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Economique et Sociale en Afrique**

**PLANNING AND FINANCING FOR DEVELOPMENT
PLANIFICATION ET FINANCEMENT DU DEVELOPPEMENT**

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EDITED BY

A. S. BUJRA

Guide to Contributors

Contributions are invited from all over the world, and especially from African (and non-African) scholars working in African universities and research institutes. Articles are accepted in both English and French, but should, if possible, include a brief summary in the other language. The average length suggested for an article is about 25 - 30 pages, typed in double spacing, preferably on quarto-size sheets, and on one side of the paper only. Any footnotes should be numbered consecutively and placed at the end of the article. Copyright of accepted articles will be vested with CODESRIA. Each contributor will receive a copy of the journal together with 15 off-prints of his article. Contributors to *Africa Development* express their own opinions, which should not be interpreted as being the official view of CODESRIA or of any institution / organization with which the authors may be connected.

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Avis à nos collaborateurs

La Revue AFRICA DEVELOPMENT est prête à accueillir des articles venant du monde entier et notamment des articles de chercheurs africains (et non-africains) d'universités et instituts de recherche en Afrique. Ces articles peuvent être rédigés soit en anglais soit en français et devront être accompagnés autant que possible d'un résumé dans l'autre langue. Ils devront compter en moyenne 25 à 30 pages, in quarto de préférence, dactylographiées en double interligne. Les notes accompagnant les articles seront numérotées par ordre consécutif et réunies à la fin. Les droits d'auteurs sur les articles acceptés sont cédés à CODESRIA. Chaque auteur recevra un exemplaire de la revue ainsi que 15 tirés-à-part de son article. Les opinions exprimées n'engagent que leurs auteurs et ne reflètent pas nécessairement celles du CODESRIA ou de toute autre institution ou organisation à laquelle les auteurs pourraient être rattachés.

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EDITORIAL *

Dans ce premier éditorial de notre nouvelle revue, il est nécessaire et opportun d'exposer les objectifs de la revue et de l'organisation qui la parraine.

AFRICA DEVELOPMENT est une publication du Conseil pour le Développement de la Recherche Economique et Sociale en Afrique (CODESRIA). Cette revue a pour objet principal d'offrir un forum aux chercheurs africains (et non africains) pour l'analyse critique des problèmes résultant du processus continu, passé et présent, du sous-développement qui caractérise l'Afrique.

Même les chercheurs conservateurs admettent, bien qu'à contre cœur, que le sous-développement du continent africain est un processus ancien qui a démarré *bien avant l'avènement officiel du colonialisme*. Les prétendus africains nous avaient jusqu'à présent présenté, de façon simpliste et incorrecte en fait, le passé de l'Afrique comme suspendu dans une « éternité traditionnelle » dans laquelle depuis des temps immémoriaux les divers systèmes sociaux des sociétés africaines coexistent dans une harmonie parfaite et presque mécanique. Les africanistes européens affirmaient même avec arrogance que (avant la colonisation) les sociétés africaines n'avaient pas d'histoire parce qu'elles ne connaissaient pas l'écriture qui permet de consigner les événements. (Et, de toute façon, comme ces sociétés étaient structurellement harmonieuses et immuables, c'est-à-dire n'évoluaient pas, elles ne connaissaient pas d'événements et de processus suffisamment importants pour être consignés ! Donc même si certaines d'entre elles possédaient un alphabet, elles l'utilisaient principalement pour l'enregistrement des actes matrimoniaux et pour l'établissement d'arbres généalogiques !). Cette vision extrême, peu scientifique, a maintenant, bien sûr, été abandonnée. Elle a été remplacée par la vision plus complexe d'une école qui considère que chaque société africaine présentait en fait des caractéristiques pro-

* Cet éditorial (original en anglais) est paru dans le premier numéro de *Africa Development* sorti en Août 1976. Notre intention était alors de publier le journal simultanément en anglais et en français. Etant donné la modestie de nos ressources, il nous a été impossible de publier la version française et les trois numéros de 1976 ont tous été entièrement en langue anglaise. A cause des difficultés de tous ordres nous avons alors décidé de publier les articles dans leur langue d'origine (français ou anglais) dans chaque numéro. Il en a été ainsi avec le volume II N° 1 (1977) cette année. Il est donc nécessaire que cet éditorial paraisse maintenant en français.

pres et avait eu une histoire glorieuse. Cette histoire africaine, toutefois, est faite de migrations tribales, de guerres tribales, et est l'histoire de la mise en place d'institutions politiques, allant du système de parenté au système de royauté.

Les historiens des tribus abondent maintenant en Afrique et il va sans dire que ce sont en majorité des africains. Cette école d'historiens est évidemment un progrès par rapport à l'école historique antérieure. L'histoire de tout continent est un processus considérablement complexe et il faut évidemment consigner et expliquer tant les migrations passées que l'évolution des institutions politiques. Mais ce n'est là qu'un aspect de l'évolution historique de l'Afrique et, comme l'affirmeraient certains, ce n'est pas l'aspect décisif et fondamental de l'histoire de l'Afrique. Cette mise en relief des histoires, si brillantes que soient certaines études, est une forme de mystification et un obstacle à une compréhension appropriée de l'histoire réelle de l'Afrique. Des études historiques, sortant des sentiers battus, ont été récemment effectuées et elles influent considérablement sur notre compréhension du passé de l'Afrique. Ecartant toutes les œillères conceptuelles fausses et non scientifiques qui font apparaître l'Afrique comme « traditionnelle », « immuable » et « harmonieuse », ces études ont considéré le passé de l'Afrique en fonction des systèmes technologiques et économiques établis dans différentes régions : comment leur présence (ou leur absence) a affecté des formations sociales spécifiques, la production d'un surplus et l'émergence d'un commerce interne et inter-africain (lointain), etc. En d'autres termes, l'Afrique comme tout continent, a connu un processus de développement technologique, économique et social, à des époques spécifiques de son histoire. Certains auteurs ont en fait affirmé avec force que le développement technologique et économique indépendant de l'Afrique avait été sapé et dévié il y a quelques siècles par l'intervention de l'Europe en Afrique. Cette intervention, au nom du « commerce », étendue sur une période de deux ou trois siècles, a jeté les bases de la colonisation officielle de l'Afrique par les puissances européennes.

La recherche sur le passé de l'Afrique est actuellement effectuée d'une part par l'école de l'« histoire tribale » et d'autre part par l'école de l'histoire du « mode de production », si je puis ainsi m'exprimer. Les conclusions de deux écoles susceptibles de permettre une meilleure compréhension du processus de développement et de sous-développement de l'Afrique dans le passé seront bienvenues. En fait, il entre dans les objectifs du CODESRIA d'encourager ce genre de recherche. Nous insistons, cependant, pour que les auteurs qui proposent des articles pour cette revue exposent clairement leurs hypothèses et leur cadre de référence théorique.

Si l'étendue du passé précolonial de l'Afrique est nécessaire et utile pour une perspective historique du processus de développement et de sous-développement, nous pensons qu'il est encore plus essentiel

d'effectuer une recherche détaillée sur son passé colonial immédiat. En fait, ce passé colonial immédiat s'insère dans le présent — c'est ce que l'on appelle l'héritage colonial — et pour comprendre vraiment les problèmes actuels de prétendu développement, il faut se référer à ce passé immédiat.

Les ouvrages (d'autres africains et non africains) sur la période coloniale sont nombreux et souvent remarquables par leurs détails ethnographiques. Ce n'est toutefois pas faire preuve de trop de sévérité que de dire que la plupart de ces ouvrages (sauf quelques rares exceptions), nous informent plus sur leurs auteurs que sur la nature fondamentale de la réalité coloniale. Une étude soigneuse des écrits des anthropologues, sociologues, économistes et spécialistes de science politique, etc... montre que tous se rattachent à l'école fonctionnaliste. En partie en raison de ce fait et en partie à cause de la position idéologique des chercheurs, la plupart de ces ouvrages évitent soigneusement d'étudier les questions fondamentales de l'oppression et l'exploitation coloniales, et les structures économiques et sociales qui en découlent et qui ont été délibérément mises en place par les puissances coloniales dans les colonies. C'est pourquoi un certain nombre de prétendues théories ont été proposées. Les anthropologues et sociologues ont proposé une série de théories, la « rencontre de cultures », la « transformation sociale », la « modernisation ». Certains des ouvrages rattachés à ces écoles donnaient des aperçus intéressants et des détails considérables sur « l'emprunt » par les africains de la culture matérielle européenne, sur les règles de parenté et de royauté de différentes sociétés africaines, sur le degré de conformité de l'élite africaine naissante avec sa contrepartie métropolitaine, etc. L'hypothèse à la base de ces histoires était que ce qui se passait en Afrique était une bonne chose et qu'il s'agissait là de progrès et de développement social à l'africaine.

Les économistes ont eux aussi raconté une histoire tout aussi belle en prétendant se fonder sur « des faits stricts ». Les puissances métropolitaines avaient investi des capitaux considérables aux colonies — créant une infrastructure, lançant des industries, ouvrant les plantations et l'agriculture commerciale aux africains — et tous ces investissements ont été, affirments-ils, source de développement économique, et étaient effectués au profit des africains ! Mais, la plupart des spécialistes des sciences sociales n'ont pas fait ressortir les trois aspects fondamentaux de la situation coloniale, à savoir la distorsion de l'économie coloniale, les profits considérables que tirait la puissance coloniale de ses prétendus « investissements » et la structure sociale déformée délibérément créée par l'Etat colonial. La littérature issue de l'école de la « transformation sociale-modernisation », qui domine encore même aujourd'hui (l'école de la « rencontre de cultures », née aux Etats-Unis, maintenant dysfonctionnelle, a disparu à la fin de la période coloniale) était donc essentiellement déviationniste et mystificatrice. Sur le plan scientifique, elle n'avait aucune valeur, car elle n'expliquait pas le processus

fondamental de sous-développement qui est intervenu en Afrique dans la première moitié de ce siècle.

Qu'en est-il maintenant des dernières années, celles qui ont suivi l'indépendance ? Dans les années 1960, les programmes d'études africaines se sont multipliés en Amérique du Nord et en Europe. En Afrique même, des instituts d'études africaines et d'études du développement ont jailli partout. Les projets de recherche, effectués par des chercheurs isolés ou des équipes venant d'Amérique du Nord et d'Europe ou d'Afrique se sont considérablement multipliés. Tous les aspects concevables des sociétés africaines — « traditionnelles » et « modernes » — sont maintenant étudiés. Des nombreux projets de recherche aussi divers que « la sorcellerie, obstacle au développement économique », « croyances traditionnelles et dimension de la famille », « stratégie de développement industriel » ou « le rôle du capital étranger dans le développement économique » sont actuellement exécutés par des universités tant africaines qu'étrangères, si bien que la quantité d'ouvrages traitant soi-disant du développement en Afrique s'est considérablement accrue ces dernières années, sans que cependant ils aient apportés plus d'éclaircissements sur l'ensemble même du processus de développement depuis les années 1960.

Par manque de place, nous ne pouvons procéder ici qu'à un examen sommaire de l'épistémologie de cette littérature. Néanmoins, au risque de trop simplifier, il nous faut faire ici quelques commentaires très brefs. La qualité de certains de ces ouvrages est très faible si l'on se base sur les normes minimales de « collecte de données ». Par contre certains sont intéressants à cause des micro détails qu'ils donnent sur la vie sociale de groupes particuliers. Dans l'ensemble toutefois très rares sont les analyses intelligentes de l'essence même des structures économiques des pays africains et le rôle déterminant du système international dans les économies africaines n'a guère été analysé. Il n'existe guère de données et de recherche sur la question importante de la propriété des entreprises économiques (industrielles, commerciales et agricoles) et des biens immobiliers ; il n'existe pas non plus de recherche montrant que les économies coloniales se sont maintenues même dans les sociétés néo-colonialistes d'après l'indépendance. En fait, l'une des lacunes les plus remarquables de la littérature dite du développement est l'absence de recherche sur la structure sociale et de classes des pays africains. Il n'a pas été effectué de recherche et d'étude scientifique sur la structure de classes, délibérément créée pendant la période coloniale, son maintien, son expansion et sa consolidation au cours des quinze dernières années. Ces lacunes soulignent l'orientation politique des organisations de recherche et des chercheurs eux-mêmes. Il existe évidemment des exceptions saillantes à cet égard. Certains chercheurs africains et non africains ont constamment et souvent brillamment attiré l'attention sur les questions fondamentales et essentielles relatives au processus de développement de l'Afrique. Ces exceptions ne font que confirmer la règle. En fait il est souvent très difficile

de se procurer les ouvrages de ces chercheurs exceptionnels et on les trouve difficilement dans les universités, bibliothèques et librairies africaines.

Pour comprendre le processus de développement de l'Afrique, il faut qu'un certain nombre de domaines importants soient analysés de façon approfondie et scientifique. Il s'agit d'abord de la situation de l'Afrique dans l'ordre économique international et il faut plus particulièrement, analyser à cet égard les relations économiques extérieures d'un pays spécifique et leurs implications pour le processus de développement. Toutefois, les questions d'ordre général se posant au niveau international — matières premières, transfert de technologie, etc. — doivent être étudiées et replacées dans le contexte de pays spécifiques.

D'autre part, les stratégies de développement varient et les différences sont toujours liées au système social global. Dans un discours récent*, le Président Nyéréré de Tanzanie a fait remarquer que les pays africains se trouvent en face de deux voies possibles de développement : la voie capitaliste ou la voie socialiste. Bien que les préférences de Nyéréré aillent à la voie socialiste, il fait remarquer à juste titre que les objectifs, les stratégies et les problèmes rencontrés dépendront dans une très grande mesure de la voie choisie par un pays donné. Le contraste entre les pays africains ayant opté pour le cadre capitaliste et tous ceux qui ont opté pour le cadre socialiste est très net au niveau des stratégies et des problèmes dits de mise en œuvre. C'est pourquoi le caractère africain doit être étudié de manière approfondie en analysant toutes ses ramifications et tous les secteurs de la société.

Ainsi les objectifs, stratégies et problèmes de développement rural de la Guinée par exemple et de la Côte d'Ivoire n'ont pas été étudiés de façon scientifique et comparative. Enfin, l'analyse approfondie de la structure de classe et de sa dynamique dans les pays africains est maintenant une nécessité absolue. Ceci dit, nous ne voulons pas minimiser l'apport qu'a constitué le débat récent sur les aspects théoriques des classes en Afrique. Nous voulons simplement souligner qu'en s'attachant trop aux problèmes de définition des classes, on néglige l'essentiel, à savoir la relation entre le développement et la structure de classes (aussi « embryonnaires » et « rudimentaires » que puissent être ces classes). On oublie également la question encore plus importante des alliances de classes à l'intérieur comme à l'extérieur, ainsi que celle des mécanismes permettant d'entretenir des alliances et de contrôler les « institutions dominantes » de la société, à travers l'appareil étatique, alors que ce sont là des aspects des structures sociales des sociétés africaines, quelle que soit l'étiquette du système social — étiquette

(*) J.K. Nyéréré, « The Rational Choice » dans *Freedom and Development* ; O.U.P. Dar es Salam, 1973, pp. 379-390.

socialiste ou capitaliste. Actuellement, il n'y a guère de recherche sérieuse portant sur ces aspects des sociétés africaines. Nous espérons toutefois que ce type de recherche se développera.

La liste des domaines de recherche importants en Afrique mais négligés, est longue. Notre revue a pour but principal d'attirer l'attention sur ce fait et d'offrir un forum aux chercheurs africains (et non-africains) pour la discussion des problèmes importants et pour la communication des résultats de leurs recherches. Nous espérons ainsi encourager l'entreprise de recherches plus pertinentes et à but pratique, dans une perspective africaine.

Notre objectif final est d'offrir aux chercheurs africains une occasion de contribuer au développement général du continent en s'attaquant à l'examen des stratégies de développement existantes, des problèmes et des alternatives actuels. Je suis optimiste par nature et je suis sûr par conséquent que les spécialistes africains des sciences sociales relèveront le défi.

L'autre aspect, tout aussi important de la revue, c'est celui qui concerne la publication d'informations sur les instituts de recherche africains. Dans la mesure du possible, chaque numéro de la revue contiendra des informations sur deux instituts de recherche africains, l'un de langue française et l'autre de langue anglaise. Cette section restera une partie importante de la revue. Nous espérons ainsi lever ne serait-ce que partiellement les barrières linguistiques et régionales de notre continent, même si c'est seulement au niveau de l'information. C'est pourquoi nous espérons que d'autres instituts de recherche répondront à notre appel et nous enverront des articles de nature similaire.

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Sous-développement Industrialisation et dépendance

Abdelkader Sid Ahmed*

Le domaine du développement économique est, à l'heure actuelle, en pleine fermentation, à la suite d'une part, des délicates questions posées, à la fois, par les économistes radicaux, et ceux des pays sous-développés, et d'autre part, de la reconnaissance du fait que le développement économique n'est pas parvenu à réaliser ses objectifs humains. Plus particulièrement, les scientifiques du développement ont réalisé, subitement, que l'hypothèse de l'amélioration des niveaux de revenu des masses des pays sous-développés entraînée quasi-automatiquement par l'industrialisation et la croissance du P.N.B. était fausse.

En effet, il apparaît que la plupart des pays sous-développés ont connu une réduction de la part du revenu allant au 60 % plus pauvres, mais de plus, la réduction relative a été suffisamment prononcée pour se traduire par une réduction des niveaux de revenu absolu des plus pauvres. Simultanément, dans le domaine politique, le processus d'interaction entre les forces sociales de modernisation et la structure existante du pouvoir a conduit à des degrés d'instabilité divers et de violence interne et à une tendance générale à l'adoption de structures politiques de moins en moins participatives (1).

Bref, il est clair que le bien-être économique et le pouvoir politique ont été moins également distribués et que le processus du développement économique des années cinquante et soixante n'a pas conduit au résultat attendu, à savoir une amélioration massive du bien-être des plus pauvres mais a, au contraire, renforcé l'inégalité régnante. Il est aujourd'hui clair que certains types de produits modernes et les technologies nouvelles ont renforcé les disparités déjà fortes de revenu et un style de développement étranger aux objectifs essentiels que s'était assignés la croissance économique dans les pays de la périphérie (2).

C'est à une tentative d'explication de cette situation que nous allons nous livrer. Après un bref compte rendu des « short-comings » de l'analyse traditionnelle du sous-développement devant les faits, nous démontrerons que la seule explication possible de difficultés rencontrées aujourd'hui dans divers domaines par les économies périphériques réside dans l'adoption d'une approche globalisante des rapports entre ces dernières et le centre.

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THEORIES ET FAITS

Il est frappant de constater que durant plus d'un quart de siècle, les responsables politiques de la majeure partie du monde, ont fait du « développement » un thème central de leur propagande politique et affirmé que tous les peuples avaient tant le droit que la capacité de se développer. Ce phénomène devait amener nombre de praticiens et théoriciens à se pencher sur les implications de base d'un tel objectif et à définir les voies permettant de réaliser ce dernier. Une plus grande familiarité avec les problèmes du développement n'a pourtant pas amené les spécialistes à un consensus sur ce **qu'est le développement** et sur la **façon** dont il doit être réalisé. Si bien que nous nous trouvons aujourd'hui avec diverses conceptions et approches qui continuent encore de coexister quand elles ne s'interpénètrent pas les unes et les autres, indifférentes le plus souvent à l'évidence empirique.

Plusieurs conceptions radicalement différentes d'approches au développement peuvent être déduites de ces discussions.

Ces différences ont trait aux questions suivantes :

- a) perception de l'ordre international et son rôle dans le développement national,
- b) images des structures sociales nationales existantes et relations du pouvoir,
- c) nature de la société future devant émerger du processus de développement,
- d) choix ouverts aux agents dans leur tentative de passer d'un présent peu satisfaisant à un futur désiré (3).

Une première approche traduit la conception dite linéaire du développement qui peut se ramener à la « résorption de l'écart » existant entre les pays développés et pays sous-développés. La différence de situation est tout simplement due à une différence de productivité, elle-même née d'une différence dans les niveaux passés d'accumulation de capital (4).

Une seconde approche conteste l'idée d'un processus universel de développement et s'interroge sur l'aptitude de la plupart des gouvernements nationaux et de l'ordre international lui-même à engendrer un processus qui réponde à ce que l'on attend du développement lui-même. Cette approche est née de la remise en cause en sociologie du développement du concept universaliste de société « traditionnelle » alors qu'il devenait clair qu'il y avait beaucoup de traditions exactement comme il y avait de « sociétés modernes », il devenait difficile de déterminer quelle était la tradition spécifique en opposition à la modernisation (5).

Une analyse statique fonctionnaliste ne pouvait pas rendre compte de la diversité de l'évolution ou de la nouvelle histoire des pays du Tiers-Monde des années cinquante et soixante ou de celle même de la colonisation. Parallèlement, les dogmes de base de la théorie de la modernisation établie par la science politique, subissaient un sort semblable à celui établi par la sociologie. L'universalité et la confiance ethnocentrique de l'idée de l'édification de l'Etat-Nation éclatait devant la diversité des problèmes politiques et culturels auxquels les

hommes d'Etat du Tiers-Monde sont confrontés. La conception évolutionniste du progrès provenant du passage de la « tradition » au « moderne » par la voie de la transition était écartée non seulement à cause de l'inéquation de ses concepts, mais aussi parce que comme l'histoire économique moderne l'a démontré, à cause souvent de l'absence de progrès (6). Cette dernière observation constitue dans le domaine économique l'une des contestations les plus dures des hypothèses de base de la théorie de la modernisation. La réalité d'aujourd'hui révèle en effet l'échec des trois orientations à la base de la décision prise il y a deux décennies par les pays sous-développés d'accélérer leur rythme de développement dans le cadre du modèle néo-classique de modernisation. Ces trois orientations étaient des taux de croissance élevés du P.N.B. afin de franchir la barrière des mille dollars/an, seuil du décollage, l'adoption de formules d'économie mixte comme style de développement ; formules destinées à regrouper dans une synthèse harmonieuse, les avantages du capitalisme et du socialisme, enfin une forte assistance financière et technique étrangère afin d'accélérer les rythmes de croissance.

Or il apparaît aujourd'hui que la chasse aux niveaux de vie occidentaux était au mieux une illusion (7). La différence de revenu entre pays riches et pauvres s'est élargie durant les dernières décades. Aujourd'hui le revenu moyen par tête dans le monde développé est de 2.400 dollars environ contre 180 dollars dans les pays en voie de développement. L'écart actuel étant donc de plus de deux mille dollars, on estime qu'à la fin de ce siècle, le revenu par tête dans le monde développé s'élèvera à environ dix mille dollars : l'écart sera alors de plus de neuf mille cinq cent dollars. Toutes les tendances actuelles montrent que l'écart va s'élargir et que les riches deviendront encore plus riches. Le choix de l'économie mixte a souvent abouti à combiner les pires caractères du capitalisme et du socialisme ; il a souvent empêché le jeu de véritables incitations économiques et un fonctionnement libre du système des prix en vue d'une meilleure efficacité dans un cadre capitaliste ; en fait, il y a eu trop de contrôles administratifs inefficaces et de distorsions de prix. En même temps, un tel choix a empêché des pays de poursuivre leurs buts dans un cadre réellement socialiste car les institutions de l'économie étaient le plus souvent de nature capitaliste. Le résultat final est souvent qu'elles échouent avec deux outils combinant des incitations économiques faibles et un socialisme de type bureaucratique. Comme le note Mahbub el Haq, ni l'objectif de croissance ni celui de justice ne sont servis par une telle confusion des objectifs sociaux et politiques dans le cadre de l'économie mixte. Enfin, l'aide étrangère dont le volume s'est révélé cinq à dix fois inférieur à ce qui aurait été nécessaire s'est réalisé dans de telles conditions (aide liée, technologie et experts étrangers, dette extérieure) qu'elle a sapé l'initiative et la liberté d'action du monde en développement amené dès lors à s'interroger sur sa nécessité même (8).

Tous ces faits amènent à penser que le processus de développement suivi par les pays actuellement développés n'est pas réellement ouvert au reste du monde aujourd'hui, sauf peut-être dans quelques cas très spéciaux.

En fait les pays à revenus élevés ont pu se développer en grande partie parce qu'ils pouvaient dominer et exploiter les autres et ceci reste encore largement vrai aujourd'hui. Dès 1950, Raúl Prebisch notait l'existence d'une tendance de longue durée à la détérioration des termes de l'échange des matières premières (9) tandis que mûrissait ultérieurement la thèse suivant laquelle, c'est la structure coloniale du capitalisme mondial qui, dès le début, a créé et maintient encore aujourd'hui les caractéristiques du sous-développement du Tiers-Monde (10).

Aussi, tant que les pays développés conservent les mêmes structures économiques et politiques ils sont congénitalement incapables d'aider les pays les plus pauvres à se développer. Dans ces conditions, les modèles qu'ils offrent ne peuvent conduire les pays sous-développés que dans l'impasse, minant la capacité nationale de décision nécessaire à un développement authentique et autonome.

Le système mondial est alors perçu, comme le dit avec justesse Marshall Wolfe : comme une pyramide vivante plutôt qu'une procession (11), les pays au sommet de la pyramide étant capables de grimper plus haut et toujours plus haut car ils reposent sur les épaules de ceux qui se trouvent à la base de cette dernière. Comme la pyramide est un organisme vivant, elle est continuellement en mouvement, ceux du bas essayant de s'échapper ou de parvenir au faite repoussés par ceux du sommet grâce à des combinaisons variables de contrainte, menaces et incitations. De temps à autre, une convulsion saisit l'ensemble de la pyramide quand le conflit au sommet s'exaspère et que les opportunités de parvenir à lui se multiplient. Le développement pour les unités à la base, présuppose la destruction de l'ensemble de la structure pyramidale et des relations de coopération entre unités. Cette image pyramidale du système international s'accompagne d'une image similaire des structures de pouvoir au sein des unités (12) ; c'est pourquoi on a pu écrire que l'ensemble du problème du développement historique des sociétés du Tiers-Monde est radicalement affecté par le phénomène de dépendance, qui ne peut être seulement un point externe de référence, mais un élément fondamental d'interprétation de la théorie du développement (13). La dépendance comme élément conditionnant certains aspects de la structure implique que l'on conçoive le développement comme un large phénomène historique mondial découlant de l'expansion et de la consolidation du système capitaliste. Cette approche signifie que l'on intègre dans une même explication historique, l'expansion capitaliste des pays développés et les conséquences de cette expansion sur les pays qui sont aujourd'hui adversément affectés par elle. Ces conséquences ne sont pas les « effets » du développement capitaliste au sens simple du terme, mais constituent des éléments spécifiques de la totalité en soi. Cette approche a le mérite de dégager clairement la spécificité du développement des pays avancés et par là même des pays sous-développés. Donc de la même façon que l'étude du développement capitaliste dans les centres hégémoniques a donné naissance à la théorie du colonialisme et de l'impérialisme, l'étude du développement dans les pays sous-développés d'aujourd'hui conduit à une théorie de la dépendance (14). Ce phénomène de dépendance est capital

et permet seul de comprendre les problèmes que rencontrent les pays sous-développés, aujourd'hui dans le cadre de leurs politiques d'industrialisation.

DEPENDANCE ET INDUSTRIALISATION

Le sous-développement à l'origine fut la caractéristique des économies dont les améliorations de productivité résultèrent essentiellement des avantages comparatifs nés de l'expansion internationale de la demande de produits déterminés. Comme le note Celso Furtado, ce sont les modifications dans le profil de demande au niveau du système global qui donnèrent naissance à des accroissements importants de productivité à travers la spécialisation géographique (15).

Le fait essentiel est que ces accroissements de productivité purent s'obtenir avec un minimum de modifications dans les formes de production (agriculture), à travers une utilisation intensive de la main-d'œuvre disponible à coût quasi-nul pour l'employeur.

La seule exception à ce schéma est fournie par les enclaves minières qui nécessitèrent des bouleversements importants dans les fonctions de production. Naquit alors un système de division internationale du travail qui vit les pays alors en voie d'industrialisation se développer en se spécialisant dans les secteurs à forte diffusion technologique et les autres pays se spécialiser dans des activités où ils étaient réputés disposés d'un avantage comparatif. Mais en se spécialisant, les pays périphériques se transformèrent rapidement en importateurs de biens de consommation nouveaux, fruit du progrès technologique développé dans les pays centre. Chacun sait que la spécialisation entraînait un accroissement de la productivité moyenne de l'économie à taux de salaire constant, d'où découlait une élévation du niveau de vie et une modification fondamentale du mode de vie qualitatif de la minorité possédante et autres groupes urbains privilégiés (16).

La conséquence immédiate de cette situation nouvelle fut que le développement se confondit dès lors avec l'**importation de schémas culturels** et la formation d'un groupe social minoritaire doué d'un modèle de consommation similaire à celui des pays à niveau de vie élevé dans les conditions concrètes de dépendance.

Or chacun sait qu'il existe une relation étroite entre le niveau de dépendances des membres d'une collectivité d'une part et le degré d'accumulation de capital par individu employé et le progrès des techniques productives de l'autre (17). Cette relation prend tout son sens lorsque l'économie périphérique s'engage dans la voie dite de la substitution d'importation. Cette substitution concerne toujours les produits jouissant de la demande préexistante de la minorité possédante qui détermine alors dans des limites étroites, les techniques à adopter, c'est-à-dire, le coefficient de capital. C'est ainsi que le dualisme qui s'était formé au plan culturel (modes de consommation en mutation permanente et schémas d'importations versus modes de consommation traditionnels) s'étend à la structure même de l'appareil productif. L'économie périphérique a perdu toute homogénéité structurelle du fait de la naissance d'un déséquilibre au niveau des facteurs (excédent structurel de main d'œuvre), la distribution des revenus en est

affectée. Au plan théorique une conséquence importante en découle. Si comme l'expérience le montre, les salaires n'évoluent pas en fonction de la productivité du fait d'une offre de main d'œuvre très élastique à partir d'un certain taux de salaire et si la densité de capital par employé est fonction du seul niveau de revenu d'une minorité qui reproduit les modes de comportement d'autres économies à niveau de capitalisation plus élevé, se trouve remis en cause, le concept même d'optimum à la base de l'analyse néoclassique (18). Les ressources découlant d'un certain type de répartition du revenu lui-même conditionné par l'hétérogénéité structurelle de l'économie périphérique et qui découle du jeu du mécanisme de dépendance ne sont plus allouées dans le cadre de l'économie périphérique, mais en fonction des besoins d'une minorité induits par le centre.

En résumé, l'analyse précédente révèle la nature assymétrique des rapports entre sous-systèmes dans le cadre du système économique international formé à partir de la révolution industrielle. Le contrôle du progrès technique et la possibilité pour les systèmes dominants d'imposer des formes nouvelles de consommation conditionnent la structuration même de l'appareil productif des systèmes périphériques. Cette structuration s'effectue de telle façon qu'elle permet à une minorité au sein de sous-système dépendant de recréer les modes d'existence engendrés dans le sous-système central. Il est clair qu'il existe aussi dans l'économie dépendante, sous forme d'une enclave sociale, un groupe culturellement intégré dans le sous-système dominant. Donc le dualisme est à l'origine un phénomène socio-culturel qui se manifeste du point de vue économique comme une discontinuité dans la superficie de la demande, dualisme transféré ultérieurement par l'industrialisation de substitution d'importation (I.S.I.) à la structure de l'appareil productif.

