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SILVER JUBILEE ANNIVERSARY MEETINGS

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Item 4 of the provisional agenda

ECONOMIC COMMISSION FOR AFRICA

SILVER JUBILEE ANNIVERSARY MEETINGS

Eighteenth session of the Commission and ninth meeting of the Conference of Ministers of the Commission

Addis Ababa, Ethiopia, 27 April - 3 May 1983

Item 6 of the provisional agenda

## ECONOMIC AND SOCIAL SURVEY OF AFRICA, 1958-1983

### Executive summary*

*The present document constitutes the main document for consideration.

M84-2568

# ECONOMIC AND SOCIAL SURVEY OF AFRICA, 1958-1983

## 1. Introduction

1. When the Economic Commission for Africa was established in 1958, the vast majority of African States were still under the yoke of colonial rule. The scramble for Africa which had resulted in the balkanization of the region into many small States had, by then, consolidated the orientation of the African economy. Indeed, by 1958 the African economy had already been characterized by a system which inhibited the development by the region of its own resources for its own use and benefits. The total production structure and its supporting infrastructure had all been established to ensure only the production and transportation of raw materials for export to the colonizing countries. The consumption pattern had also been such as to ensure maximum dependence on imports. Thus, Africa was producing what it did not consume and consuming what it did not produce.

2. In view of the limitations of data and aggregation, the following represents only a broad outline of the salient features of Africa's development at the macro-level of production sectors, investments, consumption and trade together with an indication of demographic and social trends. Even in this broad effort, the scarcity of data, especially for the early part of the 1960s, has greatly limited the depth and detail of analysis. It is, nevertheless, hoped that the broad review will give some useful indication of the economic performance of Africa since 1958.

## 2. Demographic Trends

3. The total population of independent African countries in mid-1980 was estimated at 434 million. During the two decades 1960-1980, the annual growth rate of the population averaged 2.8 per cent and is projected to grow at 2.6 per cent during the last decade of this century. Available medium variant projection shows that by the year 2000 the total population will almost double to reach 790 million. In general, the estimated and projected annual growth rates of the population have been higher in the North, West and Eastern subregions than in the Central and Southern subregions (see table 1).

4. In 1960, 41.4 per cent of the estimated total population comprised children under 15 years of age and 3.4 per cent people over 65 years. The corresponding proportions by 1980 were 43.7 and 3.3 per cent respectively. The implied dependency ratio as at mid-1960 was 83 as against 89 in 1980 and it is projected at 85 for the year 2000 for the region as a whole. Fertility and mortality rates have remained high during the last two decades. The crude birth and death rates were about 46 and 17 per thousand respectively in 1980 compared with 48 and 25 per thousand respectively in 1960. The mean life expectancy at birth estimated for the region increased from 40 years for males and 42.9 years for females in the period 1960/1965 to 49 years (males) and 52.3 (females) during 1980-1985.

Table 1. Estimated and projected total population (in thousands) and annual growth rates (in percentage) by subregion for independent Africa 1960-2000

| Subregion | Total population ('000s) a/ | | | | | | | Annual growth rate (%) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1960 | 1970 | 1980 | 1985 | 1990 | 1995 | 2000 | 1960/ 1965 | 1965/ 1970 | 1970/ 1975 | 1975/ 1980 | 1980/ 1985 | 1985/ 1990 | 1990/ 1995 | 1995/ 2000 |
| North Africa b/ | 64 545 (25.5) | 82 562 (25.4) | 108 693 (24.8) | 125 471 (25.0) | 144 008 (24.5) | 164 545 (24.1) | 186 256 (23.6) | 2.8 | 2.9 | 3.0 | 3.1 | 3.1 | 2.9 | 2.8 | 2.6 |
| West Africa c/ | 79 884 (31.5) | 105 156 (32.3) | 142 772 (32.9) | 167 453 (33.2) | 195 861 (33.3) | 230 920 (33.8) | 269 331 (34.1) | 2.5 | 2.5 | 2.8 | 2.9 | 2.7 | 2.8 | 2.7 | 2.7 |
| Central Africa | 29 746 (11.8) | 35 969 (11.0) | 46 018 (10.6) | 52 629 (10.4) | 60 354 (10.3) | 69 251 (10.1) | 79 312 (10.0) | 1.5 | 1.7 | 2.1 | 2.3 | 2.3 | 2.5 | 2.5 | 2.5 |
| Eastern Africa d/ | 77 149 (30.5) | 99 809 (30.8) | 133 917 (30.9) | 157 008 (31.0) | 183 715 (31.3) | 214 737 (31.4) | 249 992 (31.7) | 2.4 | 2.6 | 2.7 | 3.1 | 3.0 | 2.8 | 2.8 | 2.8 |
| Southern Africa e/ | 1 739 (0.7) | 2 121 (0.7) | 2 705 (0.6) | 3 113 (0.6) | 3 578 (0.6) | 4 093 (0.6) | 4 635 (0.6) | 2.0 | 2.1 | 2.4 | 2.6 | 2.9 | 2.9 | 2.7 | 2.5 |
| All ECA member | 253 063 (100.0) | 325 617 (100.0) | 434 105 (100.0) | 505 674 (100.0) | 587 516 (100.0) | 683 546 (100.0) | 789 526 (100.0) | 2.2 | 2.4 | 2.6 | 2.8 | 2.8 | 2.8 | 2.7 | 2.6 |

a/ The figures in brackets are proportions of the total population of all ECA member States.

b/ Excludes Western Sahara.

c/ Excludes St. Helena.

d/ Excludes Reunion.

e/ Includes only Botswana, Lesotho and Swaziland.

Source: Prepared by the ECA Population Division in collaboration with the United Nations Population Division, New York (1982 round of demographic estimates and projections).

5. The proportion of the total African population living in urban areas increased from 16.3 per cent in 1960 to 27.4 per cent by 1980, and the average annual rate of urbanization rose from 5.1 per cent during 1960-1970 to 5.3 per cent in 1975-1980. The available projections point to a deceleration in the rate of urbanization to 5.2 per cent during the decade of the 1980s and to 4.6 per cent during the 1990s. Thus by the year 2000, 41.3 per cent of the African population is projected to be living in urban areas. By 1980, North Africa was the most urbanized subregion with 43.8 per cent of its population living in urban areas, followed by Central Africa (34.4 per cent), West Africa (22.3 per cent), East Africa (22.6 per cent) and Southern Africa (22.4 per cent).

6. The average annual rate of growth of the African population was by 1980 the highest in the world, almost double the world average and about 14 per cent higher than that of developing countries as a whole. Obviously such high rates of population growth together with the associated high rates of urbanization and the youthful character and high dependency ratios of the region's population have imposed serious constraints on the efforts made over the last two decades to achieve rapid socio-economic development in the region. Rapid population growth has led to a significant increase in the proportion of total income that is consumed. This has in turn seriously constrained the growth of domestic savings needed to finance fixed capital formation. Furthermore, increasingly larger proportions of fixed capital formation have had to take the form of infrastructure for education, health and other welfare services.

## 3. Structure and Performance of African Economies

### (a) Overall growth

7. Between 1960 and 1980, total real GDP of African developing countries about tripled, reaching in 1980 some $US95 billion (at constant 1970 factor cost), which implies an annual growth of 5.6 per cent on average. Growth, however, fluctuated around this mark in half-decade cycles generally in response to the performance of agriculture and/or external trade factors. Thus, the upswing in GDP growth during the period 1965-1970 was essentially due to the record performance in agriculture and the improved external demand for exports. Similarly, the slow-down of growth to 4.5 per cent a year during the subsequent five years was again due primarily to the unprecedented fall in the growth of agricultural value added to 1.4 per cent a year and to the world recessionary conditions following the quadrupling of oil prices in 1973/1974 that stifled demand for the region's exports, which grew by a mere 0.5 per cent a year in the meantime. The slight recovery in the 1975-1980 period, however, flowed primarily from the pick up in demand for non-petroleum products after a short period of adjustment to the costlier energy regime in the developed countries and from the retrenchment measures adopted by many African countries. The cyclical pattern seems to have set in again at the beginning of the 1980s with growth plummeting to 2 to 3 per cent in 1981/1982, this time more a reflection of the shortage in foreign exchange in many countries, affecting their investment and production programme.

8. All in all, then, GDP growth in the 1960s at 5.8 per cent a year was slightly better than the average of 5.4 per cent a year achieved during the year 1970.

9. Of the two major groups of countries, the 46 non-oil exporters, and especially the 21 least developed among them, were the most affected by the above factors in view of their well recognized weaknesses. Additionally, the ensuing payments difficulties, debt accumulation, and deteriorating credit worthiness exerted further strain on their national economies.

10. The general deterioration in the performance of agriculture, dragging with it allied agro-industries, resulted in a gradual change in the structure of the regional GDP. For the African region as a whole, the combined share of agriculture and manufacturing fell from 50.2 per cent of GDP in 1960 to only 32.6 per cent in 1980 (see tables 2 and 3).

(b) Sectoral performance

(i) Agriculture

11. Even though its contribution to regional GDP was almost halved over the last two decades (from 42.6 per cent in 1960 to 22.8 per cent in 1980) agriculture still remains the major source of employment, food, raw materials for industry and foreign exchange for the majority of African countries. While other sectors have grown in importance in the meantime, the contraction in the direct contribution of this sector to GDP is essentially due to its very slow rate of growth in recent years which had far-reaching ramifications on the rest of the economy, affecting overall growth, supply of raw materials and food, the surplus for exports and, as shortfalls had to be made good by imports, increased pressure on the balance-of-payments. According to ECA secretariat data, the growth in agricultural value added plummeted from a modest 3.7 per cent yearly during the 1960s to only 1.3 per cent per annum during the 1970s, indicating a serious decline in an already low net production per capita. Data provided by FAO (see table 4) show that not only has the growth of value added contracted but the volume of total agricultural production has in fact grown at slower comparable rates despite some improvement in the second half of the 1970s. This compares unfavourably with rates of growth of 2.9 per cent and 3 per cent for developing countries and 1.8 per cent and 2.6 per cent in the developed countries. The deterioration is most noticeable in food production where the FAO index of per capita food production indicates that the average African now has 10 per cent less home-grown food than ten years earlier, necessitating increased food imports.

12. Numerous factors have contributed to the slow and fluctuating performance of the agricultural sector. The most important, at least in recent years, has been unfavourable weather, particularly drought, which has affected various regions to varying degrees. The Sahelian zone of West Africa and the northern parts of East Africa for instance have been afflicted by protracted droughts which have not only led to the fall in agricultural production but also resulted in loss of livestock and in desertification and contributed to the deterioration of the environment. Other factors included the neglect, although temporary, of agriculture in development plans in some West and North African oil-exporting countries; inappropriate production and pricing policies at times of changing cost structures and comparative advantage of competitive activities; weaknesses in marketing and credit institutions; etc.

