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The Role of Officially Supported Export Credits in Sub-Saharan Africa's External Financing

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Officially supported export credits, an important source of external finance for developing countries until the early 1980s, are showing signs of regaining momentum. Sub-Saharan Africa stands to gain most from the increasing cooperation between the export credit agencies and such multilateral development agencies as the World Bank.

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This paper — a product of the Debt and International Finance and International Trade Divisions, International Economics Department — is part of a larger effort in PRE to study alternative sources of external finance to developing countries in general, and to the African region in particular. Copies are available free from the World Bank, 1818 H Street NW, Washington, DC 20433. Please contact Grace Ilogon, room S7-033, extension 33732 (40 pages with tables).

Like all low-income areas, Sub-Saharan Africa received only a modest share of the early officially supported export credit boom. But the share of officially supported export credits in Sub-Saharan African countries' external financing differed little from that of other developing countries. Officially guaranteed credits covered a more important chunk o ·apital flows to Sub-Saharan Africa from private financial sources compared to that for higher income developing countries. Although private capital flows to Sub-Saharan Africa are relatively small, this close link suggests the importance of official support in realizing these flows. But officially supported export credits, designed as policy tools primarily to boost exports, were distortive and inefficient financial instruments, for both the exporting and the recipient countries.

Under the pressure of earlier losses and increasing scrutiny by their guardian authorities and national legislatures, export credit agencies have been increasing the flexibility of their operations and their reliance on market forces for pricing decisions.

Demirgüç-Kunt and Erzan contend that, given the current economic and political environment, development aid and bank lending will remain suppressed. Consequently, officially supported export credits can reemerge as an important source of relatively cheap and readily available financing.

Increasing cooperation between export credit agencies and such multilateral development agencies as the World Bank is a very positive development in reducing the waste and increasing the efficiency of officially supported export credits for both the donor and the recipient countries. Sub-Saharan African countries, which are impaired by the shortage of technical skills and administrative capacity and which may have suffered heavily from ill practices in export credits, stand to gain most from this cooperation.

Finally, a major source of inefficiency in the use of external funds, whether officially supported export credits or other funds, is distortions in the domestic economies of the borrowing countries. To induce lending to the private sector by export credit agencies, the recipient countries must improve the efficiency of their marketplace and institutions.

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The Role of Officially Supported Export Credits in Sub-Saharan Africa's External Financing

Asli Demirgüc-Kunt and Refik Erzan*

I. Introduction

This paper addresses the question of how important officially supported export credits (OSECs) were, both in quantity and in quality, in Sub-Saharan Africa's (SSA) external financing during the last two decades, and examines the prospects for the 1990s.

OSECs comprise suppliers' and buyers' credits which are officially supported by way of direct credits, refinancing, eligibility for interest subsidies, guarantee or insurance. Official institutions which either directly extend export credits or provide some form of support or guarantee are generically called export credit agencies (ECAs).

It should be emphasized that OSECs were not designed to address the financial needs of developing countries. The surge in OSECs came about when most OECD countries perceived them as an economic policy tool, primarily to boost exports, in the wave of the new protectionism and mercantilism that swept over the industrial countries in the early 1970s. Consequently, OSECs soon became

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a principal source of external capital for the developing countries and for Eastern Europe, second only to private bank lending. And soon most OECD countries had to agree on some guidelines for their official export credit practices to avoid "destructive competition", particularly in credits extended to industrial countries.

With the onset of the debt crisis in 1982, most ECAs experienced financial difficulties due to the widespread payment arrears, and later, in the mid 1980s, as a result of a large number of Paris Club debt reschedulings. An increasing number of countries with severe debt servicing problems were taken off-cover by ECAs. The general cut-back policy of the ECAs came in response to their growing portfolio problems and waning budgetary support, coupled with the charges that they had provided export guarantees too freely, contributing to the debt crisis. On the demand side, low rates of investment in debtor countries drastically reduced demand for capital goods. As new commitments fell sharply, OSEC flows became negative on a net basis. However, with the recent move towards matching the cover policies with the adjustment progress made in the indebted countries, those countries which did hot have to resort to debt rescheduling or rescheduled in an orderly fashion started receiving substantial new commitments. Increased flexibility in ECAs' operations, particularly greater reliance on market forces for pricing decisions, contributed to this turnaround as well as improved demand conditions for capital goods. Nevertheless, it was not before the end of the decade that OSECs once again started yielding net flows for developing countries.

A predominant share of OSECs were extended to middle income

developing countries and to the OPEC countries as they proved to have an immense absorptive capacity. Like all low income areas, SSA had a modest share in the total. From the point of view of SSA, however, the share of OSECs in their external financing did not differ much from the case of other developing countries. As a matter of fact, officially guaranteed credits covered a more important chunk of capital flows to SSA from private financial sources compared to that for higher income developing countries. Although private capital flows to SSA are relatively small, this close link suggests the importance of official support in the realization of these flows.

In many countries, the operations of the ECAs are under increasing scrutiny by their guardian authorities and national legislatures, and the very need and rationale for the existing export credit programs are being questioned. It is difficult to reject the proposition that, ideally, official ECAs should disappear, leaving export credit and insurance to the market and development aid to aid agencies. However, it is equally difficult to write-off the argument that, given the shortcomings of international capital markets witnessed by the debt crisis, and the political economy of aid, OSECs mobilize additional resources for development. The present paper does not attempt to resolve these issues, and adopts the premise that, in the foreseeable future, ECAs will continue to be important agents in international financial markets.

The paper is organized in the following way: Section II briefly explains the financial structure of foreign trade, the role of export credits in this context, and the basic functions of ECAs. Section III presents the trends in OSECs during the 1970s and the 1980s as a source of external finance

ior developing countries in general, and for SSA in particular. Also a snapshot of the profile of OSECs is provided.

Section IV deals with some of the distortions caused by export credit subsidies, including the problems of "moral hazard" and "adverse selecti ". Section V briefly takes up the current need and prospects for external finance in the 1990s. Section VI addresses how to enhance the efficiency of OSECS, emphasizing the cooperation between ECAs and multilateral development agencies (MDAs), an issue particularly important for poorer developing countries such as those in SSA. Finally, Section VII sums up the conclusions.

II. Financial Structure of International Trade, and Export Credit Agencies

International trade is basically financed by export credits. Credit periods differ depending on, inter alia, the properties of the exported products and the recipient countries. However, the bulk of export credits are short-term credits with maturities of around two months which are extended by the exporters -- i.e., suppliers' credits. A small fraction of exports -- mostly investment goods to developing countries and Eastern Europe -- are financed by export credits with several years' payment periods. These longer export credits can be suppliers' credits, but also banks and other financial institutions play an important role by either taking over the exporters' claims or by directly extending credits to the buyers abroad or to their banks -- i.e., buyers' credits.

Typically, over 60 percent of total commodity exports of industrial countries are financed by suppliers' credits (over 10 days), thereof only less than 10 percent with a maturity over 6 months, and less than 5 percent with a maturity over one year (see Grassman (1973) and Erzan (1980)). The remaining are advance and cash payments (and credits up to 10 days). Buyers' credits, and suppliers' credits that are cashed are included in this latter portion. A rough estimate for financial credits over one year, i.e. buyers' credits and suppliers' credits that are taken over by banks and other financial institutions, would be around 5 percent of total exports. The average payment period of these credits is generally well over 2 years. Adding up the longer term suppliers' credits and these financial credits, roughly 10 percent of exports are financed by credits with a maturity over one year.

Initially, the focus of official support was predominantly on these medium and long-term export credits. Accordingly, the guidelines drawn by the OECD countries on OSECs to avoid "destructive competition" did not even address short-term export credits. Lately, there has been a major increase in short-term OSECs.[1] In addition to guarantees, subsidization in support of grain and raw material sales has become a common practice. However due to problems in statistical coverage, the analysis in the present paper is limited to medium- and long-term financing.

Operations of the Export Credit Agencies

All major exporting countries have some degree of support to ensure availability of export credits as a means of promoting the exports of goods and services. In the case of industrial countries, the increasing prominence of ECAs coincided with these countries' balance of payments difficulties following the 1973 oil shock. For many smaller OECD countries, however, putting their industry in equal footing with the other exporters, i.e. "neutralization", was a genuine concern (see Erzan (1980)). For the relatively advanced developing countries, setting up their own ECAs was perceived as a trade policy tool to accelerate export orientation.

