## OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

## DISCLAIMER



## FAIR USE POLICY



## CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Tel: (+43-1) 26026-0 · www.unido.org · unido@unido.org

15975

Distr.
LIMITED

UNIDO/IS.647
21 August 1986

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

ENGLISH

# OFFICIAL DEVELOPMENT ASSISTANCE TO MANUFACTURING IN SUB-SAHARAN AFRICA*

Prepared by the

**Regional and Country Studies Branch**

---

* *The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Mention of company names and commercial products does not imply the endorsement of UNIDO. This document has been reproduced without formal editing.*

## CONTENTS

## LIST OF TABLES

## INTRODUCTION

Sub-Saharan African countries are experiencing many development constraints and, currently, severe crises in economic and social terms. Many developed countries, more resource-endowed developing countries, and international organizations are providing technical and financial assistance to support African countries' development. Official Development Assistance (ODA) indeed plays an important role in the economies of Sub-Saharan Africa (SSA).

The Industrial Development Decade for Africa was proclaimed for the 1980s by the United Nations General Assembly in order to mobilize world support for a longer-term need: the industrialization of African countries. Such industrialization is necessary if the economies of SSA are to achieve stable and self-sustaining growth to meet the needs of their rapidly growing populations, needs which are magnified by recent trends. This study looks at the extent to which ODA contributes to the manufacturing sector in this region.

It therefore begins by summarizing the region's present economic characteristics. It reviews the experience of industrialization efforts and traces, in contrast, the deteriorating situation and the increasing concern among the world community. The flow of resources to the manufacturing sector is explored by examining data from OECD as to the involvement of Development Assistance Committee (DAC) members in the region, and by briefly reviewing the involvement of individual countries and international organizations.

The study is based on the work of Mr. G. Dancet, University of Leuven, Belgium, as consultant to UNIDO. The assistance of OECD through the provision of statistical data is gratefully acknowledged, as are the discussions held with officials of the Netherlands Ministry of Foreign Affairs, and with B. van Arkadie and A. Dolman of the Institute of Social Studies in the Hague, Netherlands.

# Chapter 1

## MANUFACTURING PERFORMANCE IN SUB-SAHARAN AFRICA

### 1.1 Overall economic growth in the 1960s and 1970s

The designation "Sub-Saharan Africa" (SSA) is typically applied to the African countries below the Tropic of Cancer (i.e. excluding the countries of North Africa) with the exception of South Africa and Namibia. As a whole it has a population of around 400 million people and an average per capita income of around $500. It includes 45 countries of which 26 belong to the group of least developed countries (LDCs).

The region has over recent years become a focus of international attention through the special difficulties it faces. A worsening economic crisis, coupled with food shortages, natural disasters, and political unrest, have made most countries in the region highly vulnerable to internal and external shocks. And yet during the 1960s economic growth in the different countries of the region had been satisfactory.[1/] On average, GDP increased by 3.9 per cent annually resulting in a per capita output growth of 1.3 per cent annually. It should be noted that all countries showed a positive growth, with the variance being rather low.

The picture changed completely during the 1970s when economic growth declined to an annual average of 2.9 per cent. If one excludes Nigeria, which was able to rely on oil revenues in this period, the average growth was only 1.6 per cent. Taking into account the faster population growth, GNP per capita increased at a rate of only 0.8 per cent. Excluding Nigeria the regional GNP per capita actually declined annually by 0.4 per cent. During the 1970s, the variance between the individual countries increased enormously. As extremes, Angola had negative growth of 9.2 per cent, while Botswana grew at an annual average of 13.5 per cent. Slow economic development was also coupled with a sluggish agricultural production in most countries, which resulted in a decline of per capita food production of about 1 per cent a year. Food aid increased substantially to offset the loss of food production. The volume of agricultural exports declined at an average rate of 3.5 per cent in the 1970s. Consequently, the region's share of the world market rapidly decreased.

---

1/ Data taken from the World Bank, "Accelerated Development in Sub-Saharan Africa. An Agenda for Action", 1981.

The deterioration in agriculture was accompanied by other internal and external factors which led to widespread balance of payment problems and sharply increased external debt. Oil prices soared, the growth of world demand for primary commodities excluding energy slowed considerably, and for some countries the terms of trade worsened. At the same time the volume of exports did not increase in the 1970s. Although statistics are not complete or reconcilable, for most countries a decline of exports volume was recorded. The share of the region in developing-country nonfuel trade fell drastically in the 1970s.

1.2 The critical economic situation in the 1980s

While the outlook for the Sub-Saharan region was already grim at the end of the 1970s, economic difficulties were to increase. Following a new jump in real oil prices, the world economy entered a deep recession in 1980. The industrial countries tried to offset higher oil bills by lowering their demand and by restricting imports. As a result of this policy world trade stagnated and world prices of primary goods, including oil, fell drastically in the period 1981-1983. In real terms, commodity prices in 1982 were at their lowest in 40 years. Falling export prices and more limited access to the markets of industrial countries undermined attempts by African governments to control their balance of payments. It was estimated that the loss of income due to the deterioration in terms of trade was 1.2 per cent of GDP for SSA.[1/] External current accounts went deeply into deficit, estimated in total at $14 billion in 1982. To curb growing deficits, the African economies had to reduce their imports, which caused in many countries severe shortages of imported raw materials, as well as intermediate and capital goods, working as a brake on economic activity, and in particular on industrialization.

However, while all developing countries suffered from the global economic recession, the decline of economic growth had dramatic proportions for African countries in the 1980s. For Sub-Saharan Africa as a whole GDP remained virtually unchanged (1981-1983). Since population growth speeded up to over 3 per cent, average per capita income in many African countries is now, in real terms, less that it was 15 years ago. Or in other words, all the modest gains of the 1970s have been lost. Social conditions have also deteriorated rapidly. The number of people living below the poverty line is now estimated

---

1/ The World Bank, "Towards Sustained Development in Sub-Saharan Africa. A Joint Programme of Action", 1984, pp. 11-12.

at roughly 60 per cent of the total, and about 50 per cent of the labour force is unemployed or underemployed. Vulnerable groups, such as women, children and the disabled, are the victims of the economic decline. The critical financial situation of most African governments obliges them to cut down on public services and concentrate on economic survival.

The economic and social crisis in SSA was accompanied in many countries by political instability. Africa now has about 2.5 million political refugees, excluding people displaced within the borders of their own country. Again, natural disasters have occured in the form of cyclones, floods but, more drastically, a long and severe drought, which affected many countries from 1981 onwards. It is important to stress that, while the world economy in general began to recover in 1983 and 1984, the severe economic and social situation continued in SSA. Many African countries have no alternative but to turn to the international community in order to receive more food aid and to request an extension of payment on their external debt. Consequently, an increasing number of countries have turned to the Paris club, the IMF and the World Bank for a rescheduling of their external debt, which often has to be accompanied by an IMF adjustment programme. The immediate impact of such programmes can be a further worsening of living conditions, at least in the short and medium term, through reduced government expenditures and disposable income.

1.3 The structure of manufacturing

It should be recalled that most African economies are heavily dominated by the production of primary goods, mostly agricultural, and associated tertiary activities. The African continent is responsible for only a tiny part of the world economy, and its share of world manufacturing value added stands at a mere 1.00 per cent in 1985.[1/] This figure is, in fact, the same as the 1 per cent target for 1985 incorporated in the Lagos Plan of Action and therefore the subsequent targets of 1.4 per cent for 1990, and of 2 per cent for the year 2000, do not seem unreasonable. However, the region's share in world manufacturing value added has decreased slightly since 1982, and this contrasts with earlier decades when Africa's share rose steadily from 0.7 per cent in 1963 to 1.04 per cent in 1982, the latest non-estimated record. The

---

1/ "A Statistical Review of the World Industrial Situation: 1985", UNIDO/IS.590, April 1986.

rising share of manufacturing in the past was not so much a consequence of rapid industrial growth as a product of a shift in relative prices in favour of manufacturing through tax policies and subsidies.

All these figures include the countries in North Africa. In 1981, SSA accounted for only 56.5 per cent of total manufacturing value added in Africa against 63.8 per cent in 1973. In other words, the rising share of Africa in world manufacturing value added between 1973 and 1983 can be attributed almost entirely to the growth in North Africa. Again, Nigeria is responsible for one-third of the total manufacturing value added of SSA.[1/] Thus, in world terms the manufacturing sector of SSA is very small and scarcely increasing.

The modest extent of industrialization in SSA can be illustrated by the fact that on average the share of manufacturing in GDP is about 8 per cent, which is much lower than the 14 per cent for all low-income countries (1982 figures). Detailed figures for 1981 reveal that only five countries of the region have a share of manufacturing which is over 15 per cent of GDP: Ivory Coast (15.6 per cent), Mauritius (20.4 per cent), Zambia (16.9 per cent), Swaziland (23.8 per cent) and Zimbabwe (26.7 per cent). There are no low-income countries in this group. On the other hand, most low-income countries and middle-income oil exporters show a share of manufacturing in GDP of less than 8 per cent.[2/] The industrial structure of the African economies is concentrated on non-durable consumer goods industries. The share of Africa in world manufacturing value-added in 1970 was higher than the average for the following branches: food products, beverages, tobacco, textiles and clothing, footwear, wood and cork products, other chemicals (fertilizers and consumer goods), petroleum refineries, miscellaneous products of petroleum and coal, rubber and plastic products and other non-metallic mineral products. By 1981 this situation had not changed.[3/] The inclusion of North Africa is responsible for the appearance of virtually all non-consumer goods branches in this list.

---

1/ "Africa in Figures", UNIDO/IS.517, 1985, pp. 21-22.

2/ "Africa in Figures", UNIDO/IS.517, 1985, pp.21-22. See also appendix, Table A.2

3/ "A Statistical Review of the World Industrial Situation: 1984", UNIDO/IS.506, March 1985.

1.4 Manufacturing performance

From the beginning, most African governments pursued industrialization through import substitution as a driving force for economic growth and development. It was also expected that industrialization would increase the flexibility of the economy and reduce dependence on external forces. In other words, industrialization in Africa has principally consisted in setting up industries that produce simple types of manufactured goods to meet a local demand formerly satisfied by imported goods. These infant industries received in most cases significant subsidies, favourable tax treatment and tariff protection against competing imports. At the same time they were able to import the necessary capital goods, raw materials and intermediate goods at low tariffs, or else duty-free. As a result of such policies, the new import-substitution industries, while contributing to the decline in imported consumer goods, also caused an increase in the import of intermediate and capital goods. Consequently, no major savings of foreign exchange were attained. Excessive investment in industry, and a distortion of relative prices in favour of industry, placed a burden on the other economic sectors, especially agriculture, and it heightened the region's dependence on foreign manpower, capital and technology. Moreover, the trend towards capital-intensive import-substitution industries with a high unit cost of investment has distorted the region's cost structure. African wages are high compared with other developing countries, particularly Asia, and African labour productivity is much lower than in South America or Asia. Also, in many cases, domestic production costs tend to be higher in terms of foreign exchange than the cost of the imported final product.

Following the balance-of-payments crises of the 1970s, import substitution intensified through higher exchange rates and quantitative import restrictions. During the commodity boom of the late 1970s, investment in industry increased substantially and some countries initiated the expensive stage of import-subsitution of intermediate and durable consumer products. Also, project selection tended to deteriorate and led to investments with very low rates of return.

Undoubtedly, however, there was considerable industrial growth in the 1960s and 1970s, which contributed to the economic development of the region. Annual per capita growth of manufacturing value added in Africa as a whole reached 4.5 per cent between 1963 and 1973, which is in excess of the average growth of per capita GNP which was only 2.5 per cent. For the period

1973-1980, manufacturing value added (MVA) per capita grew at an average of 2.8 per cent which again was higher than the modest increase of per capita GNP of 1.5 per cent.[1/]

Figures for the 26 LDCs in the region show that MVA per capita increased on average at 5.8 per cent in the 26 LDCs of SSA between 1960 and 1973, much faster than the 0.7 per cent increase of GDP per capita. In contrast, from 1973 to 1977 MVA per capita decreased at 1.1 per cent while GDP per capita still increased at 0.5 per cent.[2/]

The performance of manufacturing worsened abruptly in the least developed countries of SSA in the late 1970s. They suffered severely from increased oil prices and were the first to enter into a deep balance-of-payments crisis, which led to a reduction in domestic demand and in imports. Shortages of supplies of raw materials, spares and intermediate products often appeared. Manufacturing could not escape the effects of a deteriorating economic environment. In LDCs industrial weaknesses continued, but the middle-income countries of SSA especially, which had previously been able to expand their industry, have experienced severe setbacks, due to falls in imports, in locally produced raw materials and in domestic demand. It should also be recalled that agricultural performance dropped drastically in the 1970s, negatively affecting the manufacturing sector.

In the 1980s the world recession debilitated the economies of all developing countries and particularly the economies of SSA. World trade stagnated and protectionism increased. Commodity prices dropped steeply, especially of those commodities in which SSA has a comparative advantage, like oil, seeds, cotton, and tropical fruit. The devastating impact of the drought on crop production and livestock led to a dramatic setback in agricultural production. The decline in export earnings, the rising cost for imported energy and the increase of food imports have burdened the balance-of-payments of all SSA countries, not only the LDCs.

---

1/ Ibid.

2/ Taken from "The Agony of Africa", UNIDO/IS.488, 1984.

Throughout the region, capacity utilization rates in manufacturing are extremely low, and in some cases as low as 25 to 30 per cent. Recently, fixed investment and savings have declined. If one adds to this the continuing poor quality of investment and the prolonged difficulties in macro-economic management, one should not be surprised that the economy - and the manufacturing sector in particular - is not following the current world recovery and that future development possibilities are now at stake.

## Chapter 2

## OFFICIAL DEVELOPMENT ASSISTANCE FLOWS TO SUB-SAHARAN AFRICA

### 2.1 Definitions and composition

The OECD is the main source of reporting of resource flows from developed market economy countries to developing countries, and the definitions and concepts used in OECD reports[1/] are as follows. Official Development Assistance (ODA) is defined as financial flows to developing countries and multilateral institutions, i.e. grants or loans, undertaken by the official sector, provided at concessional terms (if a loan, it contains a grant element of at least 25 per cent) and administered with the promotion of the economic development and welfare of developing countries as its main objective. Grants cover gifts, in money or in kind, for which no repayment is required. The term includes grants for technical co-operation, grant-like financial flows, i.e. loans repayable in recipients' currencies and transfer of resources through sales of commodities of recipients' currencies, less local currency balances used by the donors for other than development purposes. ODA loans cover loans with maturities of over one year which meet the basic criteria of ODA and for which repayment is required in convertible currencies, or in kind. ODA loans include a grant element of at least 25 per cent. This is a measure of the concessionality or softness of a loan, and is given by the extent of benefit reflected in the difference between the ODA interest rate and the market rate (taken at 10 per cent per annum), the length of time the funds are available for the borrower (maturity) and the length of interval to first repayment of capital (grace period). The OECD calculates this benefit by estimating the present value of repayments discounted at 10 per cent and expressing the present value as a percentage of the face value of the loan. By technical co-operation is meant the provision of resources (mostly grants but also a small volume of loans) to nationals of developing countries receiving education or training at home or abroad and to defray costs of teachers, administrators and advisers serving in developing countries.

---

1/ OECD, "Development Co-operation, Efforts and Policies of the Members of DAC", annual review; OECD, "Geographical Distribution of Financial Flows to Developing Countries", annual review. It should be noted that the definitions and classification of these two publications do not always exactly correspond.

Transactions are reported at two stages: commitment, when the donor assumes a firm obligation to furnish assistance specified as to volume, purpose, financial terms and conditions; and disbursement, when funds are actually provided. Unless otherwise stated, the disbursement figures are shown net, i.e. less capital repayments on earlier loans. Bilateral flows are reported directly by each donor country member of the Development Assistance Committee (DAC). OECD figures for bilateral aid for the Organization of Petroleum Exporting Countries (OPEC) and the Council for Mutual Economic Assistance (CMEA) are based on secondary sources and OECD Secretariat estimates. Multilateral flows are those channelled via an international organization active in development, including the World Bank group, the regional development banks, the IMF Trust Fund, the Arab and OPEC Development funds and the United Nations agencies.

In addition to aid flows, OECD reports also on grants from private agencies (private aid) and transactions at commercial terms from either the official or private sector. The official non-concessional flows include office export credits, official sector equity and portfolio investment, and debt reorganization undertaken by the official sector (bilateral or multilateral) at non-concessional terms. These transactions may include a grant element which is below 25 per cent. Private sector flows combine direct investment, private export credits and portfolio investment. Portfolio investment is an OECD Secretariat estimate which corresponds largely to bank sector loans with a maturity of more than one year. The amount thus included for DAC excluding those loans lent by offshore affiliates of banks resident in DAC countries, as well as some minor adjustments.

Tied aid referes to all aid transactions for which procurement is limited to the donor country; aid is said to be untied when procurement may be undertaken in at least all OECD and developing countries. Local costs are outlays up to the date of completion of a project to finance the procurement of goods and services in the local market.

It should also be noted that ODA is calculated to include both the resources actually reaching developing countries (or multilateral organizations) and the administrative costs associated with this.

## 2.2 The evolution of ODA to SSA

During the 1970s net disbursements of ODA from DAC, multilateral and OPEC donors grew from $1.3 billion in 1970 to $8.1 billion in 1980 or almost a sixfold increase.[1/] Figures for the period 1970-1973 do not include OPEC donors. OECD figures indicate that in 1980 OPEC countries were responsible for 8 per cent of total concessional aid flows to SSA; DAC countries disbursed 62 per cent and multilateral institutions the remaining 30 per cent of this total. Thus bilateral aid from DAC countries remained the largest inflow of ODA in SSA.

Although SSA has only about 11 per cent of the total population in less developed countries, the region always received a more than proportional share of total ODA. In 1970, new disbursements of ODA to SSA equalled 19 per cent of total ODA, while in 1980 23 per cent was channelled to SSA. Although all donors showed a particular interest in SSA, DAC members as a group increased their relative preference for SSA from a mere 17 per cent to 29 per cent between 1970 and 1980.

Net disbursements of ODA are commonly lower than the commitments. From total commitments of ODA to SSA 65 to 80 per cent were actually disbursed during the 1970s, which is similar to the degree reached in other continents. It should also be noted that two-thirds of net disbursements of ODA to SSA consisted of grants.

