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OFFICIAL DEVELOPMENT ASSISTANCE TO THE MANUFACTURING INDUSTRY IN SUB-SAHARAN AFRICA : AN EVALUATION

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INTRODUCTION

The Regional and Country Studies Branch of UNIDO has initiated an analysis of the relationship between the [illegible]al Development Assistance (ODA) and the manufacturing sector with regard to Africa. The present study is a first essay which tries to evaluate in broad terms the interaction between the critical development of the manufacturing sector in Africa and the concessional aid flows which are received by the sountries of Sub-Saharan Africa (SSA). Because it is a first outline, reference has been made to the current critical economic situation of the region and to the total external financial flows to Sub-Saharan Africa.

Within the resource flows, the official development assistance represents one of the major inputs. However, for the manufacturing sector, the non-concessional financial flows are much more important in the capital formation process. Only for the low-income countries, the access to non-concessional capital, especially from private origin, is very difficult, even for an export-oriented industry. Therefore, ODA has a crucial role to play in the development of the manufacturing industry in the low-income countries. Up to now, good experience and appropriate instruments are lacking for such a development. Only recently, the number of donors acting in this field is increasing.

As the study is built in the first place on published material, the tangible questions about the relationship between ODA and manufacturing are only raised in qualitative and quantitative terms, without the possibility to answer them in detail or analyse concrete examples For that reason, the study ends in some suggestions for further analysis which could be developed in a later stage.

In the preparation of the study, the author has discussed the global outline or part of the presented topics with various persons. He wellcomed especially the suggestions or information given by H. Muegge, E. Gahan and V. Richardson of UNIDO, by B. Van Arkadie and N. Dolman of the Institute of Social Studies and by F. Ballarin, T. Rose and A. Chapman of OECD. Many thanks also to H. Vandenputte for her excellent secretary services.

CONTENTS

1. THE OVERALL ECONOMIC PERFORMANCE IN SSA

1.1. Sub-Saharan Africa : an introduction

In developing Africa Sub-Saharan Africa (SSA) is the name commonly used for the area south of the Sahara. It excludes the countries of the north above the tropic of cancer (Marocco, Algeria, Tunisia, Libya, Egypt and former Spanish Sahara) and the countries at the bottom of the continent (South Africa and non independent Namibia). The latter countries are even not officially considered as developing countries and therefore they are not taken into account in international studies and statistics which refer to Africa as part of the developing world. The countries of the North account for one third of the African regional output and one fifth of total regional population excluding of course South Africa (1). The higher per capita income, of these countries, the development of their economies and the separate cultural and geographical circumstances justify their separation in the context of development. SSA as a whole has at the moment a population of some 400 million people and an average per capita income of around US $ 500.

1.2. Diversity and uniformity in SSA

Sub-Saharan Africa is a region of great diversity. It includes 45 young nations of which 26 belong to the group of least developed countries (LLDCs). One country dominates all data of the group, i.e. Nigeria which accounts for almost one quarter of the total population of the region and produces almost half of the regional output. In the region, there are countries rich in oil and mineral resources (2) and others which are almost entirely agricultural ;

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(1) Calculated from data published in The World Bank; World Development Report, various years

(2) Botswana, Gabon, Nigeria, Zambia and Zaire among others

countries of the tropical rainforest and those of the semiarid area. Most of them have a very small manufacturing sector while some have a considerable one (1). On average the economies of SSA are small in terms of market size, as a result of low per capita income and small but rapid by growing populations. They are specialized economies, dependent on the export of few primary commodities. The vast majority of the population still lives outside the cities and works in a subsistence-oriented agriculture. Only a very small proportion of labour force is absorbed by the modern sector but it accounts for a rural exodus. There is a scarcity of trained manpower and entrepreneurs. The infrastructure and transport facilities are rudimentary and badly maintained. The public sector is generally overextended and politically fragile. Geographical difficulties and an unstable climate impose special hardships on their development. In short, the African economies are still in their first stage of development and the weak and dependent economic structure is responsible for the high sensitivity for internal and external shocks.

1.3. Economic growth in the 1960s and 1970s (2)

During the 1960s economic growth in the different countries of SSA has been satisfactory. On average GDP increased by 3.9% annually resulting in a per capita output growth of 1.3% annually. It should be noted that all countries showed a positive growth and variance was rather low. The picture changed completely during the 1970s when economic growth declined to an annual average of 2.9% and if one excludes oil-boomed Nigeria the average growth is only 1.6%. Taking into account the faster population growth, GNP per capita only increased at a rate of 0.8%. Excluding Nigeria the regional GNP per capita even declined annually by 0.4%. During that decade the variance between the individual countries increased enormously with as

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(1) Especially Swaziland and Zimbabwe

(2) Data taken from the World Bank, Accelerated Development in SSA. An Agenda for Action, 1981

extremes Angola showing a negative growth of 9.2% while Botswana could grow at an annual average of 13.5%. Slow economic development was also coupled by a sluggish agricultural production in most countries, which resulted in a decline of per capita food production of about 1% a year. Food aid increased substantially to offset the loss of food production. Volume of agricultural exports declined at an average speed of 3.5% in the 1970s. Consequently the region's share of the world market decreased rapidly.

The deterioration in agriculture was accompanied by other internal and external factors which led to the widespread balance of payment problems in the 1970s. 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 exports volume did not increase in the 1970s. Although statistics are not complete nor reconcilable, for most countries a decline of the exports volume was recorded. Consequently the share of the region in developing-country nonfuel trade fell drastically in the 1970s. According to the World Bank three factors basically explain the region's poor export performance : a policy bias against both agriculture and exports; rapid population growth, which by increasing consumption, has reduced the exportable surplus of crops and raised the proportion of land used for domestic food consumption; and the unflexibility of African economies which has prevented their diversification into products with rapidly growing markets (1).

As a result of these factors current account deficits in the region as a whole rose from a modest US $ 1.5 billion in 1970 to US $ 8 billion in 1980. Outstanding external debt jumped from US $ 6 billion to US $ 32 billion between 1970 and 1979 and debt service increased from 6 to 12 percent of export earnings in the same period.

It should be stressed that at the end of the 1970s the economic crisis also affected former high-growth countries like Kongo, Malawi and Ivory Coast, making the overall picture for SSA even darker.

1.4. Potentials for future growth

As the other developing continents did, Africa adopted a development policy of industrialization through import substitution. Many books

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(1) The World Bank, o.c., p. 21

have been written on the failure of this policy in individual countries or in Africa as a whole. The least that can be concluded for the two decades this policy ruled is that it generated enormous distortions in the local economies mainly to the disadvantage of the local food production. Many countries did not even succeed to substitute for most consumer goods imports, while the expensive stage of import substitution of intermediate goods could only be initiated in Nigeria, the single country with a large market and sufficient foreign exchange.

At the end of the 1970s when Africa entered into its deepest crisis since independence, a general discussion was launched on the development strategy for the future. Starting point in this discussion was the fact that the continent's endowment of natural resources is overwhelming. Its exploration and exploitation has barely got under way and commercial investment has been very limited up to now. It was concluded that in agriculture, in energy, in other nonfuel minerals, as well as in the industrial sector, the economic potential of SSA is very substantial. Therefore, the long-term future is promising.
The lack of educated and trained manpower has been eased and the necessary industrial and infrastructural base has been elaborated. What is needed is a resourse-based economic growth which stresses the comparative advantages of the region. The other axis for future development should be a food self-reliance in the long term, which would mean a priority focus on food production as well as a limitation to population growth. Both objectives should be translated into an agriculture-oriented development strategy with the other sectors in a supporting role. The policy consequences of adopting this strategy are far-reaching for the African countries in particular, as well as for the donor countries. Following these analyses, the Heads of State and Governments of the Organization of African Unity (OAU) formulated in 1980 the long-term objectives for African development in the Lagos Plan of Action (1). The plan was designed to restore the momentum of development after the difficult 1970s. It is a plea for a strategy of collective self-reliance and self-sustainment which should be achieved by the year 2000. In it much room is left for collective actions which would encourage greater regional co-operation and

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(1) OAU, The Lagos Plan of Action for the Implementation of the Monrovia Strategy for the Economic Development of Africa, 1980.

integration. Following the long-term objectives of the Lagos Plan the Regional Food Plan for Africa was endorsed, the Transport and Communications Decade for Africa and the Industrial Development Decade for Africa was declared and the Nairobi Program of Action for the development of new and renewable energy sources was suscribed.

1.5. The critical economic situation in the 1980s

When the outlook for the Sub-Saharan region was grim at the end of the 1970s, developments since 1980 warrant an even greater degree of concern about the acute economic difficulties of the region. Following a new jump in real oil prices, the world economy entered a deep recession in 1980. The industrial countries tried to offset the higher oil bill by lowering their demand and by restricting import. 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 deteriorisation in terms of trade was 1.2% of GDP for SSA (1). External current accounts went deeply into deficit estimated in total at $ 14 billion in 1982. To curb the 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 break on economic activity.

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). Knowing that population growth speeded up to over 3%, average per capita income in many African countries is now, in real terms, less than it was 15 years

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(1) The World Bank, Towards Sustained Development in Sub-Saharian Africa. A Joint Program of Action, 1984, p. 11 and appendix table 4.

ago. Or in other words, all the modest gains of the 1970s are lost. Social conditions have also deteriorated fastly. The number of people living below the poverty line is now estimated at roughly 60% and about 50% of the labour force is unemployed or underemployed. Vulnerable groups, such as women, children and disabled are the victims of the economic decline. The critical financial situation of most African governments oblige them to cut on public services and concentrate on economic survival.

The economic and social crisis in SSA was accompanied in many countries by political unstability. Africa now has about 2.5 million political refugees excluding people displaced within the borders of their own country. Next, natural disasters have occured in the form of cyclones, floods but, more drastically, a long and severe drought, of which the effects are discussed in the following paragraph. Important to stress is that, while the world started to recover in 1983 and 1984, in SSA the dramatic economic and social situation continued. 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 adjustment programme imposed by the IMF. The immediate impact of these programs can be a further worsening of living conditions by reducing government expenditures and disposable income.

1.6. The drought and its effects

Currently, Africa is since 1982 suffering the worst drought of this century. While the drought of the early 1970s was limited to a few countries of the Sahelian zone, it has now been affecting 34 countries (1), not only of the Sahelian zone but also coastal and other areas in eastern, central, western and southern Africa. The prolonged drought has led to serious food deficits which has further aggravated the already unfavourable food supply. After two relative good years, agricultural production started to decline in 1982.

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(1) The drought-affected countries are listed in the appendix, table 5.

According to the Special Memorandum of the Secretary-General on Africa's Economic and Social risis, "the food situation has deteriorated so drastically that in the 34 drought-striken countries, the imports of cereals has increased from about 4 million metric tons in 1970 to over 23 million metric tons in 1982. To make matters worse, 24 of these countries are not only unable to produce enough food for their rapidly growing populations, but they also do not have sufficient resources to pay for food imports, and therefore have to depend, to a large extent, on emergency food aid. According to FAO figures, it is estimated that food aid requirements for 1983/1984 would be about 3.3 million tons, even after taking into account normal commercial imports. The actual food requirement is in fact much larger than this if one takes into account the fact that many of these countries are no longer in a position to meet normal commercial food imports. (1)"

The memorandum concludes on the drought and desertification topic as follows : "The drought-cum-desertification threat must, therefore, be faced squarely by African Governments and peoples individually and equally importantly, collectively. In order to be able to face it successfully, we are convinced that we would require increased and sustained international support, not only on an emergency basis but also on medium- and long-term basis, and not only in terms of food and financial resources but also in terms of scientific and technological inputs. (2)"

Faced with this emergency situation, the international community has started massive programs of food aid. However, implementing a long-term strategy for collective food self-reliance will be more difficult.