Export credit systems vary from country to country in their

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[1] Three factors have been pointed out to account for the increase in official cover for short-term business: i) the debtors' priority in servicing these credits to preserve the flow of essential imports, ii) smallness of individual contracts which allows the agencies better control their exposure, and iii) with few exceptions, exclusion of short-term claims from Paris Club debt reschedulings (Johnson, Fisher and Harris (199)).

institutional structure and lending policies (see OECD (1990d)). They are established to promote national exports and to carry out their government's industrial, commercial or foreign policies. Export credit agencies exist to provide funds directly, to refinance or to guarantee other providers. When finance is supplied directly by export credit agencies, it is often called "official export credit." They have no mandate to ensure that the provided resources contribute to the development of the importing country.

ECAs subsidize credits in two ways. First, they advance loans at interest rates below market rates. To restrict competition through interest subsidies and to increase transparency, in 1976 the OECD countries adopted a gentlemen's agreement, referred to as the "Consensus".[2] The Consensus, which is amended periodically, establishes guidelines concerning financial terms for OSECs with a repayment term of over two years. A matrix of minimum applicable interest rates for different categories of loan currencies and borrowing countries are defined, and downpayment requirements, maximum repayment periods, etc. are established.[3] Throughout the years, the minimum permissible interest rates came closer to the market rates, and in the case of high income developing countries and industrial countries, the gap was eliminated in 1987 (see OECD (1990c) and Ray (1986) and (1990)).

ECAs provide a second type of export credit subsidy through their

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[2] The 1976 "Consensus of Converging Export Credit Policies" was formalized as the "Arrangement on Guidelines for OSECs" and became effective in April 1978.

[3] Furthermore, prior notification is demanded when credit terms "softer" than those allowed by the arrangement are offered. The notification is meant to give the possibility of "matching" to other countries.

guarantee and insurance schemes. They extend loans directly and self-insure repayment or give coverage to the financial institutions which provide the funds. In either case, the ECA insures the lender against the political and/or commercial risks of non-payment. This is an implicit credit subsidy to the extent that the premium charged is below what it would cost at the marketplace for assuming the same risk. The consensus described above does not cover the terms and conditions of insurance and guarantees provided by official agencies and thus does not govern the provision of implicit support through the premium structure.

The ECAs have traditionally charged a fixed premium for their insurance subsidies and went "off cover" when countries started running into debt-servicing difficulties. However in recent years, due to financial losses experienced by the ECAs, in an effort to charge higher premiums for higher risk contracts, there has been a movement towards a more differentiated premium structure. Generally, premiums depend on the term of the contract and the risk category of the recipient country. With variable prices, agencies can provide cover even for countries with payment difficulties. More recently, some ECAs also try to price each contract individually to reflect the risk of nonpayment by the buyer.

Finally, most ECAs provide controversial form of finance called "mixed credits". These are commercial tied aid credits that have a concessional element, produced either by mixing grants and commercial loans or by direct interest subsidies on commercial loans. According to the Consensus, currently, this concessional element has to be more than 35 percent of a mixed credit, and

greater than 50 percent in the case of the poorer developing countries. However, as in other OSECs, implicit subsidies through insurance and guarantees are not regulated.

III. Trends during the 1970s and the 1980s, and the Profile of OSECs

The importance of OSECs in the external financing of developing countries can best be captured from statistics on net resource flows. Data on outstanding debt and changes therein can provide a further check. Finally, statistics on new credit commitments are the appropriate indicators of tendencies and turning points in OSEC activity. We make use of all three sets of information in our brief presentation below, acknowledging the well documented statistical and methodological shortcomings underlying the available data.[4]

Net Flows

The annual net flow of medium- and long-term OSECs from OECD to developing countries, which was around 2 to 3 billion dollars in the early 1970s, increased to over 13 billion by the end of the decade (see Table 1)[5]. In 1977 they accounted for 27 percent of all net external capital flows to developing

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[4] See World Bank, et al (1989) and Johnson, Fisher and Harris (1990), Appendix II.

[5] Based on data given in Appendix Tables 1A and 1B, from the Creditor Reporting System (CRS) of the OECD (see OECD (1990b)). The flows are from the member countries of the Development Assistance Committee (DAC) of the OECD.

TABLE 1

NET FLOWS OF OFFICIALLY SUPPORTED MEDIUM- AND LONG-TERM EXPORT CREDITS TO SUB-SAHARAN AFRICA AND TO ALL DEVELOPING COUNTRIES, 1970-1988

(US $ MILLIONS)

TO SUB-SAHARAN AFRICA

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Direct Official	4	54	51	151	64	151	96	78	42	77	-32	189	95	168	-69	177	-79	-79	-29
Guaranteed Private	230	234	228	445	562	983	839	1864	1071	1605	1729	1326	1499	749	-30	-70	-483	-1062	-1603
Total OSECs	234	288	279	595	626	1134	935	1941	1113	1682	1697	1515	1594	917	-99	107	-562	-1141	-1632
Total OSECs/Total Inflows	16.6%	16.7%	14.4%	23.8%	22.5%	25.2%	23.2%	35.1%	18.1%	23.3%	17.3%	14.7%	14.2%	11.2%	n.a.	n.a.	n.a.	n.a.	n.a.
Guaranteed Private/Total Private	51.2%	40.8%	36.2%	54.1%	56.5%	47.3%	55.5%	67.5%	43.6%	59.4%	44.1%	30.0%	28.0%	31.5%	n.a.	n.a.	n.a.	n.a.	n.a.
OSEC Credit Composition																			
Direct Official	1.8%	18.6%	18.3%	25.3%	10.3%	13.3%	10.2%	4.0%	3.8%	4.6%	n.a.	12.5%	5.9%	18.3%	n.a.	n.a.	n.a.	n.a.	n.a.
Guaranteed Private	98.2%	81.4%	81.7%	74.7%	89.7%	86.7%	89.8%	96.0%	96.2%	95.4%	n.a.	87.5%	94.1%	81.7%	n.a.	n.a.	n.a.	n.a.	n.a.

TO ALL DEVELOPING COUNTRIES

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Direct Official	574	680	763	1024	672	1144	1341	1435	2052	1785	2168	2035	2564	2742	1364	-182	-1156	-2506	-1054
Guaranteed Private	2035	2685	1349	1201	2397	4354	6684	8736	9629	8940	10976	10810	7065	4693	3549	402	-2641	-4394	-1637
Total OSECs	2609	3365	2112	2225	3069	5498	8025	10171	11681	10725	13144	12845	9629	7434	4913	220	-3797	-6899	-2691
Total OSECs/Total Inflows	21.7%	25.5%	15.0%	13.0%	19.3%	16.1%	23.0%	26.6%	21.4%	17.8%	22.7%	17.8%	15.3%	14.8%	8.2%	0.8%	n.a.	n.a.	n.a.
Guaranteed Private/Total Private	36.2%	44.3%	21.1%	14.7%	37.4%	19.1%	28.5%	33.1%	25.0%	21.6%	30.8%	21.6%	17.8%	16.6%	10.2%	16.2%	n.a.	n.a.	n.a.
OSEC Credit Composition																			
Direct Official	22.0%	20.2%	36.1%	46.0%	21.9%	20.8%	16.7%	14.1%	17.6%	16.6%	16.5%	15.8%	26.6%	36.9%	27.8%	n.a.	n.a.	n.a.	n.a.
Guaranteed Private	78.0%	79.8%	63.9%	54.0%	78.1%	79.2%	83.3%	85.9%	82.4%	83.4%	83.5%	84.2%	73.4%	63.1%	72.2%	n.a.	n.a.	n.a.	n.a.

Source: OECD, Creditor Reporting System.

Note: Direct Official = export credits extended directly by official institutions. Guaranteed Private = officially insured suppliers' credits plus guaranteed bank credits. n.a. = not applicable.

countries. This has declined to 8 percent in 1984, and by 1985 the net flow was negligible. From 1986 throughout 1988, net OSECs apparently remained in the negative[6]. The pattern was similar in the case of the Sub-Saharan African countries. From less than US$ half a billion in the early 1970s, OSECs reached US$2 billion in 1977. During this period, the share of SSA in total OSECs to developing countries also climbed from less than 10 to over 20 percent. In the peak year, 1977, OSECs accounted for 35 percent of all external funds to SSA. The decline in OSECs was more rapid for SSA however, and 1983 was the last year yielding a positive net flow[7]. But long before that, SSA's share in total OSECs dropped considerably.