During the 1970s concessional aid flows to SSA increased rapidly in absolute, real and per capita terms. SSA became the central focus for development assistance. Its GNP per capita is not the lowest of all developing regions, as the densely populated region of South and Far East Asia have on average an even lower GNP per capita. Nevertheless concessional aid was directed more and more to SSA.[2/] In 1979 net ODA flows corresponded on

---

1/ See the appendices for detailed country data collected from OECD tables for the period 1975-1983. ODA from other countries, including the members of the Council for Mutual Economic Assistance (CMEA), is not included.

2/ See Appendix, Table A.4 for a comparison of net receipts of ODA by region and income groups.

average to 3.5 per cent of GNP and to 20 per cent of gross domestic investment in SSA. For the low-income countries of SSA these figures even reached 7.8 per cent and 50 per cent.[1/]

After 1981 ODA to SSA decreased, as did total ODA. In 1983 net disbursements of ODA from all sources to SSA totalled $ 7.9 billion or 2 per cent less than the amount reached in 1980. Nevertheless, SSA received a substantially higher share of total ODA flows. Between 1980 and 1983 concentration on SSA increased from 23 to 27 per cent, merely because OPEC and multilateral donors channelled comparatively more aid funds to SSA.

Although concessional aid to SSA decreased both in nominal and real terms in the 1980s, the relative importance for development in SSA increased. The World Bank calculated that for SSA, net ODA disbursements corresponded on average to 3.8 per cent of GNP and to 13.1 per cent of gross domestic investment in 1982. Taking only the low-income semiarid countries, figures of 24.1 per cent and 107.9 per cent respectively were recorded.[2/]

2.3 The evolution of other financial flows to SSA

Other official flows and private sector flows to SSA have increased very rapidly during the 1970s. In 1970 they amounted to only $0.5 billion while in 1980 $5.3 billion was reached or more than a tenfold increase.[3/] At this level the OECD data covers only flows from DAC members and multilateral institutions. Non-concessional resource flows to SSA from multilateral institutions accounted only for 10 per cent of the total net disbursements in 1980, while DAC disbursed 90 per cent. Data for OPEC were not available. In any case, bilateral flows from DAC members constitute the bulk of non-concessional disbursements to SSA.

---

1/ World Bank, "Accelerated Development in SSA", 1981, p.164.

2/ World Bank, "Toward Sustained Development in SSA", 1984, p.74. For OECD estimates, see Appendix, Table A.7

3/ See Appendix for detailed data on all countries of SSA for non-concessional flows, which can be derived as difference between ODA-flows (Table A.3) and total resource flows (Table A.6).

SSA is however less important in total non-concessional resource flows to the developing countries. In 1970 only 6 per cent of these flows went to SSA, but this share increased to 10 per cent in 1980.

From these flows it is only possible to distinguish between official non-concessional loans, direct investment, portfolio investment and export credits since 1976 and only on a country-by country basis.[1/] Direct investments seem to be of minor importance in SSA (except in 1981 and 1982). Traditionally, the two main channels are export credits, which are mostly officially supported, and portfolio investments, which represent private bank loans. In 1983 official non-concessional loans increased while other flows decreased enormously.[2/] It should be stressed that the distribution of these funds over SSA is very unequal. It is concentrated on the middle-income countries with an open-market policy, such as Liberia and Ivory Coast, or countries with rich mineral deposits, such as Nigeria, Cameroon and Zaire. Small low-income countries receive hardly any non-concessional assistance.

Other donors' non-concessional flows to SSA are not recorded but can be considered as very small. Non-concessional resource flows to SSA kept rising in 1981 and 1982 to a maximum of $6.8 billion. However, in 1983 the flow fell sharply to $4.4 billion, at the same time as in some other developing regions an increase was recorded. The decrease in non-concessional resource flows can only be attributed to DAC countries. For SSA the main reasons were a drop in portfolio investments and a virtual disappearance of private investment. This phenomenon is of great concern because it could be seen as a lack of belief in the future of SSA on the part of the international private sector. If this persists, the consequences for the region could be severe, if there is no compesating increase in concessional resource flows.

---

1/ OECD, Geographical distribution of financial flows to Developing Countries, 1980 to 1984.

2/ In Table A.7 of the Appendix total net disbursements of financial flows to SSA are divided over seven different flows for the years 1978-1983.

Total net disbursements of resource transactions to SSA by all sources as presented in the Appendix for the period 1975-1983 have risen from $6.4 billion in 1975 to a maximum of $14.8 billion in 1982. It appears to have dropped by no less than 22 per cent to $11.5 billion in 1983, as recorded on the basis of preliminary data. Between 1975 and 1982 total resource flows to SSA more than doubled in nominal terms. In prices and exchange rates of 1982 total resource flows have risen from $9.6 billion in 1975 to $14.8 billion or an increase of only some 50 per cent.[1/] In other words more than half of the increase was due to international inflation and exchange rate fluctuations. If one relates total resource flows in 1982 to population estimates for the same year, a per capita resource flow of $38.7 was recorded which corresponds to 7.6 per cent of GNP per capita in SSA. Doing the same exercise for individual countries, one finds high per capita resource inflows in all the middle-income countries except Nigeria and in a few low-income drought-affected countries (Somalia, Gambia, Niger, Benin and Guinea-Bissau). Most low-income countries, which include many LDCs, have a per capita resource inflow of less than $40.

Total net flow of resources to SSA, as presented up to now, are based on records that are comprehensive for the majority of the individual categories. The omissions of which some have already been mentioned, are essentially as follows: flows from developed market economy countries not members of DAC, flows from CMEA countries, other official and private sector flows from OPEC countries, net flows from other developing countries, grants by private voluntary agencies, flows from IMF other than loans by the IMF Trust Fund (included in multilateral ODA), private bank loans with a maturity of less than one year, medium-term and long-term private bank loans from offshore centres of banks resident in DAC countries, bond lending and geographically unallocated resource flows (for a large part OPEC flows) which actually go to SSA. Of all these omitted flows the geographically unallocated resource flows, (estimated at $2.3 billion in 1982), the short-term private credit (estimated at $7.1 billion in 1982) and the IMF flows ($3.9 billion in 1982) are quantitatively important for SSA.

---

1/ Use was made of the deflator constructed by OECD and applied in the 1984 review.

2.4 The terms of financial flows to SSA

The most commonly used measure to evaluate the terms of the package of bilateral aid flows is the grant element. The overall grant element of ODA commitments by the DAC countries is now of the order of 90 per cent, compared with 80-85 per cent in the early 1970s. For the DAC as a whole, about three-quarters of ODA commitments are in grant form. The grant element of DAC aid has risen during the past decade in accordance with the quantitative norms of the DAC Terms Recommendation of 1978, which stipulate that the overall grant element of ODA to SSA by DAC members will be higher than 90 per cent. However, it should be recalled that about one-third of ODA goes to multilateral agencies rather than directly to recipient countries. To the extent that these agencies lend at harder terms, the grant element figures quoted above are exaggerated, from the recipient countries' point of view.

The overall grant element of ODA commitments by OPEC countries is lower than from DAC countries and is estimated by OECD to have been 80 per cent in 1981.[1/] This is a considerable increase from an estimated 59 per cent in 1975.

Another important aspect of ODA is the extent to which it is tied. The share of untied assistance in gross disbursements of bilateral ODA from DAC countries has stayed between 40 per cent and 45 per cent in the period 1975-1983. Partially untied bilateral ODA from DAC countries has stayed between 10 and 14 per cent in the same observation period. Aid is called partially untied when procurement is limited to the donor and the developing countries, usually including the recipient country. Bilateral ODA from OPEC countries is completely untied. Multilateral aid is reported to be untied except for aid flows from the EEC where procurement is limited to EEC Member countries and any of the associated ACP countries (i.e. partially untied).[2/] Because the tying status depend on the donor's general policies, the degree of tying for SSA will probably not differ much from the overall degree.

---

1/ OECD, "Development Co-operation", 1982 Review, p. 158.

2/ A detailed analysis of tying aid flows and the possibility for economic co-operation among developing countries (ECDC) is contained in Roberts, R.S. "Official Development Assistance and economic co-operation among developing countries", UNCTAD, TD/B/C.7/57, 9 June 1983.

World Bank studies on SSA have included data on the average terms of borrowing for bilateral official loans (concesssional and non-concessional). From 1970 to 1981 the average interest rate increased from 1.3 per cent to 4.8 per cent and decreased in 1982 to 4.4 per cent. The average maturity period decreased slowly from 31 years in 1970 to 18 years in 1979, and was then extended afterwards to almost 25 years in 1982. The average grace period went down from almost 10 years in 1970 to 5 years in 1979, and again increased to more than 6 years in 1982. The average grant element decreased from 70 per cent in 1970 to 33 per cent in 1979 and increased again afterwards to 42 per cent in 1982. Multilateral official loans had traditionally a one to three per cent higher interest rate than bilateral loans except for the period 1977-1979. The average maturity period has continued around 30 years and the average grace period around 7 years. The average grant element has remained between 37 per cent and 52 per cent over the twelve years of analysis.[1/]

Non-concessional loans by the multilateral agencies provide an important resource for SSA. Through this type of finance, long-term capital is available at market rates of interest combined with technical assistance, project preparation and development planning services. Following its first report, the World Bank considered SSA as a priority area for allocation of IDA/IBRD funds during the 1980s. IBRD/IDA lending to SSA was kept constant in the period 1981-1983 around $1.8 billion. It increased considerably in 1984 to $2.4 billion. IFC lending to SSA was stabilized during the same period around $0.4 billion.[2/] Note that IDA loans are concessional loans.

The OECD has found that less concessional ODA loans (i.e. those with a grant element of less than 50 per cent) has recently been oriented more towards LDCs, low-income and lower middle-income countries. Together they accounted for 59 per cent of total less concessional loans by DAC countries in 1983, compared to only 30 per cent in 1981.[3/] Within this share, SSA accounts for the majority.

---

1/ The World Bank, "Toward Sustained Development in SSA", 1984, p.73.

2/ World Bank, "SSA: Progress Report on Development Prospects and Programmes", 1983, pp.18-20.

3/ OECD, Development Co-operation, 1984 Review, p.112.

The terms of officially supported export credits are regulated by the appropriate DAC committee of OECD with the purpose of limiting competition on export credit terms, and in particular on the extent to which interest rates are subsidised. All DAC members have also subscribed to the Berne Convention of 1934, by which they agree to supply export credits at similar terms. At present, average maturities of export credits are about ten years and interest rates around 7.5 per cent. The use of ODA in conjunction with export credits (mixed credits) increased during the world recession (1980-1982) in trade competition between industrial countries and, consequently aid and trade became more confused. Accordingly DAC strengthened its guiding principles on export credits in 1983, as part of a policy to improve transparency on "associated financing". The latter refers to transactions with developing countries which associate in law or in fact two or more of the following aspects: ODA; other official flows with a grant element of at least 20 per cent ; officially supported export credits, or other official flows with a grant element of up to 20 per cent, or other funds at or near market terms. The main characteristic of these transactions is that the concessional component is linked in law or in fact with the non-concessional component and that a part of the complete package is tied to procurement in the donor country. Export credits constitute the major proportion of associated financing, i.e. about two-thirds. The central themes of the guiding principles are that there should be a clear distinction from market credits through refraining from associated financing with a combined grant element of below 20 per cent,[1/] that the use of ODA for associated financing should be restrained for stronger developing countries, that the terms should be tailored to the economic and financial situations of the recipient country and that for large projects associate financing should be used on the basis of international competitive bidding.[2/] The volume of associated financing commitments ($4.6 billion in 1982) fell back sharply in 1983 to $1.9 billion, but rose again to $2.7 billion in 1984.

---

1/ This was increased to 25 per cent in 1985. See OECD, "Development Co-operation", 1985 Review, p. 245.

2/ OECD, Press Release, 14 June 1983.

It is not known in what degree mixed credits are directed to SSA, but numerous examples have been discussed in confidential reports of the countries which apply them.[1/]

The terms of private financial flows to SSA differ of course in a considerable degree from official or officially supported flows. Private bank lending can be either directly or through syndicated Eurocurrency credits. Eurocurrency credits have been immensely attractive to a great number of developing countries since recycling of petrodollars started in 1974. However, apart from some big absorbers like Nigeria, the countries of SSA had little access to these credits because of limited creditworthiness. Typically, this medium-term lending (5 to 10 years) is made with an interest rate somewhat above the six-month London Inter-Bank Offer Rate (LIBOR). The spread against the LIBOR depends upon the market and creditworhtiness of the recipient country. The World Bank reports that the average interest rate of private lending to SSA has increased slowly from 6.7 per cent in 1970 to 14.5 per cent in 1981. It dropped in 1982 to 12.7 per cent.[2/]

Foreign direct investment in SSA was of some importance in the 1970s, especially in the exploitation of mineral resources. Hwoever, since the drop in raw material prices of 1982, foreign investment in SSA has decreased rapidly. Bond lending to countries of SSA is even less common and therefore not discussed here.

Finally, it should be mentioned that IMF credits to SSA have increased rapidly in the past decade, which has seen enlarged resources for the Fund and an increasing number of financing programmes. The supplementary facilities oriented towards oil-importing developing countries and primary goods exporting developing countries have benefitted numerous African countries.

---

1/ The members of DAC agreed in 1983 to report on policies and practices concerning associated financing, but this is not published. Some examples of mixed credits to SSA are discussed in K. Windsor, "The Use of Mixed Credits in the United Kingdom for the Financing of Industrial Training and Infrastructure", UNIDO/PC.130, December 1985, and in Evaluatie 100 miljoen programma, Memorandum, Directoraat-General Ontiwikkelingssamenwerking, Ministerie van Buitenlandse Zaken, July 1982.

2/ World Bank, "Toward Sustained Developemnt in SSA", 1984, p.73.

These loans are short-term credits (mostly less than one year, although recently longer-term lending has been made available) which have charges close to the interest rate of the Fund, 7 to 8 per cent in 1984.[1/]

It can be concluded that terms of finance of ODA flows to SSA have softened somehow, especially through mutual agreements among donors as a result of international pressure. This in contrast with non-concessional flows whose terms have definitely hardened during the last decade. Private borrowing especially has been concluded on harder terms, since the creditworthiness of SSA has decreased and international interest rates have increased. The bigger proportion of non-concessional money in the flows to SSA until 1982 (although 1983 saw a steep decrease in this proportion) has made the overall terms of financial flows harder.

2.5 The incidence of the debt problem

Debt service payments are a function of the volume and the terms of financial flows to SSA. The rising indebtedness of SSA has already been mentioned. Debt service consists of payments of principal or amortization and interests. The volume flows discussed earlier were net capital flows, excluding amortization payments but including interest payments. The debt service burden of the majority of the economies of SSA increased rapidly in the late 1970s and early 1980s. On average it was estimated by the World Bank that debt service as a percentage of exports of goods and non-factor services was 13 per cent in 1982.[2/] Many of them had to request a rescheduling of the outstanding debt. The debt service outlook for the next years is even more dismal. The reschedulings of the last few years are due to be paid in the period 1985-1987, together with most of the outstanding debt. Consequently, unless corrective measures are taken, the external resource position of SSA is likely to become disastrous in the next years. Any attempts by African countries to improve economic performance will be frustrated unless these countries are relieved of some of their debt service obligations. Recent estimates for 1986-1990 are of a resources gap for SSA of

---

1/ IMF, Annual Report 1984, pp.72-95. Note that the majority of IMF resources to SSA are channelled to low-income countries.

2/ World Bank, "Toward Sustained Development in SSA", 1984, pp.12-13.

$2.5 billion a year between concessional flows of $8.5 billion and needs of $11 billion. With assumptions on multilateral funding increases, the gap would still be $1.5 billion. This would have to be filled through bilateral aid and debt relief.[1/]

The expected increase in total amortization payments (from $2.3 billion in 1980-1982 to $8 billion in 1985-1987) will have drastic repercussions on future concessional and non-concessional financial flows to SSA. Most financial forecasting of external assistance is made on gross disbursements. If gross bilateral and multilateral capital flows (excluding IMF resources) to SSA should stagnate on $13 billion annually, a level reached in 1980-1982, (1983 was an exceptionally bad year) then annual net capital flows will be half the level reached in 1980-1982, or only $5 billion.[2/]

However, the debt burden directly attributable to manufacturing is quite small in almost all SSA countries. A UNIDO study [3/] has pointed out that for only four countries of the region does manufacturing debt exceed 20 per cent of the total and in no case does it exceed one-half. Of sectors, manufacturing's debt in third in importance and it accounts for around one-seventh of total debt. Benin and Nigeria are cited as the only two countries where manufacturing is the largest cause of debt.

2.6 Flexibility of aid to SSA

Donor assistance can take many forms: project lending, emergency financing, technical co-operation, sector aid, programme assistance, foreign exchange cost financing, local- and recurrent-cost financing. The DAC has been concerned with increasing the flexibility of aid forms, especially since the oil price shocks produced successive balance of payments crises and inadequate public revenues. While conventional project aid was expected to remain the preferred form of development co-operation, other types of assistance could allow more room for

---

1/ "Finance Adjustment with Growth in Sub-Saharan Africa, 1986-1990", World Bank Report No.6082, 1986.

2/ World Bank, op. cit., p.47. Note that World Bank estimates of total net resource flows to SSA are generally lower than the OECD estimates, e.g. for 1982 the World Bank came to a total of $10.1 billion while the OECD came to $14.8 billion. The difference in definition is the main reason for the difference in data. The World Bank includes only loans, credits and grants.

3/ "Industry and external debt in Africa: A preliminary analysis", UNIDO/IS.536, 20 June 1985.

adjustment to the immediate bottlenecks in the economies of SSA. In particular, non-project assistance and support for maintenance, rehabilitation and operation of the social and economic structure can allow a more productive use of development resources in these countries.

The distinction between project and non-project aid is as follows: under project aid OECD classifies identifiable investment activities as well as technical co-operation. Non-project aid covers food aid, finance of imports, emergency and distress relief, general purpose contributions, balance-of-payments stabilization loans, budget support, debt reorganization, sector and regional co-operation. General non-project aid excludes also sector and regional co-operation or sector aid.[1/] It was found that non-project aid was a relatively large component of DAC members' programmes in 1979, 45 per cent (and 30 per cent if sector aid is excluded). However, there has been a declining trend in real terms in non-project assistance during the 1970s, exactly when the needs have increased. It was also found that in absolute terms the principal beneficiaries of non-project aid are the low-income countries. But relatively speaking, middle-income countries and newly- industrialized countries received considerably more than low-income countries. Very little was directed towards OPEC countries.