An plan théorique une constatation importante s'impose : les économistes traditionnels analysent le dualisme des économies sous-développées dans le seul cadre de ces derniers et l'expliquent le plus souvent comme un déséquilibre au niveau des facteurs, résultant de l'inadéquation des techniques adoptées (19). Ces économistes ne virent pas que le phénomène cité est à l'origine une conséquence de formes de comportement déterminées. Or cet aspect ne peut être vu que si l'on observe la structure même du système global et l'asymétrie des relations entre les parties.

Dans ces conditions, l'I.S.I. loin de constituer une prolongation de l'appareil productif traditionnel ou une transformation de ce dernier constitue un transfert du centre vers la périphérie d'activités productives liées à une clientèle consommatrice conditionnée et contrôlée. Le déclin historique du dynamisme du secteur externe des économies périphériques engendre dans ces dernières des modifications structurelles telle que la décentralisation des activités manufacturées. Cette décentralisation ne signifie pas l'industrialisation qui s'apparente plutôt à une production autonome de produits manufacturés, mais la décentralisation signifie la localisation partielle ou totale dans le sous-système dépendant de la production physique d'articles qui restent fondamentalement conçus dans le centre dominant.

CONSEQUENCES DE CES OBSERVATIONS QUANT AU PROCESSUS DE DEVELOPPEMENT DES PAYS SOUS-DEVELOPPES

L'esquisse précédente a permis de capter la nature du processus de développement dans les conditions de la dépendance, à travers ses diverses manifestations. Dans le cas des formes traditionnelles de dépendances (système classique de division internationale du travail), l'accroissement de la productivité des sous-systèmes déterminés indépendamment des modifications dans la fonction de production est possible. Bref, à l'expansion du système global correspond une transformation des sous-systèmes périphériques. La pénétration de la technologie reste faible en général et se limite à l'infrastructure et à l'organisation urbaine. Par contre, la modernisation des formes de consommation de la minorité accompagne toujours l'accroissement de la productivité. Lors de la phase suivante dite d'I.S.I. les flux réels entre centre et périphérie perdent leur rôle dynamisateur au profit d'une forte diffusion de techniques nouvelles qui aboutit à une décentralisation de l'activité manufacturière et à une modification des fonctions de production.

Avec l'installation du complexe industriel local, les formes nouvelles de consommation continuent à jouer un rôle clef dans le dynamisme du sous-système, mais ces dernières sont désormais importées à la différence des économies développées en lesquelles le facteur dominant est un processus dialectique des formes nouvelles de consommation et de puissantes innovations techniques qui déjà incorporées au système sont une source importante de productivité comme l'ont montré les études récentes sur le résidu. Chacun sait, qu'il s'en suit une évolution de niveau de vie de l'ensemble de la population grâce à la hausse des taux de salaire pari passu avec la productivité moyenne ou bien à travers la baisse des prix relatifs (20) des biens de consommation salariaux. Dans les conditions des pays sous-développés, ce processus se limite en sa plénitude au seul groupe de population intégré dans le secteur moderne. Le reste de la population est affecté de façon décroissante en fonction de son degré d'intégration à l'économie monétaire et au marché des produits manufacturés.

Ceci explique pourquoi le développement de l'I.S.I. dans les pays du Tiers-Monde s'est partout accompagné de disparités de revenu spatiales et temporelles de plus en plus accusées sans que n'apparaissent les forces d'égalisation censées au bout d'un certain temps les stabiliser et ensuite les réduire comme nous l'assurait S. Kuznets (21).

L'étude menée par Adelman et Morris (22) à partir des données distributionnelles concernant quarante quatre pays sous-développés aboutit à la conclusion que le développement s'accompagne d'un déclin tant absolu que relatif du revenu des très pauvres. Même l'étude de Iain, Tieman et Ahluwalia (23) qui prétend contester ce résultat, met en évidence une concentration croissante en Inde, au Pérou, à Panama, au Brésil, aux Philippines et au Mexique. Cette tendance est encore plus marquée pour le revenu urbain que pour le revenu rural, mettant en évidence le phénomène majeur des économies sous-développées aujourd'hui à savoir la marginalisation urbaine croissante. Les études de Ahluwalia, Fishlow (24) et Weisskopf (25) (Argentine exceptée) vont dans ce sens.

Cette concentration est plus ou moins forte selon le degré d'intégration de la population à l'économie monétaire et au marché des produits manufacturés ; c'est pourquoi la diffusion de la technologie lors de l'I.S.I. donne lieu à une croissance plus que proportionnelle du revenu des groupes riches, qui permettra à ces derniers de diversifier leur consommation, condition nécessaire de la poursuite du processus de diffusion de nouvelles techniques productives.

Cette diversification de la demande détermine l'existence d'un coefficient de capital élevé indépendamment de la constellation existante de ressources, ce qui réduit d'autant la part d'investissements destinée à satisfaire les nécessités de l'ensemble de la population.

Cette observation est confirmée par les études menées ici et là concernant l'intensité de facteurs par classes de revenu au Pakistan et en Turquie. Soligo montre que l'intensité capitaliste de la demande accrue augmente avec la classe de revenu et est plus faible pour la consommation rurale que pour la consommation urbaine (26). Sunman aboutit à une conclusion similaire pour la Turquie (27).

La diffusion des techniques dans les formes de produire étant largement conditionnée par l'élévation du coefficient de capital, il est clair que le processus intensif de transfert des activités industrielles liées à la minorité aisée qui caractérise le processus d'I.S.I., se traduit par une très lente diffusion des techniques modernes dans les autres segments de l'appareil productif.

C'est l'accent mis sur la production qui est remis en cause dans un tel contexte. La proposition suivant laquelle la maximisation de la production de biens et services équivaut au développement quelle que soit la nature et l'utilisation qui est faite des produits fabriqués ne tient plus et cède la place aux questions de répartition et de consommation. Les choix concernant ce qui doit être produit impliquent des choix compatibles concernant le mode de distribution et les consommateurs.

Dans les pays où la production de biens capitaux est essentielle, les autres choix ont été relativement simples et ont pu être ajournés. La consommation privée a été maintenue à un bas niveau, mais dans la plupart des pays en voie de développement, les choix n'ont pas été compatibles du fait des mécanismes plus haut énoncés, et les contradictions sont allées croissantes à mesure que l'I.S.I. a progressé et que des mesures de redistributions des revenus se sont imposées. L'objectif visant à réduire l'écart entre les revenus de la masse des populations et ceux des minorités bénéficiaires de la croissance économique s'est révélé incompatible avec le caractère des biens et services produits et avec le mode de fonctionnement présent des économies périphériques (28). Les contradictions sont particulièrement apparues en relation avec les biens de consommation durables, le logement et l'éducation.

Chacun sait qu'une fois épuisé les possibilités de substitution d'importation dans les domaines alimentaires et du textile, l'I.S.I. s'est le plus souvent orienté vers le marché des biens durables et des produits de luxe (29). Chaque fois que les industries automobiles ou d'appareillage électriques ont pu s'établir, les pressions au maintien

d'une distribution des revenus préservant le marché de ces produits se sont faits jour. Ce marché peut être élargi dans une certaine mesure en réduisant les coûts de la production (souvent plusieurs fois supérieurs à ceux des pays développés), en produisant des modèles plus petits et plus simples, en facilitant les crédits, etc... Il est aussi possible d'accroître les revenus des ouvriers les moins organisés, mais à l'exception des pays pétroliers à faible population, il n'est pas possible d'élargir le marché au point d'y inclure pour les biens durables relativement chers, la majeure partie de la population. L'Etat peut, en outre, difficilement contrôler l'allocation de devises et des ressources domestiques en vue de l'importation des inputs nécessaires à ses industries et à la construction de routes et autoroutes. Le dilemme qui en résulte est particulièrement difficile pour les régimes qui reçoivent un certain support populaire et s'engagent dans un développement visant à une plus grande justice sociale.

Parmi leurs supporters, se trouvent précisément la couche urbaine qui prétend à ce type de biens et parmi elle, les ouvriers organisés qui les produisent et dont les perspectives seraient menacées par tout changement radical dans les modes de consommation (30).

En conclusion, on peut dire que reproduire dans un pays périphérique, le système industriel d'une économie développée contemporaine (objectif de l'I.S.I. en situation de dépendance), c'est-à-dire le système industriel d'un pays où le niveau d'accumulation du capital est bien plus élevé, revient à créer un appareil de production à double secteurs, caractérisés l'un et l'autre par des degrés technologiques très différents. Cette situation était inconnue dans la phase antérieure à l'I.S.I. car la diversification de la consommation de la minorité était satisfaite par le surplus découlant de la spécialisation des économies périphériques. Aussi le « déséquilibre au niveau des facteurs » est-il inséparable de la condition même de la dépendance et ne peut être supprimé par le simple transfert de l'excédent de main d'œuvre du secteur de subsistance vers le secteur moderne de l'économie périphérique à travers un renforcement de l'accumulation de capital en ce dernier secteur. Mais comme par ailleurs, la dépendance s'aggrave continuellement du fait de l'introduction de nouveaux produits dont la production requiert des techniques de plus en plus sophistiquées et une masse de capital de plus en plus grande, l'industrialisation ne se poursuivra que si le taux d'exploitation augmente i.e. si la distribution du revenu se concentre. C'est pourquoi, la poursuite de la croissance en vient à reposer principalement sur l'aptitude des classes au pouvoir à amener la majeure partie de la population à accepter une inégalité sociale croissante ou si l'on préfère l'austérité (31).

DEPENDANCE, TECHNOLOGIE ET MULTINATIONALISATION

On a vu que le passage de l'importation à la production locale de biens destinés à la satisfaction d'une demande préexistante n'implique pas l'élargissement du marché intérieur car il repose exclusivement sur cette dernière. La qualité des produits demandée qui doit être équivalente à ceux antérieurement importés, fait de la techno-

logie une variable prédéterminée par le profil même de demande. Le choix de la technologie se fera en fonction de la nature de cette demande qui plaide aussi pour la technique en vigueur au même moment au centre. Il est clair alors qu'on ne peut définir la rationalité des choix technologiques par rapport à la totalité de l'espace national (32) où se localise un processus d'industrialisation. Cette dernière se réalisant en circuit fermé au bénéfice d'une minorité, la constellation des ressources et la disponibilité en facteurs ne conditionnent en rien les choix technologiques. Comme par ailleurs, la technologie contribue dans le schéma plus haut esquissé à la concentration du revenu, elle apparaît comme l'une des conditions de la préservation du système et la poursuite de l'industrialisation en circuit fermé.

Le renforcement de l'I.S.I. avec l'implantation d'industries de biens d'équipement ne modifie pas fondamentalement ce schéma, la qualité des produits et le type d'équipement que ces industries doivent livrer sont, en fait déterminés par les besoins des industries utilisatrices ; les industries de biens de consommation. Or celles-ci continuent à être conditionnées par la demande de la minorité riche, ce qui limite là encore les choix technologiques. Du fait de leur rentabilité incertaine et de leur complexité, ces industries sont le plus souvent prises en charge par l'Etat. L'intervention de ce dernier ne peut briser le schéma précédent que s'il modifie la répartition de revenu lui-même et le modèle de consommation qui sert de base à la demande de produits industriels. Cette phase de la substitution d'importation s'achève avec l'édification de la capacité de reproduction de la technologie importée et l'existence d'un secteur public contrôlant les industries de base et qui devient alors la source d'accumulation la plus importante. L'épuisement de l'I.S.I. amène les économies périphériques les plus industrialisés à reproduire le dynamisme de croissance des pays industrialisés caractérisée par la vitesse de diversification de l'offre de biens de consommation. Or si dans les pays développés les innovations technologiques se diffusent dans l'ensemble du système du fait de l'homogénéité structurelle (donc technologique) qui le caractérise, dans les pays du Tiers-Monde qui atteignent ce niveau, l'imitation du modèle des pays industrialisés condamne tout progrès vers une situation d'homogénéité technologique. Or étant donné que le rôle moteur dans les économies périphériques est assuré par la production de biens de consommation (durables et non durables), dont la vitesse de changement est élevée, on aboutit aux situations suivantes :

- L'industrialisation continue à progresser en circuit fermé au profit d'une minorité, de larges secteurs de la population n'accèdent pas aux nouveaux modèles de consommation. Au Brésil, dans les années cinquante, l'Etat a favorisé ce processus en subventionnant les investissements et en élargissant la demande. Pour réduire les coûts des biens durables, dont le marché était limité, l'Etat réduisit les prix des biens d'équipement importés au moyen de taux de change différentiels et subventionna les investissements industriels par l'octroi de prêts à long terme à taux d'intérêt négatif. La réduction de moitié du coût du capital fixe permit aux industries qui produisaient des biens

de consommation durables de réaliser les profits, même si elles fonctionnèrent très en dessous de leur capacité de production.

- L'autre situation est celle où les centres de décision économique se déplacent progressivement vers les grandes firmes multinationales. Pour que les innovations dans le domaine des biens de consommation se réalisent au même rythme que dans les économies centrales, il est nécessaire que les grandes firmes multinationales leur fournissent leur support technologique, or aujourd'hui la concurrence entre les grandes firmes a lieu dans une large mesure sur la base de l'exploitation des innovations qu'il importe, dans le système capitaliste présent, de développer au maximum et le plus vite possible dans les branches les plus diverses. Cet objectif amène les firmes à « multinationaliser » l'espace de leurs activités afin de pouvoir diffuser simultanément en divers endroits du globe, les innovations dès leur sortie de laboratoires de recherches. Ces firmes sont solidement implantées dans les branches des biens de consommation durables (automobile, électro-ménager, l'électronique, etc...) et certaines branches de consommation non durables (alimentation, par exemple). C'est ainsi que les filiales des firmes multinationales du fait des orientations qui prélèvent dans la consommation des espaces périphériques parviennent à contrôler l'ensemble du processus d'industrialisation dans ces espaces. Ceci survient même dans la situation où le secteur des biens d'équipement est contrôlé par l'Etat.

Ainsi au Brésil, les taux élevés de croissance de la production industrielle observés de 1968 à 1972 après une assez longue période de relative stagnation résulte d'une politique gouvernementale qui parvint à attirer les firmes multinationales et à soutenir l'expansion des secteurs industriels des entreprises déjà installées dans le pays. Par divers artifices, l'Etat orienta la répartition des revenus de façon à rendre alléchante la demande pour ces firmes. Par suite, le panier des biens de consommation qui cherche à reproduire les modèles de consommation des pays riches se développe rapidement à la fois en termes relatifs et absolus. La politique de prix bas imposés aux industries contrôlées par l'Etat de biens intermédiaires, aidera les firmes multinationales à obtenir un amortissement rapide et à maximiser leur profit et leur expansion. Bref, un certain profil de demande correspondant à une concentration accrue de la distribution des revenus et à un fossé plus large entre les niveaux de consommation d'une minorité riche et le reste de la population, entraîne une composition des investissements qui tend à maximiser le transfert du progrès technique par le canal des firmes multinationales et accroître l'injection des capitaux extérieurs. De sorte que la politique visant à obtenir ce profil de demande tend à maximiser la croissance du P.I.B. (33).

Ceci montre que dans les économies périphériques, le développement est toujours « internationalisé » en ce sens que souvent il est directement lié à l'expansion des activités d'une entreprise dont le centre de décision est localisé en dehors du système en question. Le

développement des sous-systèmes dépendants revêt la forme d'un renforcement de participation en l'économie internationale des activités des grandes entreprises qui contrôlent la diffusion de techniques nouvelles. Par les possibilités qu'elles ont de manipuler ce flux de techniques nouvelles (et particulièrement les produits nouveaux), ces firmes peuvent participer de façon croissante aux activités des sous-systèmes dépendants, libéraux ou étatisés.

Cette extension des firmes multinationales provoque des changements importants dans les économies périphériques. L'accroissement des prix en devises étrangères de la production allant au marché interne affecte la balance des paiements du pays concerné. Pour éviter le blocage du processus d'industrialisation, les firmes multinationales ont esquissé un nouveau schéma de division internationale du travail. Aux formes traditionnelles du commerce international on substitue les opérations entre branches et sièges d'une même firme, ce qui par l'ouverture des marchés du Centre aux produits manufacturés de la périphérie permet à cette dernière de payer les besoins croissants en technologie avec du travail bon marché, ce qui suppose le maintien du taux d'exploitation interne.

Il est clair qu'aux stratégies d'industrialisation (I.S.I. ou industries industrialisantes) qui reposent sur des actions productives prioritaires, il importe de substituer des stratégies qui tout en retenant ces dernières, déterminent aussi des priorités quant aux formes et délais d'accès à la consommation des populations. Ceci implique une réappréciation des articulations concernant les rapports agriculture - industrie, les rapports des industries traditionnelles et industries de biens d'équipement, les combinaisons en facteur, les techniques alternatives en fonction de ces critères (34).

L'objectif premier de ces stratégies devra être de tendre à l'homogénéisation technologique du système. Ce qui suppose que l'introduction du progrès technique se limite aux seules méthodes productives (efficacité meilleure dans l'allocation des ressources), ceci devrait alors permettre un renforcement du processus d'accumulation et une uniformisation progressive des formes de consommation (35). En effet, l'épargne augmentera du fait d'une efficacité plus grande obtenue dans l'allocation des ressources tandis que l'amélioration du taux de salaire moyen et les restrictions imposées à l'introduction de produits nouveaux sur le marché réduiront les différences entre les formes de consommation. Il apparaît qu'une meilleure uniformité de formes de consommation accompagnée de l'introduction du progrès technique dans les méthodes de production est un élément essentiel d'une politique de développement désireuse d'écarter les nouvelles formes de dépendance.

L'incapacité de la théorie économique traditionnelle à expliquer les déséquilibres croissants observés au niveau des pays dits en voie de développement s'explique par la nature et le type de postulats adoptés par elle, qui traduit le « faux universalisme » de la science économique. Pour sortir de cette impasse, il importe de réapprécier le problème du développement à la lumière des faits et analyses récentes. Dans ce cas, la substitution au concept même d'économie

sous-développée, d'une problématique qui souligne que ces économies sous-développées constituent des sous-systèmes dont le comportement ne peut être appréhendé que si l'on dispose d'hypothèses relatives à la structure et au fonctionnement du système global ou pour le moins de quelques hypothèses concernant les relations entre sous-systèmes créateurs de technologie et ceux importateurs de technologie ou de nouvelles formes de comportement, s'avère très fructueuse. Dans cette optique, la théorie du sous-développement recouvre pour l'essentiel une théorie de la dépendance. Il est alors possible de définir les normes de fonctionnement des sous-systèmes dépendants à partir d'hypothèses sur la structure du système global générateur des techniques nouvelles et des formes de comportement liées au progrès technique. Le comportement des agents économiques agissant dans le sous-système dépendant ne peut dans ces conditions être correctement appréhendé sans référence au mécanisme de dépendance. On a pu voir que le phénomène de domination - dépendance se traduit par l'imposition de schémas imitatifs de consommation qui ne reflètent en rien le degré d'accumulation atteint par un système donné, mais qui, au contraire, aggrave la désarticulation qui existe déjà dans sa structure. Le fait en outre, que l'imposition des schémas de consommation soit le fait des groupes responsables des décisions de production remet en cause la validité de l'optimum dans l'allocation des ressources développées par l'analyse néo-classique. Cet optimum est lié en effet à une fonction de bien-être collectif qui présuppose l'autonomie de décisions de la collectivité. Cette esquisse une fois ébauchée permet d'arriver aux conclusions suivantes :

Un surplus en devises est né rapidement de la spécialisation des économies périphériques engendrée par le noyau industriel. Ce surplus a permis aux minorités possédantes de la périphérie d'accéder aux modèles diversifiés de consommation résultant dans les pays industrialisés de l'intense dialectique au processus d'accumulation du capital et du progrès technique. Dès l'apparition de ce nouveau profil de demande dans les économies périphériques et de rendements décroissants dans le secteur externe, est née une industrialisation sous forme de substitution d'importation. Les économies périphériques ont dû alors pour reproduire tout à la fois à leur échelle des systèmes industriels issus de processus avancés d'accumulation de capital et rattraper la diversification croissante de la panoplie des biens de consommation, accroître les taux d'exploitation, ce qui dans ce contexte signifiait une concentration plus grande des revenus. Enfin l'augmentation du coût de la technologie lié à l'accélération du progrès technique a favorisé la pénétration des firmes multinationales dans les économies périphériques, ce qui a encore renforcé la diffusion de nouveaux modèles de consommation et donc le processus de dépendance. Mais si la dépendance à l'extérieur s'accroît, le taux d'exploitation interne augmente lui aussi. Dans ces conditions, toute accélération du taux de croissance économique signifie le renforcement de la dépendance à l'extérieur et de l'exploitation à l'intérieur. C'est pourquoi, toute élévation du taux de croissance dans une situation de dépendance ne peut qu'aggraver le sous-développement en renforçant les inégalités sociales.

Le seul remède réside dans la recherche de l'homogénéité technologique par le biais d'une uniformisation des modes de consommation et l'application du progrès technologique aux seules méthodes de production.

NOTES

- (1) Irma Adelman. « On the state of development economics ». *Journal of development economics*. Vol. 1 n° 1 (June, 1974), pp. 3 - 5.
- (2) Paul Streeten. « Industrialisation in a unified development strategy ». *World development*. Vol. 3 n° 1 (January, 1975), pp. 1 - 9.
- (3) Typologie empruntée à Marshall Wolfe. « Développement images, conceptions, critères, agents, choix ». *Economic Bulletin for Latin America*, Vol. XVIII n° 1 et 2 (1973), pp. 1 - 12.
- (4) Cette école florissante dans les années cinquante se caractérisait par un optimisme à toute épreuve, les économistes et les planificateurs apparaissent comme les missionnaires modernes apportant la compétence technique et les solutions du monde occidental aux problèmes actuellement inexplorés des pays sous-développés. Voir : Ali A. Mazrui. « From social Darwinism to current theories of modernization ». *World Politics*. 21 (1968), p. 82 et suite.
- (5) B.I. Schwatz. « The limits of tradition versus modernity as categories of explanations ». *Daelus* 101 (1972), pp. 71 - 88.
- (6) On postulait que les systèmes politiques démocratiques et compétitifs atteignaient un niveau économique plus élevé que les régimes totalitaires. L'objectif était alors d'affaiblir la tradition dans les pays nouvellement dépendants ; le renforcement des communications et l'utilisation des techniques en vue d'adapter les institutions occidentales à l'environnement culturel non occidental devaient permettre la réalisation de cet objectif. Voir à ce propos : S. Lipset. « Some social requisites of democracy : economic development and political legitimacy ». *American Political Science Review* 53 (1959) et S. Huntington. *Political order in changing societies*, 1968.
- (7) Mahbub ul Haq. « Une nouvelle stratégie du développement ». *Economie et humanisme* (Mars - Avril 1974).
- (8) K.B. Griffin. « Foreign capital, domestic savings and economic development ». *Bulletin of the Oxford University Institute of Economics and Statistics*. Vol. 32 n° 2 (May, 1970), pp. 99 - 112 et T.E. Weisskopf. « The impact of foreign capital inflow on domestic savings in under-developed countries ». *Journal of International Economics*. Vol. 2 n° 1 (February, 1972), pp. 25 - 38.
- (9) Raúl Prebisch. « The economic development of Latin America and its principal problems ». *Economic Bulletin of Latin America*. Vol. VII. n° 1 (1962).
- (10) André Gunder Frank. *Latin America : underdevelopment or revolution*, 1969.
- (11) *Op. cit.*, p. 2.
- (12) D'une autre façon Sunkel écrit : « On ne peut admettre que le sous-développement soit un moment de l'évolution d'une société économique, politique et culturelle « isolée et autonome », on postule au contraire que le sous-développement est part d'un processus historique global de développement, que le sous-développement et le développement sont deux aspects d'un même processus universel, que les deux processus sont historiquement simultanés, qu'ils sont fonctionnellement liés, c'est-à-dire, qu'ils s'interactent et se conditionnent mutuellement et que son expression géographique se concrétise en deux grandes polarisations ; d'une part, la polarisation du monde entre les pays industriels, avancés, développés, centrés et les pays sous-développés, attardés, pauvres, périphériques et dépendants. Par ailleurs, une polarisation au sein des pays dans l'espace, les groupes sociaux et activités avancées et modernes, et dans l'espace, groupes et activités attardées, primitives, marginales et dépendantes ».

- « Capitalismo transnacional y desintegración nacional ». *El trimestre economico*, Vol. XXXVIII, n° 150 (Avril - Juin 1971), p. 577.
- (13) A. Quijano. *Dépendencia, cambio social y urbanización en Latina America*, E.C.L.A., 1967. Mimeographed.
- (14) Sur tous ces points voir : Celso Furtado. « Elements of a theory of underdevelopment : the underdeveloped structures ». In *Development and underdevelopment*, pp. 127-140. Univ. of California Press, 1964 et T. Dos Santos. « The crisis of development theory and the problem of dependence in Latin America ». In *Underdevelopment development : The Third World Today*, edit. by Henry Bernstein, pp. 57 - 80. Penguin, 1973.
- (15) Celso Furtado. « Dependencia externa y teoría económica ». *El trimestre economico*, Vol. XXXVIII, n° 150 (Avril - Juin 1971), pp. 335 - 349.
- (16) Pour une démonstration de ce point voir : Celso Furtado. « Un modelo de simulación del desarrollo ». *El trimestre economico*, Vol. XXXV n° 118 (Avril - Juin 1968).
- (17) Pour la démonstration de ce point voir : Celso Furtado et A. Sousa. « Los perfiles de la demanda y de la inversión ». *El trimestre economico*, Vol. XXXVI (Juillet - Septembre 1970).
- (18) Celso Furtado. « Dependencia externa... » *op. cit.*, pp. 339.
- (19) Et cela conformément à l'analyse néo-classique voir : J.R. Hicks. *The theory of wages*. Mc Millan, 1968, ch. VI.
- (20) Pour la démonstration de ce point pour les économies développées voir : N. Kaldor : « Alternative theories of distribution ». In *Essays on value and distribution*. Duckworth Co. Ltd., 1960, pp. 20 - 236.
- (21) S. Kuznets. « Economic growth and income inequality ». *American Economic Review* 45 n° 1, p.p. 1 - 28.
- (22) Adelman I. and C.T. Morris « Anatomy of income distribution patterns in developing nations : a summary of findings ». Washington : I. B.R.D., 1971. Mimeographed, et *Economic growth and social equity in developing countries*, Stanford University Press, 1973.
- (23) Ahluwalia et al. « Dimensions of the problem ». In *Redistribution with growth and approach to policy*, ed. by H. Chenery et al., Washington : I.B.R.D., 1973. Mimeographed.
- (24) Fishlow, A. « Brazilian size distribution of income ». *American Economic Review* 62 n° 2 (1972), pp. 391 - 402.
- (25) Weiskopf T. « Income distribution and economic growth in Puerto Rico, Argentina and Mexico ». *Review of Income and Wealth* (Déc. 1970).
- (26) Soligo, R. *Factor intensity of consumption patterns, income distribution and employment growth in Pakistan*. Program of Development Studies Paper n° 44. Houston : Rice University, 1973.
- (27) Sunman, T. *Short run effects of income distribution on some macro-economic variables : the case of Turkey*. Program of Development Studies Paper n° 46. Houston : Rice University, 1974.
- (28) Ce qui réduit les chances de succès du programme de la Banque Mondiale.
- (29) Voir Anibal Pinto. « El modelo de desarrollo reciente de America Latina ». *Revista de Economía Latino-America* 32 (1971).
- (30) Ce problème, nous signale Marshall Wolfe, a été amplement débattu au Chili. Voir : Engenio Silva and Eduardo Moyano. « Hacia donde nos conduce el automovil » ? *Panorama economico* 206 (Enero/Febrero de 1972) and Sergio Bitar and Eduardo Moyano. « Redistribución del consumo y transición al socialismo ». *Cuadernos de la Realidad Nacional* 11 (Enero de 1972).
- (31) Conclusion à laquelle parvient Moises Ikonikoff. Voir : « Concentration du revenu, grandes firmes multinationales et modèles de développement en Argentine ». *Revue du Tiers-Monde* (Avril - Juin 1974).
- (32) Moises Ikonikoff. « Transfert de technologie et conditions d'industrialisation ». *Coopération technique* (Juin 1973).
- (33) Celso Furtado. « El modelo Brasileño ». *El trimestre economico*. Vol. XL N° 159 (Julio - Septiembre de 1973), pp. 587 - 600.
- (34) Samir Amin. « Le cadre théorique de la problématique de la Transition ». *Revue du Tiers-Monde* (Septembre - Décembre 1972), cité par Moises Ikonikoff, p. 11.
- (35) Celso Furtado. *Análisis del modelo Brasileño*. Buenos Aires : 1972.

SUMMARY

The field of economic development is now in a ferment, on the one hand because of the delicate questions asked by both radical economists and those from underdeveloped countries and on the other hand the recognition of the fact that economic development has not been able to achieve its human objectives. More particularly development scientists have suddenly realized that the hypotheses according to which industrialization and GNP growth almost automatically resulted in boosting the masses income level in underdeveloping countries was false.

It is now clear that economic welfare and political power have been less equitably distributed and that the economic development process of the 50's and 60's did not have the expected results, namely massive improvement in the welfare of the poorest ; it even aggravates the existing inequalities. It is now clear that certain types of modern products and new technologies have reinforced the already considerable income disparities and a style of development completely foreign to the fundamental objectives of economic growth in the countries of the periphery.

The fact that traditional economic theory was incapable of explaining the growing imbalances in the said developing countries can be accounted for by the nature and type of assumptions adopted by it, which shows the « false universalism » of economic science. To get out of this dead end, it is important to reassess the problems of development in the light of recent facts and analyses. In this case the substitution of the very concept of underdeveloped economy for problematics underlining the fact that these underdeveloped economies are sub-systems whose behaviour can only be understood if one has a number of hypotheses on the structure and functioning of the global system or at least a few hypotheses on the relations between the technology creating sub-systems and the sub-systems which import either technology or new patterns of behaviour, this substitution proves to be fruitful. In this case, the theory of underdevelopment includes a theory of dependence.

All this leads to the following conclusions : a foreign currency surplus was quickly born of the specialization of periphery economies generated by the industrial nucleus. This surplus made it possible for affluent minorities in the periphery to get access to diversified consumption patterns which, in industrialized countries, originate from the intensely dialectical process of capital and technical progress accumulation. Immediately on the emergence of this new pattern of demand in periphery economies and decreasing productivity in the external sector, a type of industrialization was born in the form of import substitution. In order both to reproduce at their own level the industrial systems born of advanced processes of capital accumulation and to catch up in the increasing diversification of consumer goods, periphery economies had to increase their production rate which, in the circumstances meant greater incomes concentration. Finally, the increase in the cost of technology linked with the accele-

ration of technical progress has resulted in the periphery economies being invaded by multinational corporations, which in turn reinforced the diffusion of new consumption patterns and therefore, led to the aggravation of the dependence process. But if foreign dependence increases, the internal exploitation rate also does. Consequently, any acceleration in the economic growth rate means an aggravation of both external dependence and internal exploitation. This is the reason why an increase in the growth rate in a dependence situation can only aggravate underdevelopment through reinforcing social inequalities.

The only remedy would be in the search for technological homogeneity through uniformisation of consumption patterns and exclusive application of technological progress to production methods.

