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## INTERNATIONAL FINANCIAL AND MONETARY ISSUES

Implications for Africa's  
Trade and Development

(Provisional note by the secretariat)

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This document comprises a review of international, financial and monetary issues and their implication for Africa's trade and development (E/CN.14/AMA/30) and in the chapter on Summary and Conclusions suggested positions that may be taken by African countries on the main issues and problems identified (E/CN.14/AMA/31).

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## Introduction

1. There was a deceleration in the growth rate of economic activity during the second half of the 1960's. Real gross domestic product of developing African countries grew at an annual rate of 4.8 per cent between 1960 and 1965 and 4.0 per cent between 1965 and 1969. The rate achieved between 1968 and 1969 was 3.8 per cent. Since the achievements of the immediate past under normal circumstances are good indicators of what may happen in the immediate future, such a deceleration naturally has grave implications for the Second United Nations Development Decade.

Table 1. Average annual rates of growth of GDP and GDP per capita at 1960 prices for developing Africa

	1960-65	1965-69	1968-69	1960-69
GDP	4.8	4.0	3.8	4.4
GDP per capita	2.4	1.4	1.2	1.9

Source: ECA secretariat.

2. This trend contrasts sharply with the one found in other developing regions. Data published by the World Bank in its Annual Report 1970 show that while total GDP and GDP per capita both were lower in Africa in 1969 than during the first half of the 1960's, the other developing regions show significant increases in both magnitudes. And Africa's per capita rate of growth at the end of the decade was by far the lowest. This suggests that a polarization of growth was taking place among the developing countries in favour of the more advanced among them.

3. The same period has also witnessed mounting balance of payments difficulties in a good many African countries. Although the combined net position of exports less imports of goods and services improved for developing Africa as a whole, many individual countries have continued to be plagued by problems of deficit on external account. Most of the improvement has been due to the experience of a handful of countries. In the majority of African countries imports were higher than exports at the end of the 1960's.

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

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

#### Balance of payments

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

7. The exceptions to this general situation are few. They are, however, important in the combined balance of payments position of developing Africa. The over-all deficit of the current transactions was practically wiped out in 1969 mainly as a result of highly favourable developments on the merchandise account of a limited number of African countries. As the volume of capital inflow has remained approximately unchanged in recent years, there was an over-all balance of payments surplus of \$600 million in 1969.

Table 2. Balance of payments summary for developing Africa 1966-1969  
(1,000 million US dollars)

	1966	1967	1968	1969
Current balance	-0.8	-0.8	-0.5	-
Capital balance	0.8	0.7	0.8	0.6
Over-all balance	-	-0.1	0.3	0.6

Source: IMF Annual Report 1969, 1970.

8. One common factor behind the improvements in the external position of these countries is the predominance among their exports of minerals. Moreover, with foreign exchange reserves usually at a barely safe minimum level, many African countries have had to adopt the only way open to them for coping with balance of payments difficulties, namely to cut back on the increase of imports. But in spite of these developments, the majority of African countries continued to face the same situation in the second half of the 1960's as in the first half of the decade - worrying deficits on their merchandise accounts.<sup>1/</sup>

<sup>1/</sup> For a detailed analysis of Africa's visible trade, see E/CN.14/WP.1/42.

9. With only few exceptions all African developing countries sustained persistent deficits on their over-all invisibles account, and in practically every component item. This cannot be otherwise as long as African countries continued to depend on the outside world not only for their capital formation, but also in respect of shipping services, insurance services and skilled managerial and technical personnel.

10. Of all the countries shown in table 3, only five have had a surplus on the combined goods and services account during the years 1966-1969. Moreover, if public and private transfers are included in the current account, the number of countries having a surplus is reduced significantly.

Table 3. Balance on invisible account for selected African countries, 1966 - 1969  
 (million of US dollars)

		Transport and insurance	Travel	Invest- ment income	Central Govern- ment	Other services	Total balance of in- visibles	Balance on goods and services
Congo (Dem.Rep.)	1966	-55.0	-	-	-63.0	-52.0	-170.0	11.0
	1967	-39.0	-	-	-67.0	-62.0	-168.0	42.0
	1968	-57.0	-	-	-87.0	-69.0	-213.0	27.0
	1969	-65.0	-	-	-84.0	-61.0	-210.0	80.0
Dahomey	1966	-	-	-0.1	-0.7	-	-0.8	-26.1
	1967	-	-	-0.4	3.7	0.8	4.1	-35.6
	1968	-	-	-1.3	-1.6	0.9	-2.0	-27.2
	1969	-	-	...	...	...	...	...
Ethiopia	1966	-12.1	-	-5.0	-	2.6	-14.5	-44.5
	1967	-6.4	-	-6.9	-	-1.3	-14.6	-37.6
	1968	-12.1	-	-9.0	-	13.4	-7.7	-42.9
	1969	-9.1	-	-8.1	-	7.1	-10.1	-20.2
Ghana	1966	-38.2	-	-20.1	-	-18.8	-77.1	-117.5
	1967	-33.9	-	-24.2	-	-30.0	-88.1	-69.3
	1968	-29.8	-	-32.1	-	-25.7	-87.6	-40.0
	1969	...	-	...	-	...	...	...
Ivory Coast	1966	-	-	-34.0	-0.5	-23.5	-58.0	-11.0
	1967	-	-	-36.1	-0.8	-25.1	-62.0	-22.0
	1968	-	-	-38.5	2.0	-30.4	-67.7	36.0
	1969	-	-	-41.0	-2.0	-34.0	-77.0	37.0
Kenya	1966	-	24.6	-34.9	-	57.4	47.1	-27.4
	1967	-	21.5	-39.9	-	62.5	44.1	-60.3
	1968	-	24.4	-39.0	-	52.4	38.0	-63.3
	1969	-	25.5	-37.0	-	56.1	44.6	-43.9

Table 3. Balance on invisible account for selected African countries, 1966-1969  
 (million of US dollars) (cont'd)

		Transport and insurance	Travel	Invest- ment income	Central Govern- ment	Other services	Total balance of in- visibles	Balance on goods and services
Libya	1966	-	-	227.6	-14.6	-212.8	-455.0	131.3
	1967	-	-	-276.1	-21.9	-231.8	-529.8	165.2
	1968	-	-	-516.6	-21.3	-301.3	-839.2	379.4
	1969	-	-	455.7	-88.5	-456.9	-1001.1	492.2
Malawi	1966	-	-	-9.9	-	-12.4	-22.3	-49.6
	1967	-	-	-11.1	-	-14.9	-26.0	-39.4
	1968	-	-	9.4	-	-14.9	-24.3	-44.7
	1969	-	-	-11.1	-	-16.4	-27.5	-48.8
Mali	1966	-13.4	-	-	-11.3	-6.5	-31.2	-48.1
	1967	-12.1	-	-	-8.0	-7.3	-27.4	-42.9
	1968	-4.7	-	-	-4.2	-3.4	-12.3	-18.6
	1969	...	-	-	...	...	...	...
Morocco	1966	-22.9	-	-	-4.7	-19.2	-46.8	-61.3
	1967	-24.7	-	-	-8.7	-15.8	-49.2	-105.5
	1968	-22.7	-	-	8.5	-28.7	-42.9	-104.0
	1969	-29.8	-	-	-22.5	7.7	-44.6	-82.4
Nigeria	1966	-	-35.0	-208.0	-	-105.0	-348.0	-263.8
	1967	-	-30.0	-113.1	-	-168.0	-311.1	-254.0
	1968	-	-44.0	-150.9	-	-137.2	-332.1	-283.6
	1969	-	-36.1	-154.0	-	-215.3	-405.4	-169.1
Sierra Leone	1966	-9.0	-	-7.6	-	-4.9	-21.5	-30.6
	1967	-8.1	-	-11.2	-	0.1	-19.2	-30.0
	1968	-8.1	-	-9.7	-	-0.6	-18.4	-6.4
	1969	-10.0	-	-7.4	-	-3.5	-20.9	-14.3
Somalia	1966	-	-1.3	-	-2.1	-2.6	-6.0	-20.4
	1967	-	-2.0	-	-3.4	-2.9	-8.3	-23.8
	1968	-	-2.8	-	-0.1	-4.2	-6.9	-22.8
	1969	-	-0.3	-	0.7	-1.0	-	-17.5
Sudan	1966	-	-	-9.5	-	-16.9	-26.4	-54.3
	1967	-	-	-8.6	-	-19.2	-27.8	-48.5
	1968	-	-	-10.3	-	-13.8	-24.1	-51.4
	1969	-	-	-14.6	-	-15.5	-30.1	-27.9
Tanzania	1966	-	5.8	-19.3	-	4.7	-8.8	-1.4
	1967	-	-4.0	-16.8	-	10.9	-9.9	-9.7
	1968	-	-3.1	-4.4	-	18.4	10.9	15.3
	1969	-	-2.1	-3.0	-	21.4	16.3	16.4

