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Group of 24

LOW INCOME COUNTRIES AND INTERNATIONAL
MONETARY SYSTEM

Report of a Group of Experts

PREFACE

The following report is addressed to the special problems faced by low-income countries in accommodating their economies to the vagaries of an increasingly unstable international monetary system. The low-income countries share with other developing countries all the well-known weaknesses characteristic of developing countries as a whole, such as vulnerability to business fluctuations emanating from abroad as well as to protectionist restrictions imposed by other countries on their export trade, the limited diversification of their exports, the difficulties associated with their position as price takers, for the most part, rather than price makers in world trade, the limited margin for manoeuvre afforded by inadequate reserves both of essential goods and of foreign currencies, and the immense problems of adjustment that result from the rigidities of their economies and the immobility of their resources. It is therefore natural that the low-income countries resolutely support the Blue Book on International Monetary Reform adopted by the Ministers of Finance of the Group of Seventy-seven at their meeting in Belgrade in September 1979.

The fact that low-income countries are in most respects quite similar to other developing countries in their political, social and economic make-up does not mean that their problems and options are identical with those of their more advanced developing country neighbours. It has long been apparent

that there are differences between low-income countries and other developing countries that are of considerable importance - differences that will be described in some detail in the main body of this report. The significance of these differences was clearly recognized by the IMF when it established a Trust Fund and a subsidy account to assist a limited group of member countries - despite the Fund's well-known objections to discrimination in favour of particular countries within the international monetary system.

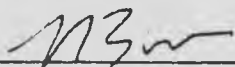
Since the early 1970s the relative position of the low-income countries has been sharply eroded. The relative displacement of IMF balance of payments support by commercial bank lending has meant a corresponding deterioration in the ability of low-income countries to achieve a satisfactory combination of adjustment and financing. Since most of these countries are not deemed creditworthy by the private banks, the IMF is for them the only possible source of balance of payments financing and not merely the lender of last resort. Since IMF financing has been inadequate as regards both volume and terms, the low-income countries have been forced, under conditions of persistent world recession, to retrench much more drastically than other groups of countries, despite the fact that their low income levels leave them with much less margin for such retrenchment than other countries have.

Under current conditions, moreover, the international community is understandably preoccupied with the problems of large debtors that impinge on the financial stability of the major industrial countries and hence of the world as a whole. The rescue operations that have been mounted in support of these countries have been impressive in their promptness and scope. In this process, however, the fact that low-income countries are in an equally

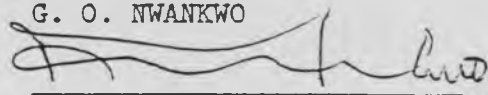
if not more difficult position has been virtually overlooked, and for them no relief is in sight.

In the view of the Expert Group, it is particularly critical at the present time that priority attention be given to this problem which the international community cannot afford to neglect without running the danger of massive political and social upheaval in the countries concerned.

COMPTON BOURNE



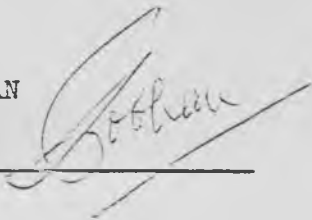
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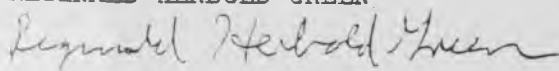
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Low income countries and the international monetary system

Introduction

1. The stake of the developing countries in the international monetary system (IMS) - by which we mean primarily the rules, institutions, policies and practices regarding the adjustment and/or financing of external imbalances, the creation and distribution of international liquidity, and the determination of exchange rates - stems very largely from the vulnerability of developing economies to exogenous shocks and the difficulties these shocks pose for economic management generally, and the management of the payments position in particular. Within the broad group of developing countries there are sub-groups of low income and structurally disadvantaged countries for whom vulnerability is even greater and existing lines of recourse to the international monetary system for support even less adequate. This report relates primarily to the present position and immediate requirements of these economies, but does so within the context of global developing country/international monetary system interaction.

2. It is well to remember, in this context, that the international adjustment process is asymmetrical. For one thing, countries in surplus are under far less pressure to correct the imbalance in their payments than are deficit countries; the former generally enjoy ample room for accumulating reserves, whereas the latter face rather tight limits on how far they can draw on their accumulated stock of reserve assets or borrow. This asymmetry hurts all deficit countries, but most especially low-income countries. It is these countries, therefore, which bear the brunt of the failure of the international monetary system to provide for effective means to adjust surpluses or finance the corresponding deficits on a long-term basis.

Size and source of the payments deficit of developing countries

3. Over the last few years, developing countries have faced intense and growing pressure on the balance of payments. The energy-importing developing countries suffered a deterioration in their terms of trade of nearly 6 per cent per annum from 1978-1981, due to a weakening of commodity prices resulting from recession in developed countries and a rise in import prices.

4. The purchasing power of exports (calculated on 1978 export volume and 1978 prices) fell by 20 per cent from 1978-1981, which represents a cumulative loss of over \$40 billion over the period (in 1978 prices) - a figure corresponding to the entire capital inflow and to two-thirds of the foreign exchange holdings in 1978. There can thus be little doubt that exogenous factors have been adversely affecting the payments position of most developing countries with great force, and account for the big deterioration in their external accounts.

5. Since external financing has not sufficed to offset the pressure, import growth in energy-importing developing countries has dropped to very low levels - 1.3 per cent in 1980 and 2.0 per cent in 1981: for many countries there has been a cut in the absolute level of imports. Rates of growth of gross domestic product have also taken a sharp cut, from 4.1 per cent in 1980 to 1.4 per cent in 1981 and an estimated 0.5 per cent in 1982, and in many countries there has been a contraction of production per capita. Because these rates are in constant prices, they overstate growth of national purchasing power (including command over imports) during periods of worsening terms of trade. Given the terms of trade decline, the 1981 growth of real purchasing power of these economies was approximately 0. In other words, not only has there been a loss of real income due to external factors, but a major erosion in the capacity of many countries to increase output pay to offset the loss.