1.7. The measures been taken to overcome the present crisis

Since the elaboration of the Lagos Plan of Action, the tone of international reports and propositions for future development in Africa has been less optimistic. The World Bank, in its annual World

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(1) United Nations, Economic and Social Council, Special Memorandum on Africa's Economic and Social Crisis, June 1984, p. 5

(2) United Nations, o.c., p.6

Development Report of 1981, under its most optimistic set of assumptions about the expansion of the world economy, forecasted virtually no growth in per capita income for the continent in the 1980s; under less favorable assumptions, a negative rate of growth of 1% per year is projected for the poorest countries of the region (1).

In April 1981, the Conference of Ministers of the Economic Commission for Africa (ECA) discussed the economic crisis in Africa and recommended a short-term programme for the immediate survival of the continent. Measures were proposed to solve the problems arising from the energy and food crisis, the burden of external debt and the increasing balance of payment difficulties (2).

Also in 1981, the World Bank published a special report on Sub-Saharan Africa in view of the severity of the economic problems facing many of the countries of the region. The report accepts the long-term objectives of the Lagos Plan of Action but calls for changes in economic policy to overcome long-term growth. Three major policy actions are central : more suitable trade and exchange-rate policies; increased efficiency of resources use in the public sector; and improvement in agricultural policies. For the World Bank the more efficient use of the scarce resources - human and capital, managerial and technical, domestic and foreign - is essential for improving economic conditions. 'More efficient' means more reliance on market forces and on the private sector. The report did not include concrete programs of action; they must be formulated by each country, and these programs must include the external financial and technical assistance which will be required to support them. The report concluded with the recommendation for a firm increase of aid in real terms and it called for a joint effort by African governments, bilateral donors and international institutions to accelerate development in Sub-Saharan Africa (3).

In September 1981 the critical situation of SSA was discussed at the United Nations Conference on LLDCs where the Substantial New Programme of Action was adopted to increase development assistance in real terms to the LLDCs, of which the majority (26 and 36) from part of SSA.

In 1983 ECA published a perspective study on Africa's Development until 2008 which clearly was more pessimistic : "The picture that emerges from the analysis of the perspective of the African region by the

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(1) World Bank, World Development Report 1981, p. 3

(2) ECA, the explorating economic crisis of Africa, Addis Abbeba, 1981

(3) The World Bank, Accelerated Development in SSA, Washington, 1981

year 2008 under the historical trend scenario is almost a nightmare. Bearing in mind that the future of 2008 is the future of the young and unborn children of Africa today, the implications have to be taken seriously." (1)

The study emphasized that the current problems of Africa are structural and can only be tackled through a set of policy actions. African government should reorient their agricultural production systems by correcting the internal terms of trade toward agriculture and by putting greater emphasis on food production by smallholders. The financial crisis should be avoided by stimulating at the same time foreign exchange earning and saving, and by improved financial control on public spending. Much is expected from the efforts for a greater economic integration in Africa, particularly to meet food and energy requirements and for a greater investment in the private sector either from local or foreign sources. These policy changes appear to be conditional for the implementation of a long-term development strategy along the lines of the Lagos Plan of Action.

Also in 1983, the World Bank published a Progress Report on Development Prospects and Programs for SSA to evaluate the response to the propositions for policy changes, as suggested in its Agenda for Action of 1981. Evidence was found of policy adjustments along the lines of the Agenda but the extent and speed with which revised programs were being implemented did not give any cause for complacency, taking into account the fast deterioration of the global economic circumstances in African countries. Moreover, the additional aid which was called for in the Agenda was not realized. Therefore, programs and actions to deal with the immediate crisis should be formulated without further delay and should concentrate on the basic constraints on development : the rapid population growth, the lack of human resources, the backward state of the agricultural research and what is called the structural constraints : the highly import-intensive pattern of consumption and the low productivity of the export sectors (2).

In 1984, the ECA produced jointly with the African Development Bank (ADB) the Economic Report on Africa, 1984, which updated the information on Africa's dramatic conditions and came to similar propositions as the former ECA report (3). The joint report includes a clear message

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(1) ECA, ECA and Africa's Development 1983-2008 : A Preliminary Perspective Study, 1983

(2) The World Bank, SSA : Progress Report on Development Prospects and Programs, 1983

for more market-guided economies, greater opportunity for private enterpreneurship and a reduced role for government which should put emphasis on efficiency of public services.

Early 1984, the secretary General of the United Nations, Mr. Pérez de Cuéllar took the initiative to alert the international community about the rapidly deteriorating economic and social conditions in Africa. He established a special advisory body at the United Nations Headquarters and nominated in Nairobi a special representative for Africa's Economic Crisis, in order to coordinate actions by all organisations of the United Nations System. The critical economic situation in Africa was also discussed at the second regular session of the United Nations Economic and Social Council in 1984, on the basis of a Special Memorandum prepared by African Ministers of Development (1) and a report prepared by the Secretary-General (2). Both reports called for a concerted and co-ordinated action by the international community in support of the efforts of African States to restore economic development for the well-being of its people. Action should be undertaken at three levels : emergency measures to overcome the critical needs of the countries affected by the drought; short and medium term measures to rehabilitate the major economic sectors, particularly agriculture, industry and infrastructure, and to fight against further desertification in the continent; long-term measures to implement the objectives of the Lagos Plan of Action, through a successful implementation of the sectoral plans for agriculture, industry, transport and energy.

Also in 1984, the World Bank produced a third Report on SSA in which a Joint Program of Action was proposed under six headings : 1) the formulation of national rehabilitation and development programs by African governments, 2) donor consultation and coordination should aim more explicit monitorable commitments by recipient governments and donors to impliment their respective responsibilities under an agreed program of action; 3) the provision of adequate, timely and sustained external financial assistance to programs of major economic reform, 4) public expenditure and donor programs should give greater emphasis to rehabilitation and maintenance of existing infrastructure;

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(1) United Nations Economic and Social Council, Special Memorandum on Africa's Economic and Social Crisis, June 1984.

(2) U.N.E.S.C., Report of the Secetary-General on the Critical social and economic situation in Africa, April 1984

5) the formulation of low-cost, efficient and well-targeted programs in education, health,population, agricultural research and forestry;
6) net capital flows to SSA should be increased and oriented towards the countries that implement adequate reform programs. (1,
According to the latest World Bank report on SSA the poor economic results of the region since the 1970s are mainly attributable to the declining returns on investment. The growth rate of per capita income can be broken down into three parts : population growth rate, investment/income ratio and additional income per unit of investment. Evidence is given that the availability of investment is comparable with other developing regions. The difference in per capita growth rate is for about half due to Africa's higher population growth rate and half to the failure of capital investment to generate income growth comparable to the 1960s. The key determinant of the latter phenomenon is the deteriorating economic management both by the central government in its economic policy and by the public economic institutions in the implementation of these policies. Apart from this major cause, natural, technical and human constraints have contracted the productive potential of African economies. Precisely, the weaknesses of the economic management increased in the 1980s and urge for a co-ordinated or joint action in this field.

The Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) devoted special attention to the crisis in SSA in its 1984 review (2). DAC members seem to be very sensitive for the overall call for a substantial increase in aid allocations, for a co-ordination of bilateral and multilateral aid agencies and a reformulation of the development strategy. In this context, they underline the importance of structural adjustment programmes designed with the help of the World Bank and the IMF, the need to safeguard social institution-building and the potential structural function of food aid within national and sectoral development programmes.

In response to the World Bank's Joint Programme of Action, the OECD organized last March a high level meeting in Paris, in order to co-ordinate international support for the rehabilitation of SSA.

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(1) The World Bank, Toward Sustained Development in SSA. A Joint Programme of action, Washington, August 1984

(2) OECD, Development Co-operation, 1984 Review, pp. 11-36

2. THE MANUFACTURING SECTOR IN SSA

2.1. The share of SSA in world manufacturing value added

It should be recalled that most African countries are heavily dominated by the production of primary goods, mostly agricultural, and the tertiary activities associated with it. The African continent is only responsible for a tiny piece of the world economy and in comparison with other developing regions the extent of industrialization in world manufacturing value added stands at a mere 1.01% in 1984 (1). This figure is, in fact, in excess of the 1% target for 1985 incorporated in the Lagos Plan of Action and therefore the subsequent targets of 1.4% for 1990 and 2% for the year 2000 do not seem irrational. However, in the perspective of the persisting economic crisis in Africa the region's share in world manufacturing value added has decreased slightly since 1982 and this in contrast with the former decades when Africa's share rose steadily from 0.77% in 1963 to 1.04% in 1982, the latest non-estimated record. The rising share of manufacturing in the past was not in the first place a consequence of rapid industrial growth but it was also a product of a shift in relative prices in favour of manufacturing through taxpolicies and subsidies.

All these figures included the North African countries. In 1981, SSA accounted for only 56.5% of total manufacturing value added in Africa against 63.8% 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 dynamic North African countries. Again, Nigeria is responsible for one third of total manufacturing value added of SSA (2). So, in world terms the manufacturing sector of SSA is almost neglectable, and hardly rising.

2.2. The share of manufacturing in GDP and its structure

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% (figure for 1982), which is much lower than the average for all low-income countries (14%). Detailed figures for 1981 reveal that only five countries of the

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(1) UNIDO, A Statistical Review of the World Industrial Situation : 1984, March 1985

(2) UNIDO, Africa in Figures, 1985, pp. 21-22

region have a share of manufacturing which is over 15% of GDP : Ivory Coast (15.6%) , Mauritius (20.4%), Zambia (16.9%), Swaziland (23.8%) and Zimbabwe (26.7 %). In this select group, there are no low-income countries. On the other hand most low-income countries and middle-income oilexporters show a share of manufacturing in GDP of less than 8% (1). The industrial structure of the African economies is concentrated on non-durable consumer goods industries. The share of Africa in world manufacturing value added is in 1970 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. In 1981 this situation has not changed (2). The inclusion of North Africa is responsible for the appearance of virtually all non consumer goods branches in this list.

2.3. The industrial performance in the region in the 1960s and 1970s

Since independence most African governments have pursued a fast 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 large subsidies, a favorable tax treatment and high tariff protection against competing imports. At the same time they could import at low tariffs or duty-free the necessary capital goods, raw materials and intermediate goods. As a result of this policy, 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, savings of foreign exchange had not been materialized. Excessive investment in industry and distortion of relative prices in favor of industry has put a burden on the other economic sectors, especially agriculture and has heightened the region's dependence on foreign manpower, capital and technology. Moreover, the trend towards capital-intensive

(1) UNIDO, Africa in Figures, 1985, pp. 21-22. See also appendix, table 6.
(2) UNIDO, A Statistical Review of the world industrial situation:1984, 1985.

import-substitution industries with a high unit cost of investment and no relationship to Africa's factor mix 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, most African governments have intensified the bias toward import-substitution industrialization by overvaluing their exchange rates and the use of quantitative import restrictions. During the commodity boom of the late 1970s, investment in industry raised substantially and some countries initiated the expensive stage of import-substitution of intermediate and durable consumer products. Also project selection tended to become less adequate and led to investments with very low rates of return.

No doubt that there has been a considerable industrial growth in the 1960s and 1970s, which has contributed to the economic development of the region. Annual per capita growth of manufacturing value added in Africa reached 4.5% between 1963 and 1973, which is excess of average growth of per capita GNP which was only 2.5%. For the period 1973-1980 the manufacturing value added (MVA) per capita grew an average at 2.8% which again was higher than the modest increase of per capita GNP of 1.5% (1).