Table 3. (cont'd)

		Transport and insurance	Travel	Invest- ment income	Central Govern- ment	Other services	Total balance of in- visibles	Balance on goods and services
Togo	1966	-	-	-1.4	-0.9	-4.1	-6.4	-10.2
	1967	-	-	-3.4	-0.8	-4.2	-9.7	-6.5
	1968	-	-	-5.3	-1.0	-4.7	-11.0	-4.7
	1969	-	-	...	...	...	...	...
Tunisia	1966	-19.0	-	-	-27.0	-28.0	-20.0	-132.0
	1967	-22.0	-	-	3.0	-11.0	-30.0	-144.0
	1968	-19.0	-	-	10.0	-5.0	-14.0	-75.0
	1969	-25.0	-	-	20.0	8.0	3.0	-88.0
UAR	1966	217.0	-	-	-69.0	23.0	171.0	-135.0
	1967	106.0	-	-	-45.0	1.0	62.0	-292.0
	1968	-3.0	-	-	-51.0	-9.0	-63.0	-248.0
	1969	-6.0	-	-	-50.0	-21.0	-77.0	-303.0
Zambia	1966	-41.1	-	-87.1	-	-44.4	-172.6	84.1
	1967	-57.6	-	-70.8	-	-45.8	-174.2	14.6
	1968	-70.3	-	-81.9	-	-64.7	-216.9	11.2
	1969	...	-	...	-	...	...	...

Source: IMF International Financial Statistics, March 1971.

11. In most African countries private transfers are dominated by a net outflow of remittances by expatriates (see table 4). A few countries, however, with traditionally a large number of citizens employed abroad have a net inflow of private remittances. Public transfers are generally positive. It is worth noting the rather irregular flow of capital, in particular as regards private capital movements.

Table 4. Financing of deficit on goods and services or disposition of current surpluses, 1966-1969 (Million US dollars)

		Transfer			Capital		
		Private	Public	Total	Private	Public	Total
Congo							
(Dem.Rep. of)	1966	-50.0	50.0	-	-3.0	25.0	22.0
	1967	-64.0	37.0	-27.0	5.0	21.0	26.0
	1968	-65.0	39.0	-26.0	7.0	43.0	50.0
	1969	-75.0	38.0	-37.0	5.0	5.0	10.0
Dahomey	1966	3.1	16.4	19.5	1.3	-0.7	0.6
	1967	2.9	17.4	20.3	7.3	-0.8	6.5
	1968	4.4	19.0	23.4	2.4	1.1	3.5
	1969	...	...	...	...	...	...
Ethiopia	1966	0.1	11.8	11.9	21.4	8.2	29.6
	1967	-4.0	10.4	6.4	6.4	8.9	15.3
	1968	-2.4	14.2	11.8	25.4	4.7	30.1
	1969	-3.0	14.2	11.2	3.6	9.1	12.7
Ghana	1966	-12.4	4.8	-7.6	49.2	49.2	98.4
	1967	-15.5	0.3	-15.2	31.3	19.4	50.7
	1968	-15.9	-	-15.9	19.8	25.0	44.8
	1969	...	...	...	...	...	...
Ivory Coast	1966	-35.2	19.4	-15.8	12.2	2.8	15.0
	1967	-36.1	14.6	-21.5	12.2	0.4	12.6
	1968	-37.3	15.4	-21.9	8.0	19.4	27.4
	1969	-37.0	18.0	-19.0	7.0	21.0	28.0
Kenya	1966	0.2	8.6	8.8	5.1	30.5	35.6
	1967	-1.8	4.5	2.7	20.5	11.3	31.8
	1968	-	24.6	24.6	34.3	21.2	55.5
	1969	2.8	19.6	22.4	51.2	17.6	68.8
Libya	1966	-37.5	-	-37.5	-27.7	-2.0	-29.7
	1967	-43.7	-77.3	-121.0	13.2	-1.1	12.1
	1968	-43.4	-83.7	-127.1	-65.2	-2.0	-67.2
	1969	-43.9	-118.4	-162.3	-136.6	-17.9	119.5
Malawi	1966	1.0	20.2	21.2	12.2	7.1	19.3
	1967	1.8	20.3	22.1	10.9	7.5	18.4
	1968	1.9	15.9	17.8	19.5	8.9	28.4
	1969	1.8	16.1	17.9	13.5	15.7	29.2
Mali	1966	4.8	13.0	17.8	-2.1	22.0	19.9
	1967	4.0	9.4	13.4	-8.1	17.2	9.1
	1968	2.5	3.9	6.4	-6.7	9.3	2.6
	1969	...	...	...	...	...	...



Table 4 (cont'd)