Inflation and Economic Development : Some Lessons from the Tanzanian Experience

Delphin Rwegasira *

I

Tanzania launched its First Five Year Plan (FFYP) for Economic and Social Development (1) in 1964. The Plan rejected monetary disequilibria (e.g. inflationary and deficit financing) of any sort since that was likely to do more harm than good (2), and stressed the importance of a healthy balance of payments position that was not based on trade and exchange restrictions (3). The Second Five-Year Plan (SFYP), which was launched in 1969, also called for internal monetary stability and external balance. It intended to pursue a « cautious policy of monetary expansion » (5) but stressed, unlike the FFYP, the « active use of parastatal financial institutions as a source of public development finance » (6).

Available evidence, as is for instance shown in Table I, indicates that in general the financial record was in line with expectations during the FFYP although consumer prices indicate some upward pressure. The first half of the SFYP, however, witnessed generalised inflationary pressure as the general price level increased at over 3 % p.a. during 1969-71 and Bank of Tanzania lost over 25 % of its 1969 foreign exchange reserves over 1970-71. The period after was one of accelerating price inflation. The foreign reserve level, however, improved considerably over 1971-73, but then dropped precipitously in the crisis year 1974.

In this paper we shall attempt to identify the major forces that led to the failure to achieve the financial stability objective during the SFYP. We shall show that some of the problems are related to the structure of the economy and are therefore generalisable for African countries at a similar stage of development.

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TABLE I
Some Indicators of Inflation, 1964-74*

	1964-68	1968-71	1971-73	1974
1) The General Price Level (1966 = 100)	0.3	3.7 ^a	8.9	16.4
2) Retail Price Index (1969 = 100)	3.7 ^b	3.8 ^a	9.7	30.7
3) Food Price Index (1969 = 100)	2.6 ^b	4.3 ^a	11.6	31.2
4) Change in Bank of Tanzania Foreign Reserves (Shs Mn) (+)353.8 ^c (—)123.7 (+)602.3 (—)785.4				

*Price changes are in average annual percentages.

^aRefers to 1969-71.

^bRefers to the period 1965-68.

^cRefers to the period June 1966 to December 1968.

Source : Computed from Government Economic Surveys and Bank of Tanzania Economic and Operations Reports.

II

Inflationary developments in underdeveloped economies have for quite some time in the economic development literature been associated with problems of capital formation (7). Characterised by low levels of per capita income on which aggregate saving-income ratios depend, the less developed countries are unable to generate voluntary savings to meet desired levels of national investments. It is argued therefore that inflation « occurs because economic development requires a level of capital formation that is difficult for most underdeveloped countries to finance by ordinary means » (8). The « savings gap » can be bridged by inflationary finance: an indirect tax on money which can reduce real consumption and release resources for investment. This view implies that inflation is fundamentally a monetary phenomenon which can ideally be maintained at some (optimum) rate.

This explanation, however, is unsatisfactory on two main grounds. First of all, the identification of the « savings gap » as a binding constraint at early stages of development serves to conceal the multi-dimensional character of the development problem (9). Secondly, but more importantly, monetary praxis in developing economics has increasingly shown that inflation is far from being a purely monetary phenomenon. This is the main point of the « structuralist » writing on the

Latin American experience (10). The question which is posed is whether inflation in underdeveloped economies could necessarily be avoided by financial policies which just allow a given economy to maintain its target rate of growth. The answer to the question is: not necessarily. This is mainly because the financial view of the problem (which stresses capital formation issues and the like) overemphasizes the aggregate demand side and overlooks aggregate supply which is probably as important given the structure of underdeveloped economies. Indeed the general tendency to categorise monetary problems in these countries as originating either from attempts to reach the requisite levels of capital formation or from the limitations of underdeveloped economic structures, is an oversimplification if presented as two competing hypotheses. This is because the categorisation tends to obscure the nature of monetary disturbances given that capital formation problems (as expressed for instance through deficit financing) and limitations of economic structure (reflected mainly in the inconsistencies between production and demand at an economy's target rate of growth) are ever present in underdeveloped but developing economies. Furthermore, the relevant variables (those which may be called monetary and those labelled non-monetary) tend to interact in the inflationary process. For these reasons, the analysis of monetary problems of underdeveloped countries need to incorporate monetary as well as non-monetary variables if a better understanding of the issues is to be gained.

A general consideration of sustained inflationary developments in developing countries seem to point out four major areas in which economic performance may be very influential to the inflation process. The areas (for a given country) are: monetary and financial policies; the foreign trade sector; the process of industrialisation and urbanisation, and the supply of capital; and the agricultural and other potentially bottleneck sectors (11). A detailed consideration (12) of the structure of the Tanzanian economy and experience, however, seems to suggest the following areas as having been significant during the period in question: firstly, although the relatively high rate of monetary expansion which characterised the economy during the early years of establishing a national financial system was not inflationary, the later increase in the money-income ratio seems to have been inflationary. Secondly, the agricultural sector as a food supplier and medium-term determinant of national capacity to import lagged behind all sectors except mining during 1968-72 and exerted considerable inflationary strain on consumer prices and the balance of payments. Thirdly, capacity to import did rather poorly given the economy's target rate of growth, partly due to the problems of the country's agriculture but also due to problems arising from the inherited colonial division of labour. Fourthly, and related to the third observation, was the importance of imported inflation arising mainly from the fact that the country lacks basic industries and is therefore economically inflexible.

We shall examine these issues in that order, taking a broader interpretation of inflationary pressures which refers to price inflation as well as to balance of payments disequilibria.

III

A convenient starting point to the analysis of medium to long-term national monetary problems is to accept the obvious that no sustained inflation can be observed without a permissive monetary and financial policy. Some sort of monetary analysis, therefore, showing the broad sources and uses of finance in an economy may provide interesting clues. The framework used for this discussion (13) defines « money creation » to be based on three sources: internal credit expansion, external credit, and liquidity financing which results from a decrease in the proportion of money to income financed (a declining money-income ratio and rising velocity). A decrease in the proportion of money to income will release extra liquidity which could be used to finance a larger volume of transactions or to accommodate other changes in the demand for money. Total monetary creation according to this same framework, must be « absorbed » by real output growth, price level increase, and the balance of payments deficit (14).

Application of these definitions to Tanzanian data leads to a number of observations both on the sources and uses of funds. On the sources side, the data show that external credit monetisation was important throughout the period 1966-73 (since the founding of the Central Bank towards the end of the SFYP) reflecting external loans and grants to Government and parastatal organisations. Internal credit creation became increasingly important for the period as a whole so that if the year 1972 is excluded, this source rises from a mere 6 per cent of total internal and external credit monetisation during the period 1967-69 to the high proportion of 53 % during 1970-1973. This reverses the order of importance on the sources side during the two sub-periods.

An important force off-setting internal credit creation was the relatively high rate of expansion in time and savings deposits of commercial banks. These deposits were about 39 per cent of money supply in 1968 and rose to over 50 per cent in 1973.

Liquidity financing as defined above and recorded on the sources side, was actually « absorbing » funds through the persistently rising money - income ratio. Such liquidity increase neutralised about 38 per cent of total internal and external monetisation over the period 1967-69 but the figure dropped to about 33 per cent during 1970-73.

On the uses side, income growth « absorbed » quite a high proportion of over 56 per cent of the total monetisation (internal and external) in the period 1967-69, but then declined in the subsequent period to only 29 per cent. Accordingly a greater proportion of monetary expansion must have ended up financing price increases, additions to liquidity, and/or balance of payments deficits. Price increase which had absorbed only 7 per cent of total credit monetisation during 1967-69 greatly increased its importance to absorb about 33 % of the total in the period 1970-73. Balance of payments deficits were much less important during 1967-69 but their role was enhanced in the subse-

quent period. This conclusion is consistent with changes in foreign exchange reserves as indicated in Table I.

From the preceeding analysis, it is clear that the main force behind monetary expansion during the SFYP was internal credit creation. It is important, therefore, to look more closely at the nature of credit expansion during the period and indicate possible consequences on the price level and the balance of payments.

A general impression of the forces behind domestic credit expansion can be gained by looking at gross bank lending as presented in Table 2.

TABLE 2
Total Bank Lending, 1966-1973* (Shs Mn)
Central Government

	Bank of Tanzania	Commercial Banks	Total	Non-Government Lending
1966	72.5	98.0	170.5	806.9
1968	64.9	80.1	145.0	819.8
1969	75.6	168.3	243.9	964.1
1970	291.3	164.7	456.0	1141.3
1971	572.4	247.4	753.8	1365.4
1972	506.4	424.9	997.3	1397.6
1973	484.9	558.6	1043.5	1566.9

*The figures are given in quarterly averages.

Source: Bank of Tanzania, *Economic and Operations Report* (various years).

As can be seen from the table, the year 1969 was the beginning of continued rapid increases in bank borrowing both by the Government and non-government sectors. While non-government borrowing expanded by about 13 per cent p.a. between 1969 and 1973, Government borrowing increased much faster at 43 per cent p.a. thus accounting for close to 60 per cent of total bank credit increase during the period.

Table 3 which shows the sources of Government development funds during the two Five-Year Plan periods, indicates strongly that the major force leading to fast expansion in Government bank borrowing was the desire to increase development finance; for the recurrent budget registered surpluses throughout the period. The table shows that Government borrowing from the banking system remained

TABLE 3

Sources of Government Development Finance, 1964-65 - 1973-74
(Shs Mn)

	1964-65	67-68	68-69	1970-71	71-72	72-73	73-74
Total Expenditure*	203.8	344.1	461.0	829.0	739.0	763.2	1442.0
Financed by							
(a) Surplus on Recurrent Budget	40.0	64.5	83.8	51.7	78.0	133.2	238.0
(b) Non-Bank Borrowing	15.3	138.1	68.2	143.3	86.0	164.0	196.0
(c) Borrowing from Banking System	30.0	47.3	162.0	314.0	203.0	116.0	521.0
(d) Other Internal Sources	40.0	10.2	24.0	50.0	21.0	25.0	6.0
(e) External Loans and Grants	78.5	84.0	123.0	270.0	351.0	325.0	481.0

* Excludes expenditure on the Tanzania - Zambia Railway.

Sources : 1964-65 - 1967-68 figures were estimated by using scattered information from Bank of Tanzania Reports, Government Economic Surveys for various years, annual Budget Speeches (by Minister for Finance), and East African Currency Board Reports. The post- 1967-68 data were taken from Economic Surveys and Annual Plans for various years.

quite small both in absolute and relative terms, during the first three years of the FFYP, but thereafter expanded rapidly for the fiscal years 1968-69 to 1970-71. The following two years saw a decrease in borrowing over the two previous years as the Finance and Credit Plan went into operation to guide the economy's short-term macromonetary policies. For the two Plan periods compared, however, borrowing from the banking system during the SFYP increased by about five times (in nominal terms) of the amounts borrowed during the FFYP.

There are a number of reasons to explain this relatively rapid expansion since the last two years of the FFYP. First of all, the establishment of an institutionally independent national financial system that started with the founding of the Central Bank in 1966 meant that the inhibitions of the colonial Currency Board could be overcome. This process was reinforced by the socialisation measures following the Arusha Declaration (15). Consequently the SFYP assigned a greater role, than the FFYP had done, to the banking system as a source of financing development expenditure. Secondly, the rate of increase in this type of expenditure was constrained by the manpower bottle-

neck (limited capacity to identify analyse and implement projects) during the early years of FFYP, but this bottleneck was gradually easing.

As for credit expansion to sectors other than Central Government, it is important to note that the bulk of non-agricultural credit was being channelled to parastatal organisations which, as public institutions, enjoyed relatively easy access to bank credit (16). Credit increase during 1972 and 1973, however, grew by only 2.4 and 12.1 per cent respectively, principally due to the Finance and Credit Plan policies.

In order to characterise the nature of Government borrowing for purposes of development financing, let us examine some features of the SFYP's sources and uses of investment funds. First, the Plan envisaged a transfer of shs. 620 millions from the recurrent to the development budget over the Plan period, under the assumption that recurrent expenditure would be restrained. It turned out, however, that while tax and other revenues rose at a commendable rate of about 17 per cent p.a., recurrent expenditure rose at nearly the same rate (16 per cent annually) with the consequence that only about 50 per cent of the planned budgetary surpluses had been so contributed during the first four years of the Plan. One can therefore conclude that one important force behind Government credit expansion must have been the failure on the part of the recurrent budget to generate budgetary surpluses as planned. Also, since tax effort had been considerably increased, it is fair to say that part of the problem was the too-rapid expansion in the recurrent expenditure (17). Most importantly for the analysis of inflationary developments, it is worth recognising that this kind of deficit financing was unplanned and was therefore not accompanied by appropriate compensatory policies.

Another important item indicating the nature of the resources gap during the SFYP is the planned transfer from Central Government to Parastatals. The sum so envisaged was shs. 650 millions. Over the Plan period, however, about twice that amount was actually transferred implying that bank borrowing had to be relied upon to finance the gap unless other sources were able to make up for the difference. It turned out that borrowing from banks had to be increasingly resorted to although non-bank financial intermediaries remained the next important source of internal funds throughout the period. The large gap between the actual and planned transfers seems to be due to the facts that parastatal investment requirements were very likely underestimated and that the parastatals as a whole did not practise adequate financial control (18). But to these reasons should be added the consideration of organisational changes in the parastatal system (19). The conclusion from this second observation on the nature of Government borrowing is the same as the previous one: deficit financing did not take place on any planned basis but developed as a result of unanticipated developments in the parastatal system.

What was the impact of the rapid monetary expansion during the period in question? As indicated earlier, the economy was increasing its liquidity (the amount of money per unit of income financed) during most of this period and was therefore reducing the inflationary

impact of the monetary increase. This, to be sure, is important in itself since under such conditions it becomes possible to use deficit finance or some other type of bank credit creation to accelerate capital formation without generating inflation. The room for absorbing monetary expansion in this way, however, seems to be limited (note in our case monetary absorption through this factor decreased from 38 per cent during 1967-69 to 33 per cent over 1970-73) because structural factors leading to increased demand for money are likely to change only gradually. There exists the possibility therefore that after a certain period the price level and the money-income ratio could start moving together as the rise in that ratio increasingly reflects the holding of unplanned money balances. Under these circumstances one should expect a positive impact of monetary expansion on the price level. This is what seems to have happened in Tanzania as can be seen from Table I. The same table shows also that the expansion « spilled over » into the balance of payments; the Bank of Tanzania lost over 25 per cent of its 1969 foreign exchange reserves over 1970-71.

Detailed statistical analysis (20) along the same lines suggests a few more interesting points: firstly the relationship between changes in money supply and the price level turns out to be significant for the period as a whole (1966-73), although with rather low overall significance. Secondly, the relationship between changes in food prices and money supply shows the highest statistical significance implying that money supply changes will move most closely with the prices of wage goods of which food is the most typical (the proportion of food expenditure to total private consumption having been over 50 per cent), and shows further that the expansionary impact will be immediate. Thirdly, an attempt to relate these variables in terms of the rates of change rather than the changes themselves, revealed very weak (insignificant) results suggesting therefore that the rate of inflation is not explained by the rate of monetary expansion. This conclusion still holds with available quarterly (rather than annual) data.

The failure of the rate of monetary expansion to explain the rate of inflation carries a few implications. First of all, one could argue that the sub-periods 1967-69 and 1970-73 were rather dissimilar in terms of the importance of the various factors « absorbing » money as suggested earlier, and that the expected weak money-price relationship during 1967-69 is being reflected in the overall weak results. Secondly, the period 1967-73 could be regarded as too short and therefore incapable of revealing long-term systematic tendencies. There is of course the fact that the available data in our countries have a number of obvious limitations. These important observations imply that the capital formation view of inflationary problems outlined earlier cannot be rejected on technical grounds. What is clear, however, that alternative variables (besides strictly monetary ones) and approaches must be considered if a better understanding of inflation during the period in question is to be gained. In particular, the « structuralist hypothesis » alluded to earlier suggests possible areas of inquiry.

IV

One such possible area is agricultural production whose performance we said was unsatisfactory. In particular, food supply did not expand sufficiently fast to meet increasing demand that was arising from such factors as population increase, per capita income growth, rapid urbanisation and general income expansion, income redistribution, shifts in preferences etc. Demand growth is of course checked by price increases but the degree of response (price elasticity) is rather low in low-income economies. At the same time the degree of response with respect to income changes (income elasticity) is relatively high for such economies. Thus given an initial equilibrium in two food markets, a change in the relative price of food resulting from increased demand will, everything remaining equal, be greater in a lower-income than in higher-income economy. Further, the inflationary impact of inadequate food supply is strengthened by the high proportion of this item in aggregate private consumer expenditure which in Tanzania averaged over 50 per cent (21) over the period 1967-72.

It should be noted that an increase in the relative price of food needs not lead to a generalised increase in consumer prices if non-food prices are sufficiently flexible downwards. But it should be clear that during the development process, price declines in an underdeveloped economy's major sectors are unlikely (22).

For purposes of determining whether supply was adequate to maintain a stable relative price of food a relationship defining annual increase in demand to depend mainly on income per capita growth, the rate of population growth, and the rate of change in the relative price of food, was used (23). This relationship indicated that in order to keep relative food prices stable, production in Tanzania should have grown at around 4 per cent p.a. (24). Available production indices (25), however, indicate that food output during most of the SFYP period grew by only around 2,5 per cent p.a., although growth was satisfactory during the FFYP period. Indeed, given the importance of the food item in aggregate consumption, one could even conclude from this evidence and from experiences in other developing countries that one of the important factors explaining Tanzania's general price stability during the FFYP was a satisfactory food production.

The outcome of the production shortfall during the SFYP was an accelerating food price increase which was on the average the highest of all the indicators of price inflation over the period 1969-1973/74. Even this inflation rate was not sufficient to restore equilibrium in the market since price controls were strengthened and shortages became part of economic life during the latter half of the Plan period. The general poor performance of the agricultural sector was particularly worsened by the severe drought of 1973-74 when the country had to spend nearly 40 per cent of its merchandise export proceeds to import food.

Increases in food prices during most of the SFYP period were the main force behind the general increase in consumer prices. During

1969-71 for instance, the structure of the Retail Price Index (for Dar es Salaam minimum wage workers, 1963 = 100) moved as is shown in Table 4. For the sub-period 1971-73 the same structure of change persisted: the Retail Price Index (on 1963 base) increased by 9.7 per cent p.a. with the corresponding food index rising by an annual average of 11.6 per cent; this implies that the food index rose at about 10.2 per cent p.a. and non-food prices at only 5.6 per cent, given the indicated weights used for constructing the index.

TABLE 4
The Structure of the Retail Price Index,
1969-71 (1963 = 100)*

(Annual Percentage Changes)

(a) Food (77)	6.0
(b) Drink and Tobacco (7)	— 0.9
(c) Fuel and Soap (8)	— 0.8
(d) Clothing (6)	— 0.8
(e) Household Articles (2)	11.8

*Refers to Dar es Salaam minimum wage workers.

Note: The figures in brackets indicate the corresponding weights.

Source: Computed from Bank of Tanzania, Economic and Operations Report (June 1975).

Besides price effects, shortfalls in production claimed an increasing share of export proceeds to purchase food imports; the proportion rose from below 10 per cent in 1969 to nearly 16 per cent in 1972. This is the general trend for Africa as a whole (26).

In summary, the foregoing discussion and evidence show that the country's inflationary problems were to a significant extent related to poor performance in food production growth during the SFYP period. The food price index rose faster than the available aggregate price indices and increased food imports worsened the already strained foreign exchange position. As we stated earlier, food prices at Tanzania's per capita income are particularly sensitive to monetary expansion; this implies that whatever may be the country's price and incomes policy, a stagnating food supply is bound to push up wages as economic growth requires both an adequate monetary expansion as well as the maintenance of a minimum level of incentives. Minimum wage increases since 1970 seem to have been partly based on food prices. These tendencies as the most recent evidence shows could easily lead to self-perpetuating demand pressures if supply does not grow significantly.

The part of our original hypothesis which stated that the agricultural sector did poorly as a food supplier, and that given the forces of demand shortfalls in food production were likely to exert inflatio-

nary pressures, is therefore not contradicted by the evidence adduced here. The evidence however, shows that the problem became important mainly during the SFYP.

V

The analysis of monetary problems from a development point of view indicates as we stated at the beginning of this paper that inflationary pressures could also arise from an unsatisfactory agricultural export performance which in many less developed countries (LDC's) is the medium and/or long term determinant of national import capacity. Let us therefore turn to examining the country's import capacity and the associated monetary problems.

Insufficient capacity to import becomes a potential bottleneck once a reasonably high target rate of growth is fixed for an economy. This is because planned investment effectuation in Tanzanian-type economies depends strongly on imports of intermediate and capital goods which these economies may not be able to finance (for various reasons indicated below) without excessive reductions in consumer goods imports. Policy reaction to insufficient capacity to import has usually been the application of a combination of directly restrictive measures e.g. import controls, and indirect ones e.g. devaluation, each of which, however, could generate inflationary pressures.

The first point to note about import capacity is the fact that world demand for primary product exports (excluding oil) has increased rather sluggishly during the past two decades. Further, this sluggish demand is a long term structural problem as explained by the late R. Nurkse many years ago (27). Nurkse argued that these structural problems were some of the reasons which led to the decline in the share of LDC's in world exports from about 32 per cent in 1928 to 24 per cent in 1957; during which period the corresponding import shares rose from 27 to over 30 per cent (in both cases excluding oil producers). Some of Nurkse's arguments have been supported by empirical evidence. J.M. Finger for example, has shown that the ratio of raw materials to total U.S. manufacturing output was on the whole declining between 1948-63 to which period the study was restricted (28). Another study by Houthakker and Magee (29) has shown the low demand elasticities for LDC's exports (much less than unity) in contrast to those for industrial countries (greater than or near unity) and the corresponding import demand elasticities (greater than unity for LDC's). They observe in this study that LDC's « face quite low income elasticities of demand for their exports, presumably as a result of excessive emphasis on such unpromising products as coffee ». They argue, as one would expect that « a country with a higher income elasticity of demand for its imports than the foreign income elasticity for its exports will experience more rapid import growth than export growth, a deterioration in its trade balance and eventual pressure on the exchange rate... even relatively slow domestic income growth may be insufficient to cure payments imbalances if the relative income

elasticities are sufficiently adverse ». A further piece of empirical evidence is by B. Cohen (30) who shows that on the 1952-54 base, non-primary product imports into Canada, United States and W. Europe grew by nearly 13 per cent p.a. by 1962-64 compared to primary products which grew annually by only over 3 per cent. Imports of cotton and coffee, for instance, declined during this period. When one examines the record for the rest of the 1960's and the early seventies (in both cases excluding oil exports), the long term record does not seem to be much changed: available evidence for East Africa, for instance, seems consistent with Nurkse's views (31).

Prof. D. Seers has summarised the connection between the export problem and the inflationary process in LDC's (32). This is easily seen by initially assuming a trade balance and ignoring international capital flows for a given country, in which case dynamic equilibrium can only be preserved if exports and imports grow at the same rate. Since, however, imports normally grow faster than GDP, the above condition implies that in dynamic equilibrium the rate of growth of exports must be greater than that of GDP. Further, the rate of growth of GDP may have to reach a certain minimum value if economic performance is to be socially acceptable; in that case a dynamic condition for social and economic equilibrium becomes one of requiring export growth to exceed the rate of growth of the socially acceptable level of GDP. The immediate question which then arises is what happens if the above condition is not satisfied ?

Firstly, accumulated foreign reserves may be used to finance the required consumer and producer goods imports. But as can be easily imagined, this can help only for a limited period. The assumption of no capital inflow made above could, however, be relaxed so that we speak of a country's enhanced import capacity (through the capital inflows) to match the requisite level of imports. Reliance on foreign capital, however, is well known for its basic limitations.

Secondly, the economy may reduce the proportion of imported manufactures through devaluation and/or import controls. On the side of imports, devaluation is likely to raise prices not only of imported goods but also of domestic substitutes. For most underdeveloped countries the devaluation impact on prices will not be significantly abated by substitution of domestic output for imports as the structure of production is not generally consistent with that of domestic demand. For this reason, repetitive devaluation will lead to persistent upward price pressure.

Import controls which also tend to be inflationary are a widespread feature in LDC's. Quite often import controls are instituted to defend the economy in the face of inadequate growth in foreign exchange reserves and they are therefore not based on any particular view of an economy's desired transformation. This is especially true in the short run when the export problem as structurally rooted in the present international division of labour is inadequately understood by policy makers. The tendency is therefore to « close off » the economy and create shortages of what might be reasonably described as dispensable imports, and of other imports which are actually desira-

ble for smooth and efficient running of a modern economy. Shortages accompanied by very likely increases in money incomes lead to inflationary pressures.

Thirdly, acceptable rates of growth can be propped up beyond those permitted by export growth through import-substituting industrialisation which has itself been pointed out as a potential cause of inflation in LDC's. A deeper consideration of this issue, however, suggests that it may be insignificant for most African countries including Tanzania (33).

How has Tanzania's capacity to import fared during the period 1966-73 (the period of our concern for which consistent data are available) ? Let us start by noting that a country's total capacity to import is defined as the total foreign exchange receipts from exports, from the inflow of capital, and from services and other items — which the country can spend in a given period without having to rely on compensatory (mainly short-term) movements of capital (34). This total can be measured in current prices or in terms of purchasing power. For purposes of policy, however, it is important to show that sub-total which a country can spend without adding to national external liabilities i.e. to exclude long and medium-term loans. This sub-total has at times been termed the current import capacity (35).

Tanzania's real current capacity to import (36) declined in 1967 and then rose by about 4 per cent p.a. during 1968-70, but only to surpass the 1966 level by a mere 2 per cent. Thereafter it was marked by annual declines. A number of factors explain these trends: first of all, deteriorating terms of trade reduced the purchasing power of exports by over shs. 360 millions a year on the average between 1966-70 and by a higher average of over shs. 540 millions a year between 1971-73 when import prices rose much faster than export prices.

Secondly, long and medium term debt servicing grew considerably over the years; rising from an average of 2.5 per cent of the purchasing power of exports for the period 1966-1969 to nearly 10 per cent for 1970-73.

Poor export performance is the third but most important reason accounting for the basic trend in the current capacity to import. The negative terms of trade effects during 1966-70 mainly affected the levels of rather than the changes in the purchasing power of exports (except for 1967). Since 1971, however, the terms of trade changes became increasingly important. During the period 1967-71, the export index slowly rising leading to a moderate worsening of the terms of trade. The negative terms of trade effects were not counteracted by quantum increases so that the purchasing power of exports remained below the 1966 level; having grown by only 1.5 per cent p.a. Despite the general export price increase in 1972, the purchasing power of exports did not exceed the 1968 mark because of the sharp deterioration in the terms of trade. In 1973, the quantum index declined, and without significant improvements in the terms of trade, the export purchasing power declined further.

Total capacity to import did well between 1968-71 growing at over 15 per cent p.a. but depending heavily on foreign medium and

long-term loans, since current import capacity grew by only less than 2 per cent p.a. during the same period. The total capacity declined in 1972 and 1973 as the capital inflows levelled off while the import price index rose quite sharply. We should probably stress the importance of distinguishing between current and total import capacity since the latter includes medium and long term debts which are usually incurred for financing specific development projects. It is the specificity of such external finance which tends to give the increments in foreign exchange resources beyond the current capacity a « rigid » character. In other words, demand management policies have much less power over resources other than current import capacity. For this reason, Tanzania managed to carry out most of the planned projects in the SFYP but with inflationary pressures arising partly from the unsatisfactory growth in the current capacity to import.

Policy makers reacted to the trends we have described. Following the recovery from the export downswing of 1967 the country's capacity to import almost recovered its previous level in 1968, with the comfortable foreign reserve position then enjoyed by the newly established Central Bank ready to assist in meeting import demand. Indeed in 1969 the Bank Governor was confidently stressing the opportunity cost of holding excessive foreign exchange reserves and warning of the economic dangers of the reliance by domestic enterprises on foreign supplier's credit, and of other forms of foreign capital (37). In 1968, however, the balance of payments registered sizeable deficits on both the trade and current accounts which grew in subsequent years with the exception of 1969. Fortunately when these deficits were increasing, total import capacity was also rising fast during 1968-71, but current import capacity was changing very slowly. The country was therefore relying on foreign capital which, as we mentioned, tends to be rather rigidly tied to a specific pattern of expenditure.

The SFYP authors seem to have sensed this vulnerable situation and fixed consumer goods imports at a constant figure beginning with 1969. Despite these restrictions and the growing total capacity to import, however, the Bank of Tanzania heavily lost reserves in the following year, and to a lesser extent continued to do so in 1971. If we take the broader definition of inflation i.e. to mean price as well as balance of payments pressures, as stated earlier, then we can interpret the above developments which began 1968-69 and revealed themselves much more conspicuously in 1970-71 to mean excessive aggregate demand for imports given the poor export record.

Our general discussion in the proceeding pages indicated that a number of options other than use of foreign reserves and control of imports are possible when a less developed country is faced with the kind of situation outlined above. Most important among these, we mentioned devaluation and import-replacing industrialisation. A further examination of these issues, however, indicates that for the case of Tanzania these latter two were not important reactions to the events being discussed although developments in 1974-75 indicated that these options could be important in the future. For the period under discussion, the main reaction to the deteriorating foreign

exchange position which, as we stressed, resulted from a near stagnation in the current import capacity that was accompanied by a relatively high import demand, was the extension and strengthening of foreign exchange and import controls.

These controls, established much more decisively in 1971, almost immediately created general shortage of consumer goods imports which is believed to have been exploited by the uncertain commercial racial minorities following the state take-over of wholesale trade business in 1970 and rented houses in 1971. The pressure was partly reflected in the relatively high increase of nearly 5 per cent in the Middle-grade Civil Servants Cost of Living Index (Dar es Salaam) during 1971, compared to the less than 2 per cent annual increase between 1967-70. Although a number of other forces were already at work pushing up prices, the fact of import shortages was recognised as important and was one of the causes calling for the strengthening of price controls. The general pressure on prices arising from import shortages is actually difficult to gauge quantitatively but it seems to have spread to a number of non-consumer goods as the administration of these controls became firmly established. The establishment of the Price Commission in 1973 seems to have helped reduce the importance of the shortage factor on prices particularly with respect to consumer goods.

In conclusion, the unsatisfactory performance of Tanzania's current capacity to import arising from the virtual stagnancy of the export quantum and the deteriorating terms of trade accompanied by rapid credit expansion since 1968 led to foreign exchange losses, import controls, and rising consumer prices. Without a strong export base, however, import controls to curb foreign oriented demand are a very weak substitute; for as the more recent evidence has shown these controls cannot be expected to release the extra foreign currency necessary to finance the country's rising import bill. Indeed as the resources under the effective control of the authorities diminish, the poor performance of the current import capacity could lead to a decline in the rate of growth (38) unless external finance becomes available. Even if such finances were available, our preceding discussion suggests that with an unsatisfactory current import capacity, inflationary pressures could not be avoided because of the specificity associated with external funds.

VI

Rising import prices were not, however, simply a result of domestic excess demand; they were exogenously influenced also by inflation conditions abroad (39) which in an open and dependent economy may significantly determine movements in the price level and the balance of payments (under a fixed exchange rate).

