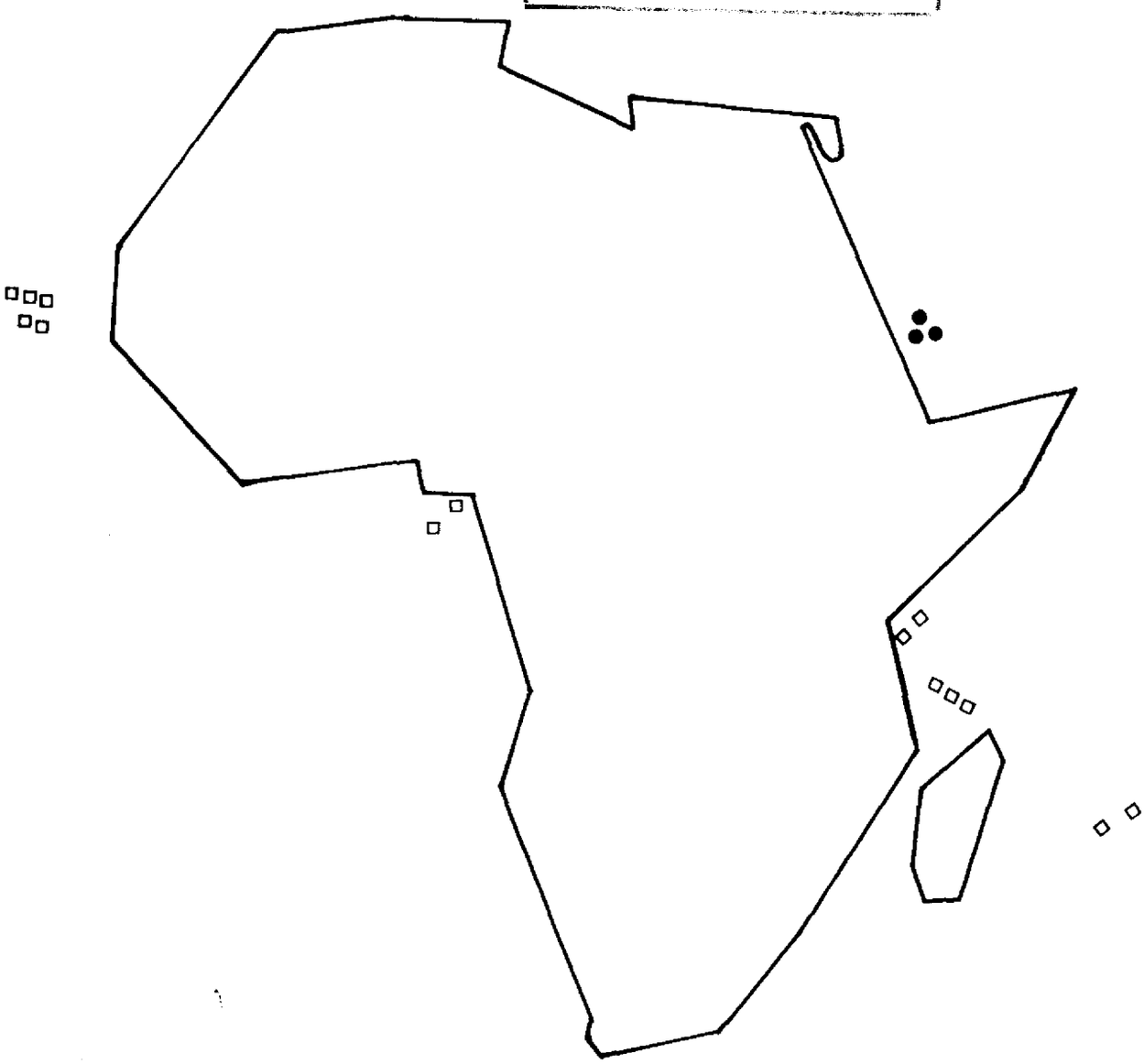
ECONOMIC REPORT ON AFRICA 1987



AFRICAN DEVELOPMENT BANK

ECONOMIC COMMISSION FOR AFRICA

ECONOMIC REPORT ON AFRICA

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A Report of the Staffs of the

African Development Bank
Abidjan
Cote d'Ivoire

and

Economic Commission for Africa
Addis Ababa
Ethiopia

March, 1987

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PREFACE

This report is the fourth in a series of economic reviews jointly prepared by the staffs of the African Development Bank (ADB) and the United Nations Economic Commission for Africa (ECA). The object of the report has been to provide, on an annual basis, descriptive and analytical accounts of recent economic developments in Africa, make preliminary forecasts, analyze general development problems and focus on one topical development issue.

The first part of the report, which deals with Africa's economic development, reveals unsatisfactory overall economic growth for the year. Despite continued recovery in agricultural production and continued improvements in the manufacturing sector, regional GDP is estimated to have grown by only 1.2 per cent in 1986. In particular, poor growth performance was recorded for oil-exporting countries. This was mainly attributable to the dramatic fall in oil prices and the generally unfavourable market conditions for other primary commodities.

Efforts by African countries to increase export proceeds were frustrated by weak demand for primary commodities leading to a sharp decline in the value of exports. Though import compression continued there was deterioration in the trade and current accounts. The onerous debt servicing burden and declining net capital flows aggravated the foreign exchange problem. More and more countries had to resort to debt rescheduling exercises that provided only temporary relief.

The unabated economic difficulties made it imperative for individual and collective efforts to be mounted to reverse the decline and accelerate recovery. The African Priority Programme for Economic Recovery, 1986-1990 (APPER) adopted by the 21st Session of the Assembly of Heads of State and Government of the Organization of African Unity in July 1985, signalled the determination of the African countries to jointly address their economic problems. Similarly the convening of the Thirteenth Special Session of the United Nations General Assembly which adopted the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD), marked increased international solidarity with Africa.

Meanwhile African countries intensified their efforts in policy reforms with the objective of improving efficiency in resource allocation and increasing domestic resource mobilization. For the implementation of APPER, African countries committed themselves to mobilizing the bulk of resources required.

Part II of this report, thus, considers the constraints and problems related to domestic resource mobilization in Africa. It argues that although the saving potential in Africa has recently deteriorated, there are yet untapped resources which need to be explored. The magnitude and rate of savings depend crucially on policy and institutional reforms designed to increase resource mobilization in spite of the numerous constraints and depressed per capita incomes.

We in the African Development Bank and the United Nations Economic Commission for Africa have long stressed the importance of enhancing the saving-investment process for growth in Africa.

In view of the commitment of the African countries to mobilize as much as two thirds of the finance needed for APPER, our two institutions feel obliged not only to support research in this area but also to reinforce domestic policy efforts in the endeavour to realize the targets set. In this regard, we reiterate that these efforts need to be complemented by increased net flow of external resources and a favourable international economic environment.

Signed

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Executive Secretary
Economic Commission for Africa

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President
African Development Bank

PART I: RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

1. Introduction

As with the previous reports, the one for 1987 also dwells on an unfavourable economic situation. Developing Africa's output is estimated to have grown by a mere 1.2 per cent in 1986, a growth rate which was less than the 2.8 per cent projected at the end of 1985. Though the 1983-1985 drought is over, the African economic crisis drags on, a vivid reminder that its roots are deeper than the temporary disruption of the weather cycle. Generalizations are dangerous in a region as diverse and vast as Africa. Nevertheless, it remains true that both external and internal factors have contributed to the making of the problem.

Policy and institutional inadequacies have played a great role in the current difficulties, and the recognition of it by African Heads of State and Government first in APPER, and then by the international community in UN-PAAERD, gives great hope for the future. It is the strongest indication to date of the political will of African governments to define and apply the necessary policy measures. In fact, the year 1986 has been marked by the great number of governments in the region introducing economic adjustment programmes, often with support of IMF, World Bank, African Development Bank and other institutions .

The hope had been that 1986 would mark a definite change for the better in terms of economic performance. However, as it turned out, the fall in oil prices was unprecedented in its range, and given the weight of oil exporting countries in the economy of the region, the adverse impact was far-reaching. The decline in oil prices was largely responsible for the fall in export estimated at about 29 per cent. Though countries restricted imports, such a measure had only a limited impact; the current account turned deeply into a deficit. From an estimated $7.1 billion in 1985, the deficit for the whole region is estimated to have reached $21.5 billion in 1986, according to ECA estimates.

The 1986 situation was not, however, completely discouraging. Non-oil exporting countries grew by 4 per cent, their best performance since 1981. This result was obtained in most cases through a strong growth of agricultural production. In fact experiences all over the region indicate that the shift of policies towards supporting agriculture, and particularly providing incentives to agricultural producers, is starting to produce results.

The prospects for 1987 are, therefore, not without hope. Despite the uncertainties of external markets, where there is a general oversupply, and the expected weak demand from the traditional partners of the region in the OECD, the ECA secretariat expects a modest recovery of the region's economic growth projected at around 2.5 per cent in 1987, provided that current adjustment policies are vigorously pursued. If external market conditions improve on the 1986 situation and if investment is not constrained by debt servicing, growth could be in the range of 3 to 4 per cent.

2. Current Trends on the African Economy

As shown in Table 1 based on ECA estimates, growth in regional GDP registered an increase of only 1.2 per cent. Performance, however, varied considerably among various sub-groupings. The combined output of the oil exporters declined by about 0.3 per cent compared to a growth of 3.1 per cent in 1985. Output of the non-oil exporters however rose by a full percentage point during 1986 to 4 per cent, their best record since the beginning of the decade. The group of the least developed countries likewise had its highest yearly rise in output in the recent years. Their combined GDP rose by 4.2 per cent in 1986 compared to a rise of only 0.7 per cent in 1985. There were even more pronounced differences at the sub-regional level. While the North African and Central African sub-regions grew by 1.6 per cent each in 1986, those of East and Southern Africa grew by 2.4 per cent and 3.8 per cent respectively. Growth in West Africa, on the other hand, slipped by 0.5 per cent. A major factor determining sub-regional growth has been the relative weight of petroleum in production structures. Thus, the poor performance in the Northern, Central and West African sub-regions was mainly a result of the adverse impact of developments in the international oil market in 1986.

The collapse in petroleum prices from around $28 a barrel at end-1985 to only about $10 a barrel in mid 1986 not only affected regional petroleum output as the oil market continued to weaken, but also export earnings, imports and investment. Combined export earnings of the oil-exporters consequently fell from an estimated $49 billion in 1985 to $27 billion in 1986, a fall of 44 per cent. In Algeria, Nigeria, and the Libyan Arab Jamahiriya exports were reportedly down by 40 per cent, 42 per cent and 47 per cent respectively. The fall in the oil prices, which are generally quoted in dollar terms, was compounded by the sharp depreciation of the dollar itself.

Table 1

GDP Shares and Growth Rates in Developing Africa by Sub-region and Economic Grouping, 1985-1987*

	Output share 1985	Growth per cent 1985	1986a/	1987b/
North Africa	42.5	2.3	1.6	2.8
Sub-Saharan Africa c/	60.3	3.1	0.9	2.4
Of which:				
Central Africa	9.6	2.3	1.6	2.5
East & Southern Africa	13.3	2.3	3.8	3.8
Southern Africa	5.0	3.7	2.4	3.6
West Africa d/	34.6	4.4	-0.5	1.6
Sahel	3.1	7.4	4.9	4.4
Oil exporters	65.2	3.1	-0.3	1.6
Of which:				
OPEC members	48.1	2.8	-1.7	0.6
Non-oil-exporters	34.8	3.0	4.0	4.0
Of which:				
LDCs	13.1	0.7	4.2	4.1
Other countries	21.7	4.4	3.8	3.9
Regional Total	100	3.0	1.2	2.5

Source: ECA Secretariat.

* GDP measured at 1980 prices. The countries surveyed in 1986 represented 77.4 per cent of the regional total in terms of GDP in 1985.

a/ Preliminary estimates.

b/ Forecast.

c/ Including the Sudan, which forms part of the North Africa sub-region as well and, therefore, totals do not add up to 100.

d/ Including the Sahel.

The fall in the price of oil, however, helped many oil-importers to reduce their oil bills and/or increase their oil and non-oil imports and enabled them raise their levels of economic activity. A number of them - notably Cote d'Ivoire, Ethiopia, Kenya and other coffee producers - benefited additionally from the higher coffee prices in 1986. Non-fuel mineral exports, on the other hand, were adversely affected by the continuing low demand for and prices of minerals.

The developments in the agricultural sector had a generally favourable impact in 1986; the sector's value added is estimated to have grown by 2.2 per cent following its impressive recovery from drought in 1985. Performance was not uniform from one area to the other, but remarkably good results were recorded in North Africa and in the East and Southern African sub-regions. There were strong indications that the policy measures undertaken in the recent past to give higher priority to agriculture were starting to pay off. Other sectors saw no significant changes as compared to historical trends. Although the manufacturing sector grew by 4 per cent in 1986, is still suffered from shortages of raw materials and spare parts. As a result, the sector continued to be plagued by capacity underutilisation. Limited investible funds also impeded the expansion and modernization of the mineral sector.

The situation at the country level depended on the particular mix of external and internal factors characterizing each country, but some common patterns were discernible. A frequency distribution of countries in developing Africa according to GDP growth shows that the number of countries which experienced negative growth, decreased considerably in 1985 and remained in 1986 at about their 1985 level of 11 countries. Moreover, those registering 3 to 5 per cent growth rose from 14 in 1985 to 24 countries in 1986.

Although on balance total regional output is estimated to have risen by about 1.2 per cent, domestic demand grew by a mere 0.3 per cent in 1986, largely due to the continuing decline in public consumption arising from the widely adopted policy of expenditure restraint (Table 2). Private consumption, on the other hand, rose by 2.3 per cent in 1986, but that rate was still lower than that of population increase. There was a further fall,

by 5 per cent, in gross fixed capital formation. A major factor was the fall of about 9.4 per cent in the gross fixed capital formation in the oil-exporters. The non-oil exporters were able to increase their fixed capital formation by about 7.3 per cent in 1986.