Low income and structurally disadvantaged countries

6. Developing countries diverge substantially in respect to their vulnerability to external shocks, their capacity for domestic management of exogenously generated instability and their effective access to the international monetary system for interim and long-term resources to meet crisis needs, including structural adjustment and enhancement of production to regain balance. Those countries with particularly low incomes - per capita and absolute - suffer from a series of interlocking structural handicaps to a greater degree than other developing countries. In times of extreme global monetary and financial stringency and uncertainty combined with sustained recession in the industrial countries, the number of developing countries suffering from extreme structural handicaps broadens. Characteristics leading to high levels of vulnerability, limited capacity for domestic response and inadequate access to international resource flows include:

(a) Low per capita income. The poorer the country the less the margin for cuts without massive damage to essential consumption, basic services, new investment to restore balance, and replacement investment to maintain existing capital stock and productive capacity. Cuts in the income of the absolutely poor threaten nutrition, health, shelter, clothing and life expectancy directly. Reduction in public services falls heavily on primary and adult education, pure water supply, agricultural extension, and preventive and basic curative medicine. Falls in public revenue and in surpluses of production enterprises prevent adequate maintenance of existing assets let alone new investment to alter production patterns in accordance with higher export generation and import saving requirements;

(b) Low national income. Low overall national income is usually associated with a larger share of imports and exports in monetised GNP. It is also associated with a limited range of exports and limited ability to alter the composition of exports in response to international price fluctuations paralleled by heavy import dependence for essential products often including fuel, food and capital goods. Therefore, low national income countries are more susceptible to international demand fluctuations and less able to respond by altering export and overall production patterns than are larger economies.

(c) The elasticity of imports and exports. Inasmuch as the pattern of home demand in low-income countries differs from that for internationally traded goods, lowering the domestic absorption of goods and services will not serve to expand the volume of exports to an equal degree; inflexible marketing and distribution arrangements, and other such factors (including transport costs) impeding access to foreign markets will also limit the elasticity of demand and supply of exports. Similarly, where the import bill is largely made up of essential items (such as, for example, basic foods, fuel, raw materials and machinery) and where capacities used in the production of non-essentials for the home market cannot be redeployed to substitute for imports, a compression of import levels, before new investment has taken place and yielded its results, will require a reduction in the level of output itself instead of merely lowering the import content of the output. The lower the elasticities of substitution in consumption and production, the costlier it is to correct a payments deficit in the short term (that is to say, without a prior increase in productive capacity). While low elasticities of substitution are by no means unique to low income countries, their impact is usually more severe for

such economies because of the greater divergence between export and home demand patterns in these countries and the lower share of the more flexible manufacturing sector in production and in exports.

(d) Limited access to international capital markets. Countries with low per capita and low total GNP tend to have limited access to international commercial bank credit especially under those conditions of external imbalance crises and global uncertainty when they most urgently need such resources. In practice the access of the least developed countries to such credit has usually been negligible and at present a far broader range of low and middle income developing countries have no substantial access to commercial bank credits.

(e) Relative systemic unimportance. Where a major developing country faces serious external difficulties, such as a debt crisis, the international community attaches high priority to devising a solution and accepts a not insignificant degree of bargaining leverage from the borrower because of the mutuality of the interests involved. In the case of low income and structurally disadvantaged countries, perception of mutuality of concern in survival is much weaker, and there is much less interest in locating financial resources, or in negotiating (in contrast to imposing) a package of external and domestic adjustment measures.

7. There are a number of other points to be made in connection with the above characteristics.

(a) A country's ability to cope with deteriorations in its current account balance is also related to its position on long-term capital account. In addition, the larger is the flow of aid relative to the exports of a

country, the smaller will be the proportion by which its imports would need to be cut in order to compensate for a reduction in export receipts by any given amount. Moreover, the more a country's savings are supplemented by ODA, the higher will be the level of investment and hence the scope for adjusting the pattern of production.

(b) Also of importance, from the standpoint of payments adjustments, is the degree to which external assistance is fungible. To the extent that the aid flow is tied to specific projects, it cannot be used to pay for imports of essential production inputs such as fuel and raw materials; nor can it be redeployed to accord with a new set of priorities to which a more constrictive payments situation may have given rise. Rigidity in the use of aid compounds other structural rigidities and reduces the ability to alter overall external resource use patterns promptly in response to exogenous changes.

(c) It has already been pointed out that countries most prone to incur deficits as a result of exogenous events are the main victims of the asymmetry in the positions of deficit and surplus countries. By the same token, it is those deficit-prone countries that are least able to cover their deficits with reserves and borrowing on whom the asymmetry bears down most heavily. The least developed countries clearly fall within this group as do all characterised by low per capita and national incomes. During periods of global economic recession and monetary stringency, the number of countries seriously affected broadens.

8. Developing economies as a whole are particularly vulnerable to changes in the international economic environment and particularly limited in their access to the international monetary system when the comparison is with high

income industrial economies. However, the degree of vulnerability and of access (or lack thereof) is not uniform within the developing country group. Low income countries - both in per capita and overall GNP terms - tend to be more severely affected on both counts especially during crisis periods like that beginning in 1979. Therefore, within the overall developing country objective of international monetary system reform, special attention should be given to those measures which are particularly important to ensuring survival of low income economy production and consumption capacity as well as ability to achieve structural change during the present crisis.

9. In large part, low-income countries can and do protect themselves from payments deficits by accumulating foreign exchange reserves when the payments situation is relatively favourable, and drawing upon them to finance deficits in bad years. However, this does not remove the burden arising from their handicaps, since reserve accumulation has an opportunity cost - a high one for countries whose growth is, at the best of times, constricted by import capacity. Nor is it always feasible: exposed and vulnerable countries are not in a position to predict with accuracy either the trend or the fluctuations in export earnings and import prices. In any case the volume of reserve levels needed to offset 50 per cent falls in the terms of trade and in earned import capacity (amounting to 10 to 15 per cent of pre-crisis national purchasing power) over 1978-81 is one implausible for any country to achieve, let alone a poor one. Yet those are the types of decline in import capacity which have confronted many low income economies. It is to be expected, therefore, that reserves will prove inadequate from time to time. It would, for example, be difficult to fault a country for not anticipating strong

pressure on the external balance if that were the consequence of an exceptionally long and severe recession elsewhere, or the result of prices of essential imports moving upwards and staying up (or moving up further) owing to unpredictable events (such as war or revolution). Indeed if such developments occurred simultaneously, reserve depletion might be unavoidable; nor would it be surprising to find many countries which would, in normal conditions, be able to tide themselves over with commercial borrowing, now unable to attract bank credits. In other words, low-income developing countries have, because of the impact of external economic forces and the uncertainties surrounding them, a relatively high need for reserves and, because of their development needs, a relatively low capacity to accumulate them in sufficient quantities.