Price rises abroad may be transmitted into an open economy through macro-economic and/or micro-economic channels (40). Star-

ting from some initial position, an increase in the price level abroad will make the non-inflating country (call it B) a relatively more attractive source of goods and services for buyers both at home and abroad. If country's B economy is resilient, this will lead to a rise in exports and a fall in imports leading to a favourable trade balance and, everything remaining equal, to an increase in foreign reserves. This increase in foreign reserves will be accompanied by a rising price level due to the domestic excess demand pressure.

The micro-economic channel provides the link between developments in the rest of the world factor markets and the domestic cost of production. Factor prices e.g. wages may be pushed up by demonstration effects from neighbouring countries' union or public policy actions for example. If on the other hand, a given country is highly dependent on imported inputs e.g. imported capital and intermediate goods, then inflation abroad will have a « cost-push » effect on the price level.

In the context of underdeveloped economies, however, the macro-economic channel is not a satisfactory explanation of the external inflation link because of the assumption which underlies that explanation. The assumption is that the non-inflating economy will respond to changing relative prices in such a way that it will satisfy a greater portion of its aggregate demand domestically (thus reducing imports) and expand its exports. The result of this should be a favourable trade balance. While it may be argued that an economy's capacity to adjust to relative price changes can only be a matter of degree, one has to concede the fact that for an average developing country such relative price changes may not be effective in increasing demand for primary product exports and in reducing producer and durable consumer imports. Ruling out extreme inflation rates, one could probably expect some reduction in consumer goods imports but not so for the case of producer goods which in these economies are crucial to the attainment of planned growth rates. Thus although we agree with the broad conclusions predicted by the macro-economic channel, we have to conclude that it may not be an important one for understanding the imported inflation problem in LDC's.

The cost link on the other hand is a more important one given the problem of factor substitution in domestic production. And given the high dependence of investments effectuation on imports, imported inflation may have the effect of pushing costs and very likely the price level, the impact on the latter depending on the weight of imported inputs in total costs. If as is usually the case, the attainment of the economy's target rate of growth requires increased imported inputs, the effects of external inflation are likely to be increases in the price level through costs, and a decrease in foreign reserves if a fixed exchange rate is maintained. Thus contrary to the conclusions derived from the experience of the industrial economies, the tendency in the LDC's may be the depletion rather than the accumulation of reserves. The shortage of reserves may generate further inflationary pressures as we indicated earlier.

As would be expected Tanzania is heavily dependent on imports for its investment needs and, despite the import - substitution efforts, it still depends on imported manufactured goods for a significant portion of consumption requirements (41). Given this pattern of demand and the country's structure of production, it is easily predictable that inflation in the import-supplying economies was likely to increase costs and therefore the price level, at the same time affecting the country's foreign reserve position negatively. Besides the cost/price and reserve effects, imported inflation tends to be deflationary through reduction of export purchasing power and therefore of domestic real disposable income. As a consequence of the above effect, credit expansion may have to be greater than usual if the deflationary tendencies are to be resisted (42).

The effect of import prices on domestic prices has been demonstrated to be statistically significant even for more developed, more flexible open economies (43); we would therefore expect economies like Tanzania to exhibit a greater impact. This is what was confirmed by a more detailed (44) statistical analysis: imported inflation emerged as one of the more important variables determining the rate of domestic inflation; a factor which price controls and/or normal growth rates in productivity may not be able to reverse.

VII

The analysis in sections IV to VI has indicated, with due regard to number of technical limitations not treated here, that there is a significant relationship between movements in price and balance of payments on the one hand and the structure of the economy on the other. There remains one very important qualification to be made: the factors identified in the stated sections together with deficit financing and monetary expansion analysed in section III, were not equally important throughout the period in question. Different factors assumed differing importance at different times; a fact which must be brought out in the analysis if a near-satisfactory explanation of inflation during this period is to emerge. Such an exercise, however, would very likely require a separate paper (45). We can therefore, in the space available, only summarise our findings along these lines so as to add this necessary dimension to the picture.

If one begins with the FFYP, one notices as indicated in Table I, that most of the period (i.e. 1964-68) was marked by a general financial stability. This is predictable given the factors we have identified in this paper and those that are related to them: public capital expenditure increased quite rapidly but was not associated with fast expansion in bank credit; food production and other consumer goods were increasing although there was some moderate excess demand pressure; exports were slightly higher than imports for the period as a whole and there was an accumulation of foreign exchange reserves; import costs (as measured by the import price index) were stable and wage increases had a small impact on the general price level. Consumer prices were, however, further affected by a stronger cost-

push wage effect and by indirect taxes. It is particularly important to note that it is non-food prices which increased fastest and « pulled » the retail price index beyond the food price increase.

The economy began the next sub-period with a comfortable foreign reserve position and considerable industrial capacity which had been established during the first sub-period.

In contrast to the market stability in the general price level during the 1964-68 sub-period, the period 1968-71 witnessed generalised inflationary pressures as the general price level increased at over 3 per cent p.a. during 1969-71 and the Bank of Tanzania lost reserves over 1970-71. Consumer prices on the whole, however, did not accelerate as the Retail Price Index for minimum wage workers (Dar es Salaam) increased at only 3.8 per cent p.a. compared to the 3.7 per cent previously. The structure of change in the consumer prices, however, was changing as shown in Table 4. The main forces at work during this sub-period can be summarised as follows : an internally generated monetary expansion (with for instance Government development expenditure increasing by 34 per cent p.a. during 1968-69-71, and bank lending to Government by over three times during 1969-71 ; and total bank credit and money supply increasing by 30 and 18 per cent p.a. respectively over 1968-71) was proceeding in the absence of an adequate current capacity to import and a reasonably growing agricultural sector. Foreign exchange reserves accumulated during the previous period were depleted and food prices « pulled up » consumer prices. The increase in monetary demand exerted pressure on the general price level as the money-income ratio which increased by around 7 per cent in 1969 and by over 15 per cent on 1971 seems to have partly reflected the holding of undesired cash balances. Import costs during this period were reasonably stable as the import price index rose at only slightly over 2 per cent p.a.

The inflationary pressures of 1968-71 were extended to the 1971-73 sub-period, and the general price level increase accelerated at an annual rate of nearly 9 per cent compared to less than 4 per cent during the previous period. The foreign reserve level, however, improved considerably for a number of reasons some of which are : a considerable restraint on public development expenditure (Government reduced and then held its development expenditure nearly constant for the two years 1971-72 and 72-73 while the parastatals increased capital formation at only around 3 per cent p.a.) ; the decline of about 11 per cent in the quantum of imports ; the « raw materials boom » of 1972-73 ; and the increased scrutiny on foreign exchange use. Although one should expect the expansionary policies of the 1968-71 sub-period to exert a lagged effect on the price level during 1971-73, a closer analysis of the major forces at work during the latter period suggests that the most important factor was imported cost-inflation. Also, the real problems of the economy which were noted for the period 1968-71 remained : poor performance in food production (except for 1972) and in the quantum increase in exports (which increased by less than 1.5 per cent p.a. during 1966-71 and remained below any of the levels during 1966-68 in 1973).

VIII

In the preceding pages we have attempted to demonstrate the importance of including aggregate supply issues in the interpretation of monetary problems of the underdeveloped countries. Demand-based interpretations which emphasize capital formation problems tend to conceal the structural constraints within which progressive financial policies have to operate and therefore fail to reveal the limitations of such policies as instruments of general economic policy. Indeed given the situation as outlined in this paper we find ourselves in agreement with the observation that

while a good or a bad financial policy affects the economy, it is the economy that determines finance. Without a well-based economy it is impossible to solve financial difficulties, and without a growing economy it is impossible to attain financial sufficiency. Financial difficulties can be overcome only by down-to-earth and effective economic development. To neglect economic development and the opening up of sources of finance and instead to hope for the solution of financial difficulties by curtailing indispensable expenditures, is a conservative notion which cannot solve any problems (46).

FOOTNOTES

- (1) United Republic of Tanzania, *Tanganyika Five Year Plan for Economic and Social Development (1964-1969)* Vol. I, Dar es Salaam : Government Printer, 1964 — hereafter referred to as FFYP.
- (2) FFYP, p. 87.
- (3) *ibid.*, p. 89.
- (4) United Republic of Tanzania, *Second Five-Year Plan for Economic and Social Development, 1969-1974*, Vol. I ; Dar es Salaam, Government Printer, 1969 — hereafter referred to as SFYP.
- (5) SFYP, p. 213.
- (6) *ibid.*, p. 213.
- (7) See for instance, E.M. Bernstein and I.G. Patel, « Inflation in Relation to Economic Development » in the *I.M.F. Staff Papers*, Vol. II, November 1952 ; and P. Schatz, « Inflation in Underdeveloped Areas: A Theoretical Analysis » in *The American Economic Review* (September 1957).
- (8) P. Schatz, *op. cit.*
- (9) See for example the discussion by D.R. Khatkhate, « Analytic Basis of the Working of Monetary Policy in Less Developed Countries » in the *I.M.F. Staff Papers*, Vol. XIX November, 1972 ; and A.O. Hirschman, *The Strategy of Economic Development*, New Haven : Yale University Press, 1958.
- (10) See for instance, W. Baer, « The Inflation Controversy in Latin America : A Survey » in *Latin American Research Review*, Vol. II (Spring 1967) ; and R. Thorp, « Inflation and the Financing of Economic Development » in K. Griffin (ed), *Financing Development in Latin America*, London : Macmillan, 1971.
- (11) For delineation and further discussion of these areas see for instance R. Kahil, *Inflation and Economic Development in Brazil 1946-1963*, London : Oxford University Press, 1973 ; and my « The Tanzanian Monetary Experience, 1964-1973 ». Unpublished Ph. D. Thesis, Harvard University, June, 1976.
- (12) See my « The Tanzanian Monetary Experience... » *op. cit.*

- (13) The analytical framework is one developed by the Organisation for European Economic Cooperation. *Statistics of Sources and Uses of Finance, 1948-1958*. Paris : OEEC, 1960.
- (14) For definitional problems see OEEC *op. cit.* ; and for problems of practical application to Tanzania see my « The Tanzanian Monetary Experience, 1964-1973 » *op. cit.*, Ch. III.
- (15) The Arusha Declaration has been reproduced in a number of publications ; one of them is J.K. Nyerere, *Ujamaa : Essays on Socialism*. Dar es Salaam : Oxford University Press, 1968.
- (16) It has been estimated that 40 per cent of total credit from financial institutions (excluding Bank of Tanzania and National Insurance Corporation credit to Government) went to parastatal organisations and that the proportion grew to 71 % in 1972. See W.E. Clark, « Socialist Development and Public Investment in Tanzania, 1964-1973 ». Unpublished Ph. D. Thesis, Harvard University, 1974, p. 279.
- (17) Tendencies to over-spending in Government Ministries is also pointed out in J. Loxley, « Financial Planning and Control in Tanzania » in *Towards Socialist Planning*, edited by Uchumi Editorial Board. Dar es Salaam : Tanzania Publishing House, 1972.
- (18) J. Loxley, *op. cit.*
- (19) Some of these changes led to the establishment of new parastatals ; see for instance C.D. Msuya, « Proliferation of Public Institutions in Tanzania : Its Impact on the Economy ». Dar es Salaam, February 1974, Mimeo.
- (20) See D.G. Rwegasira, « Inflation and Monetary Expansion : « The 1966-73 Tanzanian Experience » *Economic Research Bureau Paper 76.8*, University of Dar es Salaam, 1976.
- (21) See United Republic of Tanzania, *National Accounts of Tanzania, 1964-72*, Dar es Salaam : Bureau of Statistics, 1974.
- (22) For some arguments see A.O. Hirschman, *The Strategy of Economic Development*, *op. cit.*, pp. 158-160 ; J. Olivera, « On Structural Inflation and Latin American Structuralism » in the *Oxford Economic Papers*, Vol. XVI (November 1964) ; H.J. Bruton, *Inflation in a Growing Economy*. University of Bombay Series in Monetary and International Economics, No 2, 1961, Ch. V.
- (23) For details see M. Edel, *Food Supply and Inflation in Latin America*. New York : Frederick Praeger ; and D.G. Rwegasira, « Inflation and the Structure of the Tanzanian Economy : The 1966-73 Evidence » *Economic Research Bureau Paper 76.9*, University of Dar es Salaam, 1976.
- (24) This figure is approximately the same as that suggested by the United Nations Economic Commission for Africa ; see its « The Food situation in Africa : Towards an African Food Development Plan » in the *Agricultural Economics Bulletin for Africa* No 15 (June 1974).
- (25) See for instance the U.N. Food and Agriculture Organisation, *Production Yearbook* (relevant years) ; and my « Inflation and the Structure of the Tanzanian Economy... » *op. cit.*, p. 9.
- (26) In 1971 for instance, food, beverage and tobacco imports accounted for about 13 per cent of total African imports thus virtually exhausting earnings from exports of domestic manufactures (see E.C.A., *Survey of Economic Conditions in Africa, 1973* — Part I, New York, 1974).
- (27) See R. Nurkse, « Patterns of Trade and Development » contained in his *Equilibrium and Growth in the World Economy*. Cambridge, Mass : Harvard University Press 1961, edited by G. Haberler and R. Stern. Similar discussion is contained in J.F. Rweyamamu, « International Trade and the Developing Countries » in *The Journal of Modern African Studies*, Vol. 7, No 2 (1969).
- (28) J.M. Finger, « Technical Change and the Demand for Materials : A Test of the Nurkse Hypothesis » in the *Journal of Development Studies*, Vol. 10 (April - July, 1974).
- (29) H.S. Houthakker and S.P. Magee, « Income and Price Elasticities in World Trade » in the *Review of Economics and Statistics*, Vol. LI (May 1969).
- (30) B.I. Cohen, « The Less Developed Countries' Exports of Primary Products » in the *Economic Journal* Vol. 78 (June, 1968).
- (31) See D.G. Rwegasira, « Inflation and the Structure of the Tanzanian Economy... » *op. cit.*
- (32) D. Seers, « A Theory of Inflation and Growth in Underdeveloped Countries Based on the Experience of Latin America » in the *Oxford Economic Papers* Vol. XIV (June 1962).
- (33) See the writer's « The Tanzanian Monetary Experience... » *op. cit.*

- (34) See for example, United Nations, Department of Economic and Social Affairs, *Studies in Long-Term Economic Projections for the World Economy*. New York, 1964, p. 54, and *Economic Survey of Latin America*, 1957. New York, 1959, p. 65.
- (35) See for example the *Economic Survey of Latin America*, 1957, *op. cit.*
- (36) For Statistical qualifications and actual data see the writer's « Inflation and the Structure of the Tanzanian Economy... » *op. cit.*
- (37) See E. Mtei, « The State of the Economy and Central Bank Policies » in the Bank of Tanzania, *Economic and Operations Report* (June 1969).
- (38) For similar cases see for example, N.H. Leff, « Import Constraints and Development : Causes of the Recent Decline of Brazilian Economic Growth » in the *Review of Economics and Statistics*, Vol. XLIX (November, 1967); and P. Hasan, « Inflationary Financing and Economic Development : The Pakistan Experience, 1951-1959 » in the *Yale Economic Essays* Vol. 2 (Fall 1962).
- (39) The annual rate of price increase (as measured by GNP deflators) in the industrial countries (members of the IMF) rose from 4.2 per cent p.a. during 1965-70, to 5.4 per cent in 1971, and to over 7 per cent in 1973. See IMP, *Annual Report of the Executive Director for the Fiscal Year Ended April 30, 1974*. Washington D.C., 1974.
- (40) For details see, for instance, R. Caves, « Looking at Inflation in the Open Economy » *Discussion Paper* No 286, Harvard Institute of Economic Research, Harvard University (March 1973); S.J. Turnovsky and A. Kapsura, « An Analysis of Imported Inflation in a Short-Run Macro-economic Model » in *The Canadian Journal of Economics* Vol. VII (August 1974); and Y. Shinkai, « A Model of Imported Inflation » in the *Journal of Political Economy* Vol. 81 (July - August, 1973).
- (41) In 1964, 15.5 per cent of private consumption expenditure was dependent on imports and declined to 12 per cent by 1972. See *National Accounts of Tanzania*, *op. cit.*, Table 25, p. 34.
- (42) For a fuller discussion of the imported inflation effects see for example G. Maynard, « Import Prices and Inflation : the Experience of the United Kingdom, 1950-52 » in the *Oxford Economic Papers*, Vol. 7 (October, 1955).
- (43) See J.D. Pitchford, « An Analysis of Price Movements in Australia, 1947-68 » in the *Australian Economic Papers*, Vol. 7 (December 1968); R.G. Lipsey and J.M. Parkin, « Income Policy : A Reappraisal » in *Economica*, Vol. 37 (1970); and A. Dicks-Mireaux, « The Interrelationship between Cost and Price Changes, 1946-59 : A Study of Inflation in Postwar Britain » in the *Oxford Economic Papers*, Vol. 13 (October 1961.).
- (44) See my « Inflation and the Structure of the Tanzanian Economy... » *op. cit.*
- (45) For this analysis see my « The Tanzanian Monetary Experience... » *op. cit.* Ch. V.
- (46) Mao Tse-tung, « Economic and Financial Problems » in *Selected Works of Mao Tse-tung*, Peking : Foreign Languages Press 1965, Vol. III; quoted in J.G. Gurley « The Formation of Mao's Economic Strategy, 1927-1949 » in *Monthly Review*, Vol. 27, No 3 (July - August, 1975).

RÉSUMÉ

Dans cet article, l'auteur essaie d'identifier les grandes forces qui ont conduit à l'échec et les tentatives en vue de réaliser la stabilité financière au cours du Deuxième Plan Quinquennal Tanzanien (1969 - 1974). L'auteur montre que certains des problèmes rencontrés sont liés à la structure de l'économie, donc généralisables aux pays africains qui se trouvent à un stade de développement similaire.

Un examen général de l'inflation dans les pays en développement semble indiquer quatre domaines principaux dans lesquels les performances économiques sont susceptibles d'exercer une influence profon-

de sur le processus inflationniste. Ces domaines sont (pour un pays donné) : la politique monétaire et financière ; le secteur du commerce extérieur ; le processus d'industrialisation et d'urbanisation et la fourniture du capital ; et le secteur agricole et d'autres du même genre (impasses potentielles). Cependant, une étude détaillée de l'expérience et de l'économie tanzanienne semble indiquer les domaines suivants comme ayant joué un rôle primordial au cours de la période en question :

Tout d'abord, bien que le taux relativement élevé de l'expansion monétaire qui a caractérisé l'économie au cours des premières années d'existence du système financier national n'ait pas été inflationniste, l'accroissement du rapport monnaie/revenu qui s'en est suivi semble avoir été inflationniste. Deuxièmement, le secteur agricole, en tant que fournisseur de produits alimentaires et déterminant à moyen terme de la capacité nationale d'importation a été de très loin distancé par tous les secteurs, sauf le secteur minier (1968-72) et a exercé une influence inflationniste considérable sur les prix à la consommation et la balance des paiements. Troisièmement, la capacité d'importation a été plutôt faible si l'on tient compte du taux de croissance de l'économie qui était prévu. Ceci est en partie dû aux problèmes particuliers de l'agriculture mais aussi à la division du travail héritée de la colonisation. Quatrièmement et ceci se rapproche de la troisième observation, l'importance de l'inflation importée, due surtout au fait que le pays ne dispose pas des industries de base et n'est donc pas économiquement flexible.

L'auteur examinera ces problèmes dans l'ordre ci-dessus, utilisant une large interprétation des pressions inflationnistes, interprétation qui se refert aussi bien à l'inflation des prix qu'aux déséquilibres de la balance de paiements.

En conclusion, l'auteur a essayé de montrer l'intérêt qu'il y a à inclure tous les problèmes de l'offre des biens dans l'interprétation des problèmes monétaires dans les pays sous-développés. Les interprétations basées sur la demande qui privilégient les problèmes de formation du capital tendent à dissimuler les contraintes structurelles au sein desquelles les politiques financières progressistes doivent opérer et par conséquent, elles ne montrent pas les limites de telles politiques en tant qu'instrument d'une politique économique générale. En fait, étant donné la situation, telle qu'elle est indiquée dans cet article, l'auteur est tout à fait d'accord avec l'observation suivante de Mao Tse-Tung :

« Une politique financière (bonne ou mauvaise) affecte l'économie, mais c'est l'économie qui détermine la finance. Sans base économique solide, il est impossible de résoudre les problèmes financiers et sans croissance économique, il est impossible d'atteindre l'indépendance financière. Les problèmes financiers ne peuvent être résolus que par un développement économique efficace et simple. Négliger le développement économique et l'ouverture des sources de financement et espérer résoudre les problèmes financiers en réduisant les dépenses indispensables, c'est là une politique conservatrice qui ne saurait rien résoudre ».

The Effect of the International Monetary Crisis on Capital Inflows to Sudan

A Preliminary note

Hussein M. Mirghani*

I. INTRODUCTION

The International Monetary crisis to which the World economy has been subject since the beginning of this decade has had drastic effects on the developing World. On the one hand, the extremely high rates of inflation in the industrialized countries have been reflected in the high prices of their manufactured exports. Though the prices of primary commodities experienced a rising trend, yet their increase was indeed modest to offset that of manufactured goods. Therefore the gains from trade which represented an important source of foreign exchange to developing countries have deteriorated. On the other hand, the industrialized countries witnessing worsening balance of payments intensified their aid-tying policies and rendered the inflow of capital quit expensive.

The objective of this article is to assess the effect of the International Monetary Crisis on financial inflows to the Sudan. It is going to be concerned mainly with two enquires: how far has the International Monetary Crisis affected the availability of financial inflows to the Sudan? and what are the effects on the costs and terms of supplying such inflows? It is the contention of this article to argue that despite the assumed belief that Sudan has benefited from foreign capital during its very early stages of development, yet the way in which foreign capital is being accommodated since the beginning of this decade endangers the long-term socio-economic development of the Country. Therefore, there is the need for the Government to re-examine the role of foreign capital in its strategy of development.

The article is structured as follows: Section two will attempt to show the important role so far played by foreign capital in Sudan's economic development. Sections three and four will compare and analyse the inflow of capital to the Sudan, before and after the International Monetary Crisis, in terms of magnitude and costs. Lastly some conclusions will be drawn.

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II. THE IMPORTANCE OF FOREIGN CAPITAL IN SUDAN'S ECONOMIC DEVELOPMENT

Foreign Capital in all its varied forms was early recognized as one of the two main factors that would have a great influence on the growth of the national economy, the first being foreign trade. This can be traced back to the beginning of this century when foreign capital was used in the development of the railways, the only port at Port-Sudan, and the Gezira Scheme. Table one depicts clearly the high dependence of Sudan's investments on external sources in the recent years (1).

**Table one : Total Capital Investment (Public sector) 1969-70 - 1973-74
(LS. Million)**

	1969-70	1970-71	1971-72	1972-73	1973-74
Total Capital Invested (1)	28.5	26.6	29.8	29.6	48.0
Domestic Sources (2)	15.7	15.1	19.1	20.4	16.0
(2) as % of (1)	55.1	56.8	64.0	68.9	33.3
External Sources (3) ..	12.8	11.5	10.7	9.2	32.0
(3) as % of (1)	44.9	43.2	36.0	31.1	66.7

Source : The revised 5-year Plan of Economic and Social Development 1970-71 - 1974-75, Ministry of Planning, Khartoum, p. 22.

During the period 1969-1974, the contribution of foreign capital to the public sector's development varied between 66.7 % and 31.1 %. The relative political instability between 1971-1973 may explain the low contribution of foreign capital in that period. This trend was however reversed radically in 1973-74 where foreign capital provided more than two-thirds of the sector's investments. Over the whole period under consideration, the average share of foreign capital was 44.2 %.

Of equal significance is the role played by foreign capital in redressing the current account of Sudan's balance of payments. Over the period 1958-1974, the average current account deficit was £S. 12.3 mil-

lions. The average inflow of capital was £S. 8.7 millions. This means that 71 % of the deficit has been financed by capital from abroad (2).

III. AVAILABILITY OF CAPITAL INFLOWS

There is apparently a well-established belief that the present International Monetary Crisis has affected the availability of foreign capital to the Sudan. Whether this is true or not remains to be seen. Table two portrays the aggregate position of loan credits and grants accruing to the Sudan during the period 1964-1974.

**Table Two : DISTRIBUTION OF FOREIGN LOANS BY AREA
1964-1974 (L.S. Million)**

Years Donor Countries	1964-69	% to total	1969-74	% to total	Total loans	% of total loans
Arab countries	34.1	41 %	130.8	45 %	164.9	44.7 %
Western countries & USA	12.0	14.4 %	60.6	20.8 %	72.6	19.4 %
Socialist Countries & USSR	14.8	17.8 %	67.4	23.2 %	82.2	21.9 %
International Organizations	22.3	26.8 %	32.1	11.0 %	54.4	14.0 %
Total	83.2	100.0 %	290.9	100.0 %	374.1	100.0 %

Source : These figures are compiled from the Actual Accounts of the Ministry of Finance.

Table two shows that the total authorized loans and credits during the period 1964-1974 amounted to £S. 374.1 million. Out of this total Arab countries supplied 44.7 %, Western Countries 19.4 %, Socialist countries 21.9 %, and International Organizations 14 %.

Comparing the periods 1964-1969 with 1969-74, it is clear that foreign capital has increased tremendously in the latter period. The loans avai-

lable to the Sudan in the period 1969-1974 were triple those of 1964-1969. There is however a marked shift of weight from the traditional donors (Western Countries and International Organizations) in favour of Arab Countries in particular and Socialist countries in general. This shift is due on the one hand to the stringent economic measures taken by Western countries in an attempt to redress their balance of payments, and on the other hand to the cooling of relations between the Sudan and International Organizations. But still, and within these constraints, foreign capital from these countries, and to the Sudan was increasing, at least in absolute terms.

IV. THE RISING COST OF CAPITAL INFLOWS

Though Capital inflows to the Sudan increased and particularly during the early seventies, yet in real terms, they did decline. One can attribute this decline to world inflation and to the terms and conditions imposed on such inflows.

A. THE EFFECT OF WORLD INFLATION

Reviewing the distribution of loans among the various economic sectors of the economy, the four major sectors (transport and communications, agriculture and irrigation, industry, and public utilities, managed to capture 67.8 % (3) of the average annual loans accruing to the country during the period 1966-1973. It is quite obvious that these sectors utilized these loans for importing capital goods whose prices have been escalating. During the period 1969-1973, imported capital goods price index witnessed an increase of 46 % (4), and this implied a more or less equal decline in the purchasing power of these loans.

Two fairly recent demonstrations of the effect of inflation on the costs of development projects are seen in relation to the Rahad Agricultural Project (5), and Kenana Sugar Scheme (6). The appraisal estimate for the cost of the Rahad Project in 1972 was £L. 33.5 millions. In May and December 1974, this estimate was revised and it was found that the cost of the project would be £S. 58.8 and £L. 70.7 millions respectively. This made the cost of the project to be more than double the appraisal estimate. Calculations (7) revealed that World inflation was responsible for £S. 24.6 millions. This is equivalent to an increase of 73.4 % over the appraisal estimate. As for Kenana Sugar Scheme, the estimated cost in 1975 was £S. 83.3 millions. It has recently emerged that the revised estimate of the scheme has gone up to £S. 186.8 millions. This additional sum, it has been stated, would likely be required in the light of inflation and unexpected difficulties with the infrastructure in Sudan (8). One is really tempted to wonder whether these fantastic increase would not endanger the economies and the viability of these projects. This is especially the case if we realize that the Rahad project and the Kenana Scheme will produce agricultural products (cotton in the case of the former, and sugar in the case of the latter), whose prices are highly unstable.

B. CONDITIONS AND CONSEQUENCES OF CAPITAL INFLOWS

By now, it has already been established that capital inflows have become effectively costly. This is true even if one takes it for granted that they are given as grants, free of any interest payments.

However, the usual practice is that capital inflows carry with them a commitment of repaying the principle over and above a specific rate interest. The longer the grace and maturity periods, and the smaller the rate of interest, the more profitable the loan becomes and vice-versa. According to the IBRD official documents (9), the grant element of loans is the face value of loan commitments less the discounted present value of the future flow of amortizations, and payment of interest, using the customary discount rate of 10 % expressed as a percentage of the face value. Table three compares the grant element accruing to the Sudan before and after the acute monetary crisis.

Table three : Average Interest Rate, Grace, Maturity, Periods, and Grant Elements of Loans 1965-1968 and 1969-1974.

	1965-68 (a)	1969-74 (b)
Average Interest Rate	4.2 %	6.2 %
Average Grace Period	4.6 years	2.8 years
Average Maturity Period	19.6 years	7.9 years
Average Grant Element	39 %	15.1 %

- (a) IBRD, Document of IBRD and IDA-World Debt Tables, Dec. 15, 1973, p. 157.
- (b) These figures are computed from the Actual Accounts of the Ministry of Economics and Finance. The calculation underlied the following remarks :
 - (a) Interest is paid at the approval of the loan.
 - (b) Principle repayments start after the grace period and in equal instalments.
 - (c) The face value of the loan is discounted by 10 % cumulative over the years of repayment to arrive at the present value of the loans (flow of payment)

$$(1 + 10 \%)^n$$

The grant element of loans as shown in table three has declined substantially between the periods 1965-68 and 1969-74. The average interest rate increased from 4.2 % in 1965-68 to 6.2 % in 1969-74. The average grace and maturity periods decreased from 4.6 and 19.6 years to 2.8 and 7.9 years during the two periods respectively. This accounted for a sharp decline in the grant element (10) from 39 % to 15.1 %.

If most of the loans have to be repaid within such a short period, it is evident that the amortization will impose a great burden on the

country, long before the results of economic development launched by means of these loans have revealed themselves. It is here that the debt service problem poses itself out. Relating total annual debt service to the country's export earnings, the ratio until 1970 was below 10 %. From thereafter, it started to increase reaching 22.6 % (11) in 1974. Now since the permissible limit to borrow is often taken by the World Bank and some European countries to be 15 % (12), then it seems that the country's credit worthiness is at stake. Indeed, the debt service problem has become or is about to become an acute problem for Sudan. This carries with it serious implications for Sudan's future development.

IV. CONCLUDING REMARKS

The external financial inflows to the Sudan may have had, and at a certain time, a satisfactory effect on the country's economic and social development. However, on the light of the prevailing International Monetary Crisis, such means of financing development is likely to breed serious economic problems in the future.

Though the volume of foreign capital increased significantly after the crisis, yet the escalating world prices have effectively lessened the value of such inflows. The other set-back has been the heavy amortization and interest payments to be met on the sizeable short and medium debts contracted. Interest rates, grace and amortization terms have been so hard that the structure of external indebtedness has not been adapted to foreseeable payment capacity during the next few years. The likely outcome would be the emergence of bottlenecks in the external sector handicapping the development process.

As a matter of fact, Sudan can not for economic, political, and sociological considerations allow its development to be subordinate to a growing dependence on external loans and aids over the course of several decades. Domestic effort has to be raised to reasonable levels so as to allow for a sizeable reduction in external financial resources. This is at least to minimize the perils of external debt and to ensure a continuous self-sustained development.

FOOTNOTES

- (1) Since the Government is the major investor and since statistical data on capital invested by the private sector is either lacking or unreliable, the latter's share of foreign capital has been ignored.
- (2) Bank of Sudan, Annual Reports, various issues.
- (3) Actual Accounts of the Ministry of Finance and Economics.
- (4) National Income Accounts and supporting tables, Department of Statistics, Khartoum.
- (5) The Rahad Agricultural Project aims at reclaiming and providing regular irrigation for 300,000 feddans in its first phase. It will allow for a settled livelihood of 77,000 tenants.

