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ECONOMIC COMMISSION FOR AFRICA

Sixteenth session of the Commission - Seventh meeting of the Conference of Ministers responsible for Economic Planning/Development

Freetown (Sierra Leone), 6 - 11 April 1981

Second meeting of the Technical Preparatory Committee of the Whole

Freetown (Sierra Leone), 24 March - 2 April 1981

SURVEY OF ECONOMIC AND SOCIAL CONDITIONS IN AFRICA, 1979-1980 - PART I

including

Fifth Biennial Review and Appraisal of Social and Economic Performance in ECA Region in the Second United Nations Development Decade

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First meeting of the Conference of Ministers of African Least Developed Countries

Addis Ababa, Ethiopia, 27-31 July 1981

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FOREWORD

Africa's worsening economic conditions in 1980 and dim prospects for 1981

The world economy took a sad turn in 1980, with deteriorating economic prospects and generally bleak outlook for growth. No continent has been worse hit than the African region. In the poorest or least developed African countries, for instance, people, on the average are worse off in 1980 than they were at the beginning of the decade. In addition to sagging and sluggish economic growth, escalating inflation and growing unemployment and mass poverty, the African continent continued to face four devastating and debilitating problems in 1980: chronic food deficits; pernicious drought; the impact of apparently inexorably rising costs of imported energy; and deteriorating terms of trade and balance of payments and mounting debts.

The long-term decline in the share of primary commodities in total world trade persisted in 1980, with developing African countries as a group increasing their share of world imports of primary commodities, particularly food. In order to feed its population, African non-oil-exporting countries are estimated to have incurred a staggering food import bill of $US 6 billion in 1980 alone. With drought in the Sahelian countries persisting rather than showing any improvement, and with escalating new drought situations in Eastern and Central Africa, many African countries face imminent economic collapse, particularly in the face of the worsening food problem. Yet, according to the FAO early warning system, the food shortages and generally adverse weather conditions in African agriculture will continue in 1981, aggravated by the presence of large numbers of refugees and displaced persons.

The oil import bill of African non-oil-exporting countries is estimated at $US 7.4 billion in 1980, or nearly 30 per cent of total export proceeds, while the share of oil in total imports was 25.5 per cent. When the food import bill is added to the oil import bill for 1980, the two items, together, account for a total of $US 13.4 billion or around 53 per cent of total export earnings, emphasizing the precariousness of African balances of payments in 1980. The ratio would rise even further, to 61 per cent of export proceeds, if the estimated debt service of $US 2 billion on the outstanding external public debt of the non-oil-exporting African developing countries were taken into consideration.

In addition to escalating import growth and its structural concentration on food and fuel imports, there was a general slackening of export growth in 1980, accompanied by adverse movements in the terms of trade brought about by the rapid increases in the price of manufactured and other basic imports. The increase in the cost of imports relative to export earnings has seriously impaired the ability of non-oil-exporting African countries to import more, forcing them at the same time to resort to short-term borrowing from external markets at high interest rates and on non-concessionary terms, in order to meet massive balance of payments deficits. These deficits, which are likely to widen substantially in the coming decade if nothing is done to contain them, will seriously constrain further economic growth and hold down fixed capital formation on the continent.

The growth and balance of payments situation of the major oil-exporting African countries were of course much better. But even here, the devastating earthquake in Algeria was a major set-back and source of economic dislocation from which the Algerian economy is still to recover, while the problem of productivity of domestic investment in particular and the efficient management of the economy in general remains as strong and urgent as ever in a number of African oil-exporting countries.

On the bright side, there are a few developments on the continent in 1980 which give cause for optimism and hope for a brighter future. Most significant among them is the discovery of oil and other minerals of commercial significance in several African countries. Ghana, the Ivory Coast and the United Republic of Cameroon started producing petroleum, while discoveries of exploitable oil and gas deposits were made in Chad and the United Republic of Tanzania. In addition, gold has been discovered in large commercial quantities in Sierra Leone and Ghana. In spite of these developments, however, African countries face more than ever before a central challenge in the pressing needs for short-term adjustment to the energy, balance of payments and food situation, and the immediate prospects for African economic survival and resurgence will depend on policies pursued in those areas.

Also on the bright side was the historic African Economic Summit held at Lagos in April 1980. This Summit was the climax of a series of efforts begun in 1976 by the member States under the aegis of ECA to undertake an agonizing reappraisal of their economic performance since the 1960s, to agree on what fundamental changes in economic policies and programmes are required both in the light of the reappraisal and in view of the changing international economic situation and to work out measures for achieving an increasing measure of national and collective self-reliance. The unanimous and enthusiastic adoption of the Lagos Plan of Action and the Final Act of Lagos was one of the brightest things that happened in the economic sphere in Africa in 1980. But as the ECA Conference of Ministers succinctly put it in its introduction to the draft plan which it submitted to the Summit, the full implementation of the plan is "the only means by which the anticipated crisis in the year 2000 can be averted". After recalling that the population of Africa is expected to increase from 400 million in 1975 to 827 million in 2000, the ECA Conference of Ministers in the same introduction to the draft plan of action stressed that "even the maintenance of the existing levels of mass poverty and unemployment, not to say their amelioration, will call for heroic and concrete efforts to build the region's economy on a new basis".

The challenge which therefore faces all African countries whether oil-exporting or oil-importing, in 1981 is three-fold.

First is the need to undertake as a matter of utmost urgency emergency measures to arrest the rapidly deteriorating economic conditions, particularly in the fields of energy, food, drought and balance of payments. Without such measures, a number of the African economies may collapse in 1981. Second is the growing imperative of ensuring a better and more efficient management of the African economies through reduction in waste in public spending, through improvement in the productivity of investment and through the creation of socio-political environment that will lead to a significant reduction in, if not completely stop, the present drainage of resources (particularly manpower) from Africa to Western Europe and North America. Third is the need to translate the Lagos Plan of Action into concrete policies, programmes and projects in national development plans, to make available necessary resources in annual budgets and take all other necessary practical and concrete steps for their implementation. Every member State must begin the implementation of the Lagos Plan of Action in earnest.

Unless the African Governments develop a sense of urgency and emergency in 1981 and mobilize their entire resources to meet the challenges posed by the rapidly deteriorating social and economic conditions, the very bleak prospects foreseen for Africa in all global economic projections will come to pass. Indeed, to quote once more from the ECA Conference of Ministers introduction to the draft plan of action, Africa "will have once more to call upon its inner resources of fortitude, sacrifice and political will which have enabled it to confront and overcome the forms of political colonialism on which economic colonialism has thrived for centuries" if its economies are to survive the first half of the 1980s.

Many African countries are today on the verge of economic bankruptcy, while a few others are little better off. Unless African countries make immediate contingency plans, another round of oil price increases in 1981, a fall in the prices of Africa's major export commodities leading to a further deterioration in the terms of trade and, above all, the expected failure of the rains in 1981 will spell disaster and economic ruin in 1981.

Though economic collapse may be quite imminent for many African countries, it is not inevitable. Indeed, it can be averted, provided there is a determination on the part of African Governments to pull themselves up by their own bootstraps in the face of the likelihood that the international economic environment will continue to aggravate Africa's economic situation. Given Africa's vast agricultural and industrial potentialities and the fact that Africa is one of the least geologically explored regions, the long-term prospects for economic development are virtually limitless, provided that the imminent danger of economic collapse can be averted not only by drawing up immediately contingency plans for the next 12-24 months but also by ensuring that they are implemented with a single-minded determination.

It may well be asked why Africa faced during the 1960s and 1970s, and continues to face, in the 1980s, a growing crisis. A short answer would be that Africa lacks the know-how and enterprise (much more than the money) to undertake the exploitation of its vast resources to serve domestic needs as well as extra-African exports, and has really not paid enough attention to this lack in the two decades since independence. The African region cannot escape the retreat into economic colonialism which now threatens it without bold and imaginative measures to build up - at national and multinational levels - the capabilities to develop and exploit these resources itself. To ensure that this does not happen is the task that faces all African Governments and peoples, first and foremost, and the entire international community. And it is only by facing up to this task that Africa can realize its long-term economic prospects.

Adebayo Adedeji
Executive Secretary

I. INTRODUCTION AND GENERAL SUMMARY

A. Introduction

.The 1979/1980 Survey of economic and social conditions in Africa is published in two parts. Part I consists of two sections. The first section comprises the introduction and general summary, followed by chapters on international economic situation during the 1970s, progress in the implementation of the new international economic order and economic development in the ECA region including growth, domestic savings and fixed capital formation in developing Africa; agriculture; manufacturing; external trade and balance of payments; resource flows and external debt; and monetary developments and inflation. The second section contains a special study of the world energy situation in an African perspective, which highlights the developments of oil prices over the last three decades, examines in depth the impact of the rise in oil prices on the world economy and on the non-oil-exporting developing African countries in particular and assesses the present and future energy position in the international and African settings. Solutions currently being followed or propounded are also reviewed.

Part II of the Survey covers current economic developments and policies in the individual countries of the ECA region, mainly emphasizing the decade of the 1970s and the years 1979 and 1980.

B. The international economic situation during the 1970s

The 1970s were marked by a slow-down in rates of growth of real output in the developed countries, which adversely affected African exports by high rates of inflation and unemployment, by rises in the prices of crude oil and imported capital and consumer goods, including food, by a substantial deterioration in terms of trade, by slow growth of agricultural and food production, by large fluctuations in export commodity prices and, last but not least by a massive increase in liquidity, both domestic and international, which led to instability in world and domestic capital markets. The non-oil-exporting developing African countries were the most seriously affected by these adverse developments in the world economy. Not only was the economic cost of adjustment in terms of loss of development momentum considerable, but the resulting swelling of the number of absolute poor led to a marked increase in social tension.

The developed countries were able to adjust to the adverse consequences which ensued for them by taking measures to increase efficiency, expanding exports and raising export prices, curbing imports and, above all, attracting most of the surplus funds of the oil-exporting developing countries. Developing countries on the other hand, particularly the non-oil-exporting African countries, had to resort to short-term borrowing at high interest rates from external markets to meet their massive balance of payments deficits. These deficits, which are likely to continue to increase are now seriously constraining economic growth and holding down fixed capital formation, thus initiating a downward spiral in the economic and social development process. All indications point to the fact that substantial recourses are needed not only to face the immediate period but also to deal with the long-term problems of adjustment to the exigencies of the new situation.

In the OECD countries, the rate of growth of GDP fell from nearly 5 per cent yearly in the 1960s to only 3.6 per cent in the 1970s. Industrial production was the most affected economic sector, its annual rate of growth declining from 5.7 per cent in the 1960s to only 3.4 per cent in the 1970s. This slowdown was caused by a complex set of forces including increased energy costs, lower rates of investment, an inflationary spiral with strong wage push pressures and declining growth in productivity in some countries.

Following the gradual adjustment of Soviet oil prices to world levels and the extremely bad weather in 1978/1979, shortages of manpower and capital ensued, and the growth rate of the centrally planned economies fell in 1979 to an all time low of 2.7 per cent.

The developing countries grew at an average annual rate of 5.6 per cent between 1971 and 1980, compared with 5.1 per cent between 1961 and 1970. There were however wide disparities in performance: while the average growth rate of the oil-exporting countries was 7.5 per cent, that of the non-oil-exporting developing countries was 5.3 per cent. In developing Africa, the growth rate of this latter group was less than 4 per cent. The least developed countries stagnated at 3.1 per cent, and for many of them, especially those in Africa, this has meant a decline in GDP per capita.

Prices in the industrialized countries rose by 8.6 per cent a year on average, between 1971 and 1979, but the rate rose to 10 per cent at the beginning of 1980. To combat this inflation, the Governments of these countries have had to abandon traditional demand management policies, designed to stimulate growth, for tight fiscal and monetary policies which have at least temporarily depressed their economies.

The rates of price increases in the developing countries were much more pronounced, averaging 15.6 per cent a year between 1973 and 1979, compared with 9.3 per cent between 1967 and 1972. The record of the non-oil-exporting developing countries of Africa in this respect has been disturbing. While the average rate of increase in consumer prices amounted to 4.5 per cent yearly between 1967 to 1972, it rose to 13.4 per cent yearly between 1973 and 1976 and 15.9 per cent yearly between 1977 and 1978 and soared further to about 20 per cent yearly in 1979 and 1980. These high rates of increase in consumer prices are the result of high import prices and persistent and growing budget deficits, coupled, in most cases, with excessive reliance on bank borrowings, while the sluggish growth of food production also played an important part by slowing down the growth of manufactures. In the oil-exporting African countries, the rate of increase in consumer prices, which averaged 8 per cent yearly from 1967 to 1972, accelerated sharply to some 17 per cent yearly between 1974 and 1977. Thanks to stabilization measures, however, the average annual rates of inflation fell significantly to 11 per cent between 1978 and 1980.

The volume of world trade grew at an average annual rate of 6 per cent in the 1970s, compared with 8 per cent in the preceding decade. In the developed market economies, exports grew at a rate of 6.5 per cent in the 1970s compared with 8.4 per cent in the 1960s. On the other hand, their import volume grew more slowly, by 5.5 per cent in the 1970s as against 6.5 per cent in the 1960s. This adversely affected exports from the developing countries, which grew in volume terms by only 2.8 per cent in the 1970s as against 6.5 per cent in the 1960s, most of the decline coming from lower demand for oil. For developing Africa as a whole, the volume of exports rose about 2 per cent in 1979 and by an annual average of only 3 per cent in the 1970s, compared with 11 per cent in the 1960s.

The total volume of developing countries' imports, on the other hand, increased by 8 per cent in the 1970s as against 5.6 per cent in the 1960s. This was because of the vastly increased imports by oil-exporting countries whose import volume grew by 13.1 per cent annually: imports by non-oil-exporting countries rose by around 5.9 per cent a year in the 1970s, or slightly more slowly than in the previous decade. For developing Africa as a whole, the volume of imports decreased by 15 per cent in 1979 and increased by 6.3 per cent yearly during the decade of the seventies compared with 2.8 per cent in the 1960s.

The share of the developed market economies in world trade fell from 77 per cent in 1970 to 72 per cent in 1979. Developing countries increased their mutual trade more rapidly than their total trade, to 25 per cent of the total in 1979 as against 19.3 per cent in 1970. In terms of commodities, the share of oil in world exports grew from 9.1 per cent in 1970 to around 22 per cent in 1979, while the shares of both non-oil-primary commodities and manufactures declined.

The current account deficit of non-oil-exporting developing countries of the world as a whole had risen by 1975 to roughly 44 per cent of their exports, compared to 7 per cent for developed market economies. They therefore sought to decrease the deficit through import restriction and the promotion of exports. These policies have succeeded to a large extent - by 1978 their current account deficit represented only 28 per cent of their exports - but at the price of lesser economic growth than would otherwise have been feasible. By 1979/1980, moreover, the new oil price rise once more pushed up the deficit, again facing them with difficult financial problems.

The non-oil-exporting African countries registered a deficit on goods and services of $US 10.7 billion in 1979, compared with $US 10.2 billion in 1978 and $US 8.7 billion in 1975, and the deficit is forecast even to become larger in 1980 and 1981. Even more alarming, the oil import bill of African oil-importing countries, which rose from $US 800 million in 1973 to $US 4.5 billion in 1979 (20.7 per cent of exports), is expected to reach $US 7.4 billion in 1980, or nearly 30 per cent of exports and 5 per cent of GDP. Together with food imports, oil imports account for a total of $US 13.4 billion or around 53 per cent of total export earnings, emphasizing the precariousness of African balance of payments in 1980.

The situation thus requires urgent measures if the African oil-importing countries are to avoid a serious deterioration in the living conditions of their populations. Already, their GDP is expected to register a marked deceleration in 1980, the growth rate going down to 2 per cent only after growing by a mere 3.8 per cent in 1979. In the short run, increased aid flows and increased loans at favourable conditions are a vital necessity to help these countries adjust to the new economic conditions, while immediate measures are called for at the country level to adjust energy prices to market levels, restrict imports and promote exports.

C. Assessment of progress in the implementation of the new international economic order

Dissatisfaction with the functioning of the present international economic system led, through the determined pressure of the Group of 77, to the adoption by the General Assembly at its sixth special session of a Declaration and a Programme of Action on the Establishment of a New International Economic Order. The new system calls for more equitable distribution of wealth and opportunity between the developed and developing world, equitable commodity price relations, more co-operation among the developing countries to achieve self-reliance, and specific arrangements in the fields of energy, trade, finance, technology, shipping, transnational cpropRations and the special problems of the least developed countries.

Since the adoption of the Declaration in May 1974, there has been limited progress in its implementation; achievements so far fall far short of the structural reforms that are required. Among the most important obstacles are the current economic difficulties of the industrialized countries, their unwillingness to agree to the main demands of the developing countries and the limited leverage of the latter and the diversity of their opinions on some major issues.

The Conference on Economic Co-operation among Developing Countries (ECDC), (Mexico City, 1976) and later the Arusha Programme for Collective Self-reliance (Arusha, 1979) adopted far-reaching resolutions and worked out practical guidelines to promote economic co-operation and self-reliance. These resulted in the adoption by UNCTAD in its fifth session of a resolution calling on the developed countries and international organizations to assist in the implementation of ECDC. Despite the dissolution of the East African Community, progress towards co-operation in Africa has been significantly advanced through the establishment of ECOWAS and other common institutions.

On economic co-operation between the developed, developing and socialist East European countries, an UNCTAD export group which met in 1977 noted inter alia that to speed up the process, direct contacts between payments experts in these countries should be established and supported.

In the field of international trade and commodity prices, UNCTAD at its fourth session (Nairobi, May 1976) adopted the Integrated Programme for Commodities which committed the developed and developing countries to enter into multilateral commodity and price negotiations and provided for the establishment of a Common Fund to help stabilize the export earnings of the developing countries. The Fund's Articles of Agreement were adopted in May 1980, and its establishment is expected to speed up negotiations on individual commodities. So far, only tea, coffee, cocoa and sugar have been negotiated; the rubber agreement concluded in October 1979 is yet to be ratified

The Tokyo Round of Multilateral Trade Negotiations which ended in April 1979 concluded a package of agreements which constitute a new framework for international trade for years to come, particularly with regard to preferential treatment progress has also been made on the future of the Generalized System of Preferences and restrictive practices. There has also been noticeably increased investment and assistance for food production in the developing countries, but negotiations on the establishment of food grain reserves are still in progress.

Most of the objectives of the new international economic order on monetary and financial facilities remain to be achieved. However, some progress has been made on the financing facilities of IMF most notably the revision of the conditionality applied to stand-by arrangements, the easing of payments terms under its extended facility and the establishment of a trust fund to provide concessionary balance of payments assistance to the developing countries.

With regard to the debt problem, the developed countries agreed in 1978 to improve the conditions of official debt in favour of the least developed countries. This led to the cancellation, or refinancing on highly concessional terms, of official development assistance debt amounting to more than $US 5 billion. The resource flows to the developing countries, however, fall far short of the target of 0.7 per cent of the GNP of donor countries, and the former have therefore had to resort more and more to the international money market for hard loans.

At its fifth session, UNCTAD adopted resolution 122 (V) on a Comprehensive New Programme of Action, in two phases to deal with the problems of the least developed countries: an immediate action programme for 1979-1981 and a substantial new programme of action for the 1980s. A United Nations Conference on the least developed countries will be held in September 1981 in Paris to finalize, adopt and support the latter programme. Reactions from donor countries so far do not, however, address themselves clearly to implementing the Immediate Action Programme or elaborating the Substantial Programme of Action for the 1980s. The UNCTAD Preparatory Committee for the conference on the least developed countries, lamented the slow progress of implementation of these programmes, and urged the doubling of concessionary assistance to these countries by the end of 1981. It also requested the Governments of the least developed countries to prepare their programmes for the 1980s. 1 March 1981 was tentatively fixed as the date for submission of these presentations to the Conference secretariat. Review meetings will be held towards the middle of 1981.

Among the other issues of interest to Africa in connexion with the new order are energy, shipping, transport of technology and the formulation of the code of conduct for transnational corporations. Little progress has been made on these matters. The World Bank has been urged to establish an energy affiliate to help in the development and diversification of energy resources in the developing countries, while efforts are also made to finalize draft codes of conduct on shipping, transfer of technology and the behaviour of transnational corporations and their treatment by home and host Governments. The response was encouraging, and negotiations on the remaining issues are continuing.

D. Economic developments in the ECA region

1. Growth, domestic savings and fixed capital formation

According to ECA statistics, GDP in developing Africa as a whole rose by about 5 per cent at constant prices in 1979, compared with 5.4 per cent and 4.8 per cent in 1977 and 1978 respectively. Over the 1970s GDP grew by 5.[illegible] per cent per annum or by half a percentage point more than in the 1960s. However, the above averages conceal wide differences in performance between the major oil-exporting and the non-oil-exporting developing African countries. The former group grew at an average of 8.1 per cent between 1970 and 1979 as compared with 6.9 per cent in the 1960s, while the latter stagnated at about 3.8 per cent growth over the last two decades. With accelerated population growth, per capita income in the latter group of countries rose at only 1 per cent and even less in the least-developed countries. If account is taken of the terms of trade effect, the differences between the major oil-exporting and the non-oil-exporting African countries widen even further.

The former would then grow by an additional 2.7 per cent, while the latter would decelerate by half a percentage point over the 1970s. For developing Africa as a whole the gain in growth would be about 0.8 per cent in the same period.

Growth performance, although erratic, seems to vary directly with the level of per capita income in 1970. Developing African countries with per capita income of \$ 300 to under \$ 400, which includes among others the major oil-exporting countries, achieved the highest growth, 5.8 per cent between 1970 and 1979. In contrast, countries with per capita income of less than \$ 100 in 1970, comprising the majority of the hard-core poor countries, registered a mere 2.7 per cent growth during this period. In fact, in six out of nine years their growth rates were below their rates of population growth. The predicament of the twenty least-developed countries in particular is manifest by the dismal half percentage point growth in their per capita income during the 1970s.

There are clear indications that these disparities in growth performance among the different income groups are widening, despite the slight improvement since 1976 in the performance of the middle income groups.

On the sub-regional level, North Africa and West Africa showed the fastest growth, with rates of 6.8 per cent and 5.9 per cent respectively over the 1970s, and a better performance in the second than in the first half of the decade. The long droughts and unfavourable weather conditions, on the other hand, adversely affected the growth of the Central and Eastern African subregions, they grew at less than half the rates achieved by the former two subregions during this period, and there is a tendency for their present growth rates to decelerate.

The fact that the commodity producing sectors (agriculture and manufacturing) which constitute a major portion of consumption, especially for the lower income groups, contributed less than one-quarter of the 5.2 per cent growth in GDP in the 1970s has serious implications for future growth and for the welfare of the peoples of the continent.

One of the healthy developments during the 1970s is the increase in the share of domestic savings in GDP from 18.8 per cent in 1970 to 19.8 per cent in 1979. Although this increase is marginal the overall ratio for the decade of 17.8 per cent is certainly an awesome achievement compared to the average of 11.9 per cent recorded for the 1960s. Both major oil-exporting and non-oil-exporting countries were able to improve on their 1960 level of propensities to save. However, the stagnation of these ratios for the latter group at around 0.21 since the early years of the decade seriously impedes their drive for self-sustained growth particularly those with per capita incomes of less than \$ 100. The increase in the propensity to save in the former group remains largely a question of economic management rather than one of poverty.

Gross capital formation increased substantially in Africa as a whole and in every income or country group. Its share in GDP in the major oil-exporting countries increased from 22.5 per cent to 39.3 per cent, and in the non-oil-exporting countries from 16.7 per cent to 19.5 per cent, during the period 1970-1979. The proportion of fixed capital formation financed from domestic savings is gradually increasing, with the major-oil-exporting and higher-income countries taking the lead. Over the last five years the former group financed about 42 per cent of their fixed capital formation from domestic savings, compared with only 19 per cent in the case of the non-oil-exporting countries. The resource gap, although narrowing, is still too high, and Africa therefore has to depend on substantial foreign assistance to boost its development.

One satisfactory development is the drop in the capital-output ratio in the non-oil-exporting countries, from 5.1 in the first half of the 1970s to 4.6 in the second half, indicating a better utilization of resources. This, however, contrasts with the performance of the major oil-exporting countries in the second half of the decade, which was presumably due to the noticeably prolonged gestation periods of the type of investments they undertook at that time.

Another significant development has been the improvement in import elasticities with respect to GDP in the major oil-exporting countries. Although the non-oil-exporting group was not able to reduce their import elasticity from an almost constant ratio over the 1970s this is still taken to be a healthy feature in view of the increased tempo of capital formation in many of the countries in this group.

Although there has been some expansion in exports, they are still growing more slowly than imports, indicating increased balance of payment problems in future, especially for the non-oil-exporting countries.

Africa faces major challenges in the 1980s, especially in the fields of energy, food, drought, balance of payments and domestic economic management, which if not properly and promptly attended to might eventually halt economic growth in the continent and lead to the economic (and possibly social) collapse of many of the poorer countries. Already, negative growth in *per capita* income has been projected for low-income Africa during the period 1980-1985.

2. Agriculture

The average annual growth rate of agriculture in Africa was only about 1.7 per cent during the years 1970-1979, according to ECA estimates, and a mere 1.4 per cent according to the FAO production index. Both figures are well below the 2.4 per cent achieved in the 1960s. Both sources, moreover, indicate a substantially lower growth rate in 1979 than in 1978.

The average annual increase in food production during 1970-1979, was 1.5 per cent, compared with 2.7 per cent in the 1960s. The growth rate during the 1970s was considerably lower than the population growth rate of between 2.5 per cent and 2.8 per cent. Food production growth rates in Africa declined considerably from 3.7 per cent in 1978 to 1.8 per cent in 1979.

The projected growth in demand for the major food commodities is estimated at 2 to 6 per cent yearly between 1972-1974 and 1985 and 2 to 7 per cent between 1985 and 1990. The ever widening gap between food needs and availabilities will lead to the larger imports, draining the already scarce foreign exchange resources needed to acquire the capital goods necessary to build the productive capacity of national economies.

There are also disturbingly wide disparities in performance by subregions. In 1979, North Africa's agricultural value added increased at constant prices by a mere 0.1 per cent, while that of West Africa rose by 5.1 per cent. East Africa attained a growth rate of only 0.8 per cent in 1979, compared with 2 per cent for Central Africa. For the 1970s as a whole, the average annual growth rate in agricultural output was 3.4 per cent for North Africa and 1.4 per cent for East and West Africa, with a negative growth rate of 0.5 per cent for Central Africa.

In Eastern Africa, agricultural production, particularly of food and cash crops, declined almost everywhere during most of the decade, compelling a number of countries in the region to import substantial quantities of food. The poor performance of agriculture during the past decade has been ascribed to the inadequacy of extension services, the inadequate use of agricultural inputs and the absence of a reasonable relationship between the prices farmers pay for agricultural inputs and those they receive for crops. The tendency to keep prices of agricultural products low for the benefit of urban populations and the high export duties charged on agricultural products, as well as drought, floods and pests, are also partly responsible for the lag in agricultural production.

In West Africa, the most apparent causes of the unsatisfactory performance of agriculture include labour shortages and the ageing of the rural populations as a result of the migration of younger people to the towns, the limited availability of easily cultivable land, the mounting cost of irrigation and the absence of well conceived policies for production and marketing.

African agriculture suffers from the use of ineffective agricultural tools. In many countries of the region, mechanization is hampered by soil and climatic conditions, coupled with the problem of poor research and inadequate foreign exchange. Animal draught methods of cultivation which, apart from providing a source of milk, meat and manure, reduce heavy physical labour and increase productivity, have recently been developed in some parts of Africa, but only sporadically and unevenly. Their rapid spread in tropical Africa is restricted by trypanosomiasis. Increased research into the control and cause of the disease and the development of trypanotolerant breeds of cattle are therefore urgently needed.

Another area in which the region's potential has not been fully exploited is fisheries development. Their dispersed nature and frequently isolated geographical position mean that both river and lake fisheries are poorly developed, and since many of them are shared by several countries, joint subregional schemes need to be formulated for the rational exploitation and management of fish stocks. Efforts also need to be made to improve processing, marketing, storage and transportation of fisheries products and to provide more trained personnel for operational and managerial positions, develop infrastructures and introduce more modern fishing techniques.

The main thrust of the efforts undertaken by many countries in the region has been directed towards implementing the Resolution and Plan of Action of the World Conference on Agrarian Reform and Rural Development. The food problem remains a basic concern of national Governments, and efforts to ensure food self-sufficiency, in both quantitative and qualitative terms, are being intensified. Many countries have taken measures to rationalize land tenure systems: in Lesotho, for instance, the Land Bill of 1979 provides for increased security of tenure and through its leasing provisions provides a means of substantially improving the efficiency of land use. The Zambian Government launched in 1979 an extension programme aimed primarily at increasing the productivity of small farmers, and reinforced by the extension of agricultural credit in kind, without collateral, to village farmers. In Mauritius, where the lack of grazing land is a major constraint to animal husbandry, efforts are under way to produce a fodder substitute from sugar by-products. In Nigeria, the Government is continuing its efforts to bring modern technology, both for fishing and for fish preservation and marketing, to the small-scale fishermen, and is developing industrial fishing through construction of fishing terminals. The fisheries industry is also being vigorously promoted in Seychelles, in order to reduce the economy's dependence on tourism. In Sierra Leone, agricultural export taxes were substantially reduced in 1978 in order to discourage smuggling, raise producer prices and give farmers greater incentives to increase production. The current agricultural programme

emphasizes the development not only of traditional crops but also of non-traditional crops, especially those that are quick-yielding in the short run. An export credit guarantee and insurance scheme has been set up to facilitate access to adequate financial resources and provide protection to exporters.

At the regional level, the Regional Food Plan for Africa, designed to enable the OAU member States to be self-sufficient in food by 1990, calls for investments totalling about $US 27 billion (in 1970 prices) during the plan period. Recently, the Lagos Assembly of Heads of State and Government of OAU adopted similar recommendations to increase food production in Africa, and concrete responses are expected in the near future. The immediate aim should be to reduce Africa's food imports by 50 per cent by 1985. To attain this goal, the region's dependence on other continents for its food needs will have to be reduced, and the flow of agricultural trade among member countries of the region increased, and this will only be possible if Africa can achieve higher growth rates in agriculture in the 1980s. Many policies designed to this end are outlined in the Development Strategy for Africa for the Third United Nations Development Decade and more concretely in the Lagos Plan of Action, a central feature of which is the expansion of intra-African trade in agricultural products, including the reduction or elimination of all customs duties levied by States on intra-African trade in basic food commodities. The FAO African Commodity Intelligence Service is also geared towards strengthening the region's capability to handle increased intra-African trade in agricultural products and foodstuffs.

3. Manufacturing

For developing Africa as a whole, manufacturing registered a low rate of increase of 6.7 per cent in 1979 as compared to 7.5 per cent, 7.2 per cent and 8.9 per cent in 1978, 1977 and 1976 respectively. The average annual rate of growth accelerated in the second half of the decade from an average of 5.7 per cent during 1970-1975 to an average of 7.5 per cent during 1975-1979, thus recording an annual average of 6.5 per cent for the whole decade which is still less than the growth target of 8 per cent set for the Second United Nations Development Decade.

These averages, however, conceal wide disparities in performance among the African developing countries classified into major oil-exporting and non-oil-exporting countries and on a subregional basis. Although the growth of manufacturing output in the major oil-exporting countries seriously deteriorated in 1979, to only 6.1 per cent compared to 9 per cent in 1978, 11 per cent in 1977 and 23.3 per cent in 1976, over the decade as a whole, the major oil-exporting countries were able to achieve an average annual rate of growth of 11.1 per cent, compared to 5.4 per cent in the non-oil-exporting countries. The growth of output of oil-exporting countries accelerated somewhat in the second half of the decade to 12.2 per cent compared to 10.4 per cent in the first half. It is only in 1979 that the non-oil-exporting countries managed to achieve a higher rate of increase than the oil-exporting countries, 7.5 per cent as against 6.1 per cent.

On the subregional level, West Africa achieved the highest growth rate of manufacturing output of 8.7 per cent yearly over the decade, followed by North Africa with 7.1 per cent. The average annual rates in Eastern and Central Africa were 4.3 per cent and 2 per cent respectively over the same period. In 1979, the growth rates were 9.6 per cent for North Africa, 4.1 per cent for Western Africa, 4.4 per cent for Eastern Africa and 3.8 per cent for Central Africa.

In the 20 African least developed countries with per capita income below $US 100 per annum the growth of manufacturing output was a mere 2.9 per cent during the 1970s. For countries with per capita GDP of $US 100 to 200 it was 4.9 per cent. Thus the rate of growth has been indeed dismal and the prospects are bleak in view of these countries' severe balance of payments problems.

The poor performance of the agricultural sector, the small size of the domestic market, lack of capital, shortages of imported raw materials and skilled manpower, inefficient management, ineffective national industrial development and ancillary specialized institutions, underpricing of industrial products, excessive cost of production, lack of repair and maintenance facilities, poor processing and fabrication, the small size of production units, the weak absorptive capacity and undeveloped infrastructure, and the development of the technology of synthetics and the protectionist practices of developed countries are among the most important constraints on industrial growth in developing Africa.

To rectify the slow pace of industrialization, African developing countries resorted to various strategies and policies during the 1970s. Import substitution industrialization, aimed at easing balance-of-payment pressures and providing employment, was pursued virtually throughout Africa. Some countries have succeeded in creating a sizeable consumer goods sector, but in others the effort was a relative failure, leading to the establishment of high cost enterprises. In most African countries, import substitution has not produced the desired effect, as their domestic markets are generally small with a low level of effective demand. Most import substitution industries therefore have excess capacity and, due to inefficient management, shortage of imported raw materials, spare parts and maintenance facilities, are not able to absorb enough of the growing labour force. Moreover, the price system prevailing in some countries has not sufficiently provided local producers of raw materials with sufficient inducement to market their products.

Capital goods imports in most countries rose faster than the growth in GDP in real terms, as a result of the generous concessions granted to import substitution programmes. However, import duties has strained the balance of payments as a result of duty-free import of raw materials. This has encouraged some countries to rely too much on capital intensive techniques, regardless of their ability to adapt technology and of their comparative advantage of abundant labour. This has further depressed the unemployment situation and has discouraged the development of domestic machine-building industry.

The development of export-oriented industries, encouraged by incentives and export premiums, has enabled some African countries to earn additional incomes and foreign exchange, and in some cases to capture European markets. However, the success of this policy has been hampered by the development of synthetics technology and by Africa's shortage of expertise in production and marketing techniques. The high rate of protection and the quota restrictions imposed by developed countries, especially on labour-intensive products of developing countries, have also considerably hindered the growth of export-oriented industries. The problem is even more serious in land-locked countries, with their extremely poor infrastructure and exploitation capacity.

Considerable attention has been paid in some countries to regionalization and localization policies in the 1970s, in an effort to equalize the rural-urban terms of trade and also as a means of contributing to the indigenization of industry.

Despite these various efforts, however, the performance of the manufacturing sector in non-oil-exporting and least developed African developing countries is indeed far from satisfactory. No significant structural change has taken place; the industrial sector, which remains largely undiversified and dominated by light industries, and manufacturing is still largely agro-based. Moreover, there is still high concentration of industries in certain subregions and countries. Thus Africa remains by far the least industrialized region in the world.

4. Monetary, fiscal and price developments

The average annual rate of increase in money supply rose from 13.6 per cent during 1967-1972 to 25.8 per cent yearly in 1972-1976, and then slowed down to 18.7 per cent in 1976-1979.

Of the 35 countries for which monetary data are available, 33 had an average annual rate of monetary expansion during 1967-1972 of from 1 to 20 per cent while in the remaining two countries the range was 20.1 to 50 per cent. During 1972-1976, by contrast, only eight of the 35 countries were in the 1 to 20 per cent bracket, while 25 were in the higher bracket. In 1976-1979, 18 countries were in the 1 to 20 per cent bracket and the remaining 17 in the 20.1 to 50 per cent bracket.

The major cause of the expansion in money supply during 1967-1972 was the increase in net foreign assets held in the banking system. The situation changed from 1972 onwards, reflecting the serious deterioration of the balance of payments of non-oil-exporting African developing countries. Net foreign assets rose at the negligible average annual rate of 3.3 per cent during 1972-1976, and registered a serious decline of 22.6 per cent yearly during 1976-1979. Obviously, this decline has had a deflationary effect on money supply. Deficit financing, on the other hand expanded enormously between 1972 and 1979. Net claims on the Government rose at an average annual rate of 60.4 per cent in 1972-1976 and 65 per cent in 1976-1979, while bank credit extended to the private sector increased from an average annual rate of 62.1 per cent in 1967-1972 to 65.6 per cent in 1972-1976 and 80 per cent in 1976-1979.

The average annual growth of consumer prices in African non-oil-exporting developing countries was modest between 1967 and 1972, on average between 4 and 5 per cent yearly, but rose at an average annual rate of 17 per cent during 1972-1976, in response to the accelerated monetary expansion. GDP in real terms grew during these years at an average annual rate of 5 per cent, compared to about 5.6 per cent in 1967-1972. From 1976 to 1979, despite efforts to curb inflation which reduced the rates of monetary expansion to some 18.7 per cent, the rate of consumer prices accelerated to above 18 per cent as a result of the slow growth of real output (4.8 per cent yearly), the poor performance of agriculture, and the large rise in the prices of imports.

With consumer prices increasing during the 1970s at an average annual rate of about 8.7 per cent in the industrialized countries, compared to about 15.6 per cent in developing Africa, the competitive position of African exports vis-a-vis the industrialized countries deteriorated, thus encouraging imports, discouraging exports and widening balance of payments deficits in Africa. Prompted by the worsening of inflation, the Governments of the industrialized countries have had to abandon traditional demand management policies oriented towards stimulating growth, and resort to tight fiscal and monetary policies which have adversely affected African exports to these countries. What is more, the very

high consumer prices in developing Africa will not only make it extremely difficult to build up domestic savings, but could lead to slower growth, in real terms, of fixed capital formation. The deterioration in the terms of trade and sharp increases in the oil and food import bills of the non-oil-exporting developing African countries mean that far less real resources are now devoted to the import of capital goods. This diversion will reduce the availability of real resources to sustain their present and future development momentum.

The wage increases in the public sectors in a number of countries are creating fiscal imbalances. In some countries, the domestic adjustment effort needs to be complemented by an exchange depreciation in order to improve the balance of payments. As it stands, however, many African Governments are not yet convinced of the wisdom of currency depreciation, fearing that such measures might contribute to accelerating inflationary tendencies and deterioration in the terms of trade. On the other hand, a number of them are attempting to implement a set of consistent wage, fiscal, monetary and external debt policies with the objective of increasing domestic savings, reorienting the structure of demand and containing inflation. This last objective is particularly important, since restoration of domestic savings and investment incentives, renewal of satisfactory productivity gains and efficient allocation of resources all require a marked lowering of inflation rates. To achieve these objectives, fiscal and monetary policies and efforts to ameliorate economic management have to be adjusted accordingly.

5. Resource flows and external debt

During the 1970s, the total net flow of resources to developing countries rose at an annual average rate of 17.1 per cent at current prices from $US 19.7 billion in 1970 to $US 81.7 billion in 1979. However, in real terms the annual increase averaged only 7 per cent, which is indeed modest in view of the greatly increased foreign exchange requirements of these countries as a result of the serious deterioration in the international situation over the decade.

An even greater cause for concern is the hardening in the terms of external aid apparent from its changing composition. In 1970, official development assistance (ODA) which is largely concessional, accounted for 44.7 per cent and non-concessional aid for 55.3 per cent, whereas in 1979 the proportions were 36.1 per cent and 63.9 per cent respectively. This trend was particularly marked in the case of aid provided by the members of the OECD Development Assistance Committee (DAC). While assistance from this group of countries rose at an annual average rate of 18.7 per cent, from $US 15.6 billion in 1970 to $US 73.2 billion in 1979, and its share in the total net flow of resources to developing countries increased, in 1979 only 30.6 of this aid was concessional, as compared to 36.5 per cent in 1970. The OECD countries as a group slightly exceeded the target of 1 per cent of GNP in development aid but failed to reach the target of 0.7 per cent of GNP in the form of ODA.

The total net flow of resources from OPEC countries to the developing world rose from $US 0.6 billion in 1970 to $US 9.8 billion in 1975, and then fell to $US 6 billion by 1979. As a percentage of total net flow of resources to the developing countries, this aid amounted to 3 per cent in 1970, 17.2 per cent in 1975, and 7.3 per cent in 1979. The concessional portion of OPEC aid which was 66.7 per cent in 1970 and 83.7 per cent in 1975, fell to 71.7 per cent in 1979, and like the OECD countries, moreover, the OPEC countries are tending to harden the terms and conditions of aid. As a share of GNP their aid averaged about 1.28 per cent in 1979, although in the case of those with higher income levels (Kuwait, Qatar, Saudi Arabia and the United Arab Emirates), the figure was 3.8 per cent.

Recorded net flow of resources to developing Africa as a whole rose from $US 3.1 billion in 1970 to $US 19 billion in 1978 (data for 1979 not yet available) and Africa's share in total net resource flows to developing countries as a whole rose from 15.7 per cent in 1970 to 23.2 per cent in 1978. Since Africa's population is about 14 per cent of the total population of the developing world its share in total net flow of resources might seem disproportionate. However, Africa has the largest number of least developed countries with the lowest average per capita income. Moreover, about three quarters of the net resource flows to developing Africa went to non-oil-exporting countries. Aid to these countries increased from $US 2.2 billion in 1970 to $US 14.2 billion in 1978, an average annual growth rate of 26.2 per cent at current prices or some 15 per cent at constant prices. However, the share of bilateral and multilateral ODA declined, while the share of other sources, which are generally provided on hard terms, increased from 26 per cent to over 36 per cent in the same period.

The average maturity period of loans fell substantially from 25.2 years in 1970 to 17.3 years in 1978, and the grace period from 6.6 years to 4.9 years, while interest rates rose from 3.7 per cent to 6.4 per cent. Likewise, percentage grant element fell from 46 per cent in 1970 to 25 per cent in 1978 and the percentage grant element of loans plus grants fell from 54 per cent to 38 per cent.

Africa, excluding North Africa, owed $US 21.1 billion in 1978 as compared with $US 7.1 billion in 1970, corresponding to an average annual increase of 14.6 per cent yearly, but its share in total indebtedness of the developing world fell from 14 per cent in 1970 to 8.3 per cent in 1978.

