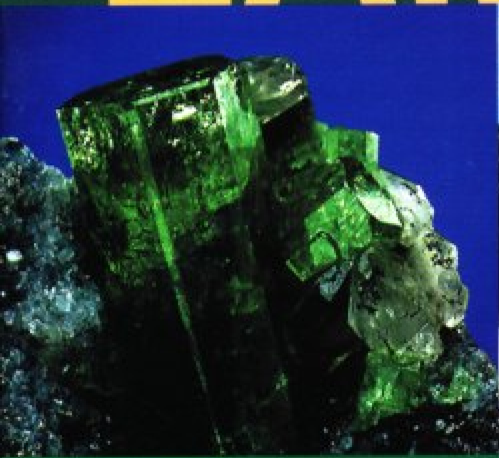
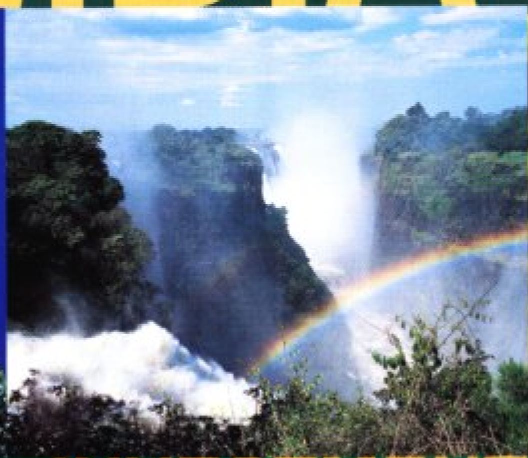
# ZAMBIA


## INVESTMENT OVERVIEW



By Mark Newham

A rock-solid, sure-fire, cast-iron investment is sometimes called copper-bottomed. In Zambia's case, the term is both accurate and misleading at one and the same time. While it's true to say that copper is to Zambia what oil is to the Middle East, Zambia's prime commodity — unlike the Middle East's — cannot be relied on to provide the country's economic bedrock for the foreseeable future.

Indeed, copper has been both the making and the breaking of Zambia's economy. The country is, quite literally, copper-bottomed and in the days when world demand for the ore outstripped supply, Zambia flourished. Prices soared, Zambia reaped the rewards and became overly dependent on a single source of wealth.

In the early 1970s, global supply started overtaking demand and the price of copper slipped inexorably downward. In the decades since then, the gleam of Zambia's copper-dominated economy has all but faded out of sight. Today, almost half the government's budget comes from aid donors and Zambia is on the verge of achieving the dubious status of qualifying for debt write-off under the World Bank's Heavily Indebted Poor Country (HIPC) program. *(continued on next page)*

This Focus Report was produced by the Special Projects Department of *Institutional Investor* and written independently by Mark Newham, a freelance writer based in the United Kingdom. Reprinted from the May 2003 *Institutional Investor*

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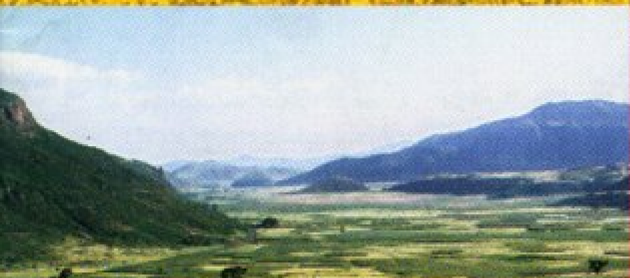

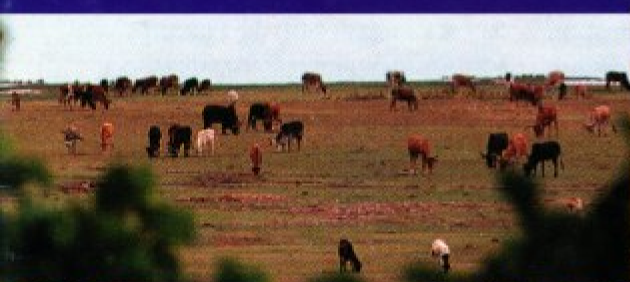

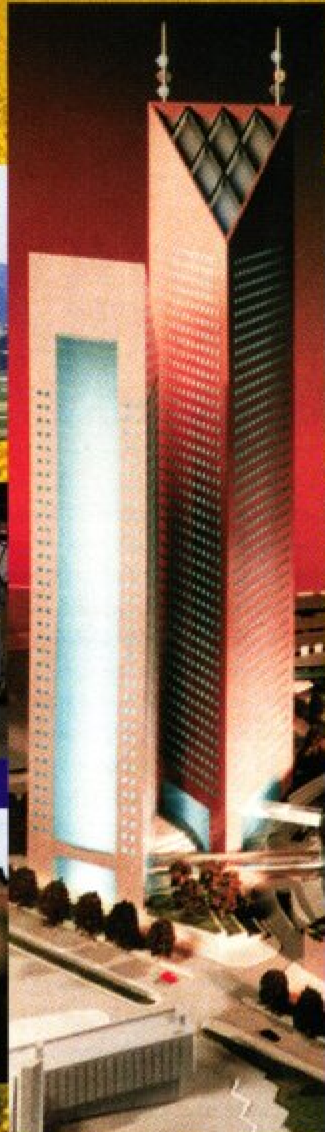

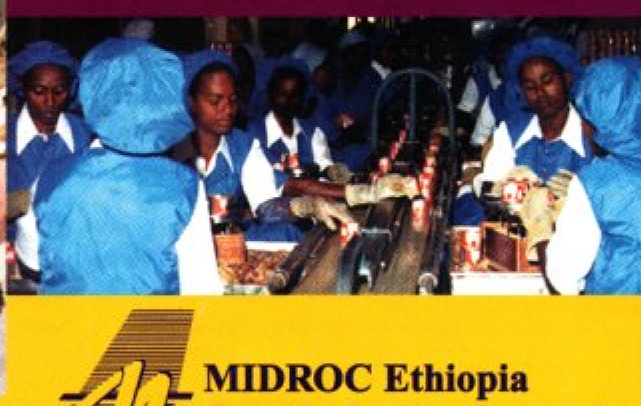



INSTITUTIONAL INVESTOR

# FOCUS

# ETHIOPIA

## CHAPTERS



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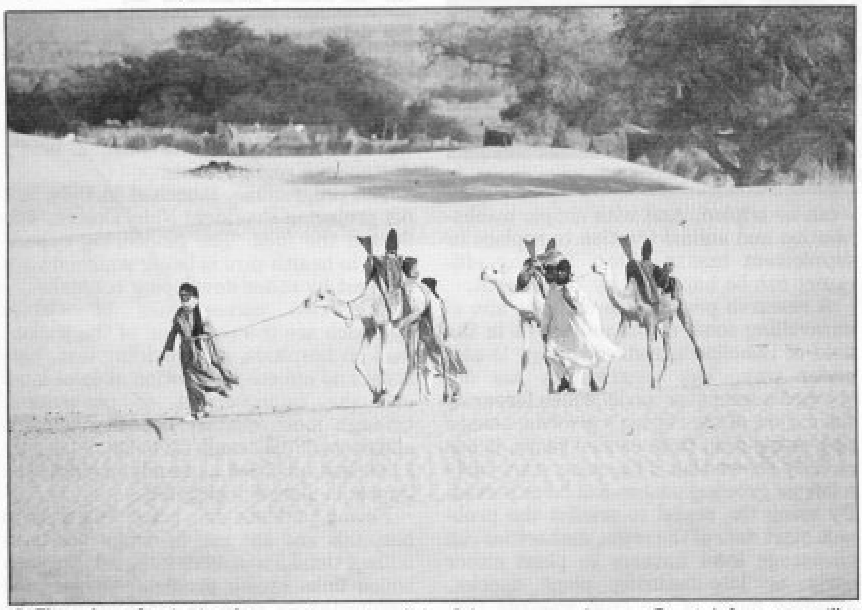
*This sponsored section was prepared by the Special Projects Department at Institutional Investor and written independently by Mark Newham, a journalist based in Nairobi. Cover photos courtesy of MIDROC Ethiopia and the Ethiopian Investment Agency. Special thanks to Dr. BT. Costantinos of the Centre for Human Environment and Alazar Dessie of the Commercial Bank of Ethiopia. Design by Yanoret Saez.*

