

A NEW DIMENSION IN INTERNATIONAL DEVELOPMENT  
ASSISTANCE: THE ROLE OF THE ORGANISATION OF  
PETROLEUM EXPORTING COUNTRIES (OPEC)

By

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I – INTRODUCTION

With the Second Development Decade now approaching its end, the international development programme in retrospect, does not seem to have achieved the desired objective of improving the living standards of the masses in developing countries. If anything, the developing countries have continued to become poorer and poorer, while the so called developed ones have continued to be richer and richer. Thus the gap between the poor and the rich has widened than ever before.

Despite the almost two decades of concerted efforts on the part of the United Nations to make the developed countries assume part of the responsibility for making the poor countries develop economically, by the offer of assistance in the form of direct transfer of resources, response on the part of the former group of countries has been rather disappointing. In addition the hope that the economic mechanism for effecting an equitable distribution of world resources between the developed and developing countries would improve in favour of the latter has not materialised. On the contrary, due to the persistent unfavourable world economic conditions of the last ten to fifteen years, the mechanism has operated in a continuous adverse manner for developing economies. The resulting situation has reached the stage where the need has become greatly felt for working out a strategy for a new world economic system, by which the developing countries would have what appears to everyone and all as an equitable share of world resources.

The above has been the task in the last few years of various international organisations such as the International Bank for Reconstruction and Development (IBRD), United Nations Conference on Trade and Development (UNCTAD), the Organisation for Economic Co-operation and Development (OECD) and more recently, the Conference on International Economic Co-operation (CIEC), more commonly known as the North-South Dialogue. These bodies have provided forums through conferences and meetings for debates and dialogues on the important issues of development as they affect the developed and developing countries alike.

The foregoing efforts, despite the enthusiasm which they have generated on the part of everyone concerned, have not succeeded in bringing about a positive solution. The ensuing disenchantment, especially among developing countries, has led the latter to organise and cooperate with one another. The logic underlying such organisation and cooperation is that the ever deteriorating terms of trade for primary products could be reversed if prices can be raised by combining to control supply. One important organisation that has emerged in the last few years as a world economic force in this connection is the Organisation of Petroleum Exporting Countries (OPEC).

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Although organisations of this type for other major primary products exported by developing countries have been rather ineffective in the past, the OPEC, being a cartel and because of its monopoly power has been able to control the price of oil very effectively. Thus, in 1973, what has now come to be regarded in popular discussions as the «oil crisis» was caused as a result of OPEC increasing the price of crude oil almost four-fold. It was in fact this event that led to a new dimension in the international development assistance effort. Given the increasing interdependence of the world economies, the increased price of oil created for non-oil developing countries a new problem of large adverse balance of payments resulting not only from higher oil import bills but also from higher prices paid for machinery and equipment imported from the industrialized countries where the increased price of oil has pushed up production costs.

In order to relieve the non-oil developing countries of the above problem, OPEC member countries have felt obliged to offer assistance in the form of loans and grants to aid the former's development programmes. This new role of OPEC in the international development assistance effort is the focus of attention in this paper. In Section II of the paper, we shall take a look at the whole question of international development assistance past and present as well as assess the result of the efforts on the part on the developed countries which have been offering assistance to the developing countries over the last two decades or so. In Section III, an examination of the nature and pattern of OPEC's new role in development assistance will be undertaken, while Section IV will give a summary and conclusion of the paper.

## II — BACKGROUND: THE INTERNATIONAL DEVELOPMENT SCENE PAST AND PRESENT

Living standards in most of the developing world at the beginning of the 1960's, by which time many of the former colonies in this part of the world has attained political independence, were very low. Per capita income, the usual measure of living standards ranged from just over N50 in Nigeria, N70 in India to between N90 and N100 in Ghana. On the other hand, in many developed countries, the per capita income was as high as twenty times these figures and even higher in some.

It was the foregoing appallingly wide gap in living standards between the developed (rich) countries and the developing (poor) ones, which led the United Nations to proclaim in 1961, the decade 1961–70 as the Development Decade. During this period, it was hoped that the former group of countries would be reconciled to their obligations towards the latter. Given the enormous resource gap for economic development which exists in developing countries, the rich nations' obligation towards the poor would take the form of direct transfer of resources in aid of economic development. Towards this end, a target came to be set as to what level of aid was needed to accomplish this task, or at least make an appreciable contribution towards doing so (1).

Results of the efforts on the part of aid donors at the end of the decade was disappointingly far from the target set (2). Infact, if anything, there was a decline as can be seen clearly from Table I. For example, as a percentage of GNP, total aid flows to developing countries from DAC member countries on the whole declined from 0.52 in 1960 to 0.34 in 1970. When looked at individually, the pattern is generally the same with most countries, though, the level of assistance varied from country to country. Infact, it was only in the case of five or six of the sixteen DAC member countries (Canada, Denmark, the Netherlands, Norway, Sweden and Switzerland) for which the ratio of aid to GNP increased appreciably during the decade.

