

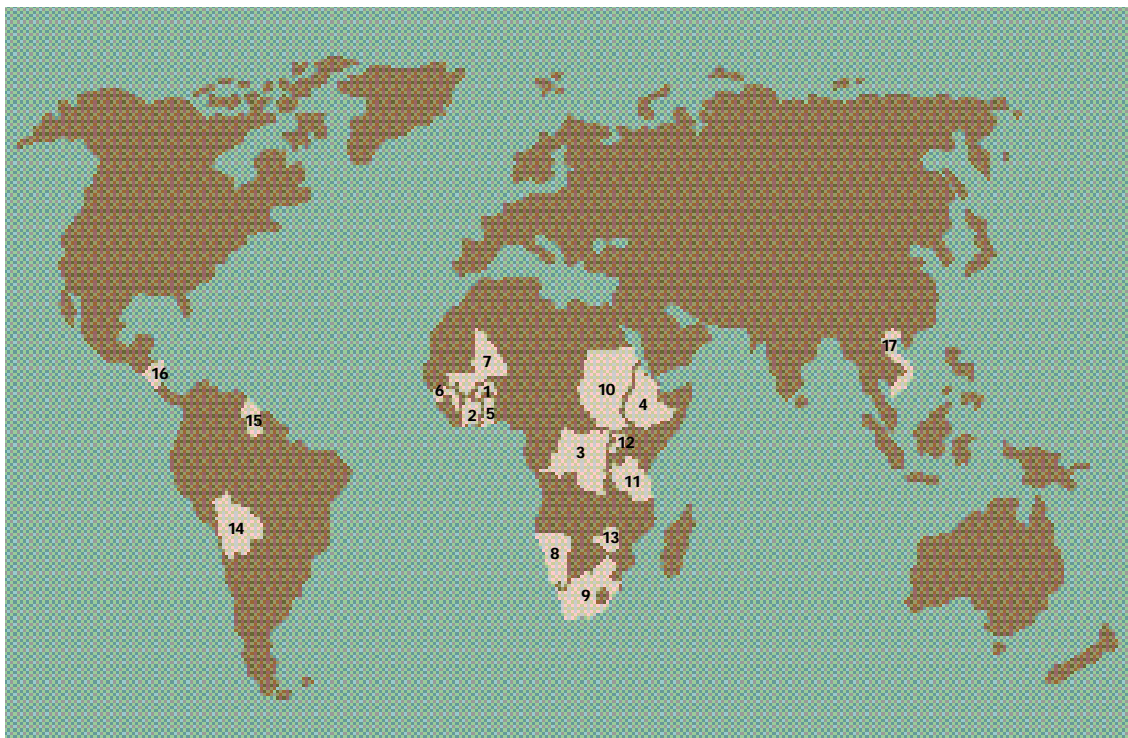
A Glittering Future?

Gold mining's importance to sub-Saharan Africa and Heavily Indebted Poor Countries



WORLD GOLD COUNCIL

Key countries covered in this report



Key

1. Burkina Faso
2. Côte d'Ivoire
3. Democratic Republic of Congo
4. Ethiopia
5. Ghana
6. Guinea
7. Mali
8. Namibia
9. South Africa
10. Sudan
11. Tanzania
12. Uganda
13. Zimbabwe
14. Bolivia
15. Guyana
16. Nicaragua
17. Vietnam

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1. Summary

- One of the overlooked consequences of the recent gold price fall has been a setback to the development of some of the world's poorest and most heavily indebted nations.
- Of the world's 41 Heavily Indebted Poor Countries (HIPCs) more than 30 are gold producers with at least 12 producing in excess of 3 tonnes a year. Production is rising in a number of HIPCs and the group's total output is likely to be around 200 tonnes, on cautious estimates, in the year 2000, generating, at the price prevailing in mid-May 1999, more than \$1.6bn in export revenues.
- In 9 HIPCs, gold accounts for at least 5% of export revenues with around 5 countries likely to join this group in the near future, and possibly more in the medium term. In some countries – Ghana, Guyana and Mali – gold accounts for more than a fifth of export revenue; Guinea and Tanzania are likely to join this group shortly.
- Sub-Saharan Africa, which includes 33 of the 41 HIPCs, currently produces 25.1% of the world's gold. Three-quarters of this – 18.5% – is produced by South Africa but the share of global output of the remaining countries has doubled since 1990.
- In sub-Saharan Africa, gold comprises 7.8% of total exports of goods; discounting South Africa, 2.5%. In round terms, gold earns sub-Saharan African nations almost \$7bn a year in foreign revenue.
- The damaging effect of the gold price fall on these countries goes far beyond the immediate impact on export revenues. Gold-mining's multiplier effects bring additional jobs, wages and government taxes. Mining facilitates the growth of legal, physical and financial infrastructure.
- Gold mining is sometimes one of the few available channels for diversifying a country's exports and production, which in turn is often a critical stage in the development process.
- The paradox is that the future growth of these nations is being undermined by precisely those who wish to proffer a helping hand – the International Monetary Fund and the governments of some well-developed countries.
- With the threat of gold sales from the IMF, Switzerland and the UK, the price of gold has fallen sharply. Key members of the IMF have said they wish to see it sell as much as 311 tonnes of its gold to fund debt relief.
- Sales and the threat of sales by central banks and the official sector are the single biggest factor preventing a price recovery. This represents a major obstacle to the expansion of gold mining in underdeveloped nations, and thus diminishes opportunities for genuine, long-lasting and sustainable economic growth in gold-producing HIPCs.

2. Introduction

The original intent of this study was to extend the knowledge and understanding of the rapidly growing global gold mining industry. Work on it began long before the recent flurry of activity in gold holdings in the official sector. It now has a much more timely relevance, however, following the announcements by the Swiss National Bank, the IMF, and the UK Treasury, that they each intend to sell some gold from their reserves. This report clearly and comprehensively details the current and potential economic importance of gold mining to many of the world's poorest nations. It also identifies the threat posed to those nations' economic prospects if their burgeoning indigenous gold mining activities are endangered by a low and falling international gold price. It is thus an analysis of the situation as of mid-1999, and a pointer to the future.

The study examines the economic importance of gold mining in two overlapping groups of countries: those in sub-Saharan Africa and those belonging to the 41-strong group of Heavily Indebted Poor Countries (HIPC), eight of whom are not in sub-Saharan Africa.

The HIPC concept was introduced in September 1996 by the International Bank for Reconstruction and Development (more commonly known as the World Bank) and the International Monetary Fund. They define a HIPC as a country whose external debt burden is unsustainable. This IMF/World Bank initiative renders a HIPC potentially eligible for debt relief, conditional upon the country concerned fulfilling specified IMF policies. Most, but not all, sub-Saharan African countries are HIPC.

The importance of gold mining in developing countries generally, with the notable exception of South Africa, is little known or understood. There are several reasons for this. First, the amount of gold mined is, in many cases, only a very small part of global output. To the international gold market, a small country's production may be of limited importance. However, the economies of developing countries are also small. Relative to their size, a few tonnes of gold output annually can be of crucial importance to export earnings and infrastructural development.

Second, the development of a gold mining industry is often comparatively recent. In the past many developing countries resisted foreign investment while in others economic policies or conditions rendered countries unattractive to foreign investors. During the past decade these circumstances have changed in many of the countries under review, often under the auspices of the IMF or World Bank. Many of the countries in this study have recently become more attractive to overseas investors. Exploration by mining companies of promising areas has followed, sometimes resulting in mining developments. This trend is set to continue, though given the recent fall in the gold price, a question mark hangs over what might otherwise be a glittering future.

The economic benefits of gold mining

The introduction of a viable mining industry is for many countries a seminal point in the development process, facilitating the shift from agrarian weakness to industrial strength. Mining can spur the growth of a more formal element to the economy and trigger the extension of physical, financial, administrative and legal infrastructures. The gold rushes of the last century played a significant role in the evolution of parts of the US, Canada and Australia. Gold mining has been central to the development of South Africa. Today gold is playing, or is capable of playing, a similar role in a number of developing countries.

Most developing countries face serious shortages of capital and infrastructure. Often they are rich in non-renewable natural resources, such as minerals, but financial and technical constraints oblige them to seek foreign capital – usually in the form of direct investment – to exploit those resources. Heavily indebted developing countries are unable readily to access international debt markets and often lack the technology to develop mines. The development of gold mines by means of foreign direct investment yields clear and immediate benefits including:

- foreign exchange earnings from exports
- inflows of foreign direct investment and associated high technology
- a higher rate of capital formation
- provision of physical and human infrastructure associated with mining projects
- higher fiscal revenues as a result of royalties and taxes
- higher employment
- higher effective demand
- assistance in the development of a legal, financial and administrative infrastructure.

Mining is a source of exports –

Many countries in this study are struggling to diversify from being largely dependent upon one or two traditional exports (usually agricultural commodities). Agricultural commodity prices have for at least a decade been in decline. Agricultural output also fluctuates with the weather. There are also extensive barriers to access of such commodities in much of the developed world. Possibilities for developing significant manufacturing are constrained by the lack of needed educational and skill levels and by absent transport links, among other factors, while tourism also requires an adequate physical infrastructure. The development of mining is less demanding. Gold has provided much needed export diversification in some countries, helping to maintain a balance on external payments and in the financing of imports without accumulating more debt.

It is sometimes argued that the beneficial effect of additional mining exports is offset by profit remittances borne by the companies involved. This may offset export earnings to some extent but examination of balance of payments data suggests that the offset is not generally great.

– of government revenue

Governments in developing countries tend to have narrow tax bases. Reducing the budget deficit, generally mandated under IMF-sponsored relief programmes, while at the same time refocusing spending on the provision of education and health, is a key priority.

While broadening the domestic tax base by bringing more economic activity within the scope of taxation is desirable, it is not a realistic prospect in the short or even medium term in many of the countries in this study. In the meantime they tend to depend on indirect taxation, particularly taxation on trade, which can distort prices and provide disincentives to exporters. Taxation and royalty payments arising from gold production and exports can play a key part in maintaining and supplementing government revenues.

– of investment

The scarcity of investment resources in many developing countries – thanks to low savings rates and underdeveloped financial sectors – puts a premium on the use of foreign capital to raise the technological level of the economy as a whole. Investment in mining and in associated infrastructure has a potentially important role. Many of the countries included in this study are heavily dependent on aid, particularly as a source of much-needed investment. The revenues that accrue to the government as a result of investment in gold mines and the ancillary infrastructure free aid funds for other purposes. The transport infrastructure associated with a mining project can at times open up a previously remote area of a country.

– and employment

While formal gold mining is not a particularly labour-intensive activity, especially in high-technology mines, the industry provides many direct and indirect employment spin-offs. Wages in formal mining are generally considerably higher than average wages in the countries concerned. This undoubtedly raises effective demand in the economy as a whole through various multiplier effects.

Much gold output in poorer countries is informal or artisanal. It is often difficult to track as the resulting output may be smuggled out of the country and does not necessarily show up in export statistics. Unlike formal mining this is a labour-intensive activity. Numbers employed are substantial and are often drawn from the poorest sections of the population.

Developing countries seek investment

There are issues which have to be addressed when considering substantial mining developments, including environmental impact and the adaptation needed by existing operators when mining is put on a more formal basis. Development is not cost-free, but the benefits accruing from a viable and properly run mining development normally far outweigh disadvantages.

Most developing countries now have very liberal investment regimes governing exploration and mining. As competition for foreign capital intensifies, countries which experience difficulties in borrowing abroad because of already unmanageable levels of external debt are pinning high hopes on attracting private capital flows, in the form of foreign direct investment in resource extraction activity.

The fall in the international price of gold

The recent gold price slide started in the last few months of 1996. In 15 months it fell by more than \$90 per oz, from a monthly average of \$381 in October 1996 to \$289 in December 1997. Throughout 1998 the price remained comparatively stable, in the \$285-305 range, but during March-May 1999 it dropped again on renewed threats of IMF gold sales and the announcement of future UK official gold sales.

The price collapse occurred despite buoyant demand. Demand for gold in 1997 was 4,228 tonnes according to Gold Fields Mineral Services. Newly mined gold amounted to 2,480 tonnes. Scrap recovery was 629 tonnes. Thus demand exceeded the sum of newly mined and scrap gold by 1,119 tonnes. Even in 1998, when exceptional levels of gold scrap were produced as a result of the dishoarding in south-east Asia, demand still outstripped new supply and demand was only temporarily hit, recovering, according to WGC data, to reach an all-time record by the fourth quarter. It was movements in above-ground stocks that caused the steep fall in price in 1997.

1997 saw increased short-selling driving the price of gold downwards. While various factors inspired this, the primary reason is agreed by most analysts to have been fear of sales by central banks and other monetary authorities which undermined confidence in the price. Official gold holdings in the world amount to more than 33,000 tonnes, according to IMF data. The true total will be somewhat higher since not all official holdings are reported to the Fund. This is around one quarter of all the gold thought to be in existence above ground. What happens to it is of great interest to the gold market.

In the 1990s central bankers in some countries started to seek higher returns from reserve holdings. While gold leasing offered them a route to make some return from gold, the returns were smaller than with many – though not all – assets. Thus, in a few countries, there has been a move to sell some gold and transfer the proceeds to currency holdings. The number of countries concerned is small – only five¹ have so far sold major amounts of gold. Switzerland has also signalled its intention to sell up to 1,300 tonnes of gold over a long period, subject to certain legal and political hurdles being overcome. Concern over the possible actions of official holders remains a powerful factor.

¹ Argentina, Australia, Belgium, Canada, the Netherlands

Consequences for producing countries

The most obvious effect of the fall in the gold price on producing countries was a reduction in export earnings. The effect of the near \$100 fall in price during 1996-97 on the countries in this study was to reduce 1998 merchandise export earnings by 2%. Most of the loss – around \$1.84bn – affected countries in sub-Saharan Africa, with other HIPCs suffering a loss of around \$0.1bn. If South Africa is excluded, the loss for the remaining African countries was around \$0.4bn.

Serious as this was, some of the domestic consequences were partly mitigated for many developing country gold producers by currency depreciations against the US dollar. Thus, although export revenues were less than they might have been, the domestic taxes arising from gold production were not reduced in the same proportion. The fall in revenue was partly matched by an effective fall in operating costs in dollar terms.

But there is ample evidence demonstrating that the fall in the price of gold in US dollar terms has already caused the closure or scaling-down of gold-mining projects in several countries, with consequent job and revenue losses. Projects in a number of countries have been abandoned or delayed because of the recent falls in gold prices. If the price slips still further, the deterioration in the economic health of gold-rich developing countries can only worsen.

For many developing countries the gold mining currently underway is only a fraction of the potential. Many projects are still under exploration; if deferred as a result of low international prices, the developmental opportunity costs will be considerable. The multiplier effect of such a negative consequence is probably incalculable. In extreme cases the funding and implementation of the whole process of economic reform may be put at risk.

If gold prices were to stabilise at a new, lower level, then the viability of projects could at least be assessed. But if there is a perception that prices might continue to fall, mining companies will be reluctant to pursue projects which are of marginal viability at the current gold price. Prolonged uncertainty about the outlook for gold prices is potentially as harmful to investment in gold mining as the fall in price that has already occurred.

In these circumstances the reawakened uncertainty about gold prices caused by consideration of IMF and Swiss gold sales and, recently, the surprise UK sale announcement of 415 tonnes, could undermine the development of several HIPCs. The IMF is being urged to sell various quantities of its gold holdings – the two most usual figures quoted are 5m oz (156 tonnes) and 10m oz (311 tonnes). The profits from this over the IMF book value (\$42.22 per oz) would be reinvested in interest-bearing assets and the yield applied for debt relief purposes. At prices ruling in mid-May 1999, the profits gained from these sales would be rather under \$1.2bn for 5m oz and \$2.35bn in the case of 10m oz. If interest rates earned are assumed to be around 5% – the current rates on US short-dated bonds – under \$60m and \$120m per year respectively would be generated by these sales. These are small amounts. The following table shows forecasts of HIPCs' gold production and exports in 2000. With a gold price of around \$280 an oz., their export earnings would be in excess of \$1.66bn. A \$10 fall in the price would result in a \$60m loss in export earnings. For non-HIPCs in this study, including South Africa, the loss would be more than \$150m.



Key HIPC gold producers – estimated production and export revenue in 2000²

Countries where gold is, or is likely to be, at least 5% of exports:			
Country	Projected production (tonnes)	Projected export earnings (\$m)	Basis of assumptions
Bolivia	17	100	Current levels of production and export earnings
Burkina Faso	5	41	Poura mine scheduled to reach full capacity in 1999; government forecast output in 2000, 6.0 tonnes
DR Congo	6	12	Assuming some recovery in output and formal export earnings but not to full peacetime level
Côte d'Ivoire	3	25	Current output
Ethiopia	5	41	Some increase over current output assumed. Government expects output to rise to 30 tonnes eventually
Ghana	73	660	1998 output level
Guinea	14	160	Allowing for production from new Ashanti mine (Siguiri) opened in 1998
Guyana	15	120	1998 output level
Mali	22	181	1998 output level – but output likely to expand
Mauritania	1	8	Much exploration underway but main impact likely to be post-2000
Nicaragua	5	36	Government forecasts suggest output likely to be 6 tonnes by 2000
Sudan	6	50	Current output assumed although prospects for increases in output are considered to be good
Tanzania	20	170	Golden Pride mine opened in February 1999; Bulyanhulu (and others) to follow. Government forecasts expect 26 tonnes of gold exports by 2001
Uganda	2	20	WGC estimate
Other HIPC countries	5	41	
TOTAL	199	1,665	

The gold price fell by \$9 in mid-March following statements by Presidents Chirac and Clinton supporting IMF gold sales. It recovered slightly afterwards but fell again following the announcement of the proposed UK gold sales. In all the gold price fell by some \$20 between mid-March and the end of May 1999.

