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FINANCING DEVELOPMENT PLANS IN WEST AFRICA

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IN WEST AFRICA

Major increases in investment will be required to achieve the growth rates projected in current West African development plans.[1] To finance this investment will call for a parallel increase in the flow of aggregate savings, both domestic and foreign. This paper examines the supply of investment finance as envisaged in the development plans, its sources, and the resulting problems of financing the plans.

The Problem and Its Setting

The fundamental problem of implementing the current development plans in West Africa is the general shortage of resources to finance the necessary level of investment called for by the plans.

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[1] The plans considered here are those for which at least some of the needed information was available, namely: Mauritania, Senegal, Mali, Guinea, Sierra Leone, Ivory Coast, Upper Volta, Niger, Ghana, Cameroun, and Nigeria. The area of West Africa is usually regarded as also comprising Liberia, Gambia, and Togo.

The growth rate projected in most of the current development plans of the region hovers around 4 per cent per annum, which approximates the rate of economic growth reached by quite a large number of countries in tropical Africa during the 1950 decade. Although the corresponding rate of increase (and more) in investment was achieved by several West African countries, notably Ghana and Nigeria, during that period, the volume of investment required to achieve the currently planned increase in output is substantially larger than before (see Table 3), and few of the favorable economic factors that made the rapid expansion of the fifties possible are still at work.

The present unfavorable state of world markets for most African products is well known, and no significant change is foreseen in the immediate future. Low export prices have caused a continuous decline in public revenue and are a major factor responsible for the diminishing contributions to investment finance from that source. In contrast, current government expenditures, already at high levels, are likely to continue to expand rapidly as a result of further demand for social and other public services and the additional recurrent costs arising from the implementation of the present plans. Although controls on aggregate consumption, private and public, are a feature of several plans, they are difficult to apply and take time to become effective, as the 1962-1964 experience in Nigeria, Senegal, and Ghana has shown.

The total flow of resources to the area rose significantly between 1955 and 1961 from bilateral, public sources. However, this assistance reached

a high plateau in 1959 and 1960, and the present uncertainty of political and economic conditions in many of the countries makes it unlikely that such assistance will resume its expansion at previous rates. In fact, French public aid to its former West African territories has remained roughly the same since 1960.

Multilateral assistance continues to increase, but its contribution may not be sufficient to compensate fully for the slowing down of the rate of increase of bilateral aid or to increase substantially the total volume of public external resources at the disposal of the region. In spite of the unfavorable outlook, however, most plans show a greatly increased reliance on finance from foreign public sources, which are expected to provide more than one half of total investment (see Table 1). As to private foreign capital needed, it will probably continue to flow into selected countries, but the over-all trend of such transfers to the region has been downward, and the prospect of sufficient foreign savings to compensate for the deficiency of domestic resources is thus quite uncertain. Taking all these trends together the projected volume of investment looms large, and many countries may have difficulties in achieving their investment and growth targets.

In the French-speaking countries the dissolution of political and economic groupings has created a multitude of small states, multiplying the problems of development by more than their number. Even a cursory look at the investment programs brings out the urgent need to coordinate and harmonize on a regional basis the projected expansion of both infrastructure

and productive investment in order to minimize costs (present and future), increase the productivity of investment, and make more effective use of the scarce financial, physical, and administrative resources available to the group.[2] With few exceptions the French-speaking countries rely almost entirely on foreign capital to finance development in the public sector. There is, however, a limit to the amount of foreign capital an economy can usefully absorb, in particular when the foreign inflow is large in comparison to the domestic contribution, as here. Hence it is essential that every effort be made to encourage domestic savings and to increase their contribution to the financing of investment, which would also widen the opportunities for development in the indigenous industrial sector as well as in the agricultural sector producing for the domestic market.

The Plans

In general the current development plans of Nigeria, Ghana, Senegal—and to a lesser extent Sierra Leone—are comprehensive in the sense that an aggregate model of the economy was used to establish the broad framework for the targets of total output and its distribution among consumption, investment, and exports. Nevertheless, the plans are in essence public

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[2]On the subject of cooperation in economic planning see Approaches to African Economic Integration towards Co-operation in Economic Planning and an African Common Market, Note by the Secretariat of the United Nations Economic Commission for Africa, dated May 7, 1963.

sector capital expenditure programs, establishing quantitative targets and priorities and incorporating only a few of the financial and other policy measures needed for their implementation. Although the private sector is integrated in the over-all objectives of the plans, its relative importance varies, depending on each government's economic philosophy, the scope and initiative of the private sector, the pattern of investment desired, and similar considerations.[3] Usually priorities and the quantitative targets of the private sector are merely suggested.

In the French-speaking countries of West Africa, comprehensive development planning is still at an early stage. At present only Senegal can be said to have formulated an articulate integrated four-year development program that is being implemented. In a number of countries (Upper Volta, Mauritania, Chad, Niger) current "plans" are no more than government capital expenditure budgets consisting of a series of separate development projects that are often not related to each other and only loosely to the plan targets where these are stated. In other plans, the underlying assumptions are not made clear, or the sector targets for output and investment are inconsistent. Some of these plans (such as those of Niger and Upper Volta) are "transitional," covering a period of two to three years during which time basic economic data will be collected to permit the formulation of long-term development programs on firmer grounds.

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[3] See, for instance, the difference in the relative magnitude of private investment projected in the plans of Ghana, Senegal, and Mali—all three socialist-oriented states.

Most important, however, is the fact that the majority of the plans—again the exception is Senegal—are only vaguely operational in the sense that decisions with respect to investment and other policy matters are often made by the government without reference to the plans' objectives and priorities. For example, some of the investment projects financed by the French Fonds d'Aide et de Coopération or by the European Development Fund (and often established with their technical assistance) or by the international aid organizations are outside investment programed under the development plans. As it were, the procedure by which most of the financing is provided seems to discourage over-all programing; decisions regarding financing are made on the merits or demerits of each individual project (or group of related projects) and are thus strictly on a project basis.

Table 2 summarizes in national income terms some aggregate targets of the development plans currently in operation in West Africa. For purposes of comparison the table also provides, if available, information on actual performance in recent years.

The relative magnitude of total investment or of only the planned public investment program can be measured in various ways. Among others, it can be measured in comparison to total capital formation in the economy, in comparison to public investment in the national income sense, or in relation to actual public investment outlays under previous plans. In Table 3, yearly increases in public investment under successive development plans are shown in one column and actual public development outlays in matching

periods in the other column. As may be seen, in absolute amounts the present programs will call for large increases in total investment.[4]

Given a certain amount of resources the composition of investment has considerable influence on the rate of economic growth and on the speed of economic returns on investments. Table 5 shows that in their current plans the governments of Ghana and Nigeria in particular have shifted resources in favor of immediately productive sectors. They have accorded the highest priorities to agriculture, industry, and technical training, trying among other things to compensate for deteriorating terms of trade through increased domestic production and import substitution.

The financing of the capital programs by sources of funds as projected in current development plans is shown in Table 1. An outstanding feature of this table is the large share of the finance that is expected to be forthcoming from external funds. While in the French-speaking countries the dependence on foreign savings to finance their development programs continues the traditional pattern of preindependence days, in the English-speaking countries of West Africa the reliance on external sources of finance to such an extent—half of the total and half of the public investment—is new.[5] Futher-

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[4]Since the figures presented in Table 3 are straight yearly averages, they magnify the contrast between the two sums: In the initial period of a plan, annual capital expenditure is usually lower than the average, while it is much higher than the average during the last years of the plan.