Table 2. Average annual growth at constant 1970 prices[a/] (in percentage)

| Countries | Agriculture | Manufacturing | Electricity | Mining | Construction | Commerce | Transport | Public administration | Other | GDP |
|---|---|---|---|---|---|---|---|---|---|---|
| Major oil-exporting | | | | | | | | | | |
| 1960-1970 | 5.6 | 8.8 | 3.1 | 28.3 | 6.3 | 12.2 | 3.5 | 10.6 | 1.9 | 9.4 |
| 1970-1980 | 1.4 | 10.1 | 6.6 | 1.1 | 11.4 | 5.8 | 8.3 | 11.2 | 4.8 | 7.9 |
| 1960-1980 | | | | | | | | | | 8.7 |
| Non-oil-exporting | | | | | | | | | | |
| 1960-1970 | 6.5 | 12.0 | 8.9 | 10.2 | 10.2 | 10.0 | 9.0 | 9.1 | 11.1 | 4.3 |
| 1970-1980 | 1.2 | 4.2 | 5.4 | 3.1 | 5.1 | 4.4 | 5.1 | 6.8 | 3.8 | 3.8 |
| 1960-1980 | | | | | | | | | | 4.0 |
| Least developed | | | | | | | | | | |
| 1960-1970 | -3.6 | 15.4 | 8.9 | 5.2 | 12.6 | 12.2 | 9.9 | 13.6 | 12.8 | 4.8 |
| 1970-1980 | 1.7 | 2.4 | 10.5 | 7.3 | 17.1 | 7.6 | 16.1 | 17.5 | 9.6 | 3.1 |
| 1960-1980 | | | | | | | | | | 4.0 |
| Developing Africa | | | | | | | | | | |
| 1960-1970 | 3.7 | 7.1 | 4.6 | 17.3 | 6.3 | 9.1 | 5.1 | 7.2 | 4.3 | 5.8 |
| 1970-1980 | 1.3 | 5.5 | 4.2 | 7.3 | 4.1 | 3.2 | 6.4 | 6.9 | 6.2 | 5.2 |
| 1960-1980 | | | | | | | | | | 5.6 |

Source: ECA secretariat.

a/ Sectoral growth for 1960-1970 is based on data for 39 countries of developing Africa for which data are available while for 1970-1980 sectoral as well as overall GDP growth are based on all 51 African developing countries.

Table 3. Sectoral composition of GDP at constant 1970 prices[a/] (in percentage)

| Countries | Agriculture | Manufacturing | Electricity | Mining | Construction | Commerce | Transport | Public administration | Other |
|---|---|---|---|---|---|---|---|---|---|
| Major oil-exporting | | | | | | | | | |
| 1960 | 43.1 | 5.5 | 1.3 | 3.8 | 8.4 | 19.3 | 5.5 | 7.5 | 5.6 |
| 1970 | 30.2 | 5.2 | 0.7 | 18.5 | 6.3 | 24.8 | 3.2 | 8.3 | 2.8 |
| 1980 | 16.3 | 6.4 | 0.9 | 8.6 | 14.3 | 24.2 | 6.6 | 19.5 | 3.2 |
| Non-oil exporting | | | | | | | | | |
| 1960 | 42.4 | 8.6 | 1.4 | 4.6 | 4.0 | 15.5 | 5.9 | 8.9 | 8.7 |
| 1970 | 35.1 | 11.7 | 1.4 | 5.4 | 4.7 | 17.7 | 6.2 | 9.4 | 8.4 |
| 1980 | 27.7 | 12.4 | 1.7 | 5.1 | 5.4 | 19.2 | 7.2 | 12.8 | 8.5 |
| Least developed | | | | | | | | | |
| 1960 | 59.2 | 5.3 | 1.4 | 0.8 | 4.6 | 15.4 | 4.3 | 7.8 | 1.2 |
| 1970 | 50.6 | 8.7 | 1.1 | 0.9 | 3.8 | 17.5 | 5.0 | 7.0 | 5.4 |
| 1980 | 44.2 | 8.1 | 1.3 | 1.3 | 4.2 | 17.7 | 6.9 | 10.0 | 6.3 |
| Developing Africa | | | | | | | | | |
| 1960 | 42.6 | 7.6 | 1.3 | 4.4 | 5.4 | 16.7 | 5.8 | 8.4 | 7.8 |
| 1970 | 33.4 | 9.5 | 1.2 | 9.8 | 5.2 | 20.1 | 5.2 | 9.0 | 6.6 |
| 1980 | 22.8 | 9.8 | 1.3 | 6.6 | 9.3 | 21.4 | 6.9 | 15.7 | 6.2 |

Source: ECA secretariat.

a/ See footnote to table 2.

Table 4. FAO indices of agricultural production in developing Africa

| | Growth rates | | | |
|---|---|---|---|---|
| | 1961-70 | 1971-75 | 1975-80 | 1971-80 |
| Food production (per capita) | - | -1.6 | -1.1 | -1.1 |
| Agricultural production | 2.7 | 1.0 | 2.2 | 1.6 |
| Forestry production (roundwood) | 4.0 | -0.2 | 2.4 | 1.2 a/ |
| Fish production | 7.3 | 2.2 | 4.8 | 4.1 b/ |

Source: Based on FAO, State of food and agriculture 1974, 1978, 1980.

a/ 1979 figures.

b/ 1971-1979.

Table 5: Value of cereal imports by developing Africa

(millions of US dollars)

| | 1961 | 1970 | 1980 |
|---|---|---|---|
| North Africa | 206.1 | 211.7 | 2 596.2 |
| West Africa | 61.3 | 149.8 | 1 079.5 |
| Central Africa a/ | 17.5 | 59.3 | 238.2 |
| Eastern and Southern Africa | 43.0 | 111.3 | 780.4 |
| Developing Africa | 327.9 | 532.1 | 4 694.3 |

Source: FAO, Trade yearbook, 1967, 1971, 1973, 1976, 1980.

a/ Excluding Equatorial Guinea.

b/ Excluding Djibouti, Lesotho and Seychelles.

Rising energy costs and the foreign exchange squeeze in recent years have also limited imports of vital farm inputs. It is no wonder that productivity levels have fallen in the case of many commodities, particularly export items which are already low in comparison with other regions. In the five basic foodgrains in the region (wheat, maize, rice, sorghum and millet), for instance, productivity per hectare after three decades of successive improvement remained 56 per cent, 31 per cent, 34 per cent and 36 per cent of the levels achieved in the developed countries for the respective commodities.

13. Recent trends in the food situation in the African region have caused considerable concern. According to FAO statistics, the index of per capita food production (1969-1971=100) fell from 99 points in 1971 to 89 points in 1980, denoting an annual rate of decline of 1.1 per cent compared to a gain of a full percentage point in the average for the developing countries. This fall is attributable mainly to the slow growth of cereals and pulses which grew by only 1.1 per cent and 1.3 per cent yearly over the last two decades whereas production of root crops (2.6 per cent), meat (2.6 per cent) and sugar (4.5 per cent) matched and, in the case of sugar, exceeded population growth. Taken at the country level, the situation is indeed disquieting. Of 43 African developing countries considered in one study, 30 recorded an actual decline in per capita food production between 1971 and 1980. Because of this disappointingly poor performance, a number of countries have had to resort to substantial food imports which in the case of some countries has become a permanent feature.

14. For the African region as a whole, the value of cereal imports increased at the annual rate of 15.1 per cent over the last two decades with the figure for the 1970s running at 24.3 per cent yearly. In terms of volume, however, the increases were in the order of 8.3 per cent and 13.3 per cent respectively (see table 5). Fortunately, a majority of countries are now making commendable efforts to improve their food production situation, both quantitatively and qualitatively, in accordance with the objectives of the Lagos Plan of Action, with the target in many cases being food self-sufficiency. Until such goals are achieved the financing of food imports would continue to be a menance particularly to the poorer and less naturally endowed countries of the region.

15. The performance of industrial crops was more satisfactory than that of food crops although their production continued to fluctuate widely largely because of weather conditions. During the period 1961-1980, tea, coffee, cotton, tobacco and natural rubber increased by 6.9 per cent, 2.2 per cent, 3.2 per cent, 1.6 per cent and 1.8 per cent yearly respectively. The demand conditions in the major importing developed countries, industrial substitutes and quota systems administered by these countries continued to govern the size of demand for and prices of these commodities.

16. Africa commands considerable livestock wealth in terms of numbers. At the end of 1980, there were 157.4 million head of cattle, 151.9 million sheep and 141.6 million goats in the region. In fact, the International Livestock Centre for Africa (ILCA) estimates that one eighth of the world's cattle is raised in the region, which provides a twentieth of the world's meat. However, the stock's productivity of meat and milk is poor owing to widespread animal diseases and lack or dearth of disease control facilities in many countries.

17. Although Africa has considerable inland water or marine fish resources, fishing is not a highly developed activity in the region and present levels of catch are low, largely because of lack of know-how and capital. Of late, a number of developing African countries have launched fisheries development projects particularly in coastal and island countries like Cape Verde, the Comoros, the United Republic of Tanzania and the United Republic of Cameroon, among others. This is reflected in the jump in the FAO index of fish production from 102 and 123 in 1971 and 1975 to 146 points in 1980, an average of 4.6 per cent yearly over the last decade.

18. The greater part of the wood produced and consumed in the region is used as fuel, the demand for which increased considerably after the energy crisis. In many areas, this demand exceeded local forest supplies leading to the progressive removal of all woody cover to the detriment of soil stability and protection against water and wind erosion. Total roundwood removals from the forests of developing Africa in 1979, for instance, stood at 359 million cubic metres, of which 89 per cent was fuelwood. Industrial roundwood accounts for about half of the rest, a considerable portion of which is exported in raw form from a small group of countries in West and Central Africa notably Ghana, the Ivory Coast, Liberia, the United Republic of Cameroon and the Congo. Data provided by FAO indicates that the rate of growth of output of roundwood has however dropped from an average of about 4 per cent in the 1960s to about 1.2 per cent yearly in the 1971-1979 period.

19. These combined trends have prompted a number of countries like the Sudan, Uganda and Gabon to pursue forest conservation policies aimed at developing and promoting the efficient utilization of their forest resources.

20. African countries have adopted various transformational measures since independence, first, to indigenize ownership of farms whether through the establishment of large State-owned enterprises or settlement schemes, or through land reform for a more equitable distribution of land holding and organizational set-ups like co-operatives or share-cropping patterns. Considerable efforts have also been made to improve production relationships in the farm. Integrated rural development programmes have been emphasized to slow down rural-urban migration. Increasing attention is also being given to measures designed to modernize and intensify agricultural production including research for improved high-yielding disease-resistent varieties of crops diversification; promotion of increased use of fertilizers and insecticides, mechanization and irrigation. The successful implementation of such policies was indeed behind the success stories in Kenya, Malawi and Zimbabwe.

(ii) Manufacturing

21. Many African countries paid special attention to the development of the manufacturing industry after independence to help to achieve higher growth levels, structural transformation of their economies and economic independence. However, the pace of expansion of this sector has been disappointingly slow since. While in 1960 the share of this sector in GDP averaged about 7.6 per cent for developing Africa, it grew by only 2.1 additional percentage points to reach 9.8 per cent of GDP in 1980 which is a mere 0.4 of a percentage point up on its 1970 level.

Although growth at 7.1 per cent yearly over the 1960s is faster than that achieved during the 1970s (5.5 per cent yearly) in both cases it was barely sufficiently above the overall growth rate for the African economy to generate the pull effect envisaged. The non-oil exporters and especially the least developed ones have in fact seen their growth rates fall dramatically in the 1970s compared with the 1960s (see tables 2 and 3).

22. While it is difficult to generalize for all countries, the following are among the main reasons for the slow growth in the manufacturing industry: the generally poor agricultural performance affecting agro-based industries; shortages of foreign exchange and consequent difficulties in importing inputs; technical and locational problems; shortages of working capital; inability to maintain adequate stocks of materials; soaring energy costs; aging equipment and machinery; and poor management.

23. There has been hardly any change in the structure of manufacturing industry since the early 1960s; it remains very small, both in absolute terms and as regards its contribution to GDP. In 1980, the total value added was only about 0.2 per cent that of the world. It is also highly concentrated in certain countries. Three countries, Algeria, Egypt and Nigeria, accounted for more than 43 per cent of the total value added.

24. The industrial structure in most African economies is not properly matched with the endowment of resources and has weak linkages with the rest of the economy. The bulk of the sector is dominated by the production of non-durable consumer goods which require simple processing and is characterized by small production units which cannot realize the full benefits of economies of scale. The consumer goods section, which is mainly confined to the processing of primary products, consists of light industries such as textiles, foot-wear and leather products and food and beverages. The production of food, beverages and tobacco in most of the countries accounts for a large proportion of manufacturing output. In some cases light industry in food processing started in the early 1930s but has gained momentum only in recent years; in some countries it is now able to meet a substantial share of local demand for food manufactures.