# A NEW BID TO HALT THE MARCH OF THE DESERT

*Poor farming practices have worsened the plight of Burkina Faso's once-fertile grain belt, now besieged by encroaching sand – but it will be the focus of a novel rehabilitation strategy*



JEREMY NICHOLL

● **The edge of catastrophe:** *southern tip of the Sahara encroaches on Oursi, left; empty village well, Burkina Faso*

Only 30 years ago, Oursi, a remote outpost of northern Burkina Faso, was the centre of a thriving grain belt, producing twice as much cereal as it needed and exporting the surplus to less fertile regions. Oursi had a permanent lake 8km long which kept its 8,000 people supplied with fish, and periodically flooded their houses.

Today, the fertile pastures are no more and the lake has disappeared. In their place are dunes of sand and an exposed lakebed where donkeys and goats scrabble vainly for water. The most northerly houses are often buried in sand after sandstorms, which are increasing. The fertile land that remains will produce only enough cereal for two months, and the famished cattle are fed imported wheat to coax them into giving a litre of milk each day. Oursi's people rely on the national grain board for the bulk of their millet diet and the farmers have turned to labouring in the region's small gold mines to pay for the imported food.

The elders blame the changing climate and reason, correctly, that the encroaching sands have blocked the inlets to the lake. But, say the Burkinabe authorities and international development agencies, this is only part of Oursi's problem.

The agencies say that the farmers have allowed the dunes to encroach on the pastures and into the houses by over-cultivating and over-grazing the pasture areas. The cutting of trees for firewood without replacing them has led to massive soil erosion. Without natural vegetation to bind the soil, which was gradually losing its fertility through agricultural over-use, desertification was inevitable.

Oursi has been designated one of 15 areas in the three worst-affected provinces of Burkina Faso – Oudalan, Seno and Sou – to receive assistance from the UN development programme and West Germany for environmental rehabilitation over the next 20 years. The plan is for each of the areas to be subjected to an integrated socio-economic programme involving the planting of 400 hectares of local tree species in each area, the strict demarcation of specific zones for various agricultural purposes and educating the population on the hazards of overstepping the supportive capacity of the land.

Bitter experience has taught the Burkinabe authorities and the local representatives of the Permanent Interstate Committe on Drought Control in the Sahel (CILSS) that only total land management schemes would stop the southward march of the desert. An earlier reforestation experiment in northern Burkina Faso failed because it involved the planting of non-indigenous eucalyptus, which returns few nutrients to the soil, and because local people were not educated to replace cut trees.

Burkina Faso's CILSS coordinator, André Roch-Compaore, is convinced that the new approach stands a far greater chance of success. But it does not go far enough. The region's farmers need training and support in adopting improved methods of raising their crops to increase yields from their restricted areas of cultivation.

If this aspect had been covered seriously, the programme would involve the research group from Icrisat – the International Crops Research Institute for the Semi-Arid Tropics – which has been tackling this kind of problem at its heart in neighbouring Niger since 1975.

Icrisat helped bring India's green revolution to fruition, and the organisation had hoped this experience would help the Sahel countries achieve a similar goal. But after 12 years of research in the region,

MARK NEWHAM

● **Efficiency drive:** *basic farm mechanisation experiment at Icrisat, Niger*

Icrisat's executive director, Ron Gibbons, warns that a similar miracle is not likely in the Sahel.

"But we are confident that our work will result in higher yields from the land, and if our suggested methods are applied across the region, it will at least cease to be the only region in the world where per capita food production has declined in the last 20 years," he adds.

Based at Sadore near Niger's capital, Niamey, where it is spending US$7.5-million building a research centre due for completion by June 1988, Icrisat's international research team has uncovered key factors about the region's drought.

Perhaps the most surprising discovery is that it is not lack of moisture but lack of phosphorus in the soil which crucially limits crop yields.

By adding as little as 30kg of phosphorus fertiliser per hectare, Icrisat has shown that yields of millet – the local staple food – can be tripled. And with simple mechanisation and animal traction to replace or supplement human effort, farming efficiency can be improved by 75 per cent.

A research programme with the aim of unravelling some of the unknowns in the field of Sahelian agrometeorology is also under way. The organisation has developed a computer model which forecasts the extent of the region's growing season and, using data from earlier years, it has already shown that if the rains start early a longer growing season can be expected. By using the model to predict the probable start date of the rains, authorities can encourage local farmers to plant either early or late-maturing plant species, avoiding much of the crop wastage that currently occurs with the planting of less appropriate species. If farmers are able to produce an early crop, it is possible to plant a second, quick-growing variety. ■

**Mark Newham in Burkina Faso**

## The invisible enemy

A quarter of a century after warnings from environmental experts that the degradation of the Sahel belt would spread the Sahara southward, the CILSS has yet to document the extent of the problem. Until this is done, the measures aimed at stopping the advance will always be inadequate.

"There is simply not enough money to set up enough monitoring stations," says André Roch-Compaore, Burkina Faso's CILSS coordinator.

"We know it is happening," he says, "but it is almost impossible to chart accurately because we don't have the resources. And the problem is compounded because desertification is not just happening on the Sahara/Sahel fringes. It is also taking hold from within the Sahel. But we do what we can."

Financial help comes largely through the Sahel Club, formed in 1976 to coordinate the lending of the main donors to the Sahel countries. But between 1976 and 1982 only about US$8-million went to CILSS, to finance 712 projects. There is evidence that the donors are gradually increasing their assistance, but also that the projects aimed at combating desertification are still the poor relations of those connected with economic development.

The World Bank's new policy of integrating environmental protection with its economic development programmes may change matters. Desertification and deforestation in sub-Saharan Africa are to be given priority, and funding for forestry projects is to be increased from US$138-million to US$350-million a year over the next two years. ■

**MN**

MEDICINE

# KEEPING IT IN THE FAMILY

In Latin America, a family doctor is usually the personal physician of well-to-do families who pay for the privilege. Now Cuba is giving the term real meaning. By 2000, all 11-million Cubans are expected to have a family doctor on a regular basis.

