World Bank set to issue SA loan

Weekend Argus
Foreign Service

LONDON. — The World Bank is likely to issue a loan to South Africa midyear, if substantial progress towards an interim government is made.

Yet South Africa will continue to postpone public issues on the international capital market until an interim government is formed, said Dr Elias Links, Special Financial Representative to Europe for the Department of Finance at a seminar of the South African Foundation.

In the meantime South African foreign loans falling due for redemption this year would be rolled over privately. Foreign banks, mainly Swiss and German, tend to arrange sales of South African issues for their own private clients.

Dr Links did not specify the loans that needed to be rolled over, but said that public issues would be far too expensive.

South African Deutsche mark bonds, for example, are trading above 10 percent, about more than two percent higher than other Sovereign Deutsche mark issues, according to traders.

Private placements, however, are also expensive, say bankers. Clients will only accept South African paper on high yields.

Recent Department of Finance statistics indicated that around $330 million (R1.6 billion) of SA foreign currency denominated capital market issues were due for redemption this year, compared with $320 million (R980 million) in 1992.

Redemptions next year are estimated to be only $80 million (R246 million) and zero in 1995.

In 1996 and 1997, however, about $560 million (R1.7 billion) of foreign bonds are due for repayment. It is thus evident that SA foreign reserves will be under pressure this year, unless the loans are rolled over on favourable terms. So political accord is vital.

South Africa's total foreign debt is around $18 billion, said Dr Links and about $1.5 billion is due to be repaid this year under debt-standstill arrangements. A new agreement with bank creditors must be negotiated by the end of the year, but in the meantime informal talks have already begun.

There are several options, said Dr Links. There could be a fourth agreement on rescheduling or repayment negotiations with individual banks.

SA's foreign debt statistics, however, are now impressive.

In 1985, South Africa's ratio of debt to export earnings was 128 percent and now that ratio is down to only 65 percent.

"As a ratio to gross domestic product, South Africa's foreign debt, of around 17 percent, is only half that of Western hemisphere nations."

"About 70 percent of Nigeria's exports service its foreign debt. Yet the same proportion of SA exports would repay all of our debt, said Dr Links.

Delegates at the seminar said that South Africa's dual exchange rate system was still a disincentive for foreign investment.

Dr Links hoped that the financial rand would be eventually abolished, but indicated that it would take at least 18 months before the authorities could unify the exchange rate. Much would depend on an assessment of capital flows.
Interim govt is key to World Bank loan

By Neil Behrmann

LONDON — The World Bank is likely to issue a loan to South Africa in mid-year, if substantial progress is made towards an interim government.

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economic agenda
poor of SA on the
placing the rural
Educationalists warn migrants to Africa

Aim to develop and retain skilled labour • Tanzanian academic for Soweto

BY: Mzikhalwa Malinga
Stals seeking debt rescheduling

LONDON — South Africa would seek a new rescheduling agreement with its commercial bank creditors before the current pact expires at the end of 1993, the Governor of the Reserve Bank, Dr Chris Stals, said yesterday.

The current arrangement covers $5.5 billion of SA's total external debt of $18 billion, the rest not being subject to any restrictions over payment.

"Before the end of this year, we will have to come to a new arrangement with the foreign creditors on what's going to happen to that debt," Stals said.

The central bank governor was in London to address the City of London Central Banking Conference organised by City magazine and sponsored by the World Gold Council.

Stals said that theoretically the $5.5 billion would immediately become payable unless a new agreement was reached.

"The debt was small in terms of developing country indebtedness worldwide, but was a serious problem for South Africa whose total foreign reserves amounted to $3.5 billion."

Political change

"The major problem is that we have a country that is undergoing major political changes. It's a matter of time before a new kind of government takes over responsibility," said Stals.

This made it very difficult to enter into a new agreement with the country's 230 commercial creditors at this point.

"Ideally, we would like to have not only a longer-term arrangement, but a final arrangement," Stals said.

"South Africa has made substantial repayments on its foreign debt over the last eight or nine years and we will want to continue and repay that total amount but, obviously, it will have to be spread out over a reasonable period of time."

"One banker, who was involved in the negotiation of the current rescheduling pact, said SA would have little difficulty in selling such a deal to creditors."

"The debt has been subject to three rescheduling arrangements since international banks imposed a freeze on new credits to South Africa in 1985."

Stals said that under the current rescheduling, SA would pay banks three instalments this year. Taken together with its other commitments, the country would pay $1.8 billion this year.

"Stals said relations between SA and the multilateral financial institutions were gradually being normalised."

Studies

He said the World Bank had been carrying out feasibility studies in SA and that the International Monetary Fund (IMF) regularly carried out consultations.

"But so far we have not had to apply to the IMF for any financial assistance and the World Bank has not committed itself to any assistance to SA, pending political developments," Stals added.

"All these things will become much easier when an interim government is in place." — Sapa-Reuters.
Polluting the Niger

DEVELOPING AFRICA can only happen through creation of wealth and employment. Since the basis of wealth in the "primary" sector, I was thrilled to meet an entrepreneur who wants to build a tannery. What could be the Senegal had been for a thousand years the producer of meat and hides for the region of the upper Volta river. Abidjan feeds off the cattle herds of Mali, at least until the European Common Market started dumping surplus meat along the coast. (And the Europeans pretend that they are helping Africa?) But even if we cannot sell meat like we used to, we can consume meat to good tanning adds value to the product.

Mali's national production of hides and skins is 40,000 per day. My friend Mustapha (not his real name since it is unfortunately a true story) wants to put up a tannery with a maximum capacity of 100,000 per year. He has a fairly ambitious target to tan 50,000 per month, which is a high percentage of the actual production of skins around the capital city of Bamako. As you would expect, there is already one tannery which doesn't work: The French built it in 1978 in the far west of the country beside Senegal. It has a potential output of 2000 hides per day, far too big for a remote corner of Africa. Now why did the French and Germans fund a tannery, which in the five years 1978-84 worked spasmodically only 19 months, and then stopped with a cumulative debt of $6 million? According to a UN analyst, the tannery was built to produce "webblue"—partially finished hides—which are an enormous pigment for finishing hides which have never and never could function in such a climate. Again why? Wonder whether it has anything to do with backhands? I do not know the truth; but I sure know it isn't "development."

Mustapha's tannery needs funding for around $2 million. He can raise up to 20 per cent, and needs a bank loan for the rest. The biggest lending bank around these parts is the World Bank, and naturally "Mustapha was interested to be invited to present his project to a delegation from the bank. "The factory will produce 31 jobs,” he explained, “and in addition to these there will be extra profit and additional jobs from the byproducts. The hides can be cut up, using a simple circular saw, and different parts can be used to produce omelette, bone, and hair combs; and we can utilize even from the soggy base of the horn, which will be ground into organic fertilizer."

By Robert Laciville

Senegalese felt a little less confident. "You must understand," he said, "that I have not designed this tannery to make a quick profit. Indeed, the Ministry likes it because it is intended to ensure a long-term regular income; and to provide long-term employment for the 31 employees. It will help my country to export more profitably its natural resources. In September 1991, the French suddenly closed their market to all hides and skins which did not meet new and rigorous standards. There is no tannery in Mali which is equipped for this. So we will not only be making a profit from our tannery, but for the whole of the tannery industry of Mali.

The World Bank delegation did not respond. They studied the papers. The Frenchman spoke again. "The problem is to build a treatment station. It is going to cost you $320,000. It will be expensive to run the treatment station. Take that out of your project, and you get a far better return out of your tannery."

Mustapha's mouth fell open. "But I cannot possibly take the treatment station out of the project! I have to pump untreated effluent into the Niger River." "And your tannery becomes financially worth supporting," replied the Frenchman. The Senegalese remained silent. The World Bank team shuffled through Mustapha's papers. There were an American, a Senegalese, a Frenchman, all in dark suits and shiny spectacles. It was the big-time World Bank. I do not think the Frenchman does not agree with a Senegalese, but they do speak in the language of the World Bank. The Senegalese looked uncomfortable, avoiding Mustapha's gaze.

Mustapha tried again. "Only a few weeks back, I met a World Bank official who greeted my water treatment station with joy! He was looking at environmental impact, and when he saw the way in which my tannery was set up, he offered me congratulations! Surely you can see that the first 20 per cent of the costs go into protecting the environment, and it is that and that alone which makes the other 80 per cent possible! You shouldn't be criticizing my plans: you should be offering me an environmental medal!"

"Monsieur Mustapha, I am sorry to tell you that the environment comes under the Agriculture Division, and they have nothing to do with us. We are from the Finance Division, and we have to tell you..."
World Bank ‘must help’

OWN CORRESPONDENT
LONDON — The time is ripe for the World Bank and other global donors to support peace initiatives and to redress the legacy of apartheid, the Financial Times of London said on Monday.

An editorial said the power-sharing proposals agreed by President F.W. de Klerk and ANC president Mr. Nelson Mandela were a victory for pragmatism.

But it was imperative for the proposals to encompass Chief Mangosuthu Buthelezi, whose denunciation of the agreement over the weekend, “augers ill”.

The paper said the government and ANC should now invite the World Bank and other donors to support health, education and housing programmes to help reduce the apartheid legacy.

“The sooner efforts get under way to meet the aspirations of black South Africans, the better prospects for a new administration.”
Amosoo tells Arabs it will end Israeli ties

SA missile technology

The World Last Night

From Simon Marks

SOUTH AFRICA's multi-million

STANDARD BANK

Tuesday, 21/2/93

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Sunday Times, February 21, 1993

35G

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Policy vacuum

The World Bank likely to 'wait and see':

By Mzimkulu Malunga

Once South Africa has access to international finance, relations with the World Bank will be more symbolic than real, says the Standard Bank's economic division.

According to an analysis on possible future relations between South Africa and the World Bank, that institution is likely to adopt a wait-and-see attitude towards this country.

Quoting sources within the World Bank, Standard's economists report that officials of the World Bank say they will not lend money into what they term a policy vacuum, meaning South Africa has to clarify its economic policy. Even then, the World Bank's response will depend on its acceptance of such a programme.
World Bank helps in study on massive park

A FEASIBILITY study for the world's largest game reserve, which would cross at least three international borders, is under way in Mozambique with the aid of World Bank finance. £100,000 has been allocated to this project.

The Transfrontier National Park as the area would be known, would link areas south of Maputo Game Reserve with the Kruger National Park and extend to Swaziland's Llombo and Malulana reserves. Eventually the conservation area could include Zimbabwe's Gonarezhou National Park.

When the scheme was first discussed in mid 1982, the World Bank agreed to pay $24m in two instalments. The Global Environmental Facility also supported the project.

"The area was identified as a unique and complementary ecosystem, and although artificial boundaries exist," said Mozambique's Department of Forestry and Wildlife director Batolomeu Soto.

Ancient east-west wildlife migration patterns will be re-established if the Transfrontier National Park is set up. Mozambique's tourism potential would also increase.

The department was looking into the possibility of ecotourism and hunting safaris to attract overseas tourists and foreign currency, said a department adviser.

The study, which involves Mozambican and international experts, will look at security issues and how an international border running through it would be managed.

Said Soto: "We are going through a delicate political phase in which Renamo is playing an important role. Our project must go harmoniously with this process."

Poaching in Mozambique's game parks is rife and has decimated wildlife, although no statistics are available because of the 16-year war.

It is estimated that the pre-war elephant population of about 300 in Reserva Maputo has declined to 50. Only 5,000 of Reserva Marrome's 55,000 strong buffalo herds had survived, said the Forestry and Wildlife Department's adviser.

Both Renamo and government financed the war through illicit ivory and rhino horn trade, and rural communities killed game for food.

The Transfrontier park would link Mozambique's Bankhe and Zinave National Parks. Areas between them would be allocated as multiple utilisation resource areas, where local people would be involved in the management and land utilisation.

Managers selling training skills

JOHN DULBURG

The recession and retirement of senior managers has led to the mushrooming of one-man training consultancies, sources in the industry said.

They complained that there was little control of these consultancies, no regulatory authority and no sign that government planned to intervene.

First National Bank small business unit manager Willie Hall said there had been an increase in consultancies as companies retrenched senior management staff to reduce costs.

It was difficult to find employment at senior levels, and retrenched managers usually reported to starting up consultancies. Most common were in the communications and management fields.

Business Skills Consulting Group's Peter van Rynveld said initial costs of starting one-man consultancies were not high.

Companies were using a number of them since it was cost-efficient to employ a training consultant rather than maintain a massive training department.

Van Rynveld believed chances of government regulation were slim in the foreseeable future.

Spread of doctors is too uneven

PRETORIA - There was an uneven distribution of medical practitioners in SA resulting in critical shortages of medical manpower in rural areas, Health Minister Rina Venter said.

Speaking at the Polish embassy at the weekend, Venter said the health status of SA compared favourably with other developing countries, but government was "aware of the inaccessibility to health care by the major part of our population".

The shortage of doctors in rural areas and the inaccessibility of a quality health care system was being addressed in the planning of health care strategies, she said.

Rapidly increasing ur-
World Bank could grant SA $150m in loans

SA can expect to receive about $150m in assistance from the World Bank, according to a Standard Bank report.

It said indications were that the World Bank had classified SA in the same grouping as Mexico and Brazil.

"If one looks at the total amount of official development assistance extended to both of those countries in 1993, then SA is a proxy for the sort of amounts which SA might have expected to receive, these amounted to $140m in the case of Mexico and $164m in the case of Brazil."

It said discussions with the World Bank indicated most assistance would be in loans from the bank's International Bank for Reconstruction and Development (IBRD).

Conditions for the repayment of the loans would probably include a four-year repayment moratorium, 15-year maturities and an interest rate of 7%-8%.

SA's level of per capita income rendered it largely ineligible for many of the bank's initiatives which had been developed specifically for structural adjustment in Africa.

Although it had been suggested that SA could hope to benefit from as much as R1bn in bank assistance once relations were normalised, there was, in theory, no upper limit.
World Bank aid unlikely to flood in

Weekly Mail Reporter

THE billions in World Bank aid money which many believe will flow into post-apartheid South Africa are unlikely to materialize in the near future, according to recent research by the Economics Division of Standard Bank. The country's per capita income is too high and its economic policy climate too uncertain.

World Bank lending to sub-Saharan Africa has increased steadily from an average $2.2 billion in the period 1985 to 1987 to $3.8 billion between 1990 and 1992. The normal facilities offered by the World Bank group have been supplemented by specific initiatives aimed at structural adjustment in Africa.

But South Africa is not poor enough to qualify for the $7.4 billion Special Program of Assistance for Sub-Saharan Africa, launched in 1990. And its per capita income ($3,194 in 1990) would make it ineligible for "soft" loans under the Social Dimensions of Adjustment Programme (SDA), launched in 1987 as a joint initiative by the World Bank, African Development Bank and United Nations Development Programme. The SDA aims to help African governments incorporate social concerns into their economic reform programmes and long term development plans. About 30 African countries are benefiting from the project.

South Africa's relationship with the Bank might initially be more symbolic than real, say Standard's economists, because of the current "policy vacuum". World Bank financial assistance is conditional on structural adjustment policies, which will take time to develop here.
Advice to Rank On

Job Market

By Kevin Dake

DESKTOP PRESENTATION
No problems expected with payment of goods for Kenya

MOST SA exporters to Kenya would not have a problem being paid after the recent reimposition of strict foreign exchange controls in Kenya, Safilo African division senior manager Paul Runge said yesterday.

Kenyan President Daniel Arap Moi has announced the scrapping of an IMF and World Bank reform plan introduced 31 days ago.

The government has taken control of all foreign currency to enable the country to pay for imports of essential goods.

Kenya is SA's 14th largest trading partner in Africa, exports to Kenya in the first six months of last year rising to R25m, up by 25% on the first six months of 1991.

Runge said most of the business was with multinationals or with companies who had issued letters of credit. Multinationals in Kenya usually paid suppliers from overseas accounts.

The Kenyan government has announced that it would honour letters of credit if importers could provide documentary proof that letters of credit had been issued.

However, Runge said there would probably be an administrative delay of some months before the foreign currency was released.

The government would want to stall payment as long as possible to enable forex reserves to build up. Exporters who had entered into transactions to supply a Kenyan company without letters of credit would "batttle" to receive payment. Priority had been given to Kenyan importers who had issued letters of credit.

Credit Guarantee was still insuring companies trading with Kenya, the company's assistant GM Gernot Kruger said.

Credit Guarantee was one of the major insurers against payment not being received from foreign buyers of SA goods. About 30 companies with supply contracts to Kenya, totalling R25m, were currently insured by Credit Guarantee.

Kruger expected Kenya would not maintain the present situation for long.

"The World Bank and IMF would not look too kindly on Moi's decision to go back on the liberalisation plan."

Kenya had a large foreign debt which would not be rescheduled unless a positive report was received from the IMF, he said.

Comment: Page 10
US threat: No loans unless missiles go

By EDDIE KOCH
THE World Bank and International Monetary Fund (IMF) — acting under pressure from the United States administration — are likely to refuse international loans to South Africa if the government presses ahead with its missile programme, according to government officials in Washington.

A row between Washington and Pretoria over South Africa’s long-range missile programme will form the next round in an ongoing dispute between the two countries over arms proliferation issues, now that President FW de Klerk has come clean about his government’s nuclear bombs.

South Africa’s armaments manufacturer, Denel, says it plans to convert its long-range ballistic missile technology into rockets capable of carrying satellites into space for commercial purposes.

South Africa now wants to join the Missile Control Technology Regime which tries to prevent non-member countries from obtaining rockets capable of carrying nuclear and other warheads.

This is unlikely to satisfy the US which is deeply concerned about missile technology being made available to Third World and Arab countries and is likely to push Pretoria into abandoning its long-range ballistic programme.

The US administration’s fears have been heightened by concern that an African National Congress-led government might in future provide the technology to old allies, such as Libya.

De Klerk said this week that his government would resist these pressures as the programme had now been converted to peaceful purposes and South Africa was willing to abide by the terms of the missile control regime.

The US government issued a statement urging South Africa to cancel the programme.

“‘We have explained our missile concerns to the South African government and have urged them to reconsider the programme,”’ it said.

The World Bank and IMF, which are dominated by the US, have recently begun linking loans for Third World countries to defence cuts and are likely to insert clauses relating specifically to expenditure on missile development to finance for South Africa.

A spokesman for the Department of Foreign Affairs says South Africa has not yet applied to join the missile regime but has indicated it is keen to participate.

The reason for this is that membership means Denel will gain access to the latest in missile research and technology which will help to iron out some of the problems it is experiencing in developing its booster rocket, says Abdul Minty from the World Campaign Against Military and Nuclear Collaboration with South Africa.

He said the US was unlikely to allow the South Africans to gain these technological advantages, given the strong concerns about proliferation and the potential for commercial missiles to be turned to military uses.

Roger Jardine, the ANC’s policy co-ordinator for science and technology, said a new government of national unity would “reconsider all apartheid white elephants” and was less likely to pursue a missile programme.
Support CBDs?

Can townsships

The Week's Mail, Apr 8 to 16 1993
Mortgage reallocation proposed for SA housing

CAPE TOWN — A modest reallocation of mortgage portfolios to the black community could have a substantial impact on the distorted housing conditions created by apartheid, World Bank executive Stephen Mayo said yesterday.

Opening the 21st World Housing Congress, he presented research statistics identifying policy shifts needed to achieve a well-functioning, fair and self-sustaining SA housing sector.

Mayo of the World Bank’s Urban Development Division, used figures reflecting trends in 1990 in the PWV area, compared to a sample of 52 cities across the world.

These figures showed stark contrasts in the performance of SA's housing sector with housing conditions far worse than should be expected for its level of economic development, and far worse for the black population.

Housing investment was extremely low relative to GNP because effective demand was low. In the white population this was because incomes and population growth had increased for the black population, apartheid policies had squeezed household budgets, and created insecurities and expenses that cut motivation to spend on housing improvements.

“Thus the housing sector is serving neither the interests of the black population nor the economy as a whole,” he said.

“Against these impressions of an underperforming housing sector are other impressions of a high degree of institutional development and considerable resources which, if reallocated toward the black community, could do much to stimulate demand for housing, increase the quality and quantity of their housing, and contribute importantly toward economic growth.”

The level of outstanding mortgage credit and the annual new volume of credit created were striking for a country at SA's level of economic development.

“Only a modest reallocation of mortgage portfolios toward the black community could have a substantial and immediate impact on housing conditions,” Mayo said.

At the same time, some of the considerable resources currently being spent on residential infrastructure in white areas could be diverted to servicing existing and new black townships. This would improve service quality and provide incentives for residents to undertake complementary improvements to their dwellings.

Finding ways to energize a powerful latent demand for better housing represented one of the most important challenges for housing policy in SA.

“This will require policy changes on both the demand and supply sides of the market, but, in particular, a profound commitment to changing the framework of property rights and the spatial distortion of the apartheid city.” — Sapa.

De Beer pins hopes on De Loor report

CAPE TOWN — The apartheid pattern of urban development was not going to go away quickly or easily, DP leader Zach de Beer said yesterday.

Speaking at the World Housing Congress in Cape Town, De Beer pinned future hopes for the housing industry on the publication of the De Loor report, and the launching of the national housing forum.

“For the first time in half a century there is an approach to housing which is unified, including both authorities and communities together, recommending sensitive and understanding approaches.”

The report, which recommended a single nonracial national housing department with jurisdiction over the entire country, was a breath of fresh air blowing away the “cobwebs of apartheid.”

Only the emergence of a new social contract involving the state, financial institutions, building industry and political leadership in the townships, could mobilise the existing vast resources necessary to meet the housing shortage. — Sapa.
World Bank aid waiting on go-ahead from ANC

By Bruce Cameron

CAPE TOWN — The World Bank is standing by to pump millions of dollars into development aid, education, health care, electrification and the alleviation of poverty in South Africa.

But the bank will only initiate the aid when the ANC gives the green light, says Harry Schwarz, South African Ambassador to the United States.

At a function organised by stockbrokers, Davis, Borkum, Hare in Cape Town, Schwarz said remaining US sanctions would stay in place and access to International Monetary Fund (IMF) stand-by facilities would be blocked until the ANC gave the signal.

The World Bank development aid would be followed by significant aid from the US, he said, but warned that American private sector investment would not come until there was stability and political certainty.

Schwarz said President Bill Clinton's administration was showing sympathetic support for South Africa in the move away from apartheid and could prove to be the salvation of South African minority groups because of commitment in foreign policy to a liberal democracy and human rights.

The administration also favoured a federal system, similar to that in the United States, for South Africa.

Schwarz said two scenarios were being painted for South Africa.

South Africans should be under no illusion that the remaining sanctions would be lifted before there was what was termed "internal consensus" — meaning until there was ANC agreement.

The World Bank had gone ahead with various studies on various aspects of the South African economy and was poised for the next step.

The bank realised that unless some expectations could be satisfied in the short term, South Africa's democracy would be very fragile.

Its next step would be to plan strategies to deal with poverty alleviation, electrification, education and health care.

Schwarz said it was now urgent that the ANC give the go-ahead for the project-planning stage.

Even if the go-ahead was given now for the planning, nothing would come to fruition until after the first elections.

Schwarz said a major impetus would come from the World Bank, but that it would also be boosted by increased US aid.

US aid would be given because it was felt there would be a moral obligation to make good the damage caused by sanctions and because there would be a better return in South Africa than anywhere else because of the infrastructure.

The US would also seek to ensure the survival of democracy in South Africa in an attempt to spread democracy through the rest of Africa, he said.
A key component is the need for cost-effective and efficient production of capital.

The need to reduce current expenditure on capital infrastructure is essential to the future of the economy.

The economy can adopt cost-effective solutions to reduce current expenditure on capital infrastructure.

The need to reduce current expenditure on capital infrastructure is essential to the future of the economy.

The need to reduce current expenditure on capital infrastructure is essential to the future of the economy.
$7.5m study for a huge game park

By KEVIN DAVIE

THE World Bank and the Mozambican Government have approved a $7.5-million study which could lead to the creation of one of the largest protected ecological areas — incorporating the Kruger National Park — in the world.

The study will be funded by a grant from the Global Environment Facility, a World Bank-administered fund to promote global warming, protect biological diversity and prevent depletion of the ozone layer.

Mozambique will put the project out to tender. SA ecological consultants are expected to apply.

"Terms"

The study intends identifying the possible conservation use of a tract of land — larger than the Kruger Park — stretching along the SA border from Swaziland to Zimbabwe.

A key aspect of the study will be the needs of people who live in the area, including those who have been displaced by war in Mozambique.

The area under study is said to be sparsely inhabited, mostly in a pristine condition although largely denuded of wildlife.

The developments hold the prospect that in time fences on the Kruger Park border will be removed to allow the free movement of animals on an ecological rather than political basis.

"We're finalising the terms of reference and will call for tenders for the study," says Milagre Cezerilo, director for Forestry and Wildlife in Mozambique.

The intention is that wildlife management should pay for itself, so tourism proposals will form an important part of the study. Private companies, it is envisaged, will operate tourism facilities.

Mina Cezerilo says Mozambique is keen to use SA expertise in the rehabilitation of these areas.

"We have been in touch with SA officials who are showing interest in working with Mozambique," she says, adding that technical assistance from SA will be welcome in certain areas.