Bilateral and multilateral ODA increased from $US 6.2 billion in 1970 to $US 17.8 billion in 1976, an average annual increase of 19.2 per cent. The 1970 figure represented about 68.4 per cent of the total external indebtedness of developing Africa, although by 1976 it fell to 59.2 per cent. The percentage share of debt owed to multilateral institutions actually increased from 11.1 per cent in 1970 to 13.7 per cent in 1976, so that the entire decrease in the share of official debt is accounted for by official bilateral debt, whose share fell from 57.3 per cent in 1970 to 45.5 per cent in 1976.

For developing Africa as a whole, the external public debt service payments as percentages of total exports of goods and non-factor services increased from 6.3 per cent in 1970 to 9.5 per cent in 1978, meaning that about 9.5 per cent of the receipts from total exports of developing Africa in 1978 had to be pre-empted to meet debt charges. With the increasing trend of private external resource flows on hard terms and slow expansion of exports, the total debt service of developing Africa must constitute a significant proportion of exports and widen the difference between gross and net inflows of capital.

6. External trade and balance of payments

World trade at current prices rose at an average annual rate of 20.3 per cent between 1970 and 1979. In volume terms, however, the annual rate of expansion was only 5.9 per cent. In 1979, world trade grew by 5.3 per cent and 25.6 per cent in quantum and value terms respectively.

The average annual value of exports and imports of developing Africa increased respectively by over 20 per cent and 20.5 per cent a year between 1970 and 1979. While exports from developing Africa rose from $US 47.3 billion in 1978 to $US 66.6 billion in 1979, imports grew from $US 58.6 billion to $US 59.2 billion (at current prices) during the same period. The balance of trade showed a surplus of $US 7.4 billion in 1979, compared to a deficit of $US 11.2 billion in the previous year. These larger export earnings in 1979 can be ascribed mainly to the increased oil prices.

For the African non-oil-exporting countries, export earnings increased from $US 19.8 billion in 1978 to $US 23.6 billion in 1979. On the other hand, imports, highly constrained by foreign exchange shortages, amounted in 1979 to $US 31.4 billion, or slightly less than the 1978 figure. The trade deficit fell from the record level of $US 11.8 billion in 1978 to $US 7.8 billion in 1979.

For the major oil-exporting African countries the value of exports rose from $US 27.5 billion in 1978 to $US 42.9 billion in 1979, while the value of imports increased from $US 26.9 billion to $US 27.7 billion. The large increase in both the oil and food import bills has led to a decline in imports of capital goods and intermediate goods, and this is likely to cause loss in growth momentum. This trend, unless rectified will constitute a serious constraint on economic and social development.

The trade pattern of the African region continues to be characterized by various concentrations. First, over 83.5 per cent of total exports in 1979 were handled by 12 countries of the region, four of which are oil exporters. Secondly, export trade is concentrated on a relatively small range of primary commodities and, thirdly, most of the trade is conducted with the developed market economies which, in 1979, accounted for 75.4 per cent of the region's imports.

As noted in section D.1 above, the deficit on goods and services of the non-oil-exporting countries in Africa is not only large in absolute terms, but constitutes a high percentage both of total exports and of total GDP, and increased substantially in 1979 as against 1978 and previous years. In contrast, the major oil-exporting countries had a surplus on goods and services of $US 7.4 billion in 1979 compared with a deficit of $US 4.8 billion in 1978 and $US 1.5 billion in 1975.

Although on the world level trade among developing countries has expanded faster than their total trade, trade within Africa continued to be very low as a proportion of the region's total trade, and is indeed declining, having fallen from 5.6 per cent of Africa's total exports in 1975 to 3.8 per cent in 1979.

Various efforts have been made during the period under review to reverse this trend. In Central Africa, the Central Bank of Zaire and the Banque Centrale des Etats de l'Afrique Centrale signed early in 1979 an agreement establishing the Central African Clearing House. In Eastern and Southern Africa, the Intergovernmental Negotiating Team on the proposed treaty for the establishment of a preferential trade area for the States of the subregion has adopted for submission to Governments a draft treaty which includes a protocol on clearing and payments arrangements and eleven other protocols. Efforts are also being made to established a development bank for the subregion, as called for by the treaty.

The Lagos Plan of Action places particular emphasis on expanding intra-African trade through a programme of economic co-operation among African countries, covering food and agricultural raw materials, minerals, industry, transport and communications, science and technology, manpower development, etc. The Plan also calls for the establishment of preferential trade areas and the elimination of non-tariff barriers by the end of 1984.

7. Trends and structures in social development in Africa

The social situation of African countries in the 1970s can be assessed, and the prospects for the 1980s analysed, by reference to such major indicators as health, human resources development, urban poverty and housing, the status of women, youth unemployment and the problems of refugees and the disabled.

The overall doctor/population ratio in 1978 in developing Africa was 1:6,500, as against 1:10,000 in 1970, but wide differences persist among subregions and individual countries, and health systems in Africa typically cater for a small urban elite, stress curative rather than preventive medicine, and favour capital-intensive techniques with highly skilled doctors rather than simple clinics with a few doctors and many medical auxiliaries. However, efforts are being made to change this situation. Recent policy statements have emphasized preventive rather than curative health services, and, besides clean water, programmes cover sewerage schemes and vaccination, health education and nutritional awareness campaigns. Nurses and medium-level paramedical staff are now being trained on a large scale in order to reach the rural areas. Family planning is more widely emphasized, and infants and mothers are being given increasing care.

The annual growth in enrolments since 1970 has been 7.2 per cent for primary education, 9.8 per cent for secondary education and 11.1 per cent for higher education. In 1978, according to very rough estimates, there were approximately 50 million primary school pupils in developing Africa and a further 9.5 million students at secondary schools. There were also about 900,000 in higher education. These statistics, however, obscure the real situation. On average, close to 70 per cent of the adult population in Africa are illiterate, compared to an average of 5 per cent for the more developed regions. More than 50 per cent of all educational expenditure in Africa, and almost 10 per cent of governmental recurrent expenditure, are allocated to primary education. Yet education is often out of tune with the real needs of society. Primary schools spend very little time giving the students the knowledge, skills and new ideas necessary to function efficiently in their rural environment, and the training usually consists of recitation and repetition rather than thinking and problem-solving, which are more relevant to post-school life. Curricula at both the first and secondary levels are heavily arts-oriented and lack vocational and technical content, so that children leave school with little or no practical skills, and more secondary school graduates often join the ranks of the rural or urban unemployed or underemployed. Finally, most African universities have been modelled in structure and content upon older institutions in the industrialized societies, and "excellence" continues to be measured in terms of international academic standards rather than contributions to national development.

The problems of urban poverty and housing have come to assume alarming proportions. Rapid urbanization, industrialization and rising living standards in Africa have brought about a number of acute problems such as urban congestion, traffic difficulties, inadequate housing conditions, inappropriate distribution of infrastructure and educational facilities, health threats like malnutrition, and contaminated water supply and lack of access to social services. To alleviate the misery of squatter settlements and provide adequate housing, infrastructure and employment opportunities would call for massive doses of capital, both domestic and international, and for planning and relocation programmes extending beyond the urban areas themselves.

Other areas requiring urgent action in the social edifice include the active participation of women in the mainstream of economic life, the training of unemployed youth with skills that would enable them to engage in productive activities and the provision of surgical and occupational rehabilitation to enable the disabled, displaced persons and refugees to function adequately as productive and self-supporting members of society.

8. Demographic trends and policies

The population of Africa grew from 275 million in 1960 to 470 million in 1980, and is expected to reach 828 million by the year 2000. As percentages of world population, these figures represent 9.1 per cent in 1960, 10.6 per cent in 1980, and 13.4 per cent by the year 2000. Africa's population grew faster than that of the entire developing world during the periods 1955 to 1960 and 1975 to 1980, and is projected to continue doing so during the period 1995 to 2000. On the other hand, the rate of urbanization in Africa has been the lowest in the entire developing world. However, there are considerable variations in total population size, associated growth rates and urbanization levels in the different subregions.

The African continent around 1960 had the highest estimated crude birth rate (CBR), crude death rate (CDR), and infact mortality rate (IMR) and the lowest life expectancy at birth in the world. There were considerable differences in the components of population growth in the different subregions, caused in the case of fertility by differences in traditional attitudes to marriage and birth of children, as well as cultural/environmental factors affecting the incidence of sterility, sub-fecundity and pregnancy wastage, a life of hard labour, decline in polygamy, declining mortality, nomadism, the incidence of marital instability and periodic absence of marriage partners, etc., and in the case of mortality primarily by the wide scatter of settlements and the lack of transport and communication facilities, which impede the development of health services.

As a result of the interplay of fertility and mortality, the population base of Africa and that of its subregions remained young during the two decades 1960-1980, and will remain so up to the year 2000. In 1960 the combined proportion of the population aged 0-14 and 65+ was about 46 per cent for all Africa; it increased to 48 per cent by 1980, and by the year 2000 will have declined again only to the 1960 level. The corresponding estimates for the world as a whole are 42, 41 and 38 per cent respectively, and for the less developed nations 45, 43 and 39 per cent respectively.

Associated with this persisting high youthful character of the African population is a high dependency burden, estimated for all Africa at 87, 92 and 84 in 1960, 1980 and 2000 respectively, as against 73, 69 and 61 for the whole world, and 81, 76 and 64 for the developing countries. Up to the end of the present century, therefore, Africa will have an ever-increasing number of mouths to feed in proportion to the hands available to share in production.

Policies in African countries focus on reducing mortality and morbidity rates as the most important goal, on the assumption that socio-economic changes in the course of development will ultimately reduce fertility rates. They also call for integrated rural/urban development schemes to stem the ever-increasing rural/urban drift. A recent study has revealed that with increasing proportions of the population engaged in urban industrial employment, there will be a corresponding decrease in the death rate.

A more egalitarian income distribution, along with increased literacy, will also contribute to marked declines in the CDR levels. Since infant mortality is positively and significantly related to the CDR, one of the major tools for effecting further declines in the CDR levels for these countries is to embark on socio-economic policies that will cause drastic reductions in infant mortality rates.

9. Transport and communications infrastructure

The Transport and Communications Decade in Africa, which covers the years 1978-1988, aims at independence, self-reliance and international co-operation among African countries in all modes of transport and communications. Its major policy objectives are to increase intra-African trade, improve and enhance the co-ordination of the various transport systems, open up the land-locked countries and isolated regions of Africa, harmonize national regulations so as to reduce physical and other barriers to the movement of persons and goods, and promote African industry in the field of transport and communications equipment and components.

The ECA programme under this basic strategy covers (a) road transport, (b) water transport (c) air transport (d) railway transport (e) multimodal transport (f) pipeline transport (g) communications including telecommunications, radio, television and postal services.

There are very few all-weather roads permitting year-round movement of traffic between African countries. The infrastructure is inadequate and the general conditions of the network of both paved and unpaved roads in most countries are unsatisfactory, partly because of the lack of skilled personnel and partly because of limited financial resources. The programme of road infrastructure is therefore designed to facilitate transit on existing intercountry links by simplification of border-crossing formalities, adoption of bilateral reciprocal arrangements on vehicle movements, adequate maintenance of infrastructure and the development of appropriate national and multinational training facilities.

About 95 per cent of Africa's international trade is carried by sea, and up to 97.5 per cent of this is carried by foreign veseels. Africa owns only 0.7 per cent of total world merchant fleet capacity compared to its share of 13.7 per cent of world maritime trade traffic in 1975. Non-African liner conferences have divided up the continent among themselves, exercise near-monopoly in fixing freight rates for various products and unilaterally determine transport conditions without proper consultation with African shippers and countries. Furthermore, because of their small size and limited financial resources, the management of most shipping companies lacks expertise in shipping. During the Transport and Communications Decade, activities will include: development and improvement of African ports and their management; special attention to the maritime needs of the least developed and land-locked countries; establishment of regional/subregional maritime training centres; creation of regional/subregional shipping companies to take advantage of the economies of scale, etc., encouragement of the development of national/regional shipping lines and discouragement of open registry practices; adoption of international maritime conventions negotiated under the auspices of UNCTAD and IMCO; and control and prevention of marine pollution.

African air transport represented only 5 per cent and 3.3 per cent of world international passenger and freight traffic respectively in 1977. At present, the distribution of air routes in Africa is very poor; while most African countries are linked daily to Europe, Asia, the Middle East and North America, there are very few and irregular weekly links between most African countries. Land-locked countries that have no national airlines of their own suffer most from irregular air connexions. During the transport and communication decade, the promotion of better use of air transport facilities and equipment by African countries through traffic and equipment pooling, including the establishment of joint training, overhaul and maintenance facilities, the standardization of training and licensing requirements, the liberalization of traffic rights among African countries and joint provision and operation of air navigation facilities are all envisaged. The formation of multinational airlines, the harmonization of domestic, intra-African and international air services and the development of intra-African air freight and mail services are the other major policy objectives.

Railway density in Africa is very low. For a total land area of about 29 million km^2, there are only 80,706 km of track. The railway network is made up of several short, independent national systems of various gauges and different technical specifications, and as a result few of them are inter-connected. What is more, only 6,500 km of the 80,706 km of the African railway network, or 8 per cent, is electrified. The activities planned for improving railway transport during the Transportation and Communications Decade include track renewal, realignment of routes to avoid sharp and steep curvatures and modernization of signalling systems; development of managerial and planning skills through regional training programmes and centres; standardization of equipment and co-ordination of regulations and practices; establishment of traffic exchange points between adjacent railways and interface points with other modes of transport; extension of existing railways to serve land-locked countries or other remote areas, as well as to interconnect with other railways; and construction of a trans-African railway network.

Other means of transportation and communications where improvement is called for include: inland water transport, pipeline transport, telecommunications, broadcasting and postal services.

10. The world energy situation in an African perspective

The rise in the oil prices came at a time in which the international economic climate is fastly deteriorating. There was accelerating inflation, tighter trade restrictions, harder assistance terms and by 1973 the already weak Brétton Woods system was in almost total disarray. This is a period in which Africa after achieving moderate growth in the 1960s was actively pursuing its drive to achieve self-sustained growth and economic transformation. The structural imbalance in the pattern of international trade between OPEC group and the oil-importing developed countries on the one hand and between the former and the non-oil-exporting developing countries on the other and between the latter and the oil-importing developed countries was further aggravated by the new shift in the relative commodity prices introduced by the rise in oil prices.

The immediate impact was huge surpluses for OPEC group cumulatively standing at $US231 billion in 1979 and forecast to rise to $345 billion by the end of 1980 and which they cannot readily invest at home because of the limited absorptive capacity of their economies. Conversely, the oil-importing developed countries and the non-oil-exporting developing countries especially the developing African region ended up with massive balance of payments deficits. The consequent real income loss for these countries is estimated at some 4 per cent of GDP.

The developed countries adjusted fairly quickly through the adoption of a mix of damand policies, energy conservation, import restriction, borrowing from international money markets and given their huge financial resources, technological base and the possibility of shifting the increased cost of oil imports to their exports these countries seem to have no long-term adjustment problems. In fact the increased energy prices have encouraged the exploration and development of new sources of energy and energy-saving technologies in these countries. The non-oil-exporting countries have not, however, been so privileged. The direct impact of the oil price increases on the non-oil-exporting developing African countries has been substantial. Their oil import bill rose from $US0.8 billion in 1973 to an estimated $US7.4 billion in 1980, or as a proportion of export proceeds from 8.1 per cent to 29.2 per cent. If the food bill (i.e. $US 6 billion in 1980) is added this proportion rises to 53 per cent of exports and to over 60 per cent if debt services are included. As a consequence the balance of payments is projected to register a massive deficit of $US10.1 billion by the end of 1980. Although there has been substantial flow of foreign aid to these countries in recent years it is still inadequate to close the payments gap and is being provided at harder terms. African countries have therefore been obliged to draw more and more on their already meagre exchange reserves to meet their oil import bills.

The adjustment exercise of the non-oil-exporting developing countries, unlike that of the developed countries, is expected to be a long, more complex and more difficult process as it will require import substitution, expansion of exports in an increasingly restrictive trade climate as well as development of alternative sources of energy. The costs are prohibitive.

Preliminary estimates based on historical (1960-1976), short-term (1970-1976) trends and GDP growth target of 6 per cent per annum show that the respective oil consumption requirements of developing Africa would increase to 4.7 million barrels, 5.3 million barrels and 5.4 million barrels a day of oil equivalent by 1990. Tentative cost estimates show that the investment requirements of additional capacity to reach self-sufficiency level for all developing Africa over the 1980s would range between $US18.75 billion and $US24 billion at constant 1977 prices, or between $US700 million and $US1.2 billion yearly at 1980 constant prices for the non-oil-exporting developing African countries.

If these countries are to be self-reliant in oil and food and achieve smooth self-sustained growth enormous resources would be needed not only to create energy capacities, finance capital formation and import substitution but also to promote exports. That is definitely beyond the ability of their national economies. Substantial and sustained long-term balance of payments support during this period is a basic condition for their success if not their survival. The international community is especially called upon to be more understanding and forthcoming and the national Governments of these countries are urged to take appropriate domestic policy measures to cope with the situation.

II. THE INTERNATIONAL ECONOMIC SITUATION DURING THE 1970S

INTRODUCTION

During the 1970s, a number of developments took place in the world economy which had a serious impact on non-oil exporting African countries. Principal among these were the slow-down in rates of growth of real output in the developed countries, which adversely affected African exports; the high rates of inflation and unemployment; the substantial rise in prices of crude oil and imported capital and consumer goods, including food; the substantial deterioration in terms of trade, particularly of the non-oil-exporting African developing countries; the slow growth of agricultural and food production; the large fluctuations in export commodity prices; and, last but not least, the massive increases in liquidity, both domestic and international, which led to instability in world and domestic capital markets. The swelling of the number of absolute poor as a result of these developments led to a marked increase in social tension.

The industrialized countries were able to adjust to the adverse consequences which ensued for them, in particular the huge current payments imbalances, by taking measures to increase efficiency, expanding exports and raising export prices, curbing imports and, above all, attracting most of the foreign exchange reserves of the oil-exporting countries. Developing countries, on the other hand, in particular the non-oil-exporting African countries, continued to face serious and increasing balance of payments and food deficits which absorbed most of their foreign exchange receipts from exports, and were thus compelled to resort to short-term borrowing at high interest rates from external markets. These deficits, which are likely to continue to increase for a long time, are now seriously constraining economic growth and holding down fixed capital formation, thus initiating a downward spiral in the economic and social development process.

The resulting economic cost to the non-oil-exporting African developing countries in terms of loss of development momentum and increased external indebtedness is thus clearly considerable. Substantial resources are needed not only to face the transitional period, but also to deal with the long-term problems of adjustment to the exigencies of the new situation. Ultimately, this adjustment must take the form of export promotion to compensate for the loss of foreign exchange resulting from higher import prices of capital and consumer goods, including oil and of import substitution, particularly through increased domestic food production to minimize the rising food import bills. All these require a much higher level of fixed capital formation than hitherto, as well as efforts to increase the efficiency of capital investment. The difficulties faced by the least developed countries remained particularly severe throughout the 1970s. As the new decade begins, the formidable task of adjusting fully to the new economic environment remains the main challenge to the non-oil-exporting developing African countries, and to the international community at large.

<u>Economic growth in the main regions of the world</u>

The rate of growth of GDP in the OECD countries fell from nearly 5 per cent yearly in the 1960s to only 2.6 per cent in the 1970s. Developed market economies kept growing at a high rate until 1973, when they experienced a two-year recession, followed by a period of adjustment which gave way to a new slump in 1980. Industrial production was the most affected economic sector, its rate of growth falling from 5.7 per cent per annum in the 1960s to only 3.4 per cent in the 1970s. Apart from the impact of the increased cost of energy on the highly industrialized economies, such factors as stagnation, inflation and unemployment, which were already at work, were heightened by the large balance-of-payments

deficits resulting from oil price increases. Other factors, such as the lower rates of investment and the related lower growth of research expenditure and productivity, and higher wage costs leading to higher inflation, also played a part in this relative decline in economic performance.

Table II-1. GDP growth in the main regions of the world

	1961-1970	1971-1980
Developed market economies	5.0	4.0
OECD	4.8	2.6
Developing countries	5.1	5.6
Oil exporting	7.2	7.5
Non-oil exporting a/	5.3	5.3
Least developed	3.1	3.1
Eastern Europe	6.7	5.4

Source: United Nations Secretariat (World Economic Surveys), OECD Outlook, UNCTAD.

a/ Includes least developed countries.

The centrally-planned economies of Eastern Europe grew at a markedly slower rate in the 1970s than in the previous decade. This was most evident in 1979, when their growth rate fell to an unprecedentedly low 2.7 per cent. Among the causes of this slow-down were the gradual adjustment of Soviet oil prices to world levels, shortages of manpower and capital and various other bottlenecks, as well as chance phenomena such as the extremely bad weather in 1978/1979, which severely affected agriculture, and also the repercussions of unfavourable economic trends in other regions of the world.

Developing countries as a whole, including the oil exporting countries, slightly improved their performance compared with the previous decade, their annual growth rate rising to 5.6 per cent in 1971-1980 as against 5.1 per cent in 1961-1970, but there were large disparities among groups of countries. Oil exporters performed particularly well, with an average growth rate of 7.5 per cent in the 1970s, since they were able to increase investments by drawing on their greatly expanded current account balances. For non-oil exporting developing countries, the over-all rate of growth remained unchanged at 5.3 per cent; in the case of those in Africa, the growth rate was less than 4 per cent, but some countries in East Asia and Latin America were able to improve on their 1960s performance and even achieve a significant level of industrialization. The least developed countries stagnated at 3.1 per cent, and for many of them, especially those in Africa, this has meant a net loss in terms of growth *per capita*. With notable exceptions in Asia and Latin America, manufacturing industry grew at a reduced rate. The trend of agricultural production in Africa, where the increase in food production has failed to match population growth, is also giving rise to much concern. Faced with higher energy costs and lower demand in developed countries, most developing countries have had to rely more and more on foreign aid to keep their development momentum, thereby increasing their indebtedness.

Inflation in the developed market economy countries increased substantially in the 1970s. On the basis of consumer prices, the rate of inflation during the preceding decade had been a relatively modest 3.4 per cent per annum. Between 1971 and 1979, it went up to an average of 8.6 per cent, rising to 10 per cent at the beginning of 1980. To combat inflation, the Governments of these countries have had to abandon traditional demand management policies oriented towards stimulating growth, and turn to tight fiscal and monetary policies which have had the drawback of at least temporarily depressing their economies.

In developing countries, inflation reached even higher levels in the 1970s, rising on average from 9.3 per cent a year in 1967-1972 to 25.7 per cent in 1973-1979. Apart from leading to increased social tension within countries, such rates of inflation adversely affected those developing countries which export commodities subject to wide price fluctuations.

Trade flows

Because of the large share of developed market economies in world exports and imports, their lower economic growth has directly affected world trade. Against an annual increase in volume of around 8 per cent during the 1960s, world trade grew by only 6 per cent a year in the 1970s. The deceleration was particularly strong for developed market economies, their exports growing by 6.5 per cent in the 1970s as against 8.4 per cent in the 1960s, while import volume grew by 5.5 per cent in the 1970s, as against 9.1 per cent in the 1960s. The slowdown in the growth of imports in the developed market economies adversely affected exports from the developing countries, which grew in volume terms by only 2.8 per cent in the 1970s, as against 6.5 per cent in the 1960s, most of the decline coming from lower demand for oil. A few countries in Latin America and East Asia were able to expand their exports of manufactured products at a high rate, and even to compete on the European and North American markets. Regrettably, however, this has set off protectionist reactions: various measures have been taken by developed countries to restrict imports of manufactures from areas with lower labour costs.

The total volume of developing countries' imports, on the other hand, increased by 8 per cent in the 1970s as against 5.6 per cent in the 1960s. This was because of the vastly increased imports by oil-exporting countries whose import volume grew by 13.1 per cent annually while that of non-oil-exporting countries rose by around 5.9 per cent a year in the 1970s, i.e. slightly more slowly than in the previous decade.

Unit values increased at average annual rates of more than 13 per cent in the 1970s as against only 1 per cent in the 1960s. But these price increases were not uniform. The price of oil underwent several upward revisions, reaching by the end of the decade a level of about 16 times or in real terms about five times, the 1970 figure. Industrialized countries increased the price of their manufactured exports at a rate of about 12 per cent a year. In contrast, the performance of primary commodities other than oil was less favourable, and was affected by very large fluctuations. The end result has been on the one hand a large terms of trade gain for oil exporters, averaging 18 per cent per year during the 1970s, and on the other net losses of 2.1 per cent per year, on average, for non-oil-exporting developing countries, and 1.6 per cent per year for developed market economies.

The structure of trade underwent significant changes. The share in world trade of developed market economies fell from 77 per cent in 1970 to 72 per cent in 1979, while oil exporters doubled their share from 5 per cent to 10 per cent, the share of non-oil-exporting developing countries remaining stable at 18 per cent. Developing countries increased their mutual trade more rapidly than their total trade, to 25 per cent of the total in 1979 as against 19.3 per cent in 1970, but the share of developing countries in the trade in non-oil primary commodities fell. In terms of commodities, the share of oil grew from 9.1 per cent in 1970 to around 23 per cent of world exports in 1979, while the shares of both non-oil primary commodities and manufactures declined.

Financial developments

The rise of oil prices in 1973/1974 led to massive current account deficits in oil-importing countries, above all the developing ones which in addition had to face rising prices of manufactures. The magnitude of the problem is best realized by considering that the current account deficit of non-oil-exporting developing countries had risen by 1975 to roughly 44 per cent of their exports, compared to 7 per cent for developed market economies. Since they could not in the long run sustain such deficits, these countries pursued policies aimed basically at decreasing the deficit through import restriction and the promotion of exports. These policies have succeeded to a large extent - by 1978 the current account deficit of oil importing developing countries represented only 28 per cent of their exports - but at the price of lesser economic growth than would otherwise have been feasible. By 1979/1980, moreover, the new oil price rise once more pushed up the deficit, again presenting difficult financial problems for the oil-importing developing countries.

Developing countries were able to borrow during the 1970s because some oil-exporting countries were not immediately in a position to spend their huge revenues domestically. Instead, they deposited part in international banks; oil revenues could thus be "recycled", and used partly to finance oil-importing countries' deficits. At the same time, ODA funds, although they increased in real terms (by 3 per cent a year), did not grow sufficiently to meet the enlarged financial needs of developing countries. As a result, the percentage of non-concessional flows in the resources made available to developing countries increased sharply. The DAC countries kept ODA funds at 0.33 to 0.35 per cent of their GNP while the OPEC countries decreased their ODA flows to developing countries from a peak of 4 per cent of their GNP in 1975 to 1.28 per cent in 1979. The development assistance provided by the USSR and the other socialist countries of Eastern Europe remained at less than half of one per cent of GNP.

The indebtedness, both public and private, of developing countries increased by five times from 1971 to 1978, reaching $US 318.4 billion, and rising further to $US 376 billion by the end of 1979. Debt service rose also rapidly, but taking into account the growth of developing countries' GNP and exports and the high rate of inflation, the debt burden has remained moderate if the countries are taken as a group. In fact, the debt is highly concentrated, 55 per cent of it being accounted for in 1978 by only 10 countries. Most of the debt is owed by middle-income countries; the least developed countries have not been able to increase their indebtedness to a large extent because of their poor credit-worthiness, and this is one reason for their poor growth performance during the 1970s. The call made by the fifth session of UNCTAD, in 1979, for retroactive adjustment of debt repayment terms for the poorest countries, has led to adjustments totalling $US 5 billion of which $US 3.5 billion represent direct reduction of the total debt.

Prospects for the 1980s

After 1978-1979 the developed market economies experienced a new slump, with a growth forecast of only 1.5 per cent in 1980. Non-oil-exporting developing countries are expected to achieve an overall rate of growth of 5 per cent in 1980 but at the cost of greatly increased current account deficits. Projections made by the United Nations Secretariat, UNCTAD and other international organizations indicate that the world economy may recover in 1981/1982, but all the projections are dependent on the possibility of financing the large current account deficits of non-oil-exporting developing countries, which is expected to grow from $US 69 billion in 1980 to $US 90 billion in 1982. This will require both increased ODA flows and further "recycling" of oil revenues. At the present time, it seems unlikely that the DAC countries will increase the proportion of ODA flows relative to their GNP over the current level of just over 0.3 per cent, and, as noted above, the OPEC countries have reduced aid flows as a proportion of their GNP. Moreover, the non-oil-exporting developing countries have already reached a high level of indebtedness, and private banks seem to be changing their lending policies in response to the debt repayments problems which have arisen in some developing countries. The immediate prospects are therefore not favourable for non-oil-exporting developing countries, and the situation of those in Africa appears to be critical. As shown in Section II of this survey the oil

Table II-2. Economic projections for the early 1980s

	1970s average	1980	1981	1982
GDP growth rate				
Developed market economies	4.0	1.5	2.5	3.5
Developing countries	5.6	5.0	5.6	4.1
Oil-importing	5.3	4.7	5.0	4.7
Africa	3.8	2.2	3.7	3.2
Current account balances (billion of $US)				
Developed market economies	-11.3 a/	-33	-45	-55
Developing countries				
Oil-exporting	69 a/	101	125	145
Oil-importing	-51 a/	-69	-80	-90

Source: World Economic Survey 1979, 1980, United Nations Secretariat, Department of International Economic and Social Affairs.

a/ 1979.

import bill of African oil-importing countries, which rose from $US 900 million in 1973 to $US 4.5 billions in 1979 (20.7 per cent of exports), is expected to reach $US 7.4 billion in 1980, or nearly 30 per cent of exports and 5 per cent of GDP. When food import requirements are added, the oil and food import bill of these countries may reach around 50 per cent of their export earnings. The situation thus requires urgent measures if the African oil-importing countries are to avoid a serious deterioration in the living conditions of their populations. Already, their GDP is expected to register a marked deceleration in 1980,

the growth rate going down to 2 per cent only after growing by a mere 3.8 per cent in 1979. In the short run, increased aid flows and increased loans at favourable conditions are a vital necessity to help these countries adjust to the new economic conditions, while immediate measures are called for at the country level to adjust energy prices to market levels, restrict imports and promote exports. In the longer-term perspective, investment and saving rates will have to be raised and priority given to developing alternative energy sources and expanding food production. In this respect, Africa has considerable untapped potential for petroleum production, hydroelectricity and other energy resources such as coal gas and even in some cases peat, not to speak of non-conventional forms of energy.

III. ASSESSMENT OF PROGRESS IN THE IMPLEMENTATION OF THE NEW INTERNATIONAL ECONOMIC ORDER 1/

A. General objectives of the new international economic order

The developing countries have consistently expressed, through the Group of 77, their dissatisfaction with the present state of international economic relations, which is characterized by considerable disparity of wealth and opportunity between the developed and the developing world, and have put forward the view that international institutions operate in such a way as to perpetuate these disparities. The Declaration and Programme of Action on the Establishment of a New International Economic Order adopted by the General Assembly at its sixth special session reflected the growing concern of the developing countries that action should be taken to eliminate these adverse conditions.

The Declaration called for a new economic order based on full sovereignty of countries over their national resources and an equitable relationship between the prices of the materials and goods imported by developing countries and those they export, along with preferential treatment for these countries in terms of market access and transfer of technology. It also called for co-operation among developing countries to enable them to move towards collective self-reliance among them, and for specific arrangements and actions in the fields of trade between developing, developed and socialist East European countries; international trade and commodity prices; international monetary institutions; problems of least developed countries; energy; shipping; transfer of technology and transnational corporations.

B. Review of progress towards the general objectives

Since the adoption of the Declaration in May 1974, progress towards achieving the objectives of the new international economic order has, despite the numerous meetings held and resolutions adopted, been slow and limited in most of the areas covered by the Declaration. The progress attained so far in restructuring of commodity markets and introducing institutional changes in the areas of trade, the international division of labour and international monetary and financial arrangements fall short of the structural reforms that are required. The obstacles to progress have stemmed partly from the current difficulties of the industrialized countries, their lack of political will and their unwillingness to agree to some of the major dispositions of the developing countries, and partly from the limited economic and political leverage of the developing countries and the diversity of their opinions on some of the key issues.

Trade between developing, developed and socialist East European countries

The promotion of economic and technical co-operation among the developing countries as a means of enhancing their growth and promoting their collective self-reliance so as to strengthen their position as a group in negotiations with the developed countries is seen as one of the main objectives of the new international economic order. This implies the establishment of arrangements for mutual economic, trade, financial and technical co-operation among these countries on an essentially preferential basis. The first major step towards the implementation of this objective was the Conference on Economic Co-operation among Developing Countries (ECDC), (Mexico City, 1976), which adopted a wide-ranging programme of measures for promoting economic co-operation among developing countries at the subregional, regional and interregional levels, called for the establishment of a council of producers' associations, and decided that a global system of trade preferences exclusively among developing countries should be established with the objective of promoting

1/ Source: (a) UNCTAD document TD/B/757 and Add. 1, entitled "Assessment of the progress made towards the establishment of the new international economic order".

the development of national production and mutual trade. The question of technical co-operation among developing countries was discussed by a separate major international conference, held in Buenos Aires in 1978, which adopted a Plan of Action on the subject.

The Arusha Programme for Collective Self-reliance (1979) was the next major landmark, as it laid down guidelines and objectives for implementing economic co-operation among developing countries over the next few years. These two major conferences (Mexico city, 1976 and Arusha, 1979) resulted in the adoption by UNCTAD at its fifth session of a resolution calling on developed countries and international organizations to assist in the implementation of ECDC. It was also agreed to convene a special session of the UNCTAD Committee on Economic Co-operation among Developing Countries early in 1980 to define priority areas.

However, on the whole concrete steps towards collective self-reliance have been limited on a global scale. In Africa, though, despite the setbacks represented by the dissolution of the East African Community, there has been significant progress towards regional co-operation, as shown by the establishment of ECOWAS and other common institutions.

With regard to economic co-operation between developing countries and the socialist countries of Eastern Europe, both parties have the need to develop new institutional arrangements for expanding their mutual trade and new forms of economic co-operation to replace present barter arrangements. These include tripartite co-operation between enterprises in developing countries, socialist countries and developed market-economy countries.

In this connexion an expert group was constituted, in response to UNCTAD resolution 95(IV), to study particularly the issue of a multilateral system of payments between the socialist countries of Eastern Europe and the developing countries. The group, which met in November 1977, noted in its report the positive results in recent years in multilateralisation of payments arrangements between these two groups of countries and recommended, *inter alia*, that in order to speed up the process direct contacts should be established between respective payments institutions and experts in the field of payments.

International trade and commodity prices

In this field, the Declaration on the Establishment of a New International Economic Order called for institutional changes in the world market structure of commodities and a more favourable pricing policy for the developing countries' exports. In pursuance of these objectives, UNCTAD at its fourth session (Nairobi, May 1976) adopted the Integrated Programme for Commodities (IPC), which represented a political commitment by both developed and developing countries to enter into negotiations for the establishment of international arrangements for a wide range of commodities of export interest to developing countries, and provided for the establishment of a Common Fund as a supplementary financing facility for stabilization of export earnings.

Where the stabilization of commodity markets and prices is concerned, progress has been limited so far. After more than four years of intensive negotiations, however, Articles of Agreement on the Common Fund were adopted in June 1980. The scheme involves joint buffer-stock financing by both producers and consumers and incorporates a pattern of participation in decision-making. The establishment of the Fund is expected to advance the long-delayed all-round negotiations on individual commodities. So far, apart from the agreements on tin, coffee and cocoa, only sugar has been renegotiated; negotiations on rubber were concluded in October 1979 but the agreement is yet to be fully ratified.

The Tokyo Round of Multilateral Trade Negotiations which ended in April 1979 concluded a package of agreements which constitute a new framework for international trade in the years to come. The negotiations also led to the adoption of the so-called "enabling clause" decision, the key provisions of which allow members of the General Agreement on Tariffs and Trade (GATT) to accord differential and favourable treatment to other countries, notwithstanding the most-favoured-nation provision of article I of GATT. Steps are also being taken to clarify the future of the Generalized System of Preferences which is due for renewal in 1981. Also, the United Nations Conference on Restrictive Business Practices, which concluded its work in April 1980, approved the text of a set of multilaterally agreed equitable principles and rules for the control of restrictive business practices which is to be adopted by the General Assembly at its thirty-fifth session. These contain provisions for preferential and differential treatment for developing countries in order to ensure equitable application of the principles and rules.

As regards food security and trade, progress has been mixed since the World Food Conference. There has been noticeably increased investment in assistance from multilateral sources for food production in developing countries, but negotiations on the establishment of food grain reserves are still in progress.

International monetary institutions

Most of the international monetary objectives of the new international economic order remain to be met. These include: reduction of the role of national currencies and gold as international reserves; promotion of SDRs as the principal reserve asset in order to provide for greater international control over the creation and for the equitable distribution of liquidity with special regard for the needs of the developing countries; early link between SDRs and additional development finance; measures to eliminate the instability of the international monetary system, in particular the uncertainty of the exchange rates; and measures to check the transmission of inflation from developed to developing countries.

Some progress has, however, been made on the financing facilities of IMF revised guidelines on the conditionality to be applied to stand-by arrangements having been introduced in March and August 1979. In December 1979, moreover, the Fund eased the terms for repayments under its extended facility.

Little progress has been made towards the establishment of a new food financing facility.

The new international economic order called for the immediate lessening of the debt problem of the developing countries through the cancellation of debt mainly for least developed countries, and for the regulation of the debt operations of developing countries in a multilateral framework to ensure fairness and equity. Developed countries did not agree to a general cancellation of debts, but agreed in 1978 to an improvement of the conditions of official debt in favour of the least developed countries. This led to the cancellation, or refinancing on highly concessional terms, of ODA debt amounting to more than $US 5 billion. However, the idea of establishing an international framework for debts of developing countries has not been accepted by the developed countries, which contend that existing institutions, in particular the Paris Club and the World Bank, are quite sufficient, subject to appropriate modifications such as the participation of UNCTAD. The matter still remains to be settled.

On aid flows, there has been consensus at UNCTAD and other international bodies on a target for ODA of 0.7 per cent of the GNP of developed countries. By 1980 it is clear that the target has not been achieved. ODA flows have decreased both as a percentage of the GNP of donor countries and as a percentage of total resource flows towards developing countries. Under the circumstances, the latter have had to turn more and more to the international money market for hard loans. As for the stability and predictability of resource flows, no action has been taken apart from the establishment by IMF in 1976 of a trust fund for the provision of concessional balance of payments assistance to developing countries.

Problems of least developed countries

The least developed countries were given special consideration in the International Development Strategy for the Second United Nations Development Decade, and the principle of special treatment for them in order to raise their investment and to remove the structural constraints to their development has received wide acceptance. The OECD group of countries promised to give 80 per cent of its ODA to least developed countries on a concessional basis. Other measures, such as the financing of local costs of aid, were also recommended. Despite these measures, however, the flow of aid received by the least developed countries has been inadequate and their performance disappointing. A significant forward step in efforts to expand assistance flows to these countries was taken by the fifth session of UNCTAD, which by resolution 122(V) adopted and urged the implementation of a Comprehensive New Programme of Action in two phases: an Immediate Action Programme for 1979-1981 and a Substantial New Programme of Action for the 1980s. In response to this resolution the General Assembly decided to convene a United Nations Conference on the Least Developed Countries in 1981, with the objective of finalizing, adopting and supporting the Substantial New Programme of Action for the 1980s.

In pursuance of resolution 122(V), the General Assembly at its eleventh special session adopted resolution S-11/4, which urged the donor countries to take urgent steps to implement the comitments undertaken in the Immediate Action Programme. The replies so far received from donors do not in general address themselves clearly to providing an immediate boost to the economies of the least developed countries as called for by the Immediate Action Programme, nor do they specify the additional finance to assist these countries in elaborating the Substantial Programme of Action for the 1980s.

The UNCTAD Intergovernmental Group on the Least Developed Countries, meeting as the second session of the Preparatory Committee for the United Nations Conference on Least Developed Countries (Geneva, 9-17 October 1980), lamented the slow progress so far achieved in implementing these programmes. In this connexion the Group of 77 strongly urged the donors to double, at the earliest possible time an in any case no later than December 1981, the flow of concessional ODA to the least developed countries.

The Preparatory Committee also monitored progress to date in preparation of country presentations and programmes for the 1980s requested in accordance with the provisions of resolution 7 (III) of the Intergovernmental Group, adopted by the Committee at its first session, whereby the Government of each of the least developed countries was invited to prepare its programme for the 1980s for review with aid partners. Technical missions have been sent to almost all of the least developed countries to discuss and assist in these preparations, and a number of United Nations organizations are in the process of providing specific inputs to assist these countries in their efforts. The Committee, in close consultation

with the least developed countries, agreed to set a time limit of 1 March 1981 for the submission of country presentations by these countries to the Conference secretariat. The Committee also agreed that the review meetings should be held between 1 March and mid-June 1981. The Conference is expected to be held in Paris from 1 to 14 September 1981, possibly preceded by two days of consultations.

Other issues of interest to Africa

Energy

Of all developing countries, African countries were the hardest hit by the increase in the prices of imports, including energy. The predicament of the non-oil-producing African countries is evidenced by the size of their oil and food import bill, which in some instances amounts to over half their export earnings (see the special study in section IV.B of this Survey). Thus the call of the Declaration for the rational use of natural resources is well placed, since it also implies a search for new patterns of resource use and management which are less wasteful of key resources such as energy. Some progress is in sight, in the form of the response to the request made of the World Bank to take a greater part in the diversification and development of energy sources in developing countries, and in energy-importing developing countries in particular.

Shipping

On shipping, the Programme of Action on the Establishment of a New International Economic Order called for the implementation of the code of conduct for liner conferences and other measures in order to increase developing countries' share in world shipping. So far, little progress has been made towards this objective. Negotiations on the expansion of the national and multinational merchant marines of developing countries received new impetus as a result of UNCTAD resolutions 120(V) and 121(V) of 3 June 1979, which called, inter alia, for steps to ensure for developing countries equitable participation in the transport of cargoes generated by their own foreign trade, improvement of finance for ship acquisition and negotiations to tackle the question of phasing out open registry. In this connexion, a working group was convened in January 1980, and although it was not able to reach consensus on these issues there was agreement as to the adverse effects of open registry and the importance of remedying them. Discussions are to continue in the framework of the UNCTAD Committee on Shipping.

Transfer of technology

The resolutions on the new international economic order dealt with three aspects of the transfer of technology problem: the formulation of an international code of conduct regulating technology transfer towards developing countries; the revision of the international conventions on patents and trademarks to take into account the special needs of developing countries; and the formulation of policies to avoid or reverse the brain drain from the developing countries to developed countries, which is viewed as a "reverse technology transfer". UNCTAD is currently negotiating an international code of conduct. Much progress has been made on a draft code, which was expected to be adopted in 1979, but to date negotiations are still not concluded because of differences between developed and developing countries concerning the question of restrictive practices.

