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### TABLE OF CONTENTS

	<u>Paragraphs</u>	<u>Pages</u>
INTRODUCTION	1 - 6	1 - 2
Balance of payments - - - - -	7 - 18	2 - 4
The volume of aid - - - - -	19 - 41	4 - 18
Technical assistance - - - - -	42 - 49	19 - 22
External balance and international liquidity - -	50 - 56	23 - 25
Impact of the present international monetary situation on the trade and development of African countries - - - - -	57 - 69	26 - 29
SUMMARY AND CONCLUSION	70 - 102	29 - 38
The flow of resources	73 - 82	31 - 33
The terms of financial flows and problems of debt servicing - - - - -	83 - 93	33 - 36
The efficiency of aid - - - - -	94 - 101	36 - 38
The international monetary situation - - - - -	102	38

Annex : Changes in official exchange rates of African countries in terms  
of the US dollars after 18 December 1971.

<sup>1/</sup> This document is a revised version of document E/CN.14/WP.1/35.

## INTRODUCTION

1. There was a slight acceleration in the rate of growth of economic activity of independent developing African countries during the second half of the 1960's. Their real gross domestic product grew at an annual rate of 4.0 per cent between 1960 and 1965 and 4.5 per cent between 1965 and 1970.

2. Table 1 summarises the experience of the forty-one independent developing African countries during the last decade. The striking impression that averages is how the experience varied from country to country. While 7 countries experienced annual growth rates of 6 per cent and above during the second half of the decade, in 7 countries the growth rate was below 2 per cent.

Table 1: Average annual rates of growth of GDP of independent African countries at 1960 prices

	1960-1965		1965-1970		1969-1970	
	Number of countries	Rate of growth	Number of countries	Rate of growth	Number of countries	Rate of growth
Independent developing African countries	41	4.0	41	4.5	41	4.4
6.0% and above	11	6.9 <sup>a/</sup>	7	7.3 <sup>a/</sup>	11	8.2
5.0 - 5.9	4	5.5	3	5.7	7	5.1
4.0 - 4.9	6	4.5	7	4.5	4	4.3
3.0 - 3.9	4	3.6	12	3.4	3	3.4
2.0 - 2.9	6	2.5	5	2.6	3	2.8
1.9 and below	10	-1.9	7	1.4	13	-3.4

Source: ECA, Research and Statistics Division.

a/ Libya is excluded in the rate of growth calculation while included in the number of countries.

3. The rate achieved between 1969 and 1970 was 4.4 per cent. Incomplete data for 1971 suggest a similar growth rate to that recorded in 1970. The basic position at the start of the Second United Nations Development Decade therefore shows little change from the one at the end of the First Development Decade. It falls well short of the minimum target growth rate of 6 per cent stipulated in the International Development Strategy adopted by the United Nations General Assembly. Since the achievements of the immediate past under normal circumstances are good indicators of what may happen in the immediate future, the position may have grave implications for the success of the Second United Nations Development Decade in Africa.

4. The same period has also witnessed mounting balance of payments difficulties in a good many African countries. Although the combined net position of exports less imports of goods and services improved for developing Africa as a whole, many individual countries have continued to be plagued by problems of deficit on external account. Most of the improvement has been due to the experience of a handful of countries. In the majority of African countries imports are higher than exports.

5. Africa is therefore still heavily dependent on external assistance for its development requirements. Data available in the ECA secretariat suggest that about three quarters of domestic capital formation is financed from domestic sources. Although the proportion of net domestic resources going into domestic capital formation increased slightly during the past years of the 1960's to 16.8 per cent in 1969, this level is still some 3.2 percentage point short of the target set for the Second Development Decade.

6. It is against this background that African countries are participating in discussions on international co-operation in the financial and monetary fields. The following pages review some of the main developments in these fields in the past few years in so far as they may be relevant for African countries.

#### Balance of payments

7. Looking at the statistical picture one is impressed by the central fact of the balance of payments of most African countries. That is that the position reflect the deliberate effort to accelerate the pace of socio-economic development and the chronic deficiency of domestic resources in meeting the financing requirements. Inflows of external capital and aid are necessary to achieve even a fairly moderate level of fixed capital formation, and these inflows give rise to deficits on the current account.

Table 2: Balance of payments summary for developing Africa 1968-1970  
( '000 million US dollars )

	1968	1969	1970
Current balance	-0.5	-	-0.4
Capital balance	0.8	0.6	1.3
Overall balance	0.3	0.6	1.1 (0.96) <sup>a/</sup>

Source: IMF Annual Report 1971.

a/ Figures in brackets do not include distributions of SDR.

8. The exceptions to this general situation are few. They are, however, important in the combined balance of payments position of developing Africa. The balance of payments summary for developing Africa (1968-1970) shows that the overall deficit of the current transactions was in many cases reduced or wiped out, mainly as a result of highly favourable developments on the merchandise account of a limited number of African countries. The volume of capital inflow produced an overall balance of payments surplus. In 1970, this surplus reached 1,100 million US dollars, in spite of a deficit of 400 million US dollars on current account.

9. Table 3 gives the data available balance on the visible and invisible accounts of 20 African countries for the period 1968-1970. These data show the trends for current account (goods and services), transfers and capital.

10. In Africa, as in all other areas of the world, appreciable fluctuations in trade balances have been one of the major features of the pattern of trade during recent years. For the continent as a whole, the value of exports rose from 11,300 million to 12,600 million US dollars from 1969 to 1970, an increase of 11.5 per cent, while the value of imports rose from 9,400 million dollars to 10,800 million dollars, an increase of 14.9 per cent. During 1969, the increase in the value of exports was partly a result of the rise in prices of primary commodities, which produced an improvement in the terms of trade. In 1970, there was a net change of approximately 2 per cent in the terms of trade of the developing countries. In Africa, the deterioration in the terms of trade was more noticeable - of the order of 6 per cent compared with 1969.

11. In 1970, twelve of the twenty African countries included in Table 3 had a deficit trade balance. Generally, it can be noted that the deficit had been increasing during the two previous years and, consequently, the overall surplus on the merchandise accounts of African countries was declining. The trade balance surpluses of developing Africa have been concentrated disproportionately in the hands of a few major exporters, notably of oil and mineral ores. It should be noted that in 1969 the surplus balance on the merchandise account of Libya alone accounted for 77 per cent of the overall African surplus and, in 1970, was appreciably in excess of this balance in 1970.

12. With only few exceptions, all African developing countries sustained persistent deficits on their overall invisibles account, and in practically every component item. Of the countries included in Table 3, only three (Kenya, Tanzania and Tunisia) have a surplus on their invisibles account. This cannot be otherwise as long as African countries continue to depend on the outside world not only for their capital formation, but also in respect of shipping services, insurance services and skilled managerial and technical personnel.

13. Of all the countries shown in Table 3, only five (Ivory Coast, Libya, Mauritius, Tanzania and Zaire) had a surplus on the combined goods and services account in 1969. By 1970, the number had fallen to three (Libya, Mauritius and Zaire). The surplus rose substantially in Libya, but fell in Mauritius and was considerably lower in Zaire.

14. The data relating to transfers and capital show the financing of deficit on goods and services, or disposition of current surpluses. In most African countries private transfers generally show debit balances due basically to repatriation of funds by wage-earners in the private sector. A few countries, however, which with traditionally a large number of citizens employed abroad have a net inflow of private remittances. Public transfers are generally positive. They include in particular grants in the form of technical assistance and grants in cash and in kind from foreign governments and international organizations.

15. Capital balances, both private and public, are generally positive. They are credited with the balance of the differences in commitments in the form of direct investments, private long - and short-term capital and draws on loans from government or international organizations. It is worth noting the rather irregular flow of capital, in particular as regards private capital movements.

16. The net balance of payments was a surplus figure for 1969 in 15 of the countries included in Table 3, and in 10 in 1970. This indicates that transfers and movements of capital have a very significant influence on the balance of payments of African countries. A number of countries with deficit balances on current account had an improved, or even surplus, overall balance of payments position. It should be noted that balance of payments surpluses tend to be more general than trade balance surpluses.

17. Trade balance difficulties and the generally negative balance on current accounts are a basic and almost permanent feature of the balance of payments of the majority of African countries. Consequently, one of the main objectives of these countries is to find external resources which can remedy the imbalance of their payments position.

18. In this way, the African economy is spared the liquidity problems involved in tapping foreign exchange reserves. This situation, however, is steadily increasing the foreign debt burden. Nevertheless, the use of foreign capital will continue to be essential by virtue of the structural weakness in the current account balance of the majority of African countries, a weakness which illustrates the lack of African national resources for development financing in Africa. Under these conditions, foreign aid to Africa must be increased and must be based on easy terms, in view of the development needs of these countries.

#### The volume of aid

19. Considering the smaller economic growth achieved by Africa as against the growth of other regions, there is a great need for intensification of development assistance to African countries. In spite of that, the share of Africa in total official net flow of external resources from developed market economy countries and multilateral agencies declined from 27 per cent during the first half of the 1960's to 22 per cent during the second half of the decade.

Table 3 : Balance on visible and invisible accounts for selected African countries 1968 - 1970 (millions U.S. dollars)