Table 1 also decomposes OSECs into their two main components: i) export credits extended directly by official agencies, and ii) officially insured suppliers' credits plus guaranteed bank credits. On the whole, direct official export credits constituted around 15 to 30 percent of all OSECs. Their share was considerably lower in the case of SSA. The table also gives the share of private export credits, which are officially insured or guaranteed, in total private capital inflows. While the overall ratio was generally around 15 to 30 percent, for SSA it was significantly higher, in the range of 30 to 60 percent. These two comparisons point to the relative importance of official guarantee and insurance schemes in providing external resources, particularly in attracting

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[6] Negative net flows depicted in Table 1 are in part due to accounting practices. As a result of Paris Club debt reschedulings, ECAs actually remove the outstanding claims from their own books while they remain in the total debt figures.

[7] See the previous footnote.

private capital to SSA. To put this comparison into proper perspective, it should be noted, however, that the share of private flows in total resource flows to SSA is considerably lower than that for most other developing regions.[8]

Outstanding Stock

The decline in the importance of OSECs during the 1980s can also be observed from data on the outstanding debt of the developing countries (see Appendix Table 2). Appendix Table 3 gives the share of OSECs in total outstanding debt, and in public and publicly guaranteed debt of selected Sub-Saharan African countries.[9] Averages for these shares, which were respectively 17 and 24 percent in 1985, declined sharply in the latter part of the decade. In 1988, they were 9 and 12 percent, respectively.

New Commitments

While net flows (given in Table 1) continued to be negative, new commitments of OSECs to developing countries registered an upturn in 1988 and 1989, indicating that the post-1982 decline might be over (see Table 2)[10]. New commitments to developing countries which amounted to US$30.4 billion in 1987 increased by 8 percent in 1988, and a robust 23 percent in 1989.[11] The 1988

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[8] Computations based on Appendix Tables 1A and 1B show that, for all developing countries, the share of private capital in total resource flows was well above 60 percent from 1975 to 1982, declining to about 30 percent in the late 1980s. In the case of SSA, the comparable figure was around 40 percent, and by 1984, private flows became negative.

[9] The stock figures are from the Creditor Reporting System (CRS) of the OECD (Appendix Table 2), and the Debtor Reporting System (DRS) of the World Bank.

[10] Data on new commitments are provided by the OECD, Secretariat of the Export Credit Group.

[11] The growth rates reported in this Section are based on SDR values to exclude the changes in the US$ exchange rate.

TABLE 2

FLOW OF NEW COMMITMENTS OF OFFICIALLY SUPPORTED MEDIUM- AND LONG-TERM EXPORT CREDITS, 1981-1989

	Category I[a] (Mainly Industrial) Countries	Category II[a] (Middle-Income Developing) Countries	Category III[a] (Low-Income Developing) Countries	Total of Categories II and III (Developing Countries)	Total
A. Medium- and long-term credits with an initial term of over one year[b], billion SDRs (US$ billion)[d]					
1981	...	...	...	...	70.2 (82.8)
1982	...	...	...	...	77.5 (85.6)
1983	...	...	...	...	63.1 (67.5)
1984	...	...	...	...	56.8 (58.2)
1985	11.8 (12.0)	24.1 (24.6)	10.5 (10.7)	34.6 (35.3)	47.1[c] (47.8)
1986	10.0 (11.7)	19.0 (22.2)	9.7 (11.3)	28.7 (33.6)	39.3[c] (46.1)
1987	12.4 (16.0)	16.2 (20.9)	7.3 (9.4)	23.5 (30.4)	36.4[c] (47.1)
1988	7.3 (9.8)	15.9 (21.3)	9.5 (12.7)	25.4 (34.0)	33.2[c] (44.6)
1989	9.2 (11.8)	20.8 (26.6)	10.4 (13.3)	31.2 (39.9)	41.4[c] (53.1)
B. Long-term credits with an initial term of over five years[b], billion SDRs (US$ billion)[d]					
1981	...	...	...	...	18.2 (21.5)
1982	...	...	...	...	18.5 (20.4)
1983	...	...	...	...	13.0 (13.9)
1984	1.8 (1.9)	6.8 (7.0)	2.5 (2.6)	9.3 (9.6)	11.1 (11.4)
1985	1.0 (1.0)	4.8 (4.9)	2.5 (2.6)	7.3 (7.4)	8.3 (8.4)
1986	0.8 (0.9)	4.4 (5.1)	2.7 (3.2)	7.1 (8.3)	8.0 (9.4)
1987	1.8 (2.3)	2.9 (3.7)	1.7 (2.2)	4.6 (5.9)	6.4 (8.3)
1988	1.4 (1.9)	3.5 (4.7)	4.7 (6.3)	8.2 (11.0)	9.6 (12.9)
1989	2.4 (3.1)	3.6 (4.6)	1.9 (2.4)	5.5 (7.0)	7.9 (10.1)
C. Share of long-term credits in total (B/A), percent					
1981	...	...	...	...	25.9
1982	...	...	...	...	23.9
1983	...	...	...	...	20.6
1984	...	...	...	...	19.5
1985	8.5	19.9	23.8	21.1	17.6
1986	8.0	23.2	27.8	24.7	20.4
1987	14.5	17.9	23.3	19.6	17.6
1988	19.2	22.0	49.5	32.3	28.9
1989	26.1	17.3	18.3	17.6	19.1

Source: OECD, Secretariat of the Export Credit Group; and Johnson, Fisher and Harris (1990), Table 1.

Notes:

a The country categories correspond to the classification used by the OECD consensus on Export Credits. Since 1982, this Arrangement has classified as Category I all countries with a GDP per capita of over $4,000 per annum according to 1979 data published in the 1981 World Bank Atlas; as Category II all countries not classified in Categories I or III; and as Category III all countries eligible for IDA credits plus any low-income countries or territories whose GNP per capital would not exceed the IDA eligibility level.

b The value of commitments includes principal and insured interest.

c Includes unallocated credits, so total exceeds the sum of the categories.

d SDRs converted to US$ using yearly average exchange rates from IMF, International Financial Statistics.

expansion was concentrated in long-term credits (with repayment periods over five years) which went up 80 percent to US$11 billion. In 1989, however, the growth in OSECs was due to medium-term credits, and in fact the long-term commitments declined.

In 1988 and 1989, OSEC commitments to low income developing countries increased parallel with the general development. SSA experienced a slight growth in OSECs from US$3.3 to 3.6 billion in 1988, followed by a 23 percent rise in 1989 (see Table 3).

The Profile of OSECs

Statistics on new commitments allow a multi-dimensional breakdown of the OSECs. Since the mid-1980s, one quarter of all medium- and long-term commitments were made to industrial countries and high income developing countries (from Table 2). Middle-income developing countries accounted for half of the total, and low income countries received the remaining one quarter. One third of the new commitments to low income developing countries was due to SSA (see Table 3).

The share of long-term credits in total OSEC commitments (with an initial term of over one year) fluctuated around 20 percent. This ratio used to be somewhat lower in the case of high income countries, and higher for low income countries. Recently this trend reversed and the industrial and high

TABLE 3

FLOW OF NEW COMMITMENTS OF OFFICIALLY SUPPORTED MEDIUM- AND LONG-TERM EXPORT CREDITS[a] TO SUB-SAHARAN AFRICA, 1987-1989

Year	SDRs, million	(US$,million)	Share in lower income developing countries,[b] percent	Share in all developing countries[b], percent	Share in all recipients[b], percent
1987	2,584	(3,341)	35.3	11.0	7.1
1988	2,652	(3,564)	28.0	10.4	8.0
1989	3,274	(4,196)	31.4	10.5	7.9

Source: OECD, Secretariat of the Export Credit Group.

Notes:

a See notes to Table 2.
b The denominators are from, respectively, columns III, IV and V of Table 2, Part A.