The arguments for more use of non-project aid commonly put forward are that it does not require an ever-extended administrative capacity in the recipient country nor a high skilled project identification and evaluation capacity in the donor country, that it is better suited for supporting programmes of policy change, that it can be a direct support for current imports which are of high priority for development but which cannot easily be financed through project lending or through recipient country's resources due to balance-of-payments constraints, that it can be more suitable for the maintenance and rehabilitation of the existing productive capacity or essential public services, and that it can better respond to emergency situations or major bottlenecks in one particular sector.

---

1/ OECD, "Development Co-operation", 1982 Review, contains a chapter on the use of various forms of non-project assistance for longer term development and emergencies, pp.85-99.

However project aid has also its advantages, which donors tend to underline. Project aid is more manageable because of this more limited scope, is less likely to be used for purposes other than those initially agreed upon than more general forms of non-project aid and is the best instrument to favour investment and long-term development over current consumption. As both types of assistance will continue to be applied by donors, the important issue for DAC is that its members are aware of the advantage of a flexible combination in order to maximise the effectiveness of aid.[1/]

Apart from the distinction between project and non-project assistance, the social and economic context in low-income countries especially in SSA, also requires adoption of aid delivery mechanisms of both project and non-project aid. More room should be made available for local and recurrent cost financing. The DAC has been concerned with the desirability of greater flexibility in aid allocation since 1977, when it adopted a set of guidelines on local cost financing. According to OECD definitions, local costs are outlays up to the date of completion of a project to finance the procurement of goods and services on the local market. For DAC countries, the volume of local-cost financing was estimated at 13 per cent of gross ODA disbursements in 1977 and as low as 8 per cent of bilateral ODA in 1982/1983.[2/] Since projects in SSA typically have a high foreign exchange content, this implies that a high proportion of the total local costs is being financed by aid. According to the World Bank, between one-fourth and one-third of local costs are being financed by aid.[3/] The DAC donors recognize that it is desirable to finance an increasing proportion of total project costs taking into account the precarious situation of many African economies.

In 1979 DAC added also to the former a set of guidelines on recurrent cost financing. It was recognized that the completion, maintenance and operation of development projects and programmes and become a major concern in low-income countries. Recurrent costs are defined as outlays during and after

---

1/ See "DAC Guidelines for Improving Aid Implementation" adopted in 1979 and "DAC Guidelines on Aid for Maintenance and Strenghtening of Existing Services and Facilities" adopted in 1982.

2/ OECD, "Development Co-operation", 1979 Review, p.102 and 1984 Review, p.92.

3/ World Bank, "Accelerated Development in SSA", 1981, p.126

completion of a given project to finance procurement of goods and services required for maintaining and operating the project or programme. The current shortage of budgetary resources in SSA limits the utilization of former and on-going investments. Although guidelines stipulate that recurrent cost financing should be provided for specified time periods with agreements for gradual takeover by the recipient, it is more likely that in SSA donors will have to remain sympathetic to recurrent cost financing over relatively long periods. Also in SSA, in cases where it is unlikely that financing of recurrent costs for operation and maintenance of an intended project can be obtained within a reasonable period, donors and the receipient should consider whether the project should be scaled down or given up in favour of alternative projects with a smaller operation and maintenance cost components.[1/]

The multilateral agencies are also aware of the present need for aid flexibility, especially in the case of SSA. The World Bank now accepts that counterpart contributions to a project or programme can be made in kind. More important and innovative is the introduction of Strucutral Adjustment Lending (SAL) in 1980, in order to provide financial support for a specified programme of policy actions by governments. In principle, SAL is conditional on such a programme. The actual volume of SAL to SSA is relatively small in proportion to total Bank lending. However, it is expected that SAL will attract additional bilateral and non-concessional capital flows as a result of the policy reforms agreed in the SAL. Sector-adjustment loans and supplemental loans can also be approved, if the recipient country demonstrates a willingness to cope with the adverse environment through policies aimed at improved competitiveness. Together these loans form the Special Assistance Programme of the Bank.[2/] In SSA, Kenya, Ivory Coast, Malawi, Mauritius, Senegal and Togo have formulated structural adjustment programmes supported by SAL lending. Sector-adjustment loans have been provided to many other countries of the region (e.g. Uganda, Mali, Zambia, Ghana). In Niger and Sierra Leone structural adjustment programmes are being prepared.[3/]

---

1/ OECD, "Development Co-operation", 1982 Review, p.95.

2/ The World Bank, "Accelerated Development in SSA", 1981, pp.127-128

3/ A review of the Bank's regional actions can be found in: The World Bank, Annual Report, 1984.

Since the World Bank introduced its SAL, the World Bank and the IMF have been co-operating closely in the formulation of adjustment programmes for the developing countries facing acute balance-of-payments crises. The IMF accordingly adopted a number of measures to increase the accessibility of low-income countries to its resources. The IMF stand-by agreement and extended facility arrangements, which are limited to the developing countries and have a longer-term perspective, are conditional arrangements, designed to help countries who have balance-of-payment problems and who are working to adjust their macroeconomic policy along the IMF lines. On 31 April 1984, 35 such arrangements were in effect, of which only 13 were with countries of SSA.[1/]

In 1985 the World Bank established the Special Facility for Sub- Saharan Africa. Administered by the International Development Association (IDA), the expected resources committed for a three-year period total over $1.2 billion. The intention is to provide "African Facility Credits" on the same conditions as other IDA funds, to countries which have already undertaken, or are committed to undertake, appropriate medium-term progress of policy reform. They are intended to help structural and sectoral adjustment, rehabilitation, and emergency reconstruction. It is recognized that the Special Facility cannot of itself meet all the needs of the region, but it is intended to play a catalytic role.[2/] A new recycling scheme of the IMF, called the Structural Adjustments Facility (SAF) will provide an expected $2.4 billion available as loans to eligible countries in Sub-Saharan Africa. The loans will be for assistance to medium-term macroeconomic and structural adjustment programmes, and the resources will come from trust fund repayments.[3/]

---

1/ IMF, Annual Report 1984, p.175.

2/ World Bank, Annual Report 1985, pp.25-26.

3/ "IMF agrees to recycle funds", Financial Times, 1 April 1986.

## Chapter 3

## THE FLOW OF EXTERNAL RESOURCES TO THE MANUFACTURING SECTOR OF SSA

### 3.1 The problem of data

At the beginning, it should be stressed that resource flows cannot always be split up according to the economic sector which benefits from them. External resources cannot be allocated by sector if the purpose is not investment (for example import support), or if it is for overall financial assistance to a country (for example debt reorganization), or if information on the purpose is not available. Therefore, in many cases, it is necessary to make the best possible estimate by types of flows. However, it should be emphasised that where estimates are presented, data are crude and should be interpreted with much care.

The data presented in Chapter 3 were net disbursements and not commitments, because it is of more importance to know what actually has been received net of repayments than what has been promised or agreed by contract. However, at the level of disbursement, sectoral division is not usually done. This is even more true for repayments which are cancelled by the recipient institution, in most cases the central government, a public institution or a private enterprise which received government guanrantee for the loan. Also, repayments are often not made through income generated by the project which received the money but through budget allocations of counterpart institutions (public or private). It is only commitments of external financial flows that are broken down by end use.

OECD classifies commitments of bilateral and multilateral official flows on the basis of individual reporting by DAC Members and data drawn from annual reports of major multilateral agencies. Through the Creditor Reporting System a data bank of commitments is constructed. It includes individual ODA grants and loan commitments, direct export credits and non-concessional official loans.[1/] Technical co-operation commitments are not reportable in the Creditor Reporting System, and hence the data are net of technical co-operation. An evaluation of the data received from this databank follows

---

1/ The statistical office of OECD kindly supplied a printout of data for the years 1978-1983 concerning official commitments to industries in Sub-Saharan Africa. It should be noted that the definitions of the types of flow appear to have changed over time.

under the next heading. Because reporting for some donors may be incomplete, the figures of the databank may understate the assistance channelled to SSA. In addition, the statistics are computed on a calendar year basis, taking the signature date of the loans, and for that reason yearly totals may differ from other sources who compile on a fiscal-year basis (e.g. the World Bank) or on the basis of the authorization date of the loan. In any case, the Creditor Reporting System provides only a partial evaluation of official commitments to the manufacturing sector in SSA.

Another way of coming to an evaluation of resource flows to industry is by use of the geographical distribution of financial flows to developing countries which was the major source of information for the data in Chapter 3. By estimating the proportion of flows to manufacturing industry for each type of flow, one can estimate the total flow of net resources to the manufacturing sector in SSA. In such an approach one has to use partial information on the proportion of sector-specific finance going to industry, assuming that industry benefits in the same degree from non sector-specific flows. On top of this, non-geographically divided flows are excluded. The OECD statistics include data for Africa Unspecified and LDCs Unspecified. Supposing that an identical proportion of these flows goes to SSA as in the country-specific flows, then the total resource flows to SSA are underestimated by 28 per cent in 1978, decreasing rapidly to 16 per cent in 1982 and again increasing to 19 per cent in 1983. Again of these flows - $2 to $2.5 billion - part goes to the manufacturing sector. For simplicity these non allocated funds are excluded from the analysis. As mentioned in Chapter 2 the data of net disbursements from all sources combined to SSA, as presented by the OECD geographical report, still has a lot of deficiencies because they do not include various types of flows. The most complete record of total net receipts of developing countries from all sources is compiled annually in the Development Co-operation Review of OECD. Some information is also presented for short-term bank lending and IMF net purchases. In the 1984 review, for the first time a separation of these flows (excluding the short-term flows) for SSA was presented in the Appendix, taking an average for 1981 and 1982.[1/]

---

1/ OECD, "Development Co-operation", 1984 Review, p.203.

3.2 The share of financial resources for industry in SSA

A calculation of the official resource flows by DAC members and multilateral agencies was performed using a printout from the databank of the Creditor Reporting System. Manufacturing industry was defined as the collection of codes for industries listed under manufacturing, the agro-industries, the codes for the industrial development banks, industrial development, handicraft activities and vocational training. All vocational training which apparently was not directed to industry was deducted afterwards. The printout provided data for all DAC members excluding Belgium, Finland, Australia and New Zealand. The first two countries certainly supplied finance for industry in SSA in one way or another. The multilateral agencies included are the African Development Bank (ADB), the World Bank and the International Development Agency (IDA) and the European Economic Community (EEC). The following commitments are reported: ODA grants, ODA loans, grant-like,[1/] direct export credits and other non-ODA. From 1980 onwards part of the direct export credits were classified under other non-ODA.

Before 1980 official export credits were recorded exclusively under the heading of direct export credits, which included also some non-concessional official flows to the manufacturing sector. Loans of the IBRD and ADB to industrial development banks in individual countries constitute the bulk of the data classified here as non-ODA loans to industry. Total official commitments to the manufacturing sector have increased rapidly between 1978 and 1980. In 1981 it fell back steeply, to increase again in 1982. In 1983 no further increase took place and total flows were almost $100 billion lower than in 1980, the top year.

Commitments of ODA grants and loans have always been between 55 and 60 per cent of total official commitments, with 1982 as an exception when 76 per cent of total official commitments to manufacturing were ODA loans and grants. Taking into account that almost all non-ODA grants are lent by multilateral agencies, one finds that the impact of multilateral grants and

---

1/ Only the Netherlands have reported flows classified under grant-like; they coincide with equity investment in manufacturing enterprises and, as such, are direct investments by a semi-official Dutch institution (F.M.O.).

Table 1: Official commitments to industry in SSA (1978-1983) on the basis of the OECD Creditor Reporting System

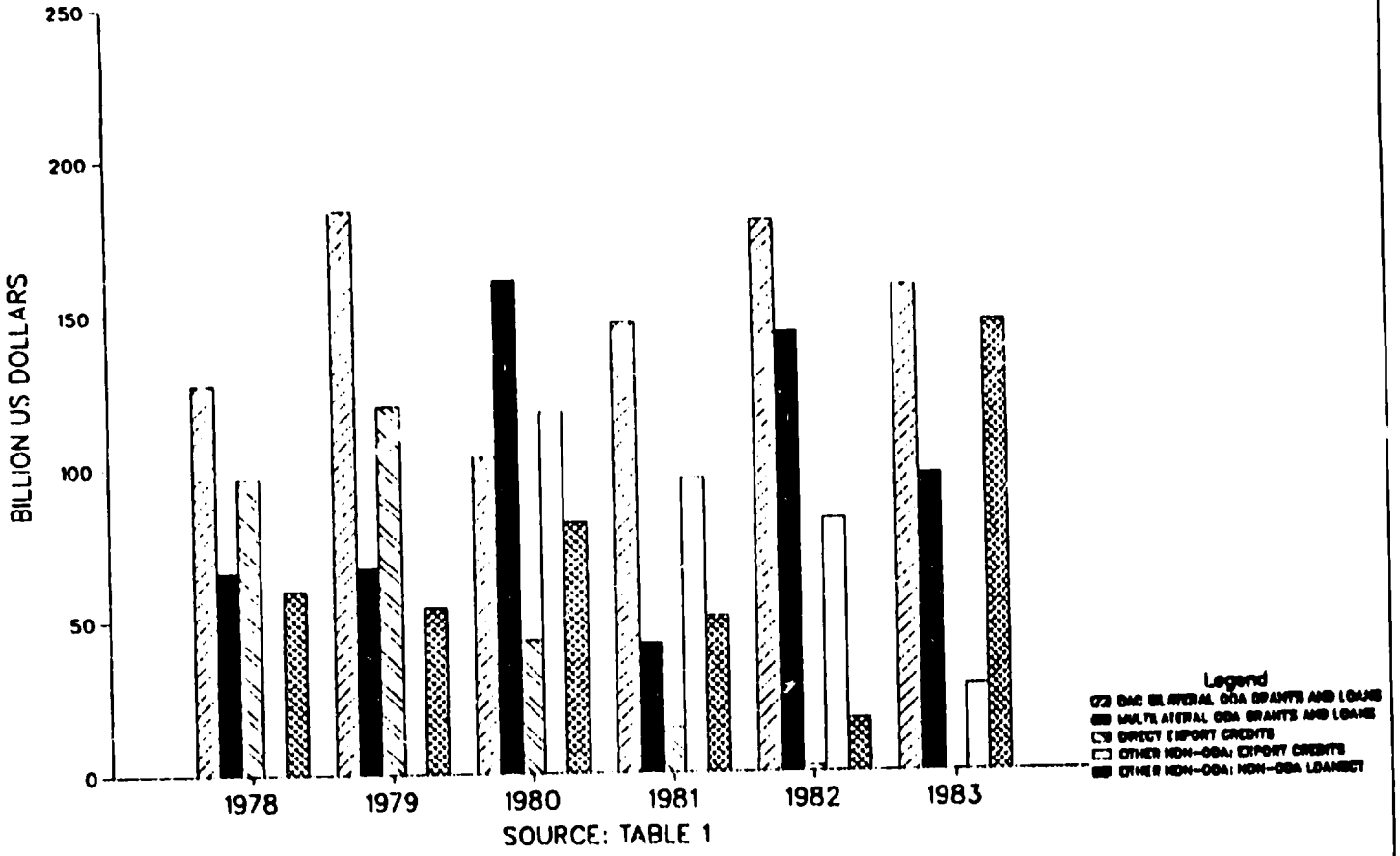
(in billion US dollars)

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|---|
| DAC bilateral ODA grants and loans | 127.3 | 183.4 | 102.9 | 146.4 | 179.1 | 157.7 |
| Multilateral ODA grants and loans | 66.0 | 67.3 | 160.6 | 42.0 | 143.0 | 96.5 |
| Total ODA grants and loans | 193.3 | 250.7 | 263.6 | 188.4 | 322.1 | 254.2 |
| Grant-like official commitments | 0.3 | 1.2 | 0.1 | - | 0.8 | 0.9 |
| Direct export credits | 96.7 | 119.7 | 43.3 | 14.5 | 1.6 | - |
| Other non-ODA: export credits | - | - | 117.5 | 95.7 | 82.1 | 27.8 |
| Total official export credits | 96.7 | 119.7 | 160.8 | 110.2 | 83.7 | 27.8 |
| Other non-ODA: non-ODA loans | 60.0[a/] | 54.1[a/] | 81.5 | 50.6 | 17.0 | 146.2 |
| Total official commitments | 350.3 | 425.7 | 514.8 | 349.2 | 423.5 | 429.1 |

Source: OECD Creditor Reporting System and author's calculations.

a/ Data for 1978 and 1979 were reported under export credits.

## FIGURE 1: OFFICIAL COMMITMENTS TO INDUSTRY IN SSA, 1978-1983
## (In billion US dollars)




SOURCE: TABLE 1

loans is much larger than the bilateral ODA grants and loans by DAC members in 1980 and 1983. In two other years, 1979 and 1981, bilateral flows were more important and in 1978 and 1982 both flows were of equal importance.

Direct export credits rose rapidly between 1978 and 1980. Afterwards an even more rapid decline has occurred, resulting in an almost negligible level of $27 billion in 1983. The only positive aspect of 1983 is the increase was non-ODA grants, which is a more flexible way of financing industrial development than through export credits.

Comparing the data for bilateral ODA commitments by DAC members to manufacturing in SSA with the data for bilateral ODA commitments of DAC members for industry, mining and construction to all developing countries, one finds that in all years the proportion which was directed to SSA remained between 13 and 15 per cent, except for 1980 and 1981 where respectively 8 and 10 per cent were recorded.[1/] In all the years, the preference for SSA in industrial financial flows was always lower than was found on average for ODA in general.

Another method which includes also private capital flows would be to start from the OECD statistics of the geographical distribution of net disbursements of financial flows. Through this method at least seven different flows of finance can be identified and are presented for the years 1978-1983 in Table A.7 in the Appendix.

First, using the OECD data, three different flows of ODA can be separated: ODA from DAC members, from multilateral agencies and from OPEC members. OECD's Annual Reviews break down allocable bilateral ODA commitments by DAC members into sectors. For the years 1978 to 1983 it was found that 7 to 9 per cent of these commitments related to finance for industry, mining and construction. A generalization can be made that on average 8 per cent of ODA disbursements by DAC members are directed towards the manufacturing sector.[2/] Most multi-

---

1/ It is supposed that our broader definition of the manufacturing sector (especially industrial finance and vocational training) compensates somehow for the inclusion of the mining and construction sector and the technical co-operation in the OECD definition.

