COUNTRY REPORT

Congo
Sao Tome and Principe
Guinea-Bissau
Cape Verde

1st quarter 1996

The Economist Intelligence Unit
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The Economist Intelligence Unit

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Summary

Congo, Sao Tome and Principe, Guinea-Bissau, Cape Verde 1st quarter 1996

January 4, 1996

Congo

Political and economic structures ***Pages 3-4***

Outlook: Ethnic fragmentation may become more of a factor in the 1997 presidential elections. Public-sector staff will be dismissed only gradually. A privatised transport sector has much long-term potential. ***Pages 5-6***

Review: The political process has become more democratic, while union power has weakened. Efforts have been made to tidy up the damage inflicted by the fighting in 1993-94. The national Aids programme is searching for funds. The government envisages a sharp cut in the budget deficit for 1996, and has appointed privatisation consultants, thereby gaining plaudits from the World Bank. There has been some private-sector interest in restructured parastatals. Inflation has decreased; sugar and tobacco output increased in 1995. Shell and Elf have expressed an interest in taking over distribution and refining from HydroCongo. ***Pages 6-16***

Sao Tome and Principe

Political and economic structures ***Pages 17-18***

Outlook: The new coalition government will enhance the political influence of the president. The ruling MLSTP-PSD faces internal crisis as two of its leading members appear set to stand in the presidential polls in March. ***Page 19***

Review: The prime minister, Carlos Graca, has announced his candidacy for the upcoming presidential election. The electoral law has been revised. A coalition government has been set up. The military has admitted that the president was the principal target of the coup attempt in August and has asserted its position. The president has sought more aid abroad. Repatriated migrants from Gabon have received ADB money. The savings bank has attempted to recover bad debt. The contract with Société Lysa for the management of the electricity parastatal has not been renewed. ***Pages 20-27***

Guinea-Bissau

Political and economic structures ***Pages 28-29***

Outlook: Guinea Bissau's economic crisis will continue, with the World Bank and IMF urging the government to get the economy back on track. Security problems along the border with Senegal will remain an issue. ***Page 30***

Review: The president has expressed his dissatisfaction with the government. Border incidents have prompted visits to Senegal by the prime minister and president. Independent radio stations have come on air. The World Bank and the IMF have sent missions. Guinea-Bissau has applied for membership of the UEMOA. Inflation has risen, and civil servants' salaries have been increased. ***Pages 31-35***

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Political structure: Congo

Official name: République du Congo

Form of state: unitary republic

Legal system: based on French law and the new constitution which was endorsed by referendum in March 1992

National legislature: the 125-seat Assemblée nationale and the 60-seat Sénat are both elected over two ballots and by universal suffrage

Last elections: August 1992 (presidential); October 1993 (legislative)

Next elections due: August 1997 (presidential); 1998 (legislative)

Head of state: elected by universal suffrage over two ballots, limited to two terms. The present incumbent is Pascal Lissouba

National government: the prime minister and his appointed government, formed in January 1995

Main political parties: the ruling alliance is made up of the Union panafricaine pour la démocratie sociale (Upads) and the Rassemblement pour la démocratie et le développement (RDD) and another coalition, the Union pour le renouveau démocratique (URD), which includes the Mouvement congolais pour la démocratie et le développement intégral (MCDDI) and the Rassemblement pour la démocratie et le progrès social (RDPS). The URD is separately allied with the former ruling party, the Parti congolais du travail (PCT), which in turn has formed a new coalition, the Forces démocratiques unies (FDU), with several smaller parties

Prime minister	Jacques-Joachim Yhombi-Opango
Ministers of state	
economic & administrative decentralisation	Martin M'Béri
interior	Philippe Bikinkita
Key ministers	
agriculture, water & forests	Jean-Prosper Koyo
commerce, consumer affairs & small businesses	Marius Mouambenga
communications, post & government spokeswoman	Albertine Lipou Massala
culture & national heritage	Gabriel Matsiona
defence	Maurice Stéphane Bongho-Nouarra
economics & finance	Nguila Moungounga Kombo
education	Martial de Paul Ikounga
foreign affairs, cooperation & francophone relations	Arsène Tsaty Boungou
health & social affairs	Jean Mouyabi
hydrocarbons	Benoît Koukébéné
industry, mines & energy	Jean Itadi
infrastructure & public works	Lambert Galibali
integration of women into development	Marie-Thérèse Avéméka
justice	Joseph Ouabari
labour, social security & welfare	Anaclet Tsomambet
transport & civil aviation	Séraphin Gompé
youth & sports	Claude Emmanuel Eta-Onka
Governor of the regional central bank (BEAC)	Jean-Félix Mamalepot

Economic structure: Congo

Latest available figures

Economic indicators	1991	1992	1993	1994	1995
GDP at market prices CFAfr bn	769	747	705	806	n/a
Real GDP growth %	1.5	2.6	–1.2	–4.9	n/a
Consumer price inflation %	1.5	2.2	1.6	57.0	n/a
Population m	2.30	2.37	2.44	2.52	2.60[a]
Exports fob[b] $ m	1,108	1,179	1,119	952	n/a
Imports fob[b] $ m	495	438	500	559	n/a
Current account $ m	–462	–317	–553	–868	n/a
Reserves excl gold $ m	4.8	4.0	1.3	50.4	32.4[c]
Total external debt $ m	4,817	4,751	5,071	n/a	n/a
External debt-service ratio %	24.7	12.8	10.6	n/a	n/a
Crude oil production '000 b/d	156	168	182	176	n/a
Timber exports (logs) '000 cu metres	302	260	168	225	n/a
Exchange rate (av) CFAfr:$	282.1	264.7	283.2	555.2	501.2[d]

December 29, 1995 CFAfr489:$1

Origins of gross domestic product 1993[e]	% of total
Agriculture	11.4
Industry	35.2
Manufacturing	8.4
Services & net indirect taxes	53.4
GDP at market prices	**100.0**

Expenditure on gross domestic product 1994	% of total
Private consumption	57.4
Government consumption	20.6
Gross domestic investment	33.5
Exports of goods & services	69.8
Imports of goods & services	–81.3
GDP at market prices	**100.0**

Principal exports 1994	$ m
Crude petroleum & refined products	819
Timber	107

Principal imports fob 1994	$ m
Fuel & energy	223
Equipment	41

Main destinations of exports 1994[f]	% of total
USA	31.3
Belgium-Luxembourg	23.7
Italy	15.2
Taiwan	10.3

Main origins of imports 1994[f]	% of total
France	33.6
Italy	11.5
USA	7.1
Thailand	6.3

[a] EIU estimate. [b] Balance-of-payments basis. [c] August. [d] September. [e] Provisional. [f] Derived from partners' trade returns, subject to a wide margin of error.

Congo

Outlook

There are risks of ethnic fragmentation in politics

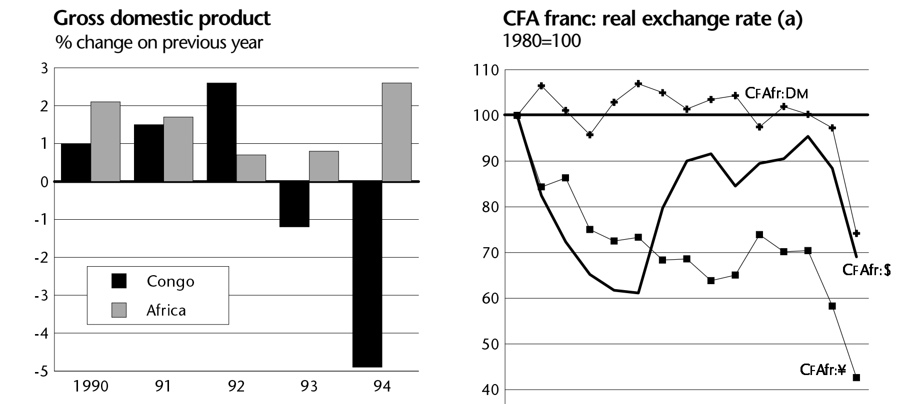
The presidential election in 1997 is set to be strongly influenced by ethnic considerations, with an enhanced risk of fragmentation among parties and alliances, as constituency deputies seek to distance themselves from harsh government decisions and depict themselves as defenders of local interests. There was a foretaste of this in 1995, when several South Bouenza politicians joined together in the Union pour la république, believing that they would be more capable of defending regional concerns. It will be particularly interesting to watch the behaviour of those politicians whose support is drawn heavily from Brazzaville, which is feeling the brunt of government job cuts. The speaker of the Assemblée nationale (parliament), André Milongo, or Brazzaville's mayor, Bernard Kolelas, might be tempted to withdraw their support for the present administration in order to present a distinctive face to the voters and avoid blame for austerity. Alternatively, Mr Kolelas may be sufficiently confident of his support in Brazzaville to maintain his present supportive stance towards the government which he knows pleases aid donors.

A gradualist approach will be applied to staff cuts

The Congolese government has opted for a gradualist approach to the pruning of civil-service and public-sector manpower. It has provisionally budgeted CFAfr20bn ($41m) to meet the cost of redundancy payments in 1996 to those state employees who will lose their jobs; and it hopes this will be enough to meet the cost of severance payments not just to parastatal staff but also to civil servants. The following years should be less expensive. It will of course not be easy to reduce staffing to appropriate levels while retaining the best employees and ensuring that the most suitable people occupy key posts. However, studies by a French consultant suggested that the most radical solution, namely dismissing everyone immediately and reappointing only those people who were really needed, would have been far too expensive, at CFAfr100bn. Moreover, the government still has to cope with CFAfr2bn of the promised CFAfr3bn in severance payments related to earlier parastatal closures. Nor has it yet reached agreement on severance pay with former employees of the now closed Banque nationale de développement du Congo (BNDC) and Banque commerciale congolaise (BCC). It does not want to calculate redundancy payments for BNDC staff on the basis of their total annual earnings, because these were boosted by allowances to the equivalent of 17 months' core salary. Some staff have not yet repaid loans they received from the banks for which they worked.

Transport has long-term potential

The Agence transcongolaise des communications (ATC) is being broken up into a series of individual transport operations which are already attracting a fair degree of interest from abroad. Although it is presently in a run-down condition, Congo's transport system has the potential to become a strategic gateway to the whole Zaire river basin and thus to generate substantial revenue. The president, Pascal Lissouba, is well aware of this and has even raised the possibility of eventually building a bridge across the river from Brazzaville to Kinshasa. Certainly, Pointe Noire port and the Chemin de fer Congo-Océan (CFCO) railway could carry a lot of traffic for Zaire whose own ports and rail network are in a poor state. But restructuring of the transport sector could well pose political challenges to the Lissouba government and new investors. ATC workers have been among the most militant in Congo, engaging in frequent protests; they are likely to be especially restive at a time when sweeping jobs cuts are threatened. At the CFCO new managers will also have to eradicate corruption. Some employees have traditionally extorted bribes for making wagons available.



(a) Nominal exchange rates adjusted for changes in relative consumer prices.
Sources: EIU; IMF, *International Financial Statistics; World Economic Outlook.*

Review

The political scene

The political process is becoming more responsive—

Congo's political processes are becoming slowly more democratic and responsive to popular feelings. The general secretary of the ruling Union panafricaine pour la démocratie sociale (Upads) alliance, Christophe Moukouéké, told the London-based newsletter *Africa Analysis* in a recent interview that the move from electing deputies on a party list, as in the old Marxist era, to the selection of deputies from individual constituencies has put pressure on parliamentarians to take an interest in the problems facing voters. Mr Moukouéké himself lives in Brazzaville, but his constituency is Mabombo (in Bouenza region), a rural farming district with about 15,000 inhabitants. He knows that his place in parliament depends on their votes and he therefore has to make regular visits, which give constituents a chance to complain about the state of the roads, health services, schools or the agricultural marketing system. These days, when deputies return from their constituencies, they prepare reports for the national executives of their own parties and for the Assemblée nationale (parliament); periodically, they coordinate their complaints and lobby ministers. Moreover, ministers are now forced to appear before parliament and its standing committees in person to answer questions. These developments are little noticed by ordinary voters who remain deeply cynical about the entire political class; but they are gradually building a more responsive democratic system in a country which only a few years ago was a one-party dictatorship. Mr Moukouéké also cited the meetings held last year to brief deputies on the oil industry (4th quarter 1995, page 13). Another step towards improved accountability and effective government will come, he believes, with the decentralis-ation reforms (for which the government still lacks money). These will transfer power and administrative staff to the local level.

—but ethnicity will remain a powerful force

However, Mr Moukouéké believes that it will be some time before parties and the political debate develop ideological rather than ethnic roots. He says that even among intellectuals, ethnic loyalties still count for a lot, although some people do now support parties that are led by people from another ethnic group. Mr Moukouéké claims that Upads is the only party with a nationwide presence (a claim that his political rivals would probably dispute). Certainly, Upads's base is necessarily broadened by the fact that its home area—the three regions that constitute the Nibolek (Niari, Bouenza, and Lekoumou)—is itself ethnically diverse. There are ten ethnic groups in Niari alone. Upads remains strongly rooted in Nibolek, but it does have deputies or senators elected from other regions (Likouala, Sangha and Cuvette in the north, and Kouilou, including Pointe Noire city itself). But it has not managed to get deputies or senators elected in Plateaux, where the Parti congolais du travail (PCT) is strong, or Pool. The latter is dominated by Bernard Kolelas's Mouvement congolais pour la démocratie et le développement intégral (MCDDI), which also has representation in Pointe Noire. The PCT is strong in northern Plateaux and southern Cuvette, around Gambona and the home of the ex-president Denis Sassou-Nguesso at Oyo. It also has much support in Talangai, a Brazzaville quarter where many northerners live. The Union pour la république, a recent breakaway from Upads, draws its support mainly from three ethnic groups in southern Bouenza, the Kamba, Soundi and Dondo.

A sign of discontent within Upads was the formation earlier this year of the Courant des rénovateurs (CDR), led by Albert Malula Nzambi, which claims that Mr Moukouéké has mismanaged Upads and that delegates to the party's first congress, held just after Christmas, were not democratically elected. Mr Moukouéké himself publicly admitted that the party had "worked badly".

Trade unions offer weak resistance—

The trade unions' ability to resist economic restructuring is questionable. During 1995 they failed to put up an effective fight against swingeing civil service pay cuts: the government initially negotiated a 12.5% cut, in return for a reduction in the working week from 40 hours to 35 (3rd quarter 1995, page 12). This reduced the nominal annual salary bill from CFAfr130bn ($262m) to CFAfr122bn. The IMF pressed for a further reduction to CFAfr100bn, which the government achieved by unilaterally imposing a further 15% pay cut, bringing the wage bill down to a mere CFAfr98bn. The trade unions, who have also been seeking a reconversion fund to finance retraining and severance pay, protested noisily. Indeed, the Confédération syndicale de travailleurs congolais (CSTC) spent much of 1995 officially on strike. However, ordinary union members mostly ignored the strike calls. They seem sceptically resigned to the prospect of austerity. Many union leaders, particularly in the Confédération syndicale congolaise (CSC), even accept that the public sector is over-staffed and will have to see job cuts. However, they fear that officials will ignore the need to ensure that severance pay and retraining facilities are in place and press ahead with the sale of state companies without going through the proper consultation procedures with the CSC and CSTC union representatives on the national privatisation committee.

