المعوقات الإدارية للتجميع الرأسمالي في الدول النامية

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ملخص البحث: يهدف هذا البحث إلى مناقشة المعوقات الإدارية للتكوين الرأسمالي في الدول النامية بصفة عامة وينقسم إلى خمسة أجزاء. يتناول الجزء الأول تحليل العلاقة بين معدل النمو الاقتصادي ومعدل التكوين الرأسمالي. ويناقش الجزء الثاني المعوقات الإدارية لتجميع المدخرات المحلية في الدول النامية، بينما يستعرض الجزء الثالث المعوقات الإدارية للتمويل الخارجي بأنواعه.

ويناقش الجزء الرابع مشكلات الإدارة العامة التي تتعلق بتوجيه المدخرات نحو الاستثمار المنتج في الدول النامية. ويلخص الجزء الخامس أهم نتائج البحث.

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(xiii) The mismanagement of the foreign exchange may cause uncertainty and instability which discourages investment.

(xiv) Restrictions on exportation of products or importation of materials and supply may discourage investment which requires international transactions.

(xv) Many investments may be held back by lack of adequate infrastructure and unclear government policy.

Conclusions

This paper demonstrates that there are many administrative obstacles to capital accumulation in developing countries. Some of these obstacles stand in the way of mobilization of domestic resources, while others do not permit optimal use of foreign finance. Administrative problems also exist with respect to channelling available savings into productive investments.

The administrative obstacles discussed in the paper can be divided into three categories:

(i) Administrative obstacles which arise from political instability, continuous changing of laws and regulations and unclear government policy.

(ii) Administrative obstacles due to inefficient performance of central and local governments, bureaucracy, corruption, red tape *etc.*

(iii) Administrative obstacles due to lack of effective public administrative decisions to encourage the mobilization of domestic and foreign savings and to direct these savings towards productive investment.

The recommendations of this paper are, therefore, obvious. They can be summed up in the injection of political stability; improvement of government efficiency and introdution of rigorous and effective measures to secure a higher rate of capital accumulation.

The type of measures needed to encourage capital accumulation in developing countries should be apparent from the discussion in the text. Naturally some of these measures would suit countries better than others. Also not all measures are applicable to every case.

Individual case studies would be needed to build the most suitable model for each developing country. The findings of this paper could serve as the general framework.

which would enable the situation to be rectified in the foreseeable future.[14] However, there are many persons who are active in the commercial sector. Their sole interest is to secure quick and large profits (*e.g.* speculative gains) without contributing in a positive way to the nation's economic development. The term *"bazaar entrepreneur"* has been coined to describe the apparent lack of entrepreneurs willing to take rationally based long-term risks.[15]

This sad state of affairs is worsened by a number of administrative obstacles. We may mention the following:

(i) Lack of effective economic planning which ensures coordination of investment decisions.

(ii) Lack of motivation to achieve the desired goals in government owned projects.[16]

(iii) A good number of government decisions regarding investment are not based on rational economic considerations using available market information.

(iv) The existing civil service represents an obstacle to investment in some developing countries for it is held back by the supervisory role of traditional public administration and is dominated by authoritarian styles.[17]

(v) Lack of mixed ventures between the government and private sectors.

(vi) Restrictive laws and regulations regarding certain types of investment.

(vii) The criteria applied to government aid to investors may not produce the most desired objectives.

(viii) A great deal of time, effort and money may be spent in obtaining the necessary licence to start an investment.