2/ OECD, "Development Co-operation", Annual Reviews, 1980-1984.

lateral agencies break down their gross disbursements by sector. In SSA the efforts of the EEC, IDA and the United Nations agencies constitute the bulk of such ODA loans and grants. At present, no detailed information is available on the sectoral division of the aid flows from these agencies. However, adding the concessional and non-concessional loans of IBRD and IDA it was found that 8 per cent of the loans were for industry, small-scale enterprises and development finance companies (which act mostly in the area of industry).[1/] A tentative proportion of 8 per cent has therefore been selected. About the sectoral distribution of bilateral ODA from OPEC countries no systematic information was available. However, it is known that 3.6 per cent of the bilateral and multilateral commitments of concessional and non-concessional finance by Arab countries and institutions to SSA was directed towards the processing industries (excluding the proportion of financial institutes and technical co-operation, totalling 7.7 per cent, that was directed to industry).[2/] A tentative proportion of 5 per cent has accordingly been taken.

Secondly, the four different flows of non-concessional finance can be separated by type of finance: export credits, other official flows, direct investment and portfolio investment. The last term refers to bank lending and not to foreign and international bonds. The proportion of these flows which relates to the manufacturing sector is estimated on the basis of a similar exercise, performed by UNIDO.[3/] It is estimated that 40 per cent of export credits goes to capital goods for manufacturing, 33 per cent of direct private foreign investment goes to manufacturing and that 15 per cent of total net private bank borrowing can be attributed to industrial borrowing. For other official flows which originate mostly from DAC members and multilateral

---

1/ World Bank, Annual Report, 1984.

2/ K. Mossain, "Financial flows from the Arab Middle East and the OECD nations to SSA", in: D.M. Wai (ed), Interdependence in a World of Unequals, 1982, p.159.

3/ R. Kitchen, "Financial Flows: statistical background", in: UNIDO, Industry 2000 - New perspectives, collected background papers, 1979, pp.107-109. It should be noted that these estimations refer to the developing countries as a group.

agencies (especially IBRD and ADB) the same proportion of 8 per cent was selected as found for concessional finance of both groups of sources.

The results of the above estimates have been summarized in Table 2. Between 1978 and 1982 the estimated net flow of finance to industry in SSA doubled in nominal terms from about $1.2 billion to $2.2 billion. In 1983 it decreased by more than one-third to about $1.4 billion. In 1978, about 13 per cent of total financial flows went to industry. This proportion increased slowly to 15 per cent in 1982, because direct investment and export credits grew in importance. In 1983 the proportion shrank to a mere 12 per cent. Compared to total financial flows, non-concessional finance represents the majority of external capital going to industry in SSA. The share of ODA actually decreased between 1978 and 1982. It increased again substantially in 1983. It is not surprising that over the period as a whole export credits form the most important external input in the industrial capital formation of SSA. Only in 1981 and 1982 was it overtaken by direct investment, which reached a historical peak. Over the period as a whole ODA grants and loans by DAC countries represented 22 per cent of the estimated financial flows to industry in SSA, i.e. the most important input after export credits. Knowing that most of the export credits are official or officially supported, it can be seen that a majority of external capital to industry in SSA is controlled directly or indirectly by DAC countries' governments.

To conclude this chapter it should be recalled that an exact calculation of the share of net external financial flows to SSA that goes to the manufacturing sector cannot be given. The main reasons are that a large proportion of financial flows cannot be geographically and/or sectorally allocated, that for different financial flows information is confidential, and that sectorally allocated data refer only to commitments or gross disbursements. So, estimations will always be necessary and only more detailed information could improve further the estimations performed here. It has been estimated that about 8 per cent of ODA is related to industry, while for non-concessional flows this proportion might be of the order of 25 per cent. On average, about 15 per cent of total net disbursements of external capital is dedicated to the manufacturing sector.

Table 2: Estimated net flow of finance to the manufacturing sector in SSA, (1978-1983)
(in million US dollars)

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|---|
| ODA by DAC countries[a/] | 265 | 336 | 401 | 408 | 408 | 397 |
| ODA by multilateral agencies[a/] | 136 | 158 | 193 | 192 | 182 | 180 |
| ODA by OPEC countries[b/] | 23 | 28 | 33 | 28 | 34 | 35 |
| ODA from all above | 424 | 522 | 627 | 628 | 624 | 612 |
| Other official flows[a/] | 59 | 55 | 104 | 93 | 91 | 118 |
| Export credits[c/] | 422 | 616 | 664 | 514 | 560 | 474 |
| Direct investment[d/] | 164 | 129 | 287 | 521 | 642 | 118 |
| Portfolio investment[e/] | 93 | 104 | 199 | 234 | 283 | 85 |
| Non-ODA from all above | 738 | 904 | 1,254 | 1,362 | 1,576 | 795 |
| Total financial flow to industry | 1,162 | 1,426 | 1,881 | 1,990 | 2,200 | 1,407 |
| Percentage of total financial flows | 13 | 14 | 14 | 14 | 15 | 12 |

Source: Based on Table 11 of the Appendix.

a/ 8 per cent of total

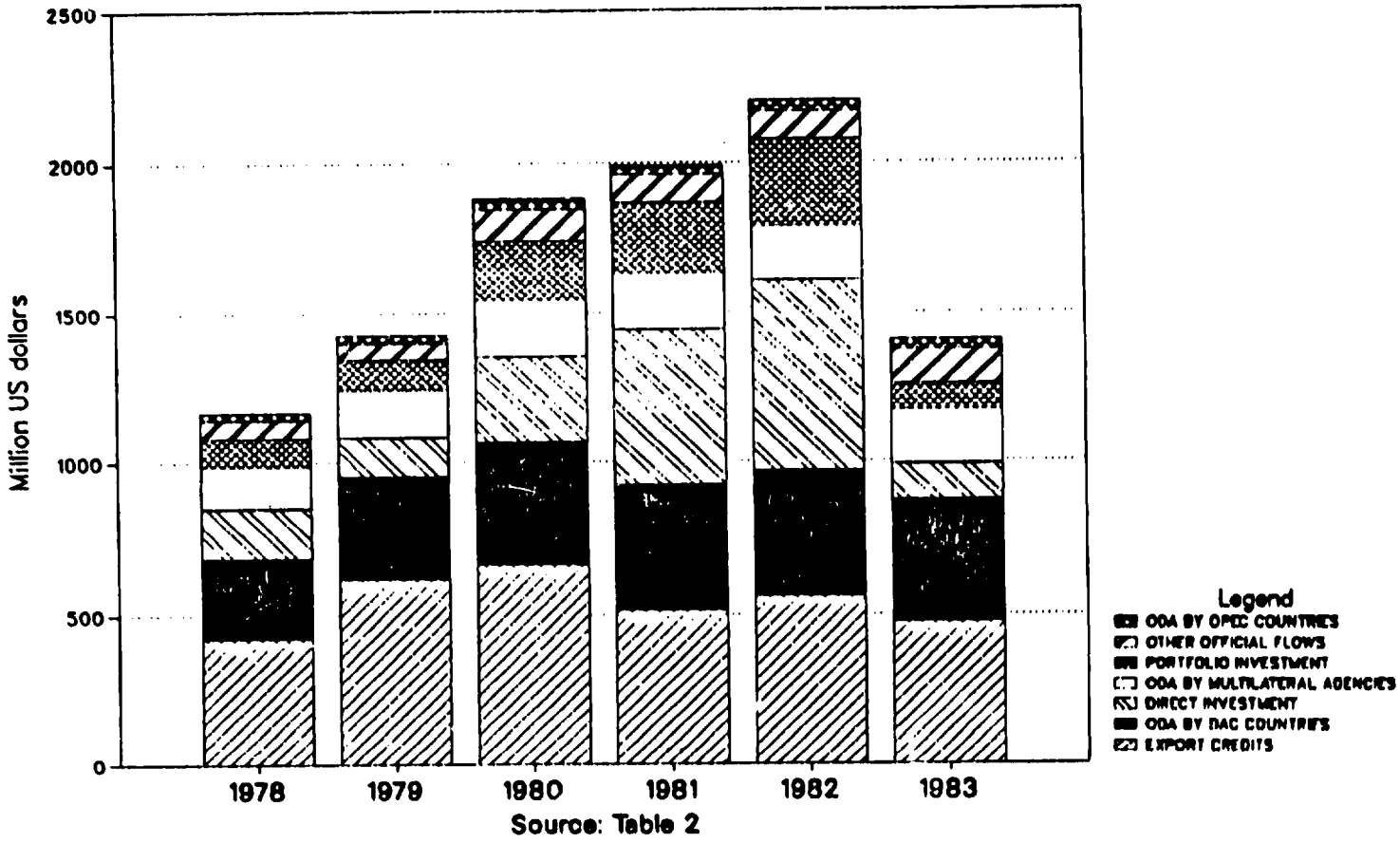
b/ 5 per cent of total

c/ 40 per cent of total

d/ 33 per cent of total

e/ 15 per cent of total

## FIGURE 2: ESTIMATED NET FLOW OF FINANCE TO THE MANUFACTURING SECTOR IN SSA, 1978-1983 (in million US dollars)




Source: Table 2

3.3 Benefits of ODA for the manufacturing sector

The question of external finance for industry cannot be separated from that of resource flows to other sectors of the recipient economy. First, investment in other sectors can generate positive effects directly or indirectly for the local industry. For example, the construction of a railway built in part by local supplies benefits the local industry which provides the necessary products. More indirectly, if agricultural projects succeed in increasing the income level of the average farmer, the domestic demand for locally produced industrial outputs will also increase. Secondly, the availablility of funds of industry will be affected by an addition to total resources. Aid might release funds which had been previously earmarked for certain projects. It is known that the destination of financial flows can be blurred when they are handed over to the government or a multipurpose institution. This process of "fungibility" calls for clear priorities for investment. Only if industrial development obtains high priority will the provision of funds for industrial investment not be blurred. Third, apart from the "fungibility" of investment funds, there exists the phenomenon of "shunting" into the sphere of current consumption. This can occur irrespective of whether financial flows are transmitted to government or a private company.[1/] The inflow of foreign capital may induce the governments of developing countries to reduce domestic savings and domestic investment efforts, planned before the availability of foreign capital. For all these reasons, assessment of the benefits of foreign finance for investment purposes is not easy. One should take into account the intersectoral linkages, the development priorities of the recipient country and the financial requirements for investment.

Apart from the possible substitution between domestic and foreign investment, it is essential to focus on substitution possibilities between the different flows of foreign capital, and to relate this to the typical problems of SSA. The terms of foreign finance for industry are different depending on the form of finance, the negotiation position of the donor and recipient country and the market conditions of the moment.

---

1/ An interesting article on the question of why so many aid flows to investment in LDCs did not generate more investment growth can be found in: H. Sperber, "The efficiency reducing effects of ODA", Intereconomics, March/April 1983, pp.84-89. "Shunting" is identified as a crucial explanation.

Traditionally, foreign finance for the manufacturing industry in developing countries was in the form of direct private investment. The advantage of equity is that it is better suited to the conditions of the manufacturing firms in developing countries, since variations in profits make fixed repayments difficult. However, foreign equity finance has become less acceptable to many developing countries when foreign ownership of domestic assets is regarded as incompatible with political independence. Private foreign investment requires also equity service in foreign exchange which might be difficult when the host country faces balance of payments constraints.[1/] Moreover, private foreign invesment is clearly concentrated on the larger and more rapidly growing economies in the developing countries. In SSA only seven countries were able to attract a net flow of more than $200 million between 1978 and 1983, i.e. Cameroon, Gabon, Liberia, Nigeria, Angola, Zambia and Zimbabwe. Liberia and Nigeria even attracted more than $1 billion. Paradoxically, it was found that these richer developing countries have more strict regulations and control on foreign investment than many of the lower income countries of the region. These adopted more liberal policies to attract foreign investors (very often following the recommendations of developed countries or multilateral organizations) only to witness the bulk of direct investment being further absorbed by richer neighbour countries.[2/]

The largest flow of foreign capital to SSA between 1978 and 1983 was of official and officially supported export credits. Export credits have the considerable advantage over other types of foreign loans of a fixed interest rate, currently around 10 per cent, with minor variations depending on the credit worthiness of the recipient country and excluding the additional insurance cost. Since market interest rates have been very high between 1978 and 1983, one should not be surprised that the amount of export credits was considerable in this period. However, the disadvantage of export credits is that the borrower has to buy particular goods in the country offering the

---

1/ This and many other arguments on the difference in the forms of finance can be found in: UNIDO/IS.417, "Types of finance for industry", Sectoral Working Paper Series No.13, 1983.

2/ Quoted from: UNIDO/ID/B.295/Add.2, "Monitoring progress made in accelerating industrialization in the developing countries, Third Survey 1981-1982", 1983, p.77.

credit, and sometimes without choice of supplier firm. Numerous examples exist of developing countries which have bought, because of the credit offer, capital goods which were either more expensive than the available alternative, inappropriate to the technical specification, or requiring abnormally high expenses for spare parts, replacement and expansion equipment in the future. Another disadvantage is the bias introduced by this form of finance for capital-intensive production methods, as export credits are only available for capital goods. It is vital, therefore, for the borrower to decide first what type of production method is best suited for the local conditions, to seek the cheapest suitable equipment, and then to negotiate the best method to finance it, since the market for many capital goods is currently in favour of the buyer. Looking at detailed figures for SSA, the LDCs, except for Benin and Tanzania, did not receive a considerable flow of net export credits between 1978 and 1983. Nigeria received more than $3 billion, the bulk of the total, while most other middle-income countries were able to finance a large part of their investment (including industrial investment) with export credits.

Another important flow of external finance, if less important than in other developing continents, is of syndicated eurocredits and other international middle term bank lending. The major advantages of these flows are that the money is more rapidly available, with fewer administrative constraints, freely disposable and available in a wide range of currencies. For instance, Ivory Coast was the first country to obtain a eurocredit denominated in SDRs in 1981. However, the cost is variable and expensive (LIBOR plus spread plus charges), the maturity period is shorter, and the access to eurocredits depends on the creditworthiness of the borrowing country or company. Indeed, international bank lending in SSA is limited to a small number of countries. Between 1978 and 1983 only four countries received more than $200 million: Cameroon, Ivory Coast, Liberia and Nigeria.

Multilateral loans by the World Bank and the African Development Bank, which form the majority of the other non-concessional official financial flows, accounted for a large part of external finance to SSA, especially in 1983. The loans are very attractive because the interest rate is lower than for market loans, the maturity period is longer and the finance is not restricted to equipment and sometimes not to a single project. The disadvantages concentrate on the lengthy delay in agreeing to the terms of the loan, the related policy measures sometimes imposed by the multilateral bank

and the high cost of payments in the early years of production. Many countries, including some LDCs, have received a substantial amount. The large absorbers of private capital, but also Congo, Kenya, Madagascar, Malawi, Mozambique, Niger, Senegal, Sudan, Swaziland, Tanzania, Togo and Uganda, have obtained a considerable net flow of other official non-concessional money. For the development of an industrial sector, these loans have been essential in many of the cited countries.

Although concessional aid has not been used to a large degree for the financing of the manufacturing industry, its importance for the development of the industry in many poorer countries in SSA has been vital. The major advantage of ODA is the softness of the financial terms. Most of ODA to SSA consists of pure grants which to some degree have benefitted the manufacturing sector, especially in terms of training the necessary manpower (vocational training). ODA loans have zero or very low interest rates, and the repayment period and grace period are very long. The extensive use of bilateral aid for infrastructure and public utilities has also a major effect on manufacturing. But there are also disadvantages to a larger use of ODA in manufacturing. ODA loans are to a large extent tied or partially tied, are mostly limited to the provision of expensive equipment which cannot be sold under competitive conditions, are biased against small-scale and labour-intensive industries and can be subject to lengthy administrative delays. Financial gains from the softness of a loan may not offset additional costs. The recent concentration of the bilateral and multilateral donors on LDCs in SSA, combined with the declining domestic resources of these countries and their restricted access to other flows of finance, has resulted in a high dependence of LDCs on ODA, including for their industrial development. Several DAC members, i.e. the Federal Republic of Germany, Sweden and the Netherlands, have recognized the importance of the manufacturing sector in SSA since 1980 and have provided assistance to the industrial sectors of several LDCs and lower income countries, such as Tanzania, Guinea Bissau, Mozambique and Mauritius.

Least developed countries will continue to depend for a large extent on ODA for the development of their manufacturing sector, unless new lending methods are especially designed for the needs of these countries. The same conclusion holds for the development of small-scale industry in the other developing countries of SSA which have perhaps more opportunities if a dynamic and appropriate development bank exists. Lending to small business is

traditionally associated with high risk, costly administrative procedures and much inconvenience for small business, and aid donors might here fill a gap in the financial market.

In May 1984 a DAC meeting was held under the title "Co-operation for Industrial Development in Low-income Countries".[1/] At this meeting the DAC members recognized that small and medium industrial development was essential for overall development in low-income countries, and that there was a need for development assistance in this field. Three aspects of co-operation were discussed: the policy framework and policy co-ordination, lessons of experience in aid activities in the field and means of increasing the contributions of the domestic and foreign private enterprise. The leading role of the World Bank and IMF in the provision of competent policy advice based on comprehensive country and sector studies was recognized but they were also to organize broad economic and industrial dialogues with developing countries and donors, which would facilitate aid co-ordination. In reviewing assistance programmes it was found that too many efforts were dedicated to vocational training, which will not in itself create jobs. Lack of investment as such is seldom the primary deterrent to progress, but the lack of an intermediation through a development bank or private credit facility can be a crucial problem. These intermediate institutions should be able to provide a spread in borrowing and lending rates or other subsidy to cover high costs and risks of loan administration and provision of technical services to small borrowers. Assistance focussed on marginal improvements of existing locally appropriate technologies, working directly with operational small enterprises, has proved to be more effective than high-cost technology centres. On the promotion of private enterprise it was held to be crucial that the domestic government could maintain positive real interest rates. Joint ventures are difficult in low-income countries, and hence other forms of collaboration, such as technology licensing and service contracts need to be promoted more in the future. In financing industry in the economically distressed low-income countries, priority should be given to rehabilitation of existing and under-utilized enterprises with good prospects of productive operation and to the provision of working capital to such companies.

---

1/ The conclusions of the meeting are summarized in: OECD, "Development Co-operation", 1984 Review, pp. 143-153.

## Chapter 4

## SOME DONORS' POLICIES ON INDUSTRIAL BILATERAL AID TO SSA

### 4.1 An outline of activity[1/]

Following the conclusion of the DAC meeting on "co-operation for industrial development in low-income countries", it can be accepted that DAC members recognize the need to increase and diversify the productive capacities of the manufacturing in low-income countries and in SSA, the main regional focus of low-income countries. However, they also are aware of the many ingredients and impediments to the industrialization process of these countries. In the past, experiences of industrial co-operation in the low-income countries were not always positive. Moreover, in countries where several donors were active in industry, problems of aid co-ordination were acute.