	Year	Trade balance f.o.b.	Transport and Insurance	Travel	Investment Income	Central Government	Other services	Total balance of invisibles	Balance on goods and services	Transfer Private	Public	Capital Private	Public	Balance of payments position
Algeria	1968	103	-67	32	-234	-1.0	-58	-328	-225	182	12	45	57	+74
	1969	-51	-69.0	-1.0	-228	-3.0	-91	-392	-443	215	22	30	43	-133
	1970	-65	-107.0	...	-112	...	-41	-260	-325	187	12	47	14	-65
Chad	1968	-2.9	-12.9	-1.8	-2.7	6.5	-6.2	-17.1	-20.0	2.8	15.9	-1.9	-1.1	-2.1
	1969	-7.5	-15.9	-2.5	-2.5	7.2	-5.5	-19.2	-26.7	-	17.9	5.3	-0.6	-4.1
	1970	-6.6	-18.1	-2.7	-2.0	9.4	-4.9	-18.3	-24.9	2	24.1	2.4	2.8	+6.4
Ivory Coast	1968	104.5/	8.9	-26.3	-38.5	1.2	-13.3	-68	35	-37	15	8	19	+41
	1969	111.5/	15.3	-25.7	-39	-2	-22.6	-74	37	-36	20	1	26	+48
	1970	65.5/	22.3	-27.0	-36	-2	-25.3	-68	-3	-40	22	18	21	+18
Egypt	1968	-18.5/	-3.0	...	-23	-51.0	14.0	-63.0	-248	3	251	-17	19	+8
	1969	-22.5/	-5.0	...	-28	-50.0	6.0	-77.0	-304	8	288	-15	-66	-89
	1970	...	...	...	...	...	...	...	...	...	...	...	...	...
Ethiopia	1968	-35.2	-26.8	-3.0	-9.0	3.9	-16.4	-7.7	-42.9	-1.4	14.2	25.4	4.7	-1
	1969	-10.2	-23.6	-0.9	-8.1	5.8	-16.8	-10.0	-20.2	-3	14.2	3.6	9.2	+3.8
	1970	-23.4	-26.5	-1.2	-7.7	6.6	-12.3	-16.5	-39.9	-4.9	10.6	11.2	4.7	-18.3
Gabon	1968	74.5/	-6.6	-7.2	-22.2	-2.5	-30.7	-69.2	4.9	-10.7	10.9	-3	-1.1	+1.0
	1969	68.7/	-19.3	-5.3	-16	-1.4	-52.6	-80.2	-11.5	-9.6	9.3	7.9	4	+0.1
	1970	74.5/	-18.9	...	-17.4	-2.2	-36.7	-75.3	-1.0	-12.5	13	-5.6	6	-0.1
Ghana	1968	47.6	-15.9	-10.7	-32.1	-6.8	-22.1	-87.6	-40	-15.9	-	-39.8	25.0	-11.1
	1969	58.2	-25.4	-6	-36.7	-5.6	-21.2	-94.9	-36.7	-13.2	0.9	9.0	45.4	+5.4
	1970	87.7	-45.4	...	-40.3	...	-17.1	-102.8	-15.1	-11.8	0.5	18.8	52.9	+45.3
Mauritius	1968	-0.1	-7.7	-1.6	-0.7	1.7	2.9	-5.4	-5.5	-0.9	5.3	-0.5	3.3	+1.7
	1969	7.1	-7.4	0.1	-0.2	1.4	3.3	-2.4	4.7	0.3	2.3	2.8	4.2	+14.3
	1970	5.0	-8.1	1.2	1.5	2.2	2.1	-1.1	3.9	1.4	2.5	0.8	0.6	+9.2
Kenya	1968	-102.9/	25	26.9	-39.6	3.7	21.6	37.7	-65.2	0.1	25.1	27.2	21.0	+8.2
	1969	-88.5/	26.6	25.5	-28.9	3.6	29.7	56.5	-32	3.0	19.9	46.1	18.0	+55
	1970	-140.9/	28.5	32.2	-18.2	5.1	32.2	79.8	-61.1	-1.4	22.1	63.3	24.6	+47.5
Libya	1968	1218.6/	...	-35.3	-516.6	-21.3	-266	-839.2	379.4	-43.4	-83.7	-65.2	-2.0	+185.1
	1969	1487.8/	...	-49.1	-455.4	-88.4	-402.8	-995.7	492.1	-44	-118.5	136.5	-17	+176.1
	1970	1811.5/	...	...	...	...	...	...	...	...	...	...	...	...
Malawi	1968	-20.4	-7	-2	-9.8	-4	-1.5	-24.3	-44.7	1.9	15.9	19.5	8.9	+1.5
	1969	-21.0	-8	-2.7	-11.1	-4.3	-1.4	-27.5	-48.5	1.8	16.1	13.5	15.7	-1.4
	1970	-25.1	-10	...	-8.7	-2.1	-3.8	-24.6	-49.7	2.1	13.6	2.0	35.7	3.7
Morocco	1968	-61	-2.3	22.5	-43.9	8	-6.6	-43	-104	28	19	-15	46	-26
	1969	-38	-29	68.5	-40.7	-22	-20.8	-44	-82	58	11	-7	39	+19
	1970	-137	-39	...	41.5	-39	-23.5	-60	-197	69	4	55	89	+20
Nigeria	1968	48.4/	19.6	-44.0	-150.9	-43.4	-113.3	-332	-283.6	9.8	38.3	218.6	3.6	-13.3
	1969	233.5/	18.8	-36.1	-154.0	-65.9	-117.4	-414.6	-181.1	5.6	23.5	109.7	5.1	-37.2
	1970	199.9/	6.9	-43.7	-156.5	-10.8	-193.8	-398	198.1	19.1	43.9	96.2	12.3	-26.6
Uganda	1968	23.4/	0.1	1.1	-16.7	-2.1	-8.4	-26	-2.6	-4.7	4.2	-0.3	12.6	+9.2
	1969	21.0/	0.1	4.2	-17.6	-1.1	-10.3	-24.7	-3.7	-5.1	2.7	-2.8	18.7	+9.8
	1970	7.2/	-2.0	...	-1.3	...	-7.8	-11.1	-3.9	-0.9	0.2	-5.3	2.5	-7.4
Sierra Leone	1968	12	-8.1	-0.9	-9.7	-1	1.3	-18.4	-6.4	1.4	2.2	8.5	6.6	+12.3
	1969	6.6	-10.0	-0.9	-7.4	-1	-1.6	-20.9	-14.3	1.3	3.0	16.3	2.2	+8.5
	1970	-1.9	-10.5	...	-6	...	-6.5	-25	-23.1	1.8	3.3	17.3	2.3	+1.6
Somalia	1968	-16.5/	-1.9	-2.8	-0.8	0.1	-1.4	-6.8	-22.8	0.5	19.1	2.4	3.8	+3
	1969	-21.6/	-1.1	-0.3	-0.8	-	-0.3	-2.5	-24.1	0.7	10.2	2.3	16.2	+5.3
	1970	...	...	...	...	...	...	...	...	...	...	...	...	...
Sudan	1968	-29.3/	-0.9	-8.6	-10.3	-7.2	4.9	-22.1	-51.4	-0.6	-1.2	-0.6	22.9	-30.9
	1969	2.3/	-2.9	-8.6	-14.7	-3.8	-0.2	-30.2	-27.9	-0.6	-1.1	0.8	35.9	+7.1
	1970	-13.8/	-1.2	-9.7	-14.9	0.9	-3.5	-28.4	-42.2	-1.2	1.5	0.9	8.0	-33.0
Tanzania	1968	-26.2/	16.5	-3.1	-4.4	1.3	0.6	10.9	-15.3	8.5	0.7	-1.1	22.4	+15.2
	1969	0.1/	18.7	-2.1	-3	2	0.7	16.3	16.4	8.5	1.2	-20.8	11.0	+16.3
	1970	-73.2/	18.6	0.1	-3.5	1.2	-5.1	11.3	-61.9	8.9	1.8	-1.0	32.4	-19.8
Tunisia	1968	-61	-18	27	-23	10	-10	-14	-75	10	30	10	39	+14
	1969	-91	-18	30	-24	21	-6	3	-88	8	32	23	39	+14
	1970	-111	-22	...	-26	16	46	14	-97	7	31	40	31	+12
Zaire	1968	260	-51.2	-16.4	-14.6	-78.6	-48.2	-209	51	-40	35	-13	18	+51
	1969	278	-67	-8.0	-21.4	-78	-71	-216	62	-63	47	0.2	7	+53
	1970	266	-82	...	-34	-86.3	-52.4	-262.7	3.3	-69.9	51.8	-17.2	7.9	-25

Source: IMF - Balance of payments yearbook,

IMF - International Financial Statistics - January 1972.

/ C.i.f.

/ Exports f.o.b.

/ Exports mainly f.o.b.; imports partly f.o.b., partly c.i.f.

**Table 4: Total official net flow of external resources to developing regions from DAC countries and multilateral agencies, annual average a/ (millions US dollars)**

Region		Bilateral	Multilateral	Total
Africa	1960-1966	1,500.00	168.91	1,669.01
	1967-1969	1,354.70	254.06	1,608.76
	1968-1970	1,346.54	322.57	1,669.11
Europe	1960-1966	419.09	33.57	452.66
	1967-1969	324.35	106.99	431.34
	1968-1970	336.40	118.90	455.30
Latin America	1960-1966	739.10	143.06	882.16
	1967-1969	956.35	299.43	1,255.78
	1968-1970	984.43	395.64	1,380.07
Asia	1960-1966	1,869.56	232.72	2,701.27
	1967-1969	3,197.00	351.97	3,548.97
	1968-1970	3,208.18	331.77	
Oceania	1960-1966	105.07	0.76	105.83
	1967-1969	190.02	3.32	193.34
	1968-1970	228.06	4.69	232.75
Total (unallocated included)	1960-1966	5,419.92	598.89 <sup>b/</sup>	6,013.81
	1967-1969	6,318.81	1,035.17	7,353.99
	1968-1970	6,381.52	1,196.12	7,577.64

**Source:** OECD Development Assistance Efforts and Policies - 1970 Review and 1971 Review.

a/ Bilateral flows net of loan repayments; multilateral flows net of loan repayments, grants and capital subscriptions and net official purchases of bonds, etc., by developing countries.

b/ Totals exclude figures for African and Asian Development Banks.

20. During the last decade, aid to Africa has fluctuated to a greater extent than aid to the other regions. In the first half of the decade, the annual averages of total official flow, and in particular of the flow of bilateral resources, exceeded those of the second half of the decade. In 1970, aid expressed in current prices was higher than in 1960, but in 1963, 1965, 1966 and 1968, total aid received was lower than in the preceding year. During the last decade, aid to Africa reached its peak in 1962 (1,777 million US dollars). In 1970, the total was 1,785 million US dollars. If 1970 aid is adjusted to take account of increases in the costs of the manufactures involved in international trade, the total of 1,785 million US dollars in current prices is equivalent to 1,495 million US dollars on the basis of 1960 unit prices of manufactures.

Table 5: Geographical distribution of official bilateral (DAC member countries) and multilateral flows to developing countries: 1960-1970 (net disbursements percentage of total)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Africa <sup>a/</sup>	35.5	34.1	33.5	28.6	30.4	27.4	25.0	23.2	23.0	23.5	23.8
North of Sahara	19.1	16.5	14.6	11.8	11.5	7.6	5.5	4.4	4.9	4.2	5.1
South of Sahara	16.4	17.5	18.8	16.7	18.6	19.3	19.0	18.4	17.6	18.7	18.2
America <sup>a/</sup>	6.9	15.8	16.1	18.9	17.1	16.0	18.6	17.1	18.9	18.3	20.7
North and Central	2.9	3.4	3.2	4.5	3.4	5.3	7.3	7.1	7.8	6.5	8.2
South	3.0	11.4	11.5	12.6	10.7	8.8	11.5	9.6	10.5	11.5	12.0
Asia <sup>a/</sup>	53.7	45.5	44.9	47.1	49.0	51.3	50.3	53.4	50.2	50.1	48.8
Middle East	6.7	8.1	6.1	4.9	4.1	4.9	4.3	3.7	4.0	4.2	4.0
South	26.9	20.8	22.6	27.4	31.4	30.8	27.8	29.5	24.1	19.8	18.7
Far East	20.1	16.6	15.9	14.4	13.1	15.2	17.9	19.9	21.8	25.7	26.0
Oceania	0.6	0.5	0.8	0.7	0.7	2.3	2.4	2.4	2.8	3.2	3.8
Total <sup>a/</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (millions US dollars)	4,176.3	4,857.8	5,303.5	5,817.2	5,799.4	6,212.6	6,358.9	6,896.3	6,869.8	7,000.7	7,501.0

Source: Annex Table 7, TD/118/Supp.2.

a/ Includes unallocated disbursements.



21. The decline in the absolute amount from an annual average of 1,669 million dollars in 1960-1966 to 1,609 million dollars in 1967-1969 was due to a fall in the flow of bilateral resources of 145 million dollars, accounted for by a significant retraction in the flow of resources from the main bilateral donors. Of 16 DAC countries, twelve more than doubled their assistance during this period. However, the flow of resources from the remaining four countries - Belgium France, United Kingdom and United States of America - declined by 312 million dollars, nearly half of which was accounted for by a fall in the flow of resources from United States of America. The maintenance of the total aid between 1968 and 1970 at an average annual level of 1,669.11 million dollars is attributable to the increase in resources from eleven DAC countries. Aid from France remained of about its former average level, while aid from Italy, the United Kingdom and United States fell.