**TABLE I**  
*The Net Flow of Aid from DAC Member Countries  
as a Percentage of GDP – 1960 and 1970 \**

DAC Member Countries	Aid Flows as % of GDP	
	1960	1970
Australia	0.38	0.59
Austria	—	0.13
Belgium	0.88	0.48
Canada	0.19	0.43
Denmark	0.09	0.38
France	1.38	0.65
Germany	0.31	0.32
Italy	0.22	0.16
Japan	0.24	0.23
Netherlands	0.31	0.63
Norway	0.11	0.33
Portugal	1.45	0.45
Sweden	0.05	0.37
Switzerland	0.04	0.14
United Kingdom	0.56	0.37
United States	0.53	0.31
<b>Total</b>	<b>0.52</b>	<b>0.34</b>

\* *Flow of aid here refers to Official Development Assistance (ODA).*

Source: DAC, *Annual Review, 1971*, p.174. Reproduced from John White, *The Politics of Foreign Aid*, (London: The Bodley Head 1974), p. 232.

In consequence of the above, the developing countries were still confronted at the end of the decade with the problem of an enormous resource gap for development. As a matter of fact, the problem by this time was seriously compounded by other developments. In the first place, with the growth of comprehensive development planning in the developing countries, the absorptive capacity of these countries for external resources had increased very rapidly. Secondly, with a continuous deterioration in their terms of trade, most developing countries were faced with severe balance of payments problems which absorbed an appreciable proportion of the external resources available to them for promoting economic development (3). Apart from the oil-producing developing countries, export earnings had stagnated generally in all developing countries due to the slack in demand in the industrialized countries which account for close to four-fifths of world's import of primary products (4).

Thirdly, due to the considerable short fall in official aid flows which were characteristically given on «soft» terms, developing countries were increasingly forced to borrow from private sources in order to augment (5). Towards the latter years of the decade, such private borrowing, which were usually on «hard» terms had accumulated into large sums, with its attendant servicing problems and resulting balance of payments difficulties (6). Additionally, the gradual hardening of official aid flows and the expiration of the grace periods for those that were given earlier on in the decade, created formidable difficulties in the form of accelerated servicing obligations. These debt servicing obligations were estimated to have increased over the years by as much as 17 per cent per annum and in 1970 alone, they rose by 18 per cent (7). Put somewhat differently, their rate of increase was such that, they were eating up quite a substantial proportion of new flows of aid. For example, when looked at from this perspective, debt service obligations on the average amounted to 87, 73, 52 and 40 per cent of new aid flows in Latin America, Africa, East Asia and Middle East respectively between 1965 and 1967 (8). These developments further accentuated the external resource gap problem. As the Pearson Report aptly puts it, «. . . repayment burdens have caused many debtor governments to deplete their reserves and suffer liquidity crises which have forced them to adopt stringent exchange controls» (9).

In spite of the above militating factors against development, economic growth performance in developing countries was quite impressive. For instance, the average rate of growth of output per year was over 5.5 per cent, while the average increase in per capita income was slightly above 3.0 per cent (10). But this does not mean that the usual indicators of economic underdevelopment have completely disappeared in these countries. By the end of the 1961–70 decade, the economies of developing countries were still characterized by an increasing burden of poverty as well as «. . . severely skewed income distribution, excessive levels of unemployment, high rates of infant mortality, low rates of literacy, serious malnutrition and widespread ill health» (11). These problems of economic underdevelopment still remain largely unsolved. While a good deal was accomplished by the mobilization of resources from within, a big

constraint was imposed by the inadequate complementary inflow of external resources, either through trade or aid (12).

The above circumstances as well as the failure of the second UNCTAD Conference in New Delhi in 1968 to reach any concrete and definite agreement between the developed and developing countries on trade and aid, generated a general sense of disappointment and disillusionment with the whole question of international development viewed against the whole background of the record of the decade. It was in this context that the World Bank in August 1968, appointed the Commission on International Development under the Chairmanship of Mr. Lester B. Pearson. This commission among other things, was « . . . to examine the progress and problems experienced in the field of international aid and development assistance over the last twenty years, and to make recommendations on the best policies and methods to promote economic growth of the developing world in the years to come . . . » (13). It was hoped that the work of the Commission would help to counter the general disillusionment over the effectiveness of development assistance during the decade of the 1960's, which had by this time become widespread. It was also expected that the recommendations of the Commission would provide the framework for developing a new strategy for an effective development assistance in the 1970's which was named the Second Development Decade beginning in January 1, 1971.

The idea of a Second Development Decade carries the implication that the 1960s, being the First Development Decade was too short to accomplish the enormous task of development in poor countries. Thus, it was thought that the following decade would offer another opportunity for all concerned to adopt a more positive approach towards this task. Accordingly, the Pearson Commission noted in its report that it was possible to conquer poverty world-wide without any revolutionary changes if the rich countries would set aside just 1 per cent of their GNP in aid and remove all trade barriers against goods from developing countries (14). If such improvements could be accomplished, the Commission firmly believed that the problems of world poverty would be virtually solved. These and other proposals included in the United Nations strategy for the Second Development Decade such as a growth rate of 6 per cent per annum during the decade in developing countries, were ratified by most developed donor countries. It was in this regard that the Pearson Commission was looked upon as a milestone in the history of international development. But trends on the international development scene since the publication of the report are far from vindicating the hopes of the Commission.