The Federal Republic of Germany, through its Agency for Technical Co-operation (GTZ) has offered technical and business management advisory services for industrial development in many African countries. In addition, long-term advisory services in industrial planning activities and programme preparation have been provided to several countries, e.g. Niger, Senegal, Rwanda, Burundi and Somalia. Industrial vocational training and appropriate technology dissemination has been organized by the German GTZ in many of those African countries. Together with the German Development Finance Institute (KfW) and the German Finance Company for Investment (DEG), the GTZ has been providing financial and technical assistance to the newly formed development banks in Africa.

The Swedish SIDA and SWEDFUND have also been very active in the industrial development of several African countries. For instance, in Tanzania a Sister Industrial Scheme was financed, at the cost of $15 billion, to facilitate contacts between Swedish and local firms in the area of technology transfer. Considerable assistance was provided to the manufacturing sectors in Guinea-Bissau and Mozambique. Sweden also

---

1/ Most examples are taken from: OECD-DAC, "Co-operation for Industrial Development in Low-income Countries", Note by the Secretariat, April 1984.

co-financed the Kenya Industrial Estates together with the Federal Republic of Germany, Norway and Denmark. SWEDFUND has been very active in the promotion of co-operation between small and medium-sized firms in Africa and Sweden.

France has had a traditional interest in industrial co-operation with the French-speaking countries of Africa, usually following commercial lines. Joint business ventures have been promoted in many countries. In Cameroon, a successful project was developed with IDA to support small and medium-scaled enterprises through the Cameroon Development Bank. Japanese assistance to industry in SSA has concentrated on training programmes or the establishment of training institutes. For example, Japanese aid was used in Kenya to create the Kenyatta Agriculture and Industry University. The United States agency USAID also had been active in private industrial development. It has set up the African Enterprise Programme to assist small business in the Entente Council, made up of Benin, Ivory Coast, Niger, Togo and Burkina Faso. USAID through its Bureau for Private Enterprise has developed new initiatives, e.g. a portfolio bureau, to improve private sector co-operation. In Kenya USAID has started a project to develop agro-business.

Support for industrial development in SSA has also been growing in multilateral development financing insitutions. The African Development Bank (ADB) had up to the end of 1982 provided nearly $600 million or 15 per cent of its total lending volume to the industrial sector in Africa. For the period 1982-1986 $1 billion has been earmarked for industrial investment projects, including a significant protion for small industry development. Loans were also directed in the past to the rehabilitation and modernization of exisitng enterprises rather than the creation of new ones. The World Bank (IBRD and IDA) has also been concerned with the industrial sector in the countries where a Structural Adjustment Loan has been provided, (e.g. Ivory Coast, Senegal, Mauritius and Kenya). In these countries reform of the industrial policy has been the central focus. In Zimbabwe, the development of industrial exports has been given specific support. Other operations in the industrial sector have continued to emphasize institution-building and to focus on the financing of small and medium-size enterprises, co-ordinated in part by the World Bank Steering Group on Small-Scale Enterprises Development. In view of the deteriorating overall economic situation in almost all countries the financing of new industrial projects has received a lower priority than providing financial support for existing programmes. The International Finance

Corporation (IFC) has promoted the growth of private investment in SSA by providing financial, technical and managerial assistance. IFC's operations in SSA form a little over 10 per cent of IFC net commitments ($46 million in 1983). The proportion in the number of investments is almost double, and the investments of IFC in SSA are concentrated on small enterprises. The present environment in SSA is generally qualified by IFC as non-conducive to the operation of private enterprise and for new investments in particular.

The EEC has also attached importance to industrial co-operation in SSA, with special emphasis on small and medium-sized fims. Already under Lomé I various forms of co-operation were included, such as the development of infrastructure, contributions to new manufacturing industries which process local raw materials and industrial training schemes. The financing of productive investment projects was the responsibility of the European Investment Bank (EIB), with some risk capital also provided by the European Development Fund. In addition, the Centre for Industrial Development (CID) was set up to assist the ACP countries in the promotion of viable industrial projects. Under Lomé II (and Lomé III also), the initial support programme was strengthened and further developed. The CID was reoriented towards technical assistance in feasibility and adaptation studies, relocation of used industrial plants, assistance in joint venture operations and identification of sources of finance. EIB increased also its industrial co-operation with ACP countries. Some 30 per cent of its total lending was channelled to financial intermediaries and destined for loans to small and medium-scaled industrial projects in SSA.

### 4.2 The concern for the domestic economy

Bilateral aid allocations can sometimes be made largely or solely in support of donors' perceived foreign economic and political interests. By contrast aid flows from multilateral sources are allocated essentially to compensate for shortfalls in recipient country's resources. During the 1970s, there has been a substantial shift away from donor interest aid towards recipient need aid, which resulted from a shift towards multilateral aid. However more recently shifts in aid motivation have apparently reversed. Some major donors have been using bilateral aid as an instrument of foreign policy, and in addition real cuts in contributions from DAC members to multilateral

aid agencies have occurred. The stagnation in UNDP funding and the difficulties about the replenishment of IDA can be cited as the most striking examples of the latter trend. Unless these more recent trends are reversed, the relative balance of aid motivation will shift further away from recipient need considerations.[1/]

Since the beginning of the global recession in the 1980s donors have been more concerned with the possible positive effects of aid on the domestic economy. In particular, the employment argument of aid has been used more in the recent past. Empirical studies of the effects of ODA on the domestic employment for the Federal Republic of Germany and the United Kingdom have proved that, at least in these two countries, every unit of money spent on development aid returns back to the domestic economy in full, directly or indirectly, and creates jobs.[2/] The temptation to increase the flowback has always been there, but recently some donors have defended tied aid as a means to increase business opportunities, and it has been suggested that other donors are testing the ground for more tied aid. In the small countries, pressure groups call for a commercial-linked aid, because the flow of aid money back to industry in these donor countries is less than what is given out. On the other hand, larger donors may tend in any case to receive back more than has been given out, and therefore have no reason to support increased tying. The experiment of UNDP, started in 1982, to open three special funds for tied aid, has brought this issue to the fore.

It must be clear that industrial co-operation is very sensitive for the donors' domestic interests. One should also not be surprised either that aid and trade become more and more connected. The recent upswing of associated aid, discussed in Chapter 3, can be recalled in this context. There is a need for guidelines and agreed procedures, not only concerning non-concessional aid

---

1/ These were the most important conclusions of: A. Maizels, M.K. Nissanke, "Motivation for Aid to Developing Countries", World Development, Vol. 12, No. 9, 1984, pp.879-900.

2/ D. Schumacher, "Development Aid and Employment in the FRG", in: Intereconomics, May/June 1981, pp.122-125; R.S. May, N.C. Robson, "The UK Development Aid Programme and the Dutch Domestic Economy", in Intereconomics, January/February 1982, pp.20-25.

flows but also on ODA loans, in order to avoid a further competition in aid. The call for aid co-ordination and information exchange, especially in what concerns SSA, may also help to reverse the undesirable trend.

Similarly, the trend in many donor countries to increase industrial aid programmes must also be seen in the light of growing pressure from the domestic industries for more commercial opportunities. It seems that such a phenomenon is taking place in most donor countries at the same time. It even occurs in the Netherlands, traditionally the most vociferous opponent of tied aid, even though it is one which has a low return from ODA spending.

### 4.3 The Netherlands example

To conclude this survey, some reference can be made to the Netherlands inventory of industrial projects between 1976 and 1983,[1/] which covers all projects of thirteen "concentration" countries, of which five belong to SSA, financed by the Netherlands official bilateral aid, as well as aid flows by the Dutch development financial co-operation (FMO). Two-thirds of official bialteral aid was directed to these 13 countries. Of these flows only 11.4 per cent or FL 787 million was directed to the manufacturing sector. The five countries of SSA received 48 per cent of these flows although they received only 28 per cent of total official bilateral aid to the 13 concentration countries. In other words industry obtained a higher than average preference in the five countries of SSA (Burkina Faso, Kenya, Sudan, Zambia, and Tanzania, with the last one as the most important recipient of industrial aid). Including also the grants and loans of FMO to the countries of SSA, total flows have maintained an average of around FL 50 million between 1976 and 1982 with an exceptional decrease to FL 13 million in 1983.

In 1984 the Netherlands bilateral development co-operation policy was changed quite drastically.[2/] Less emphasis will be placed on creating new welfare services and more on increasing productive capacity, in order to generate income and job opportunities in the poorer developing countries. A more businesslike approach to development activities may help to safeguard the economic survival of these countries. Projects and existing instruments

---

1/ Inventarisatie industriële ontwikkelingsprojecten, 1976-1983, Memorandum, Directoraat-Generaal Ontwikkelingssamenwerking, Ministerie van Buitenlandse Zaken, 1984.

2/ Informatie Ontwikkelingssamenwerking, Voorlichtingsdienst ontwikkelingssamenwerking, Ministerie van Buitenlandse Zaken, Nederland, May 1984.

will be streamlined in a multi-year plan based on two programmes: rural development and industrial development (each incorporating the necessary infrastructure). Aid will also be limited to ten target countries or regions, of which three belong to SSA, two regions in SSA (the Sahel and Southern Africa), and Central America. In these programmes the knowhow and experience of Netherlands industry will be applied. More collaboration has also been sought with the World Bank. In 1984 a mission of the Ministry of Foreign Affairs and private enterprises to Washington agreed to channel $200 million, in projects identified by the World Bank. In addition, a special support for the SSA programme of the Bank was approved. The proposed Netherlands contribution to the Special Facility for Sub-Saharan Africa was given as FL 350 million (equivalent to $97.5 million) in May 1985, making the Netherlands the third largest individual country contributor and amounting to 13 per cent of the total.

## Chapter 5

## FUTURE STRATEGIES AND THE ROLE OF ODA

The special session of the United Nations General Assembly in 1986, held to discuss the critical economic situation in Africa, adopted the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.[1/] It is noteworthy for a number of reasons. It represents a joint commitment by the international community, both the African countries and the rest of the world. Some contentious issues, such as the role of the private sector, the neglect of agriculture, and the quality of public administration in African countries, have been incorporated in the Programme of Action as part of an overall reappraisal of the strategies followed in the past. Without in any way abandoning their collective strategies of industrialization as embodied in the Lagos Plan of Action and the Industrial Development Decade for Africa, the African countries have agreed with others on new efforts to achieve them.

Industry's role is to be supportive but crucial: agriculture's growth will be fostered by mechanization, increased use of fertilizers, expanded storage capacity and improved irrigation. Agro-related industries are to be rehabilitated and developed, through the production of tools and equipment (including for irrigation), raw materials processing, renewable energy development, the establishment of engineering capacities and the provision of training. Essential consumption products are also to be developed.

National economic policies will include improvement of financial management, including debt and development aid, and it is also stated that "the positive role of the private sector is also to be encouraged through well-defined and consistent policies."[2/]

From the donor side, there are a number of commitments also. They are summarized as improvements in the quality and modality of aid, improvement in the external environment (world economy, international trade, commodities) and

---

1/ A/RES/S-13/2, Annex.

2/ Ibid, para 11.1.e(i), page 10.

support for Africa's policy reform. Improving aid is to include greater emphasis on programme support, the evolution of procurement policies, speedier disbursement, increased concessionality, use of local capabilities, greater co-ordination and effectiveness, and consideration of recurrent costs. In support of policy reform, the donors agree to placing greater emphasis on non-project aid (including balance-of-payments support), and to more support from the multilateral institutions, including the IDA, the IMF Structural Adjustment Facility, and the African Development Fund. Support for anti-drought and desertification measures is also pledged. A recognition of the totality of the resource flow issue is made in the commitment to:

> "Strive to ensure that no individual bilateral donor ... becomes a net recipient of official capital flows from African countries that undertake adjustment programmes."[1/]

The special session represented the culmination of a process of policy appraisal which had been under way for some time. An assessment of progress in economic development had been made by African countries as follows:

> "Twenty five years after independence, in spite of all the efforts made, the basic economic structures of African countries have not fundamentally changed."[2/]

The causes of the lack of industrial progress cited included poor agricultural performance; faulty conception, design, construction and management; inappropriate choice of technology and equipment; absence offorward and backward linkages; lack of skilled manpower; limited local and external markets; relatively high energy costs; unserviceable and poorly maintained equipment and machines; shortage of foreign exchange and consequent difficulties in importing inputs and spare parts.[3/]

---

1/ Ibid, para 17c(vi), page 18.

2/ OAU, "Africa's Submission to the Special Session of the General Assembly on the Critical Economic Situation in Africa", United Nations, A/AC.229/2, 23 April 1986, p.7.

3/ Ibid, p. 56.

The criticism of past policies went further. On the African side, it included citing such contributory factors as "inadequacy and/or misdirection of human and financial resources, inappropriate economic strategies and policies, poor economic management, institutional and physical infrastructural inadequacies, ...".[1/] External factors cited included the decline in ODA in real terms, as well as recession, falling commodity prices, adverse terms of trade, protectionism, high interest rates and external indebtedness. The domestic policy measures to deal with the crisis included improved management of the economy, and here particular mention was made, inter alia, of improvement of public management systems, institutions and practices; improvement of the performance of public enterprises; control of public expenditure with a view to promoting the efficient use of public resources and cutting on wastage and resource misallocation, and the encouragement of the private sector.

As well as improved economic management, the OAU measures proposed many areas of action, including trade and finance, agriculture and national emergency preparedness, measures against drought and desertification, human resources, strengthening institutions, and consolidating African co-operation.

The reappraisal of past efforts by African countries was thus the beginning of a consensus on the way forward in policy terms and to a certain extent on the role of industrialization in African development. The characterization of the role of the public sector as excessive and ineffective was very much along the lines of what some developed countries and some international organizations had been saying for a number of years. In addition, a neglect of agriculture in the past and an inordinate attention to misguided industrialization strategies were becoming shared perceptions. The role of the private sector (both foreign and domestic) in contributing to economic growth was to form a new emphasis. Industrialization was in the future to be directed towards support of agriculture and towards the earning of foreign exchange.

---

1/ Ibid, p. 14.

The developin· consensus on the way forward for Africa is striking for a number of reasons. Firstly, it marks on the part of African countries, a painful process of re-thinki·g within which many of the expectations of the last twenty years have had to be abandoned. Secondly, even though immediate problems exist of hunger and of social collapse, the solutions being sought are long-term ones. Thirdly, and most significantly, the effect has been to integrate subjects that were originally separate. These include agricultural policy, food security, industrialization, direct foreign investment, and bilateral and multilateral official development assistance. All these once distinct topics are now being merged. This can be seen in the following elements: the policy dialogue between donors and recipients, the constantly urged co-ordination among donors, the conditionality of assistance from many of the special funds now set up upon the implementation of reforms and adjustment measures, the reduced role of state enterprises in the economy, and guaranteed conditions for private direct foreign investment, the need for increased export earnings to cover expected debt servicing, and the role of industry as an exporter and in support of agriculture and rural development.

How far will convergence continue and lead to a coherent, implemented and successful strategy on the basis of the agreed conclusions of the Special Session? Two dangers persist. The first is that, even with wholehearted commitment on the part of the African governments, the policies pursued, however much they may be geared towards sustained success in the long term, may prove inadequate in the short term. In individual countries, new drought or other natural disasters could be enough to defeat the finely-balanced calculations that underlie the present shift towards long-term strategies at the expense of short- and medium-term austerities. The second danger is that the African countries may receive inadequate support, and that the encouragement given by developed countries to a reappraisal of previous policies may not be backed up by the necessary level of resource transfers. This warning has been given by the World Bank,[1/] who point out that several countries have already altered their policies in response to external criticism and yet have not obtained the level of external assistance necessary to sustain these policies and to counteract the impact on prices, jobs, and public services.

---

1/ "Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90", World Bank Report No. 6082.

Uncertainty also attaches to the specific policies for industrialization. A move away from import substitution per se, and from large and irrelevant prestige products is to be welcomed, but the course actually followed for the future must be coherent. Rural industrialization efforts, directed towards agricultural inputs, food storage and processing, and agricultural tools and implements, have to be urgently pursued. But how are they to fit in with a concentration on increased export earnings? The potential difficulties arising from this dichotomy are many. The most important may be in the area of skills and skill development, where competition for resources between the agriculture-related and export-related industries are likely to occur, even if sufficient levels of capital for the pursuit of these twin objectives is available.

With all these considerations, it is possible, in conclusion, to make some points about the desirable forms and emphases of ODA in the future.

a) Co-ordination of assistance: In most African countries co-ordination among the bilateral and multilateral donors is carried out under the leadership of UNDP and the World Bank. Given the confusions that are bound to exist between philanthropic, political and commercial objectives and the competition between donors and agencies, the need for such co-ordination is usually seen as essential. African countries need assistance quickly and moreover it has to be of a kind that meets identified needs. There is scope for more co-operation between international agencies, as well as for joint execution, with donors, NGOs and recipient governments. Co-operation with private enterprise, both foreign and domestic, is another possible area.

b) Structural orientation: Given its limited volume, the use that is made of ODA is crucial. Old-style glamorous industrial projects may be a thing of the past, but an unstructured policy of small-scale and isolated rural-based projects may be just as bad, persisting as a drain on foreign exchange or expertise, and never attaining a critical mass that can generate an investible surplus and allow the development of training and research functions. It would be better to analyze the existing pattern of rural industrialization and identify niches where products were needed, either tools, implements and equipment, or intermediate inputs, whose production once initiated could be sustained by a planned agricultural ex[illegible]on. Similarly, emerging food processing industries, which are themse[illegible] manufacturing activity, could be continuous customers for packaging and processing materials of various kinds.