—and remain politically divided

Moreover, the trade unions' ability to campaign is hampered by their political divisions. Nominally they are not party-political organisations. But in practice they cannot completely shake off the political connections of their leaders. The leader of the CSC, Jean-Michel Bokamba-Yangouma, sits in parliament for the Mouvance présidentielle of the president, Pascal Lissouba, while the leader of the rival CSTC, Louis Gondou, is a parliamentary deputy for the opposition PCT. The CSTC and the Catholic unions have proposed setting up a committee to coordinate union action. The CSC, which is still probably much the largest union group, with a claimed 55,000 members, supports the idea in principle, but is reluctant to become involved until all three union federations can agree on a programme. As the CSC's organisational secretary, Sébastien Ebao, points out, there is no point in organising joint strikes if the federations cannot agree on what they are protesting about or what their negotiating demands are.

There is a renewed effort to help victims of civil conflict—

On December 28 the prime minister, Jacques-Joachim Yhombi-Opango, announced the start of an operation designed to identify the owners of houses damaged during the fighting of 1993-94. Two years after the civil conflict many Brazzavillois are still suffering the consequences. At least 2,000 people were killed and perhaps 300,000 left homeless, according to initial surveys carried out for the junior minister for humanitarian affairs, Mélanie Ibouritso, a member of Mr Kolelas' MCDDI party and formerly one of the parliamentarians who acted as mediators in brokering the peace settlement. Mrs Ibouritso is also trying to secure help from foreign donors who have so far contributed almost nothing to post-conflict reconstruction. Until now little has been done to repair the damage, which is particularly intense along the former frontline between Mfilou, the stronghold of supporters of the president and Mr Kolelas's fiefdoms of Makelekele and Bacongo. Mrs Ibouritso's officials have been carrying out a detailed survey which shows 6,832 houses to be beyond repair and 3,723 others to have suffered significant damage. Many former residents are still living in cramped and unhealthy temporary accommodation: some camp out in the huts of a former chicken farm, others in the sheds of the national trade fair site. In these conditions, sanitation is poor and malaria and other diseases are common. Officials believe the final figure for those affected by the conflict could be anything up to 500,000 people.

Damaged houses
(no of houses)

	Damaged beyond repair	To be repaired
Brazzaville:		
Makelekele	1,018	1,067
Bacongo	141	435
Moungali	117	48
Mfilou	5,367	1,983
Dolisie	189	190
Total incl others	**6,832**	**3,723**

Source: Office of the minister for humanitarian affairs.

—but the recreation of socioeconomic structures is difficult

Shelling and gunfire was not the only cause of damage; there were also many cases of "ethnic cleansing". People from the Pool region were forced out of Mfilou (dominated by natives of the president's home region of Nibolek), while those from Nibolek were driven out of majority pro-Kolelas areas. The homes of those expelled were often dismantled down to the foundations. Recreating ethnic integration and persuading displaced people to return home will be difficult. Tensions have been exacerbated by economic damage. Fighting forced the closure of many small businesses and dissuaded investors, notably the West African merchants who were often targets for robbery and vandalism by militia bandits. A market next to the frontline has never really recovered; market gardens have been neglected. Transport links to central Brazzaville have been severely disrupted. Unemployment among male youngsters, which had already been high, has been driven up. There are still many guns in circulation, and fear of robbery is widespread. The government has installed police stations in quarters which previously had none; but ministers concede that the only effective way to recover guns may be to offer jobs to people who hand them in. The Assemblée nationale has voted for a national solidarity tax to finance reconstruction and has begun discussing with the finance ministry how it might be implemented. The tax would not necessarily raise a lot of money, but it would represent a political gesture of solidarity with those affected by the war. Catholic and Protestant church leaders have set up a construction firm that will rebuild homes and is seeking donations of both money and materials (such as roof tiles).

The university rector is replaced

November 31 saw the dismissal of the rector of Marien N'Gouabi university, Christophe Bouramoué, just as the staff began a strike to demand settlement of pay arrears. The rector was reputed to be a supporter of the Mouvance présidentielle and he had come under fierce criticism from colleagues; his dismissal appeared to represent a deliberate government attempt to placate restive university teachers. The government immediately decided to release CFAfr2.2bn in funding for the new academic year, and it appointed as rector an existing member of the academic staff, Hubert Matongo. The strike was settled after three weeks, when the authorities agreed to clear arrears in allowances and make the August 1995 salary payment.

Another sign of a government olive branch to critics was Mr Lissouba's order for the immediate release of the editor of the satirical publication *Le Choc*, Asie Dominique de Marseille, who had been jailed for six months in late July for publishing "false news". The decision to release him may also have been connected with the current round of talks with aid donors, who in recent years have penalised some African countries for failing to stick to the principles of democracy and free speech.

Mr Lissouba visits Israel and France

Mr Lissouba visited France and Israel in mid-November, holding talks with the French president, Jacques Chirac, and the new Israeli prime minister, Shimon Peres. There are indications that the French are ready to take a supportive line when Congo's case for a new agreement with the IMF is presented and when it bids for debt relief at the Paris Club.

Health

The national Aids programme needs funding—

Congo's national campaign against Aids is desperately short of money, and there is a risk that past successes in containing the spread of the disease among high risk groups could now be undermined. The Aids programme has suffered from the protracted crisis in public finances and the dearth of foreign assistance during the early 1990s. Its annual budget has slumped from $2m in 1988/89 to only $500,000 in 1995. The director of the programme, Dr Pierre M'Pélé, hopes the recent improvement in relations with donors will bring in extra resources. The need for action is acute. Dr M'Pélé is trying to rebuild the programme in the poor Brazzaville quarters torn apart by the fighting of 1993-94. As so often in times of conflict, there was an upsurge in rape and drug-taking, particularly among the youthful militia fighters. Stable family ties were disrupted and casual sexual relationships became more widespread; normal health and education services were damaged. Dr M'Pélé is giving local youths a prominent role in the campaign to try and persuade more people to take precautions against Aids. He even enjoys the support of Catholic Church leaders in Congo, who preach the virtues of fidelity while carefully omitting to mention the Pope's opposition to the use of condoms. Official Aids campaigners reserve public promotion of condom use for those meetings where Catholic clerics are not present. The Protestant Church and the Salvation Army, which has a large membership in Congo, positively advocate condom use.

—as latest estimates indicate that 80,000 are HIV positive

Some 80,000 Congolese are thought to be HIV positive. Recent surveys of pregnant women show 5% to be HIV positive in Brazzaville and 9-10% in Pointe Noire. Rates are also high in communities along the railway that links the two cities; and they average 9-10% among army soldiers. However, Congo has had considerable success in controlling the spread of Aids among prisoners (a high risk group in most countries), only about 6% of whom are HIV positive. This is partly thanks to a big information campaign. But the key factor may be the day release scheme under which all but the most dangerous criminals are allowed out of jail during daytime (partly because the government cannot afford to feed them properly). This means they are able to maintain their existing stable personal relationships. Levels of infection among prostitutes are of course high; the last major survey, in 1987, found that 30% of those working at major hotels in Brazzaville were infected with the virus; at Pointe Noire hotels the figure was 40%. But prostitution is not subject to any legal suppression in Congo, and sex workers have their own trade associations, which distribute condoms, provide information and help in finding alternative employment; recent indications suggest that these efforts may have had considerable success in limiting the spread of infection among sex workers.

The economy

The government aims at a sharp cut in the budget deficit

At the end of November the government announced its proposals for the 1996 budget. It projected a sharp fall in the deficit to CFA39.7bn ($81m), compared with CFAfr89.7bn in 1995. The personnel budget was cut by 12.7% and now amounts to only 26.6% of current spending (the total of which is projected at CFAfr360bn). At the same time, the government forecasts a rise of 8.4% in fiscal and customs revenue to CFAfr147bn. This does not seem unreasonable in view of recent successes in boosting tax revenue. However, donors may ask questions about the forecast of a 127.4% rise in oil revenue to CFAfr170.6 bn. The additional money is supposed to flow from the start of production at the new Nkossa field and a recent production sharing arrangement between the government and the two main oilfield operators, Elf and Agip. A large part of current spending will be devoted to debt service—CFAfr136.2bn in total, of which CFAfr116.7bn will go to foreign creditors and CFAfr19.5 bn to domestic creditors. Capital spending of CFAfr63.4bn is to be funded through external finance, CFAfr46.4bn in loans (presumably largely French and World Bank credits, many of which may be concessional) and CFAfr17bn in grants. Clearly, the actual evolution of capital spending will depend on the flow of aid disbursements. The government has earmarked a further CFAfr40bn in funds from the domestic current budget that should be devoted to capital spending. Transport and communications infrastructure will be the top investment priority, but the government also expects to devote a large part of the capital budget to meeting the social costs of structural adjustment. The money will presumably go towards retraining and aid for redundant public-sector workers, but may also include severance payments.

Salary arrears may be converted into debt bonds

By late 1995 public service salaries were still 13 months in arrears, in spite of the government's success in doubling monthly domestic revenue to CFAfr14bn. Government sources claimed that they could not catch up on salaries because debt service was consuming 60% of their funds. The government is believed to be considering the option of converting salary arrears into debt bonds in the same way that debt to domestic banks may be converted. Conversion to bonds would not be much help to ordinary workers, but they might grudgingly accept it if the government actually began to pay new salary commitments on time each month.

The government appoints privatisation consultants—

On the eve of key talks in Washington with the IMF and World Bank at these organisations' annual meeting in early October Congo announced the names of top Western consultants appointed to prepare the major parastatal companies for privatisation. An international accountancy and consultancy company, Price Waterhouse, would handle the non-production arm of HydroCongo (oil) and Coraf (refining), while the Paris branch of Andersen Consulting would take on the Agence transcongolaise des communications (ATC, which incorporates the Chemin de fer Congo-Océan, the port at Pointe Noire, river ship services and Brazzaville port). The French Banque Paribas and the German consultancy

Laymeyer were chosen to handle the Société nationale d'électricité (power) and the Société nationale de distribution d'eau (water); and Paris-based consultant Icea and Rothschild's bank were among those selected to deal with the Office national de poste et télécommunication (ONPT). The timing of the announcements was significant. In their efforts to win new support from international aid donors and secure an agreement with the IMF (4th quarter 1995, page 10), Congo's ministers have had to confront deep scepticism among the country's overseas partners. After years during which the path to radical economic surgery has been impeded by political instability and the caution of domestic vested interests, foreign observers have preferred to wait and see, rather than release new funding on the basis of the president's promises. The finance minister, Nguila Moungounga Kombo, needed a public relations coup that might change the climate of opinion.

Arrangements were made to get the first consulting staff to Brazzaville within weeks, with the aim of preparing the ground for disposals during 1996. There was also a domestic political imperative behind the government's decision to move quickly once it had made the fundamental choice to go for full privatisation (rather than the commercialisation while still in public ownership that had been advocated by the then economics minister, Clément Mouamba, in 1994). The next election is due in 1997 and, by then, the president will need to be able to show voters that privatisation means not just unpopular job cuts, as inefficient parastatals are sharpened up by new owners, but also durable benefits, in the form of better services.

—winning plaudits from the World Bank

Opinions on Congo within the IMF and the World Bank had seemed divided. Some officials took a strongly positive view of Congo's progress during 1995, but there were still a number of influential staff members who remained sceptical or even cynical about the willingness of Mr Lissouba's government to translate talk into reforming action. However, in mid-November Brazzaville was visited by a World Bank mission headed by the director of the Central Africa and Indian Ocean department, Andrew Rogerson, which gave the government an impressively positive public endorsement. Just before his departure on November 21, Mr Rogerson told a press conference that he would be proud to present the case for budget aid and balance-of-payments assistance to the Bank's board, once the necessary agreement with the IMF was in place. But he added that the Bank would provide project aid for specific development schemes or reforms on their own merits without waiting for an IMF deal. He also indicated that the Bank felt other creditors should grant Congo a measure of debt relief (until now the government has only been able to secure reschedulings from the Paris and London Clubs rather than any actual debt reduction measures). The World Bank sees privatisation as "fundamental", but Mr Rogerson also cited other areas where it was providing support, namely health, agricultural technology and training and urban development.

Privatisation is being tightly managed

The pace on economic reform and privatisation is being set by a small band of influential officials and advisers in the presidency and the finance ministry. Traditional bureaucratic structures have been circumvented by the creation of a special privatisation unit. The unit has a small staff of senior officials, and it is easily accessible to visitors and unencumbered by the paraphernalia of a normal government protocol system; within it there is even an office specifically tasked with liquidating several smaller parastatals that were deemed unviable in their old form (some will be revived under new ownership, while others are being scrapped and their assets auctioned off). By mid-December, the government had set up transitional boards of directors to oversee the transport, water, power and post and telecommunications companies until they are privatised; these include representatives of the trade unions and observers from the IMF and World Bank.

Unions fear for jobs

Just before leaving Brazzaville, the World Bank team squeezed in a meeting with trade union leaders worried about the impact of planned job cuts. The government and the Bank accepted that the unions had not been kept sufficiently well informed, but they did not back down over any of the fundamental elements of the economic reform programme. One of the first tasks set for the new privatisation consultants, whose fees are being paid by the World Bank, is to audit the workforces of the parastatals; no one makes any secret of the fact that jobs cuts are likely. Moreover, dismissals may well occur prior to a change of ownership. The consultants are guaranteed a basic fee, but they are also offered the chance of a success fee linked to their ability to attract potential investors and see a sale signed. This will encourage them to advocate early manpower cuts that would make the parastatals more attractive to new buyers.

Hiving off Pointe Noire may pose problems

As part of the efforts made to restructure the ATC, the docks at Pointe Noire are to be turned into an autonomous port company that will have to operate on a purely commercial basis. The French port of Rouen has already carried out studies for this and is an obvious candidate investor or manager. But the German port of Hamburg and perhaps the South Africans are also thought to be interested. However, a break-up of the ATC will pose financial problems for the railway and river transport systems. Pointe Noire produced healthy profits and has been the main source of cash for ATC, effectively subsidising the salary bill for the group as a whole. Restructuring means the break-up of head office and the dismissal of some ATC staff. But even after these cuts it is not certain how capable the river transport and rail services will be of covering their own costs, at least initially. The river transport service is being fully privatised. Brazzaville port has enough business to operate as an autonomous commercial business, but the river ports of provincial towns in the interior may be treated differently. They are a vital part of the local service infrastructure, but may not always have enough traffic to generate a commercial return; some may therefore be handed over to local businessmen but others may have to be operated by local municipalities as a public service.

Investors are showing interest in both the railway and electricity—

The CFCO railway has attracted the interest of an international consortium thought to be led by the German steel group Krupp, together with France's Sofrerail, and may well be operated as a concession. The government expects the reform of the transport sector to take up most of next year, but it hopes to have the restructuring of the power and water companies complete by about September. In both cases, private concessionaires will be sought to take on the management of services, while the state will remain responsible for capital investment which is likely to be largely aid-financed. The power industry has attracted the interest of Electricité de France and Saur (also French), Hydro-Québec of Canada and Eskom of South Africa.

—while telecoms are to be split from the postal service

The Office national de poste et télécommunication (ONPT) is likely to be broken into two, with the telecommunications service being sold off and left to compete in a purely commercial market while the postal service is retained in the public sector. The World Bank had wanted to see the postal service sold too, but the government feared this might jeopardise the continuation of services in rural areas and isolated provincial towns. However, the government has accepted that the post office will be exposed to some private-sector competition from international courier and mailing companies.

Commercial banks may be taken over by international investors

Congo's banking sector has survived the country's long drawn-out financial crisis, albeit in a reduced and weakened form, and it now looks as if new foreign investment and management is on hand to turn around the two main surviving commercial banks. Belgium's Banque Belgolaise held talks in late 1995 with the government and the Banque des états de l'Afrique centrale (BEAC, the regional central bank) over whether to take majority control of the state-owned Union congolaise des banques (UCB), in which it has a 5% stake and to which it already provides some technical support. Banque Belgolaise, which has been expanding rapidly in Africa and recently took on various offshoots of the of the old Meridien-BIAO network, already has a big say in decisions at the bank. Well respected if sometimes conservative, it would certainly be welcomed by BEAC and the Congolese authorities as a new owner.