Table 6: Total official bilateral net flow of resources from DAC countries to Africa 1960-1970 a/; annual average (millions US dollars)

	1960-1966	1967-1969	1968-1970
Australia	0.33	0.94	1.15
Austria	1.27	2.40	1.56
Belgium	75.78	66.54	72.41
Canada	5.85	26.35	36.09
Denmark	0.62	8.59	14.12
France b/	636.10	518.03	519.90
Germany	59.57	110.13	117.36
Italy	38.18	70.08	53.60
<del>Japan</del>	0.35	8.10	20.38
Netherlands	0.73	10.43	8.60
Norway	0.62	6.90	8.60
Sweden	3.58	20.66	24.51
Switzerland	0.93	5.05	6.44
United Kingdom	193.84	156.93	139.79
United States	444.31	296.33	275.67

Source: OECD Development Assistance, 1970 and 1971 Review.

a/ Net of loan repayments.

b/ Includes 58.24 million dollars and 118.26 million dollars to Overseas Territories and Department in 1960-1966 and 1967-1969 respectively.

22. The geographical distribution of financial resources committed by the socialist countries is characterized by a shift in emphasis over a period of time, combined with a high degree of concentration at the country level. The share of Africa in total commitments by socialist countries during the period 1959 to 1969 amounted to 34.8 per cent. The bulk of the commitments by socialist countries to developing countries (57.04 per cent) was concentrated in Asia. Egypt, which has been the main beneficiary of this aid in Africa,

accounted for 50.1 per cent of Africa's share and 17.5 per cent of the grand total during the period 1959-1969. It is difficult to assess to what extent bilateral commitments of socialist countries have been implemented. It is understood that the percentage of implementation varies considerably from country to country and from year to year, partly due to the fact that most commitments are heavily project-oriented.

23. In 1970, commitments from socialist countries in the form of bilateral economic assistance to developing countries more than doubled in relation to the commitments made in 1969, rising from 776 million dollars to a total of 1,694 million dollars. Africa's share increased very appreciably from 184 million dollars to 642 million dollars. The shares of Asia, Africa and Latin America were 57 per cent, 35.23 per cent and 7.77 per cent respectively. The marked increase in commitments to Africa is attributed mainly to commitments totalling approximately 405 million dollars from the People's Republic of China for the construction of railways in Tanzania and Zambia.

Table 7: Socialist countries: commitments of bilateral economic assistance to the developing countries (millions of US dollars)

Region and country	1965	1966	1967	1968	1969	1970	Total 1959-1970	Percentage of total
<b>AFRICA</b>								
Algeria	-	-	170	-	-	60	529	12.20
CAR	-	-	-	-	-	-	4	0.09
Congo	29	-	-	-	-	-	62	1.43
Egypt	126	-	120	168	38	103	1,953	45.05
Ethiopia	-	-	-	-	-	-	129	2.98
Ghana	20	-	-	-	-	-	188	4.34
Guinea	-	3	-	-	92	-	194	4.48
Kenya	-	11	-	-	-	-	66	1.52
Liberia	-	-	-	-	-	-	3	0.07
Mali	-	-	-	-	1	-	93	2.15
Morocco	-	-	19	-	-	-	36	0.83
Nigeria	14	-	100	-	-	-	114	2.63
Senegal	-	-	-	-	-	-	7	0.16
Sierra Leone	28	-	-	-	-	-	28	0.65
Somalia	-	6	-	-	-	-	110	2.54
Sudan	-	-	10	-	53	74	183	4.22
Tunisia	-	-	7	55	-	-	109	2.51
Uganda	30	-	-	-	-	-	45	1.04
United Republic of Tanzania	-	26	-	-	-	202	279	6.43
Zambia	-	-	-	-	-	203	203	4.68
<b>Africa total</b>	<b>247</b>	<b>46</b>	<b>420</b>	<b>223</b>	<b>184</b>	<b>642</b>	<b>4,335</b>	<b>35.23</b>
Latin America	15	100	107	20	55	92	957	7.77
Asia	384	1,167	94	515	537	960	7,012	57.00
<b>Total</b>	<b>646</b>	<b>1,313</b>	<b>621</b>	<b>758</b>	<b>776</b>	<b>1,694</b>	<b>12,304</b>	<b>100.00</b>

Sources: 1965-1966 UN Document E/4495  
 1967 UN Document E/4676 UN Statistical Yearbook  
 1968-1969 UN Document E/4823 UN Statistical Yearbook  
 1970 Statistical Office of the United Nations.

24. Aid from multilateral agencies is playing an increasing role in the flow of external resources to Africa, from about eight per cent of the total inflow of resources from all sources during the first half of the 1960's to about 13 per cent during the last years of the Decade. However, as the total net multilateral flow more than quadrupled ~~over~~ this period, Africa's share declined from about 32 per cent during the first half of the Decade to about 30 per cent in 1968-1970.

**Table 8: Flow of resources from multilateral agencies to developing regions (net disbursements) Percentages and millions of dollars**

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Africa	54.6	54.5	35.0	17.5	25.6	27.1	24.5	21.4	33.1	28.6	29.2
Latin America	3.7	-21.8	16.7	44.9	43.3	19.7	27.3	32.3	27.9	35.4	42.5
Asia	35.0	55.5	46.6	32.8	29.3	52.2	43.6	42.4	35.8	35.4	24.6
Total <sup>a/</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total millions of dollars	289.7	224.3	414.4	638.4	724.8	799.3	780.2	960.4	768.5	1054.5	1408.7

Source: TD/118/Supp.2, Annex Table 9.

a/ Includes unallocated disbursements and flows to Europe and Oceania.

**Table 9: Total multilateral net flows to Africa<sup>a/</sup>: annual averages (millions US dollars)**

	1960-1966	1967-1969	1968-1970
IBRD	52.10	27.89	13.62
IDA	-0.57	43.31	56.77
IFC	2.67	7.40	9.82
ADB	b/	-21.81	-8.32
EEC	59.18	107.60	125.17
UN	55.53	89.68	125.46
Total	168.91	254.06	322.57

Source: OECD Development Assistance - 1970 Review, 1971 Review.

a/ Net of loan repayments, grants and capital subscriptions and net official purchases of bonds by African countries.

b/ Excludes cumulative disbursement of - 39 million dollars. Negative figures reflect inflow as Bank's capital was constituted.

25. More than half of the increase in the flow of multilateral resources to Africa has been accounted for by EEC. The first European Development Fund (EDF), which covered the period 1958-1968, had 581 million US dollars available to finance capital investment expenditure of associated countries and territories. With the second Convention of Association, the total money available in the Fund was raised to 800 million dollars, of which 730 million was allocated to the African Associated States. Under the third Convention of Association, the amount available was raised to 1,000 million dollars, of which 918 million is intended for the African Associated States.

Table 10: Aid components under third Convention of Association (million US dollars)

Beneficiary region	Grants	Special loans	Loans of the European investment Bank
African and Malagasy States	748	80	90
French Overseas Departments and Territories	30	6	5
Netherlands' Overseas Territories	32	4	5
Total	810	90	100

26. Net flow of loans from IBRD and IDA increased by an average of 38 per cent from the first half of the 1960's to the second half of the Decade. This means that Africa did not gain much from the considerable increase in the world Bank group's lending operations in the 1960's (gross disbursements rose from 398 million US dollars in 1961 to 1018 million in 1969). If allowance is made for rising prices and interest payments, there was probably no increase at all in real resource transfers.

Table 11: World Bank and IDA Commitments (Percentages and millions of dollars)

	1964-1968 Average	1969-1970 Average	1971
Africa	14.3	19.8	18.9
Asia and Oceania	45.0	41.7	35.9
Latin America and Caribbean	27.5	29.9	28.4
Europe	13.2	8.6	16.9
Total	100.0	100.0	100.0
Total millions of dollars	1,127	1,985	2,481

Source: World Bank Annual Report 1971.

27. There has been a shift in the geographical distribution of the commitments of the World Group. Lending to Africa has in the past few years been rising as a proportion of the total but it still accounts for 19 per cent compared with 36 per cent for the Asia and Oceania and 28 per cent for Latin America and Caribbean. Of even more importance is the fact that one quarter of IDA funds, compared with more than 70 per cent for the developing countries of Asia. One Asian country (India) received in 1970/71 twice the amount received by all African countries combined. IDA credits made up nearly half of total lending to Asia from the World Bank Group in 1970/71, as compared with about 26 per cent for Africa. This also means that the credit mix going to Africa from the Group has deteriorated compared with 1969/70, due to an increase in Bank loans and a 25 per cent fall in IDA credits.

Table 12: World Bank Loans and IDA credits (millions US dollars and percentages)

	1968 and before			1969-1970			1970-1971		
	Bank	IDA	Total	Bank	IDA	Total	Bank	IDA	Total
<b>AFRICA</b>									
Algeria	80.50	-	80.50	-	-	-	-	-	-
Botswana	-	3.60	3.60	-	2.50	2.50	32	3	35
Burundi	4.80	1.10	5.90	-	0.40	0.40	-	-	-
Cameroon	7.00	11.60	18.60	17.20	17.50	34.70	-	1.50	1.50
Central African Rep.	-	-	-	-	4.30	4.30	-	-	-
Chad	-	-	-	-	-	-	-	2.20	2.20
Congo	30.00	-	30.00	-	1.50	1.50	-	3.50	3.50
Dahomey	-	-	-	-	-	-	-	3.50	3.50
Egypt	56.50	-	56.50	-	26.00	26.00	-	-	-
Ethiopia	70.20	28.40	98.60	-	6.60	6.60	-	9.50	9.50
Gabon	48.80	-	48.80	-	-	-	-	-	-
Gambia	-	-	-	-	2.10	2.10	-	-	-
Ghana	47.00	10.00	57.00	-	14.80	14.80	-	7.10	7.10
Guinea	1.70	-	1.70	-	-	-	9	-	9
Ivory Coast	12.90	-	12.90	18.50	-	18.50	27.50	-	27.50
Kenya	85.20	39.00	124.20	26.10	6.10	32.20	31.30	12.60	43.90
Kenya, Tanzania, Uganda	-	-	-	87.80	-	87.80	-	-	-
Lesotho	-	4.10	4.10	-	-	-	-	-	-
Liberia	4.30	-	4.30	7.40	-	7.40	-	-	-
Madagascar	4.80	10.00	14.80	-	9.60	9.60	-	5.00	5.00
Malawi	-	27.50	27.50	-	5.30	5.30	-	7.25	7.25
Mali	-	9.10	9.10	-	7.70	7.70	-	-	-
Mauritania	66.00	6.70	72.70	-	-	-	-	-	-
Mauritius	7.00	-	7.00	-	-	-	-	5.20	5.20
Morocco	59.70	11.00	70.70	68.30	7.30	75.60	45	-	45
Niger	-	1.50	1.50	-	0.60	0.60	-	5.70	5.70
Nigeria	185.50	35.50	221.00	35.60	-	35.60	97.20	-	97.20

Table 12: World Bank Loans and IDA credits (millions US dollars and percentages) (cont'd)

	1968 and before			1969-1970			1970-1970		
	Bank	IDA	Total	Bank	IDA	Total	Bank	IDA	Total
Rhodesia <sup>a/</sup>	86.90	-	86.90	-	-	-	-	-	-
Rwanda	-	-	-	-	9.30	9.30	-	-	-
Senegal	4.00	9.00	13.00	-	2.10	2.10	-	7.05	7.05
Sierra Leone	3.80	-	3.80	-	3.00	3.00	3.70	3.50	7.20
Somalia	-	8.50	8.50	-	-	-	-	3.30	3.30
Sudan	129.00	21.50	150.50	-	-	-	-	-	-
Swaziland	7.00	2.80	9.80	-	-	-	-	-	-
Tanzania	5.20	26.60	31.80	-	7.50	7.50	30.00	12.30	42.30
Togo	-	-	-	-	-	-	-	-	-
Tunisia	33.90	23.90	57.80	10.00	10.50	20.50	31.50	4.80	36.30
Uganda	8.40	18.40	26.80	-	11.60	11.60	-	11.30	11.30
Upper Volta	-	-	-	-	-	-	-	6.20	6.20
Zaire	91.60	-	91.60	-	5.00	5.00	-	7.00	7.00
Zambia <sup>a/</sup>	84.90	-	84.90	10.80	-	10.80	40.00	-	40.00
Africa									
total	1,226.60	309.80	1,536.40	281.70	161.30	443.00	347.20	121.50	468.70
Percentage of total									
Africa	10.9	17.3	11.8	16.8	26.6	19.4	18.3	20.8	18.9
Asia	33.1	71.6	38.8	25.9	71.6	38.0	22.6	70.1	33.8
Latin America	28.5	6.6	25.4	41.8	1.8	31.2	35.4	5.8	28.4
Other and unallocated	27.5	4.5	24.0	15.5	-	11.4	23.7	3.3	18.9

Source: World Bank Annual Reports.