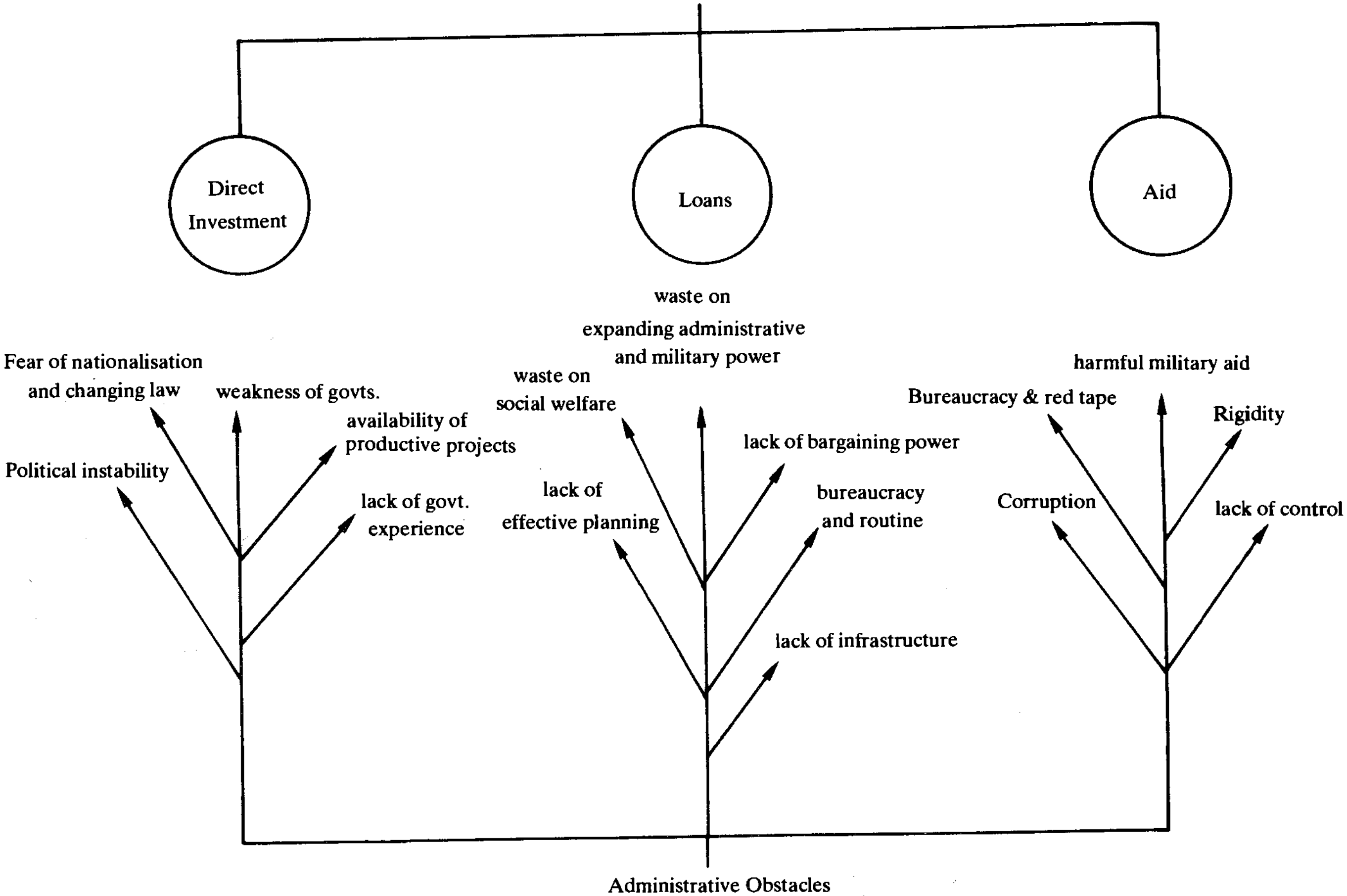
(ix) The restriction to use certain types of local materials or labor or machinery may discourage private investment.

(x) Taxes on imported equipment and material may put an additional burden on the investors and reduce the potential profit margin.

(xi) The fixation of a ceiling to the selling price or profit margin may discourage some types of risky investments. Also a minimum wage policy may not be welcome by an investor who looks for cheap labour.

(xii) The available system of insurance may not offer enough protection to potential investors.

Fig. 2 . Foreign finance of economic development



in the same year. It is clear that Egypt received the largest amount (1764 million dollars) followed by India (1547 million dollars) and Bangladesh (1202 million dollars).

Foreign aid is usually conditioned and not very stable. It is, not, therefore wise to base a development plan on the expected revenue from this source. Nevertheless, developing countries can benefit from foreign aid tremendously. The aid can help alleviating the pressures on the balance of payments, improving the social welfare of the poorer section of the population and contributing towards the finance of some public projects. But here again, there may be a number of administrative obstacles which prevent the optimal utilization of foreign aid. We may mention the following:

(i) Corruption on the part of government employees may result in maldistribution of foreign aid which takes the form of essential goods such as wheat, meat, milk, cloth etc.

(ii) Bureaucracy, red tape and lack of experience may result in piling up of goods in the ports and depots and delays in deliveries.

(iii) A substantial part of foreign aid takes the form of military aid. This does not benefit development. Actually it may slow it down if other sources of finance were used to purchase auxillary military goods.

(iv) Foreign aid which takes the form of technical assistance may not also be optimally utilized due to lack of local expertise and coordination on the part of local governments.

(v) Because foreign aid does not require repayment of the principal or remittance of interest or profits, the government may not exert due control on its use.

(vi) The country may lose valuable opportunities in using foreign aid due to rigidities in decision making which prevent quick adaptation to the conditions imposed on the grant of the aid.

Fig. 2 summarizes the administrative obstacles to the different sources of foreign finance.

Administrative Obstacles to Investment

Mobilization of domestic and foreign savings is only half the story of capital accumulation. The other half is to direct these savings to productive projects. Developing countries generally lack the entrepreneurship necessary for effective investment. They lack the intellectual sociological *"hums"* from which, in the Western world, sprang the qualities of initiative, calculation, responsibility, loyalty, reliability, thrift, ambition all in all the middle-class virtues in general. It is claimed that there is not only a lack of stratification and of the intellectual and moral framework

in the same year. The magnitude of the foreign debt and its burden on the economy can be seen from the data in Table 5. The external public debt exceeded 50 percent of gross national product in 1984 in 44 percent of the countries listed in this table and the debt service swollowed over one-quarter of the exports of goods and services of about one-third of these countries in the same year. The situation becomes more dangerous when we realize that a large proportion of the outstanding debt was not used in development purposes.