- (6) Kenana Sugar Scheme is one of the World's largest for sugar production. When it is completed, it is to produce 350,000 tons of sugar a year.
- (7) Calculations were done by Officials of the Rahad Agricultural Corporation, Khartoum,
- (8) *Financial Times*, March 4, 1977.
- (9) IBRD, Document of IBRD and IDA, World Debt Tables, Dec. 15, 1973, p. viii.
- (10) Grant elements of loans in Burundi, Chad, Central African Empire, Somalia and Uganda, were found to be 71 %, 61 %, 58 %, 79 %, and 57 % respectively. These figures are taken from IBRD, World Debt Tables, Dec. 15, 1973, pp. 96-171.
- (11) Bank of Sudan, Annual Report, Various issues.
- (12) Ali Abdalla Ali, Some problems of External Balance and Planning in Sudan, Khartoum, 1974.

RÉSUMÉ

L'objectif de cet article est d'évaluer les effets de la crise monétaire internationale sur les rentrées de devises au Soudan. Selon l'auteur de l'article, malgré l'opinion selon laquelle le Soudan a bénéficié du capital étranger au cours de la première partie de son développement, la façon dont le capital étranger est utilisé depuis le début de la décennie actuelle met en danger le développement socio-économique à long terme du pays. L'auteur conclut en demandant un ré-examen radical du rôle du capital étranger dans la stratégie du développement au Soudan.

The Financing of Economic Development in Cameroon

Wilfred A. Ndongko *

INTRODUCTION

Some twenty years ago, the distinguished economist Professor Arthur Lewis, noted that although much had been written about the problems of economic planning and development, very little had been said regarding the financing of development programmes. To the extent that in many countries, the development programme determines what expenditures are to be adopted in the public sector and to be encouraged in the private sector, and particularly, as the process of development is indeed costly so that it is imperative to have a good financial plan which makes efficient use of the available and expected resources, the purpose of this paper is to examine the financing of economic development in Cameroon after independence. It should be pointed out from the outset that emphasis will be placed on the various sources of finance and to some extent on the pattern of allocation of the development funds.

Generally, the resources for the financing of the various investment projects in the development programmes of Cameroon, could have, in principle, been provided by one or both of the following ways :

- (a) the authorities could have drawn on domestic resources either by restricting current consumption through higher tax rates and efficiently utilizing the idle resources of the country and/or
- (b) the government could have sought foreign public and private funds.

However, Cameroon like many developing countries with inadequate domestic resources, chose before independence and has continued to do so even after independence, to finance her development programmes through both means.

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DEVELOPMENT FINANCING SINCE INDEPENDENCE

Since independence in 1960, the Cameroon policy of financing development programmes has been to seek financial resources internally and externally because the total planned investments for all the five Year Economic and Social Plans have always far exceeded the available domestic savings. Consequently, the policy of financing economic development has been that public and private capital from abroad should offset some or all three of the following differences as aggregates.

- (a) the value of products used minus the value of products produced domestically,
- (b) net planned investments in the development plans minus expected net domestic savings ; and
- (c) value of imported goods and services including factor payments minus value of exported goods and services including factor payments (1).

Using the above aggregates, Chenery has postulated a theory known as the « gap theory », which explains the existence of gaps (a), (b) and (c) above. He has, in addition, with H. Bruno, presented a formal statement and empirical foundation of this theory in his study on Israel (2).

Since the inception of the Five Year Development Plans, the most important constraint in determining the size of planned investment has been the insufficiency of domestic savings in Cameroon. To this extent, therefore, attention was focused only on the savings element of the gap theory, since the other aspect of the theory, which deals with the inadequacy of export earnings to pay for the necessary capital imports, appeared to be only a production bottleneck (3). Perhaps a statement of the savings gap would throw more light on the problem of financing development planning in Cameroon since independence.

To this end, therefore, the usual point of departure is the Harrod growth equation :

- (1) $g = sk$, where « g » is the proportional rate of growth of Cameroon national income, « s » is the proportion of national income saved and invested in Cameroon, and « k » is the incremental capital — output ratio. Thus « s » and « k » can also be written as,

$$(2) s = \frac{sY}{Y} = \frac{I}{Y}$$

$$(3) k = \frac{K}{Y}$$

is the domestic national income. In this regard, then, when there is an inflow of private and public capital « a » (a fraction of national income) into the country as anticipated in the five year development plans, growth rate will rise to :

$$(4) g = (s + a) k$$

if g is the target or assumed rate of growth (which in the Cameroon case is 5.6 % per annum) and « K » is assumed to

be constant, one can deduce the rate of capital accumulation « C » necessary to achieve the target given. This rate of capital accumulation can be written as :

- (5) $c = g + \frac{1}{K}$. The difference between « C » and « S » indicates the savings gap, and therefore, the amount of foreign capital flows necessary to achieve the planned investment target can be written as
- (6) $a = c - S$. In the context of the Cameroon Five Year Development Plans, the value of « a » was approximately 30,000 millions CFA francs (65 %) of a planned investment (53,000 millions CFA francs for the 1960-65 Plan, and 120,500 millions CFA francs (73 %) of a projected investment of 165,000 millions CFA francs for the 1966-71 Plan. The implication is that the success of Cameroonian development plans has depended largely on the goodwill of foreign private investors, foreign governments and international development agencies since independence.

(a) *The 1960-65 Plan*

The Cameroon policy of development financing for the 1960-65 Development Plan was guided by the three paramount imperatives of « independence, budgetary equilibrium and priority for development ». The reasons for this policy are not far to come by. Firstly, a young nation had obviously to preserve its independence which implied that the State had to run its basic services with its own local resources ; finance an increasing share of public investments ; ensure that the burden of foreign debts did not weigh too heavily on the state revenue and that the balance of payments was not to develop a chronic deficit.

Secondly, budgetary equilibrium which was to be a constant factor in the financial policy of the country, required that the medium and longterm resources of the State had to balance budgetary expenditure so as to avoid on the one hand the draining away of government funds and foreign reserves, and on the other hand rapidly increasing prices which were to reduce incomes and, therefore, the standard of living of the masses. To this extent budgetary policy was linked closely with a prudent monetary policy which was intended to adjust monetary expansion to that of the Gross Domestic Product so as to avoid inflation and its consequences.

Thirdly, Cameroon's political independence and budgetary equilibrium had no meaning unless they were accompanied by vigorous development both in the economic and socio-cultural fields. In particular, it was necessary for the State to devote an ever-increasing share of resources to financing this development, encouraging the financing of productive operations and the promotion of Cameroonian businesses by means of a judicious credit policy.

For the 1960-65 Plan, the total projected investments stood at approximately 53,100 millions CFA francs — the distribution of which was as follows :

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2,400 millions francs (4,5 %) for Studies ;
16,700 millions francs (31.3 %) for Production ;
25,000 millions francs (47 %) for Infrastructure ; and
9,000 millions francs CFA (17.1 %) for Social Equipment.

As concerns the financing of the Plan, the data on the various sources of funds is available only for Year one (1961-62) of the Plan. Attention is, therefore, drawn to Table 1 which presents data on the economic sectors and financial sources. From Table 1 it will be observed that, although 7,760 millions CFA francs was projected as the initial investment for 1960-61, out of a total planned investment of 53,192 millions CFA francs for the 1960-65 Plan, actual budgetary allocations and external resources were about 10,230 millions CFA francs for that year. It will further be observed that about 72 % of the total planned investment for 1960-61 was financed from external assistance (4), whilst 28 % came from local sources (5).

As regards the additional increase in investment of 2,470 millions CFA francs over the initially planned figures, attention is drawn to Table 2 which shows the distribution of the increase by economic sectors. It will be observed from Table 2 that out of the additional investment of 2,470 millions CFA francs, the infrastructure sector had an increase of 1,993 millions CFA francs.

To sum up, the major sources of funds for the execution of the 1960-65 Plan, like the pre-independence development plans, were the French aid-giving financial institutions. As concerns the distribution of investment resources, the infrastructure sector in the 1960-65 Plan received the largest share (47 %) as compared to the allocations under the 1948-1953 Plan (83.3 %) and the 1954-1959 Plan (41.6 %), for East Cameroon and during the period 1955-60 (45 %) for West Cameroon. Thus the first Five Year Plan after independence, the infrastructure sector continued to receive considerable attention when compared with the other sectors of the Cameroon economy. Another notable feature is the diversification, to some extent, of the main sources of finance for the 1960-65 Plan (See Table 1), as compared to the dominance of France and Britain as major suppliers of development finance during the pre-independence period.

(b) *The 1966-71 Plan*

Like the 1960-65 Plan, the policy of the Government in respect of development financing did not change for the 1966-71 Plan. However, the total projected investments for the 1966-71 Plan more than doubled under that of 1960-65 Plan. To this extent, the total overall investments amounted to 165,176 millions CFA francs of which 157,409 millions francs were monetary investments and 7,767 millions francs were man-power investments.

With respect to the structure and financing of the investments under the Plan, it will be observed from Table 3, that the gross fixed investments of 165,176 millions CFA francs was almost divided equally between the public and private sectors ; both of which were expected to double their investment in comparison with the projected investment under the 1960-65 Plan. It will also be observed from Table 3 that the bulk of the investment was to be concentrated in infras-

TABLE 1
FINANCING OF 1960-65 PLAN — YEAR ONE
 (in millions CFA francs)

SECTOR	Cameroon Budget	Communal Budget	Other Local Funds	FIDES	F.A.C.	F.E.D.	U.S. Aid	U.N. Aid	Loans	Total Local Funds	Total Extern. Aid	Total per Sector
Studies	78.6	—	—	5.3	231.8	—	—	50.4	—	78.6	287.5	366.1
Agriculture	318.8	10.6	400	112.1	413.8	—	—	—	—	908.1	525.8	1,433.9
Stock Breeding	14.9	—	—	10.8	28.2	143.0	—	—	178.6	14.9	182.0	197.0
Forestry7	.1	—	2.6	40.3	177.0	—	—	—	.75	220.0	270.7
Industry	—	—	—	6.7	10.0	—	—	—	—	—	16.7	16.7
Cooperation	—	—	—	—	9.4	—	—	—	—	—	9.4	9.4
Roads	—	60.9	580.0	32.8	843.0	—	—	—	—	640.9	2,469.8	3,110.8
Ports	—	—	66.9	2.74	—	—	—	—	—	66.9	1,102.7	1,169.6
Aeronautical	—	—	—	17.8	67.0	1,594.0	—	—	—	125.5	356.4	481.9
Railway	10.0	—	115.5	.014	356.3	1,100.0	—	—	—	21.7	73.5	95.0
Post & Telegraphs	21.5	.2	—	36.0	37.5	—	—	—	—	—	1.4	1.4
Tourism	—	—	—	1.4	—	—	—	—	—	—	—	—
Health	169.0	12.4	—	93.7	363.4	573.4	—	—	—	131.5	1,063.5	1,245.0
Education	—	27.7	—	33.6	56.2	264.0	—	—	—	27.7	353.8	381.5
Youth & Sports	9.0	—	—	—	—	94.5	98.0	33.0	—	9.0	—	9.0
Housing	1.0	163.4	—	69.0	153.4	—	—	—	507.2	60.1	485.8	1,087.0
Not included	100.0	—	—	—	119.7	—	—	—	100.0	100.0	219.7	319.7
General Total	723.6	275.4	1,162.4	424.9	2,730.1	3,946.0	98.0	83.4	785.8	2,776.6	7,453.0	10,229.8

Source : Chamber of Commerce, Federal Republic of Cameroon (1963-64) ; Douala 1965.

FIDES = Fonds Investissement, Développement et Sociale.

F.A.C. = Fond d'Aid Cooperation.

F.E.D. = Fond European Development.

U.S. = United States.

U.N. = United Nations.

structure, industry and agriculture. In particular, public investment was expected to be concentrated in the development of infrastructure, housing and education whilst a substantial proportion of private capital was to be invested in industry, agriculture and transportation. Unlike the pre-independence Plans and the 1960-65 Plan in which infrastructure received the lion's share of investments, there was a marked departure in the 1966-71 Plan because almost equal emphasis was placed on infrastructure, industry and agriculture (see Table 3).

TABLE 2
INCREASE IN PROJECTED INVESTMENT
(1961-65 Plan)

	Figure in the Draft Plan		Actual Figures 1961	
	Millions CFA francs	%	Millions CFA francs	%
Studies	668	8.6	366	3.6
Production	2,610	33.7	1,878	18.4
Infrastructure	2,951	38	1,944	*48.3
Social Equipment	1,531	19.7	2,722	*26.6
			Unplanned 320	3.1
	7,760	100	10,230	100

Source : Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun, *The Implementation of the Cameroon Plan in 1961*, Supplement au Bulletin, N° 76.

Note : * French aid and aid provided by the European Development Fund (F.E.D.) amounted to 95 % of the total external aid, and 69 % of the total projected investment for 1961.

TABLE 3
PROJECTED INVESTMENT UNDER THE SECOND FIVE
YEAR PLAN (1966-71)
(in millions CFA francs)

SECTOR	Public	Private	Total	% of Total Investment
General Studies	2,282	—	2,283	1.4
Agriculture	18,470	17,474	32,344	19.6
Industry	3,835	35,579	39,414	23.8
Commerce and Tourism	962	2,704	3,666	2.2
Infrastructure	39,719	2,050	41,769	25.3
Trucking	148	16,032	16,180	9.7
Health	3,700	350	4,050	2.5
Education	7,665	2,727	10,392	6.3
Housing & Urban Development	7,878	3,700	11,578	7.0
Administrative Equipment	3,500	—	3,500	2.2
TOTAL	84,560	80,616	165,176	100

Source : Ministry of Economic Affairs and Planning, *Second Five-Year Plan of Economic and Social Development*, July, 1966 — June 1971. Yaounde, June 1966.

The planned finances from foreign private sources included both the initial capital of private investors and the subsequent loans that were to be forthcoming from their headquarters abroad. Private external capital was expected to account for some 60,000 millions CFA francs, that is 36 % of the total projected investments. These estimates were made on the assumption that large scale operations which were an integral part of the Plan had reached a stage of well defined projection and therefore the degree of uncertainty about this source of finance was not great.

« Work investment » implied an increase in the number of hours worked and in unpaid voluntary work, and like in many developing countries, this could apply to a wide range of activities. Within the framework of the Cameroon 1966-71 Plan, « work investment » meant that: (a) « work capital » was to provide 20 % of the agricultural investments; (b) « work investment » was to account for 45 % of total investment for road-building; and (c) school buildings and sewerage schemes were to be carried with rudimentary materials.

External public aid estimated to reach 61,000 millions CFA francs (37 %) was closely linked with the hope of cooperation from the International Bank for Reconstruction and Development — (IBRD). Of the 61,000 millions CFA francs anticipated, some 29,000 millions CFA francs were to be obtained in the form of loans, and 32,000 millions CFA francs in the form of direct grants from multilateral and bilateral agencies. More than 50 % of the aid was to be devoted to large-scale basic services, and 50 % was to be diverted to social investments.

A detailed analysis of the resources for financing the projected global investment of 165,165 millions CFA francs under the 1966-71 Plan is presented in Table 4. From Table 4, it will be observed that local resources (both private and public) were to account for 27.4 % (i.e. 3535,536 millions CFA francs) of which the state was to contribute 18,578 millions CFA francs, Local Councils and Mutual Rural Development Societies were to put up 2,342 millions francs and public and para-public corporations were to provide for the remaining 14,616 millions CFA francs. External aid and loans were to account for some 46,808 millions CFA francs (i.e. 36.2 % of total investments) of which 20,234 millions CFA francs were to be grants and 26,573 millions CFA francs were to be loans. Thus both local and external public financing were to amount to approximately 82,244 millions CFA francs (i.e. 63.7 % of all the investments projected).

Finally, private domestic and foreign funds which had been underestimated because of difficulties of obtaining information were to amount to approximately 46,885 millions CFA francs (i.e. 36.3 % of the total investment).

It should be pointed out that by the end of the 1966-71 Plan, the actual monetary investments had amounted to 129,229 millions CFA francs (i.e. 82 % of the estimates in current francs and 73.6 % in constant francs — See Table 5). The actual total investments were probably more than 129,229 millions CFA francs for the following reasons:

- (a) There were some investments which were not programmed originally but were later considered necessary as a consequence of the expansion of production and some services ;
- (b) Foreign debt charges (repayment and interests) were provided by the recurrent budget of the State ;
- (c) A new policy regarding the utilization of the Treasury reserves was introduced by the Cameroon Government. To this end, a special sum of 9,000 millions CFA francs was set aside in December 1970 with a view to financing equipment operation and
- (d) The statistics in respect of investment operations in the « trade and commerce » sectors were incomplete.

TABLE 4
SOURCES OF FINANCING FOR 1966-71 PLAN
(in millions CFA francs)

	Total million CFA francs	% of Investments		
		Totals %	Public %	Private %
1. - LOCAL GOVERNMENT				
State	19,890	12	23.5	—
Local Authorities	1,962	1.2	2.3	—
Public & semi-public bodies	7,888	4.8	9.3	—
TOTAL	29,740	18	35.1	—
Local public credit	6,986	4.2	—	8.7
Work investment	7,767	4.7	—	9.6
TOTAL 1	44,493	26.9	35.1	18.3
2. - OUTSIDE NON-PRIVATE HELP				
Grants to public sector ..	31,068	18.8	36.8	—
Grants to private sector ..	0,937	0.6	—	1.2
Loans to public sector ..	23,752	14.4	28.1	—
Loans to private sector ..	5,494	3.3	—	6.8
TOTAL 2	165,176	37.1	64.9	8
3. - PRIVATE CAPITAL	59,432	36	—	73.7
GENERAL TOTAL	61,251	100	100	100

Source : *Second Five-Year Plan of Economic and Social Development, 19766-71, Yaounde, 1966.*

TABLE 5
1966-71 PLAN : DISTRIBUTION OF MONETARY
INVESTMENTS BY SECTORS
 (in million CFA francs)

SECTORS	Estimates	Investment in Current francs	% of Total Investment
General Studies	2,283	1,521	62.6 %
Rural Production	26,750	18,650	69.7 %
Industrial and Mining Production ..	39,414	45,625	115.8 %
Trade and Tourism	3,666	3,146	85.8 %
Infrastructure	40,769	33,939	83.2 %
Road Transport	16,180	1,426	8.8 %
Education Training	9,319	6,866	73.7 %
Public Health	3,950	2,522	63.9 %
Town Planning and Housing	11,579	8,479	73.2 %
Administrative Equipment	3,500	7,978	201.6 %
TOTAL	57,409	129,152	82.0 %

(c) *The 1971-76 Plan*

Under this Plan, the financing policy of the Cameroon Government was to ensure budgetary equilibrium while at the same time increasing capital expenditures at an appreciable rate and also limiting the increase in recurrent expenditures to an average rate of 6 % per year in constant francs (8 % in current francs), slightly lower than the growth of Gross Domestic Product which was then 7.5 %. To this extent, the allocation of recurrent expenditure credits was such as to satisfy the most real needs and to allow capital expenditure credits to increase approximately at the rate of 17 % per year in constant francs (25 % in current francs) over the whole period of the 1971-76 Plan. In addition it was intended to allow the State to play a more active part than in the past in the financing of public investments. It was also the policy of the Government to ensure that the State Budget's share was not to be less than 35 % of the total investments during the 1971-76 Plan as against 23 % during the 1966-71 Plan. This target could only be achieved if the consumption of capital expenditure credits by public authorities was considerably improved, in particular, by means of rapid and thorough examination of project files.

The primary objective of all public bodies was to ensure a profit-earning enterprise. This goal could only be achieved by obtaining improvements in the management of all public corporations. To this end, some large-scale town planning projects were to be taken over by the State and the Local Councils.

In addition, the management of Local Councils was to be put on a sounder basis so as to enable them to make more capital expenditure credits available to the appropriate authorities for the development and improvement of operations in respect of the medium size towns and local communities. In order to lighten the burden borne by the Councils, the State was to take over such recurrent expenditure items like health and education.

It was intended by the State that under the 1971-76 Plan, private investments were to make up about 50 % of the total investments. Although the contribution by private foreign capital was necessary to carry out the projected investments in the 1971-76 Plan, it was essential that private domestic savings were to play an ever increasing dominant role in the financing of economic development. To ensure the realization of this goal, the following measures were initiated :

- (a) there was the encouragement of accumulation of capital which was to be reinvested in the economy within the framework of the Plan. To this end, certain measures such as financial incentives were provided by the National Investment Corporation (which was to participate in equity capital) and the various tax reliefs and benefits which were provided in the National Investment Code. All these measures were intended to benefit the different economic agents ;
- (b) the changing of the role of financial institutions from that of mere collectors of public and private funds for short-term credits to that of channelling cash savings towards the financing of productive economic ventures and the purchase of shares in the capital of private businesses ;
- (c) Agricultural credit and credit for small and medium size businesses was to experience a considerable increase during the entire period of the Plan. To ensure the realization of this goal, the activities of the National Fund for Rural Development (FONADER) and the Centre for Small and Medium-Sized Business (CAPME) had to be intensified ;
- (d) the Stabilization Funds were to utilize their accumulated reserves and liquid assets for the expansion of investments particularly in the rural sector.

During the period of the 1971-76 Plan, foreign public funds were to continue to play a considerable role in the financing of investments. The mobilization of foreign private and public financial assistance was to be speeded up by improved presentation of projects and a more elaborate study of project files.

It was also felt necessary for the state to procure a surplus in the trade balance so as to partly make the balance of payments equilibrium less dependent on foreign aid and partly to offset the unavoidable

deficit in balance of payments due to the remuneration of foreign factors of production. Finally, any requests for foreign loans by the State or by public bodies were of necessity to be preceded by a detailed analysis of their effects on the burden of the public debt on the national economy.

It was intended that public investments were to be financed half by domestic resources and half by foreign resources. Within the context of the above policy of development financing under the 1971-76 Plan, the total planned investments were 280,000 millions CFA francs. The distribution of the investments between the various economic sectors is presented in Table 6.

TABLE 6
1971-76 PLAN : DISTRIBUTION OF INVESTMENTS

SECTOR	Million CFA francs	% of Total
Rural Development	25,545	9.2 %
Industry and Mines	70,300	25.1 %
Participation	3,070	1.1 %
Commerce	42,400	15.1 %
Other Administration	3,500	1.2 %
Tourism	7,200	2.6 %
Studies and Research	3,000	1.1 %
Infrastructure	57,300	20.5 %
Education	26,635	7.7 %
Youth and Sports	1,500	0.5 %
Public Health	6,750	2.4 %
Urbanization	11,400	4.1 %
Housing and Rural Housing	1,500	0.5 %
Modern Housing	16,800	6.0 %
Information	1,300	0.5 %
Administrative Equipment	5,000	1.8 %
Other Equipments	1,800	0.6 %
TOTAL	280,000	100 %

Like the previous development plans, it will be observed from Table 6 that the infrastructure sector was again given considerable attention. However, the allocations to this sector alone accounted for only 20.5 % of the total investments as compared to its share in the previous plans : 47 % in the 1960-65 Plan, and 25 % in the 1966-71 Plan, the largest share of total investments went to industry and mines (which received 25.1 %) as compared to 31 % under the 1960-65 Plan — 23.8 % under the 1966-71 Plan.

As concerns the sources of finance for the 1971-76 Plan, it will be observed from Table 7 that the expected public resources were to be 144,540 millions CFA francs (i.e. 51.6 % of the total) as against expected private financing of 135,360 millions CFA francs (i.e. 48.4 % of total investments). From Table 6, it will also be observed that of the total expected financing of 144,540 millions CFA francs, 73,640 millions francs (26 %) were to come from the following domestic public sources : the State 48,000 millions francs), Local Councils (3,000 millions francs), Stabilization Fund (7,000 millions francs) and public corporations 15,640 millions francs. The balance of 70,900 millions francs (25 %) was to come from external public sources which were to be made up of grants (26,990 millions francs), loans from foreign governments (24,050 millions francs) and loans from international organizations (19,860 millions francs). Finally, private domestic and foreign financing of 135,360 millions CFA francs was to be made up of business financing (111,360 millions francs), household savings (16,800 millions francs) and administration (7,300 millions CFA francs).

It should be noted that although no data is yet available on the actual sources of finance for the 1971-76 Plan, there is no doubt that, unlike in the previous Plans, there was a concerted effort to rely more heavily on domestic public sources than on foreign public financing. This again demonstrated the desire of the Cameroon to reduce its dependence on external public funds.

(d) *The 4th Plan : 1976-81*

For the 1976-81 Plan, the Cameroon Government maintained the same general policy regarding the financing of development projects as under the 1971-76 Plan. The total projected investments of 725,232 millions CFA francs were made up of investment of national interest of 685,000 millions francs and provincial interest of 40,232 millions francs. To this extent, the projects indicated in the 1976-81 Plan were divided into two classes : (a) investment programmes of national interest were to be financed by the State, public and parastatals, the private sector and external aid, and (b) the provincial programmes which represented (for the first time) the investment effort of the different economic agents at the provincial level. These programmes concerned essentially small and medium-size projects to be financed by the resources of local collectivities, cooperatives, etc...

In the spirit of self-reliance development, the provincial programmes were to indicate the voluntary participation of the different life forces of the provinces towards the national development effort. The

TABLE 7
FINANCING FOR THE THIRD PLAN 1966-71
 (in million CFA francs 1970-71 prices)

SECTORS	PUBLIC FINANCING		Public financing Total	Private financing Total	Financing Total	Public financing in %	Total financing in %
	Financing out of own funds	Financing out of foreign funds					
Rural Economy	8,840	10,505	19,345	6,200	25,545	13.4	9.2
Industry mining power	3,900	10,140	14,040	56,040	70,300	9.7	25.1
Commerce, private transport	1,400	—	1,400	41,000	42,400	1.0	15.1
Tourism	1,000	—	1,000	6,200	7,200	0.7	2.6
Infrastructure	22,350	33,250	55,600	1,700	57,300	38.5	20.5
Education	9,950	9,085	19,035	2,600	21,635	13.2	7.7
Youth and Sports	1,500	—	1,500	—	1,500	1.0	0.5
Health	3,950	1,600	5,550	1,200	6,750	3.8	2.4
Town Planning	6,000	5,400	11,400	—	11,400	9.7	4.1
Rural housing and Village water supply	1,500	—	1,500	—	1,500	1.0	0.5
Modern Housing	—	—	—	16,800	16,800	—	6.0
Information	880	420	1,300	—	1,300	0.9	0.5
Administrative Equipment	5,000	—	5,000	—	5,000	3.5	1.8
Other Equipment	1,800	—	1,800	—	1,800	1.2	0.6
Other Authorities	—	—	—	3,500	3,500	—	1.2
Studies and Research	2,500	500	3,000	—	3,000	2.1	1.1
Financial Participation	3,070	—	3,070	—	3,070	2.1	1.1
TOTAL FINANCING	73,640	70,900	144,540	135,460	280,000	100	100
Public financing as %	50.9	49.1	100.0	—	—	—	—
TOTAL FINANCING AS %	26.3	25.3	51.6	48.4	100.0	—	—

distribution of both projected national and provincial investments under the 1971-76 Plan, between the various economic sectors, is presented in Table 8. As was the case with the 1971-76 Plan, a large proportion of the total investments was allocated to industry, mines and energy (240,785 millions francs), followed by Infrastructure (156,768 millions francs) and rural development (108,954 millions francs).

The financing of the 1976-81 Plan was to be assured in various ways. Public contribution was to account for 273,000 millions CFA francs (39.8 % of total investments) of which budgetary savings were to be 105,000 millions francs ; Loans were to be 140,000 millions francs and Foreign grants were to account for 28,000 millions francs. On the other hand, public and parapublic corporations were to generate some 227,052 millions francs (i.e. 33.1 % of the total investment) of national investments of 685,000 millions CFA francs.

TABLE 8
DISTRIBUTION OF INVESTMENTS : 1976-81 PLAN
(in million CFA francs)

SECTORS	National Investments	Provincial Investments	Total
Rural Development	90,000	18,954	108,954
Industry, Mines and Energy	233,027	7,758	240,785
Commerce and Transport	36,644	2,439	39,083
Tourism — Hotels	8,631	488	9,119
Infrastructure	156,768	—	156,768
Education and Training	33,521	3,200	36,721
Youths and Sports	3,000	—	3,000
Health and Social Affairs	11,000	1,005	12,005
Urbanization, Housing and Territorial Development	83,624	5,556	89,180
Information and Culture	4,015	41	4,056
Administrative Equipment	20,770	791	21,561
Studies and Research	4,000	—	4,000
TOTAL	685,000	40,232	725,232

Of this amount, autonomous financing was expected to amount to 39,696 millions francs and loans were to amount to 187,356 millions CFA francs. Private investments (both domestic and foreign) were to account for 184,948 millions francs (i.e. 27 % of the total).

Finally, the provincial programmes which covered nearly all sectors of the economy and which were estimated to cost 40,232 millions CFA francs were expected to be financed as follows: Local Councils were to generate some 7,246 millions francs (18.01 %); Cooperative bodies were to provide 5,090 millions francs (12.65 %) and private companies were expected to invest some 27,896 millions CFA francs (69.34 % of the total provincial investments). It should be pointed out that a salient of the financing of the 1976-81 Plan, was a clear division of financial responsibilities between the central government and the provinces with respect to the execution of the different development programmes. In addition, unlike previous development Plans, there was a greater attempt in the 1976-81 Plan to diversify the sources of finance. This attempt, notwithstanding, was, like the previous Plans, a continuous reliance on both foreign public and private capital, particularly as the total planned investments grew tremendously over the years since the 1960-65 Plan.

CONCLUDING REMARKS

Our analysis of the financing of economic development in Cameroon after independence, has revealed the following features:

- (a) there has been a concerted effort on the part of the government to diversify the sources of investment financing with particular emphasis on domestic contribution;
- (b) there has been an attempt on the part of the Government to ensure that the State Budget plays a dominant role in the financing of public capital projects;
- (c) there has been a considerable reduction in the total volume of investment funds traditionally allocated to the infrastructure sector whilst at the same time effort has been made over the years to allocate large investment resources to the industry, mines and energy, including the agricultural sector which is the mainstay of the Cameroon economy.

However, considering the structure of the sources of finance for all the development plans, it would appear that the success or failure of development planning in Cameroon has continued to depend largely on the continuous inflow of both external private and public capital. This has been risky because of the growing and more complex commitments of the major aid donors such as France, Germany, U.S.A., Britain, and U.S.S.R., coupled with the increasing concern for their own domestic problems. To this extent, it would be rational for the Cameroonian authorities to lay more emphasis on the domestic sources of finance for economic development in the future. This will help to reduce the growing external debt burden, to increase the capability of the Cameroon people in guiding more effectively their economic destiny and those decisions which affect the social and economic wellbeing of every Cameroonian.

To be able to do this, it will be absolutely necessary for the Cameroonian authorities to mobilize domestic savings with a view to

directing them by every means possible to productive economic sectors. As concerns public sources of finance, it will require an improvement in such budgetary receipts like customs duties and other indirect taxes which account for 75 % of total budgetary revenue, direct taxes, registration and stamp duties, revenues from state property, post office and telecommunications and the various contributions and subsidies from State financial and development institutions. To ensure a steady increase in public savings, there must be a transformation of the attitudes of the authorities who are charged with the responsibility of collecting and managing public funds.