10. Low-income countries lacking the commercial borrowing option are thus especially dependent on official payments support. The volume, terms and duration of access to IMF resources are issues of key importance to them. The policies and practices of the IMF are no less significant. For that reason, it is to be expected that if IMF conditionality is stringent, the impact will not be equal even if the conditions are equally stringent for all countries drawing upon the IMF. It is the countries most dependent upon it that will in consequence be most constricted.

11. Any improvement in the current account through adjustment of the volume of exports and imports involves a sacrifice (unless underutilized resources can be mobilized for that purpose). Adjustment of the current account can, however, entail additional costs if compressed into an unduly short period of time. These can take the form of lowered levels of capacity utilization, or of disruption to development programmes.

12. The extent of the transitional costs incurred will depend critically on two factors: first, the size of the turnaround sought in the current account over any given period of time, and second, the degree to which patterns of consumption and production are flexible. Where internal resource mobility is low, swift adjustment in the external sector will result in an internal imbalance, with possibly severe consequences for the long term development of the economy.

13. Where the external imbalance is the result of a recent over-expansion of spending, it is to be expected that the current account will respond much more swiftly to disinflationary measures, and that the reduction of effective demand will have a smaller and more transitory effect on capacity utilization than where changes in the structure of production are called for. Similarly, where the external imbalance results from falls from previously achieved export volume levels (especially of manufactured goods) related to recent over-valuation of exchange rate, a currency devaluation can be expected to bring a speedier correction in the current account than where import replacement or export expansion requires the establishment of new lines of production.

14. Where the external imbalance is the result of a deterioration in the terms of trade (or decline in capital inflows), the perceived excess of aggregate demand over aggregate supply corresponding to the external deficit is best viewed as being the consequence of a shift in the supply curve rather than of the demand curve. For example in a number of Sub-Saharan African economies and other low income countries real import volume, real produce prices, real wages and salaries and real government expenditure have all

fallen in recent years in large part because of terms of trade deterioration of up to 50 per cent. This pattern - even if accompanied by inflation - can hardly be interpreted as external imbalance caused by runaway domestic demand. This distinction is useful not only as a diagnostic device but also for the prescription of policies, since it points to the need to increase the capital stock and to change its composition. Adjustment in the foreign balance is more difficult and complicated when the imbalance is in the pattern of supply, in particular between the foreign trade sector and the non-tradeables sectors, and within the foreign trade sector, rather than in the over-all relation of expenditure to output .

15. To the extent that capacities are not readily switchable from production for the home market, correcting a foreign deficit requires changes in the patterns of production involving expansion of capacities, i.e., new investment, in export and import-substituting goods. A compression of demand for non-tradeables is likely to increase the supply of tradeable commodities only to a moderate degree, depending on the pattern of consumption and the extent to which the two sectors compete for production inputs such as building materials and skilled labour. Forcing the pace of adjustment between the two sectors is likely to result in substantial costs being incurred: it will render idle those resources employed in the non-tradeables sector for which the tradeables sector has and will have no productive use, as well as those which the tradeables sector will not be able to absorb usefully until additional capital stock has been installed. In the short run, therefore, an attempt to correct a supply imbalance by cutting aggregate demand and/or by switching consumption away from imports and exportables is likely to lower

output in non-tradeables sectors without triggering a commensurate increase in the output of the foreign trade sector, thereby generating an unnecessary loss of real income.

16. The correct line of attack would be to expand productive capacity in the foreign trade sectors, while compressing demand for non-tradeables by no more than is critical from the standpoint of increasing exports. The amount of reduction in aggregate demand required to achieve a given reduction in external imbalance is often very high - especially if existing domestic market orientated production cannot, in practice, be switched to exports. Indeed such demand cuts, if concentrated on farmer incomes (directly or by cutting production of basic consumer manufactures), on government spending for maintenance of infrastructure and for basic health and education services and on low income urban groups (e.g. via instant abolition of food subsidies and minimum wage freezes), are likely to erode even export oriented production. They would tend to create a pseudo-equilibrium sustainable only at steadily falling real output, deteriorating capital stock and increasing levels of socio-political tension. To avert this pattern of disintegration requires more initial period maintenance (or augmentation) of import capacity to sustain or rehabilitate maintenance and capacity utilisation as well as to enhance export capacity directly. This, in turn, implies moderating the pace at which the external balance is corrected: investments will need to be phased over a period of years, and each will take time to yield results. Thus, the appropriate blend of adjustment and financing is likely initially to involve slower adjustment and greater financing when the imbalance is the result of deterioration in the terms of trade, than when it results from an over-expansion of demand.

17. The speed of adjustment via supply enlargement will depend to an important degree on the rate and sectoral composition of new investment. Incentives of various kinds can help reallocate resources to the activities warranting expansion. But much less can be expected from price signals where the volume of new investment is low than where it is high; and demand reduction, inasmuch as it reduces savings, is likely to make the task of increasing investment more rather than less difficult. Successful adjustment to a deterioration in the terms of trade will therefore require not only the avoidance of unduly restrictive (or expansionary) policies regarding demand, but also a rise in the level of new investment.

18. When the capacity to save and the availability of foreign exchange have been impaired by a worsening of the terms of trade, it will be particularly difficult to increase investment solely through domestic efforts. Indeed, in such circumstances, a rise in the propensity to save might well result in cuts in output and employment, rather than a diversion of income from consumption to investment. An adjustment process that took this route could be expected to result in not only unnecessarily high losses in current income, but also losses in terms of future income due to failure to bring about the structural changes necessary to sustain growth and development. What is needed is an increase in the flow of external financing, in conjunction with an increase in domestic savings, to enable the necessary expansion of productive capacity to take place, and do so without disrupting the economy as a whole. Payments financing thus needs to be underpinned by external assistance on appropriate terms and conditions.

19. Maintenance and utilisation of existing productive capacity are critical in low income countries for several reasons. First is the extreme damage done by reduction in already inadequate levels of personal consumption and basic

public service availability. Second is the negative effect on structural adjustment of deterioration of the infrastructure resulting from extended payments crises. Third is the negative impact of the existence of underutilized productive capacity on domestic savings, investment incentives and overall economic policy formulation. Fourth, the falls in production - particularly in manufacturing - and imports frequently cause a radical erosion of the tax base thus causing or exacerbating recurrent budget deficits despite real expenditure cuts. Fifth, by reducing supplies of inputs (e.g. fertilizers, implements) and supporting services (e.g. transport) the cuts in production erode both export and domestic food production and increase losses prior to export or consumption - worsening both the external balance and food supply position. Sixth, by curtailing availability of domestically produced basic consumer goods - especially in rural areas - such cuts in production reduce incentives for producing agricultural products for sale, thus reducing, not increasing, supply of exportables and import substitutes. In extreme cases - of which at least a score now exist, mostly but not wholly in Sub-Saharan Africa - maintenance and capacity utilisation support is more critical than most new investment projects because the latter only add to future underutilised capacity while the former can enhance present and short term future supply of exportables and import substitutes as well as averting increases in absolute poverty, malnutrition and government deficits.

