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18309-E

Distr.
LIMITED
ID/WG.504/1(SPEC.)
27 April 1990
ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Expert Group Meeting for the African
Region in Promoting Regional Co-operation
for the Establishment of an Organizational
Framework for Sugar-Cane Producers and
Co-operation on Technology and Market

Vienna, Austria, 5-8 June 1990

AN OUTLINE ON THE ORGANIZATION OF A
GROUP OF SUGAR PRODUCING COUNTRIES IN AFRICA

Background paper*

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* The views expressed in this document are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been edited.

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V.90-84052

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I. Introduction

1. The aim of this paper is to demonstrate the need for the establishment of an organization with features similar to those of the Group of the Latin American and Caribbean Sugar Exporting Countries (GEPLACEA) for the African sugar-producing/exporting countries, based on an analysis of the objectives, activities and scope of the Group.

2. With this purpose in mind, this paper has been divided into the following parts:

- Establishment, development and scope of GEPLACEA
- Analysis of GEPLACEA's future endeavours
- Sugar situation in Africa
- Requirements and advantages of an organization in Africa similar to GEPLACEA
- Organizational structure of said institution
- Concrete tasks involved in founding such an organization
- Co-operation scheme between GEPLACEA and UNIDO
- Conclusions, underlining the scope of south-south co-operation in a project such as that proposed.

II. GEPLACEA: Establishment, development and scope

3. GEPLACEA was founded in November 1974, for the implicit objective of establishing an institution to group countries of the number one sugar-exporting region in the world; at that time, the region accounted for approximately 55 per cent of total world exports.

4. Thus efforts were focused on the market, and here it is pertinent to mention that the incentive behind the establishment of such an organization was directly related to the combination of two factors: high commodity prices on world markets - sugar in particular - and the achievements of the Organization of the Petroleum Exporting Countries (OPEC).

5. From the outset, however, the idea of creating a sugar cartel was never fostered, and activities were placed under two main headings: market and technology. The foregoing was clearly established in the by-laws.

6. A series of principles of a political and organizational nature were specified from the beginning:

- GEPLACEA was to be an inter-governmental organization;
- Equality among nations, whereby each member country would be entitled to one vote in adopting decisions, regardless of the amount of its contribution;
- Member countries would be represented trying to keep geographical representation in the GEPLACEA Secretariat staff;
- Member countries must be independent nations, members of the Group of 77 and traditional sugar-exporters;
- Contributions were fixed on the basis of export volumes, using the average for the past three years, with the statistical data available. A maximum amount, the equivalent of 25 per cent of the total budget, was also established; as well as a minimum of one per cent of the total;
- This concept was modified recently whereby production is also taken into account. At present, a weighted average of 75 per cent for exports and 25 per cent for production is being used.

7. It should be underlined that this change acknowledges the importance of the productive factor in the development of the institution. Whereas in the beginning only exports were taken into account in fixing contributions, reflecting the status of the Group as exporting countries, today, although the organization continues to bear in mind its status as a Group of exporting countries, it also acknowledges the fact that the institution is basically an organization of producing and exporting countries.

8. The establishment of the Secretariat reflects the following aspects:

- The fact that GEPLACEA has a permanent Secretariat rather than only periodical meetings throughout the year, with a regular budget for its operations, provides focus and scope for its activities;
- The Secretariat is comprised of four elected officials, which allows for greater geographical representation.
- The combination of a relatively short term of office (three years) for Secretariat officials, who may be re-elected only once, allows for short periods of time to correct problems and yet enough time to permit continuity in activities.

9. With regard to operations, it should be underlined that concrete activities have been carried out in various areas, such as those outlined below:

Research. In some cases, research is conducted at Secretariat headquarters, but our aim is for the Secretariat to act as a centre for activities of this type conducted in member countries as well as other parts of the world.