Data for SSA as such are not available but a recent study from UNIDO reveals that MVA per capita increased on average at 5.8% in the 26 LLDCs of SSA between 1960 and 1973, much faster than the 0.7% increase of GDP per capita. In contrast, from 1973 to 1977 MVA per capita decreased at 1.1% while GDP per capita still increased at 0.5% (2).

2.4. The critical situation in the 1980s

As just mentioned, the performance of manufacturing slowed down abruptly, first in LLDC's of SSA already in the late 1970's, and this in contrast with a traditional pattern of development where growth of manufacturing

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(1) Taken from UNIDO, A Statistical review of the world industrial situation, 1984

(2) Taken from UNIDO, The Agony of Africa, 1984

remains well above growth of the economy as a whole, since manufacturing is characteristically one of the most dynamic expanding sectors in the transition from a low to higher income level. LLDCs suffered severely from the soared oil prices and were the first to enter into a deep balance-of-payments crisis which was encountered by a reduction in domestic demand and in imports. Often shortages of supplies of raw materials, spares and intermediate products appeared. It should also be recalled that agricultural performance dropped drastically in the 1970s, devolving negatively the manufacturing sector.

In the 1980s the world recession debilitated the economies of all developing countries and particularly the economies of SSA. While world trade has stagnated and protectionist barriers have been set up in the developed countries, the commodity proces dropped steeply, especially of those commodities in which SSA has a comparable advantage, like oil seeds, cotton and tropical fruit. The devastating impact of the drought on crop production and livestock has led to a dramatic setback in agricultural production. The decline in export earnings, the raising cost for imported energy and the increase of food imports have burdened the balance-of-payments of all SSA countries, not only the LLDCs. Manufacturing could not remain immune to the effects of a deteriorating economic environment. In LLDCs industrial weaknesses continued, but especially the middle-income countries of SSA which could expand industry up to 1980, have experienced severe setbacks, due to falls in imports, locally produced raw materials and domestic demand.

Across the region, capacity utilization rates in manufacturing are extremely low, and in some cases as low as 25 to 30%. Recently, fixed investment and savings are on the decline. 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 - do not pick up with the current world recovery and that future development is at stake.

2.5. The need of a long-term development strategy for the sector

The main objective of economic development in most African countries since independence has been to achieve a sustained increase in the standard of living for an increasing share of the population. For this purpose, the composition of output must shift from primary production to secondary

activities, i.e. industrialization. Industrialization provides also a means of creation of employment opportunities and of overcoming the constraints on development : lack of foreign exchange and of skilled and experienced human resources. Moreover, industrialization stimulates the expansion of other sectors, such as agriculture and services, by creating a larger market for their products, supplying the necessary equipment and contributing to the technological progress. This common believe practically survived within the minds of African governments throughout the difficult late 1970s and early 1980s. However the strategy of sustained import-substitution and the over-emphasizing of the industrial activities has to be altered. The industrialization process must be accelerated, but through a different policy.

The Lagos Plan of Action represents the collective effort of African Heads of State and Government to reformulate the long-term economic development strategies. To the more general objective of increase in economic welfare were added the concepts of self-reliance and self-sustainment. Accordingly, regional integration became a central focus. As reflected in the Lagos Plan the African countries intend to lay the foundation for industrial development and integration during the 1980s. The industrialization policy would contribute fundamentally to the strategy of self-reliance and self-sustainment, in the way that basic needs of the population would be satisfied, local natural resources be exploited, jobs be created and technological progress be stimulated Quantitative and qualitative targets were set for industrial integration. A share of at least 1.4% in world industrial production is to be achieved by 1990 and self-sufficiency is pursued in the food, building materials, clothing and energy sectors. Moreover, during the first half of the Decade, the foundation will be laid for the phased development of the following basic industries essential to self-reliance : food and agro-industries, mechanical industries, metallurgical industries, forestry industries and energy industries. In the Lagos Plan of Action the Heads of State and Government of the OAU endorsed the already existing proposal to proclaim the 1980s as the Industrial Development Decade for Africa, which was finally adopted by the United Nations General Assembly in its resolution 35/66B on 5 December 1980.

In order to transform the Lagos Plan of Action into a programme for the implementation of the Decade ECA, OAU and UNIDO prepared jointly what is called "A Programme for the Industrial Development Decade for Africa" which was endorsed by the African Ministers of Industry at their

Sixth Conference in 1982 (1). The programme comprises a preparatory phase (1982-1994) and an implementation phase (1985-1990), which are presented briefly in section 5. In the foreword of the Programme it is underlined that the policy of import-substitution industrialization has ended : "This calls for an approach to industrial planning that differs in many respects from the past. In particular, it represents a shift from an excessive preoccupation with foreign exchange problems, which are external to the region, to the development of institutional mechanisms and capabilities for assessing each country's natural resource and raw material endowment and enlarging the range of complementarities along the lines suggested in the Lagos Plan of Action (2).

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(1) UNIDO, A Programme for the Industrial Development Decade for Africa, Prepared jointly by ECA, OAU and UNIDO, 1982

(2) UNIDO, o.c., p. 2

3. ODA FLOWS TO SSA

3.1. ODA : definitions and composition

The OECD is the main source for reporting of resource flows to developing countries. Following definitions and concepts are used in OECD reports (1).

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%) 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. It 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 for 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%. This is a measure of concessionality or softness of a loan and is measured by the extent of benefit reflected in the difference between the ODA interest rate and the market rate (taken at 10%), the length of time the funds are available for the borrower (maturity) and the length of interval to first repayment of capital (grace period). OECD calculates this benefit by estimating the present value of repayments discounted at 10% 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.

Transactions are reported at two stages : commitment, when the donor undertakes a firm obligation to furnish assistance specified as to volume,

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(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 definitions and classification of these two publications do not always correspond exactly.

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). Bilateral aid figures 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 channelled via an international organization active in development, i.e. the World bank group, the regional development banks, the IMF Trust Fund, the Arab and OPEC development banks 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 official export credits, official sector equity and portfolio investment, and debt reorganisation undertaken by the official sector (bilateral or multilateral) at non-concessional terms. These transactions may include a grant element which is below 25%. 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 falls short of loans, lended out by offshore Centres of banks resident in DAC countries and some minor adjustments.

Tied aid refers 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 of the local market.

It should also be noted that ODA is measured to include both the resources reaching developing countries (or multilateral organisations) and the corresponding administrative costs.

3.2. 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-

(1) See appendix for detailed data on all countries of SSA which have been collected from OECD tables for the period 1975-1983

1973 do not include OPEC donors because at that time only sporadic aid was directed to some African countries by either Kuwait, Libya or Saudi Arabia. In 1980 OPEC countries were responsible for 8% of total concessional aid flows to SSA; DAC countries disbursed 62% and multilateral institutions the remaining 30% of total ODA to SSA. So, bilateral aid from DAC countries remained the largest inflow of ODA in SSA.

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

Net disbursements of ODA are commonly lower than the commitments. From total commitments of ODA to SSA 65 to 80% 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 out of grants.

During the 1970s concessional aid flows to SSA increased fast in absolute, real and per capita terms. SSA became the central focus for development assistance. In this region GNP per capita is not the lowest of all developing regions, as the densily 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 black Africa (1).

There, aid slowly became the crucial motor for development. In 1979 net ODA flows corresponded on average to 3.5% of GNP and to 20% of gross domestic investment in SSA. For the low-income countries of SSA these figures reached even 7.8% and 50% (2).

Up to now, only ODA flows were mentioned from either DAC, OPEC or multilateral donors (3). Also other countries have directed in 1970s some aid to SSA, the member countries of the Council for Mutual Economic Assistance, other European countries like Ireland, and China, India, Israel and South Africa have contributed in a modest way to the development process in SSA. Estimates for 1981-1982 reveal that the apport of those countries corresponds to about 2% of total ODA to SSA ( ).

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(1) See also appendix for a comparison of net receipts of ODA by region and income groups

(2) World Bank, Accelerated development in SSA, 1981, p. 164

(3) For a detailed comparison of ODA flows to SSA by donor, see appendix, table 9

(4) Calculated from table II.A.3. of OECD, Development Co-operation, 1984 Review

Since 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% lower than the amount reached in 1980. Nevertheless, SSA received a substantially higher share of total ODA flows. Between 1980 and 1983 the concentration on SSA increased from 23 to 27%, 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. World Bank measured that for SSA net ODA disbursements corresponded on average to 3.8% of GNP and to 13.1% of gross domestic investment in 1982. Taking only the low-income semiarid countries, figures of respectively 24.1% and 107.9% were recorded (1). This paradox can only be explained by the critical economic situation of the region.

3.3. 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 already $ 5.3 billion was reached or more than a tenfold increase (2). At this level data are only recorded from DAC members and multilateral institutions. Non-concessional resource flows to SSA from multilateral institutions accounted only for 10% of the total net disbursements in 1980, while DAC disbursed 90%. Data for OPEC were not available. In any case, bilateral flows from DAC members constitute the bulk of non-concessional disbursements to SSA.

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

From these flows it is only possible to make the division between official non-concessional loans, direct investment, portfolio investment and export credits since 1976 and only on a country-by-country basis (3). Direct investments seem to be of a minor importance in SSA (except in 1981 and 1982). Traditionally, the two

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(1) World Bank, Toward Sustained Development in SSA, 1984, p. 74
For OECD estimates, see appendix, Table 8

(2) See appendix for detailed data on all countries of SSA for non-concessiona flows, which can be deducted through a simple difference between ODA-flows (Table 7) and total resource flows (Table 10)

(3) OECD, Geographical distribution of financial flows to Developing Countries, 1980 to 1984

main channels are export credits, which are mostly officially supported, and and portfolio investments, what stands for private bank loans. In 1983 official non-concessional loans increased while other flows decreased enormously (1). 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, like Liberia and Ivory Coast, or countries with rich mineral deposits, like Nigeria, Cameroon and Zaire. Small low-income countries receive hardly any non-concessional receipts.

Other donors' non-concessional flows to SSA are not recorded but can be considered as neglectable. 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. Moreover this peculiar development was not recorded in all developing regions. Apart from SSA, in Latin-America an even more dramatic drop in non-concessional resource flows was felt, but in for instance North Africa and Far East Asia 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 an almost disappearance of private investments. Consequently, this phenomenon is of great concern because it underlines the lack of belief in the future of SSA by the international private sector. Such a development over more than one year can be dramatic for SSA, if it is not compensated by a drastic increase in concessional resource flows.

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. Consequently, it would have ——> dropped with no less than 22% 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% (2). 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 dollars was recorded which corresponds to 7.6% of GNP per capita in SSA. Doing the same excercise for individual countries, one finds high per capita

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(1) In table 11 of the appendix total net disbursements of financial flows to SSA are divided over seven different flows for the years 1973-1983

(2) Use was made of the deflator constructed by OECD and applied in the latest review.

resource inflows in all the middle-income countries except Nigeria and in a few low-income drought-affected countries (Somalia, Gambia, Niger, Benim and Guinea-Bissau). Most low-income countries, which include many LLDCs, have a per capita resource inflow of less than 40 dollars.

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 countries not-members of DAC (e.g. Ireland, Luxembourg and South Africa), flows from CMEA countries, other official and private sector flows from OPEC countries, net flows from other LDCs, 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 the 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 US $ in 1982), the short-term private credit (estimated at 7.1 billion US $ in 1982) and the IMF flows (3.9 billion US $ in 1982) are quantitatively important for SSA.