TABLE 4

FLOW OF NEW COMMITMENTS OF OFFICIALLY SUPPORTED LONG-TERM[a] EXPORT CREDITS BY MAJOR SECTORS, 1989

	Total US$ Million	Percentage Distribution				
		Transportation	Telecommunications	Energy	Industry	Other
To All Countries	10,215	32	9	9	30	20
To Sub-Saharan Africa	513	53	6	11	16	14

Source: OECD, Secretariat of the Export Credit Group.

Note: [a] Long-term credits are those with an initial term of over five years.

income developing countries started getting a larger chunk of the long-term credits. Statistics on long-term OSECs to SSA were available for only 1989 when they accounted for 12 percent of total new commitments over one year.

Statistics on sectoral distribution of OSECs are available only for long-term commitments (see Table 4). In 1989, transportation, with a share of 32 percent, led the list, followed by industry, 30 percent, and telecommunications and energy, 9 percent each. In the case of SSA, the share of transportation was an overwhelming 53 percent. On the other hand, industry received only 16 percent of the new commitments in this region.

IV. Distortions due to Export Credit Subsidies

We noted that ECAs provide two main types of export subsidies.[12] First is the explicit subsidy through lower-than-market interest rates. The government either lends to foreign importers directly at rates below its marginal cost of funds, or subsidizes such loans made by commercial banks. This kind of subsidy appears in the government's budget as an expenditure. The second type is the implicit subsidy provided through the official insurance and guarantee schemes which often charged flat premiums not reflecting the actual risks of non-payment. Financial difficulties of most ECAs in the early and mid-1980s witness

[12] Henry (1987) provides evidence on the magnitude of these subsidies. The study shows that financial profits reported by ECAs are due to inappropriate or misapplied accounting methods.

to the fact that these implicit subsidies involved substantial magnitudes.[13] It is likely that the 1976 Consensus which regulated interest subsidies but not the official insurance and guarantee schemes has lead to the growth of implicit subsidies in total export credit subsidies (see James (1989), Kohler (1984), and Kohler and Reuter (1986)).

Economic literature questioning the social value of export credit subsidies is abundant (see, e.g., Salant (1984), Fleisig and Hill (1984), and Fitzgerald and Monson (1988)). Nevertheless, as subsidies maintain or expand employment and economic activity in selected sectors and presumably boost exports -- yet not necessarily their value added in international prices -- governments are often tempted to promote them as an instrument yielding a high social return.[14] Furthermore, OSECs can have the guise of development aid. Mixed credits are attractive to governments since development assistance is often politically unpopular. It is tempting to create a constituency for such aid by tying it to exports that benefit particular industries.

It is a different matter how the importing countries' are affected by export credit subsidies. From the importers' point of view, they are beneficial to the extent that these subsidies mobilize additional external

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[13] The problem prevails. Recognizing the possibility of nonpayment, the US EXIMBANK recently established a US$4.8 billion reserve on 40 percent of its outstanding loans and loan guarantees.

[14] In weighing official support to export credits against other subsidy forms, the neutrality of the former emerges as an important advantage. To be eligible for the subsidy, the exporter must first find a buyer for its product. Official export credit support only discriminates in favor of capital goods in general.

resources at low cost.[15] But subsidies may cause major distortions and their overall costs might be quite high. Based on World Bank staff experience, earlier work in this area categorizes these problems into five groups: excess flows, inappropriate projects, design weaknesses, overpricing of goods, and corruption (see Larkum (1985)).

Excess flows of export credits may be due to the export promotion mandate of the ECAs. In the late 1970s and early 1980s, ECAs continued to extend credits in certain cases where there was evidence that the recipient country could not use the additional resources. The argument made was that if the credits were not supplied by one country, they would be supplied by another, and the local exporter would miss a valuable business opportunity. "National interest" in the exporting country often overrides other considerations.

In certain cases, OSECs were used to promote inappropriate projects or appropriate projects rendered inappropriate due to design weaknesses. Some were either not essential to the development of the country or rated poorly due to their high risk and low rate of return. There have been cases where projects considered inappropriate by the Bank staff (such as nuclear power stations) were financed by ECA-supported credits because they satisfied particular objectives of the agency's government.

Overpricing of goods and corruption are harder to document. Overpricing originates from the tied character of export credits which finance

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[15] Obviously untied aid is superior to export credit subsidies.

purchases only from the country granting the cred t. Tying discourages buyers from seeking competitive tenders for purchases. Furthermore, local producers and suppliers in other developing countries which lack similar export credit schemes are discriminated against. Corruption, i.e., the collusion of buyers and sellers in defrauding the ECAs, is also widely believed to constitute a major problem. These would partially explain the sad fact that SSA pays about 20 to 30 percent higher prices for its imports as recently documented by Yeats (1989).[16]

More advanced developing countries have managed to organize their use of credits in a way that maximizes benefit within the constraints of the system (see Larkum (1985)). However, subsidized export credits have exposed poorer, less sophisticated developing countries to pressures that have resulted in bad investment decisions.

The use of OSECs to finance inappropriate projects, overpricing of goods, and corruption were not only consequences of ECAs' lack of interest in the development priorities of the recipient countries. An underlying fundamental cause was the mispricing of guarantees extended by the ECAs. This brought about the problems of "moral hazard" and "adverse selection".

Moral Hazard and Adverse Selection

There is a moral hazard problem whenever the liability of the insurer

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[16] Yeats' figures relate to SSA countries' imports of selected goods, not only to imports financed by export credits.

is affected by the actions of the insured party about which the insurer has incomplete information. The problem of adverse selection arises if the insured party knows the risks involved while the insurer does not. In the case of OSECs, ECAs were encouraged to disregard the available information for pricing purposes, let alone trying to improve their information basis.

Most ECAs only recently introduced a differentiated premium structure to reflect their actual perception of the risks involved. Exporters gaining access to these guarantees had little incentive to behave in a manner to minimize the possibility of nonpayment. Furthermore, they had all the incentive to seek out riskier projects. This was because the guarantees artificially put the expected value -- for the exporter -- of risky projects at par with sound projects (which had an equal nominal return). The exporter could then cash in the implicitly subsidized premium for real risk by charging a higher price to the importer. Relieved from risks, a rational exporter's interest is in finding customers that would accept to pay the higher price. Needless to say, it is neither in the interest of the developing countries nor the ECAs to be instrumental in such deals.

For developing countries, export credits belong to scarce resources that need to be allocated efficiently. The incentive structure facing the exporters leads to an inefficient allocation of these resources. " Were ECAs a relatively minor source of finance for developing countries, these considerations would not merit attention. Given the importance of ECAs, however, the potentially distortive effect of their activities warrants major reform efforts" (Krueger (1989)). Furthermore, to the extent that the subsidy element in export

credits comes from the donor country's aid budget, as in the case of mixed credits, sharing this subsidy with the exporter is a loss for the recipient country.

V. Need and Prospects for External Finance in the 1990s

For many developing countries, access to external borrowing was sharply curtailed in the 1980s, and real interest rates and therefore the cost of debt-servicing greatly increased. There were sharp drops in GNP growth. One of the important determinants of this slowdown in growth was the decline in investment. A growing body of literature indicates that the decrease in investment rates may be caused by the heavy debt burden (see e.g., Sachs (1988), Sachs and Huizinga (1987), and Claessens (1988)). A heavy debt burden may entail investment disincentives for two reasons. First, the debt burden reduces the ability of the country to attract new capital, making investment too costly relative to forgone consumption. Second, there is the "debt overhang" effect. Debt servicing requires a large percentage of the return on investment to be transferred abroad. Thus investment becomes less attractive relative to consumption.

To restore investment and growth in the 1990s, these disincentives for investment have to be corrected. Nevertheless, debt and debt-service reductions are necessary to eliminate debt overhang. Furthermore, debt reductions will have to be complemented by new money since most debtor countries will need to fill financing gaps as they continue making the minimum investments in the infrastructure.

Alternative Sources

Capital flows to developing countries come mainly from three sources: official development assistance, export credits, and private flows. Private flows are mainly composed of commercial-bank lending and foreign direct investment.