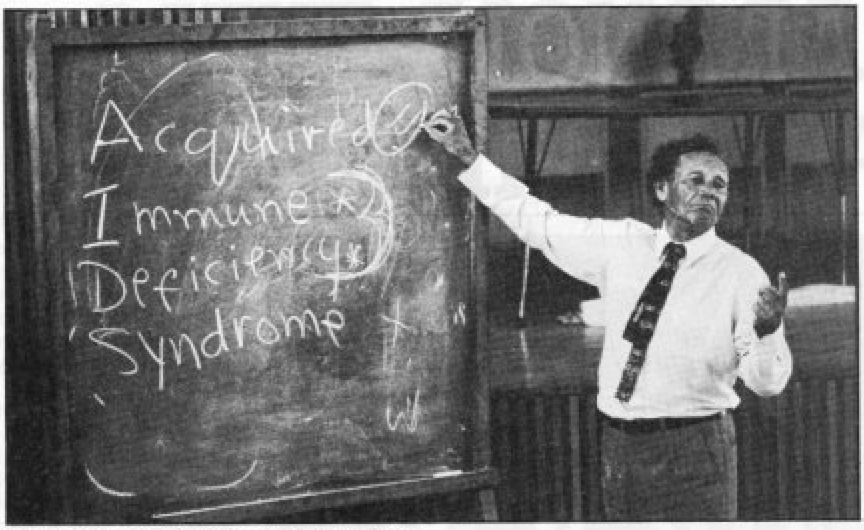
The programme, launched in 1984, is a pet project of President Fidel Castro, who floated the idea. The pioneering experiment in health care is being watched with interest by other developing countries.

The two cornerstones of Cuba's approach are the reduction of the patient load on hospitals, by providing fast, personal and effective attention at local level and the improvement of prevention, through more contact between families and doctors. Although up to last year only 2,000 had qualified as family doctors, the impact is already being felt.

Fewer patients are being referred to hospitals and the use of drugs has been falling, thanks to a more integral approach which links health problems to personal circumstances such as smoking and the environment at home and work. Vaccination in areas where there is a family doctor has reached up to 99 per cent of maximum, and everybody receives a com-

● **Castro's care:** *family doctor's clinic, Havana*

MICHAEL ANN MULLEN




PHILIP WOLMUTH

● **Dispelling the myths:** *Barbados Aids lecture*

active population and more than 15 per cent of its total population. Another 3-million tests will be done this year.

Those against compulsory testing – in international conferences they seem to be the majority – argue it may force high-risk groups to avoid testing. "The diagnosis of Aids bears a stigma," Dr C Everett Koop, the US surgeon-general, says. "This stigma – at least in the US – has been known to deprive people of their rented housing, to keep a family from going to the barber, shopping at the supermarket, and attending school or church.

"Such ostracism has led to a heightened suicide rate among Aids sufferers and, in at least one instance, the arson of the home of three HIV-positive children with haemophilia."

In health terms, stigmatising Aids carriers is unwarranted since the virus can be transmitted only through sex or blood, or from a pregnant woman to her child. Moreover, those infected have not always developed symptoms; it may take years for the disease to affect health. Between 10 and 30 per cent develop Aids in the first five years after infection. According to some studies, nearly 40 per cent will be hit seven to eight years after infection.

Those against compulsory screening also point out that current blood tests can yield false results. It may also take a few months for antibodies to develop, so recently infected sufferers may be tested as negative. Moreover, at between US$1 and US$4 for a single HIV test, costs would be high.

"Why should we take money from the educational campaign on Aids when we know that information and education is the most effective way of reducing the rate of transmission?" says Dr Lair Guerra Macedo Rodríguez, director of the Brazilian ministry of health's division for sexually transmitted diseases. She believes that by informing foreign visitors and member of the local community, the authorities will discourage infected people from spreading the virus.

There is still strong debate over the confidentiality of test results. A British court, for example, recently ruled that the weekly *News of the World* could not carry a story on two doctors with Aids. The judge said that if confidentiality was maintained, HIV sufferers would be more likely to seek medical help, thereby minimising their chances of spreading the infection.

Jonathan Mann believes prevention should focus on changing people's behaviour, not on isolating those infected. The homosexual communities in San Francisco and Sweden, where the rate at which the disease is spreading is starting to slow, have demonstrated it may not take long for high-risk groups to change attitudes.

But, Mann says: "Information and education programmes can only succeed if there is a supportive social environment. Discrimination will undermine the national information and education programme, and in itself endanger public health."

This more open approach seems to be finding favour. During 1987, Mann says, "virtually every country in the world considered implementing exclusionary measures and then decided against them."

More than 100 countries helped to draft a WHO statement stressing that "public health is better protected by keeping HIV-infected people integrated within society and helping them assume their responsibility to protect others from infection."

Most developing countries have big health needs but few resources, so Aids sufferers have to rely on relatives, friends and the community. Given the controversy surrounding compulsory screening this may not be a bad thing. ■

**María Elena Hurtado**

ECOLOGY

# HIGH AND DRY ON THE NILE

Egypt's water shortage is reaching crisis point. Drought in the source regions of its lifeline, the Nile, has forced a massive drawdown of the water buffer stock in Lake Nasser. And with no substantial replenishment of the lake expected in the near future, the outlook is bleak.

Analysts say the problem could have been avoided or at least postponed had the authorities made water conservation an integral part of the development programme rather than assuming that the Nile would flow eternal. Their attitude towards the Nile is shaped by historical records showing that Egypt has survived many cycles of flood and drought, and the official view until recently has been that this period of water famine is just another round of the cycle to be followed by a period of plenty.

That view is contested by western analysts, who forecast an ever-worsening famine. They say Egypt should have embarked long ago on a policy of water conservation as a contingency measure.

Britain's Sir Murdoch Macdonald and Partners engineering consultancy has recently completed a study of Egypt's water use for the World Bank. It concludes that the problem Egypt faces could have been averted to a great extent had the water authorities involved developed a concerted policy some years ago to:

- ☐ Raise the efficiency of systems designed to recycle water;
- ☐ Reduce spillage at barrages on the Nile near Cairo;
- ☐ Cut leakage in the water distribution system;
- ☐ Plant short-term crops;
- ☐ Change the timing of crop planting; and
- ☐ Substantially uprate the exploitation of groundwater reserves in the Nile valley and delta.

At present, only 15 per cent of the 49.5-billion cubic metres of water drawn from the Nile to irrigate agricultural land in the delta and its desert fringes is recycled, and as much as half the water entering the water distribution network is lost through leakage, according to Dr Tharwat Saleh, who heads the UN Water Decade's Cairo office. And the leakage problem is compounded by the pollution of what is left in the network by untreated groundwater entering fractured pipes.

According to Dr Terry Evans, who heads

the Macdonald study team, far greater emphasis on switching to short-term growth varieties of cotton, wheat and rice, able to grow outside the warmest part of the year, would enable Egypt to maintain farm production while reducing the amount of water required for irrigation. And substantial quantities of water could be saved through a big reduction of the area planted with water-hungry sugar cane.

Dr Evans also regards as folly Egypt's ambitious desert reclamation programme to bring 600,000 hectares of barren land into agricultural use by 1997, by constructing hundreds of kilometres of irrigation channels extracting another 9-billion cubic metres of water from the Nile. "The country already extracts more from the Nile than its agreement with Sudan allows and the programme to take even more for irrigation is clearly not viable," he says. "If Egypt wants water for increased acreages of irrigation, this should be taken from groundwater reservoirs in the Nile valley which contain roughly double the amount of water in Lake Nasser in a period of good supplies from the Nile."

