

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



46912



Distr.
LIMITED

E/CN.14/CP/13
11 October 1962

Original : ENGLISH

ECONOMIC COMMISSION FOR AFRICA
Meeting on Comprehensive Economic Planning
Addis Ababa, 15 - 20 October 1962

NOTE ON LONG-TERM PROJECTION FOR AFRICA

NOTE ON LONG-TERM PROJECTION FOR AFRICA

1. In most if not all underdeveloped countries, there is a strong drive for economic development. There is, in fact, a strong conviction that the gap between the standards of living in those countries and in the more developed countries will not be narrowed unless an accelerated rate of growth is achieved in the latter countries. There is also a realization of the fact that the mode of development of the industrial countries which was based on individual efforts, minimum government action and trial and error is not the path through which such accelerated growth rates could be achieved in the less developed countries. From this stems the need, not only for the formulation of concrete programmes for economic development in underdeveloped countries, but also for the creation of the proper set-up for implementing and following up of these programmes. The latter may vary a great deal in their contents and may range from an aggregate programmes which merely indicates the future income of a country and the total investment required to a detailed account of the sectoral development within a reasonably long period. Nevertheless the mere existence of such programmes in underdeveloped countries in itself could be looked upon with satisfaction since they bring to light the gaps in statistics and indicate the areas of development which could be good starting points for action.

2. In the light of the above and taking into account the urgent need of the less developed countries to establish and implement national plans, a fact which, in itself will require the advancement of the planning techniques, the Economic and Social Council adopted at its thirtieth session a resolution (777) authorizing the Secretary-General to convene a meeting of experts for the purpose of further evaluation of techniques of medium and long-term projections, particularly in the economic field. Subsequently, the General Assembly, at its sixteenth session decided, in resolution 1708 (XVI) to request the Secretary-General to establish an Economic Projections and Programming Centre with sub centres in the regional

economic commissions or institutes of economic development and planning. One of the main functions of such a centre and with which we are primarily concerned in this note is "to intensify the activities already initiated in this field and to prepare, as soon as practicable, in co-operation with the international agencies concerned, long-term projections of world economic trends in order to facilitate the formulation of national economic plans". As it is clear such projection for Africa will be of great help in checking the consistency of the development targets under certain constraints. Further it will be a valuable aid in indicating the quantitative implications of the development policies. It will also lead to the discovery of the areas of complementarity and co-operation among the African countries.

3. For this purpose a meeting of a group of experts was convened in June of this year in which besides a host of other topics, three main papers containing various projection models for the various zones (A, B, and C)(1) were discussed. In fact work on projection has already begun at Headquarters and some of the regional commissions. The participation of ECA in such a projection is therefore assumed and for this purpose a simple model has been prepared.

4. No attempt, however, will be made here to go into the details of the above model but it may be stated that it is an aggregate model. This was necessitated by a variety of considerations which are well known. The model itself is based on national income identities and does not attempt to venture into the sectoral analysis. Any such step will no doubt entail a great deal more work and requires some definite ideas about the inter-dependency among the various sectors in the economy and this will, no doubt, necessitate the co-operation of the various African countries. But in formulating the above model, careful consideration was given to the problems generally faced in such cases. These problems include lack of necessary data, the dependency of most of these economies on foreign trade which means that while national plans may be used as useful guides in projections

the targets included in such plans could not be taken as given; the problem of the low mobility of resources among the various sectors, the problem of inter-trade and a variety of others.

5. As it is clear the success of these projections could only be secured through the co-operation of the various African countries and therefore the opportunity should be seized to discuss the main problems facing the execution of these projections for Africa. These may be stated in the shape of questions with the hope that the meeting could reach some conclusive results regarding them.

- (1) The horizon of the projection period
- (2) Could a sectoral model be adapted with a reasonable degree of confidence ?
- (3) Is it appropriate to adopt one model for the whole period despite the more rapid changes in the structure of the under-developed economies ?
- (4) For the projection purposes a reasonable estimation of sectoral capital-output ratio will be required. This point needs to be discussed from several angles, e.g. should a net or gross capital output ratios be adopted; average or incremental, also the feasibility of securing the necessary data for the African countries.

6. The model presented entails the estimation of the capital stock as well as its depreciation. The feasibility of this step should be carefully examined.

7. What are the most important elements of an export demand function for the African countries ?

8. In the model presented capital inflow is an important parameter. An estimation of this parameter may be arrived at by making general assumptions about world economy. But there is a good chance that this estimation may be improved through the information on capital inflow and bilateral

agreements which are contained in the development plans of the African countries.

9. One of the import parameters of the model is the income elasticity of consumption. In some African countries ample statistics on consumptions are available whereas in others there is a scarcity of such data. As work in this direction may start at ECA in the near future a discussion of a most practical approach in estimating these elasticities would be of great help.

10. Similarly two parameters are included which reflect the shares of total investment and of total consumption. A discussion of the elements which affect these trends is of great help.

11. For purposes of projections the African countries will have to be grouped in sub-groups. This could be done on political basis, geographical basis, income per capita, major export commodity. However there are two strong proposals; this is according to complementarity or homogeneity of economic structure. What is, in your opinion, the most appropriate way of grouping the African countries ?

12. Some discussion of the growth rates of the three zones took place at the meeting of the group of Experts at Headquarters in June. What is the most appropriate rate of growth for the various African countries and what is the best approach to estimating them ?