Lending by commercial banks is likely to be slow to recover in 1990s, because of the losses already suffered since the beginning of the debt crisis and the continuing problems of developing countries resulting from the debt overhang. At this stage, it is widely believed that commercial banks do not have incentives to resume large scale lending to developing countries. Increasing their loan loss reserves and lowering their portfolio exposure, commercial banks have given a strong signal that voluntary financing will resume only if there is a major improvement in their perception of debtor country prospects. In the 1990s, credit flows to developing countries will likely shift toward trade, project, and private sector financing. Developing countries will have to adopt adjustment programs to provide an environment attractive for foreign flows.

In recent years foreign direct investment has become an increasingly important source of external finance for many developing countries. To the extent the climate for foreign investment improves in these countries, foreign direct investment may be expected to increase. The World Bank Group and the regional development banks also contribute to the increase in foreign direct

investment through their involvement in adjustment programs, promotion of private sector development, and insurance of investment flows.[17]

OSECs can also facilitate foreign direct investments. In the minerals industry, for example, a fall in the equity capital/loan ratio in foreign direct investments was observed in the 1970s (see Radetzki (1980)). Heavy investment requirements coupled with a perception of expropriation risk have led the investors to dilute the risk on equity capital. In this context OSECs were an important source in financing machinery and equipment (see Radetzki and Zorn (1979)). It may be expected that in the new decade the less risky and relatively cheap capital made available by OSECs will be exploited by foreign investors and augment the investment volume. We have observed that officially guaranteed export credits covered nearly half of all capital flows to SSA from private financial sources. This is evidence to the importance of OSECs in prospective private sector initiatives for investment in Sub-Saharan African countries.

Although the contribution of foreign direct investment to capital flows is expected to increase over time, most likely it will not be able to compensate fully for the projected shortfall in private lending. The reluctance of commercial banks in providing new money will necessitate a greater role for official development assistance. As the chances of a dramatic increase in development aid is slim, OSECs may once again play an important role in the external financing of the developing countries.

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[17] Investment insurance is provided by the Multilateral Investment Guarantee Agency of the World Bank Group.

VI. Enhancing Efficiency of OSECs in the 1990s

It is important to underline that some of the criticism in this paper concerning the past experience with OSECs is equally valid for other forms of external finance. There are glaring examples of uneconomic investments and expenditures financed by bilateral development aid and by private commercial banks. After all, ECAs were not the sole or the principal culprits in the "excessive" lending and the following debt crisis.

We adopt the working hypothesis that, in the foreseeable future, ECAs will continue to be important agents in international finance. We broadly identify three areas of impact to enhance the efficiency of OSECs as a source of external finance for developing countries. These are i) the ECAs themselves, ii) cooperation between ECAs and multilateral development agencies, and iii) the institutional and economic environment in the developing countries.

With fiscal considerations as their main motive, the driving force in reforming the operations of ECAs is the increasing scrutiny by their guardian authorities and national legislatures. There is also a likelihood of some discipline imposed by super national bodies, such as in the case of the European Community. We already mentioned some relatively recent developments in this respect. One is the amendments to the OECD Consensus which considerably reduced the gap between the minimum allowable interest rates and the market rate. The second is the increase in the share of minimum concessional element in "mixed credits". The third is the move towards a more differentiated premium structure

in the official guarantee and insurance schemes. Finally, we mentioned the efforts by some ECAs which try to price each guarantee individually to reflect the risk of nonpayment by the buyer.

To enhance the efficiency of OSECs, the burden is also considerable for the borrowing developing countries. Especially to induce direct lending to the private sector, much needs to be done besides implementation of the necessary adjustment policies to improve general creditworthiness. Often it is the domestic distortions and the related rents which lie behind wasteful investment decisions and corruption, with or without OSECs. Furthermore, some ECAs which are eager to expand their nonguaranteed lending to the private sector face many practical problems (Johnson, Fisher and Harris (1990)). Lack of adequate accounting standards and complications in legal systems concerning potential claims discourage business with the private sector.

Prospects for Cooperation between ECAs and Multilateral Development Agencies

Cooperation between multilateral development agencies (MDAs) and ECAs can improve the efficiency of the OSECs for both the exporting and the recipient countries. Obviously, the immediate objective of export promotion is not necessarily compatible with the financial soundness of ECAs or with the long-term development objectives of the recipient countries. Nevertheless, MDA - ECA cooperation can be fruitful to all parties if project feasibility is enhanced. After all, developed countries cannot be unconcerned at the outcome of the investment projects financed by export credits. If the development objective is achieved, exporters will have access to growing markets that do not require

subsidies. More directly, channeling resources to good quality projects will decrease the cost of ECAs, and save taxpayers money in the donor countries.

Project appraisal is the key issue in ensuring efficient use of export credits. The quality of individual projects is the major determinant of a country's debt servicing capacity in the long-run. Project appraisal includes the determination of the project's importance and its compatibility with the country's overall development objectives. Ultimately, the most effective project screening process for project approval is the one developed by the recipient countries themselves. This, however, requires an efficient administration and the technical competence to evaluate investment projects. For those countries which have inadequate project screening capacities, MDA - ECA cooperation can prove invaluable.

A direct means of cooperation is cofinancing. Through cofinancing the MDAs provide the recipients and the ECAs with information on the suitability of projects and technical judgement on the merits of individual proposals. MDAs also provide lists of projects eligible for financing to a large number of potential cofinanciers in an effort to obtain early expressions of interest. This exchange of information is also useful in enabling the financing of approved projects and in improving the terms for borrowers by allowing competitive international bidding for projects.

The "umbrella function" of the MDAs in cofinanced projects improves probably the worst aspect of OSECs by reducing the "import composition costs" for developing countries. In large projects, by receiving OSECs from several

sources, the "umbrella" organization can make purchases from the best supplier for each component. Furthermore, the procurement procedures of MDAs might be applied to the whole project as a means of price and quality control, although this seems to be an unlikely scenario.[18]

An estimate of the overall magnitude of cofinancing involving ECAs and MDAs is difficult to obtain. However the role of OSECs in the cofinancing operations of the World Bank should shed a light to the global picture. In the 1980-1989 period, the World Bank (including IDA) was involved in about a thousand "packages" with a total value of US$57 billion (see Appendix Table 4). The overall contribution of OSECs to this sum was 22 percent. Cofinancing operations in the lowest income countries (with a per capita GNP less than US$425) amounted to US$ 21 billion. In this case, OSECs' share was 18 percent. For countries in the next income bracket (US$426-835), OSECs' share was 24 percent of US$10 billion. OSECs' contribution was the highest in industrial projects, the power and energy field, and telecommunications.

In the 1990s there will be increased emphasis in many developing countries on the development of the private sector, and therefore, private investments. This trend, encouraged by the MDAs, will necessitate credit flows to the private sector in developing countries. However, it is difficult for the ECAs to assess the financial strength of private enterprises. In this context, a promising attempt is the recent EXCEL (Export Credit Enhanced Leverage) program of the World Bank. The program will promote the flow of export credits and

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[18] ECAs currently oppose to this latter practice.

World Bank loans to development banks and financial intermediaries in the recipient countries. These institutions which will be responsible for the placement of the loans are expected to intermediate between foreign lenders and domestic borrowers. The World Bank will provide a portion of the financing, assist in identifying the intermediary institution, and, when deemed necessary, contribute to the evaluation of individual loan placements. Although the ECAs will not have the Bank's preferred creditor status, they will be assured that the Bank will make every effort to seek full repayment of the loans.

For Sub-Saharan African countries which suffer an acute shortage of technical skills and administrative capacity to develop and evaluate projects, ECA-MDA cooperation can play a crucial role to increase the flow of, and efficiency in the use of OSECs. The fact that these flows have been declining, and that SSA paid on the average 20 to 30 percent higher prices for its imports bear witness to the importance of the prospects for MDA-ECA cooperation.

VII. Conclusions

The general thesis of the paper is that, officially supported export credits (OSECs) have been an important source of external finance for the developing countries, and Sub-Saharan Africa (SSA) was not an exception in this respect. However, designed as policy tools primarily to boost exports, OSECs were distortive and inefficient financial instruments, both for the exporting and the recipient countries.

OSECs, which dried up in the early 1980s, are showing signs of gaining momentum again. The paper contends that, given the current economic and political environment, development aid and bank lending will remain suppressed. In this environment, OSECs can reemerge as an important source of relatively cheap and readily available form of finance.