3.4. 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%, compared with 80-85% 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 adopted by the DAC in its Terms Recommendation of 1978. It stipulates that the overall grant element of ODA commitments should be at least 86% and at least 90% annually for the LLDCs as a whole (1). As SSA contains 26 LLDCs the grant element of ODA to SSA by DAC members will be higher than 90%, but correct calculations are not available. 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

(1) OECD, Development Co-operation, 1980 Review, p. 103

(2) Argument quoted by R. Kitchen, Financial flows : statistical background, 1979, p. 79.

The overall grant element of ODA commitments by OPEC countries is lower than from DAC countries and is estimated by OECD at 80% in 1981 (1). But this is a considerable improvement, as it stood at as low as 59% 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 balanced between 40% and 45% in the period 1975-1983. Partially untied bilateral ODA from DAC countries has balanced between 10 and 14% 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 depends on general donor's policies, the tying degree for SSA will not differ from the overall degree. The impact of tied aid often is translated into procurement of goods and services at prices considerably above competitive international prices.

The World Bank studies on SSA include data on average terms of borrowing for bilateral official loans (concessional and non-concessional). From 1970 to 1981 the average interest rate increased from 1.3% to 4.8% and decreased in 1982 to 4.4%. The average maturity period decreased slowly from 31 years in 1970 to 18 years in 1979 and was prolonged 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 prolonged to more than 6 years in 1982. The average grant element decreased from 70% in 1970 to 33% in 1979 and increased again afterwards to 42% in 1982. Multilateral official loans had traditionally a one to three percent higher interest rate than bilateral loans except for the period 1977-1979. The average maturity period has been balancing around 30 years and the average grace period around 7 years. The average grant element has balanced even more over the twelve years of analysis between 37% and 52% (3).

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(1) OECD, Development Co-operation, 1982 Review, p. 158

(2) A detailed analysis of tying aid flows and the possibility for economic cooperation among developing countries (ECDC) has been undertaken by R.S. Roberts, ODA and ECDC, UNCTAD, 1983

(3) The World Bank, Toward Sustained Development in SSA, 1984, p. 73

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 the first report on SSA, 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 (1). Note that IDA loans are concessional loans.

OECD has found that less concessional ODA loans (i.e. those with a grant element of less than 50%) has recently been oriented more towards LLDCs, low-income and lower middel-income countries. Together they accounted for 59% of total less concessional loans by DAC countries in 1983 versus only 30% in 1981. (2) Within this share SSA makes up for the majority.

The terms of officially supported export credits are regulated by the appropiate DAC Committee of OECD with the purpose of limiting competition on export credit terms, in particular, the extent to which interest rates are subsidised. All DAC members have also subscribed the Berne Convention of 1934, by which they agree to supply export credits at similar terms. Currently, average maturities of export credits are about ten years and interest rates around 7.5%. Because the use of ODA in conjunction with export credits called mixed credits, increased during the world recession (1980-1982) in a trade competition between industrial countries and, consequently, aid and trade were more and more mixed up, DAC has strengthened in 1983 its guiding principles on export credits 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%; officially supported export credits, or other official flows with a grant element of up to 20%, or other funds at or near market terms. The main characteristic of these transactions is that the concessional

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(1) World Bank, SSA : Progress Report on Development Prospects and Programs, 1983, pp.18-20

(2) OECD, Development Co-operation, 1984 Review, p. 112

component is linked in law or in fact with the non-concessional component and that a part or 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 associated financing with a combined grant element of below 20%, that the use of ODA for associated financing should be restrained for stronger developing countries, that the terms should be tailored to 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 (1). The volume of associated financing ($ 5.1 billion in 1982) fell back sharply in 1983 after the adaption of the Guiding principles (2). The recent establishment of mixed credits in the United States could be a sign of a new escalation (3). 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 (4).

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 somewhat above the six-month London Inter-Bank Offer Rate (LIBOR) . The spread against the LIBOR depends upon the market and creditworthiness of the recipient country. World Bank reports that the average interest rate of private lending to SSA has increased slowly from 6.7% in 1970 to 14.5% in 1981. It dropped in 1982 to 12.7% along with a clear preference for a longer maturity (5).

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(1) OECD, Press Release, 14th June 1983

(2) OECD, Development Co-operation, 1984 Review, p. 109

(3) The Economist, December 1, 1984, p. 45

(4) Members of DAC agreed in 1983 to report on policies and practices concerning associated financing, however this is kept confidential. 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 Internal Document, 1984.
Evaluatie 100 miljoen programma, Memorandum, Directoraat-Generaal Ontwikkelingssamenwerking, Ministerie van Buitenlandse Zaken, July 1982

(5) World Bank, Toward Sustained Development in SSA, 1984, p. 73

Foreign direct investment in SSA has been of some importance in 1970s, especially in the exploitation of mineral resources. However, 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 commented here.

Finally, it should be mentioned that IMF credits to SSA have increased rapidly during the past decade together with the enlarged resources of the Fund and the increasing number of financing programmes. The supplementary facilities oriented towards oil-importing developing countries and primary goods exporting developing countries have benefited numerous African countries. These loans are short-term credits (mostly less than one year, although recently longer-term lending is made available) which are available at a rate of charge close to the interest rate of the Fund, 7 to 8% 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. Especially private borrowing has been concluded on harder terms since creditworthiness of SSA decreased and international interest rates increased. The increased proportion of non-concessional money in the flows to SSA until 1982 (it should recalled that last reporting year, 1983, represents a steep decrease in this proportion) has made overall terms of financial flows harder.

3.5. The incidence of the debt problem

The debt service payments are the complement 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 or excluding amortization payments but including interest payments. The debt service burden of the majority of the economies of SSA has increased rapidly in the late 1970s and early 1980s.

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

On average it was estimated by the World Bank that debt service as a percentage of exports of goods and nonfactor services was 13% in 1982 (1). 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 pay in the period 1985-1987, together with most of the outstanding debt. The World Bank calculated that during the next three years $ 24 billion amortization and $ 10.7 billion interest payments have to be cancelled. Repurchases and charges of IMF loans are estimated at $ 3.5 billion(2). Consequently, unless corrective measures are taken, the external resource position of SSA is likely to become disastrous in the next years. Any attempts of African countries to improve economic performance will be frustrated unless these countries are relieved of some of their upcoming debt service obligations.

The expected increase in total amortization payments (from $ 2.3 billion in 1980-1982 to $ 8 billion in 1985- 1987) has a drastic repercussion on future concessional and non-concessional financial flows to SSA. Still most of 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 (and taking 1983 as an exceptional bad year !) then annual net capital flows will be half the level reached in 1980-1982, or only $ 5 billion (3). This is a sad prospect !

3.6. 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, especiall 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

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(1) World Bank, Toward Sustained Development in SSA, 1984, pp. 12-13

(2) See also appendix Table 12.

(3) World Bank, o.c., p. 47. Note that World Bank estimates of total net resource flows to SSA are generally lower than the estimates of OECD, e.g. for 1982 the World Bank came to a total of $ 10.1 billion while 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.

types of assistance could allow more room for adjustment to the immediate bottlenecks in the economies of SSA. Precisely, 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.

How to make a distinction between project and non-project aid? 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 stabilisation loans, budget support, debt reorganisation, 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 relative large component of DAC Members' aid programmes in 1979, 45% and 30% if sector aid is excluded. However, there has been a declining trend in real terms in non-project assistance during the 1970s, precisely when needs have certainly increased. It was also found that in absolute term the principal beneficiaries of non-project aid are the low-income countries. But relatively spoken, middle-income countries and newly-industrialized countries received considerably more than low-income countries. Very few was directed towards OPEC countries.

The arguments for more use of non-project aid, which are commonly put forward, are that it does not require an everextended administrative capacity in the recipient country nor a high skilled project identification and evaluation capacity in the donor country, that it is better suited to support programmes of policy changes, 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 nor recipient country's resources due to balance-of-payments constraints, that it can be more adequate 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. However project aid has also its advantages, which donors tend to underline. Project aid is more manageable because of its 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 favor investment and long-term development over current consumption. As both types of assistance will continue to be applied by

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(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

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, require also adaption 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 since 1977 with the desirability of greater flexibility in aid allocation, when it adopted a set of guidelines on local cost financing. According 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% of gross ODA disbursements in 1977 and as low as 8% 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 local costs are being financed by aid. According to the World Bank, between one fourth and one third of local costs are being financed by aid (3). DAC donors recognize that it is desirable to finance an increasing proportion of total project costs taking into account the precarious situation of the African economies.

In 1979 DAC added also to the former a set of guidelines on recurrent cost financing, after it was recognized that the completion, maintenance and operation of development projects and programmes became a major concern in low-income countries. Recurrent costs are defined as outlays during and after 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 sympathic to recurrent cost financing over relatively long periods. Also in SSA, in cases where it is unlikely that financing of recurrent

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(1) Cfr. 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

costs for operation and maintenance of an intended project can be obtained within a reasonable period, donors and the recipient should consider whether the project should be scaled down or given up in favour of alternative projects with a smaller operation and maintenance cost component (1).

Also the multilateral agencies are aware of the present need for aid flexibility, especially in the case of SSA. The World Bank is now widely accepting that counterpart contributions to a project or programme can be made in kind. More important and innovative is the introduction of Structural 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 program. 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. Next to SAL, sector-adjustment loans and supplemental loans can 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 Program of the Bank (2). In SSA Kenya, Ivory Coast, Malawi, Mauritius, Senegal and Togo have formulated structural adjustment programs 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 programs are being prepared (3). Since the World Bank introduced its SAL, the World Bank and the IMF have been co-operating closely in the formulation of adjustment programs 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 with balance-of-payment problems and who are working to adjust their macroeconomic policy along the IMF lines. At April 30, 1984, 35 such arrangements were in effect, of which only 13 to countries of SSA (4).

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(1) OECD, Development Co-operation, 1982 Review, p. 95

(2) The World Bank, Accelerated Development in SSA, 1981, pp. 127-128

(3) A latest Review of the Bank's regional actions can be found in : The World Bank Annual Report, 1984

(4) IMF, Annual Report 1984, p. 175

4. THE FLOW OF EXTERNAL RESOURCES TO THE MANUFACTURING SECTOR OF SSA

4.1. The problem of data collection

At the beginning, it should be stressed that not all resource flows can be split up according to the economic sector which benefits from it. A large degree of external resources is not allocable by sector because either the purpose is not investment (for example import support), or the purpose is a contribution to the overall financial situation of a country (for example debt reorganization) or the 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 section 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 mostly not been 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 entreprise which received government guarantee for the loan. Also, repayments are often not paid by income generated by the project which received the money but through budget allocations of counterpart institution (public or private). So, it has no sense to divide repayments by sector. But, only commitments of external financial flows 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

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(1) Through the statistical office of OECD an outprint of the databank was provided for the years 1978-1983 concerning official commitments to industries in Sub-Saharan Africa. It should be noted that, reading through the file, the definitions of the types of flow changed over time.

are not reportable in the Creditor Reporting System, hence the data are net of technical co-operation. An evaluation of the data received from this databank follows 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 which are compiled on a fiscal-year basis (e.g. the World Bank) or on the basis of the authorisation 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 section 3 (1). 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 sectoral allocable finance to industry supposing that industry benefits in the same degree from non sectoral allocable flows. On top of this, non geographically divided flows are excluded. The OECD statistics include data for Africa Unspecified and LDC's Unspecified. Supposing that an identical proportion of these flows goes to SSA as in the geographical allocable flows, then the total resource flows to SSA is underestimated by 28% in 1978, decreasing rapidly to 16% in 1982 and again increasing to 19% 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 in our analysis.