[5]Ghana may appear to be an exception, but Ghana has not included in its

more, a financing gap remains, which accounts for approximately 10 per cent of public investment in the Ghanaian and Nigerian plans. This "resources gap" or "savings gap" indicates that, although expenditure has been planned at a certain level, the funds to finance it are not yet in view. However, should the world market price for the main export commodities rise above the price on which calculations for the plans were based or should any other determinant of aggregate savings perform better than planned, the "resources gap" would disappear.[6]

Internal resource mobilization through contributions to investment in the form of direct labor in community development programs and similar schemes, termed "human investment" in the plans, is envisaged in the development plans of the French-speaking countries, where the nonmarket sector is still extensive and domestic cash savings are particularly low (see Table 1). Sierra Leone's plan refers to similar arrangements in its "nonfiscal methods of resource mobilization." In Ghana's plan, however, "direct labour investment," estimated at 10 per cent of the total capital program, refers to nonmonetary investment in agriculture and housing.

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current program the foreign capital already in hand (G£100 million, that is, two fifths of the foreign savings shown in Table 1 as required to finance the program) that is to be used to finance its seven-year development plan.

[6] There can of course be a combination of different favorable factors to fill the financing gap.

The continuing trend toward increased participation of the public sector in the economy is evident in the projected distribution of investment between the public and the private sector, with the bulk of finance in most countries[7] expected to come from public sources. Except in Nigeria, where private investment has always accounted for roughly two thirds of the total, the planned proportions of public and private investment in the total represent pretty much the respective shares in total capital formation observed in the various West African countries during the 1950's. In Nigeria, however, the preponderance of planned public investment—67 per cent[8] —was decided upon by the government for special policy reasons and perhaps on other than purely economic grounds.

Review of Past Trends

As this current planning period begins, the financing picture is a complete reversal of the situation that existed in the sterling area countries in 1955, when their second development programs got under way. At that time two thirds of total expenditures budgeted for the public sector under the

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[7] In the Ghanaian development plan the slightly larger contribution (53 per cent) of private investment in the total seems to reflect the government's policy both to reassure the private sector of the economy as to its future and to encourage private investment, which has been stagnant in recent years.

[8] This figure includes significant sums to be transferred to the private sector for the financing of investment in agriculture and industry.

plans were already in hand from domestic sources, including sterling assets held abroad.

The supply of finance for development in the English-speaking African countries has passed through three stages. At the beginning of the "planning era," high prices and a large export volume resulted in large surpluses on public account and supplied governments with more than adequate means to finance development expenditures; at the same time there was a continuous accumulation of external assets.[9] The limitations on economic growth at that time were not funds but shortages of physical equipment, plant, and administrative ability. In this early period domestic public funds financed about 70 per cent and more of planned capital expenditures.

In the second period, roughly the middle and late 1950's, a gradual softening of world markets cut drastically into both export proceeds and government income. In contrast, the level of planned development expenditure increased markedly as expanded absorptive capacity due to past investment, combined with an ample supply of formerly scarce capital goods, provided the means to accelerate development. Simultaneously there was a tremendous growth in recurrent government expenditures: The pressing need to provide the finance for increased social and economic services (education in particular) was accompanied by a steep increase in recurrent expenditures partly resulting from recent investments. By 1956 or there-

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[9] Sterling balances reached their peak in 1955 and 1956.

abouts, government expenditures had outstripped current government revenue in most West African countries.[10] In this second period the contribution of domestic public savings to the financing of development plans increased in absolute terms although it declined as a proportion of total government expenditure. On balance, however, nearly 80 per cent of total public expenditure under development plans in Nigeria and Ghana, and somewhat less in Sierra Leone, was financed from domestic savings (including domestic borrowing in Sierra Leone). These funds came chiefly from surpluses accumulated in the past and included, to a far larger extent than before, nonrevenue contributions in various forms from government institutions such as marketing boards.[11]

The third period began in the fifties when West African countries, while continuing to draw on their external balances, had to finance their development programs increasingly by loans, internal and external, supplemented by foreign assistance.

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[10]With the exception of Nigeria; Ghana had some budgetary surpluses in 1957 and 1958.

[11]The contribution of the Cocoa Marketing Board to development finance in Ghana during the 1950-1960 period was probably in the neighborhood of 20 per cent of total public investment under the plans. In Nigeria the marketing boards spent £76 million between 1948 and 1957 on development in the Federation. In Sierra Leone the contributions of the Produce Marketing Board was equally important. On the role of national marketing boards in African development see United Nations, Economic Commission for Africa, National Stabilization Measures: National Marketing Boards and Price Stabilization Funds in Africa, Addis Ababa, May 15, 1962 (E/CN.14/STC/CS/1).

In the French-speaking countries of the area, external resources of the metropolitan country have always been the major source of development finance. The contribution of the metropolitan country was originally set at 55 per cent of the total cost of the First Development Plan, 1947-1954, and that of each territory at 45 per cent. However, this contribution proved too heavy for most of the territories and had to be financed by loan advances from French public sources through the Caisse Centrale de la France d'Outre-Mer.[12] Gradually, beginning just before the Second Development Plan, 1954-1957,[13] the contribution of the metropolitan country was gradually increased until it reached 90 per cent in 1956, but even the 10 per cent territorial contribution had to be financed through advances of the Caisse Centrale. On balance, domestic sources during this period probably financed between 25 and 30 per cent of total development finance in the two plans.[14]

The Flow of Resources and Finance

Domestic savings, private and public, are expected to finance 70 per cent of total planned investment in Ghana, about half in Nigeria, Sierra

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[12] Since 1960 the Caisse Centrale de Coopération Economique.

[13] Actually the Second Development Plan was later extended to 1959.

[14] See France, Ministère de la France d'Outre-Mer, Le Financement du Deuxième Plan, 1954-1957, Paris, 1959.

Leone,[15] and Senegal, slightly less than half in Mali, and between 10 and 30 per cent in the remaining countries of former French West Africa (see Table 1).

During the previous planning period, as has been noted, the high rates of investment and growth in the English-speaking countries of West Africa were not matched by equal increases in the rates of current savings. Instead, beginning in 1955, aggregate consumption increased at a faster rate than output[16] and caused a gap between current savings and current investment. The shortfall in current savings was compensated for by the utilization of accumulated (past) savings and the inflow of foreign capital; thus a continued high rate of capital formation was still made possible in Ghana, Nigeria, and Sierra Leone. By 1963 previously accumulated reserves had

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[15] Sierra Leone's development plan simply states that "domestic [public] development expenditures are to be financed from domestic savings." This would seem to imply that only the import component of the program is to be financed from external public sources.

[16] In Ghana, private and public consumption expanded at an annual rate of 7 per cent and 7.5 per cent respectively between 1955 and 1961, while output grew by 4.5 per cent; by 1962 aggregate consumption stood at 86 per cent of gross domestic product as against slightly over 81 per cent in 1950. In Nigeria personal consumption decreased beginning in 1957, but further increases in public consumption, which rose from 3.6 per cent of gross domestic product in 1950 to 7.6 per cent of gross domestic product in 1960, kept aggregate consumption at the high level of 91 per cent of gross domestic output throughout the period.

been used up or were quite low. Therefore the attainment of investment and growth targets in the present planning period will depend largely on the increase of the domestic (current) rate of savings out of current income and the effective utilization of such savings in the planned pattern of investment to ensure higher output and a further growth of savings.

The domestic savings ratio in Nigeria is projected to increase from 9.5 per cent of gross domestic product in 1960 to about 12 per cent in 1968. In Ghana it is to rise from 12 per cent of gross domestic product in 1962 to 14.6 per cent in 1969/70,[17] and the marginal rate of saving is projected at 21 per cent of gross domestic product compared with an average rate of 12 per cent of gross domestic product in the 1950-1960 period.

To achieve the required increases in domestic savings, the governments of Ghana, Nigeria, and Sierra Leone expect to cut back the level of aggregate consumption by limiting its increase and keeping it below the annual growth rate projected for the economy as a whole. Thus in Ghana the level of aggregate consumption will fall from 86 per cent of gross domestic product in 1962 to a maximum of 80 per cent by the end of the plan. At the same time, in accordance with the priorities set in the plan, the rate of public consumption in the sectors of education, health, and agriculture will be allowed a maximum expansion of 4 per cent per annum while all other recurrent government expenditures will be held back. The maximum increase

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[17] It should be kept in mind that in 1962 the United Nations estimated that Nigeria's per capita income was $83 and Ghana's $193.

allowable for private consumption is 4.5 per cent per year. In Nigeria the planned (minimum) growth rate of 4 per cent per annum will have to be exceeded in order to support an increase in personal consumption of 1 per cent per year, which would account for 12 per cent of gross domestic product in 1967/68. To help reach their targets, both Ghana and Nigeria have planned to put into effect appropriate income policies and other measures.

