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THE CONTINUING DEBT CRISIS IN SUB-SAHARAN AFRICA[1]

The debt crisis dominated the 1980s with the attention of the international community being overwhelmingly focused on the highly-indebted countries (HICs), such as Mexico and Brazil. Given the amounts involved, the speed with which the crisis spread and the threat to the stability and prosperity of the international monetary and financial system and world order, this was understandable. It meant, though, that the debt crisis in low-income countries (LICs) was largely ignored as their debts did not fall into any of these categories. These were considered to be essentially development-related, meaning the LICs were expected to grow out of their debts in time.

The debt crisis no longer dominates international headlines. The crisis in the HICs has been brought under control and the international community is preoccupied with other matters. However, the crisis in the LICs has worsened. Most of them are now poorer and more heavily indebted than when the crisis started. This state of affairs is unlikely to change for the foreseeable future. Effectively, therefore, by the turn of the century, they will have been in crisis for two decades. This is due as much to misspecification of the nature of the crisis as to inappropriate and ineffectual debt relief strategies.

Sub-Saharan African (SSA) countries are a case in point. During the 1980s, when the debt crisis was in full swing, growth rates steadily declined, export earnings fell or stagnated and both imports and domestic investment had to be severely curtailed. At the same time, the level of external debts rose alarmingly, despite various international measures to provide relief and reduce debt burdens. These trends, by and large, still pertain.

SSA countries undoubtedly contributed to their own economic and financial problems. External factors also played a part in precipitating the crisis. However, to blame one or the other side for the debt crisis is a rather sterile exercise. More importantly, it misunderstands the nature and causes of the crisis and the dilemma facing these countries. They cannot grow out of their debts unless they achieve long-term sustainable growth and development, and they will not achieve these long-term goals unless their external debts are substantially reduced.

Action clearly needs to be taken on both fronts simultaneously, given the close interdependence and circularity of debts and development in these countries. However, the tendency to compartmentalise the two and to tackle them separately has proved counterproductive. While, therefore, much has been done in respect of each problem, the debt crisis shows no signs of abating and the prospects of SSA countries achieving economic recovery and sustainable development continue to recede. This paper outlines a proposal by which relief can reduce the debt crisis and at the same time help to promote recovery and long-term sustainable development.

1 An earlier version of this paper was presented to the Working Group on Monetary and Financial Affairs of the VIIth General Conference of the European Association of Development Research and Training Institutes, Berlin, 15 – 18 September 1993.

The Debt Crisis in Sub-Saharan Africa

The most important features of the debt crisis in Sub-Saharan Africa are

(i) its pervasive nature. Although their external debts account for about 12% of the world's total, SSA countries are all affected by the crisis, particularly the poorest. Of the 31 countries categorised by the World Bank as severely indebted low-income countries (SILICs), 24 are SSA countries. These range from Nigeria and Sudan, two of the largest debtors, to Comoros, Sao Tome, and Principe.

(ii) During the 1980s, SSA countries contracted foreign debts at a much faster rate than any other group of debtor countries. Their total external debts actually doubled between 1982 and 1988, (i.e., at the height of the crisis). Although the rate of contraction has slowed, total external debts in 1991 exceeded $ 173 billion, more than three times their 1980 level ($ 56 billion). Also, their debt burden (total debts relative to GNP) is the highest in the world. In 1992, it averaged 108.8%, almost twice that for the HICs, the other major group of debtors.

(iii) Debt service payments virtually doubled over the decade. In 1989, actual service payments on long- and short-term debts including IMF credits amounted to $ 10 billion, roughly 62% of scheduled payments due in 1990. The gap between the two widened further in 1991, when actual payments ($ 11.3 billion) only covered 60% of service obligations for 1992.

(iv) Most of the debts owed by SSA countries are public sector debts, either government to government loans or debts owed to multilateral institutions, like the IMF and the World Bank. In 1980, bilateral (30%) and multilateral (19%) accounted for almost half their total external debts. Of the rest, 35% were private sector debts, principally commercial bank loans, and 16% were short-term loans. By 1992, the composition had changed drastically. The share of public sector debts (bilateral 39% and multilateral 28%) exceeded two-thirds of total external debts, while private sector debts were down to 19%. Short-term loans, essentially trade-related credits, were down to 13%, another indication of the scale of the crisis.