As mentioned in section 3 the data of net disbursements from all sources combined to SSA, as presented by the Geographical OECD report, still have 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

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(1) It could be interesting to compare the results of the exercise through the Creditor Reporting System for bilateral ODA to SSA with the tables of ODA commitments from DAC countries to SSA for 1979-1983 in : OECD, Geographical Distribution of Financial Flows to Developing Countries, 1980/1983, 1984, p. 22.

Review of OECD. Even some information is presented for short-term bank lending and IMF net purchases. In the latest 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).

4.2. The share of financial resources to industry in SSA

Using an outprint of the databank of the Creditor Reporting System a calculation of the official resource flows by DAC members and multilateral agencies could be performed. The 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 outprint provided data for all DAC members excluding Belgium, Finland, Australia and New Zealand. At least the first two countries did supply finance for industry in SSA in one way or another. The multilateral agencies included are the African Development Bank (ADB), the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA) and the European Economic Community (E.E.C.). Following commitments are reported : ODA grants, ODA loans, grant like (2), 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 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 could be reached and total flows were almost $ 100 billion lower than in 1980, the top year.

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(1) OECD, Development Co-operation, 1984 Review, p. 203

(2) 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

	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°	54.1°	81.5	50.6	17.0	146.2
Total official commitments	350.3	425.7	514.8	349.2	423.5	429.1

° data for 1978 and 1979 were reported under export credits

Source : OECD, Creditor Reporting System plus own calculations

Commitments of ODA grants and loans have always been between 55 and 60% of total official commitments, with 1982 as an exception when 76% 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 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 are more important and in 1978 and 1982 both flows are of equal importance.

Direct export credits have risen rapidly between 1978 and 1980. Afterwards an even more rapid decline has occured, resulting in an almost neglectable level of $ 27 billion in 1983. The only positive aspect of 1983 is the increase in 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 balanced between 13 and 15%, except for 1980 and 1981 where respectively 8 and 10% were recorded (1).

(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.

In all years, the preference for SSA in industrial financial flows is lower than on average was found for ODA in general (cfr. supra). 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 11 in the appendix.

First, the three different flows of ODA can be separated by source of finance : ODA from DAC members, from multilateral agencies and from OPEC members OECD's Annual Reviews break down the allocable bilateral ODA commitments by DAC members into sectors. For the years 1978 to 1983 it was found that 7 to 9% of these commitments related to finance for industry, mining and construction. So, it can be generalised that on average 8% of ODA disbursements by DAC members are directed towards the manufacturing sector (1). Most multilateral 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 ODA loans and grants. At present, no detailed information is available on the sectoral division of the aid flows from these agencies. However, adding concessional and non-concessional loans of IBRD and IDA for SSA it could be found that 8% of the loans were contracted for industry, small-scale enterprises and development finance companies (which act mostly in the area of industry) (2). A tentative proportion of 8% has been selected. About the sectoral distribution of bilateral ODA from OPEC countries no systematic information is available. However, it is known that 3.6% of the bilateral and multilateral commitments of concessional and non-concessional finance by Arab States and Institutions to SSA was directed towards processing industries (excluding the proportion of financial institutes and technical co-operation, together 7.7%, that was directed to industry) (3). Taking into account the limits and underestimation of the former exercise, a tentative proportion of 5% has been selected.

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

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(1) OECD, Development Co-operation, Annual Reviews, 1980 to 1984.

(2) The World Bank Annual Report, 1984.

(3) 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.

of these flows which relates to the manufacturing sector is estimated on the basis of a similar exercise, performed by R. Kitchen for UNIDO (1). He estimated that 40% of the export credits goes to capital goods for manufacturing, 33% of direct private foreign investment goes into manufacturing and that 15% of total net private bank borrowing is attributed to industrial borrowing. For other official flows which originate mostly from DAC members and multilateral agencies (especially IBRD and ADB) the same proportion of 8% was selected as found for concessional finance of both groups of sources.
The results of the above estimates have been summarised in Table 2.

Table 2 Estimated net flow of finance to the manufacturing sector in SSA (1978-1983)

(in million dollars)

	1978	1979	1980	1981	1982	1983
ODA by DAC Countries (1)	265	336	401	408	408	397
ODA by multilateral agencies (2)	136	158	193	192	182	180
ODA by OPEC Countries (3)	23	28	33	28	34	35
ODA from all sources	424	522	627	628	624	612
Other official flows (4)	59	55	104	93	91	118
Export credits (5)	422	616	664	514	560	474
Direct Investment (6)	164	129	287	521	642	118
Portfolio investment (7)	93	104	199	234	283	85
non-ODA from all sources	738	904	1254	1362	1576	795
Total financial flows to industry	1162	1426	1881	1990	2200	1407
% of total financial flows	13	14	14	14	15	12

(1) 8% of total
(2) 8% of total
(3) 5% of total
(4) 8% of total
(5) 40% of total
(6) 33% of total
(7) 15% of total

Source : own calculations based on Table 11 of the appendix

(1) 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.

Between 1978 and 1982 the estimated net flow of finance to industry in SSA has doubled in nominal terms from about $ 1.2 billion to $ 2.2 billion. In 1983 it decreased with more than one third to about $ 1.4 billion. In 1978, about 13% of total financial flows went to industry. This proportion increased slowly to 15% in 1982, because direct investment and export credits raised in importance. In 1983 the proportion shrank to a mere 12%. In contrast with total financial flows, non-concessional finance represents the majority of external capital to industry in SSA. The share of ODA even decreased between 1978 and 1982. It increased again substantially in 1983. It should not be 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 it was passed by direct investment which reached a historical peak. Over the period as a whole ODA grants and loans by DAC countries represented 22% of the estimated financial flows to industry in SSA, or the most important input after the export credits. Knowing that most of the export credits are official or officially supported, it should be underlined that a majority of external capital to industry in SSA is controlled directly or indirectly by DAC countries' governments.

This last statement should somehow be nuanced because in the total financial flows, as presented in the geographical review of OECD, many financial flows, especially of non-DAC countries were omitted because of a lack of data. A more complete estimate can only be made for the average flows of the years 1981 and 1982. For the newly included financial flows following tentative proportions have been used. For ODA of other donors 20% has been taken because the major suppliers, USSR and China, favour finance for industry. Other private flows are added to other official flows with exclusion of multilateral non-concessional loans and because private flows tend to favour industry a proportion of 10% has been used. Non-concessional flows of other donors include also OPEC loans next to loans from USSR, China and other minor donors. Again a tentative proportion of 20% was used.

The results of the above estimates have been summarised in Table 3. From these data only 17% of total estimated flows to industry in SSA originated from ODA by DAC members. Total ODA made up for some 27% or much less than non-concessional flows of official or officially supported origin and non-concessional flows of private origin, which respectively

were responsible for 36% and 37% of total external finance to industry in SSA. The high share of divert private investment in total flows to industry in 1981-1982 is, as already underlined, exceptional. Total external capital flows to industry are estimated to be $ 2.44 billion in 1981-1982, or 16% of total net flows. In comparison with table 2 the financial flow to industry has increased only with $ 0.34 billion. Note that in Table 3 geographically non allocated capital flows might include some input for the manufacturing sector in SSA, as well as the non included short-term financial flows.

Table 3 Estimate of Net external financial flows to the manufacturing sector, 1981-1982 average

	total		industry	
	$ billion	% of total	$ billion	% of total
I. Official Development Assistance	8.19	56.1	0.65	26.7
1. Bilateral	5.85	40.1	0.46	18.8
a) DAC countries (1)	5.10	34.9	0.41	16.6
b) OPEC countries (2)	0.61	4.2	0.03	1.1
c) Other donors (3)	(0.14)	1.0	0.03	1.1
2. Multilateral agencies (4)	2.34	16.0	0.19	7.7
II. Grants by private voluntary agencies	–	–	–	–
III. Non-concessional flows	6.42	43.9	1.78	73.2
1. Off. or officially supported	2.82	19.3	0.88	36.1
a) Export credits (5)	1.55	10.6	0.62	25.4
b) Multilateral (6)	0.55	3.8	0.04	1.8
c) Other official and private flows (7)	0.72	4.9	0.07	3.0
d) Other donors (8)	0.72	4.9	0.14	5.9
2. Private	3.60	24.6	0.90	37.1
a) Direct investment (9)	2.02	13.8	0.67	27.4
b) Bank sector (10)	1.58	10.8	0.24	9.7
c) Bond lending	–	–	–	–
Total receipts (I + II + III)	14.61	100.0	2.44	100.0
Memorandum items :				
Share of recipients GNP		13.7		
Share of population		9.0		
Share of total resources		14.6		
Share of ODA		23.2		
Share of non-concessional		10.3		

(1) 8% of total

(2) 5% of total

(3) 20% of total

(4) 8% of total

(5) 40% of total

(6) 8% of total

(7) 10% of total

(8) 20% of total

(9) 33% of total

(10) 15% of total

Source : OECD, Development Co-operation, 1984 Review, p. 203; and own calculations

As a conclusion of this section it should be recalled that exact information on 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 sectoral 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% of ODA is related to industry, while for non-concessional flows this proportion might be of the order of 25%. On average, about 15% of total net disbursements of external capital is dedicated to the manufacturing sector.

4.3. The benefit of ODA for the manufacturing sector

It should be recalled that external finance for industry is initially connected with resource flows to other sectors of the recipient economy. This argument has to be developed into more detail in order to understand the possible benefits of external finance for the manufacturing sector. First, investment in other sectors can generate positive effects directly or indirectly for the local industry. More directly, for example, the construction of a railroad built in part by local supplies financed by foreign capital benefits the local industry which provides the necessary implements. More indirectly, if agricultural projects succeed in increasing the income level of the average farmer the domestic demand for locally produced industrial outputs will augment. Secondly, the availability of funds for industry might increase or decrease by the release of funds which were already earmarked for certain projects. It is known that

financial flows can be blurred from its original destination especially when they are handed over to the government or a multipurpose institution. This process of "fungibility" raises the problem of the establishment of clear priorities for investment. Only if industrial development obtains a high priority the provision of funds for industrial investment will not be blurred. Third, apart from the "fungibility" of investment funds, there exists a phenomenon of "shunting", by which is meant that investment-tied financial flows are "shunted" into the sphere of current consumption. This can occur irrespective of whether financial flows are transmitted to government or a private company (1). The intlow 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. There are several indications that governments in developing countries have interest in extending their current spending in disadvantage of investment. Consumptional expenditures however are less favorable for the development of a domestic industry than investment expenditures. This raises the problem of the establishment of global investment objectives which comes before the question of what proportion of these investment efforts have to be devoted to industry. For all these reasons the use of foreign finance for investment purposes is not generating a simple causal benefit for the industrial sector in the recipient country. 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 the substitution possibilities between the different flows of foreign capital and 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.

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

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

of manufacturing firms in developing countries, in a way that variations in profits make fixed repayments difficult. However, foreign equity finance has become less acceptable to many developing countries because the economic control over the investment is in foreign hands and often the foreign ownership of domestic assets is 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 investment is clearly concentrated on the larger and more rapidly growing economies in the developing countries. In SSA only seven countries were able to attrack 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 attrackted 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, which adopted more liberal policies and regimes to attrack foreign investors (very often following the recommendations of developed countries or multilateral organisations) 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 were 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% 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 voluminous in this period. However, the disadvantage of export credits is that the borrower has to buy particular goods in the country offering the credit, and sometimes without choise 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 or inappropriate to the technical specification

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(1) This and many other arguments on the differences in the forms of finance can be found in : UNIDO, Types of Finance for Industry, Sectoral Working Paper Series No 13, 1983.