A similar foreign takeover may also be on the cards for Banque internationale du Congo (BIDC). Spain's Banco Central Hispano Americano seems ready to increase substantially its 14% holding. The other foreign shareholder, Japan's Long Term Credit Bank (14%), has been losing interest recently and seems unlikely to block any change. The Spanish bank is believed to be pleased with the restructuring measures already begun by BIDC's Congolese managers and has reportedly promised new credit lines, provided that a new audit produces satisfactory results.

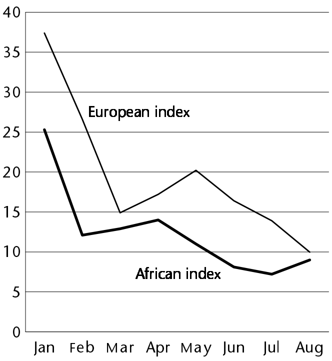
Banque Belgolaise and Banco Central Hispano Americano are not the only foreign banks interested in the Congolese economy, which offers considerable potential for business in the long term, in spite of present difficulties. Financial Bank, based in Switzerland, and another bank supported by Swiss investors are believed to have plans for operations in Congo. There is already one other foreign bank with an offshoot in Congo, Banque française intercontinentale, which is largely concerned with oil financing and specialist business, although it does offer accounts to local clients.

The financial system is in desperate need of rejuvenation

A strengthened banking sector is vital to Congo's chances of achieving long-term economic growth, particularly in the private sector. A weak savings base and a shortage of affordable local credit have hampered business growth across the Franc Zone in recent years. Congo has already seen the closure of two major banks, the Banque nationale de développement du Congo (BNDC) and Banque commerciale congolaise (BCC). The surviving institutions are in a poor condition and lack the resources to extend branch networks into neglected rural

Rate of inflation, 1995

% change; year-on-year



Source: Centre national de la statistique et des études économiques.

areas. Figures from BEAC show that by the end of 1994 the banking sector (excluding the now defunct BCC and BNDC) had non-performing assets of CFAfr32.4bn—almost a third of the total outstanding loans of CFAfr110.4bn and equal to more than three times the banks' combined issued capital and reserves. BEAC believes that a mere CFAfr554m of the non-performing loans are likely to be recovered and the banks were therefore forced to set aside CFAfr31.4bn as provision for bad debt. Although loans to parastatals have often been a cause of grief for banks in the Franc Zone, in Congo it is private-sector clients—who account for more than two thirds of total lending—who are the cause of many problems; a few well-known individual businessmen are known to be particularly at fault. BIDC, already highly exposed to a few large borrowers and holding a large book of questionable loans, over-stretched itself by taking on former BCC clients.

Meanwhile, sources at BEAC warn that Congo's third main commercial bank, Crédit rural, may have to be closed unless new investors can be found. The bank was set up in 1989 to take over the agriculture ministry's rural credit service and apply rigorous professional banking standards to a business with a history of loans made without due care and often remaining uncollected. However, Crédit rural failed to transform this inheritance into a viable business.

Inflation is returning to normal levels

Recently released figures from the Congolese statistics department show that after a record jump in inflation in 1994 to an annual average of 61% rates are coming down sharply now that the inflationary shock of the January 1994 devaluation has fed through the economy. In January 1995 year-on-year inflation was at 37% for the European index and 25% for the African index. Both indices have come down in the course of the year, to 10% and 9% respectively. The European index has consistently been above the African index, reflecting the higher import content in the consumption needs of European families in Brazzaville.

Sugar output is up—

Output at the Saris sugar refining plant reached 38,000 tons in 1995, well up on the 27,000 tons produced in 1994. Increased mechanisation and the use of fertiliser had been expected to boost the sugar crop, but Saris had forecast only 32,000 tons. For 1996 it is now predicting a similar output level at 40,000 tons. However, the increased use of machinery has meant a fall in the number of seasonal workers employed at the company, which is controlled by France's Somdia with a minority government stake of 35%.

—while tobacco enjoys a revival

Meanwhile, management at the Société industrielle et agricole du tabac (Siat), the new tobacco venture being developed in Congo by France's Bolloré group (2nd quarter 1995, page 15), has estimated 1995 output of about 15 tons at Cuacuala, the first of its planned three sites in Congo. The long-term goal is for 2,000 peasant farmers to supply Siat, which is then expected to produce about 300 tons of tobacco per year.

Energy

Elf and Shell hope to take over distribution and refining

Elf and Shell have recently signed a protocol expressing their interest in taking over the domestic distribution network of the state oil company, HydroCongo, and the refining arm, Coraf. The government plans to privatise both of these, while retaining ownership of that part of HydroCongo which invests in oil production. The move by Elf and Shell, which has a strong domestic distribution operation in Zaire and is thought to see Congo as a useful adjunct and alternative supply channel for the Zairean market, was widely seen as a pre-emptive attempt to negotiate a bilateral deal with the government. However, free marketeers in the government's economic team insisted that such an important privatisation must be conducted through a transparent open competition that would allow other potential buyers to bid.

Occidental may offer easier terms on oil-secured loans

The US government is encouraging Occidental Petroleum to look for ways to ease the cash-flow pressure imposed on Congo by repayment of the $150m oil-secured loan negotiated by Mr Lissouba quite soon after he assumed office (2nd quarter 1994, page 21). This was originally to have been repaid from the government's share of the Nkossa oil field being developed by Elf. Under pressure from France that arrangement was abandoned and the loan is now being repaid at a rate of $5m per month from the government's royalties on fields operated by Agip.

Occidental has come under pressure from critics who claim this is consuming half the government's oil cash flow. That of course implies that the remaining cash flow from all the other fields is a mere $5m per month, which would suggest that, even in their recently renegotiated form, the agreements between the government and Elf allow the French group to take a fairly high share of the oil revenue. The short-term oil-secured debt to Elf is estimated at $600m or more (with a further $100m owed to Agip). In view of this, the US government might encourage Occidental to hold back from offering any easier repayment terms until Elf is also ready to do so. Washington is anxious that any deal protects the full value of the money owed to Occidental even if it spreads the repayment period. It fears that if Occidental were pushed into an unfavourable deal that amounted to a cancellation of part of the loan, this would discourage other US investors from looking at Congo.

Political structure: Sao Tome and Principe

Official name: Republica Democratica de Sao Tome e Principe

Form of state: unitary republic

Legal system: based on September 1990 constitution and Portuguese legal system

National legislature: Assembleia Nacional, with 55 members, elected for four-year terms

Last elections: March 1991 (presidential); October 1994 (legislative)

Next elections due: March 1996 (presidential); October 1998 (legislative)

Head of state: president of the republic, elected by universal suffrage. Currently Miguel Trovoada

National government: president appoints the prime minister, who presides over Council of Ministers; last reshuffled December 1995

Main political parties: Movimento de Libertacao de Sao Tome e Principe-Partido Social Democrata (MLSTP-PSD), the former sole legal party and now the ruling party; Partido da Convergencia Democratica-Grupo de Reflexao (PCD-GR); Partido Democratico de Sao Tome e Principe-Coligacao Democratico de Oposicao (PDSTP-Codo); Frente Democrata Crista-Partido Social da Unidade (FDC-PSU); Accao Democratica Independente (ADI); Alianca Popular (AP)

Prime minister	Armindo Vaz d'Almeida (MLSPP-PSD)
Ministers of state	
foreign affairs & cooperation	Guilherme Posser da Costa (MLSTP-PSD)
justice, labour & public administration	Gabriel Aranjo Ferreia da Costa (ADI)
Key ministers	
agriculture & fishing	Julio Silva (PDSTP-Codo)
commerce, industry & tourism	Arlindo de Ceita Carvalho (ADP)
culture & communications	Ladislau Almuda (ADI)
defence & internal order	Carlos Carneiro Paquete da Silva
education, youth & sport	Guilherme Octaviano Viegas dos Ramos (MLSP-PSD)
employment & professional training	Albano Germano de Deus (MLSTP-PSD)
finance & planning	Joaquim Rafael Branco (MLSTP-PSD)
health, family & women's affairs	Fernando Roncon (ADI)
social infrastructure & the environment	Alcino Martinho de Barros Pinto (MLSTP-PSD)
Governor of the Banco Central de Sao Tome e Principe	Adelino Castelo David

Economic structure: Sao Tome and Principe

Latest available figures

Economic indicators	**1991**	**1992**	**1993**[a]	**1994**[a]	**1995**
GDP at market prices Db m	10,813	13,832	16,837	n/a	n/a
Real GDP growth %	1.5[b]	1.5	1.5	1.3	n/a
Population '000	117.4	119.8	122.2	124.6[b]	127.0[b]
Exports fob $ m	6.0[b]	5.4	6.2	7.0	n/a
Imports cif $ m	24.5[b]	25.2	30.9	31.0	n/a
Current account $ m	–26.1[b]	–24.9	–23.8	17.6	n/a
Total external debt $ m	198	217	254	n/a	n/a
External debt-service ratio %	17.7	24.3	21.8	n/a	n/a
Cocoa production tons	3,607	3,688	4,305	3,392	n/a
Exchange rate (av) Db:$	201.6	324.3[b]	516.7	977.3	n/a

December 29, 1995 Db1,769.8:$1

Origins of gross domestic product 1994	**% of total**
Agriculture	23.8
Industry	9.0
Services	67.2
GDP at market prices	**100.0**

Components of gross domestic product 1994[a]	**% of total**
Private consumption	73.4
Public consumption	40.8
Gross domestic investment	85.0
Exports of goods & services	42.6
Imports of goods & services	–141.8
GDP at market prices	**100.0**

Principal exports 1994[a]	**$ m**
Cocoa	5

Principal imports 1994[a]	**$ m**
Capital goods	11
Food	7
Fuel & energy	1

Main destinations of exports 1994	**% of total**
Netherlands	88.2
Portugal	0.5

Main origins of imports 1994	**% of total**
Portugal	28.3
France	10.1
Belgium	7.6

[a] Official estimates. [b] EIU estimate.

Sao Tome and Principe

Outlook

Presidential influence over policies will increase

Both the appointment of the new military commanders and the accusations directed by one of the coup plotters against the president have shown that since the coup attempt in August the country's military officers have gained considerable influence in politics and are becoming a force to be reckoned with in the future. Also Angola, which had to withdraw its military contingent in the country in early 1991, is now again able to exert some political influence through the four-member commission which is supervising the memorandum of understanding signed in August 1995. Some prominent Saotomense citizens have also tried to make their voices heard and firmly criticised various party politicians, although with less success. However, the most important shift in the local political set-up occurred in December with the nomination of a coalition government which brought in the Accao Democratica Independente (ADI). The ADI is commonly known to be the president's party. Therefore its participation in the government will give the current president, Miguel Trovoada, increasing influence over political decision-making. Presidential influence over government affairs may be exacerbated by the perceived weakness of the new prime minister, Armindo Vaz de Almeida, whose long record in government in various capacities has produced few tangible results. The coalition government will remain in place until the next legislative election in 1998.

The ruling party is likely to face internal conflict

The announcement of the then prime minister, Carlos Alberto Monteiro da Graca, that he would stand as a candidate in the presidential election is likely to trigger an internal crisis in the ruling Movimento de Libertacao de Sao Tome e Principe-Partido Social Democrata (MLSTP-PSD) as Mr Graca will probably compete against the former party leader and ex-president, Manuel Pinto da Costa. Mr Graca might enjoy the support of the prime minister, Armando Vaz de Almeida, the finance minister, Joaquim Rafael Branco, and the foreign affairs minister, Guilherme Posser da Costa, as well as of others who are not in favour of a return of Mr Pinto da Costa; but otherwise his position is rather weak among ordinary party members and the population. His poor performance as prime minister since November 1994 has certainly not improved his image. Although Mr Pinto da Costa was largely responsible for the dismal record of his various governments between 1975 and 1990, he can still count on a large following within and outside his party because he can capitalise on the troubles of rival candidates. Moreover, he is at least known for his leadership qualities and might benefit from the short memory of large parts of the population which are currently battling with the severe economic crisis. Furthermore, many who were able to improve their positions during his regime owe him a favour.

Review

The political scene

Mr Graca is running for the presidency

On November 27 the then prime minister, Carlos Alberto Monteiro da Graca, officially announced that he would stand as a candidate in the presidential election which is scheduled to take place in March this year. The current incumbent, Miguel Trovoada and the former president, Manuel Pinto da Costa, have not yet officially declared their candidacies; but few observers doubt that both men will do so in due course. The three politicians belong to the older "generation of Santa Isabel", named after the town in Equatorial Guinea (now Malabo), where they together with five others founded the national liberation movement, the MLSTP in 1972. Meanwhile, a politician of the younger generation who had considered standing, Carlos Tiny, has taken up a job in Luanda (3rd quarter 1995, page 20) and therefore won't stand as a candidate. Another possible contender, the foreign minister, Guilherme Posser da Costa, has already indicated that he was not interested in the presidency.

MLSTP-PSD: Movimento de Libertacao de Sao Tome e Principe-Partido Social Democrata
PCD-GR: Partido da Convergencia Democratica-Grupo de Reflexao
PDSTP-Codo: Partido Democratico de Sao Tome e Principe-Coligacao Democratico de Oposicao
ADI: Accao Democratica Independente
AP: Alianca Popular

During a visit in Portugal in late November, Mr Graca declared that his candidacy would prevent the bipolarisation between the two other likely candidates and defuse the expected tension that may well lead to political violence. Mr Graca also said he was confident that his party would endorse his decision to stand in the election and support him. However, Mr Graca, who was born in Lisbon, is not allowed to run in the poll under the current nationality law, which determines that only people born in Sao Tome qualify. A revision of the law requires a majority in the Assembleia Nacional (parliament), in which Mr Graca's MLSTP-PSD occupies only 27 out of 55 seats. This practical obstacle did not appear to deter the prime minister, who went from Lisbon to Gabon and Angola to lobby for financial support for his campaign.

Revision of the electoral law displeases the ruling party

Also in the run-up to the presidential poll, a new electoral law was passed in the Assembleia Nacional according to which citizens of other lusophone African countries living in Sao Tome are no longer entitled to vote without prior naturalisation. The law, which was passed by the opposition majority against the will of the MLSTP-PSD, is directed against the ruling party, which has always had much electoral support among the Cape Verdean and Angolan plantation workers. Further amendments to the law were announced in late November by the prime minister who declared that provisions would be altered so as to allow for the local elections to be held after the presidential ballot.

The national debate is continued—

In the aftermath of the attempted coup d'état in August, the debate over the state of affairs in the country and the possible formation of a government of national unity continued. On October 18 a joint meeting was held of prominent Saotomense citizens and the interparty commission for the formation of a government of national unity, during which the former criticised the country's political system as ineffectual and the constitution as ambiguous over the definition of presidential powers. The members further accused the political class of incompetence and corruption, and of being out of touch with the country's problems and unable to halt the progressive decline. The participants in the meeting agreed that a national conference should be held to discuss these particular problems, and they appointed three people to lay out the modalities for such a project.

—and results in a coalition government

One way of furthering national dialogue was put forward by Mr Trovoada in early September when he declared his readiness to form a government of national unity within 30 days. However, two days before a joint meeting was to be held, the PCD-GR withdrew from the negotiations after having accused the MLSTP-PSD of undermining the consensus and the ADI of following only an electoral strategy in view of the presidential elections. This followed the declaration by the prime minister, Carlos Graca, and the MLSTP-PSD that they would not endorse such a government prior to the presidential elections. Mr Graca, who had always been in favour of a government of national unity, argued that the fierce political contest in the run-up to the vote would undermine the consensus necessary and that the new president might dismiss a government of national unity anyway. However, he said that if the broad-based government was formed after the presidential ballot, it would have more coherence and durability.