In French-speaking West Africa, aggregate consumption in 1959 was already running as high as 92-94 per cent of gross domestic product, with a few exceptions such as Senegal (where it was 85 per cent), the Ivory Coast (73 per cent), Gabon (87 per cent), and Cameroun (88 per cent).[18]

Taking the French-speaking countries as a group, total current government receipts were sufficient to cover an average of only 66 per cent of total current expenditures in 1960.[19] The exceptions were Gabon, the Ivory Coast, and Senegal, which showed moderate budget surpluses.[20] Thus public savings in most of these countries were negative. Nevertheless, public investment as a share of total investment was relatively important, accounting for 80 per cent in Niger and Mauritania, roughly 55 per cent in the Ivory Coast and

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[18] See France, Ministère de la Coopération, Projections et Modèles, by Henri Leroux (Planification en Afrique, Vol. V), Paris, 1963.

[19] Ibid., pp. 92 and 203.

[20] Since 1960, public current expenditures have increased tremendously; for example, the average yearly rate of increase for Senegal between 1960 and 1963 was 20 per cent.

Senegal, and about 45 per cent in Cameroun and Upper Volta in 1960. However, with the exceptions just noted, public investment was chiefly financed from foreign public sources, and an important part of such transfers was also used to cover current budgetary deficits. Mauritania, an extreme case, used all French aid received in the years 1960-1962 to finance budgetary deficits.[21] In 1961 only 58 per cent of total French aid was for investment; the remainder was for budgetary support.

Domestic private savings originate chiefly in the foreign enterprise sector and are quite substantial in Gabon, the Ivory Coast, Cameroun, and, owing to recent iron ore discoveries and exploitation, in Mauritania. At the same time there is a considerable outflow of private capital to France, which in 1959 or 1960 amounted to 70 per cent of domestic private savings in Senegal, 56 per cent in the Ivory Coast, and 66 per cent in Cameroun.[22] The exact amount of such transfers is difficult to gauge because they are free within the Franc Zone, but balance of payment figures implied private capital outflows on the order of 5 to 6 per cent of gross domestic product in 1959 and 1960. In the same years gross fixed investment for the fourteen states of the Franc Zone averaged about 12 per cent of gross domestic product, with 4 per cent financed from domestic private savings and 8 per cent

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[21] See France, Ministère de la Coopération, <u>Cinq Ans (1959-1964) de Fonds de l'Aide et de Coopération</u>, Paris, 1964, p. 49.

[22] See France, Ministère de la Coopération, <u>Planification en Afrique</u>, <u>op</u>. <u>cit</u>., p. 252.

from public foreign transfers. Hence the greater part of public capital inflows served to finance a transfer of private enterprise profits and savings abroad.

In their current development plans French-speaking countries aim at high increases in investment to be financed again chiefly by foreign savings (see Table 2). The tremendous rates of increase in government consumption expenditures occurring since 1960 are to be restrained somewhat during the course of the plans, although the latter do not indicate how this is to be accomplished while—somewhat contradictory—at the same time substantial increases in private and public consumption are also planned.[23]

Domestic Resources for the Private Sector

The size of the private sector in development plans reflects, among other factors, the structure of the economy and the economic policy and political philosophy of the government. In the West African plans under review, the private sector will contribute between 30 and 55 per cent of total investment, if we eliminate Mali, which does not acknowledge the existence of any private sector. A rather surprising feature of the plans is that the private sector's share in socialist oriented economies like Senegal and Ghana (47 per cent and 55 per cent respectively) is more important than in Nigeria, for example, where domestic private investment has always been predominant and of importance.

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[23] See, for example, the national development plans for Mali and Guinea.

The domestic resources required to finance investment in the private sector in the English-speaking countries are to come mainly from the private savings of individuals and business enterprises, reinvested profits and other internal resources of foreign and domestic resident corporations (these two sources accounted for 80 per cent of private capital in Ghana and slightly less than half in Nigeria),[24] and from foreign capital inflows (see Table 1). Furthermore, in Ghana and Nigeria the increase in domestic private savings is to be partly siphoned off to finance public investment, since it is the deliberate policy of both countries to restrain the growth of private domestic investment and consumption alike in favor of the public sector. However, in both countries the government will channel some investment finance into the private sector through such institutions as development banks to back up production targets in priority sectors (agriculture and industry chiefly) in private hands. The governments will also supply their share of finance to the private sector when participating in joint ventures with private capital.

The situation in French-speaking countries has already been discussed. Here it need only be repeated that personal savings are low, with few exceptions, and that the financing of investment in the domestic private sector depends to a large extent on foreign resident enterprise. Domestic private

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[24] An extreme situation exists in Mauritania, where the large foreign mining companies are to furnish 98 per cent of total private investment, and residents and domestic enterprises 2 per cent.

enterprise has been gaining some importance since independence, particularly in the more economically advanced countries (Ivory Coast, Senegal, Togo). In addition, the governments expect to provide finance for private investment through direct participation in production and through the various development institutions that have been established to meet the need for credit of the small African artisan, farmer, and retailer.

Domestic Resources for the Public Sector

Several countries have made it a matter of policy to cover all domestic costs of their development program from domestic sources.[25] In these circumstances the magnitude of the actual domestic contribution in absolute terms and as a proportion of the entire program could vary appreciably according to the phasing of the individual projects, since more local materials may become available later on for such large components of the government's investment program as public works.

Table 1 presents the public share of domestic resources in financing the total capital expenditure under the various plans, while in Table 4 the domestic contributions to public sector finance are shown. In the English-speaking countries of West Africa the relative public contributions to overall financing are less than half of the total: about 30 per cent in Ghana and

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[25] See Ghana, Seven-Year Development Plan, p. 274, and Sierra Leone, Ten-Year Plan of Economic and Social Development for Sierra Leone, 1962/63-1971/72, Freetown: Government Printer, 1964.

40 per cent in Nigeria. In the French-speaking countries the range is much wider—from 8 to 10 per cent in Upper Volta and Mauritania to over 40 per cent in Mali and the Ivory Coast—reflecting the great divergencies in domestic resources and in the stage of development among the different countries of the Franc Zone.

Domestic sources of finance for the public sector include (a) budget surpluses; (b) net income from statutory corporations and other government-owned (or controlled) state enterprises (including state monopolies), and revenue from marketing boards and similar government institutions; (c) domestic borrowing; and (d) deficit financing.

a. Budget surpluses. The excess of fiscal revenue over expenditure—accumulated and current—was until 1961 one of the main sources of development finance in the English-speaking countries of the region. In contrast, in most French-speaking African countries it has been of little importance in financing public capital formation since budgetary deficits were prevalent and French public sources have always provided most of the finance for public investment. For example, in 1962 and in 1963 only the Ivory Coast, Senegal, and Togo were able to balance their budgets without external aid. [26]

In the financing schemes of their current development plans Ghana and Nigeria expect budgetary savings from their current account surpluses again

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[26] The revenues of these countries include, however, substantial transfers from France for continuing common services such as military expenses, airfields, pensions.

to cover between one sixth and one third respectively of their planned public investment. The Sierra Leone plan simply states that all domestic investment expenditures under the plan will be covered from domestic sources. The governments' current revenues will also have to provide for the recurrent costs stemming from the present development programs. The planned contribution to development finance is to come primarily from additional revenue to be raised by new taxation, since at prevailing tax levels current revenue has been barely adequate to cover current budget expenditures or, as in Ghana, has been deficient by roughly G£3 million a year. It is also hoped that later on taxable capacity will be substantially increased through the growth of the productive bases of the economies that will result from planned investment.