Part of the area to be studied is now a hunting area.

Salomon Joubert, executive director of Kruger National Park, says the project holds the prospect of being "one of the most exciting wildlife developments in the world".

He says meetings three or four years ago identified the possibility of such a project with Mozambique, but the war prevented progress.

Now — with peace holding since October — studies can begin in earnest.

"Core"

Dr Joubert says Kruger Park officials are likely to provide input for the feasibility studies, but stresses that much groundwork including surveying still has to be done.

"The core conservation area in Mozambique could be larger than Kruger Park," says Dr Joubert.

"Somewhere along the way it might be possible to cut the fences, but we would want assurance," says Dr Joubert.

The Global Environmental Facility is a $1.3-billion fund which intends assisting developing countries to protect the environment. Countries with a per capita income of less than $4 000 and a United Nations development programme in place are eligible for GEF funds up to $10-million a project.
There's only one way to go

It may be grasping at straws, but a recent World Bank report offers some hope for the South African economy.

After all, it can't get much worse.

By REG RUSNEY

WHEN it comes to the economy, South Africans don't have much to rejoice about. So they likely will grasp the small comfort offered by World Bank economists in a recent informal discussion paper.

The paper, by several World Bank economists, remarks that the task of evolving economic growth and enabling substantial and continuing wealth redistribution is clearly formidable.

The authorities, say the economists, face severe problems:

- Declining growth in both living standards and a key measure of economic well-being, per-capita gross domestic product (GDP).
- Rapidly growing unemployment, particularly among blacks.
- Extreme inequality in income distribution.
- Extreme inequality in provision of publicly provided services and facilities.

The task ahead is made harder by political uncertainties, violence and social unrest.

Peter Falla, Atsaman Abney, Yvonne Tsakata, Pedro Belli, and Luiz A Fereira da Silva note, however, three promising features of the economy:

- Years of recession give a low base off which growth can surge during a new administration. The economists estimate GDP could be raised by as much as five percent with a level of investment only just sufficient to maintain existing levels of the capital stock.
- A hangover of past overspending on public sector capital projects means we don't have to spend any more money on things like electricity generation and big parts of the transport and communications systems for a while.
- Financial sanctions have saved us from mortgaging the country to the hilt, as has happened in South America and eastern Europe.

So, the bank's economists reckon, if foreign finance can be secured a faster growth path can be financed by external sources.

The economists then go on to investigate what they see as some difficult growth-inhibiting features, such as a tendency towards capital intensity, an inward-looking industrial structure with a oligopolistic and sometimes monopolistic structure; an underutilised and overmanned labour force; an urban structure inhibiting productivity of unskilled labour and militating against the informal sector; and an industrial relations crisis.

Not a few of the above opinions have been called into doubt by various commentaries.

So the paper, a review of World Bank economists' thinking, and a distillation of some papers which have been put out from time to time by the bank, is likely to be hotly debated.

The paper isn't bank policy, but it does illustrate typical bank thinking on the way South Africa should go.

Much of the rest is familiar. As will be increased expectations of exports as an engine of growth is not new. And the anti-export bias the bank receives in the economy has been reported by The Weekly Mail.

The bank also outlines a basic strategy to achieve both higher growth and continuing redistribution. This seems less controversial, as well as shifting manufacturing orientation towards exports it proposes:

- Government spending be resupplied to raise public investment in areas of infrastructure and public services, targeting this at the poor, and at the same time limiting growth of recurrent spending to meet budgetary targets.
- Rapid growth be encouraged in skilled labour, particularly by upgrading the skills of existing semi-skilled and unskilled workers.
Govt and ANC learn a lesson

BILLY PADDICK

GOVERNMENT and ANC negotiators said the lesson they learned from Monday's negotiations was to be better prepared and to focus on substance and content.

Government chief negotiator Roelf Meyer and ANC negotiator Mac Maharaj forecast that Friday's talks would make better progress.

Maharaj predicted that the planning and committees' proposals that six technical committees be set up to deal with the Codesa reports on issues such as a transitional executive council, independent media commission and armed formations would be accepted by all the parties.

He pointed out that all the parties had accepted the resolution of the negotiating forum on April 1 that technical committees would enhance the process.

Meyer denied claims by Inkatha and the Concerned South Africans Group that it and the ANC were trying to steamroll the process, stating that the timeframes and the way forward had been discussed with these parties in bilateral talks.

He admitted that this was the fundamental difference between parties as Inkatha and its allies rejected the need for interim structures. However, he was still hopeful that government and the ANC could sell their plan to the objecting parties.

He said negotiating parties should not allow themselves to be distracted by side issues, but should focus on moving forward speedily.

Mangope digs in on independence

Bophuthatswana President Lucas Mangope yesterday dug in his heels on the issue of reincorporation, saying there was no question of the territory giving up its independence.

He told the opening of the territory's National Assembly: “There is no question whatsoever, I repeat no question whatsoever, of Bophuthatswana giving up her independence.”

He said his government was surrendering nothing, and least of all would it consider relinquishing control over its security forces. “That is our bottom line. That is where we stand at present. We merely want self-rule... no more... no less.”

However, Mangope said: “Let me hasten to add that Bophuthatswana is not inflexible or intransigent.”

President P W de Klerk said last week that progress with leaders of the TBVC states on reincorporation was good and that if there was no intransigence by any parties on the issue, it could be resolved by June.

Mangope said because Bophuthatswana had enjoyed “such remarkable success we will be ignored by any central government in SA while the former independent and self-governing states which ran themselves into the ground through maladministration, mismanagement and corruption will bleed the system in order to catch up with the rest of us”. As a result Bophuthatswana would stand still for years and its resources would be redirected to other less-developed areas.

This was one of the main reasons his government demanded that the boundaries, powers and functions of regional states in a new dispensation had to be determined at the multi-party forum and not be left to “the whims and prejudices” of an elected interim administration.

“In other words the form of state for the new SA must be finalised before anything else at the present negotiations,” Mangope said.

Principles of a new constitution needed to be finalised at negotiations and approved in a referendum before elections were held.

This would obviate the need for a transitional government and a transitional executive council. It would also allay the fears of many who suspected the course being charted would lead to the same sort of benign dictatorship of the old SA.

He warned against government and the ANC proceeding with the reform process and excluding parties which were not co-operating with them and said it would be a mistake to underestimate the importance of Bophuthatswana in the negotiations.

‘Generous assistance’ awaits SA

CAPE TOWN — The UN, the US and the World Bank have promised generous, non-partisan assistance for the political transition in SA, says Goldstone commission chairman Judge Richard Goldstone.

Addressing a news conference yesterday after returning from the US, he said that offers of assistance were non-prescriptive and reflected the international community's wish to ensure the success of SA's first democratic government.

Foreign experts could be called in to assist the commission's inquiry into the prevention of violence and intimidation during elections.

While in the US Goldstone met members of the UN Security Council and the UN Special Committee on Apartheid as well as US state department and World Bank senior officials and legislators.

“My strong impression is that there are many good and positive benefits waiting for SA as soon as a representative and legitimate transitional executive council is in place, and even more so when we have a government of national unity,” he said.

The US anti-apartheid lobby had substantially transformed itself into a strong pro-democratic SA campaign which supported all South Africans working for a peaceful and democratic country.

Financial assistance from the World Bank and IMF was virtually assured provided SA moved rapidly towards a political settlement.

Members of the US House of Representatives and the Senate foreign relations committee appreciated the need to begin amending or repealing the 150 statutes which prohibited assistance to SA. — Sapa.
Big aid offers for reformed SA, says judge

- Goldstone brings message of hope:

THE United Nations, the United States Government and the World Bank have promised generous and non-partisan aid for the political transition in South Africa, Goldstone Commission chairman Mr Justice Richard Goldstone said yesterday.

Addressing a Press conference in Cape Town following his visit to the United States, he said the offers of help were non-prescriptive and reflected the international community's wish to ensure the success of South Africa's first democratic government.

Goldstone said foreign experts could be called in to help the commission's inquiry into the prevention of violence and intimidation during South Africa's first nonracial elections.

During his two-week trip, the judge met members of the UN Security Council, the UN Special Committee on Apartheid as well as senior officials in the US State Department and World Bank, and legislators in the US Senate and House of Representatives.

"My strong impression is that there are many good and positive benefits waiting for South Africa as soon as a representative and legitimate transitional executive council is in place, and even more so when we have a government of national unity."

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Support Redistribution
World Bank aid should be for
INTERNATIONAL ECONOMIC RELATIONS CONFERENCE
Develop manufactured exports.

World Bank official warns there'll be no soft loans for S Africa.

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Warriors — South Africa
World Bank chief keen to resume SA lending

WASHINGTON — World Bank president Lewis Preston yesterday endorsed a speedy resumption of lending to SA, but indicated that immediate inflows of capital could not be expected.

"It would be a wonderful day for the bank if we resumed lending," he said at the IMF/World Bank spring meetings.

However, he suggested that this view was not yet fully shared by the bank's shareholders — including, most importantly, the US whose representative is still required to oppose SA loans under the 1983 Gramm Amendment — who would have to make the final decision.

He did not predict when this decision would be taken, although it is widely assumed that the timing is in the hands of the ANC.

Initially, he said, lending would be sectoral rather than in support of structural reforms and would likely focus on housing and education projects.

Although bank staff have been laying the groundwork for such projects, they will officially have to be designed and requested by a new government.

The approval process can be lengthy, and disbursement of loans generally occurs over six years.

Asked how important an economically viable SA was for the rest of the continent, Preston said he was "struck by the lack of intra-regional trade" in the continent.

A successful SA transition held out an "exciting possibility" of reversing this.

Preston rejected charges that the bank's structural adjustment policies had exacerbated poverty in Africa, saying bluntly, "If you've got cancer, you've got to go through chemotherapy, and it's no damn fun."

Bank vice-president for human resources development Arneane Choksi said: "The reality is that those countries in sub-Saharan Africa that are in adjustment are growing at twice the rate of those that are not."
Unions want more say in IMF reforms

By ANDREW MELDRUM: Harare

Can Africa’s trade unions help pull the continent out of its severe economic decline? A resounding “Yes” to that question was given in Harare last month where 150 union leaders from 40 African countries met European union leaders, the World Bank and the International Monetary Fund (IMF).

The free market structural adjustment programmes designed by the World Bank and the IMF have been embraced by 29 African countries and the challenge facing unions is to make sure they are at the cutting edge of economic reform.

South Africa is already negotiating with those powerful multilateral financial institutions and a local programme cannot be far off.

Somewhat surprisingly, unionists at the Harare meeting did not reject structural adjustment outright. Kenya, which recently suspended its structural adjustment programme, was not held up as a hero or a model for other African countries.

“I think most African unionists realise that (president Daniel arap) Moi pulled out of structural adjustment because it threatened his vested interests,” said an African economist. “Most realise that it is a mistake that will cause more harm to the Kenyan working people.”

Rather than debating the need for structural adjustment, the African labour leaders in Harare made suggestions as to how the economic programmes could be improved. They called for more direct involvement in the design and implementation of the painful economic measures.

“It’s unfortunate that Ghana’s structural adjustment programme does not have any trade union input. We would advise the government to slow down the pace of adjustment,” said Ghana Trades Union Congress secretary general Christian Agyei.

Ghana’s structural adjustment began in 1983 and is held up by many as one of the more successful in Africa. “It is true that Ghana has achieved economic growth, but the working people are worse off,” said Agyei. “Public spending was reduced and many people, particularly in the civil service, were retrenched. A massive devaluation was carried out, reducing the cedi from two to the US dollar to 652 to the US dollar. This caused inflation and has made our cost of living very high. Poverty has increased.”

The IMF-World Bank remedy has been a bit of a bitter pill to swallow. “There are few signs that structural adjustment programmes are bringing economic recovery in African countries where they are being implemented,” concluded a comprehensive report by the International Confederation of Free Trade Unions (ICFTU).

The report warns that continuing economic hardship may undermine Africa’s fledgling democracies and result in a return of more authoritarian regimes.
ANC rejects call to borrow

By Paul Bell

The ANC will not be party to any applications to borrow from the World Bank or International Monetary Fund (IMF) any time soon — despite being urged by the United States government to do so immediately.

The organisation, looking to elections within a year, remains concerned that premature applications for funding by South Africa could see borrowings from the Bretton Woods institutions (as the World Bank and the IMF are collectively known) undermining a future ANC government's freedom of economic decision-making, as well as being wasted by what it regards as the inefficiencies of the country's present economic management.

ANC economics chief Trevor Manuel said this yesterday in response to advice last week from US ambassador Princeton Lyman that South Africa should immediately invite the World Bank to develop a portfolio of project proposals.

Lyman, obliquely addressing the ANC, said it would take the bank between 18 months and two years to move from proposals to implementation. “That means that unless the bank begins now, a newly elected government will be faced with as much as two years' wait before being able to utilise this assistance for the pressing needs of the population,” he said.

But Manuel said the ANC was not prepared to consider any binding arrangements with the Bretton Woods institutions before the introduction of democratic government in South Africa.

“The integrity of domestic policy formulation must be supreme in a democratic dispensation,” he said. “There are civil servants who might consider it in their short-term interests to borrow from the World Bank.”
Shedding away developmental agenda

Time for devolving a

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SA gets $71m in World Bank work

By ZILLA EFRAY

South African suppliers were paid $71 million for World Bank (WB) projects in the year to June 1992. This amounted to only 0.8% of the $9 billion disbursed by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

The WB World Project at a conference in Sandton.

SA does not qualify for WB funding, but companies can take part in World Bank-International Finance Corporation (IFC) projects. Zia's International managing director Pieter Le Roux says WB-funded projects have become a target for SA contractors.

But Ove Arup chairman Clive McMillan warns that the problems South Africans face include limited international experience and connections because of sanctions, an extremely competitive market and reduced opportunities in Africa because of economic decline.

There are also some hurdles associated with WB involvement. Credit Guarantee manager John La Rosewitz says it takes a long time to evaluate and approve a project. (See)

Contractors and capital goods exporters do not get early notice of WB-supported projects.

Another drawback is the drawdown mechanisms under WB loans and resulting risks to which contractors can be exposed.

Group Five executive chairman Peter Clegg says WB financing generally has a long cycle. It is usually three to four years.

Reserves

Mr Clegg mentions possible problems with the Reserve Bank, which could refuse to allow transmission of funds for tender deposits, bid bonds or working capital.

Because of extreme pressure on the reserves, the bank tends to refuse all requests. Mr Clegg says central banks in other countries can also cause problems. For example, taking out currency from Malawi will depend on when it becomes available, even though approval to do so has been given.

The WB mostly uses an international competitive bidding (ICB) process. Under it contracts are awarded to the lowest qualified bidder.

Safilo Africa manager Paul Rude says Europeans have an advantage because of co-financing and special funding by their own bilateral agencies.

SA may be able to share in a WB programme in the next 18 months.
Wage pact approved to end German labour battle

FRANKFURT — The board of the metal-workers' union on Saturday approved a wage pact designed to end a strike and prevent an all-out labour battle that could have further damaged Germany's recession-battered economy.

The compromise deal provides for pay raises for workers in eastern Germany that will bring their salaries to par with wages in the west in 1968, two years later than set in a previous plan.

Rank-and-file union members will vote on the deal today and tomorrow, and if 25% of them approve the pact, metallworkers and steelworkers in eastern Germany will return to their jobs on Wednesday.

Economics Minister Guenter Rexroth welcomed the pact, saying it would give an impulse to the recovery in the east. He said the wage agreement came relatively quickly, limiting the damage caused by the strike.

Otto Lambsdorf, chairman of the Free Democratic Party, the junior partner in the government coalition, said the pact carried no risks.

Lambsdorf said no one could predict if the economy would pick up enough by 1996 to be able to afford the pay raises.

He said productivity in the east would also have to increase. More than 40,000 workers in eastern Germany have been on strike in the 12-day-old walkout. An additional 80,000 had been set to join them today.

The compromise deal was reached Friday after an all-night bargaining session in Dresden between employers and IG Metall, the nation's biggest union.

IG Metall's wage commission endorsed the pact on Friday evening.

The agreement pledges to raise the eastern workers' pay to the levels of western Germany by July 1996, rather than next year as promised during the euphoria over German reunification. A six-month delay would be possible, if companies showed they were in deep financial trouble.

Under the old agreement, east German metalworkers received about DM1,950 a month in base pay before taxes, or 71% of their western colleagues' salary. The agreement would boost the worker to DM2,144 a month by December, or 82% of the western wage, the union said. Further increments would take effect until parity was reached in three years. — Sapa-AFP.

NEWS IN BRIEF

Uruguay Round advances

TORONTO — Ministers representing the world's four major trade powers said on Friday they had paved the way for a successful outcome this year of the Uruguay Round world trade liberalization talks known as the Uruguay Round.

Japanese Trade Minister Yoshihiro Mori, US Trade Representative Mickey Kantor, EC Trade Commissioner Sir Leon Brittan and Canadian International Trade Minister Michael Wilson would meet again on June 2 in Paris.

Red Cross blood infected

BERN — The Swiss Red Cross had sent 83 bags of blood products contaminated with the AIDS virus to the US, Saudi Arabia and Greece from 1982 to 1985, spokesman Markus Haechler said on Friday.

However, he said it was possible the tainted blood had not been given to anyone because blood had to be used within a month of being donated.

187 burned to death

BANGKOK — The official death toll in the blaze believed to be the world's deadliest factory fire — at a doll factory outside Bangkok last week — stood at 187, with at least 89 still listed as missing, the interior ministry said after a weekend search was called off at the weekend.

UK to probe CD prices

LONDON — Britain's Monopolies and Mergers Commission is to investigate the 'rip-off' prices retailers and the record industry are charging for CDs.

KENYA IN NEW DEAL WITH BANK, IMF

NAIROBI — President Daniel arap Moi said at the weekend his cash-strapped government had reached agreement with the IMF and World Bank on reforms aimed at revitalising the Kenyan economy.

Moi told a goodwill delegation visiting Nairobi that the IMF and Bank had agreed to go on with reform efforts.

"We have made a commitment — to be strict in the management of the economy after reaching this agreement," Moi's media unit quoted him as saying.

Kenya on Friday strengthened its case for the resumption of Western aid by re-introducing economic reforms abolished only two months before.

The government said it had reopened retention accounts, which allow exporters to keep hard currency earnings instead of remitting them to the central bank, and lifted all controls on imports except prohibited goods.

Moi said the government wanted to raise the living standards of all Kenyans and would not let radical reforms hurt them.

When retention accounts were scrapped on March 22, Moi denounced as "suicidal and dictatorial" conditions set by the IMF and the World Bank for reinstatement of key quick disbursing aid of about $40m a month suspended in 1991 to press for economic and political reforms.

But faced with shortages of fuel and food and reeling from a cash squeeze, it was clear that Kenya was abandoning the fight against the Western agencies.

Moi said he would ensure that farmers, who contributed 35% of Kenyan's economic life, earned a good profit from their input and pledged quick service from state companies that often delayed in paying for delivered produce. — Sapa-Reuters.
Letters

RASHAD CASSIM and ALAN HIRSCH

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World Bank's plan for SA panned

By Sven Linsche

The Department of Finance has criticised key aspects of a World Bank model for SA's economic restructuring.

The model is one of three being debated by the National Economic Forum (NEF) in an attempt to find a consensus among business, government and labour on a future economic strategy.

The other models are the Government's National Economic Model and a programme put forward by the ANC and Cosatu-aligned Mecg group.

While the World Bank report has not yet been made public, the Department of Finance's special adviser, Dr Japie Jacobs, yesterday released selected details at a function of the Johannesburg Afrikaanse Sakekamer.

Jacobs said the World Bank promoted state spending in socio-economic areas, namely education, housing, health and infrastructure to spur a recovery.

He said the World Bank called for total public sector investment spending to be raised by nine percent of gross domestic product (GDP) over five years, while state capital expenditure should be boosted from the present 3.4 percent to 8.8 percent of GDP.

For example, the World Bank called for an annual R6 billion to R8 billion to be devoted to spending on water, sanitation and electricity projects over the next five years.

Jacobs was critical of the programme, which he described as a bottoms-up approach because it took little cognisance of the spending constraints on the fiscus.

"The World Bank says that five percent economic growth could be achieved over a five-year period through a two percent rise in productivity — this is unlikely if investment is focused on socio-economic projects," he said.

Jacobs also rejected the idea of a public works programme to alleviate the unemployment problem, as it would only provide short-term relief.

He felt, however, that consensus was emerging in the NEF on a number of issues, including the need to maintain a tight anti-inflationary monetary policy.
LONDON — The World Bank is ready to allocate a billion dollars (about R3.3 billion) in loans to South Africa once power is handed over to a representative government.

"The prospects are excellent," the bank's regional vice-president for Africa, Edward Jaycox, told a news briefing in London yesterday, on his way to South Africa for a week-long visit.

Such loans would be the bank's first to South Africa in more than three decades.

Jaycox said a government acceptable to the black majority must be in place before the bank could make the loans, for projects including housing, health and telecommunications.

"We can't lend to South Africa unless there's a representative government, but in my view that doesn't have to be an elected government. I expect this to happen just as soon as we get a transitional government." (366)

Jaycox said the bank could not subsidise the white minority in redressing imbalances and there was absolutely no way the loans could be concessional.

The World Bank estimates the wealth of South Africa, the world's biggest gold exporter, averages around R5,000 per person per year compared with R240 in neighbouring Mozambique.

Jaycox said the bank had started preparing the projects with both the ANC and PAC. "When they tell us, we're ready to go," he said.

He added that development projects had to tackle the needs of black South Africans who were forcibly resettled under apartheid in remote tribal "homelands" or made to live in townships some distance from the economic centres of "white" towns and cities.

"These are political areas," he said. "We've got to get people living closer to where work is ... land reform is involved as well."

But with many black youths impatient for radical redistribution of wealth, Jaycox warned: "If the African majority think they're all going to have ranch-style houses and two-car garages, then we're in trouble." — Sapa-Reuters.
Jacobs slams World Bank plan for SA

JOHANNESBURG. — The World Bank's economic framework for SA came under fire from Finance special adviser Japie Jacobs yesterday, who argued the Bank's projections could not be realised because of the wrong approach to economic restructuring in SA.

Jacobs told a meeting of the Johannesburg Afrikaanse Sakekamer he questioned the Bank's apparent view that socio-economic restructuring should be the engine for economic growth.

The Bank's framework emphasised the demand-side, which was a fundamental difference to government's supply-side approach. While many in government agreed with the sentiments expressed in its latest analysis (still unpublished), it was not made clear how spending suggestions on housing, education, health and agriculture would be financed.

Jacobs objected to the view that a government deficit of 6% of GDP was acceptable and the Bank's statement that exchange rate policy had been aimed at protecting the mining houses.

The Bank's projection of 5% average growth for SA appeared impossible to attain because the Bank's approach was based on a major push for investment in socio-economic infrastructure.

In arriving at a growth rate, the Bank had assumed a productivity rise of 2% which, Jacobs argued, was unlikely if the major investment push was in the socio-economic arena.

Jacobs placed the World Bank's framework in the same category as the ANC-aligned macroeconomic research group's model, and rejected both for their overemphasis on the demand-side. He was emphatic that public works programmes could not be countenanced as they would only provide a once-off boost for the economy.

The World Bank said yesterday it was ready to allocate $1bn in loans to SA once power is handed over to a representative government.
World Bank model ‘faulty’

THE World Bank’s economic framework for SA came under fire from Finance special adviser Japie Jacobs yesterday, who argued the bank’s projections could not be realised because of the wrong approach to economic restructuring in SA.

Jacobs told a Johannesburg Afrikaanse Sakekamer meeting that he questioned the bank’s apparent view that socioeconomic restructuring should be the engine for economic growth. The bank’s framework emphasised the demand side, which was a fundamental difference to government’s supply-side approach. While many in government agreed with the sentiments expressed in its latest analysis (still unpublished), it was not clear how spending suggestions on housing, education, health, agriculture and other infrastructure would be financed.

Jacobs objected to the view that a government deficit of 6% of GDP was acceptable and the bank’s statement that exchange rate policy had been aimed at protecting the mining houses.

The bank’s projection of 5% average growth for SA appeared impossible to attain because the bank’s approach was based on a major push for investment in socioeconomic infrastructure.

In arriving at a growth rate, the bank had assumed a productivity rise of 2% which, Jacobs argued, was unlikely if the major investment push was in the socioeconomic arena. Productivity of social investment was unlikely to raise overall productivity growth by 2% and hence lift the growth rate to 5%, Jacobs said.

He described the bank’s approach as "working from the bottom upwards" and said the macroeconomic viewpoint had been neglected. As an example, he quoted

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World Bank

the bank’s view that R6bn-R10bn would be needed for investment in social infrastructure (excluding housing) — but it was not made clear how this would be financed.

Jacobs placed the World Bank’s framework in the same category as the ANC-aligned macroeconomic research group’s model, and rejected both for their overemphasis on the demand side. He was emphatic that public works programmes could not be countenanced as they would provide only a once-off boost for the economy. While government accepted the need for wealth redistribution, the main aim should be to achieve this through small business and training.

The economic debate was at present focused on three key areas, of which the most important was the labour market.