In the meantime, the secretary-general of the ADI, Carlos Neves, announced that his party was prepared to form a coalition government with the MLSTP-PSD. The small party, PDSTP-Codo, which has no seat in parliament but participates in the present government, also declared its readiness to take part in the new government. The MLSTP-PSD backed down on its previous stance not to consider a coalition before the presidential election, and in late December 1995 a new government was announced headed by the former deputy prime minister, Armindo Vaz de Almeida. At first, the foreign minister, Guilherme Posser da Costa, was put forward as the most likely candidate to head such a coalition. However, he had signalled that he would prefer to retain his current portfolio. While the MLSTP-PSD retained six key portfolios, the ADI joined the government with four positions and the PDSTP-Codo with one. The PCD-GR was invited to join the coalition but declined on the grounds that it preferred a true national conference on the matter. This new set-up gives the presidential party, the ADI, and therefore also Mr Trovoada himself much influence over government proceedings. In fact, Mr Trovoada's close adviser, Gabriel Aranjo Ferreira da Costa, has assumed the influential post of minister for justice, public administration and local government. The Ministry of Economic and Financial Affairs was split again into a Ministry of Finance and Planning and a Ministry for Commerce, Industry and Tourism, reducing the responsibilities of Joaquim Rafael Branco who retains the former portfolio.

A coup plotter accuses the president of conspiracy—

The coup attempt has continued to resonate at the political level. In mid-September the principal negotiator among the coup plotters, Lieutenant Antonio Taty da Costa, disseminated an open letter in which he accused Mr Trovoada of having known about the coup plans. He said that the president had not intervened because he assumed that not he but the government was the principal target of the military action. Furthermore, Mr Taty da Costa maintains that already prior to the coup the president had intended to dismiss the prime minister and to form his own government of national unity. Mr Taty da Costa considers Mr Trovoada as a principal reason for the political instability in the country, because he had dismissed two governments of the PCD-GR in 1992 and 1994 respectively. In the letter Mr Taty da Costa admits that Mr Trovoada was the main target of the military. In a first reaction Mr Trovoada denied the accusations and declared the letter was nothing more than another attempt to destabilise the country. The cabinet subsequently asked the attorney-general, Sylvestre Leite, to investigate the accusations made by the coup plotter and ordered the minister of defence to hold an inquiry into the matter.

Shortly thereafter Mr Leite interrogated Mr Taty da Costa. However, only two days later 84 officers and corporals signed a letter addressed to the government in which they expressed their solidarity with Mr Taty da Costa and declared that they considered any legal action that would compromise Mr Taty da Costa's integrity an affront against the armed forces. The defiant tone of the letter prompted two Angolans, General Ledi and Colonel Rui Balsa, who, together with the Angolan ambassador, Andre Miranda, and the deputy foreign minister, Joao Miranda, supervise the implementation of the memorandum of understanding signed on August 22, to come to Sao Tome on September 26 in order to talk with the head of the presidential guard (*casa militar*), the minister of defence, and the commander of the army. Nevertheless, the pressure from the military prompted Mr Leite in late October to drop the inquiry into the accusations made by Mr Taty da Costa in his open letter. On television, Mr Leite confessed that he felt pressured and was not able to work freely and seriously.

—which is firmly denied by the head of state

It was only on October 24, in a one-hour message to the nation on both radio and television, that Mr Trovoada reacted to the accusations made by Mr Taty da Costa. The president denied any responsibility for the national problems and stated that the decision to target him was motivated only by the desire to remove him from power. Mr Trovoada also said that he had received death threats and been otherwise intimidated in order to discourage him from standing for another term as president. He claimed that the campaign against him was conducted at three levels: first, he was accused of alleged corruption; second, he was held responsible for all economic, financial, and social problems; and third, he was blamed for everything that does not function in the country. In his message, Mr Trovoada re-emphasised the necessity to form a government of national unity, as the present government had been incapable of solving the crisis.

The president was also absent from the Day of the Armed Forces celebration on September 6. During the ceremony recruits were sworn in who had participated in the August coup attempt. In his message read by the defence minister, Carlos Carneiro Paquete da Silva, Mr Trovoada called on the discontented soldiers to leave the army, thereby provoking much displeasure among the officers.

The military asserts its position

When on September 5 the prime minister announced that the minister of defence would also assume the function of commander of the army, the entire military fiercely rejected his decision and responded with a letter campaign, arguing that the decision would displease the officers and violate the spirit of last August's memorandum of understanding. The officers stressed that in their opinion the army commander could not at the same time be a politician. Mr Graca's decision also violated article 21C of the National Defence Law, according to which the prime minister appoints the chief commander only after having consulted the Supreme Defence Council (which also includes the head of state, the defence minister, the commander of the navy and two MPs). The government backed down and appointed the head of the police, Antonio do Nascimento, chief commander of the armed forces. He replaces Captain Antonio Paquete who had been dismissed at the request of the coup plotters the month before. In response to pressure by army officers, Lieutenant Justino Lima, one of the coup plotters, became the new second-in-command. Both men were appointed after a meeting of the Supreme Defence Council.

A presidential summit comes out in support of Mr Trovoada

On September 14 the heads of state of Angola, Cape Verde, Guinea-Bissau and Gabon, as well as the Mozambican minister of the presidency for economic and financial affairs met in Sao Tome with Mr Trovoada. They expressed their solidarity with him and their commitment to help sensitise the international community to the situation in Sao Tome and thereby increase the aid flow to the country. Mr Trovoada, who is presently the chairman of the grouping of the five African lusophone countries (Os Cinco), declared that the economic crisis was the real cause of the coup and therefore also stressed the necessity of additional foreign aid, although, according to the latest UN Development Programme (UNDP) *Human Development Report*, Sao Tome received official development assistance of $378 per head in 1993, the highest amount of all developing countries. The African presidents also decided to send military instructors to train Mr Trovoada's presidential guard.

Ties with Angola were further strengthened when, on October 22-24, the Angolan prime minister, Marcolino Moco, paid an official visit to Sao Tome. In mid-October Angola's deputy foreign minister, Joao Miranda, had also visited Sao Tome for three days. He held talks with Mr Graca, Mr Trovoada and the Angolan officials who supervised the memorandum of understanding which reinstated the democratic order in August.

The president pleads for more aid from abroad

On September 19 Mr Trovoada went on a two-week tour abroad to thank the donor countries for their political support during the coup, to mobilise more foreign funds for his country in order to safeguard democracy, and to ask his interlocutors to throw in their weight to allow a more flexible implementation of the economic reforms prescribed by the Bretton Wood institutions. Before he left the country, Mr Trovoada stressed again that the structural adjustment programme was responsible for the social economic crisis, which, in turn, led to the military coup in August. The president visited Portugal, Spain, the European Union (EU) in Brussels, France, Burkina Faso and Gabon. In Lisbon, the then prime minister, Anibal Cavaco Silva, pledged to disburse quickly the second, $750,000 tranche of the total promised balance-of-payments support of $1.5m. In a private capacity, Mr Trovoada also met several Portuguese businessmen. The Spanish government promised to consider a rescheduling of Sao Tome's bilateral debt. The French president, Jacques Chirac, indicated to Mr Trovoada that he would try to exert his influence over the Bretton Woods institutions. He also declared that France would coordinate its aid programme with Portugal. In Brussels Mr Trovoada was received by the president of the European Commission, Jacques Santer, and he spoke with the European Commissioner for the countries of the African Caribbean and Pacific grouping (ACP) and South Africa, Joao Deus Pinheiro, about multilateral aid as part of the Lomé IV Convention.

Back home Mr Trovoada declared on October 4 that now it was up to the government to build on the groundwork he laid and capitalise on the donors' willingness to help. In late October Mr Trovoada decided not to attend the 50th anniversary of the UN in New York, because he felt that the political and military situation did not allow him to leave the country.

The mayor of Sao Tome is detained on corruption charges—

Following an inquiry into the accusations of embezzlement of public funds of some Db80m ($45,000), the mayor of Sao Tome town, Fernanda "Dedinha" Margato, was detained on September 26 together with Maxiano Matos, who was in charge of the administrative services of the town council (4th quarter 1995, pages 19-20). Mrs Margato is the country's first high-ranking politician detained for corruption. After the town councillors had accused the mayor of corruption in July, the government had promised to investigate the case and to report on it within fifteen days; however, this has not yet happened. Besides Mrs Margato, the secretary for employment, Albano de Deus, who is also allegedly involved in this corruption scandal, will be interrogated by a parliamentary commission investigating the case. In the meantime, other financial irregularities have been discovered in the district councils of Lemba and Caue, both also governed by the ruling MLSTP-PSD.

—while the economics minister is accused of diverting funds

On September 30, in a television interview, the deputy Adelino Izidro (MLSTP-PSD) accused the then minister of economic and financial affairs, Rafael Branco, of having diverted about $50,000 from the $1.8m paid for the privatisation of the Rosema brewery in May. In defence of his minister, who is also a member of the 15-member political commission of the ruling MLSTP-PSD, the prime minister maintained that the World Bank had authorised the payment of premiums to the officials involved in the sale of the state property as part of the structural adjustment programme. Mr Graca added that Mr Branco had informed the cabinet in advance that he would distribute the amount to various people. Thus the director of the privatisation office, Zeferino Ceita, who is also a deputy for the PCD-GR, received $11,000, and Rafael Branco took $10,000, while $29,000 were distributed among junior officials of the privatisation office and the Ministry of Economic Affairs, as well as the Anti-Drugs Project and the old people's home. However, the World Bank has never agreed to such premiums for state officials for the sale of public properties in the first place. For its part, the parliamentary group of the PCD-GR opposition made an application to the president of the Supreme Court of Justice to take up the case against the minister. Mr Branco himself denied all accusations and filed a complaint against Mr Izidro for criminal defamation.

Mr Izidro made his accusations only after Mr Branco had dismissed him as president of the administrative board of the Caixa Nacional de Poupanca e Credito (CNPC, the national savings bank) and created a six-member management commission to investigate the savings bank's activities. Despite orders to suspend further lending, Mr Izidro had conceded credits worth Db625m. He maintained that Mr Branco had told him to keep silent if he found any fraud in the CNPC and even promised to reinstate him as head of the CNPC once the inquiry was over. After having been heard by the attorney-general, on October 3, 1995, Mr Branco left to represent his country at the World Bank/IMF annual meeting.

The minister of education is in trouble

The Ministry of Education was also in trouble over the past quarter. The beginning of the new school year, scheduled by the ministry for October 9, was delayed for administrative reasons, and the teachers who had been on strike between June and August (4th quarter 1995, pages 20-21) accused the minister of education, Guilherme Octaviano Viegas dos Ramos, and other officials in the ministry of incompetence and lack of commitment. Allegedly, the ministry does manage its funds without transparency and outside the approved budget. For example, funds received from the African Development Bank (ADB) for the training of school heads and from the UN Educational, Scientific and Cultural Organisation (UNESCO) for the preparation of a project for reform of the school system have not yet been used for these purposes. In the meantime, Mr Octaviano and three others travelled abroad for more than three weeks, and local observers close to the ministry are wondering where the money for the journey came from. Furthermore, in contrast to previous years, no lists of the candidates for the foreign scholarships have been published, and the minister has been accused of planning to cancel the usual competition in order to distribute the scholarships to his friends and members of his party.

A Portuguese NGO helps with health services

According to a protocol signed with the Ministry of Health, the Lisbon-based non-governmental organisation (NGO) Instituto Marques Valle Flor will equip six health centres in the Me-Zochi district and another four in the Cantagalo district. The project aims at improving the vaccination coverage, the nutrition level of the population, and the supply of medicines and medical assistance. Consultation will be provided twice a week in each of the posts by two doctors, Edgar Neves and Lazaro Baptista de Sousa.

Mr Neves, who is in charge of the entire project, declared that the hospital of the Monte Cafe estate was not included in the protocol, because it was not part of the ministry's health strategy. As the ministry did not grant the Db150m needed to run this clinic, it was to be privatised or used for other purposes. The Valle Flor Institute had managed this hospital until it withdrew two years ago due to a conflict with the PCD-GR government (2nd quarter 1994, page 29).

The OAU punishes Sao Tome

Through a letter sent by the Organisation of African Unity (OAU) to all its 52 member countries in late November, the government of Sao Tome and Principe has been informed that, together with nine other member countries, it has lost the right to vote and to nominate candidates for functions within the organisation due to its accumulation of arrears over more than ten years. Altogether, the ten member countries owe the OAU outstanding contributions of $16.5m. Meanwhile, according to the head of the local UNDP office, Cecile Molinier, bilateral donors have paid off enough of Sao Tome's debts to the UN to permit the country to participate in the sessions of the UN General Assembly with the right to vote.

The economy

A World Bank mission discusses the country's problems

In November a mission of the World Bank, headed by the outgoing country economist Hilda Yumiseva, organised a five-day conference in the country, which was attended by some forty high-ranking state officials. At the meeting the possible obstacles to the country's development were debated. However, the World Bank representatives also declared that the disbursement of the third tranche of the second Structural Adjustment Credit (SACII) was not possible in 1995.

The local UNDP head criticises structural adjustment

In an interview in the local press in October, the local representative of the UN Development Programme (UNDP), Cecile Molinier, criticised the Structural Adjustment Programme (SAP) for not having brought any benefits to the population. She said that it was now left to the UNDP to fight widespread poverty. In this context she mentioned the two four-year projects, the fight against poverty programme, financed with more than $3m by the UNDP and other UN funds and the $16m Promotion of Rural Development, designed to support the new concessionaires of distributed plantation lands.

Repatriated migrants demand payments

The African Development Bank (ADB) recently unblocked $5m for the Social Dimension of Adjustment Project. A part of the funds was earmarked for the support of migrants repatriated from Gabon in early 1995. In October more than 100 migrants had protested in front of the secretariat of state for employment, accusing the government of not having met its promise to pay every migrant a subsidy of Db120,000 ($68), out of the Db70m which the government had received from international donors for that purpose. A representative of the migrants maintained in a radio interview that the government had already paid 20 persons Db120,000 each. However, the then secretary of state for employment, Albano de Deus, stressed that cash payments were never on the agenda but that the migrants would receive government support for professional activities. A meeting between the minister and the migrants on October 13 failed to settle the differences between the two parties.

The savings bank tries to recover loans

The Caixa Nacional de Poupanca e Credito (CNPC, the national savings bank) has threatened all debtors that it would take legal action to confiscate their goods and seal their shops, if they did not repay their debts. Due to the arbitrary concession of credits ranging from Db30m to Db100m to local businessmen, foreigners and prominent politicians, the CNPC has accumulated bad debts of more than Db1bn. This policy had even put pressure on the local currency, because part of the borrowed money was immediately used to buy foreign exchange on the black market, which, in turn, was deposited in foreign bank accounts. In October, at the request of the CNPC, the import-export business of a town councillor of Sao Tome and deputy for the MLSTP-PSD in the Assembleia Nacional, Manuel Martins, was sealed and three vehicles belonging to him were confiscated while he was away in Lisbon, in an attempt to recover outstanding debts of Db15m. After his return Mr Martins redeemed his property and accused the CNPC of partiality.

French managers fail to improve energy supply

On September 22 the minister of social infrastructure, Alcino Martinho de Barros Pinto, announced that the government had not renewed the contract with Société Lysa, a subsidiary of Lyonnaise des eaux, for the management of the water and electricity company, EMAE, because Lysa had not succeeded in improving the energy supply. Since 1990 the Caisse française de développement (CFD) has provided finance of FFr12m ($2.2m) to EMAE.