25. The development of heavy industry has not been very successful in Africa, constrained as it is by market size and the lack of technical and management expertise. Two main directions have been followed, one for petrochemicals in oil-producing countries and the other for metal-based industries in mining countries. The most notable cases are those of Egypt, where the iron and steel industry has expanded but with serious efficiency and cost problems; Algeria, where the petrochemical industry has been one of the key sectors in the country's industrial strategy; and Nigeria, where petroleum resources have provided both the base for petrochemicals and financial resources for investment in motor vehicle construction and other engineering-based industries. Algeria has encountered major problems in its heavy industry, and policies in this area have recently been revised. Zaire's experience with several metal transformation projects too is typical of the difficulties encountered by African countries.

26. Government participation in manufacturing has expanded in almost all the countries, whether they have opted for market-oriented or central planning strategies. This trend is attributed to the need to compensate for shortcomings in local private entrepreneurship. In such countries as Algeria, the Congo, Egypt, Ethiopia, Madagascar, Malawi, Somalia, the Sudan, the United Republic of Tanzania and Zambia, the State sector is the most important participant in manufacturing, and may, as in Malawi, account for more than half of manufacturing output. But many of the State industries or "parastatals" have incurred heavy losses owing to overmanning, underpricing of production, ineffective organization, etc. They have too often been considered not as commercial ventures which must cover their costs and produce a return on their investment but as social organizations designed to provide jobs and services.

27. Virtually all developing African countries have adopted strategies of import substitution, mostly for consumer goods, but the degree of success has varied from one country to the other. Underutilization of capacities alluded to above is widespread. Additionally, the import substitution strategy has been adversely affected by the poor choice of technology, heavy reliance on imported inputs, price imperfections, institutional and management problems, etc. In view of these difficulties most African countries are now engaged in vigorous efforts to rehabilitate exising industries, while adjusting their policies in the light of their experience. Others have shifted towards an outward-looking pattern of development. In this context context there is a growing tendency to focus on the development of export processing zones as in Egypt, the Ivory Coast, Kenya, Mauritius and the United Republic of Cameroon. The main obstacle to these policies, however, remains the high cost of African products compared even to Asian ones, because of lower productivity and comparatively higher wages. Inward-looking strategies for the satisfaction of local demand are currently gaining favour over an outward-looking option in many countries. In this regard, attention is being concentrated on projects with low capital-labour ratios, lower energy use and greater mobilization of local skills and resources in an effort to expand the realm of small- and medium-sized industries.

(iii) Mining (excluding energy)

28. Mining is an important export sector in a number of African countries, such as Botswana, the Central African Republic, Guinea, Lesotho, Liberia, Mauritania, the Niger, Sierra Leone, the United Republic of Tanzania, Zaire and Zambia. Because of its historical export-enclave nature, hardly any interlinkages have existed between it and the rest of the economy. Thus, at the regional level it has remained generally small, primary, underdeveloped and completely dependent on the vagaries of international demand and, except for a few countries, constrained by the structural limitations of the producing countries themselves. After impressive performance in the 1960s in all subregions, growth in this sector levelled off, recording in the case of all non-oil exporters taken together an average growth of 3.1 per cent yearly in the 1970s against 10.2 per cent yearly in the previous decade. However, for the least developed countries performance was comparatively better at 7.3 per cent against 5.2 per cent respectively although its contribution to GDP is still less than 2 per cent of their combined GDP (see tables 2 and 3).

29. Quantum mineral statistics show that of all minerals only bauxite, phosphate rock and chrome ore have shown steady expansion during the last decade. For the rest performance has been mixed. While items like iron ore, manganese ore, salt and copper performed satisfactorily in the 1960s, their fortunes took a dramatic down-swing in the 1970s; others like lead ore, tin ore, zinc ore and the precious metals slipped further. In terms of prices, however, the situation in the 1970s was considerably better than in the 1960s.

30. Leaving international demand considerations aside, the exploration and exploitation of the large and varied mineral potential in Africa has been constrained by such structural factors as the high costs of extraction, weak infrastructure, the shortage of skilled manpower for mineral prospecting and mining development, lack of capital and the general remoteness of potential mineral sites, and may continue to suffer from the same constraints unless serious efforts are taken to eliminate these obstacles and, whenever possible, integrate mining activities fully in national or regional development programmes.

(iv) Energy

31. Africa's share of known reserves of natural energy resources is estimated at about 8.6 per cent of world proven oil reserves, 8.5 per cent of proven gas reserves, 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 reserves and 1 per cent of world technically and economically recoverable coal reserves. In world hydroelectricity potential, the share of Africa is substantial, being about 19.2 per cent, only a small fraction of which is presently tapped. African developing countries also possess nearly 25 per cent of world uranium resources. Additionally, Africa possesses an appreciable potential in alternative and renewable energy resources.

32. The last two decades have seen a progressive intensification of the development of these energy resources, especially oil production and refining and hydroelectric power generation and, with the increases in oil prices, other sources are being seriously considered economically viable alternative sources of energy. During the 1960s 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 0.88 million barrels per day of oil equivalent in 1960 (of which 67.8 per cent was coal and lignite, 31 per cent crude petroleum and natural gas liquids and 1.2 per cent hydroelectricity) to 6.8 million barrels per day in 1970 (of which 11.8 per cent was coal and lignite, 86.7 per cent crude petroleum and natural gas liquids, 0.9 per cent natural gas and 0.6 per cent hydroelectricity) or by 22.7 per cent yearly. However, energy production grew more slowly at 1.2 per cent between 1970 and 1978 to reach 7.48 million barrels per day by 1978 with the share of oil falling to 76.9 per cent and that of coal and lignite and hydroelectricity and natural gas rising to 17.2 per cent and 5.9 per cent respectively. The gradual shift towards the production of more of energy sources other than petroleum is partly due to their improved comparative price advantage and partly to the deliberate production restrictions imposed by some of the major oil exporters in the region. These trends are underscored by the quantum production data produced in table 6 below.

Table 6. Indices of energy production in developing Africa
(1960=100)

| | 1960 | 1970 | 1978 | Growth rates 1960-1970 | 1970-1978 | 1960-1978 |
|---|---|---|---|---|---|---|
| Coal | 100 | 93 | 95 | -0.7 | 0.2 | -0.3 |
| Natural gas | 100 | 14 700 | 117 235 | 125.0 | 29.6 | 48.0 |
| Crude petroleum | 100 | 2 116 | 2 070 | 35.7 | -0.3 | 18.4 |
| Electric energy | 100 | 239 | 460 | 9.1 | 3.7 | 8.8 |

Source: Based on data from United Nations, World Energy Supplies 1950-1974, 1973-1978; Energy resources in Africa, Joint OAU/ECA Meeting, Addis Ababa, 24-28 March 1980.

33. Commercial energy consumption, on the other hand, rose from 0.9 million barrels a day in 1960 to 1.48 million barrels a day in 1970 and further to 2.44 million barrels a day in 1978 or by 4.7 per cent and 6.4 per cent yearly in the respective periods. Meanwhile, important structural changes have taken place in primary energy consumption in African countries. The share of solid fuels fell from 62.8 per cent in 1960 to 47.5 per cent in 1978 while that of liquid fuels (crude petroleum and liquid gas) rose from 36.2 per cent to 44.3 per cent and that of hydroelectricity and natural gas from 1 per cent to 8.2 per cent. It is to be noted that about 84 per cent of total energy consumption is met through non-commercial energy sources such as firewood, animal dung and crop wastes which are chiefly used by households, a situation which has proved to have serious ecological implications for the region. But as far as commercial energy is concerned, the region is a net exporter. However, the distribution of production is such that most African countries have to import oil. The quadrupling of oil prices in 1973-1974 and their subsequent doubling in 1979-1980 have precipitated acute energy problems for most African countries, some of which have been forced to reduce their oil imports and risk possiblities of lower growth in view of their concomitant foreign exchange squeeze.

(v) Transport

34. The development of transport systems in Africa has been rightly conceived as an instrument of both structural change and national integration in the post-independence era. Thus, the share of transport in GDP has increased systematically regionally and subregionally (see tables 2 and 3). For the most part, however, attention has been given to the development of national networks with little success in linking these networks regionally or subregionally, thereby limiting opportunities for intercountry trade and tourism. Realizing the advantages of such integration, the United Nations General Assembly, on the recommendations of ECA, declared the period 1978-1988 as the Transport and Communications Decade in Africa whose objectives include (a) the promotion of an integrated transport and communications infrastructure; (b) minimization of the isolation of the land-locked and island countries; and (c) the promotion of the production of transport and communications equipment in Africa (see also section D 4 below).

35. Developing Africa's network is small and consists mainly of gravel and earth roads, few of which are suitable for year-round traffic. The conditions of both paved or unpaved roads in most countries are poor because of irregular or inadequate maintenance. Table 7 shows that the road length has grown rather slowly at 3.1 per cent yearly during 1970-1978 but indications are that road construction efforts have been intensified in more recent years. Road traffic as measured by the number of motor vehicles has increased at rates close to 10 per cent yearly during the last two decades although, surprisingly, the ratio of passenger cars to commercial vehicles remained rather constant at approximately 2:1.

Table 7. Some transport indicators in developing Africa

| | 1960 | 1970 | 1978 | Growth rates 1960-1970 | 1970-1978 | 1960-1978 |
|---|---|---|---|---|---|---|
| Road length (thousand km) | ... | 946 | 1 205 | | 3.1 | |
| Motor vehicles (thousands) | 1 488 | 2 707 | 7 960 | 6.2 | 14.5 | 9.8 |
| Passenger cars (thousands) | 985 | 1 796 | 5 400 | 6.2 | 14.8 | 9.9 |
| Commercial vehicles (thousands) | 503 | 912 | 2 560 | 6.2 | 13.8 | 9.4 |
| Rail track length (thousand miles) | ... | 30 054 | 36 044 | | 2.3 | |
| Maritime shipping fleets (thousand tons) | 11 | 35 | 85 | 12.2 | 10.4 | 11.8 |

Source: ECA secretariat and United Nations, Statistical Yearbook 1965, 1971, 1979/80.

36. All but 11 African countries (Burundi, the Central African Republic, Chad, Equatorial Guinea, the Gambia, Guinea-Bissau, Lesotho, the Libyan Arab Jamahiriya, the Niger, Rwanda and Somalia) have railways, most of which were designed long ago. The railway network is made up of several short independent national systems of various gauges and different technical specifications and, as a result, only a few of them are interconnected.

37. To date, over 95 per cent of Africa's international trade is handled by sea and up to 97.5 per cent of this is carried by foreign vessels. Global statistics show that in 1980 Africa owned only 1.3 per cent of total world merchant fleet capacity most of it African only through registration.

38. In 1977 African air transport accounted for only 5 per cent of world international air passenger traffic. It also accounted for 3.3 per cent of world freight traffic compared with 2.3 per cent in 1961. Traffic is highly concerntrated in a few countries. Despite its small volume, however, air traffic grew rapidly during the period 1965-1975 but slowed down somewhat thereafter.

## 4. Income and its expenditures

### (a) The growth of domestic income (GDP at market prices), 1958-1980

39. During the two decades 1960-1980, developing Africa as a whole recorded an overall growth rate in GDP at constant market prices of 5.62 per cent per annum. However, during that period, growth of developing Africa as a whole showed marked fluctuations over various years. During the period 1960-1965 growth was slow, recording only 4.7 per cent yearly. Thereafter, the early post-independence period of 1965-1970 saw a fast expansion with real GDP at market prices reaching a high average annual growth rate of 7.3 per cent. On the other hand the first half of the 1970s had a much slower growth of only 4.8 per cent yearly, followed by an improvement in the 1975-1980 period during which the average annual growth reached 5.7 per cent.