Information. GEPLACEA began with a monthly bulletin on marketing and technology, though over the years activities have been gradually centered on the following publications:

- A daily market report sent via telex to anyone requesting the service, with a charge for the telex only.
- A fortnightly Newsletter on the market situation, published in English and Spanish and forwarded to many member countries of the Group and outside the region, supplementary to our monthly bulletin.
- A monthly bulletin outlining activities in all areas of the Group, published in Spanish and English, with a circulation of over 2,500 in more than 50 countries. This bulletin is divided into the following sections:
 - An editorial, which reflects priority actions of the Group at a given time;
 - News on GEPLACEA events, outlining the activities of the Group as well as of member countries;
 - Sugar news items, highlighting agro-industrial activities throughout the world;
 - Three special articles: one of the market, another on technology and the third on diversification, all pertaining to topics of current interest in each field;
 - An analysis of the sugar, molasses and by-products markets during the month;
 - Tables and graphs illustrating the aforementioned analysis.

- A technical-scientific report in the sphere of technology, cultivation and industrial use, published twice a year.

Our Dissemination Department is in charge of the aforementioned publications and the approximately 15 books published annually on various subjects of interest in the different areas.

- Training activities in the various areas, through a system of courses, seminars, and symposia for up-dating expertise and information in the different areas;
- Transfer of technology, through the activities outlined above, and co-operation networks between the Secretariat and member countries;
- Joint, co-ordinated action with governments and international organizations;
- Joint projects with international organizations and co-operation agencies, both national and international;
- Active participation in national and international fora on topics pertaining to the cane agro-industry.

10. From the outset, GEPLACEA has focused Group activities on action pertaining to the market, since that was the principal goal when the organization was founded. The International Sugar Agreement was of particular importance during the first stage of development; negotiations were conducted in 1977 and the agreement went into force between 1978 and 1984. Endeavours were also focused on a system of market information, close ties to sugar trading firms and training of persons involved in marketing.

11. At the same time, work commenced on developing the sphere of technology in the following three areas: cane agriculture, industrial efficiency and diversification of the cane industry.

12. Here it is pertinent to bring up two important issues:

- First, the difficulties involved in organizing the area of technology, compared to market aspects, in view of the wide range of subjects and approaches for 72 countries of different sizes, importance and industrial development;

- Second, virtually from the outset, it was sought to use a comprehensive approach to the industry in the Group's endeavours as a cane agro-industry rather than a sugar industry.

13. The foregoing involves two basic concepts:

- Joint co-ordinated development of all areas;
- The idea of an integral use of cane for production of sugar in addition to a wide range of other products.

14. The major achievements of our organization may be summed up as follows:

- It has been consolidated as a prestigious organization in issues pertaining to the cane agro-industry, not only at the regional level but at the international level as well;
- Important activities have been carried out in defence of regional sugar interests;
- GEPLACEA has acted as a consulting and co-ordinating organization for the regional industry;
- The Group has conducted a wide range of activities in areas such as dissemination, research, training and transfer of technology;
- The scope of activities pertaining to the industry has been expanded to other regions in the world;
- In short, GEPLACEA has become a co-ordinator of efforts aimed at promoting ideas for immediate application in response to problems pertaining to the regional agro-industry.

15. On the basis of our experience, it is anticipated that future action will focus on the following aspects:

- The consolidation of dissemination activities, especially periodical publications and books on specific subjects, with two goals in mind:
 - To serve as a mechanism for dissemination within and outside the region;
 - To serve as an instrument for the promotion and discussion of GEPLACEA activities.

- The continuation and expansion of training activities, by extending the areas covered;
- The development of networks for co-ordinating activities among member countries;
- Promotion of activities pertaining to the industry, its products, technologies, equipment and capital goods, both within and outside the region;
- Promotion of the development of similar institutions on other continents.

III. The sugar situation in Africa

16. Africa currently produces 8.045 million M.T.R.V. of sugar, approximately 7.68 per cent of the world total, while it consumes 8.561 million tons or 8.07 per cent of the world total. African exports reached 2.421 million M.T.R.V., approximately 8.92 per cent, while imports totalled 3.257 million M.T.R.V. or 12.17 per cent of the total.

17. It should be underlined that beet sugar accounts for seven per cent of total output. Beet sugar is produced in Egypt (slightly below 10 per cent of its total output) and in Tunisia.

18. Production in Africa rose at an annual rate of 3.1 per cent between 1970 and 1988 (above the world average of 2.5 per cent), while consumption increased at an average annual rate of 4.07 per cent (well above the world average of 2.27 per cent).