20. The preceding discussion also carries implications regarding the use of the exchange rate as an instrument of adjustment. Devaluation may be necessary to correct a divergence between domestic and foreign rates of inflation, and in order to guide new investment into the right sectors. But

devaluation should not be expected to generate a quick turn-around in the current balance by itself (or even in combination with demand restriction), if export expansion and import substitution are contingent upon new investment. In certain situations, controls and other selective measures may be more suitable.

21. To conclude, successful adjustment to worsened terms of trade requires an expansion of investment rather than a contraction of demand; otherwise the underlying disequilibrium will be suppressed rather than corrected, resulting in damage to the development process without removing the prospect of renewed payments pressures in the future. Adjustment through growth implies a need for time to make the adjustment - and hence, bridging finance - as well as additional capacities - and, hence, long term resources from abroad. Both need to be assured for a number of years ahead to allow forward planning.

22. Since the process of payments adjustment to a worsened external environment involves issues related to the pace and pattern of development, it is inappropriate to draw a tight distinction between payment support on the one hand, and development assistance on the other. The amount of payments support required, the period of time over which it will be necessary, and the policy measures called for will depend on the structure of the economy in relation to the size and origin of the payments deficit. Equally, the extent, form and timing of the investment resources needed will depend on the size and type of balance of payments adjustment appropriate to the situation.

The international response

23. The increased payments pressures on developing countries have been eased to some extent by the international community. However, so far the response has proved to be inadequate. Indeed, on the whole, it has been less positive

than in the 1974-1975 period when, as now, external factors pushed the external accounts of many developing countries into a large imbalance.

24. The IMF has adopted a number of policy changes in the past several years that in principle enable it to provide a more significant share of the balance of payments financing required by developing countries than in the past.

25. The Seventh General Review of Quotas was implemented at the end of 1980, which raised quotas by an average of 50 per cent and thereby increased borrowing ability; and preparatory work on the Eighth General Review was initiated in 1980. Moreover, in August 1979, the quota limit for borrowing from the Compensatory Financing Facility (CFF) was raised from 75 to 100 per cent, and the annual borrowing limit of 50 per cent of quotas was dropped. In 1981 the facility was extended to cover the cost of excesses in cereals imports above trend averages and the maximum drawings outstanding on combined export shortfalls and cereals excesses raised to 125 per cent of quota. The most notable steps taken by the Fund, however, have been to raise the limit to drawings under quota to 150 per cent a year, with a maximum limit of 450 per cent over a three-year period, and a maximum limit or cumulative access to Fund resources, net of repurchases or repayments, of 600 per cent of quota.

26. The Fund has also adopted a new set of guidelines on conditionality whereby, among other things, stand-by arrangements may be concluded for a period of up to three years in order to alleviate the effect of corrective measures on real incomes and to contribute to a distribution of the burden of adjustment within the economy that is socially and politically more acceptable. The guidelines also state that in assisting countries in the design of adjustment policies, the Fund will pay due regard to the concern of

countries about the compatibility of stabilization policies with their economic priorities and their domestic, social and political objectives.

27. However, the stated modifications in Fund policies, and especially in actual Fund practices, have not reflected adequately the extent and gravity of the payments pressures upon developing countries, particularly the low income and structurally disadvantaged countries.

28. The enlargement of quotas has been very modest; indeed it was not enough to improve, other than to a very small degree, the ratio of quotas to trade, which is low by historical standards. The substantial increase in the multiple of quotas that can be drawn cannot be regarded as a satisfactory alternative to quota increases inasmuch as it involves a lowering of the proportion of borrowing limits carrying first credit tranche conditions; if quotas had been increased by sixfold in place of the rise in the multiple to 600 per cent of quota - which would have been the normal way of proceeding - first-credit tranche conditionality would have applied to the equivalent of 150 per cent of current quotas instead of 25 per cent. The increase in the proportion of quotas that can be drawn under the CFF must also be set against the modest rise in quotas. Moreover, drawings to cover cereal-related deficits are only marginally additional to other CFF drawings - the ceiling on CFF drawings has been raised from 100 per cent to 125 per cent of quota - nor are import price rises other than for cereals taken into account. The ratio of deficit developing countries IMF quotas to exports stood at 16 per cent over 1966-68 and declined to 6 per cent over 1979-81 while that to current account deficits declined from 64 per cent to 12 per cent over the same period. Thus the increase in CFF limits in proportion to quotas (from 50 per cent in 1966 to 125 per cent in 1981) has not even maintained real value in

respect to exports while in respect to current account deficits it has been halved. Further in 1979 the IMF altered the calculation of shortfalls from an arithmetic to a geometric average centered on the year in respect to which the CFF drawing is sought. As the IMF itself stated the result of this alteration was to reduce the amount of shortfall as calculated for CFF purposes. Thus, not only has there been no addition to low-conditionality resources comparable to oil facilities established in 1974 to meet the externally generated deficits arising from the first jump in oil prices; there has been a shift towards more conditional borrowing for drawing under quota. In particular, CFF drawings have sometimes been handled together with higher credit tranche and EFF drawings and thus subjected to their high conditionality.

29. Moreover, the Fund has not accepted the principle that externally generated deficits need to be remedied differently from those resulting from excessive expenditure. On the whole, the Fund continues to seek to remedy deficits through demand reduction, and to the extent that supply is addressed, the focus is on the freeing of market forces rather than on increasing investment, still less on achieving higher utilisation or enhanced maintenance of existing productive capacity. Although it has for some years allowed, under the EFF, drawings with repayment periods of longer than the normal 3 to 5 years, it continues to use performance criteria whose rationale stems from a short term and monetarist diagnosis of payments deficits rather than one based on structural characteristics. This approach does not provide a time frame adequate to achieve alterations in production structures based on selective increases in capacity to produce tradeables. Standby arrangements have continued to involve the setting of precise time-bound targets for the money

supply and bank credit - an approach which has proved to be full of pitfalls, in both developing and developed countries - and this has been in large part responsible for the frequency with which stand-by arrangements have broken down, particularly since 1979.