40. In per capita terms, the performance of developing Africa as a whole between 1960 and 1980 was relatively poor mainly as a result of relatively high rates of population growth. For Africa as a whole, per capita GDP increased from $138.3 in 1960 to only $243.4 in 1980 implying a modest average annual per capita growth of 2.9 per cent over a 20-year period. The expansion of domestic per capita income was fastest during the 1960s when it grew by an average rate of 3.3 per cent yearly, as compared to a growth rate of only 2.4 per cent during the 1970s.

41. Among the various economic subgroupings, major oil-exporting countries registered high growth in both the 1960s and the 1970s, averaging at 8.6 per cent yearly between 1960 and 1980. At this average growth rate, the four African countries in the group of major oil exporters increased the level of domestic per capita income from $156. in 1960 to $452.8 in 1980. The non-oil exporting countries as a group had, on the other hand, only a marginal increase in growth with an average annual rate of only 4.2 per cent between 1960 and 1980. The per capita income of this group of countries increased from $137.5 in 1960 to $243 in 1980. Further, among the non-oil exporting countries, the 21 African least developed countries had a poor performance in the 1960-1980 period with total GDP growth in the period averaging around 3.8 per cent while the group's average real per capita income only increased from $79.8 in 1960 to $102.2 in 1980.

42. The wide disparities in performance among subgroups of African countries over the last two decades resulted in considerable structural change of the distribution of regional GDP. While the share of the major oil exporters almost doubled, from 24.3 per cent to 42.1 per cent of GDP mainly through the influence of the Libyan Arab Jamahiriya and Nigeria, that of the non-oil exporters fell from about three quarters to just over half (see table 8).

Table 8. Distribution of total African GDP, among subgroups of countries
(in percentage shares)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| Major oil exporters | 24.3 | 32.7 | 42.1 |
| Non-oil exporters | 74.6 | 65.8 | 56.3 |
| Least developed countries | 18.9 | 16.4 | 13.3 |
| Developing Africa | 100.0 | 100.0 | 100.0 |

Source: ECA secretariat.

(b) Changes in the structure of expenditure of GDP, 1958-1980

43. The major long-term trends in the pattern of expenditure on GDP in developing Africa as a whole include a decline in the share of consumption, and a corresponding increase in the share of savings and capital formation (table 9). For developing Africa as a whole and, indeed, in all subregions, the share of total consumption declined albeit slowly, between 1960 and 1980. It fell from an average of 87.6 per cent to 81.7 per cent. However, most of this decline was due to a large fall in the share of private consumption since in all African countries government consumption expanded rapidly in the 1960-1980 period. The share of private consumption in total GDP dropped by 12 percentage points from an average of 74.4 per cent in 1960 to 62.4 per cent in 1980 while the share of government consumption increased by 6 percentage points from 13.3 per cent in 1960 to 19.3 per cent in 1980.

44. The structural changes in the share of total consumption in total GDP also varied significantly among subregions and subgroups of countries. Thus, while for Africa as a whole there was a decline in the share of total consumption in GDP over the 1960s and 1970s, the group of African least developed countries actually experienced an increase in the share of consumption from an average of 89.4 per cent in 1960 to 89.7 per cent in 1970 and to 91.6 per cent in 1980. On the other hand, the share of consumption in GDP in the major oil-exporting countries fluctuated throughout the period from an average of 91.9 per cent in 1960 to 76.7 per cent in 1970 and 85.8 per cent after the 1973 oil-boom followed by a decline to an average of 79.5 per cent in 1980.

45. The overall decline in the share of total consumption in total GDP between 1960 and 1980 implies that, over all, the share of domestic savings increased although marginally, for Africa as a whole. For the region as a whole, the share of domestic savings increased from an average of 12.4 per cent in 1960 to 18.3 per cent in 1980. Among the subgroups of countries the major oil-exporting countries recorded the highest increase in the domestic savings ratio which rose from a mere 8.1 per cent in 1960 to a high of 20.5 per cent in 1980. On the other hand, the savings ratio in the non-oil exporting African countries increased only from 13.8 per cent to 16.7 per cent in the 20 years while that of the least developed countries declined from an average of 10.6 per cent to only 8.4 per cent in the same period.

Table 9. Structure of expenditure on GDP, 1960-1980 (in percentage shares)

| | | Private consumption | Government consumption | Total consumption | Savings | Investment |
|---|---|---|---|---|---|---|
| Major oil exporters | 1960 | 79.3 | 12.6 | 91.9 | 8.1 | 23.1 |
| Non-oil exporters | 1960 | 72.7 | 13.5 | 86.2 | 13.8 | 13.8 |
| Least developed countries | 1960 | 79.1 | 10.3 | 89.4 | 10.6 | 10.6 |
| Developing Africa | 1960 | 74.4 | 13.3 | 87.6 | 12.4 | 16.1 |

Source: ECA secretariat.

46. With respect to capital formation, the major structural change over the 1960-1980 period was that of increases in the share of fixed investments in GDP which, for developing Africa as a whole increased from an average of 16.1 per cent in 1960 to 24.9 per cent in 1980. This overall increase in the share of investments is not evenly distributed among subregions or subgroups of African countries.

(c) The growth and pattern of capital formation in Africa, 1958-1980

47. Gross fixed capital formation rose substantially in developing African countries as a whole registering an average annual growth rate of 8 per cent between 1960 and 1980. Within this period the rate of expansion in fixed capital formation reached a peak in the 1970-1975 period when investments grew at a high rate of 12.6 per cent yearly as compared to a yearly growth of only 4.4 per cent recorded in the first half of the 1960s. Thereafter, during the 1975-1980 period, there was a slowdown in the expansion of investments to a rate of growth of 7.3 per cent which was even lower than the investment average annual growth of 7.7 per cent recorded in the 1965-1970 period.

48. As with most other economic trends, the growth of investment was highly uneven for individual African countries, subregions and subgroups of African countries. In general, the highest expansion in gross fixed capital formation was recorded by the major oil-exporting countries where it accelerated from an average annual growth of only 1.8 per cent between 1960 and 1965 to 11.3 per cent between 1965 and 1970 and to 21.1 per cent during the oil boom period of 1970-1975. This acceleration has been so significant that by 1980 only four major oil-exporting countries accounted for over 56 per cent of total fixed investments of Africa as a whole, leaving a share of less than 44 per cent for the 46 non-oil-exporting countries. Further, among the non-oil-exporting countries, the 21 least developed countries among them had a low share of only 8.5 per cent of the total fixed capital formation of developing Africa as a whole.

49. With respect to the relationship between the expansion of fixed capital formation and growth of gross domestic product, the trends in the individual African countries show that there has been a very close association between the rate of investment expansion and GDP growth. For example, of the 13 countries which recorded declines in the the expansion investments between 1960 and 1980, nine countries had an average GDP growth rate of less than 2 per cent yearly.

50. However, it is apparent that the trend towards large expansion in investment outlays was accompanied in many countries by significant decreases in the rates of utilization of capacity which became prevalent in the 1970s owing to the chronic shortages of foreign exchange that characterized that period. In addition, investment in the African economies seemed to become increasingly capital-intensive in the 1970s as compared to the 1960s. As a rough indicator, for developing Africa as a whole imports of capital goods (machinery and transport equipment) grew at current prices by as much as 26 per cent yearly between 1970 and 1978 as compared to a GDP growth (at current market prices) of 20.8 per cent in the same period. This trend is even more pronounced in the major oil-exporting countries whose capital imports at current prices grew between 1970 and 1978 at an average annual rate of 34.8 per cent as compared to a growth rate of 23.3 per cent yearly for GDP at current market prices.

51. The interaction of these long-term investment trends between 1960 and 1980 resulted in a decline in the efficiency of capital as measured by the incremental capital output ratio. For developing Africa as a whole, the ICOR increased most significantly during the 1970s when it jumped from a low average level of 2.2 during the latter half of the 1960s to 3.8 during 1970-1975 and further to an average of 4.4 during the 1975-1980 period (see table 10). The largest jump in the ICOR was experienced by the non-oil-exporting African countries which had an average ICOR of 4.7 during 1975-1980 as compared to an ICOR of 4.1 for the major oil-exporting countries in the same period. This trend seems to have resulted from the general trends of large expansions in investment outlays with, however, decreasing rates of utilization of capacity, resulting, in turn, from the chronic shortages.

Table 10. Growth in fixed capital formation and incremental capital output ratio

| | Capital formation | | | | Incremental capital output ratio | | | |
|---|---|---|---|---|---|---|---|---|
| | 1960-1965 | 1965-1970 | 1970-1975 | 1975-1980 | 1960-1965 | 1965-1970 | 1970-1975 | 1975-1980 |
| Major oil exporters | 1.8 | 11.3 | 21.1 | 9.2 | 3.6 | 1.5 | 3.1 | 4.1 |
| Non-oil exporters | 5.7 | 6.0 | 6.4 | 5.0 | 3.3 | 2.8 | 2.8 | 4.7 |
| Least developed | 5.1 | 8.7 | 3.3 | 6.9 | 3.5 | 2.0 | 4.8 | 3.9 |
| Developing Africa | 4.4 | 7.7 | 12.6 | 7.3 | 3.4 | 2.2 | 3.8 | 4.4 |

Source: ECA secretariat.

52. Data on the structure of gross fixed capital investments in Africa by type of capital goods, by kind of economic activity and by type of purchases are very scanty and often unreliable. In most cases, the data on the structure of investments are available for very few countries and even in such cases the data are for only a limited number of years. As a result, an in-depth analysis of the evolution of the structure and pattern of African investments can only be tentative and indicative.

53. One of the major features to note from the distribution of investment by type of economic activity in African countries is the very large share of investments for administration and services. In some countries for which data are available, investment in the services sector, excluding transport, was even over 50 per cent of total investment in the 1960s. In the 1970s indications are that the share of investment in the services sector declined but still remained high. This trend is, of course, understandable given the very large need to establish a strong social infrastructure. However, it is also apparent that the continuation of the trend for two decades has serious repercussions on the productive sectors of agriculture, mining and industry.

54. On the basis of data on the imports of capital goods and their share in total fixed investments at current prices, the trends show that in general the composition of capital formation by type of capital goods has not significantly changed during the period 1960-1980. For developing Africa as a whole, the share of imported capital goods in total fixed investments increased only slightly during the 1970s

from an average of 31 per cent between 1970 and 1974 to an average of 33 per cent between 1975 and 1979, implying that the share of construction accounted for an average of 68 per cent of total African investments in the 1970s. However, a surprising feature of the composition of fixed investments is that the poorer countries have a higher share of imported equipment and machinery (and hence a lower share of construction activity) in their total fixed capital formation. For example, while the share of imported machinery in total investments for the major oil-exporting countries was about 25 per cent before the oil boom (1970-1974) and 29.6 per cent during 1975-1979, the corresponding shares for the non-oil-exporting countries were 36.1 per cent and 38.6 per cent in the respective periods. Even the least developed countries have maintained a higher share of imported equipment and machinery in fixed investments than the major oil-exporting countries throughout the 1970s.

55. This peculiar feature may be explained by the tendency for the poorer countries to undertake more replacement investments as compared to the rich countries which, in undertaking more expansionary capital investments, have at the same time to accompany such investments with heavy and extensive construction activities. In addition, the major oil-exporting countries with more abundant resources are in a stronger position to make extensive infrastructural investment resulting in a high share of construction activities in their total investment outlay.