Other developing countries which are major exporters would also suffer. These include notably Fiji, Krygyz Republic, Papua New Guinea, Peru and Uzbekistan, in all of which gold accounts for 5% or more of exports.

The conclusion is clear. Simply by proposing to sell some of its gold to help HIPC debt relief, the IMF has already done more harm than good to the countries in this study; the UK Treasury's plan to sell some gold has compounded the problem. Developing countries do not need this sort of help.

² It is assumed, except where specified, that 90-95% of production is exported, and that the gold price is around \$280 per oz

3. Gold mining in sub-Saharan Africa

Sub-Saharan Africa currently produces 25.1% of the world's gold, according to GFMS. Nearly three-quarters of this comes from South Africa. South Africa is still the world's largest gold producer but its share of the total is gradually declining as output grows in other countries and its own production falls. However the share of the remaining countries in the area has doubled since 1990, from 3.3% to 6.6%. Many of the continent's gold resources are underexploited and many probably still wait to be discovered. Gold consumption in Africa is small so that nearly all output is exported either formally or through parallel channels.

Institutional and political circumstances have, until recently, not favoured the foreign investment needed for exploration and mining development in many countries of this continent. Until recently there were only four major gold producers: South Africa, Zimbabwe, Democratic Republic of Congo (formerly Zaire), and Ghana. Even the development of the Ghanaian gold mining industry in its modern form is relatively recent, dating from the 1980s.

There was always, however, a strong tradition of artisanal mining in many areas. The World Bank estimated that some 40% of sub-Saharan African production outside South Africa came from this source in 1989 – equivalent to about 30 tonnes. Much of this gold is smuggled, reaching European refineries by parallel routes, and does not show up in official data.

In 1997, gold exports amounted to an estimated \$6.8bn in sub-Saharan Africa. Since total merchandise exports from the region were \$87.1bn according to the World Bank, gold accounted for 7.8% of the total. If South Africa is excluded, gold exports amounted to \$1.4bn, 2.5% of the total \$56bn. The value of South African gold exports would have fallen in 1998 due to the fall in the gold price and some reduction in output. But in the other countries of the region, taken together, the value of exports may have been little changed from 1997 with substantial increases in output in some countries offsetting the fall in price.

The following table summarises, for key countries, gold output, gold exports, and gold's contribution to both overall exports and debt service. Gold is already more than 5% of exports in most of these countries and more than a third in both Ghana and Mali.

Gold in sub-Saharan Africa

	Output 1997 (tonnes)	Output 1998 (tonnes)	Merchandise exports, 1997 (\$m)	Gold exports 1997 (\$m)	Gold exports as % merchandise exports	Gold exports as % debt service
Burkina Faso	2.3	2.7	397	18a	4.5	38
Côte d'Ivoire	4.0	3.4	4,085	20a	0.5	2
DR Congo	9.6	4.8	1,395	11	0.8	22 ^a
Ethiopia	2.8	2.9	604	15 ^a	2.5	3
Ghana	55.7	73.3	1,511	593	39.2	97
Guinea	7.1	13.1	797	100 ^a	12.5	14 ^a
Mali	17.1	22.0	562	202	35.9	272
Namibia	2.3	1.9	1,441	27	1.9	na
South Africa	492.5	473.8	30,935	5,398	17.4	na
Sudan	4.7	5.7	580	49	8.4	86
Tanzania	5.3	5.5	717	2	0.3	1 ^b
Uganda	na	na	671	65 ^a	9.7	48 ^b
Zimbabwe	26.3	27.1	2,490	250 ^a	10.0	45 ^b
Others	7.3	7.0	40,893	30	0.1	na
Total	637.0	643.2	87,078	6,780	7.8	na
Total ex. S. Africa	144.5	169.4	56,143	1,382	2.5	na
Total SSA HIPC's	115.9	140.4	44,600	1,105	2.5	na

a WGC estimate b 1996

What this table does not show is the potential. While South Africa's production is on a slowly declining trend, output is set to increase in many other countries. Substantial production increases in 1999-2000 are likely in Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali and, in particular, Tanzania, where gold is likely soon to account for at least 20 per cent of exports. There is potential for greatly increased output in both Ethiopia and Sudan while that in the Democratic Republic of Congo was significantly higher (around 10-11 tonnes) until interrupted by war.

Gold currently plays a smaller role in a number of other African countries. In many of these, significant exploration is underway with promising prospects in the Central African Republic, Mozambique, Niger, Nigeria and Senegal. Gold is thought to be one of the most likely sources of desperately needed additional exports for Mauritania. War or unrest has prevented adequate exploration in Angola, Burundi, Eritrea, Liberia and Sierra Leone but, again, prospects seem hopeful. Finally, earnings from immigrant workers in South Africa make a substantial contribution to home countries. They are particularly important to Lesotho and Mozambique, providing 6-7% of all external earnings for these countries in 1997.

4. Major gold producers in sub-Saharan Africa



Burkina Faso

In 1990-97, Burkina Faso's economy grew faster than the population – at 4.1% a year compared with 2.8%. Despite this increasing national prosperity, the incomes of 65% of the rural population were below two-thirds of the national mean. Agriculture accounts for more than a third of GDP and supports as many as 90% of the population. Agricultural productivity is constrained by lack of water and fertilisers and low technology. Exports are dominated by cotton (36.3% of the total in 1996), livestock and derivative products (22%), and gold. All fuel and many other raw materials and intermediate goods must be imported, so the trade and the current accounts are in deficit, the latter by about \$300m in 1996-97.

Burkina Faso easily qualifies as a candidate for the HIPC initiative. Its total debt was \$1.3bn at the end of 1996, 51% of GNP. The debt service ratio is limited because 84% of the long-term debt is on concessional terms with low interest rates and long pay-back periods. Under the HIPC initiative, debt should be reduced by \$115m by 2000 providing the country continues the implementation of economic reforms. The country receives large quantities of aid, both bilateral and multilateral; net official development assistance flows were \$418m in 1996, accounting for 65% of investment and 10.6% of GDP. France is the largest donor, typically giving about a quarter of the total, followed by Germany, the Netherlands, Denmark and Japan. Multilateral aid comes from the EU, the IDA, the African Development Bank, the IMF and the United Nations Development Programme.

A key part of the government's development plans is the exploitation of the country's large mineral resources. As well as gold, there is potential for diamonds, manganese, copper, zinc and bauxite among others. As a share of officially recorded GDP, investment has been quite high, at 25% in 1997. Public investment accounted for around 11% of GDP in that year. In 1993 a new Mining Code was enacted, providing tax and other concessions for investment in the mining sector. This was updated, with concessions for foreign investors made more liberal, in 1997.

Gold's importance to Burkina Faso

Burkina Faso has large but underexploited mineral reserves. Gold is the dominant element in the mining sector; its development is a key feature of current policy. Currently it is the third largest export after cotton and livestock; its contribution is expected to rise. Further liberalisation of the regulations governing mining in 1997 facilitated the award of four new exploration contracts that year, bringing the total number of exploration permits in operation to 137. Investment in mining potential was estimated at CFA 25bn (\$42.8m) in 1997, nearly 2% of GDP.

Poura, the largest deposit, has reserves estimated at around 25 tonnes. The mine, previously the source of most of the country's gold output, underwent rehabilitation under lease to Sahelian Goldfields which will own 90% of the project, while the state will hold 10%. It was officially reopened in October 1998, which should give 1999 exports a substantial boost. Sahelian Goldfields hopes to raise production to 4 tonnes per year.

Other companies active in Burkina Faso are Resolute, which has significant exploration rights and is to develop mines in Belahomo and Essakan; Ashanti, which commenced drilling in January 1999 at Youga in the south; Golden Rule; and Golden Knight (recently acquired by Repadre). The IFC is to invest in a small mine in the north-east, where it hopes to increase output from 0.25 tonnes a year to 0.62 tonnes. In total the government hopes that total gold production might reach 6 tonnes/year by 2000. If plans are fulfilled, gold should account for at least 10% of exports in that year.

Much gold output has been produced by semi-industrial and artisanal methods, supported by the state-owned purchasing and marketing monopoly, the Comptoir Burkinabe des Metaux Precieux, although this will change with the reopening of Poura. Official data for production are lower than those of GFMS, which allows for informal and unrecorded output. Export data are from official sources and exclude gold traded via parallel channels.

In volume terms, gold output fell by 12.9% a year between 1990-97 to 2.3 tonnes. Production in 1998 rose slightly to 2.7 tonnes. The value of exports has tended to fall because of the drop in output and the steep fall in the international price of gold in 1997 although the effect on the economy was partly offset by the devaluation of the CFA franc in 1994.

Despite this fall in export revenues deriving from gold, gold exports were still sufficient to cover more than a quarter of the country's debt-service obligations in 1997. They would have played an even greater role were it not for the sharp fall in the international price of gold in 1997.

Summary

In recent years gold has accounted for around 5% of Burkina Faso's merchandise exports. This percentage will grow from 1999 following the reopening of the Poura mine and other developments. As well as the potential for greater gold production, Burkina Faso desperately needs the opportunities for diversification that continued development of gold mining would offer. A further, sustained fall in the international price of gold, leading to the cancellation or deferment of planned exploration, would inevitably harm its prospects.

Burkina Faso: economic indicators

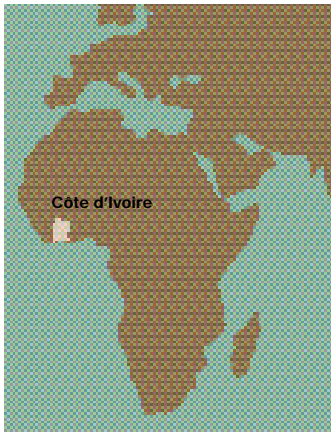
	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m) mid year	9.02	10.95	11.4					2.8
GDP nominal (\$m)	2,765	2,441	na					-1.7
GDP								
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP at constant (1987) prices (\$m)	2,284	2,553	2,584	2,681	2,847	3,035	na	4.1
Real GDP % change	-1.5	-0.8	1.2	3.8	6.2	6.64.5	4.1	
Real GDP/head % change	0.0	-3.7	-1.7	0.9	3.4	3.9	na	1.3
GDP/head (current \$)	306.5	209.1	183.7	226.2	238.1	222.9	na	-4.6
External sector								
Merchandise exports (\$m)	287	341	308	405	422	397	na	4.7
Merchandise imports (\$m)	542	541	349	485	560	544	na	0.0
Current account balance (\$m)	-92	-205	-106	-207	-306	-290	na	
Exchange rate (CFA fr:\$ ann. av.)	272.3	283.2	555.2	499.1	511.6	583.7	590.0	
Foreign Debt								
Debt (\$m)	834	1,117	1,129	1,267	1,294	1,297	na	
Debt as % of GDP	30.2	54.5	60.9	54.0	51.0	54.2	na	
Debt service (\$m)	68.5	82.5	73.3	67.6	73.0	47.6	na	
Debt-service ratio (%)	18.6	24.2	23.8	16.7	17.3	12.0	na	

^a EIU and WGC estimates

Burkina Faso: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	na	4.0	3.0	2.7	2.5	2.3	2.7	-7.6
Output (tonnes), national source	2.5	1.9	1.2	1.4	0.9	na	na	na
Value \$m ^a	na	46.3	37.1	33.3	31.2	24.5	25.5	-11..2
Exports								
Value of exports (\$m)	na	na	9.7	23.2	18.6	na	na	na
Gold exports as % of total exports	na	na	3.2	5.7	4.4	na	na	
Gold exports as % debt service	na	na	13.3	34.4	25.4	na	na	
Average price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	

^a GFMS output times annual gold price



Côte d'Ivoire

Real GDP grew by 4.3% annually during 1990-97, but the population rose by 3.0% so that real GDP per head hardly rose. In dollar terms, as a result of the devaluation of the CFA franc, nominal GDP per head fell from \$877 in 1990 to \$763 in 1998.

Côte d'Ivoire is the world's largest producer of cocoa and Africa's biggest producer of coffee. Agriculture accounts for nearly 33% of GDP and employs around 80% of the workforce. Efforts are being made to diversify away from the two principal crops, which together account for nearly 45% of merchandise exports. The government is hopeful about the prospects for oil and gas and the mining sector. Both the manufacturing and services sectors have

expanded in recent years, and industry's share of GDP is around 20%. Foreign investment is being encouraged and a privatisation programme is underway. Foreign direct investment rose from \$26m in 1990 to \$315m in 1997.

Traditionally Côte d'Ivoire has had a trade surplus, its size depending on international prices for cocoa and coffee, though oil is becoming increasingly important. The current account as a whole was in surplus following the CFA franc devaluation in 1994, but it has since returned to deficit.

Côte d'Ivoire is heavily indebted. Total foreign debt at the end of 1997 was \$17.6bn which, although down from \$19.7bn at the end of 1996, was equivalent to 172% of GDP. A debt reduction package under the HIPC initiative was signed with the IMF and World Bank in February 1998; this will reduce the net present value of the country's debt by \$345m from March 2001. France is the major donor of bilateral aid, followed by Germany and Japan. About half of multilateral aid comes from the IDA, followed by the IMF and the EU.

Gold's importance to Côte d'Ivoire

Mining has traditionally played a small role, accounting for around 2% of GDP, but the government believes the sector has great, if underexplored, potential. Gold deposits are the most important of the mineral types in Côte d'Ivoire; gold accounts for most of the sector's contribution to GDP.

In 1995 the mining code was revised, the principal aim being to tempt foreign investment. The number of exploration and mining permits granted has since increased to more than 80, the great majority being for gold. Artisanal working of gold is widespread.

The largest gold mine is Ity, jointly owned by Coframines and the state mining company Sodemi, and operated by Compagnie Minière d'Afrique, an affiliate of Normandy La Source. Output at Ity was 1.5 tonnes in 1998 and is expected to be around the same level in 1999. Output is subsequently expected to rise to 3 tonnes a year and to continue for some years. La Source is also developing the Angovia project, which is expected to produce 1.2 tonnes annually from early 1999 and to have a life of five or six years. The company is also drilling at Fetekro and has been awarded a 985 sq.km concession in the north near Niofoin and Kassere.

The Aniuri mine at Afemi is the second largest and is jointly owned by Sodemi and Eden Roc Mineral Corporation. In January 1998, the mine was closed due to the slump in gold prices and poor market conditions. Eden Roc is continuing its exploratory work in the country, although, according to the managing director of Compagnie Minière d'Afrique, Yves Palanque, other companies' activity has slowed down.

Permits have been granted to Trillion for the Odienné-Nord area, near Mali, and at Alepe. Other companies active in Côte d'Ivoire are Anglo American, BHP Minerals, Equigold, Gencor, Golden Star Resources, Marshall Minerals, Randgold Resources, Stanley Mining Services and Winslow Gold.

According to GFMS, output rose from 1.8 tonnes in 1991 to 4 tonnes in 1997. National sources put production at 2.1 tonnes in 1996. The closure of the mine at Afema reduced 1998's output to 3.4 tonnes but in 1999, with the mine at Angovia in production, it should rise again.

Had all the 3.6 tonnes produced in 1996 been exported through formal channels it would have brought in \$44.9m. However, although 11% more gold was produced in 1997, earnings would have fallen by just over 5% due to the drop in price. The combination of a drop in output and 1998's fall in the international price of gold would have reduced potential earnings still further, to only \$32.1m or nearly 30% below the 1996 figure, if all production for the year had been sold at the average price.

Summary

Mining, and gold in particular, plays a large part in the government's plans for the future stability of Côte d'Ivoire's economy. The rapid development of the gold mining sector would help reduce the country's debt burden and enable greater resources to be devoted to the welfare of the population. If the gold price continues to fall, the chances of achieving these targets will be greatly reduced.