The World Intellectual Property Organization has been revising the industrial property system, and a draft proposal was submitted to an international conference early in 1980. Agreement has been reached on the draft, but negotiations are still continuing, and are expected to be completed by the end of the year. On the brain drain issue, numerous resolutions have been adopted, in particular at the fifth session of UNCTAD, and continuing studies are being carried out on the problem.

Transnational corporations

Progress has been made on the formulation of the code of conduct on transnational corporations, which is expected to contain comprehensive and generally acceptable standards regarding the behaviour of transnational corporations and their treatment by home and host Governments. With regard to the transfer of technology, the code provides for the establishment of a general and universal legal framework for the adequate transfer and development of technology with a view to strengthening the scientific and technological capabilities of all developing countries, particularly the developing countries of Africa.

Necessary conditions for the implementation of the new international economic order Africa and obstacles to progress

As pointed out at the beginning of this chapter, the efforts made to implement the new international economic order have had very limited results, though the prospects for advance seem better in some areas than in others. Of the numerous obstacles, the most important has been the lack of political will in the developed countries to implement the resolutions on the new order. Moreover, these resolutions spelled out clearly neither the concept of the new order nor the procedures for establishing it.

At this stage more specific new international arrangements in favour of developing countries appear even more pressing than at the beginning of the 1970s. Renewed efforts to make substantial progress towards the new international economic order are thus essential. However, changes of approach and clear definition of goals, commitments and time-tables are called for if these efforts are to succeed. Moreover, it is important that developing countries should aim first at changing their own internal economic order, as the basis for changes in the international economic order at large.

IV. ECONOMIC DEVELOPMENT IN THE ECA REGION

A. Growth, domestic savings and fixed capital formation

The GDP at constant prices in developing Africa as a whole rose by 5 per cent in 1979 compared with 5.4 per cent and 4.8 per cent in 1977 and 1978 respectively. This growth is much in line with the average growth rate for the 1970s of 5.2 per cent, and marginally higher than the average of 4.7 per cent for the 1960s. Except for two extreme years, namely 1975 and 1976 where GDP rose by 2.7 per cent and 7.2 per cent respectively, growth has been fairly even around 5 per cent per annum. While the lower rate in the former year - implying zero per capita growth since the continent's population grows at 2.7 per cent yearly - is largely a consequence of a lean year in the non-oil-exporting East and Central African subregions, the sharp rise in the latter is essentially due to the increase in oil revenues in the oil exporters.

The above picture, however, masks wide differences when performance is conidered in the context of the group classification of African developing countries into oil exporters and non-exporters and by 1970 per capita income groups. 1/

As depicted by table IV.A.1 the major oil exporters have shown the faster growth throughout. With average growth rates of 6.9 per cent for the 1960s and 8.1 per cent for the period 1970-1979, their performance has been well above the targets set for both the First and Second United Nations Development Decades. In 1979 their growth rate was, however, less than average - 7.1 per cent - owing to the relative world oil glut. The performance of the non-exporters of oil, on the other hand, is considerably less; the decidedly downward trend in their performance since the beginning of the 1970s, bottom-rocking at 0.9 per cent in 1975, has been

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1/ Unless otherwise stated, all the tables presented in this chapter provide data on 48 African developing countries classified as follows:

The major oil-exporting countries are: Algeria, Gabon, the Libyan Arab Jamahiriya and Nigeria.

The non-oil exporting countries with:

(a) GDP of less than $US 100 per capita are: Benin, Burundi, Chad, Ethiopia, Guinea, Lesotho, Malawi, Mali, the Niger, Rwanda, Somalia, the United Republic of Tanzania, the Upper Volta and Zaire.

(b) GDP of $US 100 to under $US 200 per capita are: Botswana, the Central African Republic, the Comoros, the Gambia, Kenya, Madagascar, Mauritania, Sierra Leone, the Sudan, Togo, Uganda and the United Republic of Cameroon.

(c) GDP of $US 200 to under $US 300 per capita are: Angola, Cape Verde, Egypt, Equatorial Guinea, Ghana, Guinea-Bissau, Liberia, Mauritius, Morocco, Mozambique, Senegal and Swaziland.

(d) GDP of $US 300 to under $US 400 per capita are: the Congo, the Ivory Coast, Sao Tome and Principe, Seychelles, Tunisia and Zambia.

Table IV.A.1 Growth of real GDP in developing Africa

(Percentage per annum)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1970-75	1975-79	1970-79
North Africa	5.3	5.9	4.8	6.2	8.0	10.2	7.7	6.8	6.2	6.0	7.7	6.8
West Africa	8.0	4.9	4.9	8.2	1.8	7.9	6.4	4.8	6.2	5.5	6.2	5.9
Central Africa	3.7	1.9	7.9	5.7	-7.9	3.2	-0.7	-0.4	1.6	2.2	0.9	1.6
East Africa	4.8	4.5	2.9	0.8	-0.5	3.0	3.2	3.0	2.2	2.5	2.8	2.7
All developing Africa	5.9	5.1	4.7	5.7	2.7	7.2	5.4	4.8	5.0	4.8	5.6	5.2
Major oil-exporting countries	7.2	6.5	7.4	11.4	6.6	13.1	7.0	5.5	7.1	7.8	8.3	8.1
Non-oil exporting countries	5.4	4.5	3.6	3.3	0.9	4.5	4.1	4.4	3.8	3.5	4.2	3.8
GDP of less than $100 _per capita_	4.9	3.0	2.1	4.0	0.6	2.4	2.6	2.3	2.3	2.9	2.4	2.7
GDP of $100 to under $200 _per capita_	5.4	1.4	2.2	3.4	1.3	3.3	4.8	4.3	2.9	2.7	3.8	3.2
GDP of $200 to under $300 _per capita_	5.2	4.2	5.1	1.0	-0.5	5.1	5.9	5.1	5.0	3.0	5.3	4.0
GDP of $300 to under $400 _per capita_	4.6	10.5	2.4	7.4	5.6	8.4	3.0	6.3	4.4	6.1	5.5	5.8

Source: ECA Statistics Division.

reversed but growth remained erratic. All in all, their average growth rate was virtually the same as in the 1960s (i.e. 3.9 per cent). Hence most of the growth was generated in the major oil-exporting group and in other relatively rich countries with per capita income of $US 200 or more. In contrast, the growth of the 26 countries with per capita GDP of less than $US 200 was barely above their rates of population growth. In particular, growth in countries with per capita income of less than $US 100, comprising most of the least developed African countries, has been extremely disappointing; in six out of nine years their growth rates at constant prices were below the rates of population growth. In fact their people are as badly off towards the end of the decade as they were at the beginning. The underlying causes of this poor performance can be traced in large part to the behaviour and adjustment efforts of the industrialized economies.

There are clear indications that these disparities between the various groups and income categories are widening seriously, despite the slight improvement since 1976 in the performance of countries with $US 100-200 per capita income.

If account is taken of the terms of trade effect, the differences between the major-oil-exporting and the non-oil-exporting African countries widen even further. The former group would then grow by an additional 2-7 per cent, while the latter would decelerate by half a percentage point over the 1970s.

Again, the North and West African subregions continue to grow systematically at reasonable average rates, while the predicament of the East and Central African subregions persists. Discounting the oil sector, the structure of the economies of the two regions would be very similar, with strong dependence on agriculture for income, employment and foreign trade. Both are also very open economies. The especially poor performance of the latter subregions is a product of unfavourable prices for their narrow range of exports and the adverse weather conditions that have prevailed in much of the region lately.

What is indeed disturbing is the sharp disparities between the growth of the commodity-producing sectors and the services sectors, including the government sector. As stated before, real GDP of developing African countries as a whole registered during the 1970s an average annual growth of 5.2 per cent. Taking the growth of real agricultural production (a mere 1.7 per cent yearly) and of manufacturing (6.5 per cent yearly) and using their respective shares (i.e. 31.3 per cent for agriculture and 10.4 per cent for manufacturing) in GDP shows the startling fact that the commodity-producing sectors contributed together a mere 1.12 percentage points to the overall increase in GDP, or less than one quarter of the overall growth. With commodities, both agricultural and manufacturing, forming a much larger percentage in consumption, it is evident that the structure of growth is highly unbalanced with respect to the consumption needs of the population. The position seems more desperate with regard to non-oil exporting African developing countries, where the contribution of commodity production was less than one-third of the increment in GDP, it being of course noted that the share of basic goods for the lower income group is larger.

Table IV.A.2. Gross domestic savings as a proportion of GDP (percentage)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Major oil-exporting countries	28.4	25.9	26.8	26.9	17.7	15.5	20.1	21.4	23.0	25.4
Non-oil-exporting countries	15.05	14.5	16.1	15.4	14.5	15.9	16.5	16.0	15.7	16.8
GDP of less than $US 100 per capita	13.9	13.3	15.3	14.4	12.1	13.1	14.4	12.7	11.2	12.7
GDP of $100 to under $200 per capita	14.4	12.6	15.0	15.8	14.6	14.3	12.9	13.1	13.1	14.5
GDP of $200 to under $300 per capita	12.0	22.0	12.3	11.4	10.7	14.3	14.0	14.7	15.3	15.0
GDP of $300 to under $400 per capita	28.9	27.5	29.9	27.5	27.2	27.3	28.7	27.8	27.4	27.2
TOTAL DEVELOPING AFRICA	18.8	17.7	19.2	18.8	15.5	15.8	17.7	17.9	18.2	19.8

Source: ECA Statistics Division.

Table IV.A.3. Gross fixed capital formation as a proportion of GDP (percentage)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Major oil-exporting countries	22.5	24.1	28.7	30.0	37.9	42.5	41.6	43.6	43.2	39.3
Non-oil-exporting countries	16.7	16.9	15.7	15.6	18.0	19.2	18.8	19.7	19.3	19.5
GDP of less than $US 100 per capita	16.5	18.0	16.8	16.5	18.0	15.7	15.1	14.6	14.8	14.6
GDP of $100 to under $200 per capita	16.2	16.7	15.5	15.3	17.8	16.1	16.5	17.9	18.4	18.7
GDP of $200 to under $300 per capita	14.5	13.7	11.8	11.8	14.3	19.1	19.6	20.6	19.9	19.9
GDP of $300 to under $400 per capita	23.5	24.7	24.0	23.5	25.5	25.3	23.0	25.5	25.3	26.1
TOTAL DEVELOPING AFRICA	18.3	18.9	19.4	19.8	24.1	26.7	26.5	28.0	27.7	26.6

Source: ECA Statistics Division.

Although the overall performance of the developing African economies taken as a group during 1970-1979 was generally satisfactory, production composition and disparities apart, the outlook for the 1980s is disturbing. 2/ According to World Bank estimates, the annual per capita growth of low-income Africa (obviously excluding the major oil-exporting countries), which was only 1.6 per cent and 0.2 per cent during the 1960s and 1970s respectively, will be negative on average in the period 1980-1985. Given the structure of the African economies, much will depend on the future performance of the agricultural sector which would also directly affect the mainly agro-based manufacturing sector. But if the past performance of this sector is any guide to the future, the expectations may perhaps be even more dismal. Suffice it to mention that over the 1970s the growth rate of this sector was only a meagre 1.7 per cent, compared to 2.7 per cent for the 1960s, with the performance in the lower income African countries much worse. For further details on this sector see the section on agriculture.

Table IV.A.2 shows that for developing Africa as a whole the share of domestic savings in GDP increased from 18.8 per cent in 1970 to 19.8 per cent in 1979. Although this increase is marginal, the over-all average ratio for the 1970s of 17.8 per cent is certainly considerably higher than the average recorded for the 1960, 11.9 per cent. Here again, wide disparities in performance exist between the major oil-exporting and non-oil-exporting countries. Whereas the savings ratios for the latter remained barely above 15 per cent during the 1970s, those for the former dropped sharply from 28.4 per cent in 1970 to 15.5 per cent in 1975, but picked up considerably to 25.4 per cent in 1979. The deceleration in performance in the first half of the 1970s was due to the enormous expansion in both public and private consumption in these countries during that period, while the healthy reversal of this trend is an indication of the determination of these countries to keep their overheated economies under control, in most cases by adopting a various packages of stabilization measures. Consequently, the marginal propensity to save has dramatically increased from a negative ratio of -0.13 in the first half of the 1970s to a record 0.52 during the period of 1975-1979. With the ratios for non-oil-exporting countries remaining at 0.21 for the comparable period, the entire increase (from 0.05 to 0.37) in the marginal propensity to save for the whole of developing Africa is attributable to the major oil-exporting countries. Whereas this situation reflects a success story for the oil exporting countries, the stagnation in the ratios for the non-oil-exporting countries (only marginally more than the 0.18 recorded for the 1960s) should be a reason for concern if self-reliance and self-sustainment are to be achieved. Within this latter group, countries with per capita income of less than $US 100 show declining savings ration, and this is likely to continue in the future, with the marginal propensities to save being a mere 0.08, far less than the averaging savings ratio. The higher income categories, in contrast, continue to pursue high savings efforts although the marginal rates of savings were in recent years almost equal to the average which shows that the average savings ratios will continue at same level as in the past.

2/ (a) IBRD, World Development Report, 1980, 0.11.

(b) IBRD, Address to the Board of Governors by Robert S. McNamara, President, World Bank, 30 September 1980.

Gross fixed capital formation increased substantially in the whole of developing Africa and in every income or country group (see tables IV.A-3 and IV.A-5). The share of fixed capital formation in GDP in the major oil-exporting countries rose from 22.5 per cent in 1970 to 42.5 per cent in 1975 and 39.3 per cent in 1979. Whereas the former rise is related to the petroleum boom of 1973-75 and the enhanced efforts to build up the productive capacity of these economies, the deceleration in this ratio towards the end of the 1970s is seen as a gradual conformation with the genuine requirements of their over-strained economies.

Likewise in the non-oil-exporting group fixed capital formation rose from 16.7 per cent in 1970 to 19.2 per cent and 19.5 per cent in 1975 and 1979 respectively. The same pattern is shown by all <u>per capita</u> income groups, except that the dependence on foreign assistance is greater in countries with <u>per capita</u> income of less than $US 100.

Table IV.A-4 shows how savings and investment are matched in Africa by country group and income category. The picture is mixed, but two features are conspicuous. The countries with <u>per capita</u> income of less than $US 200 showed savings gaps throughout, while countries with <u>per capita</u> income of $US 300 to under $US 400 had surprisingly small surpluses throughout. All other groups and categories suffered deficits of varying magnitudes especially before 1974. It is also worth noting that the savings gaps experienced by the major oil-exporting countries and also by the whole of developing Africa increased at accelerated rates, peaking in 1975 but systematically ebbed thereafter. The oil-exporting countries have the potential to cope with the situation, but the implications for non-oil-exporting Africa are grave, especially for the less privileged countries which ran deficits well above the growth of their economies for most of the period. With local resources already stretched to the limit under the present institutional set-ups, accelerated development can only be achieved through successively higher doses of highly concessional foreign assistance. This will not in fact be possible unless the highest priority is given to putting national economies in order, reforming institutions and promoting efficiency.

The drop in capital-output ratio (COR) in the non-oil-exporting countries, which decreased from 5.1 in the first half of the 1970s to 4.6 in the second half, is a welcome feature, indicating the success of this group of countries in their endeavour to utilize existing capacities and make better use of their new investment. Unfortunately, paucity of data on sectoral distribution of capital formation and gestation period makes it difficult to trace this development sectorally. In contrast, however, the major oil-exporting countries have recorded increases in COR, especially, since 1975, as have the countries with <u>per capita</u> GDP of less than $US 100. The continued rise in the COR in the former group is presumably due to the recent tendency in these countries to undertake large and costly labour-saving projects and to the increased attention accorded to education and health and sanitation projects, which normally have long gestation periods. The unsatisfactory trend in the latter group, however, has much to do with the noticeably prolonged execution period of their projects and other factors related to the structural weaknesses of their economies.

The other satisfactory development is the dramatic decline in the import elasticity with respect to GDP of the major oil-exporting countries, from 2.65 in the first half of the 1970s to -0.0002 in the period 1975-1979, thanks to the rationalization of import policy and the stabilization measures effectively employed

Table IV.A.4. Investment/saving gap as percentage of GDP

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Major oil-exporting countries	-5.9	-1.8	1.8	3.1	20.2	26.9	21.5	22.2	20.3	13.9
Non-oil-exporting countries	1.6	2.4	-0.4	0.2	3.4	3.3	2.3	3.7	3.6	2.7
GDP of less than $US 100 *per capita*	2.6	4.8	1.6	2.1	5.9	2.6	0.7	1.9	3.5	1.9
GDP of $100 to under $200 *per capita*	1.7	4.1	0.5	-0.5	3.1	1.8	3.6	4.8	5.3	4.2
GDP of $200 to under $300 *per capita*	2.4	-8.3	-0.5	0.4	3.6	4.8	5.5	5.9	4.6	5.0
GDP of $300 to under $400 *per capita*	-5.3	-2.9	-6.0	-4.0	-1.7	-2.0	-5.6	-2.3	-2.1	-1.1
TOTAL DEVELOPING AFRICA	-0.5	1.2	0.2	1.0	8.6	10.9	8.8	10.1	9.4	6.7

Source: ECA Statistics Division.

Note: Negative figures imply that saving is more than investment.

in these countries. Nigeria is a case in point. The other non-oil-exporters have maintained their import elasticities at around 1.17 over the 1970s despite the increased tempo of capital accumulation in many of the countries in this group, the import content of which is generally higher than GDP as a whole. Many countries in this group were able to sustain the growth in imports only by drawing down reserves, borrowing abroad and accumulating arrears.

There has also been a steady but low expansion in export volume throughout the 1970sfor all country groups, with the exception of the major oil exporters in the first half of the decade, but this has been more than compensated for in the second half. The performance of non-oil-exporting African countries as a group and that of those with per capita GDP between $US 200 and 300 was influenced by the high expansion of the exports of Egypt (19.4 per cent) and Mauritius (12.6 per cent) during 1975-1979. If that were excluded, neither the average for non-oil-exporting Africa nor that for and of the per capita income groups would exceed 3.7 per cent per annum. As it is the overall growth rate of exports is, however, still less than the import growth rate for the same period in a wide spectrum of countries. Although the oil exporters would at worst be able to cope through their accumulated reserves, the other non-oil-exporting countries would continue to suffer serious balance of payments problems. The behaviour of the external trade sector will be discussed at length in section IV.F below.

All told, the future growth of the developing African economies remains mainly a function of enhanced savings and investment efforts, efficiency of use of resources, improved performance of agriculture, export growth and import rationalization, institutional reforms and better economic management.

Table IV.A.5. Major economic indicators and parameters by groups of countries in developing Africa, based on national accounts at constant prices (percentage unless otherwise stated)

Group of countries	Period	GDP Growth rate	Agri. Growth rate	Manu. Growth rate	Capital/ Output ratio	Domestic savings in GDP 1/	Marginal propensity to save	Import growth rate	Export growth rate	Investment as a proportion of GDP 1/	Import elasticity with respect to GDP
Developing Africa	1970-75	4.8	1.7	5.7	4.7	18.8	0.05	9.7	0.7	18.3	2.02
	1975-79	5.6	1.6	7.5	4.8	15.8	0.37	2.8	6.6	26.7	0.50
	1970-79	5.2	1.7	6.5	4.6	19.8	0.22	6.6	3.3	26.6	1.27
Major oil-exporting countries	1970-75	7.8	1.1	10.3	4.2	28.4	-0.13	20.7	-0.04	22.5	2.65
	1975-79	8.3	3.2	12.2	4.9	15.5	0.52	-0.002	9.5	42.5	-0.0002
	1970-79	8.1	2.0	11.2	4.3	25.4	0.22	11.0	1.6	39.3	1.36
Non-oil-exporting countries	1970-75	3.5	2.0	4.9	5.1	15.1	0.21	4.1	2.8	16.7	1.17
	1975-79	4.2	1.2	6.0	4.6	15.9	0.21	4.9	5.6	19.2	1.17
	1970-79	3.8	1.6	5.2	4.9	16.8	0.21	4.5	4.0	19.5	1.18
GDP of less than $US 100 per capita	1970-75	2.9	0.7	3.7	5.6	13.9	0.08	3.1	3.2	16.5	1.07
	1975-79	2.4	2.3	2.1	6.3	13.1	0.09	2.8	3.7	15.7	1.17
	1970-79	2.7	1.4	3.0	5.8	12.7	0.08	3.0	3.4	14.6	1.11
GDP of $100 to under $200 per capita	1970-75	2.7	1.8	3.4	6.0	14.4	0.13	2.0	1.9	16.2	0.74
	1975-79	3.8	1.6	6.8	4.6	14.3	0.16	5.9	1.2	16.1	1.55
	1970-79	3.2	1.9	4.9	5.3	14.5	0.15	3.7	1.6	18.7	1.16
GDP of $200 to under $300 per capita	1970-75	3.0	1.7	3.9	5.6	12.0	0.28	6.2	3.3	14.5	2.07
	1975-79	5.3	0.5	7.6	3.7	14.3	0.18	5.2	10.1	19.1	1.11
	1970-79	4.0	1.1	5.5	4.5	15.0	0.22	6.1	6.3	19.9	1.53
GDP of $300 to under $400 per capita	1970-75	6.1	5.1	7.0	4.0	28.9	0.23	4.1	2.5	23.5	0.67
	1975-79	5.5	2.1	6.3	4.7	27.3	0.27	4.7	3.5	25.3	0.85
	1970-79	5.8	3.8	6.7	4.3	27.2	0.25	4.4	2.9	26.1	0.76

Source: ECA Statistics Division.

1/ Periods referred to are 1970, 1975 and 1979.

B. Agriculture

Production trends 1970-1979

According to FAO production indices the average annual growth of agricultural production in Africa was 1.4 per cent for the period 1970-1979. ECA figures, however, showed an annual increase of 1.7 per cent over the same period (table IV.B.1). 3/ The former source gives a growth over the preceding year of 1.2 per cent in 1979, as compared with 2.8 per cent in 1978, while the latter gives figures of 2.1 per cent and 2.5 per cent respectively. On either basis, therefore, the growth rate was substantially lower in 1979 than in 1978.

Even more disturbing are the wide disparities in performance by subregions. In 1979 as against 1978, North Africa's agricultural value added increased at constant prices by a mere 0.1 per cent, while that of West Africa rose by 5.1 per cent. East Africa attained a growth rate of only 0.3 per cent, compared with 2 per cent for Central Africa. For the 1970s as a whole, the average annual growth rate in agricultural output was 3.4 per cent for North Africa and 1.4 per cent for East and West Africa, with a negative growth rate of 0.5 per cent for Central Africa.

It is of course difficult to generalize as to the reasons for this poor performance, since it depends largely on the type of land available for cultivation and the nature of the measures taken to improve productivity. Drought and socio-political factors are most often cited as underlying causes. In addition to these exogenous factors, however, the situation is also certainly due in part to other factors more closely related to agricultural policies, such as the nature of investment programmes in agriculture and incentives to farmers, and the obstacles to labour-intensive farming created by the land-holding system.

As an examination of the 1978 and 1979 growth rates for individual countries given in table IV.B.2 shows, there are wide disparities in performance. In 1978 there were 12 countries in developing Africa in which agricultural value added was negative. Of the remaining 38 countries, three recorded growth rates of below 1 per cent, nine between 1 and 2 per cent, four between 2 and 3 per cent and six between 3 and 5 per cent, while 16 showed a rise in output of more than 5 per cent or more. The situation was substantially different in 1979, with eight countries showing negative growth rates and seven a growth rate of 0 to 1 per cent. Fifteen countries had growth rates of 1 to 2 per cent, five from 2 to 3 per cent and nine from 3 to 5 per cent, while six countries registered growth rates of 5 per cent or over.

3/ The FAO Index refers to gross output, including the output of crops, vegetables, rubber, meat and so on, but excluding the output of hides and skins, fisheries, hunting and forestry products. ECA estimates are however value-added and calculated at constant factor cost using single general price and not sectoral deflators. Thus the differences arise from the different methodologies, coverage and deflators used.

Table IV.B.1. Growth of real agricultural output (percentage per annum)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1970-1975	1975-1979	1970-1979
North Africa	7.0	6.5	1.0	9.0	3.8	0.7	-2.1	4.7	0.1	5.5	0.8	3.4
West Africa	1.9	-2.3	-1.3	4.7	-3.9	2.9	2.4	4.1	5.1	-0.3	3.6	1.4
Central Africa	2.0	0.9	0.5	1.9	-6.6	-5.7	1.7	-0.2	2.0	-0.3	-0.6	-0.5
East Africa	0.9	4.2	2.2	-1.3	-0.1	2.2	2.9	0.9	0.8	1.1	1.7	1.4
Total developing Africa	3.2	2.2	0.2	4.5	-1.4	1.3	1.0	2.5	2.1	1.7	1.6	1.7
Major oil-exporting countries	4.8	-3.8	-2.4	4.4	2.5	1.6	3.1	3.6	4.7	1.1	3.2	2.0
Non-oil-exporting countries	2.7	4.2	1.0	4.5	-2.6	1.2	0.4	2.1	1.2	2.0	1.2	1.6
GDP per capita $US 100	1.3	0.8	1.6	1.0	2.1	5.2	1.1	1.5	1.6	0.7	2.3	1.4
100-200	3.2	1.2	0.8	5.2	-1.0	-0.3	5.0	1.7	0.3	1.8	1.6	1.9
200-300	0.7	6.4	4.9	4.2	-7.2	-1.9	-0.8	3.2	1.4	1.7	0.5	1.1
300-400	8.6	10.1	-4.0	4.5	7.1	4.0	-4.6	6.5	3.0	5.1	2.1	3.0

Source: ECA Statistics Division.

Table IV.B.2. Frequency distribution of African countries by growth rates in agricultural production measured by value added to GDP 1978 and 1979

	Negative	Nil to below 1	1 to below 2	2 to below 3	3 to below 5	5 and over
1978						
North Africa	1		2			3
West Africa	3		1	1	3	8
Central Africa	5		2	1	1	2
East Africa	3	3	4	2	2	3
Total developing Africa	12	3	9	4	6	16
1979						
North Africa	2		2	1		1
West Africa		1	5	2	4	4
Central Africa	2	2	3	1	3	
East Africa	4	4	5	1	2	1
Total developing Africa	8	7	15	5	9	6

Source: ECA Statistics Division.

Food production

For the period 1970 to 1979, the indices of food production averaged a growth rate of 1.5 per cent annually, or considerably lower than the population growth rates of between 2.5 and 2.8 per cent. Food production growth rates in Africa declined considerably between 1978 and 1979, from 3.7 per cent to 1.8 per cent.

Since the 1960s, food production has failed to keep up with the rise in demand. Cereals (wheat, barley, rice), milk and meat have always been in deficit. The region's self-sufficiency ratio 4/ for food deteriorated from 98 per cent for 1962-1964 to 90 per cent in 1972-1974. If this trend continues, the region's food self-sufficiency will decline to 81 per cent by 1985. The growth in annual demand for the major food commodities is estimated at 2 to 6 per cent between 1972-1974 and 1985 and 2 to 7 per cent between 1985 and 1990.5/ This ever-widening gap between food needs and availabilities increases the need for imports, draining the already scarce foreign reserve needed for capital goods to enhance the productive capacity of national economies. To match these escalating food demands, production needs to double or triple its previous growth rate, but in many countries the emphasis is on industrial (or export) crop over food crops.

The main staples in tropical Africa (maize, rice, sorghum, millet, roots and tubers), although marginally sufficient during normal production periods, suffer from chronic fluctuations due to severe weather conditions, drought, pests and disruption of production as a result of socio-political problems. During 1970-1979, production of most food crops increased by less than 2 per cent annually, and in 1979, production was in most cases lower than in 1978.

Table IV.B.3 Food production in Africa

Crop	1970	1977	1978	1979	Growth rate 1978-1979	Growth rate 1970-1979 (Annual average)
	..Thousand metric tons..				.......Per cent..........	
Wheat	6 504	5 900	6 920	7 363	6.4	1.5
Rice paddy	7 373	7 851	8 030	8 145	1.4	1.2
Millet	9 427	9 444	10 373	10 155	-2.1	0.9
Sorghum	8 895	9 583	10 148	9 679	-4.6	1.0
Maize	14 824	16 654	18 253	16 209	-11.2	1.0
Cereals (total)	52 099	53 668	59 122	56 735	-4.0	0.9
Roots and tubers	68 262	77 615	79 094	80 859	2.2	1.9
Pulses	4 895	4 768	4 953	5 004	1.0	0.3
Groundnuts in shell	4 303	4 604	4 709	5 138	9.1	0.8
Sugar (centrifugal, raw)	3 125	3 771	4 003	3 997	-0.2	2.7
Total meat	4 374	4 843	4 960	5 094	2.7	1.7
Cows milk (whole, fresh)	6 463	7 204	7 453	7 610	2.1	1.8

Source: FAO, Rome, Statistics Division, Computer print-out, 27 November 1979.

4/ SSR - Domestic production/utilization x 100.

5/ FAO, The State of Food and Agriculture, 1978, Rome, 1979, pp. 2-4.

Industrial crop production

Table IV.B.4 shows that production of cocoa, coffee, sisal, seed, cotton and palm kernel - important export crops which largely affect the foreign exchange positions of African countries - was lower in 1979 than 1970. In the case of sisal the unfavourable world price brought about by the competition from artificial fibres from the early 1960s onwards was the main reason for the drop in production. The spread of coffee berry disease and political problems in producing countries are among the main reasons for the drop in the quantity of coffee produced for export during the 1970s. In 1979, however, only seed cotton, palm oil and olives showed negative growth rates as against 1978, while sisal showed a marginal increase.

Table IV.B.4. Industrial crop production in Africa

Crops	1970	1972	1978	1979	Growth rate 1978-1979	Growth rate 1970-1979 (Annual average)
	........Thousand metric tons.......				.........Per cent.............	
Cocoa beans	1 115	943	872	952	9.2	-1.8
Coffee, green	1 312	1 158	1 123	1 140	1.5	-1.6
Tea	120	194	198	202	2.0	6.0
Sisal	365	205	188	189	0.53	-7.1
Seed cotton	3 810	3 050	3 145	3 101	-1.4	-2.2
Tobacco (leaves)	166	230	201	213	6.0	2.8
Rubber	215	194	209	218	4.3	0.2
Palm oil	1 130	1 290	1 274	1 257	-1.3	1.2
Citrus fruits	3 164	3 399	3 349	3 441	2.6	0.9
Olives	738	1 157	1 075	1 020	-5.1	3.7
Pineapples	572	835	945	983	4.0	6.2
Palm kernels	725	670	579	708	22.3	-0.3

Source: FAO, Rome, Statistics Division, Computer print-out, 27 November 1979.

Livestock production

The number of animals in Africa has been increasing between 1970 and 1979, although in West Africa the cattle population was actually lower in 1979 than in 1970, due to the slow recovery from the devastating drought of 1973-1974. In 1979 the increase over 1978 was marginal for many classes of animals.

Despite the large number of livestock in Africa, shortages of meat and milk continue to be chronic. As indicated in a study conducted by the International Livestock Centre for Africa (ILCA), 6/ total meat production per inhabitant from bovines and sheep and goats ranged from less than 1 to almost 50 kg per annum. The *per capita* average for Africa was 8.79 kg per annum. The annual amount of domestic beef and veal production per head of cattle has been estimated to range from 40 kg to well below 10 kg, the average being estimated at 15.99 kg. *Per capita* milk production in

6/ Jahorke, Hans. E., "The Livestock Economy of Africa", *Occasional Economics Paper*, No. 5, ILCA, Addis Ababa, March 1977.

Africa varies from less than one litre per annum (Ghana) to 110.76 litres (Botswana). Annual milk yields in the majority of African countries range from 100 to 400 litres per cow. These data indicate the low productivity of African livestock and its minimal contribution to food production.

Table IV.B.5. Livestock population in Africa

	1970	1977	1978	1979	Growth rates 1970-1979 (Annual average)	Growth rates 1978-1979
	........Thousand Head........				..........Per cent..........	
Cattle	141 151	151 197	154 393	153 312	2.5	1.3
Sheep	125 854	133 332	137 781	139 812	1.5	1.2
Goats	128 471	134 875	137 700	139 925	1.6	0.9
Horses	3 506	3 492	3 548	3 598	1.4	0.3
Asses	10 754	11 103	11 335	11 496	1.4	0.7
Mules	2 068	2 090	2 098	2 125	1.3	0.3
Camels	11 248	12 179	12 269	12 562	2.4	1.2
Pigs	5 562	6 884	7 198	7 476	3.9	3.5
Poultry	400 122	489 077	500 506	518 698	3.3	2.9

Source: FAO, Rome, Statistics Division, Computer print-out, 27 November 1979.

Fish production

Fish production in the African continent reached a peak in 1975 with a total catch of 4.4 million tons. Production subsequently decreased to 4.3 (-2.32 per cent), 4.1 and 4.2 million tons in 1976, 1977 and 1978 respectively.

The inland waters of Africa, which cover a total of some 250,000 km^2, nearly all support fisheries, in some cases on an intermittent basis depending on water levels, and supply about 40 per cent of fish production in the continent. Of this percentage, river fisheries account for some 340,000 tons (estimate for 1978), and this figure would be much higher if fish caught in small streams were reported. Most of the catch from rivers comes from floodplains, the ten major flood plains of Africa yielding about 280,000 tons annually.

The potential of fisheries in the African region, although considerable is still not fully evaluated. Because of their dispersed nature and frequently isolated geographical position, both river and lake fisheries are poorly developed. Moreover, the rivers and lakes are very often shared by several countries, so that joint subregional schemes need to be formulated for the rational exploitation and management of fish stocks.

The most important bottlenecks in fisheries development include processing, marketing, storage and transportation. Coupled with these are the shortage of trained personnel for operational and managerial positions, the lack of related infrastructural development, and the poor traditional technology. Loss of fish through spoilage, and especially insect infestation, is high. Improved processing by both traditional and modern methods, handling and marketing should receive more attention. Improved road networks would make a significant contribution to the expansion of remote fisheries, in terms both of product distribution and of the supply of necessary processing equipment and materials.

Forestry production

The major forestry products of the region include fuelwood, roundwood, sawnwood, panel products, pulp, paper and paperboard. The estimated total volume of roundwood removals in the region in 1978 was 373.4 million cubic metres, 14 per cent of the world total, but representing an increase of only 2 per cent over the 1977 figure.

In each of the following 10 countries wood removal in 1978 exceeded 10 million cubic metres: Ghana, (13 million m^3), Ivory Coast, (10.4 million m^3) and Nigeria, (85 million m^3) in West Africa. Ethiopia (25 million m^3), Kenya (16 million m^3), Mozambique (11 million m^3), Uganda (20 million m^3) and the United Republic of Tanzania (40 million m^3) in Eastern and Southern Africa; Sudan (29 million m^3) in North Africa; and Zaire (21 million m^3) in Central Africa. These are countries which have large populations and/or a favourable forest resources endowment. In the majority of African countries, total volume of roundwood removals in 1978 was either unchanged or increased only marginally over the 1977 level. Gabon (8 per cent), Ivory Coast (5 per cent) and Liberia (5 per cent) recorded decreases in total volume production in 1978, reflecting the combined effects of the sluggish overseas log markets of 1977 and measures in the producing countries to conserve timber resources by restricting exports of unprocessed wood.

Table IV.B.6. Production of major forest products in the African region in 1977 and 1978

Year	Fuelwood (million m^3)	Sawlogs and veneer logs (million m^3)	Other roundwood (million m^3)	Sawnwood (1 000 m^3)	Panel products (1 000 m^3)	Pulp, paper and paperboard (1 000 tons)
1977	328.6	18.5	18.3	4 408	771	664
1978	336.6	17.5	19.2	4 286	760	680

Source: FAO, Rome, 1980, Yearbook of Forest Products, 1978.

Table IV.B.6 shows that total production of fuelwood, roundwood, and pulp, paper and paperboard in 1978 increased by 2.4 per cent, 2.1 per cent and 2.4 per cent respectively over 1977. In the case of logs, sawnwood and panel products, there were decreases of 5.4, 2.8 and 1.4 per cent respectively. The decreases in production of sawnwood and panel products were due to the decline in sawlogs production, which adversely affected raw material supplies to mills.

On the whole, the production trends for forests in Africa in 1977-1978 were not very encouraging. There is a clear need for African countries to improve the performance of the forestry subsector, particularly in respect of production of the various wood products which are so essential to the attainment of improved living standards for the populations of the region. Efforts to achieve this objective must, however, take due account of the services of forests in protecting the soil, improving agricultural productivity, and generally enhancing the quality of the environment.

Input supply

The use of such inputs as improved seeds and stock, chemicals, fertilizers, etc. is very limited. Generally speaking, most inputs are imported from outside the continent, and many peasants, particularly those from land-locked and least developed African countries, cannot afford them. In view of the high cost involved, these inputs, especially fertilizers, are often used predominantly on cash (export) crops such as coffee, cotton, cocoa, tobacco, etc., and little on food crops. Food crop yields are consequently very low, and since the use of pesticides and other chemicals is unknown in some areas, post-harvest losses are high.

To increase the use of fertilizers and pesticides so as to augment agricultural production sufficiently to meet, at least in part, the growing food demand, African countries should consider joint production of fertilizers and pesticides through subregional arrangements. The installation of large-scale chemical fertiliaers complexes at country level, as in the major industrial countries, is generally out of question for Africa, now and in the near future, on grounds of cost.

Table IV.B.7, IV.B.8 and IV.B.9 show the levels of consumption of fertilizers and pesticides by subregion. Effective demand for these chemicals is encouraging, and, as table IV.B.9 shows, Africa is well endowed with raw materials.

Table IV.B.7. Phosphate fertilizer consumption in Africa

Region	1976/77	1977/78
West Africa	85 564	76 333
Central Africa	9 835	13 706
East Africa	71 535	77 132

Source: FAO, Rome, Fertilizer Yearbook 1978.

Table IV.B.8. Pesticide and fertilizer imports in Africa

Region	Pesticides (in '000 $US) a/		Nitrogenous fertilizers (in metric tons) b/	
	1976	1977	1976/77	1977/78
West Africa	52 505	51 903	74 709	78 122
Central Africa	21 628	24 338	21 550	38 575
East Africa	44 301	56 522	103 843	95 874

Source a/ FAO, Rome, Trade Yearbook 1978.

b/ FAO, Rome, Fertilizer Yearbook 1978.

Table IV.B.9. Phosphate rock and potash, distribution in Africa

Countries	Quantities (million metric tons)	Concentration (P_2O_5)
1. Phosphate rock		
Algeria	286	(32.3% P_2O_5)
Angola	600	(32 % P_2O_5)
Egypt	810	(29 % P_2O_5)
Madagascar	290	(low grade)
Malawi	1 500	(32 % P_2O_5)
Mali	2 500	(32 % P_2O_5)
Mauritania	4 000	(34 % P_2O_5)
Morocco	25 200	(33 % P_2O_5)
Mozambique	500	(low grade)
Nigeria	(low grade)	
Senegal	206	(34-37.3% P_2O_5)
Seychelles	250	(25.3% P_2O_5)
Togo	65	(36% P_2O_5)
Tunisia	485	(30 % P_2O_5)
Uganda	20 000	(42 % P_2O_5)
United Republic of Tanzania	4 000	(32 % P_2O_5)
Upper Volta	10 000	(32 % P_2O_5)
Western Sahara	1 225	(35 % P_2O_5)
Zimbabwe	4 000	(35 % P_2O_5)
2. Potash		
Central African Republic	10 (K_2O)	
Ethiopia	40-50 (K_2O)	
Libyan Arab Jamahiriya	1 (K_2O)	
Morocco	240 (carnalite, sylvinite)	

Source: Provisional estimates by the Mineral Unit of ECA, 1979.

Table IV.B.10. Petroleum and natural gas distribution in Africa

Countries	Petroleum (million barrels)	Natural gas (million cu. ft.)
3. Petroleum and natural gas		
Algeria	47 000	105 000
Angola	1 200	100
Congo	5 000	-
Egypt	5 200	7 500
Gabon	11 000	7 000
Ghana	1	-
Libyan Arab Jamahiriya	30 400	27 500
Morocco	- -	15
Nigeria	15 000	40 000
Rwanda	..	1 750
Senegal	700	-
Zaire	500	-

Source: Provisional estimates by the Mineral Unit of ECA, 1979.

One of the frustrating characteristics of African agriculture is the use of ineffective as opposed to modern agricultural tools. Soil and climatic conditions, coupled with the problem of poor research and inadequate foreign exchange, constitute the major bottlenecks to rapid mechanization of agricultural production in many countries of the region. Animal draught methods of cultivation have recently been developed in some parts of Africa, but only sporadically and unevenly. There is considerable interest in such methods, since by employing them the farmer reduces the heavy physical work and increases his productivity, apart from obtaining a source of milk, meat and manure. However, the rapid spread of animal draught in tropical Africa is restricted by the killer disease trypanosomiasis, and there is therefore an urgent need to intensify research on the control and cause of the disease, and simultaneously to develop trypanotolerant breeds of cattle.

Agricultural trade

The pattern of trade shown in table IV.B.11 continues to be dominated by a small range of primary commodities such as coffee, cotton, cocoa, tea, palm oil, sisal and rubber. Cereals and starchy roots are grown largely for domestic consumption. Most of the agricultural export trade, both in cereals and traditional commodities, is with the developed market economies. There is little intra-African trade, and it is increasing very slowly. The region often oscillates from a strong to a weak trade position depending on rising or falling commodity prices in the external markets on which the continent depends.

Until the mid-1960s, African export trade was dominated by agricultural crops and minerals. A decade later, for a few countries, petroleum assumed a more significant role in total exports. African imports, however, have tended to follow the traditional pattern, although in the last two decades the importation of food, mostly cereals and especially wheat, has steadily increased to alarming proportions. Whereas in the 1960s African countries imported about 3.5 million tons of wheat annually, up to 1978/1979 the figure rose steadily to 12.5 million tons, and is expected to rise further to 12.9 million tons in the 1979/1980 crop year. 7/ In 1979 wheat, which is the major cereal imported, cost Africa about $US 2 billion, making it the largest single imported foodstuff item. Six countries (Egypt, Algeria, Morocco, Nigeria, Tunisia and Zaire) accounted for around 85 per cent of these imports. Table IV.B.11 shows African agricultural imports and self-sufficiency ratios for 1972/1974 (average) and extrapolated to 1985.