The other areas were the role of government and competition policy.
The fruits of progress

Behind the sound and fury of political violence and ethnic division that have dominated the headlines for the past seven weeks, SA is moving steadily towards a negotiated settlement. Progress was confirmed by World Bank vice-president for Africa Edward Jaycox who this week announced his expectation that a US$1bn loan from the Bank would soon be available to SA.

Reuters reports that he told a press conference in London: "We can't lend to SA unless there's a representative government. In my view, that doesn't have to be an elected government. I expect this to happen as soon as we get a transitional government." Jaycox was en route to the World Economic Forum in Cape Town this week.

This potentially advances the date at which SA can expect approval of an aid package, from about April next year, to later this year.

The process will require internal consensus among negotiators. There has been a strong lobby against development aid, which will come with structural adjustment strings attached.

But the Bank has done considerable groundwork, liaising with the main political groupings, and the tone of Jaycox's comment implies consensus can be achieved.

If this is the case, external consensus should not be a problem.

The main stumbling block until now has been the US, whose representative on the Bank's board has been required by the Gramm Amendment to oppose a loan to SA. Once the groups which now constitute an internationally recognised extra-parliamentary opposition are absorbed into government and have approved the arrangement, the Bank's shareholders will agree to a loan.

It will not be possible to assess the impact of a $1bn loan on the economy until the Bank reveals how the funding will be made available, what the cost of servicing it will be and what conditions will be attached, as well as the term to maturity.

Though the Bank does lend funds to assist adjustment programmes, it is primarily involved in investment lending for projects and specific sectoral activities. First applications from SA are expected to relate to specific projects.

Though World Bank representatives have visited SA regularly since 1990, they have confined their investigations to the macro-economy and have not considered specific projects.

This means projects identified still have to be studied. And, once the loan is signed and sealed, disbursement procedures are complicated and lengthy. The process is likely to take at least 18 months from the time the loan application is approved in principle.

One way to speed up the process is initially to identify simple projects in health or education that require only a small amount of funding.

The main benefit of this will be a change in SA's standing in the financial community and an increase in domestic confidence about future prospects. Consumers and investors will feel more comfortable when they know there is money in the pipeline to cushion reserves against balance of payment problems.

Loan capital

But World Bank blessing will not necessarily unlock private loan capital. The World Bank provides semi-concessional funds for development purposes, whereas commercial sources would evaluate the risk-reward factors. They would not be prepared to lend until SA has a cohesive economic policy.

Despite efforts to get SA reclassified as developing, the country is still considered First World by the Bank. With annual per capita income of $2 300, SA far exceeds the $1 235 cut-off point for loans from the Bank's International Development Agency to developing countries. Eligible countries pay no interest, only a yearly 0.75% service charge on disbursed balances, over 35-40 years. Benefits include a 10-year period of grace when no principal or finance charges have to be repaid.

SA will have access only to the International Bank for Reconstruction & Development which lends to countries with per capita incomes of $1 235-$4 465 a year. Concessions relate to the term over which the organisation provides finance — 15-20 years with a three-to-five-year grace period. Interest charged by the Bank — at present an annual 7.6% — is not concessional.
World Bank slams choice of Rupert

Business Staff

A NEW World Bank report to be issued shortly "concludes that the net effect of investing in tobacco on global welfare is emphatically negative." Derek Yach, group executive, essential health research, at the Medical Research Council said yesterday.

Commenting on a report that Johannes Rupert, executive chairman of the Rembrandt group, would be honoured by the World Economic Forum as a business leader-of-the-future, Yach said: "The World Economic Forum clearly values short-term profit makers above the health of populations. "The health of untold generations is at risk as Rembrandt targets the poorest sector of societies worldwide for tobacco sales."
Help Promised to South Africa

By John M. Goshko

WASHINGTON — The United States offered last Friday to help South Africa regain its former importance in world economic affairs as soon as the black majority and the white minority government set the stage for multi-racial elections.

"South Africa's successful transition is important for Africa, the United States and the world," Secretary of State Warren Christopher said in a speech outlining President Clinton's Africa policy. Christopher emphasized the importance the administration intends to place on promoting democracy and respect for human rights on the continent.

South Africa, with its vast mineral wealth and industrial base, has the most advanced economy in Africa. But in recent years, the tensions and uncertainties caused by its racial divisions subjected the country to sanctions, boycotts and flight of foreign investment that forced it out of the mainstream of world trade and financial activity.

"The United States will help—and we expect other industrial democracies to help as well," Christopher said in describing the administration's plans for working with South Africa after President Frederik W. de Klerk's government and leaders of the major black groups agree on terms for a changeover to majority rule.

"Once a Transitional Executive Council has been put in place—and a date for elections has been set—we will work with our partners (in the group of seven leading industrialized democracies) to help South Africa reenter the global economy," he said.

Addressing the African-American Institute, an organization of scholars and specialists in African affairs, Christopher said the end of the U.S.-Soviet rivalry allows the United States now to pursue "a productive new relationship" with Africa. He said that Clinton intends to set an end to the Cold War considerations of the past and make promotion of democracy and human rights the foundations of his policy.

"During the long Cold War period, policies were often determined not by how they affected Africa, but by what advantage they brought to Washington or Moscow," Christopher said. "Thankfully, we have moved beyond the point of adopting policies based on how they might affect the shipping lanes next to Africa rather than the people in Africa."

As an example of this new approach, he cited Clinton's announcement last Wednesday reversing 17 years of U.S. policy by recognizing the Angola government.

Christopher, who criticized Jonas Savimbi of UNITA for seeking a military solution in Angola, also had harsh words for another longtime U.S. ally, Zaire's President Sese Seko Mobutu. For almost three decades, the United States courted Mobutu and overlooked the corruption and oppression endemic to his rule. However, in recent months, as Zaire has tottered on the brink of anarchy and bankrupcyr, the United States has reversed course and called for Mobutu to step aside.

"The people of Africa know where their future lies: not with corrupt dictators like Mobutu, but with courageous democrats in every part of the continent," Christopher said.

As a sign of Clinton's intention to give Africa more attention, Christopher noted that the administration is seeking to increase country-to-country aid to sub-Saharan Africa from the present level of about $667 million to $800 million next year. However, that sum must be split among 47 countries. By comparison, aid to Israel—the country that gets the largest share of U.S. aid—has been running at $3 billion a year.

The World Bank's top policymaker for Africa has announced sweeping changes in the institution's approach to the continent's economic problems, writes Tami Hultman (20).

In a speech to the annual conference of the African-American Institute, Edward Jaycox, vice-president for the Africa region, said the bank would no longer dictate development plans.

Acknowledging that the World Bank had failed to devise solutions to Africa's economic problems, Mr. Jaycox said in future the bank would help fund African governments to write their own development plans and would use most of a $20 million economic research fund to support studies commissioned by Africans themselves rather than bank economists.
People to decide on monetary pain — Manuel

THE International Monetary Fund and World Bank could “forget about imposing conditions” on South Africa in assisting it under an African National Congress government.

Mr Trevor Manuel, head of the ANC department of economics, said the people of South Africa, not a bank in Washington, would decide what pain to inflict on themselves.

And earlier in the week a meeting of sub-Saharan bankers, including nine central bankers, warned of the dangers of accepting aid in the form of soft loans, which were often tied to importing goods from a donor country.

Mr Manuel said there was agreement within South Africa the economy needed to be restructured — the disagreement was over how and what should be done.

Mr Manuel was speaking at a media conference during a World Economic Forum meeting on Southern Africa in Cape Town at which the World Bank back-pedalled on the issue, and on a recent report proposing structural change in South Africa.

World Bank vice-president Mr Edward Jaycox said earlier the World Bank’s recommendations to revive the economy, which had come under fire from Mr Japie Jacobs, special adviser to Finance Minister Mr Derek Keys, as unworkable, was a “balanced approach”.

The bank, which is standing in the wings with about R3 billion for development projects for South Africa, was not wedded to the model, he said.

“We will be very happy if it contributes to the economic debate.”

He warned though that a change in the political environment would not result in growth.

“The economy will continue to go down if all the resources of the country are not used properly. There will still be things standing in the way.”

He said if a future government under pressure from labour unions maintained the existing protectionism and trade barriers, “there will be a cozy little arrangement, high profits, high wages and low employment”.

Mr Jaycox said the World Bank never dictated conditions, but looked for a straightening out of public finances and sought to bring a country’s assets to full productivity. This did not necessarily mean privatisation.

“We ask governments to exercise options. We do not insist on any one formula.”

Mr Manuel said South Africans had struggled for many years to achieve sovereignty over their own affairs. As they gained this sovereignty, they would not surrender it again to a bank in Washington.

He said South Africa had the acumen and the skills, as well as a strong sense of national independence, to restructure its economy.

“There is agreement that there has to be restructuring. If this restructuring (by ourselves) brings pain, it is ours. It is the process that is important.”

He said structural adjustments being forced on Zimbabwe were resulting in gains made in the first 10 years of independence in education and health “being rolled back.”

The result was the World Bank was now perceived to be the enemy.

The World Bank also admitted that 60 percent of its projects in Africa had failed.
Industry 'losing out on millions'

SOUTH AFRICA is losing out on millions of rands of World Bank procurement spending within half-an-hour's flight of Johannesburg because its industries are not competitive enough.

World Bank vice-president Mr Edward Jaycox, on his second visit to South Africa, said it was untrue that South Africa was off-limits for World Bank spending.

He said more than R1.5 billion was being spent on procurement within half-an-hour's flight of Johannesburg.

"South African companies are not getting the contracts because of the lack of competitiveness," he said.
World Bank positive on SA loan

By JEFFREY WOODS
World Bank’s plan for SA’s revival

THE World Bank, which will make R1.5 billion a year in loans available to SA over 15 years, believes that the government should take the lead in reviving the economy through pro-active strategies and by taking a broader view of its responsibilities to the people of SA.

The Bank says that the current strategy of focusing on economic growth is not sufficient to address the problems of unemployment and poverty. It recommends a more comprehensive approach that includes measures to improve the health and education systems, strengthen the social safety net, and promote private investment.

The Bank stresses the importance of investing in infrastructure and human capital. It suggests that the government should focus on improving the quality of education and health care, and investing in public works and transport to create jobs and stimulate economic growth.

The Bank also highlights the need for policies that address the structural problems of the economy, such as the high levels of unemployment and poverty. It recommends that the government work towards creating a more inclusive economic growth model that benefits all members of society.

By focusing on these strategies, the Bank believes that SA can achieve sustainable economic growth and improve the living standards of its citizens.
World Bank has ‘open’ for SA

By JEREMY WOODS

THE World Bank has an “open-ended lending policy towards South Africa” governed only by the country’s creditworthiness, World Bank Vice-President Mr Edward Jaycock said in Cape Town on Friday.

Asked how creditworthy South Africa was, he replied: “It is difficult to say. It depends how much money South Africa has borrowed from other countries.” But he said, the country was changing fast and moving in the right direction.

“That’s why we are here. We want to have a good look at what’s happening and see how we can help.”

He said the World Bank had been preparing to invest in projects here for two years and the value of these investments totalled $1-billion.

“Aid is a very poor springboard for development and people’s expectations get too high when it comes to loans. No amount of aid supplements the flow of savings and cash flows generated in a properly structured economy.”

Further optimism for SA’s acceptance on the international loan markets was given by Mr Adewale Sangosanya, vice-president of the African Development Bank.

“Our lending to South Africa is dependent on it becoming a member of the African Development Bank. This could happen once a transitional government is in place and I believe South Africa could join by the end of this year.”
SA firms missing the boat

By Bruce Cameron

CAPE TOWN — South Africa is losing out on millions of rand of World Bank procurement spending within half an hour’s flight from Johannesburg because of the lack of competitiveness of the SA industry, he said.

He said SA companies were already receiving procurement contracts for development projects in neighbouring countries of up to R80 million a year, but this was a fraction of the R1.5 billion being spent on procurement within half an hour’s flight from Johannesburg.

"SA companies are not getting the contracts because of the lack of competitiveness."

World Bank vice-president Edward Jaycox, who is on his second visit to South Africa, said in a weekend interview it was unlikely that SA was off limits for World Bank spending.
CAPE TOWN — South Africa, mired in its longest recession on record, could enjoy rapid growth in the early years of a post-apartheid government, although benefits must be shared fairly to sustain this, says the World Bank.

The bank, in a report released at the weekend by its Southern Africa department, says most of the country’s economic, as well as political, problems are rooted in apartheid.

No economic programme, however well designed, can succeed without increased social stability, says the report, presented to a two-day meeting of the World Economic Forum in Cape Town.

“If gains from growth are not perceived as being distributed equitably by the community at large, social unrest will re-emerge, and political and economic stability will be undermined,” it says.

The bank says the report was distilled from informal discussion papers prepared by its staff and a wide range of South Africans, and is not an official bank document.

The report says South Africa’s income per capita of $2,500 a year puts it among upper-middle-income developing countries. But per capita income for whites is almost 10 times higher than for blacks, and 4.5 times higher than for coloureds, it notes.

Wide disparities range from access to services, including water, sanitation, electricity, education and health to social welfare in areas such as infant mortality and life expectancy at birth.

The extremes, it says, “tend to confirm that there are really two South Africans — a First World society for whites and a Third World society for blacks”.

Key problems which have to be addressed range from high unemployment — one-quarter of the black labour force is without work — to declines in investment and productivity, while the trade regime is biased towards production for the home market rather than internationally competitive exports.

Also, private sector confidence has been badly shaken by growing political uncertainty and rising violence.

“To stimulate growth, the single most important ingredient is investor confidence,” it says, adding that this will only emerge if, unlike in the past, policy-making is transparent, with no chopping and changing.

It is difficult for the authorities to stimulate the economy now in the face of a number of constraints, including the balance of payments, the fiscal deficit, and a need to keep inflation under control.

Advantages include spare capacity and excellent infrastructure.

Investment

Little new investment will be needed in coming years in much of the transport and communication systems, and electricity generation.

Foreign debt, estimated at $18 billion, is low, with the ratio of debt to gross domestic product unusually low.

“South Africa is not in the foreign-debt trap faced, for example, by some countries in Latin America and Eastern Europe,” — Sapa-Reuters.
Money not words' sought for free SA

By Peter Fabricius
Star Bureau

WASHINGTON — South Africa expects the World Bank to provide aid of up to R3.15 billion a year to bolster the imminent transitional government.

And it also expects the G7 countries to provide an economic package — "and not just encouraging words" — at its forthcoming summit.

South Africa’s ambassador to the United States, Harry Schwarz, spelled out the country's needs when addressing the National Press Club here yesterday.

He appeared with Constitutional Development Minister Roelf Meyer, who said that now that the negotiating parties had set a date for the country's first democratic elections, there was no reason why sanctions could not be lifted immediately.

Schwarz said that when all South Africans could vote, they would ask: "Are we better off than before?"

"There has to be a degree of immediate gratification to meet expectations and here the World Bank can play a very important role.

"They will have a series of projects that can work up, within a relatively short time, to about one billion dollars a year," he said.

"At the forthcoming G7 summit, we want South Africa raised as an economic issue. We believe the US administration will do so. We don't believe it's enough to have encouraging words from them. We would like to see an economic package from them, the same as that for the Russian Federation."
Move to marshal US investment

WASHINGTON - Mobilising investment in SA’s post-apartheid reconstruction by US pension funds and university endowments is the goal of a conference to be held in the US capital next October, after the annual meetings of the IMF and World Bank.

A key aim, said organiser Herman Nickel, a former US ambassador to SA, was to “concentrate SA minds” on developing attractive investment instruments for US institutional investors. SA corporations had been asked to help underwrite the conference, which would bring together leading players in the SA financial community.

These included the Community Growth Fund and the Independent Development Trust.

Representatives of the International Finance Corporation, the World Bank’s private investment arm, were expected to attend. The initiative had strong support from the Clinton administration, which was looking for ways to stimulate pension fund investment in SA once the ANC gave the go-ahead.

Although investing in post-apartheid SA might fit the social objectives of many of the big US funds, Nickel stressed that managers had a fiduciary obligation to concentrate on the bottom line.

Meg Vorhees, of the Washington-based Investor Responsibility Research Service, whose clients include university endowments and institutional investors, said she had seen little evidence that funds were “champing at the bit” to invest in SA. Many were still “wrestling” with their restrictions on SA-related investments, and were likely to continue to do so for some time after the ANC gave the all clear.
WASHINGTON. — The International Monetary Fund and the World Bank are ready to resume loans for South Africa as soon as sanctions are lifted, but the country's black leaders must first give the go-ahead.

Negotiators are to meet tomorrow in South Africa to finalize the date of the country's first non-apartheid elections, expected to be held on April 27, and to set up a commission to oversee transition to democracy.

African National Congress president Nelson Mandela said recently that his organization would call for an end to the international embargo once the commission was set up.

In principle, such a move would pave the way for the resumption of IMF loans — suspended since 1982 — as long as the institution's financial requirements are met.

"The IMF is available when they want," said an international monetary source.

It is believed the financial institutions would be ready to deal with the South African government and the transition committee and that there were two principal ways to extend assistance — a standby credit aimed at improving the country's balance of payments deficit, or a special credit facility to cope with problems such as a severe drop in exports combined with a rise in imports. — Sapa-AFP.
Council faces R2m claim

from a prize-winning firm

JOBS

WINNER of the 1993

by Chris van Raan
SUNDAY TIMES BUSINESS TIMES JUne 6, 1993
R10bn spending estimate

THE total cost of providing water, sanitation and electricity needed in the Witwatersrand area alone was estimated at R8bn-R10bn, the World Bank said in an Economic Perspective on SA.

Johannesburg management committee chairman Ian Davidson declined to put a figure to infrastructure spending needs at the release of the Johannesburg budget about a month ago. The Metropolitan Chamber is doing its own study into the spending needs and fiscal resources in the Witwatersrand area.

The World Bank publication, which is a synthesis of a number of informal discussion papers prepared by the World Bank, said it would cost about R8bn to provide enough extra classrooms for pupils enrolled at present and those out of school.

"The resources needed to redistribute public services adequately are consider-

able... Feasible growth in government investment could result in impressive redistribution," the report said. The priority was to revive government investment as a percentage of GDP to the levels of the 1970s and to control growth in current spending.

The bank, in a break from the traditional deficit rule of 3% of GDP, said a fiscal deficit of 6% of GDP could be sustained if a GDP growth rate of about 5% a year could be attained. Control of recurrent spending to 2% a year in real terms would be consistent with an increase in capital spending from 3.4% to 8.8% of GDP over five years.

In 1991 prices, this translated into an average increase of R11bn additional per capita spending of about R25 a year for the

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World Bank

black population.

New public investment should not repeat past mistakes, when money was spent on inefficient and highly capital intensive major parastatals. Nor should it be directed to infrastructure in white areas. Where possible, preference should be given to labour-intensive public works projects. The public sector, as contractor, should pay unskilled workers wages of about half formal sector rates. In another break with conventional wisdom, the bank said SA's average import duty was not high by developing country standards. While a lower average rate would make industry more internationally competitive, the present high unemployment and stagnating economy made such a course undesirable. Rather, SA needed to make protection transparent and rationalise the import duty schedule.
World Bank lending up

WASHINGTON.—The World Bank's new lending commitments totalled a record $43.7 billion for the year ended on June 30, compared with lending commitments of $21.7 billion a year earlier.

A spokesman said yesterday the multilateral lending agency's commitments amounted to $16.9 billion for about 122 projects. The remainder was taken up by 123 projects sponsored by the International Development Association, which made loans with below-market rates to the poorest countries.

The spokesman noted new lending to Africa totalled $3.8 billion, $1.2 billion less than the year before owing in part to administrative delays resulting from political transitions. — Sapa-Reuters.
World Bank 'softens' rule on deficit

The World Bank, in a break from the traditional deficit rule of 3% of GDP, said a fiscal deficit of 6% of GDP could be sustained if a GDP growth rate of about 5% a year could be attained.

In an Economic Perspectives on SA report, the bank said control of recurrent spending to 2% a year in real terms would be consistent with an increase in capital spending from 3.4% to 8.6% of GDP over five years. In 1993 prices, this translated into an average increase of R11bn additional per capita spending of about R230 a year for the black population.

New public investment should centre on labour-intensive public works projects.

In another break with conventional wisdom, the bank said SA's average import duty was not high by developing country standards. SA needed to make protection transparent and rationalise the import duty schedule.

The bank said it would cost about R88bn to provide enough extra classrooms for pupils enrolled at present and those out of school.
R10-bn needed to save Township

By Jo-Anne Collinge

It would take more than R10 billion over the next five years to wipe out service deficiencies in existing townships and to provide full services to new settlements on the Witwatersrand, the World Bank calculates.

If a "minimum" service level were accepted, the bill could be reduced to R6 billion.

And, the bank warns, if the Reef were carved into separate metropolitan areas, this could leave the West Rand unable to finance any meaningful development of services.

If, on the other hand, the eastern, central and western areas of the Reef were combined into a "single metropolitan entity, fairly ambitious investments could be undertaken".

The findings emerge from research conducted last year by an urban sector reconnaissance team of the bank.

The report takes a look at what would happen to regional service council levies and property rates in white areas if these sources of finance were the only means of securing loans to upgrade the townships over the next five years.

It assumes that standards of service in the present white local authority areas should not be allowed to fall if the Reef formed one metropolitan entity:

- By the fifth year an increase of 18 percent on current RSC levies and local authority rates would be needed to upgrade townships, provide services to new sites and develop bulk infrastructure to a "full service level" - that is, supplying electricity, internal piped water, tarred and drained roads, communal sewerage and refuse removal.

- If an "intermediate service level" were accepted - that is, stand pipes in yards, other than sewage disposal, only main roads tarred and drained, no house to house refuse collection and limited electricity supplies - an increase of only 4 percent in total revenues would be needed by the fifth year.

The World Bank is careful to point out that its figures are in some respects a "worst case" scenario.

Good Morning Grandma... Soweto police greet the elderly with hot soup at the Tiadi, Soweto,

Boumat man denies fraud and forgery

Staff Reporters

Dr Adam Klein, chief executive officer of Sandton engineering company Boumat, accused of, among other things, fraud and forgery last denied he had done anything illegal.

In a statement Klein said: "I utterly repudiate all the allegations that I perpetrated any fraud of theft or forgery to the prejudice of Boumat, Seifcon (the parent company) or anyone else.

"I intend to defend myself to the hilt and to show, as I did at the bail application, that my actions were with the consent and the approval of the company's chairman and not calculated to prejudice the company," he said.

Klein, released on R30 000 bail, was arrested at Jan Smuts Airport on Tuesday when he arrived home with his wife, Lindsay, from a US business trip.

SAP shows it has a warm heart

By Happy Nhloza

Attempts by police to improve their image in the townships is often viewed with scepticism, but their joint feeding venture with a major chain store yesterday was accepted warmly by pensioners in Tiadi, Soweto.

Hot soup and bread after hours in the cold came as a welcome relief to Josephine Dikete (70), of Naledi, and many others.

"I got here at six in the morning and I wouldn't have had a meal until I got home at lunchtime," she said.

Timothy Masisi (31), disabled in a train accident, brought his unemployed cousin for protection.

"The police here are different. The food was our first for the day after leaving home at five," Masisi beamed.

Comri

Randburg T established as a committee, aiming public important.

The committee wants to
Wage gap between races slowly closing

By Claire Gebhardt

There are really two South Africans - a First World society for whites and a Third-World society for blacks, according to a World Bank report.

"In its white cities, South Africa ranks among the top four or five countries in the world in per-capita spending on infrastructure.

"Yet urban areas have worse facilities on average than other developing countries with similar per-capita income.

Figures published in the World Bank report An Economic Perspective on South Africa indicate that apartheid intensified inequality in South Africa beyond that expected in a country at its level of development.

With the bulk of South Africa's national income going to the white minority, whites have personal incomes per capita of about 9.5 times those of Africans, 4.5 times those of coloureds and 3 times those of Asians.

But there is evidence that the wage gap between whites and other racial groups is narrowing, says the World Bank.

"Since 1970, the share of personal income accruing to whites has declined substantially, while the share for Africans increased from 22.5 percent to 31 percent in 1997, partly due to above-average wage increases for Africans from the early 1970s onwards."

Government spending under apartheid also discriminated heavily in favour of whites, giving rise to wide disparities in access to a whole range of public services.
World Bank’s recipe for growth

By Claire Gebhardt

South Africa, now in a deep recession, has much in its favour, says the World Bank in an Economic Perspective on South Africa. It notes that the country is rich in natural resources, its economy is well-managed and its income per capita of $2,500 a year puts it in the upper middle-income bracket for developing countries.

The World Bank says the current recession, the longest in South Africa’s history, is partly due to the demand shock that followed a nose-dive in investment by parastatals in 1988 and a lack of consumer and business confidence.

But the problems run much deeper as is evidenced by a declining GDP growth over 50 years and dramatically increased unemployment, says the publication.

Inequality between blacks and whites in employment, income, education and access to other public services is almost as wide as ever.

Problems

"Many of South Africa’s economic, as well as political, problems are rooted in apartheid especially through distortions in labour and capital.

"One central problem is not just low output but low factor productivity (investing a big slice of national income and receiving very little in economic returns).

"Another is high unemployment especially among blacks.