30. These shortcomings are felt most by the low income, structurally disadvantaged countries since, as we have already pointed out, for them the Fund is the lender of first as well as last resort. The stringency of Fund conditionality in the past led many developing countries to avoid recourse to the Fund, especially since their borrowing limits were not large. However, payments pressures have now reached the point at which recourse to the Fund cannot be easily avoided: credit tranche and EFF drawing rose from \$0.12 billion in 1980 to \$5.78 billion in 1981. Drastic curtailments in development programmes increasingly have been rendered unavoidable. In part, this is due to the very high incidence of breakdowns and suspensions in agreements entered into since 1979 as the Fund shifted towards tighter terms.

31. For the low-income countries, the paucity of action with regard to the terms of IMF lending is also a matter of concern. The Subsidy Account has received relatively modest contributions from members, and the Trust Fund monies - which constitute the principal resources for the Subsidy Account - involve no additionality: nevertheless, the users are subject to higher conditionality. Moreover, no subsidy account has been established for the Enlarged Access Facility, although the considerations justifying a subsidy in the case of the Supplementary Financing Facility are fully applicable to its successor.

32. In May 1982, the Ministers of the Group of Twenty-four "expressed serious concern at the hardening of the Fund conditionality and the growing number of inoperative programs". Almost all of the latter were occurring in low-income

countries experiencing difficulty in meeting Fund performance requirements under conditions of deepening international recession affecting their export earnings. The Ministers "regretted the emphasis on demand management policies and the limited role assigned to policies to enhance supply and to address structural imbalances, which give Fund programs an essentially deflationary character that is not appropriate to the structural nature of the problems faced by most developing countries or to the conditions of the world economy". They called for a greater role for the Fund in the recycling and adjustment process "through appropriate conditionality".

33. Low-income developing countries have received little relief from SDR allocations. This may be gauged by the fact that total allocations were some \$4 billion per annum for the third basic period (1 January 1978 - 31 December 1981) of which energy-importing developing countries received less than \$750 million.

34. Long-term assistance flows have risen, but by much less than the financing requirements of developing countries. Some bilateral donors have raised their transfers significantly; however, some major developed countries have opted to reduce their aid appropriations. Assistance from OPEC member countries has continued to increase, and the proportion of GNP accounted for by aid continues to stand several times higher for OPEC donor countries than for the developed market economies. However, since 1978, this growth has not been sustained. This is hardly surprising given the unsatisfactory balance of payments position confronting all but a handful of oil-exporting developing countries as of 1982.

35. The response of the multilateral institutions has been positive, but, again, modest in its proportions. The IBRD's capital base has been increased by a moderate degree. IDA, on the other hand, is making cut-backs owing to

reductions in contributions below the levels agreed for the Sixth Replenishment. IDA commitments in fiscal year 1982 were \$2.7 billion, substantially below the levels of the last few years, (\$2.3 billion in 1978, \$3.0 billion in 1979, \$3.8 billion in 1980 and \$3.5 billion in 1981), especially in real terms. IDA lending because of its low cost is particularly critical to low income countries, especially at a time when even semi-concessional rates (e.g. export credit, World Bank) are at or above 10 per cent, so that these reductions have a disproportionately severe impact on their ability to procure foreign resources at a bearable cost.

36. The Bank has adopted a policy of providing "structural adjustment loans" - programme assistance in order to facilitate fundamental adjustments designed to correct an underlying payments deficit. Here again, however, there is no additionality of resources. This new approach can, nevertheless, benefit countries with structural payments deficits, since these loans are fungible, though conditional. It is too early to judge the Bank's new lending policy, but the evidence would suggest the need for a more coherent, uniform and stable Bank perspective on what the scope of adjustment should be. In particular inadequate attention appears to be being given to the need to sustain basic consumption and service levels and to realistic estimates of the time lags between approval of programmes, disbursement of funds and achievement of actual increases in investment and output. Further, the imposition of macro and sectoral policy conditionality additional to that of the IMF whatever its logical rationale seems likely to constrain resource allocation in low income countries to the point of creating a serious new set of semi-structural rigidities and resource utilisation inefficiencies.

37. While the regional development banks have not been active in adjustment finance, bilateral donors (such as the European Community) have extended payments support (and food aid) in significant amounts. Such aid has however not always been adequately co-ordinated with national adjustment strategies, perhaps because long-term payments support has been generally regarded as a special ad hoc measure, rather than as a more general element in low income country programmes, at least for the duration of the present economic crisis.

38. Despite the many developments that have taken place, therefore, concessional and other official aid flows have been sluggish and overwhelmingly project-oriented, at a time when low-income countries are encountering great difficulty in maintaining import levels, and when the over-riding objective for many recipients is to maintain capacity utilization.

Recommendations

39. The Group agreed on a series of recommendations designed to assist low income countries in coping with their present economic crises - internal as well as external - and with achieving structural reduction of these imbalances through special measures oriented to increased investment in, and production of, exports and import substitutes. While these measures are equally applicable to the developing countries in general, they are, in the present context, perceived as of special relevance to the low income, structurally disadvantaged countries for four interconnected reasons:

(a) These groups of countries suffer from structural rigidities that severely constrain their ability to mobilise internal resources as a means of propelling their economies from the present poverty trap level;

(b) These economies are particularly dependent on access to public sector resource transfers because of their lack of effective access to commercial bank borrowing;

(c) The need for external resources - relative to required adjustment and to GDP - is greater for low income countries because of the relative openness of their economies and their lack of margins of domestic resources above normal minimum operating requirements; and

(d) Certain programmes e.g. compensatory finance and other special facilities - are relatively most important to those economies with high ratios of trade to GNP and volatilities of terms of trade.

40. These recommendations are intended as sui generis treatment for the structurally disadvantaged low income countries in their relations with the international monetary system. Their external imbalance crises and structural

constraints must be alleviated now through the international financial system. To that end, the measures proposed are ones which could be adopted within the existing system without awaiting long term structural reforms. They do not constitute an alternative to such reforms but, rather, interim action needed urgently to avert a series of national economic collapses pending world economic recovery and the negotiation of longer term structural reforms.

A. Recommendations relating to IMF

In relation to the IMF the Group agreed on the need for action on a number of issues with specific reference to additionality of resources, conditionality and the general operational philosophy of the Fund. These are intended to enable the LICs to participate more meaningfully in the International Monetary System. Accordingly, the Group agreed to the following recommendations:

1. The Eighth General Review of Quota should at least double IMF quotas. In view of the pressures which have arisen since the Seventh General Review of Quota, it is urgent to accelerate the time period for the Eighth Review. In setting quota levels special consideration should be given to lack of effective access to commercial credit sources as a factor justifying larger relative quota increases for low income countries.

