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The publishers want to thank our readers and clients for their supports and for unwavering confidence in FINANCE AFRICA magazine despite its brief absence from the news stand. The magazine has gone through extensive reorganization and development. We have taken time out to ensure quality publication, sustainable existence and extensive coverage of business, finance, investments, trade and technology in Africa. Our distribution network has been expanded, additional correspondents and representatives appointed across the African continent and other parts of the world. Our offices are now operational in four important locations; Nigeria, South Africa, United Kingdom and United States of America.

Above all, your favorite magazine is now online. You can now visit finance Africa online on www.financeafrica.com to view past issues, abstracts on current issues, and tips on current issues. The web site provides opportunities for trade exchanges among Africans and between Africans and other people of the world. The site also features business and financial news, updates, information on Africa's stock markets, financial and economic indicators, and tenders, as well as African business directory. Finance Africa has entered into strategic alliance with MWEB to give ENHANCED BUSINESS SOLUTIONS to Africa and its partners across the globe. All these were put in place to satisfy the needs and expectations of our dear readers and clients.

This august/September edition centers on maximizing Africa's wealth which happens to be the theme of the forthcoming FINANCE AFRICA CONFERENCE EXPO'98. Financial capital is very important and central to Africa's development and maximization of the continent's wealth. The edition covers topics including Africa's debt burden, Johannesburg stock exchange (Africa premier stock market), personal financial planning, and other related topics. Other topics covered in this edition include UNIDO's role in the industrialization process of Africa, Nigeria's political climate after the death of two major actors Abiola and Abacha, as well as the renewed turmoil in Angola and Congo.

OUR MISSION.

FINANCE AFRICA is an international publication on finance, business trade, investment, and technology in Africa. Our mission is to contribute to sustainable development of Africa through research, objective analysis, balanced reporting, networking, consulting, and acknowledgement of African strengths and achievements.

The vehicles for achieving our mission include the publication of this magazine, organization of conferences, seminars, exhibition, and workshops, provision of consulting and counseling services, and maintenance of an active and informative web site- FINANCE AFRICA ONLINE. Another important vehicle being introduced is FINANCE AFRICA FUND which is aimed at generating and harnessing capital resources for Africa's development purpose.

Regular features of FINANCE AFRICA magazine include editorial, feature articles, comments and letters, business briefs & updates, finance & investments, products & services, technology & infrastructure, education & professions, research & development, African nations, corporations and institutions, achievers, Africans in diaspora, global village, Afrisports, and networking. The magazine is distributed across Africans, the Americas, Asia, and Europe and readers include finance and business professionals, government officials and policy makers, investors, corporate executives and functionaries, international civil servants, intellectuals and students, as well as the general public.

Call for smart partnerships.

During the recently concluded southern African international dialogue in Namibia, the Deputy President of South Africa, Mr. Thab**o** Mbeki, called on Africans to form "smart partnership" against political instability, the seizure of presidency through force of arms, and anything that degrades the continents in the eye of the rest of the world. He went further to say that all parties to this smart partnership must recognize that their success is inter twined with the success of their partners and their failure is similarly inter twined. The deputy president was joined in this call by his host, President Sam Nujoma, when he said that increased reliance on smart partnerships will improve the relationship between the government and the private sector, between employers and employees, and between suppliers and customers.

Africa must not be marginalized.

Political stability, peace and democracy should be the basic pillars of an African renaissance. For the whole of the millennium, Africa has known no peace or stability. Mercantilism, colonialism, autocratic rule, ethnic divides have stalled the development of the continent. Therefore the achievement of peace and stability in Africa is a necessary condition for the holistic development of the African people.

They must heartily accept the procedural minimum of democracy, the inalienable right to vote and to be voted in power. The principle of the multi-democracy must be upheld and therefore the democratic choices of the electorate must be respected. The notions of the vanguard parties are autocratic and tyrannical in nature. Political consternation and participation by political parties enhances pluralism and diversity in unity. The democratic will of the masses must be respected. The contrary will necessarily portend the murky nature of Africa's future.

Transparency and accountability:

The basic tools of modern democracy are transparency and accountability. This implies that African governments are morally obliged to consult widely and openly with organs of civil society before any crucial decision are taken. As government are elected, in the same way they are morally obliged to account for all the actions they take on behalf of the people. This is the essence of participatory and cooperative governance. Therefore the people have the right to talk and the government has the obligation to listen and respond appropriately to the needs of the people. I think Africa is gloriously moving in this direction. In south-Saharan Africa, there a new breed of enlightened leadership which understands the reality of Africa and therefore will devise a means of addressing African problems in the light of the dynamic and globalizing world environment. Africa is by and large becoming an open society, respecting the values of multi-party democracy. This is the right for Africa's growth and development. There cannot be any growth and democracy without democracy.

Sensible micro-economic policies:

Africa has come to realize that in order to meet the challenges of the rapidly changing global economic environment it has to adopt sensible micro-economic policies that are private sector led. For Africa's growth and development, the private sector must take the lead in the diversification of the African economies from the monoculture to the dynamic diversified economies. However this cannot be done without the improvement of the physical and social infrastructure of the African economies and the transformation of the African peasantry farming to commercial farming with export capabilities.

The change is irreversible:

Africa has taken full control of her destiny. Africa has to be seen in the proper context with its reality and not with the usual negative image that portray her as a jungle village where chaos is the order of the day. Yes, here are troubled spots in Africa like other continents. Africa is addressing her problems. If Eastern Europe with all its structural and political problems is seen as a promising investment destination, why do world investors not see Africa in the same light? Africa cannot afford to go back to the old bad days of tyrannical rule and economic dis order. Africa is moving, Africa is changing. The nation of the world are therefore called for a new beginning, this time not for the destruction of the city of carthage, not for the commercial destruction of the city of gao but for the new development of Africa in partnership of purpose. Africa must not be marginalized.

By Christopher Nkukuleko Qiquimana.

PRODUCTIVITY:

A typically Eurocentric approach

I wish to give an alternative view of Dr. Jan Visser's comment "A way out of Africa's poverty". Respectfully, the focus on productivity is a typically Eurocentric approach, based on systems and processes where incrementalism-based segment-retreat strategies underpin the reason for both the historic steady progress and the dreaded emerging underclass forming in the overdeveloped nations, which is partly causing overproduction.

Whilst I fully concur with the overall objective of increasing productivity, I wish to stress the importance of differentiation between symptomatic effect and cause game. Africa must focus on needs/benefits scenarios and self-propelling markets, rather the symptomatic effect of productivity increases.

The productivity game should also be viewed as a largely used-up and worn-out that historically fuelled distrust and cynicism in all nations that were set to industrialize, whilst forming an enormous profitable niche market for consultants of many kinds with the glory-based emphasis on financial structuring (money diversion) and stock market games.

Indeed Africa should learn from other countries without forgetting our own experiences we should realize that we are seriously behind when it comes to creativity, innovation, mass retrofits and the people based production culture. We still view people as commodities that help machines, as opposed to people as the necessary entries that are there to create, produce, and consume goods of even greater variety.

Yes, I am about product supremacy, but base-lined on a full picture approach where the undoubtedly needed exponential productivity increase is only one of the symptomatic effects and which is decisively placed on broadly recognized and appreciated full-picture need/benefits scenarios.

I feel it is high time people and Organisations reevaluate their static corporatism led and popularize "make-benefits" positions that have so conclusively proven to fuel job and opportunity-losses, whatever their highly varied intent.

By John Wallis.

NEWS CLIPS.

Madiba's 80th birthday & wedding bash.

President nelson Mandela's 80th birthday was celebrated with fanfare across the world. South Africa diplomatic missions hosted dignitaries to dinner parties from Washington to London, from Australia to Lagos in other locations lectures were organized to commemorate the occasion. In South Africa big party was thrown at the prestigious Gallagher estate. The party was attended by dignitaries from all works of life including pop star Michael Jackson, Denny glover, Stevie wonder. The party doubled as wedding party to mark Mandela's marriage to graca, the former wife of the late Mozambican president samora Michael.

Turmoil in Congo:

Democratic republic of Congo may be at war with its neighbor Rwanda as a result of reported fighting in some parts of the country. Some political opponent of Laurent Kabila including his foreign minister are reported to have grouped to topple his government that came to power last year after defeating the army loyal to late president mobutu. The democratic republic of Congo has threatened to lunch a military operation against Rwanda because of it alleged involvement in the conflicts in the Congo. Government spokesperson said that the fighting that erupted in different parts of DRC was not a rebellion in president Kabila's army, but an act of aggression from Rwanda. A regional effort was made to resolve the conflict without much success when President Mugabe convened a meeting of leaders in the region with the exception of South Africa. President Mandela however sent his foreign and defense ministers to meet with Mr. Kabila in Kinshasha to discuss the conflict. Mr. Kabila got into trouble with the international community soon after he came to power for alleged human right abuses while waging war against Mr. Mobutu. It was reported that he did not corporate with the UN team sent to investigate the war offences.

Nigeria after Abacha and Abiola.

Nigeria political climate has been altered by death of two of its leaders. Gen. Sani Abacha whose regime was known for human right abuse died early June. A month later Chief Moshood Abiola who was imprisoned by Abacha since 1994 also died. They were both reported to have died of heart attack. Nigeria had been a political crossroad since June 1993 when the election believed to have been won freely and fair by Chief Moshood Abiola was annulled by the military regime of Gen. Ibrahim Babangida. On the departure of Babangida from the scene and after a short period of interim government, his right hand man, Gen. Abacha seized power. The people of western Nigeria, Abiola's home base, and others kept demanding for de-annulment of June 12 elections. Now that both Abacha and Abiola have passed away, the question of actualizing "June 12" is over and the question of Abacha transforming himself from a military president to a civilian is over. However, many questions must be addressed before Nigeria can enjoy any meaningful democracy. These include equitable power sharing among the various groups in Nigeria, re-Organisation of the military and police to reflect the character of the country, equitable distribution of national wealth and offices, proper administration of justice, federal system of government in the true sense, dismantling of a small military cabal and their collaborators who have held the country to ransom for so long, and recovery of stolen state funds. The new military leader General Abubakar Abdul-Salam has been reconciliatory in his utterances since he became president. He has promised a free and fair election leading to a democratic government in May 1999. Other promises include privatization, discipline, justice, and the rule of law.

President Clinton to testify

Bill Clinton will testify under oath in the Monica Lewinsky affair as the special prosecutor withdrew his earlier subpoena. Ken Starr was able to get Monica to testify about her affair with President Clinton in exchange for immunity for herself and mother. The issues at stack are whether Bill Clinton lied about his affairs or otherwise with Monica. Whether he obstructed justice, or whether he encouraged Monica to lie under oath. If found wanting in this issues president Clinton may face impeachment proceedings. The question is how much Monica is going to reveal. Will she be a credible witness or an accomplice of Ken Starr in his bid to discredit President Clinton in other to justify over $40 million public funds already expended by his office in the last four years. Will bill Clinton confess to an affair? If he does, would the American public forgive their president? All these will unfold during and after the testimonies.

Angolan Debacle

The Angolan crisis has reached a boiling point again. Exchanges of gunfire had been reported and prospect of war is very high. Angola has been at war for over two decades. Truce had been signed many times and broken each times. Diplomatic moves to avert this war are still unsuccessful as the two sides are sticking to their positions. For example, Jonas savimbi was reported to have reiterated UNITA's position, to UN special envoy ladgar Ibrahim, that it will abandon sensitive areas only when its political future is determined.

Jerry Rawlings in South Africa

The president of Ghana Mr. Jerry Rawlings was on official visit to South Africa from July 9 to 12. During the visit he held a talk with president nelson Mandela and his deputy Thabo Mbeki. The highlight of the meeting was the signing of a bilateral agreement by the officials of the two countries. The agreement is expected to lead to improved trade activities between the two countries especially in the area of mining where South Africa's experience is unsurpassed in Africa.

DEBT BURDEN IN DEVELOPING COUNTRIES:

OPTIONS FOR AFRICA

There is a doubt that the debt burden of Africa economies has generated other economic problems which, if not addressed, will adversely affect development efforts in the sub-continents.

There have been mainly initiatives on the side of the creditors to lighten our debt problems. These include Baker plan, Brady initiative, Toronto terms, London terms, Naples initiatives, high and indebted poor countries (HIPCs), to name a few. Many Africa countries have had to appear before the London club under the baker plane and Brady initiative. On countless occasions, African countries have appeared before the Paris club. All these initiative have not reduced significantly our high debt over-hang. Rather we are sinking more and more into debts.

This paper is to stress the need for African initiative in seeking solutions to our debt problems. The African initiative must emanate from us and must be supported by our creditors and the Breton woods institutions.

I will share the Nigerian experience with the hope that lessons can be drawn for conceptualizing and concretizing the African initiative. It is important to note that, though certain general features cut across Africa, there still significant specific features in our different countries. Therefore the peculiarities of each country need to be considered in discussing the debt burden scenario in Africa.