		Transfer			Capital		
		Private	Public	Total	Private	Public	Total
Morocco	1966	-7.5	17.7	10.2	-3.4	44.5	41.1
	1967	25.3	11.1	36.4	-6.6	58.9	52.3
	1968	27.7	19.1	46.8	-15.0	46.0	31.0
	1969	53.7	15.7	69.4	-7.2	39.1	31.9
Nigeria	1966	-18.8	24.7	5.9	171.6	-3.1	168.5
	1967	-12.6	34.2	21.6	146.7	24.1	170.8
	1968	-9.8	38.4	28.6	219.2	4.8	224.0
	1969	5.6	23.5	29.1	99.7	6.2	105.9
Sierra Leone	1966	2.1	2.8	4.9	9.9	4.6	14.5
	1967	-0.3	2.5	2.2	12.5	8.9	21.4
	1968	1.4	2.2	3.6	8.5	6.6	15.1
	1969	1.3	3.0	4.3	16.3	2.2	18.5
Somalia	1966	-0.4	10.4	10.0	1.5	8.8	10.3
	1967	0.8	11.9	12.7	2.4	7.3	9.7
	1968	0.6	18.9	19.5	2.4	3.8	6.2
	1969	1.4	10.4	11.8	1.0	10.2	11.2
Sudan	1966	-0.9	2.6	1.7	2.8	41.1	43.9
	1967	-0.6	2.3	1.7	-0.3	26.4	26.1
	1968	-0.6	-1.1	-1.7	-0.6	23.0	22.4
	1969	-0.6	-1.1	-1.7	0.9	35.9	36.8
Tanzania	1966	1.0	-2.3	-1.3	17.3	6.7	24.0
	1967	4.1	3.2	7.3	-11.0	22.2	11.2
	1968	8.5	0.7	9.2	-1.1	22.4	21.3
	1969	8.5	1.2	9.7	-20.8	11.0	-9.8
Togo	1966	1.7	8.1	9.8	-0.3	5.2	4.9
	1967	1.3	8.4	9.7	-1.6	3.4	1.8
	1968	1.1	10.2	11.3	0.3	0.4	0.7
	1969	...	...	...	...	...	...
Tunisia	1966	4.0	15.0	19.0	59.0	40.0	99.0
	1967	7.0	22.0	29.0	31.0	75.0	106.0
	1968	10.0	30.0	40.0	10.0	39.0	49.0
	1969	9.0	32.0	41.0	25.0	39.0	64.0
UAR	1966	6.0	6.0	12.0	-13.0	128.0	115.0
	1967	12.0	122.0	134.0	-14.0	108.0	94.0
	1968	3.0	251.0	254.0	-17.8	19.0	2.0
	1969	8.0	288.0	296.0	-10.0	-73.0	-83.0
Zambia	1966	-13.3	-0.1	-13.4	16.9	-50.2	-33.3
	1967	-13.0	13.1	0.1	20.4	39.9	60.3
	1968	-37.4	2.5	-34.9	40.6	41.2	87.8
	1969	...	...	...	...	...	...

Source: IMF International Financial Statistics, March 1971.

The volume of aid

12. Considering the smaller economic growth achieved by Africa as against the growth of other regions, there is a great need for intensification of development assistance to African countries. In spite of that, the share of Africa in total official net flow of external resources from developed market economy countries and multilateral agencies declined from more than 27 per cent during the first half of the 1960's to only about 21-22 per cent during the second half of the decade. The decline between individual years is even more illustrative. Africa's share in total aid fell from about 35 per cent in 1960 to about 27 per cent in 1966 to about 27 per cent in 1965 and to 23 per cent in 1968.

Table 5: Total official net flow of external resources to developing regions from DAC countries and multilateral agencies (annual average)<sup>a/</sup>

Region		Bilateral	Multilateral	Total
Africa	1960-1966	1,500.00	168.91	1,669.01
	1967-1969	1,354.70	254.06	1,608.76
Europe	1960-1966	419.09	33.57	452.66
	1967-1969	324.35	106.99	431.34
Latin America	1960-1966	739.10	143.06	882.16
	1967-1969	956.35	299.43	1,255.78
Asia	1960-1966	1,869.56	232.72	2,701.27
	1967-1969	2,000.67	352.31	3,548.15
Oceania	1960-1966	105.07	0.76	105.83
	1967-1969	190.02	3.32	193.34
Total (unallocated included)	1960-1966	5,419.92	598.89 <sup>b/</sup>	6,013.81
	1967-1969	6,318.81	1,035.17	7,353.99

Source: OECD Development Assistance efforts and policies - 1970 Review.

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

<sup>b/</sup> Total exclude figures for African and Asian Development Banks. For the African Development Bank cumulative disbursement from its foundation in 1964 to 1966 were \$39 million. (Negative figures reflect inflow as the Bank's capital was constituted).

13. The decline in the absolute amount from an annual average of 1669 million dollars in 1960-1966 to 1609 million dollars in 1967-1969 was due to a fall in the flow of bilateral resources of 145 million dollars accounted for by a significant retraction in the flow of resources from the main bilateral donors. Of 16 DAC countries, twelve countries more than doubled their assistance during this period. However, the flow of resources from the remaining four countries, Belgium, France, United Kingdom and USA, declined by 312 million dollars, nearly half of which was accounted for by a fall in the flow of resources from USA.

Table 6. Total official bilateral net flow of resources from DAC countries to Africa - 1960-1969a/ annual average (Million US dollars)

	1960-1966	1967-1969
Australia	0.33	0.94
Austria	1.27	2.40
Belgium	75.78	66.54
Canada	5.85	26.35
Denmark	0.62	8.59
France <sup>b/</sup>	636.10	518.03
Germany	59.57	110.13
Italy	38.18	70.08
Netherlands	0.35	10.43
Japan	0.73	8.10
Norway	0.62	6.90
Portugal	38.06	47.24
Sweden	3.58	20.66
Switzerland	0.93	5.05
United Kingdom	193.84	156.93
United States	444.31	296.33
Total	1500.10	1354.70

Source: OECD Development Assistance - 1970 Review.

a/ Net of loan repayment.

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

14. In addition to the declining share, aid to Africa fluctuated more than for other regions. Although aid, in current prices, was larger in 1968 than in 1960, in four out of the nine years, i.e. in 1963, 1965, 1966 and 1968, it was less than in the preceding years. The volume of aid to Africa reached its peak in 1962, when it stood at 1,777 million. By 1968 it had declined to \$1,562 million. If the 1968 volume of aid is adjusted for changes in prices of manufactures entering into international trade, the \$1,562 million at current prices is reduced to \$1,444 million at 1960 unit value of manufactures.

15. The geographic distribution of financial resources committed by the socialist countries is characterized by shifting emphasis over time, combined with a high degree of concentration at the country level. The share of Africa in total commitments by socialist countries during the period 1959 to 1969 amounted to 34.2 per cent. The bulk of the commitments by socialist countries to developing countries (57.7 per cent) was concentrated in Africa. UAR, which has been the greatest beneficiary of this aid in Africa, accounted for 52.2 per cent of Africa's share and 17.9 per cent of the grand total during the period 1959 to 1969. The Soviet Union provided nearly 60 per cent of total aid commitments from socialist countries (See Table 7).

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

Region and country	1965	1966	1967	1968	1969	Total 1959-1969	Percentage share in total
<b>AFRICA</b>							
Algeria	-	-	170	-	-	469	4.53
CAR	-	-	-	-	-	4	0.04
Congo (Brazzaville)	29	-	-	-	-	62	0.60
Ethiopia	-	-	-	-	-	129	1.24
Ghana	20	-	-	-	-	188	1.81
Guinea	-	3	-	-	-	102	0.98
Kenya	-	11	-	-	-	66	0.63
Liberia	-	-	-	-	-	3	0.02
Mali	-	-	-	-	-	92	0.89
Morocco	-	-	19	-	-	36	0.34
Nigeria	14	-	100	-	-	114	1.10
Senegal	-	-	-	-	-	7	0.06
Sierra Leone	28	-	-	-	-	28	0.27

Table 7 (cont'd)