SSA has greater difficulty compared to other regions in attracting capital from private sources. Official support in the form of insurance and guarantee coverage has been, and will likely continue to be, a crucial instrument in the realization of these flows.

Both under pressure of earlier losses, and increasing scrutiny by their guardian authorities and national legislatures, export credit agencies (ECAs) have been increasing the flexibility of their operations with growing emphasis on pricing mechanisms.

Increasing cooperation between ECAs and multilateral development agencies (MDAs), such as the World Bank, is a very positive development in reducing the waste and increasing the efficiency of OSECs for both the donor and the recipient countries. Sub-Saharan African countries, which are impaired by the shortage of technical skills and administrative capacity, and which may have suffered heavily from ill practices in export credits, stand to gain most from this cooperation.

Finally, a major source of inefficiency in the use of external funds, whether this be OSECs or else, is distortions in the domestic economies of the borrowing countries. Especially to induce lending to the private sector by ECAs, the developing countries have to improve the efficiency of their marketplace and institutions.

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APPENDIX TABLE 1A

TOTAL NET MEDIUM- AND LONG-TERM RESOURCE FLOWS FROM DAC COUNTRIES TO DEVELOPING COUNTRIES

(US $ Millions)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
A. OFFICIAL FLOWS (a+b) a/	22,264.1	22,004.0	23,415.2	21,922.4	24,887.4	25,386.8	28,622.2	33,442.9	39,246.2
a. Official Development Assistance	17,932.6	18,080.9	18,164.7	18,345.9	19,478.3	21,638.2	25,877.8	29,454.4	32,704.9
Bilateral Aid	17,932.6	18,080.9	18,164.7	18,345.9	19,478.3	21,638.2	25,877.8	29,454.4	32,704.9
1. Grants a/	13,931.0	13,037.1	13,127.5	13,940.9	15,281.4	21,572.0	20,748.0	22,842.4	25,561.1
2. Concessional Loans	4,002.9	5,044.3	5,036.8	4,405.6	4,196.9	4,067.1	5,130.8	6,613.4	7,143.4
Contributions To Multilateral Organizations	.0	.0	.0	.0	.0	.0	.0	.0	.0
1. Capital Subscriptions	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. Grants and other	.	.	.	.	.	.	.	.	.
b. Other Official Flows	4,331.5	3,923.1	5,250.5	3,576.5	5,409.1	3,748.6	2,744.4	3,988.5	6,541.3
Bilateral OOF	3,720.9	3,121.0	4,552.1	3,114.9	4,989.1	3,300.7	2,304.1	3,674.1	6,215.6
1. Export Credits c/	2,168.2	2,034.8	2,563.5	2,741.5	1,363.8	-182.3	-1,156.2	-2,505.6	-1,054.3
2. Nonconcessional Loans	1,552.7	1,086.2	1,988.6	373.4	3,625.3	3,483.0	3,460.3	6,179.7	7,269.9
3. Other	611.5	802.1	698.9	462.8	420.3	448.2	440.6	315.7	255.0
Multilateral Organiz.	.	.	.	.	.	.	.	.	.
B. PRIVATE FLOWS	35,661.1	50,029.6	39,697.6	28,268.7	34,685.2	2,477.5	22,479.8	13,665.8	19,786.5
a. Direct Investment	10,106.0	16,168.4	11,619.8	8,741.4	10,839.9	5,986.8	10,699.7	20,841.7	21,170.4
b. Bilateral Portfolio	14,579.4	23,050.8	21,012.6	14,834.8	20,296.0	-3,911.1	14,421.2	-2,782.4	253.0
c. Multilateral Portfolio	.	.	.	.	.	.	.	.	.
d. Private Export Credits d/	10,975.7	10,810.4	7,065.2	4,692.5	3,549.3	401.8	-2,641.1	-4,393.5	-1,636.9
e. Other Private /b	.	.	.	.	.	.	.	.	.
C. TOTAL FLOWS (A+B)	57,925.2	72,033.6	63,112.8	50,191.1	59,572.6	27,864.3	51,102.0	47,108.7	59,032.7
Memo Items:									
Technical Cooperation Grants	5,388.2	5,136.6	5,303.1	5,701.0	5,785.1	8,081.1	7,425.8	9,206.9	9,984.6
Total Export Credits	13,143.9	12,845.2	9,628.7	7,434.0	4,913.1	219.5	-3,797.3	-6,899.1	-2,691.2

(con't.)

APPENDIX TABLE 1A (concluded)

TOTAL NET MEDIUM- AND LONG-TERM RESOURCE FLOWS FROM DAC COUNTRIES TO DEVELOPING COUNTRIES

(US $ Millions)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
A. OFFICIAL FLOWS (a+b) a/	6,381.7	7,132.9	7,697.2	8,945.0	9,495.2	11,442.2	11,400.5	11,780.9	16,205.6	18,782.8
a. Official Development Assistance	5,556.8	6,196.3	6,493.9	6,933.9	8,007.7	9,571.5	9,289.1	9,752.0	12,843.9	16,040.4
Bilateral Aid	5,556.8	6,196.3	6,493.9	6,933.9	8,007.7	9,571.5	9,289.1	9,752.0	12,843.9	16,040.4
1. Grants a/	3,238.3	3,543.1	4,255.6	4,313.4	5,095.3	6,061.8	6,353.4	6,869.5	9,120.2	11,398.2
2. Concessional Loans	2,318.0	2,653.9	2,236.7	2,621.1	2,911.7	3,510.2	2,934.7	2,880.8	3,723.6	4,643.6
Contributions To Multilateral Organizations	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1. Capital Subscriptions	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. Grants and other	.	.	.	.	.	.	.	.	.	.
b. Other Official Flows	824.9	936.6	1,203.3	2,011.1	1,487.5	1,870.7	2,111.4	2,028.9	3,361.7	2,742.4
Bilateral OOF	779.4	862.2	1,150.0	1,992.6	1,471.9	1,849.1	2,101.5	2,017.4	3,296.1	2,707.1
1. Export Credits c/	573.7	680.0	763.2	1,024.4	671.8	1,143.8	1,340.6	1,434.7	2,052.0	1,784.8
2. Nonconcessional Loans	205.7	182.2	386.8	968.2	800.1	705.3	760.9	582.7	1,244.1	922.3
3. Other	46.2	74.9	52.1	18.5	15.7	21.8	10.1	11.5	65.6	36.0
Multilateral Organiz.	.	.	.	.	.	.	.	.	.	.
B. PRIVATE FLOWS	5,628.3	6,059.0	6,383.3	8,144.0	6,414.8	22,803.6	23,470.6	26,387.0	38,458.0	41,336.0
a. Direct Investment	3,099.8	2,771.0	3,383.9	3,816.4	798.3	10,153.4	7,676.4	7,898.9	8,960.7	11,433.1
b. Bilateral Portfolio	493.2	602.9	1,650.5	3,127.1	3,219.8	8,296.4	9,110.3	9,752.2	19,868.8	20,963.1
c. Multilateral Portfolio	.	.	.	.	.	.	.	.	.	.
d. Private Export Credits d/	2,035.3	2,685.1	1,348.9	1,200.5	2,396.7	4,353.8	6,683.9	8,735.9	9,628.5	8,939.8
e. Other Private /b	.	.	.	.	.	.	.	.	.	.
C. TOTAL FLOWS (A+B)	12,010.0	13,191.9	14,080.5	17,089.0	15,910.0	34,245.8	34,871.1	38,167.9	54,663.6	60,118.8
Memo Items:										
Technical Cooperation Grants	1,440.3	1,597.2	1,761.1	2,164.0	2,336.7	2,790.9	2,740.3	2,913.0	3,610.5	4,466.9
Total Export Credits	2,609.0	3,365.1	2,112.1	2,224.9	3,068.5	5,497.6	8,024.5	10,170.6	11,680.5	10,724.6

APPENDIX TABLE 1B

TOTAL NET MEDIUM- AND LONG-TERM RESOURCE FLOWS FROM DAC COUNTRIES TO SUB-SAHARAN AFRICA

(US $ Millions)