Tapping these reserves is costly, and Egypt's authorities have historically preferred the option of extracting from the Nile. A number of projects to investigate the extent and extraction of subterranean water resources in the Nile Valley and in the Qattara depression in northwest Egypt – funded largely by the UN Development Programme – are under way. But the general impression among analysts is that these projects will not bear fruit soon enough to avert the crisis.

The driving force is not purely the drought in the Ethiopian highlands and the resulting flow decline of the Blue Nile, as most believe. It is compounded by a decline in the flow rate of the White Nile out of Lake Victoria in East Africa.

From 1912 to the early 1960s, the Blue Nile brought 54-billion cubic metres of water each year to the confluence of the two Niles at Khartoum, while the White Nile brought 26-billion cubic metres a year in the same period. The situation changed dramatically between 1964 and 1986, when it was noticed that the annual Blue Nile flow had dropped to 46-billion cubic metres while the White Nile's flow had increased to 34-billion cubic metres.

So the decline in the Blue Nile seemed to have been compensated by the rise in the White Nile's flow rate; the level of Lake Nasser remained virtually constant and Egypt's authorities remained unconcerned.

The Macdonald study predicts that by the end of July, Lake Nasser's level will have fallen to the dead storage level – the point at which no further water can be released through the hydroelectric turbines in the Aswan high dam – and unless substantial rains fall in Ethiopia during its rainy season to replenish Lake Nasser's stocks, the outlook for Egypt is at best bleak, at worst disastrous.

Latest studies show that there are only 6-billion cubic metres left of the 110-billion cubic metres of live storage water normally in Lake Nasser in good rainfall years.

Dr Evans and his colleagues are pessimistic about the Nile's future. Climatological studies suggest that the drying out of the region is the result of a gradual change in world climatic patterns caused by carbon dioxide build-up in the atmosphere. This is exaggerating the temperature differentials between the oceans of the northern and southern hemispheres, resulting in a southward shift in rainfall belts in North and East Africa which will leave Ethiopia – and the source region of the Blue Nile – high and dry for a long time to come. ■

**Mark Newham in Cairo**

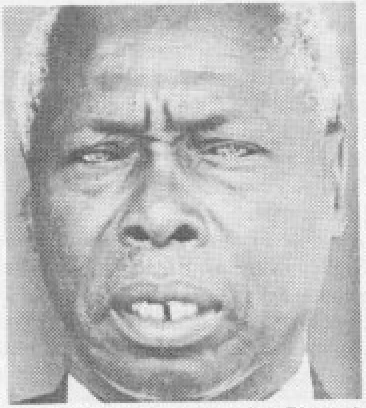
HUTCHISON

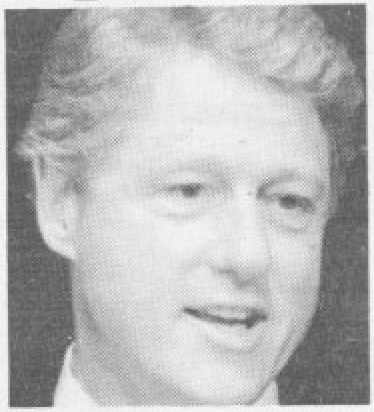
● **Draining the lifeline:** *irrigation with buffalo power, Egyptian Nile*

# Does US Want to Help Africa Trade or Its Own?

**Commerce:** The United States has made it plain that trade must in future replace aid for Africa. But to whose advantage?

By MARK NEWHAM
SPECIAL CORRESPONDENT


Prsident Daniel arap Moi: Played host to US Secretary Ron Brown.


President Clinton: Is he really the author of Africa "initiatives"?


Ron Brown: "America wants to be a partner in development."


Mr Philip M. Crane: To publish alternative policy for Africa.

AT LAST, sighed the businessman, the United States has decided to take Africa seriously. After all, President Clinton has sent none other than his Secretary of Commerce, Ronald H. Brown, to Africa to deliver the message personally. And Mr Brown is the first US Secretary of Commerce to make the trip for 14 years so that has to be good news for Africa . . . doesn't it?

Well, yes, possibly.

There's no denying the United States wants to replace aid with trade. Its aid budget is being carved to ribbons and President Clinton is putting the onus on the private sector to pick up the pieces. In the absence of massive aid inflows "it is only trade and investment that will bring sustainable development and with it jobs and prosperity for the people of Africa," said Mr Brown in Nairobi last week during a five-country, nine-day Africa trip.

"America," avowed Mr Brown, "wants to be a partner in development that extends beyond aid to trade and investment . . . President Clinton has made engagement with

lise world trade. Part of that agreement required the US to pass legislation (section 134 of HR 5110) to draw up a new trade policy for Africa. Fine, it has done just that — Clinton's "Comprehensive Trade and Development Policy for the Countries of Africa" — but why has it taken two years to arrive?

Second, a detailed look at the policy reveals it to be a starting pistol without bullets. The 58-page report contains no budget or schedule for implementation and no achievement targets. What it does contain are "initiatives," 55 of them. But 30 contain the words "continue," "maintain," "modify," "expand and deepen" or some similar expression.

Somehow, this fails to inspire

*'In the absence of aid, only trade and investment will bring Africa sustainable development'*

vance ideas on developing the entrepreneurial spirit of the continent which could lead to the expansion of exports to the US.

Crane is not just a Republican representative in Congress. He's the chairman of the highly influential House Ways and Means Committee. And McDermott is not just the principal author of the African trade section of the US legislation which satisfied the requirements of the Uruguay Round Agreement. He's a Democrat trusted by Clinton to toe the party line.

Clinton is going to be disappointed. Crane and McDermott will in

more goods and commodities to the US than it has imported. By far the biggest export to the US is oil (primarily from Nigeria), accounting for 70 per cent of the total.

One of Clinton's declared objectives is to reduce the US trade deficit with the rest of the world. There is little he can do about trimming African imports, especially oil, but he can balance the flow a little by stimulating sales of US goods and services to the region, re-termed "trade and investment" in the paper Mr Brown carried with him.

Last but by no means least, there is the small matter of 1996 being a US election year. It will do Mr Clinton no harm if he can tell the electorate that the government is doing all it can to promote trade with part of the world

five-year schedule for implementing the policy. In its first years, it showed special concentration on the countries of the Southern African Development Community plus Uganda, Ghana, Gabon and Cote d'Ivoire.

That, in effect, would include Kenya's two partners in the East Africa Cooperation (Tanzania is a member of SADC) but not Kenya itself. Kenya would only be considered as a target for US "trade and investment" in the latter half of the plan's implementation, together with 38 other African countries.

That draft, say US Commerce Department officials, was "discredited and rewritten so as not to exclude Kenya." But Mr Brown still says African development will be hastened through "regional intergration." The regions he has in mind?

Africa a priority of his administration. Africa is important to the US because of the vast economic potential of its people."

Noble sentiments, straight from the White House. But wait a minute. Look at the events which led up to this declaration.

First, in 1994 the US put its name to the Uruguay Round Multilateral Trade Agreement designed to libera- confidence that these "initiatives" owe their origins to the report's drafting team or even to the Clinton administration at all.

Third, the report has not received unfettered support from the Republican-dominated legislature. Two key members of the House of Representatives, Philip M. Crane and Jim McDermott, have expressed disappointment because it fails to ad- April publish an alternative House of Representatives trade and investment policy for Africa emphasising "a simple and straightforward business-oriented approach" to expanding US-Africa trade and investment.