Region and country	1965	1966	1967	1968	1969	Total 1959-1969	Percentage share in total
Somalia	-	6	-	-	-	110	1.06
Sudan	-	-	10	-	-	56	0.54
Tunisia	-	-	7	55	-	109	1.05
Uganda	30	-	-	-	-	45	0.43
UAR	126	-	120	168	38	1,850	17.90
United Republic of Tanzania	-	26	-	-	-	77	0.74
<b>Africa Total</b>	<b>247</b>	<b>46</b>	<b>428</b>	<b>223</b>	<b>38</b>	<b>3,547</b>	<b>34.20</b>
Latin America	15	100	107	20	30	840	8.10
Asia	384	1,167	55	515	469	5,984	57.70
<b>Total</b>	<b>646</b>	<b>1,313</b>	<b>590</b>	<b>758</b>	<b>537</b>	<b>10,371</b>	<b>100.00</b>
By donor:							
Bulgaria	-	30	-	35	20	104	1.00
China (People's Republic of)	77	6	-	42	-	936	9.03
Czechoslovakia	43	192	88 <sup>c/</sup>	200	5	1,186 <sup>c/</sup>	11.43 <sup>c/</sup>
German (Dem. Republic)	132	-	231	8	98	707	6.81
Hungary	42	52	45	40	10	370	3.56
Poland	22	-	35 <sup>c/</sup>	20	25	447 <sup>c/</sup>	4.31 <sup>c/</sup>
Rumania	-	-	14	45	132	337	3.24
USSR	330	1,033	77 <sup>c/</sup>	368	247	6,044 <sup>d/</sup>	58.27 <sup>c/</sup>
Yugoslavia <sup>d/</sup>	-	-	-	-	-	140	1.34
<b>Total donor countries</b>	<b>646</b>	<b>1,313</b>	<b>590</b>	<b>758</b>	<b>537</b>	<b>10,371</b>	<b>100.00</b>
<b>Africa's share in total</b>	<b>38.23</b>	<b>3.50</b>	<b>72.54</b>	<b>29.41</b>	<b>7.07</b>	<b>34.20</b>	

Table 7. Socialist countries: commitments of bilateral economic assistance to the developing countries (cont'd)

<u>Source:</u>	1965-1967:	International flow of long-term capital and assistance; review of recent trends. Report of the Secretary-General (E/4495), 20 May 1968.
	1967	: International flow of long-term capital and official donations, 1964-1968 (E/4676).
	1968-1969:	International flow of long-term capital and official donations, 1969 (E/4873).

Remarks and explanations:

- a/ The data in this table are estimates based upon incompleting information. The figures for individual donor and recipient countries refer only to the amounts of credits or grants reported in special announcement. They may, therefore, differ from data relating to total aid extended to, or received by, each country from other socialist countries.
- b/ National currencies converted into dollars at official rates of exchange.
- c/ Exclusive of a contribution to the \$100 million credit to Nigeria, provided jointly by Czechoslovakia, Poland, USSR and Yugoslavia which is included in "Total".
- d/ Yugoslavia not recorded within this group of countries after 1961.

It is difficult to assess to what extent bilateral commitments of socialist countries have been implemented. It is understood that the percentage of implementation varies considerably from country to country and from year to year, partly due to the fact that most commitments are heavily project oriented.

16. Aid from multilateral agencies is playing an increasing role in the flow of external resources to Africa, from about one tenth of the total during the first half of the 1960's to about 19 per cent during the second half of the decade. However, as the total net multilateral flow more than quadrupled over this period, Africa's share declined from about 60 per cent in 1961 to about 25 per cent in 1967-1969 (see tables 5 and 7).

Table 8. Net flow of resources from the multilateral agencies to the developing regions, a/ 1961-1967 (millions of dollars)

Recipient region	1961	1962	1963	1964	1965	1966	1967 <sup>b/</sup>
Africa	125	146	116	175	208	240	260
Latin America <sup>c/</sup>	-44	70	286	315	142	208	310
Southern and South-eastern Asia <sup>d/</sup>	81	123	158	171	358	290	340
West Asia	44	50	42	48	70	41	48
All developing countries <sup>e/</sup>	209	398	616	720	789	802	976
Africa's share as percentage of the total	60	37	19	24	26	30	27

Source: United Nations, The External Financing of Economic Development, 1963-1967, E/4652, p.34.

a/ Grants and loans less subscriptions, contributions, participations and repayments. In case of technical assistance under the regular programmes of United Nations agencies, contributions are imputed on the basis of scales of assessment.

b/ Preliminary; partly estimated.

c/ Including Caribbean countries.

d/ Including net disbursements in developing countries in the Pacific.

e/ Including inter-regional and unallocated flows.

Table 9. Total multilateral net flows to Africa<sup>a/</sup> annual averages  
 (million US dollars)

	1960-1966	1967-1969
IBRD	52.10	27.89
IDA	-0.57	43.31
IFC	2.67	7.40
ADB	b/	-21.81
EEC	59.18	107.60
UN	55.53	89.68
<b>Total</b>	<b>168.91</b>	<b>254.06</b>

Source: OECD Development Assistance - 1970 Review.

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

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

17. More than half of the increase in the flow of multilateral resources to Africa has been accounted for EEC. The first FED (Fond Europeens de Developpement) which covered the period 1958-1963, had 581 million US dollars available to finance capital investment expenditure of associated countries and territories. With the second Convention of Association, the total money available in the Fund was raised to 800 million dollars, of which 730 million was allocated to the African-associated States. Under the third Convention of Association a total of 1,000 million dollars is available, of which 918 million is intended for the African Associated States.



Table 10. Aid components under third Convention of Association  
 (Million US dollars)

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

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

19. There has been a shift in the geographical distribution of the commitments of the World Bank group. Lending to Africa has in the past few years been rising as a proportion of the total, but it still accounts for less than 20 per cent compared with 38 per cent for the developing countries of Asia and 31 per cent for Latin American countries (including the Caribbean). Of even more importance is that African countries receive only about one fourth of IDA funds, compared with more than 70 per cent for the developing countries of Asia. One Asian country (India) received in 1969/70 more than 40 per cent more of IDA funds than all African countries combined, while two Asian countries (Indonesia and Pakistan) together received about the same amount as Africa as a whole. IDA credits made up half of total lending to Asia from the World Bank Group in 1969/70 as compared with about one third for Africa.

Table 11. World Bank Loans and IDA credits (million US dollars and percentages)

	1968 and before			1969/70		
	Bank	IDA	Total	Bank	IDA	Total
<b>AFRICA</b>						
Algeria	80.5	-	80.5	-	-	-
Botswana	-	3.6	3.6	-	2.5	2.5
Burundi	4.8	1.1	5.9	-	0.4	0.4
Cameroon	7.0	11.6	18.6	17.2	17.5	34.7
Central African Rep.	-	-	-	-	4.3	4.3
Chad	-	-	-	-	-	-
Congo (Dem. Rep. of)	91.6	-	91.6	-	5.0	5.0
Congo (People's Rep. of)	30.0	-	30.0	-	1.5	1.5
Dahomey	-	-	-	-	-	-
Ethiopia	70.2	28.4	98.6	-	6.6	6.6
Gabon	48.8	-	48.8	-	-	-
Gambia	-	-	-	-	2.1	2.1
Ghana	47.0	10.0	57.0	-	14.8	14.8
Guinea	1.7	-	1.7	-	-	-
Ivory Coast	12.9	-	12.9	18.5	-	18.5
Kenya	85.2	39.0	124.2	26.1	6.1	32.2
Kenya, Tanzania,	-	-	-	-	-	-
Uganda	-	-	-	87.8	-	87.8
Lesotho	-	4.1	4.1	-	-	-
Liberia	4.3	-	4.3	7.4	-	7.4
Libya	-	-	-	-	-	-
Madagascar	4.8	10.0	14.8	-	9.6	9.6
Malawi	-	27.5	27.5	-	5.3	5.3
Mali	-	9.1	9.1	-	7.7	7.7
Mauritania	66.0	6.7	72.7	-	-	-
Mauritius	7.0	-	7.0	-	-	-
Morocco	59.7	11.0	70.7	68.3	7.3	75.6
Niger	-	1.5	1.5	-	0.6	0.6
Nigeria	185.5	35.5	221.0	35.6	-	35.6
Rhodesia	86.9	-	86.9	-	-	-
Rwanda	-	-	-	-	9.3	9.3
Senegal	4.0	9.0	13.0	-	2.1	2.1
Sierra Leone	3.8	-	3.8	-	3.0	3.0
Somalia	-	8.5	8.5	-	-	-
Sudan	129.0	21.5	150.5	-	-	-
Swaziland	7.0	2.8	9.8	-	-	-
Tanzania	5.2	26.6	31.8	-	7.5	7.5
Togo	-	-	-	-	-	-
Tunisia	33.9	23.9	57.8	10.0	10.5	20.5
Uganda	8.4	18.4	26.8	-	11.6	11.6