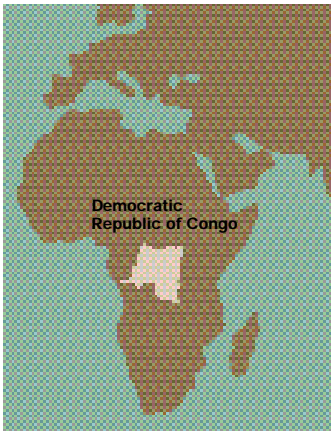
Côte d'Ivoire: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	11.97	14.71	15.10	3.0				
GDP nominal (\$m)	10,796	10,251	11,567	-0.8				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	10,388	10,348	10,552	11,397	12,063	12,781	13,548	4.3
Real GDP % change	-1.1	-0.2	1.0	8.0	5.8	6.0	6.0	4.3
Real GDP/head % change	-4.8	-3.2	-0.9	5.0	3.2	3.2	3.5	na
GDP/head (current \$)	877	788	564	715	746	697	763	-3.2
External sector								
Merchandise exports (\$m)	3,003	2,519	2,869	3,820	4,282	4,085	4,313	4.5
Merchandise imports (\$m)	1,705	1,784	1,608	2,474	2,763	2,719	na	6.9
Current account balance (\$m) ^b	-1321	-1235	131	-668	-588	-529	na	
Exchange rate (CFA fr/\$)	272.3	283.2	555.2	499.2	511.6	583.7	583.1 ^b	
Foreign Debt								
Debt (\$m)	17,251	19,071	17,395	18,899	19,713	17,600	16,800	
Debt as % of GDP	164.4	183.3	226.9	189.1	184.2	171.7	145.2	
Debt service (\$m)	1,262	1,094	1,244	1,046	1,347	1,344	na	
Debt service ratio (%)	35.1	33.2	36.5	22.6	26.6	27.8	na	

^a EIU and WGC estimate ^b actual

Côte d'Ivoire: gold data

	1991	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	1.8	3.1	2.9	3.2	3.6	4.0	3.4	1.9
Output (tonnes) national source	na	na	na	2.0	2.1	na	na	na
Value (\$m) (GFMS times gold price)	21.0	35.8	35.8	39.5	44.9	42.6	32.1	-2.2
Average price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.21	294.09	



Democratic Republic of Congo

The Democratic Republic of Congo (formerly Zaire) is rich in natural resources but its development has been marred by years of misgovernment and a civil war. Since 1990 the population has grown by approximately 3.2% a year, but the economy has shrunk by 6.1% a year on average and GDP per head in US dollars fell to about \$130 in 1997. The instability of the currency and high domestic inflation have encouraged the development of a large informal sector. Many people have been reduced to subsistence agriculture because salaries have been unpaid.

Industry's role has declined to 14% from 22% in 1990, reflecting the collapse in the mining sector. Mining is dominated by copper, cobalt, diamonds and zinc. The state-owned company Gécamines dominates copper and cobalt, while alluvial private-sector mining is most widespread in the other sectors. The decline of the mining sector during the 1990s and the neglect of the cash crop sector have caused exports to stagnate. Official imports have been constrained by stagnant investment, so that the trade account has tended to be in surplus. But the current account has been in deficit because of large outflows of services and the repatriation of profits by foreign investors. The deficit would have been even larger were it not for the accumulation of large debt service arrears in recent years.

The DRC's total external debt was \$12.8bn at the end of 1996, more than 200% of GDP and up from \$10.3bn in 1990. Aid inflows have been falling, although the average inflow of \$347m a year in 1990-97 amounted to 1.4% of GDP and as much as 68.1% of gross domestic investment. Part of the reason for the decline in the 1990s was the low level of investment, which fell to 7% of GDP in 1997. The government, which took control in 1997, has identified infrastructure, agriculture and mining as priority sectors, but its policy towards foreign investment is ambivalent.

Gold's importance to the DRC

GFMS estimates total output at 8.6 tonnes in 1997, representing a 2.5% annual average fall from the 10.3 tonnes recorded in 1990. If that much gold had been exported via formal channels its total dollar value would have been \$91.6m at the average annual price for 1997 of \$331.3 per oz. Data from the central bank put 1997 output at only 0.4 tonnes, which would have yielded \$4.2m. Central bank data also quote a figure of \$10.9m for gold exports for the year as a whole, only 1% of total exports in that year. In 1998, GFMS estimated output at 4.8 tonnes while exports soared to a reported 1.1 tonnes, valued at some \$9.5m, according to Ministry of Mines statistics. These confusing data suggest large-scale smuggling, particularly of alluvial gold.

In 1999, the government said it would establish a mining police force to ensure that mining and hydrocarbon products go through official channels, as well as set up a commodity exchange for precious minerals, both measures designed to combat smuggling. It remains to be seen whether such initiatives will work. Barrick Gold, in association with AngloGold, is to search for gold in the DRC.

Summary

The DRC is rich in untapped mineral resources, including gold, which could significantly contribute to export earnings. But, in the context of serious political instability, there is little prospect of notable development.

Democratic Republic of Congo: economic indicators

	1990	1997	1990-97	Av.ann.% growth 1997/90			
Population (m)	37.41	46.66	3.2				
GDP (\$m, 1997 prices)	7,093	4,550	-6.1				
	1990	1993	1994	1995	1996	1997	Av.ann.% growth 1990-97
External sector							
Merchandise exports (\$m)	2,326	1,144	1,256	1,612	1,727	1,395	-7.0
Merchandise imports (\$m)	1,739	614	667	997	923	834	-10.0
Current account balance (\$m)	-738	-866	-526	-530	-465	-658	
Foreign Debt							
Debt (\$m)	10,272	11,270	12,232	13,241	12,826	na	
Debt/GDP (%)	109.9	125.6	170.9	208.9	218.5	na	
Debt service (\$m)	348	28	15	26	49	na	
Debt-service ratio (%)	13.5	2.2	1.1	1.5	2.7	na	

Data for the economy of the DRC are scarce, their reliability is questionable and figures should be treated as indicative.

Democratic Republic of Congo: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	10.3	8.7	11.1	10	8.2	9.6	4.8	-11.2
Output (tonnes), national source	na	1.5	0.8	1.2	1.3	0.4	na	na
Value (\$m), based on GFMS data	127.0	100.6	137.1	123.5	102.3	91.6	45.4	-14.7
Exports								
Value of exports (\$m), official data	na	na	na	na	na	10.9	9.5	na
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Ethiopia

Real GDP in Ethiopia rose by an annual average 3.4% in 1990-97 but, during the same period, nominal GDP per head rose by only 1.1%. Officially, agriculture accounts for more than 45% of GDP, but around 85% of the population depends on agricultural production. Coffee accounts for more than 65% of exports by value. Industry accounted for only 10% of economic activity in 1997. The current account deficit was \$450m in 1997. Foreign debt fell from \$10.3bn in 1995 to \$9.5bn, or 149% of GDP, in 1997, but the debt service ratio in that year was still 36.4%. Inflows of foreign aid accounted for 14% of GDP in 1996, with Germany, the Netherlands, the US and Japan being the main bilateral donors. Multilateral aid comes largely from the IDA, the ADF and the EU.

There has been some public investment in recent years but private investment has played a larger role, accounting for 7.7% and 11.4% of GDP respectively in 1997. The government has been making progress with economic reform, liberalising the financial sector and the investment code in late 1998. The renewed fighting with Eritrea – which erupted in mid-1998 – has further endangered the already fragile economy. Foreign investment has slowed as investors are reluctant to commit themselves to the country while the fighting continues. Trade-related transport costs have risen as all goods now have to go through Djibouti rather than Eritrea.

Gold's importance to Ethiopia

Mining has played a minor role but has considerable potential. The tax on income from mining has been reduced from 45% to 35%, to attract inward investment. The number of foreign mining companies operating in the country increased from one in 1994 to more than a dozen by 1999.

Lega Dembi – the country's largest gold mine, with an estimated output capacity of 3 tonnes a year – was sold in 1998 to the Ethiopian-Saudi Midroc group of Sheikh Mohamed Alamoudi. Because of the low gold price, production was expected to reach only 1.2 tonnes in the mine's first year of operation. Several foreign companies have gained concessions to prospect, but no important finds had been made by May 1999. Ashanti Exploration and Ezana Mining Development are prospecting in the Tigray region; Canyon Resources Africa and JCI formed a joint venture to explore. JCI also signed a prospecting agreement for an area in the north-east. Golden Star Resources, Pan African Resources, Rift Resources and Tan Range have also been granted licences. There have been reports that some companies, affected by the falling gold price, are pulling out.

GFMS figures show production peaking at 3.9 tonnes in 1992, before falling back to an estimated 2.9 tonnes in 1998. This was a 4% increase on the 1997 figure, although a fall in terms of value (measured by the average price for the year). Government projections optimistically suggest production could reach 30 tonnes a year if \$150m were to be invested in the industry. The EIU conservatively estimates reserves at 60-200 tonnes. Exports of gold rose from 0.9 tonnes in 1989-90 to 2.4 tonnes in 1990-91. However, by 1992-93, they were only 0.8 tonnes and worth around \$9m. Although gold exports were expected to rise as foreign capital began to play a role in both exploration and extraction, the fall in the gold price has slowed activity.

Summary

The government has great hopes for increasing gold mining, which would boost exports and help to reduce dependence on agriculture. If the price continues to fall, attempts to shore up the fragile economy will suffer.

Ethiopia: economic indicators

	1990	1997	1998	Av.ann.% growth 1990-97				
Population (m)	51.18	60.12	na	2.3				
GDP nominal (\$m)	6,874	6,381	na	-1.1				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	7,766	7,815	7,940	8,432	9,326	9,844	na	3.4
Real GDP % change	3.4	12.0	1.6	6.2	10.6	5.6	na	3.4
Real GDP/head % change	0.0	14.9	-1.4	2.7	7.3	2.5	na	1.1
GDP/head (current \$)	134.3	117.3	89.3	102.5	103.2	106.1	na	-3.3
External sector								
Merchandise exports (\$m)	366	222	280	454	410	604	na	7.4
Merchandise imports (\$m)	881	1,052	915	1,063	1,413	1,403	na	6.9
Current account balance (\$m)	-244	-497	-291	-90	-461	-450	na	
Exchange rate (Birr/\$)	2.1	5.0	5.5	6.2	6.4	6.7	7.3	
Foreign Debt								
Debt (\$m)	8,634	9,703	10,066	10,309	10,077	9,529	na	
Debt as % of GDP	125.6	155.2	205.5	178.4	167.7	149.3	na	
Debt service (\$m)	236.0	95.0	111.0	156.0	347.0	370.0	na	
Debt-service ratio (%)	34.8	18.5	19.7	19.5	42.1	35.3	na	

Ethiopia: gold data

	1991	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), G FMS	3.0	3.5	3.1	2.9	2.9	2.8	2.9	-3.7
Value (\$m)	34.9	40.5	38.3	35.8	36.2	29.8	27.4	-7.6
Average gold price	362.26	359.82	384.15	384.05	387.87	331.29	294.09	



Ghana

Ghana's population grew by an average 2.8% a year in 1990-97, while GDP rose by 4.4%. But the welfare gains from rising GDP per head have been limited. In 1992, 31.4% of the population lived below the national poverty line while 27% of children under the age of five suffered from malnutrition during 1990-96.

Economic growth in Ghana is highly dependent on agricultural commodities, which accounted for nearly 45% of exports in 1997. There has been a growing current account deficit in recent years, which reached \$435m in 1997.

Ghana is heavily indebted; total external debt of \$6.4bn in 1997 represented nearly 95% of GDP, which was estimated at \$6.76bn. But more than two-thirds of the country's debt is on concessional terms, limiting the debt service ratio, which fell from 50% in 1989 to 26% in 1996. Aid inflows accounted for 10.5% of GNP in 1996. Major donors of bilateral aid have been Japan, the UK, the US and Germany, although following the cut in Japan's aid budget its share will fall. Multilateral aid comes largely from the IDA and the EU.

Continuity of leadership has imparted some consistency to the country's economic development policy. An Economic Recovery Plan was launched in 1983. Cuts were made in government departments, new investment codes for mining and the rest of the economy were introduced, the foreign exchange system was liberalised and a stock exchange set up. Further structural reforms, including privatisation, are being implemented. The government has cut its role in nearly 200 enterprises.

Gold's importance to Ghana

Gold dominates the mining sector. The growth in gold output has enabled the country to reduce its previously heavy dependence on cocoa as a source of export revenue. Gold and cocoa are currently the country's principal foreign exchange earners and changes in the international price of either have an immediate effect on the external accounts. However, the two have reversed their positions in recent years, with cocoa's share of export earnings falling from more than 50% in 1983 to 30% in 1997. Gold's share on the other hand rose from around 15% in the mid-1980s to 39% in 1997.

Gold reserves are located in the Ashanti region, where there are underground seams, and in Western and Central regions, where much gold is mined alluvially. The grades of both underground and surface reserves are high.

Investment in the sector is put at \$1.8bn during 1985-96. Seven new mines were opened between 1988 and 1996. Small scale mining had been increasing because of the favourable price paid to miners (98% of world price) but the fall in the world price, coupled with power problems, has resulted in a number of small mines going out of business.

The industry is dominated by Ashanti Goldfields (AGLS, of which around a fifth is state-owned), one of the largest employers in Ghana and the country's largest single foreign exchange earner. The company produced 46 tonnes of a total of 73 tonnes in 1998, and works the Obuasi, Ayanfuri, Iduapriem and Bibiani mines. The Obuasi mine accounts for more than half of Ashanti's

production but Ayanfuri and Iduapriem are to be shut down. Development of the underground mines at Obuasi, where a new deep shaft has been opened, will continue. The mine at Bibiani was commissioned ahead of schedule and produces some 4.7 tonnes a year. Ashanti has also continued to take over other mines across Africa.

Other major producers are: Teberebie (8.2 tonnes in 1997); Resolute, which produced 4.6 tonnes from its Obatan mine in 1998, Billiton Bogosu (3.5 tonnes in 1997), Amansie Resources (2.0 tonnes) and Gold Fields (1.7 tonnes), the operator of the Tarkwa mine. The second phase of development at Tarkwa is reported to be on schedule; it will double capacity and increase gold output to over 7.7 tonnes a year. Reserves are expected to last for at least 20 years. Small scale mines produced 3.3 tonnes in 1997. Several companies are involved in exploration. In November 1998, Satellite Goldfields Ltd began operations at Wassa. Estimates for production have improved, with a new target output of 4.4 tonnes a year.

Gold output rose from 17.3 tonnes in 1990 to 55.7 tonnes in 1997. Export volumes also tripled over the same period, rising from 16.4 tonnes in 1990 to 50.7 tonnes in 1997. However, the value of exports, which had increased steadily between 1990 and 1995, more or less in line with production, fell in 1996 and suffered a drop (5 per cent) in 1997 due to the fall in the gold price. This was in spite of an increase of nearly 10 per cent in volume.

Output continued to rise in 1998 with the first full year of production at Damang, while the mine at Bibiani also came on stream, resulting in a 31% increase to 73.3 tonnes, according to GFMS data. 1999 should see a further rise as output at Damang is to be increased from 8.7 tonnes per year to 13 tonnes while that at the Tarkwa open pit is also to be raised. If export earnings increased in line with the growth in output compared to 1997, and allowing for the fall in price, they would have been around \$690m.

The large share of gold in total export revenues means that it plays a vital role in debt service, accounting for 81% of total debt service in 1990 and 131% in 1996, although this fell to 97% in 1997.

Summary

Even with a lower international price, gold still accounts for up to 40% of foreign exchange earnings and provides a large share of government revenues, and hence investment. But a further fall in the price of gold could cause the country serious payment problems.

Ghana: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	14.87	17.98	18.48	2.8				
GDP nominal (\$m)	5,886	6,762	7,478	3.5				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	5,821	6,682	6,937	7,249	7,623	7,862	8,569	4.4
Real GDP % change	3.3	5.0	3.8	4.5	5.2	3.1	1.9	4.4
Real GDP/head % change	0.2	2.0	1.2	1.8	2.6	0.5	na	1.5
GDP/head (current \$)	396	350	345	362	362	376	405	-0.7
External sector								
Merchandise exports (\$m)	897	1,064	1,236	1,431	1,571	1,511	1,462	7.7
Merchandise imports (\$m)	1,200	1,728	1,578	1,687	1,933	1,809	na	6.0
Current account balance (\$m)	-432	-815	-456	-402	-525	-435	na	
Exchange rate (cedi/\$)	326	649	956	1,200	1,637	2,050	2,300 ^b	
Foreign Debt								
Debt (\$m)	3,873	4,880	5,464	5,872	6,206	6,405	6,290	
Debt as % of GDP	65.8	86.2	105.6	95.0	97.8	94.7	84.1	
Debt service (\$m)	248.6	306.0	366.0	398.0	471.0	578.0	na	
Debt-service ratio (%)	25.3	25.1	26.2	25.0	26.9	33.9	na	

a EIU and WGC estimates b actual.

Ghana: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	17.3	41.4	44.5	53.2	50.3	55.7	73.3	12.1
Output (tonnes), national source	na	38.6	43.3	51.3	48.6	52.9	na	na
Exports								
Volume of exports (tonnes)	16.4	37.6	44.6	52.5	46.2	50.7	na	na
Value of exports (\$m)	213	479	549	657	627	593	693 ^a	7.7
Gold exports as % of total exports	22.5	na	44.4	45.2	39.4	39.2	na	
Gold exports as % debt service	81	na	150	163	131	97	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	

a WGC estimate



Guinea

Although Guinea has extensive mineral and hydropower resources, it remains one of the poorest countries in the region. During the 1990s, GDP grew by 4.0% a year, while the population increased by 2.7%. Subsistence agriculture employs 80% of the workforce. Agriculture accounts for 24% of GDP. Industry – 30.5% of 1997 GDP – has until now been dominated by bauxite mining which, together with alumina, accounted for 85% of exports and most foreign direct investment. Gold and diamonds are also mined, with gold starting to make a significant contribution to exports.