19. It is precisely this higher growth rate for consumption than for production that has converted Africa from a net exporter (up to 1977) to a net importer, with net import requirements of nearly 800,000 M.T.R.V. annually over the past five years.

20. Insofar as foreign sugar trade is concerned, it should be mentioned that exports rose at an annual rate of 1.01 per cent during the period under study (below the world average of 1.22 per cent), while imports increased at a rate of 4.16 per cent (over twice the world average of 1.26 per cent).

21. Thus the higher increase for consumption has led to a standstill in exports (at present only 400,000 M.T.R.V. higher than in 1970) and an enormous rise in imports (currently over twice the level in 1970).

22. Consumption per capita has risen by an annual average of 1.1 per cent (nearly threefold the world average), while it is still low compared to average consumption worldwide: in 1988 consumption per capita was 14.38 kg in Africa, compared to a world average of 21.40 kg. The highest rate was in Gambia, with 59.70 kg; and the lowest in Rwanda, with 1.90 kg. The general situation however contrasts greatly with a country-by-country analysis.

23. Eight countries (South Africa, with 30%; Egypt, Mauritius, Morocco, Sudan, Swaziland, Zimbabwe and Kenya) account for 82 per cent of total output. Twelve countries out of a total of 48 produce no sugar at all and 23 nations produce under 100,000 tons.

24. Seven countries (Egypt, South Africa, Morocco, Algeria, Sudan, Kenya and Nigeria) represent 70 per cent of total consumption. And five nations (South Africa, Mauritius, Swaziland, Zimbabwe and Malawi) represent 93 per cent of total exports. Lastly, six countries (Egypt, Algeria, Nigeria, Morocco, Tunisia and Libya) account for 79 per cent of total imports.

25. In this respect we have made the following preliminary classification of African countries based on statistical criteria:

GROUP I: Major exporters, or those countries that exported over 100,000 M.T.R.V. in 1988:

Malawi
Mauritius
South Africa
Swaziland
Zimbabwe

GROUP II: Other exporters, or countries that were not exporters in 1988:

Congo
Côte d'Ivoire
Ethiopia
Madagascar
Mozambique

GROUP III: Major importers, or countries that imported over 85,000 M.T.R.V. in 1988:

Algeria
Egypt
Gambia
Ghana
Libya
Morocco
Nigeria
Tunisia

GROUP IV: Other countries.

26. It is interesting to note that, with the exception of the following countries, most African nations produce sugar: Algeria, Botswana, Cape Verde, Djibouti, Central African Republic, Mauritania, Comoros, Gambia, Ghana, Guinea, Guinea Bissau, Libya and Niger.

27. Group I currently produces 4.246 million M.T.R.V. (52.78 per cent of the total in Africa) and consumes 1.877 million tons (21.92 per cent of the total for Africa); this represents a surplus of 2.369 million (exports totalled 2.258 million in 1988), 93.27 per cent of the total for Africa. Consumption per capita is 30.23 kg annually, over twice the average for Africa as a whole.

28. Group II has a total output of 557,000 M.T.R.V. (6.92 per cent of the total) and a consumption of 464,000 M.T.R.V. (5.42 per cent of the total), for an exportable surplus of 93,000 M.T.R.V. (in 1988 exports reached 120,000 M.T.R.V., which represents 4.96 per cent of the total; while imports totalled 37,000 M.T.R.V.). Consumption per capita is 5.64 kg, slightly over one-third of the mean for Africa.

29. Group III produces 1.682 million M.T.R.V. (20.91 per cent of the total) and consumes 4.108 million (47.99 per cent of the total); thus it has net import requirements of 2.426 million M.T.R.V. Imports totalled 2.688 tons (82.53 per cent of the total) in 1988.

30. It should be pointed out that there are major producing countries in this Group (Egypt and Morocco) which, due to their high consumption, must also import sugar. The other nations produce virtually no sugar and must import most of their needs. Consumption per capita is 20.15 kg, approximately 30 per cent higher than the overall average for Africa.

31. Group IV produced 1.560 million M.T.R.V. (19.39 per cent of the total) and consumed 2.112 million M.T.R.V. (24.67 per cent of the total); a total of 532,000 M.T.R.V. (16.33 per cent) was imported.