Table IV.B 11. Agricultural trade indices for Africa, 1973 and 1979 (Base 1969/1971 - 100)

Year	Import indices			Export indices		
	Quantity	Price	Value	Quantity	Price	Value
1. Total agricultural products						
1973	99.0	154.2	153.0	134.9	148.6	199.8
1979	292.1	273.5	797.5	77.4	256.9	215.4
2. Food excluding fish						
1973	119.6	156.4	187.1	103.3	131.2	134.6
1979	217.2	257.6	537.1	71.7	321.2	229.3
3. Crops						
1973	120.2	154.2	185.5	106.3	134.6	142.4
1979	208.4	252.1	513.7	79.9	313.1	248.8
4. Cereals and cereal preparations						
1973	133.2	152.4	203.6	69.2	157.5	105.9
1979	249.6	245.2	608.7	42.6	239.8	95.9
5. Beverages excluding cocoa						
1973	84.9	136.4	115.8	121.2	131.4	158.5
1979	127.0	283.3	378.5	96.4	376.5	358.2
6. Livestock and products						
1973	100.2	149.2	148.6	120.6	129.1	157.3
1979	200.0	277.8	520.8	79.8	248.6	206.4
7. Meat and meat preparations						
1973	99.0	154.2	153.0	134.9	148.6	199.8
1979	292.1	273.5	797.5	77.4	256.9	215.4
8. Raw materials, excluding fish and forestry products						
1973	117.3	139.7	157.9	105.2	139.5	144.8
1979	208.6	232.6	486.0	81.2	227.4	179.8

Source: FAO, Statistics Division, Rome

7/ Forecast by the London-based Wheat Council.

Table IV.B.12. African agricultural import levels and self-sufficiency ratio (SSR) ('000 metric tons)

Commodity	1972-1974 average				1985 trend			
	Production	Net imports	Supply	SSR %	Production	Balance imports a/	Demand	SSR %
Cereals	42 084	6 552	49 259	85	54 930	17 144	72 074	76
Wheat	5 080	4 260	9 268	55	6 577	7 497	14 074	47
Rice	4 652	1 269	5 913	79	6 857	2 224	9 081	75
Maize	11 895	217	12 189	98	15 983	3 034	19 017	84
Millet/ sorghum	14 732	258	15 454	95	18 658	2 746	21 404	87
Pulses	4 248	-342	3 923	108	5 222	146	5 368	97
Sugars	2 893	-40	2 798	103	4 525	-100	4 425	102
Citrus fruits	2 226	-869	1 386	161	3 110	1 047	2 063	151
Bananas	3 585	-387	3 198	112	-	-	-	-
Meat	2 992	-185	2 807	107	4 291	108	4 399	98
Beef and veal	1 704	-188	1 517	112	2 273	29	2 302	99
Mutton/lamb	676	-16	660	102	836	42	878	95
Fish	3 278	-535	2 741	120	4 086	540	4 626	88
Milk	6 238	1 603	7 853	79	8 468	3 553	12 021	70
Fats and oils	2 913	-591	2 267	129	4 209	53	4 262	99
Coffee	1 278	-1 115	165	775	1 423	-1 130	293	486
Cocoa	1 050	-1 052	8	...	1 225	-1 216	9	...
Tea	151	-100	51	296	272	-190	82	332
Cotton	512	-148	382	156	587	-125	462	127

Source: FAO, ECDC Report on Agriculture, Rome, June 1979.

a/ Imports equal demand minus production; where production exceeds demand, a negative sign (-) precedes the figure, thus indicating export potential; a positive figure indicates import needs.

Rural institutions and agrarian reform

The main thrust of the efforts undertaken by many countries in the region has been directed towards implementing the Resolution and Plan of Action of the World Conference on Agrarian Reform and Rural Development. The food problem remains a basic concern of national Governments, and efforts to ensure food self-sufficiency, in both quantitative and qualitative terms, are being intensified. Considering land a basic resource, many countries have taken measures to rationalize land tenure systems. More still needs to be done, however.

Some of the principal steps being proposed and taken by some Governments to improve agrarian structures and rural institutions include: (a) collectivization of agricultural production; (b) strengthening of supporting services such as agricultural credit and mechanical cultivation; (c) mobilization of savings in rural areas; (d) organization and management of state farms or commercial farms abandoned by expatriate large-scale farmers; and (e) establishment of agro-industrial units. Additional measures have been designed to enhance the participation of the population - men, women and youth - in development activities. Attempts are also being made to improve living conditions in rural areas through the provision of essential social infrastructures. Some programmes have included measures aimed at halting rural exodus and promoting a more equitable distribution of national income.

Other important measures being undertaken include: (a) development of underground water reserves and construction of irrigation dams and barrages to combat drought; (b) improvement of seeds and livestock through research and animal breeding; (c) improvement of distribution networks for agricultural inputs; (d) training of farmers and technical staff. Furthermore, rural populations are increasingly becoming more actively involved in the development decision-making, especially through farmers' co-operatives and peasant and other associations. However, rural development is still hampered by lack of technical know-how on the part of the farmers, inefficient extension services, lack of a network of feeder roads, water supply and transport facilities, the high cost of agricultural inputs and the high interest rates for agricultural credit.

Immediate and long-term prospects

The FAO early-warning system indicates that food shortages and generally adverse conditions in agriculture will continue in 1980/1981. The long-term growth prospects for African agriculture can be evaluated under two assumptions, trend-based 8/ and normative. 9/

Trend-based prospects indicate that during the next two decades, i.e. 1980-2000, growth in production of 27 crops and livestock products will be higher, i.e. 2.8 per cent per annum, 10/ largely reflecting some recovery from the depressed agricultural situations of the mid-seventies. However, since population will increase at the rate of 3 per cent per annum, and food demand at the rate of 3.7 per cent, during the same period, output per capita will decline, and for cereals in particular, deficits will increase, with self-sufficiency ratios (SSRs) decreasing from 86 per cent in 1975 to 70 per cent in 1990 and 61 per cent in 2000. Self-sufficiency in respect of meat and milk will also decline.

Many more details, all pessimistic, could be given of the result of a continuation of present trends. However, if steps are taken to implement the recommendations

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8/ Growth rates which would prevail in future of post production trends were to continue and demand is based on trend growth and United Nations medium population projections.

9/ Based on most optimistic but feasible assumptions.

10/ Compared to 2.0 per cent during 1963-1975.

of the Regional Food Plan and the Lagos Plan of Action adopted by the African countries in 1978 and 1980 respectively, accelerated growth in food and agriculture is feasible. An examination of growth rates based on the normative path, that is, on maximum feasible growth performance, is therefore desirable. Growth rates for gross agricultural production under a normative scenario would be 4.1 per cent per annum during 1980-2000, as compared to 2.8 per cent under the trend-based scenario and 2 per cent actually achieved during 1963-1975. By commodity groups, the growth rates under the normative scenario are as given in table IV.B.12.

Table IV.B.13. Production growth rates: Normative scenario (gross output)

	1963-1975	1980-2000
	(per cent)	
Cereals	2.0	4.2
Other food crops	2.0	3.7
Non-food crops	1.8	4.0
Livestock	2.0	5.2

Source: FAO, Rome.

To achieve the above results, the value of inputs as a proportion of the value of gross output would need to be increased from 11 per cent in 1980 to 13 per cent in 1990 and 15 per cent in 2000. However, the self-sufficiency ratios for all the above commodity groups except "other food crops", as well as for "all crops and livestock", would decrease. Increasing imports of cereals and livestock products would therefore, be required to meet growing demand. Similarly, for non-food crops, the exportable surplus would decrease.

Table IV.B.14. Self-sufficiency ratios in the normative scenario

	1973-1977	1990	2000
		(per cent)	
All crops and livestock	108	105	102
Cereals	84	82	78
Other food crops	104	104	104
Non-food crops	403	304	293
Livestock products	93	89	87

Source: FAO, Rome.

Particularly since the devastating drought of the early 1970s, the seriousness of the food problem in Africa is fully realized at all levels of government in the region. All Governments in Africa now expressly assign high priority to agriculture, and in particular to food production. At the international level the African Ministers of Agriculture, through the Freetown Declaration (1976), reaffirmed their intention to fight hunger and malnutrition and requested FAO, ECA and other relevant organizations to draw up a Regional Food Plan for Africa (AFPLAN) which on implementation would enable the OAU member States to be self-sufficient in food by 1990. The plan, which was endorsed by the Tenth FAO Conference of Ministers of Agriculture (Arusha, September 1978) calls for investments totalling about $US 27 billion (in 1970 prices) during the plan period. Recently, the Lagos Assembly of Heads of State and Government of OAU adopted similar recommendations to increase food production in Africa. Concrete responses are expected in the near future. Given the political will to pursue the recommendations and investment targets in these two documents vigorously enough, Africa might yet become much more self-sufficient in food before the end of the century.

The immediate aim should be to reduce Africa's food imports by 50 per cent by 1985. To achieve this goal, a number of policies will have to be pursued so as to enable African countries not only to reduce the region's dependence on other continents for its food needs but also to increase the flow of agricultural trade among member countries of the region, and this will only be possible if Africa can achieve higher growth rates in agriculture in the 1980s. Many such policies are outlined in the Development Strategy for Africa for the Third United Nations Development Decade and more concretely in the Lagos Plan of Action. The expansion of intra-African trade in both agricultural and non-agricultural products, including the reduction or elimination of all customs duties levied by States on intra-African trade in basic food commodities produced by African countries (cereals, coffee, pulses, sugar, meat, maize, fish, oilseeds, rice, wheat, sorghum,/millet, tea, vegetable oils, etc.,), is the central feature of the strategy. The FAO African Commodity Intelligence Service is also geared towards strengthening the region's capability to handle increased intra-African trade in agricultural products and foodstuffs.

C. Development of manufacturing industry in Africa

Introduction

Manufacturing in developing Africa is dominated by light industries, which account for about 68 per cent of total manufacturing value added. Manufacturing output per capita is the lowest among all developing countries, being only a mere $US 15.1, and Africa's relative share in total world manufacturing production is less than 0.8 per cent, compared with 9 per cent for the developing countries as a whole. One third of the African countries are responsible for 85 per cent of the manufacturing value added in the continent with three countries, Egypt, Nigeria and Ivory Coast, accounting for more than one-third of the total.

African trade in manufactures is heavily dominated by imports, with exports of manufactures growing at 11.5 per cent in 1970-1975 against a 28.5 per cent increase in imports during the same period. The adverse terms of trade resulting from the traditional pattern of interchange have made Africa a net importer of manufactures. Intra-African trade in manufacturing amounts to less than 25 per cent of Africa's total exports of manufactures, and to only 7 per cent of the world trade in manufactures.

The International Development Strategy for the Second United Nations Development Decade targeted an average rate of growth of at least 8 per cent in manufacturing output in developing countries as a whole during the 1970s. Other objectives are: (a) promotion of industry in order to achieve rapid expansion, modernization and diversification of the economies of developing countries; (b) the expansion of the industries that utilize local raw materials, supply essential inputs to both agriculture and other industries and help increase export earnings; and (c) the prevention of the emergence of unutilized capacity in industries especially through regional groupings wherever possible.

Trends and growth targets

For Africa as a whole manufacturing registered a low rate of increase of 6.7 per cent in 1979, as compared to 7.5 per cent, 7.2 per cent and 8.9 per cent in 1978, 1977 and 1976 respectively. The average annual rate of growth has nevertheless accelerated in the second half of the decade, from an average of 5.7 per cent during 1970-1975 to an average of 7.5 per cent during 1975-1979. The annual average of 6.5 per cent for the whole decade is still, however, 1.5 per cent below the target set by the strategy; over the decade, only the 1976-1978 average annual rate of growth of 7.9 per cent came close to the target growth rate. At the country level, however, it is particularly disturbing to note that the only 11 countries, or about one-fifth of the African countries, able to achieve the growth target of 8 per cent throughout the decade were Gabon, Ivory Coast, Kenya, Libyan Arab Jamahiriya, Malawi, Mauritius, Nigeria, Rwanda, Seychelles, Swaziland and Tunisia. The disappointing performance in 1979 was reflected by the fact that only 8 countries managed to register an increase of 8 per cent and over, as against 14 countries in each of the previous two years. The reasons for this failure to achieve the target growth vary between countries, but it can be generally stated that the

continent's poor performance in agriculture and its relative failure to achieve the decade's overall target of a 6 per cent a year growth in total GDP had a direct impact on the disappointing growth of manufacturing industry. However, this generalization conceals wide disparities in performance on both per capita income and geographical basis, as well as between oil-producing and non-oil-producing countries.

Although the growth of manufacturing output in the major oil-exporting countries seriously deteriorated in 1979, to only 6.1 per cent compared to 9 per cent in 1978, 11 per cent in 1977 and 23.3 per cent in 1976, over the decade as a whole the major oil-exporting countries were able to achieve an average annual rate of growth of 11.1 per cent, compared to the 5.4 per cent achieved by the non-oil-exporting countries. The growth of output of oil-exporting countries accelerated somewhat in the second half of the decade to 12.2 per cent compared to 10.4 per cent in the first half. It is only in 1979 that the non-oil-exporting countries have managed to achieve a higher rate of increase than the oil-exporting countries, 7.5 per cent compared to 6.1 per cent.

Table IV.C.1 : Growth of manufacturing output (in percentage per annum)

	Annual growth rates					Average annual rates of growth		
	1975	1976	1977	1978	1979	1970-1975	1975-1979	1970-1979
North Africa	6.1	10.3	9.5	9.2	9.6	5.0	9.7	7.1
West Africa	12.3	16.9	7.6	7.4	4.1	8.6	8.9	8.7
Central Africa	-13.9	-1.7	5.2	0.6	3.8	2.1	2.0	2.0
East Africa	-3.9	-0.04	2.6	5.8	4.4	5.2	3.2	4.3
Total developing Africa	3.5	8.9	7.2	7.5	6.7	5.7	7.5	6.5
Major oil-exporting countries	7.6	23.3	11.0	9.0	6.1	10.4	12.2	11.1
Non-oil-exporting countries	2.4	4.7	6.4	7.4	7.5	4.6	6.5	5.4
Per capita GDP of Less than \$US 100	0.1	0.5	3.3	3.4	-3.4	4.5	0.9	2.9
Per capita GDP of \$US 100 to under \$US200	1.2	7.5	6.7	8.3	4.5	3.4	6.8	4.9
Per capita GDP of \$US200 to under \$US300	4.9	5.5	8.7	7.1	9.2	3.9	7.6	5.5
Per capita GDP of \$US300 to under \$US 400	-2.5	7.1	1.9	13.5	3.2	7.0	6.3	6.7

Source: ECA Statistics Division.

Classifying the non-oil-exporting countries according to 1970 per capita income basis reveals that the low income countries (per capita income less than $US 100) did worse in the second half of the decade than in the first half, average annual growth rate being only 0.9 per cent, compared to 4.5 per cent in the first half. The growth of the middle-income groups, with per capita income between $US 100 and 300, on the other hand, almost doubled in the second half of the decade. Except for the countries in the middle income group $US 200-300, most of the countries in the other income groups performed less well in 1979.

Classifying the African countries by subregion reveals that North Africa was able to increase its manufacturing output marginally, and Central Africa significantly, while in West Africa and East Africa rates of increase declined seriously from 1978 to 1979. In terms of total performance over the decade, West Africa was the only subregion which managed to achieve the target growth rate, although North Africa also came close, with a better performance in the second than in the first half of the decade. The performance of Central Africa in contrast was disappointing, at only 2 per cent, followed by East Africa with 4.3 per cent.

Strategies and policies

The disappointing performance of African manufacturing industry during the 1970s can be attributed to many factors, most important among them the bad performance of the agricultural sector, the small size of the domestic market due to low levels of purchasing power, lack of capital, shortages of imported raw materials and skilled manpower, inefficient management, ineffective central industrial development and ancillary specialized institutions, underpricing of industrial products, excessive cost of production, lack of repair and maintenance facilities, poor-quality processing and fabrication, small production units with few economies of scale, inability to adapt technology due to weak absorptive capacity and undeveloped infrastructure, the development of the technology of synthetics and the protectionist practices of developed countries.

To remedy this unsatisfactory situation, African countries resorted during the 1970s to various industrialization strategies and policies with various changes in emphasis and direction during the decade. While some countries resorted to ambitious programmes of import substitution, others sought to promote export processing zones and the development of export-oriented industries. Some countries, with high unemployment pressures, paid more attention to establishing employment-creating industries, while others, such as Algeria, Ivory Coast and Tunisia, facing rising labour costs favoured heavy industries. Countries like Congo, Ghana, Guinea and Mali with dominant state-owned enterprises constantly pursued rehabilitation policies to make the public sector profitable. Some countries, like Morocco, Swaziland, Togo and Tunisia resorted in the face of rising competition for their industrial products to an expanding policy of diversification.

Most Governments of the region actively pursued rehabilitation and promotion policies for industrial growth by establishing promotion boards, central development agencies, ancillary specialized institutions and training centres.

Import substitution was pursued on a virtually continent-wide-scale in an effort to ease balance-of-payments pressures and provide employment opportunities. While successful in some countries in creating a sizeable consumer goods sector, it failed in others, as it led to the creation of high-cost enterprises. As import substitution policy is mostly dictated by internal demand situation and largely influenced by imported technology and management, it has not produced the desired effect in most African countries, whose domestic markets are generally small, with a low level of effective demand. Thus, most of the import substitution industries suffer from excess capacity and are not able to absorb enough of the growing labour force, due to inefficient management and shortage of imported raw materials, spare parts and maintenance facilities. Moreover, market imperfections associated with the price system prevailing in some African countries have given local producers of raw material insufficient inducement to market their products to processing centres.

As a result of the generous concessions granted to import substitution programmes, imports of capital goods in most of the countries rose faster than growth in GDP in real terms. However, the exemption of imported raw materials from import duties has strained the balance of payments encouraging some countries to resort excessively to capital-intensive techniques, regardless of their ability to adapt technology and disregarding their comparative advantage of abundant labour relative to capital. This has further depressed the unemployment situation and has discouraged the development of domestic machine-building industry. In Mauritania, sugar production has cost more in terms of foreign exchange than importing refined sugar. Other countries, however, have had more success with capital-intensive industry. The United Republic of Cameroon successfully imports alumina from Guinea and exports manufactured aluminium products to Chad and neighbouring countries.

The adverse effect of import substitution with high levels of protection on cost composition is further compounded by the uneconomical scale of production. High industrial prices sheltered by high tariffs, increased the cost of agriculture, thereby further accentuating rural-urban income disparities. Indeed, all the savings realized through import-substitution programmes have been partly offset by the drain on scarce foreign exchange. Malawi, in its programme for 1978, realized the limitations of import substitution programmes and resorted to broaden the export capabilities.

Export promotion or the establishment of export-oriented industries was one of the main African industrialization strategies in the 1970s, and has enabled some African countries to earn additional incomes and foreign exchange by exploiting their relative abundant labour and natural resources to expand processing and fabrication. The trend in most African countries has therefore shifted towards an outward-looking industrialization pattern, with heavy concentration on export-processing zones and incentives and export premiums to encourage further processing. This policy has enabled some countries, notably

Algeria, Benin, Ivory Coast and Tunisia to break into some European markets. However, the success of this policy has been hampered by the development of synthetics and the general lack of production and marketing expertise in Africa. The high rate of effective protection, especially against labour-intensive products of developing countries, and the quota restrictions imposed by developed countries have created instability in world markets and considerably hindered the growth of export-oriented industries. In Morocco, for example, industrial growth slowed from 7.1 per cent in 1977 to 4.1 per cent in real terms in 1978, mainly due to the quota restrictions imposed by the European Community on imported textile goods, and the problem is even more serious in the land-locked countries, with their extremely poor infrastructure and limited exploitation capacity.

Therefore, most policies in the 1970s were directed mainly towards remedying the problems arising from ambitious import substitution programmes and the sluggish export markets for the African countries' main products. Many countries have stressed the need for indigenous industrialization to encourage the expansion of small and medium-scale industries, with their low capital-labour ratio and smaller energy requirements, and to promote greater utilization of local skills and resources. By offering better credit facilities and tax exemptions, Mauritania's new investment code has successfully stimulated private investment in small and medium-sized manufacturing enterprises. Countries where foreign-owned enterprise is dominant, such as the United Republic of Cameroon, have ~~pursued~~ policies designed to encourage local ownership of small and medium-sized industries.

The policy of indigenization has been speeded by the policies of regionalization and localization. African countries paid considerable attention to these policies in the 1970s to cope with their resource control and regional development in an effort to bring equality in the rural-urban terms of trade. The Ivory Coast, under its new investment code of 1978, established differential premiums for enterprises established outside the capital. Upper Volta encouraged indigenisation by an order issued in 1973 that requires all foreign enterprises to open their capital to public participation up to 51 per cent in priority sectors and upto 35 per cent in other sectors.

Most national policies in the 1970s also provided for concessions in order to attract foreign capital which could increase countries' capacity for future industrialization and technological growth. As foreign investment decisions are basically influenced by assessment of profit-making potentials from among a world-wide choice of production locations and effective demand and supply situations, this has led to a war of incentives which inevitably strains the African countries' balance of payments. Experience has, however, shown that the investment of foreign capital is a slow process, and there is therefore an urgent need to open African countries' markets to each other, relax regulations and other measures governing the use of private national and foreign capital, and undertake various forms of long-term industrial co-operation. A start has already been made in this last respect: for example, Ghana, Ivory Coast and Togo have built cement clinker plant as a joint venture, while Sierra Leone and Liberia are promoting industrial development through the Mano River Union.

Realizing the impact of rising oil costs on their industrial growth, African countries have instituted various energy conservation and development policies. Hydro-electrical production is being developed in a number of countries: the United Republic of Cameroon, for instance, with its huge aluminium smelting plant, has devoted considerable attention to hydro-power generation with the aim of doubling installed capacity by 1980. Other countries have succeeded in similar efforts to the point where they can meet the electricity requirements of neighbouring countries: Ghana, for example, supplies 92 per cent of the electricity requirements of Benin and Togo.

There have also been continuous changes in the role of the State regarding the establishment and management of parastatal institutions and corporations in many African countries. In both the United Republic of Tanzania and Zambia, the role of the State was expanded in the late 1960s, in the former along the guidelines laid down in the Arusha Declaration (1967) and in the latter following the Mulungushi Reform of 1968. Similar changes took place during the early 1970s in Ethiopia, Madagascar, Somalia and the Sudan, covering not only institutional aspects but also the streamlining of decision-making processes and pricing and employment policies in parastatal government corporations.

Conclusion

The overall performance of the manufacturing sector in Africa measured against the global objectives of the International Development Strategy for the Second United Nations Development Decade is indeed far from satisfactory, despite the efforts that have been made. Firstly, no significant structural change has taken place in this sector. Industry, which is still in its infancy, remains largely undiversified and dominated by light industries e.g. food, beverages, textiles, footwear, etc., while manufacturing is still largely agro-based. Secondly, industry is still highly concentrated in certain subregions (North Africa and West Africa) and countries (Algeria, Egypt, Morocco, Nigeria, Zaire). Out of 53 African countries listed in the UNCTAD Handbook (1977 supplement), 22 (comprising 80 per cent of the continent's population and 90 per cent of its GDP) accounted for 97 per cent of manufacturing output in the mid-1970s.

With a share of 15 per cent of the total GDP, and approximately 9 per cent of the total manufacturing output, of the developing countries, and only 2.3 per cent of the GDP and a meagre 0.8 per cent of the manufacturing output of the world as a whole, Africa remains the least industrialized and least developed region in the world.

D. Monetary, fiscal and price developments

As table IV.D.1 shows, money supply rose at an average annual rate (simple average for developing Africa as a whole) of 13.6 per cent during 1967-1972. In 1972-1976, this rate accelerated to 25.8 per cent yearly to decelerate to 18.7 per cent growth rate yearly in 1976-1979.

Of the 35 countries for which data are provided in table IV.D.1, 33 had an average annual rate of monetary expansion during 1967-1972 of from 1 to 20 per cent while in the remaining two countries the range was 20.1 to 50 per cent (see table IV.D.2). During 1972-1976, by contrast, only eight of the 35 countries were in the 1 to 20 per cent bracket, while 25 as against 2 countries were in the higher bracket. In 1976-1979, 18 countries out of 35 were in the 1 to 20 per cent bracket and the remaining 17 in the 20.1 to 50 per cent bracket.

Table IV.D.1 indicates that the major cause of the expansion in money supply during 1967-1972 was the increase in net foreign assets held in the banking system. The situation changed from 1972 onwards, reflecting the serious deterioration of the balance of payments of non-oil-exporting African developing countries. Net foreign assets rose at the negligible average annual rate of 3.3 per cent during 1972-1976, and registered a serious decline of 22.6 per cent yearly during 1976-1979. Obviously, this decline has had a deflationary effect on money supply. During the periods 1972-1976 and 1976-1979, deficit financing expanded enormously. Net claims on the Government rose at an average annual rate of 60.4 per cent in 1972-1976 and 65 per cent in 1976-1979. Similarly, bank credit extended to the private sector increased substantially from an average annual rate of 62.1 per cent in 1967-1972 to 65.6 per cent in 1972-1976 and 80 per cent in 1976-1979.

Thus the expansion of domestic bank credit extended to both the private and the public sectors has been the major expansionary factor since 1972, while the deteriorating net foreign assets have played a contractionary role.

As a result, inter alia, of the relatively mild average annual growth of money supply during the years 1967-1972, coupled with the growth in real GDP of about 5.6 per cent yearly, the average annual growth of consumer prices in African non-oil developing countries was modest, on average between 4 and 5 per cent yearly. But with the accelerated monetary expansion during 1972-1976, consumer prices rose at an average annual rate of 17 per cent over the same period. GDP in real terms grew during these years at an average annual rate of 5 per cent.

During the years 1976-1979, despite the efforts made by a large number of African developing countries to curb inflation through a series of stabilization measures, which reduced the rates of monetary expansion to some 18.7 per cent the rate of consumer prices accelerated to above 18 per cent as a result of the slow growth of real output (4.8 per cent yearly) the poor performance of agriculture, and the large rise in the prices of imports including oil.

With consumer prices increasing during the 1970s at an average annual rate of about 8.7 per cent in the industrialized countries compared to about 15.6 per cent during the same period in developing Africa, the competitive position of African exports vis-a-vis the industrialized countries deteriorated, and with over-valued currencies resulted in widening balance of payments deficits in Africa. Prompted by the worsening of inflation, the Governments of the industrialized countries have had to abandon traditional demand management policies oriented towards stimulating growth, and resort to tight fiscal and monetary policies which have adversely affected African exports to these countries. What is more, the very high rates of consumer prices prevailing in developing Africa will not only make it extremely difficult to build up domestic savings, but could lead to slower growth, in real terms, of fixed capital formation. The deterioration in the terms of trade of the non-oil-exporting developing African countries means that a larger proportion of their

Table IV.D.1. Frequency distribution showing changes in various monetary aggregates in Developing African countries, 1967-1979.

	Number of countries with the following percentage increases				
	Negative	1 to 20	20.1 to 50	50.1 to 100	100 and over
Money supply growth rate per annum					
1967-1972 (35 countries)		33	2		
1972-1976 (35 countries)		8	26	1	
1976-1979 (35 countries)	2	18	15		
1970-1979 (35 countries)		18	17		
Influence on money of:					
a) Net foreign assets					
1967-1972 (35 countries)	10	5	8	5	7
1972-1976 (35 countries)	17	8	3	7	
1976-1979 (35 countries)	21	8	3	1	2
1970-1979 (35 countries)	19	9	4	2	1
b) Net claims on Government					
1967-1972 (33 countries)	10	4	9	4	6
1972-1976 (35 countries)	7	5	8	7	8
1976-1979 (35 countries)	6	1	9	10	9
1970-1979 (35 countries)	6	2	10	8	9
c) Claims on private sector					
1967-1972 (35 countries)	2	2	10	15	6
1972-1976 (35 countries)	2	2	8	15	8
1976-1979 (35 countries)	1	2	12	9	11
1970-1979 (35 countries)		3	8	15	9

Source: Compiled from country data in IMF, International Financial Statistics, Vol. XXVIII, No. 2, February 1975; No. 11, November 1975 and Vol. XXXIII, No. 10, October 1980.

Table IV.D.2. Average annual rates of expansion of money supply and factors affecting money supply as percentages of the total changes in money supply, 1967-1979 a/

Country	Growth rate of money supply b/ per annum			Percentage increase in money supply due to: Net foreign assets			Net claims on Govt.			Claims on private sector		
	1967-1972	1972-1976	1976-1979	1967-1972	1972-1976	1976-1979	1967-1972	1972-1976	1976-1979	1967-1972	1972-1976	1976-1979
Algeria	19.3	23.5	22.1	1.5	20.1	10.1	25.8	14.9	48.4	101.	98.6	61.3
Benin	17.0	21.8	13.5	56.2	7.4	-87.9	-11.9	-10.7	-35.4	73.7	129.6	193.1
Burundi	9.1	19.2	30.2	118.6	93.7	33.4	22.1	12.8	48.7	60.1	41.2	74.[illegible]
Central African Republic	8.5	19.3	11.9	-69.5	28.7	30.2	74.[illegible]	84.7	[illegible]6.8	103.1	14.9	35.[illegible]
Chad c/	7.8	20.9	18.8	67.1	-7.4	-48.4	81.[illegible]	45.5	[illegible]2.4	-6.2	88.5	138.3
Congo	7.8	21.1	9.5	26.9	-33.2	14.1	27.9	70.9	69.3	67.2	117.1	69.1
Egypt	6.4	22.2	30.8	-32.3	-39.5	-32.2	121.6	95.2	113.2	29.4	45.1	35.1
Ethiopia	9.5	15.1	13.9	15.4	86.6	-50.0	17.3	59.5	90.1	86.8	24.4	123.[illegible]
Gabon	14.6	62.5	-2.6	-[illegible].5	19.4	385.1	-28.1	21.3	-105.5	151.6	68.8	-198.9
Gambia	12.8	26.8	4.9	107.8	61.1	-705.9	-	77.9	349.9	9.9	55.2	401.2
Ghana	16.0	29.8	46.0	52.3	-7.6	7.0	26.6	130.5	114.1	73.0	-0.6	10.[illegible]
Ivory Coast	16.0	30.1	21.5	-0.9	-7.2	-15.5	-5.4	-4.2	-10.5	121.0	113.2	143.1
Kenya	15.5	18.4	24.7	34.6	2.3	23.1	23.9	37.9	22.4	54.2	69.3	64.3
Libya	30.8	30.2	11.9	102.0	12.7	61.0	-	24.6	81.1	22.3	55.5	27.8
Madagascar c/	10.0	11.5	12.3	18.5	-3.6	-0.9	15.0	65.0	66.9	96.0	49.0	49.5
Malawi	12.5	17.5	12.0	74.3	-85.8	-119.7	23.4	136.1	69.0	56.1	68.7	192.5
Mali	6.5	20.6	18.8	-111.3	-177.4	0.2	247.1	251.5	65.8	-23.0	61.7	54.9
Mauritania	15.6	29.8	9.8	-8.9	-15.5	-162.3	-11.5	29.7	113.9	162.8	134.3	160.9
Mauritius	18.1	32.4	14.3	76.0	15.5	-83.1	-0.2	39.4	148.5	42.1	56.9	62.2
Morocco	11.9	21.0	17.1	25.0	5.6	-0.8	48.7	46.8	71.2	35.2	48.2	32.1
Niger	10.3	22.7	30.1	198.0	74.6	-2.5	-61.4	-26.8	-17.1	30.9	82.8	133.9
Nigeria	21.4	47.5	19.8	25.2	69.6	-4.1	48.5	0.03	66.7	63.4	36.8	68.7
Rwanda	11.8	32.2	24.4	34.1	78.2	121.0	105.3	-2.1	-24.8	27.5	34.3	26.8
Senegal	10.5	27.7	14.1	-24.6	-17.7	-96.8	26.7	19.8	23.7	120.3	106.9	196.4
Sierra Leone	12.7	18.9	24.2	125.1	-73.0	-21.1	-9.9	176.5	144.8	26.9	39.5	26.6
Somalia	14.6	23.4	32.8	114.8	31.4	-12.2	-27.0	31.8	72.9	50.8	82.9	41.6
Sudan	12.9	27.1	33.4	-66.0	-65.4	-15.6	144.7	141.3	87.8	45.2	51.0	41.1
United Republic of Tanzania	17.7	22.0	25.2	44.9	-21.4	-16.5	64.0	136.1	106.7	12.4	-8.5	7.8

Table IV.D.2. (cont'd.) Average annual rates of expansion of money supply and factors affecting money supply as percentages of the total changes in money supply, 1967-1979

Country	Growth rate of money supply b/ per annum			Percentage increases in money supply due to: Net foreign assets			Net claims on govt.			Claims on private sector		
	1967-1972	1972-1976	1976-1979	1967-1972	1972-1976	1976-1979	1967-1972	1972-1976	1976-1979	1967-1972	1972-1976	1976-1979
United Republic of Cameroon	13.3	24.0	25.2	6.3	-7.8	8.7	13.2	-0.1	-28.4	97.5	108.4	140.4
Togo	14.8	31.2	21.1	30.9	57.5	-10.9	3 7	-16.4	29.5	84.8	73.3	81.6
Tunisia	13.1	21.4	16.4	69.2	9.1	7.8	-10.0	15.2	20.1	81.5	103.1	76.8
Uganda c/	14.0	30.4	-20.7	-14.6	-0.7	4.8	125.9	79.3	46.9	32.9	21.8	37.6
Upper Volta	9.8	31.4	15.4	159.4	12.3	-65.2	-120.1	-8.6	40.5	90.6	119.7	142.9
Zaire	17.3	32.0	42.5	9.7	-24.0	0.5	55.7	129.0	107.5	51.6	51.3	37.8
Zambia	15.1	16.2	10.1	-33.2	-59.0	-77.2	126.5	161.8	268.4	39.9	83.5	40.4
Simple average for developing Africa	13.6	25.8	18.7	37.1	3.3	-22.6	33.9	60.4	65.9	62.1	65.6	80.9

Source: Calculated from country data in IMF, International Financial Statistics, Vol. XXVIII, No. 2, February 1975; No. 11, November 1975; Vol. XXXIII, No. 10, October 1980.

a/ Figures do not add up exactly to one hundred because of the exclusion of some items.

b/ Money plus quasi-money.

c/ Period 1967-1978.

domestic output will have to be utilized to obtain a given real inflow of imported goods and services. This diversion will reduce the availability of real resources to sustain their development momentum.

The rise of inflation in developing Africa has been both dramatic and widespread. The number of countries recording over 15 per cent increases in their consumer prices was 21 in 1975, 10 in 1976, 12 in 1977 and 10 in 1978. In 1979, there were still nine countries - these include Burundi, Ethiopia, Ghana, Ivory Coast, Rwanda, Sierra Leone, Somalia, Sudan and Zaire - which recorded a rise over 15 per cent in consumer prices. In some countries the rise of inflation rates has indeed been extremely large, particularly in Zaire, where the rapid rates of expansion of the money supply put considerable pressure on prices. The parallel market for the Zaire currency to which these have given rise is a continuing problem, despite a series of large devaluations, most recently by 33 and 25 per cent respectively in January and August 1979. The rate of inflation in Zaire began to accelerate in 1972, and by 1974 domestic prices were rising by about 30 per cent yearly. As the supply situation became more critical, the most comprehensive consumer price index for Kinshasa, compiled on a basket of 143 products, rose by 42 per cent in 1975 and by nearly double that rate in each of the next three years. In 1979, when the consumer price index rose by 97.4 per cent, the sharpest increase affected housing, followed by clothing and food products.

In Sierra Leone, substantial wage and salary increases in 1978 resulted in Government budget disbursements for personal emoluments, pensions and wages far in excess of those appropriated in the 1978-1979 estimates. Salary increases for civil servants ranged from 10 per cent in the higher scales to 25 per cent in the lower scales, while daily wage rates were raised by an average of 46 per cent. The overall increase in expenditure on personal emoluments after those awards amounted to 17 per cent.

In Burundi, consumer prices increased at an annual rate of about 7.2 per cent between 1970 and 1976. In 1977 the increase was 6.8 per cent. In 1978 and 1979, however, the rate of increase accelerated sharply to 23.4 per cent and 25.5 per cent respectively, as a result of shortages of supplies of foodstuffs and imported goods.

The substantial wage increases in the private and public sectors in a number of countries are creating fiscal imbalances. In some countries, the domestic adjustment effort needs to be complemented by an exchange depreciation in order to improve the balance of payments. As it stands, however, many African countries are not yet convinced of the wisdom of currency depreciation, fearing that such measures might contribute to accelerating inflationary tendencies.

Attempts to implement a set of consistent wage, fiscal, monetary and external debt policies with the objective of increasing domestic savings, reorienting the structure of demand and containing inflation are being vigorously pursued by a number of developing African countries. In Morocco, for instance, fiscal policy is aimed at reducing the rate of growth of current expenditures and increasing revenue receipts through both tax reform and tighter controls, while monetary policy is designed to make periodic adjustment in the level and structure of interest rates to reflect conditions in financial markets.

In Liberia, an important element of the Government's financial programme include selective tax increases, the strengthening of fiscal discipline and the maintenance of tighter control of the current and capital budgets, including the **restructuring** of public corporations, with a view to improve operating and managerial efficiency and financial performance. In Senegal, the Government intends to pursue an austere budgetary policy, adopt more realistic pricing policies, reform and improve the financial position of public enterprises and implement a restrictive and selective credit policy. In Equatorial Guinea, the Government has adopted a comprehensive set of measures in the fiscal, monetary and exchange and trade fields which aim at providing adequate production incentives, re-establishing financial stability and permitting a liberalization of trade and payments system.

While it is difficult to generalize, it has now become increasingly clear that the financial difficulties and external constraints being experienced by most non-oil-exporting African countries have assumed serious proportions. A good many financial programmes have been formulated with the assistance of the International Monetary Fund. From January 1980 to November 1980, the Fund approved stand-by and compensatory financing arrangements (including extended facility) for fourteen African countries - the Central African Republic, Equatorial Guinea, Gabon, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Senegal, Uganda and the United Republic of Tanzania - as against seven countries in 1978. The stabilization programmes in most of these countries are aimed at curbing inflationary tendencies and reducing budgetary deficits in order to rectify basic balance of payments deficits.

In summary, restoration of domestic savings and investment incentives, renewal of satisfactory productivity gains and efficient allocation of resources require a marked lowering of inflation rates. To achieve these objectives, fiscal and monetary policies will have to be adjusted accordingly.

Table IV.D.3. Distribution of African developing countries by annual rate of increase in consumer prices, 1967-1972, 1973-1979.

Rate of increase in consumer prices in percentage	Average annual growth 1967-1972	1973	1974	1975	1976	1977	1978	1979
Up to 5	24	3	3	-	4	2	2	-
5 to less than 10	11	23	9	9	14	6	11	11
10 to less than 15	-	6	5	6	8	16	10	11
15 to less than 20	1	3	13	11	3	3	4	3
20 and over	-	1	6	10	7	9	6	6
TOTAL	36	36	36	36	36	36	33	31

E. Resource flows and external debt

Resource flows to developing countries as a whole

Total net flow of resources to developing countries as a whole rose from $US 19.7 billion in 1970 to $US 81.7 billion in 1979, an average annual growth rate of 17.1 per cent at current prices. If deflated by the rise in prices shown by the composite gross national product (GNP) of DAC member countries (members of the Development Assistance Committee of OECD), however, the increase in real terms was only about 7 per cent (see table IV.E.1). This increase in net flow of resources to developing countries, substantial as it may seem, is indeed modest if account is taken of the serious deterioration in the international situation during the 1970s, which enormously increased the foreign exchange requirements of developing countries. Even more distrubing is the falling share of official development assistance (which is largely concessional), from 44.7 per cent in 1970 to 36.1 per cent in 1979.

The matching rise of the share of non-concessional aid, from 55.3 per cent to 63.9 per cent, shows the hardening in terms of external assistance provided to the developing world, which is particularly apparent in the case of assistance extended by DAC countries. While, DAC assistance rose from $US 15.6 billion in 1970 to $US 73.2 billion in 1979, an average annual rate of expansion of 18.7 per cent, and its share in net flow of resources to developing countries rose from 79.2 per cent in 1970 to 89.4 per cent in 1979, the share of concessional aid (official development assistance) in the total aid of this group of countries declined from 36.5 per cent in 1970 to 30.6 per cent in 1979. Quite a significant proportion of DAC assistance is now taking the form of bank lending, private export credits and direct investment, and this has substantially increased the external debt servicing burden of the developing countries.

The total net flow of resources from OPEC countries to the developing world rose from a mere $US 0.6 billion in 1970 to $US 9.8 billion in 1975 and fell sharply to $US 6 billion in 1979. The corresponding figures for the share of OPEC countries in total net flow of resources to the developing countries were 3 per cent in 1970, 17.2 per cent in 1975, and 7.3 per cent in 1979. Likewise, the share of concessional aid in these resources, which was 66.7 per cent in 1970 and 83.7 per cent in 1975, fell to 71.7 per cent in 1979. Like the OECD countries, moreover, the OPEC countries are tending to harden the terms and conditions of aid.

As for the centrally-planned countries, their aid to the third world remained stagnant at below $US 1 billion at current prices, and fell substantially at constant prices. The share of such assistance in total net flow of resource fell from 4.6 per cent in 1970 to 1.8 per cent in 1975 and a mere 1 per cent in 1979. Net flow of resources from centrally-planned countries, small as it is in absolute and relative terms, is however highly concessional.

Net flow of resources from multilateral agencies rose from $US 1.8 billion in 1970 to $US 6.3 billion in 1975 and fell again to $US 4.1 billion in 1979, and the share of this type of assistance in total net flow of resources, which was 9.1 per cent in 1970 and rose to 11 per cent in 1975, fell substantially to a mere 5 per cent in 1979.