What is being suggested here is an identification and targeting of key areas in which new manufacturing activity would expand linkages and help towards a more secure system. There are plenty of other opportunities in the links with food storage, education, construction and health care.

c) Imported inputs: Export orientation will have to form one part of Africa's industrialization strategy: the need for foreign exchange earnings will remain. Increased domestic processing of raw materials is one approach, but it doesn't help the very poorest countries who have limited natural resources. Some of these have managed to build up some manufacturing capacity which is dependent on imported intermediate inputs: shortages have led to low capacity utilization. Export earnings could repay the cost of inputs, and some countries would therefore need a revolving fund, such as has been successfully applied in Zimbabwe through a World Bank loan. Such a system can have the effect of "cordoning off" the export-oriented industry from foreign exchange shortages, and thus protecting it from fatal shutdowns.

d) New financial instruments: Recent years have seen in financial markets in developed countries a wide variety of instruments designed to meet particular requirements and opportunities (e.g. zero interest bonds, option markets, swaps, etc.). They are all ways of accommodating finance to meet changes in interest rates, in cash flow, in the stock of capital and so on. Yet few of these instruments reach Africa, whose industry needs as much flexibility as it can get. Innovation has been seen mainly in the setting up of new funds by the World Bank or the IMF. Bilateral ODA, another form of finance, has seen innovation in the mixed credit system but the benefits of this to developing countries are arguable. But ODA could be used in conjunction with commercial lending to create new forms of industrial finance that would have the flexibility required by industrial projects. Higher interest bonds rather than bank loans, or convertible bonds, currency swaps to meet changes in export market earnings, export earnings futures and options, together with stock options, are all means by which industrial finance might be mobilized, with the support and technical assistance of donor governments and merchant banks.

e) Survival assistance for industry: Industrial capacity utilization in many parts of SSA is at a low level, due to depressed levels of general economic activity but more particularly to the foreign exchange constraint. In such circumstances new equipment, spare parts and finally intermediate inputs are sacrificed. If foreign exchange shortages persist, the industry closes

down. It should be recognized that this is usually in effect an irreversible process. A resumption of foreign exchange availability will not solve the problem. Once the firm closes, the skills are dispersed, the plant is sold or scrapped, and the former customers are lost. It then becomes essential to safeguard the survival of existing industry, and ODA, as appropriate in packages of foreign exchange, facilities, spare parts and technical co-operation, is the only option. In individual cases ODA thus has to "lean against the wind" of austerity to which the donors and the recipient country may have committed themselves in an agreed assistance.

f) Refurbishment and reconstruction: While the very survival of industrial capacity has to have the highest priority, there will be many other cases where the need is for repair and upgrading of existing capacity. Foreign exchange shortages will have stopped the replacement of outmoded machinery and will have caused equipment to deteriorate due to the lack of spare parts. In these cases the need is for a selective approach, assistance in refurbishment and reconstruction directed towards a new industrial structure in the light of changed requirements. These requirements may include a greater export concentration, a move towards more flexible production patterns, increased automation, energy efficiency and a more diversified product range.

Concluding remarks

A recent econometric study of the determinants of foreign aid[1/] raises interesting questions which may be relevant to the present discussion. The author finds that upward influence on the supply of ODA appears in general to be due to only two factors, which are the levels of previous disbursements by the donor, and other countries' disbursements. This analysis was carried out for ODA as a whole, not for the manufacturing sector in SSA. But it is encouraging to the extent that it indicates that the attention given to Sub-Saharan Africa may have a cumulative effect on programmes in the future.

However, the study also uses a "quality index" used for assessing the aid that has been given. This index includes the proportion of aid going to "rural development and the social infrastructure, rather than to industrial

---

1/ Mosley, P. "The Political Economy of Foreign Aid: A Model of the Market for a Public Good". Economic Development and Cultural Change, Volume 33, No.2, January 1985, pp. 373-394.

development, fundamental research, railways, urban housing, etc." To the extent that such a measure reflects public perception of developing country needs this approach is correct, but, if true, it means that the case for ODA to the manufacturing sector in Sub-Saharan Africa will continue to need a restatement of the ways in which industrialization is linked to overall development and self-sustaining growth.

In this context, the Commission of the European Communities, in a review of Africa's crisis, pointed out that

> "... the type of growth now required would rapidly reach its limits without recourse to industrialization. It is not possible for long-term development to be based purely on agriculture and on exports of raw materials for which the market prospects are modest. Hence, industrialization targeted primarily to Africa's needs is ultimately a necessary stage in the development process."1/

---

1/ EEC. COM(86) 179.

## APPENDIX

## Table A.1: Selected indicators of performance, external shocks, and availability of investment resources

| Countries | Performance indicators: GDP per capita average annual growth (%) 1970–81 | Performance indicators: Incidence of debt rescheduling (years) | Performance indicators: Growth rate of GDP (%) 5-year average ending in 1971 | 1976 | 1981 | External shocks: Loss of income due to deterioration in terms of trade annual average (%) 1971–1981 with 1970 as base | External shocks: Average interest rate (%) on medium- and long-term loans 1982: New commitment | Debt outstanding | Investment resources: Investment (% of GDP) 5-year average ending in 1971 | 1976 | 1981 | Resource inflow (% of GDP) 5-year average ending in 1971 | 1976 | 1981 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Chad | -4.6 | | 1.4 | 1.9 | -6.1 | 1.0 | 0.7 | 0.1 | 13 | 12 | 13 | 8 | 15 | 28 |
| 2 Mali | 1.8 | | 3.3 | 5.4 | 2.2 | 3.7 | 2.0 | 0.7 | 17 | 15 | 16 | 10 | 18 | 18 |
| 3 Burkina Faso | 1.6 | | 3.1 | 4.5 | 2.9 | 1.1 | 1.8 | 2.6 | 11 | 23 | 18 | 12 | 21 | 25 |
| 4 Somalia | 1.0 | | 2.7 | 3.8 | 4.6 | -3.1[a] | 1.7 | 1.2 | 12 | 18 | 18[b] | 7 | 14 | 13[b] |
| 5 Niger | -0.1 | 1983 | 1.3 | -1.7 | 7.5 | -2.8 | 5.9 | 7.4 | 15 | 25 | 32 | 8 | 15 | 10 |
| 6 Gambia, The | 1.7 | | 3.5 | 7.4 | 0.2 | 6.0 | 3.1 | 3.1 | 8 | 9 | 26 | 4 | 1 | 29 |
| 7 Ethiopia | 0.6 | | 4.0 | 2.6 | 3.0 | 0.2 | 3.8 | 2.7 | 13 | 11 | 9 | 2 | 1 | 5 |
| 8 Guinea-Bissau | | | | 5.0 | 1.8 | | 6.4 | 1.0 | | 23 | 26 | | [illegible] | 36 |
| 9 Zaire | -3.1 | 1976–81.83 | 3.7 | 0.2 | 0.1 | 2.3[c] | 2.2 | 1.0 | 26 | 32 | 29 | -2 | 13 | 13[d] |
| 10 Malawi | 2.6 | 1982–83 | 5.6 | 5.4 | 4.1 | 3.0 | 3.5 | 4.6 | 19 | 27 | 30 | 12 | 12 | 13 |
| 11 Uganda | -4.3 | 1981–82 | 4.8 | -0.4 | -2.5 | | 2.9 | 2.2 | 14 | 9 | 6[d] | -1 | -1 | 1 |
| 12 Rwanda | 1.8 | | 7.4 | 5.6 | 5.3 | 1.1 | 1.2 | 1.1 | 8 | 12 | 22 | 6 | 8 | 11 |
| 13 Burundi | 1.4 | | 7.3 | 1.9 | 5.1 | 0.6 | 5.4 | 1.6 | 8 | 7 | 14 | 3 | 5 | 9 |
| 14 Tanzania | 0.8 | | 4.7 | 5.4 | 2.5 | 0.1[c] | 4.0 | 2.5 | 20 | 21 | 22 | 3 | 8 | 11 |
| 15 Benin | 0.6 | | 2.6 | 2.3 | 4.1 | 3.4 | 7.2 | 5.0 | 16 | 16 | 23 | 10 | 15 | 24 |
| 16 Central African Republic | -0.6 | 1981.83 | 3.5 | 2.7 | -0.3 | 10.8 | 3.5 | 1.1 | 20 | 17 | 10 | 16 | 13 | 14 |
| 17 Guinea | 0.9 | | 3.1 | 5.5 | 1.0 | | 3.4 | 1.9 | | | 14 | | | -3 |
| 18 Madagascar | -2.2 | 1981–84 | 5.1 | -0.7 | 0.2 | 6.2 | 5.0 | 3.0 | 17 | 14 | 19 | 7 | 3 | 11 |
| 19 Togo | 0.7 | 1979–81.83 | 6.0 | 3.3 | 3.4 | -5.8 | 4.7 | 2.6 | 15 | 22 | 39 | 1 | 5 | 22 |
| 20 Ghana | -3.2 | | 4.9 | -1.7 | 1.2 | -1.4 | 3.2 | 2.5 | 13 | 10 | 6 | 2 | -2 | 1 |
| 21 Kenya | 2.1 | | 7.4 | 6.0 | 6.2 | 4.2 | 6.0 | 6.9 | 22 | 23 | 28 | 1 | 3 | 7 |
| 22 Sierra Leone | -0.8 | 1977–80.84 | 4.4 | 1.2 | 2.4 | 3.2 | 0.7 | 2.5 | 15 | 14 | 13 | 3 | 9 | 10 |
| 23 Sudan | 3.1 | 1979.81–83 | 2.6 | 6.2 | 4.1 | 1.5 | 3.6 | 0.2 | 13 | 16 | 16 | 4 | 5 | 10 |
| 24 Mauritania | -0.6 | | 4.3 | 3.0 | 1.9 | 4.0 | 2.6 | 2.9 | 25 | 32 | 36 | -9 | 15 | 35 |
| 25 Liberia | -1.8 | 1980–83 | 6.1 | 1.7 | 0.6 | 5.6 | 6.4 | 2.3 | 25 | 30 | 32 | -29 | -14 | 4 |
| 26 Senegal | 0.1 | 1981–84 | 1.4 | 4.0 | 1.2 | 1.1 | 4.3 | 6.7 | 14 | 19 | 19 | 6 | 7 | 15 |
| 27 Lesotho | 5.7 | | 1.0 | 11.9 | 7.3 | -1.5 | 13.0 | 3.2 | 9 | 13 | 22 | 33 | 52 | 63 |
| 28 Zambia | -2.7 | 1983 | 2.9 | 3.4 | -1.8 | 25.5 | 6.8 | 3.9 | 32 | 36 | 23 | -12 | -3 | 3 |
| 29 Zimbabwe | -0.3 | | 7.2 | 4.4 | 4.8 | | 8.9 | 10.1 | 22 | 26 | 18 | 1 | -1 | 1 |
| 30 Botswana | 8.3 | | 12.1 | 17.7 | 9.7 | 4.2 | 9.7 | 7.9 | 36 | 55 | 42 | 38 | 26 | 20 |
| 31 Swaziland | 1.2 | | 8.6 | 4.1 | 5.4 | 8.5[c] | 3.2 | 5.4 | 21 | 26 | 37 | -3 | -15 | 23 |
| 32 Ivory Coast | 1.1 | 1983–84 | 7.1 | 6.8 | 4.7 | -5.1 | 13.5 | 10.3 | 19 | 21 | 27 | -3 | -2 | 2 |
| 33 Mauritius | 4.4 | | 1.3 | 8.4 | 3.1 | -9.9 | 8.6 | 9.6 | 13 | 25 | 28 | 2 | -1 | 11 |
| 34 Nigeria | 1.9 | 1983 | 10.6 | 6.6 | 0.4 | -14.7 | 13.9 | 14.6 | 17 | 24 | 27 | 1 | -6 | -2 |
| 35 Cameroon | 4.0 | | 4.2 | 4.5 | 9.1 | 2.1 | 9.2 | 5.6 | 15 | 20 | 25 | 1 | 2 | 3 |
| 36 Congo, People's Republic of the | 2.5 | | 6.7 | 6.6 | 8.6 | 1.0 | 10.4 | 8.1 | 28 | 35 | 32 | 25 | 20 | 7 |
| 37 Gabon | 2.9 | 1978 | 6.7 | 21.4 | -10.5 | | 8.8 | 9.3 | 38 | 53 | 41 | -2 | -9 | -21 |
| Sub-Saharan Africa[e] (37 countries) | | | 6.5 | 5.3 | 1.6 | -5.9 | | | 18 | 23 | 21 | 1 | -7 | 33 |
| Countries with below average growth in per capita income[f] | -1.0 | | 3.8 | 2.3 | 1.6 | 5.0 | | | 21 | 23 | 23 | -0.7 | 5.6 | 10.9 |

a Average for 1971–79

b Five-year average ending in 1979

c Average for 1971–80

d Five-year average ending in 1980

e Excludes Angola and Mozambique. Averages in this row relate to the countries for which data are presented in the table

f Consists of Niger, Ethiopia, Zaire, Tanzania, Benin, Central African Republic, Madagascar, Togo, Sierra Leone, Mauritania, Liberia, Senegal, and Zambia. Includes all countries with below average annual per capita income growth during 1970–81 excluding Chad, Uganda, Ghana, and Zimbabwe which were severely unsettled politically during this period

Source: The World Bank, Toward Sustained Development in Sub-Saharan Africa, A Joint Programme of Action, 1984, p.23.

N.B: The studies of the World Bank exclude the following small countries: Comoros, Djibouti, Equatorial Guinea, Sao Tome & Principe and Seychelles.

Table A.2: Share in total economic activity of manufacturing value added for individual countries of SSA, 1973 and 1981
(at constant prices)

| Country or area | Contribution to African MVA | | Share of MVA in GDP | |
|---|---|---|---|---|
| | Percentage | | | |
| | 1973 | 1981 | 1973 | 1981 |
| Africa | 100.00 | 100.00 | 9.22 | 10.72 |
| Algeria | 8.15 | 8.79 | 8.34 | 9.21 |
| Angola | 2.19 | 0.53 | 6.94 | 3.99 |
| Benin | 0.30 | 0.17 | 7.92 | 6.65 |
| Botswana | 0.11 | 0.35 | 5.31 | 11.84 |
| Burkina-Faso | 0.72 | 0.62 | 13.83 | 13.86 |
| Burundi | 0.33 | 0.31 | 10.83 | 11.54 |
| Cameroon | 2.08 | 2.24 | 10.16 | 11.36 |
| Cape Verde | 0.03 | 0.03 | 6.07 | 6.10 |
| Central African Republic | 0.37 | 0.24 | 12.92 | 13.13 |
| Chad | 0.43 | 0.19 | 11.51 | 7.53 |
| Comoros | 0.04 | 0.02 | 7.07 | 5.34 |
| Congo | 0.41 | 0.29 | 7.14 | 7.63 |
| Egypt | 14.42 | 17.77 | 17.85 | 17.31 |
| Equatorial Guinea | 0.04 | 0.01 | 5.49 | 5.28 |
| Ethiopia | 2.24 | 1.89 | 10.73 | 10.74 |
| Gabon | 0.63 | 1.15 | 6.21 | 9.41 |
| Gambia | 0.07 | 0.02 | 6.48 | 2.52 |
| Ghana | 4.58 | 2.88 | 12.95 | 14.09 |
| Guinea | 0.33 | 0.25 | 4.37 | 3.76 |
| Guinea-Bissau | 0.01 | 0.01 | 1.37 | 1.53 |
| Ivory Coast | 3.12 | 3.94 | 12.97 | 15.59 |
| Kenya | 2.64 | 2.76 | 11.77 | 13.34 |
| Lesotho | 0.07 | 0.06 | 5.69 | 5.11 |
| Liberia | 0.22 | 0.19 | 4.88 | 5.63 |
| Libyan Arab Jamahiriya | 1.26 | 2.28 | 1.21 | 3.52 |
| Madagascar | 1.53 | 0.91 | 11.65 | 10.05 |
| Malawi | 0.52 | 0.54 | 12.23 | 12.55 |
| Mali | 0.36 | 0.31 | 9.66 | 8.64 |
| Mauritania | 0.14 | 0.14 | 5.04 | 6.29 |
| Mauritius | 0.57 | 0.83 | 13.91 | 20.43 |
| Morocco | 9.74 | 10.74 | 16.89 | 17.58 |
| Mozambique | 3.04 | 1.19 | 9.85 | 7.35 |
| Namibia | 0.56 | 0.53 | 6.43 | 6.65 |
| Niger | 0.49 | 0.36 | 10.61 | 6.69 |
| Nigeria | 12.30 | 18.31 | 4.74 | 8.17 |
| Reunion | 0.33 | 0.29 | 3.86 | 3.63 |
| Rwanda | 0.12 | 0.47 | 3.97 | 13.45 |
| Senegal | 1.64 | 1.15 | 13.37 | 13.75 |
| Sierra Leone | 0.33 | 0.23 | 7.17 | 6.46 |
| Somalia | 0.32 | 0.26 | 9.48 | 9.67 |
| Sudan | 5.16 | 2.40 | 15.30 | 7.83 |
| Swaziland | 0.30 | 0.58 | 22.19 | 23.86 |
| Togo | 0.37 | 0.21 | 9.23 | 6.87 |
| Tunisia | 2.65 | 3.90 | 10.24 | 13.36 |
| Uganda | 1.62 | 0.69 | 7.37 | 4.29 |
| United Republic of Tanzania | 1.92 | 0.83 | 11.09 | 5.79 |
| Zaire | 2.47 | 0.97 | 8.26 | 6.18 |
| Zambia | 2.89 | 1.89 | 18.57 | 16.93 |
| Zimbabwe | 5.82 | 5.28 | 25.10 | 26.72 |

Source: Africa in Figures, UNIDO/IS.517, 1985, pp.21-22.