A noteworthy development in 1985 had been the fall of inflation as measured by consumer prices. Although the data is not yet complete, there are some indications that the rate of inflation rose in 1986. This can be partly explained by the increase in the overall regional budget deficit as a proportion of GDP which rose from 8.9 per cent in 1985 to 9.8 per cent in 1986. However, the facts that there had been a significant drop in monetary expansion at the beginning of the year and that import prices increased slightly imply that the rate of inflation might fall.

Table 2
Supply and Demand in Developing Africa, 1985-1987*

	1985	Percentage annual growth		
	Billion dollars	1985	1986a/	1987b/
Gross domestic product	332.2	3.0	1.2	2.5
Imports	81.0	-2.8	-7.0	2.0
Public consumption	48.7	-4.3	-1.4	-1.0
Private consumption	202.2	3.9	2.3	6.3
Gross capital formation	60.9	-1.7	-5.0	4.7
Change in stocks	3.0	4.6	3.9	-34.9
Exports	98.3	3.2	-2.0	3.4
Domestic demand	314.8	1.9	0.3	2.1
Money supply	75.4	17.0	7.7	-
		Index number		
Consumer prices c/	219.3	11.7	15.2	-

Source: ECA secretariat.

* Measured at 1980 prices except for money supply, which is at 1980 exchange rates.

a/ Preliminary estimates.

b/ Forecast.

c/ Index base 1980 = 100.

3. Major Domestic Sectors

3.1 Agriculture

According to the United Nations Food and Agriculture Organization (FAO), gross agricultural production rose by 3 per cent in 1986, an overall growth rate that falls short of the performance in 1985 but is, nevertheless, higher than the population growth rate. Practically all the sub-regions shared in the expansion, with the best results obtained in Eastern and Southern Africa (5.18 per cent) followed by North Africa (2.95 per cent). As a result, there were significant improvements in the food supply situation in many parts of the region.

As in 1985, food production was the main factor in the continued recovery of agriculture in 1986. Total cereal production rose by 5.9 per cent. According to FAO, the harvests were favourable in most parts of the continent, although areas of concern were reported in Tunisia, where because of unfavourable weather, the 1986 crop was almost 30 per cent lower than the record harvest of 1985, and in Angola, Botswana, Lesotho and Mozambique where cereal production fell below average either due to persistent poor weather conditions or internal strife in the cases of Angola and Mozambique.

While the coming of the rains mitigated the severe impact of prolonged drought, it created for some sub-regions an ideal condition for the breeding of grasshoppers and different locust species thereby threatening the favourable harvest outlook. In order to overcome the threat to food crops, ground control operations and aerial spraying campaigns had to be organized in Western, Eastern, Central and Southern Africa. In many instances, the ground operations were handicapped by the shortage of pesticides, vehicles, supporting equipment and trained personnel. Thus, despite the continued improvement in food and agricultural production in the region in 1986, many countries in 1987 will continue to rely on food aid in order to meet their food requirements.

For coffee and cotton, which are among the most important industrial crops, output is projected to increase only marginally in 1986/87. Cotton production is projected to reach 6.4 million bales in 1986 compared with the 1985 output of 6.3 million bales. The noticeable production gains expected in

countries such as Egypt, Chad, Zimbabwe, the Central African Republic, Burkina Faso and Senegal, it seems, will be more than offset by production declines in Zambia, Malawi and the Sudan. In the case of the Sudan, the fall in yields has been largely due to drought and the high incidence of wilt leaf disease. Coffee production is estimated to have risen from 1.35 million tons in 1985 to 1.41 million tons in 1986. The most pronounced increase in output took place in Kenya and the Cameroon, both of which, with the sharp rise in world prices and suspension of export quotas, were poised for record earnings from coffee.

The growing emphasis on agriculture as the number one priority sector in Africa was reflected in the orientations of government policies in 1986. In line with the recommendations of APPER and UN-PAAERD, many governments stepped up measures to provide higher producer prices and other packages of incentives to farmers. Budgetary resource allocations to agriculture were also increased in order to make more funds available to the sector. Institutional reforms were also been wide-ranging, from total or partial elimination of agricultural marketing parastatals in countries such as Nigeria, Somalia and Madagascar, to proposals for land reform, resettlement and rehabilitation in Zimbabwe during its First National Development Plan, 1986-1990.

3.2 Manufacturing

Following the recovery of 1985, the manufacturing sector continued to improve in 1986. Preliminary estimates suggest that the sector grew by about 4.0 per cent at the regional level compared to 5.7 per cent in 1985, with practically all sub-regions experiencing the expansion. The highest growth rate was recorded in Central Africa (7.61 per cent) followed by North Africa (6.71 per cent). West Africa, however, appears to have experienced a decline of 2.4 per cent in manufacturing value-added.

The overall improvement in manufacturing performance is attributable to improvements in the local supply of agricultural raw materials in many countries, making possible considerable increases in the rate of capacity utilization for agro-industries. Availability of other local inputs such as power was also a factor in better capacity utilization in countries such as Ghana where water from the Volta River reached the level required for

hydro-electric power generation. But the sector was also in many cases constrained by shortages of imported inputs. For example, manufacturing activities were adversely affected by declining oil revenues in Algeria, Egypt, Gabon, Libyan Arab Jamahiriya, Nigeria and Tunisia. This has meant, as in the case of Nigeria, that average capacity utilization, which has for some years remained below 40 per cent, could not be raised to the target of 55 per cent envisaged in the 1986 budget. It was only at the end of the year that a considerable measure of import liberalization took place in Nigeria under the umbrella of the structural adjustment programme which also introduced the second-tier foreign exchange market.

A few other countries experienced specific problems, all of which worked against improved manufacturing performance. In Zaire and other countries of the Central African sub-region, low absorptive capacity, high domestic costs and low productivity were the main problems. In Cote d'Ivoire in the West African sub-region, declining manufacturing output occurred in the context of the economic recession experienced by the country since 1980 owing to falling domestic demand, whereas in Ghana, increasingly high domestic costs of production reinforced shortages of imported inputs to make domestic manufactures uncompetitive vis-a-vis imports.

Overall, it is obvious that there are fundamental reasons why, in spite of improvements in performance, the manufacturing sector in the region is yet to meet the target growth rate of 9.8 per cent set by the Lagos Plan of Action (LPA). There are, in general, structural factors such as limited domestic markets, shortages of personnel with high-level skills and poor linkages with the rest of the economy. All of these have constrained manufacturing development apart from basic dependence of the industry on imports of know-how and technology, skills and raw materials. Efforts have continued to be made in many countries to deal with some of these problems, but, evidently, with limited success yet. Perhaps, first and foremost, the priority is to rehabilitate and revitalize the region's manufacturing sector within the framework set by APPER and UN-PAAERD.

3.3 Mining

The mining industry continues to occupy a central place in the economies of a number of African countries. But the sector remains vulnerable; it has been in difficulties for quite some time, experiencing a number of disquieting developments in 1986, unprecedented both in the fuel and non-fuel fields. Both production and prices were generally on a downward trend in 1986, with the price for oil declining markedly. Thus, it was not surprising that only a few mining projects were undertaken in 1985/86 and that these were mostly confined to rehabilitation.

Oil production fell by 4.9 per cent in 1986 to 222.9 million tons, a level that is more or less the same as that of 1984 and only 78 per cent of the 1980 peak of 294.1 million tons. Far more significant, however, was the collapse of oil prices during the year. Following the decision of OPEC members at its meeting of December 15, 1985 to embark upon a policy of market share defense, and the series of steps taken to back this up in the form of price-cuts and production increases, prices took a dramatic downward turn early in 1986, and, by the middle of the year had fallen to around $10 a barrel. This was 36 per cent of the end-1985 level of $28 a barrel. In real terms the price of $10 a barrel was barely above the pre-1973 level of $2.60. By August 1986, the price per barrel of oil was only about $14. This situation meant serious difficulties on the part of African oil producers. They suffered sharp declines in income and growth, and experienced fiscal and balance of payments disequilibria. The fall in the oil export revenues of some individual countries such as Nigeria and Libya were particularly large amounting to some 42 per cent and 47 per cent, respectively.

Following these developments, the members of OPEC tried once again to arrest the slide in oil prices, and to achieve a price of at least $18 a barrel through a return to the fixed price system. Through successive meetings during September/October 1986, the Organization agreed on a production ceiling for its members, averaging 15 million barrels per day in November and December 1986, excluding production by Iraq estimated at 2 million barrels a day. That agreement was sufficient to push oil prices to the desired level, but could not of course recoup the large losses incurred in 1986.

Developments in the market for other minerals, fuel and non-fuel, were also disappointing. Regional production continued to decline in 1986 while prices generally sagged, with mining operations reduced or suspended in certain cases (e.g. Marampa Iron Ore Mines in Sierra Leone, the Natural Iron Ore Company in Liberia and Kwabe Lead Deposits in Zambia). In addition to the secular downward trend in demand for African non-fuel minerals, the slow recovery in the OECD countries has failed to stimulate a broad-based demand for African minerals in general. Mineral prices have generally been on the decline since 1980/81. In 1986, they fell on the average to about two-thirds of their peak 1979/80 level. The average decline in the prices of non-fuel minerals other than bauxite, phosphate, diamond, copper and nickel, the prices of which either stagnated or rose marginally, was almost 30 per cent. As a result, the major African mineral exporters, notably Liberia, Sierra Leone, Zambia, Zaire, Zimbabwe and Morocco were particularly hard hit. The fear is that the weak demand and depressed prices could seriously hamper current rehabilitation and renovation efforts in some of these countries.

4. The External Sector

There was a large decline in the value of developing Africa's exports in 1986. The fall is provisionally estimated at 28.7 per cent and may be the largest ever recorded in the region since 1950. In volume terms, however, the decline was moderate and limited to 3 per cent, compared to a gain of the same magnitude in 1985. The value of imports, on the other hand, declined by 9.3 per cent only so that the trade balance went into a deficit estimated at $7.1 billion, while a surplus of $5.9 billion had been recorded in 1985.

The fall in the price of oil has been the major cause of the set back, as oil exporters account for the bulk of the regions exports (75 per cent in 1986). On the average, it is estimated that their exports fell by 43.5 per cent in 1986, with some countries losing up to 51 per cent of their export revenues. Even countries like Angola, which were able to increase their export volumes were badly hit (according to recent data, Angola exports may have declined by as much as 35 per cent, despite an increase in oil production of up to 12 per cent).

Table 3

Merchandise Trade of Developing Africa, 1985-1987
(Percentage change over the preceding year)

	1985	1986a/	1987b/
Valuec/			
Exports	-0.1	-28.7	9.6
Imports	-9.2	-9.3	4.2
Volumed/			
Exports	3.0	-3.0	3.4
Imports	-4.8	-11.0	2.2
Unit Valuec/			
Exports	-3.0	-26.5	6.2
Imports	4.6	2.0	2.0
Terms of trade	1.6	-27.9	4.0
Purchasing power of exports	4.9	-30.1	7.4

Sources: IMF, International Financial Statistics, Vol. XXXIX, No.11 (December 1986); and ECA estimates.

a/ Preliminary estimates.
b/ Forecast.
c/ In dollar terms.
d/ At 1980 dollar prices.

Non-oil exporters have on their part fared much better, as many of them benefited from the rise in coffee prices early in 1986. Export revenues in Cote d'Ivoire and Kenya, for instance, increased by 35 and 28 per cent, respectively. However, coffee was practically the only commodity with a favourable, though short-lived trend, in 1986. As shown by the various indexes calculated by international organizations, commodity prices continued to decline in 1986, albeit at a slower pace than in 1985. The UN primary commodity price index (excluding oil), which had declined by 8.2 per cent in 1985, fell by 2.7 per cent in the period January-August 1986. The IMF commodity price index showed continuous decline during the year. In November 1986, it was 8.8 per cent below its 1985 level. Among the commodity prices which showed unfavourable trends, cocoa prices were under pressure from sizeable stocks and declined by roughly 7 per cent. Cotton prices which had

already fallen sharply in 1985 continued to decline to around 24 per cent below the 1985 level. Copper prices also edged down, being on average 3.4 per cent below those of 1985. Cobalt, a key commodity for Zaire and Zambia, was affected by over-supply, and with these major producers temporarily abandoning their producer price system, free market prices fell. Overall, apart from coffee prices, only diamond prices were favourable. The market was buoyant for diamonds throughout the year and the prices rose by an average of 7 per cent.

In the face of declining export revenues, there was a deliberate policy of import reduction, at least among major oil exporters which were the most affected. In Algeria, this was effected through the planning system, as imports are directly controlled. In Nigeria, the government started by using the import licensing system, and then instituted a second tier foreign exchange market which drastically raised the cost of foreign exchange. Overall though, the decline in import value in 1986 was of the same order of magnitude as that in 1985. But the divergent movements in import and export prices, with the former rising slightly while the latter was declining sharply, led to a sharp fall in terms of trade, provisionally estimated at 27.9 per cent. The purchasing power of exports dropped by 30 per cent.

No major change occurred in the commodity structure and direction of African trade. The exports of primary commodities accounted for 92 per cent of total export trade, according to figures available for the year 1984, with mineral fuels alone contributing 71.2 per cent. On the import side, manufactured goods dominated, accounting for 66.6 per cent of the total. Developed market economies continue to be the major customers and suppliers of Developing Africa, buying 73.5 per cent of exports and selling 74.7 per cent of imports during 1985. Intra-African trade continued to stagnate at around only 4 per cent of trade, and does not show evident signs of growth despite the various incentives provided by governments.