Public administration in many developing countries contributed towards this serious situation. We may mention the following points:
(i) Lack of effective planning result in the waste of foreign loans on unproductive projects.

(ii) Political pressures at home result in the spending of large proportions of loans on social welfare.

(iii) Lack of democracy and control over government performance results in the use of a large part of foreign loans in building up the public administration and the military power of the rulers of the developing countries.

(iv) The government may not encourage local investors to participate with their, domestic resources in the effective use of foreign loans to expand the real productive capacity of the economy.

(v) Lack of bargaining power on the part of the borrowing government results in high interest rates and relatively short maturity periods. This puts severe pressures on the balance of payments of the developing countries and results in a deterioration of the value of their local curency against hard currencies. Table 5 shows that the interest rate paid by some developing countries is quite high.

(vi) Due to bureaucracy, routine and lack of productive projects awaiting finance, large sums of the borrowed money are left unused with the financial institutions of the developing countries, at the time when interest is being charged and remitted overseas.

(vii) Lack of infrastructure, modern technology, skills and administrative experience in the developing countries do not permit optimal use of foreign loans.

C) Foreign Aid

The World Bank estimates that over 33 billion dollars were given as development assistance from OECD and OPEC countries to developing countries in 1984. Table 4 gives information on the amounts of aid received by 50 developing countries

Table 5. External public debt and debt service ratios of specific developing countries (1984)

Country	External public debt outstanding and disbursed		Average interest rate	Debt service as % of	
	Million $	% of GNP		GNP	Exports of goods & service
Ethiopia	1384	29.5	4.5	1.8	13.8
Bangladesh	5154	40.0	1.4	1.3	14.2
Mali	960	95.9	1.0	1.7	8.0
Zaire	4084	132.0	3.5	1.4	7.7
Burma	2219	34.9	2.9	2.5	36.9
Togo	659	100.1	4.4	10.1	26.3
Central Af. Rep.	224	37.1	3.4	2.0	8.0
India	22403	12.2	6.7	0.8	10.1
Somalia	1233	90.4	0.2	2.1	28.9
Rwanda	244	15.1	1.0	0.4	3.3
Kenya	2633	45.8	6.6	5.4	21.5
Sierra Leone	342	34.7	1.6	1.6	7.2
Haiti	494	27.3	2.9	1.0	5.6
Ghana	1122	22.9	0.6	1.7	13.2
Sri Lanka	2420	41.2	4.9	3.4	11.2
Sudan	5659	77.2	3.1	10.6	13.6
Pakistan	9953	29.6	5.2	2.8	26.7
Mauritania	1171	171.2	3.7	6.2	10.0
Liberia	757	77.4	6.6	4.3	8.6
Zambia	2779	114.4	7.8	4.7	11.3
Bolivia	3204	98.3	8.1	11.4	38.3
Indonesia	22883	30.2	9.1	6.9	14.7
Philippines	11176	34.7	9.0	3.5	14.1
Morocco	10169	82.9	8.3	9.2	37.6
Egypt	15808	49.6	6.9	7.4	31.9
Nigeria	11815	15.8	10.4	4.2	25.4
Cameroon	1738	23.2	4.9	3.0	8.9
Nicaragua	3835	141.8	1.4	2.2	17.5
Thailand	7468	18.2	8.7	3.0	12.0
Dominican Rep.	2388	50.3	7.1	3.6	18.0
Peru	9825	59.4	10.0	3.7	15.3
Ecuador	6630	73.1	9.2	10.7	33.4
Turkey	15774	31.5	9.6	4.4	22.8
Costa Rica	3380	104.2	7.1	9.9	25.3
Tunisia	3707	46.1	9.5	8.5	24.4
Colombia	7980	21.8	10.4	3.0	20.6
Jordan	2336	62.0	5.9	7.5	14.8
Syria	2453	15.2	8.5	2.0	12.9
Chile	10839	62.9	12.4	7.3	26.2
Brazil	66502	33.6	12.2	4.1	26.6
Portugal	10583	58.5	9.9	14.0	35.6
Malaysia	11846	39.4	9.4	4.9	7.7
Mexico	69007	42.8	11.0	6.9	34.3
Korea Rep.	24642	30.4	9.7	5.6	13.5
Yugoslavia	8690	21.5	8.0	2.3	6.8
Algeria	12052	24.3	10.0	9.2	33.6
Venezuela	17247	38.3	10.0	5.6	13.4
Greece	9456	28.3	10.5	4.0	18.3
Jamaica	2175	104.9	8.1	13.8	21.0
Panama	3091	73.3	2.1	12.3	7.9

Source: **O.E.C.D.:** *Geographical Distribution of Financial Flows to DevelopingCountries*, (New York: O.E.C.D., 1986).

countries considered borrowed over one billion dollars in the year 1984. Also the data in Table 4 show that foreign aid was a major source of finance in the same year.