BACKCROUND

Generally, public debt connotes the quantum of resources acquired by the public sector of an economy internally and externally to finance development programs.

This occurs when domestic public savings fall short of investment outlay. Invariably, Public debts imply resources available to the government for spending outside its autonomous earnings. Generally domestic and external debts are sources for augmenting available resources in other to accelerate economic growth and development and enhance external sector competitiveness. The concern is with external debts.

There is nothing really wrong in obtaining external debts for development programs especially on a temporary basis and if the economy has the capacity to service each debt. External debts that are applied to productive activities will increase the economic growth. On the other hand debt used in non-productive ventures, will retard growth especially when service of the debt fall due and current resources have to be utilized for financing non-productive consumption. Consequently, the rescheduling of the debt postpones the burden to the future with the debt problems still lingering.

In other to accelerate growth and development, sub-Sahara Africa (SSA) countries relied on external borrowing and official development assistance the inadequacy of democratic financial resources.

Because of a number of endogenous and exogenous factors, the borrowing by SSA countries has not yielded expected results. On the contrary, external borrowing brought a number of negative results which led many developing countries, especially the SSA economies into the debt trap. The dismal result was due partly to domestic policies of our countries as well as constraints imposed on us by policies of governments of the developed countries who are our trading partners.

At the dawn of independence, many SSA countries, with the advice of the domestic and international experts and development institutions embarked on public sector led development strategies. Invariably, it was the contention that government must control the commanding heights of the economy. The effect of each approach was for the government to embark on the projects which were better suited for private initiative. More importantly, these government propelled projects were not subject to the rigor of feasibility studies and project appraisal techniques which would have occurred in private initiated projects. Even the management of these projects was not commercial in design and implementation as a result the project financed with external borrowing could not pay for themselves. In other words the projects were not viable yet the borrow funds had to be repaid and/or serviced. This scenario created distortions in the economies of SSA countries especially as the private sector remained marginalized in all sectors of the economies of SSA.

With declining revenues from primary export products, adverse terms of trade, over-valued currencies. Rising interest rates dis-articulated and ad-hoc economic policies, etc. SSA pay and/or service borrowed funds. Arrears of the debts accumulated. In addition, economic fundamentals in the sub-continent were not generally favorable. Most of our economies continued to be characterized by declining growth rates of gross domestic production (GDP), low income per capita, rising inflation, weak and deteriorating external payment position and rising unemployment. The weak domestic economies in SSA further exacerbated the debt problem.

DEBT PROFILE IN SUB-SAHARA AFRICA

The debt problem of SSA started in the 1980s. The total debt stock flows for SSA in 1980 stood at US$84.049 million. By 1990, it was US$190.260 million. The debt stock jumped to US$212.416 million in 1994. Between 1990 and 1991, the debt stock grew to 2.4% while between 1993 and 1994, it grew by 7.3%. Disbursement which was US$15.474 million in 1980 declined to US$11.138 million in 1990. The decline continued and by 1993, disbursement was US$8.941 million, however, it increased to US$12.154 million in 1995. Between 1993 and 1994, disbursement increased by 20.4% and between 1994 and 1995 it grew by almost 13% (see tables). The principal repayment from 1990 to 1995 averaged about US$6 billion.

Total debt service divided into principal repayment and payment reveals the nature of the debt problems in SSA. In 1990 the principal repayment was US$7.345 million while interest payment stood at US$7.654 million. During the period 1990-1995, principal repayment and interest payment were almost in the same magnitude.

The debt service indicator exposed the dimension of SSA debt situation. The ratio of total debt stock to exports of goods and services which was almost 91% in 1980 jumped to 225.7% in 1990 and by 1995 it had increased to about 270%. The ratio of total debt stock to gross national product showed that for each US $1 earned in 1991, about $0.71was used in service debt in 1994, SSA spent about 78 cent for each dollar earned in servicing debts.

From the available evidence, the high debt over-hang remains a problem of SSA. SSA countries have attempted to reduce their debt service as a way of dealing with the debt burden. Let me discuss briefly the various attempts at debt service reduction.

ATTEMPTS AT DEBT SERVICE REDUCTION

When the debt trap caught its first victims at the international creditor community appeared unconcerned. When Mexico declared a moratorium on external debt service in 1982, it triggered a cascade of similar unilateral action by a number of debtor countries, by 1994 some 30 countries, accounting for about half the external debt stock of developing countries had, in one form or another, joined Mexico's trail. Although the creditor countries were jolted, they had thought that the situation was a transient liquidity crisis. The initial solution they prescribed was accordingly focused.

The first set of initiatives were, therefore, aimed at ameliorating the burden of private debt owned by commercial banks since such type of exposure was preponderant in Latin American external debt portfolio. No wonder such solutions scarcely assisted sub-Saharan African countries, the bulk of whose debts, with the possible exception of Nigeria, were owned mainly to official bilateral creditors and multilateral institutions. Therefore the Paris club instruments which were applicable to the bulk of Africa's external debt crisis have become more severe than was previously envisaged. The Nigerian experience would appear to be very illustrative of the outcome of the application of the two sets of instruments. In 1986, Nigeria's Paris club debt stood at the equivalent of US$10.23 billion and accounted for about 40% of Nigeria's total external debt stock. On the other hand Nigeria's debt stock to London club as of the same date stood at the equivalent of US$6.09 billion and accounted for 23.8% of her overall debt stock.

THE INITIATIVE OF THE EARLY NINETIES

The early nineties were famous for the admission by the creditors of the failure of the traditional system of the rescheduling under the Paris club rules. They, therefore, came up with one debt reduction initiative after the other.

The well-known enhanced Toronto terms (otherwise known as the London terms), the Trinidad and tobacco terms were all built on infrastructure of an IMF/World bank approved SAP. ***External borrowing if it becomes inevitable should be channeled into productive activities.***

Let's quickly evaluate the two most relevant initiatives as well as their score cards before their inadequacies were acknowledged. The enhanced Toronto terms were adopted in 1991 essentially to assist low income (IDA-only) countries heavy debt service and chronic balance of payment problems. Out of 21 countries that had accessed the initiative as at mid-1994 (two of them even went twice) none of them have gone out of the debt trap. The same position holds for the Naples term announced in 1994 by the G.7. Virtually all the countries were allowed to benefit from its provisions are today not less debt distressed than those that were not.

The new initiative of the IMF and the world bank for addressing the Paris club debts of the highly poor countries (HIPCs) is an admission by the fund and the bank of the need for a debt reduction framework targeted to the economic indicators of each HIPCs, even then, there is need to make access objectives, based on each country's economic and social indicators. A fundamental prerequisite for access to the initiatives is continuous adjustment. As observed earlier, for adjustments to be politically sustainable, its most painful aspects should be focused within a limited time frame. Otherwise, the resultant social and security backlash might be difficult to contain.

The HIPCs initiative should appear to envisage that a country which not benefited from the enhanced Toronto terms should start from there. It should then move to the Naples terms which pre-suppose the implication of a three-year adjustment program. If measures taken at those stages prove insufficient to bring the beneficiary country's debt stock to a sustainable level within another period of three years the country could then be allowed to receive support under the HIPCs initiative. Therefore, the countries which had not had a Toronto terms treatment, the workout period may not be less than nine years, although it is said that time discount could be obtained in time with adjustment records. It is doubtful whether a country could maintain certain aspect of adjustment program for such a considerable period without the risk of serious social upheavals.

As pointed out earlier, Africa's total debt stock amounted to about 270% of the value of total export of goods and services as at the end of 1995. The position in fact deteriorated further in 1996, such worsening trend had persisted since the eighties. The need for a solution is, therefore, more urgent than the time frame presently envisaged under the HIPCs initiatives. The Breton hood institution and the donor community should, therefore, reconsider the time frame element of HIPCs initiative with the view to shortening the workout period. The quick resolution of Africa's debt problem is in the interest of the whole world. The debt burden is perhaps the greatest economic constraints to the globalization of African economies. There is no debt that a quick return of Africa to the normal run of the international trade and development will benefit the whole world.

One must also observe that the conception and procedure for accessing HIPCs smack of deceit. Out of the 36 severely indebted low income countries on the World Bank list in 1996, 28 are in Africa.

However, out of 20 countries originally mentioned as possible beneficiaries from HIPCs by the bank and fund, only 16 are in Africa. Worse still, the African countries slated to be the first beneficiaries, are not necessarily the most debt distressed. One therefore only concludes the real criteria for accessing HIPCs are more political then economic. After HIPCs, what next?

NIGERIA'S DEBT REDUCTION EFFORTS: LESSON FOR AFRICA

The Nigerian government has evolved a new strategy over the past three years. The strategy is designed to stem the tide of rising debt stock as well as reduce it. The next effect to the implementation of the strategy during the period was the reduction of Nigeria's external debt stock from US$32.58 billion in December, 1995 to US$22.06 billion in December 1996, (see tables) before considering certain aspects of the strategy, one need to stress the importance of restructuring our domestic economies to allow for a more competitive and liberalized system. Here are some aspects of the strategy.

The need for structural adjustment

The various economic reform programmes were designed to correct the distortions within our economies and allow for a more market friendly system. One of the aims of economic reform was to restore external balance with the assurance that our economies can reduce its debt stock in the long-run. There is no doubt that the result of adjustment have been mixed. In Nigeria, we have re-introduced the economic reform under the philosophy of guided deregulation. This philosophy believes in propelled economy but recognizes the peculiarities of Nigerian economy. It asserts that economic reform cannot be rushed but approached gradually assuring that each step produces the desired results before another major step is undertaken. Within the last three years, the philosophy of guided deregulation has ensured that our economic fundamentals move in the right direction.

How much do we really owe and for what?

As earlier mentioned, the most problematic aspect of the debts is those owed to the members of the Paris club. Thus, in January 1996, the government asked the questions: how much does Nigeria actually owe the Paris club? On which projects were the loan funds spent and what the economic situations in the projects are.

Moratorium on external Borrowing

The federal government of Nigeria has not taken any fresh external loan since 1994 and has not guaranteed any such loan on behalf of any sector institutions ever since. When the embargo is lifted, loans will be sourced from highly concessional sources especially for projects in the agricultural and social sector, or for projects that are capable of generating resources for amortization of the covering loan/credits.

Reduction in public sector participation in projects that lend themselves to private sector undertaking

The government has decided to reduce its involvement in projects that are suited for private sector undertaking so as to remove the need for external borrowing by agencies in the public sector. This is an aspect of the overall micro-economic policies of the present government of Nigeria to concentrate on the provision of the enabling environment for the private sector to become the main engine of growth and development thereby encouraging the inflow of non-debt creating external resources in the form of equalities and portfolio investments. Efforts are being made to resume further privatization of a number of the existing parastatals, after a long break that has allowed the government to internalize the lessons learnt from the privatization carried out earlier.

Cancellation of undrawn loan/credit funds where their replacements by internal resources is feasible

Government on a continuous basis, has been re-appraising ongoing projects financed with external loans/credits with the view to funding their remaining aspect either with locally sourced funds or with direct external investments, the undrawn balances are therefore being cancelled because fees paid on this undrawn balances continue to constitute a drain on government purse. The implication of this strategy led to the cancellation of US$700 million from the existing loans/credits between 1995 and 1996.

Dept-equity Swap and Debt Buy-back

The Nigerian debt conversion program provides a mechanism for debt but-back and debt equity swap. Paris club debts and Nigeria promissory notes are converted under this arrangement. Also, in 1996 alone, Nigeria bought back external debts with a face value totaling about US$1.75 billion for which she paid just over US$600million, a discount averaging over 65%.

Reconciliation of debt stock with the creditors

Frequent reconciliations are carried out with our creditors as part of our debt management strategy to ensure that we have accurate information as to what we are owing so that whatever solution we design to achieve debt stock and debt service sustainability will be based on accurate information as to the size of our debt problem.

With the profile of Nigeria's debt service position and maturities, Nigeria's new debt reduction strategy coupled with adroit macro-economic management, is focused towards extricating the country from the debt trap from 2005. This is not to say that Nigeria could no longer require the approval of her MTES by the IMF and the World Bank. The implementation of the MTES when approved would go a long way in restoring resilience, growth and development to the economy.

The failure to the various debt service initiatives to alleviate our debt burden shows the defects inherent in them, judging from the fact that these initiatives have come from Houston to Toronto, to Trinidad and Tobago; to enhanced Toronto, to Naples and today HIPCs initiatives. In spite of all these, Nigeria is worse off today than it was ten years ago. The World Bank indicators in the table speak for themselves. It is appropriate therefore to ask the following questions:

- Why are the debts increasing rather than decreasing in spite of all these initiatives?
- Why has Paris club debt rescheduling not achieved the desired result?
- Are the conventional rescheduling terms to blame?
- Are countries being compelled to accept payment terms that are not sustainable?
- Do the rules of the club make it difficult to settle individually?
- What constraints do the comparability provisions in the bilateral agreements under the Paris Club pose to debtor countries?
- Hasn't the Paris Club cartel become a political pressure group rather than an economic one?