(2) Quoted from : UNIDO, Monitoring Progress made in accelerating industrialization in the developing countries, Third Survey 1981-1982, 1983, p. 77

or required abnormal 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, and then to seek the cheapest suitable equipment and then negotiate the best method to finance it, since the market for many capital goods is currently in favour of the buyer. Looking to detailed figures for SSA, all LLDCs except Benin and Tanzania did not receive a considerable flow of net export credits between 1978 and 1983. Nigeria received more than $ 3 billion or the bulk 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, however less important than in other developing continents, are syndicated euro-credits and other international middle term bank lending. The major advantages of these flows are that the money is more rapidly available, linked to less administrative constraints, freely disposable and available in a wide range of currencies. For instance, Ivory Coast was the first country to obtain an 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 have received more than $ 200 million : Cameroon, Ivory Coast, Liberia and Nigeria. Nevertheless, for the manufacturing industry the advantages of a bank credit are not neglectable because the payback period is usually between the range of bank credits, and all the more attractive when the interest rate is on a low level. A very interesting formula would be that the government or a domestic financial development institution would borrow eurocredit directly and lend it on in domestic currency to manufacturing export-oriented companies.

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. These 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 sometimes linked policy measures imposed by the multilateral bank and the high cost in the early years of production of the equalized annual debt service. The distribution of these funds over the different countries of SSA has been more equal between 1978 and 1983. Many other, also least developed, countries have received a substantial amount. Next to the known big absorbers of private capital, 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 out of pure grants which to some degree have benefited the manufacturing sector, especially in terms of training the necessary manpower (vocational training). ODA loans have zero or very low interest rates, the repayment period is very long as well as the grace period. The large use of bilateral aid for infrastructure and public utilities has also a major effect on manufacturing costs. 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 provision of expensive equipment which cannot be sold under competitive conditions, are biased against small-scale and labour-intensive industries and administrative delays can be lengthy. Numerical examples exist of calculations where the financial gains from the softness of a loan do not offsett additional costs. This can be avoided by calculating the true cost of a loan. The recent concentration of the bilateral and multilateral donors on LLDCs in SSA in contrast with the declining domestic resources of these poor countries and the small access to other flows of finance, has resulted in a high dependence of LLDCs on ODA, also for their industrial development. Several DAC members, i.e. Germany, Sweden and the Netherlands, and ODA have recognised the importance of the manufacturing sector in SSA since 1980 and have provided assistance to the industrial sectors of several LLDCs and lower income countries, like Tanzania, Guinea Bissau, Mozambique and Mauritius.

The inflow of ODA may induce the governments in SSA to reduce borrowing at market terms or reduce taxes. Part of the investment effect of ODA is then compensated by the decrease in the investment finances by loans at commercial terms or by public reserves. Donors should be aware of these possible dampening effects. Nevertheless, LLDCs will 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 maybe an extra opportunity if a dynamic and appropiate 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 fill here the gap in the financial market.

To respond somehow to this need OECD organized in May 1984 a DAC meeting under the title "Co-operation for Industrial Development in Low-income countries" (1). On this meeting the DAC members recognised the essentiality of small and medium industrial development for the over-all development in low-income countries and the 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 domestic and foreign private enterprise. On the policy matter participants subscribed the leading role of the World Bank and IMF in the provision of competent policy advice based on comprehensive country and sector studies, but they should also organize broad economic and industrial dialogues with developing countries and donors, which would facilitate aid-coordination. 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 is seldom the primary deterrent, but the lack of an intermediation through a developmer 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 appropiate technologies, working directly with operating small enterprises, has proved to be more effictive than high-cost technology centres. On the promotion of the private entreprise it was found crucial that the

(1) The conclusions of the meeting are summarised in : OECD, Development Co-operation, 1984 review, pp. 143-153

domestic government could maintain positive real interest rates. Joint ventures are difficult in low-income countries. So, other forms of collaboration, such as technology licensing and service contracts need to be promoted more in the future. Priority in financing of industry in the economically distressed low-income countries currently should be given to rehabilitation of existing and underutilised enterprises with good prospects of productive operation and to the provision of working capital to such companies.

Concrete actions as a result of this meeting have not been taken. As many other DAC meetings, only an interchange of experiences and views was on the agenda. It can be doubted that new mechanisms of finance can result from it.

4.4. The Dutch example

To conclude this survey, some reference can be done to the dutch inventory of industrial projects between 1976 and 1983 (1). All projects of 13 "concentration" countries, of which five belong to SSA, financed by the Dutch official bilateral aid, have been inventarised as well as aid flows by the Dutch development financial cooperation (FMO). Two thirds of official bilateral aid was directed to these 13 countries. Of these flows only 11.4% or ƒ 787 million was destinated to the manufacturing sector. The five countries of SSA received 48% of these flows although they received only 28% 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, Kenia, Sudan, Zambia and Tanzania, the last one as the most important receiver of industrial aid). Including also the grants and loans of FMO to the countries of SSA total flows have balanced around an average of ƒ 50 million between 1976 and 1982 with an exceptional decrease to ƒ 13 million in 1983.

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

5. THE IMPLEMENTATION OF THE INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

5.1. The objectives of the Industrial Development Decade for Africa (1)

The programme for the Decade, as prepared by the secretariats of ECA, OAU and UNIDO, comprises a preparatory phase (1982-1984) and an implementation phase (1985-1990). During the preparatory phase, regional, subregional and national industrial strategies and programmes were realigned or established in accordance with the objective of the Lagos Plan of Action, while African industrial development was re-oriented towards self-reliance and self-sustainment. Among the specific activities undertaken during the preparatory phase were : preparation of a coherent and internally consistent set of national, subregional and regional policies master plans and programmes; popularization of the programme for the Decade; elaboration of investment programmes and projects; preparation of an industrial manpower development plan; adoption of policy instruments to foster intra-African industrial co-operation; establishment of an African industrial consultation negotiation, and arbitration mechanism within the framework of the Final Act of Lagos.

The implementation phase, as the name indicates, will be concerned with the implementation of industrial projects and other activities defined during the preparatory phase. It will encompass the identification of technical partners and the preparation of joint feasibility studies as appropriate, as well as the mobilization of financial resources.

At the national level, emphasis will be placed on training and work force development and the improvement of skills related to factor inputs. These endeavours will be matched by research and development activities, and the strengthening of the institutional infrastructure for industry. In all these fields, support from the international community, especially the United Nations organizations and agencies, will be essential.

The programme itself covers a broad range of subsectors : food processing, textiles, forest-based industries, building materials and

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(1) Taken from UNIDO, Fourth General Conference of UNIDO, Item 6 : The Industrial Development Decade for Africa. Background paper, January 1984, pp. 10-12.

construction industries, metallurgical industries (with special emphasis on iron and steel, aluminium, copper, lead, zinc and tin), chemicals (with special emphasis on ammonia, nitrogenous fertilizers, potash fertilizers, pharmaceutical ingredients, traditional medicine, and biomass-based chemicals), engineering industries (mechanical, non-electrical and transport equipment, agricultural emplements, machine tools, foundry and forging facilities), small-scale industries, major factor inputs and raw materials.

Since no country is so endowed with natural resources, finance and technical capabilities that it can cover each priority, it is essential that a certain development focus be set. It would be impractical for countries to endeavour to launch out on a wide range of industrial activities, irrespective of their strategic significance, since such an approach would over-extend already limited resources. Instead, countries are encouraged to focus their attention on priority or core projects and to appraise their existing production facilities, particularly those that are underused, so as to revive those that are linked to the core industries appropriate to the country.

A distinction is made between resource-based and engineering-based core industries. The former are defined as industries using domestically available resources, which constitute a nucleus providing basic inputs into industry and other priority sectors and/or producing goods and services to meet basic needs. The latter are defined as the minimum set of engineering industries, which enable a country or group of countries to meet its most basic engineering requirements and make optimum use of available resources for the servicing of both industry and other priority sectors (agriculture, transport and communications and energy) in terms of equipment, spare parts and components.

Resource-based industries depend primarily on the exploitation and complete vertical integration of the subregion's natural resources, including energy. Once established, they have significant up- and down-stream linkage effects in respect not only of other industries but also of other sectors of the economy. The engineering-based core industries provide inputs to resource-based industries and all economic activities. Whereas their development depends primarily of their own reproductive ability, it also depends, ultimately, on the products of metallurgical and chemical (resource-based) industries for the production of tools, implements and capital goods. Some engineering-based core industries call for the mass production of parts and components. This usually exceeds the scope of a single country's capabilities and markets, and

such industries are well suited to subcontracting arrangements and hence to multinational co-operation.

The importance of core industries derives from the fact that they permit the concentration of resources upon certain subsectors, thus ensuring the maximum impact upon the economy. They also facilitate the transfer of skills and experience to other sectors, while manpower and technological programmes are predicted upon specific priorities rather than generalized needs. An intersectoral and interdisciplinary approach is a basic requirement during the programming and execution of core projects, while the development of national capacities in the following areas is equally essential : project preparation services in connection with the undertaking of feasibility studies, project monitoring and evaluation, technical training and management consultancy procurement, finance and marketing services in respect of machinery and raw materials, product development and design services, including standardization and product adaption, technological and engineering advisory services related to plant layout, process planning, equipment selection, production and quality control, material control and inspection. Efforts at the national level will be matched by endeavours at the subregional level to : prepare sectoral policies and programmes within strategic core industrial branches, identify major core industrial projects of interest to the countries in the subregion or region, strengthen or establish institutions in the subregion or region whose object is to promote industrial integration. Emphasis should also be given to the establishment of multinational production enterprises and appropriate multinational co-operation arrangements, supplemented by intergovernmental agreements.

5.2. Financing the Decade Programme

The Decade Programme has estimated the volume of investment in selected branches of industry during the Decade in order to approach self-sufficiency and self-reliance and the target share of 1.4% in world industrial output by 1990. The estimates are called to be conservative in view of the current balance of payments deficits of almost all African countries. The calculations add up to about $ 20 billion annually or a total of some $ 140 billion. It should be noted that these figures refer only to industrial investment and do not include investment in

industry-related economic sectors (1). It was also expected that the majority of these funds could be mobilized by internal financial resources through the implementation of fiscal, financial and industrial policies which stimulate savings and investment. Since Africa is currently more dependent than other regions on the import of capital equipment and that domestic savings will never be large enough to finance the necessary massive investment, an enormous gap in foreign exchange requirements will remain. New mechanisms to recycle the financial surplus of both the North and the South will be required (2). At the same time, the rate of foreign exchange outflow should be reduced, especially by the expansion of indigenous consultancy services.

With the preparatory phase coming at an end, it was found that the major constraint to initiate the Decade Programme remains the shortage of funds. At present, fixed investment in African countries shows a negative growth. This trend does not only undermine growth prospects in the short run but it also prevents a faster pace of structural and technological development. Domestic savings in Africa were reported to decline because export earnings which are crucial for the domestic savings rate have decreased. Since the restoration of export earnings depends on the international economic and trading environment, which is not expected to change quickly and drastically in a positive way for the African countries, the heavy reliance on foreign exchange transfer will continue. For the low-income countries, which form the majority of nations in SSA and whose savings rate rely heavily on the export of one or two primary products, ODA constitutes a main element in financing the imported content of fixed investment. A substantial increase in ODA and some reorientation towards the industrial needs is of particular importance to them.

Because private financial flows to middle-income countries of SSA have decreased so dramatically since 1983, the more ambitious investment plans developed for these countries are at stake. Private multinational industry seems to be less convinced than the African authorities of the vaste human and natural resource potential offered by SSA. The international banking sector has serious doubts on the future repayment capacity of these countries.