In the French-speaking countries the estimated contribution of central budgets to the development programs varies from 5 per cent in Niger to 16 per cent in Senegal and possibly over 25 per cent in the Ivory Coast. However, these planned contributions are probably rather tentative, judging by the situation in Senegal, where despite heavy new taxation the capital budget was in deficit at the beginning of 1964. It may also be noted that budgetary expansion on current account had reached, by 1962, the limit of growth foreseen for recurrent expenditure for the entire period of the plan (1961-1964).

Taxation provides about 80 per cent of fiscal revenue in the English-speaking countries and roughly 85 per cent in French-speaking Africa. The "fiscal burden" (that is, fiscal revenue in relation to gross domestic product)

averaged roughly 15 per cent in Ghana and Nigeria in the 1960-1962 period, but it ranged from 3 per cent in Mauritania to 23 per cent in Senegal, the median for the Franc Zone countries, including Mali, being 11 per cent of gross domestic product. Relatively speaking, taxation is by far the most important instrument in the hands of governments to increase savings out of domestic resources for capital formation and development.[27] However, traditional tax systems, little adapted to the new development functions of independent governments, and poor tax gathering machinery and administration have kept tax yields low, even if the low tax potential of the region, that is, the generally low level of income, is taken into account.

Indirect taxes, particularly custom duties, form the bulk of tax receipts. The great reliance of all African tax systems on foreign trade[28] has been a serious obstacle to adequate growth in government revenue. The decline in export proceeds has affected receipts from export duties and in turn has brought about a sharp drop in government revenue, while concommitantly the general instability of the export sector has been transmitted to government revenues and hence to public savings and investment. Direct taxes such

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[27] On this point see Nicholas Kaldor, "Will Underdeveloped Countries Learn to Tax?" Foreign Affairs, Vol. 41, No. 2 (January 1963).

[28] In 1959, import and export duties accounted for the following shares in total revenue: 68 per cent in Ghana, 62 per cent in Nigeria, and 55 per cent in Sierra Leone. Food and Agriculture Organization of the United Nations, F.A.O. Africa Survey, Rome, 1962, Table 21.

as income taxes have been of little significance, although since independence they have been introduced in a number of additional countries. In 1962, direct taxes accounted for over 25 per cent of total revenue only in Sierra Leone,[29] Niger, Upper Volta, and Mali; and in 1963 and 1964 they became of increasing importance in a number of other countries—Senegal (17 per cent), Dahomey, and the Ivory Coast (estimated at 21 per cent in 1964).

Well aware of these deficiencies and faced with the pressing need to increase public savings, most countries in the region have incorporated proposals for far-reaching fiscal reforms in their development plans. Tax reforms aim to change both tax rates and tax bases—increasing the former and broadening the latter—to tighten the administration of tax laws as well as to simplify tax assessments, and in general to adopt the tax systems to the present needs of their economies.[30] Tax reforms are in process in Ghana, Nigeria, Sierra Leone, Senegal, Mali, and the Ivory Coast. New taxation introduced includes production and expenditure taxes as in Ghana and

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[29] In Sierra Leone, as in most African countries, direct taxes are mainly important for public companies and corporations.

[30] The Ivory Coast has introduced an interesting tax to prevent land speculation in Abidjan and other big cities: New real estate owners within city limits who hold vacant property lots without constructing buildings on them (or otherwise putting them to productive use) are penalized by a heavy tax that is progressive in time and varies with the location of the lot. There has also been legislation providing for the finance of new investment institutions and of the special investment budget (Budget Spécial d'Investissement et d'Equipement) from earmarked tax proceeds.

Nigeria, and special taxes earmarked for development in Senegal and the Ivory Coast.[31]

In order not to defeat its goal, however, new taxation must be highly selective. New import duties in Ghana, for instance, have increased government revenue but at the same time have increased the total cost of imports, of which the government itself is a large consumer, thereby damaging the government's balance of payments position. Since the safeguarding of its external monetary position is of primary importance to Ghana—as to most developing countries—Ghana has again modified its import tariff with the chief aim of limiting foreign exchange expenditures: Essential imports are paying low import duties, while high import duties have been imposed on nonessential goods and luxury items. It should be noted in passing that the drive to substitute locally produced goods for imports, which is a common feature of all development plans of the region, raises a similar dilemma of public finance for the developing country, as Nigeria has discovered.[32]

Many countries are also seeking to increase the participation of local governments in sharing the burden of aggregate government expenditure.

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[31] In the Ivory Coast a new tax law, called "Contribution Nationale pour le Développement Economique et Social de la Nation," was promulgated on February 2, 1962. It imposed new taxes consisting of special levies on employers, on salaries, and of excise taxes on tobacco and spirits.

[32] See Federal Republic of Nigeria, Federal Government Development Programme, 1962-1968, First Progress Report, Sessional Paper No. 3 of 1964, Apapa: Nigerian National Press, March 1964.

Local governments are to raise taxes and to take over the charges for specifically local services—in Sierra Leone, for instance, the costs of education and water supply.

b. Profits from government enterprises. Full-cost pricing for the services of public enterprises and utilities can add materially to the financial resources available for public investment. The development plans of Ghana,[33] Nigeria, and Senegal provide for the abolition of most subsidies to public services—except where the subsidy has an obvious welfare connotation—which should in itself result in substantial savings on current government account. The proposed revisions of public service rates are to reflect actual costs, and payment at economic rates for such services should reverse the present trend and put public enterprise on a profitable basis. In the future, Ghana, Guinea, Mali, Senegal, and other countries that have adopted a socialist political philosophy, and will be or are already participating directly in the production process of the country on a broad and widening basis, expect increasing contributions to revenue and development finance from the profits of their state enterprises. Guinea and Ghana expect the sale of goods and services from public utilities, together with profits from state enterprises, to provide 10 per cent of current revenue during the present planning periods; Mali's plan expects profits from state enterprises

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[33] In Ghana, subsidies to housing and transportation have been particularly onerous.

to provide 80 per cent of domestic finance in the public sector; and Senegal expects a 2 per cent contribution to public investment from state enterprise.

In Nigeria the statutory corporations are participating directly in the government's capital program by investing in the expansion of their own facilities the equivalent of 25 per cent of the cost of the total capital program. The marketing and produce boards in Sierra Leone, Ghana, and Nigeria are also expected to contribute materially from their profits and reserves to the financing of development. They will contribute either directly through grants or by investing in government securities; however, the magnitude of their contributions will depend primarily on the price of their produce in world markets and also on their own policy.

c. Domestic borrowing. Several governments plan to obtain substantial amounts to finance public investment by borrowing from the private sector. Senegal, Ghana, and Nigeria plan to raise 8, 10, and 20 per cent respectively from this source. In order to promote and mobilize effectively personal savings for development finance, most governments intend or are in the process of establishing a number of new financial institutions (and to broaden existing ones). These would offer the potential investor a variety of inducements to invest his savings in the public sector either directly through the purchase of government securities or through such government institutions as post office savings banks, insurance companies, and pension funds. Nigeria launched a National Savings Campaign in 1963/64 to mobilize the savings of the small and medium wage earners; the Ivory Coast late in 1963 initiated

the First National Bond Issue for economic development through the intermediary of the Sociéte Nationale de Financement, a government corporation established in the same year. This bond issue, directed at the small and medium saver, was guaranteed by the government.

Efforts to mobilize domestic resources through borrowing will be combined with the establishment of a variety of development institutions that will channel investment capital into those sectors of the economy that by the very nature of their operations have had difficulty in obtaining sufficient finance, but which have received high priority in the plans. The Nigerian Industrial Development Bank[34] will provide long-term credit in various forms to indigenous industry (and, incidentally, also act as one of the major channels for foreign capital), and the new National Agricultural Credit Bank[35] will do the same for the agricultural sector. In addition, with the aim of increasing the contributions to loan finance from institutional savers—banks, business firms, insurance companies (which in Ghana and Nigeria have been required since 1963 to keep a proportion of their holdings in domestic currencies)—West African governments intend to use their central banks to promote

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[34] Established formally in January 1964.