It should in many developing countries be noted, however, that a substantial part of foreign capital is used for purposes other than economic development. There are also many administrative obstacles that could minimise the benefit of foreign capital for development purposes. We shall discuss some of these obstacles with respect to each type of foreign source of finance.

A) Direct Foreign Investment

This source of finance played an important part in the development of many countries in the past. However, its role is diminishing at a fast rate.[13]

Many administrative factors have contributed towards this. We may mention the following:

(i) Political instability is a severe obstacle to direct foreign investment.

(ii) Fears of nationalisation and changes in the laws and regulations governing the payment and transfer of profits may cause investors to take too much precaution in locating their investments.

(iii) Weakness of central and local governments invites intervention by foreign investors into the internal politics of the developing countries with dangerous consequences.

(iv) Unavailability of productive investment projects attracts direct foreign investment to high-profit commercial projects which are not necessarily the most productive or even needed investments.

(v) Lack of government experience and the difficulty to attract foreign capital to alleviate the pressure on the balances of payments often results in granting generous terms and exemptions to direct foreign investment. Such terms and exemptions may put a real burden on the economy and the net balance may not be favourable to the developing country.

B) Foreign Loans

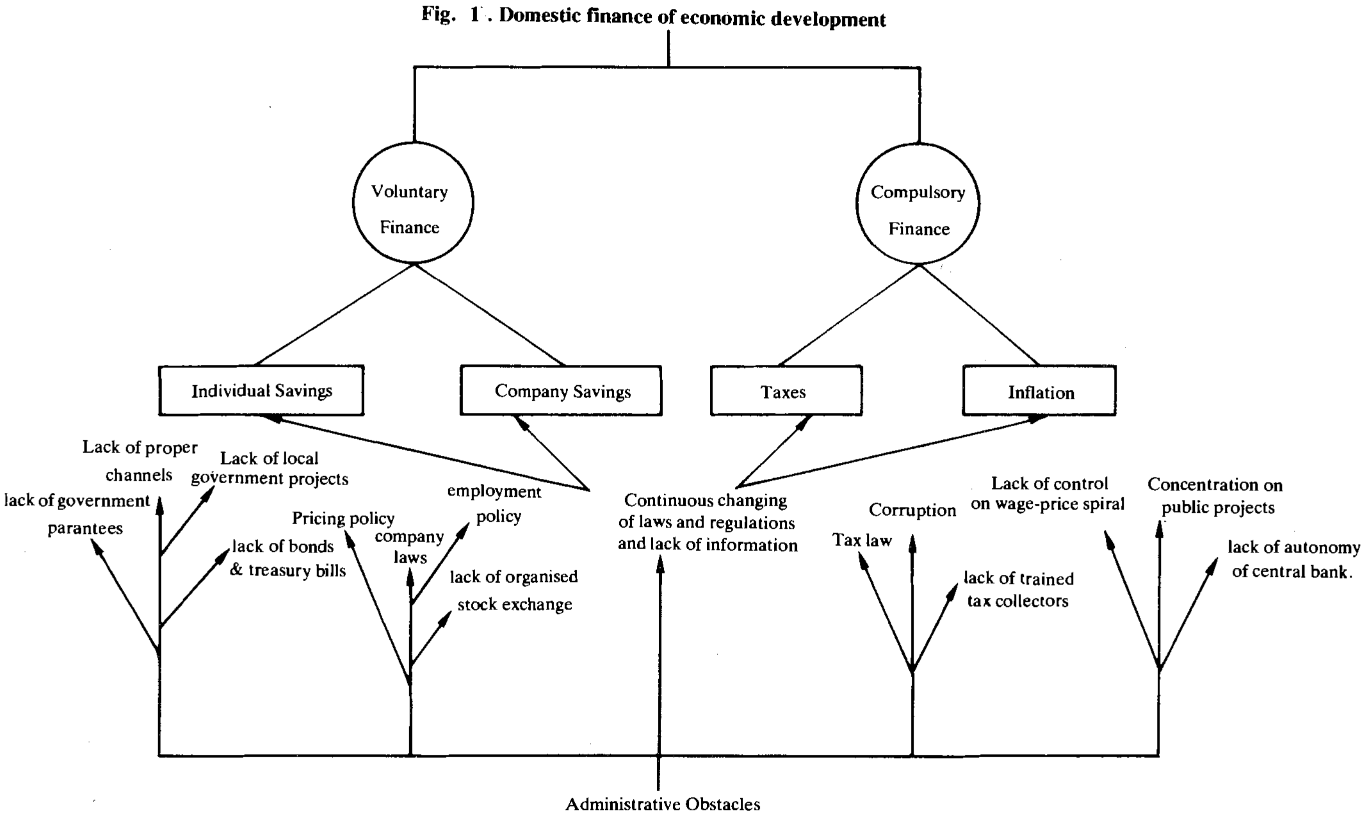
This type of finance is considered the most important source of foreign finance in recent years. The data in Table 4 reveal that the inflow of public and (publicly) guaranteed capital to many developing countries was quite substantial in 1984. Almost one-third of the countries stated in Table 4 borrowed over one billion dollars each in the year 1984 and 22 percent of them borrowed over two billion dollars each