"At the same time, inequalities are very wide with the bulk of national income going to whites."

The publication notes that white incomes per capita are almost ten times those of Africans and 4.5 times those of Coloureds.

The World Bank says two of the most important influences on GDP growth have been lower investment and declining productivity, compounded by sectoral inefficiencies.

"On top of this, negative demand shocks in recent years have pushed the economy below its production capacity."

So what are the solutions?

The World Bank’s recipe for growth is a revival of the private sector, increased employment growth and the narrowing of income and other inequalities between blacks and whites.

It says this can be achieved by restructuring government spending and increasing spending on infrastructure and public services, especially for the poor.

"At the same time, growth of total spending must be restricted to meet budgetary targets."

"Rapid growth in skilled labour, especially by upgrading the semi-skilled and unskilled needs to be encouraged."

"So the does establishing a transparent and credible incentive environment alongside the reorientation of manufacturing towards exports."
World Bank offers some fresh ideas
More farm jobs a solution

By CHERILYN IRETON

More farm jobs a solution

The bank says informal-sector growth has only partly filled the widening gap between black labour supply and employment. Unemployment has thus grown rapidly among blacks. In contrast, there was full employment among whites up to 1985, but since then white unemployment has grown significantly.

High investment between 1965 and 1981 failed to generate more jobs because of the corresponding increase in the economy's capital intensity.

The work input among the unskilled has declined. Long travel distances of black workers is a possible reason for the decline. Another is the increase in man-days lost through strikes and industrial action.

Although subsistence agriculture in the homelands and the informal sector provide employment, about 25% of the labour force has no work.
World Bank official to address Nafcoc

A TOP World Bank official will be the main speaker at the annual conference of the National African Federated Chambers of Commerce (Nafcoc) later this month—the first time an executive of the bank will address a SA black business organisation.

Nafcoc president Gab Mokgoko said the chief of the World Bank South Africa infrastructure operation division, Isaac Sam, would give the keynote address at the four-day conference.

The theme of the conference, which begins at Sun City on July 25, is Finance, Skills and Technology.

Nafcoc president Archie Nkonyeni, who will give his inaugural speech, said the conference was significant in that it took place at the time of “a major political and economic impasse” in SA.

He added: “Impatience, anxiety and expectations are high as a result of the many months of unending negotiations to construct a new SA. The theme of the conference touches the very foundation of any national reconstruction programme.”

Mokgoko said an important feature of the conference would be an in-depth progress report on Nafcoc’s programme for black economic empowerment.

The programme sets the turn of the century as the target date by which 30% of seats on boards of companies quoted on the JSE should be occupied by blacks, 40% of equity should be held by blacks, 50% of inputs should be sourced from black enterprises and 60% of managerial posts should be held by blacks.”
World Bank shifts its focus

WASHINGTON — The World Bank, criticized for not paying close attention to projects after loans were made, unveiled new steps on Monday that would change the way it measured its success in helping countries.

The new measures, which emphasize greater efforts to make loans do the work for which they were designed, follow a review of existing projects that show an increasing pattern of failed efforts.

The bank assists member countries in reforming their economies so they work better and in an array of projects, including building roads and schools.

Central to the plan, the bank said, was the commitment to make the management of existing projects as important as granting new loans.

"Only sound, on-the-ground results — the development of projects — are true measures of the bank's contribution to sustainable development," World Bank acting president Ernest Stern said.

The bank said it would manage its portfolio of loans on an overall country level, rather than looking at them on a project-by-project basis.

It said that for each borrowing country, the entire portfolio of bank-financed projects would become the measure of assessing effectiveness.

The bank made it clear that responsibility for making projects work would remain at the local level. "Arguing it would be a mistake for it to manage them on a continuing basis," 356

However, the performance of the projects would be reviewed more regularly to catch problems at an early stage, before they became fatal. 14-11-98

"The bank's efforts to improve the development impact of its work, ultimately, can only be as successful as the efforts by our borrowers to help themselves," he said.

A study completed last November by former World Bank vice-president Willi Wapenheins found that among operations in progress, about 20% were experiencing "major problems" compared with 11% a decade earlier.

The bank has almost 2,000 projects and programmes representing nearly $400bn in total investment — Sapa-Reuter.
SA's health record 'worst'

South Africa's health status relative income was one of the worst in the world, the World Bank said in its latest development report.

According to the report, 93 percent of South African children aged between two and five in the 1990s suffered from stunting as a result of malnutrition.

This compared with an average of 39 percent in the rest of Africa.

The annual incidence of tuberculosis in South Africa of 250 cases per 100,000 was nearly 15 percent above the African average and more than 10 times the rate of developed countries.

In 1990-91, 63 percent of children in South Africa younger than one received immunisation against diphtheria, whooping cough and tetanus.

This compared with 88 percent of Zimbabwean children and 79 percent of Zambian children receiving the required shots.

Reacting to the report, Medical Research Council executive Dr Derek Yach said that while R22 billion was spent on health care in South Africa, of which about half was spent on private health care, the World Bank report suggested that this was not buying the level of health care the average person could expect. — Sapa.
Money for the taking, and its urgent

How much is needed to turn the economic crisis of South Africa. It is up to the Republic to say and the International Monetary Fund and the World Bank to find.
Foreign Loan Issued Clouded

No cash without clear economic policy

Observers say a stumbling block to underwriting funds by the Export-Import Bank and World Bank would be a stumbling block to underwriting funds by the Export-Import Bank and World Bank.

My dearest fellow citizen,

The ECCA meeting with the US National Economic Council. The Export-Import Bank and World Bank.

The ECCEA meeting with the US National Economic Council.

Observers say a stumbling block to underwriting funds by the Export-Import Bank and World Bank would be a stumbling block to underwriting funds by the Export-Import Bank and World Bank.

By Alexander

M. de Kerk

Observer.
Depreciate rand, says World Bank

WORLD Bank economists have renewed their call for SA to deprecate the rand — in sharp contrast to Reserve Bank Governor Chris Stalt's stance.

A World Bank study on SA trade policies published last month said the rand should be fixed at a lower rate than the market-determined level as an incentive for SA's manufactured exports.

The view that the rand should depreciate has been expressed in other World Bank reports and a number of SA economists, including Old Mutual's team, have supported the call.

The study said: "The east Asian experience suggests it is preferable to err on the side of undervaluation rather than on the side of overvaluation... To encourage industrial exports, the value of the rand must be maintained at a level that ensures their competitiveness."

Using the exchange rate as a trade policy tool would enable SA to scrap trade interventions, eliminating import duties and export subsidies simultaneously, the World Bank said.

While that would be the preferred long-term solution, the first step towards helping SA exporters was to give them access to cheaper imported inputs.

SA had to enable exporters to pay world prices — rather than inflated domestic prices — for their inputs. While the easiest way to achieve that would be to eliminate all import tariffs on these goods, such a move would be too drastic.

Other ways to achieve the aim of lowering exporters' input costs included exemptions from import duties for exporters and rebates on excise duties. While SA already had a system in place to refund exporters, it was highly flawed.

A cumbersome permit process to import at world prices contrasted with the Korean system "where such requests are decided within hours", the study said.

The World Bank said SA's rebate scheme should be independent of any suggestion that exporters first shop locally for inputs before importing. A rebate system should guarantee "absolute free choice between imported and domestic inputs" for exporters. SA's duty rebate system needed to be thoroughly revised.
World Bank warns land depreciation

In a week of new S American markets

New Markets: "World markets are in the doldrums. The dollar is now above the Mexican peso, and the yen is more than 400 yen for a dollar. The only exception is the deutsche mark. The greenback is up, but not by much. The peso is down, and the yen is down. The picture is not good."

By ANDREW D'ANGELO

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CONTESTS"
IFC forced to be more selective

WASHINGTON. — As the global economy increasingly adopts a market model, the International Finance Corporation, the World Bank’s private-sector arm, is being overwhelmed by pleas for assistance, the IFC said yesterday.

In a briefing to unveil its annual report, the IFC, which supports private-sector development in the developing world, said it expected to lend some $2.4bn in the financial year ending next June 30 compared with $2.1bn in the previous year.

"The demand very considerably exceeds our ability to supply," said IFC executive vp William Ryrie, adding: "This means that the IFC in the future is going to have to be more selective."

He said the increased demand reflected the need for sound state management of the economy. — Sapu- \Reuter
Rush to beat wild election promises

Critics voice misgivings about a much-debated package of aid that critics of the new government believe they could have vetoed.

The World Bank and International Monetary Fund may demand from South Africa...
The World Bank wants detailed suggestions on projects for financing.

[Text continues on the next page]
World Bank throws down the gauntlet

IMF's bleak outlook

By 2.5% in 1995

The World Bank has thrown down the gauntlet with its 1995 forecast of a 2.5% growth rate for the world economy, predicting a gloomy outlook for most countries and a reluctant global recovery. The Bank's report, "World Development Indicators," highlights the challenges facing the global economy and emphasizes the need for coordinated policies to foster growth. The report underscores the importance of addressing poverty, inequality, and environmental sustainability. The Bank warns that without concerted efforts, the world economy may struggle to recover.
World Bank is eager to improve image with SA success

By GRETA STEYN

WASHINGTON — The World Bank has made it clear it wants to help pay for a major socio-economic reconstruction programme in South Africa as soon as it is politically feasible. But who will set the development agenda? Does South Africa have a programme ready for the bank to finance? And will a programme that is politically popular meet the bank's need for sound fiscal policies?

South Africa has had no shortage of economic plans, but until recently none provided the kind of detail the bank needed. In April this year a senior bank economist, Peter Fallon, remarked: "The areas in which South Africa may wish to borrow remain unclear, and even if such areas were identified, sufficient detail is unavailable regarding possible projects."

A major step has been taken to rectify the problem in the form of a new "macroeconomic policy model for human development", whose main supporter is the Development Bank. Astonishingly detailed in its scope, right down to the last classroom, clinic and pit latrine, it was drawn up by a development initiative co-ordinated by Development Bank chairman Wiseman Nkuhlu. It is understood that an NC, organised labour, non-government development agencies and other interested parties also participated.

Finance Minister Derek Keys' "secret" committee of key political players, convened some months ago to give future members of government a say in present decisions, has given the development model a cautious nod. The economic and technical committee has agreed that the model can be used as South Africa's point of departure in official discussions with the World Bank. But it is understood the bank's approval was not without reluctance. Hardly surprising, since it is in the process of drawing up a reconstruction programme with its alliance partner, Cosatu.

Constraints

The Cosatu-led reconstruction programme devotes little attention to macroeconomic stability other than to acknowledge its importance. However, even the acknowledgement of the importance of fiscal and monetary discipline has proved too much for some unions. This was highlighted at the Cosatu conference earlier this month.

By contrast, the Nkuhlu model devotes substantial attention to the macroeconomic constraints on a massive social spending plan. It approached the problem of wiping out the backlogs by first calculating the cost over a five-year period. It tested the five-year plan against the macroeconomic constraints of sound fiscal policy.

In the five-year scenario, wiping out the backlogs would amount to a capital investment of R563.8-billion, of which almost R255-billion would go on housing, more than R13-billion on water and sanitation, and almost R10-billion on rural development and access to land. Spending on education would be about R17-billion, but R1 billion of this was classified as current rather than capital spending.

The programme is impossible without economic growth. The model says: "A programme on the scale contemplated here, superimposed on a stagnant economy, would see the fiscal deficit ratio surge up to an unmanageably high level." Even if there is economic growth, the five-year scenario presents a problem if fiscal discipline is to be exercised. If care is taken to keep overall government spending to 35% of GDP (already high), the scope for higher spending arising from growth in GDP will not be enough to meet the programme's targets. The problem could be solved by implementing the programme over a longer period, or relaxing the fiscal policy requirements.

Within a 10-year framework, it is possible to implement the programme and maintain fiscal discipline — provided there is economic growth. The economy would only grow if capital and labour productivity improved, and foreign capital outflows turned around.

Redistribution

One of the problems a massive programme of upliftment presents is that the demands on the programme on scarce resources will be immediate while their contribution to the resource base could only be expected "after a considerable lapse of time".

But in the long run, investment in people would raise productivity and underpin sustainable economic growth.

Aside from macroeconomic constraints, the model also notes institutional constraints on making immediate progress in getting rid of social backlogs. Politically legitimate organisations do not have the ability to deliver. What is the extent will the Nkuhlu-led programme be acceptable as a national framework for development?

There are specific forums working on many of the issues covered in the programme which have not yet come up with detailed recommendations. Some controversial assumptions are made. While the National Housing Forum continues to debate the form of government subsidies (interest versus capital subsidies), and the size, the model has assumed a capital subsidy of R15000 per household. The programme calls for "decent housing" — an apparent rejection of site-and-service schemes — while the model gives a role to these schemes.

It also makes detailed recommendations on land redistribution, including the transfer of 10% of extensive commercial farm land to small farmers. Controversy might also be stirred by the comment that sanitation standards and the associated recurrent costs have to be tailored according to varying income groups.

But Nkuhlu's team could not afford to wait until the various disputes are settled before presenting the World Bank with a draft framework of what South Africa regards as its overall needs. The bank itself
Loans 'on agenda'

NEW YORK — The leader of the African National Congress economics department, Trevor Manuel, said the ANC had not ruled out borrowing from the World Bank.

But he said the ANC could only consider whether to apply for loans once it had better information about development needs.

Mr. Manuel said there was no prospect of abolishing the financial rand as things stand.
World Bank ready to help SA

WASHINGTON. — World Bank president Mr Lowte Preston says South Africa's reintegration into the global community has created an unprecedented challenge to the development lending institution.

"The Bank is ready to join hands," Mr Preston said in his opening address to the Bank and IMF's annual meetings in Washington yesterday.

"We are all prepared to invest if peace." Mr Preston said.

Mr Preston said the World Bank was working with all the South African parties to design a programme to address the country's most urgent developmental needs.

"This programme, I am happy to report, is receiving strong support from our political and development partners throughout the world," Mr Preston said.

ANC president, Mr Nelson Mandela, in his address to the United Nations, said the world had to remain vigilant after the recent deaths of several members of the ANC, including the killing of ANC commissioner, Mr Charles Ntsebeza, in South Africa.

This followed Parliament's approval of the TBLA Bill, which Ministers of Finance and President FW de Klerk took to herald South Africa's democratic process as irreversible.

The World Bank has conducted four studies on the SA economy over the past two years.

Mr de Klerk also said that European companies would no longer have to report their investments in South Africa.

— Own Correspondent, City-Reader
IMF, World Bank hail transition

World praise for new SA

EC trade sanctions to be lifted as international community readmits SA with open arms

Washington — Heads of the International Monetary Fund and the World Bank lauded unprecedented praise on South Africa last night and declared their eagerness to see vast sums invested in what is now being hailed as the world's newest emerging democracy.

"We are well prepared to invest in peace," World Bank president Lewis Preston said in his opening address to the Bank and International Monetary Fund's annual meetings in Washington.

And IMF managing director Michel Camdessus told the gathering of the world's most influential financial figures that South Africa's transition process was an example of progress towards peace and stability.

As the financiers were speaking, the last trade and financial sanctions against South Africa were crumbling in New York.

"This programme, obviously, is contingent on political change making development possible for all her people. And (Nelson) Mandela recently indicated, 'this is now happening,'" Preston said.

The World Bank has conducted four studies on the South African economy over the last two years with the cooperation of analysts from the Government, political parties and the private sector.

Finance Minister Derek Kays and ANC economics head Trevor Manuel, along with other political groupings, have been working closely over the last five months in presenting a consensus South African view on key economic issues.

The initial reaction from some South African delegates attending the IMF-Bank meetings has been to downplay the necessity of World Bank monetary aid.

"We are going to be very careful about what loans we accept. We are not going to solve our problems by throwing money at them," Manuel told reporters. "We are not im

More reports — Page 5

British Foreign Secretary Douglas Hurd said at the United Nations that the European Community would lift remaining trade embargoes on Monday. He and fellow EC foreign ministers pledged to work with the World Bank and the IMF to restore "normal" relations with South Africa.

Preston said South Africa's reintegration into the global community and the development lending institution, and the World Bank was working with all the South African parties to design a programme to address the country's most urgent developmental needs.

World praise for the new SA

From Page 1

"In time of considerable concern about economic difficulties in many parts of the world, this could create new opportunities," said Preston.

Diplomats from the new South Africa say the IMF and Bank for the next two years, while providing the new SA with considerable financial support, have made it clear that the new SA could not expect financial largesse from the IMF and Bank again.

Chandross said the IMF and Bank would provide the new SA a "window" of opportunity to develop new policies within its talks with the IMF and Bank on the World Bank at its annual meeting in Washington.

To Page 3
SA 'high on assistance list'

WASHINGTON — SA was high on the list of countries earmarked for special assistance as this year's World Bank and IMF AGM started yesterday.

World Bank president Lewis Preston prefaced his opening speech with the statement that the World Bank would help economic development as rapidly as possible in SA, the Israeli occupied territories and Vietnam. They were areas where political change meant opportunities for economic advancement for all their people.

"We are well prepared to invest in peace." But he warned that in the post-Cold War era, external assistance was being more closely scrutinised; and recipient countries had to demonstrate the capacity to use aid effectively through good policy and good governance. Otherwise, "frankly, they risk losing it."

IMF MD Michel Camdessus also mentioned SA early in his opening address. However, he quickly moved on to a gloomy analysis of the international economy.

He noted the main economic problems of rising unemployment in the industrialised countries, growth that could best be described as anaemic and the deteriorating fiscal position as budget deficits continued to widen. He added that not only were these formidable difficulties, but that they were feeding on each other and multiplying their damaging effects.

Though the economies of the developing countries as a whole were proving resilient...

World Bank

In the face of stagnation elsewhere, Camdessus pointed out that their development had been patchy. With the exception of the Asian countries, economic development had bypassed hundreds of millions of the world's poorest people.

Camdessus noted "formidable problems" for macroeconomic stabilisation and structural reforms.

Camdessus' nostrums for economic recovery and advance did not, understandably, stray from the conventional. Inflation was under control in the industrial countries, no major currencies were out of alignment in foreign exchange markets and national and private balance sheets had adjusted to asset price deflation.

What remained for growth to resume was a refocusing of economic policy mixes and a strengthening of the international monetary system. Liberalisation of trade and exchange arrangements were fundamental, he believed. In particular, the industrialised countries should reverse their recent protectionist tendencies.

Elsewhere, he noted, seven more developing countries had removed exchange controls and he begged others to do so to facilitate their participation in the benefits of global markets.

In the West, structural rigidities hampered economic growth. He pointed to policies designed to help unemployed which, in fact, exacerbated unemployment by discouraging job search and wage flexibility.

Camdessus saw little room for fiscal policies to support demand in the industrialised countries apart from Japan and said the problem would be best solved by measures to reduce budget deficits.

The route for developing countries, including SA, was clear. It was built on sound macroeconomic policies — controlling inflation and fiscal deficits; structural policies that made the most of the benefits of competitive market systems; liberal trade and exchange regimes to open economies to trade and foreign investment; social policies which allowed everyone to participate in their countries' growth; and the elements of good governance that included public accountability, participatory government, and legal and regulatory frameworks that were transparent and fair.

See Pages 5 and 17
EC pitches in

NEW YORK. — Foreign ministers of the European Community states agreed in New York to work with the World Bank and International Monetary Fund to restore "normal" relations between South Africa and those institutions. British Foreign Secretary Douglas Hurd said it was "crucial to the South African economy" that it had access to these funds. — The Argus Foreign Service.
International bodies under fire

No orchids for World Bank

BY CLAIRE GEBHARDT
Reporting from the World Bank/IMF meeting

Washington — Inside, it was all glitter and hope for emerging nations, release from poverty and job creation.

Outside the Sheraton Washington Hotel, two figures proted against IMF policies, one of them dressed as the Grim Reaper.

They symbolise the rising tide of criticism that is bedevilling the 49th annual IMF and World Bank meeting in Washington.

The opening ceremony was impressive. More than 2,000 delegates from 176 countries crowded the ballroom with its wall of national flags.

World Bank President Lewis T Preston said the bank was ready to move quickly to help economic development. In the Israeli-occupied territories, South Africa and Vietnam.

It had been working with all parties in South Africa to design a programme to address the most urgent needs.

This programme is obviously contingent on political change making development possible and as Mr Mandela recently indicated, this is now happening.

But not everybody shares his faith. The ineffectual protesters symbolise the uneasiness about IMF policy and disciplines affecting many organisations — among them the ANC.

Mandela and the ANC's Trevor Manuel have expressed reservations about accepting help from these two powerful institutions.

Prominent SA businessmen at the conference are uneasy for a different reason.

Said one: "To reject IMF and World Bank support is akin to trying to run the country without overdraft facilities."

Others said a continued flow of resources was essential to maintain the confidence of international lenders.

"It will also impose economic discipline on a future government."

The IMF view is that those African economies that are growing are ones following IMF-supported programmes.

Poverty reduction is the World Bank's stated objective. Supporters claim its development programmes make it uniquely suited to assume the lead in co-ordinating international donor support for countries such as SA.

But his critics say that borrowers end up poorer than before and hopelessly indebted.

A recent Oxfam report says that after a decade of IMF structural adjustment programmes, Africa remains trapped in a spiral of economic and social decline and increasing poverty.

Oxfam has called for the IMF's role in Africa to be reviewed and for the IMF to write off part of Africa's debt.

The World Bank, too, is under fire from former World Bank vice-president Will Wapenhans who issued a report, which questions the bank's priorities and its "pervasive pre-occupation with new lending".

World Bank policy of basing much of its lending on readiness to adopt "structural adjustment" is also attacked.

The policy requires countries to make macro-economic reforms, which include devaluation, overhaul of tax systems, open markets and more exports to improve current account balances.

But the Oxfam report claims that not only has the World Bank not significantly affected economic growth, it has even contributed to a drop in investment.

In his attacking opening speech, Camdessus said industrial countries faced unemployment, anaemic growth and weak fiscal positions, while the developing world showed uneven economic progress.

"When we think of Africa — when we consider the human cost of its civil and ethnic wars, of its famines, of its two decades of decline in incomes per capita — do we not see a sinking continent?"

Camdessus said those developing countries that had not progressed must strive, with the support of the international community, to implement the policies that had achieved success. These were:

- Sound macro-economic policies.
- Development strategies making the most of a competitive market system.
- A liberal trade and exchange regime.
- Social policies to alleviate poverty and slow down excessive population growth.
- Good governance, public accountability and a fair legal framework.
The IMF and World Bank are stumbling over themselves to offer loans to South Africa. Using independent African countries as an example, Mzikulu Malungu looks at the pros and cons of accepting such an offer:

**Officals of the IMF and the World Bank are quick to point out Asia and certain parts of Latin America in their quest to justify their harsh economic conditions for developing countries.**

However, the ANC’s deputy head of economics, Tito Mboweni, is confident that South Africa can efficiently handle the IMF and World Bank. He says the only time these two institutions intervene directly into the running of a country’s economy is when their loans are not paid back on time.

World Bank

“We must manage our economy in such a way that we do not put ourselves at the mercy of the World Bank,” he argues.

Mboweni says he does not foresee a possibility of loans from the IMF and World Bank to South Africa exceeding 10 percent of the national budget.

But economists such as the director of the Institute for African Alternatives, Ben Turok, argue that leaders such as President Robert Mugabe of Zimbabwe and former President Julius Nyerere of Tanzania used to believe their countries had what it takes to keep the fund and the bank at bay.

Today it does not need a schooled economist to relate the hardships brought by Washington-tailored economic structural adjustment programmes in those two countries. Despite more than a decade of “harsh medicine” in many African countries, the continent is yet to show an economic tiger that African can be proud of.

Writing in one of the bank’s newsletters recently, two economists working for the institution admitted that it would take another 50 years before, for instance, an average Ghanaian crosses the poverty line, unless drastic steps are taken to nurture that country’s economy.

Officials of these institutions are always quick to point out to Asia and certain parts of Latin America in their quest to justify their harsh economic conditions for developing countries.

Often people have taken to the streets in a number of African countries as the food prices go up after removal of government subsidies.

And their currencies become useless following a heavy devaluation process as the Washington-cooked economic medicine makes its presence felt.

But the institutions are not without their own form of ammunition to counter criticism. “To put blame on the doctor who is trying his best to resuscitate a dying corpse is wrong,” counters Mr. Isaac Sam of the World Bank.

The IMF and the World Bank were established after World War 2 to help Europe and Japan recover from the devastations of the conflict.

The IMF was formed to help countries minimise the fluctuation of the value of currencies and problems relating to volumes of exports against those of imports — commonly called the balance of payments.