	1980	198	1982	1983	1984	1985	1986	1987	1988
A. OFFICIAL FLOWS (a+b) a/	5,871.0	5,880.7	5,873.5	5,821.1	6,901.9	6,992.0	8,587.4	10,787.6	11,769.8
a. Official Development Assistance	5,007.1	5,098.3	5,093.9	4,986.9	5,205.1	5,934.9	7,458.4	8,706.7	10,072.5
Bilateral Aid	5,007.1	5,098.3	5,093.9	4,986.9	5,205.1	5,934.9	7,458.4	8,706.7	10,072.5
1. Grants a/	4,552.7	4,404.6	4,140.8	4,159.5	4,268.2	6,187.0	6,301.0	7,004.2	8,237.6
2. Concessional Loans	454.4	694.2	952.5	827.6	937.3	748.0	1,158.2	1,701.9	1,834.7
Contributions To Multilateral Organizations	.0	.0	.0	.0	.0	.0	.0	.0	.0
1. Capital Subscriptions	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. Grants and other	.	.	.	.	.	.	.	.	.
b. Other Official Flows	863.9	782.4	779.6	834.2	1,696.8	1,057.1	1,129.0	2,080.9	1,697.3
Bilateral OOF	864.1	782.1	780.0	834.9	1,682.5	1,045.5	1,125.9	2,054.3	1,675.6
1. Export Credits c/	-31.7	189.1	94.8	167.5	-69.0	176.8	-78.7	-79.0	-29.0
2. Nonconcessional Loans	895.8	593.0	685.2	667.4	1,751.5	868.7	1,204.6	2,133.3	1,704.6
3. Other	.0	.0	.0	.0	14.9	11.8	3.2	27.2	9.1
Multilateral Organiz.	.	.	.	.	.	.	.	.	.
B. PRIVATE FLOWS	3,921.2	4,418.3	5,344.0	2,379.6	-197.4	-461.5	-31.7	-198.4	-1,301.0
a. Direct Investment	994.5	1,808.8	2,239.4	337.6	-289.8	-218.6	611.4	1,173.1	254.0
b. Bilateral Portfolio	1,198.2	1,284.0	1,605.9	1,292.9	122.6	-173.2	-159.7	-309.3	47.5
c. Multilateral Portfolio	.	.	.	.	.	.	.	.	.
d. Private Export Credits d/	1,728.5	1,325.5	1,498.7	749.1	-30.2	-69.7	-483.4	-1,062.2	-1,602.5
e. Other Private /b	.	.	.	.	.	.	.	.	.
C. TOTAL FLOWS (A+B)	9,792.2	10,299.0	11,217.5	8,200.7	6,704.5	6,530.5	8,555.7	10,589.2	10,468.8
Memo Items:									
Technical Cooperation Grants	2,047.2	1,727.3	1,828.4	1,790.4	1,584.6	2,774.7	2,368.8	2,703.4	2,875.2
Total Export Credits	1,696.8	1,514.6	1,593.5	916.6	-99.2	107.1	-562.1	-1,141.2	-1,631.5

(cont.)

APPENDIX TABLE 1B (concluded)

TOTAL NET MEDIUM- AND LONG-TERM RESOURCE FLOWS FROM DAC COUNTRIES TO SUB-SAHARAN AFRICA

(US $ Millions)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
A. OFFICIAL FLOWS (a+b) a/	960.4	1,145.9	1,305.6	1,682.9	1,785.7	2,418.9	2,511.6	2,763.8	3,690.7	4,515.8
a. Official Development Assistance	937.4	1,076.6	1,197.0	1,425.9	1,695.6	2,217.8	2,225.1	2,440.9	3,312.8	4,196.0
Bilateral Aid	937.4	1,076.6	1,197.0	1,425.9	1,695.6	2,217.8	2,225.1	2,440.9	3,312.8	4,196.0
1. Grants a/	714.3	824.5	1,215.0	1,175.2	1,370.1	1,719.7	1,838.7	2,002.3	3,033.3	3,642.6
2. Concessional Loans	223.3	251.6	-18.5	250.7	325.2	498.2	386.4	437.5	280.3	553.6
Contributions To Multilateral Organizations	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
1. Capital Subscriptions	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2. Grants and other	.	.	.	.	.	.	.	.	.	.
b. Other Official Flows	23.0	69.3	108.6	257.0	90.1	201.1	286.5	322.9	377.9	319.8
Bilateral OOF	11.7	53.2	86.6	255.9	88.8	201.3	286.4	323.2	377.6	320.1
1. Export Credits /c	4.3	53.6	51.1	150.8	64.2	151.3	95.7	77.9	42.1	76.7
2. Nonconcessional Loans	7.4	-.4	35.5	105.1	24.6	50.0	190.7	245.3	335.5	243.4
3. Other	11.6	16.4	21.8	.8	1.1	.0	.0	.0	.0	.0
Multilateral Organiz.	.	.	.	.	.	.	.	.	.	.
B. PRIVATE FLOWS	448.0	573.8	629.7	822.1	994.5	2,079.0	1,510.4	2,762.3	2,457.4	2,701.4
a. Direct Investment	198.5	266.2	333.6	59.4	214.9	847.9	490.5	789.6	451.3	415.5
b. Bilateral Portfolio	19.9	73.4	68.4	318.2	217.9	248.2	181.0	109.2	935.5	681.1
c. Multilateral Portfolio	.	.	.	.	.	.	.	.	.	.
d. Private Export Credits d/	229.6	234.2	227.7	444.5	561.7	982.9	838.9	1,863.5	1,070.6	1,604.8
e. Other Private /b	.	.	.	.	.	.	.	.	.	.
C. TOTAL FLOWS (A+B)	1,408.4	1,719.7	1,935.3	2,505.0	2,780.2	4,497.9	4,022.0	5,526.1	6,148.1	7,217.2
Memo Items:										
Technical Cooperation Grants	454.9	545.5	629.5	739.4	785.1	[illegible]14.6	1,060.4	1,083.9	1,458.1	1,737.9
Total Export Credits	233.9	287.8	278.8	595.3	625.9	1,[illegible]4.2	934.6	1,941.4	1,112.7	1,681.5

Source: OECD, Creditor Reporting System; OECDG groupings.

Notes:

a Technical Cooperation Grants included.

b Includes NGO Grants.

c Export credits extended directly by official institutions.

d Officially insured supplier's credits plus guaranteed bank credits.

APPENDIX TABLE 2
OUTSTANDING DEBT DUE TO OFFICIALLY SUPPORTED MEDIUM- AND LONG-TERM EXPORT CREDITS IN SELECTED SUB-SAHARAN AFRICAN COUNTRIES, 1982-1988
(US $ millions)