32. The foregoing clearly illustrates that there is a group that plays a significant role in production, most of which is exported (Group I); and a group with a very high growth rate of consumption (an annual average of 5.47 per cent since 1970). This second group includes some of the aforementioned countries with high output, but the others are definitely importing countries that produce no sugar. The major increase in production in the countries comprising Group IV is noteworthy.

33. Output rose from 723,000 M.T.R.V. in 1970 to 1.560 million in 1988; this represents an average annual growth rate of 4.07 per cent; higher than the average for Africa, which is 3.10 per cent; and also higher than the growth rate for consumption, which is 3.18 per cent. Consumption per capita is 10.27 kg for this group, approximately two-thirds of the overall average for Africa.

34. The situation of this group must be borne in mind in any future planning, in view of the fact that production has been rising rapidly and consumption per capita is relatively low. There are nearly 150 mills in Africa, which process between 60 and 70 million metric tons of cane to produce slightly over 8.0 million metric tons of sugar (raw value equivalent).

35. In terms of productivity, it should be pointed out that the average for the past few years (according to data from the United States Department of Agriculture) is as follows, for a sampling that represents 96 per cent total output:

- The agricultural average is 78.37 tons of cane per hectare, higher than the world average of 57.45 tons of cane.
- The average sugar content in cane is 10.25 per cent, which is also higher than the world mean of 8.97 per cent of cane.

36. This situation varies greatly in an individual analysis of the four aforementioned groups:

- GROUP I: This group has an agricultural productivity of 78.14 tons of cane per hectare, approximately the same as the overall average for Africa. The plant productivity rate is 11.48 per cent, about 12 per cent higher than the average; and total productivity is 8.97 tons of sugar per hectare - which is 12 per cent higher than the average for Africa.

- GROUP II: Agricultural productivity is 76.87 tons of cane per hectare, two per cent lower than the average. Plant productivity is 5.87 per cent, which is 43 per cent below the mean; and total productivity is 4.50 tons of sugar per hectare, 44 per cent lower than the average.

- GROUP III: This group has an agricultural productivity of 80.18 tons per hectare, which is higher than the average; a plant productivity of 10.08 per cent, slightly higher than the mean; and a total productivity of 8.08 tons of sugar per hectare - slightly above the average for Africa.

- GROUP IV: It has an agricultural productivity of 78.94 tons of cane per hectare; a plant productivity of 10.35 per cent; and an overall rate of 8.17 tons of sugar per hectare. These levels are all slightly above the average for Africa.

37. An analysis of the difference by countries shows that agricultural productivity ranges between a minimum of 36.63 tons (in the case of Cameroon) to a maximum of 111 tons of cane per hectare (in the case of Zimbabwe); plant productivity ranges from 3.48 per cent in Mozambique to 12.27 per cent in Swaziland; and overall productivity ranges from 2.55 tons in Mozambique to 13.59 tons of sugar per hectare in Zimbabwe.

38. We believe that an in-depth study of the characteristics outlined here would enable us to determine the measures to be promoted in each country. Thus, this would be one of the first common endeavours; an in-depth balance of the situation and concrete measures to be adopted in the spheres of production, diversification and marketing of sugar, its by-products and derivatives.

IV. Need and advantages of an organization in Africa similar to GEPLACEA

39. The factors outlined above lead to the conclusion that conditions are highly favourable for the establishment of an institution in Africa similar to GEPLACEA. These factors may be summed up as follows:

- Level of production and development of the industry
- Importance of sugar activities in terms of production and employment
- Importance of exports for some countries
- Importance of consumption

- Development potential for raising both production and productivity
- Development potential for consumption, given current per capita consumption levels
- Need for joint action, in particular transfer of expertise
- Possibility of concerted action at all levels with organizations from outside the region
- Potential for transfer of technology, technical expertise, equipment and capital goods with organizations from outside the region
- Concerted action with other organizations at the policy level, in defence of common interests
- Importance of co-operation with economic institutions for effects of African integration.