With respect to private sources of finance, it would be necessary for all Cameroonians to willingly show a preference, all other things being equal, for locally manufactured products. Indeed, a « Buy Cameroonian » type of campaign enhanced by the publishing and broadcast media and sponsored by the government would lead to appreciable results. The mobilization of private domestic sources of finance could have a significant impact on national development. Such mobilization could take the following forms :

- (a) the encouragement of private domestic firms to reinvest their profits in exchange for tax incentives as provided at the moment in the National Investment Code ;
- (b) the creation of a money market which could drain off the floating savings and channel them into productive sectors ;
- (c) the creation of a large number of savings banks in the rural areas with well equipped mobile vans to collect peasant savings and effect the necessary payments as in the case of the National Post Office Savings Bank ;
- (d) coercive but flexible incentives could also be introduced when insecticides and fertilizers are purchased by farmers as is being done to some extent at the moment by the Produce Marketing Organization and the Stabilization Funds for Cocoa, Coffee, Cotton and Bananas — the main export crops of Cameroon and
- (e) those Cameroonians whose income may exceed a certain figure should be invited to produce evidence that they invest in the productive ventures. A certain amount of such income could then be exempted from all forms of taxation.

To be sure the foregoing sources of private domestic finance, some of which are unusual, would necessarily lead to a judicious use of the national resources to promote economic development for the interest of all Cameroonians. They, nevertheless, would entail definite sacrifices because it is imperative that the attainment of national development objectives may not permit the luxury of using traditional methods of mobilizing domestic savings. Indeed, whatever may be the role of foreign capital as we have seen in the analysis of the Cameroon experience in the previous sections of the paper, a country's ability to mobilize domestic savings with a view to channelling them to the service of production and the existence of effective savings and financial institutions which can subsequently make a lasting impact on the national

development effort, are amongst the preconditions for economic take-off. To this extent, Cameroonians owe themselves a duty and commitment to continue to save and to use their financial resources in consonant with the desired pace and rhythm of their national development.

FOOTNOTES

- (1) Simon Kuznets, « International Differences in Capital Formation and Financing », in *Capital Formation and Economic Growth*, National Bureau of Economic Research, Princeton University Press, 1955, pp. 34-35.
- (2) H. Chenery and M. Bruno, « Development Alternatives in an open Economy — The case of Israel », *Economic Journal*, 1962, pp. 79-103.
- (3) This is so because by eliminating the bottleneck, an import surplus can increase the efficiency of investment, and as a result, the entire production function will shift with a consequent increase in the rate of growth through the use of the available domestic savings and additional foreign public and private capital. Indeed, if the expansion of trade in general is such that exports do not expand as fast as the demand for more imports, import surplus will increase the absorptive capacity of the economy, and thereby increase the rate of attainable growth. At a later stage, exports will gradually catch up with imports and the Cameroon will be able to achieve a trade balance while preserving the high rate of growth.
- (4) In addition to direct U.S. aid of 98 millions francs, there was also indirect aid in the form of imports of capital equipment of U.S. origin. The total is estimated to be 367 millions francs. The United Nations aid consisted mainly for experts and scholarships within the framework of the normal technical assistance programme, and the activities of specialized Agencies in the extended programmes.
- (5) « Other local funds » consist of a Road Fund of 580 millions francs, on cocoa stabilization fund of 400 millions francs and supplementary budgets for Ports, Waterways and Railways of 182.4 millions francs. In addition, total local financing also included loans from the CDC Cameroon Development to the sum of 615.3 millions C.F.A. francs. C.f. Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun, « The Implementation of the Cameroon Development Plan in 1961 », Supplément au Bulletin, N° 76).

RÉSUMÉ

Dans la mesure où dans beaucoup de pays les programmes de développement déterminent quelles dépenses doivent être adoptées dans le secteur public et encouragées dans le secteur privé et en particulier étant donné que le processus du développement est si coûteux qu'il est indispensable de disposer d'un plan financier adéquat faisant un usage judicieux des ressources disponibles et potentielles, l'objectif de cet article, c'est l'étude du financement du développement économique au Cameroun après l'indépendance. Il faut tout d'abord souligner que l'accent sera mis sur des diverses sources de financement et aussi dans une certaine mesure sur le modèle d'affectation des fonds de développement.

Les ressources pour le financement des divers projets d'investissement dans les programmes de développement du Cameroun doivent en principe provenir de l'une de ces deux sources (ou des deux) :

- a) Les autorités peuvent les prélever sur les ressources nationales soit en restreignant la consommation par une augmentation de la fiscalité et une utilisation efficace de toutes les ressources du pays, ou alors

- b) Le gouvernement peut rechercher des fonds (publics ou privés) à l'étranger.

Depuis l'indépendance, en 1960, la politique camerounaise de financement des programmes de développement a consisté à la recherche des ressources financières dans le pays et à l'étranger parce que le total des investissements prévus pour tous les Plans quinquennaux a toujours de loin dépassé l'épargne nationale disponible. Par conséquent, la politique de financement du développement économique a toujours voulu que le capital étranger (public et privé) dépasse toujours une ou toutes les valeurs suivantes :

- a) La valeur des produits utilisés moins la valeur des biens localement produits.
- b) Les investissements nets prévus par les plans de développement moins l'épargne nationale nette prévue.
- c) La valeur des produits et services importés y compris les paiements aux facteurs moins la valeur des produits et services exportés y compris les paiements aux facteurs.

L'analyse du financement du développement économique au Cameroun après l'indépendance révèle les caractéristiques suivantes :

- a) Il y a eu, de la part du gouvernement des efforts concertés en vue de la diversification des sources de financement de l'investissement, en particulier avec l'accent mis sur la contribution nationale.
- b) Il y a eu de la part du gouvernement, des efforts pour s'assurer que le Budget National joue un rôle primordial dans le financement des projets publics.
- c) Il y a eu une réduction considérable du volume total des fonds d'investissement traditionnellement affectés au secteur de l'infrastructure en même temps que des efforts étaient faits pendant plusieurs années pour affecter d'importantes ressources d'investissement à l'industrie, aux mines et à l'énergie, y compris le secteur agricole qui constitue la base même de l'économie camerounaise.

Cependant, étant donné la structure des sources de financement de tous les plans de développement, il semble que la réussite ou l'échec de la planification du développement au Cameroun dépend encore largement du capital étranger tant privé que public. Cette situation comporte beaucoup de dangers à cause des engagements de plus en plus importants et complexes des principaux pays fournisseurs d'aide, tels que la France, l'Allemagne, les Etats-Unis, la Grande-Bretagne et l'URSS, qui ont en outre leurs propres problèmes à régler au niveau national. En conséquence, il serait plus rationnel qu'à l'avenir les autorités camerounaises mettent plus l'accent sur les sources nationales de financement du développement économique. Ceci contribuera à réduire une dette extérieure en constante augmentation tout en accroissant et en rendant plus effective la maîtrise par le peuple camerounais de son destin économique et en lui donnant la possibilité de prendre lui-même les décisions touchant au bien-être économique et social de chaque Camerounais.

Foreign Financial Assistance and Economic Growth in Zaïre

Luabeya Kabeya *

I. INTRODUCTION.

1. - *Need for financial assistance.*

It is well known that the foreign presence has been the single most important determinant factor in the process of birth and transformation of the Congo, today Zaïre, as well as in the process of modernizing its people and its institutions (1).

One aspect of this transformation process has been the organization of the economic life of the country under foreign rule, initiative, direction, with foreign capital (both technical and material). This transformation was systematically (2) initiated in the context of the Berlin Agreements of February 26, 1885, which created the Independent State of the Congo, and pursued in the context of the pure Belgian colonial empire inherited from Léopold II in 1908 (3).

The Zaïrian economy, as a legacy of direct foreign rule (theoretically ended on June 30, 1960), presented, in 1959, the following features.

— GDP (in thousands of US \$)	1,282,000
— Population (in thousands)	13,789
— GDP per capita (in US \$)	93
Principal components of GDP as % of GDP	
— Mining and metal products	32
— Agriculture	30
— Manufacturing and Energy	20
Level of autofinancing, more than	50 %
People directly concerned by modern sector as	
% of the Zaïrian people	7.9
Degree of dependence on external trade (as % of GDP) ..	61

(*) Department of Economics, National University of Zaïre. This article is a part of a study done by the author in 1973 (see reference 8). Many thanks to C. Atta Mills for having read the original paper and for his extensive comments.

- Sources* : — GDP and components : Banque Centrale du Congo Belge et du Rwanda-Urundi, Bulletin mensuel des statistiques générales, 1959.
 — Population : Romaniuk, A. ; Tableau général de la démographie congolaise, enquête démographique par sondage 1955-57, Louvain, 1961.
 — Finance : Commission d'Etude interuniversitaire : La Belgique et l'aide économique aux pays sous-développés, IRRI, Bruxelles, 1959.

Rate of conversion : 1 US \$ = 50 BF.

Although these indicators cannot adequately describe the whole picture of the zairian economy in 1959, they reveal, however, two important characteristics of that economy.

First, they reveal the nature of the colonial organization of the zairian economy, which consisted of a small and marginal sector of modern economic organization ; small and marginal with respect to great mass of the zairian people, of whom only a small minority were directly concerned (9.4 % of the zairian people in 1955, 7.9 % in 1959) (4), and a large semi-subsistence economic sector based upon traditional african mode of production.

While the economic literature calls this juxtaposition of two different modes of economic organization « dualistic economy », it does not emphasize enough that whatever the origin of the one and the other modes of economic organization in existence, they constitute the way the colonial powers organized the economic life of their respective colonies. As such, the persistence of the traditional african mode of production also constitutes a legacy of colonial rule. This observation reveals the fact that the transformation and structuration of the colonial dualistic economy into an unified economic system was not among the major objectives of the colonial undertakings, at least in Africa.

Second, the indicators reveal that the modern sector of the zairian economy is dependent on foreign factors. An open economy, whose external trade is the most important single determinant element (61 % of GDP in 1959), the zairian modern sector depends, both in its organization and initiative, on the foreign presence. Any significant development of this sector implies, among other things, both the injection of fresh capital from abroad (whatever form it may take) and the technical assistance that obligatorily follows this capital.

It is obvious that the level of autofinancing has been high in Zaire : more than 50 % of the private investments have been financed from local resources (5) ; it is also obvious that in the absence of a local capital market, this autofinancing process has led to a disparity of economic development : it has played its full role in the sector from which it originates (the export sector, especially mining, metallurgy, and the related activities, and large export oriented agricultural enterprises). Its impact is almost nil in the domestic - market oriented sector (manufacturing industries and crops for domestic consumption) (5).

René de Schutter argues that, in spite of the high level of local autofinancing, external financial aid is necessary for Zaire for many years to come (6). When one looks at the overall flows of investments and savings during the colonial period, the validity of Schutter's conclusion becomes clear :

TABLE I

**INVESTMENTS AND SAVINGS DURING THE COLONIAL PERIOD
(1950-1957, IN MILLIONS OF BELGIANS FRANCS)**

	1950	1951	1953	1955	1956	1957
State gross fixed investment	1.250	2.500	3.380	4.630	4.940	5.800
Gross fixed invest. of parastatals ..	1.000	1.810	3.390	2.340	1.890	1.390
Gross fixed private investments	5.260	6.760	9.500	8.720	9.510	9.230
Variation of stocks	200	2.180	— 570	1.400	2.100	2.500
Lending to the rest of the world	3.050	2.370	— 1.700	— 2.070	— 3.360	— 7.230
TOTAL	10.760	15.670	14.000	15.020	15.060	11.690
Individual saving ..	1.030	1.820	1.450	1.840	2.300	1.390
State saving	1.860	3.330	3.480	3.290	2.940	3.640
Enterprise saving..	7.870	10.520	9.070	9.850	9.820	6.660
TOTAL	10.760	15.670	14.000	15.020	15.060	11.690

Source : La Belgique et l'aide économique aux pays sous-développés, I.R.R.I., Bruxelles, 1959, p. 233.

While the internal saving successfully covered the internal investments and generated a surplus lent to the rest of the world in 1950 and 1951, due without doubt to the favourable terms of trade of copper during the hardest years of the Korean war, the situation was reversed in the following years. It even worsened in 1957, where the fall in the terms of trade of copper led to a significant deficit in the balance of payment (7 billions of Belgians Francs), which corresponded to the external disinvestment or borrowing. Indeed, with 1949 = 100, the terms of trade index of copper, after having reached 150 in 1956, fell to 114 in 1957, causing the deficit above (7).

The main point to be made about Table I seems to be that, as huge investments are undertaken, a trade gap develops, whatever the balance of internal savings and investments. And it grows faster as the terms of trade of copper worsens.

Given these conditions, the pursuit of economic development aimed at satisfying minority needs requires, either increased receipts from

the export sector, or increased financial flows from abroad. While increased receipts from the export sector requires the diversification of export commodities and services, coupled with favourable terms of trade for each export product (a possibility which is far beyond the limited capacity of that economy), it was the last alternative, increased financial flows from abroad which remained the unique and realistic solution adopted by Zaire from 1952 to 1957.

Granted that the 1970's zairian context is somewhat different from that of 1957, still, no fundamental change has taken place with respect to basic social choices, the general economic conditions existing then and which led to the above conclusions are still present today. The diversification of the export sector is still a hope for the future (the export sector has become even more concentrated on very few items than was the case in 1957 : the mining sector provided 72 % of export sector receipts in 1972 as against 57 % in 1957). Therefore, the conclusions above are even more valid today.

2. - *Objective, scope and approach of the study.*

The object of this study, however, is not to analyse the relationship between investments and economic growth in Zaire. Its purpose and scope is rather much less ambitious than this. Using saving and trade gap analysis formulated in their simplest manner as tools, the study tries to analyze the following practical problem : given a target annual average rate of growth of Gross Domestic Product (GDP) of 6% between 1971-1980, how much of foreign financial aid is needed, if any, to achieve it ? (8).

Saving and trade gap analysis belong to the theory of development which, although recognizing the complexity of this phenomena, asserts however that, in a given time period and for a given rate of growth, some specific bottlenecks in various economic inputs may appear which not only may impede the achievement of the desired and expected rate of growth, but may also lead to the underutilization of other available inputs. Under these conditions, to use national resources rationally, foreign aid may be revealed as being of critical utility. This is what Chenery and Strout affirm, when they say :

« A country setting out to transform its economy without external assistance must provide for all of the requirements of accelerated growth from its own resources or from imports paid by exports. Success thus requires a simultaneous increase in skills, domestic saving and export earnings as well as an allocation of these increased resources in such a way as to satisfy the changing demands resulting from rising levels of income. The attempt to increase output can be frustrated by failure in any one of these attempts, even when the others have been quite successful. When growth is limited this way by a few bottlenecks, there is likely to be underutilization of the other factors such as labor, natural resources, and specific types of productive capacity. By relieving these constraints, foreign assistance can make possible fuller use of domestic resources and hence accelerate growth » (9).

One of the very important assumptions underlying this approach is that the recipient country has taken all the required measures to insure the full participation of foreign aid in its economic programme, including the provision of all non-economic inputs that cannot reasonably be expected to be provided from abroad. This assumption puts a serious limitation to the effectiveness of this approach. For, in some cases, and these are not rare, the critical factors that are lacking in a given time-period are of non-economic order, such as the social basic choices in favour of the majority and the consequent social institutions and allocation of socio-economic resources, which are political factors.

The limitation of the effectiveness of this approach does point out the need for identification and provision of the right input at the right time. To provide economic input where political input is needed may correspond to the waste of scarce resources.

The hope that the provision of economic stimulus (no matter how meagre) and the attendant growth rate (satisfactory or unsatisfactory from the stand point of the aid-giving country) may sooner or later lead to satisfactory growth bears on the second best theory. It is based upon the assumption that, during and along the process, a possible growth rate allowed by the existing conditions may generate, little by little, the necessary conditions for further satisfactory growth. But the resources generated by this rate of growth may be so little in comparison with the level of aspiration and demand put on the system that, given the income distribution mechanism in the country, it may cause or occasion the emergence of social disturbance, instead of being of the nature of appeasing social tensions. The hypothesis that a certain rate of growth of the economy may lead to the improvement in the management of the society must be considered with caution. Often, the resulting situation may even be worse. To defend the existing value system and income distribution pattern, the coalition in power may have recourse to fascist and dictatorial methods, whose substance may be a deliberate mismanagement of the society from the point of view of the majority.

At this point, an analysis of the country's basic social choices becomes indispensable. In order to appreciate the usefulness of foreign aid with respect to economic development of the country, one must ask whether it is majority or minority needs, people or elite needs that are to be served. In effect, it is this choice which determines and explains, largely, the nature, objective and function of socio-economic structures and institutions in the country, and the way the allocation of socio-economic resources, including foreign aid, is being made.

The choice of majority needs, because it implies, among other things, active participation and involvement of the people in socio-economic undertakings as well as benefits, and rational allocation of available and potential socio-economic resources, including foreign aid, leads to a dynamic expansion of the indigeneous market, which constitutes an important step in the process of building a relatively autonomous national economy.

On the other hand, the choice of minority needs, by confining the country's socio-economic activities and benefits to minority interests, implies exclusion of the people and misallocation of socio-economic resources, including foreign aid. Under these conditions, socio-economic undertakings are anti-development oriented, in the sense that they do not address themselves to a development of an indigeneous market and, consequently, to the process of building an autonomous national economy.

It is argued that the choice of present zairian leadership is for minority needs. People are completely excluded from any meaningful participation in the existing socio-economic system. A good indication of this is the current government development programme, some of whose aspects are outlined in this paper. As it will be seen later on, this programme concerns itself mainly with the expansion of exploitation of minerals (for foreign markets and interests), at the time of falling copper prices, and ignores almost completely agriculture and related infrastructure which are, by nature, oriented to the basic needs of the population. It is very clear from the start that any meaningful economic development cannot be expected from this programme, should it be fully implemented.

With these limitations in mind, it still remains that the gap approach can be an useful tool of analysis. Its predictive value allows both recipient and donor countries to search for the ways and means by which to achieve the desired and expected rate of growth before the programme has been put into effect.

3. - *Background to the 6 % target rate of growth*

The average rate of growth of 6 % a year between 1971-1980 has been assigned to the zairian economy (GDP) by the government (10). This rate of growth is the expression of a tacit program (since there is no formal planning in Zaire) of government investments and projected and induced parastatal and private investments for the rest of the decade, axed on the increase of metal production (copper production by Gecamines alone is expected to reach 560,000 metric tons by 1978, the production of steel and chemicals for internal market is scheduled to start by 1976). The mechanisms by which this program would be realized was outlined by the Minister of National Economy in a workshop held in June 1971. According to this outline, the following strategies have been proposed :

- a) Import substitution : the recognition of the fact that there is still a large room for substitution of many imports by domestic production ;
- b) Increase of processing content of exports products,
- c) Production of manufactured goods for export to the African countries (11).

The rate of growth of 6 % a year between 1971-80 is not a very high rate of growth for the zairian economy, when one considers the potentialities and realizations of that economy. To speak only of the

realizations, between 1966 and 1970, the average annual rate of growth of GDP was 6,8 % (12). Although referring to a short period, this rate, which reflected the hard conditions of slow recovery from a large scale political crisis, was lower than that known between 1950-1956, which was 7,8 % (13). This implies that a rate of growth of 6 % a year is not only sound, but also entirely within zairian economic capability. What is then needed is the will to achieve it.

However, such a rate of growth has no significant meaning as long as the rate of growth of GDP per capita is not known. Since, according to Kuznets, it is the rate of growth of GDP per capita which measures the actual growth of the economy. With an average annual rate of growth of 6 % for GDP and an average annual rate of growth of population of 2.3 % (14), the average annual rate of growth of GDP per capita implied by this program would be 3,7 %.

Given these conditions, what then will be the level of investment, internal saving and foreign exchange required to achieve 6 % growth rate ? To what extent will these resources from national economy fall short of the needed levels ? What will be the foreign contribution needed for the attainment of the desired and expected growth rate ?

These are the questions that will be dealt with in this paper.

II. - SAVING AND TRADE GAPS IN ZAIRE

A. Saving Gap

An analysis of saving gap requires the knowledge of the level of investments in a given period of time and the rate of saving in the economy. While the level of investments is roughly determined through the use of the incremental capital output ratio (ICOR), the rate of saving within the economy is determined by the marginal propensity to save.

1. - ICOR

While the ICOR has become the standard measure through which the level of investment is calculated, it still raises questions about its sensitivity or non-sensitivity to many factors, the projections of past K/L relationship, the structure of past resource endowments that have determined the structure of production. Defined as « the increase in a country's capital stock, over a period of years, divided by the increase in the country's productive capacity (expressed as output per year during the same period), the ICOR disregards economic or technical changes that may be going on. New natural resources may have been discovered, or may not have been. The labour force may be growing rapidly or slowly. A new industry may be developing for which a very large amount of capital is required per unit of output,

for example a hydroelectric industry. Techniques may be changing. The ICOR rides roughshod over these changes, and merely takes the increase in productive capacity, whatever the reasons for it, and divides it by the increase in productive capacity, whatever its causes. Hence conceptually the ICOR is a very crude concept » (15). But to offset or to diminish the impact of past relationship on projections made on the basis of ICOR, would it not be better to take a relatively short period preceding the years for which projections are made ? While the impact of conjuncture on the ICOR calculated this way may be one of the causes of error, this may be offset by the more reliable relationships projected in the future. In the case of Zaire, given the fact that 1968 is the year which inaugurated a new era in the life of the country (since then no large crisis took place. Confidence in the country and its economy began to reappear. Drastic devaluation of June 1967 closed the period of financial and monetary uncertainty), it would seem that the ICOR calculated during 1968-1970 period is more reliable than that calculated for a long period, even though 1968-1970 period has been under relatively good prospects (the copper price has been high almost during all this period). However, the eventual impact of relatively poorer prospects of the years of projections may be offset by the substantial increase of the quantity of copper to be exported.

2. - PROJECTIONS

a) GDP (at 6 % growth rate, 1968 prices, millions of Zaire)

Base year : average 1968-1970 : $\frac{870.450 + 789 + 726.130}{3} = 795.5$

3

Table II : Projections of GDP at 1968 prices

1970 (average)	795.5
1971	843.2
1972	893.8
1973	947.3
1974	1004.3
1975	1064.5
1976	1128.6
1977	1196.0
1978	1267.9
1979	1335.6
1980	1425.5

Source of basic data : National Bank of Zaire, Annual Report 1970-71.

b) Level of investment

The level of investment is given, for each year, by the formula $k(r)(V^n)$ where :

- k = ICOR
- r = rate of growth
- V^n = output at nth year.

r and V^n being known and the average level of investment for the base

period also known, it remains to calculate k, by $\frac{\Delta K}{\Delta Q} = k$

$$\begin{aligned} G \Delta K (1968-1970) & : & 141 & + & 204 & + & 269 & = & 614 \\ G \Delta Q (1970-1968) & : & 870.5 & - & 726.1 & & & = & 144.4 \end{aligned}$$

$$k = \frac{G \Delta K}{G \Delta Q} = \frac{614}{144.4} = 4.2$$

Table III : Level of Investment (in millions of Zaires) at 1968 prices

	GDP	GI	% of GDP
1970 (average)	795.5	206.5	25.9
1971	843.2	213.5	25.2
1972	893.8	225.5	25.1
1973	947.3	238.7	25.1
1974	1004.3	252.1	25.1
1975	1064.5	268.5	25.2
1976	1128.6	284.4	25.1
1977	1196.0	301.4	25.2
1979	1335.6	319.5	25.1
1980	1414.5	336.6	24.4
1980	1414.5	356.5	25.5

Source : Basic data : National Bank of Zaire, Annual Report 1970-71.

c) Level of Saving (in millions of Zaires at 1968 prices)

In applying the formula $SO + MPS (V^n - V_0)$, where

SO = Saving at base period

MPS = Marginal propensity to save

V^n = output at nth year

V_0 = output at base year

$$\begin{aligned} G \Delta S (1970-1968) & : & 238.2 & - & 146.5 & = & 91.7 \\ G \Delta Q (1970-1968) & : & 870.5 & - & 726.1 & = & 144.4 \end{aligned}$$

$$MPS = \frac{G \Delta S}{G \Delta y} = \frac{91.7}{144.4} = 0.63$$

Table IV : Level of Savings at 1968 prices

	GDP	GS	% of GDP
1970	795.5	203.4	25.5
1971	843.2	233.5	27.6
1972	893.8	265.3	29.6
1973	947.3	299.0	31.5
1974	1.004.3	334.9	33.3
1975	1.064.5	372.8	35.1
1976	1.128.4	413.1	36.7
1977	1.196.0	455.7	38.1
1978	1.267.9	501.0	39.5
1979	1.414.5	543.7	40.7
1980	1.414.5	593.3	41.9

Source : Basic data : National Bank of Zaire, Annual Report 1970-71.

Putting together Table III and Table IV, we derive the gap, if any, of saving over investment.

Table V : Surplus or Deficit of Savings over Investments

	GI	GS	Deficit (-) or Surplus (+)	% Coverage of Investment
1970	206.5	203.4	- 3.1	98.4
1971	212.5	233.5	+ 21.1	109.8
1972	225.2	265.3	+ 40.1	120.1
1973	238.7	299.0	+ 60.3	125.2
1974	252.1	334.9	+ 82.8	132.8
1975	268.5	372.8	+ 104.3	138.8
1976	284.4	413.1	+ 128.7	145.2
1977	301.4	455.7	+ 154.3	151.1
1978	319.5	501.0	+ 181.5	156.8
1979	336.6	543.7	+ 204.1	161.5
1980	356.5	593.3	+ 236.8	166.4

Between 1970 and 1980, GI will grow at 5.6 % a year, while GS will grow at 11.2 % a year, exactly twice as fast as GI.

Comments on these results will be postponed until we have the results of the study on the trade gap.

B. Trade Gap

Contrary to the classical view that foreign aid or investment only has effect of supplementing domestic savings in the receiving country, the modern view, especially put forward by Chenery and Brumo, Chenery and Strout and others (16), stresses « that many goods have strategic importance in efficient industrial growth, but cannot be produced domestically in the early stages of industrial development. Foreign aid or private investment can have a large favourable impact on the growth rate when such a bottleneck constraint is binding, even though these transfers are a small fraction of available domestic savings » (17). It is in this critical role of foreign assistance that LDCs, especially at the early stages of their development, encounter one of the major obstacles to their development. Their almost permanent difficulties of Balance of Payments largely bears witness to their attempt to overcome this obstacle. Some would say wrongly, I think, that foreign assistance considered in its new role, is either an alternative to or a « reparation » for deterioration of the LDC's terms of trade. Foreign assistance is an alternative, not to the terms of trade, but to the level of export earnings which depends, among other things, on the terms of trade. And it seems that the impact of terms of trade on the export earnings is far less important than the quantities and structure of the products exported. Thus, foreign assistance, in its new role, is becoming, as Chenery and Strout point it out, a separate and independent input in the development process everywhere it is needed.

Trade Gap in Zaïre

The study of trade gap requires the knowledge of import requirements and export earnings. The study of import requirements may be carried out through two different methods. The first approach is to study the structure of imports and the relationship between each component of import and the level of investments. These relationships would then be projected into the future, for the period of the study, in order to determine the imports requirements. The second method, the most used in this kind of study, uses the marginal propensity to import as a means of predicting the import requirements for the years of the study. The first method described above, with needed adaptation, may be also used for the projections of export earnings. The study of each export product, the evolution of its foreign market, both in terms of quantities and prices and the projections of these variables in the years of the study, provide the export earning projections (18). The second method for the study of export is similar to that described for imports. It consists of calculating the rate of growth of export earnings in the past and projecting it in the future. While for both imports and exports, the first method refines the analysis, the second method provides rough estimates of both import requirements and exports earnings. If a more refined analysis is needed, then one must refer to the first method. Otherwise, the second method is the most used, and it will be used here.

The base period is 1968-1970. The imports include services, since for an open and underdeveloped economy like ours, imported services will still be needed for a long time to come.

a) Import requirements :

In applying the formula : $M_o + u (V^n - V_o)$.
where :

M_o = import at base year ;

u = MPI ;

V^n = output at nth year

V_o = output at base year

MPI = Marginal propensity to import.

$G \triangle M$ 1970-68 : 377.5 — 271.1 = 106.4

$G \triangle Q$ 1970-68 : 870.5 — 726.1 = 144.4

We have :

$$MPI = \frac{106.4}{144.4} = 0.73$$

$$\text{Average imports : } \frac{271.1 + 310.0 + 377.5}{3} = 319.5$$

Table VI: IMPORT REQUIREMENTS

	GDP	Imports (or M)	% of GDP
1970	795.5	319.5	40.1
1971	843.2	344.3	40.8
1972	893.8	391.3	40.3
1973	947.3	430.3	40.5
1974	1004.3	471.9	46.9
1975	1064.5	515.9	51.2
1976	1128.6	562.5	49.8
1977	1196.0	611.9	51.9
1978	1267.9	664.4	52.4
1979	1335.6	713.8	53.5
1980	1267.9	771.4	54.5

Source : Imports for base year : National Bank of Zaire, Annual Report 1970-71.

According to the data above, the average annual rate of growth of imports between 1970-80 is 9.2 %.

b) Export earnings (millions of zaires, at 1968 prices)

In applying the formula :

$$X^n = x_0 (1 + R)^n,$$

where :

X^n = exports earnings at n^{th} year

r = rate of growth of exports earnings

X_0 = export earnings at the base year,

and given : — 6,4 % average annual rate of growth of exports earnings between 1968-1970,

— 330.6 base year average export earnings of 1968, 1969, 1970 which were respectively : 311.4 ; 327.65 ; 353.0 millions of zaires.

We have :

Table VII : EXPORT EARNINGS PROJECTIONS, 1970-1980
(at 1968 prices)

	GDP	X	$\frac{X}{GDP} (100)$
1970 (average)	795.5	330.6 (average)	41.5
1971	843.2	351.8	41.7
1972	893.8	374.3	41.8
1973	947.3	398.2	42.0
1974	1004.3	423.7	42.1
1975	1064.5	450.8	42.3
1976	1128.4	479.7	42.5
1977	1196.0	510.4	42.7
1978	1267.9	543.1	42.8
1979	1335.6	575.5	43.0
1980	1414.5	614.8	43.4

Source : base year : National Bank of Zaire, Annual Report 1970-71.

Table VIII : TRADE GAP (in millions of zaires at 1968 prices

	X	M	X — M
1970	330.6	319.5	+ 11.1
1971	351.8	344.3	+ 7.5
1972	374.3	391.3	— 17.0
1973	398.2	430.3	— 32.1
1974	423.7	471.9	— 48.2
1975	450.8	515.9	— 65.1
1976	479.7	562.5	— 82.8
1977	510.4	611.9	— 101.5
1978	543.1	664.4	— 121.3
1979	575.5	713.8	— 138.3
1980	614.8	771.4	— 156.6

*C. Comments on the above results :***1) Comments on the data :**

The basic data used in the study of saving gap and trade gap are drawn from the National Bank of Zaire Annual Report 1970-71. It is generally accepted that, with respect to the basic data in Zaire, this source is among the rare reliable sources in the country. However, for the statistics of external trade, it is well known that they are everywhere inaccurate, especially in the less developed countries. In Zaire, the inaccurate character is reinforced by the fact that, inspite of the existence of stringent laws, the frontiers and the custom-houses are still open to smugglers, helped by corruption.