Although the trade deficit is normally quite modest, Guinea has been running a current account deficit of around \$300m a year during the 1990s. External debt is high, at about \$3.2bn, but successive reschedulings since the early 1990s mean that about a quarter of the total stock has been rolled over. The debt service ratio has remained within control, falling to 16% in 1996. Inflows of aid averaged 5.6% of GDP in 1990-97 and were 74.6% of gross domestic investment in the same period. The main bilateral donors are France, which pledged \$88.2m a year on average in 1992-96, the US, Japan and Germany. Multilateral donors include the EU, the World Bank, the IMF and the UN. Total net aid flows in 1996 were worth \$275m.

Gold's importance to Guinea

Two mines are in operation: the Lero gold mine, operated by Precor, came onstream in 1995, produced 1.7 tonnes in 1998 and expects to increase output in the future; the Siguiiri gold mine, which Ashanti bought from Golden Shamrock in October 1996, began production before schedule in February 1998. It produced an estimated 5.6 tonnes in 1998, expected to rise to 7.7 tonnes a year. There is artisanal production based on alluvial deposits, which is not fully recorded but was estimated at 5.5 tonnes in 1996, according to a government statement.

Ashanti and AGEM have two gold concessions at Mandiana in eastern Guinea, near the Siguiiri mine. Other projects are also being developed or explored. This activity has been boosted by the attitude of the government, which issued a revised mining code in 1997. The code is based on French Civil Law and established a new Government Centre of Mining Promotion and Development (CPDM). The CPDM is getting finance from international donors, including the World Bank, to harmonise the code with other national legislation, to undertake new surveys and to create a national database of geological information.

Gold already plays an important role in Guinea's economy. Production, according to GFMS, rose by 10.8% a year in the five years to 1997 and by a staggering 84.5%, to 13.1 tonnes, in 1998. This was largely due to the opening of the mine at Siguiiri. Official data for gold exports to 1996, which are much lower than the GFMS data imply, show that they had reached 15% of the value of total exports in that year. In 1997, their contribution to exports will have been constrained by the combination of a fall in gold prices and only a modest rise in output before major projects come on stream. 1998, although data are not yet available, should have seen a substantial increase in both export volume and value, with the Siguiiri mine alone adding at least \$50m to exports.

Summary

Continuing falls in the international price of gold could threaten future projects, although the Siguiiri mine has weathered the 1997 decline in prices because it enjoys low cash production costs.

Guinea: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	5.76	6.76	6.93	2.7				
GDP nominal (\$m)	2,818	3,998	na	5.1				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	2,355	2,600	2,704	2,823	2,950	3,091	3,242	4.0
Real GDP % change	4.3	4.7	4.0	4.4	4.5	4.8	4.9	4.0
Real GDP/head % change	2.1	4.2	1.4	1.7	1.9	2.2	2.5	1.3
GDP/head (current \$)	489.2	507.7	528.8	557.4	582.0	576.9	na	2.4
External sector								
Merchandise exports (\$m)	817	665	626	748	696	797	na	-2.4
Merchandise imports (\$m)	723	732	688	809	714	779	na	1.1
Current account balance (\$m) ^b	-257	-341	-318	-337	-309	-279	na	
Exchange rate [Guinea fr/\$]	660.2	955.5	976.6	991.4	1,004.0	1,095.3	1,234.0	
Foreign Debt								
Debt (\$m)	2,477	2,848	3,310	3,242	3,240	3,120 ^a	3,150 ^a	
Debt as % GDP	87.9	89.6	97.5	88.3	82.4	79.9	na	
Debt service (\$m)	873	716	626	748	696	na	na	
Debt-service ratio (%)	19.4	11.7	15.5	23.9	16.2	na	na	

a EIU and WGC estimates b Actual.

Guinea: gold data

	1990 ^a	1993	1994	1995	1996	1997	1998	Av. ann. % growth 1993-98
Output (tonnes), G FMS	4.5	3.8	4.6	6.5	7.0	7.1	13.1	28.1
Value (\$m)	52.4	44.0	56.8	80.3	87.3	75.6	123.9	23.0
Exports								
Volume of exports (tonnes)	na	1.2	1.7	2.4	na	na	na	na
Value of exports (\$m)	na	72	84	112	na	na	na	na
Gold exports as % of total exports	na	10.8	13.4	15.0	na	na	na	
Gold exports as % debt service	na	1.5	2.1	2.0	na	na	na	
Average gold price (\$/oz)	362.26	359.82	384.15	384.05	387.87	331.29	294.09	

a 1991



Mali

Mali is among the poorest of sub-Saharan African countries. Although growth in real GDP per head has just outpaced population growth in 1990-97, 64% of the rural population (itself 73% of the total) had an income below two-thirds of the already low per capita mean in 1991-97.

Mali's agriculture, which accounts for about 45% of officially measured economic activity, is dominated by cotton, which produces about 40% of export revenues, although gold may overtake it by 2000. The large share of industry in GDP reflects mining activity; manufacturing accounted for only about 6.5% of GDP in 1995. The devaluation of the CFA franc in 1994 helped to stimulate both mining and manufacturing, but Mali continues to have a structural trade and current account deficit. The latter was \$180m in 1997 although, thanks in large part to a jump in gold exports, this was much lower than the deficit of \$273m recorded for 1996.

Mali has total external debt of \$3bn, most of which is public or publicly guaranteed and about half is owed to multilateral lenders. Debt stood at 116% of GDP in 1997 and the debt service ratio was 11.3%. Bilateral debt was rescheduled in 1996 and Mali is also due to get \$250m in debt relief under the HIPC initiative at the end of 1999, subject to implementation of a further reform programme. Mali is heavily dependent on aid, both to finance its current account deficit and for investment. Net official development assistance accounted for 79% of gross domestic investment and 11% of GDP in 1990-97. The main bilateral donors are France, Japan, Germany, the Netherlands and the US; bilateral aid was worth \$271m in 1995. Multilateral aid was worth \$274.1m the same year; the main donors are the EU and the World Bank's International Development Association, as well as the IMF, the UN and the African Development Fund.

Since the late 1980s, under the auspices of the IMF and the World Bank, Mali has been trying to improve its public-sector finances. It is attempting to focus spending on development, on privatisation, on liberalisation of domestic markets and on development of mining to aid diversification.

Gold's importance to Mali

Mali's considerable gold reserves could prove to be a major source of financial flows to the government in the long term. Gold exports already account for more than a third of total exports, overtaking livestock in 1997 to become the second most important export after cotton. To encourage investment, the government is revising the Mining Code to lessen disincentives and is simplifying procedures for investment.

Gold exploration is underway in all the prospective areas. As of 1998, 72 mineral exploration licences had been issued and 13 mining licences had been granted, of which seven are for gold. The main gold areas are in the south and south-west.

Two large mines are currently being worked. The Syama mine, 300km southeast of Bamako, started production in December 1989 and is an open-cast operation now run by a consortium known as Société des Mines de Syama, (SOMISY): Randgold 75%; Mali 20% and IFC 5%. The mine restarted activities in January 1999 after a major investment programme with output of 4.5 tonnes in 1998. That could increase to 8 tonnes, while costs will fall to \$210/oz.

The Sadiola Hill project is Mali's largest mine and produced an estimated 15.7 tonnes in 1998. The project, operated by Société d'Exploitation des Mines d'Or de Sadiola (SEMOS) is a consortium made up of Iamgold (38%), AngloGold (38%), the Mali government (18%) and the IFC (6%). Costs are low – cash production costs are around \$100 per oz. Iamgold also has another promising site, at Yatela in the south-east of the country, where early drilling has indicated that there could be recoverable reserves of 62 tonnes.

There are also a number of large-scale projects close to completion. The Kalana mine, located in the Kenieba area some 200km south of Bamako, began production at the end of 1984 but was shut in the early 1990s. Nelson Gold Corp has agreed in principle to buy about 70% of the mine from a consortium led by Ashanti Goldfields, but the project is subject to review because of the low gold price. The Loulo deposit was discovered in 1982 and Randgold, now the major foreign shareholder, is preparing the final engineering and feasibility study. Projected output is 3.5 tonnes/year. Other potential projects include deposits at Segala (30 tonnes), Wassoul'or (43.4 tonnes), and Tabakoto (about 60 tonnes). Barrick, in association with AngloGold of South Africa, is to explore for gold while Randgold is investigating a second mine at Morela in the Sikaiso region in southern Mali.

Gold output has risen dramatically in volume terms in the last few years, reaching 22 tonnes in 1998. Gold exports were nearly 36% of total exports in 1997 and almost three times the level of debt service. The rise in exports in 1997 led to a sharp fall in the current account deficit. Gold would have made up an even higher proportion of exports in 1997 had it not been for the large fall in the gold price in that year.

Summary

Mali's development prospects hinge crucially on the successful development of several large-scale gold projects, which will enable the government to finance continued economic reform and put funds into infrastructure, physical and human development while at the same time honouring its international debts. If the fall in the gold price entails delay to several large projects, economic reform will be threatened.

Mali: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	8.46	10.3	na	2.9				
GDP nominal (\$m)	2,477	2,532	na	0.3				
	1990a	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1993-98
GDP								
GDP at constant (1987) prices (\$m)	2,200	2,307	2,360	2,510	2,610	2,784	2,912	3.4
Real GDP % change	0.4	-2.3	2.3	6.4	4.0	6.7	4.6	3.4
Real GDP/head % change	0.0	-3.2	-0.4	3.5	1.0	3.6	na	0.6
GDP/head (current \$)	292.8	289.9	196.1	254.0	266.0	245.8	na	-2.5
External sector								
Merchandise exports (\$m)	330	349	337	442	434	562	590	7.8
Merchandise imports (\$m)	442	475	440	526	541	526	600	3.4
Current account balance (\$m)	-218	-213	-170	-245	-273	-180	na	
Exchange rate (CFA fr/\$)	272.3	283.2	555.2	499.1	511.6	583.7	583.1 ^b	
Foreign Debt								
Debt (\$m)	2466	2902	2694	2958	3020	2,945	3,100	
Debt as % of GDP	99.6	108.8	145.4	120.0	113.5	116.3	na	
Debt service (\$m)	67	79	88	86	116	74	na	
Debt-service ratio (%)	15.3	17.6	21.2	16.2	22.1	11.3	na	

a EIU and WGC estimates b actual

Mali: gold data

	1991	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	4.1	6.4	6.3	7.8	6.6	17.1	22.0	32.4
Value of output (\$m)	47.8	74.0	77.8	96.3	82.3	177.9	208.0	30.1
Exports								
Value of exports (\$m), official source	na	na	na	69.0	77.8	201.6	220.0	na
Gold exports as % of total exports	na	na	na	20.5	17.6	35.9	na	
Gold exports as % debt service	na	na	na	78.4	90.5	272.4	na	
Average gold price (\$/oz)	362.3	359.82	384.15	384.05	387.87	331.29	294.09	



Namibia

Since gaining independence from South Africa in 1990, Namibia has experienced modest growth of 1.1% in real GDP per head (1990-97). The economy depends on mining, commercial livestock farming and fishing. Mining – dominated by diamonds and uranium – constitutes a fifth of GDP. GDP per head is relatively high, at \$2,048 in 1997, placing Namibia 57th in the World Bank's ranking of countries according to GDP per head.

Agriculture accounts for about 13% of GDP and employed 48.7% of the workforce in 1994, compared with 4.6% for manufacturing and 3.1% for mining. Exports are dominated by diamonds (40.6% of the 1997 total), followed by fish products (22%) and uranium (10.8%).

Many items need to be imported. Since independence, large inflows of investment income on assets held in South Africa have kept the current account in surplus despite a recurring trade deficit.

In 1997, Namibia's outstanding debt to South African financial institutions was cancelled after an agreement suspending their servicing in 1992. The debt/GDP ratio has remained around 21% since 1993. The debt service ratio is also modest. Private debt makes up about half of the total and Namibia's good credit rating allows it to borrow on international markets to fund investment projects. Aid inflows averaged \$163m a year in the five years 1992-97. Bilateral aid has come mainly from Germany and Scandinavia, while multilateral aid has been chiefly from the EU.

Investment has been quite high since independence, averaging 20.5% of GDP in 1990-97. Public investment averaged 8.1% of GDP, while private investment has been much higher, at 12.2% of GDP. An attractive incentive regime encompassing full foreign ownership rights and a raft of tax and duty concessions has had considerable success in inducing inflows of foreign direct investment, notably to the export-processing zones established in 1995.

Gold's importance to Namibia

Mining activity and exploration are encouraged by the government and there is an extensive and detailed computerised database covering known mineral occurrences. There is an open-pit mine at Navachab operated by a subsidiary of Anglo-American Corp, Erongo Mining & Exploration Co, which produced 96% of 1997's gold output. In 1998, production was 1.85 tonnes. Otherwise, gold is generally a by-product of copper, currently found in copper concentrates from the Otjihase mine, recovered by smelting at the Tsumeb copper and lead plants. Additional output of gold could be a by-product of the Haib copper projects in the south of the country. This large project is being evaluated by Copper Mines & Metals (CMM) at an estimated cost of \$550m, and production of copper is scheduled to start in 2000.

Gold output has fluctuated around 2 tonnes/year during the 1990s and gold exports have provided around 2% of total exports. Prospects for an increase in gold output and exports depend crucially on future metals prices.

Summary

Gold plays a modest but real part in the efforts of the Namibian government to diversify the economy. The terms on which foreign investors can operate are particularly attractive as a result of the open policies adopted since independence.

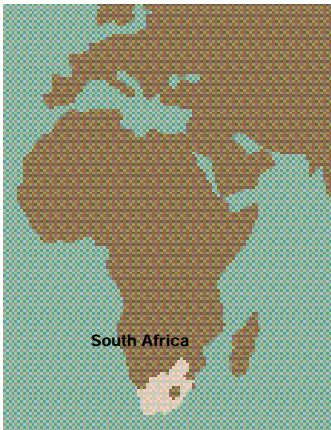
Namibia: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	1.35	1.62	1.66	2.6				
GDP nominal (\$m)	2,615 ^b	3,318	na	na				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	2,157	2,443	2,606	2,692	2,758	2,796	2,851	3.8
Real GDP % change	-1.6	-2.0	6.7	3.3	2.5	1.4	2.0	3.8
Real GDP/head % change	6.1	-5.0	3.8	0.6	0.5	-1.1	-0.5	1.1
GDP/head (current \$)	na	1,833	2,000	2,153	2,042	2,048	1,795	na
External sector								
Merchandise exports (\$m)	1,086	1,292	1,350	1,400	1,365	1,441	1,440	4.1
Merchandise imports (\$m)	1,118	1,216	1,285	1,511	1,390	1,331	1,480	4.1
Current account balance (\$m)	23	130	133	31	84	134	na	
Exchange rate (N\$/US\$)	2.6	3.3	3.6	3.6	4.3	4.6	5.5 ^c	
Foreign Debt								
Debt (\$m)	na	208	220	235	220	147	127	
Debt as % of GDP	na	13.8	11.9	11.5	10.4	4.4	na	
Debt service (\$m)	1,406	1,753	1,838	2,025	1,906	1,991	na	
Debt-service ratio (%)	0.0	3.4	2.1	2.1	1.5	na	na	

^a EIU and WGC estimates ^b 1993 ^c Actual

Namibia: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), G FMS	na	2.0	2.4	2.1	2.1	2.3	1.9	-1.0
Value of output (\$m)	na	23.1	29.6	25.9	26.2	24.5	18.0	-4.9
Exports								
Value of exports (\$m)	na	22	27	27	27	27	na	na
Gold exports as % of total exports	na	1.7	2	1.9	2.0	1.9	na	
Gold exports/debt service	na	2.8	5.1	4.5	7.1	na	na	
Average gold price	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



South Africa

Although rich in regional terms, with a GDP per head of \$3,371 in 1997, South Africa's economy faces several serious problems. GDP growth has often been slower than population growth in the 1990s, and unemployment and poverty are a threat to social stability in the new South Africa. Social indicators – adult illiteracy at 18%, life expectancy at 65 years and malnutrition among children under 5 at 9% – are better than regional norms but they are on the low side for the upper-middle income group of countries among which South Africa is classified by the World Bank.

Industry accounts for nearly 40% of the economy. Manufacturing output has been sluggish in the 1990s and productivity is low, limiting overall growth. As much as 71% of the rural population live on only 14% of the land in the former homelands as a legacy of apartheid although a policy of land redistribution has been introduced.

Exports are dominated by minerals and agricultural commodities. Imports are chiefly of capital and intermediate goods. During sanctions in the 1980s, lack of access to aid, foreign investment inflows and financial markets – which could have financed a current account deficit – meant that the country was obliged to run a trade surplus by constraining imports. When sanctions ended in the 1990s and the country joined the World Trade Organisation, South Africa became obliged to liberalise its trade regime. The end of the era of capital outflows that followed a debt standstill in 1985 has allowed the country to run a current account deficit once more, and to invest foreign capital. As a result of the sanctions period and the debt standstill, outstanding foreign debt is modest amounting to \$24.3bn in 1997, only 19% of GDP. Modest aid flows have been recorded from the mid-1990s, chiefly from the US and the EU.

The post-apartheid government set growth as its priority, but the need to control inflation in the context of a large fiscal deficit limited its scope to stimulate the economy. The focus is now on redirecting government spending away from current consumption to provision of social and physical infrastructure and liberalisation on the supply side. Efforts are being made to attract inflows of foreign direct investment.