Table IV.E.1. Total net flow of resources to developing countries, 1970, 1975 and 1979 (net disbursements)

Source and type of resources	Values (billions of US dollars) 1970	1975	1979	Average annual growth rates (percentage) 1970 - 1979	Share in total flows (percentage) 1970	1975	1979
Total resource flows	19.7	57.1	81.9	17.1	100	100	100
Official development Assistance (ODA)	8.8	24.0	29.6	14.4	44.7	42.1	36.1
- DAC bilateral	5.7	9.8	22.3	16.4	28.9	17.2	27.3
- OPEC bilateral	0.4	8.2	4.7	31.5	2.0	9.1	5.7
- Centrally planned countries	0.8	0.9	0.7	-1.5	4.1	1.6	0.9
- Multilateral agencies	1.1	3.8	1.9	6.2	5.6	6.7	2.3
- Others a/	0.8	0.3	-	-	4.1	0.5	-
Non-concessional flows	10.9	33.1	52.3	19.0	55.3	57.9	63.9
DAC countries	9.9	28.3	50.9 b/	19.9	50.3	49.5	62.2
- Direct investment	3.9	10.5	12.9	14.2	19.8	18.4	15.8
- Bank lending	3.0	12.0	19.6	23.2	15.2	21.0	23.9
- Bond lending	0.3	0.3	...	-	1.5	0.5	...
- private export credits	2.1	4.1	8.5	16.8	10.7	7.2	10.4
- Official export credits	0.6	1.4	1.5	20.4	3.0	2.5	3.9
OPEC bilateral	0.2	1.6	1.3	23.2	1.0	2.8	1.6
Centrally-planned countries	0.1	0.1	0.1	0.1	0.5	0.2	0.1
Multilateral agencies	0.7	2.5	2.2	13.6	3.5	4.3	...
Others a/	-	0.6	-	-	-	1.0	-

Source: OECD, Development Assistance Committee, Development Co-operation: 1979 Review, Paris, 1979 Statistical annex; IMF, IMF Survey, July 1980.

a/ Balancing item.

b/ Including offshore bank lending.

It will be recalled in this connextion that the Strategy for the Second United Nations Development Decade invited each developed country to transfer, annually, to the developing countries annually, in real terms, the equivalent of 1 per cent of its GDP, with the target for ODA fixed at 0.7 per cent. Data available on net disbursed ODA as percentage of GNP show that only Denmark, the Netherlands, Norway and Sweden reached or exceeded this target. In the case of the United States of America net disbursement of ODA as percentage of GNP, which registered 0.3 per cent in 1970, declined seriously to 0.19 per cent by 1979. Taking the OECD countries as a whole, the target of 1 per cent of GNP has been slightly exceeded, but the target for 0.7 per cent in the form of official development assistance has not been reached. In fact in 1979 net disbursement of ODA as percentage of GNP was 0.34 per cent.

Where the OPEC countries are concerned, it seems that as a share of GNP their aid amounted to about 1.28 per cent in 1979, although in the case of the higher income OPEC countries (Kuwait, Qatar, Saudi Arabia and the United Arab Emirates) the percentage was much higher being 3.8 per cent in 1979.

Resource flows to developing African countries

Recorded net flow of resources to developing Africa as a whole rose from $US 3.1 billion in 1970 to $US 19 billion in 1978 (data for 1979 not yet available), and Africa's share in total net resource flows to developing countries as a whole rose from 15.7 per cent in 1970 to 23.2 per cent in 1978 (see table IV.E-2). Considering that Africa's population is about 14 per cent of the total population of the developing world, it might seem that Africa's share in total net recorded flow of resources is disproportionately high. However, it should be noted that Africa has the largest number of least developed countries, and is the continent with the lowest average *per capita* income.

It should also be noted the non-oil-exporting African countries received about three quarters of the net resource flows to developing Africa. Aid to the former group of countries increased from $US 2.2 billion in 1970 to $US 14.2 billion in 1978, an average annual growth rate of 26.2 per cent at current prices or some 15 per cent at constant prices. However, within this amount, the share of bilateral and multilateral ODA declined, while the share of other sources, which are generally provided in hard terms, increased from 26 per cent to over 36 per cent in the same period.

Table IV.E-2. Total recorded net flow of resources to developing Africa 1970-1978 (millions of United States dollars)

From DAC countries, multilateral agencies and others	1970	1971	1972	1973	1974	1975	1976	1977	1978
Net receipts									
Major-oil-exporters									
Bilateral ODA from DAC countries	254	252	228	228	189	213	212	170	178
ODA from multilateral agencies	...	...	...	...	45	45	25	38	49
Others	...	...	...	...	711	1896	2108	2830	4632
Total recorded net flow	856	882	713	792	945	2154	2345	3038	4859
Other developing countries									
Bilateral ODA from DAC countries	1428	1709	1974	2168	2051	2717	2925	3516	4652
ODA from multilateral agencies	-	-	-	-	824	1186	1411	2279	2590
Others	794	1169	961	1112	3058	6970	5342	6461	6926
Total recorded net flow	2222	2878	2935	3280	5933	10873	9678	12256	14168
Developing Africa									
Bilateral ODA from DAC countries	1682	1962	2102	2396	2241	2930	3137	3686	4830
ODA from multilateral agencies	-	-	-	-	869	1234	1436	2317	2639
Other	1396	1798	1445	1677	3769	8863	7450	9281	11558
Total recorded net flow	3078	3760	3547	4073	6879	13027	12023	15284	19027
Of which total from OPEC countries	-	-	-	-	1818	3700	2053	1582	1118
Total from DAC and multilateral agencies	3078	3760	3547	4073	5061	9327	9970	13702	17909

Source: OECD, *op.cit.*

As shown in table IV.E.3, the average maturity period fell substantially from 25.2 years in 1970 to 17.3 years in 1978, and the grace period from 6.6 years to 4.9 years, while interest rates rose from 3.7 per cent to 6.4 per cent. Likewise, percentage grant element fell from 46 per cent in 1970 to 25 per cent in 1978 and the percentage grant element of loans plus grants fell from 54 per cent to 38 per cent.

Table IV.E.3. Average terms of loan commitments and grant element of loans and grants in developing Africa, a/ 1970-1978

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Maturity years	25.2	21.5	21.4	20.4	19.5	20.7	19.4	19.0	17.3
Grace years	6.6	6.1	5.7	5.7	5.8	5.3	5.0	4.7	4.9
Interest rate	3.7	4.4	4.4	5.4	5.5	5.6	5.4	5.6	6.4
Percentage grant element in loans	46.0	39.0	38.0	32.0	32.0	31.0	31.0	30.0	25.0
Percentage grant element of loans plus grants	54.0	52.0	53.0	40.0	43.0	43.0	41.0	40.0	38.0

Source: World Bank, Annual Reports, 1978, 1980.

a/ Excluding North African countries.

External public debt

The external disbursed debt of the 96 developing countries rose from $US151 billion in 1970 to an estimated $US 252 billion in 1978, an average growth rates of 22.2 per cent yearly. As is shown in table IV.E.4, the six developing regions of the world displayed significant variations in their respective external public indebtedness, with the largest debtor developing regions being Latin America and the Caribbean which owed $US 84.8 billion in 1978 (or 33.7 per cent of total debt of all the developing countries), the advanced Mediterranean countries owing $US 32.5 billion (13 per cent) and South Asia with $US 28.8 billion. Africa, excluding North Africa, owed $US 21.1 billion in 1978 as compared with $US 7.1 billion in 1970, corresponding to an average annual increase of 14.6 per cent yearly, but its share in total indebtedness of the developing world fell from 14 per cent in 1970 to 8.3 per cent in 1978.

Table IV.E.5 shows the type of debt incurred by developing Africa as a whole during the period 1970-1976 (the latest information available). Bilateral and multilateral ODA increased from $US 6.2 billion in 1970 to $US 17.8 billion in 1976 (or an average annual increase of 19.2 per cent). The 1970 figures represented about 68.4 per cent of the total external indebtedness of developing Africa, although by 1976 it fell to 59.2 per cent. The percentage share of debt owed to multilateral institutions actually increased from 11.1 per cent in 1970 to 13.7 per cent in 1976, so that the entire decrease in the share of official debt is accounted for by official bilateral debt, whose share fell from 57.3 per cent in 1970 to 45.5 per cent in 1976.

The declining share of official debt in total debt was naturally reflected in an increase in the share of private debt, which increased at an average annual growth rate of 27.5 per cent, from 31.6 per cent in 1970 to 40.8 per cent in 1976. This growth was attributable to a drastic increase in debt owed to private financial institutions, which rose from $US 0.4 billion in 1970 to $US 6.9 billion in 1976, i.e. at an average annual growth rate of 49.5 per cent. The share in total indebtedness of each of the other sources of private lending - suppliers' credits and others - however, decreased during this period.

Table IV.E.4. External public debt outstanding, disbursed of developing countries by region 1970 and 1975-1978 (millions of United States dollars)

Region and Group of countries	1970	1975	1976	1977	1978	Share 1978 percentage	Growth rate per annum 1970-1978 percentage
87 non-oil-exporting countries							
Africa, excluding North Africa	7 067	11 965	14 461	17 411	21 077	8.3	14.6
East Asia and Pacific	3 803	11 268	14 502	16 588	25 339	10.1	26.8
Latin America and the Caribbean	14 453	41 018	52 211	62 558	84 792	33.7	24.8
North Africa and Middle East	2 341	9 256	11 649	18 946	21 323	8.5	31.8
South Asia	11 848	20 675	23 190	26 010	28 826	11.4	11.8
More advanced Mediterranean countries	5 166	18 231	21 497	25 022	32 537	12.9	25.8
Total non-oil-exporting countries	44 677	112 413	137 510	166 535	213 894	84.9	21.6
Percentage increase		21.7	22.3	21.1	26.9		
9 oil-exporting countries	5 941	20 515	26 058	34 548	38 091	15.1	26.1
Percentage increase		15.3	27.0	32.6	10.3		
96 developing countries	50 618	132 928	163 568	201 083	251 985	100.0	22.2
Percentage increase		20.7	23.7	22.9	25.3		
Percentage increase in exports		-4.1	20.8	13.2	6.1		

Source: World Bank, Annual Reports, 1972, 1977 to 1980.

The changing composition of debt has, in turn, influenced the pattern and composition of debt service payments. The share of interest payments on private debt increased from 32 per cent in 1970 to 58.4 per cent in 1976, while that of official debt fell from 64 per cent to 41.6 per cent over the same period, since interest rates on private debt are generally higher than on official debt. Total amount of interest payments, which was $US 0.3 billion in 1970, rose to $US 1 billion in 1976, while the amortization payments increased from $US 0.6 billion to $US 1.8 billion. The increase in amortization payments to private financial institutions (by 34.9 per cent per annum during this period) is presumably due to the recent surge in private bank lending to developing countries, usually with shorter maturity and grace periods. Indeed, the total debt service of developing African countries increased nearly three times in absolute terms between 1970 ($US 0.9 billion) and 1976 ($US 2.8 billion), an average annual increase of 22.2 per cent.

Table IV.E.5. Total debt outstanding (disbursed) of the developing African countries at year end and debt service payments by type of debt, 1970 and 1973-1976 (billions of United States dollars).

	1970	1973	1974	1975	1976	Share 1976 %	Growth rate per annum 1970-1973
Debt outstanding	9.02	15.69	18.88	24.44	30.02	100.0	22.2
Bilateral official	5.17	7.54	8.92	11.65	13.66	45.5	17.6
Multilateral official	1.00	1.98	2.45	3.25	4.12	13.7	26.6
Private (total)	2.85	6.17	7.51	9.54	12.24	40.8	27.5
- Suppliers' credit	2.07	2.92	3.46	4.09	4.55	15.2	14.1
- Financial institutions	0.41	2.68	3.38	4.91	6.93	23.1	49.5
- Other private	0.37	0.57	0.67	0.54	0.76	2.5	12.8
Total debt service	0.85	1.79	2.34	2.39	2.82	100.0	22.2
Bilateral official	0.36	0.66	0.64	0.70	0.73	25.9	12.5
Multilateral official	0.08	0.15	0.19	0.29	0.26	9.2	21.7
Private (total)	0.41	0.98	1.51	1.40	1.83	64.9	28.3
- Suppliers' credit	0.30	0.59	0.68	0.82	1.10	39.0	24.1
- Financial institutions	0.06	0.23	0.70	0.49	0.63	22.3	48.0
- Other private	0.05	0.16	0.13	0.09	0.10	3.5	12.3
Of which							
Amortization (total)	0.64	1.35	1.64	1.50	1.81	100.0	18.9
Bilateral official	0.26	0.50	0.46	0.47	0.48	26.2	10.7
Multilateral official	0.04	0.07	0.08	0.09	0.09	5.0	14.5
Private (total)	0.34	0.78	1.10	0.97	1.24	68.5	24.1
- Suppliers' credits	0.25	0.50	0.58	0.70	0.94	51.9	25.7
- Financial institutions	0.04	0.16	0.43	0.18	0.24	13.2	34.9
- Other private	0.05	0.12	0.09	0.06	0.06	3.3	3.1
Interest (total)	0.25	0.51	0.69	0.90	1.01	100.0	3.1
Bilateral official	0.19	0.16	0.17	0.23	0.25	24.8	13.0
Multilateral official	0.04	0.08	0.11	0.20	0.17	16.8	23.0
Private (total)	0.08	0.20	0.42	0.46	0.59	58.4	39.5
- Suppliers' credits	0.04	0.09	0.10	0.12	0.18	15.8	22.0
- Financial institutions	0.02	0.07	0.28	0.31	0.38	37.6	64.5
- Other private	0.02	0.04	0.04	0.03	0.03	3.0	7.0

Source: World Bank: World Debt Tables, 1977, 1978, 1979 Supplement; World Tables various issues.

Table IV.E.6 shows the external public debt service payments as percentages of total exports of goods and non-factor services for each developing African country during the period 1970-1978. This debt service ratio, which gauges the extent of the amortization problem, fluctuated widely for most countries during this period, but increased substantially in such countries as Algeria, Chad, Gabon, Mali, Mauritania, Morocco, Senegal, Togo, Zaire and Zambia. For developing Africa as a whole, the ratio increased from 6.3 per cent in 1970 to 9.5 per cent in 1978, meaning that about 9.5 per cent of the receipts from total exports of developing Africa in 1978 had to be pre-empted to meet debt charges. With the increasing trend of private external resource flows on hard terms and slow expansion of exports, the total debt service of developing Africa must constitute a significant proportion of exports and widen the difference between gross and net inflows of capital. A careful re-examination of the terms at which foreign resource flows are made available to African countries is therefore called for.

Table IV.E.6. Service payments on external public debt by African countries as percentage of exports of goods and services, 1970-1978

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Algeria	3.2	5.8	11.8	12.8	13.5	8.8	13.0	15.5	20.9
Benin	2.2	4.0	3.3	1.9	4.8	3.6	2.7	2.4	6.4
Botswana	2.7	2.2	2.8	2.6	2.7	3.1	1.5	1.9	2.5
Burundi	2.3	2.6	6.6	2.7	2.7	5.8	4.6	2.8	3.2
Central African Republic	3.2	3.0	1.4	4.4	4.8	7.4	2.0	4.5	2.5
Chad	2.9	8.5	5.0	3.3	3.1	5.5	3.9	9.4	13.0
Comoros	...	0.1	0.0	2.1	1.1	4.6	5.7	7.0	10.8
Congo	8.4	8.2	8.7	8.1	6.5	12.1	8.3	10.4	7.2
Egypt	28.7	28.8	31.1	40.2	21.7	22.5	16.5	24.1	22.2
Ethiopia	11.3	10.3	8.7	6.4	5.4	7.4	6.7	6.5	7.5
Gabon	5.5	7.2	7.1	14.1	4.1	5.5	6.7	9.5	20.5
Gambia	0.7	0.9	1.0	1.1	0.8	0.6	0.6	0.5	0.8
Ghana	4.9	7.1	3.2	3.6	3.7	5.8	6.2	3.5	4.4
Guinea	28.7	29.2	31.1	29.9	16.8	14.8	15.0	19.0	17.4
Ivory Coast	6.7	7.6	8.1	7.2	7.9	8.8	8.8	10.4	14.1
Kenya	5.5	8.1	6.0	5.5	4.6	4.3	5.7	4.6	8.3
Lesotho	9.6	6.7	3.8	3.2	2.1	2.4	4.4	3.3	1.9
Liberia	7.2	6.6	6.1	5.3	4.9	5.5	4.4	6.0	5.4
Madagascar	3.5	4.3	3.5	5.3	3.6	3.4	3.9	3.2	3.2
Malawi	7.0	7.7	7.4	7.4	7.6	7.7	7.3	5.2	8.7
Mali	1.8	1.2	1.3	5.8	2.3	2.4	2.8	4.5	7.1
Mauritania	3.2	3.6	10.2	9.0	6.6	20.7	37.8	22.4	17.0
Mauritius	3.7	4.2	1.6	1.3	0.8	1.6	1.0	1.6	2.4
Morocco	7.7	10.2	9.5	8.3	5.5	5.7	7.1	10.8	18.7
Niger	3.8	3.0	2.6	2.0	2.8	4.5	4.5	3.8	2.9
Nigeria	4.1	3.0	2.8	4.0	1.7	2.7	3.4	0.8	1.2
Rwanda	1.3	1.8	2.1	0.2	0.8	0.7	0.8	0.9	1.4
Senegal	2.4	5.0	3.9	8.0	5.5	5.5	5.7	8.3	14.9
Sierra Leone	10.0	7.3	8.0	8.6	8.4	10.2	15.3	9.8	16.0
Somalia	2.0	2.3	2.9	3.6	4.2	3.4	2.6	3.9	3.7
Sudan	10.3	12.9	13.8	11.9	14.2	21.7	14.1	7.6	9.4
Swaziland	4.7	5.2	10.1	9.5	2.3	1.6	0.8	0.9	1.6
Togo	2.9	2.9	6.4	6.7	3.4	9.7	6.3	11.1	15.2
Tunisia	17.1	14.8	15.2	10.6	6.5	6.7	7.1	9.3	12.3
Uganda	3.2	4.0	4.0	8.3	4.5	3.7	2.9	3.0	2.2
United Republic of Cameroon	3.1	4.4	4.8	4.7	4.3	5.3	5.8	6.6	7.7
United Republic of Tanzania	7.3	8.1	13.4	8.6	6.6	7.4	6.6	7.2	7.4
Upper Volta	3.9	3.7	2.9	3.3	2.9	3.6	2.4	3.4	3.8
Zaire	4.4	4.9	8.0	8.2	11.1	15.0	11.8	19.1	31.3
Zambia	4.5	10.0	12.9	30.1	7.1	10.1	10.1	18.6	20.8
Developing Africa as a whole	6.3	6.8	7.4	7.3	5.6	7.1	7.0	7.6	9.5

Source: World Bank Annual Report, 1978, 1980.

F. External Trade and Balance of Payments

The development of world trade

World trade at current prices rose at an average annual rate of 20.3 per cent between 1970 and 1979. In volume terms, however, the annual rate of expansion was only 5.9 per cent, which means that the average annual rate of increase in export-import prices was 13.6 per cent.

Between 1970 and 1979 foreign trade prices increased at an average annual rate of 9.8 per cent compared with 16.7 per cent for the period 1970-1975. In volume terms, the average annual rate of expansion was 5.1 per cent between 1970 and 1975, accelerating to an average of 6.9 per cent during the second half of the decade. In value terms, world trade increased by 22.7 per cent and 17.3 per cent in the first and second parts of the decade respectively.

In 1979, world trade grew by 5.3 per cent in quantum terms and 25.6 per cent at current prices. The increase in export-import prices was about 19.3 per cent. Thus the growth in volume of world trade was below the average annual figures for the period 1975-1979, while the rate of price increase was above the average.

Oil, which was a common raw material at the beginning of the decade, has become of crucial importance in world trade in recent years. Oil prices increased about 30 per cent a year between 1970 and 1979, while the quantity of oil exported grew only at an annual average rate of 0.5 per cent.

Table IV.F.1 gives some major trade figures for the industrial countries, the oil-exporting and non-oil-exporting developing countries and the world as a whole.

The changes in oil prices brought about sharp changes in relative share of world trade. While the share of the industrial countries decreased from 77.1 per cent in 1970 to 71.8 per cent in 1975, with a marginal rise to 72.1 in 1979, the share of the oil-exporting countries rose from 5 per cent in 1970 to 11 per cent in 1977, with a slight fall to 10.1 per cent in 1979. The share of the non-oil-exporting developing countries in world trade remained stable at about 17 per cent from 1970 to 1979.

The industrial countries registered a trade deficit for all years from 1975 to 1979, with a large deficit of $US 85 billion in 1979. The oil-exporting countries increased their trade surplus to $US 107 billion in 1979, owing to the increase in petroleum prices.

Table IV.F.1 : External trade by area 1970 and 1975-1979 (value figures in billions of United States dollars, indices: 1970=100)

Area	Item	1970	1975	1976	1977	1978	1979
World	Imports in value	296.3	814.1	923.4	1 062.5	1 234.0	1 542.3
	Exports in value	282.2	796.6	906.9	1 030.8	1 193.8	1 507.2
	Import volume index	100.0	127.0	144.0	152.0	160.0	168.0
	Export volume index	100.0	129.0	144.0	151.0	158.0	167.0
	Import unit value index	100.0	215.0	217.0	236.0	260.0	310.0
	Export unit value index	100.0	218.0	223.0	242.0	268.0	320.0
Industrial countries	Imports in value	226.0	587.9	678.4	769.7	890.9	1 141.6
	Exports in value	220.0	568.5	632.9	718.5	861.7	1 056.6
	Import volume index	100.0	122.0	140.0	144.0	152.0	163.0
	Export volume index	100.0	135.0	149.0	157.0	167.0	177.0
	Import unit value index	100.0	213.0	215.0	236.0	260.0	309.0
	Export unit value index	100.0	191.0	193.0	208.0	235.0	271.0
	Terms of trade index	100.0	90.0	90.0	88.0	90.0	88.0
Oil exporters	Imports in value	10.8	51.3	62.5	84.3	98.2	100.3
	Exports in value	18.4	109.8	132.9	145.9	142.1	207.3
	Import volume index a/	100.0	213.0	260.0	331.0	351.0	302.0
	Export volume index	100.0	95.0	108.0	108.0	105.0	105.0
	Import unit value index	...	...	...	...	...	...
	Export unit value index	100.0	629.0	667.0	736.0	736.0	1 069.0
	Terms of trade index a/	100.0	282.0	299.0	311.0	284.0	347.0
Non-oil developing countries	Imports in value	55.4	168.7	174.5	199.2	233.1	286.2
	Exports in value	43.2	113.0	132.9	157.1	178.1	226.2
	Import volume index	100.0	137.0	141.0	161.0	162.0	168.0
	Export volume index	100.0	141.0	159.0	162.0	177.0	195.0
	Import unit value index	100.0	225.0	223.0	236.0	259.0	308.0 b/
	Export unit value index	100.0	185.0	194.0	225.0	233.0	268.0 b/
	Terms of trade index	100.0	83.0	87.0	95.0	90.0	87.0

Source: Based on data in IMF, International Financial Statistics, September 1975, August 1976, December 1977 and August 1980.

a/ Based on import value index of non-oil developing countries.

b/ Contains some estimates.

The non-oil-exporting developing countries had a trade deficit of $US 12.2 billion in 1970, increasing to $US 55.7 billion in 1975 and to $US 60 billion in 1979.

Taking 1970 as 100, the terms of trade of the oil-exporting countries rose to 311 by 1977, declined to 284 in 1978, but recovered again in 1979 to 347. Estimates for first

half of 1980 show a large increase, to 470, and in view of the latest developments the actual figure may be even higher. Using the same base year, the terms of trade of the industrial countries, which stood at 90 in 1975, 1976 and 1978, fell back to 88 in 1979, and are likely to remain at this level in 1980, while those of the non-oil-exporting developing countries recorded a low level of 83 in 1975, recovered to 95 in 1977, and fell again to 87 in 1979.

For the industrial countries, the volume of exports rose in 1979 by 6 per cent, while the volume of imports increased by 7.2 per cent. For the oil-exporting countries, there was no change in the volume of exports, but imports fell by 14 per cent, while for the non-oil-exporting countries both exports and imports rose, by 10.2 and 3.7 per cent respectively, in 1979 compared to 1978. Between 1970 and 1979 the export volume of the industrial countries increased by 6.5 per cent yearly, compared to 7.7 and 0.5 per cent for the non-oil-exporting and oil-exporting countries respectively. The average annual increase in import volume for the period 1970-1979 was 13.1 per cent for the oil-exporting countries, 5.9 per cent for the non-oil-exporting developing countries and 5.5 per cent for the industrial countries.

Several factors in the world economy (e.g. slow growth of output, anti-inflation policies, unemployment, balance-of-payments considerations, more deliberate investment policies by some oil-exporting countries) suggest that the short-term prospects of the world trade are likely to be less favourable than in 1979.

Foreign trade of developing African countries

The main trade figures for the region, given in Table IV.F.2, indicate that total exports of developing Africa rose from $US 47.3 billion in 1978 to $US 66.6 billion in 1979. The average annual value of exports from the area increased by over 20 per cent a year between 1970 and 1979, almost equalling the world export growth rate. Imports grew by only $US 626 million from 1978 to 1979, from $US 58.6 billion to $US 59.2 billion at current prices. The average annual growth of imports to developing Africa as a whole between 1970 and 1979 was 20.5 per cent, which is slightly higher than the world average in the same period. The balance of trade surplus for Africa as a whole in 1979 amounted to $US 7.4 billion, against the previous year's deficit of $US 11.2 billion.

The increase in oil prices was the main reason for Africa's larger export earnings and improved trade balance in 1979. The exports of African oil-exporting countries rose by $US 15.5 billion, from $US 27.5 billion in 1978 to $US 43 billion in 1979, while their imports registered a small increase from $US 26.9 billion to $US 27.7 billion. Thus the balance of trade of African oil-exporting countries recorded a large surplus of $US 15.3 billion in 1979. The share of the major African oil-exporting countries in the total exports of developing Africa, which amounted to 37 per cent in 1970, had increased to 64.5 per cent by 1979.

Table IV.F.2 : Exports and imports of developing Africa, 1970 and 1975-1979
(value figures in millions of United States dollars)

	1970	1975	1976	1977	1978	1979 a/
Trade in value						
Developing Africa						
Exports	12 701	34 382	41 068	48 090	47 301	66 629
Imports	11 078	38 612	39 306	48 938	58 559	59 185
Balance	+1 623	-4 230	+1 762	-848	-11 258	7 444
Oil-exporters b/						
Exports	4 749	19 452	24 727	28 812	27 466	42 990
Imports	2 951	16 036	17 266	22 718	26 923	27 748
Balance	+1 798	+3 416	+7 461	+6 094	+ 543	+15 242
Non-oil-exporters						
Exports	7 952	14 930	16 341	19 278	19 835	23 639
Imports	8 127	22 576	22 040	26 220	31 636	31 437
Balance	- 175	-7 646	-5 699	-6 942	-11 801	-7 798
Indices (1970=100)						
Developing Africa						
Unit value of exports	100	310	327	369	369	510
Volume of exports	100	87	99	103	101	103
Unit value of imports c/	100	223	223	236	259	308
Volume of imports	100	156	159	187	204	173
Terms of trade	100	139	147	156	142	166
Oil-exporters b/						
Unit value of exports	100	517	557	624	608	913
Volume of exports	100	79	94	97	95	99
Unit value of imports c/	100	223	223	236	259	308
Volume of imports	100	244	262	326	352	305
Terms of trade	100	232	250	264	235	298
Non-oil-exporters						
Unit value of exports	100	187	189	217	226	266
Volume of exports	100	100	109	112	110	112
Unit value of imports c/	100	223	223	236	259	308
Volume of imports	100	125	122	137	150	126
Terms of trade	100	84	88	92	87	86

Source: Based on data in IMF, International Financial Statistics, August 1976, December 1977, August 1980. ECA estimates for indices of value, unit value and terms of trade from data available at ECA.

a/ Estimates. b/ Algeria, Gabon, Libyan Arab Jamahiriya and Nigeria. c/ Unit value of imports of all non-oil-exporting developing countries as shown in above referred IMF sources.

African non-oil-exporting countries increased their export earnings by $US 3.8 billion from $US 19.8 billion in 1978 to $US 23.6 billion in 1979. Their imports highly constrained by foreign exchange shortages, amounted in 1979 to $US 31.4 billion, or slightly less than the 1978 figure. Their trade deficit fell from the record level of $US 11.8 billion in 1978 to $US 7.8 billion in 1979. However, this was still high, as it has been every year from 1975 to 1979, compared to the moderate deficits of the period between 1970 and 1974. The volume of exports of the African oil-exporting countries, which for all the years up to 1976 was lower than in 1970, increased by more than 4 per cent from 1978 to 1979, while the unit value of their exports for this group of countries increased by about 51 per cent. The volume of imports by these countries was 13 per cent lower in 1979 than in 1978, while their terms of trade improved in 1979 compared to the previous year, reaching a peak of 298 (1970=100). For the non-oil-exporting African countries the volume of exports rose by 2 per cent and the volume of imports fell by 16 per cent between 1978 and 1979, while the unit value of their exports increased by about 18 per cent and their terms of trade slightly deteriorated from 87 to 86 (1970=100).

For developing Africa as a whole, the volume of exports rose about 2 per cent in 1979, while the volume of imports decreased 15 per cent. The unit value of exports and terms of trade were higher by 38 per cent and 17 per cent respectively in 1979 compared to 1978.

The proportion of Africa's exports and imports in those of the developing world as a whole decreased during the 1970s, as did the performance in these respects within the sub-groups of oil-exporting and non-oil-exporting developing countries. The declining trend of the export performance of non-oil-exporting African countries comparing to non-oil-exporting developing countries as a whole is shown in Table IV.F.3.

TABLE IV.F.3 : Africa's share in export trade of non-oil-exporting developing countries (value figures in billion of United States dollars)

	1970	1975	1976	1977	1978	1979
Non-oil-exporting African countries	8.0	14.9	16.3	19.3	19.8	23.6
Non-oil-exporting developing countries	43.2	113.0	132.9	157.1	178.1	226.2
Africa's share (per cent)	18.5	13.2	12.3	12.3	11.1	10.4

Source: Tables IV.F.1 and 2.

Moreover, the exports of the region are highly concentrated, and the degree of concentration has increased, only 12 countries accounting for 80.2 per cent of total exports in 1978 and for 83.5 per cent in 1979. The figures for trading in the major African export commodities by these 12 countries are given in Table IV.F.4.

Table IV.F.4 : Exports and imports of the 12 most important exporting countries of developing Africa 1975-1979 (millions of United States dollars)

	1970	1975	1976	1977	1978	1979	Main Product
Exports							
Algeria	1 009	4 691	5 201	5 928	6 347	8 198	Crude oil
Egypt	762	1 402	1 522	1 708	1 737	1 840	Cotton
Gabon	121	943	1 135	1 343	1 107	1 729	Crude oil
Ghana	458	807	828	962	1 000 a/	900 a/	Cocoa
Ivory Coast	469	1 181	1 631	2 157	2 322	2 514	Coffee
Kenya	305	647	825	1 194	1 023	1 090	Coffee
Libyan Arab Jamahiriya	2 357	6 042	8 306	9 761	9 503	15 236	Crude oil
Morocco	488	1 543	1 261	1 302	1 508	1 873	Phosphates
Nigeria	1 240	7 776	10 085	11 780	10 509	17 827	Crude oil
Tunisia	182	856	788	929	1 126	1 766	Crude oil
Zaire	742	865	904	988	925	1 323	Copper
Zambia	1 001	810	1 036	893	817	1 370 a/	Copper
Total	9 134	27 563	33 522	38 945	37 924 b/	55 666 b/	
Proportion of region's exports (percentage)	71.9	80.2	81.6	81.0	80.2	83.5	
Imports							
Algeria	1 257	6 008	5 339	7 125	8 530	8 100	
Egypt	786	3 934	3 807	4 816	6 727	3 837	
Gabon	80	445	502	716	617	569	
Ghana	411	791	842	1 023	1 000 a/	900 a/	
Ivory Coast	388	1 127	1 296	1 756	2 326	2 491	
Kenya	442	987	972	1 285	1 711	1 637	
Libyan Arab Jamahiriya	555	3 542	3 212	3 782	4 603	8 238	
Morocco	686	2 567	2 618	3 199	2 970	3 678	
Nigeria	1 059	6 041	8 213	11 095	13 173	10 841	
Tunisia	306	1 424	1 529	1 825	2 138	2 830	
Zaire	533	905	668	609	589	597	
Zambia	552	1 138	798	828	748	920 a/	
Total	7 055	28 909	29 796	38 059	45 132 b/	44 638 b/	
Proportion of region's imports (percentage)	63.7	74.9	75.8	77.8	77.1	75.4	

Source: IMF, International Financial Statistics, Vol.XXVIII, No.8 (August 1975), Vol. XXXIII, No.8 (August 1980), except for ECA estimates.

a/ Order of magnitude estimates only

b/ Contains some estimates.

The role of oil in Africa's export trade is obviously more significant than in the exports of the developing world as a whole. The share of these 12 countries in the total import trade of African countries is less than their share in developing Africa's total exports, and decreased from 77.8 per cent in 1977 to 75.4 per cent in 1979. These divergent export-import shares are evidence of the increasing trade deficit of the least developed and other non-oil-exporting African countries.

Trade within Africa continued to be very low as a proportion of the region's total trade, and is indeed declining, having fallen from 5.6 per cent of Africa's total exports in 1975 to 3.8 per cent in 1979.

Various activities have been undertaken during the period under review in an effort to reverse this trend. In Central Africa, the Central Bank of Zaire and the "Banque Centrale des Etats de l'Afrique Centrale, which covers the Central African Republic, Chad, Congo, Gabon and the United Republic of Cameroon, signed early in 1979 an agreement establishing the Central African Clearing House.

In Eastern and Southern Africa, the Intergovernmental Negotiating Team on the proposed treaty for the establishment of a preferential trade area for the States of the subregion has adopted a protocol on clearing and payments arrangements. The team has also completed negotiations on and adopted a draft treaty, with twelve protocols (including that mentioned above), for submission to Governments. Efforts are also being made to establish a development bank for the subregion, as called for by the proposed treaty.

The Lagos Plan of Action places particular emphasis on expanding intra-African trade through a comprehensive long-term programme of economic co-operation among African countries, covering food and agricultural raw materials, minerals, industry, transport and communications, science and technology, manpower development, etc. The Plan also calls for the establishment of preferential trade areas and the elimination of non-tariff barriers by the end of 1984.

A meeting held at Addis Ababa in 1979 accepted the principle of establishing a global system of trade preferences, and stressed that priority action in that regard should begin by strengthening, establishing and linking up preferential arrangements at subregional and regional levels as an integral part of the system.

The African region continues to encounter an over-all deficit in its trade with the other developing countries, increasing since 1979, in absolute terms, to $US 790 million (See Table IV.F.5). Africa also remains basically an exporter of primary products, and its recurring trade deficit reveals its position as the least developed among the developing regions, despite the fact that its trade with the other developing regions accounted for 12.45 per cent of its total trade in 1979, compared to 2.52 per cent for intra-African trade.

The direction of Africa's trade, as shown in Tables IV.F.5 and 6, is based on data from the United Nations Statistical Office, which slightly differ from the corresponding IMF data. The share of the developed countries in total African exports rose from 77.9 per cent in 1975 to 84.5 per cent in 1979, while the shares of the other groups of countries (oil-exporting and non-oil-exporting developing countries, centrally planned economies) decreased. One of the major reasons for this increased dependence of Africa's exports on developed economics is that Africa's export structure is based, as noted above, on a small number of primary commodities.

Table IV.F.5 : Africa's trade with the other developing regions (millions of United States Dollars)

	Exports to				Imports from			
Region	1976	1977	1978	1979	1976	1977	1978	1979
Developing Asia	941	986	994	1 287	3 260	3 631	4 193	4 701
Middle East	593	636	651	814	1 659	1 519	1 762	2 234
Other Asia	348	350	343	373	1 601	2 112	2 431	2 467
Developing America	2 906	3 563	3 099	4 213	1 013	1 346	1 419	1 593
Lafta	641	613	574	778	644	890	889	933
Developing Oceania	2	4	3	3	0	0	0	0
All developing market economies	5 561	6 599	5 932	7 868	5 985	7 073	7 448	8 658

Source: United Nations Monthly Bulletin of Statistics, July 1980.

Note: Africa's trade figures exclude those of Zimbabwe.

The value of Africa's exports to centrally planned economies has decreased since 1975, mainly because of less exports from Algeria, Egypt and Nigeria to the USSR. The shares of developed economies, developing countries and centrally planned economies in Africa's imports were stable between 1975 and 1979 at about 80 14 and 6 per cent respectively. Comparing 1975 to 1970, the proportion of Africa's imports from the centrally planned economies decreased, but this was offset by rises in the share of imports from the developed economics. The direction of Africa's external trade is shown in Table IV.F.6.

Table IV.F.6 : Exports by destination and imports by origin of developing Africa 1970, 1975-1979 (billion of United States dollars)

	1970	1975	1976	1977	1978	1979
Exports to						
World a/	12.3	34.0	41.4	47.8	44.1	63.2
Developed market economies	10.1	26.5	33.5	39.0	36.2	53.4
OPEC countries	1.2	0.6	0.4	0.4	0.5	0.7
Other developing countries		4.4	5.2	6.2	5.4	7.2
Centrally planned economies	0.9	2.3	1.9	1.8	1.7	1.7
Developing Africa	0.7	1.9	1.7	2.0	1.8	2.4
	Export value index numbers (1970=100)					
World	100	276	337	389	359	434
Developed market economies	100	262	332	386	358	529
Developing countries	100	417	467	567	492	658
Centrally planned economies	100	256	211	200	189	189
Developing Africa	100	271	243	286	257	343
Imported from						
World b/	12.0	41.0	42.6	52.5	57.5	62.8
Developed market economies	9.2	32.5	34.2	42.3	46.2	50.0
OPEC countries	1.5	1.9	1.8	1.8	1.8	2.4
Other developing countries		4.2	4.2	5.3	5.7	6.3
Centrally planned economies	1.2	2.5	2.5	3.1	3.8	4.8
	Import value index numbers (1970=100)					
World	100	342	355	438	479	523
Developed market economies	100	271	285	353	385	417
Developing countries	100	407	400	473	500	580
Centrally planned economies	100	208	208	258	317	342

Source: United Nations Monthly Bulletin of Statistics, Vol. XXVII, No.6, June 1973, Vol. XXXIV, No.7, July 1980.

a/ Total includes special category exports whose destinations could not be determined.

b/ Components may not add to totals because of rounding.

Table IV.F.7 shows that wholesale prices for most of the major export commodities of the regions, including crude oil, rose fairly consistently over the past decade. However, prices for some commodities, such as cocoa, groundnuts, tea, rise and manganese ore, were lower in 1979 than in 1978. Wholesale prices from January to June 1980 show some further increase for the majority of important export commodities of African countries. The prices of crude oil, coffee, copper, cotton and crude phosphate are higher in 1980 than in 1979, but the prices of cocoa and groundnuts have fallen again. It is expected that exports of non-oil-exporting African countries in value terms are likely to be somewhat higher, while export earnings of oil-exporting countries will be substantially higher, in 1980 than in 1979. Relevant data are shown in Table IV.F.8.

Table IV.F.7 : Wholesale prices of selected commodities 1975-1980 (1975=100, based on United States dollars)

	Exports 1975 e/	Indices						
		1970	1975	1976	1977	1978	1979	Jan.-June 1980
Crude oil f/	19 735	12.1	100	105.7	116.5	117.0	164.7	264.6
Coffee (all coffee-New York)	1 224	69.7	100	195.9	316.1	213.9	233.9	238.1
Cocoa beans a/	1 176	48.9	100	160.7	309.4	244.4	229.4	205.1
Copper a/	1 164	114.9	100	113.9	106.4	110.6	161.0	188.7
Cotton b/	929	51.4	100	125.8	124.8	121.3	131.7 d/	144.2
Phosphate rock a/	1 171	16.4	100	53.3	45.7	43.2	49.1	64.8
Wood and timber a/	458	56.0	100	101.0	92.6	122.2	203.7	222.4
Iron ore a/	553	66.8	100	96.4	94.7	85.0	102.8	112.5
Sugar b/	528	27.8	100	57.3	44.1	48.6	59.0	98.7
Groundnuts and oil b/	330	48.4	100	92.0	112.9	135.8	116.8	96.9
Tea (average auction-London)	132	79.5	100	112.0	194.0	159.1	157.0	166.9
Diamonds c/	256	...	100	116.0	127.0	...	...	...
Citrus fruit c/	183	...	100	112.0	111.0	130.0	...	...
Tobacco a/	92	77.7	100	101.9	110.9	119.5	129.8	135.6
Cobalt c/	104	...	100	150.0	145.0	...	...	...
Wine c/	151	...	100	198.0	109.0	...	...	...
Rubber (all origins-New York)	104	70.6	100	132.4	139.1	167.2	214.7	246.7
Manganese ore a/	111	39.5	100	105.2	107.4	103.1	100.0	100.0
Palm nuts and kernels a/) Palm and palm kernels oil a/)	169	53.1	100	103.0	141.7	157.9	197.0	160.0
Olive oil c/	101	...	100	65.0	64.0	64.0	...	...
Rice b/	70	42.5	100	71.9	77.3	98.3	91.6	116.4
Sesame seeds c/	78	...	100	92.0	94.0	108.0	...	...
Sisal a/	91	26.2	100	80.8	88.4	84.4	121.7	148.2
Tin (all origins - London)	60	39.5	100	111.5	157.5	187.4	225.5	251.2
Zinc a/	70	39.8	100	95.5	79.5	79.4	99.8	100.0
Bananas a/	42	67.9	100	105.6	111.1	117.0	132.9	158.3
Lead a/	38	73.8	100	109.2	150.1	159.8	291.6	238.7

Source: Based on statistical data available at ECA and in IMF, International Financial Statistics, Vol. XXX. No.12, December 1977, Vol. XXXIII. No.8 (August 1980)

a/ Based on one quotation.
b/ Based on more than one quotation.
c/ Average realized price of exports.
d/ Contains estimates.
e/ Exports of developing Africa 1975 in value (millions of United States Dollars).
f/ Based on more than one quotation except 1970.

Table IV.F.8 : IMF and ECA indices of wholesale and export prices 1975-1980

	1970	1975	1976	1977	1978	1979	First half of 1980
Wholesale prices, IMF a/	57.4	100	112.2	135.1	128.8	149.4	165.6
Wholesale prices, ECA b/	52.8	100	118.4	151.5	133.3	152.3	160.6
Unit value of exports c/	53.5	100	101.0	116.0	120.9	142.2	...

Source: Based on data available at ECA and IMF, International Financial Statistics, Vol. XXX, No.12, December 1977; Vol. XXXIII, No.8, August 1980.

a/ Index of 30 commodities/excluding crude oil/

b/ Index of 27 commodities/excluding crude oil/weighted by 1975 export value,

c/ Exports from non-oil-exporting countries of developing Africa.

Balance of payments

Table IV.F.9 gives some information and estimates on the balance of payments for the developing countries of Africa, classified into major oil-exporting countries and non-oil-exporting countries.