Fourth, there's the plain fact that the United States suffers a big and growing trade deficit with sub-Saharan Africa. Over the last five years, the region has exported $37 billion which is seriously in need of investment and viewed as almost untapped virgin trading territory.

Exports, after all, equal jobs. And it will not have escaped Mr Clinton's attention that fully 15 per cent of the US population can, like Mr Brown himself, trace its origin to Africa.

POSTSCRIPT: Interested parties in Kenya should know that an early draft of the Clinton plan contained a and Monetary Union and, the only one which includes Kenya, the Intergovernmental Group on Development and Desertification (IGADD), in that order.

**•Mark Newham is the East African correspondent of *Business Africa,* a newsletter of the Economist Intelligence Unit, London.**

# US Tells Kenya: Clean Up or Lose Investment

By MARK NEWHAM
SPECIAL CORRESPONDENT

KENYA COULD find itself excluded from African countries with which the United States wants to do business unless it acts decisively against corruption, business malpractice and crime.

On a two-day visit to Nairobi last week, US Commerce Secretary Ron Brown warned, "Companies will not invest if their personnel and families will not be safe in their homes, cars or places of work. It makes no difference what the underlying reasons may be for the crime, it deters investment."

Outlining President Clinton's new trade and development policy for Africa, Mr Brown added, "US business is ready to participate in the region's development, but only if African countries implement democracy and market-oriented reforms."

Companies, he said, now include political, social and human rights, as well as economic, financial and commercial considerations, in their investment decision. The rule of law, too. "The law on the books must be enforced on Friday in the same manner as on Wednesday and in both instances that enforcement must be in full accordance with published regulations," he said. "It is government policy that determines how strong the (investment) fabric will be and how attractive."

During a nine-day Africa tour, Mr Brown is also visiting Cote d'Ivoire, Ghana, Uganda and Botswana.

Kenya, he said, was to be commended for its economic improvement over the last three years; unimpeded progress with the reform programme could generate economic growth exceeding seven per cent. But growth was inextricably linked with investment and investment was seriously threatened by high rates of crime and corruption, warned the Commerce Secretary.

He told top Kenyan government and business leaders that private sector investment was poised to replace shrinking multilateral and bilateral aid as donors cut their aid budgets and the United States was keen to raise its profile in investing in Africa.

US companies currently have $3.5 billion of direct investments in sub-Saharan Africa. Nigeria accounts for a quarter while South Africa has 15 per cent. Direct and indirect US investments in Kenya total $285 million, a figure that has remained stagnant for many years.

The Clinton plan focusses on assisting US companies to penetrate Africa's markets, and the Commerce Secretary has set up a special task force on Africa under his Trade Promotion Coordinating Committee to "identify and remove obstacles to stronger US-Africa trade and investment ties."

The United States, said Mr Brown, was no longer willing to cede the African market to its trade competitors. In recent years, while US trade accounted for under eight per cent of commerce between Africa and the rest of the world, Europe, with its historical links, captured a 40 per cent share. To ensure the United States gets its "fair share of Africa's markets," Washington intends to push for greater US company participation in bidding for a long list of identified contracts worth about $7 billion in sub-Saharan Africa.

Earmarked for special attention are the telecommunications, health care, agribusiness, food processing, power, information technology, infrastructure and environmental technology sectors.

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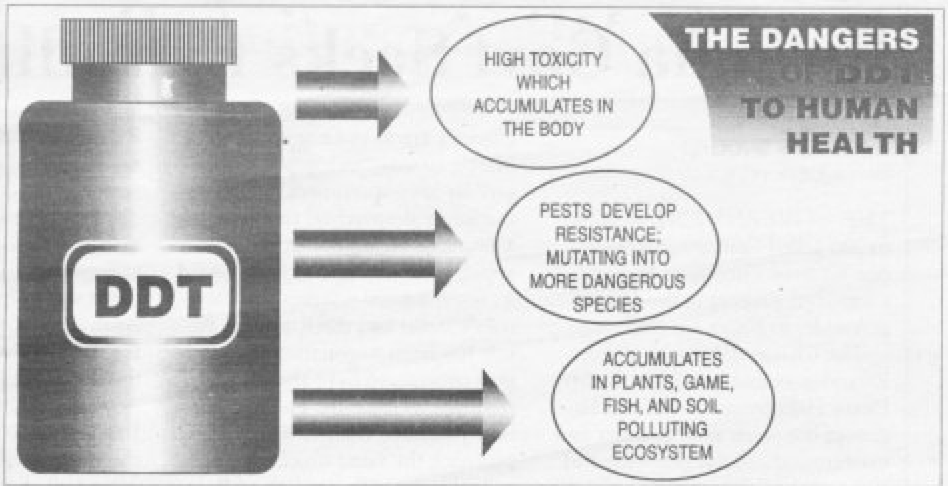


# Toxic Waste Still Lying at the Port of Mombasa

**Danger:** As the deadly cargo ends its third month since it landed in Mombasa, fears are surfacing that perhaps it was meant to go no further

By MARK NEWHAM
SPECIAL CORRESPONDENT

A CONSIGNMENT of potentially lethal toxic waste has remained stranded at the port of Mombasa, despite orders to the firm responsible to ship out without delay.

Kenya Ports Authority's new executive chairman, Mr Robert Brennisen added his weight to the issue last week, and in so doing gave fresh impetus to his clean-up Mombasa port campaign.

The consignment consists of 16 containers, each weighing 40 tonnes of a deadly cocktail of waste chemicals. The containers have been lying at the port for the last three months since arriving from Zanzibar to the UK for disposal.

On the face of it, there is much to commend in the joint Dutch/British project to repatriate to Europe toxic waste built up over the years on Zanzibar.

After all, the chemicals now known to have contaminated the island were produced in the industrialised world and were shipped to Zanzibar to "assist" the island's development. That was at a time when the producers firmly believed, or said they did, that substances like DDT were indispensable in pest control campaigns and were unlikely to cause long-term environmental problems.

These days we know better. DDT is now infamous as a highly toxic chemical with such a lengthy break-down period that traces of some used decades ago in the tropics have turned up in the blood of penguins, having been transported in upper airstreams to polar regions where no DDT was ever sprayed.

zibar to assess the extent of the problem and shortly afterwards began the remediation project. This resulted in the excavation of 300 tonnes of soil contaminated with DDT and dichromate, and packing it in shipping containers together with other redundant substances. Some, like dieldrin and pentachlorophenol, are highly toxic, while others are no more hazardous than expired aspirin.

The whole batch was shipped to Dar-es-Salaam for trans-shipment to the UK. Rechem chose the Liberian-registered container ship mv *Barrister* for the job through Kenya shipping agent Mackenzie Maritime.

*Barrister* loaded the cargo at Dar-es-Salaam on December 16, and according to Mackenzie Maritime managing director, Brown Ondego docked in Mombasa a day later. That, says Ondego, was when the problems started.

The company, he says received information from UK that Egypt had imposed more stringent restrictions on toxic cargoes passing through the Suez Canal, and that the Rechem cargo was now considered too dangerous to be allowed through.

Ondego claims *Barrister* had no option, but to offload the cargo at Mombasa if she was to continue her voyage to the UK through the canal.