I have these questions for you to ponder on.

THE WAY FORWARD

We owe it a duty to the future generations of Africans not only to permanently stem the tide of rising debt stock, but to gradually reduce it to sustainable level within a reasonable period of time. Based on the Nigerian experience, I will offer the following as the way forward:

- Each country in SSA should design its own debt reduction strategy consistent with her resource endowment to address her external debt problem. The pre-requisite for achieving this is to shore up the domestic economy so that the capacity to sustaining any debt management strategy will be sustainable.
- External borrowing if it becomes inevitable must be channeled into productive activities. All things being equal, this approach will stimulate economic growth.

- There is an urgent need for an African initiative. This initiative will be conceptualized and designed by Africa and thereafter the endorsement of donors and Breton woods institutions will be sought. Therefore the organization of Africa unity should call for continental conference to design the Africa initiative to debt management. For example, part of the initiative maybe to form a pressure group to make the Paris Club relax its rules.
- The Breton woods institution should show some seriousness by acting positively on the side of Africa. For now, they behave as agents of the creditors. Thus, the various initiatives supported by Breton woods institutions have failed to reduce Africa's debt stock. These institutions must show sincerity of reducing Africa's debt overhang and thereby contributing to poverty alleviation in the SSA.

TABLES

TEBLE 1: NIGERIA: EXTERNAL PUBLIC DEBT PROFILE: 1986-1996 (USD MILLION).

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
MULTILATERAL	1887.0	2985.0	2838.0	3171.0	3842.0	3650.0	4518.0	3694.7	4402.3	4411.0	4665.0
PARIS CLUB	10228.0	12589.0	14400.0	15871.0	17171.0	17793.0	16433.5	18160.9	18334.3	21669.6	19091.0
LONDON CLUB	6088.0	5860.0	5960.0	5680.0	5861.0	5988.0	2120.0	2055.8	2057.8	2045.0	2043.0
PROMISSORY NOTE	4498.0	4850.0	4810.0	4553.0	4550.0	4479.0	3646.0	3159.9	3178.2	3148.0	2140.0
OTHERS	2873.0	2032.0	2685.0	2311.0	2675.0	4479.0	1226.2	1647.3	145603	1311.2	121.0
TOTAL	45774.0	28316.0	30693.0	31586.0	34099.0	1454.0	27544.1	28718.2	29428.9	32584.8	28060.0
SHARE IN TOTAL DEBTS %											
PARIS CLUB	4.0	44.5	46.9	50.2	50.4	53.3	59.7	63.2	62.3	66.5	68.04
MULTILATERAL	23.8	20.7	19.4	18.0	17.2	17.9	7.7	7.2	7.0	6.3	7.28
PROMISSORY NOTES	7.4	10.5	9.2	10.0	11.3	10.9	16.4	12.9	15.0	13.5	16.63
OTHERS	17.6	17.1	15.7	14.4	13.3	13.4	11.8	11.0	10.8	9.7	7.63
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: FEDERAL MINISTRY OF FINANCE, CENTRAL BANK OF NIGERIA.

TABLE 2: SUB-SAHARAN AFRICA: TOTAL DEBT FLOWS, 1980 – 1995 (US MILLIONS).

YEAR	TOTAL DEBT STOCK	DISBURSMENT REPAYMENT.	PRINCIPAL PAYMENT	INTEREST SERVICES	TOTAL
1980	84.049	15.474	3.272	5.728	9.000
1990	190.260	11.138	7.345	7.654	14.999
1991	194.779	9.588	6.159	7.217	13.376
1992	192.781	9.896	6.460	6.384	12.844
1993	197.886	8.941	6.775	4.934	11.709
1994	212.416	10.768	5.720	5.493	11.213
1995	223.298	12.154	6.287	5.920	12.207

SOURCE: THE WORLD BANK: World debt tables, 1996 vol I

TABLES 3 SUB-SAHARAN AFRICA: ANNUAL GROWTH OF TOTAL DEBT FLOWS, 1991–1995 (%)

YEAR	TOTAL DEBT STOCK	DISBURSMENT REPAYMENT	PRINCIPAL PAYMENT	INTEREST SERVICES	TOTAL
1991	2.4	14.0	16.1	5.7	10.8

1992	1.0	3.2	4.9	11.5	4.0
1993	2.6	9.7	4.9	22.3	8.8
1994	7.3	20.4	15.6	11.3	4.2
1995	5.1	12.9	10.0	7.8	8.9

SOURCE: commuted from table.

TABLES 3 SUB SAHARAN AFRICA: EXTERNAL DEBT INDICATORS, 1980 – 1995 (In %)

YEAR	EDT/XGS	EDT/GNP	TDS/XGS	INT/XGS	INT/GNP	RES/EDT
1980	90.9	30.6	9.7	6.2	2.1	27.3
1990	225.7	70.8	17.8	9.1	2.8	8.2
1991	239.4	70.6	16.4	8.9	2.6	9.3
1992	235.6	69.8	15.7	7.8	2.3	7.4
1993	251.9	73.2	14.9	6.3	1.8	7.7
1994	265.7	78.7	14.0	6.9	2.0	8.2
1995	269.9	74.1	14.7	7.2	2.0	

SOURCE: the World Bank: World debt tables, 1996 Vol 1

Notes: EDT = Total Debt Stock

EGS = Export of Goods and Services

GNP = Gross National Product

TDS = Total Debt Service

INT = Interest Payment

RES = International Reserves.

AFRICA:

PREVENTING THE COLLAPSE AND UNLOCKING THE POTENTIALS.

Africa is the perennial tortoise in the world's race for social and economic development. Though blessed with great natural and human resources, its outsized portion of political turmoil, huge debt burden, and increment environmental conditions keep the continent far from sprinting forward.

The global coalition for Africa reports that, "today most countries in the sub-Sahara Africa lie somewhere between collapse and full potential, and a rededicated partnership for serious co-ordinate action can prevent the collapse and unlock the potentials".

Although most African countries have embarked on far reaching economic reforms, much still remain to be done. Moreover several countries are in turmoil and their economic and social situations have worsened markedly.

Throughout sub-Saharan Africa, for example, agricultural production continued to stagnate, except a few countries where reforms have stimulated out, this has been compounded by soil degradation and deforestation which, combined with high population growth, portend recurring agricultural crisis unless productivity improves.

In the southern African region, agricultural production has been inhabited by recurring droughts, which in 1992 coursed devastating food shortage in the region. The weakness in the world commodity price becloud the balance of payment of most African countries which are mainly mono-economies, while the substantial debt overhang continues to afflict most African countries irrespective of whether they are pursuing satisfactory economic reform program or not.

Of the 47 nations in the United Nations officially listed as least developed, 31 are in Africa. Africa's share of investment declined to 6 percent in 1992, down from 12.9 percent in 1981.

UNDERDEVELOPMENT

Despite the availability of the abundant resources, Africa has remained undeveloped and continued to beg for its survival from the north and sometimes from the east.

The major course of the problems facing Africa now is rooted in colonial era when most of its resources were extracted to develop Europe.

The discovery of Africa in the fifteenth century by the Portuguese and the Spaniards followed by the Dutch opened what was termed the Dark Continent to the rest of the world.

Nevertheless, it was not until 1884, at the conference of the Berlin, that the whole of Africa was partitioned by Europeans without consulting the Africans. This coupled with the increasing technology following the industrial revolution led to the accumulation of capital and consequently forced Europeans to invest in Africa.

The penetration of capital in Africa started the process of underdevelopment, which has presently reached stagnation either way.

The essence of European invasion of Africa was to find market for their manufactured goods, cheap labor, natural resources for their industries and to open up wide investment areas. This resulted in the taking away of many able-bodied men and women to work in the plantations and mines in the West Indies and Brazil, depriving Africa of required labor. This also led to the stagnation of Africa's population for many countries resulting in reduced production, which relied mostly on population. Dahomey (now Benin) which in the 16th century was known for exporting food to Togo, is now suffering from poverty in the 19th and 20th century.

To ensure adequate supply of raw materials required in industries, Europeans forced mono-economies on African people, which led in the disengagement in the food production, as some of the crops like sisals were not edible.

Africans were mesmerized by the technological and the organizational capabilities of the invaders. Because the structure of the African societies was agricultural and pastoral, sparsely populated with the aver low level of technological skills, invaders from the north found it easy to hypnotize people with goods, especially with guns as a way of deceiving them while material resources were exploited.

Moreover, Africans were so much subjected to "divide and rule policies" especially of the British that they become confused and distrustful of one another. The spirit of distrust among African leader is still a factor that is hindering Africa unity as leaders continue to think of themselves in terms of English and French heritage. Even in individual countries, the spirit of division along the lines of race, tribe, creeds and religion has reached an alarming proportion resulting in wars and civil strife-Rwanda and Burundi are but some examples. The failure to economically integrate countries under COMESA and SADC proves the case.

Africans have since ceased to "think and operate for themselves but have become appendages for others, their colonial masters". The speed of dependence which was sawn before independence, has continued to the present time where African countries always looked to the north for aid whenever in problems. This has even created hostilities among leaders when fighting for aid from the north .i.e. each leader thinks he or she is the best and hence deserves large share of aid irrespective of the consequences.

As a result, at the end of 1991, African debts rose to US$267.5 billion representing a 7.1 percent increasing over the US$249.6 billion in 1989. Including South Africa Sub-Sahara Africa's total debt in 1993 was US$200.4 billion, 73.2 percent of Gross National Product (GNP), 253.6 percent of exports of goods and services, and representing the actual debt service of US$12.007 million (4.6 percent of GNP) according to world debt table in 1995.

Though some countries experiencing economic reforms enjoyed some debt relief by way of rescheduling and/or cancellation, the problem of debt continues to be a major factor eating into the resources of Africa.

In short, what has blocked the way of Africa's prosperity since independence can be summed up as follows:

- Dependence on the developed world for Africa's own development (culture of dependence due to colonization).
- Excessive use of socially necessary labor time in the production of useless goods for exports, instead of useful goods for our own human and development needs.
- Unequal trade terms, about which, we can do nothing except shout.
- Unproductive use of the foreign debt incurred (and the corruption that went with it), and the debt service obligations at extremely unjustified high cost.
- Irrational economic order as a whole which, again, cannot be changed from a position of economic weakness.

INWARD ECONOMIC DEVELOPMENT

The late prominent writer and intellectual activist, Prof. A.M Babu wrote in 1994 that "the real meaning of the African crisis was that out countries, collectively and individually are at dead end, thanks entirely to the economic and development policies pursued since independence". He says the situation is so bad that no "reform", whether IMF, or whether inspired by the World Bank or IMF, or whether initiated locally, can get out the mess.

"For what is needed is not reform but a different outlook which calls for decisive change of direction, a change from a primitive colonial structure of the economy to a national economy, above all a change in the structure of production. This entails a change from the outward motivated to an inward motivated development strategy, whose guiding principle must be based on the recognition that external causes are only a condition of change and internal sources, the bases of change."

According to one school of thought, there are several guidelines, which can lead Africa to development.

The unification of financial and economic work and stabilizing seems to be the cardinal factor in bring about development in Africa. This is microeconomic stability.

This is important because the African crisis is somehow reflected in the destruction of our national currencies, but only fluctuating tokens of dollar and French franc. The destruction of national currencies is at once the cause and effect of "disunity." Between the economy and the financial sector, this is supposed to service it.

It should be realized that money is the only outcome of the economy and not vice versa. Hence, a viable solution can only come out of real money: production, exchange, distribution and consumption.

This also means that monetaristic approach per se is not the panacea to economic development as this do not reactivate the basic sector of our economies, but, instead, pushes us deeper into the world market which continues to operate as their predetermined order of priorities in which African countries must continue to produce primary commodities while their finances are adjusted accordingly to facilitate the functions, irrespective of the adverse impact on the rest of the economy.

The second step entails moving from the primitive mode to production (mono-economy) and enters the realm of diversified economy which is the most critical and decisive threshold essential for moving from a dependent to an independent national economy.

Economic diversification or expansion, however, needs rapid development of productive forces directed at producing basic needs: an industrialization that is fully integrated with agricultural, and a balanced or a proportionate relation between heavy industry (for production of capital goods) and light industry for consumers' durables as well as wage goods.

In other words, agricultural production must be encouraged so that this sector must serve the industry and industry serve agriculture. Agriculture should be the economic bases on all forms of superstructure rely.

However, the modern economies, modern agriculture thrives on distribution of land and so land, which is abundant in Africa, should be distributed well as a starting point.

Many scholars recommend the Chinese experience as the best model for Africa because China, unlike western countries and Japan that won balanced development through conquest, slavery and settler colonization, reached their balanced development through;

A efficient deployment of the nation's socially necessary labor time and

B through a sensible and realistic planning mechanism of observing the cardinal proportionate and balanced development of the national economy.

Africans must stand up and fight for their economic rights, exploit their enormous recourse potentials, and enjoy economic nationalization under the more leveled open market policies.