Table 11. World Bank loans and IDA credits (million US dollars and percentages) (cont'd)

	1968 and before			1969/70		
	Bank	IDA	Total	Bank	IDA	Total
United Arab Republic	56.5	-	56.5	-	26.0	26.0
Upper Volta	-	-	-	-	-	-
Zambia	84.9	-	84.9	10.8	-	10.8
<b>Africa total</b>	<b>1,226.6</b>	<b>309.8</b>	<b>1,536.4</b>	<b>281.7</b>	<b>161.2</b>	<b>442.9</b>
Percentage of total						
Africa	10.9	17.3	11.8	16.8	26.6	19.4
Asia	33.1	71.6	38.8	25.9	71.6	38.0
Latin America	28.5	6.6	25.4	41.8	1.8	31.2
Other and unallocated	27.5	4.5	24.0	15.5	-	11.4

Source: World Bank Annual Reports.

20. Data relating to the distribution of net private flows are limited in coverage. However, it is estimated that in 1967/1968 Africa accounted for about one fourth of total net direct private foreign investment in developing countries, thus increasing its share slightly from 1965-1966. It will be noted from table 12 that almost two-thirds of direct investment in Africa in 1967-1968 was in the petroleum industry. Political and other factors affecting the investment climate in the Middle East appears to have led to increasing interest in Africa. The decline in investment in manufacturing is a disquieting feature of the table. It suggests that in Africa private investors are mainly interested in the exploitation of the region's natural resources and not in its industrialization.

21. Trends in the other two major types of private capital flows, private portfolio investment and export credits, are more difficult to assess. The total net flow of bond capital and all other long-term private finance to all developing countries which stood at an annual average of 619 million dollars in the first half of the 1960's had increased to 1673 million dollars in 1969. Surprisingly, this increase took place in the face of a rapid increase in the cost of borrowing during the past few years. However, even at the best of times the international bond and loan market is of significant use only to the more advanced developing countries and to the international development banks. During the period 1966-1969 about three-fourths of the total bond issues by developing countries of 1894 million

Table 12. Regional and sectoral distribution of total DAC direct investment in developing countries, annual averages 1965-1966 and 1967-1968 (million US dollars)

Country	Year	Petro-		Manufac-		Total
		leum	Mining	turing	Other	
Europe	1965-1966	44	10	124	90	268
	1967-1968	20	4	139	56	219
Africa	1965-1966	328	85	89	84	586
	1967-1968	403	54	74	98	629
America	1965-1966	-57	99	591	292	925
	1967-1968	55	150	560	263	1,028
Middle East	1965-1966	374	1	12	5	392
	1967-1968	191	1	9	18	219
Asia and Oceania	1965-1966	62	28	129	117	336
	1967-1968	113	42	153	89	397
Total	1965-1966	751	223	945	588	2,507
	1967-1968	782	251	935	524	2,492

Source: OECD Development Assistance - 1970 Review.

US dollars was accounted for by three countries only (Argentina, Israel and Mexico)<sup>1/</sup>. Issues by African countries during this period amounted to 60 million dollars <sup>2/</sup>.

22. Private export credit is on the other hand generally available, as a result of subsidies or special institutional arrangements, at half to two thirds of the rates prevailing in international bond markets. This explains in part the strong increase in the net flow of capital to developing countries in the form of private guaranteed export credits. The share of private export credits in the total net flow of resources to developing countries has increased from an average of 7 per cent during the first half

<sup>1/</sup> OECD Development Assistance - 1970 Review Table V-3.

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

of the 1960's to 12 per cent in 1968 and 15 per cent in 1969. It may be presumed that the relative stagnation in the volume of net official development assistance has been diverting into the export credit sector a rising demand for external finance which earlier was satisfied by concessional aid.

Table 13. Net change in guaranteed private export credits, (million US dollars)

	1966	1967	1968	1969
Africa	228.4	266.8	69.5	234.9
All developing countries	1214.8	1052.6	1441.3	1905.5

Source: OECD Development Assistance - 1970 Review, Table 25.

The terms of financial flows and problems of debt servicing

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

24. No data are available on terms and conditions of assistance to African countries in the past few years. For DAC members as a group, the terms of official development loans hardened between 1968 and 1969. The average interest rate rose from 2.7 to 2.9 per cent, and maturities and grace periods fell slightly, from 31.1 and 7.2 years, respectively, in 1968 to 28 and 6.7 years in 1969. This was mainly due to a lower volume of commitments by the most concessional lenders and increased commitments by countries having harder programmes. However, due to an increase in the grant share of total commitments from 58 per cent to 66 per cent the overall concessional element of official development assistance rose from 80 to 85 per cent <sup>1/</sup>.

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

Table 14. The financial terms of official development assistance commitments in 1968 and 1969

Country	Loans							
	Grants as % of total		Weighted average					
	ODA commitments		Maturity (years)		Interest rate %		Grace period (years)	
	1968	1969	1968	1969	1968	1969	1968	1969
Australia	100	100			(No Loans)			
Austria	51	69	11.9	15.2	5.1	4.4	1.9	4.2
Belgium	95	92	21.9	27.2	3.2	2.6	6.1	8.3
Canada	83	60	50.0	48.5	0.0	0.3	10.0	9.8
Denmark	57	78	24.9	25.0	0.0	0.0	7.0	7.0
France	72	75	17.0	17.6	3.7	3.7	1.7	1.9
Germany	51	51	23.4	26.0	3.0	3.2	7.1	7.6
Italy	30	27	12.3	10.9	4.7	5.3	2.3	2.2
Japan	62	42	17.9	19.5	3.7	3.7	5.6	6.1
Norway	92	91	23.0	36.0	2.2	1.7	5.5	7.9
Netherlands	52	70	27.9	28.6	3.8	3.1	6.4	8.1
Portugal	30	31	31.7	30.1	2.4	2.3	8.4	8.0
Sweden	75	85	34.0	47.2	1.5	0.9	9.6	10.0
Switzerland	75	78	32.9	34.9	2.2	2.1	7.7	7.4
United States	54	70	38.0	37.1	2.6	3.0	9.0	8.7
United Kingdom	46	48	24.0	24.1	1.0	1.2	5.6	5.6
Total DAC	58	66	30.7	28.4	2.7	2.9	7.2	6.7

Source: OECD Development Assistance - 1970 Review, Table III-2.

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

26. Six of the sixteen DAC countries did not qualify at all under the 1969 Supplement in 1969: Germany, Italy, Japan and Portugal because their terms did not meet the norms, and Austria and Switzerland because, although they met the terms standard, they failed to commit a large enough volume.

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

28. There is a close relation between the lending terms of the World Bank and the conditions in world capital markets where most of the Bank's funds are being raised. In 1970 the Bank's borrowing cost averaged 7.69 per cent as against 6.46 per cent in 1969 and 6.17 per cent in 1968. Consequently, in 1969 the Bank increased its lending rate from  $6\frac{1}{2}$  to 7 per cent and again to  $7\frac{1}{4}$  per cent in the beginning of 1971. The average annual return on all IFC investments amounted to 9.08 per cent at the end of 1970 as against 8.45 per cent at the end of 1969. IDA finance bears no interest and only a  $3/4$  per cent a year service charge.