A new hotel is opened—

A new hotel called Residencial Baia, located in the centre of Sao Tome and owned by the local businessman Amandio Pinheiro, opened its doors on September 13. The hotel, which cost $680,000, has 15 rooms and is equipped with satellite television. Mr Pinheiro has benefited from a credit conceded by the local Fundo Social e de Infrastructuras (FSI) which is funded by the World Bank.

—and the Miramar Hotel is sold

Meanwhile, as part of the government's privatisation programme, the Miramar Hotel was sold to a German businessman and former manager of the hotel, Manfred Galenz. The hotel was disposed of by the government without any involvement of the privatisation office set up for this purpose. The government has not given any information about the selling price or the modalities of the deal. However, the hotel is currently closed for refurbishment which should see capacity increased from 100 to 140 beds.

Privatised brewery is inactive

Since the Angolan Mello Xavier group purchased the Rosema brewery for $1.8m in May 1995 (3rd quarter 1995, page 25), the new owner has not been seen in Sao Tome again nor did he present his management plans. Consequently, the brewery has failed to produce anything, and domestic demand for imported beer has risen. So far more than 100 workers have been dismissed and received small indemnity payments by the privatisation office. The former employees now demand the payment of a salary increase for the period from January to May 1995. They argue that the Db20m they are demanding is considerably less than the Db90m diverted by state officials as premiums for the privatisation.

Contrary to earlier reports (4th quarter 1995, pages 23-24), the Mello Xavier group was not awarded the Porto Alegre estate by the government. In mid-November the 240 workers at the estate in the south of Sao Tome island went on strike for three weeks. The workers, whose salaries had been three months in arrears, demanded better living and working conditions as well as higher salaries. The monthly salary currently averages Db14,000. Due to run-down equipment and other problems the estate currently produces only one-third of its monthly capacity of 30 tons of copra.

Political structure: Guinea-Bissau

Official name: Republica da Guine-Bissau

Form of state: unitary republic

Legal system: based on the 1984 constitution which was revised in 1993

National legislature: Assembleia Nacional Popular; 100 members were directly elected in July 1994

Last elections: July 3, 1994 (presidential and legislative)

Next elections due: July 1999 (presidential and legislative)

Head of state: president, currently Joao Bernardo Vieira, who was directly elected in July 1994

National government: president and his appointed government

Main political parties: the Partido Africano da Independencia da Guine e Cabo Verde (PAIGCV) is the ruling party. Nine other political parties are now legally registered, of which the following have seats in the Assembleia Nacional Popular: Resistencia da Guine-Bissau-Movimento Bafata (RGB-MB); Frente de Libertacao para a Independencia Nacional da Guine (FLING); Partido da Renovacao Social (PRS); Uniao para a Mudanca (UM); Liga de Proteccao Ecologica (LIPE); and Partido Social Democratico (PSD)

Prime minister	Manuel Saturnino da Costa
Key ministers	
agriculture & rural development	Isaac Monteiro
communications & parliamentary affairs	Helder Proenca
defence	Arafam Mane
education	Ibrahim Sow
energy, industry & natural resources	Joao Cardoso
finance	Rui Dias de Sousa
fisheries	Artur Silva
foreign affairs	Ansumane Mane
interior	Luis Oliveira Sanca
justice	Daniel Ferreira
planning & cooperation	Aristides Gomes
public health	Eugenia Saldanha
public administration & labour	Abubacar Balde
social infrastructure	Armando Napock
trade	Zeca Martins

Economic structure: Guinea-Bissau

Latest available figures

Economic indicators	**1991**	**1992**	**1993**	**1994**	**1995**
GDP at market prices P bn	869	1,542	2,436	3,202[a]	n/a
Real GDP growth %	3.0	2.8	2.7	6.9[a]	n/a
Consumer price inflation %	57.6	69.6	48.1	15.2	n/a
Population '000	980	1,010	1,030	1,050	1,070[b]
Exports fob $ m	20.4	6.5	16.0	33.2[a]	n/a
Imports fob[c] $ m	67.5	83.5	53.8	–52.4[a]	n/a
Current account $ m	–42.7	–68.5	–24.9	8.7[a]	n/a
Reserves excl gold $m	14.6	17.8	14.2	18.4	25.8[d]
Total external debt $ m	651	660	692	n/a	n/a
External debt-service ratio %	14	23	10	n/a	n/a
Exchange rate (av) P:$	3,659	6,934	10,082	12,892	16,591[d]

December 29, 1995 P18,036:$1

Origins of gross domestic product 1994[a]	**% of total**
Agriculture	44.4
Industry	8.2
Services	47.4
GDP at factor cost	**100.0**

Components of gross domestic product 1994[a]	**% of total**
Private consumption	88.8
Government consumption	8.6
Gross domestic investment	20.0
Exports of goods & services	18.3
Imports of goods & services	–35.6
GDP at market prices	**100.0**

Principal exports 1994	**$ m**
Cashew nuts	31.0
Sawn timber	0.3
Frozen shrimp	0.1
Frozen fish	0.1

Principal imports 1994	**$ m**
Foodstuffs	16.4
Transport equipment	14.5
Machinery	6.5
Petroleum products	6.3

Main destinations of exports 1994	**% of total**
India	48.1
Portugal	35.7
China	8.8
Cape Verde	5.5

Main origins of imports 1994	**% of total**
Portugal	40.5
Netherlands	16.6
Japan	14.8
France	5.4

[a] IMF estimates. [b] EIU estimate. [c] On balance-of-payments basis. [d] June.

Guinea-Bissau

Outlook

Trouble is brewing at home—

Guinea-Bissau's international profile will be greatly enhanced over the next two years with the country's recent accession to the UN Security Council as a non-permanent member, and its fairly certain future membership of the Franc Zone. However, the government of the prime minister, Manuel Saturnino da Costa, will have to make a tremendous effort to turn around the country's political and economic performance in order to take full advantage of such international exposure. The prime minister continues to face fierce criticism at home, with frequent opposition appeals for his resignation, while on the economic front there seems to be little progress in achieving stability and a balanced budget.

While the outcome of the recent visits to Bissau by the World Bank and the IMF are not fully known yet, the economy is clearly undergoing a crisis. The government, by its own admission, has far exceeded its expenditure targets, inflation is on the rise and, despite the September increase in minimum wages, the purchasing power of most Guineans continues to decline. The Bretton Woods institutions are likely to remind the government to get its economic policy back on track. For that purpose, the IMF may well hold back further disbursements of its current Enhanced Structural Adjustment Facility (ESAF), and this would affect the other donors' willingness to concede aid money. However, Guinea-Bissau's government not only needs to improve its policy implementation to guarantee funding, it also requires a good record to be admitted to the Franc Zone.

—and a giant neighbour continues to pose a security threat

Meanwhile, the disparity between official friendly relations between Guinea-Bissau and Senegal and the continued loss of life and insecurity on the border remains a prominent question in the minds of Guineans. In its 1995 session the Assembleia Nacional Popular (parliament) overwhelmingly approved the creation of an independent commission of inquiry to look into the sporadic attacks and kidnappings of Guinean nationals by Senegalese forces, who maintain that their incursions are directed against Casamance separatists. In the past few months, high-ranking officials from both sides of the border have exchanged visits and have intensified political and military cooperation. Although the commission has not yet concluded its investigations on the matter, some members of the opposition charge that, in the long run, the government's silence on this issue will harm stability in the country and the region as a whole.

Review

The political scene

Mr Vieira hints at a possible government reshuffle—

In a speech on November 14, on the occasion of the anniversary of the coup d'état that brought him to power 15 years ago, the president, Joao Bernardo Vieira, was very critical of opposition parties who in his view undermine political stability by their frequent protests against the government. Mr Vieira also mentioned the possibility of a minor government reshuffle but gave no significant details. The intention to reshuffle the government was met with silence by his prime minister, Manuel Saturnino da Costa. However, given the poor record of the current government, especially with regard to economic policy, a reshuffle is conceivable and may well bring in members of the previous administration who oversaw a successful economic stabilisation policy.

—following protests from opposition parties

That the government is under heavy attack was visible a few weeks earlier when the former opposition presidential candidate, Kumba Yala, leader of the Partido da Renovacao Social (PRS), organised a public demonstration which went ahead despite a prohibition by the Ministry of the Interior. The demonstration was held in protest at the deterioration of the country's economy and living conditions. There were no incidents during the event which was supported by other opposition parties and Guinea-Bissau's Human Rights League. In his speech before the demonstrators, Mr Yala charged the government with incompetence which, he said, had caused the economic crisis in the country. He also called for the dissolution of the parliament elected in 1994 in the country's first multiparty elections. A few days later the main opposition group, Resistencia da Guinea-Bissau-Movimento Bafata (RGB-MB), called a peace march against hunger and misery. The march, according to the secretary of the party, Helder Vaz, was intended to "denounce the poor leadership of the prime minister which had plunged the country into an acute crisis".

A new opposition forum is created

RGB-MB announced later that it would withdraw from the forum which served as an umbrella to all opposition parties in the run-up to the 1994 multiparty elections. Justifying its withdrawal, the RGB-MB alleged that the forum was riddled with controversy, tribalism and other ills. The party also refused to participate in a new opposition grouping, the Cimeira da Oposicao (CIMO), which was formed in October and operates as a forum for consultations among the Frente Democrata Social (FDS), the Liga de Proteccao Ecologica (LIPE), the newly formed Partido Social Democrata (PSD), the Partido Unido Social Democrata (PUSD), the Frente de Luta para a Independencia Nacional da Guine (FLING), and the Partido para a Renovacao Social (PRS).

This disunity among the opposition continues to weaken its position vis-à-vis the government. Moreover, the FDS is currently experiencing serious divisions. The party's leadership, with the exception of its president, Rafael Barbosa, had joined the recently formed Uniao para a Mudanca (UM), which currently holds four parliamentary seats; but Mr Barbosa has taken legal action against some FDS members in an effort to halt the fragmentation of the party.

Border incidents continue to trouble the country—

Border incidents continued throughout 1995 involving attacks by the Senegalese army on Casamance separatists which spill over into Guinea-Bissau. On October 24, as a result of intense shelling of rebel positions by the Senegalese forces, several Guineans were injured. The attack occurred despite the cooperation agreement signed in September by the interior ministers of Senegal and Guinea-Bissau in the area of defence and security (4th quarter 1995, page 31). In the document both countries had stated their willingness to hold regular and spontaneous meetings between their respective border officials to discuss security issues. Following the attack the Assembleia Nacional Popular approved the creation of a commission of inquiry to investigate the cause of the incidents.

Guinea-Bissau currently hosts about 25,000 refugees mainly from the troubled Casamance region. In November the Senegalese army donated more than half a dozen military vehicles to the Guinean army. While official bilateral cooperation appears to be improving, opposition parties charge that the Guinean authorities are failing to protect Guinean nationals from random attacks and kidnappings by members of the Senegalese army in the southern border region.

—prompting a state visit to Senegal

The prime minister, Manuel Saturnino da Costa, travelled to Senegal in November and stated that Guinea-Bissau was opposed to the independence of Casamance and wished to seek peace in the region, which is in the south of Senegal and has been subject to more than 13 years of struggle for independence. During a three-day visit designed to strengthen cooperation between the two countries. Mr Costa met his Senegalese counterpart, Habib Thiam, as well as the Senegalese president, Abdou Diouf. Mr Costa pointed out that the guerrilla warfare along the border between the two countries prevents farmers in the region from working the fields. A joint communiqué was issued by the two governments and addressed a number of questions regarding defence, public security, circulation of goods and people, fishery, agriculture and transport.

In October 1995, while on a private visit to Senegal, President Vieira denied allegations by the Senegalese press that members of Guinea-Bissau's army were supporting Casamance separatists.

Constitutional amendment on local elections is passed

On December 1 the Assembleia Nacional Popular adopted Chapter 6 of the constitution defining local government powers. This prepares the ground for the drafting of laws regulating local elections. The first multiparty local elections are due to be held this year.

Naval officers are accused of negligence

Eight naval officers were tried in September for negligence in allowing a fire to spread on a patrol boat in the port of Bissau in August 1994. One of the accused was the commander of the navy, Caetano Fernandes. Also implicated were his chief of staff, Feliciano Gomes, and six lieutenants who had been suspended in the aftermath of the event. A commission established to look into the incident found the officers responsible for the fire and the destruction of the boat, which had not been in service for more than two years but contained valuable military equipment. Since the boat's destruction, Guinea-Bissau's navy, composed of 500 men, has had only two boats, which are often out of service, to patrol the entire coastline.

The school year is delayed

Administrative problems led to a delay in the beginning of the school year, with some schools not even having published the results of the previous year's exams in October, while others decided to raise the enrolment fees. The publication of results was delayed because of the teachers' demands for payment of salary arrears which in some cases went back to 1992. According to the head of the teachers' union the government should not have set a date for the beginning of the new school year until all the results had been published. The previous school years started in October and ended in July.

Independent radio stations are slowly coming to life—

A new private radio station, Bumbulon FM, began broadcasting in December, increasing the number of local private stations to three. The new radio station is owned by Angelo Regala, a former information minister and currently a senior member of the opposition UM. Another station, Radio Pinjiguiti, had begun broadcasting earlier in FM (4th quarter 1995, page 32), in addition to the two international radio stations, Radiodifusao Portuguesa (RDP) and Radio France internationale (RFI). Until last year the only radio station transmitting in FM was the Radio Difusao Nacional (RDN). According to official sources, three other radio stations (one Catholic, one community and one commercial) will go on air in the coming months.

—but RTP displeased the government

Bissau also receives daily television broadcasts from Portugal, Radio Televisao Portuguesa (RTP). The presence of RTP in Bissau was threatened in December when the government ordered the TV channel to suspend its service following the broadcast of a documentary on Guinea-Bissau which the authorities deemed "offensive to Guineans". The documentary was part of a series of reports on Angola, Mozambique, Guinea-Bissau, Cape Verde and Sao Tome and Principe in commemoration of the twentieth anniversary of their independence from Portugal. As a result, RTP suspended its satellite broadcasts to Guinea-Bissau for a day. It is not yet clear how the incident will impact on relations with Portugal, to which Mr Vieira is due to pay an official visit in January.

Guinea-Bissau settles its OAU debt with the help of Taiwan

In November Guinea-Bissau was admitted as a non-permanent member of the Security Council of the UN for a two-year period. In early December the Organisation of African Unity (OAU) threatened Guinea-Bissau, along with other country debtors, with expulsion unless the country's (undisclosed) debt was paid promptly. Reliable sources indicated that Guinea-Bissau's debt with the OAU was promptly paid in full by Taiwan.

In October the prime minister visited Taiwan on a six-day official trip intended to strengthen ties between the two nations which have enjoyed good relations for over ten years. Among the projects financed by Taiwan in Guinea-Bissau are the construction of a motorway, housing for civil servants and assistance with the regional hospital of Canchungo, north of Bissau. Mr Costa was accompanied by the minister for planning and cooperation, the minister of communications and parliamentary affairs and the minister of trade.

The economy

World Bank and IMF missions visit

In December officials from the World Bank and the IMF conducted separate missions to Guinea-Bissau. The World Bank team organised a workshop in Bissau attended by 52 government officials, representatives of non-governmental organisations (NGOs) and opposition parties, religious bodies, and the private sector. The aim of the workshop was to create a forum for the expression of opinions concerning development and the future role of the World Bank. According to a World Bank official, five main areas were identified by the participants as needing special attention from the Bank: education, infrastructure, health, agriculture, and government accountability. A major area of debate was the participants' desire for decentralisation of government and the diversion of resources away from the capital city, Bissau. Another request was for increased participation in the decision-making process by the different members of the society. The World Bank initiative was backed by the ongoing work of a steering committee of the Instituto Nacional de Pesquisas (INEP), which is sponsored by the planning and cooperation ministry in conjunction with the UN Development Programme (UNDP). The INEP steering committee is analysing different ways to promote local policies to combat underdevelopment. The idea of channelling money from international organisations through locally conceived projects was initially discussed at a UNDP conference held in Maastricht, Netherlands, in 1994 when several countries, among them Guinea-Bissau, were chosen for pilot programmes. The World Bank's visit was also part of the preparation of its bi-annual report on Guinea-Bissau.

