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THE ECONOMY AND DEVELOPMENT PLANS
OF
SOUTHERN RHODESIA

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Total External Trade
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Balance of Payments
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Map of Southern Rhodesia

SOUTHERN RHODESIA

Basic Statistics

(All monetary data is in U.S. dollar equivalent, converted at £1 = \$2.80)

Area and Population

Area: 150,000 square miles ($1\frac{1}{2}$ times the size of the United Kingdom)

Population, 1951: Europeans - 138,000
Africans - 2,000,000

National Income and External Trade (1950)

Net national income	\$260 million		
Investment from domestic savings	40 "		
Investment from foreign resources	58 "		
Total exports	137 "	\$156 million (1951 est.)	
Total imports	165 "	\$238 " " "	

<u>Principal Exports</u>	<u>Percentage of Total Value</u>	<u>Principal Export Markets</u>	<u>Percentage of Total Value</u>
Tobacco	42	United Kingdom	54
Gold	16	South Africa	11
Asbestos	13	Northern Rhodesia	8
Manufactures	10	U.S.A.	6
Chrome	4	Other	21
Other	<u>15</u>		
Total	100	Total	100

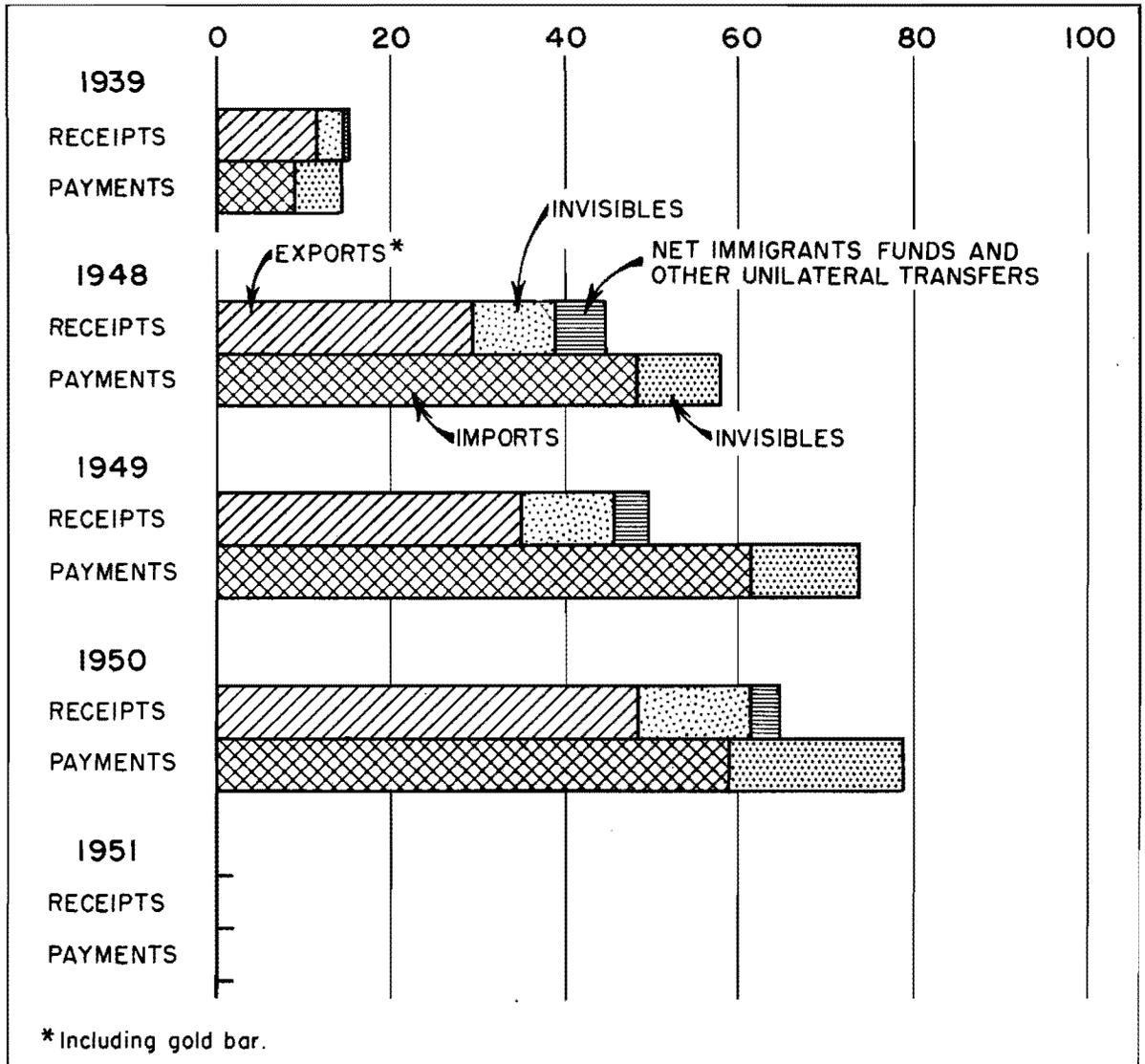
<u>Principal Imports</u>	<u>Percentage of Total Value</u>	<u>Principal Import Sources</u>	<u>Percentage of Total Value</u>
Metals, metal manufactures, vehicles	42	United Kingdom	47
Textiles, fibres, yarns	20	South Africa	27
Foodstuffs	9	U.S.A.	5
Other	<u>29</u>	Other	<u>21</u>
Total	100	Total	100

Public Finance

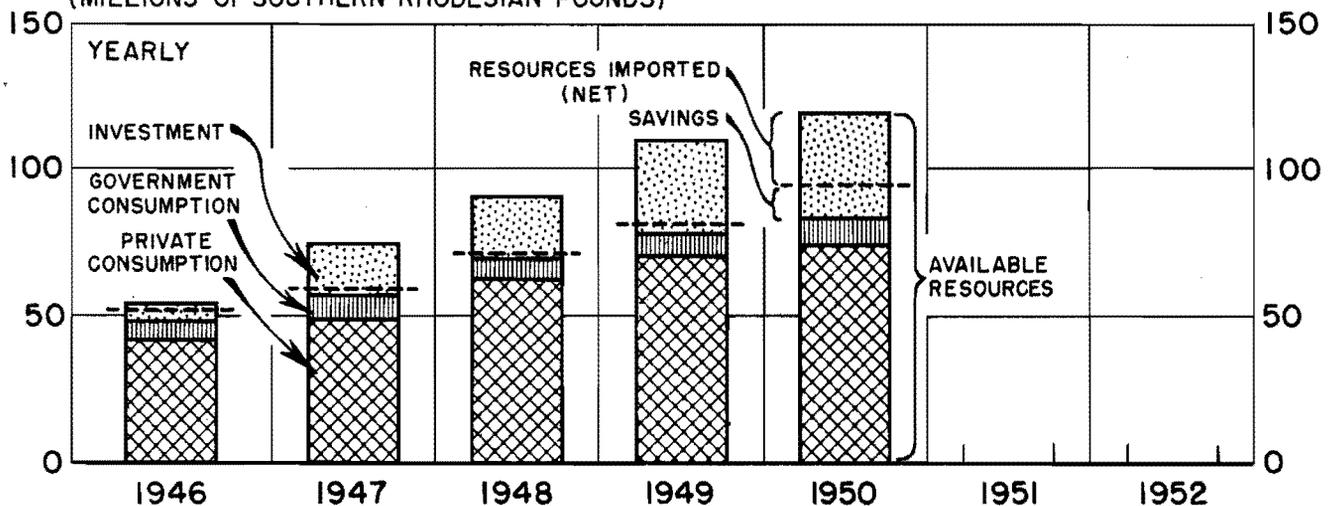
Ordinary Budget - Receipts (in millions)	\$50 (1950/51)	\$56 (1951/52 est.)
Expenditures "	\$47 (1950/51)	\$61 (1951/52 est.)
Public Debt, March 31, 1951: London Issues	\$158 million	
Local Debt	<u>106</u> "	
Total	\$264 "	
Public Assets, March 31, 1951 - Interest-Paying Loans in Southern Rhodesia		\$183 million
Four-Year Public Investment Plans (April 1951-March 1955)	\$279 "	