Gold's importance to South Africa

Mining has been central to the development of South Africa and still plays a crucial part in the economy. It accounts directly for 8% of GDP (of which gold accounts for around half) and provides 37% of merchandise export earnings. South Africa is the world's leading gold producer, providing 19% of all newly mined gold in 1998, although its share of the total has declined from a peak of more than 70% in the 1960s to 1970s as other producers have grown in importance and its own output has fallen. It still has more than a third of known global reserves. However, much gold has been mined leaving reserves which are deeper and of lower grade and more expensive to extract.

In addition to its direct contribution to GDP, gold mining yields a number of indirect and multiplier effects. It consumes, for example, around 15% of all electricity. In 1997 it accounted for 9% of fixed investment and supplied directly 1.2% of total tax revenue, in addition to substantial indirect revenue arising, for example, from taxes on employees' earnings or mines' fuel levy payments.

The industry's contribution to the balance of payments is impressive. Nearly all gold mined is exported. It is South Africa's largest export earner and at its peak, in the early 1980s, accounted for more than half of all merchandise exports. Its share declined as other industries expanded, and, latterly, as a result of the fall in the gold price, but in 1997 it still accounted for 17% of merchandise exports. Imports required by the gold industry are small since most of the materials used, as well as much of the mining technology, are sourced locally; thus its net contribution is far greater even than these figures suggest.

Gold mines also provide employment for 2% of the labour force. Because of gold mining's effect on other industries, it is estimated that for every three people employed in a mine another one person is employed by industries which serve mining. It is also calculated that, on average, each worker in the gold mining industry supports 7-10 dependents. Around half of all employees come from surrounding countries. Of some 257,000 employed in 1998, around 130,000 came from four surrounding countries. More than half of these emigrant workers come from Lesotho, around 30% from Mozambique and smaller proportions from Swaziland and Botswana. Repatriated earnings from these workers have a significant impact on these countries' economies.

Inevitably, the fall in the price of gold has had a severe impact on South Africa's gold mining industry and, via its effect on migrant workers, its neighbours, despite the fact that a depreciation in the rand has softened the fall in domestic price terms. The deep mining needed to extract reserves made the South African industry one of the world's most expensive in the mid-1990s. The last few years have seen substantial restructuring of the industry involving both a wave of company mergers and drastic cuts in employment. Numbers employed fell from 330,000 (of which 172,000 came from surrounding countries) in 1994 to 257,000 (130,000) in 1998. Gold exports fell from \$6.3bn to an estimated \$4.4bn over the same period.

Gold production is led by AngloGold, the world's largest gold producer, followed by Gold Fields, Harmony, Avgold, Durban Roodeport Deep, JCI group and other smaller gold producers. Most of the companies own and operate their own mines and are involved in exploration and operations elsewhere in Africa, so their fate is important for other countries in the region.

Summary

Gold remains of key importance in the South African economy, as a source of employment, of exports and of government revenues. It is in secular decline at these lower gold prices as reserves are gradually run down, but will still play an important role in South Africa's economic development. Further large-scale loss of jobs in the gold mining sector could have social implications for South Africa and for those of its neighbours.

South Africa: economic indicators

	1990	1997	1998	Av.ann.% growth 1990-97				
Population (m)	34.0	38.3	na					1.7
GDP nominal (\$m)	106,682	129,094	na					2.8
GDP								
	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1990-97
GDP at constant (1987) prices (\$m)	86,861	85,175	87,516	90,462	93,395	94,960	95,063	1.3
Real GDP % change	-0.3	1.3	2.7	3.4	3.2	1.7	0.1	1.3
Real GDP/head % change	-2.1	-0.4	1.1	1.7	1.4	-0.1	na	0.0
GDP/head (current \$)	3,141	3,270	3,339	3,615	3,354	3,371	na	1.0
External sector								
Merchandise exports (\$m)	23,560	24,138	24,947	28,611	29,057	30,935	na	na
Merchandise imports (\$m)	16,778	18,287	21,452	27,001	27,027	28,074	na	na
Current account balance (\$m)	2,066	1,874	-318	-2,821	-2,032	-1,911	na	
Exchange rate (rand per \$)	2.6	3.3	3.6	3.6	4.3	4.6	5.5	
Foreign Debt								
Debt (\$m)	na	6,655	18,720	22,291	23,590	24,300	na	
Debt as % of GDP	na	5.7	15.4	16.7	18.7	18.8	na	
Debt service (\$m)	na	na	2,675	3,018	3,782	na	na	
Debt-service ratio (%)	na	na	9.1	9.0	10.9	na	na	

South Africa: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes)	605.1	619.3	583.9	522.4	494.6	492.5	473.8	-2.9
Value (\$m)	7,462.6	7,164.4	7,211.6	6,450.4	6,167.9	5,245.8	4,479.9	-6.6
Exports								
Value of exports (\$m)	na	6,735	6,297	5,588	6,000	5,398	4,390 ^a	
Gold exports as % of total exports	na	27.9	25.2	19.5	20.6	17.4	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	

^a WGC estimate



Sudan

With large areas of arable land and substantial oil reserves, Sudan could be a reasonably rich country, but civil war, coupled with poor economic management, has drained resources. Although the population growth rate is not exceptionally high by African standards (2.1% a year during 1990-97), 34% of children under 5 suffer from malnutrition.

Agriculture is the most important economic sector. In 1997 it accounted for 48% of GDP, around 80% of exports, and provided jobs for some 65% of the working population. Industry is geared to import substitution but shortage of foreign exchange has meant severe underutilisation of capacity. Manufacturing accounts for about 50% of total annual industrial output, with food processing, textiles and fertilisers the major activities. With the value of imports more than twice that of exports, the country has a chronic current account deficit, representing some 40% of estimated GDP in 1998.

The size of the foreign debt and substantial arrears nearly resulted in expulsion from the IMF in 1997. To avoid that, Sudan has to make monthly payments of \$4.5m to the IMF to cover the cost of interest on its arrears. Thus far this commitment has been achieved but a growing current account deficit could jeopardise the repayments. Small amounts of aid are still received.

Within these constraints, the government is making attempts at economic reform. A privatisation programme has been introduced although little progress has been made as investors remain wary of conditions. Private sector confidence remains low. Under an agreement reached with the IMF, the government is also trying to reduce inflation, cut its borrowing from the central bank, remove price controls and cut subsidies.

Gold's importance to Sudan

Gold reserves in eastern Sudan are estimated at 37 tonnes. There are a number of gold mining joint ventures, mainly with Chinese and French companies. Arab Mining, a joint venture between the government (60%) and La Source, started production at the Hadal Auatib Gold Mine in 1991. It produced 5.65 tonnes in 1998. Arab Mining is continuing to explore in the area. Exploration is also under way in the Nubian desert, close to the border with Egypt, according to the Mining Annual Review. Chinese companies have undertaken exploration in the Red Sea Hills area.

GFMS figures show output rising from 0.3 tonnes in 1991 to an estimated 4.7 tonnes in 1996 and 1997, when exports were worth \$49m. If all output in 1996 and 1997 had been exported, it would have resulted in foreign exchange earnings of \$58.6m in 1996 but only \$50.1m in 1997, due to the fall in the gold price. In 1998, output rose by 21% to 5.7 tonnes but earnings would have increased by only 7% even if all gold produced had been exported.

Summary

The limited amount of gold produced by Sudan accounted for 9% of exports in 1996. The country desperately needs exports to reduce its severe balance of payments deficit. If further accessible reserves are established, both output and exports of gold should rise, bringing in much needed foreign exchange. The fall in the gold price has already reduced potential export earnings; further falls could discourage already fragile investor confidence.

Sudan: economic indicators

	1990	1997	1998	Av.ann.% growth 1990-97				
Population (m)	24.06	27.86	28.44	2.1				
GDP nominal (\$m)	13,167	10,050	na	-3.8				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	21,404	22,686	23,700 ^a	24,700 ^a	25,900 ^a	27,300 ^a	28,100 ^a	3.5
Real GDP % change	-0.4	5.3	4.3	4.4	4.7	5.5	2.9	3.5
Real GDP/head % change	na	na	na	na	na	na	na	1.4
GDP/head (current \$)	547	308	302	269	300	361	na	-5.8
External sector								
Merchandise exports (\$m)	393	427	462	556	620	580	642	7.3
Merchandise imports (\$m)	1,092	976	957	1,036	1,315	1,322	1,507	4.7
Current account balance (\$m)	-1,299	-1,426	-1,459	-1,478	-1,848	-1,993	na	
Exchange rate (SE/\$)	4.5	159.3	289.6	580.9	1250.8	1575.7	1721.6 ^b	
Foreign Debt								
Debt (\$m)	14,672	15,837	16,918	17,603	16,972	16,326	17,840	
Debt as % of GDP	114.0	na	na	na	na	162.4	na	
Debt service (\$m)	50	20	3	69	48	57	na	
Debt-service ratio (%)	9.4	3.7	0.5	10.0	7.1	9.1	na	

a EIU and WGC estimates b actual

Sudan: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), G FMS	0.3	1.7	2.8	3.6	4.7	4.7	5.7	10.7
Value (\$m) (GFMS times gold price)	3.7	19.7	34.6	44.5	58.6	50.1	53.9	6.5
Exports								
Value of exports (\$m)	na	na	na	na	na	48.8	na	na
Gold exports as % of total exports	na	na	na	na	na	8.4	na	
Gold exports as % debt service	na	na	na	na	na	85.6	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Tanzania

Although Tanzania's economy grew at a reasonable annual 3.2% during 1990-97, the country is one of Africa's most aid-dependent. Poverty is widespread, with GDP per head falling by 0.2% a year between 1990-97.

An estimated 80% of the population is dependent on agriculture. In 1996, it accounted for 47% of GDP and agricultural commodities for 71% of total exports. The two principal export crops are coffee and cotton, which together account for around 35% of total exports. Mining and manufacturing together accounted for only 8% of GDP in 1996. The current account deficit has fallen in recent years, due in part to increased debt relief; a substantial improvement is in prospect in 1999-2000 due to the impact of gold mining.

Although \$1bn of Tanzania's debt was written off in 1997 and much of the rest rescheduled, the country remains heavily indebted. In 1996, debt was equivalent to 127% of GDP and 588% of exports of goods and services. The debt service ratio has improved as a result of the 1997 debt agreements.

There has been a high level of investment in recent years, averaging 23.4% of GDP during 1991-96 but this has had to be matched by inflows of aid, which averaged slightly more than \$1bn a year during 1990-96. Bilateral aid has come from Japan, the Netherlands, Denmark, Germany, Sweden and Norway. Aid flows from Japan, which provided around 20% of bilateral aid in the first half of the 1990s, can no longer be relied upon since its announcement that it was cutting its aid budget by 10% and re-directing it to South-East Asia. The largest providers of multilateral aid are the IDA and the EU.

Gold's importance to Tanzania

Tanzania's gold deposits are increasingly being compared with those of Ghana and it has gained a reputation as one of the most promising countries for prospecting activity, particularly in the rich greenstone belt around Lake Victoria. At the official opening of the Golden Pride mine in February 1999, President Mkapa said: "The main role of the government is now to create an enabling environment to attract and retain investment in the country."

A growing number of foreign companies have invested in the sector in recent years. Exploration activity has increased, with expenditure rising from \$6m in 1992 to \$80m in 1997 and nearly \$60m in 1998. In 1997, the government revised the mining investment code, exempting foreigners from import duty on equipment and from sales tax, and allowing the repatriation of profits, to encourage further investment.

In October 1998, the Golden Pride Project was commissioned. It is a joint venture between Samax of Canada (which has been taken over by Ashanti Goldfields) and Resolute of Australia. Situated in the Lusu region, it has estimated reserves of over 80 tonnes, and is expected to produce over 4.5 tonnes a year. Other mining companies are also showing interest in Tanzania. Ashanti Goldfields is to invest \$80m in a mine at Geita to the south-west of Mwanza, which could produce 12 tonnes a year, and is also to undertake a drilling programme in Bulyanhulu South. Sutton

Resources announced a delay in development at Bulyanhulu “until the gold price and equity markets firm” although it returned a positive feasibility study; since Sutton’s takeover by Barrick, the project is proceeding. Anglo American and Pangea Goldfields of Canada are working together on a feasibility study for an open-pit operation at the Kahama Project in the Lake Victoria area. Tan Range is exploring the Kabahalele concession and has had excellent results from its Itetemia property. East Africa Gold of Canada, Iscor, Maiden Gold, Ormonde Mining, Placer Dome, Randgold and Pegasus Gold are also involved in exploration activity. JCI, however, has terminated its joint venture with Tan Range and pulled out of the country.

Figures for gold production vary, with GFMS putting production at 7.5 tonnes in 1993, before falling to 5.5 tonnes in 1996 and 5.3 tonnes in 1997. Tanzanian figures, however, put production at 2.7 tonnes in 1994, falling to 1.3 tonnes in 1996. GFMS data put production at 5.5 tonnes in 1998. The government expects output to rise to 30 tonnes a year by 2001.

With the increased output, gold exports are expected to reach 26 tonnes annually by 2001, compared with an estimated 0.5 tonnes in 1997, adding a further \$245m (at the 1998 average price) to export revenue. Gold is then likely to account for more than a fifth of merchandise exports. With excellent prospects for further development, gold’s contribution could rise even higher bringing the goal of eliminating the current account deficit into sight and giving the economy a much needed boost.

Summary

If the price of gold continues to fall, foreign investment in the sector is likely to slow, exploration plans would be put on hold or cancelled, and the potential longer term benefits for the country would be lost.

Tanzania: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	25.48	31.33	32.26	3.0				
GDP nominal (\$m)	4,220	6,707	na	6.8				
	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	3,925	4,192	4,250	4,360	4,537	4,723	4,902	3.2
Real GDP % change	5.4	12.2	1.4	2.6	4.1	4.1	3.8	3.2
Real GDP/head % change	1.9	8.6	-1.3	-0.7	1.4	1.3	0.7	0.2
GDP/head (current \$)	165.6	162.8	146.3	156.1	191.9	214.1	na	3.7
External sector								
Merchandise exports (\$m)	389	411	486	693	696	717	952	13.6
Merchandise imports (\$m)	1,144	1,251	1,352	1,283	1,165	1,370	1,462	3.6
Current account balance (\$m)	-764	-1,115	-1,076	-1,209	-924	-570	na	
Exchange rate (shilling/\$)	1,95.1	4,05.3	5,09.6	5,74.8	5,80.0	6,12.1	6,64.7 ^b	
Foreign Debt								
Debt (\$m)	6,410	6,798	7,257	7,430	7,412	na	na	
Debt as % of GDP	151.9	149.4	172.3	160.6	126.7	117.5	na	
Debt service (\$m)	178.0	222.0	184.0	231.0	258.0	na	na	
Debt-service ratio (%)	34.0	36.0	21.5	19.2	18.7	na	na	

a EIU and WGC estimates b Actual

Tanzania: gold data

	1990	1993	1994	1995	1996	1997	1998	Av. ann.% growth 1993-98
Output (tonnes), GFMS	5	7.5	6.5	5.3	5.5	5.3	5.5	-2.4
Output (tonnes), national source	na	na	1.5	1.6	1.3	1.6	na	na
Value (\$m)	69.9	86.8	80.3	65.4	68.6	56.5	52.0	-6.0
Exports								
Value of exports	na	na	na	3.29	2.78	2.00	na	na
Gold exports as % of total exports	na	na	na	0.47	0.40	0.28	na	
Gold exports as % debt service	na	na	na	1.4	1.1	na	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Uganda

Uganda's GDP grew at an annual average rate of 7.1% to 1997, as a recovery began under the current government after turmoil in the 1970s and 1980s. But although this was much faster than the population growth rate, 69% of the population lived on less than \$1 a day during 1984-93.

Subsistence agriculture remains the mainstay of many Ugandans; 89% of the population is classified as rural. Agriculture still dominates, accounting for 41.4% of GDP in 1997. Manufacturing plays a minor role – less than 10% of GDP – and was severely run down in the 1980s. Most manufacturing activity is based on processing agricultural commodities. Mining contributes about 1% to GDP.

The trade deficit has been rising in recent years, partly because of depressed prices for agricultural commodities and partly because of large volumes of imports needed for recovery and development. A rising deficit on services means that the current account deficit has reached around \$500m.

Debt is high, at 60% of GDP and \$3.7bn at the end of 1996, and the debt-service burden is considerable, at over 20% of exports. The build-up of debt since the mid-1980s is the result of large inflows of aid, much of it in the form of concessional loans. Because the majority of the external debt is owed to multilateral institutions, including the IMF and the World Bank, it cannot be rescheduled. But bilateral reschedulings have helped contain the debt-service ratio and clear arrears. Uganda is benefiting under the HIPC initiative. Inflows of aid have been high as a share of GDP and of investment. Grants have typically made up half to three-quarters of total aid flows and the main aid donors have been the UK, Denmark, Germany, the US and Japan. In 1996, total net official development assistance was worth \$677.5m.

Gold's importance to Uganda

Gold is mined on a modest scale in Uganda, but it could play a larger role. A project on mineral investment promotion has been completed. The abolition of royalties on gold and other minerals led to a large increase in the number of licences awarded in 1997, to more than 200 after fewer than 50 in 1996. Anglo-American, Central African Resources, Roraima Mining, KES Resources and BHP are all actively exploring for cobalt, nickel and also gold. In mid-1997 it was announced that Avgold plans to spend \$7m on the exploitation of mining concessions in Uganda in a joint venture with Pacific Vangold Mines Ltd, with mining concessions in Uganda. Iscor, through AfricWest Gold, has interests in three prospecting licences.