Table 4. Flow of external capital to specific developing countries in 1984

Country	Public and publicly guaranteed capital	Private non-guaranteed capital	Official development assistance	Total
Ethiopia	246	0	363	609
Bangladesh	537	0	1202	1739
Mali	114	0	320	434
Nepal	79	0	198	277
Burma	286	0	275	561
Malawi	111	0	159	270
Uganda	92	0	164	256
C. African Rep.	34	0	114	148
India	2874	25	1547	4446
Madagascar	161	0	156	317
Somalia	106	0	363	469
Sierra Leone	23	0	61	87
Haiti	58	0	135	193
Guinea	79	0	123	202
Sri Lanka	410	6	468	884
Sudan	181	0	616	797
Pakistan	1183	4	698	1881
Chad	7	0	115	122
Mauritania	100	0	168	268
Liberia	95	0	133	228
Indonesia	3846	1080	673	5599
Yemen Arab Rep.	204	0	314	518
Yemen P.D.R.	169	0	85	254
Philippines	1264	70	397	1731
Honduras	10	4	290	304
Papua New Guinea	86	245	322	653
Egypt	2704	55	1764	4523
Nigeria	2124	300	33	2457
Cameroon	182	218	288	588
Nicaragua	346	0	114	480
Thailand	1492	1417	475	3384
Dominican Rep.	278	5	198	481
Peru	1000	130	310	1440
Mauritius	92	4	36	132
Congo	127	0	98	225
Guatemala	355	3	65	423
Turkey	2424	81	242	2747
Colombia	1753	299	88	2140
Jordan	625	0	677	1302
Syria	435	0	859	1294
Chile	2125	232	2	2359
Brazil	9615	290	161	10066
Portugal	2521	46	98	2665
Panama	347	0	72	419
Uruguay	189	0	4	193
Mexico	4819	2144	83	7046
Korea Rep.	5487	1102	−37	6552
Yugoslavia	542	878	3	1423
Algeria	3014	0	122	3136
Trinidad & Tobago	104	0	5	109

Source: **World Bank,** *World Development Report* and **I.M.F.,** *Balance of Payments Statistics Yearbook,* (New York: I.M.F., 1985).

Fig. 1. Domestic finance of economic development



(v) Local government do not collect much taxes apart from land and building taxes where proceeds contribute modestly towards the running expenses of these governments. Hardly anything is left for local development projects.

(vi) Lack of information on the distribution of income and wealth has prevented many governments from designing an efficient tax system which stresses the ability to pay. Collection and storage of such informatin and use of modern computer systems would help a great deal in this respect.[12]

D) Compulsory Savings through Deficit Spending

A government may, sometimes, use deficit finance as a means of compulsory savings. The deficit can be met by increasing the money supply. This would generate a process of inflation if resources were fully employed and/or the supply was highly inelastic. It is therefore possible that public administration of deficit finance could be a real obstacle to development. This would happen if, for examples:

(i) deficit finance was practiced without full information about the *"absorpative capacity"* of the economy.

(ii) deficit finance was used in construction of public projects with little regard to investment in the produciton of consumer goods; especially food.

(iii) the government did not safeguard against the possibility of a wage-price spiral.

(iv) the easiness of the practice pursuades the government to continue the process for a long period of time.

(v) the central bank does not enjoy enough autonomy to put on the brake, when needed.

Figure 1 illustrates the most important administrative obstacles to domestic finance in developing countries.

Administrative Obstacles to Foreign Finance

Most, if not all, developing countries use external sources of finance in economic development. These sources may be divided into direct foreign investment, foreign loans and foreign aid. Each of these has its advantages and its disadvantages. Table 4 gives information on the flow of external capital to 50 developing countries in 1984. The data in this table suggest that a good number of these countries depend heavily on public (and publicly guaranteed) loans. Almost one-third of the