<sup>a/</sup> Three loans totalling 106.7 million dollars were divided equally between Rhodesia and Zambia.

28. Data relating to the distribution of net private flows are limited in coverage. However, it is estimated that in 1969-1970 Africa accounted for about one-fourth of total net direct private foreign investment in developing countries, thus increasing its share slightly from 1965-1966. It will be noted from Table 13 that two-thirds of direct investment in Africa in 1969-1970 was in the petroleum industry. Political and other factors affecting the investment climate in the Middle East appear to have led to increasing interest in Africa. The decline in investment in manufacturing in 1967-1968, was reversed with a net improvement in 1969-1970. This suggests that private investors are mainly interested in the exploitation of Africa's natural resources and not in its industrialization.

29. Trends in the other two major types of private capital flows - private portfolio investment and export credits - are more difficult to assess. The total net flow of bond capital and all other long-term private finance to all developing countries which stood at an annual average of 622 million dollars in the first half of the 1960's, had increased to 1,696 million dollars in 1969 and fell to 1,152 million dollars in 1970. The 1969 increase is surprising, in view of the rapid rise in the cost of borrowing during the past few years. However, even at the best of times, the international bond and loan market is of significant use only to the more advanced developing countries and to the international development banks. During the period 1960-1970, the greater part of the total bond issues by developing countries was accounted for by three countries only (Argentina, Israel and Mexico).<sup>1/</sup> Issues by African countries during this period amounted to 64 million dollars. <sup>2/</sup>

**Table 13: Regional and sectoral distribution of total DAC direct investment in developing countries, annual averages 1965-1970 (millions US dollars)**

	Year	Petroleum <sup>a/</sup>	Mining	Manufacturing	Other	Total
Europe	1965/66	44	10	124	90	268
	1967/68	19	3	130	55	207
	1969/70	60	5	224	59	348
Africa	1965/66	328	85	89	84	586
	1967/68	352	85	80	65	582
	1969/70	487	58	95	99	739
Latin America and Caribbean	1965/66	-57	99	591	292	925
	1967/68	73	180	540	297	1,000
	1969/70	295	-29	643	306	1,215
Middle East	1965/66	374	1	12	5	392
	1967/68	198	-	7	14	219
	1969/70	243	-	24	15	282
Asia and Oceania	1965/66	62	28	129	117	336
	1967/68	92	37	185	99	413
	1969/70	155	104	147	68	474
Total	1965/66	751	223	945	588	2,507
	1967/68	734	305	942	530	2,511
	1969/70	1,240	138	1,133	547	3,058

**Source:** OECD Development Assistance - 1971 Review.

**a/** Including natural gas.

<sup>1/</sup> OECD Development Assistance - 1971 Review, Table VI-5

<sup>2/</sup> World Bank Annual Report 1970, Table 11 and 1971, Table 12.

30. Private export credit is on the other hand generally available, as a result of subsidies or special institutional arrangements, at half to two-thirds of the rates prevailing in the international bond markets. This explains in part the strong increase in the net flow of capital to developing countries in the form of private guaranteed export credits. The share of private export credits in the total net flow of resources to developing countries increased from an average of 7 per cent during the first half of the 1960's to 12 per cent in 1968, 15 per cent in 1969 and 14 per cent in 1970. Africa's share of the total export credits was 20 per cent in 1966, 12 per cent in 1969 and 20 per cent in 1970. It may be presumed that the relative stagnation in the volume of net official development assistance has been diverting into the export credit sector a rising demand for external finance which earlier was satisfied by concessional aid.

Table 14: Net change in guaranteed private export credits (millions US dollars)

	1966	1967	1968	1969	1970
Africa	228.4	266.8	112.40	234.9	444.9
All developing countries	1,124	1,007	1,596	1,978	2,174

Source: OECD Development Assistance - 1971 Review, Table 21.

31. From the point of view of the African countries, the composition and terms of the capital available to them are of prime importance.

32. No data are available on the terms and conditions of assistance to African countries in the past few years. For DAC members as a group, the terms of commitments in the form of ODA remained practically unchanged between 1969 and 1970. The average interest rate fell from 2.9 to 2.8 per cent, and maturities and grace periods were extended slightly, from 28.4 and 6.7 years respectively in 1969 to 29.9 and 7.4 years in 1970. This was mainly due to the combined effect of an increase in the volume of commitments by the most concessional lenders and a reduction in commitments by countries having harder programmes. Conversely, the portion represented by grants fell from 66 to 63 per cent. This decline was practically offset by the relaxation of loan conditions so that the concessional element share of total commitments remained virtually unchanged at 84 per cent. <sup>1/</sup>

<sup>1/</sup> The "concessional element" is calculated by subtracting the present value of scheduled future debt service payments (using a discount rate of 10 per cent) from the face value of the commitment; for a grant, the concessional element is 100 per cent, for a loan at 10 per cent it is zero.



**Table 15: The financial terms of official development assistance commitments in 1968 and 1969**

	Grants as percentage of total ODA commitments			Loans								
	1968	1969	1970	Maturity (years)			Weighted average Interest rate % grace period					
				1968	1969	1970	1968	1969	1970	1968	1969	1970
Australia	100	100	91			14.0			6.4			4.0
Austria	51	69	41	11.9	15.2	13.9	5.1	4.4	5.1	1.9	4.2	4.2
Belgium	95	92	92	21.9	27.2	29.6	3.2	2.6	2.3	6.1	8.3	9.2
Canada	83	60	65	50.0	48.5	48.5	0.0	0.3	0.2	10.0	9.8	9.8
Denmark	57	78	92	24.9	25.0	25.0	0.0	0.0	0.0	7.0	7.0	7.0
France	72	75	73	17.0	17.6	16.2	3.7	3.7	3.7	1.7	1.9	2.3
Germany	51	51	54	23.4	26.0	27.5	3.0	3.2	2.9	7.1	7.6	8.5
Italy	30	27	54	12.3	10.9	13.1	4.7	5.3	4.9	2.3	2.2	5.2
Japan	62	42	39	17.9	19.5	21.4	3.7	3.7	3.7	5.6	6.1	6.7
Norway	92	91	99	23.0	36.0	23.0	2.2	1.7	2.4	5.5	7.9	9.0
Netherlands	52	70	64	27.9	28.6	29.0	3.8	3.1	2.9	6.4	8.1	7.8
Sweden	75	85	82	34.0	47.2	35.4	1.5	0.9	1.5	9.6	10.0	10.0
Switzerland	75	78	82	32.9	34.9	36.0	2.2	2.1	2.0	7.7	7.4	8.0
United States	54	70	64	38.0	37.1	37.4	2.6	3.0	2.6	9.0	8.7	8.7
United Kingdom	46	48	50	24.0	24.1	24.6	1.0	1.2	1.7	5.6	5.6	6.2
Total DAC	58	66	63	30.7	28.4	29.9	2.7	2.9	2.8	7.2	6.7	7.4

Source: OECD Development Assistance - 1971 Review, Table IV-2.

33. There has been a growing awareness during the second half of the 1960's of the problem of terms of assistance given to developing countries. In July 1965, DAC adopted a recommendation on Financial Terms and Conditions in which targets were established against which the performance of DAC members could be checked. A further effort in the direction of easing the terms of assistance was made in 1969 by the adoption of a supplement to the 1965 recommendation. Although the supplement is principally concerned with the setting of an improved target for terms, one of its most forward-looking features is that for the first time official recognition is given by the DAC countries to the need for a minimum level of official development assistance. <sup>1/</sup> The general practical effect of the new norms is likely to be an improvement in terms.

34. Germany, Italy and Japan did not qualify at all under the 1969 supplement in 1969 because their terms did not meet the norms. Austria and Switzerland met the terms standard, but failed to commit a large enough volume. In 1970 Austria, Italy and Japan did not comply with any of the criteria set forth in the supplement. Switzerland's official development assistance qualified on terms ground, but its programme was too small to meet the volume texts. <sup>2/</sup>

<sup>1/</sup> TD/B/C.3/72

<sup>2/</sup> OECD Development Assistance, 1971 Review, page 77.

35. The financial conditions of the flows of financial resources from the socialist countries have remained basically unchanged. The bulk of Soviet commitments take the form of development credits with maturities of 8 to 12 years at 2.5 per cent to 3 per cent interest. Trade credits at higher rates of interest (3 per cent to 5.5 per cent) and shorter maturities are growing in importance, while grants play only a minor role. The terms of the commitments of the other socialist countries of Eastern Europe are similar to those extended by the Soviet Union, while Chinese terms tend to be softer. <sup>1/</sup> In 1968, the total grant element of Soviet commitments was 36 per cent. <sup>2/</sup>

36. There is a close relation between the lending terms of the World Bank and the conditions in world capital markets where most of the Bank's funds are being raised. In 1971, the Bank's borrowing costs, weighed by amount and maturity, averaged 8.07 per cent as against 7.54 per cent in 1970. In September 1970, the Bank increased its lending rate from 7 to 7.25 per cent. This rate was maintained throughout the 1971 financial year. <sup>3/</sup> The average annual return on all IFC investments amounted to 8.87 per cent in 1971 as against 9.08 per cent at the end of 1970, and 8.45 per cent at the end of 1969. IDA finance bears no interest and only a 0.75 per cent per year service charge.

37. Donors' terms policies can only be fully evaluated in the context of the growing debt difficulties of the developing countries. Data collected by the World Bank on indebtedness show that for 37 African countries for which data are available, public and publicly-guaranteed debt outstanding amounted to 9,180 million dollars on 31 December 1969. Comparing this with the 1965 figure, one arrives at an annual rate of increase of 11.5 per cent. Debt service payments by the 37 countries in question rose to 725 million dollars in 1969, an annual rate of increase of 13.75 per cent since 1965. A disquieting feature is the increase in debt service of about 53 per cent between 1967 and 1969. The estimates for 1970 show an increase of 28 per cent over the payment figures for 1969. No other developing region registered a rise of such magnitude.

38. The magnitude of debt service on account of public debt of African countries has a significant impact on the volume of net transfer of resources. It can be seen from Table 17 that while the gross capital inflow to Africa in 1969 was 1540 million dollars, the net transfer was only 815 million. The debt service payments on external debt of African countries rose from 24.1 per cent of total inflow in 1965 to 47.1 per cent in 1969.

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<sup>1/</sup> The loan of 405 million dollars from China for the construction of the Tan-Zam Railway is interest-free and repayable over thirty years, starting in 1973.

<sup>2/</sup> OECD Development Assistance - 1970 Review, p. 34.