During the ’50s and ’60s when more countries gained their independence, the bank’s facilities were extended to those states. Today the World Bank Group comprises the International Bank for Reconstruction and Development, which gives loans to countries where income per person averages about R2 300 a year; the International Development Association, giving concessionary loans to poor countries; the private sector arm International Finance Corporation; and the Multi-lateral Insurance Guarantee Agency, which underwrites private sector investment in risky projects.
The Key to Africa’s Future

In my opinion

I believe that the key to Africa’s future lies in fostering economic growth and sustainable development. This can be achieved through several strategies:

1. **Investment in Education:** Education is the foundation of any nation’s future. By investing in education, we can ensure that the next generation is equipped with the skills necessary to drive economic growth.
2. **Infrastructure Development:** Good infrastructure is essential for economic development. It facilitates trade, encourages investment, and improves the standard of living.
3. **Encouraging Private Sector Growth:** A vibrant private sector can create jobs, stimulate innovation, and drive economic growth. Governments can support this by providing a stable business environment and creating incentives for investors.
4. **Promoting Agricultural Development:** Agriculture is the backbone of many African economies. Investing in agriculture can help reduce poverty, increase food security, and create new markets.
5. **Renewable Energy Development:** Expanding access to affordable and sustainable energy sources is crucial for economic growth and poverty reduction.

By focusing on these areas, we can accelerate Africa’s economic growth and ensure a brighter future for the continent.
Taking over

World Bank ready to make immediate loans

BY NEIL RENRMANN

London — The World Bank is prepared to lend to South Africa immediately and is waiting for details on projects that need to be financed.

It’s a statement that contradicts the generally held view that World Bank funding was not likely to materialize in the near future. (366)

At this week’s Confederation of British Industry Conference in London, Stephen Denning, director of the Southern African Department of the World Bank, said the institution was not to blame for any lending delays. On the contrary, large amounts were available, but there was no SA consensus on the projects to be financed.

”We have not received any requests. It was only at the recent World Bank and IMF meeting in Washington that we received delegations about possible loans from the Government, the ANC and other interested parties.”

The World Bank would consider loans for specific projects, but without any requests it could not act, said Denning. “Only two can tango.”

He indicated that the Government, ANC and other interested parties were moving slowly in regard to funding by the World Bank, which disclosed months ago that $1 billion (R3,65 billion) would be forthcoming.

Cashbuild in good health

BY DEREK TOMMEY

Cashbuild more than doubled pre-tax income in the six months to August to R3,1 million (R4 million). Taxed income was R4,5 million (R2,8 million). Attributable income was R3,1 million (R2,1 million) — equal to 14,56c (8,6c) a share.

A 5c dividend has been declared.

Turnover rose 22,5 percent to R251,8 million, with just under half of the percentage increase coming from six new stores. Existing stores showed a 12 percent increase.

Chairman Christo Wiese says the improvement comes from margin and expense structures returning to historic levels.

Boland champions interest rate cut

BY CLAIRE GERMARDT

A desperate need for higher growth is cited as supporting calls for a cut in interest rates, says Boland Bank.

Its Economic Monitor cites seven reasons why the Reserve Bank should comply:

- The real prime rate, calculated by subtracting the production price inflation (PPI) rate from the prime lending rate, has remained virtually unchanged at 8 to 10 percent since 1990, despite the 4,75 percentage point decline to the present 16,25 percent;
- Credit demand can “afford” to increase, given that annual growth in credit extended to the private sector declined from a high of 23 percent in 1988 to an average rate of 6 percent in the second quarter of 1993;
- M3 money supply growth is well below the Reserve Bank’s target range of 6 to 9 percent set at the beginning of 1993;
- Inflation remains under control, with the consumer price inflation (CPI) rate at 8,3 percent and the PPI rate at 6,3 percent;
- The argument goes that if wages and other costs rise too much, they are likely to increase inflation, damage investment and depress economic growth;
- The government has improved, with figures for the first five months of the present fiscal year indicating a substantial improvement on the deficit outcome, compared with last year;
- The government was under pressure to cut interest rates, and the government has done so, with the official short-term rate cut to 16,25 percent.

No correlation between capital outflows and real interest rates. Graph: Boland Bank

little to do with the level of real interest rates. Capital outflows were mainly a function of heavy foreign debt repayment commitments and exchange rate “fright” with corresponding payment “lazes and lags”. Declining European interest rates provide further scope for a cut.

The limited depreciation of the rand exchange rate between 1986 and mid-1982 has given an unrealistically high real value to the rand. The recent dip in the value of the currency should therefore not cause concern, given an expected improvement in foreign reserves in the wake of smaller debt repayable in 1993, than the expected IMF loan, and improved foreign investor sentiment.

But while Boland says it has great sympathy with these views, it cautions that lower interest rates may contribute to a further depletion of foreign reserves.

It also notes that lower interest rates and accelerating credit growth can at best offer only a short-term solution to the growth problem. Nevertheless, Boland believes the time may be ripe for the Reserve Bank to ignore the foreign exchange risks inherent in an interest rate cut and bring real interest rates more into line with economic and socio-political realities.

“Or this would signal the end of responsible monetary policy.”

Boland says it remains hopeful that Bank rate will be lowered by another one percentage point before December 1993.
Political bickering annoys World Bank

BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

The World Bank was growing impatient with delays by politi- cal organisations in giving the nod to a project it was prepared to back in South Africa, Pretoria's ambassador to Washington Harry Schwarz has warned. Schwarz described the delay as a "sin".

Speaking to The Star in Johannesburg yesterday, he predicted that South Africa would get some investment from the United States but that this would be limited by concerns over instability.

However, the World Bank wanted to invest immediately in a non-partisan project but, "because of politics, they cannot get identification of a project".

Schwarz pointed out that the World Bank does not impose conditions on the money it lends, as is the case with the International Monetary Fund. He said this would be long-term finance at competitive world rates.

Schwarz is expected to make an announcement on his future within the next week.

It has been reported that he is planning to re-enter the political arena next year; but he has ruled out a party-political role. It was suggested that he would look for a role as an "impartial facilitator".
PRETORIA — The World Bank and the SA Agricultural Union (SAAU) had reached agreement on how a programme for the large-scale establishment of small farmers should be undertaken, SAAU president Boet Fourie said yesterday.

Following recent discussions between the two organisations in Pretoria, the SAAU said it supported the small-farmer concept in agriculture and welcomed the World Bank's views on the matter.

The bank had suggested that only land falling within the homelands or within the jurisdiction of tribal authorities, or excess government land, should be used for setting up preliminary pilot projects, Fourie said.

Once these projects had proved successful, and a number of small farmers had become established and viable, further projects could be launched. If further land was required, it would be acquired on the open market at market prices.

ADRIAN HADLAN

The bank had agreed that no land should be expropriated or nationalised with a view to establishing small-farmer projects, Fourie said.

The SAAU had said it would give its full support to the programme on condition that commercial agriculture was not adversely affected and the agricultural potential of the land was maintained.

It was also important that farmers involved in the projects were helped to progress from relatively small operations to fully fledged commercial farming, Fourie said.

The agricultural sector, which employed 1.2 million workers, represented the heartbeat of the rural economy, he added.

"The position which commercial agriculture in SA assumes in the national economy must be placed in clear perspective when the World Bank's plans to establish small farmers on a large scale are considered," Fourie said.
World Bank impatient at delays — Schwarz

"To my mind this is the big sin as the needs in South Africa are great. Now they are getting impatient with South Africa," he warned.

"If we don't want the World Bank we are throwing away billions," said Mr Schwarz, pointing out that this would be long-term finance at competitive world rates.

Certain extra-parliamentary organisations have been reluctant to endorse World Bank-backed projects, apparently on the basis that they do not want foreign agencies to be in a position to interfere with South African economic policies.

Mr Schwarz points out that the World Bank does not impose conditions on the money it lends, as in the case of the International Monetary Fund, and "it does not merely want to give money to governments, it wants to finance projects."
ANC WOOF OF WORLD BANK GENEROSITY
South, 2010 - 2014/5
14 Southbusiness
World bank loan scheme has a basic error

The World Bank made a fundamental error in not assuring

external-repayment.

for it to accept the funds of the

in a new publication. New LEARNEGS

Provisions, the World Bank plan to

to its low-income countries. It plan to

in a new publication.
The International Monetary Fund (IMF) is an international organization that works with governments and other stakeholders to promote global economic stability and growth. Its policies are designed to help member countries manage their economies and foster international trade and investment. The IMF provides financial resources to member countries in times of need, as well as technical assistance and capacity building to help them implement economic reforms and improve policy frameworks. The organization also monitors global economic developments and issues reports on the state of the global economy, which can inform countries' policy making and decision-making processes.
Jacobs, Turok clash over role of IMF

Political Staff

SHARP differences about the role of the International Monetary Fund (IMF) emerged yesterday after former Cape MPC Mr Ben Turok accused it of eroding South Africa’s sovereignty.

Dr Japie Jacobs, Special Economic Adviser to the Minister of Finance, rejected the criticisms and said the IMF was the lender of last resort when member countries had budget deficits.

Dr Jacobs said at a workshop in Strand organised by Stellenbosch University that the IMF was not prescriptive but it was critical in its approach. It had praised South Africa’s monetary policy but was critical of its policies on foreign exchange.

Mr Turok, director of the Institute for African Alternatives, said a World Bank representative said recently the bank had been “a destructive force in Africa” and the IMF had been worse.
World Bank sets out SA's options

BY PETER FABRICIUS
STAR BUREAU

Washington — The World Bank predicts that the South African economy could sustain high growth of above 5 percent a year while also redistributing wealth — if the new government pursues sound economic policies and private investment returns to the level of the 1970s.

The key is increased private investment. Without it, government efforts to equalise social spending will barely boost the economy — but will soon run into excess public debt and recession.

These are the best and worst-case scenarios for the new South Africa spelt out by a macro-economic model which the bank has just developed. It is part of a major study being conducted by the bank's Peter Falcon and Luiz da Silva.

An abstract of the study entitled "Paths to Economic Growth" has just been completed by Alan Morris, co-ordinator of the bank's team doing research on South Africa.

The economic model shows that if private investment returns to the level of the 1970s and sound economic policies are followed, the government will be able to spend R71.7 billion on public investment between 1994 and 2006 — equal to 3.3 percent of gross domestic product (GDP) — mainly to upgrade black social facilities.

Upgrading

Without high private investment, the economy will be able to sustain public investment of slightly more than half that amount — R33.2 billion, or 1.8 percent of GDP — over that period.

To achieve the high-growth path, the government will have to:

- Encourage rapid growth in skilled labour, especially by upgrading semi-skilled and unskilled labour.
- Change the import-substitution bias of manufacturing and reorientate it towards exports (by rationalising import tariffs, among others).
- Boost job creation in small businesses and agriculture.
- Restructure government spending by raising investment in infrastructure and public spending, targeting the poor and restricting recurrent spending. Where possible, spending should be on labour-intensive public works projects.
- Maintain prudent fiscal and monetary policies, among others by avoiding high fiscal deficits and cutting the "overstaffed" civil service.
World Bank sees rapid growth in SA

RAPID growth, sustained at above 5% a year, is possible under a new SA administration, says a new study by the World Bank.

"A main conclusion is that there is indeed a feasible growth path that is high (above 5% per annum), sustainable (low inflation, stable fiscal account, low and stable debt-to-GDP ratios) and redistributive."

An advance copy of a report by the bank's southern Africa department says given the right economic environment and policy framework, the economy can return to positive-per-capita GDP growth fairly quickly.

Bank staffs Peter Fallon and Luiz Pereira da Silva presented their findings to the ANC on Friday.

The study considers three growth scenarios for SA: faltering, moderate and sustainable.

It says a substantial expansion of public investment is only sustainable if private investor confidence returns to the level of the mid-70s.

Without this the economy will experience higher growth for a few years and then falter. The authorities would be forced to curtail public expenditure growth abruptly, creating a negative demand shock leading to a new recession.

The moderate growth path looks to 2% to 3% annual GDP growth even without supply enhancement like skills training.

With a revival of private sector confidence the fiscal deficit could remain around the 10% of GDP mark for a few years (1992/93: 8%). It would then "fall as growth continued into the early part of the next century and even turn into a small surplus".

No economic programme can succeed without social stability. "If gains from growth are not perceived as being distributed equitably, social unrest will result."

The three scenarios flow from a macroeconomic model which the bank has constructed to simulate future scenarios for the SA economy.

It says the model can be used either to measure the economic impact of specific policies such as a new tax policy or to identify the variables that will be critical for sustaining high growth.

The bank says one reason for its optimism is the under-utilization of the country's infrastructure and electrical power capacity.

Financial sanctions have given SA a low foreign debt-to-GDP ratio (5%).

"Returns to raising the skills of the labour force (in particular black South Africans) are likely to be high."

For higher growth SA must revitalize the private sector, maximize employment growth and narrow income differentials between blacks and whites.

"It must also redress massive inequalities in access to public services and land redistribution."

Priorities are to upgrade semi- and unskilled workers, reorientate manufacturing towards exports, emphasize job creation in small business and agriculture, restructure government expenditure by raising investment in infrastructure and public services, target the poor and restrict the growth of recurrent expenditure.

SA's most urgent task in international trade is to address the anti-export bias inherent in its policies.

"Many of the disadvantages exporters suffer stem from the higher prices they pay for manufactured inputs."

Despite its relatively low share of GDP, agriculture is potentially important as an employer.

New public investment should not repeat past mistakes by concentrating on inefficient and highly capital-intensive parastatals.

Where the public sector is the contractor in labour-intensive works projects, wages should be set at close to informal sector wages, about one-half of those in the formal sector.

By KEVIN DAVIE

5/12/93
Holding the purse strings

HARRY SCHWARZ, South Africa's Ambassador to the United States, advocates using new opportunities to borrow money from world finance agencies to satisfy post-election social expectations.

To some, funds from the International Monetary Fund and the World Bank are regarded as opportunities for reconstruction of the economy, safeguarding the balance of payments and obtaining much-needed projects.

Others regard them as endeavours to dictate terms, manipulate the economy and impose conditions which inhibit growth and strangle the self-government of people.

South Africa has not had facilities from either institution for many years. The time has, however, arrived where we can apply with hopes of success to both institutions.

South Africa expects to receive $50 million (about R2,9 billion) before the end of the year from the IMF through a Compensating and Contingency Financing Facility (CCFF) — a facility to provide finance to members of the IMF with export earnings shortfalls and increased cost of cereal imports.

This facility becomes available to South Africa as a result of the drought which turned the country from a food-exporting country into a food-importing country and is designed to help the balance of payments which, as a result, was adversely affected.

It is not a donation or a grant, but a loan for up to three years and it bears interest at an attractive, though market-related rate.

In South Africa's case a letter of intent has been agreed upon not only by the government but as a result of consultation with the representatives of the major political parties in the negotiating process and some outside it. On available information, it contains no unacceptable conditions.

The IMF has as its objectives the expansion of international trade and the promotion of high levels of employment. It seeks exchange rate stability, and so provides balance of payments assistance.

It does not fund particular projects, but provides technical assistance and training, carries out consultations on the state of the economy of individual member countries, and, in particular, seeks to encourage its members to engage in the reconstruction of their economies and to adhere to sound economic guidelines.

Reconstruction is not easy, and there has been much criticism of the sacrifices and politically difficult decisions which have to be made to achieve needed long-term benefits. In recent years the IMF has been increasingly understanding of these problems but the messenger with bad news is never welcome.

The World Bank provides money for quite different purposes through a number of subsidiaries with particular objectives. The facilities are normally much longer term than those of the IMF and they are directed to address poverty. The finance is for particular purposes — not to address balance of payments problems.

The World Bank's IFC subsidiary operates in a slightly different field. It assists private enterprise projects, while other subsidiaries deal with guarantees for projects in underdeveloped countries and help to the poorest nations.

The IMF's conditions are readily identifiable. Many apply to growth, import restrictions, public sector (particularly deficit) spending and current account deficits.

In the case of the World Bank, achieving macroeconomic stability is obviously also an objective, but poverty alleviation is in the foreground and while the IMF deals with country situations, the World Bank is project or sectoral related. The World Bank conditions are therefore more localized and may be perceived to be less stringent.

There are as many critics of the IMF as there are of the World Bank, and already there is, in South Africa, fear of economic rule by the IMF and World Bank. There are also critics of particular World Bank projects elsewhere in Africa, where there have been some failures — but also many successes.

There are important advantages to taking up these facilities:

• The CCFF facility to be granted has few conditions. Yet it would not harm to have some stern advice on good government budgeting.

• Standby facilities are important if there is to be adequate access to world capital markets.

• There is no reason why the cost of reconstruction should be borne by the poor if IMF or World Bank facilities are accepted.

Experience has shown the two bodies that political instability due to economic hardship will not enable effective reconstruction activity.

In the nature of the post-election situation, the crisis of expectations of the mass of the people needs to be addressed. There has been too long a delay in selecting World Bank projects and commencing planning and design. It takes up to two years for money to flow and show results.

There appears to be competition as to which political group should get credit for obtaining facilities and investments. If this is so, it should be remembered it is the people who suffer.

We need to remember that we have to encourage investment — real investment which addresses the urgent needs of deprived people. The World Bank is the most substantial and most important external source of money for social upliftment.

Certainly, we need private foreign investment but this will be regrettable slower in coming, more selective and profit-oriented.
Rural project: DBSA
to work with W Bank

JOHANNESBURG. — The Development Bank of South Africa has formally approved as South Africa's counterpart agency for dealing with the World Bank and would conduct technical work on the International Financial Institution's proposed Rural Restructuring Programme (RRP).

DBSA chief executive Andre le Grange said yesterday the bank would serve in this capacity at least until the end of the first quarter of 1994.

Extra-parliamentary support had been obtained for the move, he added. Regarding the RRP, the DBSA would do "technical" work on the proposal, canvassing the opinions of as many South Africans as possible on the matter.

The programme calls for rapid land reform to give victims of apartheid access to land to alleviate poverty and increase small farm output.

The World Bank would finance land purchases over five years, amounting to about 80% of all agricultural land. Beneficiaries of the programme would receive a variety of grants and subsidies as well as access to agricultural finance and extension, water resources and social services to aid their move to farming.

Mr le Grange said he had talks with the African National Congress and the Pan Africanist Congress on Tuesday, and added that they all agreed that the matter of World Bank finance — and other donor finance — had to be managed properly.

"They have so many resources at their disposal they could easily overrun us, set the development agenda and put development in South Africa on a course we do not want," he said.

Mr le Grange said he regarded the Agricultural Development Fund Bill, discussed in Parliament on Monday, as possibly leading to the creation of duplicate facilities. Institutions such as the DBSA existed to administer donor funds.

He cautioned that South Africans were "babes in the woods" when it came to administering large amounts of donor funds and the country would have to learn to be tough in negotiating the terms on which funds would be accepted. — Sapa
WASHINGTON. — The World Bank expects to establish its first resident mission in SA early next year after receiving a formal request to do so from the multiparty Economic and Technical Committee chaired by Finance Minister Derek Keys.

The mission is to be headed by Isaac Sam, the highly regarded senior Bank staff member who has been coordinating the Bank's South African activities for the past two years.

Sam, a Ghanaian economist who has been involved in restructuring and development projects from East Malaysia to Latin America, and who played a significant role in the Lesotho Highlands water scheme, said he thought it likely he would take up his post in January.

A number of legal and logistical details have to be worked out. In particular, the Bank's board must approve a budget for the mission.

The Development Bank of South Africa, in a statement announcing the ETC's decision, said the mission would "enhance (the Bank's) dialogue with SA and also developing a future country assistance strategy."
World Bank to open office in SA by April

WASHINGTON. — The World Bank has announced that it will open an office in South Africa in April, most likely in Johannesburg, the international organization said.

The mission will be headed by Isaac Sam, a 19-year bank employee from Ghana and an advisor on SA since July 1992.

"The Bank's efforts aim to give South Africans the tools they need for economic reconstruction and to prepare the Bank for a possibly expanded role in the country," Sam said in a statement at the weekend.

The decision comes after two years of studying the South African economy and discussions with local authorities. The bank has also helped Pretoria formulate proposals for rural development and agricultural reform.

A founding member of the World Bank, SA received its seventh and most recent loan from the lender in 1996.

No new loans are planned before general elections in April, but plans for loans for agriculture, infrastructure development, health services and the financial sector are already under way, a bank source said yesterday.

In December, the International Monetary Fund (IMF) gave SA its first loan since 1982—$650mn towards drought relief.
World Bank reacts to township unrest

WASHINGTON. — The World Bank, citing concerns for the safety of its staff, has decided to suspend on-the-ground research in South African townships, executive Mr Alun Morris disclosed.

The decision chiefly affects a bank mission to study SA's urban reconstruction needs and how they should be financed. The three-week mission, led by Mr Jumail Ahmad of the bank's Southern African infrastructure division, arrives in SA at the end of next week.

The bank team's agenda was to have included "site visits" and meetings in the East Rand and the Cape. The team will now restrict its activities to the relative safety of the major cities. Mr Morris stressed that this did not mean the bank had been "scared out" of the townships, or that the mission was being in any way compromised. There was plenty of other work that needed to be done.
World Bank office for SA

THE World Bank will open its first permanent office in South Africa in April.

The bank's representative in this country will be their Southern African economic adviser, Mr Isaac Sam.

The Ghanaian-born Sam, who has been a frequent visitor to this country since 1992, says the development comes at an "opportunity time" when the country will be preparing for its first nonracial election.

Also, he says, the resident mission in South Africa comes at a time when the World Bank itself is realizing that it needs to involve local talent if its projects are to enjoy support.

"Especially in Africa, we know the need to pay more attention to local capacity-building."

"Just having a nice project and letting a paid foreign consultant carry it out is no longer the way to go," says Sam.

The bank has been conducting a series of studies on the South African economy for the past two years.

"We hope we can contribute to the debate on how South Africa can develop its human and economic potential after the April elections," he adds.

Although South Africa has remained a member of the World Bank throughout the years, it was barred from using the institution's facilities because of its apartheid policies.
Researchers oppose World Bank health policy

BEATRIX PAYNE

Many developing countries said the private sector focused more on hospital care than on "less lucrative preventive care". (255)

The World Bank believed user fees — fees charged for consultations, drugs or diagnostic tests — prevented "unnecessary use of government services". But Panos research showed that after user fees were introduced in Swaziland, overall use of health services dropped 17.4% and the decline was highest among the poor.

Governments should subsidise non-profit organisations, but leave the provision of high-tech hospital care and essential services to profit-oriented private sector contractors.

However, health experts opposing the World Bank warned against "treating health as a commodity". Charging full market prices for services could marginalise many poor people and entrench a two-tier health system for rich and poor, Panos said.

Panos suggested a variety of funding methods be adopted to ensure equal access to services, including health insurance.

Panos said the World Bank preferred governments to provide basic health care and education.
The main issues that will confront the new government after the coming elections will centre on the provision of jobs and housing.

The parties that are given a chance to win significant numbers of votes, such as the African National Congress and the National Party, have hinged their ability to meet the demands on the influx of foreign funding.

This funding is mainly from the International Monetary Fund and the World Bank.

Already, the two bodies have approved loans of over R850 million for South Africa. The loans were requested by both the ANC and the NP Government.

A conference organised by the Azanian People’s Organisation and the Paris (France)-based International Liaison Committee for a Workers’ International held in Johannesburg at the weekend, looked at the effects of IMF and WB activities in African countries and found them wanting.

Drawing from the experience of 15 African countries that were represented and in whose countries the IMF and WB have instilled Economic Structural Adjustment Programmes, the conference found that the two bodies were responsible for the misery that grips Africa today.

**SA being mortgaged**

Delegates said countries were being mortgaged to the IMF and WB, and the South African delegations asserted that the R850 million loan meant that South Africa was being mortgaged even before the reform process transferred political power to the historically dispossessed blacks.

In Burundi, where poverty and hardship have led to endemic wars among the citizens for scarce resources, the country spends over 60 percent of its gross national product on debt repayments to the IMF.

In neighbouring Rwanda, the situation is even worse, but statistics are a national secret and cannot be divulged. The figures, however, are said to exceed those of Burundi.

The IMF and the WB were accused by delegates of creating paper states that were forever dependent on loans that they could not repay.

But it was the Economic Structural Adjustment Programmes that came in for a hammering from the delegations, which represented trade unions from the 15 African countries and France.

The ESAPs, it was said, went hand in hand with devaluing the local currency, cutting back on subsidies on food, reducing state expenditure through mass retrenchments of civil servants, and the wholesale closure of local firms to make way for imports from countries controlling the IMF and WB. This was a recipe for instability, they said.

Zimbabwean delegate Mr T Mashikada of the Zimbabwe Congress of Trade Unions said

Azapo deputy president Mr Pandelani Nefolohodwe. (35%)

adjustments being dictated to African states by the IMF have hampered the establishment of true democracy because they have led to poverty and suffering for the majority of Africans.

While the general thrust of the ESAPs was to “reduce or eradicate internal and external imbalances and achieve more efficient resource allocation through trade liberalisation and economic deregulation as well as privatisation”, Mashikada said this had not happened.

“Rising inflation and unemployment as well as declining incomes have always been hallmarks of ESAPs. In fact, all ESAP policies — devaluation, trade liberalisation, economic deregulation, price decontrol and subsidy withdrawal — tend to accelerate the inflationary spiral and contribute to growing political, social and economic instability,” he said.

The promises of growth never materialise and “all that can be noticed is the increasing indebtedness of African countries as ESAPs take their toll”, he added.

Safety nets provided for in the programmes in the form of social dimension funds do not cope with the devastating effects of ESAPs, and it all adds up to the dislocation of the moral, social and political fabric of society.

Azapo deputy president Mr Pandelani Nefolohodwe said the IMF and WB had already got their hold on South Africa through guarantees that loans made by the apartheid regime to finance its oppression of black people would be honoured by the new government.