The most cogent data available for the value of gold exports are for 1994-96, from the planning ministry. These are telling, showing how gold exports had reached 12% of the total in 1996, contributing significantly to the debt-service burden. The sharp fall in the international price of gold in 1997-98 will have limited this contribution in those years and the government, having waived royalties, will have benefited to only a limited degree from the higher domestic revenues arising from currency depreciation.

Summary

Gold mining could play an important role in a poor country with an underdeveloped resource base. A sustained and severe fall in the international price of gold would have adverse consequences for the domestic economy, when it is struggling to pursue development.

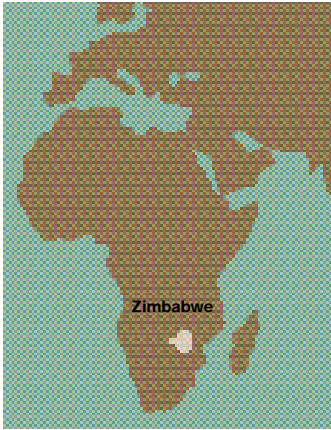
Uganda: economic indicators

	1990	1997	1998 ^a	Av. ann.% growth 1990-97				
Population (m)	16.3	20.3	20.9	3.2				
GDP nominal (\$m)	4,304	6,571	na	6.2				
								Av. ann.% growth 1990-97
GDP	1990	1993	1994	1995	1996	1997	1998^a	
GDP at constant (1987) prices (\$m)	7,703	9,109	9,688	10,795	11,804	12,435	13,094	7.1
Real GDP % change	6.6	1.1	6.4	11.4	9.3	5.3	5.5	7.1
Real GDP/head % change	3.0	4.9	3.1	8.1	6.2	2.3	2.3	5.7
GDP/head (current \$)	264	179	215	300	310	323	na	2.9
External sector								
Merchandise exports (\$m)	210	157	254	595	590	671	na	18.1
Merchandise imports (\$m)	584	531	672	1,085	1,218	1,246	na	11.4
Current account balance (\$m) ^b	-429	-381	-265	-444	-502	-521	na	
Exchange rate (shilling/\$)	429	1,195	979	969	1,046	1,083	1,250 ^b	
Foreign Debt								
Debt (\$m)	2,583	3,029	3,372	3,573	3,674	3,686	2,934	
Debt as % of GDP	60.0	94.0	84.3	62.2	60.1	56.1	na	
Debt service (\$m)	148	157	151	137	150	na	na	
Debt-service ratio (%)	60.2	64.9	43.9	20.1	20.1	na	na	

a EIU and WGC estimates **b** Actual.

Uganda: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes) national source	0.01	0.10	na	na	na	na	na	na
Value (\$m) (GFMS times gold price)	0.1	1.2	na	na	na	na	na	na
Exports								
Value of exports (\$m)	na	0.2	27.2	18.4	72.6	na	na	na
Gold exports as % of total exports	na	0.1	10.7	3.1	12.3	na	na	
Gold exports as % debt service	na	0.1	18.0	13.4	48.4	na	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Zimbabwe

Zimbabwe's population grew as fast as the economy in the 1990s, so that real GDP per head stagnated. Poverty is widespread: 41% of the population lived on the equivalent of less than \$1 a day in 1984-93, according to World Bank estimates.

The economy is comparatively diversified; the well-developed manufacturing sector accounted for 17.9% of GDP in 1996, while mining accounted for 4.3%. Agriculture's share of GDP has been around 14% in the 1990s, but 27% of the workforce are dependent on agriculture and fluctuations in harvests still influence the annual GDP growth rates. Land distribution is highly skewed with large commercial farms producing 80% of output. Manufacturing,

which flourished in the wake of import-substitution as a result of sanctions before independence, has been subject to international competition since 1990, leading to a fall in industrial output of 0.2% a year in 1990-97.

Zimbabwe's export base is fairly diverse; about 40% are classified as manufactures, among which cotton lint, steel and other metals make up around a third. Tobacco is the single most important export commodity, worth 22% of total exports in 1997. Gold comes second. The trade and current accounts are typically in modest deficit, mainly because trade liberalisation has stimulated demand for imports while exports have tended to grow less rapidly.

Zimbabwe is highly indebted; total external debt was worth about 60% of GDP in 1996 and the debt-service ratio absorbed 20% of exports of goods and services. Support from the IMF from 1991 for an ongoing reform programme introduced in 1990, to avert balance of payments crises, has been interrupted by failure to reduce the size of the budget deficit (the source of much of the foreign borrowing) or the civil service. Zimbabwe is not aid dependent; net inflows of official development assistance have fluctuated around \$500m in the 1990s. The chief bilateral donors are Japan, the UK, Germany and the US. Multilateral donors include the World Bank and the IMF.

Gold's importance to Zimbabwe

Gold is the most important of the 30 or so commercially significant minerals, accounting for 50.5% of the current value of mineral production in national currency in 1996. Several new mines have been opened in recent years, stimulated by the liberalisation of investment policies. In the seven years to 1997, according to GFMS data, output of gold rose by 4.5% a year. Deposits are dispersed. Lonrho's mines, held through Corsyn Consolidated Gold Mines and Independence Gold Mining, together produce 30% of Zimbabwe's output. Ashanti Goldfields has taken over Cluff Resources, which operated the Royal Family and Freda Rebecca Mines.

RTZ is Zimbabwe's second biggest gold producer. Falcon Gold is processing lower-grade ores from the Old Nic and Golden Quarry Mines. Guyana Gold Corporation is upgrading the Sabi gold mine to increase production. Reedbuck Investments has reopened the Empress mine, one of four purchased from Union Carbide. Kinross Gold Mining has acquired Falconbridge's Zimbabwe gold mining operations and will be upgrading the Blanket mine (1.1 tonnes in 1998). Canyon Resources Africa is active in gold exploration in Zimbabwe. Trillion has a 50% share in the successful Jena gold mine complex and a number of exploration projects.

About a quarter of the country's gold output is derived from panning operations. The Small Scale Miners' Association has more than 5,000 members and employs up to 100,000 people on an irregular basis. There are concerns about small-scale operations because of the poor safety factor and the damage done to groundwater tables.

Gold production reached 25.1 tonnes in 1998 according to national sources; GFMS data gives production as 26.3 tonnes in 1997 and 27.1 tonnes in 1998. Gold plays an important role in maintaining the stability of Zimbabwe's external payments. Gold exports accounted for 14.3% of total exports in 1997, according to official data sources, and were worth 45.2% of debt service obligations in 1996.

The fall in the gold price in 1997 had a severe impact on parts of the Zimbabwe gold mining sector, an impact that was exacerbated by the lingering after-effects of the Asian crisis, which began in mid 1997. Three large mines closed, citing the fall in prices as the cause, although overall gold output was not directly affected. A group of local investors created a new enterprise, Ngezi Mining, out of six closed or undercapitalised mines, and a number of new projects came on stream.

Summary

Gold plays a key role in generating foreign investment, employment, government revenues and foreign exchange and there is every prospect that this will continue to be the case. A sustained and severe fall in the international price of gold would have adverse consequences for the domestic economy at a time of macroeconomic stress.

Zimbabwe: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	9.75	11.25	11.48					2.1
GDP nominal (\$m)	8,784	8,512	8,907					-0.4
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1987) prices (\$m)	8,160	7,938	8,479	8,487	9,109	9,446	9,587	2.1
Real GDP % change	6.9	1.3	6.8	0.1	7.3	3.7	1.5	2.1
Real GDP/head % change	2.2	-2.1	3.2	-3.1	3.9	1.6	-0.5	0.0
GDP/head (current \$)	901	623	643	698	757	776	776	-2.2
External sector								
Merchandise exports (\$m)	1,753	1,610	1,947	2,216	2,501	2,490	1,700	5.1
Merchandise imports (\$m)	1,512	1,512	1,778	2,128	2,212	2,680	2,000	4.1
Current account balance (\$m)	-258	-311	-318	-369	-157	na	na	
Exchange rate (Z\$/£)	2.5	6.5	8.2	8.7	10.0	12.1	21.4 ^b	
Debt								
Debt (\$m)	3,248	4,299	4,537	5,053	5,005	5,133 ^a	5,001	
Debt as % of GDP	37.0	65.5	65.5	65.7	58.8	na	na	
Debt service (\$m)	2,040	2,011	2,390	2,758	3,127	na	na	
Debt-service ratio (%)	14.1	19.9	18.5	19.7	20.0	na	na	

a EIU and WGC estimates **b** Actual

Zimbabwe: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	17.9	20.7	22.5	26.1	26.7	26.3	27.1	2.7
Output (tonnes) national source	na	18.5	20.5	23.9	24.6	24.2	25.1	na
Value (\$m), based on GFMS	220.8	239.5	277.9	322.3	333.0	280.1	256.2	-1.2
Value (\$m), national source	na	214.3	315.0	296.5	308.2	249.2	141.0	na
Exports								
Value of exports (\$m)	na	236.8	226.6	248.8	300.0	na	na	na
Gold exports as % of total exports	na	14.7	11.6	11.2	12.0	na	na	
Gold exports as % debt service	na	38.3	37.6	38.4	45.2	na	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	

5. Other actual or potential gold producers in sub-Saharan Africa³

Angola

Population: 11.4m Current Account Balance: \$-705m Debt: \$10,452m Debt as % of GDP: 136.4

The Economist describes Angola as, “[One] of the world’s biggest – and least developed – mineral treasure troves.” The government is known to favour expanding the mining sector, and it is receiving assistance from the World Bank, which is helping to draft new mining laws.

Benin

Population: 5.8m Current Account Balance: \$-96m Debt: \$1,491m Debt as % of GDP: 69.8

There is no significant mining industry in Benin at present. According to *Mining Journal* the government wishes to see a gold industry developed around the Atacora province. In 1997, it issued 12 permits for gold exploration.

Botswana

Population: 1.5m Current Account Balance: \$777m Debt: \$576m Debt as % of GDP: 11.4

Diamond mining dominates Botswana’s economy, accounting for one-third of gross domestic product. The country has traditionally had a small gold-mining industry in the Francistown area, but the EIU says that suspension of mining at the Monarch Mine saw production fall to 5kg in 1996 from 86kg in 1995 and 234kg in 1994. *Mining Journal* is more optimistic, suggesting output was 150kg in 1997 and 140kg in 1996. The Employment Bureau of South Africa estimates 7,752 workers from Botswana were employed in South African gold mines in 1998, against 12,781 in 1992.

Burundi

Population: 6.6m Current Account Balance: \$-24m Debt: \$1,247m Debt as % of GDP: 100.8

There is some potential for gold mining in Burundi, but war and sanctions have so far prevented the mining sector from expanding. Buminco, a joint venture between the government and private entrepreneurs, plans to begin small-scale mining in the Muyinga region, where there are 2 tonnes of proven reserves.

³ In this chapter all data refer to 1997 except where specified

Cameroon

Population: 14.1m Current Account Balance: \$-120m Debt: \$7,611m Debt as % of GDP: 83.5

Oil and agricultural products form the basis of Cameroon's economy. It currently runs a surplus on its trade in goods but heavy interest payments on foreign debt swallow this, leaving the country with a current account deficit. A new mining law, partly intended to provide a more attractive environment for foreign investment, is due in 1999. Currently gold and diamonds are the only minerals to be exploited, both in artisanal fashion. It is estimated that around 1 tonne of gold is produced per year and that around 15,000 people derive a living from it.

Central African Republic

Population: 3.4m Current Account Balance: \$-44m Debt: \$717m Debt as % of GDP: 70.3

Gold mining has great potential in the Central African Republic, which has a large but generally unexploited minerals base. Official production in 1996 was 39kg, sharply down from 1995, when 100kg was mined. *Mines 98* estimates actual total production in 1995 was 2 tonnes. *Mines 98* says that gold is currently mined as a by-product of the much larger diamond industry. But it believes, "this mineral [gold] could regain its glory quickly, especially if gold prices increase."

Chad

Population: 6.8m Current Account Balance: \$-263m Debt: \$1,021m Debt as % of GDP: 88.7

Military intervention, dictatorship, maladministration, and an economy blighted by poor infrastructure and heavy debts have restricted development of Chad's mining sector. *Mining Journal* reports that conditions for investment are improving, with greater political stability and the passing of a new mining code aimed at encouraging private and foreign investors. At present, mainly alluvial gold is produced, in an unknown quantity. However, recent exploration suggests excellent potential for the Mayo Kebbi formation. Small-scale production began in 1992 in the Mayo D'Dalar River, and a few permits were issued for artisanal mining by local companies. Increased gold output could give a great boost to the Chadian economy, which is poor and underdeveloped even by HIPC standards.

Congo (Brazzaville)

Population: 2.8m Current Account Balance: \$-303m Debt: \$5,228m Debt as % of GDP: 227.5

Congo (Brazzaville) is dominated by oil exports. Other minerals have been relatively little exploited or explored but, according to *Mining Journal*, there are "significant deposits of alluvial gold" in several areas.

Eritrea

Population: 3.8m Current Account Balance: \$-21m Debt: \$76m Debt as % of GDP: 11.5

Economic neglect from Ethiopia until independence in 1994, and the ongoing bad relations which have lurches into war, have left Eritrea desperately poor with little industry or mining. There are good prospects for gold mining. Artisanal production is estimated to be about 350kg in 1996, and the total estimated gold reserves are 17 tonnes. The government is keen to exploit the country's mineral wealth, conducting two rounds of licensing of mining companies in 1997. In early 1998, 12 companies were exploring, mainly in the north and south-west of the country.

Gabon

Population: 1.2m Current Account Balance: \$238m Debt: \$3,479m Debt as % of GDP: 67.5

The small mining sector centres on uranium and manganese ore, with only a cottage gold-mining industry. However, there are prospects for increased gold output. Industrial mining of gold has begun in the Etebe area, and five other international companies plus one domestic company have been granted exploration permits.

Kenya

Population: 28m Current Account Balance: \$-336m Debt: \$6,490m Debt as % of GDP: 63.4

Kenya is essentially an agricultural country with mining contributing only minimally to GDP. Nevertheless, gold mining is thought to have great potential. The greenstone area that straddles North Tanzania and South Kenya is believed to be particularly promising.

Lesotho

Population: 2.1m Current Account Balance: \$-337m Debt: \$660m Debt as % of GDP: 69.5

Encircled by South Africa, Lesotho's economy is heavily dependent on its giant neighbour. More than 10% of the country's 653,000 strong workforce is employed as migrant labour in South African mines. Remittances from gold miners accounted for around 7% of Lesotho's external earnings in the mid-1990s. The Employment Bureau of South Africa notes that cutbacks in staff numbers and declining profitability at South African gold mines meant the total numbers of migrant workers employed fell to 60,450 in 1998 from 81,357 in 1996. Payments have also declined.

Liberia

Population: 2.9m Current Account Balance: na Debt: \$2,012m Debt as % of GDP: na

Seven and a half years of civil war have left Liberia's economy in tatters. A successful gold industry could be invaluable in its reconstruction. Gold currently accounts for a small but significant part of the mining sector, which *Mining Journal* estimates contributes 20% of GDP and 15% of total employment. Production of gold is estimated to have been around 0.5 tonnes a year during the 1980s. There is potential for greater production – Africa News Service reports Mano River Resources as believing western Liberia contains “a sizeable deposit of gold”. *Mines 98* estimates total reserves in Liberia at more than 90 tonnes.

Mauritania

Population: 2.4m Current Account Balance: \$-37m Debt: \$2,376m Debt as % of GDP: 216

Mauritania has plans to reopen and extend its gold mines, as well as undertake new exploration. Mining is one of the country's main hopes for future economic growth and for diversifying an extremely narrow export base. Gold is one of the most promising prospects. Exports consist almost entirely of fish, fish products and iron ore while much food and other basic products have to be imported. There is therefore a desperate need to develop new export products.

Mozambique

Population: 18.5m Current Account Balance: \$-615m Debt: \$7,439m Debt as % of GDP: 270.2

Traditionally, there has been a lively trade in artisanally mined gold, producing, according to the EIU, around 0.2-0.3 tonnes a year in the mid-1990s. However, this trade, much of which was with Tanzanian producers and buyers, is reported as having largely ended following a government crack-down. Remittances from workers in the South African mining industry also make a contribution to the Mozambican economy and to the balance of payments. The Employment Bureau of South Africa estimates 51,913 Mozambicans were employed in the South African gold mines in 1998, contributing \$42m in remittances. However cutbacks in the South African industry mean the numbers are falling; as recently as 1995, 55,140 were employed and remittances estimated at \$55.2m.

Niger

Population: 9.7m Current Account Balance: \$-145m Debt: \$1,644m Debt as % of GDP: 88.6

Mineral production and exports are dominated by uranium. Only small amounts of artisanal gold are currently produced, but the government hopes to exploit the reserves on the border with Burkina Faso.