<sup>3/</sup> World Bank Annual Report 1971, page 47.

Table 16: External public debt outstanding and debt service payments of 35 African countries (million US dollars)

	Debt outstanding 31 December	Service payments
1961	3,309	172
1965	6,297	468
1966	7,349	480
1967	8,058	476
1968	8,719	601
1969 <sup>a/</sup>	9,184	725
1970 <sup>b/</sup>		926

Source: World Bank Annual Report 1971, Tables 5 and 10 and TD/118/Supp.6, Table 2.

a/ 37 African countries.

b/ Projected.

Table 17: External resource flows and service payments on external public and publicly-guaranteed debt to developing African countries (millions of dollars and percentages)

	Gross flow	Debt service		Net transfer
		million dollars	Percentages of gross public inflow	
1965	1,940	468	24.1	1,472
1966	1,609	480	29.8	1,129
1967	1,669	476	28.5	1,193
1968	1,505	601	39.9	904
1969	1,540	725	47.1	815

Source: TD/118/Supp.5, Table 1.

39. Reverse flows of funds back to the developed countries because of the sizeable flow of private capital have naturally been considerable. Consolidated balance of payments accounts of 22 African countries indicate that payments of gross investment income from African countries more than tripled during the period 1963-1967. Gross profits accounted for about 72 per cent of total payments. The overwhelming part of the profits payments originated in mineral-exporting countries. For 1968 and 1969, only the gross profits figure is available, which shows that profits increased by 42 per cent in relation to the 1967 figure.

Table 18: Gross investment income payments by African countries (millions US dollars)

	1963	1964	1965	1966	1967	1968	1969
Gross	267.4	611.8	682.6	898.2	861.4	...	... <sup>a/</sup>
Profits	138.0	464.0	505.3	664.4	614.1	870	870 <sup>a/</sup>
Interest	129.4	147.8	177.3	233.8	247.3	...	...

Source: TD/B/C.3/73, Table 1 and TD/118/Supp. 5, Table 4.

<sup>a/</sup> Estimate

40. In 1969, nearly 48 per cent of total public or publicly-guaranteed debt service of developing countries was paid to private creditors. In Africa, the figure was 40 per cent. Debt service for export financing, which comprises payments on suppliers' credits and loans from private banks and other financial institutions, accounted for about 80 per cent of payments made to private creditors in developing countries and 75 per cent in Africa. 1970 projections for Africa give a figure of 64 per cent.

41. The World Bank data do not include figures for unguaranteed export credits, debt repayable at the option of the borrower in local currencies, or commercial arrears. If these figures could have been taken into account, the total outstanding debt and the debt service payments would naturally have been much greater. The very substantial rise in export credits in recent years is an important factor in aggravating the total debt service burden of African countries. However, the pressure to accept such credits is almost irresistible when donors do not offer sufficient volumes of grants or loans on concessional terms to finance imports of capital goods needed for economic development.

Table 19: Structure of service payments on existing external public debt of Africa (millions US dollars and percentages)

	1965	1966	1967	1968	1969	1970 <sup>a/</sup>
Total	466.7	474.5	472.1	625.4	743.9	926.2
Loans from governments	170.0	180.6	174.3	251.9	387.9	450.7
Loans from international organizations	46.8	48.1	54.0	63.5	66.5	85.4
Total official creditors	216.8	228.7	228.3	315.4	454.4	536.1
Export financing	128.5	145.7	176.8	206.2	215.9	250.4
Other private creditors	121.4	100.1	67.0	103.8	73.6	139.7
Total private creditors	249.9	245.8	243.8	310.0	289.5	390.1
Private credits service as per cent of total service	54	52	52	49	39	42
Service on export financing as per cent of total service on private credits	51	59	73	66	75	64

Sources: World Bank Annual Report 1970, Table 10

<sup>a/</sup> Estimate

### Technical Assistance

42. While an effective aid package must combine capital and technical assistance of the right kinds, one overriding priority can be singled out for African countries: it is technical assistance, particularly technical assistance which enables recipients to make the fullest and best use of whatever other forms of aid are offered and of their own local resources. The vital role of technical assistance has also been increasingly recognized by all donors during the 1960's. Bilateral as well as multilateral technical co-operation expenditures have more than doubled over that period.

43. As a proportion of bilateral official development assistance from DAC countries, technical assistance to all developing countries represented 26.6 per cent of total disbursements in 1970, a substantially higher proportion than during the early sixties. As a result of increased salaries and other costs, the number of persons supplied during the past years has naturally grown at a slower rate than technical assistance expenditure.

Table 20: Bilateral technical assistance disbursements from DAC countries  
(millions US dollars and percentages)

	Millions US dollars	Percentage of official development assistance
1962	746.8	14.9
1963	870.7	15.9
1964	951.2	16.9
1965	1,053.5	18.3
1966	1,231.3	21.2
1967	1,313.9	22.6
1968	1,466.8	26.0
1969	1,527.9	27.5
1970	1,511.0	26.6

Sources: OECD Development Assistance - 1970 Review, Table IV-1.  
OECD Development Assistance, 1971 Review, Table 7.

44. The geographical distribution of bilateral technical assistance expenditures is heavily influenced by the assistance from France, the United Kingdom and Belgium to their former colonies in Africa. As a result, Africa is the largest recipient of bilateral technical assistance expenditure from DAC countries. In 1968, 37 per cent went to Africa. This proportion decreased during the 1960's, reflecting in particular a substantial reduction in the number of operational experts financed by France. However, while the share of Africa in technical assistance expenditure by the former colonial powers was declining, several of the comparatively new donors were increasingly directing their aid to Africa. In 1968, Canada, Norway, Sweden and Switzerland were spending over half of their technical assistance contributions for the African region. Technical assistance at the end of the 1960's constituted nearly two-fifths of all aid disbursements to Africa, compared with only about one-fifth at the beginning of the decade.

45. Technical assistance from planned economy countries is difficult to estimate. The numbers of experts made available by these countries to developing countries possibly represents about one-fifth of the figure recorded for DAC.

46. Technical assistance from multilateral agencies was provided mainly by the United Nations <sup>1/</sup>, through the United Nations Development Programme (UNDP) and the other United Nations agencies. As table 20 shows, technical assistance from the United Nations reached a total of 243.2 million dollars in 1970, as against 210.8 in 1969 and 205.8 in 1968. Africa continues to receive the major portion of this assistance. In 1970, its share had reached 35.4 per cent of the total.

47. New initiatives have been taken recently both by bilateral donors and multinational programmes with a view to strengthening the administration of technical assistance. As regards multinational programmes, the most important recent initiative is that of the Capacity Study of the United Nations Development System, directed by Sir Robert Jackson. Several of the recommendations of the Study were approved by the UNDP Governing Council in June 1970.

48. One of the approved recommendations calls for the programming of assistance in each country within the framework of Indicative Planning Figures (IPF). For this purpose, the distinctions between the Technical Assistance and Special Fund components are eliminated. The resources devoted to a country's programming are now a specified percentage of the total resources for the current year, projected over a given period of time. The previous procedure required that projects which were included in the technical assistance component should be programmed on a two-year basis. However, provision was made for the financing of projects requested by Governments after a programming cycle had been completed. There was no timetable set for the submission of requests for Special Fund assistance. At any time of the year, a Government could submit a request for assistance under the Special Fund component.

49. The Indicative Planning Figures for 1972-1976 have been calculated on the basis of the percentage devoted to each country of the total earmarkings of programmed resources during the five years 1966-1970, and of an estimated annual growth of total resources of 9.6 per cent. This method of calculation means that for a number of African countries the level of their IPF will be very low indeed as compared with on-going commitments. In some cases it might even lead to a reduction from the level reached during the year of the previous programming procedure.

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<sup>1/</sup> Other technical assistance was provided by EEC, OECD, IBRD and a number of regional development banks.

Table 21: United Nations Technical Assistance (million of US dollars)

	1968			1969			1970 <sup>a/</sup>		
	Total	of which Africa		Total	of which Africa		Total	of which Africa	
		US\$	%		US\$	%		US\$	%
<u>UNDP</u>									
Special Fund	123.3	43.5	35.3	150.6	55.7	37.0	171.5	62.8	36.6
Technical Assistance	72.7	21.7	30.0	51.2	15.8	30.9	60.2	19.3	32.1
Total b/	196.0	65.2	33.3	201.8	71.5	35.4	231.7	82.1	35.4
<u>UN TA Programmes</u> <sup>c/</sup>									
Regular Budget	5.6	2.0	34.9	5.6	2.1	37.2	5.7	1.9	32.9
Funds-in-trust <sup>d/</sup>	4.2	2.0	47.2	3.4	1.5	43.5	5.8	2.0	33.7
Total	9.8	4.0	35.6	9.0	3.6	37.7	11.5	3.9	36.8
<u>UN Grand Total</u>	205.8	69.2	33.6	210.8	75.1	35.6	243.2	86.0	35.4

Source: DP/RP/11 and DP/L.168.

Note: Totals may not add because of roundings.

<sup>a/</sup> Provisional estimates.

<sup>b/</sup> Agency overhead costs included.

<sup>c/</sup> To avoid duplication expenditures on UNDP projects implemented by UN as executing agency were excluded.

<sup>d/</sup> Includes expenditures financial by recipient Governments.

Table 22: Indicative planning figures approved by the UNDP Governing Council at its eleventh session

Individual African country level of IPF (millions US dollars)	Country	Total African IPF (millions US dollars)	Total IPF for all developing countries (millions US dollars)
30	Nigeria	57.5	207.5
27.5	Egypt		
20	Algeria, Zaire	80.0	220.0
	Ethiopia, Morocco		
15	Cameroon, Ghana, Guinea, Ivory Coast, Kenya, Somalia, Sudan, Tanzania, Tunisia, Zambia	150.0	360.0
10	Burundi, Liberia, Madagascar, Mali, Niger, Rwanda, Senegal, Togo, Uganda, Upper Volta	100.0	200.0
7.5	Chad, Congo (people's Rep. of), Dahomey, Gabon, Lesotho, Malawi, Sierra Leone	52.5	142.5
5	Botswana, Central African Republic, Libya, Mauritania, Mauritius, Swaziland	30.0	100.0
2.5	Equatorial Guinea, Gambia	50.0	15.0
1 and below and undistributed	Comoro Islands, French Territory of the Afars and Issas, Seychelles	1.0	30.0
		476.0	1,275.0

Percentage share

Africa	37.3
Asia and the Far East	26.9
Latin America and the Caribbean	21.5
Europe and the Middle East	14.3

Source: Report of the eleventh session of the Governing Council.



### External balance and international liquidity

50. The data for 1970 show that the African countries as a group had a balance of trade surplus of 1,690 million US dollars. The trade surplus of one African oil-exporting country alone (Libya) was 1,800 million dollars. The net change in reserves from the previous year, however, was only about 1,100 million dollars, due to an outflow on other balance of payments items of 600 million dollars.

Table 23: Balance of trade and changes in international liquidity of African countries (millions US dollars)

	Balance of trade <sup>a/</sup>			Net change in reserves <sup>b/</sup>		
	1968	1969	1970	1968	1969	1970
Africa	1,026	1,939	1,689	361	629	1,081
Africa oil region <sup>c/</sup>	1,264	1,611	1,751	207	309	697
Rest of Africa	- 238	328	- 62	154	320	384

Source: IMF, International Financial Statistics, January 1972

a/ Exports f.o.b. minus imports c.i.f.

b/ Gold, convertible foreign exchange, a reserve position in IMF and SDR.

c/ Algeria, Libya, Nigeria.