SOUTHERN RHODESIA

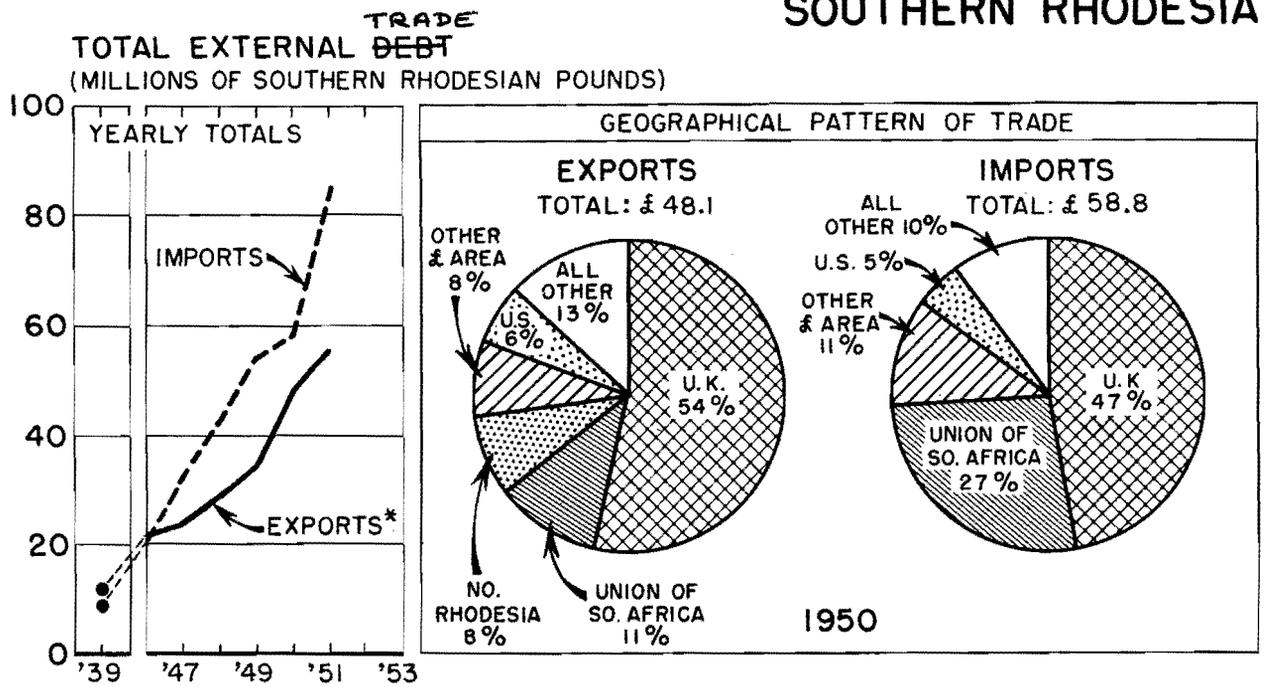
BALANCE OF PAYMENTS
(MILLIONS OF SOUTHERN RHODESIAN POUNDS)



USE OF RESOURCES
(MILLIONS OF SOUTHERN RHODESIAN POUNDS)



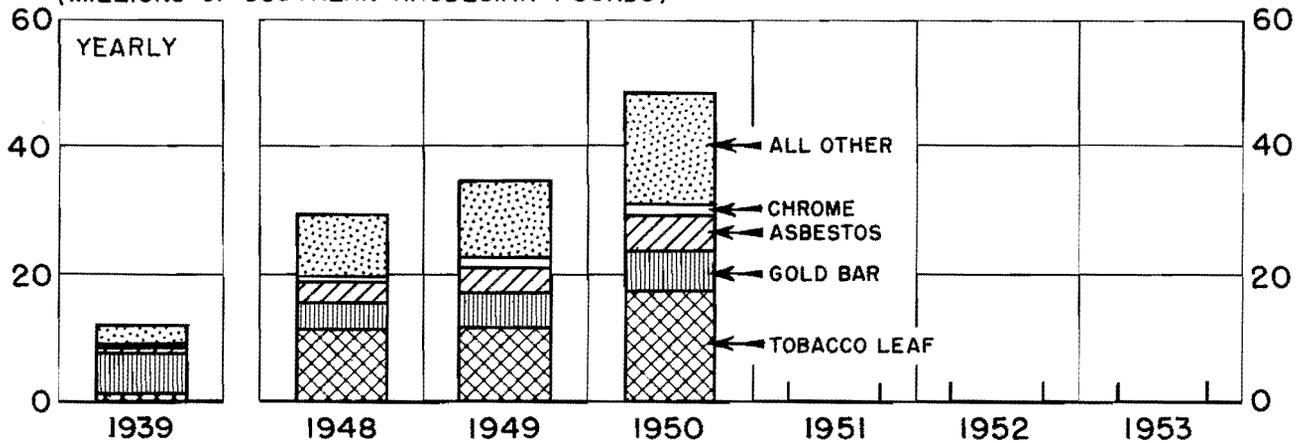
SOUTHERN RHODESIA



* Including gold bar.

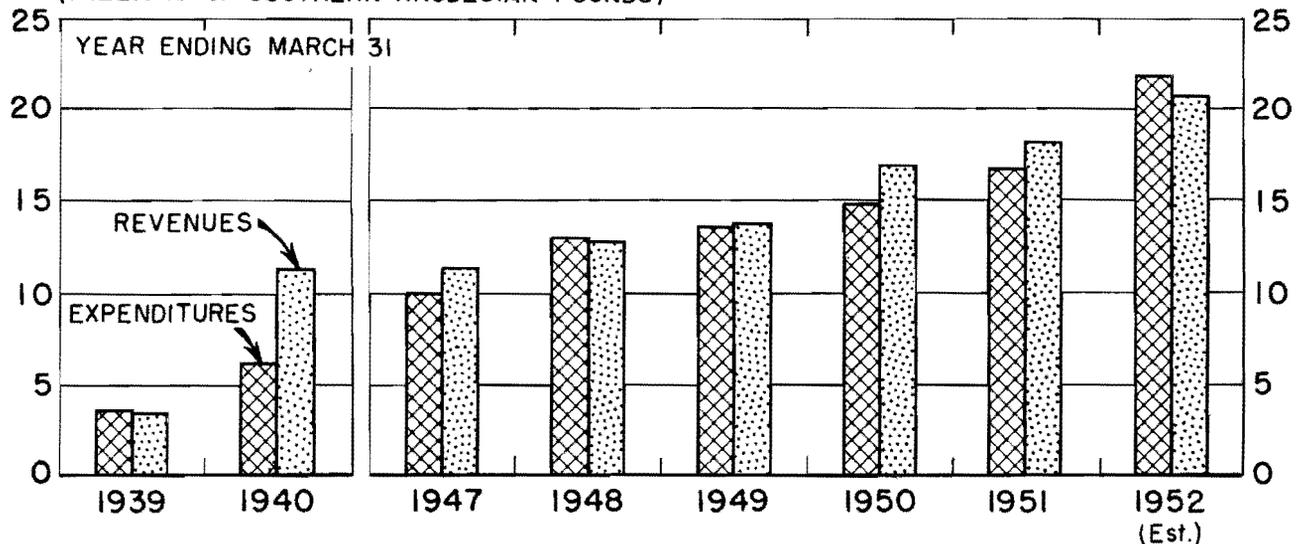
EXPORTS OF PRINCIPAL COMMODITIES

(MILLIONS OF SOUTHERN RHODESIAN POUNDS)



GOVERNMENT REVENUES AND EXPENDITURES

(MILLIONS OF SOUTHERN RHODESIAN POUNDS)



SUMMARY AND CONCLUSIONS

1. Economic development in Southern Rhodesia is of very recent origin. In 1923, when Southern Rhodesia secured responsible government, the European population was only 35,000 and the wealth of the country was derived almost wholly from gold mining. During the inter-war period, the European population almost doubled, secondary industries began to grow and tobacco farming was established, although gold mining remained the most important source of income.

2. During and since World War II, economic expansion has proceeded more rapidly. Since 1946 real output has increased by 60% and the volume of exports by 50%, and further increases are to be expected in the next few years. This growth has been made possible through a substantial inflow of capital (in part as immigrants' funds, but mostly as new external investment) which has resulted in a rate of investment of nearly one-third of total available resources. The inflow financed as high as 90% of total investment in 1947, but as domestic savings increased, the proportion of investment financed by an inflow of capital gradually diminished to 63% in 1950. The result of this inflow of capital has been a sizeable current balance of payments deficit.

3. Southern Rhodesia is heavily dependent on exports, one-half of total output being exported. Tobacco has now become the most important export, next in importance being gold, asbestos, manufactures (clothing, cigarettes, footwear) and chrome.

4. By the middle of 1951, the European population had reached 138,000 and it is increasing at a rate of 12,000 - 14,000 a year. The African native population is 2,000,000 and, at the present rate of increase, will double in 25 years.

5. The Government of Southern Rhodesia's first public investment plan to cover a number of years was prepared for the four-year period 1949-53. After two years, the plan was reviewed and the current four-year plan: April 1, 1951 - March 30, 1955, was prepared. The public investment plans of the central government, the Rhodesia Railways and the local authorities for this four-year period, total £99.5 million (\$278.6 million). Over two-thirds of the investment is in basic services (transportation, electricity, communications, water supply) and the remainder is for public buildings, municipal and other social services, and production (agriculture, industry and mining).

6. On the whole, the allocation of the investment is consistent with the priorities required for continued development of the country. Railways and electricity receive the largest amounts (one-third and one-fifth of the total), and expansion in both of these services is vitally important to keep pace with and make possible the further growth of the country. The railways in fact have already fallen behind, and the program entails making up arrears and then keeping abreast of development. An important part of the railway program is the construction of a new line giving Rhodesia access to a new port and thus avoiding the limitation to further growth now present in the dependence on the port of Beira.

7. Of the total of £99.5 million (\$278.6 million) required by the public investment plans, almost half is to come from the United Kingdom and not quite a third from local sources. Southern Rhodesia's credit standing on the London market is good, but the United Kingdom Treasury finds it necessary to limit the amounts raised by external borrowers and the Southern Rhodesian Government can count on only £40 million (\$112 million) by way of public issue in London, with £7 million (\$20 million) to come from other sterling resources. The Southern Rhodesia Government is attempting to stimulate local saving and is encouraging a local money market: internal loans, loan recoveries and so forth over the period are expected to yield £32 million (\$89 million). The remainder, some £21 million (\$58 million), will have to come from elsewhere. Southern Rhodesia hopes to secure half of this sum from ECA and the Swiss banks, and most of the rest from the Bank.