Prof. Babu proposed the adoption of certain guidelines under the second "Second liberation of Africa" in which he said the starting point must be the satisfaction of the people's basic needs-food, housing and clothing.

"We must abandon, as a pre-condition, the old notion of looking outwards for our survival and orientate the economies to look inwards for solutions. External factors-trade, aid, foreign investment and loans-must only complement internal activities, but not the other way round," he said.

THE WAY FORWARD:

The way forward for Africa therefore, lies on Africans themselves by building a greater consensus on how to tackle the key questions of long-run development with specific emphasis on expanding on agricultural production, conserving the physical environment, and building the human capital, and most important, balancing the economy the "China way".

African countries must move from the primitive mode of production (mono-economy) and enter the realm of diversified production, which is the most critical and decisive threshold essential for moving from a dependent to independent national economies. This should be achieved by rapid development of the productive forces directed at producing basic needs: an industrialization that is fully integrated with agricultural and a balanced proportionate relation between heavy industry (for production of capital goods) and light industries for consumer durables as well as wage goods. With abundant natural and human resources, Africa still has a brighter future for development especially if these resources are efficiently exploited.

The European countries that shoulder much of the blame for Africa's underdevelopment and are now creditor countries should support this. These creditor countries must take action to eliminate the debt overhang that is undermining the payoff to reforms and weakening the incentive to sustain them.

Africans must stand up and fight for their economic rights, exploit their enormous resource potential, and enjoy economic nationalization under the more leveled open market policies.

MAXIMIUM AFRICA'S WEALTH

There is no doubt that Africa is potentially wealthy continent. A wealthy continent in terms of mineral and energy resources, a wealthy continent in terms of conductive climate condition, a wealthy continent in terms of abundant human resources. Yet, the continent is faced with poverty, huge international debt, underdeveloped economies, e.t.c.

The reason for this is that Africa has allowed people of other continent to deprive it of the benefit of its wealth. Others have explored, exploited and expropriated Africa's wealth at little or no cost. The sad part is that most of the minerals and mineral resources have been explored raw without much value added.

This situation can be trace to one and only one factor, financial capital. The owners of capital have been given undue advantage over owners of other resources such as labor and raw materials. Various disciplines, such as economics and accounting led to the emphasis on the owners of capital and give them exclusive right to profit and only wage the rent went to the owners of labor and land respectively.

While efforts should be intensified to correct this anomaly in the world-trading environment (this approach is not under the control of Africa), grater efforts should be concentrated on measures that are largely controllable by Africa. These measures include:

a) Identification of continent's areas of distinctive competence and, by extension, areas of comparative advantage.
b) Ensuring that African funds are made available to explore and exploit these sectors for maximum advantage to the continent. Deliberate and concerted efforts should be made to that substantial values are added to mineral/energy resources before leaving the shore of African countries.
c) Development of joint trade policies to enhance Africa's bargaining positions against the formidable trade partners.

The question is how Africa can adequately fund its development and trade policies. There is no doubt that the financial resources of Africa if appropriately harnessed, are than enough to ensure maximization of Africa's wealth with minimal dependence on foreign aid.

Africa and Africans currently deposit most of their funds abroad. This has to be reversed in such that Africans both home and abroad, government, corporations and individuals take pride in investing their money in Africa. If Africans have no confidence in their continent, who else will. This can only be archived if the financial market is made efficient and other factors conductive to healthy investments to provide. These include political stability, skilled and honest management, good governance, infrastructure as well as strong and reliable financial intermediaries. Not only would these measures arrest the trend of capital flight and would improve capital inflow of African and foreign funds from Europe, America and Asia.

Africans in Diaspora is another constituency that would be encouraged to invest in Africa economy once security and enhancement of their fund can be guaranteed.

Friends of Africa should also be invited to enter into joint partnership with Africa for mutually beneficial operations in Africa to explore, exploit and process Africa's minerals and raw materials in Africa before exportation.

According to OAU assistant secretary general, Ambassador Vijay Makhan, "Africa is the last frontier for investment". We should take advantage of this and be prepared for the onslaught of the foreign interests to ensure the Africa's wealth is maximized for the benefit of Africa's present and future generation.

PERSONAL FINANTIAL PLANNING: KEY TO SUCCESS.

Africa cannot develop without the development of individual Africans. Generally, Africans are spenders and not savers. Worse-still, majority of Africans borrow funds beyond their capability to repay. Hence, there exists perpetual debt hanging on most individuals.

This trend has to be arrested and reversed for the common god of the continent and its people. Africans should imbibe the culture of saving.

This can be achieved by the alteration of the consumption pattern of Africans. Africans should endeavor to:

a. Buy African-made goods, where available, instead of imported goods,
b. Consume productive and not ostentatious goods,
c. Spend after and not before or in expectation of earnings,
d. Compulsorily save a percentage, say minimum 20% of income,
e. Invest or work for additional income.

Africans must realize that wealth is a function of two variables viz: income and expenditure. In order to increase wealth one has to minimize expenditure or/and maximize income. The former is more controllable than the latter. In many cases, Africans do not have control over maximization of income but one can certainly control level of expenditure. The lower the percentage expenditure to income the better for the individual. The question of spending beyond one's income should never arise. The answer to this is budgeting which preplanning both expenditure and income. The key is largely financial planning and control. In the next edition, financial budgeting will be featured.

THE JOHANNESBURG STOCK EXCHANGE.

The discovery of the Witwatersrand gold fields in 1887 and the subsequent formation of mining and financial companies created the need for a facility through which investors can buy and sell shares. This led Benjan Woolan to the Johannesburg stock exchange (JSE) in November 1887, with 60 mining companies. In 1963, the JSE was admitted to a federation international des bourses de valeurs, and the African stock exchange association in 1993. The number of companies now equals 643 and that of security 759. Market capitalization equals R1,129 (US$ 230.4) billion, which makes it the 19th largest in the world.

Regulatory environment.

The JSE is regulated by the stock exchange control act (SECA). The act allows the JSE to make own rules subject to the approval of the registers of stock exchanges. The registers' main duties include the protection of the public interest. He is appointed by the financial service board.

Structure.

the exchange is directed by an honorary committee of 16 persons, (10 of whom are practicing stockbrokers), headed by a chairman and an elected brokers, who may not number eight or more than eleven, may appoint outside the members of the committee- an executive president and 5 non stock broking members. Policy decisions are made by the committee and carried out by the executive committee, headed by the president, who is a fulltime paid administrator.

Service.

The member firms of JSE provide the following services:

- Administration.
- General investment planning.
- Research and investment advice.
- Dealings in money market instruments.
- Equity, Kruger rand and bond trading.
- Money- broking transaction and
- Corporate finance

Brokerage

Brokerage, in event of an agency transaction in securities and Kruger rands, is fully negotiable between investors and member firms. It is charged at an agreed rate in the agency transaction, but may not be charged when the firm is acting as a principal.

Taxes

A marketable security tax of 0.25% payable in respect of every purchase marketable securities through or a member of the JSE, irrespective of whether the purchaser is a resident of non-resident. VAT is also payable on brokerage charged agency transaction.

Settlement

On May 2, 1996 a memorandum of understanding was signed between the banks and the JSE in other to establish equity electronic settlement system for the equities market through a project referred to as STRATE (Share Transaction Totally Electronic). This will facilitate settlement, transfer ownership and enhance security of settlement.

Investor protection

There is an extensive loss incurred by the investors and member firms as a result of fraud, theft and default. The JSE guarantee fund protects investors, whilst the fidelity insurance policy is directed at member firms. The stock exchange control act further stipulates that all clients' funds be completely separated from a member's fund in a trust account.

Kruger rands

Since the listing on April 9, 1979, Kruger rands have become a very distinct instrument in the JSE, attracting the interest of investors worldwide. This 22 carat gold bullion coin comes in four denominations:

- One ounce
- Quarter ounce
- Half ounce
- Tenth ounce coins.

The establishment of an official market for the coins has improved the price efficiency by narrowing the margin between buyers' and sellers' prices.

Foreign Investment

The conduct of all financial transactions in commercial rands enables foreign investors to freely transfer their funds. Of the total number of listings, 27 are foreign, during the 1997, foreign purchases, were in an excess of R33 (US$ 6.7) billion. Net foreign purchase and sales were R11, 107 billion, compared to R4,326 billion in 1996.

Performance

Over the years, the JSE has grown not only in terms of volume, but also performance. The market have survived both political and economic shocks from the days of the Anglo Boer war and the imposition of apartheid speculation in the 1960's, servers as gold price 1975-1976 (and recently) and the political uncertainty of 1994. In spite of the erratic behavior of the entire gold index, all the main JSE indices have maintained an upward trend. The charts on the main JSE indices and the market profile speak for themselves.

Trading hours

The Johannesburg equities trading (JET) system operates from Monday to Friday (excluding public holidays). The following sessions take place at the time indicated below.

Pre-opening	08:45 – 09:30
Opening	09:30

Continuous Trading 09:30 – 10:00
Runn off 16:00 – 18:00

Further information

The Johannesburg Stock Exchange
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JSE CHAIRMAN CALLS FOR REGIONAL STOCK EXCHANGE ***Mr. Norman Lowenthal.***

In the interview with finance Africa, the chairman of the Johannesburg stock exchange. Mr. Lowenthal called for a Southern Africa Stock Exchange (SASE).

Mr. Lowenthal described South Africa as the engine of Africa and South Africa as the richest region in the world. South Africa's stock exchanges, which are mostly small, can benefit from the size of the South African economy and its attractiveness to investors by listing on the Johannesburg stock exchange.

This idea does not mean we want to control the neighbors. In fact we are suggesting that they first list in their own exchanges and then also in the JSE, he pointed out. Mr. Lowenthal believes that the regional stock exchange will be more efficient and it will provide a stronger muscle to the southern Africa economies.

With regards to the Asian economic and financial crisis, Mr. Lowenthal said that this cannot affect South Africa in particular and most of Africa, as Europe and not Asia, is in the main training partner. With the current crisis Asian goods will become cheaper which will be beneficial to African importers. Also, he believes that the crisis in Asia will induce Asia to produce more, which will increase the demand for Africa's raw materials used in Asian production, "the Asian crisis has provided opportunities for Africa but African governments must pull themselves together," he summed.

With regards to South Africa, Mr. Lowenthal said that the economy is in good shape. The JSE is buoyant, with the introduction of economic trading in November 1996 increasing volumes by more than 300 percent. The market is becoming more liquid and foreign investments are flowing in. with the new dispensation in South Africa, new black empowerment companies are being listed daily.

"However he believes that the government is not doing enough about crime, which inhabits investments, especially foreign. People are scare and visitors will not come in such an environment", he said. Although no country is crime-free, he noted, crime can be brought under control and said it is what South Africa government must do.

Mr. Lowenthal is also founder and chief executive officer of Lowenthal and company, one of the independent stockbroking companies and a member of the JSE. Lowenthal and company were established in 1978, nine years after Mr. Lowenthal started stock broking.

FINANCIAL & ECONMIC INDICATORS

JOHANNESBURG STOCK EXCHANGE MARKET PROFILE

1. Turnover on the JSE equities marks (calendar Years)

	Month ended Dec 97	**Year to Date 1997**	**Year to Date 1996**	**%Change year Date**	**1996**	**1995**	**1994**

Excluding Arbitrage							
Value (R million)	16,519	206,794	117,099	76.6	117,099	63,247	62,542
Number of deals	162,330	2,343,958	1,440,240	62.7	1,440,240	762,091	820,309
Volume (Million)	1,403	17,854	8,993	98.5	8,993	5,148	5,798
Arbitrage							
Value (R million)	6,720	67,612	41,474	63.0	41,474	21,700	21,575
Number of Deals	9,784	115,387	100,089	15.3	100,089	59,128	53,811
Volume (million)	301	3,164	1,798	76.0	1,798	1,029	998

2. Index Performance

	Value at Dec 97	Value at Dec 96	% change Dec 96 to Dec 97	Value at 31 Dec 96	% change Dec 96 to Dec97	Historical high	Date
All share	6,202	6,658	-6.8	6,658	-6.8	7,614.4	07.08.1997
Mining producers	2,604	3,980	-34.6	3,980	-34.6	4,333.8	27.02.1997
All Gold	802	1,506	-47.7	1,506	-47.7	2,535.1	07.09.1994
Financial	10,163	7,467	-36.1	7,467	-36.1	10,668.2	22.10.1997
industrial	7426	7,922	-6.3	7,922	-6.3	9,314.2	07.08.1997

CHANGING TRENDS IN AFRICAN ECONOMIES *by Dr Karamo N.M. Sonko*

Decades of neglecting the private sector and the emphasis on the government in the pursuit of economic development in Africa have been costly to the continent. Total investment as a percentage of DGP fell from 32 percent in the mid -1970's to 20 percent by the early 1980's. In low income African countries it has since remained constant at between 16-17 percent. The share of private investments in this totals were very low. Available data for a number of countries shows that the average rate of private investments in DGP fell from 12 percent in the 1970's to about 10 percent in the 1980's. these private investments rate are lower than those of east Asia, for instance, where they average 18 percent between 1970-79, about 19 percent between 1980-89 and about 26 percent between 1990-94.