51. International liquidity of all African countries for which data are published in IMF's International Financial Statistics stood at 4,296 million US dollars at the end of 1970. This represents an increase of 34 per cent from the end of 1969. The United Nations Centre for Development Planning, Projections and Policies, in its Review of Salient Features of the World Economy 1970-1971 has published an analysis of the changes of the international liquidity of developing countries during the 1960's. The data for the 25 African countries included in the analysis are set out in Table 23.

52. The international liquidity of these countries increased by about two-fifths in 1970 to a total of 3,700 million US dollars. While the great majority of the countries listed in Table 24 were able to add to their reserves in 1970, six of them had to draw on theirs in order to meet external deficits. About three-fourths of the increase in the total could be accounted for by increases in the reserves of two countries (Libya and Zambia).

53. Holdings at the end of 1970 were down to half the 1960 level in Egypt<sup>+</sup> and to much smaller fractions in Ghana (18 per cent). This was equivalent to 2.5 month's imports in Ghana and Egypt and only one month's in the Sudan. The reserves/imports ratio was of this order even in some of the countries in which international liquidity increased in the course of 1970, such as Chad, Gabon, Morocco, Senegal, Tunisia and the People's Republic of the Congo. Not more than half of the countries listed in the table had reserves for more than four months' imports, and in nine countries reserves were lower at the end of 1970 than at the beginning of the decade.

Table 24: Changes in international liquidity of selected African countries

		International reserves a/ end 1970		International reserves a/ end of year as percentage of		Imports in pre- ceding year c/	
		As percentage of reserves at	Gross domestic product <sup>b/</sup> in preceding year				
	Million US dollars	End 1969	End <sup>d/</sup> 1960	1961	1970	1961	1970
Total	3,707	141	161	9.4	10.1	47	58
Cameroon	81	169	427	3.9	8.6	24	39
Central African Rep.	1	100	253	...	0.5	...	3
Chad	2	200	17	4.4	0.7	32	4
Congo (People's Rep. of)	9	150	180	2.7	3.4	4	11
Dahomey	16	200	178	5.8	6.4	36	31
Egypt	135	93	51	4.9	2.2	30	21
Ethiopia	71	99	134	5.9	4.4	66	46
Gabon	15	188	150	8.6	5.8	34	21
Ghana	71	82	18	14.3	3.1	53	21
Ivory Coast	105	148	309	6.0	7.5	20	31
Kenya	119	129	425	6.7	15.3	27	67
Libya	1,590	173	1,939	34.8	42.3	52	235
Mauritania	4	100	67	7.7	2.0	19	11
Morocco	141	124	68	10.3	4.5	45	25
Niger	19	271	238	3.9	5.3	42	42
Nigeria	226	164	52	11.7	5.0	65	33
Senegal	22	275	29	12.9	2.9	49	11
Sudan	22	61	13	13.7	1.1	84	9
Tanzania	139	82	108	11.3	7.2	55	33
Togo	35	135	500	6.1	14.0	27	67
Tunisia	58	157	69	9.2	4.9	38	23
Uganda	91	109	118	11.2	6.8	66	46
Upper Volta	36	157	300	6.5	12.9	43	78
Zaire	185	93	294	1.3	10.5	52	45
Zambia	514	139	257	27.2	34.3	81	105

Source: Review of salient features of the world economy, 1970-1971 (E/5036/Add.3, Table IV-8).

a/ Gold, convertible currency, special drawing rights and reserve positions in IMF.

b/ In current market prices converted at official exchange rates.

c/ Valued c.i.f.

d/ 1962 for: Dahomey, Ivory Coast, Kenya, Mauritania, Niger, Senegal, Tanzania, Togo, Uganda and Upper Volta; 1964 for Zaire; 1965 for Zambia.

54. During 1971, international liquidities in Africa steadily increased. By the end of the third quarter, they had increased by 24 per cent since the corresponding period in the previous year. Discounting the figures relating to Libya, however, the increase falls to only 4 per cent. The total of African liquidities has been sharply affected by the fall in the liquidities of a number of countries which are major producers of primary commodities, particularly Zambia. A number of changes in the composition of liquidities have been noted. There has been a slight reduction in the volume of gold, an increase in SDR's following the new distribution for 1971, an improvement in the reserve positions in IMF of certain countries, and an overall improvement in foreign exchange reserves.

55. Table 25 sets out the structure of Africa's international liquidity. It shows clearly the negligible role played by SDR's in the overall picture. Thirty-nine African countries received SDR's amounting to 193 million US dollars out of a total allocation of 3,414 million dollars for the first year of operation of the scheme, 168 million dollars out of 2,949 million dollars for its second year of operation and 168 million out of a total of 2,951 million dollars in the third year. These amounts represent less than one-third of the allocation for USA alone, and only slightly less than what is allocated to West Germany. The total of the three allocations, moreover, was largely wiped out by the deterioration in the terms of trade for Africa in 1970. <sup>1/</sup>

56. Special drawing rights can be used to obtain convertible currency from other participants in the scheme. African countries had used a total of 157.8 million dollars up to the end of 1971. <sup>2/</sup>

Table 25: Structure of Africa's international liquidity (millions US dollars and percentages)

	1961 End Year	1965 End Year	1971 End September
Total (millions US dollars)	2,143	2,053	5,317
Percentage share:			
Gold	11.4	13.9	9.1
Foreign exchange	87.5	82.5	83.7
Reserve position in IMF	1.1	3.6	3.9
SDR's	-	-	3.3

Source: International Financial Statistics, March 1972.

<sup>1/</sup> Estimated as a loss of 720 million US dollars.

<sup>2/</sup> International Financial Statistics, February 1972.

Impact of the present international monetary situation on the trade and development of African countries

57. The third session of the United Nations Conference on Trade and Development is meeting under the shadow of a serious crisis in the world monetary system. The most important contributing factors to the crisis has been the United States' persistent balance of payments deficits. These deficits can be said to have had a positive effect on international liquidity and to have provided a significant stimulus to employment and growth in the world economy since the Second World War. However, the progressive deterioration in the second half of the 1960's of the United States payments position brought its reserves to the point where on 15 August 1971 the Government decided to take counter-measures.

58. The measures most directly affecting the trade and development African countries were:

- (i) Suspension of the convertibility of the dollar into gold;
- (ii) Imposition of a 10 per cent surcharge on United States dutiable imports not subject to quantitative restrictions;
- (iii) A 10 per cent reduction in American economic assistance;
- (iv) Suspension of United States participation in discussions aimed at agreement on a scheme for multilateral-aid tying.

59. These measures led to a heavy movement of funds into Western Europe and Japan and the subsequent floating and appreciation of almost all the major currencies. After discussions and negotiations among representatives of the Group of Ten <sup>1/</sup> an agreement was reached on 18 December 1971 to establish a new pattern of official exchange rates with provision for a 2.25 per cent margin of fluctuation above and below the new rates. <sup>2/</sup> The United States Government agreed to propose to Congress an increase in the price of gold from \$35 to \$38 per ounce, in effect a devaluation of the dollar, and to suppress the 10 per cent import surcharge.

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<sup>1/</sup> Belgium, Canada, Federal Republic of Germany, France, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States. Switzerland also participated in the work of the Group.

<sup>2/</sup> On 7 March 1972 the finance ministers of the European Economic Community agreed that the dollar rates of the five currencies of the Community plus sterling be held by Central Bank intervention to within 2.25 per cent of one another, compared with the 4.5 per cent dollar spread allowed by the agreement of 18 December 1971.

60. Following this agreement most African countries maintained their rates against their intervention currencies (sterling or French francs) or against gold. <sup>1/</sup> A number of them reserved the right to apply the increased margin of 2.25 per cent on either side of the new official rate. <sup>2/</sup>

61. The adjustments outlined above may cause great difficulties in the management of African economies, many of which are characterized by an extreme economic open-ness. The impact may be felt through a change in the purchasing power of their reserves; changes in the terms of trade and in the burden of debt servicing.

62. The decision to increase the dollar price of gold by 8.57 per cent has raised the dollar value of the gold reserves of non-socialist countries by about \$3.1 thousand million. Of this windfall African countries will only gain \$42 million. An increase in reserves by the same amount through the creation of Special Drawing Right would have added about 180 million to their reserves. But as a result of the increase in world reserves (through the revaluation of gold) the envisaged SDR creation in 1973 may well be adjusted downwards by the same proportion. Thus African countries may be forced to forego about 140 million of newly created reserves, and in addition, lose on existing reserves as a result of the currency alignment.

63. The devaluation of the dollar in terms of other major currencies will naturally affect the purchasing power of African currency reserves. Since foreign currencies constitute more than 80 per cent of Africa's total reserves, as compared with 2.40 and 70 per cent respectively, in the case of the United States, and the other developed and developing countries (excluding Africa), the impact may be correspondingly greater in Africa than in other parts of the world, depending on the composition of the reserves. Calculations carried out by the UNCTAD secretariat indicate that members of the Sterling area would experience an average decline in the purchasing power of their reserves of 2.8 per cent; the members of the French franc zone an increase of 0.7 per cent and all other currencies an average decline of 4.9 per cent. <sup>3/</sup> The changes in purchasing power shown by the results of these calculations would suggest that the purchasing power of total African reserves has declined by about 2.3 per cent or 120 million in terms of dollars.

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<sup>1/</sup> The changes in the dollar exchange rates of African countries are set out in an Annex.

<sup>2/</sup> Burundi, Ghana, Ethiopia, Kenya, Libya, Mauritius, Morocco, Nigeria, Rwanda, Somalia, Tanzania, Tunisia, Uganda, Zaire and Zambia. The African franc zone countries have maintained their exchange rates fixed in terms of French francs, which may fluctuate within the wider margin of 2.25 per cent on either side of the central rate.

<sup>3/</sup> TD/140. para. 60.

64. The impact of the currency alignment on the terms of trade of African countries will depend on the extent to which their exports and imports are carried out in either appreciated or depreciated currencies. In the longer term a major determinant of the price of a primary commodity will be the relative share major countries have in the consumption and trade of that commodity. In the case of a number of African commodities share absorbed by the United States is so great that world prices will be strongly influenced by the dollar price. Further, if contract prices for specific African commodities are quoted in dollars, African countries will lose unless they are able to renegotiate them. 1/

65. Import prices, on the other hand, tend to be determined in terms of the currency of the country of supply. More than two-thirds of African's imports are supplied by countries with appreciated currencies. Therefore, in terms of dollars import prices will rise.

66. Without specific information about the currencies in which African countries trade it is not possible to come to a definite conclusion as to the total effect of the currency alignment on the region's terms of trade. However, it can probably be assumed that the export prices of a large number of countries will follow the dollar prices, while their import prices will tend to rise in terms of the dollar.

67. A further consequence of the currency alignment will be an increased exchange uncertainty, as a result of the wider margin of fluctuation around the new rates. The permitted 4.5 per cent spread against the dollar means that the maximum spread between any two other currencies is 9 per cent. A range of this order will permit most major currencies to fluctuate more widely in relation to one another than they actually did during the floating phase at the end of 1971. As the currencies of most African countries are held at a fixed relationship to an intervention currency, any increase in fluctuation between the intervention currency and other currencies will be transmitted to African currencies. 2/

68. The relatively small movements in rates under the previous margin were not generally a subject of concern, even though at times they might have adversely affected the payments position of African countries. The present widening of the margin may, however, have undesirable effects on the exports and imports of individual widely fluctuating exchange rates may aggravate the fluctuations in export prices of primary commodities. Great concern over countries exchange risks have now been added to the other problems facing primary producing countries.