Table 3. Structure of taxation in developing countries

Country	Taxes as % of GNP in 1983	Taxes as % of total government revenue in 1983				
		Income tax	S. security contri-butions	Taxes on goods & services	Import duties	Others
A) Developing Countries						
Mali	25	15.5	5.4	35.2	21.2	11.7
Zaire	17	30.6	1.1	24.4	28.8	3.4
Nepal	7	7.2	0.4	38.5	31.3	6.7
Burma	10	3.2	–	39.5	19.2	0.1
Malawi	18	33.6	0.2	30.9	21.0	0.6
Uganda	3	4.1	–	26.5	67.1	0.1
Madagascar	11	15.1	13.7	41.7	22.2	3.3
Kenya	16	28.6	–	36.8	21.3	0.6
Haiti	12	17.9	0.3	19.1	26.7	27.8
Ghana	5	17.0	–	17.0	49.0	0.1
Sri Lanka	16	14.0	–	40.1	31.5	1.7
India	11	17.2	–	41.1	24.0	0.5
Sudan	10	15.8	–	14.1	49.7	0.7
Senegal	16	19.0	3.5	30.9	34.7	5.9
Pakistan	12	15.2	–	32.5	32.7	0.3
Zambia	18	32.9	–	48.3	8.8	15.6
Bolivia	4	13.3	28.2	25.4	16.1	5.7
Philippines	10	19.3	–			
Morocco	20	17.7	4.8	36.8	18.4	7.2
Egypt	22	17.8	11.1	12.5	16.2	6.3
Thailand	13	19.6	0.1	47.3	21.4	2.1
Dominican Rep.	10	19.8	4.4	30.8	26.3	2.2
Peru	15	15.3	–	44.8	24.6	5.8
Guatemala	9	11.8	11.7	3.1	15.0	13.7
Turkey	16	48.2	–	23.3	7.2	5.5
Costa Rica	21	16.9	25.2	31.0	22.4	–
Paraguay	10	15.4	12.9	21.4	14.6	21.9
Korea Rep.	17	22.9	1.2	45.7	15.8	3.9
Argentina	13	4.3	16.9	38.5	16.2	11.5
B) Developed Countries						
Ireland	33	32.2	13.8	26.6	13.7	2.3
Italy	32	35.7	33.1	22.9	0.2	2.8
UK	23	38.7	17.7	28.6	0.1	3.0
Belgium	31	38.4	31.2	24.4	0.1	1.9
Netherlands	33	20.0	35.9	26.1	1.4	5.5
France	27	17.7	44.2	29.5	0.1	3.5
W. Germany	25	17.0	55.1	22.0	0.1	0.1
Sweden	26	14.5	34.1	29.0	0.6	5.7
USA	16	49.9	31.3	5.4	1.3	0.9
Switzerland	17	14.2	49.3	19.4	8.3	8.0

Source: **U.N.** ***Government Financial Statistics Yearbook,*** **(New York: I.M.F., 1985)**

(vi) An organised stock exchange requires a high degree of efficiency of public administration and in particular an efficient public management information system to induce confidence in the capital market and safeguard investors against fraud, misrepresentation and dissimulation.[9] Lack of this efficiency may prove disastrous.

(vii) Administration of laws regulating monopolies and restrictive trade practices may harm the companies ability to save and/or invest.

(viii) The system of incentives in government owned companies may not produce an optimal surplus.

(ix) The government may not try to borrow available funds by offering bonds and treasury bills of different kinds to cater for different needs.

C) Compulsory Savings through Taxation

There is of course a wide variety of taxation imposed by contemporary governments for different purposes. These taxes may be classified into direct taxes and indirect taxes. The most important type of direct taxes is income tax which is imposed on personal and companies' incomes. A part of the proceeds of these taxes can be used to finance economic development. Available data suggest that total current revenue as percentage of Gross National product is much smaller in developing countries than in developed countries. Available information also suggests that the pattern of taxation in developing countries differs significantly from that in developed countries as can be seen from the data in Table 3. It is clear that the largest share of total government revenue in developed countries is made up from income tax and social security contributions while indirect taxes contribute the lion share in total government revenue in developing countries.[10] A number of administrative problems may exist here too. We could mentin the following:

(i) Frequent changes of tax laws, tables and exemptions result in confusion and encourage tax evasion.

(ii) Because of administrative inefficiency, tax is collected mostly from government employees who pay as they earn.[11]

(iii) Corruption on the part of some tax collectors results in tax evasion and dodging in many sections of the economy.

(iv) Due to lack of training of the tax collectors it is very difficult to build a tax system which incorporates the rules of justice, efficiency, and which maximises the tax revenue by collecting taxes according to ability to pay with minimum backwash effects. This is why most developing countries try to depend more on indirect taxes, particularly import duties. However, these duties decline gradually as development proceeds and domestic production is substituted for imported goods.

(iii) Lack of local government projects which encourage mobilisation of small savings for local development.[6]

(iv) Continuous changing of laws and regulations governing the terms of deposits in saving banks and other financial intermediaries.

(v) Unavailability of government bonds or bills which suit the smaller saver.

The above factors have led many small savers to hoard their savings, to form groups of relatives and friends for circulation of savings and even to discourage some of them to put aside a large part of their incomes for investment purposes.