## Table A.3: Net disbursements of ODA from all sources combined to individual receipients of SSA

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|---|---|---|---|
| SOUTH OF SAHARA | | | | | | | | | |
| Angola | 4.8 | 38.4 | 47.7 | 47.8 | 47.1 | 52.6 | 61.8 | 60.0 | 72.4 |
| Benin | 54.4 | 54.5 | 46.3 | 61.1 | 64.6 | 80.4 | 81.8 | 80.2 | 87.2 |
| Botswana | 51.3 | 47.6 | 47.5 | 69.0 | 68.7 | 108.1 | 96.9 | 101.5 | 103.6 |
| Burundi | 48.1 | 44.5 | 46.2 | 74.5 | 96.1 | 117.2 | 122.0 | 126.7 | 141.0 |
| Cameroon | 125.3 | 134.2 | 178.6 | 177.7 | 274.0 | 284.1 | 200.4 | 213.6 | 132.3 |
| Cape Verde | 8.8 | 24.9 | 27.2 | 38.7 | 33.4 | 64.4 | 90.3 | 64.9 | 66.3 |
| Central African Rep | 56.8 | 38.1 | 43.1 | 51.3 | 63.6 | 111.0 | 101.6 | 89.7 | 83.2 |
| Chad | 66.2 | 62.3 | 83.1 | 125.0 | 66.6 | 36.3 | 58.7 | 64.7 | 66.2 |
| Comoros | 21.7 | 25.7 | 12.2 | 12.8 | 17.6 | 41.4 | 47.6 | 38.5 | 38.8 |
| Congo | 66.4 | 73.0 | 46.6 | 61.1 | 90.9 | 92.1 | 66.6 | 83.1 | 108.5 |
| Djibouti | 34.4 | 28.1 | 46.2 | 100.2 | 23.2 | 71.6 | 63.9 | 66.8 | 64.6 |
| Equatorial Guinea | 2.2 | 0.4 | 0.8 | 0.6 | 2.7 | 8.3 | 10.2 | 14.0 | 12.4 |
| Ethiopia | 134.5 | 140.6 | 116.6 | 136.7 | 174.4 | 216.0 | 241.2 | 198.7 | 257.7 |
| Gabon | 63.4 | 34.0 | 27.6 | 43.9 | 36.7 | 66.8 | 43.6 | 62.3 | 63.6 |
| Gambia | 8.1 | 11.9 | 21.6 | 26.5 | 36.6 | 64.4 | 66.2 | 47.6 | 42.2 |
| Ghana | 125.6 | 64.0 | 91.2 | 113.9 | 166.8 | 197.8 | 146.3 | 141.2 | 107.3 |
| Guinea | 15.2 | 12.0 | 22.4 | 60.3 | 60.9 | 66.6 | 61.7 | 66.1 | 66.5 |
| Guinea-Bissau | 18.6 | 22.5 | 37.7 | 60.1 | 62.8 | 66.5 | 66.2 | 66.2 | 66.2 |
| Ivory Coast | 100.6 | 108.2 | 166.3 | 131.4 | 161.6 | 210.3 | 123.7 | 136.6 | 156.5 |
| Kenya | 128.6 | 161.7 | 162.7 | 247.6 | 360.6 | 396.6 | 446.3 | 484.9 | 396.6 |
| Lesotho | 30.1 | 30.1 | 36.6 | 60.1 | 64.2 | 60.6 | 101.0 | 66.6 | 101.3 |
| Liberia | 21.1 | 26.9 | 33.7 | 46.0 | 60.6 | 67.9 | 106.5 | 106.9 | 116.4 |
| Madagascar | 64.9 | 63.2 | 61.1 | 60.9 | 126.9 | 200.2 | 164.3 | 243.4 | 241.6 |
| Malawi | 63.6 | 63.3 | 76.4 | 66.5 | 141.7 | 143.3 | 137.6 | 121.2 | 116.6 |
| Mali | 144.7 | 66.0 | 112.6 | 162.6 | 166.6 | 262.1 | 226.6 | 166.2 | 214.1 |
| Mauritania | 56.6 | 167.6 | 160.2 | 222.9 | 172.3 | 216.9 | 217.2 | 176.6 | 171.6 |
| Mauritius | 26.1 | 17.1 | 22.4 | 43.6 | 32.2 | 33.1 | 66.3 | 47.6 | 40.7 |
| Mayotte | - | - | 6.9 | 12.9 | 16.2 | 22.7 | 14.6 | 12.7 | 14.6 |
| Mozambique | 21.6 | 71.5 | 60.3 | 106.1 | 146.6 | 166.1 | 143.6 | 206.6 | 211.6 |
| Niger | 140.9 | 126.4 | 66.6 | 166.6 | 174.3 | 170.2 | 200.6 | 251.9 | 167.5 |
| Nigeria | 62.1 | 63.4 | 42.6 | 42.7 | 26.6 | 36.7 | 40.7 | 36.6 | 46.7 |
| Reunion | 256.6 | 307.6 | 316.0 | 376.6 | 362.6 | 466.1 | 643.4 | 466.6 | 416.7 |
| Rwanda | 60.6 | 76.3 | 66.6 | 126.3 | 146.3 | 166.3 | 163.7 | 160.7 | 146.0 |
| St. Helena | 2.6 | 2.6 | 4.2 | 7.1 | 6.4 | 6.6 | 6.3 | 10.2 | 6.6 |
| Sao Tome & Principe | 0.6 | 11.7 | 3.1 | 4.1 | 3.1 | 3.6 | 6.1 | 6.6 | 11.7 |
| Senegal | 132.7 | 126.6 | 123.0 | 226.0 | 307.6 | 263.0 | 466.3 | 296.0 | 316.0 |
| Seychelles | 7.6 | 7.4 | 10.6 | 16.6 | 26.2 | 21.7 | 21.2 | 16.6 | 16.6 |
| Sierra Leone | 16.1 | 16.1 | 26.2 | 40.2 | 63.6 | 62.6 | 60.6 | 62.2 | 66.1 |
| Somalia | 162.0 | 106.6 | 262.6 | 216.7 | 161.2 | 446.6 | 376.0 | 462.1 | 336.6 |
| Sudan | 266.6 | 366.0 | 231.3 | 316.1 | 676.6 | 620.1 | 660.6 | 736.6 | 666.2 |
| Swaziland | 16.4 | 16.1 | 26.4 | 44.6 | 60.4 | 46.6 | 36.6 | 26.1 | 33.6 |
| Tanzania | 296.4 | 267.6 | 346.1 | 424.1 | 566.3 | 666.2 | 673.3 | 666.3 | 604.4 |
| Togo | 41.6 | 43.0 | 64.2 | 102.6 | 106.7 | 61.0 | 62.6 | 77.2 | 111.3 |
| Uganda | 36.0 | 26.2 | 22.2 | 21.3 | 42.3 | 116.6 | 126.6 | 132.6 | 134.7 |
| Upper Volta | 66.1 | 64.1 | 116.3 | 166.4 | 196.4 | 212.3 | 216.6 | 212.6 | 166.6 |
| Zaire | 204.6 | 196.6 | 266.6 | 316.6 | 416.4 | 427.6 | 266.6 | 346.2 | 316.3 |
| Zambia | 66.6 | 62.1 | 106.6 | 164.6 | 276.4 | 266.4 | 226.6 | 246.6 | 216.4 |
| Zimbabwe | 4.0 | 6.3 | 6.7 | 12.6 | 12.6 | 164.1 | 212.3 | 216.6 | 206.6 |
| East African Community | 21.6 | 16.2 | 6.7 | 12.6 | 3.4 | 6.6 | 6.0 | 4.2 | 6.2 |
| DOM/TOM Unallocated | 3.1 | 0.6 | 24.6 | - | - | - | - | - | - |
| SADCC Unallocated | 66.6 | 11.3 | 66.7 | 123.4 | 126.1 | 64.7 | 2.1 | 4.6 | 37.2 |
| South of Sahara Unal | 46.3 | 106.6 | 47.6 | 66.6 | 63.7 | 66.1 | 116.2 | 236.6 | 167.4 |
| TOTAL | *3667.6* | *3710.2* | *4161.7* | *5465.6* | *6733.3* | *6077.6* | *6066.4* | *6046.1* | *7617.3* |
| | | | 66.7 | 137.6 | 162.1 | 171.6 | 207.4 | 216.6 | 231.3 |

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries, 1982 to 1984.

## Table A.4: Total net receipts of ODA by developing countries from all sources by region and income groups

| Regions, Income Groups, Major Recipients[a] | Percentage of total ODA 1977/78 % | Percentage of total ODA 1982/83 % | Percentage of DAC bilateral 1982/83 % | Share in total population 1982 % | ODA average 1982/83 $ billion | Annual change 1982/83 over 1977/78 % | ODA as percentage of GNP 1977/78 % | ODA as percentage of GNP 1982/83 % | Per capita GNP in dollars 1982 $ | GNP growth rate per cap 1972-82 % |
|---|---|---|---|---|---|---|---|---|---|---|
| ASIA | 27.2 | 28.5 | 27.2 | 69.6 | 7.2 | 7.8 | 1.0 | 0.8 | 390 | 4.1 |
| *Low-Income Countries*[b] | 23.3 | 24.6 | 22.3 | 64.4 | 6.2 | 8.0 | 1.2 | 1.1 | 300 | 3.5 |
| *of which:* India | 6.7 | 6.4 | 3.8 | 20.9 | 1.6 | 6.0 | 1.2 | 1.0 | 250 | 1.6 |
| Pakistan | 3.2 | 3.2 | 2.1 | 2.5 | 0.8 | 6.6 | 3.8 | 2.5 | 380 | 2.9 |
| Bangladesh | 4.8 | 4.8 | 4.4 | 2.1 | 1.2 | 6.6 | 12.8 | 10.7 | 140 | 3.1 |
| Indonesia | 3.1 | 3.2 | 4.3 | 4.4 | 0.8 | 7.4 | 1.3 | 0.9 | 580 | 4.7 |
| Indochina[c] | 1.9 | 0.7 | 0.7 | 2.0 | 0.2 | -11.6 | 5.4 | 1.5 | 190 | 5.1 |
| Sri Lanka | 1.4 | 1.7 | 2.0 | 0.4 | 0.4 | 11.8 | 9.5 | 9.4 | 320 | 3.4 |
| China | - | 2.3 | 3.0 | 29.4 | 0.6 | - | - | 0.2 | 310 | 4.5 |
| *Lower Middle-Income Countries* | 2.3 | 3.1 | 3.9 | 2.9 | 0.8 | 13.8 | 1.0 | 1.1 | 810 | 3.6 |
| Philippines | 1.2 | 1.5 | 2.0 | 1.5 | 0.4 | 11.9 | 1.0 | 1.0 | 820 | 3.1 |
| Thailand | 1.1 | 1.6 | 1.9 | 1.4 | 0.4 | 15.9 | 1.0 | 1.2 | 800 | 4.1 |
| *Upper Middle-Income Countries* | 1.6 | 0.8 | 0.9 | 2.3 | 0.2 | -7.4 | 0.3 | 0.1 | 2 430 | 6.4 |
| SUB-SAHARAN AFRICA | 25.4 | 30.0 | 29.6 | 11.1 | 7.6 | 10.5 | 3.8 | 4.3 | 510 | -0.5 |
| *Low-Income Countries* | 20.6 | 25.2 | 23.2 | 7.6 | 6.4 | 11.2 | 7.1 | 8.4 | 310 | -1.6 |
| *of which:* Sahel group[d] | 4.9 | 4.8 | 4.3 | 0.9 | 1.3 | 6.2 | 16.6 | 17.0 | 270 | -0.2 |
| Sudan | 1.5 | 3.3 | 2.4 | 0.6 | 0.8 | 24.9 | 4.1 | 9.5 | 450 | 2.3 |
| Tanzania | 2.1 | 2.5 | 2.8 | 0.6 | 0.6 | 10.7 | 10.7 | 12.5 | 280 | 0.0 |
| Zaire | 1.6 | 1.3 | 1.4 | 0.9 | 0.3 | 2.8 | 6.5 | 6.4 | 190 | -2.9 |
| Kenya | 1.1 | 1.7 | 2.1 | 0.5 | 0.4 | 16.6 | 4.8 | 7.3 | 390 | 0.6 |
| Ethiopia | 0.7 | 0.9 | 1.0 | 1.0 | 0.2 | 12.0 | 3.9 | 5.1 | 140 | 0.5 |
| Somalia | 1.4 | 1.5 | 0.8 | 0.1 | 0.4 | 8.0 | 25.2 | 39.6 | 290 | -0.1 |
| Ghana | 0.6 | 0.5 | 0.4 | 0.4 | 0.1 | 3.9 | 5.3 | 2.9 | 350 | -4.0 |
| Rwanda | 0.5 | 0.6 | 0.6 | 0.2 | 0.1 | 6.3 | 14.2 | 10.3 | 260 | 2.3 |
| *Lower Middle-Income Countries* | 2.4 | 2.8 | 3.3 | 3.5 | 0.7 | 10.0 | 0.7 | 0.8 | 900 | 0.6 |
| *of which:* Cameroon | 1.0 | 0.7 | 0.8 | 0.3 | 0.2 | -0.5 | 5.7 | 2.4 | 830 | 3.9 |
| Ivory Coast | 0.6 | 0.6 | 0.8 | 0.3 | 0.1 | 4.3 | 2.0 | 2.2 | 1 120 | 0.4 |
| Nigeria | 0.2 | 0.2 | 0.1 | 2.6 | x | -0.4 | 0.1 | 0.1 | 870 | 0.2 |
| Congo | 0.4 | 0.6 | 0.4 | x | 0.1 | 9.2 | 8.9 | 5.0 | 1 180 | 3.4 |
| *Upper Middle-Income Countries* | 2.4 | 2.0 | 3.0 | 0.1 | 0.5 | 3.5 | 10.4 | 9.7 | 2 890 | -0.4 |
| *of which:* Reunion | 1.9 | 1.6 | 2.5 | x | 0.4 | 3.1 | 29.0 | 21.4 | 4 010 | -0.1 |
| NORTH AFRICA & MIDDLE EAST | 31.9 | 23.1 | 19.8 | 5.6 | 5.9 | 0.1 | 1.9 | 1.2 | 2 660 | 2.8 |
| *Low-Income Countries* | 14.9 | 7.5 | 8.2 | 1.6 | 1.9 | -6.8 | 15.3 | 5.6 | 640 | 5.4 |
| *of which:* Egypt | 12.9 | 5.7 | 7.7 | 1.3 | 1.4 | -9.4 | 15.3 | 4.9 | 680 | 5.5 |
| *Lower Middle-Income Countries* | 3.7 | 4.4 | 1.7 | 0.7 | 1.1 | 10.4 | 5.0 | 5.6 | 980 | 3.3 |
| Jordan | 2.1 | 2.8 | 0.4 | 0.1 | 0.7 | 13.1 | 17.1 | 13.6 | 1 680 | 8.3 |
| Morocco | 1.6 | 1.6 | 1.3 | 0.6 | 0.4 | 6.4 | 2.6 | 2.7 | 870 | 2.2 |
| *Upper Middle-Income Countries* | 13.2 | 11.1 | 9.9 | 3.4 | 2.8 | 3.1 | 0.9 | 0.6 | 3 960 | 2.3 |
| *of which:* Israel | 4.6 | 4.3 | 6.9 | 0.1 | 1.1 | 5.3 | 5.9 | 5.6 | 5 090 | -0.7 |
| Syria | 3.7 | 3.6 | 0.4 | 0.3 | 0.9 | 6.3 | 9.6 | 6.1 | 1 680 | 4.7 |
| Tunisia | 1.3 | 0.8 | 0.9 | 0.2 | 0.2 | -3.8 | 4.8 | 2.5 | 1 370 | 3.5 |
| AMERICA | 10.0 | 12.1 | 14.8 | 10.9 | 3.1 | 10.9 | 0.4 | 0.4 | 2 010 | 1.9 |
| *Low-Income Countries* | 1.9 | 2.9 | 3.1 | 0.6 | 0.7 | 16.3 | 4.0 | 5.0 | 550 | -0.7 |
| *of which:* Haiti | 0.5 | 0.5 | 0.5 | 0.2 | 0.1 | 7.4 | 9.7 | 7.9 | 300 | 1.1 |
| Bolivia | 0.7 | 0.6 | 0.7 | 0.2 | 0.2 | 5.6 | 3.7 | 2.4 | 570 | -0.7 |
| *Lower Middle-Income Countries* | 2.7 | 3.5 | 3.8 | 2.2 | 0.9 | 12.9 | 0.9 | 1.0 | 1 230 | 1.3 |
| *of which:* Colombia | 0.3 | 0.4 | 0.3 | 0.8 | 0.1 | 8.2 | 0.3 | 0.2 | 1 460 | 2.9 |
| Peru | 0.7 | 0.9 | 1.2 | 0.5 | 0.2 | 14.7 | 0.9 | 1.2 | 1 200 | 0.1 |
| Guatemala | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 | 0.5 | 1.2 | 0.8 | 1 140 | 1.1 |
| Dominican Republic | 0.2 | 0.5 | 0.5 | 0.2 | 0.1 | 23.8 | 0.9 | 1.6 | 1 330 | 2.2 |
| Nicaragua | 0.2 | 0.5 | 0.5 | 0.1 | 0.1 | 24.9 | 1.9 | 4.2 | 900 | -3.3 |
| Jamaica | 0.4 | 0.7 | 1.0 | 0.1 | 0.2 | 18.3 | 2.5 | 5.9 | 1 350 | -3.2 |
| *Upper Middle-Income Countries* | 5.5 | 5.7 | 7.9 | 8.1 | 1.4 | 7.7 | 0.3 | 0.2 | 2 320 | 2.0 |
| *of which:* DOM-TOM | 2.6 | 2.3 | 3.4 | x | 0.6 | 4.0 | 28.0 | 22.2 | 4 310 | 3.0 |
| Brazil | 0.5 | 0.6 | 0.8 | 3.7 | 0.2 | 9.7 | 0.1 | 0.1 | 2 240 | 3.4 |
| Surinam | 0.4 | 0.2 | 0.3 | x | 0.1 | -7.5 | 11.1 | 4.3 | 3 320 | 5.5 |
| Chile | 0.1 | -x | -x | 0.3 | -x | - | 0.1 | -x | 2 210 | -1.7 |
| Ecuador | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 2.0 | 0.8 | 0.5 | 1 350 | 4.0 |
| Mexico | 0.2 | 0.5 | 0.9 | 2.1 | 0.1 | 31.7 | -x | 0.1 | 2 270 | 2.7 |
| EUROPE | 1.9 | 2.4 | 3.0 | 2.6 | 0.6 | 12.6 | 0.3 | 0.3 | 2 200 | 2.3 |
| *of which:* Turkey | 0.7 | 2.0 | 2.6 | 1.4 | 0.5 | 30.4 | 0.3 | 1.0 | 1 360 | 1.9 |
| OCEANIA | 3.7 | 3.9 | 5.7 | 0.1 | 1.0 | 8.0 | 16.0 | 15.1 | 1 410 | 0.2 |
| *of which:* Papua-New Guinea | 1.5 | 1.3 | 1.7 | 0.1 | 0.3 | 3.1 | 17.2 | 14.1 | 820 | -0.8 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 25.4 | 6.8 | 1.2 | 1.0 | 750 | 2.8 |
| *Memo items:* | | | | | | | | | | |
| 1. Least-Developed Countries | 21.0 | 23.9 | 19.7 | 8.6 | 6.3 | 9.6 | 9.7 | 10.1 | 230 | 1.4 |
| 2. Low-Income Countries | 61.0 | 60.5 | 59.8 | 74.2 | 15.3 | 8.1 | 2.4 | 2.2 | 310 | 2.9 |

a) ODA from DAC Members, multilateral donors, and to the extent known, OPEC donors. No data available on CMEA aid disbursements. Recipients are ranked by share in total ODA 1975/1976.
b) Least developed countries and all other countries with an average per capita GNP in 1980 of less than $600.
c) Cambodia, Kampuchea, Laos and Vietnam.
d) Cameroon, Cape Verde Islands, Gambia, Upper Volta, Mali, Mauritania, Niger, Senegal, Chad.