(d) The growth and pattern of consumption expenditure and savings in Africa, 1960-1980

56. For developing Africa as a whole, total real consumption expenditure (private and public) maintained a long-term growth trend of 5.3 per cent yearly in both the 1960s and the 1970s. However, during these two periods, the fastest expansion in consumption for Africa as a whole was recorded during the early post-independence period of 1965-1970 when total consumption expenditure in real terms grew by an average annual rate of 7.1 per cent as compared to a yearly recorded growth rate of only 3.6 per cent during the preceding period of 1960-1965. In the 1970s, consumption growth for Africa as a whole was steady throughout the decade.

57. For the region as a whole, the fastest growing component of consumption expenditure has been government consumption which accelerated from a yearly growth of 5.7 per cent during 1960-1965 to 8.3 per cent during 1965-1970 and further to 9.7 per cent during 1970-1975. During these same periods, the respective growth rates of private consumption were 3.2 per cent, 6.8 per cent and 4.2 per cent. In the latter half of the 1970s (1975-1980), public consumption expenditure in real terms decelerated slightly to an average annual rate of 6.9 per cent. On the other hand, during this period, private consumption increased at a rate of 4.7 per cent.

58. The disparities in consumption expenditure growth are even wider between subgroups of countries. For example, while in the major oil-exporting countries consumption expenditure recorded average annual growth rates of 7.4 per cent and 8.4 per cent in the 1960s and 1970s respectively, the non-oil-exporting countries managed only to have consumption grow at a yearly average of 4.6 per cent and 3.5 per cent in the respective periods. Of course, the disparate growth in consumption expenditure implies that there were significant differences in per capita consumption and hence in welfare between subgroups of countries as is clear in table 11 summarizing the trends in per capita consumption expenditure.

59. Given the relatively low average level of per capita consumption in most African countries, the tendency to high marginal propensities (measured in real terms) as shown in the table is understandable. However, the trend of consistently increasing marginal propensities to consume over a 20-year period between 1960 and 1980 is surprising. Under normal circumstances, it would be expected that, as the income level increases over a certain period, the marginal propensities to consume would decrease or stabilize at some point when basic consumption needs have been satisfied at a certain income level. However, in developing Africa, there was an overall increase in the marginal propensities to consume with even the relatively rich oil-exporting countries experiencing a jump in their marginal propensity to consume from an average of 0.66 in the 1960s to an average of 0.88 in the 1970s. This trend would seem to be related to the uneven distribution of income and the patterns of consumption in African countries. For example, it seems clear that the sharp upshoot of the marginal propensity to consume in the oil-exporting countries from 0.76 during 1965-1970 to 1.07 during 1970-1975 resulted from conspicuous consumption which became prevalent in some of these countries soon after the oil boom. Similarly, in non-oil-exporting countries it is likely that the smaller part of the population which controls the larger part of the income has a high level of conspicuous consumption resulting in an overall increasing rate of consumption per unit increase in income.

Table 11. Africa's marginal propensities to consume, 1960-1980

| | 1960-65 | 1965-70 | 1970-75 | 19[illegible]0 | 1960-70 | 1970-80 |
|---|---|---|---|---|---|---|
| Oil exporters | 0.30 | 0.76 | 1.07 | 0.66 | 0.66 | 0.88 |
| Non-oil exporter | 0.81 | 0.84 | 0.71 | 0.86 | 0.70 | 0.94 |
| Least developed | 0.98 | 0.86 | 1.00 | 0.94 | 0.90 | 0.97 |
| Developing Africa | 0.66 | 0.80 | 0.90 | 0.75 | 0.75 | 0.81 |

Source: Based on ECA secretariat data.

60. For developing Africa as a whole the share of domestic savings in total GDP showed some declines in the 1970s, having fallen from the level of 21.5 per cent of GDP attained in 1965 to 18.3 per cent in 1980. Most of the decline in the saving ratios in the 1970s took place in two groups of countries, namely the major oil-exporting countries and the least developed countries. For the group of least developed countries, the savings ratio declined steadily from 10.6 per cent in 1960 to as low as 8.4 per cent in 1980. For the major oil-exporting countries, the savings ratio fluctuated significantly during both the 1960s and the 1970s, having risen from a low 8.1 per cent in 1960 to 23.3 per cent in 1970 followed by a decline in 1975 to 14.2 per cent.

61. Further, during the 1970s there was a pronounced delcine in the marginal propensities to save for most of the groups of African countries. The marginal propensity to save for developing Africa as a whole was 0.19 during the 1970s as compared to a marginal propensity to save of 0.25 recorded in the 1960s. Among subgroups of countries, the non-oil-exporting countries registered the highest declines in the marginal propensity to save which fell from 0.30 during the period 1960-1970 to only 0.06 between 1970 and 1980.

62. The implication of the declining savings rates have been that the domestic resource gap has expanded steadily (see table 12). The domestic resource gap reached 7.1 per cent of GDP in 1975 and 6.6 per cent in 1980, as compared to a surplus of savings over investments during the second half of the 1960s. The largest expansions in the domestic resource gap were mainly due to the large gaps recorded by the least developed countries and the major oil-exporting countries in the period following the 1973/1974 oil boom when both consumption and investment expanded simultaneously. For these countries the gap between investment and domestic savings was as high as 18.2 per cent of GDP in 1975. The non-oil-exporting countries, on the other hand, had a low resource gap of only 1.8 per cent of GDP in 1980 and this was mainly because of the African least developed countries whose resource gap was above 7 per cent of their total GDP in 1980.

Table 12. Investment/savings gap as a percentage of GDP

| | 1960 | 1970 | 1975 | 1980 |
|---|---|---|---|---|
| Major oil exporters | 13.0 | -5.4 | 18.2 | 13.0 |
| Non-oil exporters | 0.1 | -2.9 | 0.4 | 1.8 |
| Least developed | 0.0 | 3.0 | 4.7 | 7.6 |
| Developing Africa | 3.7 | -1.8 | 7.1 | 6.6 |

Source: ECA secretariat.

## 5. THE EXTERNAL SECTOR

### (a) Overview of the evolution of Africa's foreign trade

63. Development of the foreign trade sector in the African continent has been a slow and painstaking process in the face of international financial difficulties, continuous re-institution of barriers to trade and the fierce competition. Developing African countries have relied heavily on foreign trade to exchange their relatively abundant natural resources for manufactured and semi-manufactured products which they basically lack. Under colonial rule, development of the foreign trade sector in developing Africa as a whole was sporadic but gained momentum in the 1960s after the era of independence and political stability prior to which trade was conducted outside the sphere of the national economy. Trade was mainly confined to a few products of closed enclavic extractive industries owned by foreign companies and operated by foreign expertise. Foreign enterprises not only entirely dominated the production and marketing of exported minerals and primary products but also had control over the basic services, such as transport, insurance, financing and shipping. In the circumstances, foreign trade remained unlinked to the development of natural resources, as most of the export proceeds were not ploughed back into the economy. Furthermore, the degree of processing and fabrication was very low, as most of the processing was done outside the countries, with an enormous loss of foreign exchange revenue.

64. Developing African countries became more trade-dependent over the 1960s. In the 1960s, foreign trade moved into new lines covering a wide range of manufactured and semi-manufactured goods. During this period, not only did the volume of trade and the range of exported commodities increase as a result of diversification policies but the quality also was improved significantly by further processing. However, such development was not

without its costs. Owing to the highly elastic foreing demand on labour-intensive primary products of developing countries, the 1960s were generally characterized by increased sales at lower prices as the domestic demand was much too weak to absorb surpluses. On the other hand, the 1970s were characterized by the orientation of trade to domestic needs to guard against the continuous decline in prices of primary products. By this time, the absorptive capacity of most African economies was relatively enhanced and the size of the domestic markets was expanding enough to absorb effectively the surpluses. The establishment of "export-processing zones" with an increased degree of processing and fabrication not only provided for more employment opportunities but asko increased the chances for enormous gains in foreign exchange income which otherwise would have accrued to economies outside Africa. The policy of export promotion was supplemented by an inward-looking pattern of development of trade by pursuing import-substitution policies which are self-reliant in nature. With such trade policies, the improvement in the quality of exported commodities not only increased their competitive edge in external markets and enabled some African countries to capture part of the European markets for manufactured goods, but also enhanced slightly their bargaining power in international markets.

(b) Exports

65. African trade is typified by an inflexible export structure. The share of primary commodities in African total exports has remained dominant throughout the last two decades. The bulk of African exports consists largely of agricultural primary products and one or two major mineral products.

66. On the whole, African exports are heavily concentrated in view of the fact that only a few commodities, namely, cotton, copper, coffee, cocoa, groundnuts, and wood and timber, alone comprised about 45.6 per cent and 61.7 per cent of total exports in 1960 and 1969 respectively. In the first half of the 1960s, cotton was the leading export commodity in the composition of African exports commanding about 12.1 per cent of total exports earnings. In the same period, copper accounted for 9.8 per cent of total exports, followed by cocoa (7.4 per cent) and coffee (6.7 per cent). The role of crude petroleum in the early 1960s was quite insignificant, activities being mainly at the exploration stage.

67. Slight changes, however, occurred in the second half of the 1960s when agricultural exports lost ground to mineral exports. The change in the trend is attributed to improvement in world prices of minerals rather than to a fall in the volume of agricultural exports. During the period 1965-1969, exports of copper accounted for 9.1 per cent of total export earnings while cotton's contribution to total exports was only 7.9 per cent, coffee's 7.1 per cent and cocoa's 7.4 per cent. However, the most important single change in the pattern of Africa's primary product exports that occurred during the period 1965-1969 was the rapid rise in crude petroleum exports which rose from $200 million in 1960 to $3,250 million in 1969, an increase of almost 16 times which was mainly due to the spectacular expansion of production in the Libyan Arab Jamahiriya and Nigeria, which together commanded 68 per cent of total African exports in that period. Another feature accounting for the continuing decline in exports of agricultural products is the increased processing for local consumption as a result of import-substitution policies widely pursued during the second half of the 1960s.

68. While the shares of exported agricultural products and minerals tended to fall over the years and the share of crude petroleum exports to gain prominence, following the first world oil crisis of 1973-1974, the share of agricultural products dropped seriously to 16.5 per cent, 10.9 per cent and to slightly less than 5 per cent in 1970, 1975 and 1980 respectively. Similarly, the share of minerals in total exports fell significantly to 15.3 per cent, 7.7 per cent, and only 2.4 per cent in the same respective periods. Such changes were merely a reflection of changes in world oil prices. While the international prices of crude petroleum more than doubled in 1974 and quadrupled in 1978, the world prices of copper dropped notably from the highest level of $2,059 per ton in 1974 to about $1,276 in 1978.

69. None the less, African commodity export concentration in the 1970s still retained its predominance of the 1960s but with a different relative importance in ranking. Naturally, the concentration of African exports is explained by the comparative advantage of making use of the readily available agricultural and mineral resources in the continent. However, such concentration on primary products brought about peculiar difficulties in the balance of payments in view of the highly inelastic supply of primary products in the short run and price instability in international markets. African markets have no capacity to absorb surplus if foreign demand for primary products falls. In the circumstances, they would be tempted to export at lower prices as was done in the 1960s which were typified by increased sales of primary products at low prices to maintain export revenues. To overcome such an untoward situation some African countries in the 1970s, in an effort to maintain the prices of their primary products, managed to gear the resources towards import-substitution so as to absorb the surpluses locally and compensate for the loss of foreign exchange by generating more value added by increased processing.

70. The development of the export sector in many developing African countries has been hampered by both domestic and external factors. Most notable are the development of the technology of synthetics and substitutes, quota restrictions imposed by the developed countries on labour-intensive products, severe competition from products of other developing countries, weak competitive bargaining power in international markets, low levels of capacity utilization, declining agricultural productivity and high import content as African exports on the main are import-reliant.