That was on December 18. Since then, the 16 containers have been lying at the port's container trans-shipment section. Rechem officials flew to Port Said in Egypt to plead for the containers to be allowed through, without much success.

The cargo attracted little attention for three months, until port union officials complained that fumes from the containers was affecting staff in the section. The Coast Province Medical Officer Dr S. K. Sharif, then investigated the complaints, but failed to establish a definite like between the containers and port

# Toxic Waste Still Lying at the Port of Mombasa

**Danger:** As the deadly cargo ends its third month since it landed in Mombasa, fears are surfacing that perhaps it was meant to go no further

By MARK NEWHAM
SPECIAL CORRESPONDENT

A CONSIGNMENT of potentially lethal toxic waste has remained stranded at the port of Mombasa, despite orders to the firm responsible to ship out without delay.

Kenya Ports Authority's new executive chairman, Mr Robert Brennisen added his weight to the issue last week, and in so doing gave fresh impetus to his clean-up Mombasa port campaign.

The consignment consists of 16 containers, each weighing 40 tonnes of a deadly cocktail of waste chemicals. The containers have been lying at the port for the last three months since arriving from Zanzibar to the UK for disposal.

On the face of it, there is much to commend in the joint Dutch/British project to repatriate to Europe toxic waste built up over the years on Zanzibar.

After all, the chemicals now known to have contaminated the island were produced in the industrialised world and were shipped to Zanzibar to "assist" the island's development. That was at a time when the producers firmly believed, or said they did, that substances like DDT were indispensable in pest control campaigns and were unlikely to cause long-term environmental problems.

These days we know better. DDT is now infamous as a highly toxic chemical with such a lengthy break-down period that traces of some used decades ago in the tropics have turned up in the blood of penguins, having been transported in upper airstreams to polar regions where no DDT was ever sprayed.

Sending the waste back for safe disposal is highly commendable, but the ongoing wrangle over the fate of the containers indicate that the most well-intentioned development project can go awry.

Wanting to make amends for the industrialised world's "development" mistakes of the past, the Dutch Development Co-operation Ministry last year started a project to identify toxic waste dumps in Zanzibar. They then sought make them safe by scooping up contaminated soil and shipping it back to Europe together with vast quantities of out dated-badly deteriorating toxic chemicals.

The Ministry invited tenders for the job and selected Rechem International, a British toxic waste processing and disposal company with a long, if not altogether untarnished, reputation in the business.

Rechem personnel were despatched to Zanzibar to assess the extent of the problem and shortly afterwards began the remediation project. This resulted in the excavation of 300 tonnes of soil contaminated with DDT and dichromate, and packing it in shipping containers together with other redundant substances. Some, like dieldrin and pentachlorophenol, are highly toxic, while others are no more hazardous than expired aspirin.

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The cargo attracted little attention for three months, until port union officials complained that fumes from the containers was affecting staff in the section. The Coast Province Medical Officer Dr S. K. Sharif, then investigated the complaints, but failed to establish a definite like between the containers and port worker ailments.

Nevertheless as a precautionary measure, he ordered the containers to be moved into isolation and called on the KPA to speed up their removal out of the port and out of country.

In the meantime, pre-shipment cargo inspector SGS examined the containers, and ordered a substantial re-packing and re-labelling before approving its shipping.

But finding a ship to get the cargo out has so far proved impossible. This worries Dr Sharif. He is far from reticent in suspecting foul play. "It's possible," he says, "that someone doesn't actually want this cargo to arrive in the UK. It looks like somebody dumped it here." That he suspects is the reason why the cargo has lain untouched in Mombasa for three months. And now it has been noticed, those responsible can't pass the muck quickly enough.

•**Toxic gas kills stowaways — Page 27.**

# UN Sends Team to Probe Multi-Million Kenya Fraud Claims

23 Sept 1996 EastAfrican.

By MARK NEWHAM
SPECIAL CORRESPONDENT

ALLEGATIONS OF fraud and corruption involving millions of dollars at Nairobi's United Nations base have prompted the UN's New York office to despatch a top-level investigation team. Unlike past inquiries, Kenyan authorities will be involved.

Heading the four-person mission is Under-Secretary-General Karl Theodor Paschke, chief of the UN's Office of Internal Oversight Services. The team is setting up an audit unit at Gigiri, Nairobi, location of the prime UN agencies UNEP, Habitat and UNON, to examine documents, interview staffers, trace missing funds, highlight waste and recommend a failsafe reorganisation.

Paschke arrived last week and held meetings with Attorney General Amos Wako and Police Commissioner Shedrach Kiruki to outline his plans and secure permission to carry investigations into non-UN areas. Both promised full co-operation. A former Kenya police superintendent, Jesse Ngari, who is with the UN in New York, will liaise with Kenya's police. The involvement of Kenyan law enforcement follows the failure of previous UN investigations to bring culprits to book.

Gigiri staffers are already anxious about their future as the world body seeks to impress the United States as a lean and efficient organisation. A 25 per cent cut in UNEP's budget for 1996 and 1997 has already claimed the jobs of one tenth of the workforce and more redundancies are expected.

UN agencies in Kenya have been periodically subject to investigation. Early last year it was discovered that extensive budget-siphoning had been going on for more than two years at the UNICEF Kenya country office. The fraud, involving irregular tendering, cost the children's agency $10 million and eventually almost all the 100-plus staff were suspended, including two former UNICEF chiefs.

However UN sources say no suspects have been prosecuted, the money has not been recovered and the system has not been restructured to prevent future frauds. The UNICEF audit team which uncovered the fraud is reported to be back at the Gigiri offices checking the books again.

Reports have been circulating at Gigiri of similar occurrences within other agencies and of individuals awarding consultancies to "ghosts" and siphoning-off fees in the six-figure range.

Mr Paschke's report is due by the end of the year and will contain recommendations designed to reinforce the whole UN programme.

In an interview with *The EastAfrican,* Mr Paschke was asked about Nairobi's future as a UN headquarters. He said, "The UN has to have at least one HQ in the developing world and why shouldn't it be Kenya? All the necessary ingredients are here. There are obstacles which need to be overcome, primarily security and communications. There are visible signs that these questions are being addressed. I, for one, would not advocate at any moment that Nairobi would have to be called into question."

Many UN workers do not express similar confidence. As one put it: "The operation here has already been cut to the bone. If cuts continue, there'll be nothing left."

The United Nations as a whole has been under severe pressure from the right-wing US Congress to cut down on spending, eliminate waste and fraud and prove its efficiency at all levels.

# Now Japan Joins 'Get Tough On Kenya' Campaign

EAST AFRICAN 22/5/95

■ **Aid and Reform:** The powerful Japanese have joined hardline donors in demanding a better performance from Kenya on its pledges of improved governance

By MARK NEWHAM
SPECIAL CORRESPONDENT

JAPAN HAS joined Germany and Denmark in their campaign to force Kenya to return to serious reforms. High-ranking officials at the Japanese embassy in Nairobi have confirmed the Tokyo government's decision to withhold from Kenya a total of 74.0 billion yen (Ksh47 billion) in grant aid and loans while abuses of reform pledges continue.

Japan has already granted Kenya 2.0 billion yen (Ksh1.28 billion) this year in balance of payments support. But a further 4.4 billion yen (Ksh2.8 billion) in grants for bridge-building, sewage works rehabilitation and food production projects have been frozen and could be cancelled.

