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Oil Said to Add to Poor Nations' Aid Needs

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A United States Government analysis to determine the economic impact of this year's oil-price increases on developing countries has concluded that several billion dollars in special aid to the world's poorest countries will be necessary in the next 18 months.

Without such assistance, the analysis concludes, all of the sub-Saharan African states and such countries as Sri Lanka, Afghanistan, Nicaragua, Jamaica and Guyana will face drastic cuts in their already low standards of living.

The study, prepared by officers at the Central Intelligence Agency and the State Department, concludes that existing commitments by financial institutions and aid requests will cover most of the additional aid and the larger overall deficit of the developing countries this year.

"We see no apparent need at this time for additional special funds, such as the $8 billion oil facility set up by the International Monetary Fund after the jump in oil prices in 1973," a Government official said. He added that such a conclusion assumed that there would be no more adverse economic developments this year, such as a major drought.

New I.M.F. Facility to Be Used

The International Monetary Fund is expected to meet much of developing countries' need for special financing. Earlier this year it set up a $10 billion supplementary financing facility to help countries in balance-of-payments difficulties. Although this facility was not specifically designed to meet problems from the oil-price increases, the timing of its creation means that it will be the principal institution for financing the burgeoning oil-related deficits. Some analysts expect that in the next 18 months the facility will be asked to lend as much as half of its resources to developing countries.

According to the Government's forecast, the developing countries that do not produce oil, a category that excludes such new oil exporters as Mexico and Malaysia, will have a combined balance-of-payments deficit in 1979 of $36 billion if they do not make policy changes to cut their losses. This is about $11 billion more than was expected before the oil-price increases.

Policy adjustments are expected to reduce the combined deficit to $31 billion. These adjustments include borrowing, increasing exports and reducing imports, spending foreign currency holdings, receiving foreign aid and belt tightening. Most analysts, including those involved in the Federal study, assume that many of the countries most seriously affected by higher oil prices will be able to use a combination of these measures to avoid drastic cuts in consumption.

Jamaica Faces Severe Hardship

Nevertheless, after all possible policy responses are made, C.I.A. and State Department analysts calculate, a number of the developing countries will still face severe hardships.

One of the countries in the Western Hemisphere facing the greatest difficulty is Jamaica. Even before the latest oil-price increase, the country was plagued with slow growth and a serious balance-of-payments deficit. To tackle these problems, the Government adopted an economic program that sharply increased unemployment and lowered living standards.

The oil-price increase has magnified these difficulties. United States Government analysts estimate that the country's current-account deficit in 1979, previously estimated at $170 million, will increase by $110 million.

In June, Jamaica increased its borrowing from the I.M.F. to $338 million during the next two years, making the country the largest user of the new facility. Since credits under this facility are granted only under the strictest conditions, such borrowing means that Jamaica is committed to even more stringent economic policies in the future.

The American study has not been summarized for high-level Government policy makers, but its conclusions were outlined by one of the economists working on the project.

He said it was an effort "to try to identify the countries that will need special attention from the various aid and lending agencies."

About 110 developing countries were examined. Estimates were made of their payments deficits in 1979 and 1980, their likely policy responses and their traditional sources of capital. Of the 110, about 45 were expected to have an increase of more than 10 percent in their 1979 balance-of-payments deficits because of the increase in oil prices this year.

Of those 45, more than 20 are thought to be in a poor position to cope with the added burden. The judgment was based on the quality of the nations' economic management, levels of reserves, access to private financial markets, ability to reduce dependency on foreign oil and ability to expand exports.