Shortly before the departure of the World Bank officials, an IMF team arrived in Bissau to conduct an evaluation of the implementation of the Enhanced Structural Adjustment Facility (ESAF) which began in 1994 for a three-year period. Both the World Bank and the IMF are expected to finalise their reports early in 1996.

Guinea-Bissau applies to UEMOA

In November Guinea-Bissau formally applied for admission to the Union économique et monétaire ouest-africaine (UEMOA, the monetary authority for the West African area of the Franc Zone). Membership of UEMOA would impose economic policy discipline and help the country maintain monetary and currency stability (4th quarter 1995, page 30). A full review of the country's monetary policies is currently under way in Guinea-Bissau in order for the necessary adjustments to be made to the national budget, balance of payments and human resources.

Inflation is on the rise

The level of inflation (year on year), which in previous months has been hovering above 50%, went down to 40% in October but then jumped to 59% in December. During the same period in 1994, the rate of inflation was 15%. The December jump is the rate of increase of the price level was part-fuelled by a 23% rise in fuel prices decided on October 9 by the government, which announced at the same time a 50% increase in the minimum civil-service salary (see below). The increase in the price of fuel has provoked immediate civil unrest. Taxi drivers went on strike on October 10 for 40 hours and demonstrated in Bissau, erecting barricades in the streets. The demonstration was broken up by police using tear gas. Higher prices were also introduced for basic consumer goods, notably rice, a staple food, for which the price of a 50-kg bag went up by 53% (from P425,000 ($23) to P650,000) in October. However, in December the government managed to import rice at a good rate; this, together with a substantial reduction in duties, meant that consumers were offered imported rice at P500,000 per bag.

Civil service minimum salary is increased

Also in response to the spiralling inflation the government decided to increase retroactively minimum civil service salaries by 50% from a monthly P300,000 to P450,000, with effect from September 1. This followed the 100% increase introduced in April (3rd quarter 1995, page 30). However, the director-general of the civil service remarked that the new rise in salary levels did not actually increase the current purchasing power of workers. The decision was reached after several rounds of talks between the government and the Uniao Nacional dos Trabalhadores da Guine, the country's main union. A further increase in salaries is being proposed by the Assembleia Nacional Popular; and the debate over a rise in minimum wages for the civil service is expected to take place in the assembly as part of the deliberations of the new budget early in 1996.

EAGB is to be French-managed

Société Lysa, a subsidiary of Lyonnaise des eaux, has been chosen to co-manage the Electricidade e Agua de Guinea-Bissau (EAGB, the electricity and water company). Signed at the end of September, the contract is for a period of 22 months and is funded by the World Bank. France had already financed a previous contract in 1991-95. According to the French company the funding for the project, which amounts to $2.5m, was agreed within the framework of the $8m World Bank funding of Guinea-Bissau's energy programme.

Japan aids the fishery sector—

A recent visit to Japan by Guinea-Bissau's minister for fisheries, Artur Silva, led to aid pledges of $4.5m towards the purchase of Japanese equipment and materials to aid the country's fishing industry. The materials are scheduled to arrive in Bissau before February 1996. This was the second such donation in 1995 by Japan. The first, amounting to $5m, was made in March 1995.

With its 220 km of mangrove coast and a continental shelf 160 km wide, Guinea-Bissau's fishing resources are vast. So far, the government, lacking the capital to expand the fishing industry, has relied on small-scale fishing and giving licences to foreign companies. The current fleet consists of more than 500 boats, very few of which are motorised, and local fishing contributes only about 3,500 tons of fish per year. Also the license system for foreign companies leaves much room for expansion and exploitation. During 1991-93 revenue raised from licences granted by the government to foreign companies did not exceed £22m per year. The low level of this revenue indicates a lack of oversight over the licences to fish in Guinea-Bissau waters, which could potentially make up almost a third of government revenue.

—while France funds a health project

Recently France disbursed FFr15m ($25m) in aid to finance a health project in Guinea-Bissau. The agreement was signed in Bissau by the minister of planning and cooperation, Aristides Gomes, and the French ambassador. The financing package will allow improvement of sanitary conditions at the Mansoa hospital, north of Bissau. The other principal donor countries in the area of health care are Portugal, Sweden and the USA.

Political structure: Cape Verde

Official name: Republica de Cabo Verde

Form of state: unitary republic

Legal system: based on the new constitution adopted in September 1992

National legislature: Assembleia Nacional Popular; 66 deputies are elected domestically by universal suffrage under a system of proportional representation and six are elected by Cape Verdeans living abroad under a first-past-the-post system (two deputies each for Africa, the Americas and the rest of the world)—all serve a five-year term

Last elections: December 17, 1995 (legislative); February 18, 1991 (presidential)

Next elections due: December 2000 (legislative); February 18, 1996 (presidential)

Head of state: president, currently Antonio Mascarenhas Monteiro, elected for a term of five years by universal suffrage

National government: the prime minister and his appointed Council of Ministers (last reshuffle December 1995)

Main political parties: five political parties are registered. Movimento para a Democracia (MPD) is the ruling party; Partido Africano da Independencia de Cabo Verde (PAICV), Uniao Caboverdiana Independente e Democratica (UCID), Partido Social Democratico (PSD) and Partido da Convergencia Democratica (PCD) are the opposition parties

Prime minister	Carlos Alberto Wahnon de Carvalho Veiga
Key ministers	
agriculture	Jose Antonio Pinto Monteiro
defence	Ulpio Fernandes
economic coordination	Antonio Gualberto do Rosario
education & sports	Ondina Ferreira
employment, youth & social welfare	Joao Antonio dos Reis
foreign affairs	Jose Tomas Veiga
health	Joao Medina
infrastructure & transport	Teofilo Figueiredo Silva
justice	Pedro Monteiro Freire
maritime affairs	Helena Semedo
Governor of the Banco de Cabo Verde	Amaro Alexandre da Luz

Economic structure: Cape Verde

Latest available figures

Economic indicators	1991	1992	1993	1994	1995
GDP at market prices CVEsc bn	20.6	22.6	24.9[a]	n/a	n/a
Real GDP growth %	4.9	3.4	4.0[a]	4.6[a]	n/a
Consumer price inflation %	10.0	2.7	6.2	5.0[b]	n/a
Population '000	350	360	370	380	390[b]
Exports fob $ m	4.1	4.4	n/a	n/a	n/a
Imports cif $ m	146.6	179.9	n/a	n/a	n/a
Current account $ m	–7.9	–3.6	n/a	n/a	n/a
Reserves excl gold $ m	65.1	75.8	57.7	42.1	38.6[c]
Total external debt $ m	147.2	151.5	157.5	n/a	n/a
External debt-service ratio %	7.5	10.0	4.7	n/a	n/a
Exchange rate (av) CVEsc:$	71.41	68.02	80.43	81.9	76.8[d]

December 29, 1995 CVEsc83:$1

Origins of gross domestic product 1993[a]	% of total
Agriculture	14.5
Industry	17.2
Services	81.0
GDP at factor cost[e]	**100.0**

Components of gross domestic product 1993[a]	% of total
Private consumption	80.3
Government consumption	18.5
Gross domestic investment	44.6
Exports of goods & services	15.7
Imports of goods & services	–59.0
GDP at market prices	**100.0**

Principal exports1992[af]	$ m
Non fuel primary products	4.2
Fuels	0.1
Manufactures	0.1

Principal imports 1992[af]	$ m
Manufactures	86.3
Non fuel primary products	86.2
Fuels	16.9

Main destinations of exports 1994[g]	% of total
Portugal	50.0
Spain	16.7
UK	16.7

Main origins of imports 1994[g]	% of total
Portugal	37.3
France	14.5
Netherlands	6.6
Côte d'Ivoire	5.4

[a] Official estimates. [b] EIU estimate. [c] July. [d] June. [e] Components add to more than total in the original source. [f] From source different from above. [g] Derived from partners' trade returns, subject to a wide margin of error.

Cape Verde

Outlook

The reform process will pick up speed

The electorate's overwhelming support for the Movimento para a Democracia (MPD) at the legislative elections in December was a rubber stamp for the government's economic and social policies to date and will probably quicken the pace of reform and development. The government's programme is designed to entice investment from abroad and focuses on privatisation and the extension of infrastructure, helped by foreign aid. Foreigners who have been considering investment in Cape Verde and who were awaiting the election results are now likely to go ahead with their plans. The opposition, although in favour of investment and private sector development, is opposing the involvement of foreigners who are not descendants of Cape Verdeans. Several privatisations are likely to take place in the course of 1996, the first being the partial sale of the Banco Comercial do Atlantico and the Caixa Economica de Cabo Verde, both of which act as commercial and development banks. The national airline, Transportes Aereos de Cabo Verde (TACV), will also be up for sale, as will be all the state's shareholdings in various hotels.

Opposition parties will now look to the local elections

The MPD's convincing victory is also likely to set the tone for the local elections due to be held on January 26, 1996. Progress on decentralisation throughout 1995 (4th quarter 1995, page 39), should further bolster the MPD's standing. However, the Parido Africano da Independencia de Cabo Verde (PAICV) and the other three political parties, who (apart from the Partido da Convergencia Democratica, PCD) currently have no seats in the Assembleia Nacional (parliament), will be looking to the local elections to regain some ground and a voice.

Mr Mascarenhas is to be confirmed in the February election

On December 20, the last day for candidates for the presidency to come forward, the incumbent, Antonio Mascarenhas Monteiro, declared that he would stand again for the post in the February 18 elections. The MPD had already announced that it would support Mr Mascarenhas. As no other candidate came forward, Mr Mascarenhas will enter the polls uncontested and gain another five years in office. There had been some speculation that if the PAICV had been more successful at the legislative elections, the former prime minister, Pedro Pires, would have stood in the presidential contest.

Review

The political scene

The MPD gains an overall majority of votes—

MPD: Movimento para a Democracia
PAICV: Partido Africano da Independencia de Cabo Verde
PCD: Partido da Convergencia Democratica

In the legislative elections of December 17 the ruling MPD gained the absolute majority of votes cast. Despite expectations that the MPD might suffer electoral losses due to the unpopularity of some of its economic policies, the party won overwhelming support for its programme. After the first multiparty elections of January 1991, some had argued that the MPD managed to secure its two-thirds majority because only two parties had contested that poll and because it could capitalise on the unpopularity of the PAICV, the former single party. However, the MPD has now shown that it has real support among the population. It has thus consolidated its position and will press ahead with renewed courage with its open market policies, promoting investment and privatising the remainder of the public enterprises under the scheme supported by the World Bank.

The election results also rule out the possibility of a coalition government, which was expected by many to be the outcome. In fact, during an electoral rally, the prime minister, Carlos Alberto Wahnon de Carvalho Veiga, had announced that he would resign should his party not obtain an absolute majority, as he rejected a coalition government as an arrangement that would bring instability to Cape Verde and frequent new elections. The new government, announced on December 29, looks very much like the previous one, with all key ministers confirmed in their positions (see Political structure).

The MPD received 59% of the votes cast, the PAICV 28%, and the PCD 6%, with the smaller parties making up the rest. Of the electorate of about 190,000, only 20-30% abstained; the turnout therefore was higher than in Cape Verde's first multiparty elections in January 1991. Besides gaining the majority of votes in the Praia, Santa Catarina (Santiago Island) and Santo Antao island districts, the MPD also took eight of the eleven seats on Sao Vicente island. Surprisingly, the MPD also gained ground in the PAICV strongholds of Fogo and Boa Vista islands.

—and of seats in the parliament

The MPD won 50 of the 72 seats (reduced from 79) in the Assembleia Nacional (parliament), with the PAICV gaining 21 and the PCD one. None of the other parties managed to obtain a seat. While it is not surprising that the party of the country's first democratic government and the former single party came out strongest in the electoral contest, it was unexpected that the PCD should make such a poor showing. The party, formed in 1994 by MPD dissidents, rapidly developed into the third most important party and was confident of election success.

Some complaints of electoral procedures emerge

The Comissao Nacional de Eleicoes (CNE, the national electoral committee) received complaints from each of the political parties accusing the others of small-scale electoral fraud before the election. However, despite calls, led by the PAICV, for international observers, the CNE decided that the unimportance of the accusations did not warrant outside monitors; and it later declared its satisfaction with the peaceful manner in which the polls had been conducted.

A highly contested policy issue during the election campaign was the government's privatisation of Cabo Verde Telecom in October (see The economy). The MPD argued that the opposition's resistance to the sale of national assets to foreigners was not justified as the sale would place $20m of foreign exchange in the state coffers and as the buyer, Portugal Telecom, was committed to spend $90m to improve and expand the level of service dramatically and thus not only benefit the population but also save the government a considerable sum of money.

The cholera epidemic appears to be under control

One year after the outbreak of the cholera epidemic in Cape Verde, new infections are on the decline. The number of new cases began to fall significantly in the middle of September when a decrease of almost 30% was registered on the preceding month. By the last week of October a total of 11,757 cases had been recorded—with 244 deaths— since the epidemic's outbreak in November 1994. Although the government refused to call a state of emergency, a large amount of foreign assistance has flowed in to combat the problem (4th quarter 1995, page 40). Notably, the European Union (EU) agreed to make available Ecu200,000 ($260,000) for an integrated plan consisting of a health information campaign, sanitation improvements and the vaccination of 200,000 people. Doctors are quietly confident that the worst is now over but warn against complacency.

Lusophone connections are cultivated—

The heads of state of the five lusophone African nations and of Gabon met in Sao Tome in mid-September to show their solidarity with the country's democratically elected president, Miguel Trovoada, and his coalition government which had been deposed for one week in mid-August by a military coup. Mr Mascarenhas had immediately condemned the coup as anti-democratic, as did many other world statesmen and aid organisations.

The lusophone ties were further enhanced when Guinea-Bissau's prime minister, Manuel Saturnino da Costa, paid an official visit to Cape Verde at the end of September. A cooperation agreement was signed on the development of fishing and agriculture. Relations between Cape Verde and Guinea-Bissau have recovered well from the break in the aftermath of the 1981 military coup which saw the removal of the Guinean president, Luis Cabral, and triggered Cape Verde's declaration that it would no longer aim for unification with the neighbour.

—while the foreign minister builds ties overseas

Cape Verde's foreign minister, Jose Tomas Veiga, kept a busy agenda over the past quarter in his attempt to cultivate diplomatic relations overseas. After a two-day visit to Cuba in September (4th quarter 1995, page 41) he went to Sweden in early October to inaugurate a consulate and from there to Cartagena in Colombia to participate at a seminar of the 48 non-aligned nations. The seminar was convened in order to draw up a new pact for the non-aligned countries which was viewed as necessary with the ending of the cold war. Mr Veiga went straight from Cartagena to New York to attend the UN's 50th anniversary celebration together with President Mascarenhas. A trip to Singapore was then made with a view to opening a consulate to cover that region. Cape Verde had opened a consulate in Hong Kong in May 1993 with the intention of attracting foreign investment, particularly in the light manufacturing sector, and has so far attained a reasonable degree of success.

More drugs are seized

Drug trafficking through Cape Verde still appears to continue unabated (4th quarter 1995, page 41). A woman of Cameroonian origin arriving from Rio de Janeiro stopped at Sal airport was found to be carrying 5.75 kg of cocaine as well as $7,850 in cash.