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1/ The petroleum producing countries have managed to renegotiate petroleum prices after devaluation. In the case of coffee, on the other hand, the United States Congress has turned down the request by the producers in the International Coffee Agreement to get compensation for the devaluation of the dollar (Marchés tropicaux, 17 March 1972, p. 733) .

2/ Of particular importance for the expansion of intra-African trade will be the fact that the corss-rates between African currencies will move in the same way as the corss-rates between their intervention currencies.

69. African countries have close financial ties with Western European countries with appreciated currencies. <sup>1/</sup> The burden of debt servicing may therefore be adversely affected by the currency alignment. Assuming that the external bilateral official and private debt outstanding at the end of 1969 was stated in currencies according to the country of origin of net inflow during the 1960's, the dollar value of Africa's outstanding debt would increase by between six and seven per cent or by more than 500 million dollars.

#### SUMMARY AND CONCLUSION

70. The analysis in the preceding paragraphs, despite the numerous gaps in available information, makes it possible to identify the following major issues and problems to which African countries should seek solutions before and during UNCTAD III and in other international discussions or negotiations:

- (i) There was a slight acceleration in the rate of growth of economic activity in Africa during the second half of the 1960's from 4 to 4.5 per cent annually. Figures from 1970 and 1971 show little change from the end of the First Development Decade. The position at the start of the Second Development Decade therefore falls well short of the minimum target growth rate stipulated in the International Development Strategy.
- (ii) Although there has been an improvement in the external balance for African countries as a group in the past few years, only a handful of those countries could show a surplus on their current external account at the end of the 1960's. For the majority imports were higher than exports than at the beginning of the decade.
- (iii) Africa, in addition to sharing in the broadly adverse trends in the volume of transfers of financial resources to developing countries, suffered from a serious fall in the share of resources going to the region. In constant prices, the amount of resources received at the end of the decade was probably not more than about four-fifths of what it was at the peak at the beginning of the decade.
- (iv) Africa accounts for less than one-fifth of the World Bank groups' loan commitments. IDA credits accounted in 1970/71 for about one-fourth of total lending from the World Bank group to Africa, as compared with nearly half for Asia.
- (v) For DAC countries as a group the terms of official development loans in 1970 remained virtually unchanged as compared with 1969. A slight decrease in the grant share was almost compensated by some softening of loan terms.

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<sup>1/</sup> Only about one-fourth of the total official bilateral net flow of resources came from the United States during the last decade.

- (vi) The outflow of financial resources constitutes a significant component of the payments of foreign exchange. There has been a stronger rise in African countries' debt service payments in the past few years than in any other developing region.
- (vii) Technical assistance and pre-investment surveys constituted nearly two-fifths of all aid disbursements to Africa at the end of the 1960's. The new programming procedure of UNDP may lead to a decline in the contribution to this share from multilateral programmes, in spite of the importance of technical assistance in any aid package for African countries. As far as UNDP is concerned there might even be a decline from on-going commitments.
- (viii) Not more than half of African countries have international reserves for more than four months' imports, and in a number of them were the reserves lower at the end of the 1960's than at the beginning of the decade.
- (ix) The contribution of SDR's to the countries' reserves is being nullified by adverse development in their terms of trade. The total allocation of SDR's to Africa, has been more than wiped out by the deterioration in the terms of trade of the region in 1970.
- (x) The adjustments now taking place in the world monetary system may cause great difficulties in the management of African economies. Although African countries are in no way responsible for the present crisis, they are now forced to carry a heavy burden of the currency alignment process.

71. In the years since UNCTAD II there has been a number of appraisals of the growth process, of which the most important is probably the so-called Pearson Commission Report. Other important reports include the study by Sir Robert Jackson, the report of the United States Task Force on International Development, headed by Rudolph Peterson, and the report commissioned by the Inter-American Development Bank from Dr. Raoul Prebisch on Change and Development in Latin America. The United Nations General Assembly in Resolution 2626(XXV) has adopted an International Development Strategy for the Second United Nations Development Decade, the First Conference of Ministers of the Economic Commission for Africa in its Resolution 218(X) has charted a Strategy for Africa's economic and social development in the 1970's as part of the International Development strategy, and an African Ministerial Meeting preparatory to UNCTAD III has adopted an Action Programme for trade and development. 1/

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1/ E/CN.14/545.



72. There should therefore now be very clear ideas about what needs to be done. It remains to transform the ideas into facts. The emphasis in the approach of African countries should therefore be to ensure the early implementation of decisions that have already been taken or ideas that have gained international recognition rather than to seek after radical new definitions of objectives and targets. It would seem a misdirection of efforts if the unfavourable trends which have been identified in this paper were to be allowed to continue unchecked, while African countries focussed attention on other, higher, ambitious object in international trade and financial policies.

#### The flow of resources

73. At its first session UNCTAD adopted recommendation A.IV.2 which aimed at achieving an increase in the volume of financial transfers to a minimum of 1 per cent of the national income of each developed country as recommended by the United Nations General Assembly in 1960 and again at the launching of the first United Nations Development Decade in 1961. This recommendation was endorsed in 1965 by the members of DAC. Nevertheless, between the first and the second sessions of UNCTAD the flow of aid, instead of increasing towards this target, tended to move away from it. The second session of UNCTAD adopted resolution 27(II) which raised the previous target to 1 per cent of gross national product at market prices, which involved a potential increase of some 25 per cent in the amount of resources to be transferred. Finally in the International Development Strategy for the Second United Nations Development Decade, the developed countries committed themselves to endeavour to attain the target by 1972, or by 1975 at the latest.

74. Total external development financing has, however, continued its relative decline also after the second session of UNCTAD, mainly as a result of a persistent fall in transfers from the United States. The prospects for official development assistance in the near future is for a continuation of the trend of the past few years; increases in the net flows of other countries about being offset by a decline in United States disbursements. American official aid in 1971 was a mere 0.31 per cent of gross national product or less than half way towards the target of 0.7 per cent for official aid proposed by the Pearson Commission. A likely effect of the 10 per cent cut in aid announced in August 1971 will be a further fall in United States disbursements.

75. African endeavours at UNCTAD III should aim at getting the existing commitments implemented. This would entail securing agreement by the developed countries which have not yet felt able to set a specific date for achieving the one per cent target, and in particular the United States, that they would increase the volume of their aid over an agreed period of years until they have reached the target level. All developed countries should be requested to agree to provide by the middle of the 1970's a minimum of 0.7 per cent of their gross national product by way of net official financial resources transfers as suggested at the second session of UNCTAD and accepted in the International Development Strategy.

76. The socialist countries have yet to define even a voluntary target for the level of their aid effort. African countries should pursue the definition of some aid target for the socialist countries, and in particular try to secure greater stability in the volume of this aid to the African region.

77. There is a recognized need for innovation in the mobilization of international resources for development. Six years ago the first UNCTAD expert group on international monetary issues concluded that "it was both feasible and desirable to establish a link between the creation of international liquidity and development finance without detriment to either process". The technical feasibility of a "link" was demonstrated by the Second UNCTAD expert group three years ago. In 1969 the new reserve asset - Special Drawing Rights - was established within IMF and the facility activated from the beginning of 1970. The International Development Strategy recommends that serious consideration should be given to "the possibility of the establishment of a link between the allocation of new reserve assets and the provision of additional development finance". A report of the Sub-committee on International Exchange and Payments of the United States Congress has proposed amending IMF's Articles to permit it to retain 25 per cent of the SDR's of the developed countries members of IDA to be used for expanding IDA's activities.

78. The possibility of a "link" is therefore slowly but steadily gaining ground in the minds of those who are concerned with this problem. As the SDR scheme gains strength it should be adopted to purposes that are fundamental for the health of the world economy. The next occasion when the international community will be ready to consider the question of the "link" will be in 1973 when the second round of allocation of SDR's falls due. The only thing that is required at that time is a policy decision by the developed countries. African countries should urge that methods be agreed for the establishment of a link before the next basic period for allocation of SDR's. <sup>1/</sup>

79. While being concerned about the total flow of resources to developing countries, African countries should also pay serious attention to the geographical allocation of this aid. Resolution 218(X) of the First Conference of Ministers of ECA on Africa's strategy for development in the 1970's recommends that "within the one per cent target for financial resources transfers from developed to developing countries, measures should be taken to ensure a more equitable distribution so that the region as a whole, and in particular the least developed among African countries, will obtain an adequate share of these transfers".

80. One of the declared functions of aid is to reduce the growing international inequalities. This principle has usually been applied only to the income gap between the developed and the developing countries as a group. If this principle is applied to the third world, aid should be increasingly directed to those with lowest income and lowest development prospects. On this ground the claims of Africa for a growing share of international assistance are very strong. Within the aid total there is therefore a special case for allocating a

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<sup>1/</sup> For example, the possibility of amending IMF's Article XXIII, Section 3 could be explored in order to enable international institutions such as IDA or regional development banks to hold SDR's.

greater proportion of aid funds to the least developed region. African countries should ensure that within the general aid strategy their needs be given special attention, either by setting up specific targets for contribution, supported by a machinery for implementation, or by setting up programmes in terms of specific objectives to be achieved, which the donors should agree to underwrite.

81. The claim for a greater share in aid programmes is particularly directed to the multilateral agencies. A distinguishing feature of the aid from medium-sized donor countries - most of which have indicated their willingness to meet the aid target - is the preference for multilateral programmes. African countries would therefore have to improve their share of the flow of assistance from United Nations, the World Bank group and other multilateral agencies in order to benefit from the increased aid coming from these countries. They should in particular strongly support the position of African Governors in the World Bank Group that the Bank undertake a more equitable distribution of IDA's resources, taking into account not only the size of population, but also the degree of development reached by the different developing countries.

82. In so far as the United Nations is concerned, African countries should request an immediate revision of the level of Indicative Planning Figures for individual countries to ensure that the IPF's correspond more closely to their needs and capacities. Most African countries gained independence between 1955 and 1963. The transition to independence imposed tremendous political and administrative strains, and the first years after independence were therefore invariably used to lay the administrative and political foundations for Statehood. Essential first steps were the strengthening of the Government machinery at appropriate points. In this process the capacity to identify and formulate projects which could be submitted for assistance was necessarily not developed at the same speed. Only in the very past few years is this capacity, including the availability of data, approaching a level commensurate with the needs for assistance. Individual African countries which for these reasons had low rates of utilization of UNDP assistance during the 1960's are now being penalized with IPF's for the period 1972-1976 which for some countries may make it necessary with a downward revision of existing project commitments. In revising the present level of IPF's the whole system of allocation of UNDP resources to individual countries should be reviewed with a view to eliminate its present bias against countries which had started late in their national planning and programming activities.

#### The terms of financial flows and problems of debt servicing

83. Recommendation A.IV.4 of the first session of UNCTAD, which was adopted with the developed countries either voting against it or abstaining, recommended that donor countries should endeavour to meet certain conditions in respect of periods of repayment of loans, blending of loans and grants, rates of interest, and a more flexible policy with respect to tied loans.

Although this recommendation was not supported by the developed countries, the members of DAC adopted in 1965 a recommendation in which they recognized the need, first, for a certain degree of harmonization of the terms and conditions on which financial aid was provided by the various members and, secondly, for the softening of financial terms and conditions. In some respects the targets for softening of terms and conditions were no more ambitious than those which the members as a group had already attained. As regards the need for harmonization, it appeared to be achieved at the level of the least favourable terms accorded. For all DAC members the **weighed** average of terms and conditions deteriorated between the first and the second session of UNCTAD.