29. Donors' terms policies can only be fully evaluated in the context of the growing debt difficulties of developing countries. Data collected by the World Bank on indebtedness show that for 35 African countries for which data are available, public and publicly-guaranteed debt outstanding amounted to \$8.7 billion at 31 December 1968. Comparing this with the estimate for 1965 one arrives at an annual rate of increase of 11.1 per cent. Debt service payments by the 35 countries has been estimated at 744 million dollars in 1968, which represents an annual rate of increase of 11.0 per cent since 1965. A disquieting feature is the increase in debt service payment of about 56 per cent between 1967 and 1969. No other developing region registered a rise of such a magnitude.

<sup>1/</sup> The recent \$400 million loan from China for the construction of the Tan-Zam Railway is interest free and repayable over thirty years, starting in 1973.

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

Table 15. External public debt outstanding and debt service payments of 35 African countries, (million US dollars)

	Debt outstanding 31 December	Service Payments
1965	6,284	468
1966	7,349	474
1967	8,058	472
1968	8,719	625
1969	...	744 <sup>a/</sup>

Source: World Bank Annual Report 1970, Tables 5 and 10

a/ Projected.

30. Reverse flows of funds back to the developed countries because of the sizable flow of private capital have naturally been considerable. Consolidated balance of payments accounts of 22 African countries indicate that payments of gross investment income from African countries more than tripled during the period 1963-1967. Gross profits accounted for about 72 per cent of total payments. The overwhelming part of the profits payments originated in mineral-exporting countries.

Table 16. Gross investment income payments by African countries (million US dollars)

	1963	1964	1965	1966	1967
Gross	267.4	611.6	682.6	898.2	861.4
Profits	138.0	464.0	505.3	664.4	614.1
Interest	129.4	147.8	177.3	233.8	247.3

Source: TD/B/C.3/73, Table 1.

31. The ratio of payments of investment income to exports increased from about 10 per cent in 1963 to about 23 per cent in 1967. While this ratio does not by itself constitute an adequate index of the burden of such payments, it shows that these payments have outpaced the growth of the major source of foreign exchange for African countries. A similar conc-



clusion emerges from a comparison of the magnitudes of net capital inflow with gross investment income payments. For 13 African countries for which data are available, gross investment income payments during the period 1965-1967 amounted to 57 per cent, of the net capital inflow into these countries.<sup>1/</sup>

32. In 1968 nearly 40 per cent of total public or publicly-guaranteed debt service of developing countries was paid to private creditors. Debt service for export financing which comprises payments on suppliers' credits and loans from private banks and other financial institutions, accounted for about threefourths of payments to private creditors.

Table 17. Structure of service payments on existing external public debt of Africa, (million US dollars and percentages)

	1965	1966	1967	1968	1969 <sup>a/</sup>
Total	466.7	474.5	472.1	625.4	743.9
Loans from governments	170.0	180.6	174.3	217.9	387.9
Loans from international organizations	46.8	48.1	54.0	63.5	66.5
Total official creditors	216.8	228.7	228.3	315.4	454.4
Export financing	128.5	145.7	176.8	206.2	215.9
Other private creditors	121.4	100.1	67.0	103.8	73.6
Total private creditors	249.9	245.8	243.8	310.0	289.5
Private credits service as per cent of total service	54	52	52	49	39
Service on export financing as per cent of total service on private credits	51	59	73	66	75

Source: World Bank Annual Report 1970, Table 10.

a/ Estimate.

33. The World Bank data do not include figures for unguaranteed export credits, debt repayable at the option of the borrower in local currencies, or commercial arrears. If these could have been taken into account, the total outstanding debt and the debt service payments would naturally have been much greater. The very substantial rise in export credits in recent years is an important factor in aggravating the total debt service burden of African countries. However, the pressure to accept such credits is

<sup>1/</sup> TD/B/C.3/73, para. 37.

almost inevitable when donors do not offer sufficient volumes of grants or loans at concessional terms to finance imports of capital goods needed for economic development.

#### Technical assistance

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

35. As a proportion of bilateral official development assistance from DAC countries, technical assistance to all developing countries represented 26.9 per cent of total disbursements in 1969, a substantially higher proportion than during the early sixties. As a result of increased salaries and other costs, the number of persons supplied during the past years has naturally grown at a slower rate than technical assistance expenditure.

Table 18. Bilateral technical assistance disbursements from DAC countries  
(million US dollars and percentages)

	Million US dollars	Percentage of official development assistance
1962	746.8	14.9
1963	870.7	15.9
1964	951.2	16.9
1965	1,053.5	18.8
1966	1,235.3	21.2
1967	1,319.4	22.5
1968	1,472.4	26.2
1969	1,536.7	26.9

Source: OECD Development Assistance - 1970 Review.

36. The geographic distribution of bilateral technical assistance expenditures is heavily influenced by the assistance from France, the United Kingdom and Belgium to their former colonies in Africa. As a result Africa is the largest recipient of bilateral technical assistance expenditure from DAC countries. In 1968, 37 per cent went to Africa. This

proportion has decreased during the 1960's, reflecting in particular a substantial reduction in the number of operational experts financed by France. However, while the share of Africa in technical assistance expenditure by the former colonial powers was declining, several of the comparatively new donors were increasingly directing their aid to Africa. In 1968 Canada, Norway, Sweden and Switzerland were spending over half of their technical assistance contributions for the African region.

37. Multilateral institutions' technical assistance expenditures amounted in 1969 to about one fifth of that of DAC bilateral programmes. United Nations contributions represented more than 92 per cent, and exceeded 200 million dollars as a result of the continued rapid expansion of the broad range of pre-investment projects carried out under the "Special Fund Component" of UNDP. Another 5 per cent was accounted for by EEC programmes.

38. The geographical allocation of UN technical assistance follows a similar pattern to that of bilateral technical assistance, at least as far as its distribution by developing regions is concerned. About 36 per cent of UN assistance went to Africa, while the overwhelming part of assistance provided under EEC programmes was supplied to African countries. In terms of resources for on-going projects, Africa's share in 1970 represented 39 per cent of total UNDP projects.<sup>1/</sup>

Table 19. Percentage distribution of DAC bilateral technical assistance and UN and EEC programmes

	DAC Bilateral	UN	EEC
Developing countries total	100.0	100.0	100.0
Africa total			
1962	44.0	30.0	82.0
1968	36.9	36.2	92.9
Africa North of Sahara			
1962	8.8	6.0	-
1968	6.2	6.9	0.6
Africa South of Sahara			
1962	35.2	24.0	82.0
1968	30.7	29.3	92.3

Source: OECD Development Assistance - 1970 Review.

<sup>1/</sup> Mr. Doo Kingue, Director of UNDP Regional Bureau for Africa in a statement to the Fifth Meeting of the ECA Executive Committee (E/CN.14/522, para. 98).

39. Technical assistance in 1968 constituted nearly two fifths of all aid disbursements to Africa, compared with only about one fifth at the beginning of the 1960's.