According to estimates by ECA, the balance of payments in 1986 registered a deficit, the trade balance switching from a surplus of $5.9 billion in 1985 to a deficit of $7.1 billion. The current account deficit reached $21.5 billion, a much worse result than was anticipated. The financing of the deficit figured prominently in debt negotiations during the

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Table 4

Balance of Payments of Developing Africa, 1985-1987
(Billion dollars)

	1985	1986a/	1987b/
Exports (f.o.b.)	64.0	45.6	50.0
Imports (f.o.b.)	58.1	52.7	54.9
Trade balance	5.9	-7.1	-4.9
Services and private transfers	-13.0	-14.4	-15.4
Current-account balance	-7.1	-21.5	-20.3
Official transfers	3.9	3.7	3.6
Capital inflows	9.7	12.0	12.0
Errors and omissions	-3.3	6.8	5.7
Increase in reserves	3.2	1.0	1.0

Source: ECA estimates.

a/ Preliminary.
b/ Forecast.

year and in agreements signed with multilateral institutions. There was a further accumulation of payments arrears. Total debt is estimated to have reached $175 billion by the end of 1986.

With the various measures taken by governments to adjust exchange rates, there was an overall depreciation of African currencies against the dollar estimated at 1.4 per cent. This low figure reflects the dollar's own depreciation against major currencies during the year, which resulted in a strong appreciation of currencies like the African Financial Community Franc (CFA).

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Official transfers	3.9	3.7	3.6
Capital inflows	9.7	12.0	12.0
Errors and omissions	-3.2	1.0	5.7
Total changes in reserves	-3.3	4.8	-1.0

Source: ECA estimates.

a/ Preliminary.
b/ Forecast.

External resource flows to the region increased. Flows to Sub-Saharan Africa rose by 14 per cent in current terms. However, despite the optimism expressed by the OECD, it is too early to judge the underlying trend.

5. The Outlook for 1987

The prospects for African economies in 1987 should appropriately be viewed in the light of the region's structural weaknesses and its sensitivity to the developments in the international economic environment. The developments in the past few years, and particularly in 1986, show how uncertain short-term prospects can be, particularly for demand and prices of primary commodities exported by the region. Debt management arrangements and the level of external assistance, in addition to the performance of agriculture, will continue, as was in the past, to shape prospects for 1987 and beyond.

With the international market for primary commodities still suffering from over-supply and over-stocking and with the growth rate in the OECD countries forecast to remain more or less at its 1986 level, there is sufficient reason to assume that growth in the region's export trade will remain sluggish. The situation is expected to be particularly unfavourable for minerals and fibres. Of all commodities, the only important exception will perhaps be oil, now that an agreement on production quotas between OPEC members has been reached and a relative stability in the oil market restored. With the OPEC oil price target of $18 a barrel likely to be achieved and sustained, exports of goods and services by African OPEC members are expected to recover, in volume terms, by about 1.3 per cent in 1987 compared with a fall of about 5.6 per cent in 1986. Likewise, exports of goods and services by the remaining countries are expected to grow by 5.6 per cent in 1987, in response to the expected rises in export volumes in countries such as Egypt, Kenya, Mauritius, Tunisia and Zimbabwe, whose exports also include manufactured products. Imports of goods and services by the region are expected to rise by about 2.2 per cent in volume terms. The volume of net resource flows is expected to remain more or less at its 1986 level. The projected stagnation, or at best marginal growth, in net resource flows is expected to result from the continuing insistence of major donors to tie new loans to the adoption of certain reform measures notwithstanding the collective commitment of African countries to undertake, within the framework of APPER and UN-PAAERD, far-reaching policy-reforms.

At the domestic level, the situation is expected to be greatly influenced by the expected continuation of the recovery in agriculture, now that there are indications that the region is out of its worst drought cycle with good prospects for normal weather conditions. Thus, agriculture is forecast to grow by an impressive 5 per cent in 1987 and this will accordingly boost exports and government revenues. In addition to improved weather conditions, this out-turn is expected to come about in response to the policy packages instituted in recent years, the favourable outcomes of which have already been witnessed in a number of countries. Although the improvement in export performance is expected to ease the foreign exchange and import constraints, and despite numerous reform measures aimed principally at loss-making public corporations, the recovery of the manufacturing sector is forecast to be only modest as longstanding problems relating to management and capacity utilization still exist. The expected sluggish external demand for minerals, likewise, does not hold much promise for the mining sector either.

Domestic demand will not get much stimulus from consumption as policies of budgetary retrenchment and general expenditure restraint will continue to be applied. Capital formation however is projected to rise by about 4.9 per cent, the first rise since 1981.

On the basis of the above assumptions, the ECA secretariat prepared two scenarios: a base scenario drawing heavily on the above set of assumptions and a more optimistic recovery scenario, based on the assumption that there will be a general improvement in the external environment and that the international donor community will be more forthcoming in 1987. Like the base scenario, it also assumes that oil prices will rise somewhat above $18 a barrel in 1987. In such circumstances, the 1987 overal rate of GDP growth in the African region is expected to be around 2.5 per cent according to the base scenario and to range between 3 per cent and 4 per cent on the basis of the optimistic scenario.

6. Main Development Policy Issues

The year 1986 saw the convening of the Special Session of the General Assembly of the United Nations, which adopted UN-PAAERD, a special United Nations programme designed to help African governments to deal with the

economic crisis in the region. UN-PAAERD was adopted in support of APPER, the African Priority Programme for Economic Recovery, adopted by OAU Heads of State and Government, at their meeting of July 1985, in Addis Ababa.

What emerged from these resolutions is considerable progress in the approach to the region's problems and all the signs of political will to tackle them. Both APPER and UN-PAAERD set priority on agriculture and supporting activities, and both recognized that policy and institutional inadequacies played an important role in the genesis of the African crisis.

The framework provided by APPER and UN-PAAERD is broad enough to accommodate a wide-range of national policies which are a matter for each country. However, policy measures and reforms undertaken by governments either aim at wide-ranging changes in priorities and strategies or address specific issues such as the debt problem. Several countries have embarked on serious adjustment programmes that concentrated on increasing efficiency in resource allocation, improving macro-economic management, reforming public enterprises with or without privatization, undertaking exchange rate adjustment and trade liberalization or rationalization.

Particularly remarkable have been the measures taken in favour of agriculture in a number of countries. For instance, in Algeria, producer prices have been raised by more than 50 per cent. The role of private farmers has received full recognition and every kind of assistance is being provided to them. In Zambia, the shift in favour of agriculture has been impressive in recent years, with deep changes in the institutional and incentive structure for agriculture. At the end of 1986, for example, producer prices were raised by 22.1 per cent for tobacco, 41.8 per cent for maize and 65 per cent for cotton. Funds for low interest credits to farmers were increased. And although fertilizer prices were also raised (77 per cent), the measures are on balance substantially favourable to agriculture. These policies have paid handsomely. Zambia recorded in 1986 one of its best crops ever. However, despite the success on the agricultural sector, Zambia's reform policies have also created problems as was, for instance, demonstrated by the removal of subsidies. The announcement by the Zambian government of the removal of subsidies on basic commodities, including maize and the subsequent doubling of its price, led to riots in main cities, which led the government to reconsider the measures. These events demonstrate the serious obstacles on the road to reform.

In Tanzania, the Government and the IMF finally agreed on an adjustment programme. A substantial devaluation of the shilling was effected. Other governments in the region likewise adjusted their currencies through various arrangements like auctioning in the case of the Nigerian second-tier foreign exchange market. These measures indicate that devaluation or, more generally, currency adjustment is now seen as an accepted tool at the disposal of governments in their adjustment programmes.

In its 1986 budget and in the adjustment programme adopted in July 1986, the Nigerian government announced and then put into effect wide-ranging measures including the abolition of agricultural marketing boards, as well as the privatization of some public corporations. Other governments took similar measures as well. In Guinea, most public enterprises were either dissolved or privatized. Moreover, in most adjustment programmes, measures were included related to the reform of the public sector in order to improve the efficiency of its operations. This was the case for example in the Congo and in Tanzania, two countries where the respective government budgets had provided considerable financial subsidies to parastatals. In countries like Algeria, the government has already implemented a considerable restructuring of the public sector, which has led to the break up of public corporations into smaller size units which are easier to manage.

Debt and the fall of oil prices were the other main issues which necessitated specific measures from governments. The debt problem was exacerbated by the fall of export revenues which affected some large debtors in the region, particularly oil exporters like Nigeria, Egypt, the Congo and others. Nigeria entered into protracted negotiations with its creditors and finally reached agreements with some on the rescheduling of part of its debt. One outcome of these negotiations was the stand-by agreement with the IMF signed in February 1987. The high cost of rescheduling and the heavy burden of debt servicing have led to the reappraisal of past policies. In Zaire, after the government applied, for more than two years, a drastic adjustment programme requiring the country to use up to 25 per cent or more of its export revenues for debt servicing, it changed course in 1986 after it was apparent that Zaire's efforts had not been met by the expected external support. It therefore, decided to aim at a debt servicing ratio of 10 per cent.

As already noted, oil exporters were faced, during 1986, by a steep fall in their external revenues with immediate and grievous consequences on their budgets. Retrenchment measures became inevitable in all oil exporting countries. Gabon, for instance, introduced an adjustment programme in which the 1987 budget was reduced by 46.2 per cent compared to 1986 . In Algeria, the retrenchment measures included the revision of the 1986 budget, with investment and imports cut by 26.2 and 20 per cent, respectively. Angola imposed stringent import controls in the light of declining oil revenues.

Policy reform efforts are continuing in Africa. There are serious obstacles on the way as social costs of the reforms cannot be neglected. The reform efforts need to be accompanied by higher investment and supported by higher net resource flows from the international community. The debt service payments which are cutting into the scarce foreign exchange resources of many countries are one of the issues which require urgent addressing in this context.

Higher investment will have to be supported by increased domestic savings. As underlined in APPER and UN-PAAERD, the primary responsibility for financing the adjustment programmes rests on the Africans themselves. Greater efforts have to be made to mobilize domestic resources. The second part of this report is devoted to an examination of this issue, with a view to drawing policy implications.

PART II: DOMESTIC RESOURCE MOBILIZATION IN AFRICA*

1. Introduction

As mentioned in Part I, Africa's Priority Programme for Economic Recovery 1986-1990 (APPER) which was adopted by African Heads of State and Government in July 1985 lays emphasis on the adoption of far-reaching, imaginative and innovative economic policies if further deterioration in economic conditions in Africa is to be avoided and if the continent is to be launched on a dynamic self-reliant growth path. In the implementation of the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD), African governments have agreed that the responsibility for the continent's development must be their own and that the mobilization and utilization of domestic resources in support of the recovery programmes and for growth must be accorded priority place in national economic policies. It has been estimated that the full implementation of UN-PAAERD would require $128.1 billion in new resources during the period 1986-1990,[1/] and despite their severe economic conditions African countries have committed themselves to mobilizing 64.4 per cent of this amount (or $82.5 billion) from domestic resources. The purpose of this part of the report is therefore to review the capability of African economies to meet this challenge. The questions to be addressed are hence the following: Does the capacity exist in a continent with stagnant and declining incomes to mobilize domestic resources of the dimension envisaged under UN-PAAERD? By what strategies and methods is such mobilization possible? What are the most appropriate vehicles for such mobilization in the public and private sectors?

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*This part of the report was prepared with the assistance of J.H. FRIMPONG-ANSAH of J.H. Frimpong-Ansah Company and Standard Chartered Bank, London, who served as a consultant and prepared a paper on this subject. His assistance is gratefully acknowledged.

1/ United Nations General Assembly, "Ad Hoc Committees Report on the Critical Economic Situation in Africa, 27-31 May, 1986. 13th Special Session, Agenda Item 6. Document No. A/S-13/AC.1/L.3. Page 16, Paragraph 12.

2. The Potential for, and the Determination of Savings in Africa

2.1 Introduction

Preliminary findings of a study in which recent data was used, have revealed certain trends in savings potentials in Africa.[2/] Firstly, the hypothesis that savings increase with incomes has generally retained its validity in most African countries. Secondly, there has not been as widespread dissavings in recent years as compared with the period of the 1960s to the mid 1970s[3/], when wide-ranging modernization was taking place in Africa. Thirdly, in the decade and a half since 1971, there has only been a gradual general increase in savings, but in the majority of countries, savings have increased at a decreasing rate. Fourthly, in most countries in Africa, the marginal propensity to save (tendency to save out of additional income) has been less than the average propensity to save during the past decade and a half, indicating a general deterioration in saving potential in recent years compared to the immediate post independence period. As indicated in Table 5, the number of countries with higher resource gaps has increased over the recent years. Taken together, these results of the current analysis suggest that a great deal of effort will be required if any strategies for a large scale domestic savings mobilization in Africa are to yield significant results.

Table 5

Longer Term Trends in the Resource Gap (Saving Minus Investment) as Ratio of GNP

Resource Gap as % of GNP	1965-1972 Countries	1973-1978 Countries	1979-1984 Countries
0 to -5	10	6	5
-5 to -10	8	7	3
-10 to -15	-	3	7
-15 to -20	1	3	4
Total No. of Countries	19	19	19

Source: World Bank, World Development Report, 1986

2. The details of the estimation methods and the results are available at the African Development Bank, Abidjan.

3. J. U. Umo, "Empirical Tests on Some Savings Hypothesis for African Countries" Financial Journal, Vol. 2, No.2, Dakar, African Centre for Monetary Studies (ACMS) gives the results for the earlier period.