As already pointed out above, although the Pearson aid targets were adopted by most donor countries, and with the deadline of 1975 for meeting the target well behind us, there is still a considerable gap between the target and the amount of aid actually committed not to talk of actual disbursements which are usually lower than commitments. The trend in real official aid flows between 1971 and 1975 confirms this assertion. For example, whereas in 1971, Official Development Assistance (ODA) from all DAC member countries was 0.35 per cent of their GNP, in 1972 and

1973, it fell to 0.34 and 0.30 respectively (Table 2). While it picked up from 0.33 per cent in 1974 to 0.36 per cent in 1975 the level was still just about half of the actual target.

TABLE 2

*DAC Member Countries: Trends in ODA as  
Percentage of GNP, 1971 – 1975*

Years	ODA (billion dollars)	Percentages
1971	7.69	0.35
1972	8.54	0.34
1973	9.38	0.30
1974	11.32	0.33
1975	13.61	0.36

Sources:— Compiled from *World Bank Annual Report, 1976*,  
op. cit., p. 10.

The record, with regard to total development assistance, i.e. both ODA and private inflows of aid was more encouraging as it moved gradually closer and closer to the 1 per cent target during the first half of the decade and in fact exceeding it at the end of that period. This can be seen clearly from Table 3. For example, total development assistance increased from 0.80 per cent of donors' GNP to 1.02 per cent between 1971 and 1975. This performance at a glance looks rather impressive, but the growth was due largely to the non-ODA component of aid flows. The component which consists largely of export credits, have more than anything else aggravated the debt problems of developing countries. As already observed, since this component of aid is usually on relatively «harder» terms, they cause debt servicing obligations to accelerate, thereby eating up a substantial part of new inflows of aid. On the whole therefore, it will appear that the external resource needs of developing countries in the form of aid from the rich countries is still far from being met and in the present circumstance, it is difficult to see how the UN strategy for the Second Development Decade will succeed in alleviating poverty from the world. Given the key role of foreign exchange in economic development, the availability of external resources in the right amounts still remains a critical factor in the economic development of poor countries. As the World Bank Report for 1976 puts it, «... the availability of external resources on concessionary terms has been, and continues to be a major factor in permitting the poorest countries of the world to implement their long term development programmes» (15).

TABLE 3

*Total Development Assistance from DAC Member Countries  
as Percentage of GNP, 1971 – 1975*

Years	Total Assistance Official and Private* (billion dollars)	Percentages
1971	17.85	0.80
1972	19.69	0.77
1973	24.66	0.79
1974	27.98	0.82
1975	38.83	1.02

\* Includes Official Development Assistance (ODA) export credits extended by official and private sectors, direct and port folio investment as well as grants by private voluntary agencies.

Sources:— As for Table 2 above.

But if the foreign exchange constraint cannot be removed through adequate inflows of aid, perhaps, the obvious option is to earn foreign exchange through exports. Exports constitute a potential source of foreign exchange earnings. But there are also limitations in this respect. For example, considerable trade barriers still exist in the developed countries against the imports of both primary products as well as manufactures from developing countries. Despite the many discussions on the commodity trade problems of developing countries through international forums such as the UNCTAD and the CIEC (the North-South Dialogue), only a few countries have taken measures to remove, or at least lower trade barriers against exports from developing countries. One other major factor has been the slack in the demand of the developed countries for exports from developing countries. Thus, export earnings may stagnate or at best increase rather slowly, if productive capacity in developed countries rises only very slowly.

While growth in developing countries as a whole, has been encouraging during the first half of the Second Development Decade, with the growth rate of GNP reaching the 6 per cent UN target on the average, given all the above factors, the future of international development, though, not bleak is rather uncertain. It is against this background, that we wish to examine the role of OPEC in the international development assistance effort in the following section.

### III — THE ROLE OF OPEC COUNTRIES IN THE INTERNATIONAL DEVELOPMENT ASSISTANCE EFFORT \*

With the foregoing uncertainty about the future of international development, considerable pressure has been mounted on the part of developing countries against the developed ones for a just solution to the problem of international development. The former group of countries have come to see the declining trend in official development assistance (ODA) and the barriers imposed on their trade by the latter as a deliberate strategy against development in poor countries. The present pattern of world trade they argue, and correctly too, is inimical to a just distribution of world resources. They therefore demand, and rightly too, a more rapid and just redistribution of world resources to effect a more rapid development of their economies.

