

TRANSITIONS — IN — DEVELOPMENT

*The Role of Aid and
Commercial Flows*

edited by Uma Lele
and Ijaz Nabi



INTERNATIONAL CENTER FOR ECONOMIC GROWTH

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Preface

Over the past four decades, billions of dollars have been transferred from developed to developing countries. Whether these flows of external capital from donors, lenders, and investors have succeeded in stimulating growth, reducing poverty, and creating human and institutional capacity to carry out the development effort is not always clear and is even, in some cases, a matter of controversy.

Editors Uma Lele and Ijaz Nabi of the World Bank assembled a group of scholars from around the world (all of whom had had some hands-on experience in development policy) for a conference in Talloires, France, to consider the role of external capital in development. *Transitions in Development* is the result of that conference. In case studies of countries in Asia, Africa, and Latin America, these experts show both how aid and other capital flows have worked and how they have failed. Along with several papers on broad, aid-related issues, these country studies offer policy lessons on how aid and commercial flows can best be used to achieve development goals.

Generally, external finance is only a small fraction of capital formation in developing countries, and it complements the national savings and investment effort. Nonetheless, it can make an important contribution to the development process in many countries by transferring technology, strengthening institutions, diversifying investments, opening new development opportunities, supporting appropriate policies, and helping stabilize political situations in rough periods. Steady and predictable flows of aid and commercial capital can be catalysts for advances in growth and human development.

This study addresses some of the most crucial questions now faced by development economists and policymakers, and it could not have been accomplished without the help of many individuals and organizations. I would particularly like to acknowledge the generous contributions and cooperation of the World Bank, the United States Information Agency, and the Pew Charitable Trusts. Their assistance was indispensable in making this volume a reality.

Nicolás Ardito-Barletta
General Director
International Center for Economic Growth

February 1991
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Acknowledgments

Behind every successful project there are a few individuals whose support makes a difference. This volume is no exception.

Without the perseverance of A. Lawrence Chickering of the Institute for Contemporary Studies (ICS) and the strong and active support of Gregory Ingram, former director of the World Bank's Development Research Department, the project would not have gotten off the ground. Nicolás Ardito-Barletta, general director of the International Center for Economic Growth, an international affiliate of ICS, not only provided unstinting support for the project but also contributed substantively to the content of this volume. In particular, the importance of project aid in development would not have received the attention it deserves without his persistence. We are grateful to the authors of this volume for their willingness to spend time revising their papers in light of the discussions at the conference in Talloires, France, and to the policymakers from donor and recipient countries who commented on the draft papers at the conference (see list of conference participants).

In addition, we are grateful for the generous support of the World Bank to this project and in particular to Anne Krueger, former vice president of the Economic Research Staff, and Stanley Fischer, Edward V. K. Jaycox, and S. Shahid Hussain, vice presidents of Development Economics, the Africa Regional Office, and the Latin America and the Caribbean Regional Office, respectively, who allowed us to devote our time to the completion of this task after the World Bank's major reorganization in 1986. We also appreciate the support of Hans Wyss, director of the World Bank's Africa Technical Department.

We would like to thank as well Rahul Jain for research assistance and Heidi Fritschel of ICS Press for editorial help.

Finally, although many individuals and organizations offered valuable assistance and advice, responsibility for the views and interpretations expressed in this volume ultimately rests with the authors.

Uma Lele
Ijaz Nabi

List of Abbreviations

ADB	Asian Development Bank
ADBP	Agricultural Development Bank
ADF	Asian Development Fund
AfDB	African Development Bank
AfDF	African Development Fund
ASEAN	Association of Southeast Asian Nations
BIS	Bank for International Settlements <i>also</i> Basic Industries Strategy (Tanzania)
BOP	Balance of payments
CENTO	Central Treaty Organization
CGIAR	Consultative Group on International Agricultural Research
c.i.f.	Cost, insurance, freight
COMECON	Council for Mutual Economic Assistance
CPI	Consumer price index
DAC	Development Assistance Committee (of the OECD)
DFI	Development finance institution
DOM/TOM	Départements d'Outre Mer /Territoires d'Outre Mer
DSR	Debt service ratio
ECLA	Economic Commission for Latin America
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
ERR	Economic rate of return
FAO	Food and Agriculture Organization of the United Nations
f.o.b.	Free on board
GATT	General Agreement on Tariffs and Trade
GDI	Gross domestic investment
GDP	Gross domestic product
GDS	Gross domestic saving
GFI	Gross fixed investment
GNP	Gross national product
IBRD	International Bank for Reconstruction and Development

LIST OF ABBREVIATIONS

ICEG	International Center for Economic Growth
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFCT	Industrial Finance Corporation of Thailand
ILO	International Labor Organization
IMF	International Monetary Fund
ISI	Import-substitution industrialization
LIBOR	London Interbank Offered Rate
LLDC	Least developed country
NATO	North Atlantic Treaty Organization
NEDECO	Netherlands Economic Development Council
NIC	Newly industrializing country
OCR	Ordinary capital resources
ODA	Official development assistance
ODF	Official development finance
OECD	Organization for Economic Cooperation and Development
OECF	Overseas Economic Cooperation Fund
OGL	Open general licensing
OOF	Other official flows
OPEC	Organization of Petroleum Exporting Countries
PSBR	Public sector borrowing requirement
PVO	Private voluntary organization
SAL	Structural adjustment loan
SDR	Special Drawing Right
SEATO	Southeast Asia Treaty Organization
SIDA	Swedish International Development Agency
TRN	Total receipts net
UMIC	Upper-middle-income country
UN	United Nations
UNDP	United Nations Development Program
UNFPA	United Nations Fund for Population Activities
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNITAR	United Nations Institute for Training and Research
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USAID	U.S. Agency for International Development
WFP	World Food Programme

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