Table 1 shows the debt profile of SSA countries in 1991. Although the figures are largely self-explanatory, a few comments are in order. Firstly, notwithstanding the pervasive nature of the crisis, debts are heavily concentrated in a few large debtor countries. In 1991, Angola, Cameroon, Côte d'Ivoire, Kenya, Nigeria, Sudan, Tanzania, Zaire and Zambia accounted for almost two-thirds of the region's total external debts, and for roughly the same proportion of its debt service payments.

Secondly, the figures do not show the full extent of the crisis. Although several countries have had multiple debt reschedulings, they are still unable to service their external debts in full. For example, in 1991, Sudan paid $ 23 million in service payments on a total debt of almost $ 16 billion. The rest was either rescheduled or added to the country's arrears. By 1992, its service obligations had increased to $ 555 million. Zaire is another example. Despite multiple reschedulings, its service obligations in 1992 exceeded $ 1 billion. Two years previously, they stood at $ 682 million on a total debt of $ 8.8 billion.

Thirdly, arrears are now a serious problem, having risen from under $ 1 billion in 1980 to almost $ 12 billion in 1992. SSA countries not only over-borrowed but used the funds unwisely. In addition, the world recession and the fall in commodity prices hit them particularly hard. In 1985, for example, Benin, Gambia, Madagascar, Mali, Sierra Leone, Somalia, Tanzania and Zambia actually paid less than 50% of service payments due.

Finally, a number of unanticipated developments greatly increased the cost of debt servicing. For example, interest rate changes, between 1980 and 1982, added about $ 9 billion to the cost. Also, having their debts denominated in dollars increased servicing costs by $ 1 – 2 billion due to the weakness of the dollar for most of the 1980s. Rescheduling and refinancing added an extra $ 1 billion. In addition, net resource flows declined sharply at precisely the time when additional external funding was most needed. Although they recovered, the higher cost of servicing external obligations in 1991 resulted in a net transfer of $ 12.3 billion, which was lower than ten years previously.

How did SSA countries get themselves so hopelessly in debt? They over-borrowed, no doubt, encouraged by the 'open door' policy of the commercial banks, during the 1970s when money was cheap, and used the funds to support unsustainable levels of consumption and finance non-productive and 'prestige' projects. Inappropriate monetary, fiscal and foreign exchange rate policies also contributed to the excesses of the 1970s. Consequently, when world economic conditions changed abruptly, they faced enormous economic and financial difficulties. They lost export markets, and foreign exchange earnings fell disastrously low, constraining their ability to meet service payments in full and at the same time finance development.

Debts, being an international contractual obligation, had to be paid, whereas development which is essentially a long-term process could wait. The latter was thus sacrificed for the former. Their dilemma was considerably aggravated by the acute shortage of additional concessional long-term lending to compensate for the shortfall in private lending, which had not only dried up overnight, but left them with a massive debt problem. It was virtually impossible therefore for them either to develop or grow out of their debts. They needed a substantial injection of external assistance to stabilise their economies and put in place the appropriate reform policies for structural adjustment and long-term sustainable development. They also needed help to reduce existing debt levels and so create a more conducive climate for foreign investment to contribute to the development process.

Measures to Relieve the Crisis

The debt crisis in SSA countries was not caused by the downturn of the world economy nor protectionism and tight monetary and fiscal policies in the developed countries, though they contributed to its severity. The roots of this crisis go back to the 1960s when SSA countries first began to accumulate foreign debts faster than they were growing or their foreign exchange earnings increasing. Most of these debts were contracted for development purposes and justified by the notion that they would be repaid once the debtors reached Rostow's happy stage of 'take-off into self-sustained growth'.

But this did not happen. As the drive for accelerated development and social change continued into the 1970s, SSA countries got deeper in debt and fell further behind other developing countries in their growth and export performance. Foreign debts in fact became one of the main constraints on the development process. Many studies, including the prestigious Pearson Report, stressed the deleterious effect which the growing backlog of accumulated debts and the rising costs of servicing new debts had on the debtors' economies, and advocated that debt cancellation and the provision of debt relief should be a legitimate and integral part of development assistance.[2]

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2 See for example, George C. Abbott, (a) *Aid and Indebtedness – A Proposal*, National

The common thesis running through these studies was (a) insolvency rather than the lack of international liquidity was the main cause of the debt problem in LICs; (b) rescheduling and refinancing (the conventional methods of debt consolidation) were inappropriate as they increased the cost of servicing in the long-run; and (c) the compartmentalisation of debts and development was largely artificial in the context of these countries. The two were, in fact, linked and action on both fronts was required simultaneously to deal effectively with the two problems.