He said agreements reached ensured that the IMF and WB would continue the “plunder of the Azanian economic resources. This then is the decisive linkage between the present reform process and the two international bodies.

**Blacks on receiving end**

“The mission has been completed and black people in Azania, just like in many parts of the Africa, are going to continue to be on the receiving end of this national and international conspiracy,” Nefolohodwe said.

He said the IMF connection meant that the new constitution, however noble the intention of the party in power, would fail to deliver and that black people in particular would remain in bondage.

It was pointed out that the IMF was insisting that the subsidy of over R200 million each year to the motor industry should be phased out. This would mean locally manufactured vehicles would be more expensive than imports, and would lead to a decline in the industry and loss of jobs. It would, however, boost imports of cars made in Europe, Japan, and the USA which are areas that control the IMF and WB.

The conference called for trade unions to be vigilant and to fight ceaselessly against IMF intrusion in their countries.

While local trade unions were represented, the major federations, Cosatu and Nactu, were absent. The conference deplored their absence and called for a major drive to publicise the effects of the IMF on workers interests.

It became clear, however, that the issue, important as it is to all here, had not caught the imagination of people who saw the promises of the election campaign as real promises of a brighter tomorrow. (Report by M Tshala, 61 Commando Road, Industria West, Johannesburg.)
New roles foreseen for World Bank and IMF

THE IMF and World Bank have every reason to celebrate their 50th anniversary this July. Although they have made some bad loans and shown insensitivity on issues such as poverty and the environment, critics should remember that, on the whole, they championed the right causes.

They advocated free markets and conservative macroeconomics when such policies were reviled by the world’s intelligentsia.

Yet at this moment of triumph, the future of the Bretton Woods twins is murky. Over the next 50 years the power and prestige of these agencies and many like them are likely to decline, reflecting profound changes in the economic landscape.

The fund and bank, admittedly, have adapted skillfully to changing circumstances. Today, both institutions are engaged in policy-based lending; both are trying to promote structural reforms; both are concerned with long-term development. This suggests a clearer division of labour and some rationalisation of functions is possible, as the Independent Bretton Woods Commission is likely to recommend later this year.

But a 50th anniversary year review of their operations ought to dig deeper. The fund and bank are engaged in three distinct activities: the provision of economic advice; the supply of development capital; and the certification of policies. All three activities are separable, and all three can be provided by the private sector.

On advice, there is now broad agreement on the market-friendly policies likely to promote development. And private consultants are perfectly capable of devising economic reform strategies. Meanwhile, the lifting of controls on capital flows and the growth of pension funds and other forms of institutional investment in rich countries have created a huge pool of mobile private capital.

Foreign direct investment is now the largest single source of capital for developing countries, rather than official aid or loans.

Despite this revolution, the fund and bank claim they are uniquely well placed to influence economic policies and thus promote development, because they can make loans conditional on policy changes.

There is something in this conditionality argument. But as the fund’s problems in Russia illustrate, the leverage of external agencies is limited in the absence of a domestic consensus for reform.

The private sector alternative seems far cleaner. If a country wants to implement market-oriented reforms, it can buy the necessary advice privately. Once it has proved its good faith, investors will be clamouring at its doors. And it is not true, as some sceptics argue, that private investors are willing to risk their shirts only in relatively prosperous countries already under the tutelage of the bank and fund. The example of China, which attracted more than $20bn in private inflows last year, shows that countries with low per capita incomes can attract private capital without official approval.

Yet the bank and fund are still needed. Governments must still co-ordinate policies, so as to avoid destabilising shifts in fiscal, monetary and exchange rate policy. And there will still be financial emergencies.

What the fund and bank can no longer deny is that the growing competence of the private sector in all aspects of development finance logically requires a tighter definition of their role. Public agencies exist to perform tasks that the private sector either cannot do at all, or cannot do well. — Financial Times.
World Bank lashes farmers

By Sven Lünsche

SOUTH Africa's commercial farmers have come under fire from the World Bank, which describes them as inefficient, unproductive and increasingly dependent on state support.

However, the bank warns that the solution to the agricultural crisis is a land redistribution programme driven by market factors and not administered and operated by the state.

The bank says in a discussion paper, SA agriculture: Structure, performance and options for the future, that land ownership in SA is among the most highly skewed in the world.

About 86% of farm land is held by 67 000 mostly white farmers, supporting a rural population of 5.3-million.

"Consequently, the white rural areas have a very low population density. Conversely, the level of urbanisation is relatively high at 74,5% of the total population."

The report argues that although SA achieved food self-sufficiency and acceptable incomes for white farmers, it did so by "distorting the policy environment and causing society to pay a considerable financial and social cost."

It suggests that a combination of financial assistance programmes and tax incentives is largely to blame for the fact that most farmers are price- and scale-ineffective.

Most recently, under the guise of drought relief, large amounts of farm debt were effectively written off through a R1.4-billion recapitalisation effort for grain producers.

Artificial support has helped to make SA unproductive by international standards. Between 1947 and 1991, the total factor productivity of agriculture increased by only 1.2% a year. The report notes a deterioration in price efficiencies, the emergence of a concentrated agrarian structure and large-scale farms and a steady fall in employment on the land in the 1980s.

These trends were exacerbated in the past decade by limited market liberalisation, exposing farmers to a more market-oriented environment.

Profit declined and debt increased in many parts of the farm sector.

This suggests that many elements of the large-farm sector would not be efficient under a new policy.

It suggests that a smaller scale of operations in many sub-sectors would be "at least as sufficient as the larger-scale farms."

The report warns that the "highly inequitable" distribution of resources — most notably land — is not sustainable. "The combination of weaknesses in the old strategy, inequities in the distribution of and access to resources, and political change means that quite apart from issues of inefficiency in the large-farm sector, the inequity of the present land distribution will necessitate a major rural restructuring, including land reform."

The bank's preferred option lists elements that have characterised successful reform:

☐ A market-assisted land redistribution programme.
☐ A public sector that help this process by ensuring adequate supplies of land on the market.
☐ The inclusion of a grant component in the programme.
☐ An anti-trust approach through more powers to the Competition Board.

The bank suggested last year that land reform could create a million rural jobs in SA within five years at a cost of about R2.5-billion.
World Bank to aid women
WASHINGTON — The World Bank, citing alarming statistics showing 1000 women die in childbirth each day, said it plans to push for greater investment in a holistic approach to women's health.

"Immediate priorities for the World Bank and its partners ... are to support cost-effective programmes to reduce maternal death rates immediately and drastically," the bank said in a statement to coincide with Mother's Day yesterday.
World Bank loan for gas project

JOHANNESBURG. — The World Bank is likely to approve a $30 million engineering credit in early June for the Pande natural gas project in Mozambique, a Bank spokesman said from Washington.

The $30 million credit negotiated between the World Bank and the Mozambiquan government is for further exploration and general preparation of the Pande project, which involves South Africa's Sasol.

The credit would involve the strengthening of Empressa Nacional de Hidrocarbonetos, and other costs relating to a project management team, an environmental assessment, training, arranging finance and further engineering of the development project, the Bank spokesman said.

The World Bank, the Norwegian aid agency, Norad, and the former Soviet Union have financed the bulk of the exploration undertaken by Mozambique's state oil company, which has been studying the field since 1986.

Exploratory work by to date by ENH has found there are proven gas reserves close to the level required to support a gas export project.

Proven reserves appear adequate to support projected market demand over at least 20 years and would generate revenues of $5.8 billion over this period, joint sponsor Sasol estimated.

A spokesman said: “ENH and Sasol have undertaken a range of studies on gas reserves, pipeline routes and costs and market demand.

“In-house feasibility studies by each of the partners have confirmed that the project appears viable and economically attractive.”

According to an agreement between the two companies, Sasol has access to Pande technical data and some priority rights to enter into an investment agreement with ENH. — Sapa.
Reforms begin to pay

POLICY reforms have begun to yield results south of the Sahara, but they must go further to reduce poverty.

So says a World Bank report on 29 sub-Saharan countries which drew up adjustment programmes in the 1980s. They aimed to improve policies that were the primary cause of the 15% fall in Africa's gross domestic product (GDP) between 1977 and 1983. 1981-1984

Overall, countries with better macro-economic policies and limited government intervention show GDP growth.

But the report says growth rates among the better African nations are still too low to reduce poverty much in the next two or three decades.

So far, the rallies in performance have merely restored low growth rates. However, most adjustment programmes are young.

The report is the World Bank's most comprehensive effort yet to examine the relationship between economic policies and growth south of the Sahara.

It examines countries in two periods - 1981 to 1986 when most were hit by economic crisis and 1987 to 1991 when many embarked on reform.

No country has a policy which in broad terms would result in inflation under 10% a year, a low budget deficit and a competitive currency-exchange rate.

Countries showing significant improvements in policies include Ghana, Tanzania, Gambia, Burkina Faso, Nigeria and Zimbabwe.

This group also showed the strongest resurgence in GDP growth - a median increase of almost two percentage points a year. Improvements in their industrial and export growth were even higher. They also improved gross domestic savings and investment.

GDP in 11 countries fell to minus 2% a year. Among the 11 are Ivory Coast, Cameroon, Congo, Mozambique, Sierra Leone and Zambia.

Most countries have some way to go in eliminating non-tariff barriers and adopting moderate import protection.
World Bank’s recipe for success

BY DEREK TOMMEY

The World Bank has issued its recipe for rapid economic growth and greater social stability in South Africa.

The ingredients are greatly increased private sector investment, an export-oriented economy, a major upgrading of workforce skills, a commitment to prudent fiscal and monetary policies, to stable economic and political policies and the avoidance of excessive wage increases.

In a discussion paper entitled “South Africa: Economic Performance and Policies”, World Bank economists say sustained growth in SA requires an on-going improvement in the supply side of the economy.

This can be encouraged by improving export incentives and the skills of the labour force.

Reviving demand within the economy can lead only to limited growth.

However, it concedes that should private-sector investment not emerge, public expenditure could play an important but temporary role in kick-starting the economy and assisting redistribution.

But the key to successful growth remains a major revival in private investment.

If sufficient private investment is available, then sustained per-capita growth becomes a reality.

The economists say that direct foreign investment should be encouraged and that the regulatory framework should present no obstacles to new ventures.

They add that the visible implementation of redistributive policies through greater public investment should improve social stability.

The economists stress the importance of stable and transparent government policies.

To stimulate growth, the single most important ingredient is investor confidence. And this will only materialise if policymaking is transparent and there are no sudden and unexpected policy shifts.

More skilled labour is needed to make growth sustainable and ease the upward pressure on wages as the economy moves back to full capacity.

Temptation

They also give considerable attention to the need to avoid the temptation of thinking that fast redistribution of wealth can be attained simply by large wage rises for the unskilled.

A once-and-for-all wage increase of 5 percent above the rate of inflation in 1986, followed by persistent real wage increases, would not only slow growth, but would leave real wages at a lower level at the end of the century than in the absence of such an increase.

It adds that excessive wage increases are eventually self-defeating.

But they also emphasise that fiscal indiscipline as represented by excessive government expenditure could have even worse results — particularly if accompanied by a fall in private investment.

Growth in gross domestic product (GDP) and employment would decline and the economy would soon face mounting public and foreign debt and faster inflation.

Although doubtless motivated by the best of intentions, such excessive expenditure would eventually work to the disadvantage of most of the population,” they say.
World Bank shows the way to SA growth

PETER FABRICIUS
The Argus Foreign Service
WASHINGTON. — The World Bank estimates that South Africa's socio-economic backlog — estimated at about R46 billion — could be wiped out by 2001, but only if the government follows disciplined supply-side economic policies which stimulate private investment and spur high growth.

If the government does not follow the right policies, it will only be able to clear about R16.5 billion of the R46 billion backlog by 2001, the World Bank's latest economic assessment of SA — "South African Economic Performances and Policies" — forecasts.

World Bank economists are reluctant to compare their analysis with the ANC's Reconstruction and Development Programme because of uncertainties about the assumptions on which it was calculated.

But the Bank's figures seem to be more conservative than the ANC's estimate that it can wipe out a R39 billion backlog in five years.

The bank has generated its figures from an economic model which calculates the implications of different policies. It presents a low, middle, and high-growth scenario. This shows that the most dramatic differences among the scenarios would materialise only after four years.

Under all three scenarios, the new government could spend an additional R12 billion (at 1992 prices) — wiping out about one quarter of the socio-economic backlog.

But under the best economic policies, the remaining R34 billion of the backlog could be erased between 1998 and 2001. However under the worst economic policies, only about R4.5 billion of the R34 billion would be eliminated between 1998 and 2001.

Under the best-case scenario, the foreign-financing requirements of the economy would be modest during the early years of the uplift programmes. Between 1994 and 1997 the economy would basically just need finance to cover existing debt repayment and increase the level of reserves.

These long-term financing needs would then rise as the current account moved into deficit.

But with substantial growth in the economy, long-term external financing requirements would never go much over one to two percent of the GDP in any year before 2001.

However under the worst scenarios, the external financing requirements would be "much more severe".

The report also warns against the temptation "to imagine that fast redistribution could be attained by simply encouraging large wage rises for unskilled workers".

"Excessive wage increases are eventually self-defeating," the report says, because they increase inflation and the fiscal deficit.
Developing countries could save $50bn if they maintained their infrastructure, the World Bank said at the weekend.

Infrastructure spending, the Bank reported, "is no longer the grey backstop of economic life but the front and centre of development", with growing evidence that it has strong links to growth, poverty reduction and environmental sustainability.

Spending on public infrastructure has grown rapidly over the past 15 years, particularly in the provision of power and telephones, but the Bank is concerned that much of the spending is wasted through inadequate maintenance and management, overstaffing and investing in the wrong projects. It insists concern needs to broaden from the quantity of infrastructure stocks to improving the quality of infrastructure services.

Developing countries could save $54-billion a year — more than they receive in official development aid — by improving the efficiency of power, water, telephone and other infrastructure networks. They could save another $123-billion a year, or 10 percent of their annual revenues, by eliminating underpricing of infrastructure services such as railways and electricity.

African countries could have saved road reconstruction costs of $45-billion over the past 10 years if they had spent $12-billion on maintenance. The Bank also notes the scale of achievement. In the past 16 years, the share of households with access to clean water has increased by half, and power production and telephone lines per capita have doubled. It also acknowledges the rates of return on infrastructure spending can extend up to 60 percent and are much higher than on other forms of capital investment — although it is unclear why.

Yet, despite improved spending in the developing world, efficiency is poor and deteriorating, often with the poorest suffering most. A review of power networks in 51 developing countries showed technical efficiency has fallen over the past 20 years, while governments in low-income countries often invest in high-profile ports or irrigation systems before much of the population has access to transport, clean water and sewage disposal.
‘Don’t blame us if you don’t get it right’

Duma Gqubule speaks to the World Bank’s new representative in South Africa, Isaac Sam

SAAC SAM, the World Bank’s new chief in South Africa, believes any country can be a winner, provided it embraces sound economic policies. But he cannot understand why African countries are so fond of finding someone else to blame when things go wrong.

In the World Bank’s new Hyde Park headquarters, there are a handful of assistants, about a dozen empty offices and even more computers. Tastefully furnished, the place could be mistaken for the offices of a small accounting firm. There is no suggestion whatsoever that these are the headquarters of an organisation, which together with the International Monetary Fund, has so much influence in world economics.

The organisation whose restructuring of Russia’s economy made many of that country’s citizens wish for the old days of communism. The organisation whose economic reforms resulted in a week of rioting and deaths in Zambia.

Sam explains the World Bank will not be recruiting lots of South Africans because of course there is no much to do yet. The World Bank has not been asked to participate in any local development projects.

When it is asked to do so and becomes more involved, South Africans might be needed to monitor projects.

The tall, slim and immaculately-dressed Ghanaian says: “Look at me. How can I alone be more powerful than the government and president of your country? How can I be responsible for the success or failure of your country? It’s so absurd.”

He continues: “We Africans are so fond of pointing fingers, blaming others when things go wrong. One minute it is the World Bank; the other it is neocolonialism. How come it is only in Africa where people think the World Bank is a terrible organisation? We have succeeded in Chile, Mexico and Ghana, my own country of birth. The bank is not the devil it is made out to be.”

Sam says the reason the bank has so many problems in Africa is because countries do not stick to their commitments. “You can’t say you will build so many schools and commit so much money and then unilaterally decide not to do so. We don’t mind if countries come to us early and say they are having problems with this or that, but many do not.”

On the riots in Zambia and the restructuring of Russia, Sam counters by saying that there is always a cost when a country goes through a structural adjustment programme. But the World Bank is not to blame. “Many countries countries only come to us when they are in a hopeless situation. It’s like a sick person who, instead of going to the doctor waits until the disease spreads to the whole of his body. The doctor may then order shock therapy to keep the patient alive. But the disease may have spread so much that the treatment is not successful. Do you blame the doctor?”

As an example he says the World Bank has been lambasted for forcing countries to devalue their currencies by up to 500 percent. This therapy boosts exports but has the side effects of countries having to slash vital imports and endure soaring prices of many basic goods like fuel.

Sam explains: “Major currencies like the yen, the dollar and the Deutschemark are shifting against each other on international currency markets every day. Many weak African countries have, in the past, chosen to fix their exchange rates which results in distortions which accumulate over time. When it is time to behave like everyone else they can either take the bitter medicine all at once or in stages.”

Does this mean that South Africa’s currency also needs to be devalued? The ever-diplomatic Sam does not commit himself one way or the other, but says: “South Africa is a manufacturing country which has now been integrated to the rest of the world. The country will need to export, to earn foreign exchange and create jobs, like the Japanese and Koreans did. In export markets, you will have to compete not only on price and quality. Quite often the management of a currency is a major component of an export strategy. That sounds like yes.”

On the tough-talking Sam, after working for the World Bank for two decades in places like Brazil, China, Indonesia, Kenya, Mali, Mexico and Southern Africa, says the secret to economic success is quite simple. A nation’s biggest asset is its people. The job of any government is to create the environment for its peoples’ energies to be unleashed so that they can take care of themselves.

Governments must do what they can do best, that is investing in infrastructure and human capital — roads, water, sewerage, health care and education — and refrain from putting obstacles in the way of private entrepreneurs wanting to do better for themselves.

Since arriving in South Africa, he has been amazed at the entrepreneurial spirit that has been unleashed in ordinary South Africans, especially in the past three or four years.

“I have seen many people wanting to do better for themselves, to have good clothes, a nice house and so on. That is what makes a country tick. This country has been blessed with an abundance of natural resources. They mean nothing unless the collective potential of everyone is unleashed and directed towards growing the economy.”

But surely South Africa’s unique situation requires that special measures be taken to redress the effects of decades of deliberate disempowerment of the black population?

“Yes, the government must remove obstacles in the way of black people achieving their full potential. It is economic madness not to have the whole population contributing to the country’s growth as was the case under apartheid.”

“You must invest heavily in upgrading the skills of your labour force so that it can make an even greater contribution to national output. You must not shy away from land reform. Be wary of those who shout the loudest against the such reforms, they are usually gaining from the status quo. It is ridiculous to say the small-scale farming doesn’t pay. What do you expect if you give people terrible land in Gazankulu?”

Pressed further on whether the Bank would support other direct interventions to correct imbalances of the past — like affirmative action quotas and legislation and subsidies for emerging businessmen and homeowners — Sam says: “Governments have to intervene in the economy in certain situations. I know that governments do not create jobs, but in your case it would be silly not to have a public works programmes, as long as it is not forever. As for legislation, I think it would scare people away. I prefer tax incentives. Imagine how many engineers the country would produce if the five major mining houses pooled their resources to contribute one percent of their profits into a scholarship fund. What is needed is the commitment.”

Turning to the World Bank’s likely role in South Africa now that it is ready to resume loans after discontinuing them in 1966, Sam does not commit himself to saying how much the country can expect in development loans.

“We do not put a limit on how much a country can borrow, except in the cases of countries like China which have huge appetites for our funds. The Bank will look at the size of a country and its per capita income. Our allocations are based on needs and performance. We make sure you can’t borrow more than you can spend.”

The World Bank has only financed a small proportion of a project’s required funds. In the case of the Lesotho Highlands Development Water Project, which Sam has been involved with since 1987, the bank contributed $10 million out of a total cost of about $2.4 billion. The balance was forked out by other international donor agencies.

“Whether we committed ourselves to a project and given it the green light it becomes easy to attract other donors agencies.”

In deciding on which projects to support, the requirement is that it contributes significantly towards enhancing a country’s growth potential. An example is South Africa which received 11 loans between 1949 and 1966. Most of the money helped build the country’s national highway systems, improve Eskom’s power generating capacity and upgrade ports and other infrastructures.

The World Bank also has huge technical expertise and research teams which can help South Africa make decisions about future economic policies.

“For South Africa to succeed, it will have to examine its own ideas about economic policy against what has worked and what hasn’t in the rest of the world. That is where we can help,” Sam says.
World Bank slates town-twinning idea

THE concept of a “twinning” programme aimed at merging white local authorities and adjacent townships to reorganise local government has been condemned by the World Bank. The bank’s latest report on reducing poverty in SA said the “twinning” of Sandton, Randburg and Alexandra, which has a deficit of R12m, would require a 9% increase in property taxes in Randburg and Sandton to cover the Alexandria shortfall.

But the “twinning” of Johannesburg, Diepsloot and Soweto — Diepsloot and Soweto’s local authorities are burdened with a deficit of R200m — would result in an increase of about 40% in Johannesburg property taxes.

This would encourage the pattern of “space distortion” inherited from the apartheid era, the report said.

Firms and households in high tax areas would relocate to avoid a heavier tax burden, with different households getting varied levels of service depending on where they lived.

“Ultimately a twinning programme would result in the loss of economic base for Johannesburg (for example) and a further deterioration of the level of services provided in the lower-income areas.”

The report called for a metropolitan boundary which incorporated the entire central Witwatersrand region.

The metropolitan system would more likely create a local government system accountable to constituents and independent of the uncertainties of central financing.

It would also have a better chance of financing the backlog in urban infrastructure and services in a way that ensured disciplined government spending.

Urban centres were the economic core of the country, and enhancing their functioning was vital to national growth and improving access to basic services for the poor, the report said.

Central Witwatersrand Regional Services Council chairman Len de Wet said recently that a transitional metropolitan council would be created soon to take over the functions and powers of the Johannesburg and neighbouring city councils and the regional services council.

Dispute threatens services in Tembisa

MORE than 500 Tembisa City Council workers were dismissed last month after an unresolved dispute that is threatening services in the area.

Tembisa administrator Han Eybers said the dispute started with alleged illegal actions by the labour force, including taking a council official hostage.

The council has enlisted the assistance of private contractors and remaining staff to render essential services.

In Tembisa, 140 ballot boxes disputed

CAPE TOWN — A total of 140 ballot boxes with 185,115 ballot papers were disputed in the KwaZulu-Natal election, constituting about 4.1% of the province’s votes, the SA Institute of Race Relations has reported.

The institute said most of the disputed ballots were marked in favour of the Inkatha Freedom Party. In all other areas, the number of disputed ballots was negligible, the institute said.

The Independent Electoral Commission (IEC) had reported widespread irregularities and incidents of coercion in KwaZulu-Natal, including the stuffing of ballot boxes. Voting by children, the operation of illegal ballot stations and the removal of IEC officials from some polling stations.

Because of the coercion, about 20% fewer monitors were deployed in KwaZulu-Natal than had been planned.

Assessing the election, the institute said one of its vice-presidents, Laurrie Schlemmer, had described SA’s present political situation as one of “pre-democracy.”
NEITHER growth through business-as-usual policies nor growth spurred by a government spending spree and big wage increases will work for South Africa, believe World Bank economists.

In the World Bank's seventh discussion paper on South Africa, authors Peter Fallon and Luiz A Pereira de Silva look at how this country can move on to a much faster growth path in which the poorer majority gain the most.

"Growth without redistribution," as most local economists would now agree, "is almost certainly unsustainable, as it would falter as social tensions rose." The two prime requirements for redistributive growth are fast employment creation and narrowing the racial gap in public service provision.

Finding South Africa's real gross domestic product to be nine percentage points below its potential in 1993, the 368-page report concludes South Africa needs a policy mix of Keynesian and monetarist policies.

Their suggested strategy is broken into five major components: skill accumulation, productivity growth through exports, job creation, reviving government investment in infrastructure and public services that target the poor and prudent fiscal and monetary policies.

To succeed this strategy must:

- Encourage the supply side of the economy by improving export incentives and labour skills. Importantly, it notes "kick-starting the economy through public expenditure could play an important role: well-targeted public investment will help redistribution while assisting economic recovery".
- Raise private investment by transparent, credible and stable government investment could result in impressive redistribution if real recurrent expenditure growth is held around 2 percent annually. Redistributive public investment can come to some R14.9-billion/year over 1994-2005 (at 1992 prices), equivalent to 3.2 percent of GDP.
- For Cosatu its message is clear that redistribution through immediate pay increases to lower-paid workers and excessive public expenditure is unsustainable. Inflation and pressure on the balance of payments could result.
- Using a complex model the report outlines three scenarios. Under all three scenarios an extra R1.2-billion (1992 prices) can be spent during the first four years. The social investment backlog is accepted to be R4.5-billion. If this estimate is correct then about a quarter of the total backlog can be addressed during the first four years of the new government. Under the best case scenario the remainder of the backlog can be cleared over 1998-2001. If the low case scenario materialises only 13 percent of the remaining backlog can be cleared.