71. The rapid rise in both value and quantum indices of exports in the 1960s was indicative of an excellent performance level. Value indices of exports for developing Africa as a whole rose from 68.3 in 1960 (1965=100) to 148.6 in 1969 as against an increase of 74.3 to 135.7 for developing countries as a whole in the same period. Similarly, the quantum indices for the same period reflected volume increases from 68.3 to 134.2, which compared favourably with the figures of 74.3 and to 131.9 for developing countries as a whole. There is, however, a clear indication that the overall changes in export values resulted mainly from changes in the volume of exports rather than from price changes. During the 1960s, export prices generally remained fairly steady over the period except for the sharp fall in cocoa prices and the substantial increases in the price of copper at the close of the decade. In all, the price index for African exports rose by just over 4 per cent during the 1960s.

72. The export performance of developing Africa as a whole in the 1960s was remarkable, especially in the second half of the decade, compared to the sluggish performance in the 1970s. Developing Africa as a whole had achieved an average annual rate of growth of 5.5 per cent in real terms during 1960-1965 and of 6 per cent during 1965-1970, which compared favourably with a mere 0.5 per cent and 3.8 per cent during 1970-1975 and 1975-1980 respectively. The deterioration in the growth of exports in that period was largely attributable to the fall in crude petroleum exports which amounted to nearly 60 per cent and 75 per cent of Africa's total exports in 1975 and 1980 respectively. The sluggish growth of exports in 1970-1975 was mainly a result of the cuts in petroleum production owing to slow world demand for oil resulting from the first oil crisis of 1973-1974. The slight improvement in the growth of exports which came thereafter in the second half of the 1970s was a mere reflection of the adjustment process under way for the restructuring of the trade base.

73. In oil-exporting countries as a group, after a remarkable growth rate in real terms of 12.6 per cent and 11.7 per cent on a yearly basis during the periods 1960-1965 and 1965-1970 respectively, growth slipped seriously to a deceleration of 6 per cent during 1970-1975 and to a marginal recovery of 2.4 per cent during 1975-1980. All but Gabon registered negative or small increases during 1970-1975. The deceleration was most serious in the Libyan Arab Jamahiriya which recorded a decline of 13.9 per cent during the period in question. The achievement of Nigeria was quite modest (only 1 per cent growth compared to an acceleration of 7.4 per cent for Gabon). Algeria, too, was hard hit by the slow growth of world demand for oil. Its export growth rate fell from a level of 9.2 per cent during 1965-1970 to a serious deceleration of 4 per cent on average yearly during 1970-1975. On the whole, the period 1975-1980 was not exceptionally good for the group of oil-exporting countries, which all recorded only marginal increases (1.8 per cent, 3.9 per cent, 1.1 per cent and 4.7 per cent for Algeria, the Libyan Arab Jamahiriya, Nigeria and Gabon respectively).

Table 13. Average annual growth rates of exports by income groups, 1960-1980

| | 1960-1965 | 1965-1970 | 1970-1975 | 1975-1980 |
|---|---|---|---|---|
| Major oil-exporting countries | 12.6 | 11.7 | -6.0 | 2.4 |
| Non-oil-exporting countries | 3.6 | 3.8 | 3.2 | 4.3 |
| Developing Africa | 5.5 | 6.0 | 0.5 | 3.8 |

Source: ECA secretariat.

74. On the other hand, the non-oil exporting countries as a group managed to keep their growth momentum of the 1960s. After a slight drop in their average annual growth rates from 3.6 per cent and 3.8 per cent during 1960-1965 and 1965-1970 respectively to 3.2 per cent during 1970-1975, they picked up markedly to 4.3 per cent during 1975-1980. Evidently, the performance of individual countries reveals a mix of achievement levels.

75. To reverse the unfavourable export trends of the last two decades, the immediate task for developing African countries in the short run is to work out joint policies to secure remunerative and stable prices for the exports of primary commodities at the international level by establishing and strengthening the existing associations of primary producing countries. The long-term objective for them is to remove the structural imbalances inhibiting their economies for a long time by changing their production structure in such a manner as to change the commodity composition of their exports so as to maximize their export earnings therefrom.

(c) Imports

76. While the dependence of developing African countries on foreign sources of supply continued to increase over the years, the structure of imports has remained fairly constant, with no significant changes in commodity composition. Nevertheless, changes in the commodity composition of imports tend to vary among countries depending on their level of resource endowment and type and degree of industrialization.

77. The leading commodity groups in developing Africa's imports are food, beverages and tobacco, industrial inputs and machinery and transport equipment. Except for a slight decrease in 1961 which was eventually offset by a rise in imports of capital goods, imports of consumer goods commanded the largest share in the total import bill ranging between 40 and 50 per cent during the first half of the 1960s. Conversely, in the second half of the 1960s the decrease in the relative importance of food and tobacco, whose share fell by 3.2 percentage points from 18.3 per cent in 1960-1964 to 15.1 in 1965-1969, was more than matched by the increase in the proportion of machinery and transport equipment which rose appreciably from 28.6 per cent to 34.7 per cent during the two periods. The high proportion of transport equipment and machinery in total imports in the second half of the 1960s is mainly attributed to the development of mining and railway schemes. During the 1960-1965 period imports of machinery and transport equipment constituted about 81.1 per cent on average yearly of the value of gross domestic fixed capital formation as compared to 55.6 per cent during 1970-1975. However, such high dependence is likely to continue in future in view of the limited facilities for the production of capital goods and the growing need to keep up the tempo of accelerated development going in the region.

78. On the other hand, the years 1970 and 1975 recorded increases in the proportion of consumer goods and a decline in the relative importance of capital goods whose share had dropped significantly from 34.7 per cent in 1965 to 31.6 per cent and 32.5 per cent in 1970 and 1975 respectively. This was attributed to the slowdown in the level of non-petroleum mining development in those periods. The proportion of imports for consumption in total imports in 1970 and 1975 was the highest in 20 years. In some countries, especially those seriously affected by drought, the rises in the food import bill stripped off about 20 to 30 per cent of their export earnings. If such a trend continued it may well be unfavourable for Africa's future development.

79. The growth of imports over the last 20 years has been mixed. While the average annual growth rate advanced rapidly from 1960 to the first half of the 1970s, the tempo was moderated during the second half of the 1970s. Imports grew by an average annual rate of growth in real terms of 2.4 per cent, 5.5 per cent and 8.9 per cent during

1960-1965, 1965-1970 and 1970-1975 respectively. After the spectacular expansion during the period 1970-1975, the average annual rate of growth of imports fell dramatically to its lowest level of only 3 per cent during 1975-1980.

Table 14. Average annual growth rates of imports by income groups, 1960-1980

| | 1960-1965 | 1965-1970 | 1970-1975 | 1975-1980 |
|---|---|---|---|---|
| Major oil-exporting countries | -2.0 | 9.2 | 19.9 | 0.5 |
| Non-oil-exporting countries | 4.0 | 4.2 | 3.4 | 4.7 |
| Developing Africa | 2.4 | 5.5 | 8.9 | 3.0 |

Source: ECA secretariat.

80. While the growth of imports kept pace with the growth of exports over most of the period, the most striking feature is the tremendous rise in imports during 1970-1975 and the serious deterioration of exports during that period, the lowest ever in a span of 20 years. There is, however, reason to believe that the disappointing export performance of oil-exporting countries during this period and the financing of the ongoing large development projects which had initiated a huge amount of imports were the main causes behind this phenomenon. The average annual import growth rate of oil-exporting countries rose appreciably from 9.2 per cent during 1965-1970 to 19.9 per cent in the period 1970-1975 while the corresponding rate for their exports fell from 11.7 per cent to a deceleration of 6 per cent during the respective periods. It is only in two periods, namely 1965-1969 and 1975-1980, that exports grew at a faster rate than imports.

81. On the other hand, the imports of non-oil-exporting countries kept the same pattern of growth over the years 1960-1980 except for a slight drop in the period 1970-1975. The average annual growth of imports within this group of countries rose marginally from 4 per cent to 4.2 per cent during 1960-1965 and 1965-1970 respectively but slipped to 3.4 per cent during 1970-1975 to rise again to 4.7 per cent in the period 1975-1980.

(d) Trade balance

82. The overall visible trade balance for developing Africa as a whole has moved from chronic deficit in the mid 1950s to small deficits and surpluses in the 1960s and through the 1970s. Between 1960 and 1980, developing Africa as a whole incurred a deficit in only seven years. The visible trade balance slumped into a deficit up to 1965 but improved steadily thereafter to 1980 except for a substantial deficit in 1975 and 1978. The deficit of 1960 of $1,015 billion turned into a surplus of $1,749 billion in 1970 and an appreciable surplus of $29,048 billion in 1980.

83. Trade for developing Africa as a whole expanded substantially during this period from $4.9 billion in 1960 to $12.7 billion and $89.6 billion in 1970 and 1980 respectively for exports and from $5.9 billion in 1960 to $10.9 billion and $60.6 billion in 1970 and 1980 respectively for imports. The ratio of the import coverage by African exports has been growing substantially over the years. Nevertheless, whereas in recent years the size of the surplus has tended to increase, there was absolutely no rise in the region's share in world trade. Africa's share in world exports declined from 4.3 per cent in the period 1960-1965 to 3.6 per cent in 1965-1969 and to 3.9 per cent and 3.4 per cent in 1970 and 1979 respectively.

Table 15. Value of exports (billions of US dollars)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| Major oil-exporting countries | 0.927 | 4.721 | 63.863 |
| Non-oil-exporting countries | 3.965 | 7.982 | 25.773 |
| Developing Africa | 4.892 | 12.703 | 89.636 |

Source: ECA secretariat.

Table 16. Value of imports (billions of US dollars)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| Major oil-exporting countries | 2.070 | 2.922 | 25.946 |
| Non-oil-exporting countries | 3.837 | 8.030 | 34.652 |
| Developing Africa | 5.907 | 10.953 | 60.598 |

Source: ECA secretariat.

84. However, the surpluses in the trade balance were largely attributable to the oil-exporting countries of the region. Oil-exporting countries as a group registered significant increases in their trade balance. After incurring large deficits of $1,143 billion in 1960 and a small surplus of $458 million in 1965, they moved into tremendous surpluses of $1,799 billion, $4,420 billion and $37,913 billion in 1970, 1975 and 1980 respectively.

Table 17. Balance of trade (billions of US dollars)

| | 1960 | 1970 | 1980 |
|---|---|---|---|
| Major oil-exporting countries | -1.143 | 1.799 | 37.913 |
| Non-oil-exporting countries | 0.128 | -0.050 | -8.865 |
| Developing Africa | -1.015 | 1.749 | 29.048 |

Source: ECA secretariat.

85. The non-oil-exporting countries have continuously run a deficit in their trade balance during the last two decades except for small surpluses of $128 million realized in 1960. The gap widened faster in the last years of the 1970s where the combined deficit rose from $500 million in 1970 to $6,904 billion in 1975 and to $8,865 billion in 1980 with tendencies for future deficit accumulation owing to escalating oil prices, bounding inflation and weak and limited bargaining power in international markets and the inability to raise export capacities to a substantial level. The value of exports rose from $4 billion in 1960 to $8 billion, $15.6 billion and $25.8 billion in 1970, 1975 and 1980 respectively against a stubstantial rise in imports from $3.8 billion to $8 billion, $22 billion and $34.6 million in the respective periods. The ratio of import coverage by exports was very low in most of the countries. Only 10 countries in 1980 were able to maintain more than a unity ratio. The majority of countries ran into such serious deficits that the restoration of their balance of trade seems to be unlikely in future without long-term remedial measures.