This thesis was finally accepted by the major creditors in 1978 when they adopted Retroactive Terms Adjustment (RTA), a programme of measures to provide debt relief and improve the net flow of bilateral official development assistance (ODA) to low-income countries. Between 1979 and 1986, when RTA was most active, it provided a total of $ 6.2 billion in cancellation, interest rate waivers and equivalent measures. Although RTA was not devised specifically for SSA countries, they received about three-quarters of all relief granted. Table 2 shows the amount received by the least developed SSA countries, virtually all of whom received relief from more than one source. Of the creditors, Germany accounted for 34% of the value of all relief granted. The United Kingdom was next with 32%, and the United States a long way behind with 11%.[3]

RTA paved the way for subsequent debt relief initiatives by the OECD countries. Belgium, Canada, Denmark, France, Germany, Italy, Japan, The Netherlands, Sweden, The United Kingdom and the United States all introduced various measures to cancel or convert bilateral ODA loans to grants, allow interest rate waivers and other measures to reduce the ODA debts of SSA countries. Between 1988 and 1990, these measures amounted the $ 5.4 billion which, when added to the previous measures, brought the total value of relief during the 1980s to $ 7.5 billion. The principal beneficiaries were Gambia ($ 484.7 million), Kenya ($ 924.3 million), Madagascar ($ 502.1 million), Senegal ($ 812.5 million), Tanzania ($ 544.2 million) and Zaire (£ 710 million).[4]

The G7 nations (Canada, France, Germany, Italy, Japan, the US and the UK) also took several initiatives to reduce the debts of LICs. By far the most important of these was the Toronto Summit Agreement to reschedule the official debts of the poorest developing countries (within a framework of comparability) using the following options: a partial write-off (Option A); larger repayment terms (Option B); and concessional interest rates (Option C).[5]

With the exception of Bolivia ($ 27 million), all the debts rescheduled on Toronto terms during the first two years of the Agreement were in favour of SSA countries. 17 of them had a total of almost $ 5.3 billion debts rescheduled. In virtually every case, both the principal and interest due on debts previously rescheduled by the Paris Club were included. Arrears were also included. On an annual basis, the net cash

Westminster Bank Review, May 1972, pp. 55ff; (b) *International Indebtedness and the Developing Countries*, London and New York, Crown Helm and M. E. Sharp, 1979, pp. 247ff; and *Partners in Development: Report of the Commission on International Development* (The Pearson Report), New York, Praeger, 1969, pp. 156ff.

3 For an evaluation of the scheme, see George C. Abbott, 'Retroactive Terms Adjustment', *Intereconomics*, July/August 1987, 22 (4), pp. 182ff.

4 For details, see Development Committee No 26, *Development Issues*, 'Presentation to the 39th Meeting of the Development Committee'. 24 September 1990, Washington DC, World Bank 1991, Appendix BI, pp. 54f.

5 A useful comparative evaluation of the three options is given in C. Humphreys and J. Underwood: 'The External Debt Difficulties of Low Income Africa', Washington DC, World Bank, September 1988, (mimeo).

flow savings during the consolidated period amounted to $ 97 million, less than 1% of the total export earnings, and the net present value of service payments was reduced by $ 827 million, or about 20%, as compared with normal Paris Club debt rescheduling terms. 30% of the options chosen were Option A, 36% Option B and 34% Option C. In other words, most creditors chose the least concessional option.[6]

More recently, there have been several proposals to refine and improve the Toronto terms. The most widely discussed is the so-called Trinidad terms proposed by John Major when he was Chancellor of the Exchequer, at the meeting of the Commonwealth Finance Ministers in Trinidad in September 1990. The principal elements of this proposal were (a) rescheduling should tackle the total stock of debt in a single long-term operation, (b) the amount written-off should be increased to two-thirds of the total stock of eligible debt, (c) interest payments due in the first five years should be capitalised, and repayment related to the debtors' capacity to repay, and (d) the repayment period should be extended from 14 years to 25 years. This proposal has not been universally adopted, though some creditors, notably the United Kingdom, have applied it in respect of several SSA countries.