Developing countries have consistently pressed the above issues on several international fronts. For example, the UN in May 1974, at a plenary session on raw materials and problems of development adopted the «Declaration on the Creation of a New International Economic Order». Also, in the same year, at the regular autumn session of its General Assembly, the UN passed a resolution on a «Charter of Economic Rights and Duties of States. In 1975, the UNCTAD's secretary general submitted a draft proposal for a comprehensive raw materials programme which was put forward for consideration before UNCTAD's Committee on raw materials. In September 1975, the UN in another plenary session passed another resolution embracing all aspects of development and international economic co-operation. Finally, during the first half of last year, the Conference on International Economic Co-operation (CIEC), otherwise known as the North-South Dialogue between producers and consumers of raw materials, discussed a number of issues affecting the international economic relations, between the rich industrialized nations and developing countries, ranging from the problems of world commodity prices and that of the huge international debts of developing countries.

The atmosphere of the discussions in these international forums has always been one of antagonism between the parties concerned. The state of affairs has been due to the general attitude of approaching every issue from the point of view of self interest and the result has usually been protracted arguments and interminable debates. Thus, positive results, if any, from the various deliberations have been very limited. The ensuing lull and the resultant dissatisfaction, have made developing countries (which are most of the time demanding concessions) adopt strategies to protect their interests. One such strategy has been the action of OPEC countries to increase the price of their crude oil from time to time beginning with the four-fold increase in September 1973. Although, the measure was directed against the rich industrialized countries, which are the

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(\*) *The 13 OPEC countries are Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates (UAE) and Venezuela.*



major consumers of the product, the poorer non-oil producing developing countries came to be affected very adversely. Due to higher import bills for their oil and other essential imports, these countries were plunged into unprecedented balance of payments crisis which cut into their foreign exchange resources very severely (17). It was in these circumstances that the OPEC countries decided to help these countries by the offer of financial aid in a relatively big way.

One of the major effects of the big increase in the price of crude oil in September 1973, has been the enormous accumulation of foreign exchange reserves through balance of payments surpluses accruing to OPEC countries. For example, OPEC countries' surpluses rose about nine-fold from 4.8 billion dollars in 1973 to 44.7 billion dollars in 1975 (18). This new source of wealth has enabled OPEC countries to implement their decision to aid their poorer sister countries at a time when a combination of factors which we already enumerated (including the action of OPEC countries themselves to increase the price of oil) have severely limited the availability of their foreign exchange resources. Thus, after about two decades of the exclusive confinement of aid giving to the industrialized countries of the West, the OPEC countries decided to join the league under different circumstances.

### **1. *The General Picture of OPEC Aid Flows:—***

While a few members of OPEC have been giving aid in the past on a rather restricted scale, the concerted effort on the part of a majority of OPEC countries to give aid to developing countries on a systematic and relatively large scale, started when the price of oil quadruppled in September 1973 (19). Until then, some limited amount of aid from a few oil-producing Arab countries went to a few non-oil producing Arab countries, mainly for budgetary support (20). The proportion of this aid going to direct economic development was relatively small (21).

Since the big jump in the price of oil in September 1973, total aid flows from OPEC countries to developing countries both on concessionary and non-concessionary terms have increased very significantly, with commitments rising from 1.5 billion dollars in 1973 to 8.1 billion dollars in 1974 and to 9.2 billion dollars in 1975. Corresponding disbursements rose from 0.9 billion dollars in 1973 to 4.7 billion dollars and to 5.9 billion dollars in 1974 and 1975 respectively (Table 4). With the creation of OPEC Special Fund in 1976, the capital sum of 800 million dollars was made available for disbursement that year (22). Finally, in its recent meeting in Stockholm some few weeks back, the Finance Ministers of OPEC countries approved funds to the tune of 148.7 million dollars in long-term interest – free loans to finance development projects in various developing countries, covering highways, irrigation and hydro-electric power, with 42 of such projects already accepted for funding (23).

It will appear from the above that OPEC aid to developing countries is on the decline, starting from last year. This is not surprising since the level of past OPEC countries' aid commitments have been related to the level of their balance of payments surpluses on current account. With these surpluses now running down fast, OPEC aid is bound to decline in sympathy (24).

TABLE 4

*OPEC Countries: Total Aid Flows to Developing Countries  
1973 - 1975 (billion dollars)*

Years/Type of aid	Commitments	Disbursements
1973 Concessionary	,,	,,
Non-concessionary	,,	,,
Total	1.5	0.9
1974 Concessionary	3.9 (48.1)	2.5 (53.2)
Non-concessionary	4.2 (51.9)	2.2 (46.8)
Total	8.1 (100.0)	4.7 (100.0)
1975 Concessionary	4.9 (53.3)	2.7 (45.8)
Non-concessionary	4.3 (46.9)	3.2 (54.2)
Total	9.2 (100.0)	5.9 (100.0)

*Figures in parentheses represent the percentage share of each aid type.*

,, = not available.

Source:— *DAC Annual Review, 1976*, (Paris: OECD, 1976).