While foreign direct investments (FDI) to all developing countries have more than tripled in the 1990's, equaling $90 billion in 1995. Africa's share was a declining fraction throughout in the 1970's Africa received 16 percent of flows to developing countries. 10 percent in the 1980's and about 5 percent in the 1990's.

Consequently, economic output has been very sluggish and negative growth rate were only too common in numerous countries, especially during the so-called "lost decades" of the 1980's. from 1975-1993, real GDP grew by only 2 percent in the sub-Saharan Africa and 4 percent in the North Africa. Giving an average annual population rate of about 3 percent per capital income actually declined in sub-Saharan Africa during the period.

Recent trends and a new emphasis on the private sector

Recently economic indicators and popular attitude shows that things are changing fast and positively so, in Africa. Various descriptions, such as "the last frontier for investors", "the African renaissance" and "the African economic recovery" are becoming increasingly popular in and outside of the continent. As south Africa's business day reported, even "corporate America is speaking about Africa because it thinks that the African government, schooled by harsh experience, are starting to do the things that make the continent look like a real market with huge pent-up demands form telecommunication to industrial machineries to pharmaceutical to cool drinks-not to mention services like banking and insurance". Such attitudes are partly due to the revelations such as that of the United Nations Conference on Trade and Development (UBCTD) that rates of return are higher in Africa and other parts of the world. For example according to UBCTD, the average united states affiliate in Africa generated a higher amount of income in 1992 than the average affiliate in Europe and twice as much as an average affiliate in Canada. Several indicators provide evidences of real change in Africa.

In 1996 the value of African exports grew by 6 percent to $116.40 billion while, as usual, imports grew even faster to $126.16 billion, creating a trade deficit of $9.76 billion. This growth in export earnings was in spite of the terms of trade decline of 3.3 percent, the worst for all regions in 1996.

Investment is also improving, with the share of private investment in total investment increasing in some countries, such as Cot de'Ivoire, Egypt, Uganda, and Mozambique. FDI has also raised to $4.59 billion for the first time, throughout 70 percent of the inflows still goes to the nine oil-rich countries.

African has also experienced an increase in the capitalization of stock markets. In 1995, total capitalization of 13 stock markets was $309.4 billion, although all South Africa accounted for 91 percent. The rest of stock markets range from Egypt's $8 billion to Namibia's $189 million. In 1994 and 1995 these stock markets beat those of other emerging markets through rates of return of 35 percent, respectively. The stock market growth has been accompanied by the emergence and increase of Africa focused funds. Some 13 funds now focus on Africa with the total portfolio of $1 billion. These include the Africa investment of Morgan Stanley, the Southern African fund, managed by alliance capital, the new South African fund of Robert Flemming, etc. many others are being raised or planned.

The overall effects of these positive trends are being felt through the economic performance of Africa. Whereas in 1992, 18 African countries had negative growth rates, only three recorded negative rates in 1996. In fact, in 1996, 41 countries grew more than three percent compared to 14 in 1992. GDP growth rates surpassed, for the first time, population growth rate in many countries, resulting in per capita growth rate of 2 percent. In 1996 too, Africa's growth rate was higher than those of other industrial countries, the world average, Latin America and the Caribbean, East and central Europe, and Russia.

These recent positive changes are due to a variety of factors, such as political stability in many countries, economic reform programs, in increased role of the private sector (both domestic and foreign), and a greater realization of the immerse business opportunities in Africa.

SUSTAINING TRENDS: A GREATER ROLE FOR PRIVATE SECTOR

The essential question now is whether these trends are sustainable. The answer depends on whether or not the private sector becomes the engine of growth and development in African counties. The ability of the private sector to play this role itself depends on the fostering of a spirit of publishing private partnership which enables the removal of constraints, such as inappropriate policies and attitudes, on the private sector. The ability of the private sector to have access to timely information on market and to capital and technology are also crucial. Finally, however it is the professionalism and competitiveness of Africa's private that maybe the most determinants of the economic progress of Africa in the globalizing world economy.

CONSULATE GENERAL OR NIGERIA, JOHANNESBURG

INVESTMENT OPPORTUNITIES IN NIGERIA

The Nigeria budget for 1998 shifts emphasis “from last year’s economic stabilization to growth and development. From external dependence to greater self-reliance and from military rule to an enduring democracy”. The objectives of growth and development, greater self-reliance, and enduring democracy would be achieved largely through privatization and greater private sector participation in the key sector of the economy. An economic blueprint referred to as “THE VISION 2010” produced by an economic think tank committee, of similar name, was the main inspiration behind the budget. Members of VISION 2010were down from all segments of the Nigerian society.

POLICY TRUST OF THE BUDGET

The policy trust of the 1998 budget is the stimulation of production. This is necessary in other to efficiently fight, in particular, the problem of unemployment and poverty in the society. Accordingly, government adopted measures to encourage productive activities in various sector of the economy. And in line with government’s determination to build a truly market-driven economy. Efforts will be concentrated on promoting productive private enterprise. Also, government will take appropriate measures to relate the economy in other to raise purchasing power in the system.

BUDGET STRATEGIES

The strategies by which the budget’s policy objectives will be pursued include guided privatization of the existing state-owned enterprises, economy liberalization, and vigorous implementation of family economic advancement programme, Agricultural developments, changes in taxation, and improvement of education programmes and facilities.

Guided privatization

Guided privatization is a carefully planned and systematically implemented programme of government withdrawal from control of business enterprises which can be more effectively and efficiently run by private operators. Government, thus, accepts the need to privatize existing state-owned enterprises in other to improve their performance and the overall performance of the economy. But, to avoid the negative consequences that have been experienced in some other circumstance, the exercise must be fully conducted. The idea is to take a few enterprises at a time so that the experiences at each state of implementation will be used to improve the process.

Economic Liberalization

Government has decided to open up all sectors of the economy for private investment so as to promote competition and efficiency in the system. Accordingly, with effect from the 1st January, 1998, the private sector can compete with the public sector in all aspects of the economy. Government will repeal laws and regulations which impede private enterprises in these areas of the economy. In addition, appropriate incentives will be used to encourage the relevant enterprise. In all these, government is determined to proceed in way that will ensure truly positive results for the economy and society as a whole.

Incentive to Investment in the Gas Sub-Sector

The country's abundant gas reserves are not being utilized. Gas is still being flared with adverse consequences for the environment. But, with appropriate investments, the gas sub-sector can generate employment and provide energy for the industrial sector. This year, government will provide incentives to businesses wishing to invest in the economic utilization of the gas now being flared. Incentives include duty and VAT free import of machinery and equipment, tax holiday for seven years, and zero percent (0%) royalty zero percent (0%) petroleum profit for gas used, tax deductible interests on loans for gas projects, investment capital allowance, and tax free dividends for a period of five years.

Incentives to gas industry

In 1997, generous tax incentives were given to companies, which carry our exploitation of natural gas and utilize associated gas for commercial purposes. The use of associated gas will prevent environmental hazards of air pollution caused by gas flaring. Government has therefore decided to give additional incentives in 1998 to support the gas industry in the following areas:

a) All gas development projects including those engaged in power generation, liquid plants, fertilizer plants, gas transmission and distribution of pipelines, are to be tax under the provisions Companies Income Tax Act (CITA) and not Petroleum Profit Tax Act (PPT). for the avoidance of doubt, where there is an integrated oil and gas project, the oil operation which is to be taxable under PPT is to be separated from gas operation project for the latter to enjoy the concession of being taxed under CITA all expenditure pertaining to the integrated oil and gas project would be chargeable under PPT.
b) All fiscal incentives under the gas utilization dawn stream the operation in 1997 are to be extended to industrial projects that use gas i.e. power plant, gas to liquid plant, fertilizer plant, gas distribution and transmission pipelines.
c) The initial gas holiday period is to be extended from 3 to 5 years.
d) Gas is transferred at 0% PPT and 0% royalty.
e) The "Investment Capital Allowance" is to be increased from 5% to 15%.
f) Interest on loans for gas projects is to be deductible provided that prior approval is obtained from the federal ministry of finance before taking the loan.
g) All dividends distributed during the tax holiday shall be tax-free.

PETROLEUM EXPLORATION AND PRODUCTION SUB-SECTOR

In the upstream sector, government's policy objective is to address issues relating to both crude oil and gas and is directed towards increasing the reserve base and produce ability. To achieve this, the following provisions applied as from 1st January, 1998.

a) Oil field in which joint venture companies cannot achieve the agreed technical cost and under the Memorandum Of Understanding (MOU) shall be mandatorily released by companies for bid.
b) The calculation and collection of petroleum profit tax and royalty payable by joint venture partners shall be coordinated between the Federal Inland Revenue Service (FIRS), the Directorate of Petroleum Resources (DPR), the NNPC through the NAPIMS, and the Central Bank of Nigeria (CBN), so as to ensure full realization of tax revenue.
c) Government will continue to encourage production sharing contacts in other to reduce its financial burden.

d) At least 30% of fabrication work required by the oil sector and in particular the joint venture partners must mandatorily contain local content.

Abolition of excise duty
In other to boost local industries, stimulate trade and reduce business cost, government has decided that all excise duties are abolished with effect from 1st January, 1998.

Import of use vehicles and motorcycles
With effect from 1st January, 1998, used vehicles and motorcycles may be imported in Nigeria at the appropriate duty rates.

CUSTOMS AND PORT REFORMS

In 1996, government carried out extensive ports and customs with the introduction of imports duty reports (IDR) and the assessment of import duties by pre-shipment agents. The result of the reforms has been mixed. While revenue from customs has significantly increased by 67% over the last two years, there is still the problem of inability to clear goods within a stipulated 48 hours. In addition, there have been widespread complaints from importers about delay and lethargy by the pre-shipment inspection agents.

Clearance of good within 48 hours

Conscious of the era of trade liberalization, government will in 1998 put in place measures to ensure clearance of goods within 48 hours. With effect from 1st January 1998, the operations of Nigeria custom service has been computerized in other to check under/over declaration of imports. The evaluation data base within the customs computer system (Asycuda) will be used to correctly assess the import duties.

Government will install the hyco-scan X-ray scanning inspection system in Apapa and tin island ports in 1998, and port Harcourt, calabar and Warri ports in 1999. These will allow security checks to be carried out at a centralized position and facilitate rapid scanning of packages, freights, vehicles and the entire containers and trucks. To ensure the clearance of goods within 48 hours. Government has re-introduced the 24 hours round the clock service at Nigeria's ports.

Import duty rebate

The import duty rebate was introduced in August 1995 in other to increase capacity utilization in the manufacturing sector. In other to sustain the moderating effect of duty rebate on the economy the following measures applied with effect from 1st January 1998:

(i) The 25% import duty rebate policy is retained in 1998.
(ii) The item which in 1997 did not benefit from the 25% duty rebate remains excluded from the concession in 1998.
(iii) All items being removed from the import prohibition list in 1998 shall not attract import duty rebate.

PRIVATISATION, COMMERCIALIZATION AND COMPETITION

For over 20 years, government has been investing on projects that could have been carried out by private sector. These investments were based on loans from multi-lateral institutions and international capital market, as well as internally generated revenue. The door was actually shut to private foreign investments. The anticipated improvement in living standards in 1998 can easily be realized through investments, and to end this, efforts are being made to improve resource mobilization and utilization.

Given the management of efficiency problems to key public enterprise, government has in the past few years considered the desirability of commercialization and privatization of some of these enterprises. Government has now resolved to commence the privatization of public enterprises in 1998 in line with vision 2010 programme. Government's desire is to ensure efficient and management of public enterprises so the nation can get the maximum benefits from the resources so committed.

The overall approach will be of guide privatization. This involves privatizing one enterprise at a time so that the lessons of experience will be used to improve upon the program. In each case, government will invite some core/strategic investors with the relevant expertise, particularly technological and managerial capability. To participate in the ownership of the enterprise with specified shareholding. Government will retain at most 40% of the equity in the enterprise to be privatized.

Government will sell at least 20% of the shares in the privatized enterprises to Nigerians. Government will ensure that the share ownership is widespread and that as many Nigerians as possible are given financial assistance to acquire shares in the privatized enterprise.

Government enterprises in the telecommunications, electricity, petroleum refining, petrochemical, coal and bitumen production, and tourism development, will be privatized in the first phase of the program. Specifically, government will in 1998, privatize Nigerian telecommunication (NITEL) and re-organize national electric power authority (NEPA) for privatization. The re-organization of NEPA will involve breaking of the organization according to its three main functions of power generation, transmission, and distribution, to facilitate privatization.