Since the Toronto Summit Agreement, many creditor countries have extended the range and scope of their bilateral relief operations. For example, the United States, for long a strong opponent of debt forgiveness, has cancelled a proportion of ODA debts owed by SSA countries. In addition, the World Bank introduced a Debt Reduction Facility of $ 100 million in 1989 to help IDA-only countries meet the cost of servicing their non-concessional debts to private creditors. Within its first year of operation, 14 SSA countries with concessional debts of some $ 1.6 billion, had applied for assistance. In brief, therefore, substantial amounts of debt relief have been provided for SSA countries in a variety of forms and facilities.

Additional Concessional Assistance

In addition to their standard entitlements as members of the IMF and the World Bank, SSA countries have received substantial injections of additional concessional assistance from both institutions. In March 1986, the IMF introduced its Structural Adjustment Facility (SAF) to provide concessional medium and long-term funding to low-income IDA-eligible countries with protracted balance of payments problems which were undertaking the necessary reforms to restructure and strengthen their economies. SAF was created with 2.7 billion SDRs from the Trust Fund and lasted until 1991.[7] Altogether, 35 SAFs totalling 1.97 billion SDRs were approved. 27 of these, amounting to 57% of total approvals, were for SSA countries, making them the principal beneficiaries. Zaire alone received 203.7 million SDRs.

In December 1987, the IMF created the Enhanced Structural Adjustment Facility (ESAF) with an additional six billion SDRs financed in part from SAF's undisbursed

6 For an assessment of the Toronto Summit Agreement, see UNCTAD Secretariat, *Debt and Managing Adjustment: Attracting Non-Debt Creating Flows and New Lending*, Geneva, 19 February 1990 (TTD/B/C.3/24); and George C. Abbott, 'The Toronto Summit Agreement and Sub-Saharan African Countries', *African Review of Money, Finance and Banking*, vol. 1, 1991, pp. 65ff.

7 The Fund's new facilities for helping its poorer members are described by Joslin Landell-Mills, *Helping the Poor: The IMF's New Facilities for Structural Adjustment*, Washington DC, External Relations Department; see also *IMF Annual Report 1990*, pp. 40f; *IMF Survey*, September 1991, pp. 17f.

balances and the rest from grants and special loans. This brought the Fund's total concessional assistance to nine billion SDRs for helping its poorest members undertake three-year structural adjustment programmes while improving their balance of payments position. ESAF became operational in April 1988 with the same terms and conditions, operating rules and procedures as SAF. Originally, it was to run for three years but has been extended to 1994. Again, SSA countries have been the principal beneficiaries. Up to June 1991, 15 ESAFs, with a total value of 1.83 billion SDRs, had been approved. Twelve of these, worth 1.35 billion, or approximately 70% of total approvals, were for SSA countries.

In 1985, the World Bank established the Special Facility for Africa to help SSA countries press on with their reform programmes and to deal with the critical economic situation facing them. It was financed by contributions from donors and resources from a special joint-financing facility. It lasted three years and mobilised $ 2 billion, of which $ 1.8 billion were disbursed as special credits and joint finance (on IDA terms) to those SSA countries which had undertaken (or were committed to undertaking) medium-term structural adjustment programmes and institutional reforms. In all, some 49 projects in 25 SSA countries were supported. Ghana did best with five projects.

Finally, at a multi-donor conference in Paris in 1987, donors and international institutions approved a special Programme of Assistance (SPA), pledging themselves to provide a total of $ 6.4 billion in highly concessional, quick-disbursing finance between 1988 and 1990 for low-income, debt-distressed SSA countries with severe balance of payments problems which were pursuing growth-oriented policies backed by structural adjustment programmes. These funds were to be provided as grants or loans on IDA terms. More than 50% were to support adjustment programmes and disbursed under formal co-financing agreements with the Bank with the rest as highly co-ordinated financing.

The SPA was financed from (a) additional IDA-8 disbursements, (b) increased co-financing and co-ordinated financing operations, and (c) supplemental IDA credits. It was estimated that these, along with the additional resources provided by SAF and ESAF and from debt relief operations, would fill the resource gap of $ 13.3 billion for the 19 SSA countries eligible for assistance. By 1991, the number had grown to 25, though Somalia and Zaire were declared ineligible and other SSA countries were under consideration.[8]

A second phase (SPA II) was inaugurated in October 1990, when 18 donors pledged a further $ 7.4 billion in co-financing and co-ordinated finance for another three years (1991 – 1993) to support structural adjustment. Additional IDA credits were expected to raise $ 2.9 billion and contributions from the IMF $ 1 – 2 billion. No estimates of debt relief under SPA II were given, but it was expected that cancellation and rescheduling on Toronto terms would reduce service payments by 25% of expected export earnings. SPA II has now been extended to 1994.