[35] The Nigerian Plan makes provision of £3 million for the establishment of the National Agricultural Credit Bank whose purpose will be "to remove the major obstacle against rapid agricultural development in the country, namely, inadequate agricultural credit facilities or lack of finance." Federal Republic of Nigeria, Federal Government Development Programme, 1962-1968, First Progress Report, op. cit., p. 10.

and organize the sale of government securities to these establishments.[36]

The plans of the French-speaking countries give no quantitative indication as to the source or the magnitude of domestic borrowing,[37] except for Senegal, which states that 10 per cent of planned public investment will be financed in this way. On the other hand, there has been a proliferation of development corporations, development banks, and other special credit institutions with capital supplied usually by the Caisse Centrale de Coopération Economique in various forms.

These institutions are to provide agricultural and industrial credit in the Ivory Coast, Senegal, Niger, Cameroun, Mali, and Guinea. In view of their great number, however, the result may be a dispersal of money and authority to the extent that they may have little or no effect on actually increasing the availability of finance for investment in production.

d. Deficit financing.[38] In the accepted sense of the term, deficit financing can be practiced only by countries having their own central bank. Ghana's

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[36] See Ghana's development plan, p. 244. The Exchange Control Act of 1961 in Ghana provides that assets held abroad be repatriated. For the variety of measures proposed to mobilize savings for government investment in Nigeria, see the 1962/63 and 1963/64 budget speeches of the Minister of Finance.

[37] The mechanism of money and banking in the African countries of the Franc Zone is described in "The CFA Franc System," International Monetary Fund, <u>Staff Papers</u>, Vol. X, No. 36 (November 1963).

[38] The issue of whether deficit financing should or should not be used in

financial position at the beginning of the planning period was such that a certain amount of deficit financing had to be envisaged to provide some of the needed resources to finance its development plan. In its projections of government finance for the plan, deficit financing accounts for slightly less than 14 per cent of the capital program. In 1961/62 a total of nearly G£42 million was financed from internal loans—of which Treasury Bills accounted for 60 per cent and savings bonds (acquired through the compulsory savings scheme) provided 12.5 per cent. No deficit financing is foreseen in the Nigerian plan. Nigeria has borrowed heavily from the central bank since 1962 but is still within the limits of borrowing set in the plan.

The amount of deficit financing that can be prudently used in African countries to provide some of the resources needed for investment is limited not only by a low elasticity in the supply of domestic consumer goods and services but also by the fact that most of the goods on which such money would tend to be spent have to be imported. Hence both inflationary

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financing development programs is not under discussion in this paper, which simply records what can be found in this respect in the different West African development plans. The International Monetary Fund's view against it is well stated by Greene S. Dorrance in "The Effect of Inflation on Economic Development," a paper prepared for presentation at the Conference on Inflation and Growth, Rio de Janeiro, January 3-11, 1963. In contrast, deficit financing as a development policy under certain circumstances is discussed in Dudley Sears, "A Theory of Inflation and Growth in Under-Developed Economies Based on the Experience of Latin America," Oxford Economic Papers, Vol. 14, No. 2 (June 1962).

pressures and balance of payments trouble could develop very fast if deficit financing is used without restraint as has happened in Mali in 1963 and 1964.

Foreign Savings and Foreign Exchange

The need for foreign savings and foreign capital arises from the general inadequacy of domestic resources for development. It is determined in its aggregate by the projected rate of investment in relation to the rate of domestic savings. Foreign exchange is also needed to pay for essential imports for the investment program if domestic savings are available but cannot be transferred abroad. Indeed, the "foreign exchange gap" is likely to be even larger than the "resources gap" (or "savings gap") in the financing scheme of a development program. "Foreign exchange is a specific factor of production," as P. N. Rosenstein-Rodan points out,[39] and demand for this particularly scarce factor rises sharply with increasing investment such as is projected in current African development plans. In these plans, as already noted, West African countries are relying more heavily than in earlier plans on the contributions of foreign savings to finance both their "savings gap" and their "foreign exchange gap" (see Tables 1 and 4).

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[39] "Determining the Need for Planning the Use of External Resources," paper prepared for United Nations Conference on Science and Technology, Geneva, 1963, in Organization, Planning, and Programming for Economic Development (Science, Technology, and Development, Vol. VIII), Washington: U.S. Government Printing Office, 1962.

In view of the close interrelationship between the balance of payments and the supply of foreign exchange both for current account purposes and for net investment, the foreign trade sector should be planned as an integral part of the over-all development program. Only Nigeria, Ghana, and Senegal have prepared detailed export and import programs based on certain assumptions regarding the prices and volume of their main exports. On the import side, trade forecasts took into account as much as possible the expected changes in the structure of exports during the course of the development program (in Nigeria, ore) and the shifts in imports which should result from planned domestic production and import policies.[40] Ghana estimated the foreign exchange component of its development program at one third of total investment, while Nigeria expects slightly less than half of the total cost of its development program to come from abroad. In the Franc Zone countries, for the reasons explained earlier, the proportion of foreign financing in the total is projected at much higher levels. In Mauritania and Niger 90 per cent of capital requirements is to come from abroad, implying that nearly the whole program is to be "imported."

Private foreign capital inflow to finance private investment is expected to rise sharply in all Franc Zone countries, except in Mali. In the mineral

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[40] For detailed import and export projections see United Nations, Economic Commission for Africa, Foreign Trade Plans in Selected Countries in Africa, paper presented to the United Nations Conference on Trade and Development, Geneva, March 16, 1964 (E/Conf. 46/85).

rich economies of Gabon and Mauritania (and to a lesser extent, for political reasons, in Guinea) the planned inflow of private capital has been based, in general, on the amount of investment programed in their mining enterprises by the large foreign concerns. In the Ivory Coast, Niger, and Sierra Leone a similar procedure has been used, planned investment being based on the investment projected in their businesses by a group of private companies.

Well aware that in Africa, even more than in other developing countries, the actual contribution of private foreign investment to development is more important than the monetary outlay indicates, most countries of the region have added to the special legislation designed to attract foreign private investment in connection with their current development plans.[41]

In the English-speaking countries of West Africa foreign capital inflows must increase by about 20-30 per cent above the present level in order to sustain the projected rate of growth and to finance the required import surplus. The net inflow of long-term private funds into Nigeria has been relatively steady since independence, amounting to about $90 million per year during the four years 1959-1962.[42] The annual $75 million projected in the plan therefore seems to reflect a safe minimum. For Ghana the record of

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[41] Examples are the "Investment Code" of Senegal and of the Ivory Coast; Ghana's Capital Investments Act of 1963 and its projected establishment of a Development Service Institute in connection with the creation of the National Investment Board; and the like.

[42] International Monetary Fund, Balance of Payments Yearbook, 1963, Washington, 1964.

private long-term capital imports is one of sharp fluctuations, probably in response to the enactment of strict fiscal measures to control foreign exchange in the same period: a net outflow of $5 million in 1960, of $15 million in 1961, and an inflow of $11 million in 1962.[43] These figures compare with an average yearly net inflow of $23 million and total private investment (including reinvested profits) of about $48 million projected in the plan.

The governments in the English-speaking countries have reserved the right, through direct and indirect controls, to channel private foreign investment into specific sectors of the economy where foreign initiative and management are thought to be especially needed and effective. Joint ventures involving private foreign capital and government participation, direct or indirect (as, for example, through development corporations), are also desired, particularly in enterprises where such plan priorities as the accelerated technical and management training of Africans can be served.