2. The compensatory financing facility (CFF) should be untied from quota limitations and related to shortfall of export earnings calculated in terms of import purchasing power, i.e., it should compensate for loss of earned import

capacity. Shortfalls should be calculated on an arithmetic, not a geometric, average thus reverting to the pre-1979 basis. ^{1/} Repurchase schedules should be linked with recovery of export earnings in terms of real import capacity. Provision already exists for accelerated repurchases in cases of rapid export recovery - a comparable set of provisions should be made for deferred repurchases (perhaps over years 5 to 10 following the year of drawing) in cases of continued real export shortfalls. The CFF should remain a low conditionality facility in respect to all drawings and not be repackaged with upper credit tranche, EFF and other high conditionality drawings and thereby subjected to their conditions.

3. The Extended Fund Facility (EFF) should be made more need related in terms of eligibility, preferably by untying it from country quotas, but alternatively by more frequent use of waiver powers in respect to quota limits. The conditions accompanying drawings should place greater weight on achieving higher real output and maintenance both of real household incomes and of basic public service provision levels, and less on particular domestic policy measures chosen for use in regaining international balance. Because "trigger clause" targets are calculated on specific assumptions as to world economic variables (e.g. interest rates, export and import prices) and of domestic events not totally within state control (e.g. crop output, inflation rates), the targets should be subject to automatic adjustment on agreed formula bases if the actual levels of these variables diverge widely from those assumed at the time of programme agreement.

^{1/} The IMF justification for use of a geometric mean, that over 1957-78 global trade had grown on a geometric trend, was not, in fact, the experience of most low-income countries even then and does not correspond either to their or to global trade's evolution over 1978-1982.

4. A special window should be set up as an emergency facility with, say, \$2 billion a year for five years to provide additional resources to the low income countries facing severe adjustment problems and with inadequate access to financial markets. Drawings under this facility should be concessional, not quota-linked and should be eligible for interest rate subsidy from Subsidy Account resources. Drawings should carry relatively long repayment schedules with provision for deferral of repurchases at least 5 to 10 years following drawing in cases of continued real import capacity shortfalls below pre-crisis levels.

5. The subsidy account should be topped up to cover additional subsidy requirements under additional drawings resulting from proposals 1 and 3. Eligibility for such subsidies should be extended to include all structurally disadvantaged developing countries.

6. A substantial new issue of SDRs should be made over 1983-1985. SDRs should be linked to development finance. Allocations should be delinked from quotas and related to structural trade account deficits.

7. In formulating conditionality the IMF should define conditionality in a way more favourable to the needs of LICs. Differentiated treatment which recognises the differential burden of conditionality, rather than a uniform approach should be adopted as a more equitable way of dealing with LICs problems. In its operating philosophy, the IMF should take cognisance of the basic structural differences between the industrial countries and developing countries and in particular the LICs. It should recognize the dominance of exogenous factors in the present crisis confronting LICs. It should put the stress on supply extension through new investments rather than on demand

contraction, and adopt a more flexible approach regarding particular adjustment measures chosen by drawing states. In this respect, it should recognize that forcing adjustment in the external account before adjustments in the productive capacity have taken place, entails severe costs in terms of output and employment. The IMF should, therefore, support programmes that involve import reductions and export expansion through the growth of supply.

B. Recommendations relating to the World Bank Group

8. The capacity of the World Bank Group to mobilize resources for lending to developing countries is of particular importance to the low-income countries. The regular lending programme of the World Bank envisages total lending of \$60 billion over the 5-year period ending in fiscal year 1986, a figure that implies no expansion in real terms over the period. These plans should be revised so as to allow for an expansion of regular bank lending of 5 per cent per annum in real terms over the next several years.

9. The modalities of Bank lending should be modified considerably so as to adapt them to the present needs of developing countries. The proportion of structural adjustment loans in total lending should be increased to at least 30 per cent and the conditionality attached to the structural adjustment loans modified. Particular attention needs to be given to achieving a positive growth rate of real GDP while improving the structural balance between exports and imports. Such lending should widen key structural bottlenecks while attaining high levels of capacity utilization. It should also maintain and expand basic services without entailing worsened income distribution and without increasing the numbers suffering from absolute poverty.

10. As regards regular project lending by the World Bank, attention should be given to projects likely to have a direct impact on the balance of payments. In the light of the financial difficulties currently being faced by

low-income and other developing countries, there is need to increase the proportion of total project costs financed by the World Bank; in particular there should be greater World Bank financing of local costs.

11. Because the IDA is the single largest multilateral source of concessional funds for structural adjustment available to structurally disadvantaged developing countries, it is crucial that this source of financing should be expanded in the years to come. The special arrangements for fiscal year 1984 need to be finalized in a way that maximizes IDA flows in that year. Negotiations on IDA-VII need to result in a substantial real increase in IDA resources.

C. Recommendation relating to Regional Development Banks

12. Regional Development Banks should increase both the shares of soft window and programme lending in their total disbursements and the real levels of such lending.

D. Recommendations relating to ECDC

13. Developing countries' central banks should explore the possibilities for increasing use of deposits with one another as a means to bolstering the ability of these countries, and particularly structurally disadvantaged developing countries, to withstand crisis-related shocks .

14. Developing countries in a position to do so should create or expand regional soft loan funds open to use by structurally disadvantaged developing countries possibly along the lines of the Nigerian fund administered by the African Development Bank and/or of Trinidad and Tobago in respect to CARICOM.

15. Surplus oil exporting developing countries should broaden the availability of loan back arrangements of a portion of the price of petroleum and products exports to structurally disadvantaged developing countries

possibly along the lines of the programmes now carried out by Mexico, Venezuela, Trinidad and Tobago and Nigeria.

16. National and multinational development institutions financed by oil-exporting developing countries should alter the balance of use of the resources available to them toward a greater proportion of balance of payments support soft loans and grants and toward sectoral soft loans keyed to supporting maintenance and capacity utilisation in key sectors to low income countries with particularly severe external balance problems. Such a reallocation to improve effectiveness of programmes in meeting low income economy crises through maintaining productive capacity and enhancing supply is particularly important now that the external balance position of most oil exporting countries precludes substantial increases in their volume of resource transfers.