8 See Development Committee No 21, *Progress of Initiatives to Benefit Sub-Saharan Africa*, Washington DC, World Bank, 1990; and *World Bank Annual Report 1991*, Washington DC, World Bank.

An Integrated Debt/Development Strategy[9]

SSA countries clearly received substantial amounts of debt relief and new concessional funding over the last decade. Why, then, has the debt crisis not been brought under control, and why do they continue to fall further behind other developing countries? These failures cannot be attributed solely to the international recession and lack of growth of the world economy, though they are obviously partly responsible. A more convincing explanation is the lack of an integrated debt/development strategy to ensure proper and effective utilisation of the additional resources. Also, their ambivalence to the World Bank and the IMF's programmes for structural adjustment and institutional reform absorbed an immense amount of time and resources.

The lack of an integrated strategy was largely the result of a false perception of the debt crisis and its relationship and impact on the development process. The former was regarded as a short-term liquidity crisis and the latter as a long-term process requiring fundamental structural and institutional changes. Consequently, debt relief measures were intended specifically to ease the debtors' liquidity position and enable them to remain current on their external obligations (or to resume payments if they had fallen into arrears), to minimise creditors' losses and ensure equity and fairness in sharing the burden of debt consolidation. Development, on the other hand, was primarily the responsibility of the individual developing country.

There thus developed two separate and free-standing strategies for dealing with both crises. Debt relief was granted in a series of one-off operations which took very little, or no account of developments in the real economy of the debtor countries. This strategy proved largely counter-productive as vital linkages were ignored, discontinuities and diseconomies of scale developed and frequent reversal of policy contributed to the general ethos of crisis management and ad hocery. Consequently, despite substantial debt relief and additional net resource inflows, SSA countries are still characterised by a continuing debt crisis, weak and stagnating economies, declining industrial output, poor export performance and deteriorating social conditions.

The ongoing controversy between SSA countries and the IMF and the World Bank on the need for structural adjustment and institutional reforms, the appropriate design, implementation and other features of these programmes has clearly delayed recovery. It has divided the region into adjusters (those countries with adjustment programmes in place) and non-adjusters, and intensified divisions within the region. More significantly, it has opened a 'third front' or alternative strategy, the decisive features of which are that debt relief and new money are concentrated on those countries which agree to implement a structural adjustment programme. The three strategies clearly need to be integrated.

The general principles and basic framework for an integrated strategy in fact already exist in the SPA. However, although debt relief is one element of this programme, its relationship to development and reforms (the other two elements) is rather loose and indeterminate and its role has been marginalised. This needs to be reversed. One way of doing this is to make debt relief central to a new set of relationships in which it performs the dual functions of (a) debt reduction and (b) financing reforms. However, a commitment to reform is not enough. This must be

9 A fuller presentation of this proposal is given in George C. Abbott, *Debt Relief and Sustainable Development in Sub-Saharan Africa*, Aldershot, E. Elgar, 1993, ch. 5.

substantiated and supported by evidence, for example, quantifiable achievements and the implementation of specific reforms.

The strategy is essentially performance-related. The size and success of each debtor's reform programme are directly related to (i) its effective utilisation of debt relief, and (ii) the extent to which these resources are integrated into its debt/development strategy. Clearly, those countries which utilise debt relief more effectively will outperform those that use it for other purposes. Their superior performance will then increase their eligibility for additional relief and new funding which, in turn, will have the 'ratchet effect' of enhancing their performance and lifting them to a higher level from which the process begins once more.

Debt relief is thus the key to the whole process. Once a package has been negotiated, its utilisation and contribution to the debtor's reform programme become the driving force of the scheme. Debtors would be required to give a binding commitment that the resources will be used for the purposes for which they are granted, and creditors would have the authority to exercise surveillance over the operation of the scheme and, in the final analysis, impose appropriate sanctions for non-compliance. The way the scheme would work is shown in Diagram 1.