The projected share of external public resources in the finance of public investment programs is at least 50 per cent in all West African countries and, as previously noted, accounts for 70 per cent and more of the total in a few countries of the Franc Zone (see Tables 4 and 1). Thus failure to obtain the required foreign funds may jeopardize whole development programs as presently conceived, particularly in such countries as Niger, Cameroun, and Upper Volta, where foreign capital actually represents total public

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[43] _Ibid._

investment, and in countries where projected private foreign investment is contingent on the economic infrastructure that public investment is to supply.[44]

In addition to the total volume of foreign public finance that may be available, the terms on which such finance is obtained and the phasing of foreign capital flows are important. Developing countries can ill afford to increase their indebtedness beyond a certain point and to pay high interest rates on their public foreign debts in view of present uncertain export trends, low foreign exchange reserves, and steeply rising import requirements due to projected investments. There is often a direct correlation between the share of foreign public funds in total public investment projected in the plans and the proportion of such finance expected in the form of grants, as the relative ability to finance the public investment program from domestic sources is usually in itself a measure of the internal resources thought to be available for development. Thus the Franc Zone countries expect most of their external assistance to be in grants. French bilateral assistance was about 84 per cent in grants in 1963,[45] and the assistance provided by the

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[44] See the plans of Mauritania and Sierra Leone on this point.

[45] Since 1961 there has been a marked decline in the proportion of French bilateral assistance given in grant form: from 91 per cent of the total in 1961, grants declined to 84 per cent in 1963. Development Assistance Efforts and Policies—1964 Review Report, by Willard L. Thorp, Chairman of the Development Assistance Committee, O.E.C.D., Paris, September 1964.

European Development Fund—the other major source of foreign aid to these countries—is either in grants or in low-interest, long-term loans. The plans of the English-speaking countries specify only the total volume of foreign assistance needed.[46] However, based on past experience there may have been a tacit expectation that assistance to education and other social type investment programed would be forthcoming in grant form. The terms of the United Kingdom's bilateral assistance have varied chiefly with the nature of the economic project to be financed, also taking into consideration the financial position of the country. For example, Nigeria received 25 per cent of its assistance from the United Kingdom during 1960-1962 in grants, while aid to Gambia was entirely in grants.[47] The proportion of grants in the United Kingdom's bilateral assistance was always much lower than in French aid. However, it has been increasing, from 50 per cent in 1961 to 56 per cent of total bilateral assistance in 1963. In addition there was a significant easing of terms for the part of assistance provided on loan terms. United States assistance to the region has been chiefly in grants,[48] while the terms

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[46] For Nigeria see note (c) in Table 4.

[47] United Nations, Economic Commission for Africa, International Economic Assistance to Africa, 1962, Addis Ababa, February 1964, Table 9 (E/CN/14/280).

[48] On this subject see United States, Department of Commerce, Foreign Grants and Credits by the United States Government, Washington: U.S. Government Printing Office, biannual report.

of aid of the centrally planned communist bloc economies are not precisely known.[49]

Except for the International Bank's long-term loans at, roughly, market rates, most multilateral public assistance is either in outright grants or in "soft" loans, the latter accounting for over one half of the total multilateral aid to West Africa in 1961 and 1962.

It is usually thought that a country's total debt service should not exceed 10 to 15 per cent of its export earnings or what could be financed during a moderate slump. The external debt of the Franc Zone countries is with France,[50] and as long as present monetary arangements are in force the question of debt service and repayment schedules will not become a serious issue. In Ghana and Nigeria, however, the increase in the financing of development expenditures through short-term, high-cost contractors' and suppliers' credits since 1962 has been alarming.[51] Both countries are in the

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[49] For the three years, 1960-1963, total commitments to Guinea, Ghana, and Mali were $329; total disbursements are not known. See United Nations, Economic Commission for Africa, International Economic Assistance to Africa, 1962, op. cit., Table 10.

[50] See "The CFA Franc System," op. cit., p. 377.

[51] For the four West African countries, Ghana, Guinea, Nigeria, and Sierra Leone, guaranteed export credits from industrial O.E.C.D. countries increased from $7.1 million in 1960 to $45.1 million in 1962. Source: O.E.C.D. Secretariat, quoted in Sune Carlson, "The Flow of International Capital to West Africa," Table 9, in Sune Carlson and O. Olakanpo, International Finance and Development Planning in West Africa, The Institute of Business Studies,

early part of their planning period, when foreign assistance is likely to be more important than in the later stages of plan implementation, when projected changes in administrative machinery, in institutions, and in financial policy will have been realized and will have increased (hopefully) the flexibility of both sources and resources. Another factor that makes the early years of a plan difficult with respect to external funds is that most external aid is still given on a project basis. Moreover, the preparatory work on individual projects and in support of loan applications as well as the actual loan negotiations are all time consuming and take place during the first years of the planning period. For such reasons as the nature and type of aid given, the assistance provided by France to the French-speaking countries has resulted in better phasing of aid and in maintaining the time schedules of the plans with regard to this aid in a number of countries (Senegal, Mauritania, Niger, and Gabon).

The assurance of continuity of foreign aid during the plan period is also of great importance both to keep the total program within the limits of the amount of available resources and as an incentive to domestic and foreign private investment. The general principle of continuity has usually been taken into account by aid-providing authorities, although it is often linked

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University of Uppsala, 1964. See also, Ghana, Central Bureau of Statistics, Economic Survey, 1962 and Economic Survey, 1963, Accra: Government Printing Department, 1963 and 1964; and Federal Republic of Nigeria, Federal Government Development Programme, 1962-1968, First Progress Report, op. cit.

with specific project financing. The programing of aid by the European Economic Community is on a five-year basis, but aid is still given for a specific project;[52] the same holds true for the $80 million United States aid envisaged for Nigeria under its 1962-1968 development plan.[53]

Conclusion

"There are indications that financial resources might present a serious bottleneck to the implementation of the Plan unless drastic measures are taken to increase available resources" says the First Progress Report on Nigeria's federal government's development plan,[54] and the same conclusions may be said to hold for the majority of plans here under review at this point of time.

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[52] The first implementing convention to the Treaty of Rome, which established the $581.25 million European Overseas Development Fund, was for the 1958-1962 period. The 1964 Convention of Association envisages aid of $800 million, also to be distributed over five years. See European Economic Community, Executive Secretariat of the Commission, Convention of Association, Brussels, 1964.

[53] Federal Republic of Nigeria, Federal Government Development Programme, 1962-1968, First Progress Report, op. cit., p. 4, states: "All the external financial assistance offered was tied to expenditure on agreed capital projects in the National Plan and in no case could the loan be drawn in cash."

[54] Ibid.

The time element is important, of course, in assessing the experience of the countries in plan implementation, which in 1964 was still at an early stage in many countries. However, certain shortfalls and imbalances in investment were too prevalent to be of a passing nature, and would seem to be caused by inherent features of the West African economies which no amount of planning can change overnight.

In the first place, there has been a general tendency to overestimate the marginal rate of savings, that is, the amount of domestic savings—private and public—that may be forthcoming as income increases and new policies and institutions start to operate. Saving does not depend on income alone; private saving habits are structural features of a country and need time to be affected. The shortfall in private domestic savings was particularly serious in Senegal, which expected 28 per cent of its plan to be financed from this source. Such government loans as had to be finally floated on the domestic market to finance the most pressing needs of the development plan had to be subscribed by public and semiprivate institutions.

In the public sector, budgetary surpluses that were to be used for development financing were either below planned targets or did not materialize at all.[55] Governments were usually not successful in their efforts to limit the rate of increase in recurrent expenditures as projected (Ghana, Senegal, Mali), while the yield from new revenue sources was slow to come. A

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[55] As in Mali, Ghana, Senegal, and Guinea.

contributing factor to the rise in recurrent expenditure was the general tendency to implement first projects in the economic and social overhead category, which usually could be carried out with executive machinery and techniques well in hand. Nevertheless, the Federal Government of Nigeria in 1963 was able to contribute from budgetary surpluses to the development fund double the amount assumed in the plan. In Nigeria and the Ivory Coast there was also a certain measure of success in the mobilization of private domestic savings for public investment through savings campaigns, combined with sales of government securities to the public.[56]

In the French-speaking countries, budgetary deficits grew larger in the fiscal years 1963 and 1964 and occurred in nearly all the countries under review. Public domestic investment fell short of planned objectives and plans had to be heavily revised and extended.[57] It should be noted, however, that planned targets in some countries were obviously originally overambitious in the light of both historic and recent trends. Guinea, Mali, Senegal, and Niger fall into this category (see Table 2 and Table 3).