The economy

Cabo Verde Telecom is privatised

Portugal Telecom International (PTI), which bid $20m, was the only company to tender for the 40% stake in Cabo Verde Telecom (CVT), privatised in October (4th quarter 1995, page 41). PTI plans to inject $90m between now and the year 2000 to expand the network from the current 19,000 lines to 55,000, linking it also with the future submarine cable Cabo Cabral, and to provide cellular phone and paging facilities for business users. CVT and Angola Telecom are expected soon to join Africanet, a consortium of Portuguese, Brazilian and African telecommunications operators. Africanet will offer a common interface for data communications and electronic mailing, thus considerably reducing communication costs to businesses.

Portuguese banks open branches in Praia

The Portuguese bank Banco Totta e Acores (BTA), which opened an office in Praia in March 1995, has been given government permission to open a branch in the capital as well in December. BTA also plans to establish a branch in Mindelo in 1996. Portugal's Banco Nacional Ultramarino (BNU) is following a similar line as BTA and also recently opened an office in Praia (3rd quarter 1995, page 41) which it intends to turn into a branch. BTA and BNU will be the first two foreign banks to set up branches in Cape Verde following the introduction of new banking legislation in 1993, that also paved the way for the creation of the Banco Comercial do Atlantico (BCA). BCA, which operates as a commercial and development bank together with the Caixa Economica de Cabo Verde, is slated for privatisation in 1996, and the BNU has expressed an interest in buying BCA shares.

The entrance of these two Portuguese banks into the Cape Verdean financial sector offers an increasing level of available credit lines through Portugal and will doubtless lead to further investment and imports from Portugal, particularly through Cape Verdean emigrants resident in or returning from Portugal.

The first venture capital company opens

Cape Verde's first venture capital company, Promotora, was scheduled to start operating in December 1995. Promotora has a social capital of CVEsc400m ($4.8m) with equity held by the state, the Banco Comercial do Atlantico, the insurance firm Garantia and the Instituto Nacional de Providencia Social (the national social welfare institute). Promotora will be making funds available for investment in Cape Verdean businesses and will offer local entrepreneurs the opportunity to enter into joint ventures with foreign partners.

The administration of the state financial sector is improved

Since June the Treasury has operated its accounts directly through the Banco de Cabo Verde (the central bank), enabling it to obtain a daily balance on its accounts. Previously, a more complex and less versatile system of accounting had been used. With the help of the World Bank, the government has introduced several new schemes to improve the administration of the state financial sector: from January 1996 the *imposto unico* (single tax) will replace the *imposto* *profissional* (income tax) and *imposto complementario* (complementary tax), thus unifying the collection of the tax under one system; furthermore, an on-line computerised system for the State fiscal sector has been introduced and three-year training course for employees are offered.

The authorisation to issue government bonds has also been extended from only banks and insurance firms to businesses and the public in general since November. The issuing of bonds is seen by the government as a means of aiding public expenditure and investment, especially at times when extra funds are needed short-term, and as a means to finance fiscal spending without inflationary consequences.

Maritime agreements are signed

The Cape Verdean minister for maritime affairs, Helena Semedo, chaired a meeting of the Association for the Management of West and Central African Ports in Praia in July. Representatives of ports situated in Benin, Cameroon, Cape Verde, Côte d'Ivoire, The Gambia, Guinea-Bissau, Guinea, Liberia, Senegal and Sierra-Leone discussed the pros and cons of privatising ports and the establishment of a specialist training centre for mechanics funded by a port tax.

In September and November Mrs Semedo signed agreements with Angola and Mauritania for cooperation in the development of the fishing sector. In particular, the agreements cover the sharing of research facilities and are designed to encourage private joint ventures between Cape Verdean businesses and the two African countries. A similar agreement was signed with Guinea-Bissau in September.

TACV is spreading its wings—

In October Transportes Aereos de Cabo Verde (TACV), the Cape Verdean national airline, concluded a $2.5m lease agreement for a Boeing 757-200 which will begin operating in April 1996. The 185-seater is the first large aircraft to enter the airline's fleet which up to now has used two ATR-42, two HS748 and two Twin Otter, none of them with more than 45 seats. TACV, which is slated for privatisation this year, has operated flights to Europe for several years, but has chartered aircraft from other airlines such as Linhas Aereas de Mocambique (LAM) and Air Holland to fulfil its requirements. The airline will use the new craft for its regular flights to Lisbon, Amsterdam and Frankfurt and will now expand its service to Paris, Boston and Milan.

TACV will continue to use its two ATR-42, acquired in December 1994, for its connections from Praia to Dakar (Senegal), and has also begun operating weekly flights to Banjul (The Gambia) and Bissau (Guinea-Bissau).

—and targets German and Spanish tourists

Fifteen representatives of German tour operator companies and travel industry publishers toured the islands in early October as guests of TACV. In late October seven Spanish tour operator representatives were also invited by TACV to discover Cape Verde. Both sets of representatives expressed their strong belief that the archipelago offers much tourism potential and will promote it in their respective markets. TACV recently began flights to Frankfurt and is considering operating a flight to Las Palmas.

The National Tourism Board merges with PROMEX

In an effort to cut spending and reduce work duplication, the Centro de Promocao de Investimento e das Exportacoes (PROMEX), a government investment promotion agency, has merged with the Instituto Nacional do Turismo

(INATUR), the national tourism board. INATUR was officially closed down in October and now formally becomes the Department for Tourism within the newly named Centro de Promocao Turistico, de Investimento e das Exportacoes (which remains known as PROMEX).

The EU attends a conference on renewable energy

Local and European technicians attended a two-day conference in Praia in early November titled "Renewable Energies—Promotion of European Technology in Cape Verde". The conference was attended by the European Commission's Director-General for Energy, Pedro de Sampaio Nunes, who is leading the Thermie Programme which is researching methods of producing energy from non-combustible sources. Cape Verde has undertaken numerous schemes for providing renewable energy since 1975, such as using solar power to operate water pumps on various islands, and, since late 1994, wind power farms at Praia, Sal and Mindelo have supplied over 10% of local residential electricity demand. Fogo Island, with its volcano which last erupted in April 1995, has now been identified as suitable for the adoption of a geothermal power station. The World Bank has also been assisting the government in drawing up a strategic plan for the development of renewable energy sources, including legislation.

Cape Verde's electricity demands are rising rapidly with a growing urban population and an expanding light industrial sector which both demand water that is increasingly supplied through desalination plants. A continued total reliance on diesel oil and gas for electricity production would severely hinder Cape Verde's chances for economic development.

EU ambassadors pledge their aid will not fall—

Nine ambassadors from European Union (EU) member countries (Austria, Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, UK) met in Praia for five days during November. Seven of the ambassadors are resident in Dakar (Senegal), being also assigned to Cape Verde; Portugal and France are the only EU members with embassies in Cape Verde. This was the first time such an extensive meeting of EU ambassadors has taken place in Cape Verde and comes after the ratification in Mauritius in early November of phase two of the Lomé IV agreement which sets the level of aid distributed to African, Caribbean and Pacific (ACP) countries by the EU for the next five years (1996-2000).

The EU ambassadors dispelled worries that EU multilateral and bilateral aid to Cape Verde may now be reduced, as EU aid funds are thought likely to be directed away from ACP countries and into Eastern European countries. Under phase two of the Lomé IV agreement, total multilateral aid available to ACP countries has actually been increased from Ecu12bn ($15.6bn) in the preceding five years to almost Ecu15bn. At a ceremony inaugurating a new secondary school funded by the EU in Praia, the ambassadors said that EU aid to Cape Verde will not be cut from its present level and expressed their satisfaction with EU development projects undertaken so far. The EU is the biggest provider of aid to Cape Verde.

—but worries persist over IDA loans

The call made by the US Congress to reduce the level of US contribution to the International Development Association (IDA), the World Bank's soft-loan window, by nearly 50% to $775m has caused alarm. The USA usually supplies around 20% of the IDA's funds.

Franc Zone news

Presidential discord dogs Mr Chirac's whirlwind tour

The "banalisation" of France's relations with its former colonies in the Franc Zone has continued throughout the quarter, despite the high-profile visit to selected zone capitals by the French president, Jacques Chirac, in July. One clear sign that some zone leaders remain unhappy with France's post-devaluation policies came with the refusal of the Malian president, Alpha Oumar Konaré, to travel to Dakar to meet his French counterpart, on the grounds that the choice of venue for the encounter symbolised a "hierarchisation" of different zone countries. Mr Konaré, a historian, is an anti-Gaullist politician with a distaste for the network politics Mr Chirac revels in on the African continent. Bamako's refusal articulated an increasingly common feeling in the post-devaluation era; that France has forfeited its moral authority and can no longer expect Africans to come running when summoned.

The Ministry of Cooperation is downgraded—

The attachment of the Ministry of Cooperation, headed by Jacques Godfrain, to the Quai d'Orsay was one of the recommendations of a report commissioned from a parliamentary deputy, Jean-Paul Fuchs, the conclusions of which became public in the days leading up to Mr Chirac's election in May. Mr Godfrain appears to have rather less leeway in Africa than his recent predecessors, and a 10 % reduction in the ministry's budget comes at a time when the ministry has had its African field enlarged to include the rest of the African, Caribbean and Pacific (ACP) countries covered by the EU's Lomé arrangements. On August 31 France's foreign affairs minister, Hervé de Charette, referred to the "fusion" of the cooperation ministry with the Quai. Mr Godfrain's response, in the Paris-based fortnightly *Jeune Afrique*, was to stonewall while maintaining that his ministry would remain an essential meeting place for African leaders.

—and its future remains uncertain—

The new government formed at the start of November by the prime minister, Alain Juppé, has taken the reduction of France's budget deficit as its top priority, so further radical restructuring, driven by Treasury hawks, may be on the cards. (The Ministry of Finance already controls 85% of France's bilateral development aid budget.) Against this, Mr Godfrain is reportedly angling for control over structural adjustment credits and the disbursement policy of the Caisse française de développement (CFD, the French state development bank), which currently answers to the Treasury. If he were to be successful, this would more than make up for the ministry's loss of autonomy in sub-Saharan Africa. However, Franc Zone leaders are no longer under the impression that Mr Godfrain is "their" minister.

—as the ambiguities persist

Despite the changes, old-style neo-Gaullists remain in a position of strength where political and military questions are concerned. Africa is one of the platforms for France to claim great power status. Where development policy and economics are concerned, Mr Juppé and the modernisers have won a victory in the campaign that began well before the devaluation, under another element of the Balladur doctrine which pursues France's political and economic advantage with little distinction between francophone and anglophone countries. Mr Chirac will continue to point in both directions. While arguing that the Balladur doctrine must be implemented with both honesty and humanity, and stressing in public that he regards the G7's diminution of development aid to sub-Saharan Africa as "madness" in an increasingly unstable world, he will be aware that France's European partners, especially Germany and the UK, are exasperated with what they see as Paris' domination of the unwieldy European Development Fund.

The CFD seeks to boost its project lending—

Antoine Pouillette, the new managing director of the CFD, is anxious to increase the share of project aid at the expense of structural adjustment support. Before and in the aftermath of the devaluation of the CFA franc in January 1994, the CFD devoted most of its resources in the zone to adjustment support, which has tended to mean paying civil servants' salaries and reducing government's domestic arrears. This pattern continued into 1994 when 64% of CFD commitments in the zone took the form of adjustment loans and grants. As economic recovery continues, which seems a reasonable assumption at least in the West African subregion of the zone, the CFD hopes to boost its project aid and has an additional FFr1.5bn ($310m) to commit to the zone for this purpose in 1995. The CFD claimed in its annual report, released in early July, that real GDP growth across the zone stood at 2% in 1994 and that it expected that figure to increase to 4% in 1995, above the rate of population increase.

CFD commitments to the Franc Zone, 1994

(FFr m)

Structural adjustment support	3,345
of which:	
West Africa	1,885
Central Africa	1,436
Project aid	1,879
of which:	
West Africa	1,088
Central Africa	780
Total	**5,224**

Source: *Marchés tropicaux et méditerranéens.*

—and appoints some new faces

Prior to a thorough review of the cooperation ministry, in mid-September Mr Pouillette introduced changes among the CFD's senior personnel, which have tended to strengthen his authority. Alain Vizzavona is the new deputy managing director, a new post which brings responsibility for finance, human resources, communications and administration in the absence of Mr Pouillette. Two new assistant directors, Dov-Michel Zerah and Pierre Buchaillard, report to Mr Vizzavona.

The zone contained salary spending in 1994—

Following provisional aggregate budgetary data for the zone issued in July by the Ministry of Cooperation, confirmation of the overall picture came in the Franc Zone Secretariat's *Rapport Zone franc, 1994*, published at the end of October. Indeed, figures in the report implied that the ministry's assessment had been unnecessarily pessimistic; where the ministry had estimated an aggregate budget deficit (on a commitments basis) of nearly CFAfr1.69trn ($3.05bn), the secretariat put the figure at CFAfr1.16trn, broadly in line (in CFA franc terms) with pre-devaluation figures. Zone governments kept spending on salaries virtually unchanged, with compensatory salary increases after the devaluation in most countries largely offset by sharp civil-service pay cuts in Cameroon. In the seven countries of the Union économique et monétaire ouest-africaine (UEMOA), the nominal wage bill rose by 10.3%, to CFAfr722.7bn. However, the ministry's estimates on arrears proved over-optimistic. At first thought to have diminished by CFAfr4.24trn, they in fact declined by CFAfr2.38trn ($4.29bn). Aggregate domestic arrears, in particular, fell by only CFAfr213bn across the zone. Overall, 1994's financing requirement was less than earlier projected, at CFAfr3.54trn; much of this was provided for by reschedulings and debt-forgiveness measures.

—but revenue fell in the central subregion

The fiscal performance of the UEMOA countries was far more healthy than that of the troubled Central African subregion; here, non-petroleum fiscal receipts actually declined in CFA franc terms in 1994, largely due to the deepening crisis in Cameroon and the "premature" applications of customs and fiscal reforms across the region, worsened by a sharper contraction in imports (and therefore customs revenue) than expected.

Franc Zone financial operations[a]
(CFAfr bn)

	1992	1993	1994
Total receipts & grants	**2,651.8**	**2,343.6**	**3,277.2**
Domestic receipts	2,409.9	2,150.3	2,806.9
of which:			
non-fiscal petroleum receipts	1,726.4	1,613.7	2,011.8
External grants	238.4	189.4	470.3
Total expenditure	**–3,669.4**	**–3,412.7**	**–4,436.4**
Recurrent expenditure	2,981.4	2,828.5	3,421.6
of which:			
salaries	1,282.3	1,262.2	1,278.5
interest payments	836.7	714.4	1,122.6
Capital & restructuring expenditure	688.0	571.4	1,001.9
Budgetary balance[b]	**–1,017.6**	**–1,069.1**	**–1,159.2**
Change in arrears	381.4	958.6	–2,382.8
Domestic	–85.5	149.2	–212.7
External	466.9	809.4	–2,170.1
Budgetary balance (cash basis)	**–636.2**	**–110.5**	**–3,542.0**
Financing			
Net internal	280.9	154.9	–8.9
Net external	342.0	–37.9	3,545.5
Exceptional financing	13.8	–6.5	5.5
Total receipts (% of GDP)	19.4	17.2	18.0
Budget deficit (% of GDP)[b]	7.4	7.8	6.4

[a] Excluding Comoros. Some components do not sum in original. [b] Commitments basis, including grants.