Nigeria

Population: 117.9m Current Account Balance: \$1,856m Debt: \$32,906m Debt as % of GDP: 63.1

Nigeria's economy is heavily reliant on crude oil production. In 1995, over 30% of GDP and 97.4% of exports came from crude. Other minerals received little attention. However, the plummeting oil price of recent years has made the government keen to diversify the economy, and gold mining is seen making an important contribution in the future. The government has revised the outdated mining laws. According to the report from the Nigerian minerals appraisal and monetisation programme, there are 65 occurrences of gold in the country. Already four mining concerns are exploiting gold at various levels.

Rwanda

Population: 7.9m Current Account Balance: \$-215m Debt: \$1,164m Debt as % of GDP: 62.5

Gold is mined in small quantities by members of the Coopimar co-operative in Myove and Byumba. The recent civil war reduced production of all minerals to 20% of pre-war levels, so there should be some expansion as the economy returns to normal.

Senegal

Population: 8.8m Current Account Balance: \$-322m Debt: \$3,671m Debt as % of GDP: 74.6

Gold mining in Senegal is mainly artisanal, but the government is encouraging investment in the main Sabodala gold mine to boost output. Exploitation of the mine – proven reserves estimated at 30 tonnes – was halted in 1998. The government is now seeking a partner to turn the operation into a “world-class gold mine”. Other areas, too, show potential. The authorities have issued more than 20 gold exploration permits to major international firms. But, in 1998, four firms withdrew from Senegal due to low world gold prices.

Sierra Leone

Population: 4.7m Current Account Balance: \$-161m Debt: \$1,250m Debt as % of GDP: 164.6

Sierra Leone's gold output in 1996 was 523 ounces, but all mining activities were interrupted by the 1997 military coup. Gold mining has since recommenced on a small scale, but there are no known production figures. Gold production in 1994 was 0.1 tonne.

Swaziland

Population: 0.95m Current Account Balance: \$-23m Debt: \$268m Debt as % of GDP: 21.6

There is no known gold mining industry, but the Irish company Kenmore Resources has two gold licences at Niassa, where test drills in 1996 inferred resources of 200,000 ounces. Gold, however, plays a role through migrant workers remittances from South African gold mines. The Employment Bureau of South Africa estimates 15,000 Swazis were employed in South African mines in 1996, contributing \$0.5m in remittances. However, cutbacks in staff numbers due to the low gold price saw numbers employed fall to only 7,752 in 1998.

Zambia

Population: 9.4m Current Account Balance: \$-459m Debt: \$6,758m Debt as % of GDP: 168.4

Zambia's economy is dependent on copper and cobalt mining. Gold mining plays only a small role, albeit an increasing one. *Mining Journal* reports 1997 production as 0.12 tonnes to year-end March. Further expansion is likely, with the first privately owned gold mine opening in 1997 at Dunrobin, output 65kg by year-end.

Other sub-Saharan African countries

Gold mining is of less significance in other sub-Saharan African countries. In Cape Verde there are no known gold deposits. In Comoros no known gold mining or prospects for gold mining exist. In Djibouti there is no mining sector but, in 1998, two US companies, Seven Star Minerals and Quest International, obtained the rights to explore for gold. In Equatorial Guinea there is no industrial mining at present but artisanal alluvial gold mining occurs on a small scale though with little potential for expansion. In Guinea-Bissau and Gambia there is no known gold mining, nor is there in Madagascar, though Rio Sun mining was granted 15 concessions in 1997 for exploration of gold in the north of the country. There is no gold sector in Malawi, Sao Tome et Principe or Somalia, though in the latter, mineral deposits, including gold, were discovered by accident at Jezira Mogadishu in 1989. In Togo again there is no gold mining sector, but all geological formations, except the coastal basin, show some evidence of gold.

6. Gold mining in other HIPC's

Of the 41 HIPC's, 33 are in Africa. The others are Bolivia, Guyana, Nicaragua, Honduras, Lao PDR, Myanmar (formerly Burma), Vietnam and Yemen. Gold mining already plays a significant role in the first three and a smaller one in Vietnam. Exploration and mining development has been delayed or cancelled in a number of these countries following the gold price fall in 1997.

	Output 1997 (tonnes)	Output 1998 (tonnes)	Merchandise exports, 1997 (\$m)	Gold exports 1997 (\$m)	Gold exports as % merchandise exports	Gold exports as % debt service
Bolivia	15.8	17.3	1,167	110.7	9.5	24.4
Guyana	14.3	14.5	593	139.5	23.5	111.6
Nicaragua	2.8	4.4	709	8.9	1.3	9.7 ^a
Vietnam	1.8	1.8	na	na	na	na
Others	2.0	2.0	6,788	20.00	na	na
Total	36.7	40.0	9,257^b	279.1^b	3.0^b	na

^a 1996 ^b excluding Vietnam



Bolivia

Bolivia is one of the least developed countries in Latin America and one of the poorest in terms of GDP per head. Its population rose by 2.5% per year on average in 1990-97, while GDP growth averaged 4.2% but the benefits to most of the population have been small and poverty remains widespread. Agriculture's share of GDP has shrunk to around 15% and it is estimated that more than 60% of the agricultural labour force is involved in subsistence farming. Mining of minerals and hydrocarbons accounts for around 10% of GDP but, in terms of exports, its share is far greater, nearly 49% of the total in 1997.

In the 1990s, the trade account returned to deficit as economic growth, tariff liberalisation and a rise in investment sucked in imports. The country historically has large current account deficits; in 1997, the deficit was equivalent to 9.1% of GDP. Bolivia is heavily indebted, with foreign debt of \$5.3bn in 1997 representing 67% of GDP although this was down from around 90% in 1990. Debt service payments were equivalent to 33% of exports. The country was one of the first to receive, in 1999, debt relief, amounting to \$760m, under the HIPC initiative. The major donors of bilateral aid have been Germany, Japan and the Netherlands.

Gold's importance to Bolivia

Traditionally, mining has been the backbone of the economy although mining and oil together employ only 1.8% of the formal labour force. Prices for many of Bolivia's minerals collapsed in the mid-1980s, reducing their contribution to exports. The rapid expansion in gold production, as a result of a reduction in the role of the state and the liberalisation of investment regulations in 1990, reversed the decline and minerals accounted for just under 43% of total exports in 1997. Following the introduction of the new mining code, which gave foreign and domestic companies the same legal rights, foreign investment soared; in 1995, it amounted to \$115m. But, with the 1997 fall in commodity prices, it dropped to \$40m in 1998. In 1997, another new mining code was introduced with the aim of attracting further investment.

With the virtual end of the role of the state in mining, gold is now produced in small-scale mines, owned by mining co-operatives and peasants, and in privately owned large and medium-sized mines. The first produce around a fifth of the country's output while the second accounted for 80% of Bolivia's gold production in 1997. In the first half of 1998, production from small mines fell while that of the larger mines rose. There is continued foreign interest, with Odessa Mining South

America completing a feasibility study of the San Simonetto and Guarayo projects. Sedna Geotech is to begin operations through its newly formed subsidiary Andes Drilling (Bolivia). However, the fall in gold and other commodity prices in 1997-98 has caused some companies to pull out. Their number fell from more than 50 in 1996 to 37 in 1997, according to the Asociacion Nacional de Mineros Medianos, and is believed to have fallen further in 1998.

Summary

If Bolivia is to deepen economic reform, preserve macroeconomic stability and fiscal balance while alleviating poverty, improving education and health and, critically, eliminate the cocoa/cocaine trade, more foreign investment and increased foreign exchange earnings will be needed. If the gold price continues to fall, so will foreign investment; some smaller locally owned mines could go out of business, reducing foreign exchange earnings still further and leaving the country without the means to continue its reforms.

Bolivia: economic indicators

	1990	1997	1998 ^a	Av. ann.% growth 1990-97				
Population (m)	6.6	7.8	7.9	2.5				
GDP nominal (\$m)	4,490	7,851	8,372	8.3				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av. ann.% growth 1990-97
GDP								
At constant (1987) prices (\$m)	4,836	5,435	5,689	5,955	6,199	6,459	6,760	
Real GDP % change	5.2	4.3	4.7	4.7	4.1	4.2	4.7	4.2
Real GDP/head % change	2.3	1.8	3.2	1.8	1.4	1.5	3.5	1.7
GDP/head (current\$)	683	807	831	907	948	1,007	1,060	5.7
External sector								
Merchandise exports (\$m)	831	716	985	1,041	1,132	1,167	1,146	7.2
Merchandise imports (\$m)	776	1,112	1,015	1,224	1,368	1,642	1,915	5.7
Current account balance (\$m)	-220	-506	-90	-303	-404	-715	-976	
Exchange rate (Boliviano/\$)	3.17	4.26	4.62	4.8	5.07	5.25	5.51 ^b	
Foreign Debt								
Debt (\$m)	4,278	4,307	4,871	5,264	5,174	5,284	5,753	
Debt as % of GDP	95.3	75.2	81.4	78.4	71.8	67.3	73.3	
Debt service (\$m)	385	334	348	372	413	453	na	
Debt-service ratio (%)	39.4	37.2	29.5	30.2	31.5	33.3	33.4	

^a EIU and WGC estimates ^b actual

Bolivia: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	10.4	12.1	14.7	16.0	15.2	15.8	17.3	7.4
Output (tonnes), national source	5.2	10.4	12.8	14.6	12.6	13.5	na	na
Value (\$m), based on GFMS	128.2	140.0	181.5	197.5	189.5	168.4	163.6	3.2
Exports								
Volume of exports (tonnes)	na	7	10	11	10	10	na	na
Value of exports (\$m)	na	76.3	119.1	130.1	119.7	110.7	na	na
Gold exports as % of total exports	na	9.3	10.7	10.9	9.6	9.5	na	
Gold exports as % debt service	na	22.8	34.2	35.0	29.0	24.4	na	
Average price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Guyana

Population growth in the 1990s was under 1% while GDP rose by 7% a year. Agriculture accounted for 29.4% of GDP in 1997 compared with 23% in 1990 and is the largest source of employment. Mining's contribution has risen from 9.5% in 1990 to 14.7% in 1997. Sugar and rice together accounted for 38% of exports in 1997 while gold and bauxite accounted for just under 40%. Gold is the largest single export earner. In order to reduce dependence on one or two agricultural commodities, the government has encouraged foreign investment and exploration in mining and the policy has paid off, with the sector showing an average annual growth rate of 9.5% in 1990-96.

Although national figures show export earnings rising in the 1990s, rising imports of capital equipment have resulted in a trade deficit. The current account has been helped by a strong inflow of emigrants' remittances, official transfers and a growing tourism industry although it remains in deficit. The government is committed to improving the country's social and physical infrastructure and has an ambitious public works programme. Public investment has risen from \$88m in 1990 to \$134m in 1996, while private investment rose from \$79m to \$195m over the same period.

The country's heavy debt burden lessened in 1997 when debt reduction packages were agreed. The country will start benefiting in 1999 from the HIPC debt relief initiative. Despite lower debt service payments, the government may have difficulty in meeting the fiscal target agreed with the IMF in mid-1998.

Gold's importance to Guyana

Mining employs around 4% of the labour force. Gold and bauxite dominate the sector, with gold of increasing importance. The mining sector grew by an annual average of 9.5% in 1990-96, largely on the back of increased gold output. The country has sizeable gold deposits and government efforts to step up the pace of exploitation and increase output have proved successful. The sector has benefited from both greater government investment and a more liberal foreign investment regime, which has brought in increasing amounts of foreign capital. In 1993, gold and bauxite each earned around \$90m; in 1993, earnings from gold were \$139.5m while those from bauxite remained at \$90m.

The largest gold mine is Omai, in which the government has a small (5%) stake; two Canadian companies, Cambior and Gold Star Resources, own the remaining 95%. Omai was opened in 1993 and by 1997 was responsible for nearly 80% of total gold output, having increased its own output by nearly 30% over 1996. Output in 1998 dropped by 3% to 10.1 tonnes, mainly as a result of decreased gold grades and a lower than expected recovery rate. 2.5 tonnes were produced in the first quarter of 1999, more or less in line with the same quarter of 1998. In early 1998, it was announced that the company would have to consider scaling back its expansion plans, mothballing a \$1m plan to increase exploration, if the price of gold continued at its low level.

The rest of production is from small and medium-sized mines, which the government actively supports. In 1997, it was reported that production from such mines accounted for just over 20% of total output, but further falls in the international price could put some out of business, with the inevitable knock-on effect on the economy.

Smuggling of gold used to be widespread but the government has put a number of measures in place, including paying the market price and, in 1997, ending the Gold Board's monopoly. Declared output that year increased by 62%.

Some exploration activity in the country continues, with Champion and TNR Resources in a joint venture exploring at Takati in the north-west of the country. Golden Star Resources is pursuing its exploration programme. Pegasus Gold and Cathedral Gold, on the other hand, have ceased exploration activity. Sutton Resources, which had joint-ventured its Marudi Mountains project to Brazilian Goldfields, is now looking for a new partner after Brazilian Goldmines withdrew from the project.

Gold output in volume terms rose from 1.2 tonnes in 1990 to 13.5 tonnes in 1997, with much of the growth attributable to increased production from Omai. Official figures show that, in January-September 1998, output had contracted by 8.2% compared with the same period a year earlier, as a result of weather conditions and low international prices. Output is believed to have remained low in the fourth quarter of 1998. The mining sector is thought to have contracted by 12% for the year as a whole, according to the EIU, although GFMS figures for gold output show a small (1.4%) increase.

Exports have risen from \$17.7m in 1990 to \$139.5m in 1997 while their share of total exports has increased from 7% in 1990 to 24% in 1997. In 1997, national sources showed a 34.8% rise in the value of exports, up from \$103.5 m to \$139.5m, in spite of the fall in the international price of gold. This would indicate that the volume of exports rose even more substantially, by 57.8% from around 8.3 tonnes in 1996 to 13.1 tonnes, most likely as a result of the government's success in curtailing smuggling activity.

Summary

The importance of gold to Guyana can be seen in annual GDP figures; in 1995, when Omai was closed for a period, GDP growth slowed from around 8% in the two preceding years to 5%. In 1998, the combination of a poor harvest and a still lower gold price resulted in an estimated fall of 1%.

Government efforts to end the country's dependence on one or two principal commodities seem to be succeeding, but gold is crucial to the continuing success of this policy. Gold now accounts for the largest share of export earnings, 24.3%, output is increasing and foreign investment continues. But the president of the Guyana Gold and Diamond Miners Association has warned that production could fall by up to 30% if the price stays at its current low level while the owners of Omai have warned that plans to increase exploration would have to be put on hold.

Guyana: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population ('000)	720	775.0	780.0					1.1
GDP nominal (\$m)	396.6	743.4	720.9					9.4
GDP								
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP at constant (1987) prices (\$m)	331.9	410.4	445.3	467.5	504.7	536.0	529.0	7.1
Real GDP % change	-4.7	8.2	8.5	5.0	8.0	6.2	-1.3	-1.3
Real GDP/head % change	-4.7	15.5	12.9	12.3	4	5.2	-1.9	6.0
GDP/head (current \$)	550	629	727	821	922	959	924	8.3
External sector								
Merchandise exports (\$m)	203.9	415.5	463.4	495.7	574.8	593.4	525.0	16.5
Merchandise imports (\$m)	249.5	483.8	504	536.5	595	627.6	565.0	14.1
Current account balance (\$m)	-147.7	-136	-100.8	-94.9	-53.8	-107.1	-100.0	
Exchange rate (Guyana \$/\$)	39.5	126.7	138.3	142	140.4	142.4	150.5 ^b	
Foreign Debt								
Debt (\$m)	1,915	1,954	2,038	2,105	1,631	1,421	1,550	
Debt/GDP	482.0	419.0	373.9	3,38.5	2,30.9	191.1	215.0	
Debt service (\$m)	296	92	97	109	105	125	na	
Debt-service ratio (%)	117.0	17.3	16.6	17.1	18.3	17.0	na	

a EIU and WGC estimates b Actual

Guyana: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), G FMS	2.5	10.0	11.7	8.8	11.4	14.3	14.5	7.7
Output (tonnes), national source	1.2	9.6	8.7	9.0	12.0	13.5	na	na
Value (\$m), based on G FMS	39	115	145	110	142	144	137	3.6
Exports								
Volume of exports (tonnes)	1.4	8.6	10.3	7.6	8.3	13.1	na	na
Value of exports (\$m)	17.7	99.8	128	94.7	103.5	139.5	na	na
Gold exports as % of total exports	6.8	24.0	27.6	19.1	18.0	23.5	na	
Gold exports as % debt service	6.0	108.5	131.9	86.9	98.6	111.6	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Nicaragua

With annual average population growth just higher than that of GDP, real GDP per head fell by 0.2% a year in 1993-97. GDP per head in current dollars fell to about \$430 in 1997. 49% of the economically active population is either unemployed or underemployed.

Agriculture dominates production; its share of GDP was 34% in 1997, with agricultural exports accounting for nearly 47% of export values. The principal export crops are coffee, sugar and bananas, with coffee accounting for 16% of total exports in 1997.

Considerable attempts are being made to regenerate the manufacturing and mining sectors, both of which contracted sharply under the Sandinista regime of the 1980s. The banking sector has been liberalised, the tax system simplified, tariffs reduced and a number of free trade zones set up.

However, the effects of Hurricane Mitch, which struck in October 1998, showed just how vulnerable the economy remains to natural forces. Around 70% of the transport infrastructure was damaged and much of the second crop cycle was destroyed.