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

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

42. The Indicative Planning Figures for 1972-1976 have been calculated on the percentage devoted to each country of the total earmarkings of programmed resources during the five years 1966-1970, and an estimated annual growth of total resources of 9.6 per cent. This method of calculation means that for a number of African countries the level of their IPF will be very low indeed as compared with on-going commitments. In some cases it might even lead to a reduction from the level reached during the year of the previous programming procedure. As compared with a share of 39 per cent for Africa in 1970, the forward programming for the five-year period 1972-1976 allocates to Africa a share of 37.3 per cent.

#### External balance and international liquidity

43. Preliminary data for 1970 suggest that African countries as a group had a balance of trade surplus of 1.8 billion US dollars, made up of a surplus of 1.5 billion dollars for the main African oil exporting countries (Algeria, Libya and Nigeria) and 300 million dollars for the rest. The net change in reserves were, however, only about 1.1 billion dollars due to an outflow on other balance of payments items of 700 million dollars.

Table 20. Indicative planning figures approved by the UNDP Governing Council at its eleventh session

Individual African Country level of IPF million US dollars	Country	Total African IPF mill. US dollars	Total IPF for all developing countries mill. US \$
30	Nigeria, )		
27.5	UAR )	57.5	207.5
20	Algeria, Congo (Dem. Rep. of) )	80.0	220.0
	Ethiopia, Morocco )		
15	Cameroon, Ghana, Guinea )	150.0	360.0
	Ivory Coast, Kenya, Somalia )		
	Sudan, Tanzania, Tunisia, )		
	Zambia )		
10	Burundi, Liberia, Madagascar )	100.0	200.0
	Mali, Niger, Rwanda, Senegal )		
	Togo, Uganda, Upper Volta )		
7.5	Chad, Congo (People's Rep. of) )	52.5	142.5
	Dahomey, Gabon, Lesotho, Malawi )		
	Sierra Leone )		
5	Botswana, Central African Rep. )	30.0	100.0
	Libya, Mauritania, Mauritius, )		
	Swaziland )		
2.5	Equatorial Guinea, Gambia	5.0	15.0
1 and below and undistributed	Comoro Islands, French Territory )	1.0	30.0
	of the Afars and the Issas, )		
	Seychelles )		
		<u>476.0</u>	<u>1,275.0</u>
Percentage share			
	Africa	37.3	
	Asia and the Far East	26.9	
	Latin America and the Caribbean	21.5	
	Europe and the Middle East	14.3	

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

Table 21. Balance of trade and changes in international liquidity of African countries. (million US dollars)

	Balance of trade <sup>a/</sup>			Net change in reserves <sup>b/</sup>			Net change in other balance of payments		
	1968	1969	1970	1968	1969	1970	1968	1969	1970
Africa	1,253	2,104	1,788	337	562	1,060	-916	-1,542	-728
Africa oil region <sup>c/</sup>	1,212	1,609	1,517	207	309	689	-1,005	-1,300	-828
Rest of Africa	41	495	271	130	253	371	89	-242	100

Source: Review of salient features of the world economy, E/5036/Add.3.

<sup>a/</sup> Exports f.o.b. minus imports c.i.f.

<sup>b/</sup> Gold, convertible foreign exchange and reserve position in IMF.

<sup>c/</sup> Algeria, Libya, Nigeria.

44. International liquidity of all African countries for which data are published in IMF's International Financial Statistics stood at 4,287 million US dollars at the end of September 1970. This represents an increase of 37 per cent from the end of September 1969. The United Nations Centre for Development Planning, Projections and Policies in its Review of Salient Features of the World Economy 1970-1971 has published an analysis of the changes of international liquidity of developing countries during the 1960's. The data for the 25 African countries included in the analysis are set out in table 22.

45. The international liquidity of these countries increased by about two fifths in 1970 to a total of 3.7 billion US dollars. While the great majority of the countries listed in table 22 were able to add to their reserves in 1970, six of them had to draw on theirs in order to meet external deficits. About three-fourths of the increase in the total could be accounted for by increases in the reserves of two countries (Libya and Zambia).

46. Holdings at the end of 1970 were down to half the 1960 level in the United Arab Republic and to much smaller fractions in Ghana (18 per cent). This was equivalent to 2.5 month's imports in Ghana and the United Arab Republic and only one month's in the Sudan. The reserves/imports ratio was of this order even in some of the countries in which international liquidity increased in the course of 1970, such as Chad, Gabon, Morocco,

Table 22. Changes in international liquidity of selected African countries

	Million of US dollars	International re- serves a/ end 1970		International reserves a/ end of year, ... percentage of			
		As percentage of		Gross domestic pro-			
		reserves at	End	product b/ in	Imports in		
		1969	1960 <sup>d/</sup>	preceding year	preceding year c/		
		1969	1960 <sup>d/</sup>	1961	1970	1961	1970
Total	3,707	141	161	9.4	10.1	47	58
Cameroon	81	169	427	3.9	8.6	24	39
CAR	1	100	253	...	0.5	...	3
Chad	2	200	17	4.4	0.7	32	4
Congo (Dem. Rep. of)	185	93	294	1.3	10.5	52	45
Congo (People's Rep. of)	9	150	180	2.7	3.4	4	11
Dahomey	16	200	178	5.8	6.4	36	31
Ethiopia	71	99	134	5.9	4.4	66	46
Gabon	15	188	150	8.6	5.8	34	21
Ghana	71	82	18	14.3	3.1	53	21
Ivory Coast	105	148	309	6.0	7.5	20	31
Kenya	119	129	425	6.7	15.3	27	67
Libya	1,590	173	1,939	34.8	42.3	52	235
Mauritania	4	100	67	7.7	2.0	19	11
Morocco	141	124	68	10.3	4.5	45	25
Niger	19	271	238	3.9	5.3	42	42
Nigeria	226	164	52	11.7	5.0	65	33
Senegal	22	275	29	12.9	2.9	49	11
Sudan	22	61	13	13.7	1.1	84	9
Tanzania	139	82	108	11.3	7.2	55	33
Togo	35	135	500	6.1	14.0	27	67
Tunisia	58	157	65	9.2	4.9	38	23
Uganda	91	109	118	11.2	6.3	66	46
UAR	135	93	51	4.9	2.2	30	21
Upper Volta	36	157	300	6.5	12.9	43	78
Zambia	514	139	257	27.2	34.3	81	105

Source: Review of salient features of the world economy 1970-71, E/5036/Add.3 Table IV-8.

- a/ Gold, convertible currency, special drawing rights and reserve positions in IMF.  
 b/ In current market prices converted at official exchange rates.  
 c/ Valued c.i.f.  
 d/ 1962 for Dahomey, Ivory Coast, Kenya, Mauritania, Niger, Senegal, Tanzania, Togo, Uganda and Upper Volta; 1964 for Congo (Dem. Rep. of); 1965 for Zambia.

Senegal, Tunisia and the People's Republic of Congo. Not more than half of the countries listed in the table had reserves for more than four months imports, and in nine countries were reserves lower at the end of 1970 than at the beginning of the decade.

47. Table 23 sets out the structure of Africa's international liquidity. It shows clearly the negligible role played by SDR's in the over-all picture. Thirty-nine African countries received SDR's amounting to 193 million dollars out of a total allocation of 3,414 million dollars for the first year of operation of the scheme and 168 million out of 2,949 million dollars for its second year of operation. This is less than one third of the allocation for USA alone, and only slightly more than what is allocated to West Germany. What is more, the allocation for 1970 was more than wiped out by the deterioration in the terms of trade for Africa during that year. <sup>1/</sup>

Table 23. Structure of Africa's international liquidity (million US dollars and percentages)

	1961	1965	1970
	End year	End year	End September
Total million US dollars	2,143	2,053	4,287
Percentage share:			
Gold	11.4	13.9	12.0
Foreign exchange	87.5	82.5	82.6
Reserve position in IMF	1.1	3.6	2.7
SDR's	-	-	2.7

Source: International Financial Statistics, March 1971.