8. The development plans assume reasonably enough that investment by private interests will be forthcoming to take advantage of the opportunities opened up by the expansion in basic services. The amount of private investment anticipated is roughly equal to the amount of public investment programmed, i.e. £100 million (\$280 million) of which around 40% may be expected to come in as new capital from the United Kingdom over and above the reinvestment of earnings of U.K. controlled companies.

9. In the public services as well as in private enterprise, the general level of ability is high and it is expected that the development plans will be efficiently executed. At present, most skilled trades are limited by trade union rule or custom to Europeans, but with the gradual rise in the level of native education, it may be expected that Africans will not merely become more efficient in the occupations they at present follow, but will tend to be employed on more responsible work. Although progress will be slow, there are great potential reserves of industrial skill in the African people.

10. The measure of the success of the public investment plan will be the expansion of the whole Southern Rhodesian economy. Assuming (a) a continuance of favorable world demand conditions, (b) that expansion is not crippled by shortages of foreign equipment available for import, and (c) that no ban is placed on exports of capital for private investment from the United Kingdom to Southern Rhodesia, the forecasts are that total exports, at constant prices, should increase by around 50% by 1956 and total real output by around 60%.

11. On the whole, the Government has pursued a sound fiscal policy. The national debt is now about equal to the annual national income, i.e. £94 million (\$264 million). It has been incurred mainly to finance the basic services required by an expanding economy, and it is expected to rise at about the same rate as national output. About three-fourths of the national debt has its counterpart in interest-bearing loans made by the government for productive purposes, and the interest and sinking fund payments received on these loans help to offset the debt service charges in the government budget. The government charges against current revenue not only interest but also the sinking fund contribution -- usually 1% per annum. The net burden of these charges represents some 8% of the total budget revenues.

12. Southern Rhodesia has at present no central bank, though one is likely to be created in this decade: in the meantime, the ability of the banking system to increase the money supply in the country is severely limited.

13. External debt, some three-fifths of the total, is in sterling and its service has never exceeded 5% of total export earnings. Over the next ten years, if the growth in the economy fulfils expectations, the external debt will be doubled or trebled, but the volume of exports is likely to rise substantially, so that even with a price drop of 50% in present export prices, the debt service burden in 1961 should still be less than 10% of export earnings.

14. Before the war, Southern Rhodesia usually had a gold and dollar surplus. For a brief period after the war, when goods could not be obtained in the United Kingdom, Southern Rhodesia had a dollar deficit. Since 1947, trade and exchange controls have been used to cut down dollar imports and more goods have become available in the sterling area, with the result that dollar expenditures have been kept below gold and dollar receipts. In 1950, gold and dollar receipts exceeded dollar payments of \$12 million to show a surplus of \$15 million, and a surplus of \$5 million a year should be attainable over the next few years without imposing crippling restrictions on dollar imports. Over a longer period, Southern Rhodesia's principal exports to the dollar area, namely asbestos and chrome, should be in growing demand in the United States of America.

15. Southern Rhodesia is a full member of the sterling area and the proceeds of her exports to the dollar area and her gold exports accrue to the sterling area central reserves: on the other hand, she draws on these central reserves for dollar imports.

16. Southern Rhodesia, although a young country, has a good debt record and enjoys excellent credit standing in London, the only market in which she has borrowed, although she is contemplating borrowing in Switzerland. The government administration and the management of private enterprises appear competent and energetic. The character of the people concerned gives assurance that debt repayment will have a high priority in any allocation of resources.

17. On the assumptions that world levels of demand remain high and that world economic growth continues, it can be concluded, therefore, that Southern Rhodesia is creditworthy in its own right for a dollar loan in an amount in excess of that now contemplated.

(All U.S. dollar equivalents shown in the text have been converted from pounds at the rate of £1 = U.S.\$2.80)

I. DESCRIPTION AND BACKGROUND

Southern Rhodesia is a "self-governing colony" within the British Commonwealth, i.e. it has almost dominion status. The U.K. is responsible in the international field for the affairs of Southern Rhodesia and usually enters into formal agreements on her behalf. Certain agreements, particularly those relating to trade, are entered into by Southern Rhodesia directly. In internal affairs, Southern Rhodesia has full responsibility except to reserve for possible expression of the pleasure of the Crown legislation on native affairs and "currency".

The territory has a British-type parliamentary government. The franchise is open to any person fulfilling certain property, income and literacy tests and a small number of African natives are on the voters roll. The majority party is at present the United Party which won an election in 1948 by a large majority. Sir Godfrey Huggins, the Prime Minister, has held office continuously for the last fifteen years. The main opposition party is the Liberal Party which stands somewhat to the right of the United Party. Progress is being made on a scheme sponsored by the U.K. government to form a federation of the three British Central African territories, Southern Rhodesia, Northern Rhodesia, and Nyasaland. The creation of this larger unit should help in the economic development of the area including Southern Rhodesia which is becoming the manufacturing center of this part of the world.

Southern Rhodesia is situated between the Limpopo river to the south (the border of the Union of South Africa), and the Zambezi to the north (the border of Northern Rhodesia). It has an area of approximately 150,000 square miles (roughly one and a half times the size of the United Kingdom) and lies just north of the southern tropic. Much of the area consists of a high plateau which gives the country an agreeable climate.

Economic development in Southern Rhodesia is of very recent origin. The early settlers were first attracted to the region by its mineral wealth, particularly gold. A concession obtained by Cecil Rhodes in 1887 led to the formation of the British South Africa Company which was responsible for the administration of the area until 1923 when self-government was established. At that time, the European population was only 35,000 and the wealth of the country was derived almost wholly from gold mining. During the inter-war period, the European population almost doubled, secondary industries began to grow and tobacco farming was established. Mining remained, however, the most important source of wealth. Since 1939, economic expansion has proceeded much more rapidly. There has been a large increase in agricultural output, particularly of tobacco, and manufacturing has become a more important economic activity than mining. By June 30, 1951, the European population had reached 138,000 and the native population 2,000,000.

II. THE ECONOMY

A. Factors Governing the National Income

The most important single fact about the economy of Southern Rhodesia is its dependence upon exports of a few commodities. Around 50% of the national output is exported. Before the war, well over half of total exports consisted of a single product, gold. In the postwar period the economy has become more diversified but even so a little over 70% of the exports consist of three commodities, tobacco, gold and asbestos. The economy must be regarded, therefore, as quite vulnerable to a world slump although the gold exports would provide a valuable stabilizing influence.

Investment in the postwar period has reached remarkably high annual rates, which in 1949 and 1950 surpassed the figure of 30% of current available resources. This high rate of investment has been possible only through a substantial net inflow of resources from outside. The inflow of resources financed 90% of total investment in 1947, 86% in 1948, 76% in 1949, and 63% in 1950 (Table I in Appendix). This inflow has manifested itself as a sizeable current balance of payments deficit. Local savings have been increasing; in 1950, they reached a level of 14% of total national expenditures.

B. Composition of National Output

Agriculture (largely tobacco) is now the main producer of income (about a quarter of the total). Manufacturing and construction produce about 20% of the total and thus rank ahead of mining which produces about 10%. Native subsistence agriculture accounts for a small and decreasing proportion of total output — 5% of the total in 1950.

Since the end of the war, economic development has been rapid as a result of the high rate of investment: the net national income has almost doubled (Table II in Appendix). Eliminating the rise in prices which occurred, the real national income increased by 60% in the four years. The value of exports more than doubled with an increase in volume of a little over 50%.

The most rapid increase in output occurred in tobacco where production has more than doubled since 1946. A further increase of 50% over the 1950 level is anticipated to a level of around 150 million pounds by 1955. Chrome production has almost doubled and given adequate labor, equipment and transport, it could be doubled again. Over a year's production, or 500,000 tons, is already on the surface awaiting transport. The production of asbestos has increased by nearly 30% and another 40% increase is expected in the next four years. Gold production, however, has been declining slowly and is now some 30% below the prewar level. This is due to the steadily rising costs of labor and materials while the price, except for the 1949 devaluation and the recent sales on the premium markets, has remained unchanged.

Southern Rhodesia has extensive deposits of good coking coal which are easily mined. Although coal output has been increased by 30% since 1946 to 2,300,000 tons in 1951, it is still insufficient to meet all demands. By the end of 1952 it is expected that coal production will catch up to demand

and will be able to satisfy requirements thereafter. The management is planning to increase production to 5 million tons in 1955. Production by the end of 1951 had already begun to exceed the capacity of the railway to transport the coal. Until the middle of 1953 railway performance is likely to be a limiting factor. Thereafter the railways expect to be able to move all the coal and coke required.

During and since the war there has been a rapid increase in secondary industry. The value of manufacturing output has certainly doubled from 1946 to 1950. There are now around 1,000 industrial establishments with a total labor force of some 60,000. Southern Rhodesia is becoming the manufacturing center for Central Africa.