2.2 Determinants of Savings: Some Recent Evidence

Against the background of the foregoing analysis, the trends in some of the principal determinants of savings have been studied in twelve African countries for which suitable statistics are available for the period of 1963 to 1984. The countries are Algeria, Burkina Faso, Cameroon, Cote d'Ivoire, Egypt, Ethiopia, Ghana, Kenya, Malawi, Nigeria, Zaire and Zambia. The determinants considered here are the general levels of incomes (GDP), external capital inflows, the nominal rate of interest on deposits, exports and total tax revenues. It is acknowledged that there are other determinants of savings such as wealth, prices, demography, rural-urban differences and economic and political conditions. Mainly for statistical estimation problems and for limited scope of this study, these determinants are not included in the present analysis. The analysis using the first set of determinants leads us to identify some of the major areas on which strategies of domestic resource mobilization should focus. The purpose of the analysis is to up-date the empirical evidence on the impact of these determinants on savings and to examine them in a longer run analysis than has been done so far. We are thus enabled to observe the behaviour of these determinants in the period after the oil price increases and during the extended recession in the industrialized countries.

Of the sample of twelve countries studied, it was found that in ten the role of the export sector was fairly central in any strategies of savings mobilization. This finding extends the traditional role of the export sector as an external resource mobilizer to that of domestic resource mobilizer and thereby puts the export sector at the centre of policy on savings and investment, making it an important pivot for the implementation of UN-PAAERD. It would seem that the development strategies in the post-independence period have yet to achieve a significant diversification of production, and that manufacturing for import substitution or for export has yet to attain notable successes. On the other hand the fortunes of the export sector in Africa are inexplicably linked with international economic conditions which will continue to impose limitations on any programme of domestic resource mobilization until significant diversification has been achieved.

The results of the analysis[4/] are presented in stylized form in Table 6 as follows:

Table 6

Stylized Presentation of the Determinants of Savings in a Selection of African Countries, 1963-1984 Period

	Income Levels	External Capital inflow	Nominal Interest Rate	Export Levels	Tax Revenue
Algeria	+1	+0	..	+1	..
Burkina Faso	-1	-0	+0	+0	+1
Cameroon	+1	-0	-1	+1	+1
Cote d'Ivoire	+1	+1	-1	+1	..
Egypt	+1	+0	+1	-1	+1
Ethiopia (1963-1974)	+1	-0	..	+1	+1
Ethiopia (1975-1980)	+0	+1	..	+1	-1
Ghana	-1	+1	+0	-0	+1
Kenya	+1	+0	+0	+1	-1
Malawi	+1	+0	-0	+1	-1
Nigeria (1963-1984)	+1	-0	-1	+1	..
Nigeria (1971-1984)	+1	-0	+0	+1	-0
Zambia	-0	-1	-0	+1	+0
Zaire	+1	-1	..	+1	-0

Note: Determinant positively (+) or negatively (-) affects savings.
Determinant has (1) or does not have (0) any statistical significance on savings.
For example: external capital inflow does not have a significant impact on savings in Algeria even though the direction is positive.

4/ The statistical significance of these results have been tested in a fuller study available at the African Development Bank. In that study the shorter term regressions for Nigeria and Ethiopia both have high explanatory power. The results for Ethiopia in the shorter term analysis have not been taken into account in the analysis. They are provided here for indicative purposes only.

In seven out of the twelve countries studied, the levels of taxation were found to be statistically significant in relation to savings but the results were mixed. In four countries the relationship was positive and statistically significant and in three it was negatively. In the three countries in which taxation was a positive influence it was deemed to be a major tool of resource mobilization. As a general conclusion, taxation deserves serious consideration in situations where voluntary savings are deemed to be unlikely and where the ratios of public sector revenues to the gross domestic product are abnormally low. Of greater policy issue are the methods by which savings mobilized in this manner are deployed.

It was only in four countries in our sample that the nominal interest rate had a statistically significant relationship with savings. In one case the relationship was positive, in the other three negative. But the fact that in six out of eleven cases the nominal interest rate was not statistically significant provided the argument for a simulation using real interest rates for a sample of three countries. The results were largely negative. For Cote d'Ivoire, the negative influence of the interest rate was unchanged but was rather strengthened meaning that savers definitely ignored the rate of interest. For Ghana the real rate only marginally improved the influence of interest rates on savings but it remained statistically insignificant despite the very high negative real interest rates, indicating, as in Cote d'Ivoire, the impotence of interest rates. For Zambia the sign changed from negative to positive but the effect of interest rates remained statistically insignificant. It would seem that after it has been ignored for a long period, depositors have lost the perspective of the interest rate variable. In the Pacific Basin interest rates had to be raised rather high before their responsiveness returned. Whether savers in Africa will be induced by the opportunity cost of present consumption in order to save rather than consume when interest rates are brought to their real levels is a matter that must be tested in the immediate term.

In seven out of the twelve countries studied the flow of external capital had no influence on savings. In the five cases in which a statistically significant influence was observed, three were positive and two were negative. This result implies that the flow of capital has had a rather mixed relationship with savings. The positive relationships are observed to be either in those cases in which external capital is urgently needed for

economic rehabilitation (Ghana) or in countries in which external capital has significantly contributed to recent economic development (Cote d'Ivoire). Finally, the important role of general income levels on savings mobilization, reached in the previous analysis on the basic saving-income behaviour has been largely confirmed.

2.3 The Capacity of Financial Intermediation

Having assessed the saving behaviour and identified the major determinants of savings, the next step is to examine the capacity of financial intermediation. The primary role of financial intermediation is to tap resources from surplus to deficit centres. The comparative studies on financial intermediation in Africa have assessed the capacity of the financial sector, in this role, in a number of ways. These include the content of deposits in the money supply, the size of total commercial bank liabilities in relation to the gross national product, the way the demand for money behaves during inflation, the gap between nominal interest rates and real interest rates, and the degree of bank density[5/]. The general conclusions that have been reached in these studies and in the analysis performed for this report are summarised below.

a. The African banking system is in a rudimentary stage of development. In particular the structure of the asset portfolios of banks does not indicate that it has the optimum capacity to mobilize domestic resources into the formal financial system.

b. The real capacity of the banking system to grow and its real capacity to mobilize deposits and to lend are very limited in the context of its present structure and its size in the African economy.

5/ The principal list of African literature include the following:

a) A.I. Abdi, Commercial Banks and Economic Development, the Experience of Eastern Africa, (Praeger, New York 1977).

b) K. Kwarteng, "Banking and Finance in Africa, A Review Article" Saving and Development No.3, 1982 IV Milan.

c) J.H. Frimpong-Ansah, Monetary Policy and Development: The African Experience (AOMS, Dakar 1980).

d) AOMS, The Role and Structure of Interest Rates in Africa (Dakar, 1985)

c. In terms of the geographical coverage of banks, as an indicator of the nearness of financial institutions to households, the evidence is that African countries generally have very low bank density which limits the service that banks can provide to the population as a whole, particularly in the rural sectors.

d. It has also been argued that the African financial system is sub-optimal in its role of deposit mobilization by virtue of the generalized structure of disequilibrium deposit interest rates and therefore exhibits the characteristics of financial repression. Financial repression has also been demonstrated not by prevalent inelastic demand for money with respect to inflation but chiefly by the lack of alternative forms of holding financial assets, the financial and business characteristics of informal and parallel markets and by the lack of enthusiasm of banks to market for deposits in inflationary conditions.

2.4 Taxation and Savings

The rationale of government intermediation in the savings process has been defended on two principal arguments: a) that it is often necessary, in an environment in which incomes are low, that the government should compensate for insufficient levels of private sector savings by the use of taxation and other forms of involuntary saving techniques, such as social security and compulsory saving deductions from incomes, and b) that the government should be able to employ taxation, and the appropriate use of tax resources, to act countercyclically.

For the purposes of this study it is advantageous to examine taxation in Africa in the framework of the complementarity between public and private savings and therefore to search for strategies that enable efficient and equitable tax structures to be created which also provide the maximum incentives for national savings mobilization. Three issues that are relevant within this framework are outlined below.

a. A major constraint on taxation policy in Africa has been the problem of maintaining tax buoyancy when relative emphasis shifted from international trade to domestic transactions either through import substitution strategies or through the collapse of the export sector. How best can tax policies be improved to cope with increasing domestic private consumption patterns?

b. As governments have sought to increase their expenditures on social and economic infrastructure, a principal income source that has been amenable to taxation has been agricultural incomes. This strategy seemed logical, as agriculture was the sector that had the greatest wealth in any economy emerging from the primary development phase. What are the appropriate public policies that can best preserve the agricultural foundations of the African economy and yet ensure optimum mobilization of national savings for modernization and for development?

c. In a number of instances, governments in Africa have attempted to increase public savings through the ownership of commercial enterprises. In what way are the experiences of these efforts useful in reassessing the role of the state in income generation and savings?

2.5 Overall Review of Performance in Savings

The issues and questions raised earlier provide us with the framework to examine the appropriate strategies and mechanisms for domestic resource mobilization in the public and private sectors of the African economy. As the performances of the public and private sectors have differed in the various countries, general remarks are necessary before detailed analyses of public and private savings are given.

a) As Table 7 shows, of the 20 countries studied, in only 6 did average public savings in the period 1972-1984 exceed 5 per cent of the GDP. In part, the weak performance of public savings is attributable to deficient revenue collection but in only a handful of countries can such a case be strongly upheld. On the other hand, in a number of countries, in which the rate of revenue collection could be regarded as satisfactory, public saving

was minimal and sometimes negative. b) With few exceptions the bulk of savings have been contributed by the private sector (Col. 5, Table 7). In comparison with the performance of the private sector in some more advanced developing countries (Brazil, Korea, Singapore, Col.5), the African private sector, with few exceptions, has been capable of carrying a substantial burden of saving mobilization. This seems to agree with the Lewisian hypothesis that "the amount saved is a function of the effort put into promoting savings"[6/]. The relative roles of the public and private sectors in savings mobilization in a sample of 20 countries are summarised in Table 7.

Table 7
Public and Private Savings as Ratios of GDP in Africa, Average During Period 1972-1984

Country	Public Savings Ratio to GDP	Private Savings Ratio to GDP	Total Savings Ratio to GDP	Private Savings Ratio to Total Savings	Public Revenue Ratio to GDP
1	2	3	4	5	6
Botswana	.17	.04	.21	.19	.45
Burkina Faso	.02	-.07	.05	1.17	.15
Cameroon	.08	.16	.24	.67	.21
Egypt	.05	.13	.18	.72	.43
Ethiopia	-.03	.10	.07	1.43	.14
Ghana	-.02	.06	.04	1.50	.07
Kenya	.01	.18	.19	.95	.21
Liberia	.06	.26	.32	.81	.26
Malawi	.03	.12	.15	.80	.21
Mauritius	-.03	.21	.18	1.17	.21
Morocco	.04	.09	.13	.69	.26
Niger	.04	.12	.16	.75	.14
Nigeria	.09	.19	.28	.68	.19
Senegal	.02	-.01	.01	-.1.00	.21
Rwanda	.03	.11	.14	.79	.11
Tanzania	.01	.14	.15	.93	.20
Togo	.07	.06	.13	.46	.29
Tunisia	.09	.14	.23	.61	.31
Uganda	-.01	.05	.04	1.25	.08
Zaire	-.01	.22	.21	1.95	.24
Compare:					
Brazil	.07	.12	.19	.63	.26
Korea	.04	.22	.26	.85	.19
Singapore	.16	.25	.41	.61	.33

Data Sources: IMF, Government Finance Statistics Yearbook, 1985 and International Financial Statistics Yearbook, 1986.

6/ W.A. Lewis, Development Planning (London 1966) pages 117-118.

3. Public Savings

3.1 Introduction

Taxation as a strategy for resource mobilization seems to have a conditionality that if there should be additional mobilization, through the public sector, its utilization has to be so designed as to enable the principal source to continue expanding productivity and incomes. Likewise, the expansion of public savings through the mechanisms of non-tax revenues can be justified only in an operational environment in which public sector enterprises are managed on efficient commercial lines. Moreover, increases in public savings are seen to be the result not only of increased mobilization but also of significant reductions in current public expenditures. It is in this framework that answers to the questions raised in (2.4) are attempted.

3.2 The Problem of Tax Buoyancy

In the post-independence period in Africa there has been a gradual shift of emphasis from international trade to domestic manufacture of basic consumer goods. Efforts to increase tax revenues should also have shifted towards taxes on incomes and on consumption of goods and services. The analysis summarised in Table 8 indicates that this has not happened. The marginal tax rates on international trade in most countries are well above those of taxes on the consumption of goods and services, and even more so with respect to taxes on incomes. The principal reason is that in the significant majority of countries, as illustrated in Table 9, the tax base is still stronger in international trade which is easiest to tax.

If a greater role is to be accorded to taxation in resource mobilization, then the machinery of taxation will require to be improved accordingly. In determining the marginal tax rates some indications of the scope for such reforms became available. With regard to taxes on incomes it was only in 3 out of the sample of 13 countries that the results of the analysis indicated the existence of tax potential that was not adequately tapped and of the 3 in only one was the observation statistically significant. The existence of potential is more widespread in the case of taxes on consumption. Of the 13 countries studied, 9 indicated untaxed

potential. Despite the advanced stage of evolution of external trade taxes, the results indicate that considerable potential still exists with 9 countries out of 13 giving this indication. Another result that is relevant to this discussion is that, though in the vast majority of countries in our sample marginal tax rates on income are rather small the tax base elasticities are generally high. In 9 countries in the sample of 13 this high elasticity indicates that this form of taxation has potential in Africa. A similar conclusion is possible with regard to consumption taxes where in 9 of the 13 countries high elasticities have been observed.

Table 8
Marginal Tax Rates in Selected African Countries, 1972-1984

Country 1	Taxes on Incomes 2	Taxes on Consumption 3	Taxes on International Trade 4
Cameroon	.15	.05	.13
Egypt	.07	.08	.15
Ethiopia	.05	.05	.32
Ghana	.01	.02	.21
Kenya	.06	.15	.13
Malawi	.07	.11	.13
Morocco	.04	.14	.13
Mauritius	.01	.06	.17
Senegal	.04	.07	.09
Sudan	.01	.04	.33
Tanzania	.05	.11	.16
Zaire	.06	.08	.04
Zambia	.03	.16	.10

Note: Marginal Tax Rate "b" is derived from the equation Tax = a + b (Tax base). Tax Bases are: GDP for taxes on incomes, private consumption for taxes on consumption, total international trade for taxes on international trade.