E. Recommendations to bilateral sources of finance

17. The aid effort of developed donor countries should be intensified. Bilateral donors should seek to adapt their aid programmes to low-income countries to the present circumstances. Among other things, this would entail increasing substantially the volume of budgetary and balance of payments support at least for the duration of the present economic crisis.

18. The terms of industrial economy guaranteed export credits to structurally disadvantaged developing countries should not be hardened in respect to interest rates and both the maximum grace and repayment periods should be lengthened - say to 3 and 12 years respectively. Industrialized countries should take a more responsible attitude in not promoting such credits where they are an unsuitable source of finance (either because of the

nature of the project, or the medium term external balance prospects of the economy) and by acting to ease terms on outstanding credits of this type which are creating, or may create, debt service crises for developing countries and in particular structurally disadvantaged developing countries.

19. Governments should give urgent consideration to providing external borrowing guarantees to presently structurally disadvantaged developing countries for commercial borrowings, with special reference to those countries which have in the past had access to, and ability to service, such borrowings, but have temporarily been pushed into the structurally disadvantaged category by post 1979 external shocks.

TABLE 1
Balance of Payments: Trade Balance
in Goods and Services: 1965 - 1980

| 1 Year | 3 Merchandise Trade | | 4 | 5 | 6 | 7 |
|-----------|------------------------|-----------------------|-----------------------|------------------------|-------------------------------|--|
| | Exports (T. Sh. m) | Imports (T. Sh. m) | Balance (T. Sh. m) | Balance on Services | Col. 4 as % of Current GDP | (Col. 4 + Col. 5) as % of Current GDP. |
| 1965 | 1,475.9 | 1 410.0 | 65.9 | - | 1.07 | - |
| 1966 | 1,889.9 | 1,694.9 | 195.0 | -72.9 | 2.77 | 1.73 |
| 1967 | 1,796.9 | 1,637.6 | 159.0 | - | 2.15 | - |
| 1968 | 1,719.0 | 1,833.7 | -114.7 | - | -1.45 | - |
| 1969 | 1,756.5 | 1,710.1 | 46.4 | 177.3 | .55 | 2.67 |
| 1970 | 1,797.2 | 2,274.2 | -477.0 | 225.9 | -5.21 | -2.74 |
| 1971 | 1,913.1 | 2,725.6 | -812.5 | 208.8 | -8.11 | -6.93 |
| 1972 | 2,312.7 | 2,882.9 | -570.2 | 256.0 | -9.99 | -3.7 |
| 1973 | 2,581.1 | 3,478.9 | -897.7 | 190.1 | -6.85 | -5.4 |
| 1974 | 2,878.1 | 5,377.0 | -2,498.9 | 181.7 | -15.6 | -14.49 |
| 1975 | 2,764.0 | 5,709.4 | -2,945.4 | 480.9 | -15.49 | -12.96 |
| 1976 | 4,108.0 | 5,349.5 | -1,241.5 | 466.4 | -5.3 | -3.3 |
| 1977 | 4,464.2 | 6,161.3 | -1,697.1 | 155.7 | -5.8 | -5.2 |
| 1978 | 3,670.6 | 8,797.7 | -5,127.1 | 210.1 | -15.3 | -14.72 |
| 1979 | 4,484.3 | 9,073.2 | -4,588.9 | 306.0 | -12.2 | -11.37 |
| 1980 * | 4,702.2 | 10,261.9 | -5,559.7 | 156.1 | -15.6 | -15.1 |

Source: Bank of Tanzania, Economic and Operations Reports various issues, National Accounts, various issues; Green et al (1980).

* Revised estimates

TABLE 2

Public Finance/Gross Domestic Product Ratios 1961-1980

(stated as % of GDP)

| | <u>1960/61</u> | <u>1963/64</u> | <u>1966/67</u> | <u>1969/70</u> | <u>1972/73</u> | <u>1975/76</u> | <u>1977/78</u> | <u>1978/79</u> | <u>1979/80</u> |
|-----------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Recurrent Revenue | 13.0 ³ | 14.2 | 15.5 | 20.1 | 22.8 | 20.9 | 21.7 | 21.6 | 22.6 |
| Recurrent Expenditure | 13.6 | 13.7 | 15.5 | 19.5 | 21.1 | 19.8 | 19.8 | 26.0 | 27.5 |
| Capital Expenditure | 2.6 | 2.9 | 4.5 | 7.8 | 7.0 | 12.0 | 11.8 | 15.1 | 15.8 |
| Total Expenditure | <u>16.2</u> | <u>16.6</u> | <u>20.0</u> | <u>27.3</u> | <u>28.1</u> | <u>31.8</u> | <u>31.6</u> | <u>41.1</u> | <u>43.3</u> |

Notes

1. Includes Debt Service in full. Technically debt redemption should not be included.
2. 'On budget' items only.
3. Excludes Colonial Welfare and Development Payments.

Sources

Adapted from "Twenty Year Review" Annex Tables on Gross Domestic Product and Trends in Government Finances; Financial Statement and Revenue Estimates (various years); World Bank, The Economic Development of Tanganyika.

TABLE 3

Makeup of Recurrent Revenue 1961-80

(In Percentages)

| | <u>1960/61</u> | <u>1963/64</u> | <u>1966/67</u> | <u>1969/70</u> | <u>1972/73</u> | <u>1975/76</u> | <u>1977/78</u> | <u>1978/79</u> | <u>1979/80</u> |
|-----------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Major Direct Taxes | 21 | 22.5 | 26.5 | 25.5 | 24.5 | 39 | 35.5 | 30 | 37 |
| Income | (20) | (20) | (23) | (22.5) | (22) | (35) | (27.5) | (23) | (31) |
| Export | (1) | (2.5) | (4) | (3) | (2.5) | (4) | (9) | (7) | (6) |
| Major Indirect Taxes | 44.5 ¹ | 40 | 41 | 46 | 38 | 53 | 51.5 | 53 | 50 |
| Customs and Excise ¹ | (44.5) | (40) | (41) | (33.5) | (24.5) | (17.5) | (21) | (16) | (15) |
| Sales Tax on Domestic Goods | (0) | (0) | (0) | (12.5) | (13.5) | (35.9) | (30.5) | (37) | (35) |
| Parastatal Dividends | 0 | 0 | 1 | 3 | 3 | 2 | 2 | 3 | 3 |
| Other Sources | 34.5 | 37.5 | 31.5 | 25.5 | 37.5 | 6 | 10 | 14 | 10 |
| Total | 0 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| External Trade Taxes ² | 27 | 31.5 | 33 | 25.5 | 18 | 15 | 25 | 23 | 21 |

- Notes:
1. Includes Sales Tax on Imports. Excise amalgamated into Sales Tax 1977/78 - 1978/79.
 2. Import and Export Duties plus Sales Tax on Imports.