A government board was set up in 1942 to develop the cotton and textile industries. It operates a ginnery and a spinning mill but weaving, knitting and finishing are carried on by private enterprise. A little more than half the production of yarn is sold to weavers in Southern Rhodesia and the remainder exported to South Africa. There are at present 78 clothing factories in Southern Rhodesia and the output of wearing apparel in 1950 was valued at about £3 million (\$8 million) approximately half of which was exported to South Africa. This industry has had to use imported piecegoods but a British firm of weavers is establishing a factory in Southern Rhodesia to produce piecegoods on a large scale.

A government commission was organized in 1942 to produce iron and steel. The 1950 production of pig-iron amounted to 37,000 tons. A second open-hearth furnace will go into production in 1953 to bring steel production in line with pig iron production but will cover only about one-third of current steel requirements. The government is now engaged in negotiations with British interests to take over the plant and provide capital for further expansion.

The opening of the iron and steel works has stimulated the growth of many metal using industries. Other expanding industries include building materials, foodstuffs, woodworking and cigarette manufacturing.

Important future industrial projects include a plant for making ferro-chrome electrically, which is scheduled to begin production in 1953 on a small scale and will produce initially 7,500 tons of ferro-chrome per annum.

C. Labor Supply and Population

Labor supply and the growth in population have been central problems in Southern Rhodesia's economic development. In the five years ending June 30, 1951, the European population increased, principally from immigration, by 66% from 83,000 to 138,000. In the same period the African population increased by 17% or from 1,700,000 to 2,000,000. In the next five-year period, a further increase is forecast of 48% in European population and of 16% in African population (Table III in Appendix).

The increase in population has been both a stimulus to economic development and a large claimant on new investment.

The European immigration has brought in new resources both in capital (£3 to £6 million a year) and in skills and techniques. At the same time, the high standard of living demanded by the European has required a large investment in housing and social services. While it is impossible to measure quantitatively, it is likely that a portion of the European immigration has been economically costly. A number of immigrants have gone into occupations which could have been filled by natives, after appropriate training, whose social capital needs would have been considerably less. The government introduced in the fall of 1951 the screening of immigrants partly in order to meet this problem.

The African natives are the unskilled labor force of Southern Rhodesia. This labor force has grown rapidly in size (from 180,000 in 1931 to 530,000 in 1951); and has been composed mainly of migratory shifting labor. More than half of the Africans employed have come from outside the country, principally from Nyasaland, Portuguese East Africa and Northern Rhodesia. The workers are men who leave their families behind in their tribal areas, work for a few years in the Southern Rhodesia economy, return to their tribes, and then repeat the cycle. The inefficiency of such labor is obvious.

The foregoing is still the dominant pattern but there is in process a transition to a permanent urbanized native labor force. This makes necessary a large investment in housing and other social services for the new urban settlements of native families. As costly as this is, it is a vital necessity for the country. As development progresses in the other territories from which Southern Rhodesia has drawn labor, the supply will dry up. Secondly, migratory labor while paid at an extremely low rate (common labor, £3-4 or \$8-11 a month), is still expensive because of its very low productivity. Only through stabilization of the labor force will it be possible to secure an increase in efficiency. Thirdly, the large internal market needed for the optimum scale of production in the various industries can only be secured through an increase in the level of living of the Africans who are over 90% of the total population. But this improvement in consumption can be possible only through an increase in productivity.

The urbanization of African labor is also making possible the entrance of native women into the labor market. This is still relatively small: 40,000 in June 1951. As this goes on, there will be a better use of male labor and by increasing the proportion of natives productively engaged in the money economy there will result a more rapid increase in African living standards.

D. Balance of Payments and Trade

In the postwar period the outstanding characteristic of the balance of payments has been the adverse current account balance which has represented the large inflow of capital into the country (Table IV in Appendix). The adverse current account balance over the past five years (1946-50) has totaled £90 million and has been equal to 30% of the total current account payments of the territory during this time. In 1951, the advance estimates are that the current account deficit will again be large; probably even larger than the 30% average over the preceding five years. The relative

size of this adverse balance would indicate that a considerable adjustment would be necessary if the inflow of capital were suddenly to cease. The magnitude of the adjustment would, however, be mitigated by the commodity form which this capital inflow has largely assumed: the capital inflow is roughly equal to the imports into Southern Rhodesia of capital equipment and other items which take the form of fixed capital. A curtailment in foreign investment would be matched by a drop in imports of capital items; thus most of the adjustment necessary would be met in this way rather than through a rearrangement of the economic factors.

Dollar Balance of Payments

Southern Rhodesia in the prewar period contributed annually around \$20 million in gold and dollars to the sterling area reserves. Postwar, with the scarcity of commodities available from the U.K., Southern Rhodesia for the one year 1947, had a gold and dollar deficit of around \$1 million. Since 1947, import controls on goods coming from the dollar area have kept dollar payments well within the limits of her earnings and have made possible a contribution of over \$5 million annually to sterling gold and dollar reserves. In 1950, as a result of the decision of the Commonwealth Governments to reduce dollar expenditure and of the devaluation of sterling, Southern Rhodesia contributed \$15 million in gold and dollars to sterling area reserves. Since 1950, dollar expenditures have risen. The estimated net gold and dollar contribution to sterling area reserves will be around \$5 million for the year June 30, 1951-July 1, 1952 (detailed figures, Appendix, Table V).

Trade

The United Kingdom is the dominant factor in Southern Rhodesia's foreign trade: taking a little more than half of Southern Rhodesia's exports and providing almost half of her imports. South Africa is second in both exports and imports, taking slightly over 10% of the total exports and providing a little over a quarter of total imports. Northern Rhodesia is the third best customer, taking 8% of total exports. The trade of Southern Rhodesia with her African neighbors is growing. Her exports to other African countries by 1950 amounted to a quarter of total exports; while of her imports, other African countries provided almost one-third.

Trade with the United States represents in the neighborhood of 5-6% of domestic exports and imports. The U.S. is Rhodesia's fourth best customer and her third most important source of supply.

Exports to the United Kingdom are largely tobacco, gold and asbestos; to South Africa, apparel, tobacco, and wood; to the U.S., asbestos and chrome ore.

Southern Rhodesia imports from the United Kingdom principally machinery, cotton piecegoods, railway material and motor vehicles; from the Union of South Africa, the major items are apparel, machinery, tires and tubes, motor vehicles and footwear; from the U.S., machinery, motor vehicles and parts, and lubricating oil.

Prior to the war, Southern Rhodesia's main export was gold. Since the war, the principal exports have been unmanufactured tobacco (42% of total in 1950), gold (16%), asbestos (13%), asbestos (13%), clothing (5%) and chrome (4%). The growth of secondary industry is indicated by the entrance of clothing as the fourth leading export. Of the remaining one-fifth of total exports, other manufactures (cigarettes, refined sugar, footwear, ale, beer, cotton yarn, and preserved meats) which find their principal market in other African countries form an important element.

On the import side, the principal group is metals, metal manufactures and vehicles, making up over two-fifths of total imports in 1950. The second most important group is textiles, fibres and yarns which make up one-fifth of the total. Next most important is foodstuffs principally maize, one-tenth of the total, to cover the usual postwar food deficit. The other main imports are mineral oils, wood and manufactures, and rubber tires and tubes.

E. Relationship to Sterling Area

Southern Rhodesia forms part of the "inner ring" of the sterling area. Her currency is at par with the British pound and is covered by over 100% in sterling reserves. Her foreign exchange earnings are paid into the sterling area central reserves and she draws on these reserves for her non-sterling foreign exchange needs. She has no independent reserves of non-sterling currencies. Her exchange controls are parallel to those of the United Kingdom. As mentioned above, Southern Rhodesia is a small net contributor to sterling area gold and dollar reserves. Her sterling assets have increased slightly in the postwar period from £45.5 million at the end of 1946 to £52.8 million (\$147.8 million) in June 1951. The bulk of these funds are earmarked currency reserves, proceeds of loan issues awaiting disbursement and working balances (Appendix, Table VIII).

III. INTERNAL FINANCIAL POSITION

A. Budget

The financial policy of the government is sound. There are two budgets, an operating budget and a capital budget or "Loan Account". The Finance Minister in recent years has been shifting to the operating budget from "Loan Account" items like research and office equipment which could be construed as capital items but which more conservative practice would regard as recurrent expenditure. The regular sinking fund payments on the debt are also charged against current revenues.

The operating budget has shown a small surplus in the last five years out of six. In the last fiscal year, 1950-51, receipts were £18.0 million (\$50.4 million) and expenditures £16.7 million (\$46.8 million) giving a surplus of £1.3 million (\$3.6 million). A small deficit about equal to the 1950-51 surplus is expected in the present fiscal year due to the drought in 1951 which reduced agricultural incomes. Both receipts and expenditures have increased with the growth of the economy and the rise in prices. The budget is now five times the size of that of 1938.

In general, the government tries to keep taxation as low as possible in order to attract capital to Southern Rhodesia and yet provide the needed services from revenue.

The main source of revenue is the income tax which provides slightly over half of the total and of this, half is paid by companies. The customs and excise taxes are the main indirect taxes. Together they make up about a fourth of total receipts. The tax of £1 per head on all native males over 16 contributes not quite 3% of the total.