(e) Direction of trade

86. No basic changes occurred during the period 1960-1980 in the direction of trade. There were, however, tendencies during the 1970s, although limited in scope, towards some measures of diversification away from traditional partners in respects of both exports and imports. None the less, such tendencies did not lead to radical changes as expected mainly because of certain limitations stemming largely from the long-standing commercial links with traditional trade partners and difficulties encountered in opening up new outlets. The diversification measures were on the whole sporadic as they were mainly dictated by political affiliation. Indeed, the great bulk of developing Africa's trade in the 1970s continued along the same direction of the 1960s with some minor shifts.

87. As is seen from table 18, trade of developing Africa with the main trading areas has exhibited various trends between 1960 and 1980:

(a) Developed market economies continued to be the major trading partners for developing African countries with the growth in exports slower than imports. However as from the second half of 1970s some changes were anticipated in the flow of trade between the two traditional trade partners;

(b) Trade with developing countries remained small and stagnated between 1960 and 1980;

(c) Trade with the centrally planned economies was not only quantitatively insignificant but exhibited a declining trend;

(d) The small share of intra-African trade in developing Africa's overall trade - mostly food - failed to grow and even declined in recent years.

88. Trade relations between African countries are still relatively undeveloped owing to poor transport and communication facilities, inadequate financing system and credit facilities, imposition of heavy tariff walls and inadequate commodity market research and trade promotion facilities. However, measures should be considered at both the national and the regional levels to reverse this trend and to enhance trade flows among

developing African countries by devising special forms of co-operation among them especially as regards payments and trade agreements. The Lagos Plan of Action has placed priority on the development and expansion of trade as one way among others of pulling the African masses out of their vicious circle of poverty. Of particular importance, the Plan of Action calls for expanding intra-African trade through a comprehensive long-term programme of economic co-operation among African countries. In accordance with the Plan a treaty was signed recently by the Heads of State of the Eastern and Southern African subregion to establish a Preferential Trade Area. In addition to ECOWAS and other standing co-operation arrangements, efforts are being made to establish the Economic Community of Central African States following the Summit Conference of Heads of State held in Libreville from 17 to 19 December 1981. The establishment of regional development banks and the establishment of a Central African Clearing House are other efforts to promote such co-operation and to expand intra-African trade to its desired levels.

Table 18. Trade of developing Africa with main trading areas

| Export destination/ Import origin | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| | 1960-64 average | 1970 | 1979 | 1960-64 average | 1970 | 1979 |
| World | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Developed market economies | 77.1 | 78.3 | 81.6 | 75.1 | 77.3 | 78.7 |
| Centrally planned economies | 6.2 | 7.0 | 2.6 | 6.0 | 10.1 | 7.6 |
| Developing Africa | 6.3 | 5.4 | 3.7 | 5.6 | n.a. | n.a. |
| Other developing countries | 10.4 | 9.3 | 12.1 | 13.3 | 12.6 | 13.7 |

Source: United Nations Yearbook of International Trade Statistics, 1968. United Nations Monthly Bulletin of Statistics, January 1971 and July 1981.

(f) Terms of trade

89. Terms of trade over the 1960s did not record a significant move in favour of developing African countries and were slightly lower than in both developed market economies and developing countries as a whole.

Table 19. Terms of trade of developed and developing countries 1960-1969 (1965=100)

| | 1960 | 1966 | 1967 | 1968 | 1969 |
|---|---|---|---|---|---|
| Developed market economies | 98.0 | 101.0 | 101.0 | 101.0 | 101.0 |
| Developing countries | 105.1 | 102.0 | 101.0 | 102.0 | 103.0 |
| Developing Africa | 99.0 | 98.0 | 97.0 | 100.0 | 100.0 |
| | Purchasing power of exports | | | | |
| Developed market economies | 68.6 | 108.4 | 115.3 | 130.0 | 145.6 |
| Developing countries | 78.1 | 106.5 | 109.9 | 122.8 | 135.9 |
| Developing Africa | 73.88 | 109.7 | 106.4 | 123.0 | 144.9 |

Source: United Nations Monthly Bulletin of Statistics, January 1971.

90. On the other hand, the income terms of trade (the import purchasing power of export earnings) recorded significant increases over the entire period of the 1960.

Table 20. Terms of trade (1975=100)

| | 1970 | 1975 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Oil-exporting countries a/ | 34 | 100 | 98 | 115 | 170 |
| Non-oil-exporting countries | 117 | 100 | 101 | 101 | 113 |
| Developing Africa | 65 | 100 | 99 | 110 | 147 |
| | Purchasing power of exports (1975=100) | | | | |
| Oil-exporting countries a/ | 51 | 100 | 118 | 144 | 188 |
| Non-oil-exporting countries | 109 | 100 | 110 | 117 | 108 |
| Developing Africa | 79 | 100 | 114 | 135 | 152 |

Source: ECA secretariat.

a/ Excluding Gabon.

91. The 1970s reflected the same trend as the 1960s. For a large part of the 1970s, except for 1979 and 1980, African developing countries were getting less imports for their unit value of exports. Surprisingly, most of the gains in the terms of trade were experienced by non-oil-exporting countries as compared to the unfavourable terms of trade for oil-exporting countries as a group in the same period. However, with the quadrupling of oil prices in 1978-1979, the terms of trade of oil-exporting countries moved into considerable gains, raising the overall average of developing Africa to

110 and 147 in 1979 and 1980. While the purchasing power of exports of oil-exporting countries, with the hikes in oil prices, rose faster between 1975 and 1980, the non-oil-exporting countries also showed a steady improvement in the purchasing power of exports between the respective years.

(g) Balance of payments

92. The balance of payments in most developing African countries showed a constant downward trend during the 1960s and 1970s. In the first half of the 1960s, very few countries enjoyed a balance-of-payments surplus except for Zambia and the Libyan Arab Jamahiriya. In the second half of the 1960s, the majority of African countries continued to face the same situation as in the first half but with some stability owing to a move towards more genuine monetary independence. The major factors which led to the improvement of developing Africa's overall balance-of-payments position have been the development of oil production, particularly in the Libyan Arab Jamahiriya, and the increased copper prices which benefited both Zambia and the Congo tremendously. The other factor, although of less importance, which led to the relative improvement of the overall balance of payments was the reduction of imports as a deliberate policy act to redress balance-of-payments disequilibria as in the case of Egypt and some other countries.

Table 21. Balance of payments of developing Africa*

(billions of US dollars)

| | 1970 | 1975 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Exports (f.o.b.) | 12.3 | 34.9 | 48.0 | 68.2 | 92.8 |
| Imports (f.o.b.) | -10.3 | -35.8 | -51.2 | -58.0 | -72.7 |
| Trade balance (f.o.b.) | 2.0 | -0.9 | -3.2 | 10.2 | 20.1 |
| Net services and private transfers | -3.4 | -8.5 | -11.8 | -14.1 | -15.9 |
| Balance on current account | -1.4 | -9.4 | -15.0 | -3.9 | 4.2 |
| Official transfers (net) | 1.2 | 2.5 | 2.6 | 2.7 | 2.4 |
| Capital (net) | 2.2 | 6.1 | 10.4 | 11.5 | 8.8 |
| Net errors and omissions | -0.7 | -1.5 | -0.6 | -3.3 | -2.2 |
| Total change in reserves | -1.3 | 2.3 | 2.8 | -7.0 | -13.2 |

Source: ECA secretariat estimates based on International Financial Statistics, vol. XXXIV, Nos. 11 (November 1981) and 12 (December 1981), and Yearbook 1981; World Economic Outlook, occasional paper No. 4 (Washington, IMF, 1981); and information obtained from African developing countries.

*A minus sign indicates an increase in reserves.

93. Table 21 clearly shows that the 1970s was a period characterized by serious balance-of-payments pressures in most African developing countries. With the growing decline in the current account during the 1970s there was a continuous drain on foreign exchange reserves which fell dramatically from a surplus of $1.3 billion in 1970 to a deficit of $2.8 billion in 1978. More alarming is the fact that the increase in capital flows and official transfers, which remained fairly constant over the period, was not growing sufficiently to redress the imbalance in the current account and to provide for more improvement in the reserve position.

94. The oil-exporting countries as a group had enjoyed trade surpluses throughout the 1970s, yet heavy drains on their foreign exchange reserves were quite evident in 1975 and 1978. The current account, after experiencing a substantial deficit of $5.1 billion in 1978, recovered remarkably in 1979 and 1980 depicting a surplus of $7 billion and $15.9 billion respectively largely owing to increases in exports in the two years of 57.7 per cent and 45.6 per cent.

95. The non-oil-exporting countries, on the other hand, recorded a large current account deficit over the 1970s, and especially in the last few years. Consequently, the years 1979 and 1980 were characterized by extreme pressure on reserves in spite of the increases in capital inflow. After registering a drop in 1975 and 1978 of $600 million and $100 million respectively, total change in reserves increased to $700 million in 1980, the highest level in 10 years.

96. The overall effect was a wider resource gap which had largely to be covered by loans, grants and transfers to Governments. In an effort to cushion balance-of-payments difficulties, developing African countries relied heavily in recent years on international capital markets, IMF and capital originating from the members of OPEC and the Development Assistance Committee (DAC) of OECD through bilateral and multilateral financing arrangements. To correct the persistent imbalances in the payment situation, developing African countries resorted heavily to foreign borrowing.

97. Total net financial flows to developing countries of Africa from all sources not only increased by 6.1 per cent on a yearly basis between 1975 and 1979, but the rate of concessionality of these flows remained fairly stable over these years.

Table 22. Total net financial flows from DAC and OPEC member countries and from multilateral agencies to developing countries of Africa 1975-1979
(billions of US dollars)

| | Concessional | Non-concessional | Total |
|---|---|---|---|
| 1975 | 6.861 | 6.166 | 13.027 |
| 1976 | 6.113 | 5.654 | 11.767 |
| 1977 | 7.440 | 7.852 | 15.292 |
| 1978 | 8.562 | 11.034 | 19.596 |
| 1979 | 8.695 | 7.828 | 16.523 |

Source: Handbook of International Trade and Development Statistics, Supplement 1980 (United Nations publication, Sales No. E/F.80.II.D.10), pp.276 and 277.

98. Official and private flows not only constituted the bulk of the bilateral flows from DAC countries but were growing over time. They increased from $7.6 billion in 1975 to $12.7 billion in 1979. The official development assistance (ODA) was also rising faster in the same period, from $2.9 billion in 1975 to $5.8 billion in 1979. The share of ODA in the total net bilateral flows from DAC countries increased appreciably from 27.8 per cent in 1975 to 30.2 per cent in 1979, while the share of official and private debt slightly declined over the same period. In accordance with

the Strategy for the Second United Nations Development Decade, which invited developed countries to transfer to the developing countries annually the equivalent of 1 per cent of their GNP in real terms, with the target for ODA fixed at 0.7 per cent, OECD countries as a whole slightly exceeded the GNP target but failed to achieve the ODA target. Net disbursement of ODA as a percentage of GNP and OECD countries was only 0.34 per cent in 1979.

99. The net bilateral financial flows from OPEC countries to developing Africa as a whole not only decreased in absolute value from $3.7 billion in 1975 to a mere $1 billion in 1979, but the rate of concessionality declined sharply in 1978 and 1979, being only 82.2 per cent of total net financial flows in 1978 and 63.1 per cent in 1979 as compared to 90.3 per cent in 1977. Moreover, in these last years, a large proportion of the total debt for developing Africa, had been obtained as commercial loans (suppliers' credit) on hard terms inappropriate to African circumstances. On the other hand, balance-of-payments support extended by IMF under its compensatory financing facility only provided on interim solution arising from contingencies such as the assistance following increases in world oil prices and not movements of long-term capital, detrimental to Africa's future development hopes.