Sources: As For Table 2.

TABLE 4

Analysis of Budgetary Financing Requirement 1963/64 - 1979/80

(In %)

| <u>Ratios To GDP</u> | <u>1963/64</u> | <u>1966/67</u> | <u>1969/70</u> | <u>1972/73</u> | <u>1975/76</u> | <u>1977/78</u> | <u>1978/79</u> | <u>1979/80</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Capital Budget | 2.9 | 4.5 | 7.8 | 7.0 | 12.0 | 11.0 | 15.1 | 15.8 |
| Plus Recurrent Budget Deficit or minus Surplus () | (0.5) | (0.0) | (0.6) | (1.7) | (1.1) | (1.9) | 4.4 | 4.9 |
| Budgetary Financing Requirement | 2.4 | 4.5 | 7.2 | 5.3 | 10.9 | 9.9 | 19.5 | 20.8 |
| External Finance ¹ | 1.0 | 1.9 | 1.6 | 3.3 | 5.5 | 4.2 | 8.0 | 10.5 |
| Domestic Finance ² | 1.4 | 2.6 | 5.6 | 2.0 | 5.4 | 5.7 | 11.5 | 10.3 |
| Grants/Transfers/etc. ³ | (1.4) | (2.6) | (0.7) | (0.2) | (0.5) | (0.5) | (0.4) | (0.3) |
| Non-Bank Borrowing | (-) | (-) | (2.2) | (1.8) | (1.8) | (2.5) | (1.4) | (1.4) |
| Bank Borrowing | (-) | (-) | (2.7) | (0.0) | (3.1) | (2.0) | (9.7) | (8.6) |
| <u>Ratios to Financing Requirement</u> | | | | | | | | |
| External Finance | 39 | 43 | 22 | 63 | 50 | 42 | 41 | 51 |
| Bank Borrowing | - | - | 38 | 1 | 28 | 19 | 49 | 41 |
| <u>Ratios to Capital Budget</u> | | | | | | | | |
| External Finance | 33 | 43 | 20 | 47 | 45 | 36 | 54 | 67 |

Notes:

1. Includes grants, loans to government. Some small private agency grants may be misclassified under domestic. Includes counterpart funds from food aid and balance of payments support finance in year paid into Development Revenue account.
2. Excludes domestic counterpart funds from external aid (see Note 1).
3. Early year figures appear to include some borrowing eg from Cotton Authority, East African Currency Board. Later years include resources from special funds in year allocated/paid over to Development Revenue.

Sources: Adopted from "Twenty Year Review" Annex Tables on Public Finance, GDP; Financial Statement and Revenue Estimates (various years)

TABLE 5

ELEMENTS OF THE RECURRENT BUDGET AND SOURCES OF GOVERNMENT DEVELOPMENT FINANCE

1966/67 - 1979/80

(shs. million)

| | 1966/67 | 1973/74 | 1974/75 | 1975/76 | 1976/77 | 1977/78 | 1978/79* | 1979/80* |
|--------------------------------|---------|---------|---------|---------|---------|---------|----------|----------|
| 1. Tax Revenue | 1017.2 | 2937.8 | 3160.6 | 3302.5 | 4672.0 | 5343.0 | 5854.0 | 6154.0 |
| 2. Other Revenues | 6.8 | 185.2 | 781.7 | 616.0 | 607.0 | 748.1 | 830.0 | 1116.0 |
| 3. Total Recurrent Revenue | 1024.0 | 3023.0 | 3942.3 | 3918.5 | 5279.0 | 6091.1 | 6684.0 | 7270.0 |
| 4. Recurrent Expenditure | 979.7 | 2785.0 | 3961.1 | 3715.6 | 5108.0 | 5769.0 | 8907.0 | 9094.0 |
| 5. Surplus | 44.3 | 238.0 | -18.8 | 202.9 | 171.0 | 322.1 | -2223.0 | -1824.0 |
| 6. Development Expenditure | 294.4 | 1442.0 | 2221.2 | 2253.0 | 2731.0 | 3388.0 | 4771.0 | 4800.0 |
| financed by: | | | | | | | | |
| a. Surplus on Recurrent Budget | 44.3 | 238.0 | -18.8 | 209.9 | 171.0 | 322.1 | -2223.0 | -1824.0 |
| b. Non-Bank borrowing | 59.8 | 196.0 | 362.0 | 336.0 | 276.0 | 488.0 | 569.0 | 443.0 |
| c. Borrowing from Banks | 18.9 | 521.0 | 834.0 | 570.0 | -170.5 | 464.0 | 2912.9 | 2802.1 |
| d. Other Sources | 44.4 | 6.0 | 6.0 | 113.1 | 1052.3 | 744.9 | 1085.1 | 778.9 |
| e. External Loans and Grants | 127.0 | 481.0 | 1038.0 | 1031.0 | 1402.0 | 1369.0 | 2427.0 | 2600.0 |

* Provisional

Source: Economic Survey (Various issues) and Budget Documents

TABLE 6

Gross Bank Lending 1966 - 1979*

| | <u>Central Government</u> | | <u>(shs. million)</u> | |
|------|-----------------------------|-----------------------------|-----------------------|-------------------------------------|
| | <u>Bank of Tanzania</u> | <u>Commercial Banks</u> | <u>Total</u> | <u>Non-Government Borrowing</u> |
| 1966 | 72.5 | 93.0 | 170.5 | 806.9 |
| 1968 | 64.9 | 80.1 | 145.0 | 819.8 |
| 1969 | 75.6 | 168.3 | 243.9 | 964.1 |
| 1970 | 291.3 | 164.7 | 456.0 | 1141.3 |
| 1973 | 484.9 | 558.6 | 1043.5 | 1566.9 |
| 1974 | 863.3 | 671.2 | 1534.5 | 2456.4 |
| 1976 | 1477.2 | 1895.1 | 3372.3 | 3513.6 |
| 1977 | 1445.6 | 1878.7 | 3324.3 | 3847.7 |
| 1978 | 2041.3 | 1898.2 | 3939.5 | 5153.1 |
| 1979 | 4515.6 | 2589.3 | 7104.9 | 6418.2 |

* The figures are given in quarterly averages

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