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[56] In Nigeria rough estimates indicate total investment of about $520 million in the fiscal year 1962/63, of which slightly less than 40 per cent was accounted for by public investment (reply to U.N. "Questionnaire on Economic Trends, Problems, and Policies 1963-64"). This compares with planned investment of $552 million yearly, of which 67 per cent was to be public investment. Thus, although financed from sources other than those foreseen, the general level of investment planned may be said to have been reached in Nigeria during the first full year of the plan's implementation.

[57] In Senegal, Mali, and Upper Volta.

Second, the availability of total financial resources—both domestic and foreign—has been generally overestimated. Nigeria's experience is typical in this respect. Foreign financing supplied 15 per cent of total expenditure (instead of the expected 50 per cent) in the federal program and still less in the regions. The delays in obtaining foreign aid seem to be due in part to the fact that most aid is given on a project basis and that certain feasibility studies and preinvestment surveys needed in order to apply for assistance were not ready. Suppliers' credits and external reserves have been used to fill the gap—the first nearly exhausting the capacity of Nigeria to service her debts, the second lowering its reserves to precarious levels. In the French-speaking countries private foreign savings have continued to be in short supply for domestic investment. (Private investment in domestic ventures has been always slow in French territories, where in colonial days government participation and insurance against loss were required to bring forth private investment of any significance.) At the same time, however, public foreign investment was ahead of schedule in Senegal, Cameroun, Niger, and Mauritania.

Third, total plan costs have usually been underestimated (as in Nigeria, Sierra Leone, Senegal, Cameroun), and inflation and delays in implementation have escalated costs still more.

Fourth, the sectors in which the plan has been fully "implemented" were the "social and administrative" ones—including the building of infrastructure. Investment in productive sectors has lagged in nearly all countries. The lag

of investment in directly productive sectors has substantially distorted the planned investment pattern and, if not corrected, will endanger the planned structure of future production, jeopardizing further the performance of the economy and the projected increase of the share of domestic savings in the financing of plans.

T A B L E S

Explanatory notes:

( ) Parentheses have been used around the figure for private investment when the plan does not distinguish between domestic and external private investment.

\- Not available.

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TABLE 1. PROJECTED FINANCING OF CURRENT DEVELOPMENT PLANS BY SOURCE AND TYPE OF FUNDS

(Million Dollars and Per Cent)

Country	Planning Period	Planned Expenditure		Per Capita	Domestic Sources			External Sources	
		Total	Annual	Annual	Public	Private	Direct[a] Investment	Public	Private
		(million dollars)		(dollars)	(per cent)			(per cent)	
Mauritania	1963-1966	117.0	27.0	33.8	9	1	-	41	49
Senegal	1961-1964[b]	376.0	94.0	28.5	24	28	1	29	18
Mali	1961-1965	261.0	52.0	12.1	40	-	4	56	-
Guinea	1960-1963	169.3	56.4	17.1					
Sierra Leone	1963-1972	420.0[c]	42.0	19.1	75[c]	(25)[d]			(25)[d]
Ivory Coast	1960-1970	635.0	63.5	18.7	44	(53)[d]	3	18	(53)[d]
Upper Volta	1963-1968	137.0	27.4	6.9	8	13	9	54	16
Ghana	1963-1970	2,845.0[e]	407.5	56.6	27	33	10[f]	20[e]	10
Niger	1961-1963	98.0	33.0	11.0	5	(28)[d]	6	61	(28)[d]
Nigeria (Federal and Regional)	1962-1968	3,313.0	552.0	10.0	39[g]	16	-	28	17
Cameroun	1961-1965	193.8	38.8	9.0	15	7[h]	32[i]	40	6

Sources: National development plans.

Note: Countries are arranged by their geographical location in West Africa, from north to south. Percentages are rounded.

TABLE 1 (concluded)

[a]Referred to as "investissement humain" (human investment) in the French-speaking countries, it would seem to denote the value of direct labor investment in community development schemes and similar works.

[b]The original Senegal plan, 1961-1964, was extended to 1965 at the end of 1963.

[c]Capital expenditure only. The yearly investment expenditures during the ten-year period, 1962/63-1971/72, of the plan are unevenly phased. During the first five years 83 per cent of the total, or $348 million, is to be invested starting with about $90 million in the first year but tapering off to $50 million in the fifth year. During the second five years of the plan, public expenditure alone is roughly estimated at $72 million, which works out to an annual average of $14.4 million. The second five-year program is quite tentative and incomplete. Under "public domestic sources," 75 per cent refers to public financing only; division between total domestic and total external financing is estimated at between, say, 33 and 40 per cent of program. See text, p. 13.

[d]Includes private investment from both resident (domestic) and foreign private sources.

[e]The figures for Ghana exclude nearly $168 million already committed to build an aluminum smelter in connection with the Volta River project. External sources of finance exclude $280 million (an additional 10 per cent of total) already in hand.

[f]"Direct investment" refers here to the labor investment of individuals in the extension and betterment of farms, construction of homes, and in community development.

[g]Includes capital formation out of recurrent expenditure (19 per cent of total).

[h]Lower estimate: 4 per cent is expected to be invested by foreign resident corporations and 3 per cent by individual investors.

[i]The unexpectedly large percentage of "investissement humain" is not explained.

TABLE 2. SELECTED AGGREGATE GROWTH TARGETS IN CURRENT WEST AFRICAN PLANS AND THEIR IMPLIED ASSUMPTIONS

(Per Cent)

Country		Period	Average Annual Growth Rate of GDP[a]	Annual Demographic Growth Rate	Annual Increase in GDP Per Capita	Total Increase in GDP[a]	Average Investment Ratio (Investment / GDP)	Incremental Capital-Output Ratio (Implied)
Ghana	Plan	1963-1970	5.6	2.6	3.0	48.0	17.0	3.5
	Actual	1960-1962	2.7	2.6	0.1	5.4	16.5	-
Nigeria	Plan	1962-1968	4.0	2.2-2.3	2.0	25.0	15.0	3.5
	Actual	1950-1960	3.9		1.7	46.6	15.4	3.8
Senegal	Plan	1961-1964	8.0	2.2	5.0	48.0	15.0	1.7
	Actual	1960-1962	4.1	2.7	1.5	12.5	10.0	2.6
Mali	Plan	1961-1965	8.0	2.0	6.0	61.0	23.0[b]	2.9
	Actual	1959-1961	3.0	2.6	0.4	9.0	6.0-9.0[c]	
Cameroun	Plan	1961-1965	4.6	1.1	3.5	12.0	10.0	2.7
	Actual	1961-1963		1.5-2.0				
Niger	Plan	1961-1963	4.5	2.7	2.0	15.0	13.8	2.8
	Actual	1959-1961	3.0	2.5	0.3	7.0	11.0	3.7
Upper Volta	Plan	1963-1968	4.0	1.9	2.1	24.0	9-15.0[d]	3.0
	Actual	1956-1959	2.7	1.9	0.4	9.0	8.0	2.9
Ivory Coast	Plan	1960-1970	5.6	2.3	3.4	73.0	23.0	3.3
	Actual	1959-1960	-	-	-	-	17.7	2.9

TABLE 2 (concluded)

Sources: Based on national development plans for the periods given.

Note: The low incremental capital-output ratios assumed by the plans of the French-speaking countries and in particular in the Senegal plan refer possibly to monetary fixed investment only, omitting any valuation of nonmonetary investment.