The trade and current accounts have been in considerable deficit throughout most of the 1980s and 1990s. This will worsen in the short term as a result of hurricane damage; imports, already nearly double exports, will remain high while exports fall. The current account deficit, which is inflated by debt service payments, will remain in excess of 45% of GDP.

The country is heavily indebted as a result of borrowing in the 1980s. In spite of significant restructuring in the early 1990s, Nicaragua's total external debt is nearly three times the size of GDP, standing at an estimated \$5.9bn at the end of 1997. Although further debt relief and forgiveness is likely, the debt burden will remain substantial.

The high level of public investment in the 1980s was reversed in the 1990s. By 1997, private investment had risen to an estimated 19.8% of GDP while public investment had fallen to 11.8%. Considerable overseas and private sector investment is expected to fund reconstruction efforts following Hurricane Mitch, and gross fixed investment will soar. GDI as a share of GDP rose from 15.1% in 1990 to 25.1% in 1997.

Gold's importance to Nicaragua

The inflow of private investment into the mining sector has given it new momentum. In 1997, it grew by 19%, mainly on the back of gold production, which increased by an estimated 55%, following private investment of \$80m aimed at reactivating mines, according to figures from GFMS. Government figures show a smaller rise of only 20%. Further investment of some \$880m was expected in 1998, following the end of the ban on new mining concessions.

There are nine known gold and silver mines. The principal mining company in the country is Greenstone Resources, which operates two fully-owned mines, Cerro Mojon, with estimated reserves of 62 tonnes and target output of 5.75 tonnes a year, and Bonanza. Delgratia Mining of Nicaragua is also proceeding with exploration work although its joint-venture partner, Western

Mining, pulled out of the deal in 1997, reportedly in part because of low gold prices. Several junior companies are also reported to have left the country. Triton Mining has a 95% interest in the Limon mine, where output reached 1.5 tonnes in 1997 and 1.7 tonnes in 1998. Black Hawk has reported the discovery of two new epithermal gold bearing structures in the Talavera mine at El Limon and Bonanza Mine and Concessions has a large exploration project underway.

Gold reserves in 1998 were estimated at 118 tonnes. Production rose by 11.8% a year in the five years to 1997, according to GFMS, and, in 1998, it nearly doubled to reach 4.4 tonnes. Exports of gold have fluctuated in recent years and, in 1997, amounted to only 0.9 tonnes, a sharp fall from the 1.7 tonnes in 1996, and earned \$8.9m, equivalent to just 1.3% of exports. This compares with earnings of \$21.4m in 1996, 3.2% of exports. The government has said that it anticipates production of 6 tonnes a year by 2000; if its forecasts prove correct, export earnings will soar. At the 1998 annual average price (\$294.09), they would bring in \$56.7m per year in much-needed foreign exchange.

Summary

Nicaragua remains too dependent on a few agricultural exports although manufacturing output is starting to pick up. Increased privatisation and a more relaxed mining code have brought foreign investment into the gold-mining sector, which will soon become an important source of much needed foreign exchange. A further fall in the gold price would certainly slow, and could reverse, this trend.

Nicaragua: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	na	4.65	4.80	4.6				
GDP nominal (\$m)	na	2,018	2,030	0.6				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP at constant (1990) prices (Colones m)	1,565	1,562	1,614	1,684	1,760	1,849	1,923	3.4
Real GDP % change	-0.1	-0.4	3.3	4.3	4.5	5.1	4.0	3.4
Real GDP/head % change	2.5	0.2	0.6	1.2	1.5	1.9	0.8	na
GDP/head (current \$)	na	505	457	456	439	434	423	-3.0
External sector								
Merchandise exports (\$m)	332.4	267	363.7	530.2	673.5	708.6	613	11.4
Merchandise imports (\$m)	569.7	659.4	783.8	897	1,049.7	1,371	na	13.4
Current account balance (\$m)	-305.2	-644.3	-703.1	-599.4	-496.8	-622.6	-664.0	
Exchange rate (Colones: \$)	140.9	5.62	6.72	7.55	6.44	9.45	10.58 ^b	
Foreign Debt								
Debt (\$m)	10,692	11,408	12,103	10,359	5,929	5,887	5,700	
Debt as % of GDP	na	580.3	660.6	549.0	301.1	291.7	280.8	
Debt service (\$m)	na	134.0	207.0	288.0	221.0	349.0	na	
Debt-service ratio (%) ^b	2721.3	36.5	43.5	44.5	27.4	40.4	na	

a EIU and WGC estimates b Actual

Nicaragua: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), GFMS	1.6	1.6	1.4	1.6	1.8	2.8	4.4	22.4
Output (tonnes), national source	1.1	1.2	1.0	1.5	2.1	2.6	na	na
Value (\$m)	19.8	18.5	17.3	19.7	22.4	29.8	41.6	17.6
Exports								
Volume of exports (tonnes)	1.1	1.9	0.3	0.7	1.7	0.9	na	na
Value of exports (\$m)	14.1	26.1	4.2	9.1	21.4	8.9	na	na
Gold exports as % of total exports	na	9.7	1.2	1.7	3.2	1.3	na	
Gold exports as % debt service	na	19.5	2	3.2	9.7	na	na	
Average gold price (\$/oz)	383.59	359.82	384.15	384.05	387.87	331.29	294.09	



Vietnam

Vietnam's economy has grown comparatively fast during the 1990s, but the country remains very poor. In the seven years since 1990, real GDP has grown by an annual average of 6.2%, while GDP per head has grown by 3.9%. The speed of growth in the 1990s can be attributed to the effects of economic reforms which were modelled loosely on those introduced in China a decade previously.

Almost 80% of the population is rural; 70% of employment is in agriculture. Agriculture accounts for about half non-oil exports. Major agricultural crops are rice, coffee and rubber. Other important exports are textiles, garments and petroleum. Imports, since 1992, have exceeded exports, as investment has risen close to 30% of

GDP, with the result that the trade and current accounts have been in deficit, to the tune of 10.6% of GDP in 1996.

External debt reached \$26.8bn at the end of 1996 according to World Bank figures, 114.7% of GDP, placing Vietnam among the heavily indebted poor countries (HIPC) identified by the IMF that year. (About \$10bn has been borrowed in hard currency during the 1990s, the large remainder being rouble debt, whose current hard currency value is debatable.) Debt reduction can therefore be expected over the next few years, provided Vietnam's policy stance is acceptable to the multilateral institutions. Although the stock of debt is large in relation to GDP, the debt-service ratio has been kept in check by the fact that much of the debt is on concessional terms. Aid flows started to gain momentum from 1992, reaching 4% of GDP in 1996. Among the bilateral donors, Japan is pre-eminent, followed by France, Germany, Australia, Sweden and Italy. The World Bank and the IMF are the main multilateral aid donors. Grants typically accounted for more than half of the total aid in any given year and were worth \$468m in 1996.

Gold's importance to Vietnam

Gold currently plays a modest role in the Vietnamese economy, though it could be more important. *The Mining Annual Review* reports that there are eight goldfields near Hanoi (where the National Gold, Silver and Precious Metals Corporation is based) and two in the south of the country, where the Australian company Covictory Investment Ltd has been working the Bong Mieu mine near Da Nang. Gold is sought after on the domestic market, where high inflation and dollarisation have undermined confidence in the domestic currency. Domestic gold consumption was 44 tonnes in 1998, according to WGC data.

Gold output, according to GFMS, has fluctuated around 2 tonnes in the late 1990s. Had this output been exported, its value, at the annual average gold price, would have ranged around \$20m a year, making a useful contribution to foreign exchange earnings. In 1998, output of 1.8 tonnes would have contributed \$17m.

Summary

Vietnam's economy has grown fast in recent years, under the influence of economic reform. But the growth has run into difficulties as a result of lost export markets and slower inflows of FDI after the 1997 Asian crisis. The country remains very poor and the resource base is narrow. The exploitation of gold and other mineral reserves could play a useful role in development.

Vietnam: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	66.2	76.7	78.1	2.1				
GDP nominal (\$m)	8,1740	23,298	25,176	16.1				
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP/head (constant 1989 prices Dbn)	446	517	550	592	636	679	726	6.2
Real GDP % change	5.1	8.1	6.3	7.6	7.5	6.8	5.8	6.2
Real GDP/head % change	2.8	5.6	6.3	7.6	7.5	6.8	3.9	3.9
GDP/head (current \$)	123.5	180.8	214.4	274.5	309.4	328.2	na	15.0
External sector								
Merchandise exports (\$m)	1,731	2,985	4,054	5,198	7,330	na	na	na
Merchandise imports (\$m)	1,775	3,532	5,244	7,543	10,481	na	na	na
Current account balance (\$m)	-262	-767	-1,192	-1,923	-2,482	na	na	
Exchange rate: (Dong/not:\$)	5,133	10,640	10,955	10,970	11,100	11,745	13,300 ^b	
Foreign Debt								
Debt (\$m)	23,270	24,458	25,115	25,813	26,764	na	na	
Debt/GDP (%)	284.7	109.6	161.9	127.5	114.7	na	na	
Debt-service ratio (%)	8.9	11.0	5.7	4.9	3.9	11.7	13.9	

a EIU and WGC estimates b Actual

Vietnam: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), G FMS	1.0	1.0	1.5	1.5	1.7	2.0	1.8	2.6
Value (\$m)	12.3	11.6	18.5	18.5	21.2	21.3	17.0	-1.2
Demand (tonnes), WGC	29.5	31.0	35.0	36.0	41.0	45.0	44.0	7.3
Average gold price	383.59	359.82	384.15	384.05	387.87	331.29	294.09	

Vietnam: economic indicators

	1990	1997	1998 ^a	Av.ann.% growth 1990-97				
Population (m)	66.2	76.7	78.1					2.1
GDP nominal (\$m)	8,1740	23,298	25,176					16.1
	1990	1993	1994	1995	1996	1997	1998 ^a	Av.ann.% growth 1990-97
GDP								
GDP/head (constant 1989 prices Dbn)	446	517	550	592	636	679	726	6.2
Real GDP % change	5.1	8.1	6.3	7.6	7.5	6.8	5.8	6.2
Real GDP/head % change	2.8	5.6	6.3	7.6	7.5	6.8	3.9	3.9
GDP/head (current \$)	123.5	180.8	214.4	274.5	309.4	328.2	na	15.0
External sector								
Merchandise exports (\$m)	1,731	2,985	4,054	5,198	7,330	na	na	na
Merchandise imports (\$m)	1,775	3,532	5,244	7,543	10,481	na	na	na
Current account balance (\$m)	-262	-767	-1,192	-1,923	-2,482	na	na	
Exchange rate: (Dong/not:\$)	5,133	10,640	10,955	10,970	11,100	11,745	13,300 ^b	
Foreign Debt								
Debt (\$m)	23,270	24,458	25,115	25,813	26,764	na	na	
Debt/GDP (%)	284.7	109.6	161.9	127.5	114.7	na	na	
Debt-service ratio (%)	8.9	11.0	5.7	4.9	3.9	11.7	13.9	

a EIU and WGC estimates b Actual

Vietnam: gold data

	1990	1993	1994	1995	1996	1997	1998	Av.ann.% growth 1993-98
Output (tonnes), G FMS	1.0	1.0	1.5	1.5	1.7	2.0	1.8	2.6
Value (\$m)	12.3	11.6	18.5	18.5	21.2	21.3	17.0	-1.2
Demand (tonnes), WGC	29.5	31.0	35.0	36.0	41.0	45.0	44.0	7.3
Average gold price	383.59	359.82	384.15	384.05	387.87	331.29	294.09	

Honduras⁴

Population: 6.3m Current account balance: \$-104m Debt (end 1997): \$3,998m Debt as % of GDP: 85.1

The Honduran economy is largely agriculturally based with coffee, bananas and shell-fish accounting for half of non-*maquila* (offshore assembly for re-export) exports. Mineral exports, while currently contributing relatively little to total earnings, have unexploited potential. Interest among foreign investors in Honduras's reserves of precious metals grew substantially in the 1990s. The current administration is redrafting the mining law to boost investment. Greenstone Resources was scheduled to begin gold production in 1998 at San Andres; several other foreign investors have announced sizeable gold finds.

Laos PDR

Population: 4.8m Current account balance: \$-282m Debt (end-1997): \$2,390m Debt as % of GDP: 136.7

Mining currently plays only a small role in Lao's economy, but the country's rich mineral resources have potential. Several companies have been granted licences to prospect for gold in the provinces of Kompong Thom, Preah Vihear and Mondulkiri.

Myanmar (Burma)

Population: 46.7m Current account balance: \$-900mb Debt (end 1997): \$5,200m Debt as % of GDP:115

Despite good agricultural land and probably significant mineral resources, economic mismanagement has rendered Myanmar one of the poorest of the HIPC countries. Goods exports are less than half of goods imports and the current account is continually in deficit, financed through the accumulation of debt-service arrears. Most aid donors have ceased to supply funds since the ruling junta refused to accept the result of the 1990 elections.

Recorded gold output fell to around 0.6 tonnes (EIU) or 0.2 tonnes (*Mining Journal*) in 1997/98 due to the deterioration and ageing of state-owned mines. The potential is undoubtedly greater.

Yemen

Population: 16.3m Current account:\$170m Debt (end-1997): \$3,353m Debt as % of GDP:61.6

No gold is mined at present. Various exploration licences have been granted, including the large Medden deposit. Menora Resources have put drilling on hold owing to low gold prices. *Mining Journal* reports other areas have "excellent potential", with the mining firm Canadian Mountain planning to spend \$6m on exploration over two years.

⁴ In this section all data refer to 1997 except where specified

7. Appendix

The HIPC Initiative

The HIPC (Heavily Indebted Poor Countries) Initiative was launched in September 1996 within a joint IMF/World Bank framework. The Initiative recognised that, for a number of the world's very poorest countries, the scale of their outstanding debt was such that they could not conceivably achieve self-sustaining development. It was therefore necessary to reduce the amount of their export receipts going to service debt, in order that the money saved could be used to generate internal returns.

The Initiative was based on a number of important principles:

- that countries' debt would be reduced to a long-term sustainable basis
- that all external creditors (private, public, multilateral) would make contributions pro rata
- that debt relief would only be given to those countries which had demonstrated a commitment to economic reform, so that any relief would not be frittered away
- any new finance for these countries would be on concessional terms.

41 countries, defined on the basis of GDP per capita, were chosen potentially to benefit. Their debt-service ratios (and debt-to-export ratios) needed to be brought back to sustainable levels. It is important to recognise, however, that not all of these countries will actually be given debt relief since it depends crucially on (a) the country pursuing appropriate economic policies and (b) the country actually wanting the relief (there are several countries which qualify in theory but feel that they are already, through their own efforts, moving in the right direction).

At the time of the last IMF meeting in April 1999, seven countries had qualified for HIPC relief though only two were receiving it (this is because, after the initial qualification period, further time has to be served before debt is actually cancelled).

Because progress has been so slow, a number of proposals have recently been made in order to allow the benefits of debt relief to be felt sooner rather than later.

These include:

- broadening the Initiative to include more countries (i.e. increase the GDP per capita cut-off)
- deepening it to reduce the figures for debt-service and debt-to-export ratios which currently allow qualification
- speeding it up by reducing the number of years' track-record necessary to qualify.

The international consensus seems to be that more should be done along the above lines but no concrete decisions have yet been taken. We would expect this to happen by at least the time of the IMF/IBRD Annual Meetings in late September. Any changes to the originally-agreed HIPC framework will also, of course, cost considerably more to all external creditors.

List of HIPC's

Africa

Angola	Madagascar
Benin	Mali
Burkina Faso	Mauritania
Burundi	Mozambique
Cameroon	Niger
Central African Republic	Nigeria
Chad	Rwanda
Congo	São Tomé and Príncipe
Côte d'Ivoire	Senegal
Dem Rep of Congo	Sierra Leone
Equatorial Guinea	Somalia
Ethiopia	Sudan
Ghana	Tanzania
Guinea	Togo
Guinea-Bissau	Uganda
Kenya	Yemen
Liberia	Zambia

Asia

Laos PDR	Vietnam
Myanmar	

Americas

Bolivia	Honduras
Guyana	Nicaragua

8. Sources, authors, definitions and technical notes

The main sources for this publication are national statistics for the countries concerned, the IMF, the World Bank, Gold Fields Mineral Services Ltd (GFMS), the Economist Intelligence Unit (EIU), the EU Commission website, *Mines 98*, *Mining Journal* and World Gold Council data. Estimated data for recent years are normally drawn from the EIU or WGC calculations. While this report aims to be comprehensive, exploration activities inevitably are in constant flux. Data for gold output published by GFMS sometimes differ from those published by official sources. The usual reason for this is that official sources often cover only the formal sector. GFMS attempts to include estimates for informal production.

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Common abbreviations used:

IMF	International Monetary Fund
HIPC	Heavily Indebted Poor Country
GFMS	Gold Fields Mineral Services
EIU	Economist Intelligence Unit
IFC	International Finance Corporation
EU	European Union
ADF	African Development Fund
na	Not available

Technical definitions:

Debt service	Interest and principal repayments on outstanding foreign debt
Debt-service ratio	Debt service as a % of exports of goods and services, used to assess the effective servicing burden on a country
Value of gold output	Output, normally according to GFMS, valued at average gold price for the year
1 metric tonne =	1,000kg or 32,151oz of fine gold

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