Almost half of total expenditures are for administrative and general development services. About a third are devoted to social services — education, public health, price subsidies designed to meet temporary imported food price rises. Around 10% are used for defense forces. Six per cent are required for debt service and another 3% for redemption of debt.

B. Monetary and Credit Situation

The Southern Rhodesian pound which is at par with the U.K. pound is on a rigid sterling exchange standard. The currency is issued by the Southern Rhodesia Currency Board which is headed by the Financial Advisor to the Southern Rhodesia Government. The Southern Rhodesia pound circulates also in Northern Rhodesia and Nyasaland. The Board keeps a reserve of 110% against the currency in circulation. At present 105% of the reserve is in British government obligations and the 5% remainder in Southern Rhodesia stock issued in London. The Board has authority to keep up to 20% in local government stock.

The currency is issued and redeemed against sterling on demand. These operations by the Board are entirely passive and automatic: the Board behaving in regard to sterling as it would in regard to gold if the country were on a gold standard.

The Southern Rhodesian pound cannot be considered as an independent currency. It is in fact more closely associated with sterling than the currency of, say, Australia. It is, however, moving in the direction of the latter. While Southern Rhodesia is self-governing and can make all laws affecting its internal arrangements, the Governor is bound to reserve for London's approval any law affecting "currency". However, it must be noted that it is Southern Rhodesia and not the U.K. Government which makes the laws. Further, the Southern Rhodesia Government has decided to set up a central bank in this decade and has secured the services of a Bank of England official to carry through this task.

The currency forms only around a seventh of the total money supply, which is mostly bank deposits. The banks operating in the territory, Barclays (D.C. & O.), Standard Bank of South Africa, and the Netherlands Bank of South Africa primarily operate in the sterling area outside of the United Kingdom although the first two have head offices in the United Kingdom. Barclays (D.C. & O.) has a local board in Southern Rhodesia.

A local capital market has been created in Southern Rhodesia; stock exchanges are in operation in the two principal cities; several finance and investment houses have now been established in the country. Several important companies have moved their seat of management from the United Kingdom to Southern Rhodesia and will conduct their financial activities from this area. It is to be noted that the government expects to raise over a quarter of the cost of the current public investment plans from borrowing in Southern Rhodesia.

The ability of the banking system to increase the money supply in the country is severely limited by the 100% sterling cover kept against the issue of currency. The monetary and credit conditions in Southern Rhodesia, therefore, depend mainly on (a) the policy pursued by the commercial banks as to investment of their funds within or outside of Southern Rhodesia, and (b) on the balance of payments. From the end of 1946 to the end of June 1951, bank deposits almost doubled, increasing from £25 million to £48 million. At the first date, two-thirds of bank assets were held outside of the territory while at the end of June 1951, two-thirds were invested in Southern Rhodesia.

As for the balance of payments, the more favorable it is, the more sterling is paid to the Currency Board and the greater the quantity of local currency issued; the more adverse the balance the more the local cash circulation goes down. The major factor influencing Southern Rhodesia's balance of payments is the economic situation in the rest of the sterling area (principally the United Kingdom and the Union of South Africa) which purchases 80% of Southern Rhodesian exports and provides 85% of her imports.

As compared to other countries, prices in Southern Rhodesia have not risen immoderately; the consumer price index has gone up by 80% since prewar or some 20 points less than the U.K. and 50 points less than the Union. The export price index for the postwar period has shown a moderate rise; with 1946 as 100, the index was 143 for 1950, and presumably about the same for 1951.

C. Public Debt

On March 31, 1951, the end of the fiscal year, the public debt of Southern Rhodesia amounted to £94.3 million (\$264 million), a figure approximately equal to the annual national income in 1950. Of this amount, £56.4 million (\$158 million) was external debt, issued in London and £37.8 million (\$106 million) was internal debt. (Included in the figure of external debt is £75,000 of a sterling loan from ECA 5% counterpart funds for Deficiency Materials Projects. After March 31, 1951, a larger loan of £5 million - \$14 million - of this same type was granted to the Rhodesia Railways. These loans are usually repayable in deliveries of certain materials.) All of the London debt is long-term (17 to 40 years). Of the internal debt, the bulk, £30 million (\$84 million), is medium to long-term, with most of it falling due in 20-30 years and £7.8 million is short-term (\$22 million). Sinking fund payments are made on the debt at the rate of 1% per annum.

The bulk of the loan funds have been invested in one kind of asset or another. About three-fourths of the total have been passed on in the form of loans which pay interest to the government as an offset to its debt service. Well over half of the total loans have been invested in economic enterprises (Appendix, Table VII).

The gross interest charges on the public debt run at £3 million (\$8.4 million) a year. Interest received by the government amounts to £2 million (\$5.6 million) a year. The net interest burden borne by the government thus amounts to £1 million (\$2.8 million) which is about 5% of current revenues. Similarly the net sinking fund charges borne by the government amount to around £0.4 million (\$1 million) per year.

The annual external interest charge on the public debt currently runs at around £1.7 million (\$4.7 million) and the sinking fund contributions at a little more than half a million pounds (\$1.6 million).

IV. PUBLIC DEVELOPMENT PLANS

A. Background

The first "Four-Year Plan of Capital Development" was prepared for the period April 1, 1949 to March 31, 1953. After two years experience the Plan was reviewed and a Second Four-Year Plan was prepared to begin on April 1, 1951 and to run to March 31, 1955. This is the current plan.

For most of its history, the government has been conscious of the high priority to be given to development. Taxes have been kept as low as possible to induce capital to enter the country. In 1947, a policy was introduced of giving rebates or suspending customs duties on imports of raw materials to help industries establish themselves. In April 1949, an interim customs agreement was negotiated with the Union of South Africa which, while it gave freer access to Union markets for Rhodesian products, allowed Southern Rhodesia to impose customs duties on a comparatively long list of goods from the Union to foster her own industrial expansion. Technical advice and financial assistance has been provided in establishing cement and brick factories and general engineering works. In some instances, as in cotton spinning and iron and steel production, the government has undertaken the initial investment itself when private enterprise was not forthcoming.

B. Objectives

The objectives of the Plan are: (1) to facilitate the production and export of strategic commodities; (2) to endeavor to attain the highest degree of self-sufficiency in foodstuffs, particularly the basic foods for the African population; (3) to encourage the development of secondary industries, with emphasis on industries processing local raw materials, to attain greater diversification of the economy; (4) to raise the standard of living of the Africans; (5) to encourage selected European immigration; (6) to assist in the economic development of Northern Rhodesia and the Belgian Congo by facilitating the coal and copper rail traffic of those countries.

C. Outline of Public Investment Plans

The current public investment plans contemplate a total expenditure of not quite £100 million (\$280 million) over the four-year period, April 1, 1951-March 31, 1955. (This amount of investment represents an increase of in the neighborhood of 30% over the annual rate of public investment during the two years preceding the current public investment programs - but represents approximately a continuation of the same ratio of investment to national income.) Of this amount, almost 70% is to be invested in the basic services (transport, electricity, communications, water supply). The remainder is split among public buildings and equipment, municipal services, investment in agriculture, industry and mining, and social services. The detailed table follows:

Southern Rhodesia Public Investment Plans
April 1, 1951 - March 31, 1955

	<u>£ Millions</u>	<u>Equivalent \$ Millions</u>
<u>Basic Services</u>		
Railroads	33.6	94.1
Roads	5.2	14.5
Civil aviation & airways	0.9	2.5
Electricity	21.7	60.8
Wire & radio communications	3.5	9.8
Water supply	3.1	8.7
Total	68.0	190.4
<u>Public Buildings & Mechanical Equipment</u>	9.0	25.2
<u>Municipal Services</u>	8.8	24.7
<u>Agriculture, Industry, Mining</u>	7.8	21.8
<u>Social Services</u>	5.9	16.5
<u>Grand Total</u>	<u>99.5</u>	<u>278.6</u>

D. Transport

Railroads. Of the whole investment in the Plan, the largest portion or one-third of the total is devoted to railroads. The Rhodesia Railways are the backbone of the transportation system, in Southern Rhodesia, Northern Rhodesia and Bechuanaland. Until World War II, the Rhodesia Railways system, which was mostly constructed around the beginning of the century was adequate.

Since the war the rise in output in Southern and Northern Rhodesia has been so great that, in spite of an increase in ton-mile capacity of over 50% in the last five years, the railways have been unable to meet demands. As the railways were unable to provide the capital to carry out the expansion necessary, the Southern Rhodesia Government raised a £30 million loan in London to purchase the railways and assumed ownership in November 1949. Northern Rhodesia and Bechuanaland participate in the control. Immediately after the taking over of the railway, large numbers of rolling stock and locomotives were ordered.

At the end of 1951, railway performance was still inadequate in spite of a great increase in ton-miles: a 500,000 ton stockpile of chrome ore has been built up awaiting shipment; coal production has begun to outrun the railways capacity to carry it to copper belt. In the next five years, there is forecast a further increase of around 60% in real output in Southern Rhodesia with which the railways must also plan to cope. The problem is to primarily met by more equipment, more personnel and some straightening of the present winding route. For the continued growth of Southern Rhodesia this is not, however, sufficient. At present, the bulk of the overseas trade is dependent on a single-line railway to Beira whose capacity could only with difficulty be greatly expanded and on the port of Beira whose ultimate capacity is strictly limited. In the program, therefore, provision is made for the

construction of a new direct line to connect to the port of Lourenco Marques in Portuguese East Africa - a fine natural port which is considerably under-utilized. This line is to be begun in 1952 and to be put in operation before 1955.