Another reason which could have an impact on the above results is the short period taken as a basis for calculation of some parameters or rate of growth. For this study, I do not think this is the case. Indeed, if one considers the items included in Table I, he will see that between 1950 and 1956, the overall investments and savings (gross investments and gross savings) grew at 5.7 % a year, while my rate of growth of investments between 1970 and 1980 has been put at 5.6 % a year (GI). However, my rate of saving during 1970-1980 is almost twice as much as that of 1950-1956. Assuming the data is reliable, the shortness of the period may be a possible explanation of this. But also and much more likely, it may be explained by the fact that since 1965, (except from July 1967 to September 1968 period following the June 24, 1967 devaluation) there have been large excesses of demand over supply for most goods. In the regime of price control which prevails in Zaire, this has pushed up saving behavior as attested, among other things, by the permanent situation of overliquidity of zairian banks.

The ICOR, calculated for the period from 1968 to 1970 is almost of the same magnitude as that calculated by Mr. Laporte of National Bank of Zaire (19). Calculated on the basis of 1950-1959 and 1966-1970 observations as he says, Mr. Laporte's ICOR is put at 4.4 for GI while mine is 4.2 for the same item. One must notice that both Mr. Laporte's ICOR and mine are inferior to that calculated by Kuznets whose ICOR, calculated during the period 1951-1957, has been put at 6.81 (20).

Finally, as stated above, I have adopted a method which leads to rough estimates.

2) Comments on the results :

Aside from 1970 where there seemed to be a saving deficit, and 1970 and 1971 where there seemed to be a trade surplus, due without doubt to the use of average figures (21), the fundamental trend revealed by the above results is the emergence of savings surpluses and trade deficits :

**Fundamental Trend of Gap Analysis in Zaire
(millions of zaires at 1968 prices)**

	Savings gap (GS)	Trade Gap
1970 (base year : average figures) ..	— 3.1	+ 11.1
1973	+ 60.3	— 32.1
1975	+ 104.3	— 65.1
1980	+ 236.8	— 156.6

At this stage of economic development in Zaire, this trend is quite normal. However, for the saving gap, it contrasts with the situation of some LDC's that have shown a tendency to raise the level of investments much more rapidly than the level of savings (22).

Given the worsening trend of the trade gap as more and more investments are undertaken in Zaire, what are the prospects of improving it, besides foreign aid ?

As said earlier in this paper (introduction), the current government program of investments is based on metal production, especially copper production. Three companies are engaged in this field. While Gecomines is committed to expand its productive capacity during the decade, SODIMIZA is entering production phase and Société Minière TENKE-FUNGURUME will soon have its facilities established. As of November 1970, as shown in Table IX, huge investments in this sector have been approved.

Table IX : INVESTMENT PROJECTS PRESENTED AND EXAMINED BY THE COMMISSION OF INVESTMENT ON NOVEMBER 30, 1970 (in thousand of zaires)

ECONOMIC ACTIVITIES	Presented to the Commission		Examined by the Commission		Agreed by Official Act	
	Number	Value	Number	Value	Number	Value
	Agriculture and related industries	3	997	2	553	2
Mining and Metallurgy industries	5	53,432	2	51,813	2	51,813
Manufacturing industries	48	48,871	36	23,933	32	13,728
— Agricultural processing products, foods and drinks	(11)	(5,322)	(8)	(2,491)	(8)	(2,491)
— Materials for construction, cement, ceramic	(12)	(22,616)	(7)	(5,577)	(7)	(5,577)
— Mechanical & electrical Incls.	(4)	(2,074)	(3)	(591)	(2)	(538)
— Chemical, rubber and others	(7)	(2,061)	(5)	(1,814)	(5)	(1,814)
— Textile, cloth	(8)	(15,172)	(7)	(11,834)	(4)	(1,682)
— Wood, pulp paper	(6)	(1,626)	(6)	(1,626)	(6)	(1,682)
Building and public works	3	1,922	2	852	2	852
Banks	3	6,006	2	4,560	2	4,560
Transportations	4	38,595	2	9,608	2	9,608
Services	8	3,214	6	2,591	5	2,035
TOTAL	74	153,037	52	93,890	47	83,129

Source : Banque Nationale du Congo, Rapport Annuel 1969-70, p. 79.

The expansion of Gecamines's production is expected to reach 450,000 tons of copper by 1974 and 560,000 tons by 1978. The economic and profitability studies of the investment program have been based on an average copper price of US \$ 0.45 a pound in the next five years. The required investment in mining installations is estimated at some \$ 80 millions and additional finance will be required to expand production of electricity. Of the total mining investment, about one-half will be financed directly by Gecamines from its own resources, and the balance will be obtained mainly from foreign long term loans and supplier's credit (23). On the basis of \$ 0.45 per pound, the expansion of Gecamines's production will provide :

	1974	1978
Volume in millions pounds	900	2240
U.S. \$ millions	405	1106
Zaires millions (rate : 1 Z = 2 \$) ..	202.5	553
Total projected export earnings (millions of zaires)	423.7	543.1

If these calculations are correct, then the contribution of copper to the export earnings in 1974 will be 47.7 % as against 66.5 % on average (1968-70). Indeed, in 1968, 1969 and 1970, the copper contribution to the total export earnings was respectively 67.0 %, 66.1 % and 66.5 % (24).

One would notice that the export earnings from copper in 1978 exceed my projected total export earnings by 9.9 millions of zaires. On the basis of 1978 copper export earnings (it is assumed that all production will be exported) and 66.5 % average rate of contribution of copper to export earnings in 1968-1970, the total export earnings will be 844.4 millions of zaires. That amount exceeds my projected imports requirements by 180.0 millions of zaires. Should this hypothesis be verified, then from 1978 on, there would be no trade gap as projected above.

If the rate of contribution to the total export earnings is that of 1974 above mentioned (47.7 %), then the situation would be much better. It would mean that the other export items have substantially improved their share. This hypothesis would correspond to 1159.3 millions of zaires in 1978 and would lead to a trade surplus of about 494.9 millions of zaires on the basis of my projected import requirements.

These are still hypotheses and projects. And the prospect of trade surplus will be brightened by the production and export of copper by the other two companies.

III. - CONCLUSIONS

The indicators used in this study have led to the prospects of increasing saving surplus and trade deficit from 1973 to 1980. However, if the expansion of copper production and export take place, then from 1978 on, there will be no trade gap. Otherwise, the magnitude of the

trade gap during the period of the study will be 762.9 millions of zaires. The gap will be assumed to be fulfilled by foreign aid, foreign exchange reserves being considered wnil.

These indicators have been :

RGDD	ICOR	MPS	MPI	RM	RE	RGI	RGS
%				%	%	%	%
6.0	4.2	.63	.73	9.2	6.4	5.6	11.2

where :

- MPS = marginal propensity to save
- ICOR = incremental capital output ratio
- MPI = marginal propensity to import
- RM = rate of Growth of imports
- RE = average annual rate of growth of export
- RGI = average annual rate of growth of gross investments
- RGS = average annual rate of growth of gross savings
- RGDP = rate of growth of gross domestic product

Thus

1) The rate of growth of investments is less than the rate of growth of GDP. This situation does not respond to the investment criteria established by Chenery and Strout for measuring the progress toward a given rate of self-sustaining growth. According to this criteria, the rate of growth of investment must be greater than the target growth rate.

2) The average rate of growth of savings is greater than the rate of investment. This situation responds to the Chenery and Strout's saving criteria.

3) The rate of growth of export is higher than the rate of growth of GDP. This situation does meet the Chenery and Strout's trade criteria (25).

REFERENCES

- 1) See B. Luabeya Kabeya : « Foreign Investments and congolese politics », IDS, the Fletcher School of Law and Diplomacy, Medford, 1971 (mimeo).
- 2) Some regions belonging to the present zairian territory (Low Zaire) had been in contact with the European traders as early as XVth century and had known exchange of some goods and services, including exchange of diplomatic missions and evangelization. But these activities had been sporadic and passengers.
- 3) See Alfred Clapys — Bouvaert : « Les aspects politiques, administratifs et sociaux des réalisations bilatérales belges dans le domaine du sous-développement économique ». *In la Belgique et l'aide économique aux pays sous-développés*. I.R.R.I., Bruxelles, 1959, p. 182.

- 4) For 1955 see Ferdinand Bezy : *Problèmes structurels de l'économie congolaise*, Ed. E. Nauwelaerts, Louvain, 1957, p. 102.
For 1959 see Bulletin Mensuel des Statistiques générales, dec. 1959.
- 5) See René de Schutter : « Les aspects économiques et financiers des réalisations bilatérales belges dans le domaine du sous-développement économique ». In *la Belgique et l'aide économique aux pays sous-développés*. op. cit. ; p. 218.
- 6) See René de Schutter, op. cit., p. 223.
- 7) See Claude Carboneille : « Les résultats des réalisations bilatérales belges dans le domaine du développement économique ». In *la Belgique et l'aide économique aux pays sous-développés*, op. cit., p. 234.
- 8) This is a part of a study done by the author in 1973 regarding the financial implications of the zairian government economic program for this decade. Today, it must be considered as a pure exercise for two reasons. First, at three years from the end of the decade, only a part of the program has been more or less implemented : the expansion of copper production, the creation of steel mill and the production of electric energy from Inga dam. The other sectors, mainly agriculture, manufacturing and commerce, have drastically regressed. Second, a set of political and economic policies and practices, put forward since 1971, if not earlier, have resulted, helped in that by the worsening of the terms of trade of copper, the increasing cost of petroleum products and, later, the involvement in the angolan war, in their logical pay off, that is, the economic chaos and the bankruptcy of the country. This result was not a surprise to us. We predicted it in our paper : « Diversification et Développement : cas du Zaïre. IDS, the Fletcher School of Law and Diplomacy, Medford, 1972 (mimeo).
- 9) See Chenery and Strout : « Foreign Assistance and Economic Development ». *A.E.R.*, vol. LVI, N° 4, part 1 Sept. 1966, p. 680.
- 10) See Banque Nationale du Zaïre : *Rapport Annuel 1970-71*, p. 16.
- 11) See Banque Nationale du Zaïre, *Rapport Annuel 1970-71*, p. 23.
- 12) *Idem*, p. 74.
- 13) See République Démocratique du Congo : *Bilan 1965-1970*, p. 40.
- 14) Banque Nationale du Zaïre, Annual Report 1970-1971, advances a rate of Growth of 2.7 % for population. This rate seems to me too high and it does not seem to take into account the serious deterioration of health conditions in Zaïre. I prefer the rate of 2.3 % put forward by the Enquêtes démographiques au Congo 1955-57.
- 15) Hagen E.E. : *The Economics of Development*, Richard D. Irwin Inc, Homewood, 1968, pp. 185 - 186.
- 16) See H. B. Chenery and M. Bruno : Development Alternatives in a open Economy : the case of Israël. In *Economic Journal*, Vol. 57, N° 285, March 1962, pp. 79-103. See also H.B. Chenery and A.M. Strout : Foreign Assistance and Economic Development. In *A.E.R.*, vol. LVI n° 4 part 1, Sept. 1956, pp. 679-691.
- 17) R.L. Mc Kinnon : Foreign Exchange constraints in Economic Development and Efficient Aid Allocation. In *Economic Journal*, op. cit. 388.
- 18) See A. Maizels : *Exports and Economic Growth of developing countries*, the University press, Cambridge, 1968.
- 19) M. Laporte (of Banque Nationale du Congo) : *Etude des perspectives de l'économie congolaise pour la période 1970-1975*, Kinshasa, juin 1971, p. 7.
- 20) See E.E. Hagen : *The Economics of Development*, op. cit., p. 281.
- 21) There was actually a saving gap and trade gap in 1970. While the average figures used in the text have shown saving gap in 1970, they showed trade surplus in that year, which was not accurate. See Banque Nationale du Zaïre, *Rapport Annuel 1970-71*, p. 81.
- 22) See Chenery and strout, op. cit., p. 682.
- 23) IMF : *Surveys of African Economies*, vol. V, pp. 44-45.
- 24) See Banque Nationale du Congo, *Rapport Annuel 1970-71*, op. cit. p. 164.
- 25) See Chenery and Strout : « Foreign Assistance and Economic Development », op. cit., p. 705.

RÉSUMÉ

Il est bien connu qu'en pays sous-développés, l'exécution intégrale des programmes de développement, à supposer que ceux-ci soient bien conçus et bien étudiés, se heurte à de nombreux obstacles, dont, entre autres, l'insuffisance ou le manque de ressources financières nationales. Le recours à l'aide étrangère s'impose alors si l'on veut avancer dans la réalisation du programme de développement.

Dans ce papier, l'auteur discute certains aspects du programme de développement du Zaïre pour la période 1971-1980. On notera, dès le départ, que la stratégie adoptée est celle du développement par commerce extérieur. Ainsi, le programme en cours concerne principalement l'expansion de l'exploitation des produits miniers pour le marché extérieur, avec le cuivre en tête au moment où le cours mondial de ce produit est à la baisse ; et accessoirement une petite unité sidérurgique et quelques entreprises chimiques pour le marché intérieur. L'agriculture vivrière et l'infrastructure de transport dont celle-ci est tributaire qui, par essence s'adressent à la majorité de la population, n'ont pas de place dans ce programme. Comme on peut le voir, ce programme n'a pas de portée développementale réelle, dans la mesure où les activités principales envisagées ne s'adressent pas au marché intérieur et que le peuple n'en tirera pas de profit notable.

L'exécution intégrale de cet ensemble de projets devrait aboutir à une expansion de l'économie (Produit Intérieur Brut ou PIB) de l'ordre de 6 % l'an en moyenne entre 1971-1980. Utilisant les relations Epargne - Investissement et Imports - Exports comme instruments d'analyse formulés de la manière la plus simple, l'auteur essaie de résoudre un exercice pratique suivant : étant donné un taux de croissance de l'économie de 6 % l'an en moyenne entre 1971-1980, quel est le montant d'aide étranger, si besoin d'aide étranger il y a, nécessaire à la réalisation d'un tel rythme de croissance ?

L'étude aboutit aux résultats suivants :

- la balance Epargne-Investissement est largement positive tout au long de la période considérée ;
- la balance Imports - Exports est largement déficitaire tout au long de la période considérée. Il en résulte un appel à l'aide financière étrangère de plus en plus importante, à mesure qu'on avance dans la réalisation du programme.

Au stade actuel du développement économique du Zaïre, une pareille évolution paraît normale. Cependant, s'agissant de la balance Epargne-Investissement, le cas zaïrois semble contraster avec ceux des autres pays sous-développés du même niveau de développement économique, qui se sont montrés plus capables d'accroître le niveau d'investissements beaucoup plus rapidement que le niveau d'épargne.

BOOK REVIEWS – REVUE DES LIVRES

Abdellatif Benachenhou : *Formation du Sous-Développement en Algérie. Essai sur les limites du développement du capitalisme. 1830-1962* (sans bibliographie finale, OPU, Alger, 1976).

Critique de Bernard Founou-Tchuigoua *

La « formation du sous-développement en Algérie » de A. Benachenhou est une grande contribution à la connaissance de l'histoire sociale de l'Algérie articulée autour de l'histoire économique d'un siècle et demi de capitalisme. Cette contribution porte à la fois sur les faits et sur la méthode, qui consiste à garder constamment imbriguées la réalité et sa théorie. Ce livre a valeur d'exemple. Ceci ne veut pas dire évidemment que le livre est parfait, nous y reviendrons. Benachenhou montre qu'après une période d'accumulation primitive qui dure de 1830-1880, le capitalisme se développe rapidement (1880 - 1930), pour stagner ensuite jusqu'en 1962. Le livre est divisé en quatre chapitres, mais l'introduction est suffisamment importante pour que nous puissions nous y arrêter.

L'INTRODUCTION est consacrée au développement du concept d'accumulation primitive. La clarification du concept s'impose car, écrit-il, Marx a présenté simultanément le concept et l'analyse du processus historique dans un contexte déterminé. Il importe de dégager un concept universel.

La production capitaliste a pour formule

$$\text{A.M.} \text{ ————— } \text{MP} \text{ } \text{P. — P' — M'}$$

FT

Elle présuppose que soient réunies trois conditions essentielles :

1) Une grande extension du marché, 2) l'existence de la force de travail comme marchandise ; 3) l'appropriation des moyens de production par le capitaliste. L'accumulation primitive n'est donc pas un processus d'accumulation de l'argent ou des titres par les capitalistes (1), mais celui de la dissolution des rapports antérieurs, de prise de possession (expropriation - appropriation) des moyens de production existants par le capital et la mise en relation de ces deux éléments.

C'est donc avant tout un concept de transition vers le capitalisme. On peut concevoir, par exemple, un processus de dissolution des systèmes antérieurs sans pour autant qu'apparaisse le capitalisme. La prise de possession des moyens de production est une condition essentielle, souvent négligée.

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(1) Allusion sans doute à la thèse de M. Dobb dans « Etudes sur le Développement du capitalisme » (Maspero).

Le premier chapitre est consacré à l'analyse de la formation sociale algérienne à la veille de la colonisation française survenue en 1830. On sait qu'à partir du 16^e siècle, l'Algérie est une colonie turque. Selon l'auteur, trois « systèmes économiques » sont alors en présence : le système économique étatique (turc) et le système économique communautaire basé sur la propriété tribale ou villageoise des terres et enfin le système corporatif dans les villes. Le système étatique domine aussi le système corporatif basé sur l'artisanat, qui est né pour satisfaire les besoins de la classe politique qui domine la ville, soit directement, soit par prélèvement fiscal (p. 43).

Cet artisanat est en mesure de fournir aux communautés tribales ceux des biens qu'elles ne se procurent pas directement ou par échange, mais l'extension du marché urbain est freinée notamment par l'intégration de l'Algérie au commerce mondial capitaliste. Le commerce extérieur à la fois administré (p. 48) et très instable (p. 49) constitue une occasion privilégiée d'alliances de classes entre l'autocratie turque et le capital de négoce, d'origine européenne (p. 49).

Pendant, la domination du système étatique n'est pas totale. Les communautés tribales et villageoises sont encore fortes en 1830, car ce sont elles et non l'Etat turc qui détiennent les moyens de production. Par conséquent, la destruction militaire et étatique de l'aristocratie turque par la France n'ouvrira pas ipso facto la voie à l'appropriation de l'ensemble des moyens de production (p. 51), il faudra 50 ans pour réaliser les préconditions du développement du capitalisme.

Le chapitre deux traite de l'accumulation primitive en Algérie de 1830 à 1880. Les moyens universels de l'expropriation des paysans sont mis en œuvre : la fiscalité, pour imposer la production marchande ; l'usure et l'expropriation de producteurs directs ; l'interprétation du droit « coutumier » en faveur de l'ordre colonial permettant la formation de réserves de main d'œuvre bon marché, etc...

Pendant, au cours de cette période, le processus de dissolution des rapports antérieurs est assez lent et les communautés paysannes continuent de se reproduire largement en autosubsistance malgré l'exiguïté des territoires qui leur est laissé. L'effet de l'expropriation et du resserrement ne se fera sentir qu'au cours de la période suivante. La céréaliculture qui a pris une grande extension à partir de 1857 (guerre de Crimée), ne sera pas très rentable rapidement en culture capitaliste, la pénurie de la force de travail rendant celle-ci assez chère. De plus, il s'agit d'un petit capitalisme agraire, aux moyens financiers privés limités qui va tenter de mobiliser des moyens publics à son avantage (chemin de fer, hydraulique agricole, etc.). En 1880, les bases de cette accumulation sont encore très fragiles.

Le chapitre III traite des formes de l'accumulation du Capital en Algérie de 1880 à 1930. C'est la « Belle époque » pour le capital en Algérie. La viticulture est le secteur dominant de cette accumulation, bien devant la céréaliculture et malgré l'apparition de l'agrumiculture. Trois éléments favorables : le développement des débouchés en France après la destruction du vignoble français par le phylloxera ; la force de travail devenue d'autant plus bon marché qu'une surexploitation des Algériens et un surpaiement des travailleurs colons entre en ligne de

compte. En effet, une différence alors très nette entre salaires et entre postes de travail est instaurée au profit des colons ; un système de financement de l'accumulation est mis en place par la Banque d'Algérie qui, de simple Banque d'Emission de première phase, se met à accorder du crédit à court terme transformable en long terme grâce au mécanisme de renouvellement. Le grand capital entre en action et le processus de concentration est très net, créant ainsi une fraction dominante de la bourgeoisie coloniale qui monopolise les moyens budgétaires. Mais en même temps, une petite couche de capitalistes agraires nationaux émerge lentement.

La forme sous laquelle le capital extorque le surtravail dans l'agriculture n'est pas unique. Il faut nécessairement y inclure le « capitalisme formel » qui consiste principalement en la domination du capital commercial sur les paysans (voir tableau ci-dessous). Au cours de cette période, le processus d'expropriation - appropriation de l'accumulation se poursuit.

Malgré une amorce d'accumulation dans l'industrie et les mines (phosphates), c'est l'agriculture et notamment la viticulture qui est le domaine fondamental de l'accumulation.

La prolétarianisation des masses rurales de 1900 à 1930

	Propriétaires	Ferriers	Khanibez ou metayers	Ouvriers agricoles	Population agricole	Population agricole totale
1901	620.891	37.455	350.715	151.108	1.135.166	3.230.647
1910	530.211	—	426.851	207.707	1.164.769	3.525.768
1914	565.218	40.755	407.050	210.205	1.673.532	3.605.449
1930	617.544	50.771	634.600	428.032	1.730.947	4.419.943

Cependant, le processus va se trouver bloqué notamment par une répartition extrêmement inégalitaire des revenus agricoles qui freine la demande de l'artisanat et de l'industrie.

En 1910 par exemple, sur une valeur ajoutée de 182 millions dans la viticulture, 25 millions seulement se résolvent en salaires. Un des effets de cette pratique, c'est l'émigration vers la France à partir de 1920. En 1920, dans la campagne algérienne, il est possible de distinguer 3 couches dans la bourgeoisie : la grande bourgeoisie foncière qui monopolise 80 % des terres (p. 284) ; elle exerce une véritable hégémonie politique — la bourgeoisie moyenne (10 à 50 ou 100 ha en fonction des cultures), la petite bourgeoisie (moins de 10 ha). La fraction coloniale de cette petite bourgeoisie s'est spécialisée dans le maréchage et la culture fruitière autour des villes. Au contraire la fraction algérienne se contente de la céréaliculture.

Le chapitre IV est consacré à l'analyse de la stagnation du capitalisme en Algérie de 1930 à 1962. C'est le plus long et le plus extensif. Le point de vue soutenu est que bien avant la grande crise mondiale de 1930, l'accumulation du capital en Algérie avait déjà atteint ces limites rigides. « L'explication de cette stagnation est simple : les secteurs sur lesquels était basée l'accumulation du capital au cours de la période précédente perdent leur dynamisme sans que d'autres secteurs viennent de manière significative les relayer » (p. 299). Il en est résulté un appauvrissement accentué de la masse des travailleurs ruraux et urbains. Les politiques économiques mises en place à partir de la fin de la deuxième guerre mondiale ne permettent pas de redresser la situation, malgré l'apparition de nouveaux secteurs, et en particulier du secteur pétrolier à partir de 1956. Il en résulte qu'au moment où la guerre de libération nationale commence, en 1954, la paysannerie pauvre et sans terre est particulièrement nombreuse, la stagnation de l'accumulation étant accompagnée d'une croissance démographique exceptionnelle.

Cette stagnation ne se manifeste pas nécessairement par la baisse absolue de la production, mais surtout par l'incapacité du système à provoquer des changements radicaux, consistant notamment en industrialisation. Mais en raison des contradictions du système économique colonial même une industrialisation d'import-substitution sérieuse n'a pas été mise en place. Ensuite, à partir de 1954, la mise en valeur des richesses pétrolières a été conçue et appliquée dans le seul souci de l'approvisionnement de la France en pétrole de la zone franc et la formation d'un grand capital français dans le domaine pétrolier. C'est pourquoi les résultats devaient être médiocres, au niveau de la production, si on excepte le pétrole fonctionnant comme une enclave. Aucun problème sérieux, né de la stagnation n'a été résolu ni au niveau politique, ni au niveau économique. La bourgeoisie agraire a réussi à obtenir les meilleures conditions de crédit, afin d'accroître sa capacité de compétition sur le marché franco-algérien. La politique du paysannat, puis de modernisation a certes provoqué une certaine différenciation dans la campagne comme le voulait le capital pour des raisons politiques, mais à partir de 1954, le déclenchement de la guerre freine puissamment le mouvement. L'exode rural s'est développé au lieu de se stabiliser. L'appauvrissement des paysans a continué.

Dans l'industrie, la stratégie énoncée dès 1943 est celle d'une **substitution d'importation** sans protection, ce qui est impossible (p. 352). L'implantation de quelques unités industrielles est due aux avantages fiscaux énormes qui constituaient parfois jusqu'à 40 % de l'investissement et à l'équipement public qui provoque des économies externes substantielles. La mise en place d'une telle politique conduit nécessairement à une impasse. « En effet, écrit l'auteur, une politique de substitution d'importation sans protection a été vite intégrée dans la stratégie du capital français vis-à-vis du marché algérien. Dès lors que celui-ci n'est pas protégé, la tendance naturelle du capital est d'alimenter à partir des unités de production situées en France ».

La mise en valeur pétrolière se traduira surtout par des transferts massifs de valeur vers la France (en millions de Francs) :

	1955	1960	1961	1962	1963
Solde transferts publics ..	+ 4.054	+ 4.791	+ 6.386	+ 6.630	+ 1.813
Solde transferts privés ..	- 4.304	- 5.283	- 6.182	- 7.128	- 2.030
Solde Bal. commerciales ..	- 3.396	- 3.071	- 1.387	- 509	- 138
Soldes transferts privés ..	- 908	- 2.112	- 4.475	- 7.637	- 1.604
	+ 3.186	+ 2.679	+ 1.611	- 1.007	- 79

Enfin, si en termes de croissance, il y a eu au cours de la décennie 1950-1960 des résultats non négligeables, aucun problème important de développement capitaliste n'a été résolu : l'investissement véritablement productif a stagné ; les problèmes économiques importants en rapport étroit avec la politique, celui du chômage urbain, de l'appauvrissement des masses rurales, dont la résolution était indispensable à la poursuite de l'exploitation fondamentalement dans le cadre des besoins français n'a pas eu lieu. A la campagne, l'appauvrissement se poursuit.

« En moyenne, la famille paysanne pauvre dispose de 3,7 ha pour vivre. Devant ce manque de terres, le paysan a réagi en renonçant au vieil assolement biennal : c'est ainsi qu'en 1950-1952, les jachères ne représentent plus que 62 % des emblavures. Les paysans renoncent aussi à l'élevage au profit de la polyculture ; son objectif est de subsister en plantant du blé dur et de l'orge. En supprimant la jachère, il ne permet plus à la terre de se reposer ; en supprimant l'élevage, il ne le nourrit plus et ne profite plus de cette activité plus nutritive » (p. 432).

Donc l'un des effets essentiels de la stagnation, c'est la dégradation des conditions humaines et naturelles de la reproduction.

En même temps, une bourgeoisie agraire « musulmane » qui utilise de plus en plus du matériel agricole et des salariés se développe.

Dans les villes, on compte 334.600 emplois en 1954 (p. 445), sur lesquels il n'y a que 106.700 emplois industriels proprement dits c'est-à-dire relativement stables. Le chômage sévit (463.000 chômeurs « musulmans recensés » (p. 450). Le salaire réel tend à diminuer sous l'effet de l'inflation. Le sort des couches prolétarisées de la petite bourgeoisie (petits commerçants, etc...) n'est pas meilleur puisque « ceux qui continuent de travailler ont un sort matériel égal ou inférieur à celui des ouvriers des villes ».

Cependant, ce n'est pas ce prolétariat qui assumera la direction du mouvement de libération nationale, mais, par la petite bourgeoisie intellectuelle qui a reçu une formation idéologique et technique à l'école coloniale, mais que rejette le système. En 1959, les Algériens travaillant dans l'administration forment : 5,2 % de la catégorie A, 11,8 % de la

catégorie B, 19,4 % de la catégorie C et 53,7 % de la catégorie D. L'élite de l'administration continue d'être à 95 % d'origine européenne. Dans les secteurs industriel et commercial, la situation est identique : 92,7 % des cadres des entreprises sont européens (p. 467). C'est cette élite qui dirigera la guerre de libération que la France essayera de briser, mais en vain. Les accords d'Evian marqueront une tentative du grand capital français de perpétuer sa domination sur l'économie algérienne en se réservant l'industrie, le commerce et le pétrole, le nouvel Etat devant assumer la responsabilité du secteur agricole et résoudre les problèmes sociaux.

Que penser de ce livre ?

Nous n'allons pas faire ici une critique du livre de A. Benachenhou. Nous voudrions faire des remarques sur trois points : le concept de l'accumulation primitive : l'analyse de l'intégration de l'Algérie à la France ; le problème de la conclusion.

A notre avis, ce concept de l'accumulation primitive est un peu restrictif dans la mesure où il ne fait pas intervenir l'idée de la formation d'une bourgeoisie nationale. Nous pensons qu'au niveau économique, l'accumulation primitive correspond au processus et à la période au cours de laquelle, une économie capitaliste indépendante se forme. En d'autres mots, au cours de cette période une bourgeoisie nationale se forme. Tant que ce processus n'est pas réalisé, nous sommes toujours en phase soit de sous-développement, soit de transition vers le capitalisme. Définir l'accumulation primitive en restant au niveau de la formule de la production, sans se demander si l'économie est en voie d'intégration ou d'extraversion, nous paraît insuffisant, il n'y a pas d'accumulation primitive achevée sans bourgeoisie disposant de son propre appareil d'Etat. La prise en compte de l'intégration coloniale de l'Algérie avec la France n'a pas été soulignée de manière suffisamment forte. A notre avis, une analyse des besoins de la France à chaque phase du développement de l'Algérie doit être faite. Une analyse des effets de cette intégration sur l'économie française doit être au moins esquissée. Dans quelle mesure peut-on dire que l'Algérie a contribué à l'accélération ou au freinage de l'accumulation en France. L'usage d'un concept comme celui de la plus-value collective que nous avons utilisé dans l'analyse du cas sénégalais (2) est très riche de ce point de vue.

Enfin, le livre n'a pas de synthèse finale. Celle-ci s'imposait pourtant, qui aurait donné d'une longue perspective de 130 ans une rétrospective globale.

Les quelques remarques critiques ont peu de chose à côté de la richesse du livre. Nous souhaitons que la suite annoncée paraisse aussi vite que possible.

(2) B. Founou, *La Surexploitation de la force de travail en Afrique*, Thèse, Paris VIII. 1977.

William H. Matthews (ed.) *Outer Limits and Human Needs, Resources and Environmental Issues of Development Strategies*, The Dag Hammarskjöld Foundation, Uppsala, 1976, (102 pp.)

Reviewed by Liberty Mhlanga *

This book is from three papers and a summary of issues selected from thirty-three basic and discussion papers which were presented in an independent contribution to the Seventh Special Session of the United Nations General Assembly. The contribution was the first phase of the 1975 Dag Hammarskjöld Project on Development and International Co-operation. This work first came out in the Dag Hammarskjöld Foundations journal « Development Dialogue » special double issue of July 1975 published under the title « What Now : Another Development », with editions in English, French and Spanish. The most significant factor contributing to the launching of this project was to inquire into « the means of satisfying basic human needs without transgressing the outer limits of the biosphere ».

