tranche de base ;

— Tranche de consommation industrielle qui sera soumise à un tarif calculé au coût marginal à long terme pour encourager l'optimisation de l'utilisation de l'eau ; toutefois, selon l'orientation de la politique du Gouvernement, une surtaxe pourrait s'ajouter au tarif payé par certaines industries consommatrices de l'eau.

* Ces propositions sont, dans les grandes lignes, conformes aux provisions proposées par M. Patrizio A. Miranda, Consultant FAO, dans les textes législatifs qu'il a soumis au Gouvernement du Cap-Vert.

Les gros consommateurs de l'eau couvrant la subvention à la tranche de base et les frais découlant de la péréquation du tarif au premier palier, l'équilibre financier de l'ensemble des consommations domestiques devraient être réalisés.

Régime fiscal supplémentaire

A la taxe sur l'eau au régime de tarification esquissé ci-dessus s'ajoutera une seule taxe imposée à tous les consommateurs comme une redevance pour l'usufruit d'une ressource rare et pour les dépenses de protection et de conservation de cette ressource. Cette taxe sera imposée à deux taux :

- (i) Le taux général que doivent payer tous les consommateurs, et
- (ii) Le taux spécifique payable par les utilisateurs commerciaux de l'eau ; ce taux serait plus élevé, car il comprendra également les frais à couvrir pour la canalisation des eaux usées.

Normalement, les taux de cette taxe devraient être les mêmes dans toutes les zones ou îles, mais au moment de l'élaboration du système précis de recouvrement des coûts et en connaissance des éléments concrets des dépenses dans les différentes zones, les autorités pourraient moduler ces taux en fonction de la situation dans chaque zone considérée attribuant encore plus de souplesse au système.

L'eau d'irrigation

Le régime d'imposition de l'eau d'irrigation sera basé sur la fiscalité exclusivement. Ceci ne signifie pas que le coût unitaire de l'eau destinée à l'irrigation dans l'intérieur d'une zone ou d'une île ne devrait pas être calculé, car ce coût unitaire fournira les orientations nécessaires pour établir les taux d'imposition ou, plutôt, de les différencier. Pour ce calcul la méthode du coût marginal à long terme, tous moyens d'exhaure étant confondus, apparaît la meilleure pour que l'optimisation de l'utilisation des ressources soit, autant que possible, réalisée.

Le recours à la fiscalité seulement, au lieu d'une tarification complémentaire, évitera les difficultés inhérentes dans la distinction entre les eaux gravitaires d'exploitation traditionnelle et les puits particuliers, d'une part, et les forages et galeries, d'autre part.

En ce qui concerne la première catégorie, les investissements ont été faits, dans la plupart des cas, par les particuliers, ou grâce à des dons (subventions ou financements extérieurs), et les charges d'entretien à prendre en compte par l'organisme chargé du secteur de l'eau, sont nulles pour les puits particuliers et très faibles pour les captages. En conséquence, un tarif ne pourrait être basé sur un coût ou prix de revient puisque les frais sont marginaux.

Au cas des forages et des galeries, il y a des dépenses d'investissements à recouvrer ainsi que les charges d'entretien, y compris le prix du carburant utilisé.

Il est donc proposé d'introduire deux taxes :

— Taxe sur l'eau, conçue dans le même sens qu'auparavant, c'est-à-dire comme une redevance pour l'usufruit d'une ressource rare et pour les dépenses de protection et de conservation de cette ressource ; ce serait ainsi une taxe générale pour l'usage de l'eau dans tout l'archipel ;

— Taxe sur les bénéfices qui devrait être imposée à toutes les productions agricoles, le nombre de têtes de bétail possédé, et même englobant les produits transformés sur base de matières premières agricoles comme la distillation de la canne à sucre.

Cette taxe devrait aussi être modulée par tranche de revenu d'origine agricole, comme le tarif pour l'eau potable afin d'imposer les gros bénéfices beaucoup plus, à un niveau dépassant largement le coût moyen de l'eau d'irrigation, afin de réaliser l'équilibre financier du secteur d'hydraulique rurale.

L'imposition d'une taxe sur les bénéfices n'est pas seulement une pratique assez courante dans d'autres pays en développement, mais semble offrir la seule alternative valable à la solution déjà proposée qui consisterait de l'imposition d'une taxe foncière. Cette dernière apparaît difficilement praticable au Cap-Vert vu le manque d'un cadastre compréhensif, le parcellement des terres et autres problèmes relatifs à la structure agraire.

VARIANTE 2

Comme indiqué auparavant, la variante 2 ne concerne que le recouvrement des coûts relatifs aux eaux d'irrigation. Son introduction permettra la simplification du système fiscal, l'allègement des charges de perception, de vérification et de contrôle des administrations et pourrait même conduire à une meilleure utilisation de l'eau dans les régions rurales.