## 2. Sources of OPEC Aid Flows

OPEC aid flows to developing countries come from different sources, the most important being bilateral. This source in 1974 and 1975 accounted for 80.4 and 86.0 per cent respectively of all concessionary assistance (Tables 5 and 6). This pattern is also reflected generally in the aid flows of individual OPEC countries, except in a few cases like Algeria, Nigeria and Venezuela. However, in the case of Nigeria, it was only in 1974 that its bilateral assistance was relatively small being only 8.0 per cent. By 1975, the situation had altered drastically, with as much as 68.8 per cent being in the form of bilateral assistance.

The remainder of OPEC's development assistance goes through multilateral institutions, with the UN agencies, the Third Window (24) and Arab institutions such as the Islamic Development Bank (IDB), the Arab Bank for Economic Development in Africa (ABEDA), the Special Arab Fund for Africa (SAFA), the Organization of Arab Petroleum Exporting Countries (OAPEC) Special Account and the Arab Fund for Economic and Social Development (AFESD) accounting for the bulk of commitments and disbursements (25).

In terms of source by donor countries, the major part of OPEC assistance comes from five Arab countries – Saudi Arabia, Iran, Kuwait, United Arab Emirates and Iraq in that order. These countries between them accounted for 85.9 and 91.4 per cent in 1974 and 1975 respectively (Tables 5 and 6). The rank of Nigeria in the level of assistance is particularly striking, being the last but one donor in 1974 and the last in 1975 with its level of assistance representing 0.6 and 0.3 per cent in these years.

One other source of OPEC assistance, though it is an indirect one, is the Eurocurrency market through which OPEC countries' surplus funds have been made available for lending through European banks and other financial institutions for the financing of projects in developing countries. More recently, this source has provided developing countries with a readily accessible source of finance to supplement their adequate traditional sources of borrowing. In 1974 alone OPEC's placement of funds on this market reached a level of 21.0 billion dollars or 30 per cent of their surplus funds (26). At the end of 1975, developing countries lodged 28 per cent of the total placements on the Eurocurrency market and of this 38 per cent came from OPEC countries (27).

### *3. The Nature and Character of OPEC Aid Flows:*

Given the relatively recent entry of OPEC countries into the aid-giving league, the level of achievement so far has been encouraging. For example, the level of assistance in 1974 and 1975 stood at 1.35 and 1.36 per cent of their combined GNP (see Tables 5 and 6). This compares with the level of 0.33 and 0.36 per cent for DAC countries in these same years. It is also encouraging to note, that, whereas the concessionary component of OPEC aid commitments was less than one-half of the total (48.1 per cent) in 1974, by 1975 it had increased to 53.3 per cent. On the other hand, it is rather discouraging to observe that for actual disbursements, this trend is reversed with concessionary aid representing 53.2 per cent of total assistance in 1974 and 45.8 per cent in 1975 (Table 4). This gives an indication of increased hardening of terms. For example, when compared with the performance of DAC member countries, OPEC countries compare rather unfavourably (28). This is due to the declining trend in the grant element (29) of OPEC bilateral aid, which stood at 85, 74 and 65 per cent in 1973, 1974 and 1975 respectively – a situation arising from the equally declining trend in the grants component of OPEC commitments. These were 74, 58 and 38 per cent in 1973, 1974 and 1975

Table 5

OPDC Countries: Concessional Commitments and Disbursements of  
Aid Flows to Developing Countries by Source and Donor, 1974

Donor Country	Commitments (\$ million)					Disbursements (\$ million)					
	(1) Total	(2) Bila- teral	(3) Multi- lateral	(4) % as of (1)	(5) % of (1)	(6) Total	(7) Bila- teral	(8) Multi- lateral	(9) % of (6)	(10) % of (6)	(11) % of GDP
Algeria	60.7 (1.6)	4.8	55.9	7.9	92.1	42.7 (1.7)	2.8	39.9	6.6	93.7	0.3
Iran	799.7 (20.6)	777.3	22.4	97.2	2.8	332.7 (13.4)	310.3	22.4	93.3	6.7	0.7
Iraq	492.6 (12.6)	427.0	65.6	86.7	13.3	405.6 (16.3)	372.0	33.6	91.7	8.3	3.1
Kuwait	494.8 (12.7)	392.2	102.6	79.3	20.7	274.8 (11.0)	225.0	49.8	81.9	18.1	2.2
Libya	235.8 (6.1)	135.2	100.6	57.3	42.7	117.6 (4.7)	88.5	29.1	75.3	24.7	1.0
Nigeria	9.9 (0.3)	0.8	9.1	8.0	92.0	9.9 (0.4)	0.8	9.1	8.0	92.0	0.0
Qatar	128.1 (3.5)	97.8	30.3	76.3	23.1	86.5 (3.5)	76.0	10.5	87.9	22.1	4.3
Saudi Arabia	1,012.9 (26.1)	812.1	200.8	80.2	19.8	870.0 (35.0)	790.0	80.0	90.8	9.2	2.4
YAE	541.8 (13.9)	459.4	82.4	84.8	15.2	291.9 (11.7)	260.0	31.9	89.1	18.1	3.8
Venezuela	111.0 (2.9)	20.0	91.0	18.8	81.2	56.0 (2.3)	15.0	41.0	26.7	73.3	0.2
TOTAL	3,887.3	3,126.6	760.7	80.4	19.6	2,487.7	2,140.4	347.3	86.0	14.0	1.3

Figures in parentheses are individual countries' percentage shares.  
Source: - As per Table 4 above.