There were three fundamental issues to be explored conceptually. They were basic human needs, outer limits and development strategies which balance concern about both of these. This book addresses the latter two issues directly and the first one only indirectly. One paper by Prof. William H. Matthews, a senior research scholar at the International Institute for Applied Systems Analysis, Laxenburg, Austria, grapples with the conceptual problem. Two papers on Ecosystems and Development are done one by Prof. Ignacy Sachs, the director of the International Research Centre on Environment and Development of the University of Paris, and another by Dr. M. Taghi Farvar, the Vice-Chancellor for Ecodevelopment at the Bu-Ali Sina University, Hamadan, Iran. The fourth paper by Mr. Joseph C. Perkowski, a doctoral candidate in environment at the Massachusetts Institute of Technology, Cambridge, Massachusetts, concentrates on Developing the Methodology.

Professor Matthews' paper entitled « The Concept of Outer Limits » argues for sophisticated understanding of many societal and political processes as necessities for the determination of resource and environmental limits by physical and natural scientists. The limits are in the context of local, regional or global dimensions. He advocates that the planning and decision making processes should include scientific, economic, societal and political factors at every stage. The author further asserts that limits are determined by « the way man conducts his activities with respect to this natural situation ». « Outer Limits », the author further argues, can be with respect to a variety of geographical or political considerations. The limiting factors are scientific, cultural, institutional and technological.

Resource need, he says, is determined by the context within which outer limits are considered. This also determines types of environ-

(*) ENDA (IDEP - UNEP - SIDA), Dakar, Senegal.

mental systems, mixes in social values, political structures, international and intercultural aspects. The definition of « outer limits » becomes complex and more difficult with additions of societal and political units. Were the objective to prevent transgression of global outer limits in development then the first culprits would be the developed countries whose present living standards require resources way beyond their national outer limits. Of course this rate of resource used is bound to sooner or later bring the developed and developing countries into a clash especially if we get a global « tragedy of the commons » before the problem is clearly perceived. The underlying motive of course in the whole process is « sustainable meeting of basic human needs » for the indefinite future.

The very formulation of the two ideas viz meeting basic human needs for the indefinite future and keeping within « outer limits » suggests both conflict and contradiction. Conflict in the sense that humans by their very nature are characterized by growth and this growth is dependent on finite resources the depletion of which means reaching or transgressing the outer limits. Before reaching these outer limits of course conflicts of one kind or another will arise among the organisms or humans affected in this case in competition for fewer resources to meet the basic needs. Contradiction because the idea of outer limits suggests that the system we are dealing with can not be maintained into the indefinite future. The two ideas meeting basic human needs for the indefinite future and keeping within « outer limits » seem unrealistic in today's world which is characterised by so much waste of resources, lack of care for basic human needs, exploitation of human beings and natural resources way beyond both national and international outer limits and indifference to effects on environmental systems. However, this does not mean that the enquiry is invalid.

At this point we wish to ask some of the questions which this analysis raises in our minds that seem more fundamental than what the exposé has so far addressed itself to. Granted, the author leaves his conclusions open ended and subject to adaptation into different approaches and he does not address his arguments directly to basic human needs of course. Are the basic needs to be determined by those who can do something about them or by those that have the needs ? Is it possible to meet basic human needs without reaching beyond the outer limits of both resource and environmental systems ? What is meant by and who determines the meaning of outer limits and what constitutes going beyond these outer limits ? May be the greatest contribution of Professor Matthew's paper is to make us think of posing these questions because they need to be asked in the process of development and if they are not asked we obviously will not get answers to them.

Professor Sachs' paper looks briefly at the concept of ecodevelopment which he perceives as a development style in each ecoregion calling for solutions specific to particular regional problems taking into account cultural and ecological data on both a short-term and long-term basis. It involves criteria of progress related to particular

cases, and environmental adaptation postulated by the anthropologists plays an important role. Ecodevelopment in the context of this paper tries to meet basic human needs by means which do not transgress outer-limits. The paper advocates sustained research efforts, with critically reviewed pilot activities to establish a permanent feedback between practice and action-oriented research. He gives definitions, guidelines and principles of eco-development giving examples to illustrate the scope of application of strategies of eco-development.

In his introductory paragraph Prof. Sachs says how anti-novel counter-culture and zero growth are social symptoms re-examining the values of society in search of new ideological responses to unsolved problems in the midst of « progress » and material « growth ». The Third World, he says, is today wondering if the concept of « development » founded on « efficiency » should not be replaced by that of liberation, based « on social justice and the creation of a new man ».

Further Prof. Sachs says that there is gaining acceptance of the notion of organizing possible futures and « choosing a desired future ». A global and normative planning approach is beginning to replace extrapolation and the sectorial method is being replaced by Cartesianism systems approach. He advocates the internalization at every decision making level of environment as it is a dimension of development. The rich countries, he says, will have to evolve by radical institutional change forms of development, less environmental polluting techniques and making decreased use of resources.

Environment he defines as « the total habitat of man » — a definition which he admits is restrictive. He also sees it as made up of every thing that does not form part of the purposive system under consideration, though it does affect the performance of that system ». The success of environmental policies, he says, « will be measured by the disappearance of the very concept of environment, which will in the end be internalized by the system ». This definition, Prof. Sachs says, invites us to better identify ecological and societal impacts of action undertaken, to achieve explicit objectives of the purposive system constituted by development policies, leading to redefinition of development objectives to control more effectively ecological and social impacts of proposed action.

Eight guidelines of eco-development are given comprising developing in each ecoregion resources needed to specifically satisfy basic human needs ; eco-development should contribute to man's fulfilment ; identification, exploitation and management of natural resources is conducted with solidarity with future generations in mind ; taking advantage of recycling resources where possible ; reliance on the natural capacity of the region for photosynthesis in all its forms ; development of ecotechniques and new education systems ; the authority in charge of eco-development activities should include the participation of the local population concerned ; systems of values and attitudes to nature which nurture respect for nature should be taught. The guidelines are followed by ecotechniques applied in eco-development strategies in food production, housing, energy, conservation of natural resources and social services.

The concept of ecodevelopment as presented here sounds both idealistic and probably a little too optimistic. Idealistic in the sense that some of the examples which we have been given as illustrative of man living more or less harmoniously with nature are representative of a marginal collection of communities whose « harmony » with the environment is more illustrative of the isolation of the communities from exploitation by the outside world than of their resilience or durability in the face of the on-slaught of « civilization ». It is optimistic especially to think that, the price of destruction and pollution of natural ecosystems is not only being realized as a threat to be arrested but will force rich countries to decrease their use of resources. If their economic exploitation of other countries and poor people is any measure of their sympathy towards exploitation then social justice and the creation of a « new man » are but a pipe dream.

Dr. Farvar's paper gives specific examples of the development of « net underdevelopment » in poorly conceived approaches judged by criteria of meeting basic human needs. He concludes, like Professor Sachs, that a new approach to development termed an « ecosocietal » or « redistributive » environmental approach should be instituted « if basic human needs are to be met in a sustainable manner ».

Development and environmental degradation, according to Mr. Farvar, are the « opposite ends of the same spectrum ». When the balance of nature is altered in our favour, we have the one — development. When the alternation upsets the balance against our interests we have the other — deterioration of the environment. Development as perceived by Dr. Farvar also implies increased access by common man to vital resources, their distribution equitably and meeting basic minimum needs of the population. Minimum environmental needs for development are termed « inner limits ».

This paper outlines the fundamental problems which have been wrong with quite a number of development projects in different parts of the world and advocates reorienting the path of development to an ecosocietal approach. Dr. Farvar's paper would be very much strengthened if it included some details on environmentally successful development projects which take into account an ecosocietal approach. The way this paper appears now gives a one sided expression of « technological disasters ».

Mr. Perkowski's paper takes up where Prof. Matthews' paper left over. It deals with the conceptual framework and lists technical considerations needed to determine where « outer limits » are in the context of a particular development strategy - energy production in this case. He systematically illustrates complexities encountered in addressing the challenges of ecodevelopment in a systematic way. These form a first step in determining what level of analysis, data types, societal and political decisions are required by governments to adopt the principles of ecodevelopment.

The author approaches the technical considerations by suggesting first, a hierarchy of « building blocks » for analysis of development options. Second, constructing a finite list of alternatives which are neither too limited nor too expansive to make the analysis tractable ;

third, choosing a finite list of resources and environmental systems with important implications for outer limits among numerous alternative strategies ; fourth, determining the degree of regression in accounting for resource and environmental costs in the system being considered as there is sometimes a problem of determining combined impact when it is approached one way to meet one need and another way to meet another need at the same time ; fifth, information — scientific and technical — available on resources and environment in a given society for use as basis for a detailed determination of outer limits.

In choosing energy production, consumption and disposal analysis, Mr. Perkowski makes a valid choice of subject matter, but narrows the parameters rather too much by his choice of energy sources like coal and oil which are generally non-renewable. Some of the main sources of energy available to practically every country but going to waste in many cases are solar and wind energy, whose sources are at no cost and leave no waste generally. These, it would seem, are not only fundamental energy sources but are durable resources of everlasting availability deserving strong consideration for future use with a potential of being centralized or made available at decentralized sources. Granted, the author says that the list of alternatives is limited by the practical reality of current available technical options. Of course one of the major technical realities is that the resources used by developed countries consume a great deal of energy and the ones the author uses for his exposé come from relatively poor countries usually or poor areas of rich countries. This makes it less urgent for the rich companies owning these resources in poor areas to look into solar and wind power which would be potentially useful to both rich and poor populations.

' As an academic exercise, there is validity and useful information in all four of these papers. In charting first steps in the path of meeting basic human needs of course the exposé remains an academic one whose usefulness is probably in its revelation of the profoundness and immensity of the problems of development. For the practitioner who is looking for answers to day to day pressing problems these papers only leave pessimism at finding such a paucity of what to do to meet « inner limits » without transgressing his own « outer limits ».

FOCUS ON RESEARCH AND TRAINING INSTITUTES

CENTRE FOR DEVELOPMENT STUDIES

University of Cape Coast, Ghana

1) *BACKGROUND INFORMATION*

The Centre for Development Studies was established in 1967 as a Social Sciences research unit at the University of Cape Coast under the name, Social Studies Project, with the support — both in terms of expert staff, equipment and research funds — of the Institute of Social Studies (I.S.S.), The Hague. It was established on the basis of Ghanaian-Dutch technical assistance agreement.

In 1973, on the expiry of the technical assistance agreement, the project was fully incorporated into the University as the CENTRE FOR DEVELOPMENT STUDIES.

2) *ORGANIZATION*

The status of the Centre is that of a University Department. The Centre is headed by a Director, who, both for advice and supervision in policy matters, is supported by an Advisory Board.

According to the Statutes the composition of the Advisory Board is as follows :

- Chairman, appointed by the Vice-Chancellor.
- Head, Department of Economics.
- Head, Department of Geography.
- Head, Department of History.
- Head, Department of Sociology.
- Head, one of the Departments of the Faculty of Education.
- Head, one of the Departments of the Science Faculty.
- Assistant Director of Agriculture in the Central Region.
- Director, Centre for Development Studies.
- Consultant, Centre for Development Studies.

The drawing up and the implementation of the Centre's Research Programme is the first responsibility of the Director. The planning as well as the execution of the individual research studies is carried out by the senior academic staff, the Research Fellows, under the guidance and supervision of the Director. For the duration of the U.C.C. - I.S.S. agreement the Director is assisted in his task by a Consultant on secondment from the Institute of Social Studies in The Hague. In the execution of research projects the Research fellows are helped by Research Assistants, middle-level research technicians, who are in-service trained Secondary School-leavers.

Staff members from the teaching departments of the University who, for one or more years, would like to devote themselves to part-time or full-time research may be granted the status of Associate

Research Fellow on application to the Advisory Board through their Head of Department.

Reputable scholars may be temporarily appointed to the Centre as **Visiting Research Fellows**. On the merit of their work they may afterwards be invited to become **Corresponding Associates**. The total research staff is 20.

3) *THE CENTRE'S RESEARCH PROGRAMME*

As a department of the University devoted to research into problems of development, the Centre's research activities may, in principle, be directed towards any development issues including issues of rural and urban, agricultural and industrial, regional and national, educational and administrative development. Also there is no reason why these research activities should be restricted to the economic aspects of development. Accordingly the Centre's attention is equally directed towards the economic, social, political and cultural aspects of development processes. Most of its studies are the result of an attempt to combine the different aspects into a common approach. In this respect the Centre aims at moving away from the academic division of labour existing between the social science disciplines.

The breadth of its research programme does not mean, however, that the Centre has no specific areas of attention; on the contrary. By its attachment to the University of Cape Coast, by its regional location and by the nature of applied and theoretical development thinking in the last decade, certain sets of problems have been identified as requiring the attention of the Centre.

Consequently the Centre has first and foremost concentrated on agricultural and rural development issues: — **the programme of agricultural development studies** including both the problems of production and distribution of specific crops and the evaluation of specific development policies. **The programme of rural development studies**, closely related to the evaluation studies, deals with the processes of socio-structural change in the rural areas.

A third area of concentration is a programme of studies in **integrated regional development** designed specifically in support of planning efforts undertaken in the Central Region. This field is barely two years old, and the formation of a multi-disciplinary team to undertake comprehensive studies is being systematically developed. It is to be expected that, in close conjunction with the regional development research programme, the Centre will play a significant part in generating a **programme of environmental studies** at the University.

The fourth field of studies focuses on the **socio-economic aspects of educational development**. As the University of Cape Coast is the main centre for training of secondary school teachers its academic staff are, more than others, aware of the frictions created between the educational system and the existing socio-economic structures. Over the year a number of research projects in educational development have been conducted. In co-operation with the Ministry of Education a task force is at present engaged in developing a more systematic research programme for this field of inquiry. In this respect the Centre

has taken over the function of the former Centre for Education and Nation Building.

A fifth area of specialization is **studies into alternative technologies**. The most recent field of studies which has been developed focuses on alternative technologies in development. There are several questions concerning the use of technology in West Africa which have yet to be answered satisfactorily. These include :

- (1) the range of existing appropriate technologies for the various development sectors ;
- (2) the socio-economic effects of alternative technologies, and
- (3) the possibilities for the development/manufacture of turnkey technology.

In line with the above research programme, the Centre is planning to organize its research activities in five specialized departments, viz.

I. Studies of Agricultural Department.

This Department will again be sub-divided into two branches :

1. Crop studies.
2. Policy evaluation studies.

II. Studies of Rural Development.

III. Studies of Regional Development.

IV. Studies of the Socio-Economic Aspects of Educational Development.

V. Studies into Alternative Technologies.

There is a scheme for staff development and training whose aim is to man each Department, or branch of a Department, with at least two or three senior academic members of staff who are experts in their fields. In addition to the five specialized departments the Centre will employ specialists in research methodology and statistics on its staff.

It is hoped as a longterm policy, that a Department for Environmental Studies — to be organized in close co-operation with the Science Faculty — will be established.

The Centre is taking steps to strengthen the links it has already established with other Research Institutes in this fields and to make contacts with other Institutes in the same field of study. The Centre is also drafting a five-year action-oriented research programme which will contribute to the understanding of social, economic and political aspects of the processes of integrated development, with emphasis on backward areas and less-privileged groups of the population.

4) RESEARCH FACILITIES

At the present, the Centre for Development Studies is accommodated on the top floor of the third wing of the Science Faculty Building, occupying 7 rooms. The present facilities (both office space and equipment) are inadequate so the Centre will in due course be provided with its own building and existing research facilities will be increased. The assistance for the construction of the new building and equipment will be given by NOVIB, one of the organizations under the Netherlands Technical Assistance Programme.

INSTITUT DES RELATIONS INTERNATIONALES DU CAMEROUN

Université de Yaoundé, Cameroun

1) CONCEPTION

Entreprise Camerounaise à vocation internationale, l'I.R.I.C. est un Institut de l'Université de Yaoundé créé avec le concours d'organismes nationaux, étrangers et d'institutions internationales.

Il a pour objectif :

- La formation de spécialistes en vue d'une connaissance approfondie dans les disciplines essentielles pour la compréhension des phénomènes internationaux ainsi que dans le domaine des problèmes particuliers à l'Afrique, et capable par la suite de procéder à des analyses interdisciplinaires, basées sur l'utilisation de la documentation disponible dans la matière. Les spécialistes ainsi formés peuvent se consacrer ensuite au travail dans la diplomatie et l'administration nationale ou internationale, ainsi qu'à la recherche et à l'enseignement ;
- Le développement et l'encouragement de la recherche et de la réflexion sur des questions internationales d'ordre politique, diplomatique, social et économique ayant trait aux rapports interafricains et de l'Afrique avec le monde extra-africain.

En fonction de ces objectifs les programmes de l'I.R.I.C. sont conçus à plusieurs niveaux :

- Etudes de troisième cycle ;
- Formation diplomatique et consulaire ;
- Recherche ;
- Conférences, séminaires et colloques internationaux.

Les méthodes employées dans la formation qu'offre l'I.R.I.C. permettent d'atteindre les objectifs visés grâce :

- Au caractère interdisciplinaire de son enseignement ;
- A l'importance accordée aux problèmes de l'Afrique dans l'enseignement et dans la recherche ;
- A l'adoption de l'anglais et du français comme langues de travail ;
- A l'enseignement des langues africaines et notamment de l'Arabe, du Swahili et du Haoussa ;
- Et au caractère international du corps enseignant, des étudiants et des stagiaires.

2) LE CADRE

Le cadre géographique, humain et culturel favorise l'accomplissement des objectifs de l'I.R.I.C. en effet,

- Le Cameroun sis au cœur même du continent, réunit toutes les caractéristiques géographiques, humaines et culturelles de l'Afrique, comme langues officielles il utilise le français et l'anglais, les deux principales langues officielles qui sont parlées dans cette partie du monde.

- La ville de Yaoundé est le siège des missions régionales de plusieurs organisations et institutions internationales, ainsi que de millions diplomatiques de nombreux pays africains et non-africains.
- L'Université de Yaoundé dont l'I.R.I.C. est une unité est bilingue : les enseignements y sont dispensés indifféremment en anglais et en français. Elle comporte de nombreux établissements spécialisés.

3) *LES STRUCTURES*

L'Institut des relations internationales du Cameroun a été créé par décret du Président de la République le 24 avril 1971 qui, tout en le rattachant à l'Université de Yaoundé, affirme son autonomie et son caractère international. L'organe principal de l'I.R.I.C., le Comité directeur, est également le garant de sa vocation internationale. Sous la présidence du ministre des Affaires étrangères de la République Unie du Cameroun, il réunit outre le ministre de l'Education nationale, le chancelier de l'Université de Yaoundé et le représentant de la Présidence de la République, les délégués des organismes étrangers associés à l'I.R.I.C., qui sont actuellement :

- Le Service Suisse de la Coopération Technique, représenté par l'Institut Universitaire des Hautes Etudes Internationales de Genève.
- La Dotation Carnegie pour la paix internationale, représentée par son Centre européen.

Le Directeur de l'I.R.I.C. et son directeur des études siègent également au Comité directeur. Alors que selon les textes en vigueur, le directeur de l'I.R.I.C. doit être de nationalité camerounaise, le directeur des études peut être de n'importe quelle nationalité, conformément à l'esprit de coopération existant entre le Cameroun et le monde extérieur.

4) *PROGRAMMES ET ACTIVITES*

Les objectifs de l'I.R.I.C. — institution essentiellement académique, mais aussi de formation professionnelle — sont réalisés à travers une série de programmes et d'activités intégrés et complémentaires.

a) *Troisième Cycle*

Les études de troisième cycle à l'I.R.I.C. sont ouvertes aux titulaires d'une licence universitaire (en droit, sciences économiques, sciences politiques, lettres, histoire) ou d'un titre équivalent. Elles conduisent au bout de deux ans à un diplôme en relations internationales et ensuite, après admission au programme de doctorat, à un doctorat ès sciences politiques (relations internationales).

Diplôme : Le programme est conçu de manière à donner aux étudiants une bonne formation de base dans les disciplines essentielles pour l'étude des relations internationales. La méthode séminaire large-

ment employée a pour objet d'encourager le travail personnel des étudiants.

Durant la première année, l'étudiant doit suivre des matières obligatoires au nombre de six (premier semestre) ainsi que six matières à option (deuxième semestre). Le passage en deuxième année est sanctionné par un examen de fin d'année dont les notes s'ajoutent à celles obtenues dans la participation aux cours et aux séminaires. Durant la seconde année, les étudiants se livrent à des activités de recherche devant conduire à la rédaction d'un mémoire de diplôme. En même temps ils suivent des séminaires, assistent à des conférences et effectuent des stages pratiques. Le diplôme est délivré à la fin de la deuxième année sur la base des notes obtenues aux séminaires, aux épreuves écrites et à la présentation et à la soutenance publique du mémoire.

Doctorat : Pourront postuler à l'admission au programme de doctorat de l'I.R.I.C. les candidats possédant le diplôme de cet Institut ou un diplôme ou titre équivalent, par exemple le M.A. des universités américaines ou britanniques.

La décision sur l'admission est prise par le Conseil des professeurs de l'I.R.I.C., qui prend en considération le déroulement des études antérieures du candidat et en particulier la qualité de ses travaux écrits.

Les candidats admis en programme de doctorat participent activement aux enseignements dispensés à l'I.R.I.C. selon des modalités déterminées par le directeur avec l'accord du Conseil des professeurs et rédigent une thèse sous la direction d'un professeur de l'I.R.I.C. La thèse peut être présentée après que le candidat ait passé avec succès à la fin de l'année académique des examens approfondis dans deux des matières obligatoires enseignées à l'I.R.I.C.

Le doctorat est délivré par l'Université de Yaoundé après une soutenance publique de la thèse et son acceptation par le jury.

b) Les programmes de formation diplomatique et consulaire

Formation Diplomatique : L'I.R.I.C. organise chaque année un programme de formation diplomatique à l'intention des fonctionnaires remplissant les conditions d'admission à la première année de l'I.R.I.C. Exceptionnellement des candidats non universitaires, diplômés d'une école nationale d'administration ou d'une institution similaire peuvent également être admis. Les candidatures au programme de formation diplomatique doivent être présentées par des gouvernements africains ou des organisations internationales. En présentant une candidature le gouvernement ou l'organisation s'engage à verser à l'intéressé son traitement ou indemnité correspondante pendant toute la durée de la formation.

Le programme de formation diplomatique prévoit un certain nombre de matières obligatoires et optionnelles inscrites au programme de la première année du troisième cycle. A côté de leurs études, les participants au programme de formation diplomatique effectuent des stages pratiques auprès des organismes internationaux et des adminis-

trations camerounaises à Yaoundé. Les candidats ayant satisfait au contrôle des connaissances basé pour moitié sur les notes obtenues en cours d'année et pour moitié sur les résultats des examens finaux reçoivent un certificat.

Formation Consulaire et de Chancellerie : Organisé à Yaoundé depuis sept ans le programme de formation consulaire s'adresse à des fonctionnaires non universitaires justifiant d'un minimum de deux ans de service dans un ministère des Affaires étrangères et d'un niveau proche de celui du baccalauréat. Il dure quatre mois. Les candidatures au stage consulaire doivent être présentées par un gouvernement africain qui s'engage à continuer de payer aux intéressés un traitement ou une indemnité équivalente pour la durée du stage.

Les participants à ce programme reçoivent des enseignements spéciaux en matière de droit, économie, histoire et pratique diplomatique et consulaire, qui sont assurés par des professeurs d'universités et de hauts fonctionnaires spécialisés de l'administration camerounaise. Ils suivent régulièrement des leçons d'anglais. Leur formation est complétée par des conférences de diplomates étrangers et fonctionnaires internationaux et par un voyage d'études à travers le Cameroun. Les stagiaires qui réussissent à l'examen de fin de stage reçoivent une attestation de l'I.R.I.C.

Voyages d'études : Chaque année, il peut être organisé un voyage d'études et des stages pratiques dans un pays africain ou non africain à l'intention des stagiaires diplomatiques ; et des étudiants de deuxième année pour les recherches en vue de leur thèse.

c) LANGUES

L'I.R.I.C. étant un institut bilingue, les enseignements y sont donnés indifféremment en français et en anglais. L'étudiant désireux de s'inscrire en première année doit donc avoir de solides connaissances dans les deux langues.

Pour permettre aux étudiants et stagiaires ne parlant pas l'une ou l'autre langue de suivre différents programmes, des cours intensifs des deux langues, sont organisés six semaines avant le début de l'année universitaire. Un enseignement spécial est en outre prévu pour des étudiants et stagiaires ne connaissant ni le français, ni l'anglais. Des leçons de français et d'anglais sont obligatoires pour tout étudiant ou stagiaire tant qu'il n'a pas réussi au test de bilinguisme. Pour les francophones, un séjour de plusieurs semaines est en outre prévu dans un centre de la province du Nord-Ouest à Bambili.

d) SEMINAIRES, COLLOQUES ET CONFERENCES

Des rencontres regroupant des spécialistes (universitaires, experts, fonctionnaires, hommes politiques, etc...) sont organisées chaque année pour traiter des problèmes internationaux intéressant plus particulièrement les pays africains.

Quatre séminaires ont été organisés sur :

- « L'harmonisation régionale de la coopération en Afrique » en septembre 1971.

- Le droit de la mer » (Séminaire africain du droit de la mer) en juin 1972.
- « Les universités africaines et les relations interafricaines, contribution des universités au développement de la personnalité et du système africain » en septembre 1973.
- « Les organisations internationales africaines et non-africaines comme facteurs du développement socio-économique de l'Afrique et de son affirmation politique » en septembre 1974.

Les comptes rendus sont publiés dans la collection : « Conférences, Colloques et Séminaires de l'I.R.I.C. ».

Des conférences à l'intention des étudiants et stagiaires de l'I.R.I.C. et du public en général et portant sur les problèmes internationaux d'actualité sont organisées tout au long de l'année.

e) RECHERCHE

La recherche poursuivie par les professeurs et les étudiants du cycle d'études conduisant au doctorat est centrée sur les problèmes des relations interafricaines et vise à la réalisation de l'objectif et de la vocation particulière de l'I.R.I.C. qui est :

- D'examiner les relations entre l'Afrique et le monde extérieur notamment dans le domaine de la coopération et de la diplomatie du développement ;
- D'étudier à fond les organisations africaines et les relations interafricaines ;
- De contribuer à dégager et à renforcer les fondements du système continental et de la personnalité africaine.

Ces travaux font l'objet de publication.

5) BIBLIOTHEQUE ET DOCUMENTATION

A l'intention des étudiants et professeurs ainsi que des chercheurs venant de l'extérieur, l'I.R.I.C. dispose d'une bibliothèque spécialisée dans les questions internationales et mettant un accent particulier sur les affaires interafricaines. La mise en valeur de son fonds est facilitée par des fichiers. 3.000 volumes sont à la disposition des lecteurs qui y ont l'accès direct. Pour le classement le système Dewey est appliqué, conformément à celui de la bibliothèque universitaire. La croissance annuelle est d'environ 1.000 volumes. A la salle de lecture, une sélection spécifique de périodiques, comptant 120 revues, peut être consultée. Le dépouillement systématique de ces revues permettra une meilleure exploitation de leur contenu. En plus, le service de documentation dispose de 3.000 documents, nombre qui augmente constamment grâce à des rapports établis avec les organisations internationales. L'inventaire des documents reçus est publié périodiquement pour information des intéressés. Un échange de publications est en train de se développer et des microfilms pourront être utilisés dans un proche avenir.

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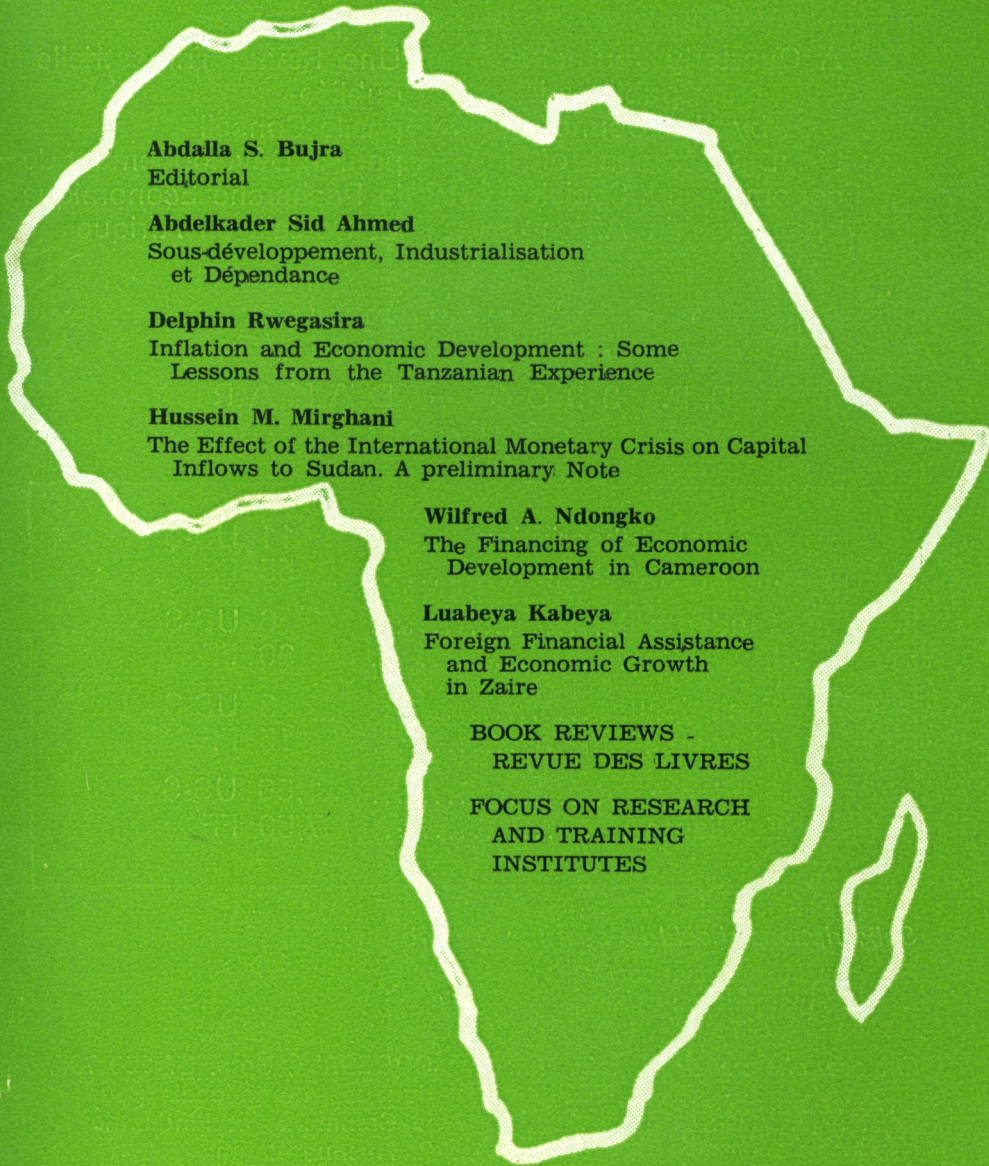
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