84. In the face of this relative deterioration in the terms of official financial aid, the second session of UNCTAD in decision 29(II) recommended that developed countries should renew their efforts to achieve by the end of 1968 the objectives established in the 1965 DAC recommendation. The supplementary recommendation adopted by DAC in 1969 made for some further improvement in terms. The International Development Strategy reaffirms the determination of the developed countries to reach before the end of 1971 the norms set out in the 1969 Supplement and to consider, in the further evolution of their assistance policy, the specific suggestions contained in decision 29(II) of UNCTAD II. In 1969 and 1970 a large number of DAC member countries met the norms of the 1969 Supplement, which therefore now exerts pressure on only a handful of countries to improve their terms.

85. Conference decision 29(II) suggests that by the end of 1970 each donor country would either provide 80 per cent or more of its official aid in the form of grants or provide 90 per cent of their official aid commitments as grants or loans at 2.5 per cent or less, with repayment period of thirty years or more and a minimum grace period of 8 years. Illustrative projections published by UNCTAD show that if these norms were adopted, cumulative debt-service after 20 years would under certain assumptions be \$10,000 million less than under the DAC 1969 Supplement. <sup>1/</sup> The terms recommended by the Pearson Commission would also lead to lower debt service than under the 1969 Supplement, but the reduction would be much smaller than if the norms of decision 29(II) had been applied.

86. African efforts at UNCTAD III should as a minimum urge all developed countries to implement before the end of 1971 at least the target they have set themselves in the 1969 Supplement. This should, however, be considered only a first step towards the achievement of the goals suggested in decision 29(II) within the Second Development Decade.

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<sup>1/</sup> TD/B/C.3/72, Table 7.

87. Measures must be taken to implement the principles relating to the untying of development aid contained in decision 29(II). The developed countries must draw up a schedule for the complete untying of development aid by 1975. Other measures are also called for if the basic objective of untying aid is not to be compromised by indirectly or unofficially tied aid.

88. Among the possible measures to soften the terms of financial flows is the proposal for a multilateral interest equalization fund to subsidize interest payments on multilateral lendings. With marginal sums provided to subsidize interest rates, the World Bank for example, would be able to bid on the world capital market for larger amounts by offering a normal market interest rate and relend the money at substantially lower rates. The World Bank is already in effect subsidizing its lending rate, since the Bank's current borrowing rate exceeds its current lending rate. Thus the principle of an interest subsidy is consistent with IBRD practices. However, its ability to provide such subsidies is severely limited in the absence of a special fund. African countries should therefore support the proposal for creating a multilateral interest equalization fund and urge those developed that have not yet agreed to examine the proposal to reconsider their position.

89. Softening in the terms of lending will also be achieved by "blending" IBRD loans with IDA loans. A minimum objective for the World Bank Group should be that its average lending rate for developing countries as a whole should be no higher than 3.5 per cent per annum. The Bank has decided as a matter of policy to allocate more of its resources in support of African development, especially in agricultural and manpower development. In the absence of assistance on concessional terms, there is a problem how African countries can afford to use increasing amounts of these funds which the Bank is raising on commercial terms. With the change in the direction of lending by the Bank, appropriate changes in its lending policies are required. It will need to adjust these policies to the requirements of the new sectors on which it has embarked. It should be implicit in the new policies that a greater proportion of IDA resources should be channelled towards the African region. Only by a more favourable "blend" of IDA and Bank funds going to Africa than at present, will it be possible for African countries to utilize these funds for the development of their social infrastructure.

90. The problem of maintaining, not to speak of increasing, the net transfer of resources to African countries will be seriously aggravated if the onerous terms were to continue as in the recent past. A number of African countries are already facing increasing problems in meeting the service payment on their external debt. Since heavy borrowing is a relatively recent phenomenon in Africa, the growth of debt servicing is expected to be faster for the African region than for any other developing region in the Second Development Decade and the years immediately following. Unless terms of financial resources are improved, the efforts for development will be jeopardized and the very goals for which the debts were incurred will hang in the balance.

91. Although the volume and composition of external public debt has been one of the main factors responsible for the debt situation in some African countries, it cannot be considered in isolation from the servicing of external private debt and the profits earned by foreign private investment. The debt burden of a number of African countries have been seriously worsened by the growing weight of these elements. The sharp increase in short-term credit in recent years, particularly the disproportionate growth of commercial credits in the flow of resources, is a principal reason for the difficulties in debt repayment.

92. The debt servicing problems have arisen primarily out of the persistence of unfavourable terms and conditions of aid, and therefore measures aimed at avoiding the problem in the long run must consist in the main part in adjusting these terms. But in dealing with those cases where a crisis has already arisen, a softening of the terms of new assistance is obviously not enough. Renegotiation of debt with a view to rescheduling of repayment liabilities is usually necessary. An important measure for consideration is the recommendation of the Pearson Commission that debt relief should be considered a legitimate form of aid, and that developing countries should be allowed to use new loans to refinance debt payments.

93. In respect of private credits, it would be helpful if the governments of the lending countries were to ensure that export credits extended to developing countries are based on considerations consistent with sound development objectives. An important area for surveillance by governments of the developed countries lies in the pricing of the equipment that is purchased with the aid of such credits. It appears that prices of equipment sold under credit facilities are apt to exceed those quoted for cash transactions. 1/ Another measure that can be taken is to provide facilities for pooling export credits with development financing from the multilateral agencies. This technique - which is suggested by the Pearson Commission - would assist in ensuring that export credits were provided in a manner and under conditions appropriate to the needs of the recipient country. It might not also be unreasonable to recommend that Governments of donor countries take over these export credits, most of which are publicly guaranteed, and transform them into long-term obligations when the recipient appears to be under debt-servicing stress.

#### The efficiency of aid

94. The special circumstances of Africa from a development point of view are, first, the low level, of skilled manpower and, secondly, the limited markets which most African countries offer. The first of these circumstances would suggest that a relatively high proportion of aid should be in the form of technical assistance, while the second would suggest that co-operation between African countries should be encouraged by channelling aid to an increasing extent in that direction.

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1/ TD/B/C.3/73 para. 69.

95. Technical assistance is in particular required to negotiate and disburse loans speedily and efficiently. There is a curious asymmetry in many donors' assumption that African countries are under-developed and in need of development aid, while, at the same time assuming that their negotiating machinery is highly developed and efficient. Another sphere where more technical assistance would be useful is that of project preparation, feasibility studies and pre-investment surveys. And finally, technical assistance is required for efficient management of projects after they have been completed. The emphasis on capital aid, as distinct from aid to recurrent expenditure, has distorted aid efforts away from assistance to the most efficient utilization of machinery and equipment and has led to some waste.

96. It has become increasingly evident in many African countries that growth can be speeded up by the fuller use of existing capacity rather than by creating new capacity which would then largely remain under-utilized. Larger availability of non-project assistance would have this advantage. There has been too much emphasis on the preparation and financing of individual projects. It is difficult to understand why non-project aid should be considered less desirable than project aid. Such considerations did not carry much weight during the days of the Marshall plan. The Pearson Commission and many other expert bodies have argued convincingly in favour of non-project assistance. It is time that donors adopt a more flexible approach to programme aid.

97. Greater attention should be devoted to African national or multinational development banks, whose scope for action is limited on account of insufficient resources to cope with legitimate needs. For example, unlike the other two regional development banks, membership of the African Development Bank is restricted to countries in the region. For this reason, its resources are more limited than those of the two other regional banks. While maintaining the independence of ADB by excluding non-African countries from membership, ADB has since 1966, with the support of ECA and OAU, negotiated with donor countries to contribute to a special fund to be used for concessional lending.

98. The African Development Bank now has the capacity to disburse additional capital. It can draw on detailed, local knowledge and it can encourage sub-regional multinational projects and thus help to overcome the market limitations from which many purely national projects suffer. Here lies a rich potential for the effective use of extra aid. It should be a reasonable objective after six years of negotiations to demand that the Special Fund should start operations in 1972.

99. A primary objective of aid to Africa must be to encourage the formation of wider markets and a rational investment policy based on sub-regional and regional co-operation and greater mobility of skills and private investment. Aid can contribute to the removal of obstacles to intra-African co-operation. It can contribute to facilitating the institutional arrangements required for regional co-operation. But it can in particular assist by providing funds to support the creation of regional payments unions. Resort to stand-by arrangements with IMF cannot be viewed as a real alternative solution to the balance of payments constraints impinging on African countries' trade liberalization

efforts since they depend on a country's overall payments position and are conditioned by a general examination of its economic policies to the extent that they affect the balance of payments. Moreover, IMF support through stand-by arrangements would not be additional to, but would be part of the general IMF facilities already available. Trade liberalization commitments among African countries constitute on the other hand a new potential drain on the countries' balance of payments.

100. Relatively modest contributions by donor countries or multilateral agencies to credit facilities in payments arrangements among African countries could act as catalysts to stimulate new trade flows many times the size of the initial contribution. IMF could support trade liberalization among African countries by permitting members to make special drawings exclusively designed to overcome deficits resulting from trade liberalization measures among them. Drawings under such a special facility should be independent of ordinary drawing rights.

101. In the Concerted Declaration on Trade Expansion, Economic Co-operation and Regional Intergration among Developing countries adopted unanimously by the second session of UNCTAD (Conference decision 23(II)) the developed countries had declared that they were prepared to support, in the allocation of their financial and technical assistance, initiatives in regional co-operation instituted by the developing countries. The support policies outlined above would constitute a concrete application of an important element of the Declaration.

#### The international monetary situation

102. The international monetary crisis is the result of balance of payments imbalances among developed countries. African countries have fully co-operated in efforts to preserve the stability of the world monetary system. In spite of that they are now being forced to accept heavy burdens resulting from decisions taken by a limited group of countries, in which they have had no opportunity to influence the outcome. It is essential that the final reform of the international monetary system will take fully into account the needs of African developing countries as set out in the Action Programme adopted by the African Ministerial Meeting Preparatory to UNCTAD III <sup>1/</sup> and in the Declaration of Lima. <sup>2/</sup>

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<sup>1/</sup> E/CN.14/545.

<sup>2/</sup> TD/143.



Annex: Changes in official exchange rates of African countries in terms of the US dollars after 18 December 1971

	Percentage change <sup>a/</sup>
Ghana	-20.41
Botswana	-4.76
Lesotho	-4.76
Swaziland	-4.76
Burundi	-
Egypt	-
Kenya	-
Liberia	-
Sudan	-
Tanzania	-
Uganda	-
Zaire	-
Zambia	-
Algeria	+8.57
Cameroun	+8.57
Central African Republic	+8.57
Chad	+8.57
Congo (People's Republic of)	+8.57
Dahomey	+8.57
Equatorial Guinea	+8.57
Ethiopia	+8.57
Gabon	+8.57
Gambia	+8.57
Guinea	+8.57
Ivory Coast	+8.57
Libyan Arab Republic	+8.57
Madagascar	+8.57
Malawi	+8.57
Mali	+8.57
Mauritania	+8.57
Mauritius	+8.57
Morocco	+8.57
Niger	+8.57
Nigeria	+8.57
Rwanda	+8.57
Senegal	+8.57
Sierra Leone	+8.57
Somalia	+8.57
Togo	+8.57
Tunisia	+8.57
Upper Volta	+8.57

Source; International Financial Statistics, March 1972.  
Financial Times, 7 February 1972.

a/ Changes in the amount of US dollars required to purchase a unit of foreign currency. Plus sign indicates an appreciation against the dollar.