[a]In real terms.

[b]Estimated on the basis of "commitments to invest."

[c]Incomplete and questionable data.

[d]Gradually rising from 7.5 per cent in 1962 to 15 per cent in 1967.

TABLE 3. PLANNED AND ACTUAL PUBLIC CAPITAL EXPENDITURE UNDER SELECTED WEST AFRICAN DEVELOPMENT PLANS--YEARLY AVERAGES

Country and Currency	Planned Expenditure		Actual Expenditure	
	Period	Expenditure	Period	Expenditure
English-speaking countries		(Millions)		(Millions)
Ghana (G£)	1951-1957	15.5	1951-1957	13.3
	1957-1959	21.4	1957-1959	20.0
	1959-1963	50.0	1959-1963	37.0
	1963-1970	68.0	1960-1962	42.0
Nigeria (N£)				
Federal government only	1946-1955	5.5	1946-1955	7.0
Nigeria--all governments	1955-1962	23.5	1955-1961	22.0
Nigeria--all governments	1962-1968	112.8[a]	1962-1963	68.0
Sierra Leone (£)	1950-1955	2.2	1950-1955	1.6
	1955-1959	2.7	1955-1960	4.1
	1962-1967	20.1		
French-speaking countries		(Billions)		(Billions)
Guinea (Guinea Fr.)	1953-1957	2.6	1953-1957	3.4
	1960-1963	13.0		
Ivory Coast (CFA)	1953-1957	6.1	1953-1957	5.2
	1960-1970	15.5[b]	1953-1959	4.7
			1962-1963	6.3
Mali (Mali Fr.)	1953-1957	2.9	1953-1957	2.8
	1961-1966	20.0	1961-1962	5.0
Mauritania (CFA)	1953-1957	0.7	1953-1957	0.8
	1963-1966	7.2		
Niger (CFA)	1953-1957	0.7	1953-1957	1.1
	1961-1963	5.3	1961-1963	2.5[c]
Senegal (CFA)	1947-1957	2.2		
	1953-1957	4.0	1953-1957	4.2
	1961-1964	12.2	1961-1963	6.6
Upper Volta (CFA)	1948-1953	0.7		
	1953-1957	1.3	1953-1957	1.8
	1960-1963	2.3	1957-1960	
Cameroun (CFA)	1947-1953	5.8[c]	1947-1953	5.0[c]
	1954-1959	7.5[c]	1954-1959	7.0[c]
	1961-1965	9.0[c]	1961-1962	10.2

TABLE 3 (concluded)

Sources: Based on national development plans. French territories, data for projected expenditures, 1947-1957: Food and Agriculture Organization of the United Nations, F.A.O. Africa Survey, Rome, 1962, Table 34. Actual expenditures: Ona B. Forrest, "Capital Formation and Economic Growth," Cambridge, Mass.: M.I.T., Center for International Studies, forthcoming.

Note: Public investment "development expenditure" includes foreign aid.

[a]Revised estimate. See Federal Republic of Nigeria, Federal Government Development Programme, 1962-1968, First Progress Report, Sessional Paper No. 3 of 1964, Apapa: Nigerian National Press, March 1964.

[b]Estimated from indicators.

[c]Public share estimated from total investment.

TABLE 4. PROJECTED FINANCING OF PLANNED PUBLIC INVESTMENT BY SOURCE OF FUNDS IN SELECTED WEST AFRICAN COUNTRIES
(Million Dollars and Per Cent)

Country	Planning Period	Total Public Investment	As Per Cent of Total Programs	Domestic Resources		External Public Resources	
				Total	Loans Only	Total	Grants Only
		(million dollars)		(as per cent of public investment)			
Mauritania	1963-1966	59.0	50	20		80	n.a.
Senegal	1961-1964	203.0	53	37	8.0	55	29
Mali	1961-1965	261.0	100	44		56	n.a.
Ghana	1963-1970	1,323.0	47	41	5.0	54	n.a.
Niger	1961-1963	66.0	72	10		90	n.a.
Nigeria	1962-1968	1,901.0[a]	67	50		50[c]	10[c]
Cameroun	1961-1965	122.0	55	30		70	n.a.
Ivory Coast	1960-1970	678.0	57	58		42[b]	n.a.
Sierra Leone	1963-1972	350.0	75[d]	70[e]		30[e]	n.a.

Sources: Table 1 and national development plans.

Note: n.a. = no division into grants or loans is available.

[a]Does not include $150 million public investment to be financed out of recurrent expenditure.

[b]It is not made clear whether the external public aid is included in the total expenditure planned or whether the $285 million are in addition to the total outlay stated.

TABLE 4 (concluded)

[c]"The tacit expectation was that external finance would be forthcoming in the following proportions: 20 per cent outright grants, 40 per cent conventional term loans (6-10 per cent interest repayable over 10-16 years), and 40 per cent soft term loans." See Federal Republic of Nigeria, Federal Government Development Programme, 1962-1968, First Progress Report, Sessional Paper No. 3 of 1964, Apapa: Nigerian National Press, March 1964.

[d]Proportion of the first five years applied to total plan period.

[e]Estimated; see text, p. 13.

TABLE 5. DISTRIBUTION OF PUBLIC CAPITAL EXPENDITURE BY SECTOR IN CURRENT WEST AFRICAN DEVELOPMENT PLANS

Country	Plan Period	Agriculture	Industry	Infrastructure	Social Services	Administration
		(as per cent of total)				
Mauritania	1963-1966	12	50	30	-	8
Senegal	1961-1964	13	44	19	21	3
Mali	1961-1965	26	14	48[a]	7	5
Guinea	1960-1963	28	18	23	15	16
Sierra Leone	1962-1967	8	9[b]	37[b]	40[c]	6[d]
Ivory Coast	1960-1970	14	46[e]	19	19	2
Upper Volta	1963-1968	37	21	15	17	10[f]
Ghana[g]	1951-1959	5	10[g]	37	36[h]	12
	1963-1970	14	32[g]	11	31[h]	12
Niger	1961-1963	23	7	25	32	12[i]
Nigeria	1955-1961	5	9[j]	41	23	22
	1962-1968	14	29[j]	28	21	8
Cameroun	1961-1965	24	10	41	20	5

Sources: National development plans for the periods given.

Note: "Industry" includes expenditures on trade and electricity. "Infrastructure" refers to expenditures on basic facilities such as transport and communications, telecommunications, and the like but not electricity, unless so indicated. Percentages are rounded and may not add up to 100.

TABLE 5 (concluded)

[a]Mali includes "vehicles" in the directly productive sector, but here they have been shifted to "infrastructure."

[b]Electricity (11 per cent) is included in "infrastructure."

[c]"Social services" for Sierra Leone include 34 per cent for health, education, and social welfare; 2 per cent for water supplies; 4 per cent for housing and country planning.

[d]Includes 4 per cent for "public works" not otherwise identified.

[e]Includes allocations for electricity, industry, and tertiary services.

[f]Includes 8 per cent for research and surveys and 1 per cent for administrative overhead.

[g]Figures are based on Table 2.2, "Distribution of Proposed Plan Expenditures," of the official plan document. Volta River electricity project, a separate item in the official classification, is here included under "industry," accounting for 7 per cent of total public capital expenditure in the 1963-1970 plan and for 1.4 per cent in the 1951-1959 plan. Other investment for electricity expansion, projected at slightly over 2 per cent in both plans, is also included here under "industry."

"Miscellaneous and contingencies," a separate item in the official classification, is here included under "administration," accounting for 5.3 per cent of total public expenditure in the current plan and for 2.6 per cent in the 1951-1959 plan.

[h]Water and sewerage are included under "social services" in both plans (5 per cent) although in the official classification they are included under "infrastructure."

[i]Niger allocates 7 per cent for research and surveys and 5 per cent for administrative overhead.

[j]Includes electricity: 15 per cent in the 1962-1968 plan and 6 per cent in the 1955-1961 plan.