What is the scope for further taxation? With regard to international trade, the prevalence of overvalued exchange rates in Africa rules out any further tax pressures on exports in most countries. But for that same reason, a general resource mobilization tax on imports of goods and services would be justifiable and viable particularly in countries where the tax base is

strong[7/]. On consumption, the observed relatively low marginal tax rates would indicate that targets should be set for raising these rates at least to the levels achieved in the international trade sector. In most countries, the bulk of consumption taxes are excise and the emphasis is on alcohols and tobacco. For the massive resource mobilization envisaged under UN-PAAERD, a more generalized emphasis will be called for. On incomes, the scope is more limited even though the gap between the marginal tax rate and the tax potential is the greatest among the three forms of taxation. The reason is the large subsistence sector component in GDP. In recent times social security contributions by both employers (including government) and employees have become a substantial source of savings, and are retained in separate funds or are independently managed, (Kenya, Ghana). This could be the type of independently managed quasi-taxation that may afford potential for independently managed public savings mobilization.

Table 9

Tax Base Elasticities in Selected African Countries

Country 1	Taxes on Incomes 2	Taxes on Consumption 3	Taxes on International 4
Cameroon	2.09	1.04	.83
Egypt	1.59	1.07	.68
Ethiopia	1.67	1.34	1.47
Ghana	.76	.76	1.06
Kenya	1.02	1.33	1.50
Malawi	1.20	1.49	1.93
Morocco	1.04	1.13	1.27
Mauritius	.28	.97	1.45
Senegal	1.04	1.18	.79
Sudan	.78	.72	1.21
Tanzania	1.07	1.21	1.14
Zaire	1.03	1.15	.99
Zambia	.38	.99	1.25

Method: Tax-base elasticity "b" is derived from the equation Log Tax = a + b log (Base), where Base is the GDP for taxes on incomes, total private consumption for consumption taxes and total international trade for international trade taxes.

7/ Strength of the tax base is measured by the tax-base elasticity. Where the elasticity is greater than 1 the base is strong, less than 1 the base is weak.

3.3 The Problems of Taxation of Agricultural Incomes.

In the period immediately following independence many countries in Africa attempted accelerating the transformation of their economies by undertaking substantial investments in social and productive capital. As the agricultural and mineral export sectors of the African economies were the better organised and better endowed in the pre-industrial state, the major burden of taxation for development fell on them. Though the export sector has been identified to have the greatest influence on savings, the problem has always been how financial policy in economic development can be so designed that optimum savings are mobilized from the export sector without destroying incentives and effort of that sector to grow and diversify. Some countries have largely achieved this objective while others have failed. In some of the countries that have failed, the effects have been so massive and pervasive as to warn that policies relating to the taxation of export sectors have to be carefully designed.

Taxes on export incomes have taken three forms in Africa: one is the direct tax levied by governments on agricultural exports and this has been estimated to be as high as 45 per cent on gross income in many countries. The second takes the form of the running costs of agricultural marketing and export boards; these boards have been characterised by inefficiency, weak cost control, excessive overmanning and political interference[8/]. Some have been chronically indebted to farmers and to banks. These costs have been reflected in low producer prices. Nigeria abolished marketing boards in 1986 for some of these reasons. The third cost derives from exchange rate over-valuation. The significant degree of over-valuation of exchange rates in Africa has imposed a ceiling on the local currency values of exports and therefore the tax and savings potential for the export sector.

The combined effects of the above three factors on producer prices are well captured in Table 10 which illustrates the very pervasive and deep-seated nature of excess taxation of producer incomes in the primary export sector.

8/ Lord (P.T.) Bauer, West African Trade (Cambridge 1954) and with Yamey Markets, Market Control and Market Reform (Weidenfeld and Nicolson London, 1966) pioneered most of the work in this field.

Table 10

Producer Price Ratios to Border Prices of Selected Commodities in Selected Countries, 1979-1980

Country 1	Groundnuts 2	Coffee 3	Cocoa 5	Cotton 5
Ghana		0.45	0.34	0.73
Zaire		.06	0.34	1.28
Nigeria		0.69	0.88	0.85
Cote d'Ivoire	0.33	0.44	0.43	0.53
Niger	0.65			0.80
Cameroon		0.46	0.43	0.35
Senegal	0.59			0.35
Somalia	0.57			0.58
Central African Rep.	0.41	0.23		0.35
Tanzania		0.47		0.50
Kenya	0.59	1.01		0.63
Burkina Faso	0.41			0.38
Madagascar	0.66	0.31		0.58
Zambia				0.83
Malawi	0.60	0.27		0.38
Zimbabwe	-	0.38		0.75
Sierra Leone	0.59	0.59	0.66	

Source: ECA, Agricultural Credit and the Mobilization of Resources in Rural Areas. (Addis Ababa, May 1986) page 25, cited from FAO (ARC/84/4) 1984.

In order for the export sectors of the African economies to make the optimum contribution to domestic resource mobilization, the role of marketing boards in the domestic handling of exports should be rationalized. A residual role of marketing boards, if it is deemed necessary, and subject to national economic systems, should be limited to quality control, assistance in the supply of essential inputs, the setting of minimum price guidelines, the provision of financial guarantees to companies involved in marketing, external price management, international negotiations and the management of producer price stabilization funds.

Exchange rate policies that are more consistent with national macro-economic targets can improve the balance sheets of exporters and strengthen the competitiveness of the export sector.

Tax revisions should guarantee the retention by farmers and other exporters of real producer prices high enough to meet the cost of production and the provision for necessary investments in the industry. For some governments whose fiscal policies have become very dependent on the taxation of the export sector, these reforms would appear difficult, but the alternative policy of repression of the export sector without corresponding diversification has far greater adverse longer term repercussions. As many export commodities are from perennial tree crops or are minerals that require long term exploration and/or development, there are both short and long term supply responses to price changes. Generally the long term supply response is more fundamental than the short term response[9/] and therefore when the longer run producers' effort is undermined by inappropriate prices it becomes extremely difficult to rehabilitate an export sector in the immediate term. There is also the added complication that usually other producers would have filled the gap created by the decline in production. This means that an aggressive programme of rehabilitation in a major producing country in order to recapture former markets, if it were possible, could destabilize producer prices.

3.4 Public Savings and State Commercial Enterprises

Different African countries have adopted different approaches to the role of state intervention in commercial activity. However, in all African countries the state has taken some significant initiatives in commercial enterprises. There are several justifiable reasons for the present public sector bias in most African countries. There was the general belief at independence that the state had a natural role to protect the national economic interest from a perceived exploitation. As the indigenous modern private sector was not well developed, it was thought that state intervention could provide a counter-balance to the large expatriate enterprises. It

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9/ G. Ssemogerere, E.O. Ochieng, S.A. Bachou, "Foreign Exchange and Exchange Rate Policies in Uganda: The Effects of Devaluation on Production", IDRC Workshop on Economic Structures and Macro-economic Management. Harare, December 8-12, 1986. This paper lists a few examples of short and long term supply elasticities of African export crops. The term supply response is used here to mean supply elasticity. The long term elasticity is usually larger than the short term one.

has also been appropriate to recognise the positive commercial role of the state in the acceleration of the development process by pioneering investment programmes that are beyond the capability and know-how of indigenous entrepreneurship[10/].

Consequently, the state sector is today estimated to account for most of the investment in the commercial sector in Africa, and for about 50 per cent of all employment in the modern sector[11/]. There are 137 state owned enterprises in the financial and non-financial sectors in Kenya, 94 in Morocco, 186 in Tanzania, 42 in Cote d'Ivoire, and in Zambia there are 151 central government enterprises and 165 local government enterprises[12/]. Yet, as illustrated in Table 11, with few exceptions, the direct contribution of the state commercial sector to public revenue is quite small. In discussing the rationale of state commercial enterprises, from the point of view of domestic resource mobilization, two objectives are relevant: first, greater emphasis should be placed on those commercial enterprises in the public sector that are more efficient. Second, given the powerful tool for resource mobilization that taxation exercises, enterprises that have higher profit earning capability should be given greater encouragement.

Table 11
Direct Contributions of State Enterprises to Public Revenue in some African Countries

(Millions of National Currencies)

Country	Year	Number of Public Enterprises	Total Public Revenue	Revenue from Public Enterprises	
				Amount	Per cent of Revenue
1	2	3	4	5	6
Morocco	1983	94	24516	1910	7.8%
Kenya	1983	137	16622	652	3.9%
Zambia	1983	316	860	20	2.3%
Lesotho	1983	27	175	3	1.7%
Tanzania	1981	186	10311	156	1.5%
Cameroon	1984	117	795410	6980	0.9%
Cote d'Ivoire	1980	42	517556	197	0.3%

Source: IMF Government Finance Statistics Yearbook, 1985.

10/ K. Nkrumah, Autobiography (Paraf 1973) page 128.

11/ IFC Enhancing the Role of the Private Sector in Development of Sub-Saharan Africa: Problems, Prospects and Possible Solutions (Washington D.C., October 1986).

12/ IMF Government Finance Statistics Yearbook 1985.

3.5 Public Sector Expenditures

High public expenditures have often been blamed for the poor performance of public savings. In this analysis public expenditures are examined in a slightly different light by relating their growth rates in the past decade with the growth rate in public revenues (Table 12). For the 20 countries that have been so studied, in 8 of them the current public expenditures are found to have grown at a slower pace than public revenues. Only in a small majority of countries (12 out of 20) have public current expenditures grown faster than public revenues. This generally fair performance is reflected in Table 12, but as the low public savings rate to the GDP indicates, the rate of reduction in current public expenditures has to be brought down further if larger public savings are to be mobilized.

Table 12
Comparative Rates of Growth of Public Revenues and Current Expenditures in African Countries
(Per cent)

Country 1	Period 2	Average Annual Growth of Public Revenues 3	Average Annual Growth of Public Expenditure 4	Gap (3-4) 5
Rwanda	1973-1980	28.2	20.1	+8.1
Cameroon	1975-1984	27.2	22.1	+5.1
Tunisia	1973-1982	21.2	17.8	+3.4
Uganda	1975-1984	52.6	49.3	+3.3
Egypt	1975-1984	18.7	18.4	+0.3
Senegal	1973-1983	15.2	14.9	+0.3
Sudan	1972-1982	20.8	20.5	+0.3
Tanzania	1972-1981	21.5	21.2	+0.3
Liberia	1974-1983	17.5	17.7	-0.2
Zaire	1974-1983	42.0	42.3	-0.3
Botswana	1974-1983	26.7	27.3	-0.6
Morocco	1974-1983	12.5	13.8	-1.3
Ethiopia	1972-1980	14.8	16.3	-1.5
Kenya	1974-1983	18.2	20.1	-1.9
Mauritius	1974-1984	17.7	19.8	-2.1
Togo	1977-1984	11.8	14.3	-2.5
Ghana	1975-1983	37.3	40.0	-2.7
Lesotho	1973-1983	22.1	24.7	-2.6
Burkina Faso	1974-1983	15.5	19.1	-3.6
Sierra Leone	1975-1984	11.9	17.1	-5.2

Source: IMF, Government Finance Statistics Yearbook, 1985.

Note: The sizes of the rate of growth are of no comparative significance. In a few cases they reflect differences in the rates of inflation.

4. Private Savings

4.1 Introduction

The duality of the African economy is well reflected in the clear demarkation of the financial system between formal and informal sectors. Most financial services, particularly banking, are formal and urban based. However "the great bulk of the African population makes little use of formal savings and lending institutions"[13/]. Strategies for resource mobilization in the private sector, therefore, must distinguish between two separate objectives. One is to increase the overall level of savings by increasing the marginal rate of savings; this objective relates to factors influencing overall income levels and the saving habits of the population. The other objective is to ensure that the rising marginal rate of savings is reflected in financial assets rather than in hoarded assets (such as textiles, gold trinkets, cattle, hoarded currency, etc.). It is the latter objective that concerns the financial modernization of the informal sectors located predominantly in the rural and less formal urban areas of the African economy.

4.2 The Informal Financial Sector

Informal savings clubs and societies and credit unions are to be found in every country in Africa, and the accumulation of saving in some of them have been estimated in surveys and reports to be substantial. In Ethiopia the EKUB's annual savings were estimated in an official report to be as high as 8-10 per cent of the Gross Domestic Product[14/]. The **Tontin, Susu** and **Djanggi** mobilize significant savings in West African countries and have become the most popular method by which most urban working people and rural dwellers save towards the acquisition of semi-durable goods. In Zimbabwe, the Savings Development Movement has since 1963 brought together over 5,500 savings clubs and has centralised their needs for agricultural supplies and marketing.

13/ ECA, Agricultural Credit and the Mobilization of Resources in Rural Areas (Addis Ababa, May 1986) Page 30.

14/ G. Begashaw, "The Economic Role of Traditional Savings and Credit Institutions in Ethiopia" Savings and Development, No.4, II, Milan 1978.

The ratio of currency to the broad definition of money supply is presented in Table 13 as a guide to the trends in the informal markets of a selection of countries. By this proxy, the informal market is estimated to be steadily declining in size in Africa in economies that are stable, but the urban informal market has had the tendency to expand in situations of monetary instability and especially where exchange and price controls have been rigid, or where confidence in the financial system has been undermined by political factors.