The second new line to be built is a cut-off (Sinoia-Kafue) to reduce the distance from the copper belt to Beira by over 500 miles. It would also move the heavy materials needed for construction of the Kariba Gorge hydro-electric scheme which is quite near the route of the proposed railway. This new line is to be surveyed during the present Four-Year Plan but construction is not to begin until 1955.

E. Electricity

The second largest sum of investment planned is in electricity, which will cost £21.7 million (\$60.8 million) or one-fifth of the total. Expansion in the supply of electricity is the most urgent priority after transport. In the last four years electricity consumption increased by 90%. To keep pace with the added requirements resulting from the growth in the economy, an increase in electric generating capacity will be needed from the present 168,000 kw. to 416,000 kw. by the end of the Four-Year Plan.

There are three producers of electricity: the Electricity Supply Commission and the two municipalities of Bulawayo and Salisbury. Bulawayo customers other than households are largely light industry and the principal workshops of the Rhodesia Railway. Principal Salisbury consumers other than residential, are the government, light industry and commerce. The E.S.C. sells 37% of the 649 million KWH of electricity generated in the country. Its major consumers in fiscal year 1950/51 were:

	<u>% of Total</u>
Mines	60
Municipalities	16
Industry	17
Farming & Other	<u>7</u>
Total	100

During the course of the Four-Year Plan, an increase in industrial demand is forecast of 400%, by mining of over 40%, by municipalities of 10%, and by other users of 70%. The especially large jump in industrial consumption forecast is in large part due to the large electricity needs of the new ferro-chrome electric smelter which is coming into production in 1953.

Included in the ECA program is £0.9 million (\$2.5 million) for initial work on the Kariba Gorge project. An inter-territorial commission which investigated the possibilities of supplying Southern and Northern Rhodesia with hydro-electric power reported in May 1951 that the Kariba Gorge site on the Zambezi River was an excellent one. It recommended an initial installation of about 385,000 kilowatts, to be completed in 1961, with a final capacity of 1 million kw. The cost of the initial scheme with the necessary transmission facilities was estimated at £43.5 million (\$122 million) and the total final development at £75 million (\$210 million).

The Southern Rhodesia Government intends to proceed with the project with or without Northern Rhodesia's participation. The Northern Rhodesia Government has not yet decided whether to join the scheme. It is having a survey made of an alternative project on the Kafue River in Northern Rhodesia.

The main economic significance of the Kariba project is that it would provide cheap power (i.e. a cost of one-half or less of that of thermal power), and so be a stimulus to the development of manufacturing industries which are large consumers of electric power.

F. Remainder of Program

Of the rest of the program, £12.7 million (\$35.5 million) is for investment in other basic services, principally to reconstruct the major arterial road traversing the country, to provide water supplies and to expand communication facilities.

£23.7 million (\$66.4 million) is allocated for providing permanent buildings for governmental services, increasing the stock of vehicles and heavy equipment used by government departments and for municipal and other social services. The largest component of the latter two items is housing needed in connection with the urbanization of the native population.

£7.8 million (\$21.8 million) is allocated for investment in agriculture, industry and mining. This is principally to expand the capital of the agricultural credit institution, to expand grain and meat storage facilities, to reforest more land, to construct a sawmill, to begin construction of a cotton spinning mill, to finance a bag making factory and to expand the iron and steel works.

G. Evaluation

On the whole, the program appears to have been competently worked out in its details and to be fairly well-designed to meet the development needs of the country. The priority it gives to the development of the basic services, and to railroads and electricity in particular is certainly justified. The other investment in public buildings, municipal and social services is also an integral part of any properly balanced development program. Investment in helping develop agriculture and industry has proven a good investment in the past and has contributed substantially to the development of the country.

The administrative and government personnel which are charged with executing the various parts of the program show a high level of competence, thoroughness and energy. One can have confidence that the plans will be efficiently carried out.

As far as physical resources are concerned, there is a reasonable presumption that the goals of the program can be attained. One of the main limiting factors is the supply of labor. While the gainfully occupied population is forecast as increasing, it is to increase less rapidly than total output; productivity per worker, therefore, will have to increase at a rate of slightly more than 3% per year as compared to a rate of slightly less

than 2% per year in the preceding five years. This step-up in the increase in productivity may be difficult to reach. However, the increases in efficiency resulting from the urbanization of native labor should begin to show themselves during this time and it is native labor that has the greatest possibility of increasing productivity over its present low level.

Another important factor is the supply of capital. Investment must remain at the rate achieved over the last few years, i.e. 30% of total current resources. While savings in Southern Rhodesia have increased markedly, reliance will still have to be placed on a substantial inflow of external capital - in absolute amounts approximately equal to that at which it has been running. The general underlying assumption of the program that private capital will be forthcoming to take full advantage of the opportunities for investment made possible by the expansion of the basic services seems reasonable as far as it is possible to forecast at the present time.

The last major bottleneck is the supply of technicians. This should not prove impossible to cope with though some difficulties are to be expected. Immigration into Southern Rhodesia, especially as greater selection is exercised by the government, should provide the needed technicians particularly from the U.K. and other parts of the sterling area.

Water supply, which may at some time in the future be the ultimate limiting factor on the size of the Southern Rhodesian population and the development of the economy, is still sufficiently large to meet all needs for quite a number of years.

V. FINANCING OF DEVELOPMENT

The total resources required for the public plans are estimated at £99.5 million (\$278.6 million). Of this amount, £95.5 million (\$267.4 million) is to be raised by the government and railways and the rest is contingent on the municipalities being able to borrow directly themselves. The broad outline is given below (details in Table IX in Appendix).

Financing of Public Investment Plans

	<u>(Millions of £)</u>	<u>(Millions of \$)</u>
<u>Total Financing Required</u>	99.5	278.6
<u>Prospective Sources</u>		
Local borrowing, loan recoveries, etc.	21.9	89.3
U.K. funds (London market, etc.)	47.0	131.6
Other (ECA & Swiss banks)	<u>7.0</u>	<u>19.6</u>
Total	<u>85.9</u>	<u>240.5</u>
<u>Gap</u>	<u>13.6</u>	<u>38.1</u>

According to these estimates there remains a gap to be covered amounting to £13.6 million (\$38.1 million). No provision is made for a contribution from the government current budget, although one was originally contemplated: because of the drought in the current fiscal year the ordinary budget will have no surplus available. Barring continuance of adverse circumstances it is likely that several million pounds could become available the later years of the program. Also a part of the current earnings of the railways may be ploughed back into investment. On the whole, therefore, £10 million (\$28 million) may be taken as the real gap. An IBRD loan of \$28 million might be regarded then as meeting the gap.

Of total investment over the last two years, public investment has composed slightly less than half and private investment a little more than half. At the present stage of development this pattern is to be expected. While no detailed estimates are available on private investment, it is reasonable to assume that private investment over the period of the Four-Year Plan will be roughly of the same size as public investment, i.e. in the neighborhood of £100 million (\$280 million).

Around half or more of the private investment is financed by external capital. Of this, around 90% comes from the sterling area, principally from the United Kingdom. Total U.S. and Canadian investment in Southern Rhodesia is in the neighborhood of \$10 million. U.S. capital is invested in chrome, asbestos, petroleum products distribution and in agricultural implements. There is some Canadian capital in gold mining.

VI. CREDITWORTHINESS AND IMPACT ON STERLING AREA

A. General

The economy is, at present, and for some time to come will continue to be dependent on exports of raw materials and agricultural products in unfinished or semi-processed form. To assess the creditworthiness of Southern Rhodesia it is therefore necessary to assume the maintenance of a high level of world demand, even though the gold production provides a welcome element of stability.

Over the last five years, real output increased by 60% and the value of exports, at constant prices, by 50%. Over the next five years, 1952-56, similar increases are forecast based on programs of production expansion which have already been begun. This assumes that no extraneous force stops either the scheduled public investment or the private investment in the productive sectors during this period.

Beyond 1956 it is even more difficult to forecast. However, if world income continues to grow, the natural resources of Southern Rhodesia are such that one can reasonably rely on a continued increase in her exports.

The human element too gives assurance for the future. The government, the administrative staff, and management in the private sector have demonstrated competence and energy in the development of the country and there is no reason to believe that there will be a lack of these qualities in the future. The country has, in addition, the great advantage of being able to draw on the administrative, managerial and technical talent from other parts of the Commonwealth.

Southern Rhodesia has borrowed externally only in the United Kingdom, although Swiss bankers are currently interested in negotiating a loan to the city of Salisbury. Southern Rhodesia has an excellent credit standing in London. The character of the people is such that they would make every effort to fulfil their obligations even if self-interest (i.e. necessity to maintain a good debt record to continue to be able to borrow abroad) did not impel them to do so.

One of the greatest dangers to a country's creditworthiness does not at present exist in Southern Rhodesia. That is the danger of an unsound monetary and financial policy resulting in inflation distorting the economy and making it impossible for the country concerned to generate enough of an export surplus to service its external debt. Southern Rhodesia has at present no central bank and its currency has a 100% cover in sterling. It is impossible for the government to run a deficit which is not covered by borrowings from local savings or external sources.