Source: OECD, Development Co-operation, 1984 Review, pp.74-75.

## Table A.5: Net disbursements of ODA to Sub-Saharan Africa by donor, 1973, 1979-1983

| | In $ millions at 1982 prices and Exchange Rates | | | | | | In Percentages of Donor Programmes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DAC Bilateral(1) | 1973 | 1979 | 1980 | 1981 | 1982 | 1983 | 1973 | 1979 | 1980 | 1981 | 1982 | 1983 |
| Australia | 4 | 17 | 23 | 36 | 51 | 50 | 0.7 | 3.2 | 4.5 | 6.9 | 9.7 | 9.7 |
| Austria | 1 | 10 | 8 | 21 | 14 | 8 | 19.3 | 19.6 | 6.6 | 8.6 | 9.0 | 6.9 |
| Belgium | 195 | 208 | 206 | 202 | 196 | 187 | 69.5 | 64.8 | 66.5 | 67.3 | 73.1 | 67.5 |
| Canada | 170 | 225 | 202 | 224 | 259 | 215 | 29.5 | 40.4 | 39.4 | 37.7 | 39.6 | 36.5 |
| Denmark | 54 | 89 | 100 | 87 | 112 | 116 | 54.2 | 47.7 | 53.7 | 52.2 | 58.5 | 56.0 |
| Finland | 13 | 28 | 32 | 36 | 43 | 56 | 46.5 | 75.9 | 62.5 | 57.6 | 61.3 | 64.7 |
| France | 815 | 979 | 1164 | 1485 | 1353 | 1340 | 44.0 | 43.4 | 44.9 | 49.7 | 47.2 | 47.3 |
| Germany, Fed. Rep., | 237 | 570 | 528 | 614 | 656 | 642 | 19.8 | 32.6 | 30.7 | 30.8 | 32.2 | 33.9 |
| Italy | 41 | 18 | 36 | 85 | 151 | 223 | 19.3 | 152.8(2) | 86.5 | 60.8 | 59.8 | 61.1 |
| Japan | 36 | 196 | 221 | 196 | 276 | 271 | 2.3 | 10.9 | 12.0 | 9.9 | 12.1 | 12.4 |
| Netherlands | 72 | 236 | 307 | 308 | 297 | 267 | 17.9 | 31.3 | 33.7 | 30.5 | 32.1 | 38.2 |
| New Zealand | -- | 1 | 1 | 1 | -- | -- | 0.9 | 2.1 | 3.3 | 2.9 | 0.5 | 0.4 |
| Norway | 44 | 132 | 123 | 124 | 158 | 166 | 54.2 | 50.3 | 51.4 | 57.7 | 56.5 | 56.7 |
| Sweden | 105 | 249 | 229 | 226 | 250 | 258 | 50.1 | 49.8 | 50.0 | 55.0 | 53.3 | 56.0 |
| Switzerland | 27 | 33 | 46 | 49 | 60 | 74 | 43.9 | 38.6 | 39.7 | 41.2 | 44.7 | 46.3 |
| United Kingdom | 268 | 427 | 400 | 380 | 343 | 307 | 30.7 | 34.9 | 40.3 | 36.6 | 44.2 | 40.8 |
| United States | 252 | 468 | 674 | 721 | 630 | 715 | 6.5 | 11.4 | 16.1 | 18.9 | 15.5 | 15.1 |
| Total | 2338 | 3907 | 4300 | 4796 | 4852 | 4896 | 20.5 | 28.2 | 30.7 | 31.0 | 30.3 | 30.2 |
| Multilateral Agencies | | | | | | | | | | | | |
| IBRD (Third Window) | -- | 40 | 36 | 22 | 12 | 8 | -- | 36.5 | 36.6 | 26.0 | 20.4 | 18.0 |
| IDA | 204 | 373 | 396 | 508 | 666 | 608 | 17.5 | 28.2 | 27.2 | 27.1 | 28.2 | 25.9 |
| Afr. Dev. Fund | -- | 57 | 90 | 89 | 109 | 144 | -- | 100.0 | 100.0 | 100.0 | 91.3 | 92.6 |
| EDF | 399 | 680 | 564 | 727 | 585 | 552 | 66.8 | 63.5 | 63.4 | 57.3 | 59.4 | 53.2 |
| IMF Trust Fund | -- | 307 | 366 | 4 | -- | -- | -- | 43.8 | 23.7 | 0.9 | -- | -- |
| UNDP | 144 | 147 | 182 | 277 | 240 | 198 | 34.3 | 33.4 | 35.7 | 43.6 | 41.2 | 39.6 |
| UNTA | 20 | 22 | 8 | 30 | 31 | 41 | 30.6 | 31.4 | 38.9 | 34.3 | 38.8 | 35.6 |
| UNICEF | 16 | 47 | 53 | 60 | 60 | 71 | 20.9 | 22.8 | 23.3 | 29.5 | 30.1 | 30.0 |
| WFP | 76 | 141 | 165 | 197 | 180 | 224 | 22.2 | 26.2 | 33.2 | 37.2 | 30.3 | 35.6 |
| UNHCR | 31 | 61 | 150 | 148 | 120 | 138 | 90.1 | 30.0 | 38.0 | 38.7 | 36.6 | 41.7 |
| UNFPA | -- | -- | 17 | 17 | 18 | 20 | -- | -- | 17.8 | 20.7 | 23.0 | 23.2 |
| Other UN | 17 | 50 | 60 | 83 | 61 | 63 | 26.7 | 44.0 | 45.7 | 50.1 | 43.1 | 53.4 |
| IFAD | -- | 1 | 4 | 13 | 23 | 41 | -- | 41.7 | 9.0 | 21.5 | 25.4 | 31.6 |
| Total (1) | 907 | 1927 | 2091 | 2174 | 2105 | 2108 | 27.5 | 36.4 | 32.3 | 33.5 | 34.1 | 33.3 |
| OPEC/Arab-Financed Agencies | 40 | 688 | 760 | 707 | 841 | 854 | 1.0 | 9.5 | 9.0 | 9.0 | 17.1 | 18.4 |
| GRAND TOTAL | 3285 | 6521 | 7151 | 7677 | 7799 | 7857 | 17.7 | 24.7 | 24.7 | 25.7 | 28.8 | 28.9 |

1. Excludes unallocated funds, i.e., not allocated by individual recipient country.
2. Reflects negative amounts to other regions (i.e., net outflows)

Note: Dashes (--) indicate that the amount is 0 or less than 1.

Source: OECD, Review of trends in external resource flows to SSA, 1985, p.6.

## Table A.6: Total net disbursements from all sources combined to individual recipients of SSA

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|---|---|---|---|
| SOUTH OF SAHARA | | | | | | | | | |
| Angola | 37.7 | 68.4 | 25.8 | 41.9 | 108.2 | 200.8 | 298.2 | 383.5 | 200.9 |
| Benin | 59.7 | 53.6 | 56.6 | 70.6 | 96.8 | 390.0 | 118.5 | 130.7 | 92.0 |
| Botswana | 85.9 | 84.1 | 38.8 | 21.6 | 140.4 | 83.4 | 110.7 | 118.8 | 129.8 |
| Burundi | 50.2 | 46.2 | 53.9 | 76.2 | 94.5 | 121.6 | 136.7 | 167.0 | 178.4 |
| Cameroon | 151.0 | 213.9 | 231.4 | 340.1 | 600.1 | 732.7 | 562.3 | 448.6 | 361.1 |
| Cape Verde | 8.8 | 24.9 | 27.2 | 36.7 | 33.4 | 64.4 | 80.7 | 62.5 | 60.5 |
| Central African Rep | 54.5 | 37.8 | 42.8 | 61.8 | 87.5 | 129.4 | 106.8 | 102.0 | 98.1 |
| Chad | 68.6 | 64.3 | 69.0 | 136.6 | 86.2 | 34.7 | 63.9 | 63.0 | 84.6 |
| Comoros | 20.0 | 25.8 | 12.1 | 14.7 | 17.5 | 42.3 | 54.6 | 36.5 | 40.1 |
| Congo | 37.5 | 157.3 | 58.4 | 106.2 | 68.3 | 83.8 | 204.4 | 488.2 | 522.5 |
| Djibouti | 33.5 | 28.4 | 46.7 | 69.7 | 21.8 | 71.5 | 68.4 | 58.1 | 68.1 |
| Equatorial Guinea | 0.4 | -1.4 | -2.8 | 1.3 | 1.9 | 10.0 | 11.5 | 9.1 | 13.3 |
| Ethiopia | 131.2 | 137.1 | 167.1 | 130.8 | 220.9 | 216.8 | 256.0 | 221.1 | 284.4 |
| Gabon | 145.8 | 116.3 | 284.5 | 68.1 | -43.7 | -27.2 | 98.0 | 175.4 | 279.7 |
| Gambia | 8.2 | 12.4 | 27.8 | 38.8 | 41.2 | 61.9 | 66.5 | 42.5 | 36.3 |
| Ghana | 49.7 | 67.4 | 168.1 | 188.9 | 193.1 | 226.5 | 202.8 | 165.1 | 124.6 |
| Guinea | 2.9 | 4.4 | 22.3 | 75.9 | 66.1 | 138.4 | 112.3 | 77.5 | 71.3 |
| Guinea-Bissau | 18.5 | 23.8 | 36.4 | 53.2 | 56.7 | 67.0 | 67.1 | 69.0 | 61.7 |
| Ivory Coast | 193.8 | 416.3 | 666.0 | 617.2 | 561.8 | 818.4 | 290.8 | 648.2 | 448.5 |
| Kenya | 196.0 | 411.3 | 560.9 | 462.2 | 664.5 | 667.3 | 677.4 | 575.3 | 478.6 |
| Lesotho | 30.3 | 30.1 | 39.1 | 51.9 | 62.1 | 90.7 | 103.2 | 93.6 | 103.3 |
| Liberia | 650.5 | 308.2 | 711.2 | 711.1 | 386.8 | 416.9 | 656.2 | 478.7 | -126.1 |
| Madagascar | 94.1 | 61.7 | 84.0 | 116.5 | 222.3 | 394.2 | 408.0 | 369.9 | 236.6 |
| Malawi | 86.0 | 77.3 | 114.3 | 122.2 | 210.4 | 189.3 | 193.2 | 135.2 | 105.4 |
| Mali | 144.3 | 87.5 | 113.6 | 176.7 | 210.1 | 254.0 | 236.4 | 208.2 | 214.8 |
| Mauritania | 38.7 | 170.2 | 172.3 | 210.8 | 156.7 | 206.1 | 231.3 | 230.4 | 216.5 |
| Mauritius | 30.5 | 16.9 | 36.0 | 58.7 | 60.9 | 69.6 | 94.6 | 74.4 | 53.2 |
| Mayotte | - | - | 6.9 | 12.9 | 16.2 | 22.7 | 14.9 | 12.7 | 14.6 |
| Mozambique | 8.4 | 108.4 | 75.6 | 112.5 | 148.0 | 342.8 | 420.1 | 343.5 | 394.5 |
| Niger | 149.9 | 166.4 | 130.6 | 218.0 | 264.9 | 265.7 | 371.4 | 286.6 | 187.1 |
| Nigeria | 683.8 | 154.9 | 418.1 | 647.8 | 686.1 | 1201.1 | 1660.1 | 2000.4 | 2305.1 |
| Reunion | 310.0 | 348.6 | 282.8 | 440.6 | 466.8 | 566.3 | 713.9 | 460.9 | 410.7 |
| Rwanda | 91.1 | 78.8 | 86.5 | 121.8 | 148.6 | 166.6 | 163.6 | 163.8 | 149.7 |
| St Helena | 2.8 | 2.8 | 3.6 | 7.1 | 8.4 | 6.8 | 10.9 | 13.0 | 8.9 |
| Sao Tome & Principe | 0.9 | 11.7 | 3.1 | 4.1 | 3.1 | 3.9 | 6.1 | 8.9 | 11.7 |
| Senegal | 146.2 | 175.3 | 169.8 | 294.7 | 350.3 | 446.1 | 483.1 | 486.2 | 466.8 |
| Seychelles | 18.1 | 10.6 | 19.7 | 20.2 | 32.2 | 26.0 | 36.0 | 30.2 | 18.3 |
| Sierra Leone | 25.6 | 26.5 | 41.6 | 80.0 | 90.8 | 96.2 | 86.7 | 84.8 | 66.6 |
| Somalia | 163.9 | 115.1 | 388.3 | 226.3 | 229.7 | 553.0 | 368.1 | 618.9 | 411.8 |
| Sudan | 560.9 | 547.7 | 388.3 | 478.1 | 643.2 | 706.8 | 721.1 | 809.8 | 1019.4 |
| Swaziland | 19.5 | 21.2 | 37.8 | 84.4 | 78.8 | 79.1 | 86.9 | 48.1 | 83.0 |
| Tanzania | 323.8 | 337.3 | 420.4 | 518.3 | 744.4 | 861.5 | 850.4 | 759.5 | 810.0 |
| Togo | 85.7 | 71.0 | 120.6 | 267.1 | 210.8 | 180.9 | 80.6 | 87.2 | 110.5 |
| Uganda | 33.2 | 48.5 | 30.0 | -129.2 | 62.8 | 137.2 | 163.9 | 170.2 | 190.8 |
| Upper Volta | 88.3 | 85.4 | 111.4 | 180.8 | 214.7 | 227.5 | 214.7 | 256.9 | 201.7 |
| Zaire | 623.1 | 481.3 | 612.3 | 707.1 | 732.5 | 766.3 | 830.2 | 433.2 | 111.1 |
| Zambia | 333.9 | 129.4 | 206.7 | 315.6 | 449.7 | 383.1 | 419.8 | 346.7 | 218.1 |
| Zimbabwe | 27.8 | 30.7 | 29.4 | 26.8 | 61.5 | 248.7 | 423.7 | 466.9 | 333.4 |
| East African Community | 21.9 | 19.2 | 8.7 | 18.5 | 3.4 | 5.5 | 5.0 | 4.2 | 6.2 |
| DOM TOM Unallocated | 13.7 | 1.3 | 24.9 | - | - | - | - | - | - |
| EAMA Unallocated | 208.1 | 19.5 | 93.8 | 132.3 | 138.8 | 94.7 | 2.1 | 4.5 | 37.2 |
| South of Sahara Unall | 49.3 | 122.8 | 112.4 | -28.0 | 108.3 | 363.4 | 847.0 | 1086.6 | -47.1 |
| TOTAL | *6374.5* | *6806.2* | *7584.2* | *8771.8* | *10211.8* | *13293.5* | *13738.6* | *14779.5* | *11624.8* |
| | | | 162.8 | 1631.8 | 1366.7 | 408.7 | 988.0 | 1670.2 | 1880.5 |

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries, 1982 to 1984.

Table A.7: Decomposition of total net disbursements of financial flows from all sources to SSA (1978-1983)

(in million dollars)

| | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---|---|---|---|---|---|---|
| ODA by DAC countries | 3315.4 | 4198.3 | 5011.2 | 5102.7 | 5097.9 | 4966.3 |
| ODA by multilateral agencies | 1701.3 | 1970.8 | 2409.2 | 2397.8 | 2278.9 | 2255.8 |
| ODA by OPEC countries | 469.1 | 564.4 | 657.1 | 554.9 | 670.2 | 695.3 |
| ODA from all above | 5485.8 | 6733.5 | 8077.5 | 8055.4 | 8046.1 | 7917.3 |
| Other official flows | 752.4 | 686.9 | 1305.3 | 1162.0 | 1134.3 | 1478.9 |
| Export credits | 1055.6 | 1593.7 | 1661.6 | 1285.7 | 1499.7 | 1186.7 |
| Direct investment | 498.5 | 391.4 | 871.5 | 1579.0 | 1944.2 | 359.9 |
| Portfolio investment | 621.3 | 696.7 | 1327.2 | 1558.2 | 1887.8 | 569.5 |
| Non-ODA from all sources* | 3286.1 | 3478.3 | 5316.0 | 5683.2 | 6733.4 | 3607.6 |
| Total financial flows | 8771.9 | 10211.8 | 13393.5 | 13738.6 | 14799.5 | 11524.6 |

Source: OECD, Geographical Distribution of financial flows to developing, countries, 1980/1983, 1984; and author's calculations.

* The data for the four different non-concessional flows do not add up to the total non-ODA flow from all sources because the subtotals were constructed by adding the 35 major recipients of SSA and dividing equally the non-allocated flow over direct investment and portfolio investment. It is generally accepted that export credits and other official flows are geographically allocable. Through this method 97 to 99% of non-concessional financial flows to SSA were identified.

## Table A.8: External public debt and projected debt service burden in Sub-Saharan Africa (in billion US dollars)

| Country group | Public and publicly guaranteed medium- & long-term debt (PPG/MLT) Outstanding & disbursed end-1982 | Annual growth (percent) 1972-82 | Debt service ratio (percent) 1982[a] | Short-term credit end-1982 | IMF credit end-1982 | Debt service 1985-87[b] PPG/MLT Amortization | Interest | Total | IMF |
|---|---|---|---|---|---|---|---|---|---|
| Low-income semiand countries | 3.0 | 22 | 16 | 0.1 | 0.1 | 0.7 | 0.3 | 1.0 | 0.2 |
| Low-income others | 17.1 | 19 | 16 | 1.0 | 1.6 | 4.4 | 2.4 | 6.8 | 1.5 |
| Middle-income oil importers | 17.1 | 24 | 18 | 2.6 | 2.2 | 6.7 | 2.9 | 9.6 | 1.8 |
| Middle-income oil exporters | 10.8 | 24 | 10 | 3.5 | (.) | 12.3 | 5.1 | 17.4 | .. |
| Total | 48.1 | 22 | 13 | 7.1 | 4.0 | 24.0 | 10.7 | 34.7 | 3.5 |
| All except oil exporters | 37.3 | 21 | 17 | 3.7 | 4.0 | 11.7 | 5.5 | 17.3 | 3.5 |

a. Debt service as a percentage of exports of goods and nonfactor services
b On existing debt alone.

Source: The World Bank, Toward Sustained Development in Sub-Saharan Africa, A Joint Programme of Action, 1984, p.12.