Table 13

Structure of Broad Money, 1965-1985
Currency in Circulation as Ratio of Money and Quasi Money

Country 1	1965 2	1970 3	1975 4	1980 5	1985 6
Algeria	.52	.36	.38	.45	.34
Cameroon	.46	.43	.30	.25	.18
Cote d'Ivoire	.47	.37	.37	.36	.33
Gambia	.68	.63	.57	.44	.33
Ghana	.39	.35	.35	.44	.48
Kenya	.21	.20	.18	.19	.19
Malawi	.35	.28	.23	.18	.17
Mali	.63	.65	.57	.65	.47
Mauritius	.38	.23	.23	.19	.15
Mauritania	.53	.36	.31	.34	.34
Nigeria	.43	.35	.25	.22	.23
Uganda	.34	.36	.29	.39	.42
Central African Republic	.59	.59	.53	.67	.71
Rwanda	.64	.48	.45	.37	.30
Sierra Leone	.48	.44	.29	.33	.36
Tanzania	.36	.37	.32	.30	.29
Zaire	.44	.36	.37	.39	.47
Zambia	.17	.12	.21	.17	.16

Source: IMF, International Financial Statistics Yearbook, 1986.

The informal financial sector has been observed to have evolved over a long period of time and has therefore derived its rules and regulations from indigenous customs and traditions. It is largely based on trust, has little formality in its transactions and it is free from official regulations and controls. It selects its own financial terms and exchange rates in accordance with market conditions and it is able to discharge its obligations promptly at its posted prices. In its own way it has developed into an efficient market, in some respects more efficient than the formal market.

The effort to persuade people to make the transition from the informal to the formal is, therefore, similar to that of persuading a change from traditionally satisfactory habits to new ones and it must involve the supply of benefits which are at least as valuable as those being surrendered. In many studies the inducements that have been listed are greater security of deposits such as are possible with successful urban commercial banks, higher interest rates largely in excess of the often zero rated deposits in savings clubs or hoarded currency, higher liquidity of assets through quick withdrawals, and greater lending capabilities as can be promised by banks to good customers. In some countries, tax concessions have been offered on interest earned on new deposits and in some cases similar benefits have been extended to banks able to open new branches in rural areas. Recent examples are to be found in Nigeria, Uganda, Zambia, Swaziland and Mauritius. In some countries a more liberal attitude to the informal financial markets has replaced the previously hostile attitude.

Whatever concepts and strategies may be developed to enlarge the formal financial market at the expense of the informal market, the appropriateness of the institutional structures that are designed to link the sources and uses of resources are the most crucial. In focussing upon this important factor, this part of the study relies on the experiences and opinions of savers and of financial intermediaries in determining the methods and the structures that should be emphasized.

Most field studies, including that undertaken in the course of this study, that have investigated the savings behaviour of small to medium size

savers[15/], list their institutional preferences in the following order: commercial banks (50-60 per cent), post office savings banks (15-20 per cent), hoarding (10-15 per cent), savings clubs (4-5 per cent), building societies, where they exist, (1-3 per cent), credit unions (1-2 per cent) and others (5-8 per cent).

Facilities for easy withdrawal of savings is the most important reason for selecting the form of institution. For depositors who are less literate, particularly those in the rural communities, the minimization of paper work in bank transactions is desirable. Moreover, depositors are also greatly concerned with the security of deposits. This is considered to be the second most important factor in the mind of depositors. It happens that in Africa the incidence of bank collapses are most infrequent because most banks are either subsidiaries of major international banks or are state-owned. Nevertheless the need for central banking legislations and other banking laws to ensure the protection of deposits is seen here to be important for savings mobilization.

The nearness of a financial institution to the depositor's home or place of work is also an important factor. When interpreted for resource mobilization, this means that strategies should aim at taking to the depositor the appropriate financial institutions. This is where most of the problems of financial intermediation have occurred and on which some attention will therefore be devoted. The payment of higher interest rates is also recognised by depositors to be an important inducement. It provides one of the reasons why post office savings banks are less favoured than commercial banks.

These findings suggest that the strategies to extend the role of commercial banks, and financial institutions similar to commercial banks but operating with less formality, should be given the greatest emphasis in developing financial intermediation to the less formal sectors of the African economy.

15/ Among the most recent studies is C. Chipeta, F.N.D. Kaluma, J.F. Khonyongwa and M.L.C. Mkandawire, "Financial Savings, Government Spending for Production Activities and Macro-economic Adjustment in Malawi", IDRC Macro-economic Workshop, Harare, November 1986.

4.3 Role of Commercial Banks in Financial Intermediation

Commercial banks, now the most widespread in Africa, were first introduced into Africa in support of the import-export enterprises of foreign businesses at a period when most of the economies they entered were in a state of barter[16/]. The colonial authorities themselves admitted that these foreign banks were mere custodians of cash and agents for external operations, and their structures were unsuited to the "primitive economies in which millions of people lived in subsistence societies"[17/]. The character and structure of expatriate commercial banks have not changed; one may even say that banks have become more entrenched in their role as agents for external operations than ever before.

The creation of indigenous banks has done little to alter the structure and mode of operation of commercial banks in Africa. The first indigenous commercial banks, in the mould of the expatriate banks, to appear in Africa were in Egypt in the early 1930s. In Sub-Saharan Africa, the first indigenous banks were established in Nigeria in the mid-1940s and were in direct response to the desire of emerging African businesses to create their own banks. It was not until after independence that the indigenous state banks were created in response to popular demand for banks that would better serve the interest of indigenous business. Most of these indigenous banks took on structures and practices similar to those of the expatriate banks[18/]. A popular demand for more formal financial intermediation in the less formal and rural sectors has not yet exerted itself.

16/ W.T. Newlyn Money in the African Context (Oxford, 1967) page 2.

17/ Public Records Office, London, File No. Co. 852/1081/2.

18/ J.H. Frimpong-Ansah "Commercial Bank Lending to Local Enterprises in Africa: Some Experiences," ODA/World Bank workshop on Commercial Bank Lending to Small Enterprises and the Operation of Credit guarantee schemes. London Business School, July 1986.

A study by the African Centre for Monetary Studies (ACMS)[19/] gives a few examples of the skewed distribution of banks. Of the 16 banks that operate in Kenya, three completely dominate banking business in the country. Of these banks one is indigenous and two are foreign. The business of the foreign banks is carried out exclusively in the four largest urban centres. In Morocco, bank offices at the end of 1981 totalled 611; 25 per cent of these were located in Casablanca alone where 41 per cent of all deposits were held. In Sudan, at the end of 1981, there were 137 bank offices and agencies; 35 per cent of these were located in Khartoum.

There are several defects in the current practices of commercial banks. They are, as at present structured, essentially urban institutions and therefore do not have the desire to expand their network appropriately to the bulk of the African households and businesses in the non-urban areas. Their operations are "restricted to the sectors of the economy that are already flourishing"[20/]. Where commercial banks have been persuaded to extend their branch networks into some non-urban sectors, they have had difficulty achieving their full potential in rural savings mobilization or meeting rural credit needs because of their rigid procedures and higher operational costs, particularly their high pay structures, long delays in decision making, and lack of adequate devolution of authority to branch managers[21/]. Most branches of large commercial banks in smaller towns and villages are merely smaller versions of city banks, and are therefore culturally incompatible with the areas they serve. They are unable to attune themselves to the facilities, services, instruments and the character of their rural customers. Most rural customers interviewed in the course of this study were of the view that branches of urban banks, both state and privately owned, were alien institutions that did not always appreciate their needs and preferences. Urban based banks have commercial criteria for their operation that rural

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19/ ACMS, The Role and Structure of Interest Rates in Africa (Dakar 1985) p.34.

20/ G.J.B. Green "The Role of Commercial Banking in Agriculture" in Rural Financial Markets in Developing Countries, Von Pischke, Adams, and Donald (Eds) (Johns Hopkins, 1983). Views are based on the experience of Barclays Bank in Africa.

21/ This is an experience shared with Asian countries - See Asian Development Bank, Improving Domestic Resource Mobilization Through Financial Development, (Manila, September 1985) page 28. Also discussed in Frimpong-Ansah (1986) ODA/World Bank, Op.cit.

customers cannot meet. But because these criteria relate to the granting of credit and not to the collection of savings, the rural operation of urban commercial banks is skewed against the borrower, and cannot continue indefinitely without undermining the concept of commercialization of the rural economies and the long term strategies of resource mobilization and growth of the African economy.

Though these problems vary in intensity in different countries, they have engaged the serious attention of many governments in Africa. In most countries the attempt has been made to create new banks and to employ the resources of state ownership and patronage to push banking services to indigenous sectors of the economy.

In those countries in Africa where aggressive strategies have been followed in promoting financial intermediation by commercial banks, three different approaches have been observed. One, and the most common, is the creation of large state-own commercial banks through which various types of state support and patronage are channelled to facilitate aggressive branch banking. The best example of this approach is National Bank of Commerce in Tanzania through which over 90 per cent of financial savings is mobilized. Created through nationalization in 1967, this bank had in the 20 years to 1986 expanded its branch net-work from 64 to 389. A second approach has combined techniques of coercion and inducement to force existing commercial banks to expand their branch net-work to rural areas. The newest example is found in Nigeria where since 1977 commercial banks have been made to establish 465 new rural branches. A third approach is found in programmes that assist rural communities to create their own indepedent banks. The best example, in recent years, is found in Ghana where 106 such banks have been created since 1976.

All these efforts have faced their particular problems. Expansion programmes have been forced to slow down due to the high cost structures of rural banking[22], particularly in relation to the rate of deposit response. The lack of basic social infrastructure in some areas has delayed expansion programmes. And, in the case of the independent rural banks, the pace of

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22/ C.M. Nyirabu, "Mobilization of Household Savings for Development: Experience of the United Republic of Tanzania" in Saving for Development, (New York, U.N. 1984).

expansion has been limited by the need to develop both financial integrity and lending opportunities. The evidence in Table 14 of higher deposit and lending ratios does indicate encouraging prospects for the approach of independent rural banks even though the recent trends show some stagnation.

Table 14

New Initiatives in Nigeria and Ghana in Rural Banking: Deposit and Lending Performance, 1982-1986
(Per cent)

End	New Rural Deposits as per cent of National Deposits		Percentage of Rural Lending out of Deposits	
Year	Nigeria	Ghana	Nigeria	Ghana
1982	2.93	3.40	41	46
1983	2.73	6.51	35	70
1984	2.94	5.44	28	74
1985			36	55
1986			42*	58

Sources: Central Bank of Nigeria; and Bank of Ghana.
* April 1986.

4.4 Creating New Types of Rural Financial Institutions

In reviewing the idea of a new type of rural financial institution a number of conceptual problems emerge. It has been explained that the drive for resource mobilization in the immediate term must be that of redirecting existing and potentially large resources in the rural and informal sectors of the African economy into more formal channels in a manner that will ensure the faster growth of these resources and their sources. Though a new form of rural financial intermediation may offer a possible contribution, the larger amounts of domestic resource mobilization envisaged under UN-PAAERD in the immediate term clearly indicate that existing mechanisms must also be given a major role.

The second issue relates to the scope of diversification that the limited rural market can offer for independent rural institutions. The question is whether institutions can lend all the deposits that they can mobilize and whether, in the longer term, portfolio diversification is possible for rural institutions within the less developed rural environment.

The third issue relates to the operational cost of administering and appraising of large numbers of relatively small loans and consequently the higher revenue structures that must be a necessary condition for the commercial success of a rural financial system. The question is how a structure of charges in the rural financial system higher than urban changes can be made politically acceptable when the agricultural sector is accorded priority in public policy. If this political test can be passed then it can be argued that urban financial institutions may become more voluntarily inclined to expand into the rural and informal sectors of the African economy.

There are other issues such as the availability of managerial expertise on the scale which a rapid development of a rural financial system would demand, and the time it would take to develop credibility and integrity in small local financial institutions.

4.5 Other Formal Financial Intermediation

The postal savings systems in Africa rank among the oldest forms of financial intermediation especially in their role of mobilizing resources from surplus rural communities to finance public sector expenditures. Because of their links with the postal system these savings banks have largely suffered from lack of modernization and from financial accounting rigidities. Those savings banks still strongly attached to the postal system emphasised a number of aspects. The greatest attraction of the Post office savings banks was the combination of their nearness to the homes of depositors and the security of deposits. What was demanded by most depositors was the facility for easy withdrawal. But the lack of lending facilities had driven many depositors away from the post office savings banks to the credit unions and the commercial banks.

For these reasons most managements of post office savings banks have strongly argued for management and financial autonomy within the postal system. In the few countries in which this form of independence had been achieved, it was observed that the post office banks had rapidly taken on the structures and mode of operation of commercial banks and their role of intermediation had been considerably enhanced. It would seem that the post office savings banks, with suitable modernisation could become a more important instrument of domestic resource mobilization.

The growth of **insurance companies** in the post-independence period in Africa has been phenomenal. In some countries both insurance revenues collected since the 1960s and the additional savings the public has entrusted to insurance companies have been estimated to have increased at an average annual rate in excess of 20 per cent. There are a number of explanations. First, recent research has identified the degree of literacy, the levels of per capita incomes, the degree of openness of the economy and the intensity of energy use as the principal determinants of resource mobilization by insurance companies[23/]. These determinants positively link insurance revenues with the economic development efforts in the post-independence period. Second, there has been far greater marketing for African life and activities by insurance companies in the post-independence period than in the colonial period when there were limitations on actuarial knowledge. In studying the performance of insurance companies the general conclusion is that the scope still exists for greater resource mobilization through greater involvement in the non-urban and less formal sectors of the African economy. By the same reasons that central banks have sought to expand the activities of commercial banks to the rural sectors of the African economy, the demonstated capabilities of insurance companies in resource mobilization would justify official encouragement and incentives for the expansion of insurance activities in financial intermediation.

As agencies for resource mobilization, African stock exchanges face common problems. First, there has been a general reluctance of companies to be listed on the stock exchange with the resulting tendency for share prices to remain high for the few listed companies. A number of explanations have been given for the inadequate listing. The problems of transferring shares to a wide range of indigenous investors is particularly acute in Côte d'Ivoire and Kenya; Kenya has tackled this problem by a regulation which requires that a company going public must make provision for 80 per cent of the purchase price in loans to indigenous purchasers repayable over 18 months. Between 1952 and 1971 the number of listed companies in Kenya increased from 43 to 67, but has since decreased to 55 in 1986. There have been take-overs and mergers, as well as voluntary liquidations. But the principal explanation is the tendency for investors to view their holdings as long term investments. The market has remained too small for diversification.