THE CONSTITUENCY FOR AFRICA (CFA)

The constituency for Africa (CFA) began in 1990 when a group of concerned Africanists and citizens, representing major organizations with an interest in Africa, joined to develop a strategy to build organized support for Africa in the United States. From these efforts, CFA's broadly defined purpose is to create an educated and informed U.S public about Africa and U.S policy towards Africa. Its mission is to mobilize and foster increased cooperation and coordination among a broad based coalition of America, African and international organization and individuals committed to the progress and empowerment of Africa and African peoples. Over the years its activities of education and information dissemination have led to greater understanding and awareness of Africa.

From 1994 to 1996, the CNF built an independent nonprofit organization to guide its principal activities. When U.S aid to Africa was threatened in 1995, the CFA organized summit on Africa aid. More than 200 organizations attended this meeting to rally for continued U.S involvement and support for Africa. The CFA followed up this action with town meeting in Denver. CO and Louisville, KY. As a result of both meetings, the CFA is widely credited with saving more than $200 million in the U.S budget for Africa.

For 1997 and beyond, the CFA's strategy is to organize and service the nationwide coalition of organizations, businesses and individuals. The CFA will be a forum for the coalition to continue our nation's commitment to Africa and to strengthen the dialogue and link between U.S foreign policy and domestic issues.

WHAT FUTURE FOR THE AFRICAN BUSINESS EXECUTIVES

"FORUM D' AFRIQUE" is a nonprofit making organization with the objective of establishing a friendly forum that will help to promote contacts amongst African Business Executives all over the world. The establishment of FOURM is the result of an opinion pool conducted in June, 1997 amongst the African population in France.

In one of its meetings, a panel consisting of Mr. Armand Ngoma Phuati, the director for international centers for the promotion of enterprises in Africa, Mr. Didier Accouetey, co-director of "Africa Search" a recruitment agency. Mr. Victor Kuami Kuagbenou of the Demographic Institute of France, and Mr. Beylacq, a senior official of the International Immigration Office in France, led to discussion on employment opportunities for Africans in diaspora.

The FORUM concluded that the situation is discouraging but very challenging, and there is a need for some strategies in the search for employment. "Adequate information on market situations and vacancies relevant to available expertise should constitute the basis of the search for challenging positions." The FORUM also emphasized on the need for the creation of new private enterprises oriented towards meeting the needs of the African markets.

US NATIONAL SUMMIT ON AFRICA HAS BEEN LUNCHED

Over the next two years the summit will sponsor eight summits across the United States as well as regional summits planned for Africa. A grand summit will be held in Washington DC in the fall of 1999, when the plan of action will be familiarized and adopted.

Among those involved with the mission of the national summit of Africa are US president Jimmy carter, speaker of the house, Newt Gingrich, former secretary of housing and Urban development, Jack Kemp, and former US ambassador to the United Nations Andrew Young.

The summit is the cornerstone of the African policy initiative, which also includes global internet links with Africa, a series of documentary films about Africa that will premier in 1999,as well as cultural exhibitions in the United States.

STRATEGIC FINANCING OF THE TELECOMMUNICATIONS DEVELOPMENT IN AFRICA

An excerpt of a paper presented at finance Africa conference '97 by: LIONEL NAUDE'
The Group Executive – International Business, Radio spoor Ltd.

This paper provides a perspective on the telecommunications status in Africa and evaluates how it still has to go in terms of participating in the global information society and suggests a way forward for the industry in this continent.

Firstly let me take you on tour on the population statistics which set the background for the task facing the continent. We all have a vague idea about the population explosion, but sometimes it is difficult to put this into perspectives.

Figure 1 demonstrates the incredible population growth in the last hundred years – the x – axis traces the estimated population for the last 3000 years. Since 1800, the population doubled in 123 years, it then doubled again to 47 years, and will have reached 6 billion people by the year 2000. This century has seen the largest changes in size, speed, distance and human innovation in the modern history of the planet. The Egyptian may have been able to build huge pyramids but talk small to today's engineers and they will do things you cannot see, they are so tiny and talk big to business men and they will show you satellite constellations that begin to take on the proportions of the Milky Way.

Of the world population currently, Africa has 12 percent of the world's people with having 60 percent. Africa has more than twice as many people than Canada and the USA combined.
Let's take a look at the demographic profiles of the people in Africa compared with the western countries. Fig 3 shows that the western world's population comprises about 18 percent under the age of 15 years while 45 percent of the African population is under the 15 years of age. Comparisons between Africa and other countries based on universal data sets thus need to consider these large discrepancies in the population profiles since children need to be considered as discrete consumers of telecommunications. They will have access to telecommunications through the family telephone.

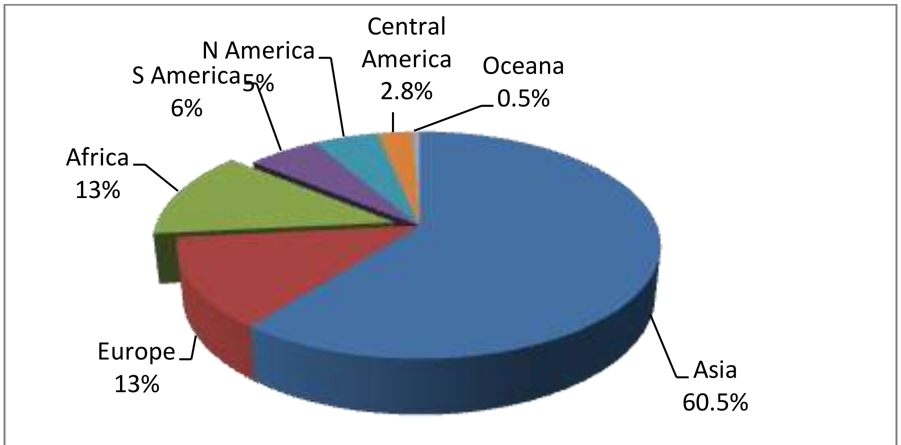
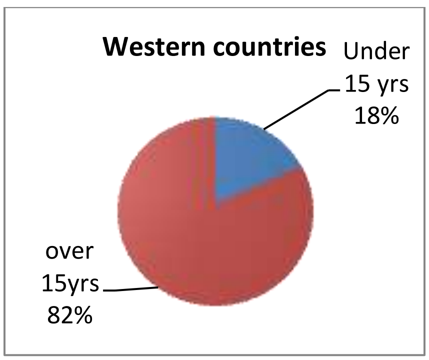


Figure 2: split of world population



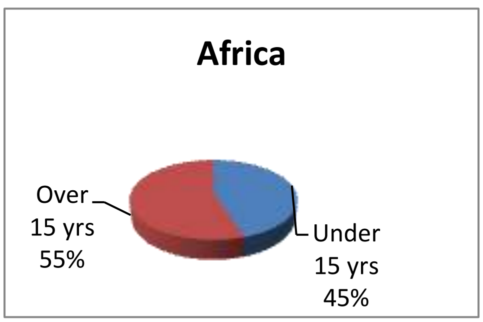


Figure 3: population age analysis

It is quite alarming to consider the large group of people that will be entering the African force in a few years, and no jobs are being created for them. It is also interesting to note the life expectancy of people in Africa compared other countries. Figure 4 shows the life expectancy of people in selected countries for purposes of comparison. It is seen that people in western countries are expected to live to about the age of 78 years while people in Africa, on average are expected to live to about 47 years of age.

The data presented above shows the rapid increase in the world's population this country, and that a large percentage of the global populations live in Africa. Furthermore there are fundamental differences to be considered in a statistical data between Africa and other countries. Moving into the field of telecommunication statistics, the most commonly presented data is that of telephone penetration with which we are all familiar by now.

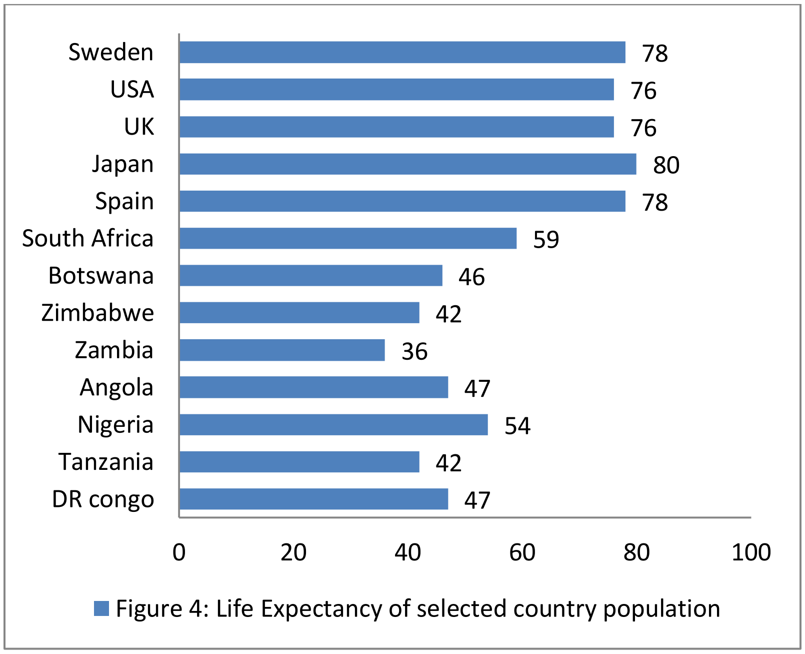


Figure 5 shows the tele-density measured as a ratio of the number of telephones to the economically active population in this way removing the large number of young people in Africa from the calculation. However, the ratios for Africa are still very low. ITU estimates of the tele-density in LDCs (Least Developed Countries) puts the figure at 0.29, or just over one telephone for every 350 people. Of the 48 countries under the United Nations General Assembly lists of LDCs, Africa making up 34.

The tele-density for sub Saharan Africa as published by the ITU is 1.2 telephones per 100 people. However, if South Africa is excluded from this calculation, the tele-density becomes 0.42 , even if that figure was doubled and then doubled again (meaning each country will have to install 4 times as many new line they currently have) the figure would still be less than half the tele-density of Asia (excluding Japan).

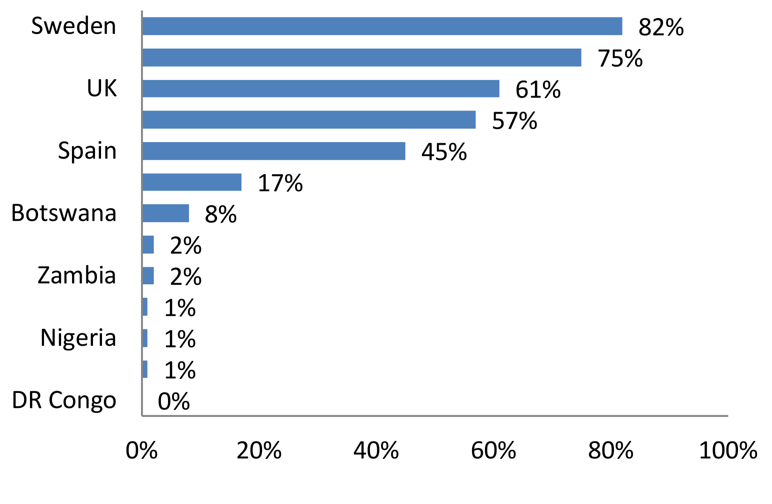


Figure 5: Comparison of Tele-density in selected countries

Thus the task to bring Africa into the information age is large indeed. To illustrate the effect of this in financial terms, I refer to ITU data. The ITU estimates that the average investment per telephone line for Sub Saharan Africa is US$5500 more than three times the world average.

In other to archive the Asian tele-density, an additional US$110 billion investment would be required. The figure is clearly not realistic. Two assumptions have been made here which need immediate inspection. Firstly, the ITU investment figure per line assumes that fixed telephones will be deployed, the second is the level of investment per telephone. If we assume that we will use cellular technology (for which I have relevant data) than we can also modify the second assumption of the cost per line. Since the inception of GSM is in Africa three years ago, infrastructure cost has reduced. To be conservative, if we use a figure of US$1000 (ITU estimates for china has put the figure in that category because of the large economies of scale in those markets), the investment needed to reach the Asian tele-density is still a massive US$ 20 billion.

However, we start refining the number and the concepts and breaking the issues dawn into more realistic scenarios. Again, to be realistic, is a target of the Asian level what Africa needs, to be pragmatic we should approach the issue firstly from the need and then one will have the confidence to deliberate on the “like” – as in what target would we like to achieve.

ITU estimates of telephone waiting lists in sub Saharan Africa put the figure at 700 000 in 1993. If we assume that this figure has grown since then and no now there is an immediate need for 1,000, 000 lines, the investment needed becomes US$ 1 billion – still a large number but that would add about another 50 percent to the current telephone network. To take longer view one need to crucially look at the drivers of the telecommunication industry. Does one want to provide telephone to every third citizen, just because the average in Scandinavia suggests that one should reach those levels? An inescapable fact is that telecommunication is intertwined with economic development, Africa has low GDP per capita in most countries, and thus, the economic drivers suggest that affordability will not drive demand to western level.