Table 6

OPEC Countries: Concessional Commitments and Disbursements of  
Aid Flows to Developing Countries by Source and Donor, 1975

Donor Country	Commitments (\$ million)					Disbursements (\$ million)					
	(1) Total	(2) Bilateral	(3) Multilateral	(4) % of (1)	(5) % of (1)	(6) Total	(7) Bilateral	(8) Multilateral	(9) % of (6)	(10) % of (6)	(11) % of GNI
Algeria	31.5 (0.7)	5.8	25.7	18.4	81.6	15.7 (0.6)	2.0	13.7	12.7	87.3	0.12
Iran	1,272.3 (27.2)	1,267.9	4.4	99.7	0.3	485.4 (17.7)	481.0	4.4	99.1	0.9	0.85
Iraq	320.3 (6.8)	294.8	25.5	92.0	8.0	224.8 (8.2)	190.0	34.8	84.5	15.5	1.48
Kuwait	612.7 (13.1)	500.0	112.7	81.6	18.4	330.5 (12.0)	250.0	80.5	75.6	24.4	2.75
Libya	124.6 (2.7)	56.3	68.3	45.2	54.8	175.7 (6.4)	100.0	75.7	56.9	43.1	1.72
Nigeria	29.7 (0.6)	20.4	9.3	68.6	31.4	29.7 (1.1)	20.4	9.3	68.6	21.4	0.15
Qatar	203.2 (4.3)	177.6	25.6	87.4	22.6	152.0 (5.5)	125.0	27.0	82.2	17.8	6.61
Saudi Arabia	1,676.4 (35.8)	1,438.8	237.6	85.8	14.2	906.4 (33.0)	675.0	231.4	74.5	25.4	2.60
UAE	399.4 (8.5)	338.2	61.2	84.7	15.3	403.7 (14.7)	345.0	58.7	85.5	14.5	4.64
Venezuela	11.5 (0.2)	-	11.5	-	100.0	24.9 (0.9)	-	24.9	-	100.0	0.08
TOTAL	4,681.6 (100.0)	4,099.8	581.8	87.6	12.4	2,748.8 (100.0)	2,188.4	560.4	79.6	30.4	1.35

\*Figures in parentheses are individual countries percentage shares. 1.50 per cent if Nigeria is omitted.

Source:- As for Table 5 above.

respectively (Table 7). Although, as already observed, the level of Nigeria's assistance is low, in fact one of the lowest, her performance from the point of view of aid terms is about the best with 100 per cent of overall grant element (30). One remarkable feature of OPEC aid is the almost complete absence of tying. Except for the few cases of oil and fertilizer sales on credit, virtually all OPEC aid is untied. This is an advantage over DAC aid for which tying has been a major disadvantage.

TABLE 7

*OPEC Countries: Terms Performance of  
Concessionary Commitments, 1973 - 1975*

Element	Percentages		
	1973	1974	1975
Grants as % of total Commitments	74	58	38
Grant element of bilateral Commitments	84	68	59
Grant element of loans	41	39	43

Source:— *DAC, Annual Review, 1976, op. cit.*

The most spectacular feature of OPEC aid flows is their geographical distribution. This is given in Table 8 below. From this table, the geographical concentration of OPEC assistance is unmistakable. In 1974 for instance, the bulk of total OPEC concessionary commitments (90.0 per cent) went to the Arab countries, India and Pakistan. Out of this, 65.9 per cent (59.3 per cent of the total) went to the Arab countries alone, with Egypt, Syria, Jordan and Oman in that order accounting for the greater part. The pattern is pretty much the same for 1975. India and Pakistan have benefitted greatly as recipients of OPEC assistance. In 1974 23.9 per cent and 7.8 per cent of total OPEC aid went to Pakistan and India respectively. In 1975, the order was reversed with India accounting for 23.2 per cent and Pakistan, 3.5 per cent. The geographical distribution of OPEC non-concessionary aid is the same as that of the concessionary aid. In this connection, it is pretty clear that political rather than economic basis has been the overriding factor in the distribution of OPEC aid — a situation that is likely to persist for as long as the Arabs are in confrontation with some states. This development is not a healthy one for the future of international development.

Finally, OPEC aid flows to developing countries have gone mainly into the financing of budgetary support and war relief (31). The level of project aid, though rising, is low when compared with that of DAC countries (32).