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(1) UNIDO, A Programme for the Industrial Development Decade for Africa, 1982, p. 32-33;

(2) Under this objective the proposal for setting up an International Bank for Industrial Development, can be considered as an institutional device.

In short, in both low-income and middle-income countries the financial prospects of domestic savings and external inflow of capital are grim. It could well be appropriate for international organizations and African countries to scale their industrial investment plans down, unless massive financial and technical assistance from the international community and private sector can be assured in the near future.

6. DONORS'POLICIES ON INDUSTRIAL BILATERAL AID TO SSA

6.1. Donors' interests for the manufacturing sector in SSA (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 recognise 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 industrialisation 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. It should also be recalled that few DAC members have systematically assisted the industrial development in one or more countries of SSA, through ODA loans or grants. The main countries are without any discussion, Germany and Sweden. Germany, through its Agency for Technical Co-operation (GTZ) has offered technical and business management advisory services for industrial development in many African countries. Also 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

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

has been providing finincial and technical assistance to the newly formed development banks in Africa. The Swedish SIDA and SEDFUND 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. Next to Tanzania, a large Assistance was provided to the manufacturing sector of Guinea-Buissau and Mozambique. They also co-financed the Kenya Industrial Estates together with Germany, Norway, Denmark, IDA, UNIDO and ILO. Swedfund has been very active in the promotion of co-operation between small and medium-sized firms in Africa and Sweden. The French have had a traditional interest in industrial co-operation with the French-speaking countries of Africa, following in general the commercial spirit. 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 concentrated on training programmes or the establishment of training institutes. For example in Kenya Japanese aid was used to create the Kenyatta Agriculture and Industry University. Also the United States Agency USAID has been active in private industrial development. It has set up the African Enterprise Programme to assist small business in the Entente Council, made up by Benin Ivory Coast, Niger, Togo and Upper Volta. The 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 institutions. The African Development Bank (ADB) had up to the end of 1982 provided nearly $ 600 million or 15% 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 portion for small industry development. Loans were also directed in the past to the rehabilitation and modernization of existing 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 the 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 interprises, coordinated 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 programs. 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% of IFC net commitments ($ 46 million in 1983). As the proportion in the number of investments is almost double, investments of IFC in SSA is concentrated on small enterprises. The present environment in SSA is generally qualified by IFC as non conducive for 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 firms. Already under Lomé I various forms of co-operation were included such as 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, 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, the initial support programme was strengthened and further developed. The CID was reoriented towards technical assistance in the technology adaptation 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% of its total lending was channelled to financial intermediaries destined for loans to small and medium-scaled enterprises. UNDP is currently funding many small- and medium-scaled industrial projects in SSA, mainly executed by UNIDO. Also FAO, ILO and UNIDO are active in the field of manufacturing industries in SSA using own resources. Although all these efforts for the development of the manufacturing industry in SSA add up to quite an impressive effort of development assistance, this is rather inferior in comparison to what is done in other sectors like agriculture or health and also

inferior to the efforts performed for industrial development in some other developing regions. If it is a priority for both donors and countries of SSA to increase the industrialisation process, a reconstruction of aid programmes will be necessary.

6.2. The concern for the domestic economy

A new empirical study confirmed the general impression that bilateral aid allocations are made largely (for some donors) or solely (for others) 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 in the compositions of total aid flows from DAC members 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, particularly the United States, have been using bilateral aid more gently as an instrument of foreign policy and also real cuts in contributions from DAC members to multilateral aid agencies have occured. The stagnation in UNDP funding and the difficulties about the replenishment of IDA can be cited as the most striking examples of the last 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. Especially 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 Germany and the United Kingdom have proved that at least in these two countires 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

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(1) These were the most important conclusions of : A. Maizels, M.K. Nissanke, Motivation for Aid to Developing Countries, World Development, Vol. 12, N° 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.

the flowback has always been there, but recently some donors have defended tied aid as a mean to increase business opportunities. Italy has openly defended tied aid and has initiated a large programme fueled also with private funds. According to a recent article also other donors are testing the ground for more tied aid : Austria, Canada, Belgium, Finland and Norway (1). Precisely in the smaller countries pressure groups call for a commercial-linked aid, because the flowback of aid money to industry in these countries is smaller than one. The larger countries with a higher return - UK, Swit erland, Germany, Japan and USA - strongly oppose this trend. Only the Netherlands as a low return country belongs to this group of opponents to tied aid. The experiment of UNDP, started in 1982, to open three special funds for tied aid, has put this discussion on the front.

It must be clear that industrial co-operation is very sensitive for the donors' domestic interests. One should also not be surprised that aid and trade get mixed up more and more. The recent upswing of associated aid, discussed in sector 3 can be recalled in this context. The need for guidelines and agreed procedures, not only concerning non-concessional aid flows but also ODA loans, is obvious in order to avoid a further competition in aid. The call for aid coordination and information exchange, especially what concerns SSA, may also help to reverse the perverse trend.

Similarly, the trend in many donor countries to increase industrial aid programmes must also be interpreted by the growing pressure of 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. This is the subject of the next heading.

6.3. The Dutch example

In 1984 the Dutch bilateral development co-operation policy was

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(1) The Economist Development Report, July 1984, p. 11.

changed quite drastically (1). Less emphasis will be placed on creating new welfare services and more on increasing the productive capacity in order to generate income and job opportunities in the poor developing countries. A more businesslike approach to development activities may help ensure the survival of these countries. Projects and existing instruments 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, 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 Dutch industry will be applied. Conditions have been prepared to assure the interests of the recipient countries and this for each instrument of the development assistance. Moreover, the conditions are put in very qualitative terms, so that alternative interpretations remain possible. More collaboration has also been sought with the World Bank. A mission of the Ministry of Foreign Affairs and private enterprises to Washington last year agreed to channel $ 200 million in projects, identified by the World Bank. Also a special support for the SSA-program of the Bank was approved.

7. SUGGESTIONS FOR FURTHER ANALYSIS

7.1. Suggestions for more data collection

First of all, the available data provided by OECD on the commitments of official development assistance to the manufacturing industry in SSA could be further analysed. The sectoral division and the change in priorities could also be studied. A closer collaboration with OECD would certainly result in new data on other financial flows to the manufacturing industry which would improve the estimates made up to now.

Nevertheless, one should not be too optimistic about the possibilities of further improvement of the data. Most information is partial and/or

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(1) Informatie Ontwikkelingssamenwerking, Voorlichtingsdienst ontwikkelingssamenwerking, Ministerie van Buitenlandse Zaken, Nederland, May 1984.

confidential. Moreover, it is always limited to commitments and not to actual disbursements, net of repayments.

7.2. Suggestions for a review of donor's policies

The study already came to the conclusion that the aid policies of donor countries is changing in the 1980s. It should be very interesting to evaluate these changes with reference to the manufacturing sector in SSA. Furthermore, the reformulation of aid policies is accompanied in many countries by a statistical inventory of assistance in the past. The Dutch example is not unique. A donor-based study can be oriented on many interesting topics, which could not be met in the present study. For instance, the changes in project formulation, the different financial instruments, the variation in terms of finance and the considerations about intersectoral linkages. Such a kind of study would imply personal contacts with all major donors, the preparation of questionnaires, interviews with various officials of donor organizations and a considerable manpower and computer facility.

7.3. Suggestions for a sample of country studies

At least as interesting as the former analysis, a study on the relationship between ODA and manufacturing could be performed for a number of African countries. The selection of these countries could be realised on the basis of different criteria : a large ODA input, availability of statistical data, a large manufacturing industry, a positive policy towards manufacturing, a special interest by UNIDO. All ODA projects with direct benefits to manufacturing could be identified and evaluated, against the overall performance of the industry. Particular interest could also be directed to the capital formation process in the country and the ultimate importance of foreign finance in this process. An example of such an analysis, however only on a macro-economic basis, was performed by Skarstein for Tanzania (1).

Such a study would also make the necessary link with changes in the

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(1) R. Skarstein, Some notes on foreign aid and economic growth in Tanzania in the 1970s with particular emphasis on the manufacturing sector.

domestic policy towards industry and the industry related economic sectors.
The country studies can be performed separately and would call for close collaboration with the corresponding UNIDO sections, the local authorities and other donor organizations active in the selected countries.

7.4. Suggestions for a survey of new financial instruments

Following the important conclusion that present financial flows to SSA are not appropriate to finance small and medium industrial development in low-income countries, it could be very interesting to review initially new forms of finance initiated in the last year by bilateral and multilateral organizations. ODA can play á crucial role in this process, but also new forms of direct investment, portfolio investment and bank lending supported by governmental organizations are essential instruments for the development of small industrial business.
Such a study would imply personal contacts and information access to special governmental organizations of various donors, both bilateral and multilateral.

APPENDIX

Table 4 *Selected Indicators of Performance, External Shocks, and Availability of Investment Resources*

	Performance indicators					External shocks			Investment resources					
	GDP per capita average annual growth (%)	Incidence of debt rescheduling	Growth rate of GDP (%) 5-year average ending in			Loss of income due to deterioration in terms of trade annual average (%)	Average interest rate (%) on medium- and long-term loans 1982		Investment (% of GDP) 5-year average ending in			Resource inflow (% of GDP) 5-year average ending in		
Countries	1970–81	(years)	1971	1976	1981	1971–1981 with 1970 as base	New commitment	Debt outstanding	1971	1976	1981	1971	1976	1981
1 Chad	-4.6		1.4	1.9	-8.1	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		43	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	4[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	4.4	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	9.1	28	35	32	25	20	*
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	3.3
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.

N.B. : The studies of the World Bank exclude the following small countries : Comoros, Djibuti, Equatorial Guinea, Sao Tome & Principe and Seychelles. Also the French overseas possessions (Mayotte, Réunion and St. Helena) are left out of the analysis.

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

Table 5 The Drought Affected Countries in SSA

Drought-affected and food-aid-dependent countries

1. Angola
2. Benin
3. Botswana
4. Cape Verde
5. Chad
6. Central African Republic
7. Ethiopia
8. Gambia
9. Ghana
10. Guinea
11. Guinea-Bissau
12. Lesotho
13. Mali
14. Mauritania
15. Mozambique
16. Sao Tome and Principe
17. Senegal
18. Somalia
19. Swaziland
20. Togo
21. United Republic of Tanzania
22. Upper Volta
23. Zambia
24. Zimbabwe

Other drought-affected countries

25. Cameroon
26. Comoros
27. Djibouti
28. Ivory Coast
29. Morocco
30. Niger
31. Nigeria
32. Sudan
33. Tunisia
34. Zaire

Source : United Nations, Economic and Social Council, Critical Situation in Africa, Note by the Secretary-General, June 1984, p. 19.

Table 6 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 : UNIDO, Africa in Figures, 1985, p. 21-22.