48. Special drawing rights can be used to obtain convertible currency from other participants in the scheme. Nineteen African countries used a total of 105 million dollars up to the end of January 1971.

<sup>1/</sup> Estimated as a loss of 267 million US dollars based on the unit value indexes for the first three quarters of the year.



Summary and conclusion

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

- (i) There has been a deceleration in the rate of growth of economic activity in Africa during the second half of the 1960's, in contrast to the trend in other developing regions. A polarization of growth has been taking place among the developing countries in favour of the more advanced among them;
- (ii) Although there has been an improvement in the external balance for African countries as a group in the past few years, only a handful of those countries could show a surplus on their current external account at the end of the 1960's. For the majority imports were higher than exports than at the beginning of the decade.
- (iii) Africa, in addition to sharing in the broadly adverse trends in the volume of transfers of financial resources to developing countries, suffered from a serious fall in the share of resources going to the region. In constant prices, the amount of resources received at the end of the decade was probably not more than about four fifths of what it was at the peak at the beginning of the decade.
- (iv) Africa accounts for less than one fifth of the World Bank groups' loan commitments. IDA credits accounted for about one third of total lending from the World Bank group to Africa, as compared with more than half for Asia.
- (v) For DAC countries as a group the terms of official development loans hardened between 1968 and 1969. There was, however, an increase in the concessional element due to an increase in the grant share.
- (vi) The outflow of financial resources constitutes a significant component of the payments of foreign exchange. There has been a stronger rise in African countries' debt service payments in the past few years than in any other developing region.
- (vii) Technical assistance and pre-investment surveys constituted nearly two fifths of all aid disbursements to Africa at the end of the 1960's. The new programming procedure of UNDP may lead to a decline in the contribution to this share from multilateral programmes, in spite of the importance of technical assistance in any aid package for African countries. As far as UNDP is concerned there might even be a decline from on-going commitments.

- (viii) Not more than half of African countries have international reserves for more than four months' imports, and in a number of them were the reserves lower at the end of the 1960's than at the beginning of the decade. The contribution of SDR's to the countries reserves is being nullified by adverse development in their terms of trade. The first allocation of SDR's to Africa, for 1970, was more than wiped out by the deterioration in the terms of trade of the region during that year.

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

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

#### The flow of resources

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

countries committed themselves to endeavour to attain the target by 1972, or by 1975 at the latest.

53. Total external development financing has, however, continued its relative decline also after the second session of UNCTAD, mainly as a result of a persistent fall in transfers from the United States. The prospects for official development assistance in the near future is for a continuation of the trend of the past few years; increases in the net flows of other countries about being offset by a decline in United States disbursements. Even if the US Congress approves the aid allocation for 1971/72 which the President has asked for, American official aid will still be running at a mere 0.3 per cent of gross national product or less than half way towards the target of 0.7 per cent for official aid proposed by the Pearson Commission.

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

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

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

57. The possibility of a "link" is therefore slowly but steadily gaining ground in the minds of those who are concerned with this problem. As the SDR scheme gains strength it should be adopted to purposes that are fundamental for the health of the world economy. The next occasion when the international community will be ready to consider the question of the "link" will be in 1972 when the second round of allocation of SDR's falls due. The only thing that is required at that time is a policy decision by the developed countries. African countries should urge that methods be agreed for the establishment of a link before the next basic period for allocation of SDR's.<sup>1/</sup>

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

59. One of the declared functions of aid is to reduce the growing international inequalities. This principle has usually been applied only to the income gap between the developed and the developing countries as a group. If this principle is applied to the third world, aid should be increasingly directed to those with lowest income and lowest development prospects. On this ground the claims of Africa for a growing share of international assistance are very strong. Within the aid total there is therefore a special case for allocating a greater proportion of aid funds to the least developed region. African countries should ensure that within the general aid strategy their needs be given special attention, either by setting up specific targets for contribution, supported by a machinery for implementation, or by setting up programmes in terms of specific objectives to be achieved, which the donors should agree to underwrite.

60. The claim for a greater share in aid programmes is particularly directed to the multilateral agencies. A distinguishing feature of the aid from medium-sized donor countries -- most of which have indicated their willingness to meet the aid target -- is the preference for multilateral programmes. African countries would therefore have to improve their share of the flow of assistance from UN, the World Bank group and other multilateral agencies in order to benefit from the increased aid coming from these countries. They should in particular strongly support the position of African Governors in the World Bank Group that the Bank undertake a

<sup>1/</sup> For example, the possibility of amending IMF's Article XXIII, Section 3 could be explored in order to enable international organizations to hold SDR's.

more equitable distribution of IDA's resources, taking into account not only the size of population, but also the degree of development reached by the different developing countries.

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

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

62. Recommendation A.IV.4 of the first session of UNCTAD, which was adopted with the developed countries either voting against it or abstaining, recommended that donor countries should endeavour to meet certain conditions in respect of periods of repayment of loans, blending of loans and grants, rates of interest, and a more flexible policy with respect to tied loans. Although this recommendation was not supported by the developed countries, the members of DAC adopted in 1965 a recommendation in which they recognized the need, first, for a certain degree of harmonization of the terms and conditions on which financial aid was provided by the various members and, secondly, for the softening of financial terms and conditions. In some respects the targets for softening of terms and conditions were no more ambitious than those which the members as a group had already attained. As regards the need for harmonization, it appeared to be achieved at the level of the least favourable terms accorded. For all DAC members the weighted average of terms and conditions deteriorated between the first and the second session of UNCTAD.

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

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

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

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

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

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

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

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

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

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

#### The efficiency of aid

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

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

74. It has become increasingly evident in many African countries that growth can be speeded up by the fuller use of existing capacity rather than by creating new capacity which would then largely remain under-utilized. Larger availability of non-project assistance would have this advantage. There has been too much emphasis on the preparation and financing of individual projects. It is difficult to understand why non-project aid

<sup>1/</sup> TD/B/C.3/73 para. 69.



should be considered less desirable than project aid. Such considerations did not carry much weight during the days of the Marshall plan. The Pearson Commission and many other expert bodies have argued convincingly in favour of non-project assistance. It is time that donors adopt a more flexible approach to programme aid.

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

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

77. A primary objective of aid to Africa must be to encourage the formation of wider markets and a rational investment policy based on sub-regional and regional co-operation and greater mobility of skills and private investment. Aid can contribute to the removal of obstacles to intra-African co-operation. It can contribute to facilitating the institutional arrangements required for regional co-operation. But it can in particular assist by providing funds to support the creation of regional payments unions. Resort to stand-by arrangements with IMF cannot be viewed as a real alternative solution to the balance of payments constraints impinging on African countries' trade liberalization efforts since they depend on a country's overall payments position and are conditioned by a general examination of its economic policies to the extent that they affect the balance of payments. Moreover, IMF support through stand-by arrangements would not be additional to, but would be part of the general IMF facilities already available. Trade liberalization commitments among African countries constitute on the other hand a new potential drain on the countries' balance of payments.

78. Relatively modest contributions by donor countries or multilateral agencies to credit facilities in payments arrangements among African countries could act as catalysts to stimulate new trade flows many times the size of the initial contribution. IMF could support trade liberalization among African countries by permitting members to make special drawings exclusively designed to overcome deficits resulting from trade