TABLE 8

OPEC Countries: Geographical Distribution of  
Aid Flows, 1974 and 1975

Recipient Countries	Percentage Shares	
	1974	1975
Arab Countries	59.3	60.2
Egypt	21.6	24.0
Syria	9.7	12.2
Jordan	16.2	6.5
Oman	4.8	3.6
Others	17.0	13.9
India	7.8	23.2
Pakistan	23.9	3.5
Others	9.0	13.1

Source:— Compiled from *DAC, Annual Review, 1976, op. cit.*

## IV — CONCLUSION

Against the background of the general dissatisfaction and disillusionment on the part of developing countries, with the unsatisfactory working of the international economic system, the OPEC countries emerged as a major aid donor group being second only to the DAC group of countries.

While they are relatively new in this international development assistance effort, the level of achievement of OPEC countries is very encouraging, given the fact that their efforts in real terms have now surpassed that of the DAC countries. As a percentage of their GNP, OPEC countries are now offering more in aid than the DAC countries.

There are however, certain trends in the OPEC effort which are not encouraging. First, most of their offer of assistance is based on political rather than economic criteria as was brought out clearly in our analysis of the geographical distribution of their aid. Second, the bulk of OPEC assistance has been on a bilateral basis with the result that certain aid deserving developing countries have been neglected. This is the case with developing countries which have no special relationship with the major donor countries of OPEC. For example, when OPEC aid flows are viewed in relation to the big deficits of the poorer developing countries due to the higher cost of oil, the foregoing point comes clearly to the fore. It is rather unfortunate to note that the bulk of OPEC aid flows have not been going to those countries which have suffered most by the recent oil price increase.

From the foregoing, OPEC aid flows would be contributing more positively towards the international development assistance effort, if steps are taken to move in the direction of a higher degree of multilateralization in their offer of development assistance. For this same reason, it will be desirable, if in the future the OPEC countries give their offers of aid on the basis of economic rather than political motives.

## NOTES

- (1). At its inaugural meeting in Geneva in 1964, the United Nations Conference on Trade and Development (UNCTAD) in its Recommendation on «Growth and Aid» set the «one per cent target» (i.e. one per cent of aid donor countries GNP) as the desirable level of aid that would meet the external resource needs of developing countries. This was endorsed by DAC and the failure to meet the target resulted in another resolution to the same effect during the second meeting of UNCTAD in 1968. Cf. Lester Pearson, *et. al. Partners in Development*, (New York: Praeger, 1969), p. 144.
- (2). The aid donors are mostly the 16 member Development Assistance Committee (DAC) countries of the Organization for Economic Co-operation and Development (OECD), which account for well over 95 per cent of total aid flows to developing countries. These are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom and United States. The remainder of foreign aid to developing countries come from communist countries.
- (3). *World Bank International Development Association, Annual Report, 1968*, (Washington D.C.: World Bank, September 1968), p. 31.
- (4). *Ibid.*, p. 32.
- (5). Lester Pearson, *et. al.*, *op. cit.*, pp. 76 – 77.
- (6). *Ibid.*, p. 76. Private lending consists mainly of short-term loans such as suppliers credits and contractor finance. An excessive reliance on this type of loans to satisfy long-term investment needs, which are more common in developing countries, tend to aggravate debt servicing problems.
- (7). *World Bank, International Development Association, Annual Report, 1972*, (Washington, D.C.: September 1972), p. 7.
- (8). Lester Pearson, *et. al.*, *op. cit.* p. 74.
- (9). *Ibid.*, p. 76.
- (10). *World Bank Report, 1972*, *op. cit.*, p. 5.
- (11). *Ibid.*, p. 5.
- (12). *Ibid.*, p. 5.
- (13). *World Bank, International Development Association, Annual Report, 1969*, (Washington, D.C.: September 1969), p. 24.
- (14). The one per cent of GNP target refers to all forms of development assistance, i.e. both private and official. The Pearson Commission also recommended an aid target of 0.70 per cent of GNP for all Official Development Assistance (ODA) from the developed countries. Cf. Lester Pearson, *op. cit.*, p. 152.