An encouraging sign is that the world’s economic forecasters are predicting an upswing in African economies, which are now beginning to show. If this growth materializes more widely and can be sustained, the demand for telecommunication services, and the ability to pay for them, should increase on the sub-continent.

An analysis of the GDP per capita of African countries, compared with the situation in South Africa to estimate an equivalent cellular market size in each of the countries, shows that about 2million cellular lines (these are “equivalent customers” where the actual number maybe larger. The number assumes that an “equivalent customer” uses as much airtime and speeds as much money on calls as a first-mover business customer. In actual fact the number of calls and revenue drops off the increasing customer numbers but network resources do not have to be installed in a linear relationship to those new customers.) Can be taken up in Africa. This suggests that the tele-density rate of Asia (and definitely Europe and USA) is not appropriate to Africa, Yet since many people would not be able to afford them. The analysis of these markets show that to deploy a GSM cellular service in each of the countries to march their market size (and giving a total of 2 million lines) would require about US$850 million.

This is significant, since by using a different technology one can get twice the number of lines for roughly the same investment. Most figures that are provided by international experts still talk of the figures being about US$ 20-30 billion, but, by applying private sector principles and practices the US$ 1 billion scenario is the starting point. However, the scenario itself is a little simplistic as I will explain next.

We have been told these stories many times by experts, and yet Africa is still not making sufficient headway in the developing telecommunications services more rapidly. Why? Some issues which spring up are:

- Regulation does not allow private sector to participate in network ownership in some countries. If the augment of competition does not convince the regulators that it is the way to go to build more lines, then taking a look at comparison between Russia and china.
- Monopolistic structures are believed to be a source of protected income for government and a way of cross subsidizing inefficient postal services. If competitions were introduced, the government would be forced to deal with the problems which have crept up all around them.
- Even in re-regulated markets, things do not necessarily go well. Nigeria is a case in point, where parochial enrichment practices by business people put paid to the good intentions of the NCC.
- Additionally, in regulated markets, tele-density growth has not materialized in most African countries, where the number of cellular subscribers is well below 10 000. Why should this be so while South Africa is such a success story?

Clearly, the answer is weighted in favor of well-structured and effective regulatory regimes – including the tariffing of services and barriers to entry. Headset prices in these countries are lower than the other countries, whiles tariffs are amongst the lowest.

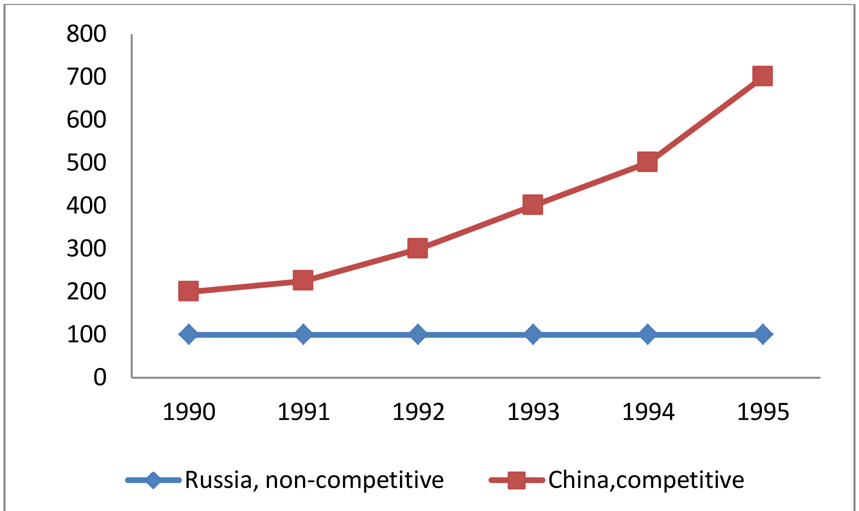


Figure 6: effects of competition growth.

Figure 6 shows the effect of Russia's two carriers compared with a competitive environment in China. The growth in telephone lines in Russia over the period was 4 percent while China experienced a growth of 43 percent. Similar trends can be observed on the effect of telephone traffic per line in competitive and non-competitive markets where traffic increases under competition.

Figure 7 shows a comparison of traffics in certain African countries. The most interesting point to note is that all the traffics are for digital GSM except the DR Congo which traffics for an analogue service. It is evident that there is little relationship between cost and price for that private operator in DR Congo it is little wonder that Africa has difficulty with tele-density growth when practices of this type prevail. Another factor which is not detailed here is that of the low barriers to South Africa-handsets, in some cases are free, in other African markets the operator the operator make handsome profits on the sale of customer equipment and they control the equipment sale thus, introducing further barriers to entry for users.

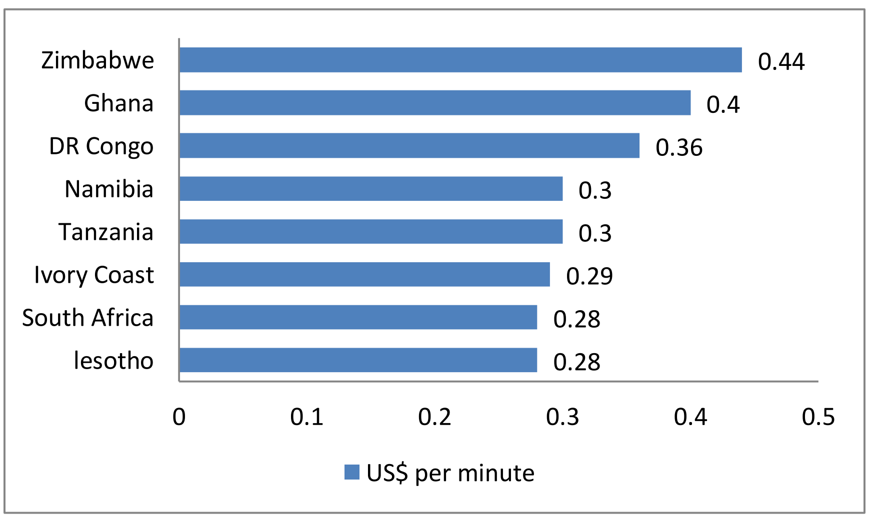


Figure 7: comparison of cellular traffics in some African countries

The issue of low tele-density as stated by the secretary general of the ITU is a *"supply side problem, connected with management and regulation of the telecommunication rather than a problem of demand, of technology or of finance."* The solution lies in the hands of Africans.

Another aspect to be considered in the way forward for Africa is that of how markets are freed up. In the words of the secretary general of the ITU.

"*…the markets of developed countries no longer represent the best investment decisions since heavy competitions have squeezed margins. It is the emerging markets of Asia and to a lesser extent Latin America and Africa which are now the focus. For developed countries, access to these markets is critical to their future economic growth"*.

Those that mean that Africa can leave the task of developing our telecommunication networks for foreigners, a critical look at the track record of such companies in Africa suggests that they will not deliver what Africa needs.

………..Figure 8: international companies with cellular operations

Figure 8 illustrates the track record of international companies which have been granted license to operate cellular networks in Africa, usually in a joint venture with other parties. It is seen that the number of subscriber are very low compared with the population or market potential except for South Africa where rigorous regulation saw target set for roll-out, tariffs and community deployment which were strong incentives to perform in terms of the license. This is not intended as a criticism of those operators, they were granted terms of reference and they use them to their best advantage. The problem perhaps, should be addressed by the regulatory office in each country.

Thus, countries wanting to raise capital for network development seem to have made compromises in implementation of "free market" principles. The map shows that those compromises cannot be to the benefit of the public which those governments serve – since so few telephones have been deployed through those methods.

As the secretary general said at the Geneva conference in 1995. "for the future of African telecommunication, one must look not to the ITU, the world bank nor to TA&T, instead one must look to Africa and Africans". And so the onus is on Africa to do what has to be done.

We have these issues at length through dialogues, forums of Africa unity, regional summit and we now have a good understanding of what is required.

…………… figure 9: ingredients of the solution

I suggest the solution looks like somewhat like figure 9.

- As for expertise, we have the skills and core people on this continent that are required – expertise is no longer a scarce resource – it is now a tradable commodity.
- The multinational equipment suppliers have produced the technology we need, we must be pragmatic about how we choose our pieces and fit them into workable systems that we can operate and support. Most authorities have recognized the benefit of adopting the most widely used global standards so system will become seamless to users as they cross national borders.
- With regard to regulation- we have models of success with us- we should learn from those and adapt aspects of situation. It is here that the show can fall apart with parochial decision. This promotes only self intrest on the part of the decision-maker, being the disease, which we must eradicate. The well-being of the continent should take a higher priority than an individual's self-

interest. This becomes the system which provides the heart-beat for the industry- it cannot be allowed to falter. I hold up Namibia, South Africa and Botswana as example of success.

- The government/ private sector relationship should be developed. This is known as a key ingredient in the success of the Asian tigers. Government creates an environment in which business can drive. We should not be pressured into doing these things by the world watch dogs, we should do them because we believe that they are right for us. With changes in the political leadership on the continent, we hear talks of this being a way to work. With regards to telecommunication, it is encouraging to see that most countries have allowed private sectors to participate in the industry.
- In conjunction with the right environment for business, our government needs to be proactive and ensure that an economic revival occurs – this cannot be done by selling our forests and minerals to others- we are then left with nothing. We need to create wealth-building industry-since without domestic wealth there will be no consumption to repay the investment loans. African business men understand the risk of this business, so they should be encouraged to practice and develop them.
- Capital is a critical ingredient, and I deliberately left it till last to mention, because financiers will not provide capitals into business nor ventures which they consider risky. Currently they see a maze of risks, once the above issues are remedied, investment confidence will be restored and we will be able to build our businesses, and then US$1 billion will no longer be such a daunting amount of money to rise.

CONCLUSION

Telecommunications is a highly profitable business. The public telecommunication sector in 1995 generated revenues of more than US$600 billion, according to an OECD, the telecommunications now generates more profits than any industrial and services sectors reported in the fortune 500, by comparison the airline industry has incurred losses in excess of US$16 billion in the first half of the 1990's, a figure which exceed the cumulative profits made in the first 60years of tis history.

Telecommunications in Africa still enjoy little competition, which would otherwise erode profits, infrastructure prices are coming down for those who know, and more and more businesses are being conducted over these networks. Why would financiers not be interest in providing capitals for this industry if governments did the right things?

DEMUTUALIZATION: THE KEY TO FUTURE SUCCESS

Increased competitiveness and the integration of the financial service industry are the drive force behind the trends for mutual to demutualize internationally, according to Martins Darling, Executive Chairman of Sanlam, who spoke at the fifth annual long term assurance conference at Johannesburg.

Mr. Darling said that demutualization will have several key advantages for South Africa. "It will heighten the profile of the Johannesburg Stock Exchange as a major financial center. As well as improve liquidity and increase South African weighting in emerging market indices. It will attract foreign investment in South African companies and increase the level of individual share ownership, resulting in considerable empowerment".

“Overall, it will send a strong message that South African companies are cognizant of global changes in financial service and are ready to accept the challenges of the international competition.”

Referring to the micro-economic impact of demutualization he said that the purpose of demutualizations of Sanlam and old mutual could have a relatively large impact on the South African economy when compared to similar examples in the UK, some market analysis estimate that the combined market capitalization of Sanlam and old mutual could range from 8 to 12 percent of projected 1998 GDP, a far larger percentage than in UK demutualizations.

He added that the impact on the economy will depend on what percentage of the shares are retained, converted to another form of investment or spent. “Depending on this and the market capitalization at the times of listing, estimates on the GDP growth rate are as high as 4 percent”. He added.

“In addition, demutualization will help the government to implement special employment and development programmes through, for instance the recently announced 2.5 percent levy on demutualiztions which will be allocated to the newly created Umsobomvu fund.”

Mr. Daling said that, depending on the approval of the policy holders and the regulatory authorities, Sanlam’s proposed demutualization could take place towards the end of this year. An incentive communication programme with all stakeholders has being lunched which currently focuses on the confirmation of the policyholders’ details. Further direct communication to policyholders is expected to take place during the second half of this year after which they will be asked to vote.

GENSEC IN AFRICA

Genbel Securities (GENSEC) is South African financial group whose business is aimed at creating wealth through the management of financial risks.

Gensec’s principal activities comprise;

- Corporate finance.
- Security trading.
- Treasury and banking operation.
- Private equity.
- Fund management.

Gensec’s activities into the rest of Africa mainly focus on:

a) Privatizations of state run industries such telecommunication, infrastructure and financial services.
b) Primary industry such as mining and agriculture.
c) Manufacturing and process based industries such as packaging, food and beverages.
d) Distribution based industries such as transportation, waste disposal and distribution. Infrastructure based industry such as power generation and toll-road and rail development.

Gensec, although mindful of the political risks, has already made an investment in Africa, through a 20% participation in chibuluma mines PLC, a medium sized Zambian copper mine near Kitwe in the Zambian Copper belt. Gensec is a 20% participant in the Metorex Consortium which acquired 85% of the mine from ZCCM as part of the Zambian privatization initiative. The consortium purchased the Chibuluma mine from ZCCM for a total purchase price of $17.5 million, and is currently engaged in feasibility studies to expand the capacity of the operation.