100. Nevertheless, the total outstanding debt of developing Africa as a whole, which amounted to $47.8 billion in 1980, represented only about 11 per cent of the total debt outstanding of all developing countries, a fact which makes Africa the least indebted continent. The continuous declining indebtedness of Africa is seen from the yearly decreases in the rate of increase of debt. The rate of increase of 11 per cent in 1980 was the lowest experienced since 1973. There are however no grounds for assuming that the needs of the African continent for foreign resources are decreasing but rather the high interest in the capital market and the stagflation (inflationary recession) afflicting the OECD countries are the main factors that have limited the ability of African countries to have more access to external sources of finance. Moreover, repayment commitments constitute a continuous drain on developing Africa's foreign resources particularly with the slow expansion of exports in recent years. Had not arrears on debt repayments been disguised in official records, the balance-of-payments of most developing African countries would have shown a wider gap than hitherto. The debt service ratio to total export earnings increased from 6.3 per cent in 1970 to 9.5 per cent in 1978 for developing Africa as a whole and about 11.4 per cent of total export receipts were paid in 1979 to meet debt charges. However, this ratio varies widely among countries, ranging from 2 per cent to over 30 per cent during the period 1970-1979. The ratio is exceptionally high for the Sudan, Mauritania, Algeria, Togo, Guinea, Sierra Leone, Morocco and Zambia, where it stood at over 20 per cent in 1979.

101. However, in the face of the growing formidable difficulties encountered in acquiring financial funds from foreign sources and the bouncing repayment obligations, most of the African countries are now increasingly inclined to cushion balance-of-payments problems as far as possible by aid and soft loans with less recourse to loans on hard terms. Of utmost importance, Africa has now to continue to guard, more than ever, against future repayment commitments which cannot be sustained by increases in exports and to follow a coherent self-reliant approach to development, as stipulated in the Lagos Plan of Action, whereby a considerable part of foreign loans must be used to earn foreign revenue by enhancing the capacity of export industries and to save foreign exchange by import substitution development which in nature is an internally-generated process.

## 6. SOCIAL TRENDS

102. The very modest rates of growth recorded for the major productive sectors over the past two decades in the face of rapidly rising population have meant that the expansion of facilities for and the benefits of growth including opportunities for gainful employment, education, health care and sustained improvements in living conditions in general have on average been slow and uneven.

103. Available evidence indicates that there is still a high incidence of unemployment, underemployment and mass poverty in the region although available data are sketchy and do not lend themselves readily to intertemporal comparison. Nevertheless it is known that in 1975 out of a total estimated regional labour force of 140 million, about 63 million or 45 per cent comprised the unemployed or underemployed. Some 10 million people representing 35.9 per cent of the total were in urban areas and 53 million or 47.3 per cent in rural areas. These numbers and ratios were projected to increase so that by 1980 the estimated total labour force in Africa would be 165.4 million or 36.2 per cent of the total population. Of the total 32.9 million people that would have been added to the total labour force during the 1970s only 18.1 million would have found remunerative employment.1/ With such a high rate of unemployment and underemployment it is not surprising that the problem of mass poverty has become more pervasive in Africa. Available data on income distribution coupled with data on per capita income suggest that about 257 million or 70 per cent of the estimated total African population is now destitute (i.e. seriously below the poverty line) or on the verge of poverty.

104. The creation of job opportunities has accordingly remained a major preoccupation of the Governments of African developing countries and considerable efforts have been expended in this respect. Such efforts have, however, been thwarted by such factors as the imbalance between the growth of the labour force, urban population, education and overall growth of the economy, the imbalance between job expectations as opposed to available job opportunities, and the imbalance in factor mix owing to artificial distortions in factor and product prices. Employment growth has in addition been constrained by international trade and aid restrictions as well as the persistent deterioration in the region's terms of trade.

105. On gaining independence, African Governments recognized the importance of education as an important catalyst in social development and economic growth. Accordingly high priority has continued to be given to the development of this sector. Budget allocations for education have generally ranged from 18 to 28 per cent of public expenditures. The progress made over the last two decades has therefore been quite impressive. Thus wheras in 1961 primary school enrolments in Africa covered barely two fifths of the relevant age group, secondary education only 3 per cent and tertiary education a mere fifth of one per cent, in 1977, the ratios were 70 per cent, 14 per cent and 1.8 per cent respectively. In spite of these quantitative gains, education has continued to pose serious difficulties to Governments in the region. Much inequality still exists in the distribution of educational opportunities by region, sex and income group. Efforts to widen educational opportunities have come up against limited resources. Furthermore the quality of education generally offered has been such that rather than holding out the promise to encourage employment opportunities, education may have aggravated the unemployment situation to the extent that because of the mismatch between some educational products and available job opportunities, the ranks of the educated unemployed have been growing.

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1/ ILO, Employment, Growth and Basic Needs - A one World problem, 1976.

106. Marked improvements have also taken place in the level of health standards in the region. This is particularly true of such areas as mother and child care, the control of communicable diseases and health education. The overall doctor/population ratio for the region was 1:6,500 in 1978 against 1:10,000 in 1970. However, like educational facilities, health facilities are still grossly inadequate and unevenly distributed. Facilities generally favour urban concentrations, curative rather than preventive medicine is generally stressed and there is a preference for capital-intensive construction techniques. Efforts are, however, being made to change this situation. New and non-traditional approaches to health delivery, particularly in the rural areas, have been initiated by some Governments.

107. The rapid pace of urbanization observed throughout Africa has brought with it a variety of social problems which continue to call for urgent government action. Perhaps the most acute of these problems is the shortage of adequate housing. It is estimated that for the region as a whole the rate of increase in housing is approximately three units per thousand people annually, while the need is estimated at 10 to 13 units per thousand. With the growth rate of African towns and cities estimated at 5 per cent on average per annum, the urban population estimated to be living in slum and squatter settlements is between 50 and 60 per cent.

## 7. CONCLUSION

108. Economic growth in the African region during the last two decades or so, modest and fluctuating as it is, has been associated with a number of disquieting trends in the pace and structure of production and consumption and thereby the behaviour of the external sector.

109. On the production side, the performance of both agriculture and manufacturing has been unsatisfactory. In fact, there was a serious decline in per capita agricultural production especially food production where the average citizen nowadays has access to about 10 per cent less locally-produced food than a decade ago notwithstanding the already low calorific intake. Further, these trends have not only affected rural people's welfare but have also given rise to a whole gamut of reverse multipliers on overall growth, exports and government revenue and contributed to the slow growth in manufacturing.

110. Still small and largely agro-based, the manufacturing sector, once viewed as the major instrument of economic transformation and economic independence, has failed to grow sufficiently, has remained structurally the same, is dominated by production of simple consumer goods and is characterized by small largely import-based production units with poor local linkages. Only a few countries have tried to develop heavy industries, without much success. Perhaps the major commendable thrust has been the vigorous adherence to the policy of import-substitution by the majority of countries and, in a few cases, the development of export-oriented industries. Numerous factors have however held down the growth of this sector. Beside the poor performance of agriculture, there are for instance such factors as poor planning and management, shortages in spare parts, raw materials and working capital, lack of modernization, heavy reliance on imports and pricing problems among others.

111. Mining, on which many countries of the region depend, continues, as has historically been the case, an isolated export-enclave almost completely dependent on the vagaries of international demand. Even when demand improves, however, more often than not transport problems prevent many mineral exporters from exploiting the situation.

112. The commercial energy position, although adequate on balance, is characterized by the existence of a few oil-surplus groups and a majority of oil importers. While the former benefited from ample availability of this source of energy in addition to oil revenue, the latter have continued to suffer acute shortages in view of their limited ability to import oil particularly in recent years. The growth implications of this limitation have proved far-reaching for a number of countries.

113. Inadequate transport, too, has proved to be a further constraint on growth and trade at both the country as well as the subregional and regional levels. Great hopes are indeed pinned on the successful implementation of the Transport and Communications Decade in Africa.

114. These production trends, and particularly those of agriculture and manufacturing which constitute the bulk of consumption demand, suggest inter alia a highly unbalanced structure of growth in the light of prevailing consumption and investment patterns in the region.

115. Consumption expenditure has increased in a periodic fashion similar to that of income, although at a slower rate. This is due to the low growth of private consumption which mitigated the accelerated expansion in government expenditure. As a result, consumption as a proportion of GDP has declined slightly but remained relatively high. Most alarming however has been the consistent rise in the marginal propensity to consume during the last two decades in almost all subregions notwithstanding the need to increase savings efforts. However, there were wide disparities when ratios are considered for subregions or by major groups. While in the North African subregion consumption accelerated, it decelerated in other subregions with the East African subregion showing the highest drop in growth between the 1960s and the 1970s. Group-wise, however, the rate of growth of consumption in the major oil exporters was considerably higher than that of the non-oil exporters. However, in view of the sharp rise in GDP growth, the share of consumption in GDP in the former group has decreased considerably during this period although in a fluctuating pattern. In contrast, the share of consumption in GDP in the least developed countries increased.

116. As a consequence of these developments, the region's overall savings rate has improved but again mainly because of the oil exporters as the ratios for the non-oil exporters increased only modestly with the least developed countries among them actually experiencing a decline in their savings ratios. However, during the 1970s, there was a marked decline in the marginal propensities to save for the region as a whole.

117. On the other hand, gross capital formation as a proportion of GDP increased steadily in developing Africa. Region-wise, however, while investment ratios doubled in the West African subregion and were highest in the North African subregion, the East African subregion experienced a decline. Although these higher levels of investment were associated with higher growth, over all this was accompanied by a considerable fall in the rate of utilization. Moreover, the trends in the sectoral

distribution of this investment have had serious implications for the productive sectors of agriculture, mining and industry. However, the composition of investment by type of capital goods has not changed significantly during the period. It is to be noted that the poorer countries had a higher share of imported equipment and machinery in their capital formation which underlines the degree of their increased dependence on the external sector to build their domestic production capacities.

118. The decline in savings rates in times of an increased tempo of investment resulted in a widening of the domestic resource gap.

119. Through exports and imports, the foreign sector has historically played a major role in the development and transformation of African economies. The 1960s saw a noticeable diversification and improvement in the quality of the region's exports, the main thrust being the maximization of export earnings but that was obtained only at the cost of lower prices due to fierce international competition. In the 1970s, there was a gradual move to meet domestic demand and hence export promotion was supplemented by an inward-looking pattern of development of trade through the pursuit of import-substitution policies.

120. But, in general, the structure of exports remained concentrated on primary agricultural products and one or two major mineral products. This concentration proved costly in view of the inelastic supply of products and the extreme fluctuations in their prices. Nevertheless, over all, export performance was remarkable in the 1960s owing to increased volumes rather than improvement in prices. However, performance during the 1970s was disappointing owing to the fall in the volume of oil exports which accounted for the major part of the package. At the root of these developments are such factors as the development of synthetic substitutes, competition and trade barriers as well as recessionary conditions in the developed economies and stagnation of agricultural production in the region. Demand for imports on the other hand increased steadily to augment local consumption and help to build domestic capacity but their structure remained fairly much the same, dominated by food, industrial raw materials and equipment. The faster growth of imports than of exports precipitated acute chronic balance-of-payments problems for a great number of countries in the non-oil-exporting group. The fortunes of the oil exporters were remarkably favourable with growing surpluses in their external transactions. There has not been any significant changes either in the direction or in the terms of trade during this period. The share of intra-African trade also continued to be small and has even declined.

121. The imbalance in the external account led to a continuous decline in foreign exchange reserves as the level of official capital flows remained fairly stagnant. With international demand for the region's exports continuing fairly sticky and development and even consumption requirements rising, countries resorted more and more to the costly international capital markets for short-term loans, thereby accumulating higher debts, arrears and reducing their credit-worthiness.

122. However, it is increasingly being recognized - most importantly in the Lagos Plan of Action - that future growth and stability hinges on making a renewed and carefully guided structural thrust to maintain internal and external equilibrium. This is the basic challenge of the future.