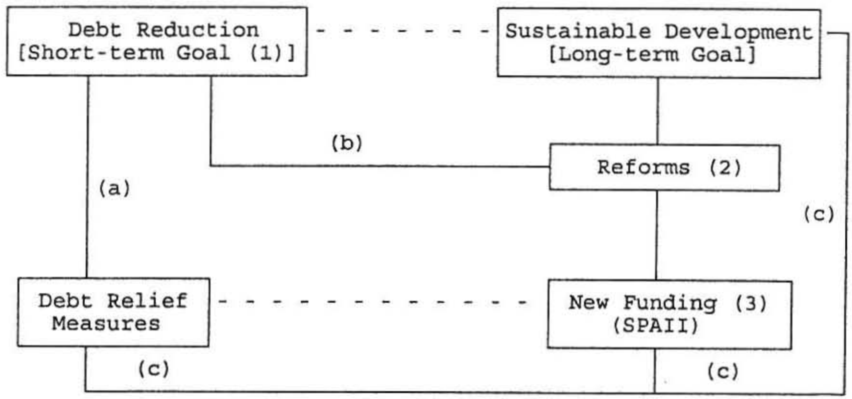

Diagram 1: Diagrammatic representation of the integrated strategy

Notes:
(1) The goals of debt reduction are two-fold and interrelated; i.e., (i) to reduce the stock of debt and the flow of debt service payments and (ii) to provide a flow of resources for financing reforms.
(2) As outlined in each reforming country's PFP.
(3) As provided under the 5 main sources of funding for SPA I and SPA II.
(a) System starts with initial round of debt relief.
(b) Debt service payment for financing reforms.
(c) Secondary round triggered by achievements of goals and targets as specified in (2) above.

Under this strategy, debt relief would reduce both the stock of debt and current servicing costs, thereby helping to alleviate the debt crisis (its short-term goal). Secondly, it would act as a catalyst by supplementing available foreign exchange for reforms and dynamise the economy towards sustainable development (its long-term goal). Adequate incentives and safeguards must be provided for creditors and debtors to participate; the amount of relief must be significant rather than symbolic; and the contraction of new debts strictly controlled. Priority reforms as identified in the country's Policy Framework paper (PFP) must be realistic and related to the achievement of specific development goals within a given time frame. Success on these fronts will render the debtor eligible for another round of relief. The system thus creates its own dynamism and is essentially self-sustaining.

The main advantages of this strategy are:

1. By starting with debt relief, it directly and immediately reduces debt burdens. This provides a major psychological boost and creates the necessary momentum and resources to catalyse the system towards its long-term goal of sustainable development. In effect, there is a close functional and sequential relationship between both goals.
2. Being performance related, its benefits and achievements can be readily identified and quantified. It enables debtors to earn additional debt relief on the basis of results and the achievement of specific targets. The more successful a country is, the more debt relief and new funding it is eligible to receive. It contains a built-in element of automaticity which is related to individual debtor performance.
3. The system gives rise to a series of interdependent virtuous circles which spiral cumulatively in opposite directions. Whereas the debt crisis gets cumulatively smaller as the process continues, recovery and reforms enter an expanding virtuous circle of cumulative causality which ends with the achievement of sustainable development. It enables SSA countries to make a virtue of the interdependence of the debt crisis and their own critical economic situation.
4. The scheme provides an incentive for SSA countries to earn relief, and grow out of their debts at differential rates, consistent with individual debtor's growth prospects and performance. It can be administered flexibly on a case-by-case basis, the approach which has been consistently advocated and adopted by the creditors' countries and institutions.
5. Unlike existing debt relief operations, the new scheme looks forward not backward. It is positive, rather than negative and defeatist, and allows the debtors to contribute positively and constructively to its success. It also enhances and revitalises the principle of maturation and graduation, by which poor countries grow up and out of debt.
6. The new scheme relies on funds which are generated and recycled internally to finance its operations. The cost to the creditors would be minimal and not likely to disrupt or destabilise the international monetary and financial system.
7. It incorporates both expenditure-reducing and income-generating activities into a composite and fully functioning system. This is a major improvement on existing practices which concentrate on minimising the creditors' losses. It will go some way, therefore, to helping the SSA countries reduce their balance of payments and budgetary deficits.
8. At present, crucial decisions on debt relief (e.g., who gets what, how much, and when) are determined by the creditors and reflect a complex mixture of their own economic, financial and foreign policy considerations. These would be replaced by a more open and transparent system of international cooperation in which

participation, performance and outcomes can be objectively evaluated, and the rights, responsibilities, duties and obligations of all parties formalised.