Table 7

NET DISBURSEMENTS OF ODA FROM ALL SOURCES COMBINED TO INDIVIDUAL RECIPIENTS of SSA

	1975	1976	1977	1978	1979	1980	1981	1982	1983
SOUTH OF SAHARA									
Angola	4.8	38.4	47.7	47.0	47.1	52.6	61.0	60.0	73.4
Benin	54.4	54.5	48.3	61.1	84.6	90.4	81.6	80.2	87.2
Botswana	51.3	47.6	47.5	69.0	99.7	106.1	96.9	101.5	103.6
Burundi	48.1	44.5	48.2	74.5	96.1	117.2	122.0	126.7	141.0
Cameroon	125.3	134.2	175.6	177.7	274.0	284.1	200.4	213.6	132.3
Cape Verde	8.8	24.9	27.2	35.7	33.4	64.4	50.3	54.9	56.3
Central African Rep.	56.8	38.1	42.1	51.3	83.6	111.0	101.6	89.7	93.2
Chad	65.2	62.3	83.1	125.0	85.6	36.3	59.7	64.7	86.2
Comoros	21.7	25.7	12.2	12.8	17.5	41.4	47.6	39.5	38.8
Congo	56.4	73.0	48.6	81.1	90.9	92.1	69.6	93.1	108.5
Djibouti	34.4	28.1	46.2	100.2	23.2	71.6	63.9	58.8	64.6
Equatorial Guinea	2.2	0.4	0.9	0.6	2.7	9.3	10.2	14.0	12.4
Ethiopia	134.5	140.5	115.6	139.7	174.4	216.0	241.2	198.7	257.7
Gabon	63.4	34.0	27.6	43.9	38.7	56.8	43.5	62.3	63.6
Gambia	8.1	11.9	21.5	38.5	36.6	54.4	68.2	47.6	42.2
Ghana	125.6	64.0	91.2	113.9	168.8	197.6	146.3	141.2	107.3
Guinea	15.2	12.0	22.4	60.3	60.9	89.5	81.7	65.1	68.5
Guinea-Bissau	18.6	22.5	37.7	50.1	52.8	59.5	65.2	68.2	59.2
Ivory Coast	100.6	108.2	108.3	131.4	161.5	210.3	123.7	136.8	154.5
Kenya	128.6	161.7	162.7	247.5	350.8	396.5	449.3	484.9	396.6
Lesotho	30.1	30.1	38.6	50.1	64.2	90.6	101.0	89.6	101.3
Liberia	21.1	26.9	33.7	48.0	80.8	97.9	108.5	108.9	118.4
Madagascar	84.9	63.2	61.1	90.9	128.0	200.2	184.3	243.4	241.6
Malawi	63.8	63.3	79.4	98.5	141.7	143.3	137.6	121.2	116.8
Mali	144.7	89.0	117.8	162.6	196.5	252.1	229.5	195.2	214.1
Mauritania	58.6	167.5	160.2	222.9	172.3	215.9	217.2	178.9	171.5
Mauritius	29.1	17.1	22.4	43.8	32.2	33.1	58.3	47.8	40.7
Mayotte	–	–	6.9	12.9	18.2	22.7	14.9	12.7	14.6
Mozambique	21.6	71.5	80.3	105.1	146.8	169.1	143.6	204.8	211.9
Niger	140.9	129.4	96.8	166.5	174.3	170.2	200.9	251.9	167.5
Nigeria	82.1	53.4	42.8	42.7	26.8	35.7	40.7	36.8	49.7
Reunion	258.6	307.9	319.0	376.9	392.9	495.1	643.4	400.5	410.7
Rwanda	90.8	79.3	85.9	125.3	148.3	155.3	153.7	150.7	149.0
St. Helena	2.8	2.8	4.2	7.1	8.4	8.8	8.3	10.2	9.9
Sao Tome & Principe	0.9	11.7	3.1	4.1	3.1	3.9	6.1	9.9	11.7
Senegal	132.7	126.8	123.0	226.0	307.6	283.0	400.3	290.0	315.0
Seychelles	7.5	7.4	10.9	16.5	25.2	21.7	21.2	18.5	15.8
Sierra Leone	18.1	15.1	26.2	40.2	53.5	92.9	60.9	82.2	66.1
Somalia	152.0	108.8	292.5	210.7	181.2	446.5	374.0	462.1	335.9
Sudan	288.5	383.0	231.3	318.1	570.5	620.1	680.6	739.9	960.2
Swaziland	16.4	15.1	29.4	44.6	50.4	49.9	36.6	28.1	33.6
Tanzania	295.4	267.8	340.1	424.1	588.3	666.2	673.3	695.3	604.4
Togo	41.8	43.0	64.2	102.5	109.7	91.0	82.9	77.2	111.3
Uganda	39.0	25.2	22.2	21.3	42.3	113.6	135.8	132.8	134.7
Upper Volta	89.1	84.1	110.3	169.4	198.4	212.3	216.8	212.9	188.9
Zaire	204.5	193.6	260.6	316.9	416.4	427.5	393.6	348.2	318.3
Zambia	86.8	62.1	108.5	184.6	277.4	295.4	230.9	240.6	216.4
Zimbabwe	4.0	6.3	6.7	9.2	12.5	164.1	212.3	215.8	206.8
East African Community	21.9	19.2	6.7	12.5	3.4	5.5	5.0	4.2	5.2
DOM/TOM Unallocated	3.1	0.8	24.9	–	–	–	–	–	–
EAMA Unallocated	85.8	11.3	65.7	123.4	130.1	94.7	2.1	4.5	37.2
South of Sahara Unall	46.3	100.9	47.9	69.8	53.7	90.1	118.2	238.8	187.4
TOTAL	*3687.9*	*3710.2*	*4161.7*	*5488.8*	*6733.5*	*8077.5*	*8068.4*	*8048.1*	*7917.3*
			89.7	137.6	192.1	171.8	207.4	218.6	231.3

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

Table 3 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		Percentage of DAC bilateral 1982/83 %	Share in total population 1982 %	ODA receipts 1982/83 $ billion	Annual change, 1982/83 over 1977/78 %	ODA as percentage of GNP		Per capita income 1982 $	G.N.P growth rate per capita 1972-81 %
	1977/78 %	1982/83 %					1977/78 %	1982/83 %		
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	0.3	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	3.3	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	0.4	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	1.5	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	1 350	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	2.3
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 net 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) Comprises Kampuchea, Laos and Vietnam.
d) Comprises Cape Verde Islands, Gambia, Upper Volta, Mali, Mauritania, Niger, Senegal, Chad.

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

Table 9

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	55	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	502	666	608	17.5	28.2	27.2	27.1	28.7	25.9
Afr. Dev. Fund	--	57	90	89	109	144	--	100.0	100.0	100.0	91..	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	17	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 10

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	58.4	25.8	41.8	108.2	200.9	298.2	363.5	200.9
Benin	59.7	53.6	56.8	70.6	96.8	390.0	118.5	190.7	92.0
Botswana	85.9	54.1	39.8	21.4	140.4	53.4	110.7	119.8	129.5
Burundi	50.2	45.2	53.9	75.2	94.5	121.8	138.7	157.0	178.4
Cameroon	151.0	213.9	331.4	340.1	600.1	732.7	662.3	448.8	361.1
Cape Verde	8.6	24.9	27.2	38.7	33.4	64.4	50.7	62.5	60.5
Central African Rep.	54.5	37.9	42.8	61.5	87.5	129.4	106.8	107.0	98.1
Chad	68.6	64.3	89.0	138.6	86.2	34.7	55.9	63.0	84.6
Comoros	20.0	25.8	12.1	14.7	17.5	42.3	54.6	38.5	40.1
Congo	37.5	157.2	88.4	108.2	68.3	83.8	204.4	468.2	322.5
Djibouti	33.5	28.4	46.7	99.7	21.9	71.5	68.4	59.1	68.1
Equatorial Guinea	0.4	-1.4	-2.9	1.3	1.9	10.0	11.5	9.1	13.3
Ethiopia	131.2	137.1	107.1	130.8	220.9	215.6	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	27.9	38.8	41.2	81.9	86.5	42.5	38.3
Ghana	49.7	67.4	168.1	188.8	193.1	226.5	262.8	155.1	124.6
Guinea	2.9	4.4	22.3	75.9	66.1	136.4	112.3	77.5	71.3
Guinea-Bissau	18.5	23.8	38.4	53.2	56.7	67.0	67.1	69.0	61.7
Ivory Coast	193.8	415.3	568.0	617.2	551.8	918.4	260.6	848.2	448.5
Kenya	195.0	411.3	560.9	462.2	654.5	567.9	577.4	575.3	478.6
Lesotho	30.3	30.1	39.1	61.9	62.1	90.7	103.2	93.6	103.3
Liberia	650.5	308.2	711.2	711.1	356.8	416.9	656.2	479.7	-125.1
Madagascar	94.1	61.7	54.0	116.5	232.3	394.2	409.0	369.9	236.6
Malawi	88.0	77.3	114.3	122.2	210.4	189.3	193.2	135.2	106.4
Mali	144.3	87.5	113.8	178.7	210.1	254.0	236.4	205.2	214.8
Mauritania	39.7	170.2	172.3	210.8	166.7	206.1	231.3	230.4	215.5
Mauritius	30.5	18.9	36.0	58.7	30.9	69.8	94.8	74.4	53.2
Mayotte	-	-	6.9	12.9	18.2	22.7	14.9	12.7	14.8
Mozambique	8.4	108.4	78.8	112.5	148.0	342.8	420.1	343.5	394.5
Niger	149.9	166.4	130.6	218.0	264.9	256.7	171.4	288.6	197.1
Nigeria	683.8	154.9	416.1	647.8	686.1	1201.1	1.1	2000.4	2306.1
Reunion	310.0	348.8	362.8	440.8	466.5	556.3	713.9	460.9	410.7
Rwanda	91.1	79.8	96.5	123.8	148.6	185.6	153.6	153.8	149.7
St. Helena	2.8	2.8	3.8	7.1	8.4	8.8	10.9	13.0	9.9
Sao Tome & Principe	0.9	11.7	3.1	4.1	3.1	3.9	8.1	9.9	11.7
Senegal	145.2	176.3	169.8	294.7	350.3	448.1	483.1	486.2	468.8
Seychelles	16.1	10.8	10.7	20.3	32.2	26.0	36.0	30.2	18.3
Sierra Leone	25.6	26.5	41.5	50.0	60.8	96.2	68.7	84.8	60.5
Somalia	163.9	115.1	336.3	229.3	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	37.6	64.4	76.8	79.1	56.9	48.1	53.0
Tanzania	323.6	337.3	420.4	516.3	744.4	861.5	850.4	759.6	610.3
Togo	55.7	71.0	120.6	267.1	210.8	180.9	50.6	97.2	110.5
Uganda	33.2	48.5	30.0	-129.2	42.8	137.2	153.9	170.2	190.8
Upper Volta	88.3	85.4	111.4	160.8	214.7	227.9	214.7	256.8	201.7
Zaire	623.1	461.3	812.3	707.1	732.5	756.3	630.2	433.2	111.1
Zambia	323.9	129.4	206.7	315.6	448.7	353.1	419.8	346.7	218.1
Zimbabwe	27.8	30.7	29.4	26.8	61.5	248.7	423.7	466.8	333.4
East African Community	21.9	19.2	8.7	15.8	3.4	5.5	5.0	4.2	5.2
DOM/TOM Unallocated	13.7	1.3	24.9	-	-	-	-	-	-
EAMA Unallocated	208.1	19.5	93.8	132.3	139.8	94.7	2.1	4.5	37.2
South of Sahara Unall.	48.3	122.8	112.4	-28.0	108.3	353.4	547.0	1066.6	-47.1
TOTAL	*6374.5*	*5805.2*	*7584.2*	*8771.9*	*10211.8*	*13393.5*	*13738.6*	*14779.5*	*11524.9*
			152.6	1631.8	1388.7	408.7	999.0	1670.2	1680.5

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

Table 11 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	5097.0	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 sources	5485.8	6733.5	8077.5	8055.4	8046.1	7917.3
Other official flows	742.4	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

° 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.

Source : OECD, Geographical distribution of financial flows to developing countries, 1980/1983, 1984; and own calculations.

Table 12 External Public Debt and Projected Debt Service Burden in Sub-Saharan Africa (in billion 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 semiarid 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 Program of Action, 1984, p. 12.

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