23/ S.E. Omoruyi, "The Insurance Industry in Nigeria: Sources and uses of Funds" unpublished MA Thesis, IDEP Dakar, 1984, gives an excellent analysis of these determinants for Nigeria.

The second reason given for the slow growth of stock exchanges in Africa is the ease with which bank credit is made available to companies needing capital enrichment whose good performance would have qualified them for stock exchange listing. This handicap is particularly felt in the Abidjan, Nairobi and Harare exchanges. It illustrates a combination of the high liquidity of banks and their preference for large borrowers.

Another major problem that faces African stock exchanges is their inability to stimulate a well functioning secondary market. Though secondary markets exist in Nigeria and Côte d'Ivoire, they lack the technical sophistication of the institutional investors of the advanced markets who are able to intervene to limit fluctuations in share prices. There is also the problem of coordinating bond issues with the small and generally static share market. In Abidjan, Lagos, Nairobi and Harare, the bond market vitually drains most resources and helps to convey the undesirable character, for the stock exchanges, of a market for long term instruments. Hence, share holders tend towards risk aversion and conceive of shares as capable of maintaining their prices as bonds.

As regards the possible development of an international class stock exchange in Africa there are important conditions that must be met. The host country's economy must have remained sound for a considerable period; it must be free of political instability; it must enjoy a high degree of currency convertibility; and it must itself have a well developed domestic market for stocks and bonds. For an African stock exchange to emerge as a domestic as well as a regional and international reality, it must become the object of long term public policy to create the appropriate environment for it to be nurtured.

4.6 The Role of the Central Bank

The central policy and co-ordinating role of the Central Bank in resource mobilization has been alluded to in the course of the analysis on the role of commercial banks. The central bank, however, has a much wider role over all the key determinants of savings. The central bank can also directly and indirectly determine the pattern of financial intermediation and influence its course through its policies.

The central bank's policy on exchange rates has a direct effect on the export sector. A flexible exchange rate policy does less damage to exports and their diversification and to savings mobilization than that which keeps the rate indefinitely sub-optimal. Likewise, an interest rate policy which creates negative real interest rates for an extended period represses the financial sector and immobilizes the policy effects of the interest rate tool.

The role of central banks in Africa on fiscal policy is however mixed. In some countries, the central bank plays a central role in determining fiscal policy guide-lines and thereby in stimulating the tax capacity of the government. In those countries in which the central bank has limited influence on fiscal policy, taxation usually takes the indirect form of inflation via central bank lending to government. Given the high consumption propensity of many governments, this form of taxation is less favourable to savings mobilization and could also create a permanent spiral of inflation.

Central banks that are able to attain respectable credibility in the international capital markets are able to raise larger credits at finer margins in support of domestic production. Those central banks that have achieved a tradition of exchange convertibility are able to remove some of the inhibition of external long term capital and to promote larger bilateral resource flows in support of development.

Central Banks in Africa have also been involved in the direct stimulation of commercial banks in financial intermediation outside the types of direct action in Nigeria and Ghana. Central banks have been known in Africa to have initiated and funded deposit and credit insurance schemes, industrial and agricultural development banks, insurance companies and stock exchanges. Central banks have also issued, underwritten and subscribed to large amounts of public sector debt instruments for public spending. In these ways the central banks have become an important pivot for domestic resource mobilization.

5. Recommendations and Policy Implications

5.1 Recommendations

An important finding in this report is that methods must be found in Africa to ensure that larger proportions of incremental incomes are saved in order to reverse the general trends, in recent years of deterioration in the potential to save. The primary method of bringing this about is the creation of long-term confidence in African economies through the economic reforms that have already began in many countries. The specific methods include the conscious effort to implement saving strategies in both the public and private sectors, the introduction of stricter rules and measures of productivity targets, and stricter methods of accountability in the use of public and private assets and financial resources.

The stimulation of public concern and the greater mobilization of public consciousness have been useful tools in the past to awaken a people to the urgent need to mobilize resources for particular emergencies. The present economic emergency in Africa, as outlined in APPER and UN-PAAERD, warrants similar approaches if the large amounts that are envisaged are to be raised. The specific methods in this approach are those that arose the public will towards the course of economic recovery. They include regular voluntary contributions to savings in various forms, from the lowest to the highest income earners, and larger profit retentions in enterprises. They also include a greater demonstration from governments of significant reductions in spending.

A possible less painful method of mobilizing larger savings is the enlargement of the role of social security contributions and of the use of insurance enterprises for this purpose. The specific possibilities in this area include the extension of the scheme to the less formal sectors of the economy and the self employed, and the indexation of benefits as far as possible to the rate of inflation in order to guarantee the longer term returns from this method of involuntary savings. These saving possibilities will be greatly assisted by reductions in the present legal limitations on the forms of investment of social security contributions and the introduction of flexible interest rates where investment are made in government securities.

The fragility of the African export sector, with its established central role in domestic resource mobilization, strongly suggest efforts at its diversification, but within strategies which for the time being preserve its present revenue capability. This approach should remain the number one priority in African economic policies. Specifically, the pace of all other modernization and investments must bear a viable relationship with the development and productivity of this sector; the quality of management of domestic and international pricing and marketing must continue to be accorded the highest priority; and the welfare of producers in this sector must remain of greatest concern in public policy during the process of viable diverisification.

There is still a substantial tax potential that can be exploited without necessarily increasing the tax burden, if greater efficiency can be introduced into taxation methods and policies. But improvements that are needed are those that can be specifically targetted at the mobilization of savings and are, therefore, not those that will facilitate larger current public spending. In this respect, the report has identified consumption taxes as offering the best potential. A flat APPER consumption tax would be in order if such resources are mobilized into a fund under independent management for economic recovery purposes only.

The need for interest rates to be liberalized and to be allowed to move to levels where they will become sensitive to policy adjustments is important in rewarding both financial intermediation and the saver. This recommendation is particularly related to those public policies that must be pursued in the respective African countries, as are appropriate, to integrate the formal and informal financial sectors. There will be higher costs and greater risks in this process for urban and rural financial institutions. Similarly there must be larger financial inducements if larger mobilization should become possible.

External capital inflows must be seen as a counterpart to domestic resource mobilization and not a substitute. In those countries that have faced protracted economic stagnation and decline, external capital is an essential condition for the rehabilitation of capital stock and other productive facilities before increased production can become possible and new savings can be mobilized. Those public policies that facilitate the required

capital inflow on appropriate terms are therefore an important condition for domestic resource mobilization for Africa's economic recovery. Therefore, for countries in stagnation and decline, the link between external and domestic resource mobilization is more dynamic.

5.2 Policy Implications for ADB and ECA

This study has identified four key areas in which policy concentration is called for in an effort to improve domestic resource mobilization in Africa. The four areas are the promotion of the growth of aggregate incomes, the stimulation and diversification of exports, the pursuit of prudent fiscal policies, and the co-ordination of activities with central banks and commercial banks. What roles can ADB and ECA play in these areas?

By the nature of its functions, ADB's operations - resource mobilization and investment in income generating development projects and programmes in regional member countries - are designed to promote growth in incomes. With capital resources of the Bank increased substantially combined with a matching increase in the resources of the African Development Fund, the role of the Bank Group in generating incomes and therefore the potential for domestic resource mobilization in Africa is expected to be enhanced. Through the link between exports and domestic resource mobilization, the Bank Group's new orientation is to support the latter through placing greater emphasis on export oriented projects and programmes than before. To succeed in promoting export growth in Africa, the Bank would also need to intensify its intellectual work on export growth. Further, export growth in Africa could also be enhanced through specific measures aimed at directly assisting African countries in trade financing. Thus, the current discussions in the Bank on the idea of such support need to be accelerated.

The role of the Bank in promoting domestic resource mobilization can also be felt in the area of taxation or fiscal policy. Now that the Bank has decided to move into policy-based lending, it should be able to promote efficient resource mobilization through taxation policy analysis and dialogue with regional member countries. This study and follow-up studies on this issue should provide a solid basis for advice on taxation policy and fiscal management in general to regional member countries. Thus, although

traditionally development banks do not operate in this area, the need to explore all possible avenues for the purpose of increasing domestic resources in Africa implies that the Bank should play a role.

Although the Bank has been involved in promoting development finance institutions in Africa through equity participation, lines of credit and support of the Association of African Development Finance Institutions, more could be done in this area. For instance, the Bank could place greater emphasis on those national or sub-regional development finance institutions which accept savings deposits, as some of them are already doing. More life and pension financial institutions could also be promoted as was the case with Africa Re-insurance. Life and pension institutions have proven to be very important sources of long-term domestic savings.

In connection with promotion of financial institutions, the Bank has a role to play in the development of capital markets, which have in other continents played a critical role in mobilizing foreign and domestic savings and channelling them into productive investment. The fact that only a handful of these institutions exist in Africa poses a great challenge to the Bank Group. It would, therefore, have to be more active in promoting the development of capital market institutions through, for instance, increased lines of credit and equity; direct equity participation in medium- and large-scale private enterprises and provision of technical assistance and advice to member countries on approaches to the development of capital markets. The Bank could commission a study and hold seminars for regional member countries on the development of capital markets.

As for the ECA, it can contribute by intensifying its research separately or jointly with other regional organization and policy advice to regional member countries. Through the annual conference of ECA Ministers, the OAU Council of Ministers and the OAU Summit, such advice has in the past resulted in policy changes and these efforts need to be intensified in the area of domestic resource mobilization for the implementation of APPER.

A N N E X E S

Table 1
Selected Basic Indicators

	Population 1985 (Thousands)	GDP per Head 1985 $	Growth Rate of GDP 1980-1985 at 1980 prices (Per cent)	Inflation Rate 1985 (Per cent)
CENTRAL AFRICA	71 799	371	3.7	9.7
Angola	8 693	617	1.48	-
Burundi	4 642	240	2.08	3.7
Cameroon	10 165	814	6.44	1.3
Central African Rep.	2 686	236	1.80	-
Chad	5 059	125	4.44	-
Congo	1 977	993	10.28	6.1
Equatorial Guinea	411	181	1.00	-
Gabon	1 326	2 871	2.04	7.4
Rwanda	6 133	294	4.46	1.8
Sao Tome & Principe	102	368	-6.72	-
Zaire	30 605	97	1.74	23.8
EASTERN AFRICA	157 153	270	1.6	27.4
Botswana	1 086	622	13.18	-
Comoros	413	233	6.32	-
Djibouti	361	953	1.54	-
Ethiopia	43 382	120	-0.54	19.1
Kenya	20 241	319	1.54	13.1
Lesotho	1 504	176	-1.14	14.8
Madagascar	9 982	232	-0.40	10.6
Malawi	7 021	150	3.52	10.5
Mauritius	1 023	1 025	4.32	6.7
Mozambique	13 769	145	-8.38	-
Seychelles	65	2 465	-0.22	0.8
Somalia	5 980	253	8.12	37.8
Swaziland	743	548	2.58	19.8
Tanzania	21 177	220	0.06	-
Uganda	15 680	240	2.34	133.0
Zambia	6 605	433	0.78	37.4
Zimbabwe	8 121	569	5.34	8.5
NORTH AFRICA	125 414	1 425	1.8	13.8
Algeria	22 291	2 481	4.62	10.8
Egypt	48 503	1 450	7.74	13.3
Libya	3 746	7 714	-7.16	-
Morocco	22 028	526	2.54	7.7
Sudan	21 691	213	1.32	45.4
Tunisia	7 155	1 115	4.24	8.0
WEST AFRICA	169 009	551	-0.9	6.8
Benin	4.00	228	2.96	-
Burkina Faso	7 093	130	0.72	6.9
Cape Verde	337	319	3.20	-9.9
Cote d'Ivoire	10 159	667	0.58	1.9
Gambia	745	267	-1.00	18.3
Ghana	12 682	440	-0.04	10.3
Guinea	5 781	417	2.46	-
Guinea Bissau	857	180	4.00	-
Liberia	2 182	352	-0.82	-0.6
Mali	8 082	141	-1.72	-
Mauritania	1 746	386	2.80	-
Niger	6 501	272	-3.04	-0.9
Nigeria	95 633	707	-1.16	5.5
Senegal	6 565	404	3.52	13.0
Sierra Leone	3 662	205	2.34	76.6
Togo	2 984	240	-5.68	-1.8
ALL ADB/ECA MEMBER STATES	523 375	654.76	0.9	11.7
Oil exporters	199 489	127.24	0.6	7.6
Non-oil exporters	323 886	274.44	1.5	19.3
Least developed countries	177 370	191.02	1.4	37.2
Others	146 516	375.42	1.6	11.2

Source: ECA Secretariat and International Financial Statistics, Vol. XXXIX, No.2 (February 1986).

a/ Aggregates were computed at 1980 market prices expressed in dollar terms.

Note: Figures may not add up because of rounding.