- (15). *World Bank Annual Report 1976*, (Washington, D.C.: June 1976), p. 9, italics mine.
- (16). *The Economist*, (London: September 20, 1975), p. 83.
- (17). For instance, between 1973 and 1974 alone, the balance of payments of non-oil developing countries rose by 9.0 billion dollars of which close to one half was directly due to the higher oil price. Cf. *Ibid.*, p. 84.
- (18). *Ibid.*, p. 84.
- (19). This concerted effort is limited to ten of the thirteen OPEC countries. These are Algeria, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.
- (20). Such aid which came from Kuwait, Libya and Saudi Arabia, averaged about 400 million dollars annually between 1970 and 1973, going to Egypt, Jordan and Syria. Cf. *DAC, Annual Review, 1976, op. cit.*
- (21). Only about 40 to 60 million dollars went for direct economic development purposes. Cf. *Ibid.*
- (22). *Ibid.*
- (23). OPEC Press Release.
- (24). The Third Window is a recently established facility by the World Bank – the Intermediate Financing Facility, whereby a fund created with contributions from the World Bank member countries is made available to subsidize interest rate payments on the Bank's loans to developing countries.
- (25). *DAC, Annual Review, 1976, op. cit.*
- (26). Edith Hodgkinson, «OPEC Aid: The Programme of the Newly Rich», *ODI Review*, No. 2, Vol. 1975, pp. 15 – 25.
- (27). Kevin Pakenham, «The Growth of Euromarkets», *Crown Agents Quarterly Review*, No. 1, (June 1976), p. 24.
- (28). In 1973, the concessionary element of OPEC aid commitments was 85 per cent as against 87 per cent for DAC aid. Cf. *DAC, Annual Review, 1976, op. cit.*
- (29). Defined as the nominal value less the discounted value of the amortization and interest payments.
- (30). This is because Nigeria's total assistance has taken the form of grants only.
- (31). Edith Hodgkinson, *op. cit.*, p. 21.
- (32). *Ibid.*, p. 21. See also *DAC, Annual Review, 1976, op. cit.*

## RESUME

La seconde décennie pour le développement tire à sa fin et les différents programmes d'aide internationale n'ont pas donné les résultats escomptés. Au contraire les pays en voie de développement deviennent de plus en plus pauvres alors que les pays riches deviennent de plus en plus riches. Il fallait donc revoir les stratégies de développement, ce qui a été l'activité principale des organismes tels que la Banque Internationale pour la Reconstruction et le Développement (BIRD), la Conférence des Nations Unies pour le Commerce et le Développement (CNUCED) l'Organisation de Coopération et de Développement Economiques (OCDE) et à

date récente le Dialogue Nord-Sud. Toutes ces organisations ont été un forum où on débattait des importants problèmes de développement qui concernaient aussi bien les pays développés que ceux en développement. La désillusion qui a été le résultat des échecs enregistrés au niveau de ces organisations a conduit les pays en développement à s'organiser entre eux pour une meilleure coopération économique. Il s'agissait pour ces pays de désormais fixer le prix de leur matières premières en contrôlant l'offre. C'est ce qui a fait de l'organisation des Pays Exportateurs de Pétrole (OPEP) une force économique mondiale avec laquelle il fallait désormais compter. C'est ce nouveau rôle de l'OPEP dans l'aide internationale que l'auteur se propose d'analyser.

Dans la deuxième partie il nous parle du problème de l'aide au développement en général dans le présent comme dans le passé et de l'appréciation du résultat des efforts des pays développés qui ont aidé les pays en développement depuis deux décennies. Dans la troisième partie il examine la nature et le modèle du nouveau rôle de l'OPEP dans l'Aide Internationale. Dans la quatrième partie il résume et tire quelques conclusions pratiques.

## II — *Le Contexte du Développement International : Présent et Passé*

C'est le fossé agrandissant entre le niveau de vie dans les pays développés et ceux en développement qui a fait proclamer le décennie 1961–1970, Décennie du Développement par l'Organisation des Nations Unies. Mais les résultats auxquels on s'attendait n'ont pas pu être atteints pour les raisons suivantes :

(1) — Avec la mise en place de plan de développement global dans les pays en développement, la capacité d'absorption de ressources extérieures de ces pays devint plus grande.

(2) — Avec une détérioration des termes de l'échange continue la plupart de ces pays durent faire face à une balance de payment qui absorbait une proportion non négligeable des ressources extérieures disponibles pour la promotion du développement économique.

(3) — Par suite d'une baisse importante dans l'aide officielle des pays développés, aide caractérisée par ses conditions souples, les pays en voie de développement étaient de plus en plus obligés de faire recours à des sources de financement privées à des conditions souvent très dures.

Cependant malgré ces facteurs, les pays en développement eurent une croissance tout à fait impressionnante.

## III — *Le Rôle des Pays de l'OPEP dans l'effort de Développement International*

Dans cette partie, l'auteur nous donne plus de détails sur les raisons qui ont amené les pays producteurs de pétrole à s'organiser en pays exportateurs de pétrole. Les devises accumulées par suite de l'augmentation du prix du pétrole brut leur a permis d'avoir une balance des paiements largement excédentaire. Ainsi, après deux décennies d'aide au développement pendant lesquelles seuls les pays occidentaux industrialisés participaient à cet effort de développement, les pays de l'OPEP venaient

ainsi de les rejoindre mais dans des circonstances différentes. L'auteur consacre ensuite le reste de cette partie à l'étude d'une vue globale de l'aide des pays de l'OPEP, des directions qu'elle prend, de la nature et du caractère de cette aide. En conclusion, il souligne certaines tendances que l'aide des pays de l'OPEP est entrain de prendre à savoir qu'elle devient de plus en plus basée sur des critères politiques et qu'elle est de plus en plus bilatérale. Pour plus d'équité et d'efficacité, les pays de l'OPEP devraient faire des aides plus multilatérales et baser sur des considérations qui ne soient pas uniquement politiques.

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