Gensec is also investing in the important infrastructure project in Zimbabwe, and a number new projects in various African countries are being renewed.

When evaluating Gensec's potential involvement in a project, aspects such as currency risks are considered with great care and countries without exchange control are obviously more attractive because of the ease of transaction afforded today. Toady business in an increasingly international business environment. The flexibility to manage funds without undue red tape is a major advantage for company of Gensec's nature.

ABSA BANK

ABSA group consist of allied banks, Trust Bank, United Bank, Volkskas Bank, and others will be trading as ABSA BANK from November, 1998. The group general manager of sales and marketing, Ms. Santie Botha, confirms this strategic move in an interview with FINANCE AFRICA. A detailed interview with Ms. Santie Botha and an exclusive profile of these formidable African banks, whose focus on Africa is increasing, will be published in the October/November edition of FINANCE AFRIC.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

ESTABLISHMENT

United Nations Industrial Development Organization (UNIDO) , established by the United Nations General Assembly in 1996,is the specialist UN's agency dedicated to promoting sustainable industrial development in countries with developing and transition economies. The organization harnesses the joint force of the government and the private sector to foster competitive industrial partnership and developmentally friendly industrial development. UNIDO deals exclusively with industry from a development perspective and its service are non-profit, neutral and specialized. The organization acts as a catalyst to help generate national economic wealth and raise industrial capacity. Through the role of a worldwide forum for industrial development and provision of technical cooperation services. The ultimate goal of UNIDO is to create life for people by laying the industrial foundations for long-term prosperity and economic strength.

ALLIANCE FOR AFRICA'S INDUSTRIALIZATION

Africa is currently the major beneficiary of UNIDO's technical cooperation programmes. Almost 40 percent of all its projects are located in Africa and this may increase up to about 50% in the next four years. To enhance Africa's industrialization, UNIDO in conjunction with OAU, ABR and ECA, has recently helped to lunch "The alliance for Africa's industrialization.in furtherance of this objective, UNIDO lunched INDUSTRIAL AFRICA, a newsletter to support African leaders in their endeavor to communicate the alliance to the African peoples and the international community for the greater understanding and interaction in mobilizing support.

LEADERSHIP

Mr. Carlos Magarinos was recently appointed as the new Director-General for UNIDO. Shortly after his appointment he declared that Africa must be UNIDO's and as such he shall be "listening closely to Africans". He went further to pledge that he will devote every determination and every effort to this task, and many expectations into results which will help to improve a standard of living of African people through industrialization. A 35 year old, Mr. Magarinos hails from Argentina. He is the youngest head of a UN agency and he has carved himself a distinguished career. A detailed comment of the Director General of UNIDO, Mr. Carlos Magarinos, appears on the next page.

UNIDO, INDUSTRIALIZATION, AND AFRICA'S PROSPERTITY

UNIDO is a very important organization in Africa's development giving its special focus on industrialization which is prerequisite to Africa's prosperity. These sentiments were shared by the UN Secretary General, Africa's Kofi Annan when he said that "with industrial development, Africa can take decisive steps towards full throttle competition, in the globalized marketplace. Without industrialization, Africa's economies will be condemned to persist crisis, dependence on humanitarian relief, deepening poverty, despair and political unrest".

Towards Tomorrow's African Industries

UNIDO'S DIRECTOR GENERAL

Africa faces a challenge of formidable proportions. At a time of global economic resurgence and integration, Africa's relative and obsolete economic position continues to be vulnerable.

- The continent contains 33 of the world's 48 least developed countries.
- More than 220 million African live in poverty.
- Per-capita income in sub-Saharan Africa fell by nearly 10% in the last decades and,
- Manufacturing value added dropped in the same period.

Although 1995 saw a marked improvement in Africa's economic performance, this cannot mark the urgent need to find sustainable solutions to Africa's development dilemma indicated by this alarming statistics. Many countries have recently made progress towards establishing political stability introducing a liberalized and sound macro-economic environment and encouraging private sector development, thus paving the way for more economic growth. But incremental progress is not enough. If African countries are to take their place in the newly-industrialized nations in the 21st century a major transformation is called for, moving from predominantly rural, agrarian societies and growing urban industrial economies. UNIDO is responding to this challenge, together with its African development partners, by lunching the alliance for Africa's industrialization. The is to foster the continent's potential for dynamic industrial development, enabling its industries to sake a greater claim in the global markets. The alliance will add a further dimension attaining the goals of the industrial development decade for Africa, which was pioneered by UNIDO together with the organization for Africa unity and the economic commission for Africa.

In complementing the United Nations System-Wide special initiative on Africa, UNIDO is emphasizing the importance of long-term, private-sector-led sustainable industrial development, too often; past approaches have failed through poor implementation. Solutions must not be imposed but developed by African governments in tandem with the private sector, the challenge for the alliance is to assist the process of industrialization, particularly through institutional, technical and human resource development.

Three prerequisites are vital if the alliance is to facilitate long-term industrial transformation.

- First, its ownership must be solidly African and be built upon existing national, sub-regional and regional initiatives to establish a coherent development agenda for overcoming unemployment, poverty and food insecurity.
- Second, it must create industrial partnership and strategic alliance among African nations, development agencies, financial institutions and the private sector, both within and outside the continent, and
- Third, it must mobilize additional resources for technical cooperation to promote industrial growth and competitiveness as well as strengthen local technical capacity.

Thanks to its wealth and industrial experience and its recent reforms, UNIDO has developed tightly focused range of integrated services tailored to the need of African industrialization. I am convinced that, working with our African partners and other development agencies and financial institutions, the alliance can help translate the promise of Africa's potential into reality as we approach the twentieth century.

SOME UNIDO PROJECTS IN AFRICA

PROGRAMS	COUNTRY	BUDGET	CONTACTS	TEL EXT	FAX EXT
Contributions of SMIs and Dev.	LDCs	To be finished	Selichiro Hisakawa	4772	6842
Industrial policies and strategies	LDCs	$1.1milliom	Bengt Karlsson	3641	6859
Regional network of Technical Centres	“Ethiopia, Kenya, Zambia”	“$45.000 each”	Enver Khan	5119	3503
Industrial Info. Inv. & Tech. Promotions	LDCs	“$159-250,000 each”	Hans pruim	4755	6843
Improving SMI support services	LDCs	To be finished	Zeynep Taluy Grossruck		6842
	All Countries	$1 million	Richard Kennedy	3819	6840
African Privatization Network.	Mali	“1,295,249,000”	M. Dhaoui	5183	
National Recovery Programme (private sector).	Guinea	$2.23million	Ms. leny Van Oyen	5083	
Integrated Assistance SMME (phase II).	Cape Verde	“$271,000”	Ms. Sanchez-Osuma	3945	
Upgrading and Expansion of Pharmaceuticals.	Mauritius	“$325,000”	Ivan de Pierpont	3179	
Consultancy System (Productivity for SMMEs).					
Training Programme (women Entrepreneurs).	Botswana	“$192,500”	A Ouaouiiich	5542	6849
Investment mobilization for SMEs.	Mali	“$262,925”	Patrick Gilbert	6414	
Pilot Programme for Hammer Mills.	Nigeria	“$332,000”	Ahmad Malayeri	4568	
Phasing out CFCs at FAEM S.A.	Cameroon	“$1.93million”	M. Derrough	3885	
Development & Distribution of Food Equipment.	“Mali, Burkina faso”	“$1.3million”	Evert Kok	4570	
Ecologically Sustainable Industrial Development.	Madagascar	“$451,000”	Mohammed Eisa	4261	
Total Quality Management in Industries.	Kenya	“$535,824”	Octavio Maizza-Neto	5090	
Support to Small Scale Mining Industry.					
	Niger	“$74,200”	Milton da Silva	3961	
Promoting International contracting.	“Algeria, Morocco, Tunisia, Jordan”	“$959,332”	Andre De Crombruggh	5275	
Development of Small Scale Industries.	Zambia	“$254,115”	S. Hisakawa	4772	
Pilot Programme for Hydraulic Presses.	Nigeria	“$279.600”	Hammed Malayeri	4568	
Promotion of Textile Industry.	“Mali, Guinea”	“$370,000”	D Y H Lee	3837	

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Restructuring government transport system:

THE CASE OF NAMIBIA'S GOVERNMENT GARAGE

Africa consulting service, a group within the emerging markets division of standard corporate and merchant bank, is nearing completion of the project in Namibia aimed at reviewing the operations of the government garage and proposing options for restructuring. This was one of the first contracts won by the newly formed African Consulting Service (ACS) group.

Namibia's Ministry of Works, Transport and Communications (MWTC) in early 1997 established what is called MWTC 2000 project, aimed at commercializing some of the ministry's functions and streamlining those that remain. The project has been based on the government's overall objective of separating the government's core function of making policy and providing regulation and oversight from operational activities that can be performed by other, non-governmental entities. In the case of MWTC, this has entailed disengaging the ministry from direct operations of transport services and construction of transport infrastructure by establishing State-Owned Operational Entities (SOOEs), organized on a self-financing basis, to carry out these activities. One of the first MWTC 2000 initiatives was to transfer the ministries road construction and maintenance department employing some 2,200 people together with all departmental staff and equipment, into a new SOOE that will operate at arm's length from the government, although this SOOE initially can obtain government contracts without competition, it is expected to become fully competitive within three years, after which time it must complete on an equal footing with the private sector companies, other initiatives of MWTC 2000 includes the establishment of airport company to manage the eight airports and aerodromes in Namibia.

The restructuring of government garage forms part of the MWTC 2000 project since Namibia obtained independence at least 5 studies of government's operations have been undertaken, most of them focusing on various operational aspects needing improvement. None of these, however, addressed the more fundamental question of what governments' garages function and mission should be and what institutional structure and arrangements could best enable it to fulfill its mission. Nor did those studies address the even more basic questions of whether government garage itself should continue to exist.

Government garage, which employs nearly 500 people and owns and operates nearly 4000 vehicles, provides transport services to most government ministries. The defense force and the police operates their own vehicle fleets, and during the past several years a small number of other ministries, including agriculture and education, have taken over operation of their own fleet as well, largely in response to what they perceive as poor services provided by government garage.

ACS, together with the sub-contractor promex, a local Namibia consulting firm, undertook a comprehensive review of government garage operations, free to any preconceived notion as to the future form, if any, government garage. The guiding principle of the assignment was to determine most efficient and co-effective way of meeting government's transport needs. A subordinate, though also important, objectives was to device solution conforming the government commitment that the MWTC 2000 initiative would not result in job losses for any ministry employees.

Government garages are not without problems, some are;

- Costumer dissatisfaction with the level of service provided, entered mainly on delay and insufficient vehicle repairs performed by GG's in in-house workshop.
- Lack of skills and motivation of employees, and productivity levels more than 50% lower than the private sector.
- A tariff structure that permitted GG to recover only about 50% of the actual cost of providing transport services.
- An accounting system that failed to capture basic data such as employee salaries and indirect costs and over heads.
- An almost complete lack of information that would enable management to inform strategic and operational decision.
- Cumbersome government procedures for replacing vehicles and changing tariffs.

Initial comparison suggested that government garage, however, flawed its services, was providing ministries with transport at far lower cost than the private car hire companies would charge. Further analysis revealed, however, that this discrepancy was illusory. GG's accounting system failed to account for many costs, to the extent that actual operating costs were more than 20% higher than those indicated in the accounts. GG had also failed to replace its vehicles accounting to the appropriate schedule and have failed to carry out essential repairs and maintenance on buildings. At the time ACS conducted its analysis more than 40% of the entire GG fleet had exceeded its useful economic life of 6 years or 160,000 kilometers. The resulting backlog amounted to some N$216 million (N$1=R1). The minimum amount required for rehabilitation of existing workshop buildings was N$7.5 million. With these elements taken into account, the operating surplus showed by GG account turned into deficit of more than N$80 million annually. If GG tariff increased to a full cost-recovery basis, they suddenly would become comparable to prevailing private sector tariffs. For roughly similar charges, private sector companies would provide better services, which included replacing vehicle on a four-year instead six-years cycle.

ACS final recommendation did not however, include abolition of the government garage operation. Allowing each ministry to take over or outsource its own transport requirement could to even poorer services and higher costs, as shown by the experience of some of the ministries that had done so. Instead, a reformed government garage could act as a government agent for the procurement of transport, devising solutions tailored to the needs of each user ministry. A smaller government garage would focus mainly on the fleet management, obtaining and deploying transport for user ministries and providing accurate and timely information to users and to government at the cost of the operation. Operating on a full cost-recovery basis, government garage would charge appropriate tariffs to users, which in turn will provide some discipline to ministries use of transport.

Altogether, these recommendations, if implemented, will result in cost savings of nearly N$300 million to government over the next five years, and will provide full cost recovery and a significant increase in transparency to the task of servicing government's transport needs.