It is the suspension of loan aid which will hurt Kenya most. Altogether Japan is on the verge of lending Kenya almost 70 billion yen (Ksh44 billion) for a number of large-scale projects. Consideration of projects and funds will remain frozen, say Japanese officials, "until we see an improvement in the behaviour of the government."

The suspension will hit Kenya's plans to improve its telecommunications network, construct a Nairobi bypass, modernise KBC facilities, upgrade Mombasa Airport and build new power plants. All projects – proposed by the government to Japan as far back as 1990 – are frozen at least until July 24 when the Paris Club of donors meets to consider Kenya's reform progress.

Japan's concerns echo those voiced by Germany, Denmark and to an extent the World Bank, namely increasing harassment of opposition politicians, the Press and NGOs; failure to rein in corruption; tardiness and lack of transparency in parastatal privatisation.

Germany began the pressure campaign publicly in mid-April by slashing its aid budget to Kenya. Figures reveal a cut from DM125 million (Ksh3.3 billion) for 1993 and 1994 to just DM49 million (Ksh1.9 billion) for 1995 and 1996, with funds earmarked solely for technical aid projects.

At the end of April, Denmark declared that disbursement of 130 million Kroner (Ksh1.3 billion) for 1995/96 depended on improve-

Page 2 - Col 1

# Japan Joins Hardline Donors in Get-Tough Stance against Kenya

**From Page 1**

ments in Kenya's political and economic record.

The World Bank then suspended consideration of loans totalling $260 million following the report of an International Monetary Fund mission to Kenya in March. The team, headed by Mr Hiroyuki Hino, IMF Assistant Director of the Africa Department, and currently back in Kenya again, was troubled by the recent record on economic reforms and privatising parastatals.

The suspended funds are earmarked for repairs to the Nairobi-Mombasa road ($50 million), repair and rehabilitation of urban transport ($110 million) and projects in the energy sector ($100 million).



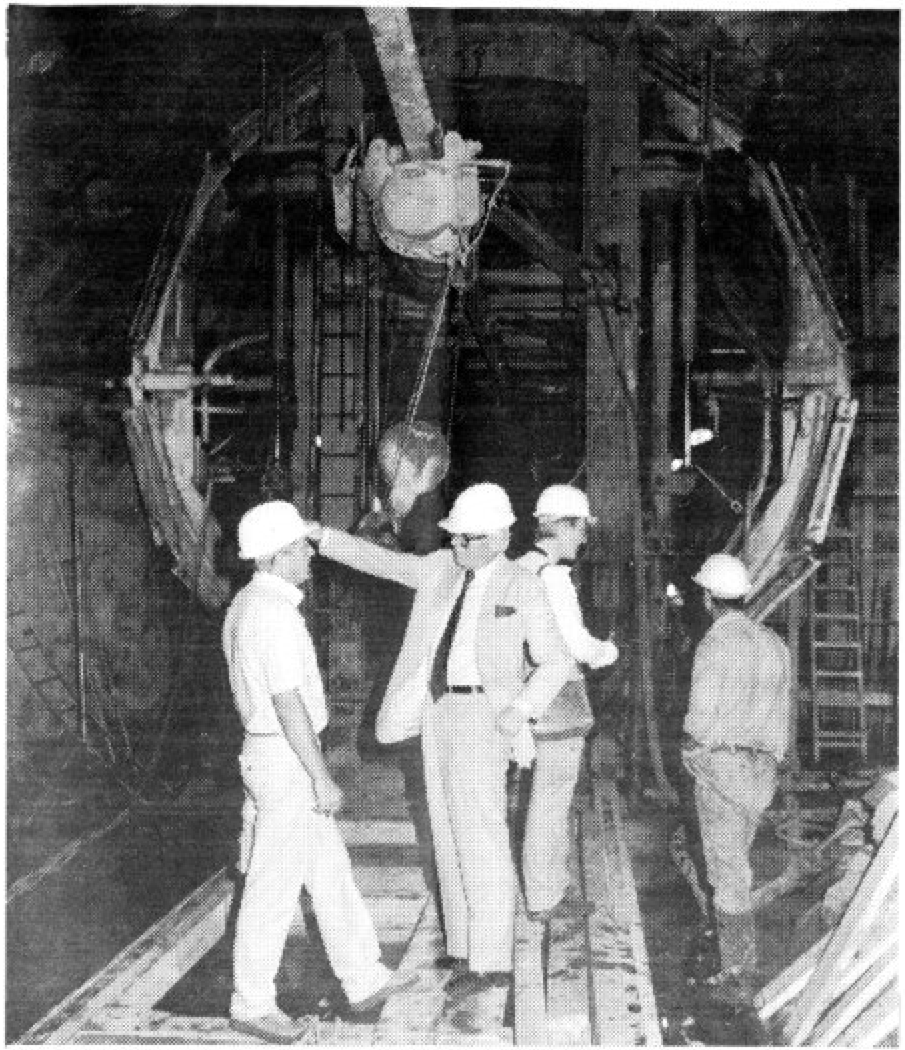
Bank officials say no Board date has yet been allocated to consider the first two projects while the $100 million credit line for the energy sector is still under discussion at policy level. Release is conditional on privatising power generation.

while the number of donors determined to pressure Kenya over reform is swelling, two prime donors have yet to openly add their weight to the campaign.

The US position has has changed little publicly, though a Nairobi embassy spokesman describes the situation as "worrisome." The US aid budget for 1994 and 1995 remains at $18.2 million plus about $2 million in food aid and the Americans maintain their suspension of balance of payments support to Kenya, first applied in 1991.

Britain – along with France – is widely thought to have taken a comparatively "soft" position. However, aid specialists noted that Britain's Foreign Office Minister, Mr Tony Baldry, early this month warned that aid was dependent on "further progress towards democratisation." He said his government was concerned over "the Kenya/UNDP programme (on resettlement of victims of ethnic violence), the frustration by some officials of legitimate political activity, the arrests of opposition MPs and corruption."

Britain's support to Kenya has not officially been suspended even



Japan's aid suspension will hit plans to boost power generation.

though figures supplied by the High Commission in Nairobi show that less than half of the $31.3 million (Ksh2.6 billion) committed for 1993/94 has been finalised and only $4 million of that has been disbursed to projects. No figures are yet available for 1995/96, indicating a lack of enthusiasm in sinking further aid into Kenya while the current reform backtracking lasts.

The addition of Japanese muscle to the reform campaign is highly significant. Human rights and democratisation do not generally feature high on Japan's priorities for aid disbursement, commercial and economic concerns being given greater prominence.

This change in policy indicates uncharacteristic concern by the Japanese, underlining donor worries that Kenya's reform programme is coming seriously unstuck.

AFRICA

# First African carrier takes off for market

## By Mark Newham, Nairobi

THE BIGGEST public share offering in the history of Kenya and East Africa is under way with the flotation of over half the stock of state-owned Kenyan airline **Kenya Airways** (KA).

The sale of 235 million KA shares opened on 25 March and is set to close on 19 April raising over KSh2.6 billion (US$47 million) for the Treasury. This pales when compared with the $400 million raised from the sale of Ghanaian government stock in Ashanti Goldmines in 1994, but is still one of Africa's biggest-ever share offerings.