The major oil-exporting countries had a deficit on goods and services account of $US 1.5 billion in 1975, and a surplus of $US 1.3 billion in 1976. A surplus recurred in 1977, on a much reduced scale of $US 0.4 billion. In 1978 the four major oil-exporting countries in Africa reached a record deficit of $US 4.8 billion, but a sharp reversal took place in 1979, with a high current account surplus of $US 7.4 billion, mainly because of the rise in the real prices of oil and in the volume of imports. These movements, accompanied by a net capital inflow in all years shown, led to reserves being built up in 1976, 1977 and substantially in 1979.

The non-oil-exporting countries in Africa registered a large deficit on goods and services in all the years covered in the table. The deficit in 1979 was about $US 10.7 billion, compared with $US 10 billion in 1978 and $US 8.5 billion in 1975. In 1979 the deficit was covered by a net inflow of private transfers of $US 0.6 billion, official transfers and grants of $US 2.4 billion and net capital inflow of $US 7.5 billion, and a reduction in the reserves held by this group.

The heavy dependence of the non-oil-exporting African countries on official transfers and grants and on high net capital inflow has continued. According to estimates by IMF (World Economic Outlook, May 1980), the deficit on current account of non-oil-exporting countries is expected to become larger in 1980, and the prospects for the 1980s are indeed very bleak.

Table IV.F.9 : Balance of payments of developing Africa, 1970 and 1975-1979
(millions of United States dollars)

	1970	1975	1976	1977	1978	1979 a/
Major oil-exporting countries b/						
Goods and services (net)	3	-1 520	1 304	407	-4 752	7 351
Private transfers (net)	218	-26	-53	-802	-580	-702
Official transfers and grants (net)	-46	-150	-109	-85	-86	-176
Capital (net)	562	509	633	1 139	3 628	2 340
Reserves and related items	-714	1 650	-1 341	-657	2 462	-6 162
Errors and omissions	-23	-465	-434	-5	-672	-2 649
Non-oil-exporting developing countries						
Goods and services (net)	-1 594	-8 543	-7 116	-7 837	-10 023	-10 705
Private transfers (net)	-228	271	190	218	479	639
Official transfers and grants (net)	990	1 700	1 900	2 120	2 125	2 416
Capital (net)	1 232	6 596 c/	5 481 c/	6 081 c/	7 014 c/	7 463 c/
Reserves and related items	-314	746	356	-483	632	81
Errors and omissions	-86	-770	-811	-99	-227	-106

Source: IMF, International Financial Statistics, Vol. XXX, No.12, December 1977 Vol. XXXIII, No.8, August 1980 and Vol. XXXIII, No.10, October 1980, IMF, World Economic Outlook, May 1980 and ECA estimates for countries and years not covered.

a/ Rough estimates only.

b/ Algeria, Gabon, Libyan Arab Jamahiriya and Nigeria.

c/ Includes loans for balance of payments.

G. Trends and structures in social development in Africa

1. Introduction

In the 1978/1979 survey of economic and social conditions in Africa[11]/ a special study on economic growth, employment, income distribution and mass poverty in African developing countries was published. After reviewing the economic developments in the ECA region during the past two decades, the study discussed the concept of social justice and income distribution and presented detailed analysis of the distribution of incomes and estimates of mass poverty in the ECA region and some major policy issues. It then went onto review the approaches to social justice developed within the United Nations Family, and the approaches taken in the national development plans of many ECA member countries to employment promotion and the eradication of mass poverty.

The 1976/1977 survey of economic and social conditions in Africa[12]/ gave an overview of educational and employment problems in the African region. It discussed the interaction between the schooling and the labour market, paying particular attention to the examination system, with its backwash effect on the content and structure of lower-level schooling, and to the relationship between rewards in the labour market and the paper qualifications of job applicants. It also presented a number of case studies of African experience with such policies as increased provision for nonformal education, restricted post-primary enrolments in the formal system, a new systems of "basic" education at the primary level, vocational programmes at the secondary levels, changes in the examination system, curriculum reforms of all kinds, national service schemes, loosening of hiring standards, and incomes policies.

In this short review an attempt is made to discuss in brief a number of issues; i.e. namely health, human resources development, urban poverty and housing, the status of women, youth unemployment and the problems of refugees and the disabled.

During the 1950s colonialism was challenged on all fronts by emerging nationalism, which threatened existing political systems and traditional economies, as well as the very fabric of society. During the 1960s concrete expression was given to the nationalistic fervour by the granting of independence to many African countries. Unfortunately, independence has not led to the rapid attainment of the good life promised by the early nationalists, as the 1970s were characterized by a variety of serious economic and social problems.

Governments have assumed a leading role in pursuing the progress of planned economic development in post-independence Africa, and the financial, manpower and natural resources of the continent have been severely taxed. In response to the various problems of the continent, a meeting in 1979 of Governments in Monrovia and later of Heads of State and Government in Lagos decided on a Plan of Action which called specifically for (a) attainment of self-sufficiency in food production through the adaptation of appropriate technology to the production, storage, protection and distribution of agricultural products;

11/ E/CN.14/743 Part I, 10 March 1980.

12/ E/CN.14/690 Part I, 1978.

(b) increase of Africa's share in world industrial output through individual country efforts and subregional co-operation; (c) better utilization of Africa's human resources; (d) expansion of continental transportation and communication; (e) adaptation of science and technology to all areas of economic development; (f) protection of the environment; and (g) greater participation of women in the development effort. 13/ The social implications of this line of action by African Governments present a clear challenge to the successful implementation of the economic targets set.

2. The African social situation

The social situation of African countries is not readily grasped by consideration of GNP figures alone. The achievements and shortfalls of the 1970s can be assessed, and the prospects for the 1980s analysed, by reference to the major indicators presented hereunder.

(a) Health

African States are fighting a constant battle against malnutrition, disease and ill-health. Statistics shows that in 1978 the overall doctor/population ratio in developing Africa was 1:6,500. This is a distinct improvement on the ratio in 1970, which was 1:10,000. However, there are very wide differences among subregions and among individual countries. The ratio in 1978 was less than 2,000 persons per doctor only in Egypt, the Libyan Arab Jamahiriya and Mauritius. It was more than 10,000 persons per doctor in Morocco and the Sudan in North Africa, in 13 countries in West Africa, in eight countries in Central Africa, and in ten countries in East Africa. The figures noted for Benin, Mali, the Niger and the Upper Volta in West Africa; Burundi, Chad, Equatorial Guinea and Rwanda in Central Africa; and Ethiopia and Malawi in East Africa are particularly high: in each country there were more than 30,000 persons per doctor.

In view of the low levels of per capita income and abundant supplies of unskilled labour, African countries, with their limited financial resources and the need to spread medical services as widely as possible, might be expected to stress preventive rather than curative measures within their health programmes, and that labour-intensive rather than capital-intensive techniques would be employed. On the contrary, the health systems in Africa typically cater for a small urban elite, stress curative rather than preventive medicine, and favour capital-intensive construction techniques with highly skilled doctors rather than simple clinics with a few doctors and many medical auxiliaries. However, efforts are being made to change this situation. Preventive rather than curative health services have been emphasized in recent policy statements on health, and, besides clean water, programmes cover sewerage schemes, vaccinations, health education and campaigns to make people more aware of proper nutrition.

One positive trend is that nurses and medium-level para-medical staff are now being trained on a large scale in order to reach the rural people. However, even with such efforts, people in the countryside have to travel long distances to reach a health post and ambulances are not available in cases of emergency.

13/ Document E/CN.14/781, Plan of Action for the Implementation of the Monrovia Strategy for Economic Development of Africa.

Family planning has also come to be more widely emphasized in health policies, and infants and mothers are being given increasing care to cut down mortality rates. While the general mortality rate in Africa has been declining, and birth rate remains high, with the result that the continent is experiencing something of a population explosion. The resultant high proportion of young people means a high dependency ratio, which limits the wealth-generating capacity of the labour force.

According to the recommendations of the Third Conference of African Ministers of Social Affairs held in Addis Ababa in October 1980, Governments should give priority to formulating, elaborating and implementing population and family policies appropriate for the realities of their own countries so as to reduce the dependency ratio over time, strike a balance between population and resources, and reduce the burden of excessive child birth on women, thus making it possible for women to participate effectively in general development efforts.

They should also organize and strengthen their national health systems, improving community health through primary health care as defined by the Alma Ata Conference, the objective being "Health for all by the year 2000", and pay special attention to the risk groups, namely mothers and children, by stressing pre-natal and post-natal supervision of mothers, family life education and responsible parenthood so as to enable parents to make informed decisions about the number of children they want and can afford, and education in nutrition, with particular reference to the nutritional requirements of children.

(b) Human resources development - education.

Expenditures on education and training, improvement of health and research contribute to productivity by raising the quality of the population, and these outlays yield a continuing stream of returns in the future. Education absorbs the greatest share of most recurrent expenditures of African Governments, occupies the time and activities of the greatest number of adults and children, and carries the greatest psychological burden of development aspirations.

Empirical data show that illiteracy rate in Africa is very high. According to the United Nations report on the world social situation, on average close to 70 per cent of the adult population in Africa are illiterate, compared to an average of around 5 per cent for the more developed regions. A literate labour force has a better absorption capacity and can therefore contribute more effectively to productivity and economic growth of a nation than would an illiterate labour force. African Governments must therefore make a massive effort to eradicate illiteracy.

More than 50 per cent of all educational expenditure in Africa, and almost 10 per cent of governmental recurrent expenditure, are allocated to primary education. Nevertheless, as can be seen from table IV.G.1, primary school enrolment rates in Africa are the lowest in the world, even though, according to more recent data, they reached 60 per cent in 1977.

Table IV.G.1. World school enrolment rates - 1972-1973 (percentage of eligible children)

Region	Primary	Secondary School	Higher Education
North America	98	92	44.5
Europe and USSR	97	64	16.7
Oceania	95	60	15
Latin America	75	35	5
Asia	55	30	4.7
Africa	40	15	13

Source: Michael P. Todaro, Economics for a Developing World, Longman, London, 1977, p.258.

Some of the basic problems which mean that primary education is often out of tune with the real needs of society are:

(a) Over 70 per cent of the children in Africa live and attend school in rural areas;

(b) Over 80 per cent of these children are likely to spend their lives earning a living either directly from the land or from unskilled paid employment in rural areas. Yet primary schools spend very little time giving these students the knowledge, skills and new ideas necessary to function efficiently in their rural environment (e.g. farming practices and management, hygiene, nutrition, community development, etc.);

(c) Primary schools typically attempt to prepare students for secondary school, with training in literacy, numeracy and foreign languages receiving highest priority. The training, moreover, usually consists of recitation and repetition rather than thinking and problem-solving, which are more relevant to post-school life.

Educational curricula at both the first and second levels are heavily biased towards the arts, and lack vocational and technical content, with the result that children leave school with little or no practical skills. As table IV.G.2 shows, the secondary level pupil/teacher ratio is extremely high in Africa, and the percentage of female students is lower than it should be in a society where, as discussed in section 2(b) below, major efforts need to be made to improve the status of women. Furthermore, the total enrolment at the second

Table IV.G.2. Second level education ratio - A comparison of Africa with the more developed and other less developed regions

Region	Percent enrolled Male	Female	Pupil/teacher ratio
World	55	46	50
More developed	84	85	27
Less developed	42	38	63
Africa	39	24	111
Northern	42	23	-
Western	29	16	-
Eastern	33	20	-
Middle	52	26	-
Southern	74	70	-

Source: Population Reference Bureau Inc. World's Children Data Sheet 1979.

level in Africa is not high. To make the situation worse, secondary school students, who are not all accommodated in the higher levels of education, in many cases join the ranks of the rural or urben unemployed or underemployed.

Most African universities have been modelled in structure and content upon older institutions in the industrialized societies, and "excellence" continues to be measured in terms of international academic standards rather than contributions to national development. From the latter standpoint, the immediate requirements may call for emphasis on vocational and technical training and adult education, rather than on a greatly expanded system of formal education.

The growth of education has been extremely rapid, with emphasis on secondary and higher education. The annual growth rates in enrolments since 1970 were 7.2 per cent for primary education, 9.8 per cent for secondary education and 11.1 per cent for higher education. Recently, Governments have been finding it more and more difficult to continue to finance the education budget and maintain past rates of expansion. In 1978, very rough estimates indicate that there were approximately 50 million primary school pupils in developing Africa and a further 9.5 million students at secondary schools. There were also about 900,000 in higher education.

The Third Conference of African Ministers of Social Affairs, meeting at Addis Ababa in October 1980, recommended that Governments should:

(a) Mobilize all available resources, material and human, to eradicate illiteracy among adults within as short a time as possible;

(b) Prepare reading materials and make them available to neo-literates via such mechanisms as community libraries and centres. These materials should deal with problems of life in general and impart knowledge and skill on such matters as health, family life, production, etc.;

(c) Make increased efforts to assure the universalization of opportunities for education for all children regardless of sex, religion,ethic affiliation and place of residence;

(d) Make special efforts to reform curricular content at the first and second levels of education with a view to increasing their vocational and technical content and making them more relevant to local needs and circumstances;

(e) Create an orientation system which will make it possible to direct children and youth into vocational streams in line with their interests and aptitudes;

(f) Give greater prominence at the higher level to science and technology;

(g) Attach due importance to the teaching of African history, culture and civilization so that young Africans continue to feel an attachment to authentic African values and thus find a better ground for mutual comprehension and understanding.

(c) Urban poverty and housing

Because poverty manifests itself in many ways, drawing the poverty line or using minimum standards to measure poverty has become difficult. As a result, poverty standards which apply in some countries are inapplicable in others.

Rapid urbanization, industrialization and rising living standards in Africa have brought about a number of acute problems such as urban congestion, traffic difficulties, inadequate housing conditions, an inappropriate distribution of infrastructure and educational facilities, health threats like malnutrition, and contaminated water supply and lack of access to social services.

In the African context, some argue that rapid urban growth and urban underemployment are primarily a political rather than an economic problem, since the new migrants to the urban areas feel uprooted, isolated, disappointed, disillusioned and frustrated, and thus constitute a potentially explosive source of social, and ultimately political, unrest.

However that may be, the problem is one which, on social grounds alone, calls for urgent remedies. Alleviation of the misery of squatter settlements and the provision of adequate housing, infrastructure, services of all kinds and employment opportunities in African cities require, and given projected levels of population growth will for the foreseeable future continue to require, massive injections of funds, both national and international. Nor indeed is the problem in essence a purely urban one. Its ultimate solution calls not only measures such as those described above, but for planning of population distribution and decentralization of industrial and other facilities on a nation-wide scale.

(d) The status of women

The division of labour that has linked women's biological role in reproduction to the social responsibility of nurturing and socializing future generations is often taken for granted. But the exclusion of women, the majority of the populations of the developing world, from the advanced sectors of commercial production depresses the wage that workers can command in the marginally productive industries and services.

Women's subordination can be seen in the following three areas. As housewives and mothers, they are the subordinates of men on the domestic scene, liable to dismissal without compensation and lacking the means of regulating their hours of work or controlling their incomes. They are subordinates in sex-segregated jobs with discriminatory wages, and male workers may, through fear of losing the services women provide for them, as well as of competing with them in the job market, join with employers in supporting the exclusion of women from jobs or in establishing lower pay scales for them. As workers, women are usually excluded from the higher levels of management in private and governmental enterprises, and must depend on decision-making controlled by male elites who determine the allocation of private and public capital and who often tend to give low priority to social needs.

Traditional values, social attitudes and taboos affect the right of women and relegate them to low status occupations. To remedy this situation, African Governments and educational institutions should seek to change present attitudes towards the place of women in society and take concrete measures to change the status. In particular, they should increase their efforts to achieve equality of educational opportunities for the sexes, and take immediate measures to abolish both de jure and de facto discriminatory policies and practices in employment, wages and conditions of work. Since early marriage and adolescent maternity cause a whole range of social, physical and psychological and other disabilities, the legal age at marriage should be raised significantly, and adequate family-life education and related services be made available to young people in both urban and rural areas.

In order to enhance the quality of their contribution to development and improve their productivity, women should be given opportunities for non-formal education in such areas as agriculture, animal husbandry, home management, etc., Governments should establish a network of creches, day-care centres, etc. to enable them to participate in wage-earning occupations in the formal sector.

To ensure the full participation of women in development activities, family duties should be alleviated by giving them access to and training in the use of technologically appropriate labour-saving devices, and a certain percentage of places in established bodies and in planning and execution services should be reserved for women.

(e) Youth unemployment

Youth unemployment gives rise to serious problems, both for the youth themselves and for society at large. Apart from causing such problems as delinquency, drug addiction and alcoholism, it represents a serious wastage of human resources. Young people who drop out of the school system are not equipped with skills that would enable them to engage in productive activities, and most African economies do not have the capacity to train and deploy such youths in productive employment in any major way.

The 1980 Social Development Ministerial Conference suggested that African Governments should create a network of skill and vocational training facilities in order to prepare out-of-school boys and girls for productive employment in appropriate sectors of the national economy, create opportunities, through evening institutes in urban areas and through correspondence education for those who live and work in remote areas, for continuing education for boys and girls who have left school prematurely, and consider establishing national youth service programmes where they do not exist and strengthening those which are already in existence with a view to tapping the energy of boys and girls for development purposes.

(f) The problems of refugees

It is repeatedly mentioned that the major cause for refugeeism is political. While this is certainly true, the refugee problem nevertheless has an undeniable social impact.

When refugees arrive in a country of asylum, they are generally destitute, having had to leave behind their tools, livestock and other belongings; the only thing they still retain is their "know-how". They are usually prepared to take what is given to them, and since they have been uprooted, they have broken with their traditions which, in some cases, may have been an obstacle to the adoption of new methods.

On the other hand, refugees represent a manpower drain for the country of origin and a burden for the receiving country. Since it is usually the able-bodied and the aspiring who take the radical step of leaving their country of birth, the loss to that in human resource terms can be considerable. On the other side of the coin, as most countries in Africa suffer from problems of unemployment and underemployment, new and unexpected arrivals can further aggravate existing problems. Member States are therefore urged:

(a) To intensify their efforts to decrease the economic, social and other conditions that tend to serve as push factors for refugees and displaced persons;

(b) To intensify collective efforts to force racist and expansionist regimes to make radical changes in their policies to African populations and to desist forth with from commiting aggression against their neighbours, especially the front-line States in Southern Africa;

(c) To extend aid to the front-line States in conformity with the relevant decisions of OAU so that they can effectively discharge their responsibility to the national liberation movements, and to provide adequate care to victims of the apartheid regime;

(d) To recognize the peaceful and humanitarian nature of granting asylum and abide strictly by the provisions of article 3 of the OAU Convention.

(g) The problems of the disabled

The disabled comprise a substantial proportion of Africa's population; it is estimated that more than 45 million persons in Africa suffer from some form of disability. Popular prejudice reinforced by superstition as to the causes of disability consigns the disabled to social and economic cold storage. Although experience has shown that most disabilities are preventable, and surgical and occupational rehabilitation can enable the disabled to function adequately as productive and self-supporting members of society, efforts in these areas are generally accorded low priority. Thus the disabled, by and large, remain a burden to society and at the same time society is deprived of their contribution. Hence, according to the recommendations of the Regional Seminar of the International Year of Disabled Persons, Africa should pay particular attention to and take concerted action in the field of disability prevention and the rehabilitation of the disabled. Governments must pay special attention to the prevention of certain forms of disability, particularly those which are caused by social neglect. Budgetary allocations for preventive and curative measures should be regarded as an investment in the development of human resources. Since one factor common to most cases of disability is social neglect arising from ignorance on the part of the victims, their families and the community in general, States should seek to eliminate this ignorance through mass education programmes using innovative means of communication. Some form of preferential treatment should be given to the disabled to afford them better access to social services and enable them to be integrated in their community. In order to reach the rural people who are often the most neglected, socio-medical services should be decentralized so as to reach areas where they do not yet exist, and mobile units should be set up with suitable means of transport in line with the country's possibilities.

Legislative and administrative reforms should be carried out as a matter of urgency to bring national institutions into line with the two General Assembly declarations on the rights of the disabled and retarded persons, and non-governmental organizations should be established for the disabled so that they can effectively participate in the planning and implementation of activities which relate directly to them.

3. Conclusion

The core problems of widespread poverty, growing inequality, rapid population growth, and rising unemployment, all find their origins in the stagnation of economic life in rural areas, in which the majority (70 - 80 per cent) of Africa's population lives.

Rural development, while dependent primarily on increasing the agricultural productivity of small farmers, implies much more. It encompasses improvement in levels of living, including income, employment, education, health and nutrition, housing and a variety of social services, and involves decreasing the inequalities in rural income distribution and the urban - rural imbalance in incomes and economic opportunities. It also calls for changes in the rural institutions that control production (e.g. banks, money-lenders, seed and fertilizer distributors, etc.) supporting government services (technical and educational extension services, public credit agencies, storage and marketing facilities, rural transport and feeder roads, etc.), and government pricing policies with regard to both inputs and outputs.

Unless the African countries make strong efforts to improve their living conditions in the 1980s, the present situation of persistent low levels of living with the characteristics of absolute poverty, low per capita incomes, low rates of economic growth, high unemployment, low consumption levels, poor health services, high death rates, high birth rates, refugee problems, vulnerability to and dependence on foreign economies, and limited freedom to choose between variables that satisfy human wants, is likely to continue. Improvement in the quality of the human factor is as essential as investment in physical capital, and advances in knowledge and the diffusion of new ideas and objectives are necessary to remove economic backwardness and instill the abilities and motivations that are more favourable to economic achievement. While investment in material capital may indirectly achieve some lessening of economic backwardness, the direct and more decisive means is through investment in human beings, as both the means and the end of development.

H. Demographic trends and policies

1. Introduction

During the third quarter of the twentieth century, increased interest has been evinced in the relationship between population trends and socio-economic development. The various analytical approaches to this relationship hold that increasing income leads to increasing population growth rates, and that per capita income falls as long as population growth exceeds income growth, resulting in the low-level equilibrium trap. Although the assumptions implicit in the various models have been criticized, they reawakened economists to the demographic factor as a policy variable, alerted those concerned with development to the importance of growth rates as well as absolute size of populations, and contributed significantly to the view that extremely rapid population growth rates exacerbate development problems. Over the years, demographic research has revealed that fertility is the critical factor in the rapid growth of the total population.

The notion that rapid population growth rates could jeopardize national development objectives is not, however, widely accepted in Africa, and fertility control is nowhere assigned high priority. Official policy emphasizes increasing the pace of national growth rather than taking care of a growing population, although the increasing urbanization in the various African countries is creating problems of providing adequate housing, sanitation and other essential services. This attitude on the part of African Governments stems from lack of adequate knowledge of the pertinent demographic and socio-economic indicators.

Prior to the attainment of political independence, information on population for all but a few African countries was based on unreliable estimates. The scanty data available at the time on the population characteristics of the countries were derived largely from colonial head counts designed for estimation of available labour force and taxable persons. On acceding to independence in the 1960s, therefore, many countries undertook sample surveys to obtain acceptable demographic indices for planning their economies. Nevertheless, demographic data in Africa remained scanty, inadequate and inaccurate.

The African census programme began in 1971 by providing assistance to certain African countries which had not been able to participate in the 1970 censuses owing to lack of experience and financial resources. A total of 22 countries were initially given such assistance by the United Nations, through the regional advisory services of the ECA secretariat, in such areas as cartography, organization of the census, data processing, sampling and population statistics. The programme was successful, and information on the demographic situation in African countries improved considerably during the 1970s.

It may be recalled that at its eighth session, held in 1973, the Conference of African Statisticians recommended that as a sequel to the African census programme, an African Household Survey Capability Programme should be launched to collect integrated demographic, social and economic data. The World Population Conference (Bucharest, 1974) recommended that all countries should establish continuing capability for taking household sample surveys and a long-term plan for regular collection of statistics on various demographic and interrelated socio-economic variables. Among the most notable of these surveys is the World Fertility Survey (WFS), in which 11 African countries have so far participated.

The main purpose of this section is to examine the levels, patterns, determinants and trends in the components of population growth in Africa as estimated from all the aforementioned sources during the 1970s and projected through the year 2000. The question the section seeks to answer is whether in the light of contemporary knowledge of population policies in these countries, there are any prospects for a breakthrough leading to a decline in the population growth rates observed in these countries during the 1970s.

2. Population growth and distribution

From the available estimates, the population of Africa grew from 275 million in 1960 to 470 million in 1980, and by the year 2000 it will be about 828 million (table IV.H.1). Relative to corresponding estimates for the whole world, the proportion of African population was 9.1 per cent in 1960, 10.6 per cent in 1980, and will be 13.4 per cent by the year 2000.

The African population has been growing faster than that of the entire developing world during the periods 1955 to 1960 and 1975 to 1980, and is projected to continue doing so during the period 1995 to 2000. On the other hand, the rate of urbanization in Africa has been the lowest in the entire developing world (table IV.H.3). From a level of less than 20 per cent in 1960, the African continent was less than 30 per cent urbanized in 1980 and by the year 2000, when more than half of the world's population is expected to live in urban agglomerations, the corresponding estimate for Africa is still less than that for the developing world as a whole (table IV.H.3). In other words, the bulk of African populations lived in rural areas during the period 1960-1980, and will still do so by the year 2000.

The available estimates, however, indicate that there are considerable variations in total population size, associated growth rates and urbanization levels in the different subregions. The evidence suggests an increasing disparity between the population size of the five subregions in 1960, 1980 and 2000, the West and Eastern growing faster than the North, Central and Southern subregions. In that these two subregions contain more countries than the others, this trend is understandable. The observed variations in growth rates between the subregions as at 1960, which had decreased by 1980, will rise again considerably by the year 2000 (table IV.H.1). On the other hand, the marked subregional variation in estimated urbanization levels for 1960, which had declined by about 34 per cent as at 1980, is expected to continue to decline at the same rate up to the year 2000 (table IV.H.3). Taken together, these differential population growth and urbanization rates account for the differential distribution of countries within the continent and the subregions by population size during the 1960 to 2000 period (table IV.H.5).

3. Components of growth

A pertinent question to raise at this point is what are the components of the estimated differentials in the aforementioned population size, population growth and urbanization rates in Africa and its subregions during the period 1960 to 2000.

Available estimates (tables IV.H.2 and 3) indicate that the African continent around 1960 had the highest estimated crude birth rate (CBR), crude death rate (CDR), and infant mortality rate (IMR) and the lowest life expenctancy at birth in the world.

Here also in the different subregions, there were considerable differences in the components of growth. The estimates around 1960 indicate that the countries within each of the five subregions were more homogeneous with respect to the CBR than the CDR levels. The range of the CBR for the North subregion was 44 (Egypt) to 50.8 (Algeria) during the 1955 to 60 period.14/ The corresponding values for the West subregion were 41.3 (Guinea Bissau) and 52.4 (Niger); for the Central 32.7 (Gabon) and 49.5 (Angola); for the Eastern 43.8 (Mauritius) and 53.3 (Malawi); and for the Southern 39.2 (South Africa) and 49.7 (Botswana). In the case of the CDR, the ranges were: North 19.9 (Egypt and Libya) to 25 (Sudan); West 15.5 (Cape Verde) to 33.1 (Guinea Bissau); Central - 24.7 (Zaire) to 31.9 (Angola); Eastern 11.1 (Mauritius) to 29.1 (Ethiopia); Southern 16 (South Africa) to 28.4 (Swaziland).

The factors advanced as causes of these fertility variations by subregion in Africa in the 1960s include differences in traditional attitudes to marriage and birth of children, as well as cultural/environmental factors affecting the incidence of sterility, sub-fecundity and pregnancy wastage, a life of hard labour, decline in polygamy, declining mortality, nomadism, the incidence of marital instability and venereal diseases, periodic absence of marriage partners, etc.

Generalization regarding the observed mortality variations by subregions in Africa during the 1960s is obviously risky, in view of the great diversity of climate, culture, technology, level of economic development and other health-related factors in the various subregions. These include the wide scatter of settlements and the lack of transport and communications facilities, which impede the development of health services, especially among the nomadic and semi-nomadic populations in the North Africa subregion. In areas of high population density such as the rapidly growing cities, on the other hand, economic difficulties connected with population pressure on the land impede the attainment of satisfactory health conditions. The difficulty of healthy development of urban communities is further increased by the instability of the urban population. The system of migrant labour and its variants of "temporary urbanization" in parts of the North, West, Eastern and Southern subregions has deleterious effects on the population by upsetting the demographic equilibrium of the areas of origin. These and other factors accounted for the estimated mortality variation in the various subregions during the 1960s.

For the 1970s, the CBR levels per country were still fairly homogeneous within the five subregions. Obviously the factors accounting for the subregional variations in both vital rates during the 1960s were still operative during the 1970s, although perhaps to a lesser degree. On the other hand, the CDR levels for the countries within the subregions were still very heterogeneous, as they were in the 1960s.

By the period 1995-2000, the projected CBR and CDR levels will differ markedly between the subregions relative to the 1955-1960 and 1975-1980 periods. However, being projected estimates, these vital rates cannot be used to infer trends for the

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14/ <u>World population trends and prospects by country 1950-2000; Summary report</u> of the 1978 assessment (United Nations, 1979), ST/ESA/SER.R/33).

whole continent, the subregions, or the individual countries, since they derive from the assumption that the gross reproduction rate (GRR) in the countries observed around 1975 will remain constant through the period 1980/1985, declining thereafter over a 50-year transition period to the replacement level of unity.

4. Effect of growth pattern on age structure

As a result of the interplay of fertility and mortality, the population base of Africa and that of its subregions remained young during the two decades 1960-1980, and will remain so up to the year 2000. In 1960 the combined proportion of the population aged 0-14 and 65+ was about 46 per cent for all Africa; it increased to 48 per cent by 1980, and by the year 2000 will have declined again only to the 1960 level. The corresponding estimates for the world as a whole are 42, 41 and 38 per cent respectively, and for the less developed nations 45, 43 and 39 per cent respectively. In other words, whereas the non-working proportion of the population for the whole world and the developing countries shows some decline during the four decades 1960-2000s, that for Africa appear to be stable at around the 47 per cent level (table IV.H.4).

A major consequence of the persisting high youthful character of the African population is the associated high dependency burden, estimated for all Africa at 87, 92 and 84 in 1960, 1980 and 2000 respectively. The corresponding estimates for the whole world are 73, 69 and 61, and for the developing countries 81, 76 and 64. Up to the end of the present century, therefore, Africa will have an ever-increasing number of mouths to feed in proportion to the hands available to share in production.

The youthful character and high dependency ratio for Africa are further highlighted by median age estimates of 18, 18 and 19 for 1960, 1980 and 2000, as compared to corresponding estimates of 23, 23 and 25 for the whole world and 20, 20 and 23 for the developing countries. Within the five subregions, the non-working population proportions, the dependency burden and mean age do not exhibit any marked variation during the period 1960-1980. By the year 2000, however, all three indicators of the youthful age structure are projected to reveal marked variations by subregion.

A recent work contains a detailed overview of the consequences of a young base population, not only for Africa but for all such population 15/. It is noted that the problems of the observed and projected population base for Africa do not only affect the dependency burden, but also have cost implications for education, employment, provision of housing and urban planning, as well as other related social engineering programmes, and the socio-economic development problems faced by African Governments are compounded by this young population base.

5. Future prospects and policies

As was noted above, trends in population growth components cannot be inferred from the vital rates series because of the underlying assumptions regarding the more critical of the two components - fertility. Despite this difficulty, it is apparent

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15/ Rapid population growth, consequences and policy implications (John Hopkins Press, 1971), Chapters 1, 3, 4, 6-17.

that the population of all the countries of Africa, of its subregions and the entire continent will still be growing at a rapid rate by the year 2000, and that population densities as well as urbanization levels will increase. However, the pattern of population distribution observed within the subregions in the 1960s and 1970s will continue. On the other hand, the homogeneity in CBR levels within the subregions is projected to disappear by the year 2000. Like the CDR, the two series of estimated vital rates will at that time exhibit considerable heterogeneity between the subregions. In order to speculate on the ideal population policy for these countries consistent with these projected demographic indicators during the last quarter of this century, it is necessary first to overview the prevailing government perceptions and policies regarding fertility levels in these countries.

Based on the most up-to-date information available at the time of this analysis, of the 43 countries with pertinent data, about 22 (i.e. 51 per cent) do not express any desire to intervene to change the prevailing fertility level. On the other hand 12 per cent feel that the prevailing fertility level is too high, while 7 per cent feel that it is too low. Whereas only 2 per cent feel the prevailing level should be maintained, about 7 per cent desire an increase in the prevailing fertility level, and 21 per cent express a desire for a reduction in the prevailing fertility level.

Among the 22 countries advocating no intervention to change the prevailing fertility level, 7 have estimated annual growth rates of at least 3 per cent for the period 1980-1985, while in the remaining 15, the growth rate is in the range of 2.5 - 2.9 per cent. Of the three countries asserting that their prevailing fertility level is too low, the United Republic of Cameroon has an estimated annual growth rate 1980-1985 of 2.4 per cent, the Central African Republic 2.5 per cent and the Ivory Coast 3.1 per cent. Although these growth rates are projected rather than observed estimates, it would appear that contemporary government perceptions and policies regarding fertility levels in African countries bear little or no relationship to the prevailing demographic realities.

At the beginning of this section, reference was made to government priorities. Where population is concerned, it is pertinent to note that African countries regard reducing mortality and morbidity rates as the most important goal, believing that socio-economic changes in the course of development will ultimately reduce fertility rates They also focus attention on integrated rural/urban development schemes to stem the ever-increasing rural/urban drift. These actions and/or inactions, though necessary, are not sufficient, given the foregoing observations concerning their fertility, mortality and population growth rates and the dependency burden. The question then is what alternative policies aimed at influencing population variables in these countries should be pursued.

A recent study noted that some of the key factors accounting for the observed spatial and subregional variations in the fertility levels in African countries include reduced infant mortality rates and subsistence agriculture, a more egalitarian income distribution, and increased literacy and urbanization. 16/ With respect to

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16/ "Regression analysis of factors affecting spatial and subregional differential fertility in Africa". Paper presented at the UNECA Expert Group Meeting on Fertility and Mortality levels, patterns and trends in Africa and their policy implications, (Monrovia, 26 November - 1 December 1979).

mortality, another recent study has also revealed that with increasing proportions of the population engaged in urban industrial employment, there will be a corresponding decrease in the death rate. 17/ A more egalitarian income distribution, along with increased literacy, will also contribute to marked declines in the CDR levels. Since infant mortality is positively and significantly related to the CDR, one of the major tools for effecting further declines in the CDR levels for these countries is to embark on socio-economic policies that will cause drastic reductions in infant mortality rates.

6. Summary

Contemporary research has revealed that fertility is the most critical component accounting for the observed rapid population growth in developing countries, but African countries have yet to embark on fertility control measures, although the available estimates indicate that the population in these countries is growing at a faster rate than anywhere else. The problem of forecasting trends in the components of such growth has also been highlighted. Accordingly, the task of ascertaining the best possible strategy for curbing such growth rates is indeed a difficult one. The socio-economic factors suggested here for influencing the two critical components of population growth, though not exhaustive, should constitute the minimum prerequisite of an effective population policy for these countries.

Table IV.H.1. Estimates of mid-year population and growth rates for Africa and its subregions, 1960 to 2000

Regions	Mid-year population estimate (in millions)			Annual growth rate (per cent)		
	1960	1980	2000	1955 to 60	1975 to 80	1995 to 2000
World	3026.5(100.0)	4415.0(100.0)	6199.4(100.0)	1.8	1.8	1.6
Developing nations	2081.6(69.0)	3284.3(74.4)	4927.0(79.5)	2.3	2.2	1.8
Africa	274.6(9.1)	469.4(10.6)	828.1(13.4)	2.4	2.9	2.6
North Africa	65.2(23.7)a/	108.7(23.2)a/	183.7(22.2)a/	2.3	2.9	2.3
West Africa	78.7(28.7)a/	141.0(30.0)a/	261.4(31.6)a/	2.6	3.1	3.0
Central Africa	34.5(12.6)a/	53.1(11.3)a/	86.1(10.4)a/	1.9	2.6	2.1
Eastern Africa	76.5(27.9)a/	133.6(28.5)a/	242.8(29.3)a/	2.4	2.9	2.9
Southern Africa	19.6(7.1)a/	33.0(7.0)a/	54.0(6.5)a/	2.3	2.8	2.2

Sources: World Population and its age-sex composition by country; 1950-2000 Demographic estimation as assessed in 1978 (United Nations ESA/P/WP.65, 2 Jan. 1980); World population trends and prospects by country, 1950-2000: Summary report of the 1978 assessment (United Nations ST/ESA/SER.R/33), New York, 1979.

N.B. a/ As per cent of all Africa.

17/ "Mortality differentials and their correlates in Africa", paper presented at the the WHO meeting on socio-economic determinants and consequences of mortality (Mexico City, 19-25 June 1979).

Table IV.H.2. Estimates of vital rates for Africa and its subregions, 1960-2000

Regions	Crude birth rate (Per 1000 Population)			Crude death rate (Per 1000 Population)		
	1955 to 60	1975 to 80	1995 to 2000	1955 to 60	1975 to 80	1995 to 2000
World	35.3	28.9	23.8	16.1	11.3	8.7
Developing Nations	41.6	33.6	26.2	19.3	12.2	8.3
Africa	48.0	46.0	36.9	24.6	17.1	10.6
North Africa	46.7	42.6	31.5	21.5	13.9	8.4
West Africa	50.8	49.0	41.0	27.0	18.8	11.6
Central Africa	46.6	45.1	33.3	27.1	19.6	12.0
East Africa	48.8	47.6	39.8	25.5	18.3	11.4
South Africa	39.9	38.6	28.9	17.0	11.0	7.1

Source: World population trends and prospects by country, 1950-2000: Summary report of the 1978 assessment (United Nations, ST/ESA/SER.R.R/33), New York, 1979.

Table IV.H.3. Estimates of life expectancy at birth, infant mortality rate and urbanization level for Africa and its subregions, 1960-2000

Regions	Life expectancy at birth (in years), both sexes			Infant mortality rate per livebirths		Per cent urban		
	1955/60	1975/80	1995/2000	1968	1975	1960	1980	2000
World	50.3	57.6	64.5	-	-	33.9	41.3	51.3
Developing nations	45.9	55.2	63.1	-	-	22.0	30.8	43.8
Africa	39.9	48.8	57.9	137	145	18.1	28.8	42.5
North Africa	44.1	53.9	62.7	133	135	29.8	43.8	58.3
West Africa	37.0	46.3	56.0	163	151	13.5	22.3	35.9
Central Africa	37.1	45.1	55.0	143	171	18.1	34.4	51.6
East Africa	38.7	47.2	56.6	133	135	7.5	17.1	17.6
South Africa	49.9	58.9	66.7	111	131	41.7	46.5	57.9

Source: As for table IV.H.2.

Table IV.H.4. Estimates of the age structure (by broad age groups) for Africa and its subregions, 1960-2000

REGIONS	Years/broad age groups (per cent)								
	1960			1980			2000		
	0-14	15-64	65+	0-14	15-64	65+	0-14	15-64	65+
World	37.1	57.7	5.2	35.1	59.1	5.8	31.6	62.0	6.4
Developing Nations	41.0	55.3	3.7	39.2	56.9	3.9	34.2	61.2	4.6
Africa	43.4	53.6	3.0	44.9	52.1	3.0	42.3	54.4	3.3
North Africa	43.3	53.5	3.2	43.3	53.4	3.3	38.4	57.8	3.8
West Africa	44.5	52.9	2.6	46.4	51.0	2.6	45.1	52.1	2.8
Central Africa	42.0	54.7	3.3	43.5	53.3	3.2	40.0	56.4	3.6
East Africa	43.8	53.4	2.8	45.7	51.4	2.9	44.3	52.7	3.0
South Africa	40.8	55.0	4.2	42.1	53.8	4.1	37.1	58.3	4.6

Source: As for table IV.H.2.

Table IV.H.5. Distribution of number of countries by population size in Africa and its subregions, 1960-2000

REGIONS	Number of countries/population size (millions)													
	Under 5 million			5-14 million			15-34 million			35+ million			All sizes	
	1960	1980	2000	1960	1980	2000	1960	1980	2000	1960	1980	2000	1960	1980 to 2000
Africa	36	30	21	9	16	21	3	8	7	2	2	7	49	56
North Africa	2	2	1	3	1	2	1	3	1	–	1	3	6	7
West "	14	9	6	1	7	9	–	–	1	1	1	1	16	17
Central "	6	6	5	1	2	3	1	1	–	–	–	1	8	9
East "	9	9	6	5	5	6	15	3	5	–	–	1	14	18
South "	5	4	3	4	–	1	–	1	–	1	–	1	5	5

Source: As for table IV.H.2.

I. Transport and communications infrastructure

1. Introduction

By resolution 291(XIII) of 26 February 1977, the fourth meeting of the ECA Conference of Ministers recommended that the international community should proclaim a transport and communications decade in Africa during the years 1978-1988. Subsequently, at the recommendation of the Economic and Social Council in resolution 2097 (LXIII) of 29 July 1977, the General Assembly, by resolution 32/160 of 19 December 1977, endorsed the ECA recommendation and proclaimed the Decade. These resolutions recommended a global strategy for the development of transport and communications for the entire region, with emphasis on harmonization, co-ordination, modernization and development, and further recommended that the technical and financial resources necessary for this purpose should be mobilized on an international scale.

The Decade aims at independence, self-reliance and international co-operation among African countries in all the fields and modes of transport and communications by:

(a) Promoting an integrated transport and communications infrastructure to increase intra-African trade;

(b) Enhancing the co-ordination and improvement of the various transport systems;

(c) Opening up the land-locked countries and isolated regions of Africa;

(d) Harmonizing national regulations to reduce physical and other barriers to the movement of persons and goods, and standardizing network and equipment, research and dissemination of techniques suitable to Africa;

(e) Promotion of African industry in the field of transport and communications equipment and components, to achieve which technical and financial resources must be mobilized during the Decade for the modernization and development of transport and communications infrastructures in Africa.

The ECA programme under this basic strategy covers the following subsectors: (a) road transport; (b) water transport; (c) air transport; (d) railway transport; (e) multimodal transport; (f) pipeline transport; and (g) communications, including telecommunications, radio, television and postal services.

2. Road transport

Africa's road network consists mainly of gravel and earth roads. Both types are encumbered with physical and non-physical barriers to free movement of persons and goods, with resultant delays to traffic and consequent high transport costs. There are very few all-weather roads permitting year-round movement of traffic between African countries. The infrastructure is inadequate and the general conditions of the network of both paved and unpaved roads in most countries are unsatisfactory as a result of poor, inadequate and irregular maintenance deriving in part from limited financial resources, equipment and number and quality of technicians. The programme of five major trans-African highways initiated by ECA to interconnect major parts of the continent - the Mombasa-Lagos Trans-African Highway, the Dakar-N'Djamena Trans-Sahelian Highway, the Lagos-Nouakchott Trans-West African Highway, the Cairo-Gaborone Trans-East African Highway and the Algiers-Lagos Trans-Sahara Road - is now an integral part of the Decade. These highways consist of about 31,519 km of primary and 43,066 km of secondary network and are of interest to about 41 African countries. In addition, four other major highways are planned that would provide a primary highway network covering the entire continent. These are:

Biera-Lobito; Tripoli-Windhoek; Massawa-N'Djamena and Nouakchott-Cairo. Any country not covered by one of these highways would be linked to the system by feeder roads of adequate standard.