V. Organization of the institution

40. As a preliminary guideline the new organization might be structured along the following lines:

- **Membership:** As opposed to GEPLACEA, it might be comprised of producing, rather than exporting countries, in view of the fact that the exports are concentrated in so few countries.

The foregoing would allow for a series of interesting endeavours in the spheres of transfer of technology and organization of activities, while also taking into account concerted action in marketing, characteristic of a producer's organization.

- **Decision-making:** It is considered important to uphold the principle of one vote per member, regardless of the contributions paid by countries to the organization.

- **Financing:** Financing would be obtained from the following two main sources:

From the organization itself, through a budget to be fixed (in principle, from US\$500,000 to US\$750,000 annually), based on a scheme of economic importance as, for example, production levels, with minimum and maximum amounts as in the case of GEPLACEA.

Externally for specific projects at the national and regional level.

- **Secretariat:** We deem it advisable to establish a secretariat such as the GEPLACEA Secretariat, so as to co-ordinate group activities and ensure continuity.

The secretariat should not need much staff, but might act as a co-ordinating body of specific activities in member countries.

There are two options insofar as elected officials are concerned:

- The organization may elect an Executive Secretary only, ensuring that the rest of the members are not only competent but also representative of the region.
- There might also be more than one elected official, such as in the case of GEPLACEA, so as to guarantee geographical representation.

There are also two alternatives with regard to the term of office:

- A short period with the possibility of re-election
- A longer period with no re-election.

- **Headquarters:** The secretariat should have a permanent headquarters and a supreme body such as an assembly that meets periodically.

There might also be an intermediate body such as an executive committee, between the secretariat and the assembly.

VI. Specific tasks

41. Some of the specific tasks to be carried out are as follows:

- A meeting to discuss this document as well as any additional proposals or alternatives.
- A seminar to present a comprehensive approach to the agro-industry, so as to propose a series of endeavours for the short-term.

This seminar may be organized by GEPLACEA, which in view of its experience of events of this type is in a position to do so, and would cover subjects such as the following:

- The sugar situation in Africa and worldwide
- Analysis of the international sugar market
- Sugar policy in the principal countries
- Marketing techniques and patterns for both domestic and foreign markets
- Situation of cane agriculture
- Situation of industrial efficiency
- Modernization of the industry
- Diversification of the industry
- Specific topics such as energy, varieties, maintenance and biotechnology, among others.
- The establishment of a temporary secretariat in charge of organizing tasks until the secretariat officials are elected. By-laws would also be drafted.
- The establishment of specific activities such as seminars, courses, publications and research projects.
- Search for alternate financing sources.
- Participation in events sponsored by similar organizations.
- Exchange of technologies and experts within Africa and from other regions.
- Drafting a medium-term plan covering all the foregoing matters.

VII. Co-operation scheme between UNIDO and GEPLACEA

42. It is believed that these two organizations - each in its respective field - may co-operate in the establishment and launching of an organization such as that proposed for Africa.

43. UNIDO has the technical and economic resources to support the general organizational endeavours and preliminary work, as it has been doing to-date, and provide on-going support for specific projects.

44. GEPLACEA has 15 years' experience in operating an organization with similar features and objectives, in addition to technical capacity - both at the Secretariat and in member countries - to assist in carrying out organizational efforts and initial projects.

45. The idea of founding this institution was proposed by GEPLACEA within the framework of the First Interregional Consultation on the Food-Processing Industry with Emphasis on Sugar-Cane Processing, organized by UNIDO and held at Havana, Cuba, in September 1988.

46. Since then there have been a series of meetings and initiatives among the three parties involved - the African nations, UNIDO and GEPLACEA - culminating in a meeting at Vienna, in November 1989 to draft the guidelines for future activities.

47. We believe that co-operation between the proposed organization, UNIDO and GEPLACEA should be established from the first meeting, with guidelines drawn up for future collaboration.

48. The initiative is aimed at implementing a clear, concrete example of south-south co-operation, as a means of seeking solutions to real problems of particular importance to member countries through concrete actions promoted from within these nations, many of which may be resolved on a permanent basis through the concerted action of those involved.

49. It is also a practical example of the promotion of unity both within the various regions and among regions of the developed world, by putting into practice new forms of co-operation with concrete results.