Toutefois, cette variante ne pourrait être introduite qu'une fois le mouvement de 'participation populaire' (voir le Premier Plan Quadriennal de Développement Economique et Social) résultera dans la multiplication des coopératives dans les campagnes, ou dans la naissance de tout autre forme d'initiative locale, qui permettra aux villageois de gérer les périmètres irrigués dont ils ont l'usufruit. Une telle entité pourrait être un simple Comité de Gestion des ressources en eau du village, ou du (des) périmètre(s) irrigué(s) qu'ils cultivent.

Dans ce cas, ils seront toujours redevables de la taxe de base sur l'eau, mais la taxe sur les bénéfices ne leur sera pas imposée. Au lieu de cette taxe, les entités villageoises responsables des périmètres irrigués, emprunteront de la Caisse de Crédit Agricole la somme nécessaire pour couvrir les frais d'investissement pour les forages, galeries, équipements ou aménagements déjà existants ou à entreprendre sur leur demande par l'organisme chargé de l'eau, somme qu'ils rembourseront selon les conditions statutaires de la Caisse par tranche annuelle, pendant 10 à 20 ans. Ils devront fournir une mise initiale, en partie par la contribution de leur force de travail à l'aménagement du périmètre, et ils seront entièrement en charge de tous les frais d'entretien, de réparation et de fonctionnement

(carburant). Au cas où la couverture de ces charges dépassera leurs moyens, pendant une courte période, par exemple deux ans, ils pourront bénéficier d'un crédit à court terme de la Caisse de Crédit Agricole.

Ainsi, l'équilibre financier du secteur de l'eau pourrait être maintenu en allégeant même les charges de l'organisme gérant le secteur (et du Fonds de l'Eau, si une fois l'organisme créé obtient l'autonomie financière, car les mises initiales ou avances pourront être réduites.

Si les investissements seraient financés par des dons ou emprunts étrangers, l'organisme chargé du secteur pourra détenir ces fonds, les utiliser comme des fonds d'autofinancement pour l'extension graduelle des périmètres irrigués et pourra verser, annuellement, une proportion des remboursements par les villageois, à titre de paiement des intérêts ou, éventuellement, du principal, à l'institution du Gouvernement qui est en charge de gérer la dette extérieure du pays.

En certains cas ou dans certaines îles, où, dès le début, un investissement très considérable doit être fait, cette variante 2 de la proposition ne pourrait, peut-être, pas s'appliquer tout de suite et, dans un premier temps, les frais d'entretien et de fonctionnement seulement seront directement pris en charge par les villageois, et le remboursement des dépenses d'investissement pourrait se faire par la voie fiscale (taxe sur les bénéfices).

3. ORDRE DE GRANDEUR DE TARIFS ET DE TAXES

Il ne semble ni possible ni utile de se prononcer sur l'ordre de grandeur des tarifs et de taxes à imposer aux consommateurs d'eaux sur la base de données disponibles aujourd'hui.

Des calculs hypothétiques ont été faits par le passé concernant le tarif multiple appliqué à l'eau potable — par exemple, 25 Esc./m³ à la borne-fontaine, 28 Esc./m³ aux branchements individuels pour la tranche de base ce qui donnera 66 Esc./m³ pour la tranche suivante et 283 Esc./m³ pour la tranche supérieure. On a estimé à 4% la part du revenu mensuel que les ménages les plus démunis pourraient consacrer à l'eau potable (BURGEAP), mais tous ces calculs ou estimations n'étaient basés sur des données solides et des chiffres sûrs. D'ailleurs, toutes ces hypothèses datent d'il y a 4 ans, donc il faudrait les reprendre toutes.

En outre, les renseignements sur les revenus par tête d'habitants sont peu concordants, — comme illustrés dans le premier chapitre de ce rapport, — il est certain que la grande partie de la population a un revenu mensuel ou annuel très en dessous des moyennes nationales indiquées dans les documents divers.

On peut dire, en principe, que les tarifs devraient être à la fois supportables par les catégories d'usagers auxquels ils s'appliquent et, en même temps, économiquement justifiés et réalisant l'équilibre financier du secteur sans subvention de l'Etat ou, au moins, avec des subventions décroissantes au cours des années. Mais l'harmonisation de l'optimum économique avec les impératifs sociaux est toujours la tâche la plus difficile.

Il faudra, en conséquence, faire une enquête approfondie pour estimer l'importance des coûts supportables par les consommateurs, en se basant sur des données plus fiables relatives aux revenus des ménages, et pour évaluer la part des revenus que chaque catégorie de consommateurs est disposée à consacrer à l'utilisation de l'eau (impact des augmentations du tarif sur la consommation).

Parallèlement, il faudra rechercher des moyens pour diminuer, dans toute la mesure du possible, le coût de production de dessalement, qui alourdi le plus le déficit du secteur de l'eau.