At KSh11.25 per share, KA says the stock is being sold at a discounted price to attract local investors. Of the 51% of KA stock on sale, 34% are being reserved for Kenyan nationals and institutions, three per cent are for KA staff and 14% are earmarked for overseas investors. The government has set a lower limit of 500 shares per application, but no upper limit.

Two aspects of the sale will make this an especially attractive flotation, say financial analysts in Nairobi. The company has achieved a startling turn-round in its financial fortunes in the three years since it embarked on a restructuring programme and a quarter of its equity is now held by the Dutch national airline KLM.

From a KSh54 million loss in 1991/92, KA soared to pre-tax profits of KSh237 million in 1992/93, KSh662 million in 1993/94 and KSh886 million in 1994/95. The acceleration rate shows no sign of slackening. Half-year pre-tax profits for 1995/96 exceeded KSh1 billion and are forecast to reach KSh1.7 billion for the full 12 month period. Exchange losses and taxation (the first time KA will have had to pay tax) is expected to reduce this to KSh1.0 billion.

In the past, losses incurred have meant no dividend has ever been paid. This should change for the 1996/97 period with the board considering paying a dividend of 40% of profits after tax.

According to Airline Business Magazine, KA recorded the largest passenger increase per flight of any airline in the world last year and had the fourth largest increase in net margin over sales.

It is this phenomenal improvement in the company's performance that has attracted KLM to the Kenyan airline. While British Airways and others dallied, KLM came in late last year with a bid the government found hard to refuse. The Dutch airline offered KSh1.6 billion for 26% of KA stock and promised not to offload its shareholding for at least five years.

That gave the government the impetus to finalise its privatisation plan for the airline in which the state's holding will be reduced to 23% after the flotation. This holding is largely composed of debt equity realised when the state took over responsibility for KSh6.2 billion of KA's debt in late 1994.

The debt write-off gave KA the leeway it needed to complete its restructuring—carried out by the British Airways subsidiary Speedwing —turn loss into profit and to announce late 1995 that it had been able to repay KSh1.1 billion of external debt from its own resources and no longer needed government financial support.

The declaration has clearly impressed potential investors and the flotation is now expected to be heavily over-subscribed says John Munge of one of the offer's lead sponsoring brokers, Shah Munge and Partners. Munge claims all 60,000 prospectuses and application forms printed were taken up within the first two days of the offer opening and another print run has been ordered.

With this level of interest, and many applications likely to be unsuccessful, Munge believes a thriving secondary market is anticipated with shares attracting a 50 or 60% premium when KA shares begin to be traded on the Nairobi Stock Exchange (NSE) on 3 June.

The new share issue is expected to buoy investor confidence which slipped badly during 1995 due to a complete absence of new flotations on the NSE. This produced a 25% slide in both the NSE index and the total capitalisation of quoted companies.

Few foresaw the slump at the beginning of 1995 when all eyes focused on an expected surge in foreign interest in Kenyan stocks. Greater participation by foreigners was headlined as a virtual certainty following a relaxation of rules governing the extent of their investment portfolios in Kenyan companies.

But that surge refused to materialise and the absence of any new flotations during the year produced little equity-purchasing enthusiasm among either foreign or local investors.

April 4, 1989

* 680 words
* A photograph of Njala Suwiti

NOW NJALA CAN "SEE" A DREAM COMING TRUE

Blind since he was a baby, Njala Suwiti of Malawi has discovered a reason for living. He is learning to be a farmer, and is looking forward to the day he can set up a home of his own, with crops and livestock to support a wife and children.

By MARK NEWHAM
Compass News Features

MULANJE, Malawi -- For the past 20 years, virtually all his life, Njala Suwiti has been a burden on his widowed mother.

Measles blinded him as a baby, and throughout his childhood and adolescence he lived with the belief that his only contribution to the family would come from coins he could beg in the street.

He never imagined that one day he might be an asset.

(more)

WEST AFRICAN DEVELOPMENT BANK

# BOAD seeks funds for West Africa six

MARK NEWHAM looks at the plans of the West African Development Bank as it seeks funds for its member states.

The West African Development Bank is seeking CFA22bn ($45m) to fund planned development projects in six West African countries up to 1986/87.

Known in the region as the Banque Ouest-Africaine de Développement (BOAD), the Lomé-based bank has already disbursed nearly CFA43bn to 64 projects in the region and requires the extra funds to complete its CFA65bn spending programme over the 1976–87 period.

The bank has funded an average of eight projects per year, and 20–25 new projects are due for funding through the bank up to 1987.

### Help from international agencies

BOAD's directors are seeking the funds from international aid agencies and institutions which have already lent to BOAD's earlier projects at preferential rates. The agencies include the Swiss, German and Dutch governments, France's Caisse Centrale, the European Investment Bank and the Arab Fund for International Development.

In addition, the bank's president, Abubakar Baba Moussa, has opened negotiations with the governments of Sweden, Denmark, Finland and Iceland to secure loans for the bank and is confident that at least part of the required amount will come from the Nordic countries.

Once the full amount is secured, the bank will then loan the funds to six of the seven member-nations of the bank, Togo, Senegal, the Ivory Coast, Burkina Faso, Niger and Benin. But Mali, the seventh member which only joined the group last June, will not receive any funding until the bank receives from Mali the CFA5bn each member-nation must deposit with BOAD before becoming eligible for loans.

### Different interest rates

The membership fee from each member-state is required to make up the bank's authorised capital, which now stands at CFA68.5bn. The remaining CFA 31.5bn of the total CFA100bn BOAD requires for its capital has yet to be found, although the bank's secretary-general, Yacinthe Yameogo, says negotiations are in hand with international institutions including the World Bank to raise the full amount.

Funds are lent to projects along two distinct lines. Those likely to show modest returns on investment over long periods attract interest rates of 6.5%, while the short-term projects likely to show a quicker return on investment carry 11% interest.

Long-term projects include rural development, which receives 35% of BOAD's yearly loans; infrastructure developments, which get 10% of the funds; and funding for regional development banks, which receive 10% of the total lent by BOAD annually.

Energy and communications projects, which receive 25% of BOAD's yearly loans, and industrial developments, which are allocated 20% of the loans, are classified by the bank in the short-term payback bracket.

In the eight years of funding to date, BOAD claims never to have had a default by a member-state on repayment and has never been forced to reschedule its debt to the donor countries. According to finance director Mohamed Askia, BOAD has achieved this remarkable operating record by "stringent and professional banking practices".

Although BOAD started lending to member-states only in 1976, it was formed in 1973 as a branch of the West African Monetary Union, with the aim of helping bridge the gap in economic development between its members.

Besides the CFA5bn membership fee required from each member, the bank's capital has been provided by the West African Central Bank (BCEAO) with CFA35bn, from France with CFA2bn, from West Germany with CFA1bn and from the European Investment Bank with CFA500m ■

*Development projects like this grain scheme are where BOAD wants to put its money.*

**BOAD LENDING SINCE 1976**

| Member | Amount (CFAbn) | Number of projects |
|---|---|---|
| Benin | 12 | 12 |
| Burkina Faso | 8.7 | 13 |
| Ivory Coast | 5.3 | 7 |
| Niger | 8.3 | 11 |
| Senegal | 7.8 | 14 |
| Togo | 3.9 | 7 |
| Total | 46* | |

* Of the total, CFA43bn has been disbursed and CFA3bn has been approved but not yet disbursed. Mali, the newest member, will not be eligible for funding until it pays its CFA5bn in membership fees.