It appears highly probable, however, that Southern Rhodesia will create a central bank in the next ten years. No matter how carefully its charter may be drawn, it must inevitably provide more discretion in monetary and credit policy to the public authorities than the present currency system provides. Since the Bank of England will help set it up, it is likely, however, to follow sound policies.

The government has pursued a conservative debt service policy. It has charged against current revenue not only the interest charges but also the 1% sinking fund contribution each year. While gross interest charges on the debt come to around 20% of the total ordinary budget, interest received by the government on the loans which it has made to economic enterprises, cover most of this burden, making net charges equal to 6% of total current expenditures -- a not unreasonable figure.

External debt service is currently running at around 3% of total exports (sinking fund payments add another 1%) or 2% of current balance of payments receipts. This relationship in the whole debt history of Southern Rhodesia has never been higher than around 5% - which is a good record for a developing country. Over the next 10 years, if the growth in the economy fulfils expectations, the external debt will be doubled or trebled (if Kariba Gorge scheme is carried out), but the volume of exports is likely to rise substantially so that even with a price drop of 50% in present export prices, the debt service burden in 1961 should still be less than 10% of export earnings.

If the economy continues to develop, it will be necessary for the government to continue to incur debt to expand the basic services needed by the growing economy. As long, however, as the government pursues its policy of incurring debt only for investment in capital assets, the debt should not increase faster than the growth in the real national income. With growth in real output it should easily be possible for the government to secure a sufficient share to service its growing debt.

B. Dollar Creditworthiness

Independently of the sterling area dollar position, Southern Rhodesia by herself can be considered to be dollar creditworthy for a sum in excess of that being considered by the Bank.

Southern Rhodesia has no dollar debt. Her gold and dollar earnings exceed her dollar expenditures. Since she imposes restrictions on dollar imports, it is not possible to state what the balance would be in the absence of such restrictions. It is, however, evident that dollar imports are compressible in time of need. In 1950 when the most severe restrictions were imposed and sterling devaluation had made dollar goods more expensive, Southern Rhodesia had a surplus of \$15 million.

The outlook for exports to the dollar area should be quite good. From 1939 to 1950, exports to the U.S. increased from 3% to 6% of the total while in value they increased eight times. As long as the United States enjoys high levels of employment and its economy grows, the mineral products of Southern Rhodesia, particularly chrome and asbestos should be assured of a growing market. Over the next five years alone, exports of these two commodities are expected to increase by 80 and 50% respectively. Dollar earnings of Southern Rhodesia, apart from gold, are now running around \$10 million a year. Over the next decade, this figure should double.

Southern Rhodesia has a gold production which is currently valued at around \$17 million a year. If the world price level does not fall, this production will probably continue to decline slowly owing to rising costs. If world prices fall, some small increase in production may be expected. Gold production is likely for some years to come to surpass what might be considered the minimum dollar needs of the country, i.e. the 1950 level of dollar payments of \$12 million.

It can be concluded, therefore, that if Southern Rhodesia's gold and dollar earnings are available to meet her dollar obligations, a loan for \$28 million is within her dollar creditworthiness.

C. Impact on Sterling Area Dollar Position

Of the total cost of almost £100 million (\$280 million) of the public investment plans during the four-year period, April 1, 1951-March 30, 1955, the United Kingdom is expected to provide almost half. In addition, the U.K. is expected to be the major source of private capital imports. Aside from reinvestment of profits in Southern Rhodesia, new money from the U.K. of around £40-£45 million (\$112-126 million) is expected to be invested in the country during this period. The total resources drain on the U.K. would, therefore, be somewhere around £85-95 million (\$238-266 million). A loan to Southern Rhodesia of \$28 million of which say \$25 million would be to finance the cost of imported equipment from the U.K. would make this amount of dollars available to the sterling dollar pool. However, the dollar impact of the United Kingdom contribution to the Southern Rhodesia investment program is certainly considerably greater than this amount so that the net effect would be a drain on sterling area gold and dollar reserves.

Southern Rhodesia should ultimately make a considerable contribution to the sterling area dollar position. At least 80% of her exports can be classed as dollar-saving or dollar-earning or both; e.g. tobacco, gold, asbestos, chrome, cattle hides. Over the next ten years, these exports, at constant prices, should expand by a minimum of \$50 million and possibly by as much as \$100 million.

TABLE I

INVESTMENT AND NATIONAL EXPENDITURE AT MARKET PRICES

(£ Million)

	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>
1. National consumption	48	57	66	73	84
2. National savings	<u>3</u>	<u>1</u>	<u>3</u>	<u>9</u>	<u>14</u>
3. Total national expenditure	51	58	69	82	98
4. <u>Add:</u> Net inflow of resources	<u>3</u>	<u>16</u>	<u>19</u>	<u>28</u>	<u>24</u>
5. Total available resources	54	74	88	110	122
6. Net investment	6	17	22	37	38
7. Percentage of resources devoted to investment	11%	23%	25%	33%	31%
8. Proportion of investment financed by inflow of resources	50%	90%	86%	76%	63%

Note: Reconciliation of figures shown in Table II "Net National Income" with above figures for national expenditures at market prices:

1950 (for example)

1. Net national income equals net national expenditure	£93 million
2. Plus indirect taxes	5 "
3. Minus subsidies	-
4. Equals net national expenditure at market prices	£98 million

TABLE II
NATIONAL INCOME

(£ million)

	<u>Net National Income</u>
1924	10.6
1925	10.2
1926	12.0
1927	13.9
1928	14.0
1929	14.0
1930	13.1
1931	8.8
1932	9.7
1933	11.1
1934	13.3
1935	14.5
1936	16.7
1937	19.2
1938	20.7
1939	21.5
1940	25.6
1941	26.5
1942	30.1
1943	30.9

1946	47.6
1947	56.1
1948	66.9
1949	78.0
1950	93.4

Overall increase (15 years) - 1924-1939 = 105%

Overall increase (6 years) - 1939-1946 = 121%

Overall increase (4 years) - 1946-1950 = 96%

Note: The series from 1924 to 1943 was prepared by Prof. S.H. Frankel for the 1944 Commission of Enquiry into the Mining Industry. The figures for 1946 to 1950 were prepared by the Central African Statistical Office.

TABLE III

THE POPULATION OF SOUTHERN RHODESIA, 1938-1956

(in 000's)

<u>June 30</u>	<u>European</u>	<u>Asian & Colored</u>	<u>African</u>	<u>Total</u>
1938	61	6	1,340	1,410
1946	83	8	1,720	1,811
1950	125	9	1,960	2,094
1951	138	10	2,010	2,158
1956 (forecast)	204	12	2,300	2,546

Forecast based on:

1. European: natural increase of 2% and net immigration of 10,000 per annum.
2. Asiatic and colored: natural rates of increase of 3.5% and 5% for Asians and Colored, respectively, plus 60 immigrants per year.
3. African: natural rate of increase of 3% per annum.

TABLE IV

BALANCE OF PAYMENTS ON CURRENT ACCOUNT

(£ million)

	<u>Goods</u>	<u>Yield of Investments</u>	<u>Services</u>	<u>Total Business Transactions</u>	<u>Unilateral Transfers</u>	<u>Total Current Transactions</u>
<u>1948</u>						
Receipts	29.4	0.9	8.5	38.9	7.4	46.3
Payments	<u>-48.0</u>	<u>-4.4</u>	<u>-5.4</u>	<u>-57.9</u>	<u>-1.8</u>	<u>-59.7</u>
Balance	-18.6	-3.5	3.1	-19.0	5.6	-13.4
<u>1949</u>						
Receipts	34.9	0.9	9.7	45.6	6.2	51.7
Payments	<u>-61.5</u>	<u>-5.3</u>	<u>-7.1</u>	<u>-73.9</u>	<u>-2.1</u>	<u>76.0</u>
Balance	-26.6	-4.3	2.6	-28.3	4.1	-24.3
<u>1950</u>						
Receipts	48.9	0.9	11.1	60.8	5.9	66.7
Payments	<u>-70.2</u>	<u>-6.3</u>	<u>-8.0</u>	<u>-84.5</u>	<u>-2.8</u>	<u>-87.3</u>
Balance	-21.3	-5.4	3.1	-23.7	3.1	-20.6

Note: Detail does not necessarily add to total because of rounding.
 Receipts for goods include gold bar and freights to the border.
 Payments for goods include imports, f.o.b. or f.o.r., plus
 freights to the border, plus other railway payments.