Pour l'eau d'irrigation, de nombreux facteurs limitent le coût qu'on peut imposer en forme de taxes, dont l'état d'aménagement du terrain, le type de culture et le mode d'exploitation (un accroissement du coût de l'eau peut amener à une diversification non souhaitée), les salaires et les marges ainsi que le niveau des prix et leur évolution prévisible dans le futur. Le coût devrait normalement être inférieur à la limite économique imposée par ces conditions.

Les quelques études effectuées dans ce domaine présentent des résultats discordants. Dans le cadre de la culture maraîchère qui est parmi les plus rentables, le coût admissible pour le m³ d'eau d'irrigation ne peut excéder 20 Esc., dans les conditions les plus favorables (M. Jousset). D'ailleurs, ce plafond correspondait au tarif adopté dans le projet de Monte Genebra, dont le compte d'exploitation n'était pas équilibré. Les calculs de M. Kalfane ont établi le plafond du coût de m³ d'eau, respectivement pour la patate douce, la banane, les produits maraîchers et la canne à sucre, 0 à 4, 8, 10 et 16 Esc., en culture traditionnelle, et à 12, 14, 22 et 18 Esc., en culture intensive.

La diversité des évaluations du coût admissible pour l'eau d'irrigation provient du large éventail envisagé pour les charges salariales (nombre de salariés et niveau des salaires), le mode de culture possible (traditionnel ou amélioré avec 2 ou 3 rotations annuelles) et, surtout, le cours des produits sur le marché. Aucune des études ne révèle quelles parties respectives de la production vont à l'autoconsommation ou à la vente, ou quelle est la capacité d'absorption du marché dans les conditions de commercialisation actuelles (degré de saturation).

En plus donc de l'enquête à faire concernant le revenu des ménages et leur capacité et disposition à payer, une autre enquête devrait avoir lieu pour reprendre zone par zone et culture par culture les charges d'exploitation afin de pouvoir estimer le taux supportable de la taxe sur les bénéfices en tenant compte de tous les facteurs et, en particulier, des évolutions futures. Il est certain que les eaux gravitaires, — pour les captages toujours, pour les galeries probablement beaucoup moins, — auront un coût de revient que presque toutes les cultures et tous les modes d'exploitation pourraient supporter, mais l'irrigation ne pourrait se faire à partir des forages que si le refoulement était modéré et le débit unitaire suffisant.

RECOMMANDATIONS

Il est recommandé d'entreprendre dès maintenant, ou dès la prise de fonction de l'organisme chargé du secteur de l'eau (la Junta), les actions suivantes :

1. L'inventaire des équipements et installations existants ;
2. L'élaboration d'une méthode unique de calcul du coût de l'eau dans l'archipel du Cap-Vert, méthode adaptée aux conditions locales ;
3. Le programme prévisionnel des investissements nouveaux et charges d'exploitation correspondantes pour 5 ans, conditions de financement y compris (parallèlement avec la préparation du prochain plan) ;
4. L'enquête sur les capacités de paiement des populations urbaine et rurale pour l'eau potable et sur l'élasticité de cette demande ;
5. L'enquête sur la situation agricole pour définir, zone par zone et culture par culture, le coût admissible du mètre cube d'eau ;
6. Mise sur pied d'un système de recouvrement des coûts de l'eau par tarifs et taxes, comme esquissé plus haut, et sa mise à l'épreuve pendant une période d'au moins 12 mois, afin de pouvoir faire les corrections nécessaires, avant l'instauration du régime fiscal définitif ;
7. Prévoir la périodicité de la révision du système en fonction des éléments modifiés (par exemple, prix du carburant), périodicité rendue publique pour que les opérateurs et la population soient avertis à l'avance.

LISTE DES DOCUMENTS CONSULTÉS

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ABOUT THE AUTHOR

Born in Hungary, he left the country after the 1956 Revolution. Victor Segesvary worked during twenty-five years with the United Nations in the field of economic and social development. His experiences in Asia and Africa familiarized him with the existence of different human worlds and taught him the necessity of understanding and tolerance in human relations.

He obtained a PhD in Political Science and International Relations from the Graduate School for International Studies, and a D.D. from the Faculty of Protestant Theology, both at the University of Geneva (Switzerland). His vast knowledge covers such diverse fields as political science, sociology, economics, history, and philosophy as well as the "new" science of comparative analysis of civilizations. He published many books and articles, among them *Inter-Civilizational Relations and the Destiny of the West. Dialogue or Confrontation?* reflecting his lifelong experience in the interface of great civilizations; *From Illusion to Delusion. Globalization and the Contradictions of Late Modernity*, linking the phenomenon of globalization to the dialogue of civilizations; as well as *Existence and Transcendence. An Anti-Faustian Study in Philosophical Anthropology*, exploring the relationship between biological and cultural developments. Victor Segesvary is chronicled in Marquis' WHO IS WHO IN AMERICA and WHO IS WHO IN THE WORLD.