Table 2
Structure of Demand, 1985
(Millions of dollars at current market prices)

	Gross Domestic Product	Private Consumption	Public Consumption	Gross Capital Formation	Net Exports
CENTRAL AFRICA	30 867	17 466	5 330	5 961	2 110
Angola	9 575	5 581	2 503	902	589
Burundi	1 114	842	229	178	-135
Cameroon	8 272	5 147	804	2 060	261
Central African Rep.	633	530	143	48	-88
Chad	634	500	132	42	-40
Congo	1 962	805	306	442	409
Equatorial Guinea	75	43	21	11	0
Gabon	3 801	1 027	565	1 175	1 034
Rwanda	1 801	1 452	276	211	-138
Sao Tome & Principe.	38	26	18	10	-16
Zaire	2 962	1 513	334	882	233
EASTERN AFRICA	37 623	28 619	6 520	5 043	-2 559
Botswana	676	367	178	145	-14
Comoros	96	67	21	31	-23
Djibouti	344	264	124	80	-124
Ethiopia	5 215	4 312	942	502	-541
Kenya	5 020	3 300	910	894	-84
Lesotho	264	417	74	96	-323
Madagascar	2 318	1 808	315	337	-142
Malawi	1 055	765	175	152	-37
Mauritius	1 048	717	127	152	52
Mozambique	5 186	4 430	896	433	-573
Seychelles	160	91	48	32	-11
Somalia	1 511	981	278	199	53
Swaziland	407	332	105	116	-146
Tanzania	6 299	5 356	775	705	-537
Uganda	545	664	107	71	-207
Zambia	2 859	1 762	668	367	62
Zimbabwe	4 620	2 986	777	731	126
NORTH AFRICA	178 747	97 706	38 047	46 950	-3 956
Algeria	55 311	25 486	7 597	19 991	2 237
Egypt	70 349	44 460	16 533	13 729	-4 373
Libya	28 896	11 087	9 720	7 741	348
Morocco	11 588	8 216	2 086	2 375	-1 089
Sudan	4 629	3 481	822	771	-445
Tunisia	7 974	4 976	1 289	2 343	-634
WEST AFRICA	95 447	67 877	11 243	14 723	1 604
Benin	911	851	82	187	-209
Burkina Faso	921	887	136	74	-176
Cape Verde	107	109	12	25	-39
Cote d'Ivoire	6 774	3 972	1 231	900	671
Gambia	199	143	40	40	-24
Ghana	7 970	5 109	1 322	1 102	437
Guinea	2 408	1 688	411	380	-71
Guinea Bissau	63	83	15	12	-47
Liberia	768	299	156	125	188
Mali	1 141	882	126	375	-242
Mauritania	674	446	183	139	-94
Niger	1 769	1 346	180	275	-32
Nigeria	67 658	48 913	6 680	10 442	1 623
Senegal	2 651	2 016	522	414	-301
Sierra Leone	718	619	48	99	-48
Togo	715	514	99	134	-32
ALL ECA MEMBER STATES	342 681	211 668	61 140	72 677	-2 801
Oil exporters	253 798	136 395	45 997	58 825	12 581
Non-oil exporters	88 886	75 273	15 143	13 852	-15 382
Least developed Countries	55 005	48 598	9 679	8 999	12 271
Others	33 881	26 675	5 464	4 853	-3 111

Source: ECA Secretariat.

Note: Figures may not add up because of rounding.

Table 3

Contribution of the Main Sectors to Gross Domestic Product, 1985

(Millions of dollars at current factor cost)

	Agriculture	Industry	Services	Total Gross Domestic Product
CENTRAL AFRICA	3 306	8 811	8 903	26 110
Angola	3 629	1 802	2 409	7 839
Burundi	586	130	267	983
Cameroon	1 788	2 567	2 805	7 160
Central African Rep.	236	114	243	593
Chad	272	65	245	583
Congo	136	820	772	1 729
Equatorial Guinea	24	6	23	52
Gabon	172	1 915	845	2 932
Rwanda	737	384	540	1 661
Sao Tome & Principe	9	7	17	34
Zaire	807	1 001	737	2 545
EASTERN AFRICA	12 804	6 855	14 065	33 722
Botswana	34	270	297	602
Comoros	36	17	33	86
Djibouti	16	63	192	271
Ethiopia	2 275	694	1 722	4 691
Kenya	1 387	889	2 072	4 348
Lesotho	47	47	134	227
Madagascar	901	333	825	2 059
Malawi	358	206	381	944
Mauritius	128	240	505	873
Mozambique	2 289	633	1 880	4 802
Seychelles	11	27	96	134
Somalia	525	274	635	1 434
Swaziland	79	108	158	344
Tanzania	3 319	473	1 883	5 675
Uganda	393	29	109	530
Zambia	374	929	1 338	2 642
Zimbabwe	632	1 623	1 805	4 060
NORTH AFRICA	19 501	67 873	59 527	146 901
Algeria	3 699	24 907	15 558	44 163
Egypt	10 376	22 217	23 004	55 597
Libya	1 003	14 539	10 338	25 880
Morocco	2 043	3 105	4 901	10 049
Sudan	1 209	736	2 364	4 309
Tunisia	1 171	2 369	3 362	6 903
WEST AFRICA	27 715	26 021	36 441	90 176
Benin	400	125	309	834
Burkina Faso	390	145	304	839
Cape Verde	22	28	51	101
Cote d'Ivoire	2 236	1 064	2 142	5 443
Gambia	35	47	108	190
Ghana	3 809	1 522	2 284	7 614
Guinea	909	393	696	1 999
Guinea Bissau	29	3	26	58
Liberia	151	193	329	672
Mali	517	162	389	1 067
Mauritania	150	165	295	611
Niger	710	268	522	1 500
Nigeria	17 531	21 105	27 270	65 905
Senegal	435	539	1 148	2 120
Sierra Leone	182	139	296	617
Togo	211	123	272	606
ALL ADB/ECA MEMBER STATES	68 416	109 559	118 936	296 911
Oil exporters	39 505	92 241	86 363	218 109
Non-oil exporters	28 911	17 318	32 573	78 802
Least developed countries	13 481	4 948	12 558	30 487
Others	15 430	12 370	20 515	48 315

Source: ECA Secretariat.

Note: Figures may not add up because of rounding.

Table 4

Longer Term Trends in Savings, Investment and Resource Gap as Percentage of Gross National Product, 1965-1984

Country	Domestic Investment			Domestic Savings			Resource Gap Savings-Investment		
	1965 1972	1973 1978	1979 1984	1965 1972	1973 1978	1979 1984	1965 1972	1973 1978	1979 1984
Algeria	30.2	48.3	39.7	25.8	39.0	38.0	-4.4	-9.3	-1.7
Cameroon	15.9	22.0	25.7	11.9	18.8	24.7	-4.0	-3.2	-1.0
Côte d'Ivoire	21.3	26.8	25.9	15.6	24.8	12.5	-5.7	-2.0	-13.4
Egypt	14.1	26.1	28.3	8.8	17.4	16.6	-5.3	-8.4	-10.1
Ethiopia	13.1	9.5	10.6	10.7	7.6	3.1	-2.4	-1.9	-7.5
Ghana	12.4	10.0	5.0	8.8	9.1	4.2	-4.3	-0.9	-0.8
Kenya	21.7	25.4	25.2	17.0	17.3	15.3	-4.7	-8.1	-9.9
Liberia	24.7	33.9	26.2	23.6	16.7	9.0	-1.1	-17.2	-17.2
Malawi	19.6	29.8	24.4	4.6	17.9	11.2	-15.0	-11.9	-13.2
Morocco	14.5	24.9	22.3	12.5	16.5	12.2	-2.0	-8.4	-10.1
Niger	15.9	29.3	29.5	6.5	12.3	13.0	-9.4	-17.1	-16.5
Nigeria	20.0	28.0	21.9	15.2	28.8	19.8	-4.8	-0.8	-2.1
Senegal	13.7	18.6	17.1	6.8	7.4	-2.7	-6.9	-11.2	-19.8
Sierra Leone	14.0	13.2	12.3	8.0	3.1	0.0	-6.0	-10.1	-12.3
Sudan	11.9	17.3	15.7	11.0	9.1	0.4	-0.9	-8.2	-15.3
Tanzania	19.7	20.5	21.2	17.5	11.3	9.3	-2.2	-9.2	-11.9
Tunisia	23.7	28.8	30.7	16.1	21.5	22.7	-7.6	-7.3	-8.0
Zaire	27.7	29.8	23.4	20.9	9.9	19.0	-6.8	-19.9	-4.4
Zambia	31.9	31.4	18.4	29.1	27.0	8.1	7.2	-4.4	-10.3

Source: World Bank, World Development Report 1986.

Table 5

Investment, Saving and Resource Gap as Percentage of Gross Domestic Product in Current Market Prices, 1976-1984

Regional Member Countries	Gross Domestic Investment (GDI)									Gross Domestic Savings (GDS)									Resource Gap (GDS-GDI)								
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1976	1977	1978	1979	1980	1981	1982	1983	1984	1976	1977	1978	1979	1980	1981	1982	1983	1984
Algeria	50	49	51	44	41	37	30	37	38	45	38	37	41	42	39	39	38	39	-5	-11	-14	-3	1	2	1	1	-1
Benin	20	17	22	21	24	35	37	23	7	4	5	-5	1	5	-2	-	4	-3	-16	-12	-27	-20	-19	-37	-	-19	-10
Burkina Faso	16	17	25	24	18	16	15	12	14	-13	24	-3	-3	-9	-11	-9	-15	-13	-29	-41	-28	-27	-27	-27	-24	-27	-27
Cameroon	17	22	24	25	25	21	25	27	26	14	19	21	10	23	22	27	37	33	-3	-3	-3	-15	-2	1	2	10	7
C.A.R.	22	-	20	20	10	9	9	11	12	9	-	8	8	-1	-3	-9	-1	-4	-13	-	-12	-12	-11	-12	-18	-12	-16
Congo	33	21	20	22	37	32	56	46	35	15	-	8	12	37	38	48	35	39	-18	-	-12	-10	0	6	-8	-11	4
Côte d'Ivoire	23	25	31	31	28	27	24	18	13	22	26	30	27	23	20	24	16	28	-1	1	-1	-4	-5	-7	0	-2	15
Egypt	24	24	28	31	31	30	30	28	25	12	15	14	16	16	17	15	12	12	-12	-9	-14	-15	-15	-15	-15	-16	-13
Ethiopia	10	10	9	10	10	10	11	11	11	9	9	6	-4	5	4	3	2	2	-1	-1	-3	-14	-5	-6	-8	-9	-9
Ghana	9	6	5	5	5	6	1	8	6	8	5	6	5	5	4	1	5	5	-1	-1	1	0	0	-2	0	-3	-1
Guinea	12	-	15	15	11	11	13	14	10	11	-	16	14	14	14	17	16	13	-1	-	1	-1	3	3	4	2	3
Kenya	-	23	21	28	22	22	22	21	22	25	25	18	15	15	16	17	19	20	-	2	-3	-13	-7	-6	-5	-2	-2
Lesotho	-	26	30	29	30	21	29	29	-	-	-	-71	-59	-78	-87	-77	-77	-	-	-	-101	-88	-108	-108	-106	-106	-
Liberia	28	27	22	27	29	18	22	20	20	32	31	18	23	29	17	20	14	14	4	4	-4	-4	0	-1	-2	-6	-6
Libya	30	26	25	21	25	34	32	23	23	36	51	45	52	59	48	46	35	35	6	25	20	31	34	14	14	12	12
Madagascar	13	15	16	22	21	15	14	14	14	14	12	21	10	9	7	4	4	9	1	-3	5	-12	-12	-8	-10	-10	-5
Malawi	27	16	32	29	22	22	20	23	16	11	10	16	13	10	10	13	14	17	-16	-6	-16	-16	-12	-12	-7	-9	1
Mali	19	19	17	15	15	16	15	17	17	-	8	5	-5	-3	-6	-4	-2	-2	-	-11	-12	-20	-18	-22	-19	-19	-19
Mauritania	42	44	52	51	51	38	41	18	22	11	7	7	14	14	9	5	-11	-1	-31	-37	-45	-37	-37	-29	-36	-29	-23
Morocco	29	29	24	23	21	23	23	21	22	7	7	11	9	11	8	8	11	23	-22	-22	-13	-14	-10	-15	-15	-10	1
Niger	16	-	19	28	29	27	26	25	25	5	-	12	19	21	15	12	11	11	-11	-	-7	-9	-8	-12	-14	-14	-14
Nigeria	33	31	30	31	24	29	25	19	12	37	29	28	32	28	23	16	19	15	4	-2	-2	1	4	-6	-9	0	3
Rwanda	-	-	10	19	16	23	22	-	-	-	-	4	12	3	8	8	-	-	-	-	-6	-7	-13	-15	-14	-	-
Senegal	15	16	23	21	15	17	20	17	15	9	0	11	2	-2	-5	6	3	5	-6	-16	-12	-19	-17	-22	-14	-14	-10
Sierra Leone	15	14	17	15	15	13	12	9	9	6	6	9	4	6	-2	-1	2	6	-9	-8	-8	-11	-9	-15	-13	-7	-3
Somalia	34	-	16	16	16	-	-	20	-	4	-	2	2	3	-	-	-2	-	-30	-	-14	-14	-13	-	-	-22	-
Sudan	18	-	16	14	12	13	16	15	11	8	-	2	3	5	-	-2	-1	-3	-10	-	-14	-11	-7	-	-18	-16	-14
Tanzania	21	20	20	21	22	22	20	20	-	19	17	7	8	8	8	8	8	-	-2	-3	-13	-13	-14	-14	-12	-12	-
Togo	27	32	37	39	26	31	26	23	23	11	1	14	11	14	15	5	4	4	-16	-31	-23	-28	-12	-16	-21	-19	-19
Tunisia	31	32	30	29	28	31	33	29	32	26	22	20	23	25	23	23	20	20	-5	-10	-10	-6	-3	-8	-10	-9	-12
Uganda	19	6	4	4	3	3	8	8	8	3	20	8	2	4	2	5	5	6	-16	14	4	-2	1	-1	-3	-3	-2
Zaire	34	36	19	9	11	33	16	24	-	13	20	12	12	13	25	10	26	-	-21	-6	-7	3	2	-8	-6	2	-
Zambia	16	26	31	21	23	23	17	15	14	18	21	31	28	18	15	5	15	15	2	-5	0	7	-5	-8	-12	0	1

Source: IBRD, World Development Report, (various issues).