The future according to the World Bank

Simon Segal reports on the World Bank's latest foray into the economic policy debate.
World Bank re-defining its mission

Washington — After 50 years and $300 billion in loans, the World Bank president would like to hand out less money and be more selective about where it goes.

Lewis Preston said yesterday there would be enormous change at the world's biggest lender.

Preston said the bank was lending more money for environmental projects and basic health and social programmes.

Its main concern was the world's 1 billion people who had less than a dollar a day.

The bank was born out of a conference at Bretton Woods, New Hampshire, in July 1944. Its mandate was to help reconstruct and develop the economies of member nations.

Critics were already lining up to attack Preston's view of the world.

"Preston has prescribed for the bank an expanded role as global development strategist. But any objective look at the havoc his institution has wrought would lead one to conclude that its operations and power must be significantly cut back," said Doug Helfinger of the Fifty Years is Enough Campaign.

The campaign accused the bank of allowing its projects to destroy the environment, while "showing aside the poor.

Preston, who spent 40 years with one of the world's top private banks, JP Morgan, before becoming World Bank president in 1991, said some critics were talking ancient history.

He defended the bank against critics who said its 11,000-member staff was overweight with economists and light on environmentalists and social scientists. — Sapa-AP.
World Bank to be more selective

WASHINGTON — After 50 years and $300bn in loans, World Bank president Lewis Preston would like to hand out less money and be more selective about where it goes.

He said there would be "enormous change" at the world's biggest lender.

Before yesterday's release of a special 50th anniversary World Bank report, Preston also said the bank was lending more money for environmental projects, basic health and social programmes.

He said the bank's main concern was the world's 1-billion people who lived on less than a dollar a day.

"We have to anticipate enormous change in some of the bank's activities," Preston said.

The bank's mandate is to help reconstitute and develop the economies of member nations.

Preston said in the future, the bank would be more inclined to get into partnerships with other lenders and non-government organisations.

Despite his vision of leaner lending and more carefully crafted policies, however, the bank expected to make available another $200bn over the next decade.

Critics were already lining up to attack the report and Preston's view of the world. 2019/04

"Preston has proscribed for the bank an expanded role as global development strategist.

"But any objective look at the havoc that his institution has wrought would lead one to conclude that its operations and power must be significantly cut back," said Doug Hellinger of the Fifty Years is Enough Campaign.

The campaign accuses the bank of allowing its projects to destroy the environment while "shoving aside the poor (and destitute)."

Preston has reacted saying some critics are talking ancient history.

He said the bank's role would shift from a financial one to an advisory one in the booming Latin American and East Asian regions. "The last thing the bank ought to be doing is crowding out the private sector."

But in south Asia and Africa, "it's likely that the need for our financial contribution is going to increase".

In Eastern Europe and other economies that are in transition from communism to capitalism, the bank would take an advisory and financial role, with its lending programme serving as a catalyst for private investment, he said. — Sapa-AP.
No 'cheap' loans from World Bank

BY ARI JACOBSON and KATHARINE BUTT

World Bank loans to South Africa will not come cheap.

Economists warned yesterday that the going rate, depending on the hard currency used, failed to take into account the devaluation of the rand.

Their concerns follow an address at an international conference in Johannesburg in which the World Bank's top envoy to the country, Isaac Sam, outlined current interest rates attached to World Bank loans.

"At this moment, for anyone borrowing the US dollar interest cost is 3.75% and for the Japanese yen it is about 2.75%.

"So in SA if you borrow today to obtain the money... we are talking about a repayment period of 15 to 17 years and an interest cost of about 3.75% or 2.75% depending on the currency you choose," he said.

However, Old Mutual chief economist Dave Mohr pointed out yesterday that while this borrowing rate from the World Bank "seemed to be subsidised" the depreciation of the rand over the period stipulated, against hard currencies such as the yen and the dollar, could ultimately be equivalent or even higher than the domestic borrowing rate (14.25%).

Sam continued: "These interest charges assume the country's central bank has the capability to manage the foreign exchange risk and the SA Reserve Bank, if it can expect has the capability to manage that foreign exchange risk." SA, freed last year from major remaining sanctions, has not borrowed from the World Bank since 1966.

World Bank loans to SA were stopped in 1966, "because we believed its policies did not help reduce poverty," Sam said.

The government has given no indication as to when it might wish to apply for new funding from the bank. The World Bank does not offer loans as such - it is up to the government in question to apply.

A year ago, a World Bank official said the bank had by then identified projects worth R1bn in SA which it could assist to correct imbalances in areas such as housing, education and water supply.

Sam acknowledged that the bank's record in Africa had not been very good, but hoped it would prove successful with SA.

"In Africa our track record has not been very good, but the principles that we use in Africa are the same everywhere," he said.

He described the poor performance to the failure of African governments to take responsibility for their economies.

The bank had been analysing policy in SA since 1990 in preparation for a resumption of aid.

Sam said the organisation was focusing its research on five key areas which required reform to improve South Africa's competitiveness.

These were trade not industry, land, education, urban services and small to medium-sized enterprises.
World Bank looking at $1-bn in aid

World Bank envoy, Isaac Sam, says the cost of any loan the bank might extend to SA would depend on the currency denomination.

He told a business gathering at the weekend: "At this moment the dollar interest cost for anyone borrowing is 3.75 percent. For the Japanese yen it is about 2.75. "So in South Africa when you borrow today, to obtain the money, we are talking about a repayment period of 15 to 17 years and an interest cost of about 3.75 or 2.75, depending on the currency you choose."

These interest charges assumed the central bank had the capability to manage the foreign exchange risk.

"With the Reserve Bank, one can expect it has the capability to manage that foreign exchange risk."

A year ago, an official said the World Bank had identified projects worth $1 billion where it could help to redress imbalances in areas such as housing, education and water supply. (356)

Sam acknowledged the bank's record in Africa had not been very good, but hoped it would be successful in SA.

He ascribed the poor performance to the failure of African governments to take responsibility for their economies.

World Bank loans to South Africa were stopped in 1966, "because we believed its policies did not help reduce poverty", Sam said.

But the Bank had been analysing policy since 1990 in preparation for a resumption of aid after the end to apartheid. — Reuter.
World Bank indicts high pay demands

WASHINGTON — High wage demands by organised labour have cost South Africans hundreds of thousands of jobs and have been a factor in the chronic tendency of SA business to invest in machines rather than workers, says a new World Bank report.

The report, Reducing Poverty in SA, calls for sweeping reforms of the country’s labour, capital and land markets to promote employment.

Such reforms, combined with private-sector-led growth of 4.5% a year, could mean an increase of 7-million jobs over the next decade, the study says.

A further 1.9-million jobs could be created in agriculture and related activities — more than doubling current levels — if 30% of commercial farmland was redistributed under the right conditions.

A five-year rural restructuring programme would cost government R17bn, the study estimates. A 10% redistribution could be achieved for R8bn.

Union agitation pushed wages 15% higher than they would otherwise have been through the 1980s, reducing potential formal-sector black employment now standing at around 5-million by 200 000 to 400 000 jobs, the report says.

Unless industrial relations improve and unions agree to forgo pay increases in return for training and other social benefits, “a employment-oriented industrial strategy is a non-starter”,

If job creation is SA’s top priority, continued enthusiasm for metals beneficiation megaprojects such as Alusaf and Highveld Steel is misplaced.

SIMON BARBER

In the past, the cost of capital for investment in labour-intensive industries such as textiles was effectively three times higher than for the capital intensive base metal sector. Although the relative biases have changed, “the proclivity to provide special benefits to big investment which do little to create employment has persisted”.

The report does not accept the argument that capital intensive investment in steel and chemicals bring employment gains in downstream industries.

Over the medium term, investment in labour-intensive light industries such as clothing are said to yield directly and indirectly three to five times as many jobs as Highveld-type projects. A simulation conducted for the study showed a R30bn investment in clothing manufacture creating 25 000 to 40 000 jobs across the economy, but only 10 000 in chemicals.

However, the price of SA labour — 40 times that of Indonesia and Bangladesh — meant it would be folly for SA to try to compete internationally by producing “low-end” products.

Nor would it make sense to expand such light industries to meet domestic demand from poor consumers. Such an strategy would only lead directly to the trap of high protection and an inefficient private sector, it could also more than double the prices to the poor.

Instead, given the prevailing wage structure, SA should focus on manufacturing for niche export markets. Products

Jobs

could include high quality textiles, garments, shoes and furniture as well as high value metal and plastic products.

Essential for success would be high product quality, reliability in meeting delivery schedules and quick turnaround, which in turn meant ensuring no return to “conflict-ridden industrial relations”.

Continuing trade policy reform will also be needed, especially the removal of tariff protections.

Government must improve access to finance and technical support by emerging exporters and “modernise and expand duty-free access to inputs used in items manufactured for export”.

No industrial strategy will succeed without growth, which in turn can only be achieved through a healthy resumption of private investment. Based on the country’s historical performance, the study stresses that the SA economy cannot be kick-started by public investment.

If non-housing private investment remains below 13% of GDP, growth will stick around 1.3%, the research finds.
BY PETER FABRICIUS

The World Bank has warned that conflict-ridden industrial relations could harm the very types of exports which South Africa most needs to penetrate international markets.

And expanding exports is essential to create growth and jobs, the bank says in a report, "Reducing Poverty in SA".

It says that because of its relatively high labour wages, South African products are "entirely uncompetitive internationally" in "low-end" products such as clothing for poor consumers.

But a sustainable expansion of labour-intensive, light manufacturing of quality products is possible with the present wage structure.

South Africa's best chance for export success lies with high-quality niche products such as textiles, garments, shoes, furniture and high-value fabricated metal and plastic products.

The essential ingredients for success in these markets include high product quality, reliability in meeting delivery schedules and quick turnaround.

"But if conflict-ridden industrial relations emerge, SA firms will be vulnerable to work stoppages and a consequent inability to meet commitments on time, undercutting their ability to penetrate export markets."

The report was written before the current rash of strikes. At another point in the report, the World Bank says there is reason to hope that South Africa's political transformation will reduce the intensity of conflict between labour and capital.
of SA

Labor

World Bank warns against high cost of SA labor

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World Bank remedy for SA's debt ills

By SVEN LUNSCHEN

The government will need to borrow upwards of R175-billion over the next four years to meet debt commitments and fund social upliftment, says the World Bank.

In a report, "Developing a domestic funding strategy for SA's public sector", the Bank says SA can meet this target only if the capital market undergoes a major restructuring.

Recommendations include lowering tax on interest, lifting foreign exchange controls and centralising state funding operations.

Using alternative growth scenarios, the Bank estimates borrowings to total between R44-billion and R46-billion during 1994 to 1997, equivalent to 2.4% to 7.6% of GDP.

In the current 1994/5 fiscal year the government has budgeted for borrowings of R38-billion.

Underlying the restructuring of the capital market is the need to maintain positive real interest rates and fiscal discipline, enforced by setting a ceiling on public sector borrowings, the Bank warns.

"Given the fragility of investor confidence it is essential that the public sector borrow only as much as it can afford, while every effort should be made to restrain the natural tendency of local authorities to succumb to financial indiscipline," the Bank says.

For this reason it proposes establishing "a centrally funded pass-through borrowing facility" and the allocation of "sub-national borrowing authority to lower tiers of government in capped amounts pro-rataed by population".

The capital market's illiquidity is identified as another constraint to its efficient functioning. In order to boost diversity and liquidity, the Bank proposes reducing the tax burden on gilts by lowering tax on interest income at the expense of equity investments.

The Bank, however, opposes the reintroduction of prescribed investments "which in many countries have led to negative growth and hyperinflation".

While admitting that dropping exchange controls at present "may be excessively risky", lifting regulations had in other countries "successfully mitigated, if not fully satisfied huge public sector funding needs"
ANC to call on World Bank for Mossgas study

CAPE TOWN — The ANC planned to commission two independent studies — one by the World Bank — on synthetic fuel producer Mossgas, the party's mineral and energy policy co-ordinator Paul Jourdan said yesterday.

It was no use "crying over spilt milk", he said, referring to the estimated R8.8bn spent on the parastatal. As scrap, it would net barely R1.8bn.

However, the project's viability, gas reserves and possible expansion continued to be questioned.

Discussions were being held with a view to commissioning a World Bank study. A further investigation by another independent body was envisaged.

The operation produced 8%-10% of SA's fuel requirements, which, in terms of future balance of payments constraints the reconstruction and development programme would impose, amounted to substantial foreign exchange savings, he said.

Mossgas produced 1.34-billion litres of fuel in its first financial year to March and an operating surplus of R2.8bn, excluding from the calculation the synthetic fuel levy or tariff protection payments. The project netted forex savings of about R500m.

Industrial protection mechanisms granted to Mossgas and Sasol were being discussed by the National Economic Forum's liquid fuels task force, which was expected to make recommendations by the end of the year.

SA Chamber of Business Representative on the forum, Ben van Rensburg, said any expansion — such as the plan mooted to convert capacity to crude oil refining — had to be based on private sector principles. The fact SA had sufficient crude oil refining capacity would have to be considered, as would the cost in the context of SA's other financial needs.

DP spokesman Roger Huilley described as "outrageous" the plan to convert some of Mossgas's capacity to crude oil refining capacity, given private sector investment in refineries. He suggested instead that the operation be auctioned off.
Rand Water in World Bank talks

RAND Water has held exploratory talks with the World Bank on raising finance for part of a R3bn investment plan to provide water to the PWV region.

Rand Water CS Vincent Bath confirmed the funding requirements of the plan had been discussed with the bank, but added that discussions were in their early stages.

A World Bank loan would have to be approved by government, sources said. ANC leaders have opposed using bank finance for projects that do not generate foreign exchange earnings to pay off the loans.

Other foreign lenders have also been in talks with SA water authorities about providing finance for water provision, estimated to require billions of rands of investment to meet targets set in the reconstruction and development programme.

But Bath said finance could be raised on the domestic capital market, as Rand Water had done in the past.

He said Rand Water had been asked to project the additional water supply requirements for the PWV over a 15-year horizon.

The key to meeting these requirements was the Lesotho Highlands water project, which would come on stream in 1997. Through adequate investment in infrastructure within the limits of Rand Water's supply area, the water supply from Lesotho Highlands could fulfil the region's needs until about 2003.

Bath expected the full amount of investment spending from 1994 to 2003 would be R3bn. Thereafter, additional infrastructure would be required in the PWV region.

It is understood Japan and other countries anxious to link finance and aid to social spending have cottoned on to water supply as a route into SA. Grants and "fairly soft loans" had been discussed with Rand Water.

The World Bank is apparently ready to provide the finance, if Rand Water's board finds the terms and conditions acceptable. It is also understood a government guarantee would be required for such a loan.

Bank involvement would open up other sources of foreign finance, as creditors feel comfortable when its stamp of approval is on a country's policy package.

The bank's representative in SA, Isaac Sam, said it was up to SA to ask for a loan, and no requests had been received.
World Bank tells of unique ties with SA

THE World Bank had developed unique ties with SA in that it was the only country in which it worked with government and opposition on potential aid programmes, a bank official said.

The head of the bank's mission to SA, Isaac Sam, said it hoped to apply lessons from this in other countries.

"It's a unique situation," he told a discussion forum organised by the Association for the Advancement of Black Accountants.

"This is the only country in the world where we speak to the opposition. We think it's very important."

The bank, which froze aid to SA in 1986 because of its race policies, resumed work with the country in 1990, and launched studies to identify areas of possible assistance.

It was at the moment working with the national economic forum, a consultative body representing the state, business and labour, on ways to ensure the economy became more outward oriented, or export-driven, after years of political isolation.

He noted that the PWV industrial and commercial heartland, with Cape Town, Durban and Port Elizabeth, produced 80% of the country's economic output. All had excellent infrastructure.

However, he was shocked that economic activity started about 7am. "But by 6pm to 7pm it is dead!"

He asked how SA could compete with countries which worked 16 hours and much longer. "How are you going to compete with Hong Kong, Mexico City, Jakarta, which work 20-21 hours?"

"It's not that you don't have the infrastructure. The roads are still there at night, water still runs in the pipes, electricity is available, the telephone works. How come you can't use these assets to push the economy?"

He understood the political importance which the national unity government attached to developing public works schemes as a means of creating much-needed jobs, but did not believe these would create sustainable employment. "We believe the real dynamism are small- and medium-scale enterprises," he said, adding that the bank had been encouraged by results of efforts in recent years to promote these. — Reuter.
WASHINGTON. SA may not yet be taking World Bank loans, but it is getting an increasing amount of the bank's business in the form of procurements for projects elsewhere.

In fiscal year 1994, the bank's two major lending arms, the International Bank for Reconstruction and Development and the International Development Agency disbursed $192m to SA for purchases of goods and services.

This puts SA at the threshold of the big leagues, especially for procurement by the IDA, the soft-loan branch that caters for the lowest income countries.

IDA procurements totalling $3.5bn; or 4.9%, were put through SA this year, according to the World Bank's annual report.

This was a marked increase on previous years. Since IDA's founding, SA's share has been only 1.6%.

SA might be getting even more business were it not inconveniently located in the world's poorest region and thus a less well-placed supplier for projects financed by the IBRD, which serves a relatively better off class of borrower.

Only $38m, or 0.7%, of IBRD procurement was sourced from SA this year. Even so, that was above the previous average of 0.4%.

SA's share of combined IBRD and IDA payments was 2.13%. The two entities spent $155m on SA equipment, $27m on "other goods" and $8m on consultants.

The US and UK hogged the largest shares with close to 11% apiece, followed by France (9.7%), Germany (8.5%) and Japan (7.8%).

The SA Foreign Trade Organisation is working to increase SA's share and has retained an agent in Washington to keep an eye out for contracts.
World Bank wants clarity on SA role

MADRID — The World Bank will ask SA to clarify the bank’s future role in the country when an SA delegation meets top officials on Sunday — a year after the bank indicated $1bn of loans were available to SA.

Bank vice-president for Africa Edward Jaycox yesterday confirmed in an interview that the bank would like more clarity on the reconstruction and development programme and its own role in it. "We have a lot to offer and we expect to be involved," he said. The bank would not focus its ideas on SA, and was prepared to wait. But at some point, a lending programme would be needed to justify the cost of the policy analysis being done.

It is understood SA’s reluctance to borrow stems in part from a caution over foreign borrowing, especially when it comes with strings attached. But some possibilities have been identified, including export promotion and urban development.

Reserve Bank Deputy Governor Pierre Groenewald confirmed that the bank wanted clarification. The possibility of borrowing would be discussed with the World Bank, but not with the IMF. (356)

There is no need yet to ask for the fund for balance of payments (BOP) assistance," he said, noting that the recent high level of imports was partly the result of speculation that the rand would be abolished. Groenewald said SA would continue negotiations about which group in the IMF it would join once next week’s IMF/bank AGMs got under way. The groups elect an executive director which represents them at IMF meetings. He confirmed the African group had put out feelers, but SA was not happy with the fact that its executive director and deputy were chosen on a rotation basis. "SA’s clout at the IMF is much bigger than the other African countries.

Two years ago, there was talk that SA and Switzerland — a relative newcomer to the IMF — would join the forces. But Groenewald said SA would probably look closer to home, although "a number of options" were being discussed.

On the proposal by IMF MD Michel Camdessus to increase the world’s foreign exchange reserves by creating more of the IMF’s reserve currency, Special Drawing Rights (SDR), Groenewald said SA was unlikely to benefit. He expected the main beneficiaries to be new IMF members from the former communist countries, and

Greta Steyn

World Bank possibly the poorest countries

Camdessus had proposed that a total allocation of $65 billion SDRs be made, as more than half of the IMF’s members had foreign reserves equal to less than 15 weeks of imports. But he had encountered resistance, particularly from Germany, which argued that the new currency would be inflationary.

Finance Minister Carl Niehaus will address the third annual World Economic Development Congress today, ahead of a special summit meeting on investing in SA. Reserve Bank Governor Chris Stals will speak at the meeting.

Groenewald did not think the proposal by Britain to sell the IMF’s gold reserves to alleviate poor countries’ debt would be ratified at the AGM. "This is an issue about which there will be more debate," he said.

See Page 6
Resilience through integrity

Success of conditionality depends on staying politically neutral

One of the great strengths of the International Monetary Fund (IMF) over the 50 years of its existence is that, by remaining aloof from politics, it has been able to bring economic order and thus prosperity to many countries after the chaos fostered by politicians, some of whom were well-meaning but mistaken and others who were simply self-serving.

Because the IMF, and to a lesser degree its larger sister the World Bank, refused to be drawn into politics, its credibility has been high and the conditions it imposed for the use of its resources were accepted as having economic utility even if they were politically inconvenient.

The country in trouble could always point to the political impartiality of the fund to justify compliance.

This year, as the IMF and the bank celebrate their 50th anniversary and contemplate adjustments in their role in a world much changed, and indeed improved, since their inception at Bretton Woods, there are increasing attempts by the Left, those who support intervention and those who dislike the disciplines imposed by markets, to politicise them as instruments of developmental advancement.

The popular arguments are that both institutions have failed to eradicate poverty and have worsened the lot of the poor. They are held up as clandestine devices of Western, particularly American, economic imperialism. Much of this is based on fallacy, inadequate statistics and the special interests of the critics themselves.

It is true that while the MD of the IMF has traditionally been French, the US — which is the dominant shareholder — has tended to appoint a politician or benefactor of the ruling US party to the chair of the much larger World Bank. Nevertheless, the track records of both institutions testify substantially to disinterest in politics and a professional application of market-oriented economics.

This year, however, at the annual meetings of the institutions, IMF MD Michel Camdessus is at the centre of a major split between members over the use of the fund's resources to boost members' reserves. The split suggests he is harbouring substantial political motivation.

Simply put, Camdessus' plan involves injecting US$50bn into the world economy through a pro rata allocation of special drawing rights (SDRs), which are the fund's reserve asset, at the same time increasing members' automatic drawing rights from 68% of their contributions to 90%.

The impact of a distribution of that nature would be substantially inflationary and flies directly in the face of the IMF's urging members in its World Economic Report, released only days before, to reduce their deficits to avoid the latest inflationary potential of rising expenditures. It is suspected that behind this contradiction is Camdessus' desire to see an enhanced role for the IMF in the international system, with the SDR emerging as a reserve currency that will rival the dollar and other major currencies. Previous attempts to give it that status have failed.
Only a few years ago he was canvassing for increased member contributions to the IMF and he has opposed a UK plan that the fund sell some of its gold and distribute income from the invested proceeds to some of the indigent countries of Africa who have no chance of ever emerging from a debt trap. These countries have neither the assets to sell, the skills to extricate themselves nor the will to run their economies on any sound economic principles. The fact that these countries would most probably waste the proceeds and land back swiftly in the mire is besides the point. Like Camdessus’ plan to distribute SDRs, these gold sales would reduce the resources of the fund but without bringing any enhanced role for it in the international financial system.

Bundesbank president Hans Tietmeyer has rejected the Camdessus plan out of hand. Tietmeyer called on the IMF to concentrate on promoting monetary stability and cautioned against it seeking to overlap its role in global financing. He is, however, prepared to compromise and support an Anglo-American proposal for a once-off distribution of SDRs amounting to $24bn, specifically to Russia and 37 other countries that have joined the fund since the last SDR issue in 1981.

The French and Scandinavians have a rival plan to redistribute about $28bn, but this week controversy in the fund’s powerful interim committee centred on the inflationary implications of the Camdessus plan — which naturally has the support of developing countries anxious for yet another handout — and the more targeted Anglo-American proposal.

The fact, however, is that the Anglo-American plan, while less potentially inflationary, is also politically inspired. It is intended to buy support for the return to market economies in the transitional countries of the post-communist world, where lack of commitment and piecemeal reform has led to a contraction of these economies and social distress as a result.

Commitment needed

There is no fundamental economic argument that can be applied to this type of IMF support for the transitional process. Official support or aid in any form will never be enough to bring about a smooth transition in these economies. It requires a commitment from the governments of the countries concerned, and through that commitment substantial sums of private-sector fixed capital investment, which has not been unduly withheld.

Unfortunately, the row in the interim committee highlights the political dimension that will not be lost on the critics of the IMF and the bank.

These critics believe that conditionality is not a threat to political purpose and, far from enhancing prosperity in Africa and Latin America, has entrenched poverty and redistributed income from the poor to the better off. The British aid organisation Oxfam and other social pressure groups such as Greenpeace, Christian Aid and (believe it or not) the Slovak Forest Protection Group are seeking to have conditionality softened and to have it made economically less potent through the introduction of income redistribution, land reform and minimum wage policies.

The arguments against making conditionality more convenient for delinquent governments are telling. But they hinge on the maintenance of economic integrity and the absence of political motive — which is belied by the split in the interim committee over SDR distribution. Politics should have no part in the functioning of either the IMF or the bank.