Source: Secrétariat du comité monétaire de la Zone franc, *La Zone franc, rapport 1994.*

The external sector profited in 1994—

Again according to the Franc Zone report, downward post-devaluation pressure on merchandise imports combined with a rise in the value of commodity exports to strengthen the overall trade balances of the two subregions. UEMOA exports totalled CFAfr2.59trn in 1994, with over half the total contributed by Côte d'Ivoire alone. Although in dollar terms this was slightly down on 1993's total, import compression delivered a positive overall trade balance of CFAfr236.5bn, against a deficit of CFAfr28.3bn the previous year. Among the Central African countries, a similar pattern obtained, with imports sharply constricted by Cameroon's financing difficulties and an overall trade surplus of CFAfr1.4trn, an increase in dollar terms on the 1993 figure. In dollar terms, the structure of trade changed little, but wood exports from Central Africa climbed sharply, which may not have pleased environmentalists and policy officials at the World Bank.

—as French exports retreated—

It is little surprise that the year of the devaluation saw a 17% fall in French exports by value to the zone, to the equivalent of $2.26bn. The French *patronat* was probably pleased that the decline in 1994 was not greater. Full-year figures are not yet available but France probably held its market share of the zone's imports last year. Other than petroleum products and fish/seafood, all main categories of exports to the zone suffered. France posted a trade surplus in 1994 with ten of the 13 West and Central African members of the zone, the exceptions being two oil producers and Côte d'Ivoire. French imports from the zone were virtually unchanged, and the overall surplus contracted from FFr4.46bn in 1993 to FFr1.91bn.

—although French business posts some good results—

The president of the transport and cargo-handling Saga group, Pierre Aïm, while presenting the company's annual report for 1994 in May, noted the healthy contribution made by the African operations. Saga is a part of the consortium that has the concession to manage the Abidjan-Ouagadougou railway, and is competing with Bolloré and others for the management of the Chemin de fer Congo-Océan from Brazzaville to Pointe-Noire. Africa accounted for the greater part of Saga's consolidated profit of FFr43m, and yielded high margins in 1994: revenue from the group's transport activities on the continent amounted to FFr1.2bn, and operating profit to FFr169m. Elf, the French petroleum group privatised in February 1994, has no intention of reducing its exposure to Africa, which accounted for 66% of the company's oil production last year and earns substantial revenue from its refining and distribution activities which the company is expanding. La Source Compagnie Minière, the Australian-French consortium formed in September 1994, has gold-mining interests in Guinea, Senegal and Côte d'Ivoire, and is examining projects in Sudan, Zaire and Eritrea. The devaluation has made the zone attractive to French and other foreign investors by reducing costs in highly labour-intensive areas such as mining.

—and 1995's Prouteau report is cautiously upbeat

The president of the Conseil des investisseurs français en Afrique noire (CIAN), Jean-Pierre Prouteau, released his seventh survey of French business attitudes in Africa—known as the "Prouteau report"—in Abidjan in November. The report is notably more cheerful than the 1994 edition, which reflected the gloom and dissatisfaction of French business in the immediate wake of devaluation. It notes that 24% of France's total exports to the African continent went to the Franc Zone in 1994, although exports by value fell by 26% between 1992 and 1994. According to the analysis of *Marchés tropicaux et méditerranéens*, the report implies that the business picture is considerably brighter in the UEMOA than in the Central African countries, which are still suffering from the political and economic morass affecting Cameroon. Businesses based in the Central African Republic (CAR), Congo and Gabon are optimistic over the prospects for recovery, however. Nonetheless, French business is still markedly cautious. 57% of firms surveyed claimed to have no interest in privatisation processes, and the number of French employees in the zone had dropped by 14%. Only one-third of respondents firmly intended to expand investments. Although 58% of enterprises surveyed expected to remain in profit after tax in 1994, down from 64% in 1993, 74% expressed confidence in profitability in 1995.

Merchandise exports from the Central African Franc Zone
(CFAfr bn)

	1992	1993	1994
Crops	118.3	86.0	159.2
Mining products	1,091.3	1,053.9	1,830.1
of which:			
petroleum	1,020.0	982.3	1,710.6
Wood	138.0	163.7	437.9
Total incl others	**1,554.8**	**1,497.1**	**2,711.2**

Source: Secrétariat du comité monétaire de la Zone franc, *La Zone franc, rapport 1994.*

French trade balances with Franc Zone members
(FFr m)

	1993	1994
Senegal	1,397	993
Benin	824	633
Congo	855	631
Mali	625	484
Burkina Faso	471	333
Togo	283	331
Central African Republic	225	243
Chad	273	235
Niger	–243	11
Gabon	–270	–630
Côte d'Ivoire	222	–657
Cameroon	–200	–695
Total Franc Zone	**4,463**	**1,910**

Source: Secrétariat du comité monétaire de la Zone franc, *La Zone franc, rapport 1994.*

France relaunches a debt initiative

The burden on the zone's public finances will not be greatly eased by the Fonds de conversion de créances pour le développement, a French government fund of FFr4bn for debt relief launched at the Franco-African summit in Libreville in October 1992 and modified by Mr Chirac on September 11. If a middle-income Franc Zone government (Cameroon, Congo, Côte d'Ivoire and Gabon) includes a contribution towards a capital project, which has donor funding and is aimed to further "sustainable development", in its investment budget and has it approved by the directors of the French fund, then borrowings of a corresponding value from France are cancelled. However, by mid-1995 only FFr1.2bn had been drawn from the FFr4bn in the fund, the field of which has now been enlarged to include *inter alia* public-enterprise restructuring. With the possible exception of Côte d'Ivoire, the governments in question are still operating under severe budgetary pressure and are not in a position to avail themselves greatly of the fund.

Appendix 1

Quarterly indicators of economic activity in Congo, Sao Tome and Principe, Guinea-Bissau and Cape Verde

		1993			1994				1995		
		2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
CONGO											
Mining production	**Prodn/day**										
Crude petroleum	'000 barrels	200	200	200	190	190	187	185	171	180	180[a]
Prices	**Monthly av**										
Consumer prices:	1990=100	114.0	112.8	117.3	158.3	174.1	n/a	n/a	n/a	n/a	n/a
change year on year	%	0.9	0.7	5.0	43.6	52.7	n/a	n/a	n/a	n/a	n/a
Wholesale: general	1990=100	100.6	101.4	102.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Money	**End-Qtr**										
M1, seasonally adj:	CFAfr bn	117.78	96.92	92.08	114.00	114.06	117.90	129.44	131.86	130.25	134.61[b]
change year on year	%	8.3	–17.1	–19.7	15.9	–3.2	21.6	40.6	15.7	14.2	n/a
Foreign trade[c]	**Annual totals**										
Exports fob	$ m	(	1,240	)	(		1,263	)	(	n/a	)
Imports cif	"	(	676	)	(		589	)	(	n/a	)
Foreign exchange	**End-Qtr**										
Central Bank	$ m	15.90	1.83	0.68	0.54	0.39	65.82	49.63	59.07	37.85	31.67[b]
Exchange rate											
Market rate	CFAfr:$	284.75	283.15	294.78	571.00	547.15	528.15	534.60	484.90	485.30	491.45[d]
SAO TOME AND PRINCIPE											
Exports	**Qtrly totals**										
Cocoa	tons	600	760	2,330	550	640	350	480	680	n/a	n/a
Exchange rate	**End-Qtr**										
Market rate	Db:SDR	607.76	643.64	572.36	859.86	994.37	1,204.07	1,730.37	1,985.22	1,996.78	2,157.78[b]
GUINEA-BISSAU											
Prices	**Monthly av**										
Consumer prices	1990=100	386.3	413.0	435.4	425.0	440.8	455.8	502.0	548.6	614.7	n/a
change year on year	%	68.7	37.8	33.6	22.0	14.1	10.4	15.3	29.1	39.5	n/a
Money	**End-Qtr**										
M1, seasonally adj:	P bn	168.48	184.52	202.56	186.34	280.91	295.38	320.10	345.26	396.59	n/a
change year on year	%	44.3	34.2	27.1	10.0	66.7	60.1	58.0	85.3	41.2	n/a
Foreign trade[e]	**Qtrly totals**										
Exports fob	P bn	6.61	2.65	70.01	128.52	88.61	197.18	1.95	7.20	115.47	n/a
Imports cif	"	183.51	189.82	176.73	173.85	231.70	185.14	225.13	216.28	362.03	n/a
Exchange rate	**End-Qtr**										
Market rate	P:SDR	13,011	15,601	15,746	17,473	18,046	19,910	22,437	26,136	28,295	n/a
	P:$	9,270	10,998	11,464	12,369	12,460	13,569	15,369	16,748	18,036	n/a
CAPE VERDE											
Prices	**Monthly av**										
Consumer prices	1990=100	118	124	120	120	123	126[a]	n/a	n/a	n/a	n/a
change year on year	%	4.4	9.7	4.3	3.4	4.2	n/a	n/a	n/a	n/a	n/a
Money	**End-Qtr**										
M1, seasonally adj:	CVEsc m	10,456	8,223	9,176	10,246	10,778	10,823	10,887	n/a	n/a	n/a
change year on year	%	39.0	–17.8	–6.9	0.5	3.1	31.6	18.7	n/a	n/a	n/a

continued

Quarterly indicators of economic activity in Congo, Sao Tome and Principe, Guinea-Bissau and Cape Verde *(continued)*

		1993			1994				1995		
		2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
Foreign trade[c]	**Annual totals**										
Exports fob	$ m	(	12	)	(		6	)	(	n/a	)
Imports cif	"	(	191	)	(		241	)	(	n/a	)
Foreign exchange	**End-Qtr**										
Central Bank	$ m	68.35	68.35	57.66	62.83	50.92	42.48	42.01	43.83	39.87	38.55[f]
Exchange rate											
Market rate	CVEsc:$	81.16	81.29	85.99	84.42	79.16	79.49	81.14	75.51	75.13	74.31[f]

Note. Annual figures of most of the series shown above will be found in the Country Profile.
[a] Average for July-August. [b] End-August. [c] *DOTS* estimate. [d] End-October, 490.00. [e] Estimate. [f] End-July.

Appendix 2

Congo: foreign trade

($ m)

Exports fob	Jan-Dec 1985	Jan-Dec 1986	Jan-Dec 1987
Sugar	8.2	6.4	n/a
Coffee	2.1	1.9	0.7
Cocoa	3.2	2.2	1.7
Wood & manufactures	27.5	52.7	59.4[a]
Petroleum, crude	979.2	657.7	378.4
Diamonds	11.1	10.6	n/a
Metal manufactures	13.8	1.0	n/a
Total incl others	**1,087.2**	**776.9**	**516.7**

Imports cif	Jan-Dec 1985	Jan-Dec 1986	Jan-Dec 1987
Meat & fish & products	41.6	43.0	32.5
Dairy products	7.9	8.3	8.8
Cereals & products	27.5	26.7	16.6[b]
Beverages	6.8	7.2	3.7[c]
Tobacco & manufactures	4.9	3.2	3.3
Petroleum products	17.5	9.4	n/a
Chemicals	48.6	52.4	26.5[d]
Rubber manufactures	7.1	7.5	n/a
Paper & manufactures	9.4	10.1	14.0
Textile manufactures incl clothing	18.6	18.5	9.4[e]
Cement	9.6	11.6	8.1
Metals & manufactures	99.5	77.4	60.8[f]
Machinery incl electric	150.1	148.2	n/a
Transport equipment	55.3	56.0	55.9[g]
Total incl others	**580.2**	**578.6**	**504.8**

Exports fob[h]	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
USA	405	497	492	395
Belgium-Luxembourg	152	307	296	299
Italy	171	182	173	192
Taiwan	n/a	n/a	82	130
France	144	63	68	60
Spain	81	143	22	48
Total incl others	**1,116**	**1,356**	**1,240**	**1,263**

Imports cif[h]	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
France	295	286	245	198
Italy	43	79	63	68
USA	47	66	30	42
Thailand	34	46	55	37
Belgium-Luxembourg	31	31	36	37
Netherlands	32	37	41	33
Total incl others	**701**	**759**	**676**	**589**

[a] Excluding manufactures. [b] Wheat, rice, flour and malt. [c] Wine only. [d] Medicaments only. [e] Cotton fabrics and clothing only. [f] Metal manufactures only. [g] Road vehicles only. [h] *DOTS* estimate.

Appendix 3

Guinea-Bissau: direction of trade

Exports fob[a]	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
Spain	1	1	12	29
India	19	3	6	31
Portugal	4	4	4	4
Total incl others	**31**	**13**	**29**	**77**

Imports cif[a]	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
Thailand	15	21	47	46
Portugal	34	29	25	33
Other EU	28	31	29	31
Total incl others	**118**	**116**	**137**	**152**

[a] *DOTS* estimate.

Appendix 4

Cape Verde: foreign trade

($ m)

Exports fob	Jan-Dec 1988	Jan-Dec 1989	Jan-Dec 1990
Fish & preparations	1.56	6.00	3.24
Fruit & vegetables & preps	1.18	1.73	1.90
Petroleum products	n/a	16.82	18.59
Machinery & transport equipment	0.06	2.43	3.16
Total incl others	**19.62**	**28.11**	**28.56**

Imports cif	Jan-Dec 1988	Jan-Dec 1989	Jan-Dec 1990
Food, beverages & tobacco	26.03	32.80	33.81
Mineral fuels	7.64	7.01	10.22
Chemicals	6.71	6.59	8.37
Basic manufactures	22.93	22.32	24.47
of which:			
non-metallic mineral mfrs	6.83	7.73	7.36
metal manufactures	5.77	5.66	5.63
Machinery & transport equip	30.62	27.88	41.91
of which:			
road vehicles	10.19	9.51	8.85
aircraft	0.12	0.08	14.19
Total incl others	**106.49**	**111.94**	**136.31**

Exports fob[a]	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
Portugal	3	3	2	3
Other EU	1	2	1	2
Total incl others	**5**	**6**	**12**	**6**

Imports cif	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
Portugal	56	63	65	90
Netherlands	12	17	13	16
Other EU	39	45	41	75
Côte d’Ivoire	9	10	12	13
Brazil	4	9	11	12
Total incl others	**149**	**173**	**191**	**241**

[a] *DOTS* estimates.

Appendix 5

French trade with Congo

($ '000)

	Jan-Dec 1991	Jan-Dec 1992	Jan-Dec 1993	Jan-Dec 1994
Imports cif				
Sugar	13,586	3,885	9,814	3,426
Wood & cork	17,262	13,515	10,470	24,779
Metalliferous ores & scrap	1,152	936	333	165
Petroleum & products	119,884	45,182	48,676	28,526
Wood & cork manufactures	6,709	5,945	6,186	8,540
Total incl others	**160,749**	**70,638**	**77,352**	**66,304**
Exports fob				
Cereals & preparations	10,946	15,422	10,155	8,426
Sugar & preparations	2,478	602	3,088	283
Chemicals	48,774	55,685	54,540	31,726
Rubber manufactures	1,425	3,823	1,075	1,210
Paper & manufactures	5,657	5,810	4,345	2,826
Textile fibres, yarn & manufactures	2,946	3,674	3,000	1,828
Non-metallic mineral manufactures	2,202	2,281	1,622	1,041
Iron & steel	10,117	7,753	8,080	7,243
Non-ferrous metals	428	322	393	184
Metal manufactures	14,907	12,155	9,774	14,582
Machinery incl electric	59,567	52,555	57,562	47,707
Road vehicles	18,257	16,797	9,941	10,456
Other transport equipment	33,047[a]	15,661[b]	4,505	4,396
Clothing	5,692	7,781	7,436	3,394
Scientific instruments etc	7,908	8,015	6,765	8,858
Total incl others	**270,014**	**261,287**	**236,118**	**180,960**

[a] Of which ships, 31,457. [b] Of which aircraft, 13,320.