The total length of the 34 inter-State links is estimated at about 104,300 km, of which 45,600 km (44 per cent) are paved, 16,900 km (16 per cent) are gravel and 81,830 km (40 per cent) are partially improved and unimproved earth tracks and trails.

The programme of road infrastructure is designed to facilitate transit on existing entercountry links by simplification of border-crossing formalities, adoption of bilateral reciprocal arrangements on vehicle movements, strict control of unofficial tolls and adequate maintenance of infrastructure. It will also harmonize and standardize the various national regulatory codes, road signs/signals and axle load limits. Accordingly, a sufficient number of appropriate national/multinational training facilities will be developed to meet the urgent need of trained personnel at all levels of highway planning, construction, maintenance and administration and of road transport, while national capabilities in rural road planning, construction and maintenance, have also to be developed.

3. Maritime transport

The African region consists of 50 independent countries, seven of which - Cape Verde, Comoros, Equatorial Guinea, Madagascar, Mauritius, Sao Tomé and Principe and Seychelles - are islands and 13 have no direct ac ess to the sea. Nine of the countries lie on the East African seaboard and 18 are on the west coast. Five of the land-locked countries, the Central African Republic, Chad, Mali, the Niger and the Upper Volta, use ports on the west coast, while seven, Burundi, Malawi, Rwanda, Swaziland, Uganda and Zimbabwe, use east coast ports, and Zaire and Zambia use ports on both coastlines. Botswana and Lesotho are served by South African ports.

About 95 per cent of Africa's international trade is carried by sea, and up to 97.5 per cent of this is carried by foreign vessels, leaving only 2.5 per cent to African-owned vessels. Global statistics also reveal that Africa owns only 0.7 per cent of total world merchant fleet capacity, compared to its share of 13.7 per cent of world maritime trade traffic in 1975. By 1978, Africa's ocean-going merchant fleet was about 6 million tonnes deadweight, (dwt) involving some 298 units, out of a total world tonnage of 641 million tonnes dwt or the developing countries' share of about 51 million tonnes dwt.

Non-African liner conferences have divided up the continent among themselves, exercise near-monopoly powers in fixing freight rates for various products and unilaterally determine transport conditions without proper consultations with African shippers and countries. UNCTAD has prepared a Code of Conduct for Liner Conferences, designed to enable developing countries to carry 40 per cent each of their import and export freight by their own vessels while leaving the rest to third countries, but it faces stiff opposition from the developed maritime countries. Africa and other developing countries need to build up adequate shipping capacity and qualified and experienced technical and managerial personnel to operate and manage their shipping services.

Most shipping companies in sub-Saharan Africa are relatively small, operating from one to a maximum of about five vessels. In view of their small size and limited financial resources, coupled with adverse conference line practices, their management structure is usually very simple and in most cases devoid of expertise and management skills in shipping. Thus, it is only natural that most of them

incur financial losses and must depend on national subsidies for their existence. In addition, there are only a few good facilities within the region for training technical and professional personnel in shipping management and operations, with the result that companies find it difficult to train their staff or recruit qualified and competent staff within Africa. It is now apparent that only co-operation among African fleet operators with respect to fleet purchases and training and to traffic pooling and fleet scheduling will enable them to maintain and eventually improve their situation.

The African coastline contains more than 80 seaports, of which some 49 are major international ports. Only a few of these ports are efficiently managed and operated, while most suffer from serious deficiencies in one or several aspects of their operations. The following ports provide services to the land-locked and semi-land-locked countries:

- In West Africa: Dakar, Abidjan, Lomé, Cotonou and Port Harcourt, which serve Chad, Mali, the Niger and the Upper Volta;
- In Central Africa: Douala, Pointe Noire and Lobito which serve the Central African Republic, Zaire and Zambia;
- In East Africa: Mombasa, Dar-es-Salaam, Nacala, Beira and Maputo, which serve Botswana, Malawi, Rwanda, Swaziland, Uganda, Zambia and the eastern part of Zaire.

The activities planned for improving maritime transport in Africa during the Transport and Communications Decade include development and improvement of African ports and their management; special attention to the maritime needs of the least developed and land-locked countries; establishment of regional/subregional maritime training centres; creation of regional/subregional shipping companies to take advantage of the economies of scale, etc.; encouragement of the development of national/regional shipping lines and discouragement of open registry practices; adoption of international maritime conventions negotiated under the auspices of UNCTAD and IMCO; and control and prevention of marine pollution.

4. Air transport

In 1977, African air transport represented only 5 per cent and 3.3 per cent of world international passenger and freight traffic, respectively. The protectionist policies adopted by most African States are reflected in their reluctance to grant air traffic rights of a purely commercial nature (rights of the fifth freedom of the air or cabotage, i.e. inter-mediate hopping), except in a very restrictive way in bilateral agreements between two States. This practice, designed primarily to benefit individual national airlines, has the counter-effect of intensifying the most profitable, high-density routes, such as the north-south axis to the detriment of the new east-west lines which urgently require development and for which the airlines refuse to assume responsibility in view of the probable initial losses involved.

The African Airlines Association (AFRAA) is working towards pooling arrangements in the area of traffic, maintenance, training and exchange of manpower resources among African national airlines while the African Civil Aviation Commission (AFCAC) is pursuing a similar objective in encouraging the formation of multinational airlines, standardizing airport facilities and improving air navigation systems in Africa. At present, the distribution of air routes in Africa is very poor,

in that while most African countries are linked daily to Europe, Asia, the Middle East and North America, there are very few and irregular weekly links between most African countries. Land-locked countries that have no national airlines of their own suffer most from irregular air connexions. At the moment, less than 50 per cent of the air navigational and other facilities required under ICAO regulations in Africa have been constructed.

Several activities are envisaged and planned for improving air transport in Africa during the Decade, among which are the following:

(a) promotion of better use of air transport facilities and equipment by African countries through traffic and equipment pooling; pooling and/or establishment of joint training, overhaul and maintenace facilities; personnel and standardization of training and licensing requirements; liberalization of traffic rights among African States; and joint provision and operation of air navigation facilities, where appropriate;

(b) promotion of the formation of multinational airlines;

(c) harmonization of domestic, intra-African and international air services where feasible; and

(d) development of intra-African air freight and mail services.

5. Railway transport

All but 11 (Burundi, the Central African Republic, Chad, Equatorial Guinea, the Gambia, Guinea Bissau, Lesotho the Libyan Arab Jamahiriya, the Niger, Rwanda and Somalia) of the African countries have railways most of were designed a very long time ago to serve specific enclave activities or to supplement the surface transport system.

The African railway network density is very low for a total land area about 29 million km^2, there are only 80,706 km of track, which gives an average density of about 2.78 km per 1,000 km^2. The railway network is made up of several short, independent national systems of various gauges and different technical specifications, and as a result only few of them are inter-connected.

There are a total of nine gauges of the African railway network, but only three are widespread: the normal European gauge 1.435 m (11.743 km or 14.5 per cent of the network; the standard African gauge 1.067 m (49,473 km about 61.3 per cent), and the metric gauge 1.000 m (15,473 km or 19.2 per cent). The normal European track gauge is used in North Africa (Morocco and Egypt), while the standard Union of African Railways (UAR) track gauge is in use in most parts of Africa (Ghana, Nigeria, Sudan, United Republic of Tanzania, Zaire and Zambia) and the metric gauge is used in most of the West African railways (United Republic of Cameroon, Senegal, the Ivory Coast, Mali, the Upper Volta, Guinea) as well as in three East African countries (Kenya, Uganda and the United Republic of Tanzania).

From a technical standpoint, the adoption of the 1.067 m standard gauge for the entire African network could facilitate interconnexion of the system. At present, only the southern African system (1.067 m) is well linked up but, given the fact that the Tazara line has the same gauge, interconnection with the East African system is feasible and would bring Malawi, Mozambique, Swaziland, Zambia and Zimbabwe into one system.

Some 23 of the 38 networks have now adopted the standard 1.067 m gauge and those with different gauges, including the enclave or mining railways, are widely dispersed in the region. In view of the slight variation in gauges, however, most of the railways south of the Sahara can be interlinked without major technical problems. Two main braking systems are employed on the African railway network: the vacuum brake used on the North African network and the compressed air system used in the West, Central and East African railways. Except for the Congo-Ocean line, all the networks can use the UAR standard gauge (1.067 m) rolling stock.

Only 6,500 km of the 80,706 km of the African railway network, or 8 per cent, is electrified and this is limited to urban and suburban high traffic density sectors of only five networks, those of Algeria, Egypt, Morocco, Zaire and South Africa. Speeds on most African railways, except in North Africa, are very low, averaging 40 and 30 km per hour for passengers and goods trains respectively, with resultant low utilization of rolling stock and low profit margins. The low permissible axle loads and speed are determined by the poor vertical and horizontal alignments of most African railways, rather than solely by inadequate motive power.

To meet the increased traffic demand, African Railways would need:

(a) Track renewal; realignment of route to avoid sharp and steep curvatures; change of track equipment; welding of the rails to reduce wear and tear on rolling stock; and modernization of signalling systems;

(b) Development of managerial and planning skills through regional training programmes and centres;

(c) Standardization of equipment and co-ordination of regulations and practices;

(d) Establishment of traffic exchange points between adjacent railways and interface points with other modes of transport;

(e) Extension of existing railways to serve land-locked countries or other remote areas, as well as to interconnect with other railways;

(f) Construction of a trans-African railway network.

6. Inland water transport

Most of the major rivers and lakes which offer potential for navigation are international in character, in that they cross or border several countries. Any large-scale development of the inland waters for any use, including transport, is likely to affect the total water volume and downstream operations, and must therefore be based on co-operative programmes among the nations concerned.

The principal rivers and lakes which warrant priority during this period include: (a) Rivers: the Nile, the Niger, the Gambia, the Zambezi, the Volta, the Mano and the Congo/Zaire; and (b) Lakes: Chad, Tanganika, Malawi, Victoria, Kivu and Kariba. Action should be undertaken at both national and subregional levels, and, for those rivers and lakes which already have standing authorities member States will need assistance in strengthening co-operation and joint exploitation of the various potentials offered by the rivers and lakes, and the development of transport facilities and services on the navigable waters.

7. Pipeline transport

The use of pipelines as a mode of transport is not widespread in Africa, although there are pipelines in Algeria, Egypt, Kenya, Libyan Arab Jamahiriya,

Morocco, Tunisia and Zaire. Compared to other modes of transport, pipelines provide a cheap and efficient means of transport for very large volumes of liquids, slurry and gas over long land distances.

In view of the already high and ever rising cost of (petroleum) fuels and the major efforts now being made in petroleum exploration and production in Africa, the prospects of pipeline transport are very good and should be actively encouraged.

8. Telecommunications, broadcasting and postal services

The main deficiencies of national communication services, particularly in the sub-Saharan countries of the region, are inadequate physical facilities, shortage of skilled manpower and the absence of equipment manufacturing capabilities.

The main constraints to adequate growth of the national communication systems, apart from unskilled management, are limited resources and the inadequate funding which results from the relatively low priority national planning agencies usually assign to communications network development, especially broadcasting and postal services. The estimated average national investment as a percentage of GDP required to generate rapid growth (assuming availability of adequate trained manpower, including skilled managers) up to levels within the average range of international norms is of the order of 1 or 2 per cent, as compared to the present average of less than one twentieth of one per cent.

Currently a substantial number of countries in the region are concerned, in their development activities in the telecommunication sector, with the construction of a framework of trunk circuits including those forming part of the Pan-African Telecommunications Network (PANAFTEL). Efforts are also being made to improve and expand existing local networks and switching systems and these should improve the present unsatisfactory peneteration of telephones from the present range of 0.1-6.5 per cent of the population compared to the world average of 14.5.

UNESCO, UPU, ITU and ECA are all ready, on request, to assist in the review of existing national plans, offer advice on improvements and implementation, provide inputs to the proposed regional communication development plan for the Decade and undertake field missions on request to assist in the preparation, and advice on the implementation, of national plans in the three principal communications subsectors. The major objective, however, must be to interconnect the national telecommunication networks by completing the Pan-African Telecommunications Network so that by the end of the Decade subscribers in Africa can have direct and automatic communications. This implies that, for the services offered to be of a high and satisfactory level, African telecommunications networks, both national and regional, must function well and be properly maintained.

For the Transport and Communications Decade, the following activities are envisaged:

(a) Telecommunications

- Improvement and expansion of national network, with interconnexion;
- Interconnexion of the capitals of the African countries in the telecommunications network and harmonization of tariff systems and international accounting procedures in Africa;

- Development of telecommunications and electronics industry in Africa including measures to meet manpower needs at all levels of skills (this is also relevant to the development of radio and television services).

(b) Postal services

- Development of the infrasturcture of postal services in both urban and rural areas, introduction of rural mail services and multinational transit centres and measures to meet manpower needs over the Decade;

(c) Radio and television services

- Improvement and expansion of broadcasting infrastructure to assist in social and economic development efforts, particularly in rural communities, with facilities for exchange of programmes and a multinational satellite communication system.

SECTION TWO

THE WORLD ENERGY SITUATION IN AN AFRICAN PERSPECTIVE

I. INTRODUCTION

The increased price of oil may not be solely responsible for the bulk of the economic and development problems in Africa today, but it is certainly one of their major causes. Of course, many of these problems are a product of colonial policies, and predate independence. A share of the blame must also be attached to unscrupulous national Governments. But whatever their origin the fact remains that these problems have reached alarming proportions, manifest in slow growth (poverty), inflation, balance of payments problems, etc. As far back as the early 1970s, determined efforts were made to rectify the situation both by attracting additional international support and by strengthening regional and multiregional co-operation. Major benefits were expected to result from restructuring of the world economic system (in trade, finance and technology) in a manner that would serve the strategic and long-term objectives of the developing countries, including those of Africa. However, before a full understanding between developed and developing countries was reached as to what exactly this would involve, the world economy suffered a modest recession. Although it recovered rapidly, in 1972 the economic climate changed: there was high inflation in several countries and prices of grains and capital goods rose considerably. The monetary system had already been weakened when the dollar was divorced from gold in August 1971. By 1973 the Bretton Woods system was in almost complete disarray, with many of the postwar rules for exchange rate management abandoned. Major developed countries had to cope simultaneously with problems of inflation, unemployment and the balance of payments and their domestic restraints were holding back international trade.

Thus the energy problems could not have come at worse time for the world, and for Africa in particular. The quadrupling of the price of crude oil in 1973-1974 (and subsequent price increases in 1978-1980) gave a substantial shock to the world economy and aggravated developing Africa's already precarious position. The OPEC group found themselves with large financial surpluses (which they cannot immediately invest internally because of their limited absorptive capacity), while oil-importing countries, developed and developing alike, suffered sudden deterioration in their balance of payments. The results were significant in the industrialized countries, and - together with the effects of other price increases and of global recession - even more so in parts of the developing world. African non-oil-exporting countries have been among the most seriously affected, both directly, through the increase in their oil bill, and indirectly, from the complications triggered in the commodity (raw material or finished) and money markets.

Although the developed countries and a limited number of the developing countries adjusted to the new situation and have managed to maintain their growth momentum and import demand, the years since 1974 have seen a marked slow-down in many developing countries. This was most apparent in the least developed countries of Africa, which, with exports stagnating and per capita incomes increasing only marginally, lost their development momentum and ended the 1970s with massive debt and payments obligations.

The outlook is one of even costlier energy, with little prospect of substantial oil discoveries. This is happening at a time when oil demand is increasing very fast in non-oil-exporting African countries, at a rate well above their GDP growth rate. The strong pressures on these countries to increase their consumption of commercial energy include industrialization, population growth, urbanization, modernization of agriculture, development of transport facilities, rising income levels and scarcity of traditional fuels such as firewood and agricultural wastes, and the outlook in terms of energy resource potential to meet these increasing demands is far from reassuring. Over and above, the energy problems and the ensuing macroeconomic disruptions - inflation, unemployment and recession - looms a worsening food problem in the developing countries, especially in sub-Saharan Africa. Food production in all the developing countries rose by about 2.5 per cent annually between 1950-1975, but demand for food grew by well over 3 per cent a year with rising incomes and populations. As a result, the developing countries have rapidly increased their imports of cereals, from 20 million tons in 1960-1961 to over 50 million tons in the early 1970s and nearly 80 million by 1978-1979. The situation in non-oil-exporting developing African countries is even more serious. Given the prevailing economic climate, it is extremely difficult for the exports of these countries, with present level of aid, to pay simultaneously for their oil and food imports. For the least developed African countries, the food bill has throughout the 1970s been even higher than the oil bill. It is also worth noting that the agricultural growth rate for non-oil-exporting developing Africa as a whole has been much slower than that of population during the last two decades.

The above developments have serious implications for the working of the international economic system. Given the structure of production and trade patterns of the non-oil-exporting developing African economies, the implications for them are not far short of disastrous. Among the essential requisites for the orderly functioning of the international economic system are commodity/price and geographical balances - indeed this is in essence what the North-South dialogue is all about - and the development in oil prices have led to serious disruption of these balances. One of the most critical disequilibrating factors in the economies of developing African countries today has been brought about by the shifting relations in the prices of oil, manufactures and non-oil primary commodities exported. A triangular balance has to be achieved if the international order is to maintain stability and even nominal economic growth is to be maintained in the developing countries. Any attempt to assess the impact of the oil price on developing economies in general, and developing economies in Africa in particular, must be preceded by a review of the problem in the wider perspective. This perspective is that the developed countries export manufactures to the OPEC countries and import their oil, while the OPEC countries, on the other hand, depend, for both consumer and capital goods, mainly on the developed countries, and also generally invest their surplus earnings in these countries. There is thus an equilibrating machinery which over a period enables the developed countries to absorb the shock of increases in the price of oil. The non-oil developing African countries, on the other hand, export very little to the OPEC countries, and their oil bill therefore has to be paid out of their earnings from exports to the developed countries. Even before the oil price increases, the weak primary commodity producing structure of developing countries, especially in Africa, coupled with their increasing need for consumer and capital goods and for food imports, made it increasingly difficult for them to balance their trade with the developed countries. In addition to this trade gap with the developed countries, they now

have an additional trade gap with the OPEC member States. Moreover, rising price of developed country manufactures is at the same time adding to their import bill vis-a-vis the developed countries. The OPEC countries have so far not transferred significant part of their surplus earnings to promote capital formation in developing countries.

In the OECD countries the oil price rise in 1973-1974 was gradually absorbed, over the five years from 1973 to 1978, by expanding exports, raising the price of manufactures and by contracting output so as to reduce demand for oil. The OPEC countries responded by raising oil prices again in 1978-1980, and the effect of this increase has not yet been absorbed.

The surpluses that the OPEC countries accumulate flow back substantially to the developed countries, in short-term or long-term investments. There is thus over a period no basic balance of payments problem to hinder the economic activities of the developed countries, though intermittent dislocation of the terms of trade and inflation do affect their general economic outlook.

For the developing countries in general and the developing African countries in particular, however, the impact is disastrous, as there is no two-way flow of export and import with the OPEC countries through which, either by trading goods or by transfer of cash surplus, they can come to equilibrium over a period. Moreover, they are losing their struggle to balance their exports and imports on these two fronts at the same time. On the one hand their deficits with OPEC countries are sharply increasing, as the increased oil bill can not be paid for by corresponding exports which the OPEC countries want but which the developing countries especially in Africa do not produce. In addition, the rise in price of manufactures also hits the non-oil-exporting developing African countries, as they are importers of manufactures from the developed countries while at the same time the demand for their commodities is stagnant, or often contracting, and is in any case fairly elastic to prices. Their deficit with the developed countries therefore also continues to increase.

The double impact on the non-oil-exporting African countries of the rising prices of oil and manufactures has slowed down their per capita consumption growth rate, and often reduced it, despite its already low level, with a concomitant reduction in the material welfare of the population. The rate of domestically financed capital formation is dwindling fast, and given the prospect of increasingly unfavourable aid terms, the date at which the non-oil-exporting developing African countries can hope to attain their vital objective of self-sustained growth will have to be put off to an uncertain and unacceptably distant horizon. The international community therefore has to find an answer to this two-fronted attack on the trade-gap that the non-oil-exporting developing African countries are facing with increasing severity.

It is not the intention here, however, to propose any solutions to the energy problem and related issues. Rather solutions already followed or proposed by various institutions and bodies will be highlighted.

Chapter II presents the oil problem in its international setting, examining the impact of the energy situation on the world economy and assessing the future energy position. Chapter III discusses the impact of the situation on non-oil-exporting African countries and the available and prospective energy resources of Africa, while chapter IV highlights the policies being propounded and the proposals for solutions under consideration.

II. THE OIL PROBLEM IN AN INTERNATIONAL SETTING

A. Nominal and real prices of crude oil[1/]

Between 1950 and 1970, the nominal price of crude oil declined at an average annual rate of about 1-2 per cent; in real terms (i.e. nominal crude oil price divided by the OECD export price of manufactures) the decline was larger, being about 3-4 per cent yearly.

Cheap oil contributed to the accelerated growth of real output realized during the two post-war decades. However, it was not without side effects, including capital intensiveness, the use of inappropriate technologies and factor mixes in developing countries, and the slow development of alternative sources of energy. With rapidly growing energy requirements, there was widespread replacement of coal by oil, and many countries became increasingly dependent on oil imports from OPEC countries.

The period of cheap oil prices ended in the 1970s, when the average nominal producer price of crude oil rose from about $US 2 per barrel in 1970 to about $US 31 by May 1980, an increase of 15.5 times, representing an average annual rate of increase of about 31.5 per cent, or about 15.7 per cent in real price (1980 prices). If 1950 is taken as the base year, the increase in real prices of crude oil was about 4.3 per cent yearly (or 9.6 per cent in nominal prices), and the rise in crude oil prices in the 1970s thus more than rectified the deterioration of the terms of trade of oil during the years 1950 to 1970. The increase in crude oil prices in the 1970s was largely concentrated in two periods, 1973-1974 when prices quadrupled and 1978-1980 when prices more than doubled. The immediate effect of the first increase was accentuated by production cutbacks and embargos imposed in 1973 and 1974. Between 1974 and 1978 crude oil prices remained largely unchanged, although a two-tier pricing system emerged.

The final prices of oil to the consumers rose much less sharply than the price of crude oil paid to the producers, since substantial value-added and tax components which were specific rather than *ad valorem* did not change. This limited the demand response of final users to higher oil price. In recent years, however, there has been evidence in developed countries of crude oil price rises being shifted to the final users, and although such adjustments in the final price are not yet complete or automatic, oil conservation measures are being put into practice. The same trend is apparent in many African developing countries.

Since 1973 energy consumption in OECD countries, which in the 1960s and early 1970s matched the rate of increase of real GNP, has grown at a slower rate, indicating a substantial energy saving.

1/ *OECD, Economic Outlook*, 27 July 1980, p. 1[illegible]0.

B. The impact of the rise in oil prices on the world economy

The sharp rise in oil price in the 1970s represents a substantial terms of trade deterioration to the oil-importing countries, and a substantial gain to oil-exporting countries. For the OECD area as a whole, the terms of trade loss is estimated to be equivalent to around 4 per cent of GNP. For non-oil-exporting developing African countries the loss is also equal to about 4 per cent of GDP. With the price elasticity of demand for oil being inelastic in the short run, the increase in net oil import costs has been substantial, even though total oil demand has declined due to the resultant reduction in GNP growth. Indeed, oil-importing countries have faced two effects of the rise of oil prices; (a) an immediate loss of real income, equal to the increased cost of oil, which is transferred to the oil-exporting countries, and (b) a deflationary impact resulting from the increased transfers abroad following oil price rises. Since the increased oil revenues obtained by the oil-exporting countries are not immediately fully spent or recycled, there has been an output loss. Faced with soaring balance of payment deficits, many countries resorted to deflationary and restrictive measures.

"The total real income loss is a combination of the terms of trade loss and the output loss. In principle, the first effect, the terms of trade loss, is easily calculable, being equivalent to the increase in the net oil import bill. In the longer run increased energy conservation and indigenous production does reduce its impact.

The size of the second effect, the output loss, which further reduces real income, is less easy to quantify because it depends on the reaction of economic agents in each country to the oil price rise. The initial income loss is known and an associated demand reduction, arising because OPEC countries do not immediately respend all their revenues, may be estimated. It is known that such an exogenous demand shock could have multiplier effect on output over a period of time. However, the 1973-1974 experience showed that other offsetting behaviours may be important in altering the timing and even the ultimate size of the deflationary impact. For economic agents may react to the secondary loss of income following the withdrawal of demand by borrowing in order to sustain expenditure, the extent to which behaviour may change is partly a matter of conjuncture." 2/

The 1973-1974 fourfold rise in oil prices increased the OECD countries' net oil import bill from around $US 35 billion in 1973 to over $US 100 billion in 1974. Before the substantial rise in oil prices a slowdown in economic activity, was taking place in this group of countries from the 8.5 per cent annual rate obtained in the first half of 1973. To counteract the accelerated inflation and the rise in oil prices, contractionary and restrictive policies were superimposed on these developments, culminating in the sharpest recession of the post-war period. GNP declined continuously for one and half years, from the beginning of 1974 to the middle of 1975, combined with double-digit inflation. How much of this contraction in GNP was caused by the oil price increase alone is difficult to say. Certainly, it is unfair to the oil-exporting countries to blame them for the entire recession. Concomitantly, there was sharp reduction in investment spending and stocks and a considerable rise in wages and savings, combined with depressed consumption. No doubt, however, the sharp increase in their net oil import bill widened the balance of payments deficits and encouraged the restrictive policies pursued in the OECD countries.

2/ Ibid.

As stated earlier, the oil price increase was gradually absorbed, and recovery resulted from increased private consumption, reduced saving ratio, renewed stockbuilding and discretionary expansive measures adopted by many OECD countries.

The rise of prices of imported oil by 130 per cent between the end of 1978 and June 1980 increased the OECD countries' net oil import bill from around $US 140 billion in 1978 to an annual rate of about $US 290 billion by the spring of 1980. Like the oil price increase in 1973, the rise during 1979 and early 1980 occurred at a time when growth in OECD countries was slowing down after a period of moderate growth rates in 1976 and 1978.

According to the OECD analysis 3/ the deflationary impact (or output loss) on the OECD economy was due to the fact that increased oil revenues were not immediately and fully re-spent by the OPEC countries or borrowed and spent by others. It will be recalled that the total real income loss is a combination of the terms of trade loss and the output loss.

Whether there is a shift in the terms of trade against the developed countries depends on the base year considered; it is a loss if the base year is 1970 but it is a gain if the base is shifted to the 1940s or so. The prices of OECD manufactured exports are rising over time, and the terms of trade are shifting in their favour in the long run.

Table I.2.1. shows OPEC revenues and cash surpluses (current and cumulative) for 1973-1980. Almost $US 230.1 billion of the total $US 231 cumulative cash surplus of OPEC for the years 1973 to 1979 were invested in the United States of America, the United Kingdom of Great Britain and Northern Ireland other countries and international organizations. In other words, the entire cash surplus was invested almost at the same time and almost to the same amount. What is also important to note is that out of the total cumulative surplus of $US 231 billion, $US 103.4 billion, or 44.8 per cent, were invested in the two countries named above. No data are available on investment in developing African countries. However, indications are that only a small fraction was recycled to developing countries, in particular to non-oil-exporting developing African countries.

Table I.2.1. OPEC revenues and cash surpluses, 1973-1980 ($US billion)

	1973	1974	1975	1976	1977	1978	1979 a/	1980 b/
Exports	42	116	107	132	145	146	212	306
Imports	21	39	58	68	84	104	102	138
Net services and transfers	-14	-17	-22	-28	-32	-37	-43	-54
Current surplus	8	59	27	36	29	5	67	114
Cumulative surplus		67	94	130	159	164	231	345
Estimated cash surplus								
Invested in:		57.0	35.2	37.2	33.5	13.4	53.8	
United States of America		11.6	9.5	12.0	9.1	1.3	8.9	
United Kingdom of Great Britain and Northern Ireland		21.0	4.3	4.5	3.8	-1.8	17.2	
Other countries		20.9	17.4	18.7	20.3	13.8	28.1	
International organizations		3.5	4.0	2.0	0.3	0.1	-0.4	
Cumulative investment		57.0	92.2	129.4	162.9	176.3	230.1	

Source: Bank of England Quarterly Bulletin and Federal Reserve Bulletin.

a/ Estimates. b/ Forecasts.

3/ Ibid.

These cash surpluses were nearly all invested in banks and capital assets in the OECD area, with a third invested in Euro-currency markets. Some of these funds were lent to non-oil-exporting developing African countries at high interest rates. On the basis of past experience, it seems that recycling of such large-scale funds could continue in the future for the OECD countries. For the developing countries, the prospects are bleak, owing to the slowness of the oil-exporting countries and the developed countries in transferring or recycling part of the surplus to development activities in these countries. In addition the mounting external indebtedness thus incurred affects their abilities to borrow funds from banks.

Thus it can be concluded that, in terms of the output loss resulting from the fact that increased oil revenues are not immediately and fully re-spent by the OPEC countries or borrowed and spent by others, the impact on the OECD countries was negligible indeed. This is why the real income loss (i.e. combination of the terms of trade loss and the output loss) is estimated at about 4 per cent of the GNP of OECD countries.

C. The world outlook for commercial energy

According to World Bank projections 4/ of future demand for and supply of primary energy (coal and lignite, crude petroleum, natural gas and natural gas liquid, hydro and nuclear electricity, expressed in barrels a day of oil equivalent) up to the year 1990 (1976 as base year), total world production will expand at an average annual rate of 3.8 per cent, while world consumption will rise at an average annual rate of 4.1 per cent yearly (table I.2.2). The comparable rates for the years 1960 to 1976 were 4.5 per cent yearly for both production and consumption. Thus the international primary energy balance is projected to be tight, with demand exceeding supply and resultant rising prices.

Obviously, projections depend on the assumptions made about the factors affecting demand and supply, such as economic growth, resource availabilities, prices, demand and supply response to changes in income and prices, political and environmental factors and conservation measures. Among the major assumptions made are that energy prices in real terms will remain constant, and that gross domestic product in developing countries as a group will increase in real terms by 5.2 per cent yearly during the period 1975-1985, and by 5.6 per cent for the period 1985-1990. GDP in all industrial countries is assumed to grow at an average annual rate of 4.2 per cent during the 1980s. The growth of energy consumption in developing countries, which slowed down to an average of about 5 per cent yearly during the period 1973-1976, is projected to grow at 6.1 per cent yearly, and production to rise by 4.8 per cent yearly, during the years 1976-1990. The projected higher growth rate of energy consumption in developing countries is due to their projected higher rate of growth in real gross domestic production as compared with the industrialized countries. At the same time, their electricity consumption is projected to expand faster, and their share in total energy consumption, which rose from 16 per cent in 1960 to 25 per cent in 1976 will continue to increase in future. In addition, commercial energy is assumed to substitute increasingly for non-commercial energy. Consequently, the share of developing countries in world energy consumption is projected to rise from 13.8 per cent in 1976 to 18.3 per cent in 1990. Developing countries as a group are projected to remain net exporters of energy, but the oil-importing developing countries are projected to import larger volumes of energy from abroad.

4/ World Development Report, 1979, pp. 35-43.

These projections, limited as they are by the assumptions made, are useful in so far as they illustrate the broad order of magnitude of the problems to be faced and the changes in policies needed. If sustained efforts are made to increase production of both oil and non-oil energy and to restrain demand through conservation and pricing measures, the increase in real prices of energy in the next decade will be contained. Depending on the rate of world inflation and the rise in price of manufactured goods in the industrial countries, the increase in current prices of energy will be larger than in real terms. There are of course other factors, such as the use of oil substitutes, particularly coal and nuclear power and shale oils, tar sands and solar energy; the three latter sources of energy are, however, not included in the World Bank projections.

The effect of conservation measures should not be underestimated. The sharp and substantial rise in energy prices has indeed encouraged not only conservation, but also exploration and development of substitutes. Prior to the 1973 increase, energy consumption in the industrial countries rose at about the same rates of increase in GDP, but between 1973 and 1979 energy use in OECD countries expanded by 7 per cent only while real GNP rose by about 17 per cent, which implies a reduction of energy use per unit of GNP of about 9 per cent. It seems from the projections made by the World Bank that elasticity of consumption with respect to G(N)DP growth, which amounted during the years 1960-1976 to 1.14 for developing countries, 0.84 for industrialized countries, 1.19 for capital-surplus oil exporters and 0.63 for centrally-planned economies, is estimated to decline to 1.1 for developing countries and 0.79 for industrialized countries, and to increase to 1.56 for capital surplus oil countries and 1.10 for centrally-planned economies.

Production and consumption of commercial primary energy are unevenly distributed between developing and industrialized countries (see table 1.2.2). In 1976, developing countries, including capital-surplus oil exporters, accounted for 33.6 per cent of world production and a mere 13.8 per cent of world consumption, with net oil importing countries accounting for 5.1 per cent of world production and 9.9 per cent of consumption, as compared with 28.5 and 3.9 per cent respectively for net oil-exporting countries.

The industrialized countries account for 36.6 per cent of world production and 54.9 per cent of consumption, as compared with 29.8 and 27.1 per cent respectively for the centrally-planned economies. Thus the total for the developed countries together is about 66.4 per cent of world production and 82 per cent of world consumption. Since the population of the industrialized countries accounts in 1976 for a mere 16.2 per cent of world population, as compared with 52.2 per cent in the developing countries, it seems that *per capita* consumption in the industrialized countries in 1976 was about 13 to 14 times, and *per capita* production 3.5 times, that in the developing countries.

The share of developing African countries in world production was about 5.7 per cent, while their share in world consumption is 1.7 per cent. With the share of developing African countries in world population of about 9.5 per cent, it is evident that *per capita* production and consumption in African developing countries are below the average for the developing countries as a group, being about 98 per cent of *per capita* production and some 90 per cent of *per capita* consumption.

A profile of Africa's projected net requirements of primary energy, together with tentative estimates of investment requirements of primary energy by 1990 will be given in chapter III.

Table I.2.2 : The world commercial primary energy balances, 1960-1990

	Million barrels a day of oil equivalent (MBD)								Average annual percentage growth rate			
	1976				1990				1960-1976		1976-1990	
	Production		Consumption		Production		Consumption		Production	Consumption	Production	Consumption
	MBD	% of total	MBD	% of total	MBD	% of total	MBD	% of total				
Developing countries[a]	26.5	20.9	16.8	13.2	51.3	23.9	38.4	17.3	6.7	6.7	4.8	6.1
(Net oil-exporting countries)	(20.0)	(15.8)	(4.2)	(3.3)	(32.8)	(15.3)	(9.9)	(4.5)	(7.2)	(6.9)	(3.6)	(6.3)
(Net oil-importing countries)	(6.5)	(5.1)	(12.6)	(9.9)	(18.5)	(8.6)	(28.5)	(12.8)	(5.2)	(6.7)	(7.8)	(6.0)
Industrialized countries	46.5	36.6	69.8	54.9	70.7	33.1	109.7	49.5	2.6	4.1	3.0	3.3
Capital surplus oil exporters	16.1	12.7	0.8	0.6	25.5	11.9	2.3	1.0	10.7	13.9	3.3	7.8
Centrally planned economies	37.9	29.8	34.4	27.1	66.7	31.1	64.3	29.0	4.4	4.3	4.1	4.6
Bankers and others	...	-	5.3	4.2	...	-	7.0	3.2				
Total	127.0	100.0	127.1	100.0	214.2	100.0	221.7	100.0	4.5	4.5	3.8	4.1
Of which developing Africa	7.2	5.7	2.2	1.7	45.6* 8.6**		4.7* 5.3**		14.1	5.5	14.1* 1.2**	5.5* 6.4**
* 1960-1976 growth rates (past trend scenario)	** 1970-1978 growth rates (second scenario)						5.83 6.45					

Source: World Bank, World Development Report, 1979, August 1979, p.35. The source for the figures given for developing Africa is the United Nations Publication World Energy Supplies (several issues).

a/ Here, as throughout this report, the group of "developing countries" excludes only the capital-surplus members of the Organization of Petroleum Exporting Countries. Thus, the energy balances of other OPEC members - Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Nigeria and Venezuela - are included in those for developing countries.

Note: Primary energy here refers to coal and lignite, crude petroleum, natural gas and natural gas liquids, hydro and nuclear electricity, expressed in barrels a day of oil equivalent.

III. THE OIL PROBLEM IN AN AFRICAN SETTING

A. The impact of oil prices on non-oil-exporting African countries

It should be stated that the real income loss to the non-oil-exporting developing African countries resulting from the rise in oil prices is estimated at around 4 per cent of their GDP. Given their low *per capita* income, this is more serious than the similar estimate for the OECD group. For one thing, it is being paid for in foreign exchange which is already extremely scarce and is crucial for fixed capital formation. Moreover, to compensate for the increased oil prices by exports is a tremendous task compared to that of the OECD countries, since in developing African countries, the range of production is restricted, most of the output is in the form of consumer goods for local use, and capital goods for fixed capital formation and also some essential consumer goods have to be imported against foreign exchange.

The direct impact of higher oil prices on non-oil-exporting developing African countries has been substantial. Their oil import bill rose from $US 0.8 billion in 1973 to about $US 7.4 billion in 1980, an average annual rate of growth of about 37 per cent. As a proportion of total export proceeds, the oil import bill rose from some 8.2 per cent in 1973 to 29.2 per cent in 1980, when it was equivalent to 25.5 per cent of expenditure on imports, 5.1 per cent of GDP, and 27.4 per cent of fixed capital formation as compared wit 7.8 per cent in 1973 (see table I.?.3)

An even more striking illustration of these countries' situation is that if the food import bill is added to the oil import bill, the two items taken together account for about 53 per cent of their export proceeds. If the debt service on the outstanding external public debt of the non-oil-exporting African developing countries - estimated at about $US 2 billion yearly - were taken also into consideration, the proportion would rise to some 61 per cent.

Between 1973 and 1980 the oil import bill rose by about $US 6.6 billion, the food import bill by $US 4.1 billion and debt service on external public debt by about $US 0.5 billion, a total increase of about $US 11.2 billion. During the same period total recorded net flow of resources to non-oil-exporting developing African countries rose by roughly the same amount, $US 11.4 billion.

All the above developments are reflected in the balance of payments of non-oil-exporting developing African countries (table I.?.4). After recording small surpluses in 1973 and 1974, the balance of trade thereafter registered substantial deficits. The deficit in the balance on current account, which amounted in 1973 to $US 1.9 billion, soared to $US 8.5 billion by 1979, and the projection for 1980 is for a deficit of $US 10.1 billion. Net official transfers and capital inflows recorded in the balance of payments statistics rose from $US 2.4 billion in 1973 to $US 8.7 billion in 1980. While these inflows no doubt helped finance the mounting deficits, the decline in the share of net official transfers, which are on soft terms, and the rise in the share of net capital inflow, which is generally on hard market terms, is most disturbing. The share of net official transfers fell from 46 per cent in 1973 to a mere 28.7 per cent in 1979 and 1980. With an insufficient inflow of foreign exchange resources, non-oil-exporting developing African countries have been obliged to draw down their limited foreign exchange reserves to meet their oil bills.

Table I.2.3. Oil and food import bills of non-oil-exporting African developing countries ($US billion)

	1973	1974	1978	1979	1980
Oil import bill	0.8	2.0	2.9	4.5 a/	7.4 a/
Exports (goods)	9.8	14.1	18.2	21.7	25.3 b/
Imports (goods)	14.0	16.0	21.0	24.3	29.0
GDP	64.3	77.2	132.4	138.7	145.3 b/
Fixed capital formation	10.2	12.9	26.4	26.7	27.0 b/
Oil import bill as percentage of:					
Exports	8.2	14.2	15.9	20.7	29.2
Imports	5.7	12.5	13.8	18.5	25.5
GDP	1.2	2.6	2.2	3.2	5.1
Fixed capital formation	7.8	15.5	11.0	16.9	27.4
Food imports bill	1.9	3.5	4.2	5.0	6.0
As percentage of:					
Exports	19.4	24.8	23.1	23.0	23.7
Imports	13.6	21.9	20.0	20.6	20.7
GDP	3.0	4.5	3.2	3.6	4.1
Fixed capital formation	18.6	27.1	15.9	18.7	22.2

Source: ECA, Statistics Division and IMF, World Economic Outlook, May 1980

a/ Estimates based on oil prices of 1979 and 1980 and oil import volume of 1978 assumed to increase at 3.4 per cent yearly, the trend between 1970-1978.

b/ Extrapolated on basis of 1978/1979 growth.

Table I.2.4. Non-oil-exporting developing African countries: balance of payments summaries, 1973-1980[a]
($US billion)

	1973	1974	1975	1976	1977	1978	1979	1980
Exports (f.o.b.)	9.8	14.1	13.3	14.9	17.3	18.2	21.7	25.3
Imports (f.o.b.)	-9.2	-14.0	-16.0	-16.3	-18.8	-21.0	-24.3	-29.0
Trade balance	0.5	0.1	-2.7	-1.4	-1.4	-2.6	-2.0	-2.7
Net services and private transfers	-2.4	-3.4	-3.9	-4.7	-5.0	-5.5	-5.8	-6.6
Balance on current account	-1.9	-3.2	-6.5	-6.1	-6.4	-8.3	-8.5	-10.1
Net official transfers	1.1	1.4	1.7	1.9	2.1	2.1	2.4	2.5
Net capital inflows b/	1.3	2.1	4.2	4.1	4.8	5.7	6.0	6.2
Overall balance	0.5	0.3	-0.6	-0.1	0.5	-0.5	-0.1	-1.4

Source: World Economic Outlook, A Survey by the Staff of the International Monetary Fund, Washington D.C., May 1980.

a/ Excluding Egypt.

b/ Includes SDR allocations.