Both the fund and the bank believe that the best way to help the poor is through growth based on macroeconomic stability, free trade and minimal government intervention. However, in regions where reliable statistics are difficult to find, there is evidence that the quality of the poor have declined. But there are also indications that the very poor may indeed be better off now where these policies have been properly applied, than they were when left to the devices of their own governments.

For instance, The Economist points out this week that in both Latin America and Africa infant mortality decreased, life expectancy increased and illiteracy rates fell or did not get worse.

The fact is that there is not sufficient evidence from these particular countries to make a compelling case either way.

But the fund itself has found that where countries are being restructured under its guidance, and where conditionality has been embraced by the governments concerned with enthusiasm, significant and salutary progress has been made to a general upliftment. Redistribution, if it is desirable, can be undertaken without destroying economic potency.

Unfortunately, in Africa, where many countries are politically unstable and the ruling elites see conditionality as a threat to power exercised through preferment, the fund’s restructuring has had less success. The damage done by collectivist misadventure is also so deep-seated that it could take generations to remove.

It is not difficult to understand why Camdessus has adopted a political posture. Both the IMF and the bank came into existence at a time when international capital flows were minimal and not expected to increase; most governments and institutions believed they had a role to play in asset allocation and market discipline.

Greater emphasis was placed then on trade liberalisation and many governments felt that, either individually or collectively, they could maintain orderly and stable markets. Since then there has been a massive surge in international capital flows, fostered by deregulation and technological advances, and consequently markets, rather than international financial institutions, have become a major source of discipline on domestic policies. The greater independence of central banks and as part of this process, has also detached from the influence of these institutions.

Prudent economic policies

Order and stability in international markets now are more dependent on the willingness of the large industrial countries to adopt prudent and orthodox economic policies than on successful management by the fund or any other international agency.

And likewise, the prosperity of developing countries is much more dependent on private-sector investments that carry the disciplines of adequate returns than on what have increasingly been the comparison become minuscule foreign aid flows — which are inevitably wasted and often put to dubious purpose.

Of course, it is entirely appropriate that the fund and bank reassess their roles in a changed world.

And they have the leisure to do so now well ahead of the next crisis, which may well arise out of the massive and uncertain capital flows to the emerging markets.

But it should not be forgotten that in the various post-Bretton Woods crises they have shown remarkable resilience, disaster on more than one occasion has been avoided. This in turn suggests that they are probably much more mutable than they appear to be to those in Madrid, locked unfortunately in political disarray.

Experience has shown that the economic integrity of the IMF and the bank is by far their most important asset.
The weekly mail & guardian
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The global mint
with a hole in it

The IMF and World Bank are fighting for survival, write Will Hutton and Alex Brummer.

It may have been arcane, but it was a seminal event that paved the way for the current crisis in the world economy. The meeting of the International Monetary Fund and the World Bank in Washington in July last year was a turning point in the way the world economy is perceived and dealt with.

The IMF and World Bank are not just institutions that finance development projects; they are also seen as a source of economic stability and a means of ensuring that countries do not default on their obligations to the international community.

But the crisis that has enveloped the world economy since then has shown that the IMF and World Bank are not as powerful as they used to be. The crisis has shown that the IMF and World Bank are not able to solve the problems of the world economy, but they are still important institutions that play a role in the world economy.

The IMF and World Bank are still important institutions that play a role in the world economy. They are still important institutions that play a role in the world economy.
RDP gets World Bank aid

By KEVIN DAVIE: Madrid

RDP benefits the economy and promotes black empowerment.

The initiative to secure World Bank funding follows the Cabinet decision to set up the inter-departmental committee on international development assistance.

The committee, headed by the Department of Finance's Elite Links, includes representatives from the departments of State Expenditure, Trade and Industry, Foreign Affairs and the RDP ministry.

Mr Links says the committee is charged with identifying priority projects for discussion with the World Bank.

Areas which could get priority include infrastructural development for socio-economic upliftment, support for small and medium-sized enterprises and finance to assist with industrial restructuring to improve competitiveness.

One possibility that will be assessed is to use World Bank guarantees to facilitate the introduction of black-owned enterprises into the South African market.

Condolence is not applicable. There are no areas of variance between the restructuring identified by the RDP and by the bank.

We have a clear programme. We will only take loans if they fit into the programme.

She says that privatisation should be included if it meets the objectives of the RDP.

The World Bank group's risk arm, Miga, has nine applications from SA companies wanting to invest in Africa and has registered eight investment projects in South Africa.

"We are already processing the first one," says Miga's Akira Iida.

The World Bank's annual report shows that SA companies supplied goods and services to the bank worth $192 million during its last fiscal year.

The size of potential World Bank loans to South Africa has not been quantified but is likely to be greater given Finance Minister Chris Liebenberg's insistence that money should not be taken just because it is available.

"The government will undertake a full review of (World Bank) resources available with the intention of jointly agreeing on how assistance can be optimised to achieve the objectives of the RDP," Mr Liebenberg told the annual meeting.

Reserve Bank Governor Chris Stals says South Africa needs its own structural adjustment programme. He says the RDP is moving in the right direction but is not comprehensive enough.

Mr Stals says the Reserve Bank is working on a submission on how exchange control reforms could fit in with the RDP.

He says it would be wrong to attempt this reform without being part of a comprehensive restructuring package.
World Bank in RDP talks

Planning on services backlog

OWN CORRESPONDENT

JOHANNESBURG. — The World Bank and the Reconstruction and Development Programme ministries are planning strategies which will form the nucleus of a local government renewal scheme.

The programme to rehabilitate rural and urban infrastructure was one of President Nelson Mandela's projects, RDP deputy director-general Mr Bernie Fanaroff said yesterday.

He said the framework of the programme would be published in March next year for discussion in a second RDP White Paper. This was intended to secure wide consensus on the programme.

He said the government wanted to tie rural and urban upgrading schemes through a campaign which would be spearheaded by Provincial Commission chairman

such a backlog.

The meeting was the first between the two organisations, but Mr Fanaroff said the bank had been working closely with major cities for some time. The bank was now extending its services to smaller cities, he said.

The objective of last week's meeting between the UIIPTe and the bank's Urban Mission was to "initiate planning on the feasibility and sustainability of various levels of local government services such as water, electricity and garbage removal."

UIIPTe chairman Mr Joe Modibane said the urban renewal strategies would be developed in conjunction with local government. This was expected to be completed by February.

"The World Bank and the planning team of the UIIPTe will be working together with local authorities in certain cities to draw up profiles of each community."
Upgrading blueprint on the way

World Bank in local govt revamp role

THE World Bank and ministry overseeing reconstruction and development are forging strategies for a local government renewal programme.

The programme to rehabilitate rural and urban infrastructure formed part of one of President Nelson Mandela's special projects, RDP deputy director-general Bernie Fanaroff said yesterday.

He said the framework of the programme would be published in March, in a second RDP White Paper, for discussion. This was intended to secure wide consensus on the initiative.

Government wanted to link rural and urban upgrading schemes through a campaign spearheaded by provincial commission chairmen and Constitutional Development deputy director-general Thozamile Botha, Fanaroff said.

The campaign, which would involve community-based bodies, non-governmental organisations, trade unions and the private sector, would seek to develop credible local government.

The RDP's urban infrastructure investment planning team met the World Bank's urban mission in Pretoria last week to quantify the backlog in urban infrastructural services, and to look at the micro-economic implications of financing such a backlog.

The meeting was the first between the two organisations, Fanaroff said. The bank had been working closely with major cities for some time.

The bank was now extending its services to smaller cities, he said.

The objective of the talks was to "initiate planning on the feasibility and sustain-

ability of various levels of local government services such as water, electricity and garbage removal".

The urban infrastructure investment planning team said at the weekend: "Objectives tabled were rehabilitation and expansion of local government structures. Emphasis was put on the central role of local government in this process."

Team chairman Joe Modibane said the urban renewal strategies would be developed with local government. This was expected to be completed by February.

The World Bank and the planning team will be working together with local authorities in certain cities to draw up profiles of each community.

The team said while local authorities would be given some priority, it was "recognised that capacity is stronger in the larger cities".

The organisation said needs analysis would be followed by the supplying and upgrading of municipal services, which underpins the urban renewal programme.

It said the second phase - supplying and upgrading municipal services - would be structured so that communities determined their needs themselves.

Botha has said the local government renewal programme, dubbed Operation Self-Reliance, is also aimed at accelerating democratisation of local government structures and restoring the culture of paying for services in townships.

The programme is a result of discussions between the Constitutional Development, Housing and RDP ministries.
IMF concern over RDP 'hidden costs'

Johannesburg. — Concerns about hidden costs in the RDP and its potential effect on fiscal discipline were likely to feature in the IMF's annual report on SA, sources said. An IMF delegation, which left Johannesburg yesterday, was in SA to carry out its annual consultations in terms of the IMF's constitution. The delegation, headed by assistant director for Africa Leslie Lipschitz, presented its preliminary findings yesterday to Finance Minister Chris Liebenberg, Finance director-general Estian Calitz and Reserve Bank governor Chris Stals.
World Bank seeks investors for Africa

CAPE TOWN — The newly created trade, finance and investment division of the World Bank's west-central Africa department has identified a pool of potential SA investors for seven African countries.

The department was created on January 1 to work with governments in specific West African countries to create an environment conducive to private sector involvement and to increase trade.

Department chief Peter Watson said in an interview yesterday he and his mission met several SA utilities and companies to assess the level of interest in investing in the Ivory Coast, Benin, Burkina Faso, Ghana, Niger and Togo.

He said the level of interest was exceptionally high and obstacles to investment in those countries were identified and would be related by the department back to the governments of those countries.

The obstacles included bureaucratic procedures, unfair trading and problems in repatriating profits.

He said the department's initial objective was to identify a pool of leading SA companies in their respective fields which would be interested in participating in a programme of parallel investment with the World Bank in the West African countries.

Initial candidate organisations could include merchant banks, investment funds, professional advisory teams, construction companies which would also take project equity, project operators for utility companies and hotel and tourist operators and project end-users such as manufacturers and exporters.

Watson said once a project had been identified with a potential investor, the World Bank would provide "a guiding hand" to bring the project to full and sustainable fruition.
SA must turn policies into reality

JOHANNESBURG. — South Africa's post-apartheid government had reassured potential investors with its commitment to fiscal discipline and free market principles, but it needed to follow through, a senior World Bank envoy said.

"They want to see this commitment translated into reality," said Isaac Sam, chief of the bank's mission to South Africa. His comments appeared in an interview published in the March issue of RSA Review, which is published by the SA Communication Service.

He said the international community was also looking at "the enormity" of the national unity government's reconstruction and development programme (RDP) and its ability to make it work. (356) CT 2/3

"However, the world is wondering how South Africa is planning to finance this programme without creating inflation and consequently macroeconomic instability," he said.

"South Africa is faced with the challenge of managing the RDP in a way that will ensure economic sustainability." He believed the RDP provided a stable framework for tapping funds from the World Bank.
World Bank comes under siege for its performance

LONDON — The World Bank has taken on the air of an institution under siege in recent years, as it struggled to meet the demands of those it serves.

The bank's structure and policies have been criticized by environmentalists, who argue that its projects are often damaging to the environment and do not benefit local populations.

In recent years, the bank has faced criticism for its lending practices and its role in supporting large infrastructure projects, such as the Narmada Dam in India.

The bank's new president, Lewis Preston, has tried to restructure the organization to make it more sustainable and to focus on reducing its impact on the environment.

Although every new president reshuffles the boxes in the bank's organizational chart, Naim says, informal pyramidal class charging allegiance to individual senior managers tend to re-form soon after the reorganization, so behaviour inside those boxes changes little.

Several senior executives say current president Lewis Preston has begun to make progress in changing the corporate culture. But he is stepping down because of illness.

In the absence of clear leadership from recent bank presidents, the bank's policies have been taken over by the job of defining the institution's mission.

A distinction between corporate direction and operational management is missing at present and has been for some time. Instead, the bank's management filled the void and thereby defined strategic direction, says Willi Wapenhans, who was one of those who heads up the bank's regional department.

The bank's portfolio management provoked a broad rethink of how the organization works.

Wapenhans has read and is intrigued by Wapenhans report, which described a deterioration in the quality of the loan projects in the bank's portfolio to an internal culture that tended to promote officers who made the most loans, rather than those whose loans performed best.

The bank's articles require it to lend only to government institutions. That restriction posed few problems when its tasks were rebuilding Europe after the Second World War or laying the first infrastructure foundations for the developing world.

Today, however, the bank's mission is to support the private sector in its borrowers, but at the same time can lend only to their public sectors.

The expansion of the International Finance Corporation, a World Bank affiliate which does lend to private businesses, has not resolved this contradiction. The serious money is still in the parent World Bank, which lent $14.2bn ($23.6bn) last year against the IFC's $5.2bn.

The answer to the conundrum may lie in the use of the World Bank's power to guarantee projects, a power of which it is making cautious but growing use. Former senior officials of the organization say it lies also in making sure the private sector mentality becomes more deeply ingrained in the corporate culture.

But the World Bank faces a challenge in the heart of its development business: at the International Development Association (IDA), which makes cheap loans to the very poorest countries, most of them in sub-Saharan Africa.

The World Bank itself is now self-financing, funding new loans on the income it earns on its existing portfolio. Because of its heavy interest rate subsidy, however, the International Development Association must pass the hat to donors every few years.

The Clinton administration is having a hard enough job persuading Congress to produce the final $4.6bn of its contribution to the most recent replenishment of IDA, to which the US pledged 20.9% of the total. Negotiations have already begun on the next round, and US treasury officials have had to tell their counterparts that it must shrink if they are to have any chance of winning the funds from Congress. — Financial Times.
SA, World
Bank plan $1bn deal

The Cabinet has concluded a memorandum of understanding with the World Bank for loans of up to $1-billion a year for the reconstruction and development programme.

The memorandum — Business Times has a copy — agreed to by the Cabinet last month provides for two loans to begin this financial year. A $450-million loan will supply basic urban services in black metropolitan areas and a $150-million loan is designed to help small, micro- and medium-scale enterprises, or SMMEs.

The loans, to mature in 15 to 17 years, have a grace period of three to five years and interest rates as low as 2.66%.

The loan programme will give a major boost to the reconstruction and development programme, give the government a respite from meeting its burdensome interest bill and encourage the flow of long-term capital to South Africa.

But there are fears that bureaucratic procrastination may mean the funds will not flow this year.

"The problem is with senior officials who are not used to making use of the World Bank to fund their programmes," says a source.

The memorandum, drawn up by the Department of Finance, says the World Bank needs eight to 12 months to release funds.

It says the government and the World Bank aim to reach agreement during the first half of 1995 on a "country assistance strategy", required by the bank's executive before assistance can be considered.

"Such a strategy would review progress in economic development in South Africa and confirm and prioritise activities identified in the memorandum. A collaborative process for preparing the strategy is envisaged allowing free expression of views."

The memorandum says World Bank loans and guarantees operate as a catalyst for other sources of finance including grant and concessional finance.

"Given South Africa's prudent foreign exposure and the government's sound economic and fiscal policies to date, World Bank lending in the range of $1-billion a year is feasible."

The memorandum says it is estimated that service backlogs in the four metropolitan areas will cost between R11-billion and R19-billion.

Communities assisted by the $450-million basic services investment programme will determine their own priorities for improvement based on sequencing and standards of servicing they prefer and can afford.

The programme will be implemented under the direction of Minister without Portfolio, Jay Naidoo. It will provide bulk urban infrastructure including water, sewerage, roads and drainage, electricity and solid waste removal.

"All services would be subject to full cost recovery with provision made for cross-subsidies between income groups residing within the local authority. The blending of bank and RDP funds would buy down the effective rate to local authorities, resulting in more affordable services."

The memorandum says World Bank experience in countries like Zimbabwe and the Philippines shows the public sector should be limited to providing services, leaving financing and construction of houses to the private sector.

The SMME programme envisages making $150-million available for financial and advisory services.

"The programme seeks to create a dynamic, labour-demanding, export-oriented SMME sector by supporting access to pre- and post-shipment export finance and access to business services to help them adapt to international markets."
As James Wolfensohn ponders his new job as president of the World Bank, sub-Saharan Africa will weigh heavily on him. For all the World Bank's publicly expressed optimism about the success of its structural adjustment programmes in the region, its own numbers tell a different tale.

For the past 30 years Africa has underperformed, with its growth rate falling behind the average for emerging economies as a whole and the gap with the successful Asian tigers widening. With population growing at 3%, real per capita incomes have been dropping for a generation so that living standards in most African countries are no higher today than at the end of empire in the Sixties.

Particularly disturbing is the failure of structural adjustment, adopted increasingly over the past decade in sub-Saharan Africa, to turn the region around. Indeed, the bank's latest figures released last month show that, in the decade to 1994, per capita incomes fell remorselessly — 1.1% a year.

Characteristically though, the bank is again heralding a new dawn in the region, just as it did — prematurely — with its so-called Long-Term Perspective Study in 1989. It predicted then that the region would grow at 4% to 5% annually as reform policies took root. Today, it admits that hasn't happened — not yet, anyway.

But wait a minute! The new dawn is here. Over the next decade, GDP growth will accelerate to 3.8% a year — double that of the past 10 years — and at least some of the ground lost over the past generation will be recouped. Where the bank is on weaker ground is in explaining why this much-delayed turnaround should suddenly materialise.

This "culture of optimism" is just part of the bank's explanation for the relatively disappointing performance of structural reform. The second limb of the argument is that generalisations and continent-wide averages mask a huge diversity of performance. Thus, the new Continen in Transition report currently being debated by carefully selected groups behind closed doors around Africa — the bank's idea of transparency — calculates that almost half of sub-Saharan Africa (21 countries) achieved positive per capita income growth during the 1988-1993 period.

Unfortunately, that list of 21 includes a clutch of small atypical countries like Botswana, Seychelles, Mauritius, Cape Verde, Lesotho and Gambia. It also includes a handful of states which are not growing, in any real sense of the word, but regaining some of the ground lost in the last 20 years. Ghana — the bank's prize pupil — Uganda and Tanzania are examples.

Most disturbing of all, perhaps, is the fact that those countries that did reverse years of decline relied heavily — some would say almost totally — on foreign aid inflows. Net aid disbursements to Tanzania, for instance, currently average more than 80% of GDP; while in Mozambique the figure is a horrendous 111%, in Uganda 48% and Burkina Faso — another success — 30%.

In the four years to 1993, net disbursements of aid to the region averaged almost US$20bn annually (at constant 1992 prices and exchange rates) — approximately 36% of the global total. Indeed, no less than 46% of the aid disbursed by the World Bank's soft-loan window (the International Development Association) and 45% of that of UN agencies comes to sub-Saharan Africa. Yet living standards continue to fall.

Just where a culture of optimism becomes one of distortion is impossible to say. It is not difficult to drive a horse and cart through many of the bank's more upbeat claims — the citing of Nigeria as a successful reformer, the publication of a report Africa can Compete! alongside its own numbers showing the region losing market share globally; the choice of the National Railways of Zimbabwe as a model for commercialisation; and the citing of marginal changes of two or three percentage points in national savings ratios computed on who-knows-what grounds for the region as a whole.

Indeed, the bank repeatedly exploits the poverty of national databases to impose its own numbers to substantiate its claims. While it is obvious that economic data for almost all African economies is unreliable, it's hard to see why the bank's numbers, or those of the IMF for that matter — should be any better. Even the best and brightest econometrician using unreliable crude data is as subject to the garbage-in-garbage-out syndrome as anyone else. Yet arrogant World Bank econometricians in African capitals repeatedly insist that their numbers are better than those of the national statistical service.

Nor does the optimism culture stop at numbers. The Continen in Transition report makes much of the benefits of political transition in the region. But, clearly, it is far too early to suggest that multipartyism in Malawi will achieve better results than the Banda's dictatorship. SA's successful transition is one side of the coin — what will the government in Nigeria and Gambia, de facto one-partyism in Zimbabwe, war and civil unrest in Sudan, Somalia, Rwanda, Burundi, Sierra Leone and Liberia and continuing chaos in Zaire? The glass is as half-empty as it is half-full.

Also questionable is the bank's claim that it is achieving greater transparency and consensual decision-making. This may be so in some instances, but on the whole crucial economic issues are still debated behind closed doors by a clique of government and central bank officials on one side and a donor group, including the World Bank and the IMF, on the other.

The people of the country whose fate is being determined are the last to be told, while private sector consultation is at best desultory. Sadly, for all its commitment to supporting interfacing with the private sector, that, too, is a highly selective process depending more on the

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**Wolfensohn ... entering a culture of distortion?**

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**WORLD GROWTH SUMMARY**

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leading articles

personality of the resident bank representative in the country concerned than on the sensitivity of the issue. The more sensitive the issue, the less consultation.

Two recent and glaring examples of the bank’s tendency to undermine the private sector leap from recent headlines. In Nigeria, as industrialists warned last month that the manufacturing sector “was in the fast lane to collapse,” an official of the International Finance Corp (the bank’s private-sector investment arm) stunned the private sector by praising the much-criticised 1995 budget and welcoming the government’s plan (not provided for in the selfsame budget) to pay its $1bn in arrears to its joint-venture partners in the oil industry. No matter, too, that this comment was flatly contradictory of the ant’s own warning (in Global Prospects) that “without a reversal of policies,” incomes in Nigeria will stagnate.

Equally bizarre was the bank’s mind-numbingly wimpish response to President Robert Mugabe’s decision to enlarge his cabinet and treble the number of Deputy Ministers, in conflict with his government’s agreement to cut public spending.

Zimbabwe would not “walk” to the “whims and caprices” of the World Bank, said a defiant Mugabe. Such a challenge should have been answered; instead, private enterprise was appealed to that the bank did not see the size of the Cabinet as “an issue in itself.”

Coming close on the heels of the Mexican debacle, this bland dismissal of business and investor perceptions, and of the signals sent to the economy at large, is disturbing. The bank’s refusal to condemn such spendthrift behaviour — at a time of civil service retrenchment, too — illustrates why and how it has lost its way. If it cannot see the importance of signals and perceptions in the opinion-driven world of private investment, then who can?

The Contention in Transition report sums it up: “Investment assistance to Africa has been substantial, but the returns to it have been disappointing.” Until recently, the donor community paid scant attention to institutional capacity. When things went wrong, it drafted in (or paid for) technical experts to run the finance ministry and central bank. The bank admits that there are now more than 100,000 expatriate technical assistants in Africa — more than the combined colonial administration was in the predated independence.

Aid-dependence has grown — doubling as a proportion of GNP from 4.6% in the first half of the Eighties to 9.6% in 1988-1992. One Zambian businessman laments that meetings with government are dominated by exchanges between donor-funded expatriate technical experts while Zimbabwe sits silently by, gloomily pondering the implications for jobs and living standards of donor-driven social and economic experiments that, as often as not, have already failed elsewhere in the region.

Nor can the bank explain how rebuilding destroyed institutional and physical infrastructure capacity — Africa’s telecommunications coverage is the worst in the world — is compatible with tight budget constraints and falling real aid inflows. Not only that, but a rising proportion of that aid is now going to emergency operations and peacekeeping missions — Somalia, Rwanda, Mozambique.

There is a conflict, too, in the bank’s advice to reduce the size of government while simultaneously urging greater “planning” and “co-ordination” — and implicitly, thereby, increased intervention — to protect the environment. Environmental protection is vital, but how compatible is it with public spending cuts and rolling back the boundaries of the State?

For all its faults, the bottom line remains that Africa needs the World Bank and the IMF; that without them the situation would have been far worse than it is. Many countries are on the road to reform, with more being achieved on the macro-economic policy front than in securing structural change and the crucial supply-side response.

That said, however, Africa needs a different bank — one that is more willing to make the tough decisions that it is urging governments to take. One that is more willing to lead by example than dictate — sizing down, delaying, retrenching. One that will translate the rhetoric of transparency into reality. One that will back, and support — not undercut — the private sector. One that will tell the truth openly — and not just in secret reports published years later in sanitised form.

The term “bank” is in itself something of a misnomer. Good hands lament the loss of focus, the diminished role for the banker relative to the policy “experts,” whose knowledge of the practice of banking could be written on the back of a small postage stamp.

Many feel that the shift to policy-based lending, now on the retreat, was something of a mistake. Certainly, the preoccupation with grandiose macro-economic strategies, rather than the micro-economics of making sure projects actually succeed, has done nothing for the institution’s image in the financial world.

Above all, Africa needs a World Bank that recognises the simple truth that the continent cannot be developed from without by bright young men and women whose time horizon and commitment seldom exceed three years. Indigenous capacity is crucial, and experience suggests that this is best built by domestic institutions and by private enterprise with its long-term commitment of equity, expertise, training and market access, rather than academics whose knowledge and experience of the real world of business is minimal.

Anyone doubting this should try reading a random selection of World Bank “policy” research papers, full of mind-blowing jargon, econometric models and, of course, the obligatory commitment to more research to keep the well-heeled consultancy profession happy.

In 1995, the structural adjustment formula may be the only game in town but its implementation, its neglect of infrastructure and institutional capacity, require both a new approach towards implementation and a greater role for the private sector. Over to you, Mr Wolfensohn.

Mugabe — his defiance appalled businessmen

Banda — political transition not enough

Rwandan business — role for the World Bank?