B) Company Savings

The second important source of saving is the corporate retained earnings and depreciation allowance. This source of saving is substantial in a rich country and negligible in a very poor one; its importance will vary in developing countries between these two extremes. Its measurement is complicated by the fact that some corporate saving may be credited to the public sector in countries where state corporations account for a substantial share of economic activity.[7]

Most of these profits are used to expand the productive capacity of the company itself and very little filterates through the capital market. Inadequacy of these savings may also be due to administrative problems on the part of the government. We may mention the following:

(i) The laws regulating the distributed profits and the assignment of undistributed profits to different purposes may not produce an optimal rate of company savings.

(ii) The government pricing policy for both products and factors of production may reduce the profit potential of the companies and hence their rate of savings.

(iii) The government commitment to employ a large number of workers in its owned companies may result in a reduction in the efficiency of these companies and hence their surplus.[8]

(iv) The tax laws on profits may induce the companies to follow practices that are not favourable to savings.

(v) Lack of well-organised long term capital markets, particularly the stocks exchange, stands in the way of mobilising company savings for investment outside the company concerned.

Table 2. Gross domestic savings as percent of gross domestic product

Country	Savings as % of GDP 1965	Savings as % of GDP 1984	Country	Savings as % of GDP 1965	Savings as % of GDP 1984
Ethiopia	12	2	Guatemala	10	9
Bangladesh	8	4	Turkey	13	11
Mali	11	-2	Paraguay	14	9
Zaire	2	-13	Columbia	17	16
Uganda	12	6	Chile	16	13
Togo	17	4	Brazil	27	21
Central African Rep.	11	-4	Portugal	20	16
Benin	3	-3	Uruguay	18	13
Sierra Leone	9	6	Argentina	22	19
Ghana	8	5	Venezuela	34	29
Sudan	9	-3	Greece	11	9
Pakistan	13	6	Burma	13	17
Senegal	8	5	Niger	9	11
Mauritania	27	-1	Burundi	4	7
Liberia	27	15	India	16	22
Zambia	40	15	Madagascar	4	9
Philippines	21	18	China	25	30
Honduras	15	14	Kenya	15	20
ElSalvador	12	4	Haiti	2	4
Egypt	14	12	Sri Lanka	13	20
Nigeria	17	15	Bolivia	11	26
Zimbabwe	23	9	Indonesia	6	20
Nicaragua	18	10	Morocco	12	12
Peru	19	18	Thailand	19	21
Jamaica	23	18	Tunissia	14	20

Source: U.N. *Book of National Accounts Statistics*, (New York: U.N., 1985).

One basic characteristic of developing countries is the very low level of per capita income. Hence low rates of individual savings. The problem is aggrevated by a number of administrative (and other) obstacles.[4] We mention the following:

(i) Lack of savings' channels which suit the small savers.[5] One important channel is the post-office saving banks which are government departments. These banks usually put conditions (including a ceiling to the amount that can be deposited) that are not favourable to mobilising small savings. Another important channel is the saving banks. These may not exist, and if they do their terms are usually favourable to the big saver. A third channel is the public-share companies. The laws governing the operation of these companies are usually loose and do not offer enough protection to the small saver.

(ii) Lack of government guarantees regarding the deposits and/or the return held by various financial institutions.

Malaysia	4.5	9.1	11.4
Uruguay	1.8	15.4	– 0.4
Mexico	2.9	8.4	3.3
Korea, Rep. of	6.6	19.7	8.8
Argentina	0.3	6.7	– 3.4
Algeria	3.6	17.4	6.8
Singapore	7.8	22.7	9.5

Source: **World Bank,** *World Development Report,* (New York: World Bank, 1986). Tables 1 & 4.

Administrative Obstacles to Mobilisation of Domestic Savings

There are two sources of financing economic development:
(a) domestic savings, and
(b) foreign finance.

This Section considers the administrative obstacles to domestic savings while the question of foreign finance is taken up in the next Section.

We may distinguish between two sources of domestic finance:
(a) voluntary savings and
(b) compulsory savings.

The first source is the result of free will and consists of (i) individual savings and (ii) company savings. The second source of domestic finance is brought about by compulsion, through (i) taxation and (ii) inflation.

Available data reveal that the ratio of gross domestic savings to gross national product is very small in most developing countries. This can be seen from the figures in Table 2. The data in this table show that the percentage of gross domestic savings is negative in some developing countries. Also, this percentage has been reduced in 1984 compared with 1965 in most developing countries.

Public administration could play a very crucial role in mobilising the different types of domestic savings. Although, it is not possible to cover all possibilities in one paper we shall emphasis the most important aspects.

A) Individual Savings

Per capita income is usually regarded as the most important determinant of individual savings. This should not minimise the role of other objective and subjective factors affecting savings.