TABLE V

DOLLAR BALANCE OF PAYMENTS

(In millions of dollars)

	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>July 1st - June 30</u>	
				<u>1950/51</u>	<u>1951/52 (est.)</u>
<u>Payments</u>					
Imports (f.o.b.)	18	17	9	11	18
Invisibles	<u>2</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>
Total	20	20	12	15	22
<u>Receipts</u>					
Exports and reexports	6	8	8	8	9
Gold	18	18	18	18	17
Other	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>
Total	<u>26</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>27</u>
Net contribution to sterling area gold and dollar reserve	<u>6</u>	<u>7</u>	<u>15</u>	<u>13</u>	<u>5</u>

TABLE VI

PRINCIPAL DOMESTIC EXPORTS

(£ 000's)

	<u>1939</u>		<u>1949</u>		<u>1950</u>	
	Value	%	Value	%	Value	%
Tobacco leaf	1,012	10.0	11,665	39.4	17,265	42.4
Gold bar	5,999	59.0	5,317	17.9	6,409	15.7
Asbestos	1,193	11.7	3,982	13.5	5,190	12.7
Chrome	275	2.7	1,255	4.2	1,661	4.1
Apparel	60	0.6	1,008	3.4	1,951	4.8
Cattle Hides	143	1.4	1,008	3.4	1,424	3.5
Others	1,486	14.6	5,386	18.2	6,854	16.8
Total	10,168	100.0	29,621	100.0	40,754	100.0

TABLE VII

INTEREST-PAYING LOANS OUTSTANDING EXTENDED
BY SOUTHERN RHODESIAN GOVERNMENT

31 March 1951

	<u>£ Million</u>
Rhodesia Railways	30.0
Electricity Supply Commission	7.7
National Building Board	5.3
Land Bank	5.1
Iron and Steel Commission	3.9
Cold Storage Commission	1.6
Cotton Industry Board	1.2
Central African Railways	0.4
Local Authorities	6.1
Ex-Servicemen's Loans	2.0
Other Loans	1.9
	<hr/>
Total Interest-Paying Loans	<u>65.2</u>

TABLE VIII

SOUTHERN RHODESIA: STATEMENT OF FUNDS IN LONDON

(£ 000's)

	<u>Dec. 31, 1946</u>	<u>Dec. 31, 1950</u>	<u>June 30, 1951</u>
I. <u>Liquid Funds</u>			
1. Commercial Bank Balances	16,633	19,284	14,875
2. Treasury Balances	149	3,688	6,296
3. Currency Board <u>a/</u>	747	2,007	1,840
4. Rhodesia Railways	1,392	992	5,523
	<hr/>	<hr/>	<hr/>
Total Liquid Funds	18,921	25,972	28,534
II. <u>Investments</u>			
1. Trust Funds - Nominal Values <u>b/</u>	2,093	2,117	2,117
2. Sinking Funds - at cost	1,373	2,036	2,036
3. Currency Board - at cost	7,989	10,479	12,019
4. Rhodesia Railways - at cost	7,246	3,743	3,754
5. Rhodesia Railways Pension Fund - at cost	5,342	4,359	4,389
6. National Reconstruction Fund - Balance	2,500	-	-
	<hr/>	<hr/>	<hr/>
Total Investments	26,543	22,733	24,314
	<hr/>	<hr/>	<hr/>
Total Funds in London	45,463	48,705	52,848

Notes: This statement does not include balances of Southern Rhodesian individuals and companies who may hold balances directly in London. Detail may not necessarily add to total because of rounding.

a/ Including British Government Treasury Bills.

b/ As at 31st March each year.

TABLE IX

PROSPECTIVE SOURCES OF FINANCING OF PUBLIC INVESTMENTApril 1, 1951 - March 30, 1955

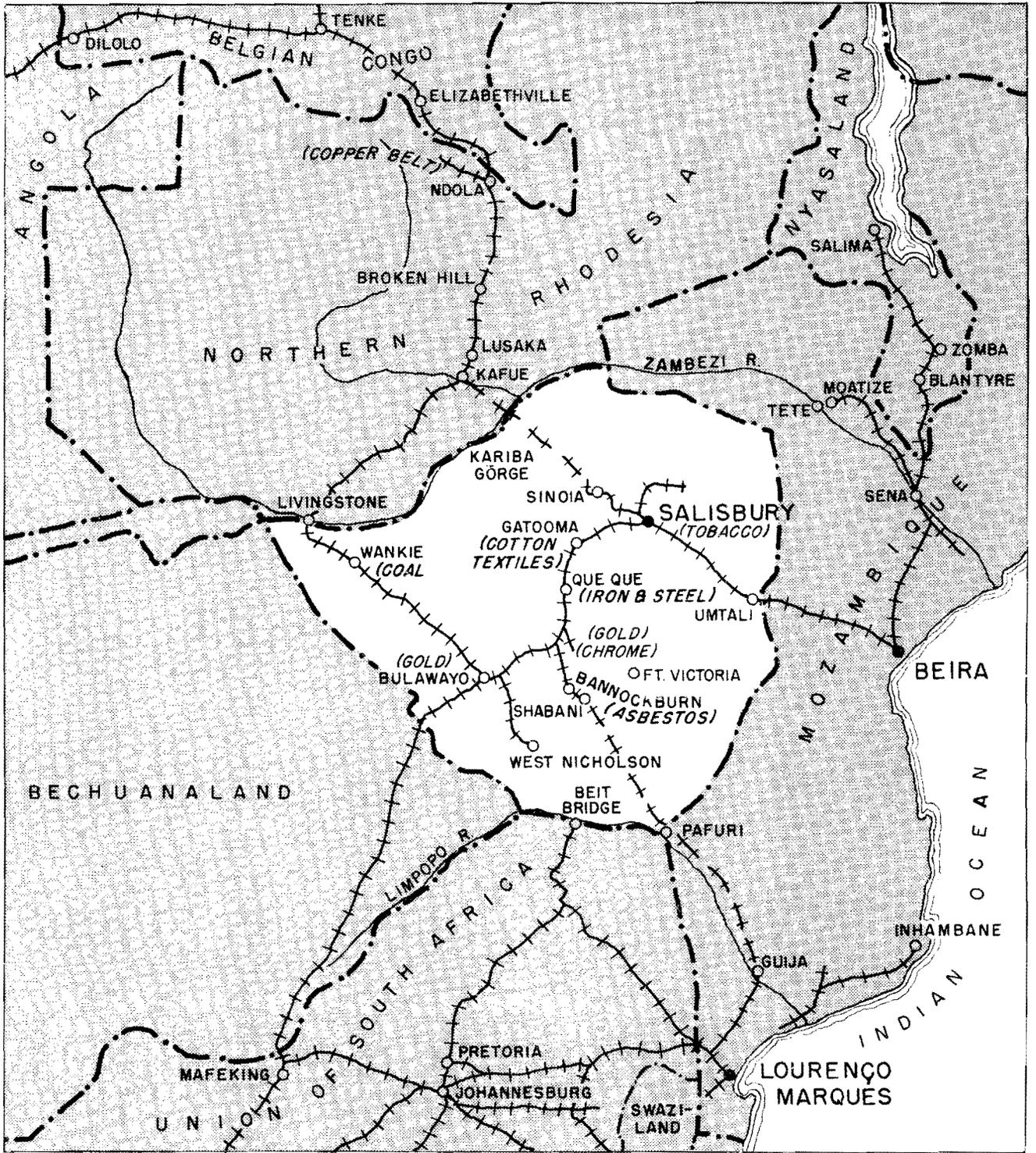
(In millions of pounds)

	<u>Four-Year Plan</u>	<u>Rhodesia Railways</u>	<u>Contingent Local Authorities Plan</u>	<u>Total</u>	<u>Total (In millions of dollars)</u>
<u>A. Resources Required</u>	<u>61.9</u>	<u>33.6</u>	<u>4.0</u>	<u>99.5</u>	<u>278.6</u>
<u>B. Sources</u>					
<u>Local</u>					
Existing resources	1.4	-	-	1.4	3.9
Borrowing	22.0	3.5	1.5	27.0	75.6
Loan recoveries	<u>3.5</u>	-	-	<u>3.5</u>	<u>9.8</u>
Total - Local	26.9	3.5	1.5	31.9	89.3
<u>United Kingdom</u>					
London market, 1951	5.0	7.5 ^{a/}	-	12.5	35.0
1952	7.5	-	-	7.5	21.0
1953-54	10.0	10.0	-	20.0	56.0
1951 ECA 5% counterpart loan	-	5.0	-	5.0	14.0
Bechuanaland capital contribution ^{b/}	-	<u>2.0</u>	-	<u>2.0</u>	<u>5.6</u>
Total - U.K.	22.5	24.5	-	47.0	131.6
<u>Other</u>					
Application to ECA ^{c/}	-	4.5	-	4.5	12.6
Swiss Banks	-	-	<u>2.5</u>	<u>2.5</u>	<u>7.0</u>
Total - Other	-	4.5	2.5	7.0	19.6
<u>Grand Total</u>	<u>49.4</u>	<u>32.5</u>	<u>4.0</u>	<u>85.9</u>	<u>240.5</u>
<u>C. Gap</u>	<u>12.5</u>	<u>1.1</u>	<u>-</u>	<u>13.6</u>	<u>38.1</u>

^{a/} Borrowed by Northern Rhodesia in London for its capital contribution to Rhodesia Railways.

^{b/} Under negotiation, capital contribution to Rhodesia Railways on account of Bechuanaland to be made by U.K.

^{c/} £4 million for S.E. connection, £0.5 million for Sinoia-Kafue cut-off.



SOUTHERN RHODESIA

- | | | | |
|-------|---------------------|---------|-----------|
| ++++ | EXISTING RAILROADS | — | RIVERS |
| ++ ++ | PROJECTED RAILROADS | - · - · | FRONTIERS |