Table I.2.5 shows the total recorded net flow of resources to non-oil-exporting African developing countries. There are wide discrepancies between this flow as recorded in their balance of payments estimates and as stated by OECD. There may be some differences in timing, definition and coverage, but, the differences are still large enough to merit examination in a future study. According to OECD, the net flow rose between 1970 and 1978 from $US 2.2 billion to $US 14.2 billion, an average annual rate of expansion of about 26 per cent at current prices, or around 10 per cent at constant prices. It is a matter for concern that official flows of resources from OPEC countries and Arab/OPEC multilateral institutions to non-oil-exporting African countries have systematically declined at current prices since 1975. For non-oil-exporting African countries (other than Egypt), official flows have dropped from a peak of $US 871 million in 1974 to $US 728 million in 1978. At constant prices, assuming a rate of inflation of some 15 per cent yearly, the decline was about 20 per cent yearly. In recent years official flows have financed less than 10 per cent of the current oil import bill.

The direct impact on non-oil-exporting African developing countries of the second increase in oil prices (1978-1980) is likely to be much more severe than that of the first increase: their oil import bill is projected to rise by $US 2.9 billion compared with a rise of $US 1.2 billion between 1973 and 1974. Their efforts to cope with this increase will be further hindered by the fact that during 1980 there was also a serious deterioration in food production due to the drought in the West, Central and East African subregions, as well as by the adverse impact on African exports of the sluggish growth of output in the OECD countries and the lower absorptive capacity of the OPEC countries. The long-term external public debt of non-oil-exporting developing African countries rose sharply during the 1970s to some $US 32 billion in 1979, and is projected to reach $US 36-37 billion in 1980. 5/ In recent years many African countries have been facing serious debt servicing problems which will limit their future ability to raise additional resources from world markets.

While the OECD countries were able to adjust to the higher deficits fairly rapidly, the non-oil-exporting developing African countries have not been able to do so. The success of the OECD countries was achieved through energy conservation, increased investment in energy production and consumption and expanded exports abroad, particularly to the major oil-exporting countries, and they will obviously be in a position to continue to make such adjustments in an orderly and gradual fashion, thanks to their enormous technological and financial resources. For the non-oil-exporting developing African countries, on the other hand, the adjustment to the recent price increases is likely to be slow and extremely difficult, as it was in the past. Not only is the increase in the oil bill larger than that of 1973-1974; most of these countries are also attempting to attain higher growth rates in real output through expanded fixed capital formation. This is straining their balance of payments position, especially as resort is made to deficit financing. The sharp rise in general prices, in turn, has led to large wage increases and widening budgetary deficits. With accelerated inflation and the fall in export prices, the possibilities of raising revenue through taxes (which are levied mostly on export and import commodities) become extremely limited.

5/ IMF, World Economic Outlook, May 1980, p. 62.

Table I.2.5. Total recorded net flow of resources to non-oil-exporting developing African countries, 1970-1978 ($US million)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Bilateral ODA from DAC countries	1 428	1 709	1 874	2 168	2 051	2 717	2 925	3 516	4 652
ODA from multilateral agencies*					824	1 186	1 411	2 279	2 590
Others	794	1 169	961	1 112	3 058	6 970	5 342	6 461	6 926
Total recorded net flow	2 222	2 878	2 835	3 280	5 933	10 873	9 678	12 256	14 168
Of which total official flow of resources from OPEC countries and Arab/OPEC multilateral institutions:					1 730	3 796	2 466	2 707	2 007
Of which:									
- Egypt net receipts					859	2 938	1 555	1 935	1 279
- Other African countries					871	858	911	772	728

Source: OECD, Development Assistance Committee, Development Co-operation, 1974 Review, Paris, 1974, Statistical Annex, pp. 262-267; 1978 Review, Paris, 1978, pp. 230-271; and 1979 Review, Paris, 1979, pp. 240-279.

* From 1970 to 1973, ODA from DAC countries and from multilateral agencies were combined. No distinction was made between the two items.

The strain on the budget and the balance of payments makes investment in the production and use of traditional and alternative sources of energy referred to in chapter II - which are enormous - extremely difficult. Some non-oil-exporting African developing countries are, however, doing their utmost to build additional hydro-electric power capacity. Many countries are also attempting to raise oil prices to the level of world markets, which is an essential prerequisite for successful conservation. However, they face a number of major obstacles, among them over-valued currencies which they are unable to devalue for fear of ensuing inflationary tendencies. However, it is essential that continued efforts be made to conserve the use of oil through price increases. In non-oil-exporting developing African countries, moreover, industry and transport are the major consumers of energy, and thus it is impossible to reduce consumption without constraining the level of these activities. Thus these countries are facing serious problems in achieving orderly adjustment to the increased cost of oil imports.

In his address entitled "Energy and the world economy: a medium-term perspective", 6/ Mr. I. de Larosiére, Managing Director of IMF, rightly stated that "The magnitude of the financing requirements and the complexity of the adjustment problem faced by many countries has presented us with a number of challenges: (i) to help provide the amounts and type of resources that may be needed over the coming years, (ii) to help members carry out necessary adjustment programmes, and (iii) to aid surplus countries with their problems of managing international reserves in a world of floating exchange rates.

The Fund stands ready to assume an increasing role in each of these areas. The type of financing needed, and the adjustment process that financing supports, are closely linked. The nature of the interwined role in adjustment and financing that the Fund will play in the period ahead is still under discussion, and has not yet been fully elaborated. But certain crucial elements are already clear. To begin with, in view of the size of the current deficits and of the difficulties that may arise in private intermediation, the Fund must be prepared, when necessary, to lend in larger amounts than in the past. Also, the structural problems faced by many countries may require that adjustment take place over a longer period than has been typical in the framework of Fund programmes in the past. Further, lending by the Fund must reflect in practice the sort of flexibility with an awareness of the circumstances of members, that is called for in the Fund's current guidelines on conditionality."

Resources are indeed urgently needed to help the non-oil-exporting African developing countries carry out the necessary structural adjustments - including investment in energy - in an orderly manner. Obviously much more is required, for much longer periods and with greater flexibility than in the past, to solve the structural problems they face. Although the basic components of the adjustment process are widely recognized, the spirit of accommodation that could lead to the implementation of effective policies to remedy the situation of the non-oil-exporting developing countries appears to be lacking in the donor countries and institutions. International financing institutions could make an important contribution by allowing developing countries much easier terms for borrowing and by making available to them a larger share of the surplus funds flowing back from the OPEC countries.

6/ IMF Survey, 3 June 1980.

B. Energy resources, uses and prospects in developing African countries

1. Natural energy resources

Africa's share of known reserves of natural energy resources, defined as commercial energy entering into international trade, is estimated at about 8.6 per cent of world proven oil reserves, 8.5 per cent of world proven gas reserves, a 0.03 per cent of world heavy oil reserves, 3.1 per cent of world oil shale reserves, 1.1 per cent of world coal geological resources, and 1 per cent of world technically and economically recoverable coal reserves. In world hydroelectricity potential the share of Africa is substantial, being about 19.[illegible] per cent, 7/ only a small fraction of which is presently tapped. African developing countries also possess nearly 25 per cent of world uranium resources.

These resources, modest as they are for a continent having 9.5 per cent of world population, are not evenly distributed between subregions and countries. Petroleum deposits are mainly concentrated in North Africa, water resources in Central Africa, geothermal potential along the whole length of the Rift Valley in East Africa, and coal deposits in the Southern and South-Eastern regions. On the other hand, West Africa seems to be the least well-endowed region in terms of commercial energy resources. Only radioactive ores seem to be better distributed, with the greatest potential lying in Southern Africa.

Africa possesses an appreciable potential in alternative and renewable energy resources; as the only continent straddling the equator, it has sunshine all the year round, generally very intense, and above latitude 8°N and below latitude 8°S the insolationperiods are long. Wind power, although not capable of exploitation in every region of the continent, could be very useful at least as a standby if not a standing energy source. Resources in the form of lingneous fuels are concentrated in the equatorial and tropical zones. Economically exploitable geothermal resources are found along the whole length of the Great Rift in East Africa and in other regions of recent volcanic activity. For coastal African countries the energy of the thermal gradient of tropical seas might provide a useful standby source of energy. The energy available from sandbars along the whole of the West African coast from sea swell, sea currents and tides, could also meet some needs, and in addition Africa could if necessary work up non-traditional sources of hydrocarbons. 8/

The classification of 46 developing African countries included in a recent World Bank Study 9/ according to the share of net oil imports in commercial energy demand reveals that only seven countries, namely, Algeria, Angola, Congo, Gabon, Libyan Arab Jamahiriya, Nigeria & Zaire are net oil exporters. The remaining 39 African developing countries are net oil importers. For one country, Zimbabwe, net oil imports represent [illegible]5 per cent or less of its total energy demand; Botswana, Mozambique and Zambia import between [illegible]6 and 50 per cent of their total demand; Burundi, Ghana, Malawi and Rwanda import between 51 and 75 per cent of their commercial energy requirements, while the remaining thirty-one countries, or 85 per cent of the total number of African developing countries included in the World Bank Study,

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7/ World Bank, Energy in the Developing Countries, Report No. 3076, July 1980, Annex 1, pp. 83-91.

8/ OAU/ECA "Possibility of Co-operation in the Field of Energy in Africa" document prepared for the Joint OAU/ECA Meeting of African Experts on Energy, Addis Ababa, 24-28 March, 1980, pp. 4-5.

9/ World Bank, Energy in the Developing Countries, Report No. 3076, July 1980, page [illegible] table 2.

import more than 76 and up to 100 per cent of their commercial energy requirements. What is more disturbing is that of these thirty-one African developing countries heavily or completely reliant on imports of commercial energy demand, 29 countries face actual or potential fuelwood problems. These are Benin, Cape Verde, Central African Republic, Chad, Comoros, Equatorial Guinea, Ethiopia, the Gambia, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Mali, Mauritania, Morocco, the Niger, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Togo, Uganda, United Republic of Cameroon, United Republic of Tanzania and Upper Volta. Of these 29 countries, 15 are least developed countries with relatively limited financial resources to cover the heavy or complete reliance on net imports of commercial energy to meet their domestic demand. These are Benin, Cape Verde, Central African Republic, Chad, Comoros, Ethiopia, the Gambia, Guinea, Lesotho, Mali, the Niger, Sao Tome and Principe, Somalia, Sudan, Uganda, United Republic of Tanzania and Upper Volta. Four other developing African countries members of ECA which were not covered in the World Bank classification - Djibouti, Egypt, Seychelles and Tunisia - vary in situation with regard to the share of net imports of oil in satisfying domestic demand for commercial energy.

3. Availabilities and uses of primary energy

As shown in table I.2.6, production of primary energy, defined as including coal and lignite, crude petroleum, natural gas and natural gas liquids, hydro and nuclear electricity, in African developing countries rose from a mere 0.46 million barrels per day of oil equivalent in 1950 (89 per cent of which was coal and lignite and only 11 per cent crude petroleum and natural gas liquids) to 0.88 million barrels in 1960 (67.8 per cent of which was coal and lignite and 31 per cent crude petroleum and natural gas liquids). The remaining 1.2 per cent of production of primary energy in 1960 was composed of hydro electricity.

During the 1960s production of primary energy rose substantially, amounting by 1970 to 6.80 million barrels per day of oil equivalent of which 5.99 million (86.7 per cent) was crude petroleum and natural gas liquids, while the production of coal and lignite rose marginally to 0.80 million barrels per day and its share in total production fell substantially to 11.8 per cent. In 1978, production rose to 7.48 million barrels a day, crude petroleum declined marginally to 5.74 million barrels per day (76.9 per cent of the total), while production of coal and lignite rose to 1.28 million barrels per day or 17.2 per cent of the total. Production of natural gas, hydro and nuclear electricity rose and their combined share recorded 5.9 per cent of the total.

It is thus apparent that the structure of output changed drastically during the 1960s, with crude petroleum dominating production. This trend was reversed during the 1970s, with a gradual shift towards coal and lignite and hydroelectricity, probably as a result of oil price movements and the restrictive policy of petroleum producers.

Another important development was the acceleration of the average annual growth rate of total production from 6.7 per cent during the 1950s to 22.7 per cent during the 1960s, followed in the 1970s by a substantial deceleration to a mere 1.2 per cent yearly. This decrease is entirely attributable to the fall in production of crude petroleum and natural gas liquids. The growth rates of the other sources of energy, including coal and lignites, natural gas and hydro-nuclear electricity, accelerated substantially. The wide discrepancy between the medium-term (since 1970) and long-term (since 1960) development in production makes the extrapolation of past trends (or forecasts) to be attempted in the next section extremely hazardous.

Table I.2.6. : Availabilities and Uses of Commercial Energy in Developing African Countries 1950-1978 (Quantities in million barrels per day of oil equivalent)

	1950		1960			1970			1978			
	MBD	% of total	MBD	% of total	Average annual growth rate 1950-60	MBD	% of total	Average annual growth rate 1960-70	MBD	% of total	Average annual growth rate 1970-78	Average annual growth rate 1960-76
Total production	0.46	100.0	0.88	100.0	6.7	6.80	100.0	22.7	7.48	100.0	1.2	14.1
Coal & lignite	0.41	89.1	0.59	67.8	3.8	0.80	11.8	3.2	1.28	17.2	6.0	4.2
Crude petroleum & Natural gas liquids	0.05	10.9	0.27	31.0	16.7	5.89	86.7	35.6	5.74	76.9	-0.3	20.8
Natural gas	-		-		-	0.06	0.9	15.8	0.36	4.8	25.1	17.6
Hydro nuclear electricity	-		0.01	1.2		0.04	0.6	7.2	0.08	1.1	9.1	9.0
Imports	0.23		0.41		5.2	0.76	11.6	6.6	1.00		3.5	5.4
Total availabilities	0.69		1.29		6.4	7.56		19.4	8.48		1.5	11.3
Uses												
Total consumption	0.56	100.0	0.94	100.0	5.3	1.48	100.0	4.7	2.44	100.0	6.4	5.5
Solid fuels	0.38	67.9	0.59	62.8	4.3	0.80	54.8	3.3	1.16	47.5	4.8	3.9
Liquid fuel	0.18	32.1	0.34	36.2	6.5	0.60	41.1	5.9	1.08	44.3	7.6	6.9
Natural gas	-		-		-	0.02	1.4	-	0.12	4.9	25.1	-
Hydro-nuclear electricity	-		0.01	1.0	-	0.04	2.7	7.2	0.08	3.3	9.0	9.0
Exports including bunkers	0.12		0.34		11.0	5.98		33.0	5.86		-0.2	19.5
Total consumption & exports	0.68		1.28			7.46			8.30			
Apparent incr.	+0.01		+0.01			+0.10			+0.18			
Total uses	0.69		1.29		6.4	7.56		19.4	8.48		1.5	11.3

Source: UN publication World Energy Supplies 1950-74; 1973-78.

The average annual growth rates of imports followed a similar pattern over the same period, accelerating from 5.2 per cent in the 1950s to 6.6 per cent in 1960s, and then falling again to 3.5 per cent in the 1970s.

Important structural changes also took place in primary energy consumption in African developing countries. The share of solid fuels (i.e. coal and lignite), which supplied two thirds of consumption in the 1950s and early 1960s, fell by 1978 to little less than half of total consumption. On the other hand, the share of liquid fuels (crude petroleum and natural gas liquids), which accounted for about one third in the 1950s, rose to over 44 per cent, and the share of natural gas and hydroelectricity together to some 8.2 per cent, by 1978.

The average annual growth rate of total consumption of primary energy in African developing countries, which was around 5.3 per cent in the 1950s, declined to 4.7 per cent yearly in the 1960s and accelerated to 6.4 per cent yearly during the 1970s, with an average annual growth rate of 5.5 per cent for the years 1960 to 1976. Thus the elasticity of growth of consumption with regard to GDP growth in real terms, which was 1 in the 1960s, rose to 1.33 in the 1970s, with an average of 1.2 for the period 1960 to 1976.

This high elasticity of primary energy consumption with respect to GD(N)P growth in African developing countries, compared with 0.8 in industrialized countries and 1.1 in the developing countries as a whole, is due to the fact that on a <u>per capita</u> basis energy consumption in African developing countries amounts to 280 kg, compared with a world average of 1,411, and averages of 4,326 for industrialized countries and 305 for the developing countries as a whole. This pattern is likely to continue.

The volume of exports of primary energy of African developing countries, which increased at an average annual rate of 11 per cent during the 1950s and accelerated to 33 per cent in the 1960s, declined to a negative value of -0.2 per cent yearly in the 1970s. Of the total availabilities or uses of primary energy in 1978, imports accounted for about 11.8 per cent and exports accounted for 69.1 per cent. Thus domestic consumption accounts for some 30.9 per cent of total output of primary energy in African developing countries.

3. Energy prospects[10/] and preliminary investment requirements

The data for the developing African countries given in table I.2.2 reveal that during the years 1960-1976 production of primary energy in these countries as a group rose at an average annual rate of 14.1 per cent while consumption rose at 5.5 per cent. The provisional extrapolation of these growth rates by the ECA secretariat to the period 1976-1990 would suggest, as a first scenario (i.e. historical), that production would reach in 1990, 45.6 million barrels a day of oil equivalent or some 21.3 per cent of projected world production. This of course presumes major oil strikes during this period, otherwise, it is infeasible given the present volume of proven resources. At the same time the projected consumption of African developing countries would reach 4.7 million barrels a day (compared with 2.2 million barrels a day in 1976) or 2.1 per cent of projected world consumption. Under this scenario the increase in consumption will therefore be 2.5 million barrels a day.

10/ A recent ECA study entitled "Perspectives of the African Region in the 1980s and Policy Implications" (document No. E/CN.14/PSD.1/7, 27 January 1980, Addis Ababa) attempted some projections of energy requirements of developing Africa for the 1980s under different assumptions. A historical trend projects growth rates for the energy sector of 5.9 per cent and 6.1 per cent for the periods 1980-1985 and 1985-1990, with faster growth in the oil exporters. Overall African region was required to aim at 8 per cent growth in energy for 1980s. A planned scenario targeting 7 per cent growth in GDP forecasts growth rates of 7.8 and 8 per cent in energy sector for the respective periods.

The above scenario suffers from serious reservations. While it is true that the average annual growth rate of production of primary energy was 14.1 per cent during the years 1960-1976, yet as stated in table I.2.1 the rate of growth of energy production in African developing countries fell to a mere 1.2 per cent yearly during the 1970s. Moreover, the growth rates of consumption, which amounted during the period 1960-1976 to 5.5 as compared with 6.4 per cent yearly during the years 1970-1978, give an elasticity of consumption with respect to GDP growth of 1.17 for 1960-1976, compared with an elasticity of 1.33 for the 1970s.

A second scenario based on the extrapolation of the short-term trend since 1970 was therefore attempted. This predicts that production in developing African countries will reach 8.6 million barrels a day of oil equivalent by 1990 if production expands at an average annual rate of 1.2 per cent, while consumption will reach 5.3 million barrels (an increase of 3.1 million barrels a day). At this modest rate of expansion in output, and with a higher annual growth rate of consumption (6.4 per cent), African developing countries as a group would have a surplus of output over consumption of 3.3 million barrels a day, against a surplus of 5 million barrels in 1976. This would imply a decline in export growth rates of primary energy by 3 per cent yearly up to 1990.

Obviously, an average annual growth rate of consumption of 6.4 per cent with an elasticity of consumption with respect to GDP of 1.33 implies an average annual growth rate of GDP of 4.8 per cent, which is the growth rate obtained in African developing countries during the period 1970-1978. If 6 per cent growth rate of GDP is assumed the demand for primary energy with the assumed elasticity of 1.33 would grow annually by 7.98 per cent yearly to record 6.4 million barrels a day of oil equivalent in 1990 or an increase of 4.2 million barrels over 1976; assuming an elasticity of 1.1 the growth rate of demand would decline to 6.6 per cent. Under this assumption consumption in 1990 will reach 5.4 million barrels a day or an increase of 3.2 million barrels a day over the level of 1976. Thus the increase in consumption of African developing countries between 1976 and 1990 will range between 2.2 million barrels a day under the first scenario to 3.1 million barrels a day under the second scenario to 3.2 million barrels a day under the third scenario.

Investment requirements per barrel of oil equivalent a day of installed capacity vary from region to region and from country to country and even from field to field. According to the World Bank 11/ estimates capital costs range from \$ 7,000 to \$ 8,000 per barrel a day of installed capacity at 1977 constant prices. If we assume that average development cost per barrel a day of installed capacity to be \$ 7,500 then total investment requirements by 1990 will range from \$ 18.75 billion under the first scenario to \$ 23.25 billion under the second scenario and to \$ 24.00 billion under the third scenario. The corresponding yearly investment requirements over the fourteen years period will thus amount to \$ 1.34 billion, \$ 1.66 billion and \$ 1.71 billion. All these preliminary estimates are at 1977 constant prices.

11/ IBRD, Petroleum and Gas in Non-OPEC Developing Countries: 1976-1985, World Bank Staff Working Paper No. 289, April 1978, p. 6.

The tentative energy investment requirements of non-oil-exporting developing African countries according to the historical trend scenario will range between \$ 10 billion and \$ 1[illegible] billion, with yearly investment needs ranging between \$ 700 million and \$1 billion at constant 1980 prices. If estimates are made on the basis of the short-term trend scenario (1970-1978) the total required investment will be between \$14 - 16 billion or between \$1-1 billion yearly at constant 1980 prices. These figures are telling of the enormity of investment requirement just to achieve self-sufficiency in energy.

IV. SOLUTIONS AND PROPOSALS UNDER CONSIDERATION

A. Introduction

It is quite clear from the above analysis that the increase in oil prices resulted from the substantial and continuous rise in consumption, particularly in the industrial countries. Although production has kept pace with consumption in the past, the future energy market is projected to be tight, with inevitable rise in prices. Undoubtedly the cheap oil before 1973, although it contributed to growth in the world as a whole, at the same time encouraged waste and capital-intensiveness and, discouraged conservation and the development of alternative sources of energy. Logically, higher oil prices are more compatible with the necessary transformation. It is unfair therefore to blame the oil-exporting countries for the rise in oil prices in response to world supply and demand, both present and potential.

However, during the period of adjustment the substantial rise in oil prices has had a serious impact on the economies of the non-oil-exporting developing countries. Their balance of payments deteriorated seriously, and with continuously growing food shortage they are facing dim prospects resulting from the severe restrictions imposed on resources needed for fixed capital formation. Their already deteriorating agricultural production is also expected to suffer further from the restrictions on fuel and power now widely applied in these countries. The fact that the developed countries have adjusted fairly quickly - through expanded exports, restricted imports and conservation - follows from the flexibilities and substantial resources available in their economies, their success in mobilizing the surplus resources of OPEC countries and the possibilities created by the development needs of OPEC group. For the non-oil-exporting developing countries to adjust will be a much longer, more complex and more arduous process as it will require import substitution, expansion of exports in a world of increased trade restrictions and development of alternative sources of energy, all of which are extremely costly to undertake. Self-sufficiency in energy alone, as the preliminary estimates indicate, is already a prohibitive enterprise without substantial external assistance.

The amount of financing required by the non-oil-exporting African countries is enormous. Vast quantities of funds are needed not only to finance the capital formation required for import substitution, including oil and other sources of energy, but also to promote exports of goods and services to acquire the foreign exchanges required to import capital and basic consumers goods. During the period of adjustment substantial balance of payments supports will be required on a regular basis if the process is to proceed smoothly without undue disruption of growth.

Although the basic components of the adjustment process have been identified the complexity of the problem requires further research and action, sooner rather than later, for further delay could be catastrophic. It is extremely difficult, if not impossible, to outline in one stroke an acceptable and lasting universal "solution" to the energy problem without inviting additional conflicts. Apart from the intractable technical and economic aspects of such an exercise, there are the genuine, and sometimes conflicting, interests of the energy exporters and importers. Although many of the related issues (such as energy conservation, development of new sources of energy, technology, research and development, finance, etc.) have been widely researched, no consensus has as yet emerged as to how to tackle the whole problem. Attention has for the time being focussed primarily on the ways and means of containing the immediate negative impact of the increases in oil prices on the world economy and, in particular, on the developing and least developed countries.

However, it is believed that a lasting solution is possible only in the long run and will require, inter alia, qualitative and quantitative adjustments in the future size and structure of energy supply and demand the world over, as well as adaptation of the working of the international economic system to the post-1973 situation of high and rising commodity, including energy, costs and prices. Only then would the international system be less vulnerable to future price rises.

As was mentioned above, the increases in oil prices have resulted in massive balance of payments surpluses for the OPEC group, on the one hand, and in huge deficits by oil importers, both developed and developing, on the other. Rapid adjustment of the balance of payments of the latter requires recycling to them of the surpluses accumulated by the former. This task has been undertaken partly through the private capital market. The capital market institutions perform three critical functions in the recycling process: (a) to provide supplementary credit; (b) to use the leverage provided by this credit to encourage the oil deficit countries to adopt adequate internal adjustment measures; and (c) to improve the credit status of these countries to afford them continuing access to international private capital markets. The financial capabilities of these institutions have substantially increased since 1973, and they are under great pressure from the world community to cope with the balance of payments problems and other more fundamental structural problems related to the energy situation.

The world community - including the World Bank, IMF and OPEC - is now conscious of the short- and long-term adjustment requirements of these countries: to support a continuously weakening balance of payments, sustain growth and make possible the solution of their structural problems. To that end, these bodies have of late started seriously reconsidering their traditional lending practices and conditions, with a view to making them more conducive to orderly adjustment and growth. Their efforts and proposals to deal with the problems caused by rising energy prices are described below.

B. The IMF approach

The main thrust of the Fund's activities is traditionally geared towards providing assistance, on request, in the correction of internal and external monetary and fiscal imbalances of its member countries. The Fund's approach to the energy problem seeks to alleviate the ensuing balance of payments implications of the increase in oil prices, especially for the developing and less privileged non-oil-exporting countries. IMF has introduced three financing facilities, namely, the oil facility, the subsidy account and the trust fund, the first two of which were specially devised to assist with the oil-associated balance of payments problems suffered by these groups of countries. However, the size of the resources made available and the actual assistance extended under these facilities, although provided under highly concessional terms, has fallen far short of the required amounts.

1. The oil facility

This facility was established by IMF in June 1974 and was later expanded and extended in 1975 to assist members in meeting the initial impact of the increase in the costs of petroleum and petroleum products. The resources made available under it are supplementary to the assistance member countries can obtain from the other Fund facilities, and are borrowed for the purpose from oil-exporting countries and industrial countries with sufficiently strong balance of payments. Each application was assessed individually, and applicants were expected to follow policies in line with the Fund's approach to balance of payments adjustment, which is essentially of a short- or medium-term nature.

Under the 1974 facility, the support provided was limited to the increase in the member's 1972 oil bill, minus 10 per cent of the member's resources at the end of 1973, adjusted for variability of exports and subject to the restriction that the amount outstanding under the facility should not exceed 75 per cent of the member's quota. In 1975 certain modifications were introduced whereby the projected price of oil was increased and the base period adjusted.

Charges per annum on transactions affected under the 1974 facility were progressive: 6 7/8 per cent for the first three years, 7 per cent for the fourth year and 7 1/8 per cent from the beginning of the fifth year through the seventh year, with 1/2 of 1 per cent to be paid as a service charge at the time of drawing.

The 1975 oil facility differed in a number of ways from that of 1974, particularly in the greater weight given to a member's quota in determining its share of the support, which should not in any case exceed 125 per cent of the quota or 85 per cent of the calculated increase in the member's oil import cost, whichever was lower. Thus further restrictions, limitations and conditions were imposed on the facilities available.

Under the new arrangement the member was required to describe its policies for achieving medium-term solutions to its balance of payments problems, and IMF was to assess the adequacy of these policies. In addition, the member must describe measures taken or proposed to conserve oil or to develop alternative sources of energy in the light of its economic conditions. These measures were, however, not subject to the Fund's scrutiny.

The condition that a member country should avoid the introduction or intensification of trade restrictions was also waived. Charges on a member's outstanding drawings under the 1975 oil facility were also revised upwards, to 7 5/8 per annum for the first three years, 7 3/4 per cent for the fourth year and 7 7/8 per cent for five to seven years.

Total borrowings made under the 1974-1975 oil facilities amounted to SDR 6,902.4 million, 37 per cent of which was utilized by 45 developing countries, while 21 of these were African countries, their share amounted to a modest SDR 496.2 million, or a mere 7.2 per cent of the total. Of the 17 lenders, 7 were OPEC members; these contributed SDR 4,995.5 million, or 72.4 per cent of the total resources, a little less than half of which was contributed by Saudi Arabia alone.

The oil facilities, modest as they were, were however, prematurely terminated in March 1976.

2. The subsidy account

On 1 August 1975, IMF established this account, financed by borrowing from members, to help its most seriously affected members meet the cost of using the 1975 oil facility. Thirty-nine Fund members, drawn from the United Nations list of the most seriously affected countries - many of whom African countries - were considered eligible to benefit from this facility. The objective of the scheme is to reduce the effective rate of annual charge payable under the 1975 oil facility by about 5 per cent per annum. Since the average cost of using the facility is 7.7 per cent annually, this reduces the effective cost of using the facility to 2.7 per cent a year. By the end of April 1980, 24 countries, 14 of them African, had benefitted from this facility.

3. The trust fund

This facility was established by IMF in May 1976, soon after the termination of the oil facility programme in March of that year, to provide additional balance of payments assistance on concessionary terms to eligible developing member countries that qualify for assistance by carrying out programmes of balance of payments adjustment. The resources of the trust fund consisted of profits realized from the sale of 25 million ounces of the Fund's gold for the benefit of the developing countries. A portion of these profits was distributed directly to the 104 eligible developing countries, and the rest together with other Fund incomes, was made available for concessionary lending. The operation of the scheme was divided into two two-year periods, July 1976 - June 1978 and July 1978 - June 1980. Total profits under this programme amounted to a mere $US 4.6 billion, of which $US 1.3 billion were directly distributed to the 104 developing members, with the shares based on members' quotas at 31 August 1975. By 31 July 1980, 49 of the 59 eligible members had qualified for concessionary loans,which bear interest at a rate of half of 1 per cent per annum, payable half-yearly in ten semi-annual instalments between six and ten years from the dates of the loan disbursements. It is to be noted that the current terms of loans from the Trust Fund result in a grant element of about 50 per cent.

C. The World Bank solution

The World Bank has lately became more responsive to the structural adjustment requirements of the developing countries, especially the poorer nations among them. To meet these requirements, the Bank introduced structural adjustment lending a few months ago, and is tentatively committing $ 600-800 million for financial year 1981. This amount is expected to double by 1982 or 1983, and possibly to increase further thereafter.

According to the Bank,[12/] one of the cornerstones of the adjustment process of the non-oil-exporting developing countries is doubling of their domestic energy production between 1980 and 1990, which is expected to reduce by $ 50 billion, the $ 280 billion energy deficit projected for 1990. To achieve this target, the Bank has urged Governments to adopt a mix of economic and development policies involving pricing, incentive and investment measures designed to give greater emphasis than at present to domestic energy production.

The Bank estimates the total investment needs for energy development in the oil-importing developing countries for the period 1981-1985 at about $ 185 billion in constant 1980 prices, as against $ 80 billion devoted to investment in energy in these countries over the past five years. Out of this, the Bank is expected to provide some $ 25 billion, mostly to finance relatively high-risk needs for which funds are not likely to be available.

The Bank is currently considering the creation of a separate energy affiliate, in response to the request made of it at the recent Venice Economic Summit and the meetings of the OPEC ministers which called for measures to help the developing countries develop their energy resources, to assist in this effort by serving as a direct source of finance and as a catalyst for other official and private funds.

12/ McNamara, R. Address to the Board of Governors, September 30, 1980, Washington D.C.

D. Some solutions proposed by Mr. Mohammed Yeganeh[13/]

As rightly stated by Mr. Yeganeh, formerly chairman of the OPEC Special Fund, co-operation between various groups of countries and in various fields is both a necessary condition for the adjustment process in the non-oil-exporting developing countries, and an instrument for the realization of their potentials. To be fully effective, it will require new policy orientations, identification of the areas for intensified co-operation, conclusion of practical arrangements, creation of the required infrastructure, provision of incentives, etc. He proposes four types of co-operation: (a) expanded co-operation between OPEC members, international financial institutions and other developing countries; (b) increased co-operation for trade expansion between major oil-producing and non-oil-producing countries and among the latter; (c) co-operation in the energy field; and (d) co-operation in economic development and investment.

1. Expanded financial co-operation

Mr. Yeganeh suggests the following arrangements:

- An emergency rescue operation for balance of payments support for the next two to three years through grants and highly concessionary loans from, say, an expanded OPEC Fund, provided that such resources are made readily available and disbursed speedily;

- Expansion of lending by OPEC members to non-oil-exporting developing countries, in the form of balance of payments support, programme lending, and project financing especially in the energy sector, perhaps via a possible OPEC-established bank;

- Expansion of the capital base and loanable funds of existing and proposed international and regional financial institutions;

- Support by OPEC countries, with loans, of the Common Fund for Commodities proposed by UNCTAD;

2. Trade co-operation

Increased co-operation is called for to expand trade between OPEC member countries and non-oil-exporting developing countries through elimination of trade barriers, the establishment of a system of global trade preferences and the provision of trading services;

13/ Mohammed Yeganeh, Balance of Payments Outlook of the Developing Countries: Consideration of International Action and Financial Co-operation among Developing Countries with a View to Improving the Adjustment Process, (document UNCTAD/FIN/18, 10 June 1980.)

3. Co-operation in the energy field

Both short- and long-term co-operation arrangements in this field are necessary:

- short-term: OPEC countries to continue to pursue measures that would enable non-oil-exporting developing countries to obtain an adequate and **assured** supply of oil at official OPEC prices even in periods of scarcity;

- Long-term: In addition to the conservation measures which non-oil-exporting developing countries would have to take, to enable them to develop and utilize the different types of indigenous energy sources open to them, assistance is needed from the OPEC countries in the form of risk capital for exploration works, investment in joint ventures, the provision of technical assistance, etc.;

4. Co-operation in economic development and investment

Ways in which non-oil-exporting developing countries and OPEC can supplement each other's efforts to achieve economic independence and reduce unhealthy reliance on developed nations need to be explored and exploited. This means that advantage must be taken of the economic diversities, resource endowments and foreign trade size and pattern in these countries, so as to enable oil-exporting countries to supplement the development efforts of the non-oil-exporting developing countries and also diversify their investment portfolios, while helping the latter group expand their production capacities in various sectors and meet, in addition to their own needs, an increasing part of the food and other intermediate or industrial goods requirements of the former group and at the same time reduce their trade gap with them.

It can thus be concluded that while the solutions followed or suggested to rectify the situation are positive and welcome, an enormous amount of assistance from the international community is still required if the non-oil-exporting developing African countries, and especially the least developed among them, are to have any hope of achieving fast adjustment and maintaining their growth momentum. Of course, their national Governments have a special role to play in this context, first in closing the food gap - now not less important than the oil bill deficit - and second in improving resource mobilization and utilization and economic management without delay. In this connexion, attention is drawn to the importance of the full implementation of the Lagos Plan of Action, especially with regard to food and energy, to avoid the collapse of many African economies in the next few years. Africa is well endowed with resources and has limitless long-term development prospects: what is most urgently needed is emergency plans for the coming year or two and the will to implement them vigorously.

V. SUMMARY

The adverse economic climate could not have come at worse time for the world, and for Africa. No sooner had the African countries started restructuring their economies and societies in pursuit of their post-independence aspirations than they were faced with the added problem of having to operate in a more adverse and rapidly changing international economic climate. The 1970s opened with more trade restrictions and harder assistance terms, and by 1973 the already weak Bretton Woods System was in almost complete disarray. The quadrupling of oil prices in 1973-1974 (and subsequent price increases in 1978-1980) ended the period of cheap oil enjoyed over the previous two decades or so. In terms of energy nneds, this coincided with a period in which the energy requirements of the African countries were growing faster to develop transport facilities, industries, modernize agriculture, and meet other welfare needs of their fast growing populations.

The increase in oil prices has had a serious impact on the economies of the non-oil-exporting developing African countries largely because of the structure of international trade and the shifting relations in international commodity prices. The developed countries import oil from OPEC group and the latter depend mainly on the former for both capital and consumer goods and investment opportunities. The non-oil-exporting countries, on the other hand, sell most of their exports in the developed countries and import manufactures from them, while they export very little to the OPEC group but increasingly depend on their oil. The shift in the relations between prices of oil, manufactures and non-oil primary commodities has further disturbed an already unbalanced trade situation. The developed countries face a short-term balance of payments problem, but in non-oil-exporting developing Africa the issue is predominantly one of structural adjustment in an extremely adverse economic climate.

The sharp rise in the prices of oil during the 1970s represents a substantial terms of trade gain to the oil exporters and, conversely, a substantial loss to the oil-importing countries. For the OECD group, the loss is estimated at 4 per cent of GDP, made up of an estimated loss of real income equal to the increased cost of oil and a deflationary impact resulting from the increased transfers to the OPEC group following oil price rises. As these funds are not immediately fully respent by OPEC, there has been an output loss. Faced with huge balance of payments deficits, many countries resorted to deflationary measures.

The 1973-1974 quadrupling of oil prices increased the OECD countries' import bill from $US 35 billion in 1973 to over $US 100 billion in 1974. Before that time their GDP growth started to taper off and inflation picked up considerably. The contractionary and restrictive measures consequently imposed, coupled with reduced investment and stocking, saving and consumption, resulted in the sharpest recession of the post-war period. The later price rises in 1978-1980 increased the oil import bill for the OECD group further to $US 140 billion in 1978 and to $US 290 billion by the spring of 1980. Like the oil price rise in 1973, these rises occurred at a time when growth in these countries was slowing down after a period of moderate growth in 1976 and 1978.

In the course of the 1970s the OPEC group amassed huge surpluses, cumulatively standing at $US 231 billion in 1979 and forecast to rise to $ 345 billion by the end of 1980. Out of the 1979 total, some $ 230.1 billion was invested in only a few western countries, almost half of which in the United Kingdom of Great Britain and Northern Island and the United States of America. Although no data are available, it is clear that only a small fraction of these funds was recycled to the developing countries, and in particular to the non-oil-exporting developing African countries.

According to World Bank projections, total world energy production will expand at an average annual rate of 3.8 per cent to 214.2 million barrels of oil equivalent by 1990, with consumption increasing at 4.1 per cent yearly to 221.7 million barrels of oil equivalent over the same period. Thus the international primary energy balance is projected to be tight.

The production and consumption of commercial primary energy are unevenly distributed between the developed and developing countries. In 1976 the industrialized countries accounted for 36.6 per cent of world production and 54.9 per cent of consumption, compared with 29.8 and 27.1 per cent respectively for the centrally-planned economies and 33.6 per cent of world production and 54.9 per cent of consumption, 33.6 and 13.8 per cent respectively for the developing countries, including capital-surplus oil-exporting countries. Per capita consumption in the industrialized countries in 1976 was about 13-14 times, and per capita production 3.5 times, that in the developing countries. The share of developing Africa in world production was about 5.7 per cent, and 1.7 per cent of world consumption in 1976, and its respective per capita shares are far below those for the developing countries as a group.

The real income loss to the non-oil-exporting developing African countries resulting from the rise in oil prices is estimated at around 4 per cent of GDP, but given their low per capita income this is more serious for them than for the OECD countries. The direct impact of the oil prices rises on these countries has been substantial. Their total import bill rose from $US 0.8 billion in 1973 to about $US 7.4 billion in 1980, or as a proportion of export proceeds from 8.2 per cent to 29.2 per cent, with resultant adverse effects on their balance of payments. The deficit in the balance on current account, which amounted in 1973 to $US 1.9 billion, rose to $US 8.5 billion by 1979, and the projection for 1980 is for a deficit of $US 10.1 billion. Net official transfers and capital inflows rose from $US 2.4 billion to $US 8.7 billion over the same period. The terms for these inflows were continuously hardening, however, and even with this substantial increase the non-oil-exporting developing African countries have been obliged to draw on their limited exchange reserves to meet their oil import bills.

While the OECD countries were able to adjust to the higher deficit fairly rapidly, the non-oil-exporting developing African countries have not been able to do so. The former group's success was made possible through energy conservation, increased investment in energy production and consumption and expanded exports, especially to the OPEC group, and they will be able to continue it in future, thanks to their enormous technological and financial resources. The adjustment of the non-oil-exporting developing African countries to the recent price increases is likely to be slow and extremely difficult, as it was in the past. Not only is the increase in the oil bill larger than the first (projected at $US 2.9 billion as compared to $US 1.2 billion in 1973 and 1974) most of the countries concerned are also aiming at higher growth rates through increased capital formation, a possibility which is becoming increasingly more remote with rampant inflation and the fall in export prices. The strain on their budgets and balance of payments makes the enormous investment they need to make in production and use of traditional and alternative energy sources in order to adjust to the new situation, extremely difficult.

The projections of energy production and consumption by 1990 indicate that for a historical trend scenario (1960-1976) production, given new potentials, would amount to 45.6 million barrels a day of oil equivalent and that consumption would reach 4.7 million barrels of oil equivalent as compared to 2.2 million barrels.

in 1960. A second scenario, based on the extrapolation of the short-term trend since 1970, projects consumption at 5.3 million barrels of oil equivalent in 1990. Assuming a target growth rate of GDP of 6 per cent, oil consumption would rise to 5.4 million barrels of oil equivalent during this period.

On the basis of the above scenarios it is preliminarily estimated that over the 1980s investment requirements of additional capacity for all developing Africa would amount to $US 18.75 billion, $US 23.25 billion and $US 24 billion respectively at 1977 constant prices. On average the tentative investment requirements of non-oil-exporting African countries are estimated to range between $US 10 and 16 billions at constant 1980 prices. This implies that between $US 700 million and $US 1.2 billion annually at 1980 constant prices would be needed by this group of countries to meet the cost of additional investment required to generate the required increases in energy.

Indeed the amount of financing required by the non-oil exporting developing African countries needed for the adjustment process is enormous. Over and above the funds required for investment in energy, vast quantities of funds are also needed not only to finance the capital formation required for import substitution, but also to promote exports of goods and services to acquire the foreign exchange needed to import capital goods and basic consumer goods. During the period of adjustment, substantial balance of payments support will be required on a regular basis and for long term if the process is to proceed smoothly without undue disruption of growth.

The world community-including the World Bank, IMF and OPEC - is now conscious of the short-and long-term adjustment requirements of these countries. Policies and lending practices are now being reconsidered to accommodate their immediate and long-term needs and national Governments have been urged to adopt appropriate policies for the adjustment process. However, with the food and oil import bill and the services of external debts accounting for over 60 per cent of export proceeds, it is obvious that for the Governments of the non-oil exporting developing African countries are left little flexibility and freedom of choice in making the necessary adjustment needed to cope with the situation. In fact they are already caught up in a vicious circle which is difficult to break out of unless assistance is forthcoming immediately and on an unprecedented scale.