COUNTRY	EXPORT CREDIT TYPE	1982	1983	1984	1985	1986	1987	1988
CAMEROON	DIRECT	148.0	139.9	157.4	181.1	189.0	202.2	203.8
	GUARANTEED	425.5	332.5	537.2	650.6	750.3	629.5	532.5
	TOTAL	573.5	472.4	694.6	831.7	939.3	831.7	736.3
CENTRAL AF REPUBLIC	DIRECT	2.8	3.5	3.4	3.2	3.4	3.0	2.8
	GUARANTEED	19.9	20.0	7.1	7.8	4.0	3.3	2.9
	TOTAL	22.7	23.5	10.5	11.0	7.4	6.3	5.7
CONGO	DIRECT	37.4	29.3	21.0	28.0	42.8	72.9	67.9
	GUARANTEED	339.7	301.6	530.6	640.1	864.0	857.2	588.6
	TOTAL	377.1	330.9	551.6	668.1	906.8	930.1	656.5
COTE D' IVORIE	DIRECT	171.1	187.9	197.6	224.2	203.4	216.7	244.7
	GUARANTEED	771.6	736.3	707.7	575.5	719.6	451.7	246.4
	TOTAL	942.7	924.2	905.3	799.7	923.0	668.4	491.1
GABON	DIRECT	31.1	27.3	25.2	40.5	55.8	64.3	73.8
	GUARANTEED	396.1	433.6	557.2	822.9	1152.8	912.4	749.5
	TOTAL	427.2	460.9	582.4	863.4	1208.6	976.7	823.3
GHANA	DIRECT	19.5	12.4	9.1	6.5	6.6	4.0	2.9
	GUARANTEED	123.9	98.5	72.2	93.7	92.3	162.5	142.6
	TOTAL	143.4	110.9	81.3	100.2	98.9	166.5	145.5
GUINEA	DIRECT	25.1	11.5	9.1	11.9	5.3	8.0	7.1
	GUARANTEED	104.7	72.5	82.3	71.1	89.2	44.2	32.3
	TOTAL	129.8	84.0	91.4	83.0	94.5	52.2	39.4
KENYA	DIRECT	104.9	97.7	104.7	91.6	141.8	145.1	119.5
	GUARANTEED	393.3	337.3	309.5	374.2	446.7	477.7	568.5
	TOTAL	498.2	435.0	414.2	465.8	588.5	622.8	688.0
MADAGASCAR	DIRECT	28.1	36.6	34.0	43.3	44.4	41.5	43.0
	GUARANTEED	198.5	233.2	191.2	176.7	100.5	84.9	70.0
	TOTAL	226.6	269.8	225.2	220.0	144.9	126.4	113.0
MAURITIUS	DIRECT	0.0	0.0	0.0	0.0	0.0	0.0	3.5
	GUARANTEED	9.8	6.7	12.1	11.9	18.6	35.0	44.5
	TOTAL	9.8	6.7	12.1	11.9	18.6	35.0	48.0
NIGERIA	DIRECT	77.4	229.3	281.1	448.5	447.8	449.3	563.2
	GUARANTEED	3276.9	2843.3	3299.2	5108.0	5873.4	4995.7	3074.0
	TOTAL	3354.3	3072.6	3580.3	5556.5	6321.2	5445.0	3637.2
SENEGAL	DIRECT	21.2	20.5	21.7	23.7	20.0	19.4	16.0
	GUARANTEED	191.0	183.6	161.3	189.4	170.3	96.5	61.4
	TOTAL	212.2	204.1	183.0	213.1	190.3	115.9	77.4
SUDAN	DIRECT	185.3	180.1	225.0	257.8	245.5	239.9	233.7
	GUARANTEED	475.6	425.0	248.5	432.8	340.7	256.6	286.7
	TOTAL	660.9	605.1	473.5	690.6	586.2	496.5	520.4
TANZANIA	DIRECT	67.0	65.3	71.9	82.0	56.8	61.2	87.1
	GUARANTEED	317.0	223.6	123.8	129.1	1[illegible]6.3	155.4	110.6
	TOTAL	384.0	288.9	195.7	211.1	1[illegible]	216.6	197.7
ZAIRE	DIRECT	683.2	684.9	817.2	852.8	827.9	878.0	989.1
	GUARANTEED	495.3	280.6	309.1	242.5	220.8	156.1	154.4
	TOTAL	1178.5	965.5	1126.3	1095.3	1048.7	1034.1	1143.5
ZIMBABWE	DIRECT	30.8	41.2	36.9	34.7	29.1	24.1	17.1
	GUARANTEED	223.8	254.1	271.5	365.3	438.6	489.3	400.9
	TOTAL	254.6	295.3	308.4	400.0	467.7	513.4	418.0

Source: OECD, Creditor Reporting System.
Note: Direct = export credits extended directly by official institutions.
Guaranteed = officially insured suppliers' credits plus guaranteed bank credits.

APPENDIX TABLE 3

THE SHARE OF OFFICIALLY SUPPORTED MEDIUM- AND LONG-TERM EXPORT CREDITS IN TOTAL OUTSTANDING DEBT, AND PUBLIC AND PUBLICALLY GUARANTEED DEBT OF SELECTED SUB-SAHARAN AFRICAN COUNTRIES, 1982-1988

(percent)

	1982		1983		1984		1985		1986		1987		1988	
	total	public	total	public	total	public	total	public	total	public	total	public	total	public
CAMEROON	21.1	29.9	17.2	25.6	25.5	40.9	28.3	41.5	25.3	39.2	20.6	29.9	17.1	25.1
CENTRAL AF.	9.0	11.6	9.1	11.6	4.0	4.9	3.2	3.8	1.6	1.9	1.0	1.2	0.8	1.0
CONGO	19.4	21.6	17.2	19.1	28.4	31.9	22.4	24.2	24.0	29.8	18.1	22.3	13.8	16.0
COTE D' IV.	12.1	18.8	11.8	19.0	11.5	19.6	8.2	13.7	8.2	13.6	4.9	8.0	3.5	6.1
GABON	42.0	51.3	50.0	67.1	62.7	85.9	71.7	91.6	61.2	82.8	38.3	46.9	30.9	38.7
GHANA	10.3	13.0	6.9	9.6	4.3	7.3	4.6	8.0	3.7	6.0	5.3	7.8	4.7	6.5
GUINEA	9.5	10.6	6.2	7.0	7.3	8.2	5.6	6.4	5.0	5.4	2.3	2.5	1.5	1.7
KENYA	14.2	20.7	11.6	18.2	11.1	16.5	10.6	16.1	11.9	16.1	10.4	14.0	11.7	16.2
MADAGASCAR	11.8	13.7	12.8	15.4	10.4	12.2	8.9	10.2	4.8	5.5	3.4	3.8	3.1	3.4
MAURITIUS	1.7	2.7	1.2	2.1	2.2	3.6	1.9	3.0	2.8	4.2	4.3	6.0	5.6	7.4
NIGERIA	26.2	37.4	16.7	25.5	19.4	31.7	28.8	43.0	27.3	33.2	18.1	19.4	11.8	12.7
SENEGAL	11.7	15.4	10.6	13.7	8.9	11.8	8.8	11.2	6.3	7.9	3.1	3.9	2.1	2.6
SUDAN	9.1	12.1	7.9	10.3	5.5	7.6	7.6	10.4	6.0	8.2	4.3	6.1	4.4	6.5
TANZANIA	12.9	16.3	8.5	10.7	5.7	7.4	5.5	7.0	4.4	4.9	4.5	5.1	4.2	4.8
ZAIRE	24.8	29.6	19.0	22.7	22.3	27.3	18.3	22.9	15.0	18.3	12.1	14.7	13.5	16.3
ZIMBABWE	13.8	21.5	12.8	19.1	13.7	19.5	16.2	21.9	17.3	22.0	17.6	21.1	15.7	18.7
AVERAGE	17.4	23.6	13.8	19.4	14.9	21.8	17.1	24.2	16.3	21.3	11.8	14.7	9.3	11.7

Source: OECD, Creditor Reporting System, and World Bank, Debtor Reporting System.
Note: Excluding short-term (less than 1 year) debt.

APPENDIX TABLE 4

WORLD BANK COFINANCING OPERATIONS, FISCAL YEAR 1980-1989: COFINANCIERS' CONTRIBUTION[a]

(US $ million)

GNP Per Capita[b]	Total Cofinancing[c]		Official[d]		Export Credits		Private		Bank Group Contribution		Total Project Cost
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	IBRD	IDA	
$ 0 - 425	569	20,712.7	550	16,198.0	39	3,839.0	13	675.7	12,227.8	15,308.3	88,753.6
$ 426 - 835	207	10,303.2	201	7,580.6	18	2,455.6	8	267.1	11,613.1	1,325.2	37,266.9
$ 836 - 1,725	145	11,981.1	110	5,381.1	51	3,267.8	32	3,332.3	9,863.3	82.0	38,615.4
$ 1,726 - 3,009	83	13,430.6	45	4,497.9	23	2,917.5	39	6,015.2	11,762.9	--	55,356.5
$ 3,010 - OVER	14	425.5	11	151.2	6	259.9	2	14.4	252.2	--	1,313.4
TOTAL	1018	56,853.1	917	33,808.8	137	12,739.8	94	10,304.7	45,719.2	16,715.4	221,305.8

Source: World Bank.

Notes:

a It should be noted that these statistics are compiled from the financing plans presented at the time of approval of World Bank loans by its Board of Exeuctive Directors. The amounts of official cofinancing are in most cases firm commitments by that stage; export credits and private cofinancing amounts are, however, generally only estimates since such cofinancing is actually arranged as required for project implementation and gets firmed up a year or two later after Board approval.

b 1988 U.S. Dollars, according to the 1988 World Bank Atlas.

c The number of operations shown under different sources add up to a figure exceeding the total number of cofinanced projects because a number of projects were cofinanced from more than one source.

d These figures include cofinancing with untied loans from the Export-Import Bank of Japan. Please note that in all reports dated before October, 1989, such untied loans were included in the export credits column.

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