Table 1. The rate of growth and the rate of investment in specific countries

Country	Average annual growth rate of per capita income	Average annual growth rate of gross domestic investment	
	1965 – 1984	1965–73	1973–84
Ethiopia	0.4	1.5	2.6
Bangladesh	0.6	– 6.4	4.7
Mali	1.1	1.0	4.2
Burkina Faso	1.2	13.7	– 3.3
Burma	2.3	2.5	14.1
Malawi	1.7	16.0	– 2.6
Niger	– 1.3	4.6	3.5
Burundi	1.9	– 1.4	15.7
Togo	0.5	3.3	– 0.2
Central African Republic	– 0.1	2.3	– 4.7
India	1.6	3.9	4.2
Madagascar	– 1.6	4.2	– 1.8
Benin	1.0	3.9	10.3
China	4.5	12.9	8.0
Kenya	2.1	15.9	1.2
Ghana	– 1.9	– 3.5	– 5.4
Sri Lanka	2.9	7.9	13.8
Sudan	1.2	0.2	3.2
Pakistan	2.5	0.4	5.4
Mauritania	0.3	12.5	4.8
Liberia	0.5	5.6	1.5
Zambia	– 1.3	6.2	– 13.7
Bolivia	0.2	6.9	– 12.2
Indonesia	4.9	17.5	11.3
Philippines	2.6	4.4	4.3
Morocco	2.8	11.0	1.6
ElSalvador	– 0.6	3.4	– 4.4
Cameron	2.9	8.6	10.6
Nicargua	– 1.5	2.2	– 1.0
Thailand	4.2	7.6	5.3
Bostwana	8.4	48.1	1.4
Dominican Republic	3.2	19.2	2.0
Peru	– 0.1	– 2.6	– 2.7
Congo	3.7	9.3	6.3
Ecuador	3.8	6.0	3.1
Egypt	4.3	– 1.5	10.3
Jamaica	– 0.4	7.5	– 5.8
Turkey	2.9	9.7	2.3
Costa Rica	1.6	9.3	0.7
Paraguay	4.4	8.3	10.3
Colombia	3.0	6.7	5.5
Syria	3.1	7.2	10.0
Portugal	3.5	8.0	2.4

Gross Fixed Capital Formation in Some Contemporary Developing Countries

Capital accumulaiton (or investment) may be defined as any addition to the present stock of capital.[3] This stock consists of:

(a) all improvements done to the soil of the country such as road repairing, construction of canals and waterways, land scaping, plantation etc.,

(b) all buildings and constructions such as houses, factories, hospitals, schools, shops, fences, bridges etc.

(c) all tools and equipment in the hands of the producers such as machinery, commercial cars, tractors, factories, shops and tradesmen's tools etc.,

(d) the addition to stocks of different commodities. Additions to the first three categories are usually lumped together under the definition of *"Fixed Capital Accumulation"*. When capital replacement is added we get what is known as "*Gross Fixed Capital Formation*" or gross fixed investment.

A rate of net investment of over 10 percent of Gross Domestic Product over a substantially long period of time is regarded as a prerequisite to achieving self-sustained economic growth.[2] The data in Table 1 reveal that most contemporary developing countries do not enjoy such a rate of investment. In fact a good number of these countries had a negative rate of gross investment over two decades. This has slowed down the rate of growth of their per capita income. We run a multiple regression to test the relationship between the rate of growth of per capita income during the period 1965–1984 and the rates of growth of gross investment during the periods 1965–1973 and 1973–1984. The following statistical results were obtained:

$$r = \underset{(8.377)}{0.085} + \underset{(7.100)}{0.167\,g} + \underset{(0.342)}{0.201\,h}$$

$$n = 50; \quad R^2 = 0.737; \quad F = 65.7$$

r = The average annual growth rate of per capita income 1965–1984.

g = The average annual growth rate of gross domestic investment during the period 1965–73.

h = The average annual growth rate of gross domestic investment during the period 1973–84.

The above statistical results reveal that there is a positive strong correlation between the rate of growth of per capita income and that of investment. A high growth rate of investment (*i.e.* capital accumulation) leads to a high growth rate of per capita income. This should not mean that investment is the only factor affecting growth in per capita income.

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Administrative Obstacles to Capital Accumulation in Developing Countries

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Abstract. The aim of this paper is to examine the administrative obstacles to capital accumulation in developing countries. The paper is divided into five sections. Section One examines available data on gross fixed capital formation in some developing countries. Section Two considers the administrative obstacles to the mobilisation of domestic savings while Section Three investigates the problem of foreign finance of economic development. Section Four considers the question of incentive to invest and the role of public administration in co-ordinating the investment decisions in free-enterprise developing economy. Finally, Section Five summarizes the main findings of the paper.

Introduction

Development is a complicated process which involves an interaction between human and material resources and results in growth in economic and non-economic variables and produces structural changes geared towards achieving higher standards of living and better allocation of resources and distribution of incomes. A country is considered developed when it enters *"the stage of take-off"* into self sustained economic growth, *i.e.* when economic development prepetuates itself.[1]

Capital accumulation is regarded by many as the core of economic development. Some even goes to the extent of considering development the result of the rate of saving and the productivity of investment.[2] While we can not accept such simplification, we must acknowledge the crucial role played by capital accumulation in economic development.