9. The integrated scheme has a determinate life-span. Also, it does not require any major injection of new funding either to get started or to ensure that it continues to function. These are generated internally and diminish as the recipient country's external debts diminish and it approaches sustainable development. It provides a fresh impetus and spirit of dynamism into the present system which is rapidly losing momentum as creditors suffer from aid and debt relief fatigue, and the debtors from structural adjustment fatigue.
10. The scheme can be incorporated into and administered as part of SPA II without detriment to that programme. It accepts that SSA countries are highly differentiated, with different capacities and potential to earn debt relief and proceed with reforms. This adds flexibility, improves efficiency and enhances the prospects of SPA II achieving its goals.
11. It will give SSA countries a greater say in deciding their priorities and influencing the outcome of operations. It would involve them in all stages of the process, and change their role from that of supplicants to active participants. It would in fact provide a truly multilateral system of relief.

In conclusion, the debt crisis in SSA countries shows no signs of abating. Debt relief programmes anticipated under SPA I and SPA II have badly fallen behind schedule and there are no new initiatives on the agenda. It is imperative, therefore, that a fresh initiative be launched now in order to sustain the momentum towards sustainable development. The strategy outlined in this paper is a contribution to that end.

Abstract

The debt crisis dominated the 1980s with international attention being overwhelmingly focused on the highly-indebted countries (HICs) such as Mexico and Brazil. The low-income countries (LICs), where the impact of the crisis was no less severe, were largely ignored, with the result that, whereas the crisis in the former group of countries has been brought under control, that in the latter has worsened. Sub-Saharan African (SSA) countries are a case in point. Most of them are now poorer, more highly indebted and less able to meet the mounting costs of service payments on external obligations. This is not likely to change in the foreseeable future, so that these countries will have been in crisis for two decades. This is due as much to misspecification of the nature of the crisis as to inappropriate and ineffectual debt relief strategies. Consequently, while much has been done, present policies are unlikely to promote recovery and long-term sustainable development. The paper outlines a proposal by which relief can be used to reduce existing debt burdens and promote development.

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COUNTRY		Total Debt 1991 ($mn)	Debt Structure (%) Official			Debt Service 1991 (**actual)	
			Bila-teral	Multi-lateral	Private #	$mn	as % of exports
Angola		8,775	38	1	61	208	5.8
Benin	*	1,300	47	48	5	31	6.3
Botswana		543	23	71	6	80	3.4
Burkina Faso		956	23	68	9	46	8.6
Burundi		961	18	80	2	40	31.6
Cameroon		6,278	41	24	35	465	19.9
Cape Verde		158	31	62	7	6	8.8
Central Afr. Rep.		884	30	62	8	15	8.2
Chad		606	24	69	7	11	4.4
Comoros		175	26	67	7	2	4.9
Congo		4,744	56	12	32	262	23.4
Côte d'Ivoire		18,847	24	17	59	1,445	39.1
Djibouti		197	38	51	11	14	4.6
Equatorial Guinea	*	249	49	33	18	3	7.4
Ethiopia		3,475	45	39	16	139	25.4
Gabon		3,842	49	12	39	163	6.2
Gambia		351	21	74	5	30	16.5
Ghana		4,209	16	69	15	295	27.0
Guinea	*	2,626	56	34	10	134	16.0
Guinea-Bissau		653	40	44	16	9	45.1
Kenya		7,014	19	45	36	720	32.2
Lesotho		428	16	77	7	27	4.7
Liberia		1,989	25	38	37	1	n/a
Madagascar		3,715	47	41	12	160	34.3
Malawi		1,676	17	78	5	131	27.9
Mali	*	2,531	56	40	4	26	4.9
Mauritania		2,298	53	29	18	84	16.8
Mauritius		991	38	30	32	164	9.4
Mozambique		4,700	65	14	21	45	12.2
Niger		1,653	33	48	19	179	47.3
Nigeria		34,497	43	12	45	3,375	25.2
Rwanda		845	18	75	7	25	17.6
Sao Tome & Principe		164	34	56	10	2	23.2
Senegal		3,522	37	49	14	312	19.7
Seychelles		201	39	23	38	24	9.5
Sierra Leone	*	1,291	28	22	50	14	9.1
Somalia		2,435	47	38	15	0	-
Sudan		15,907	36	18	46	23	3.9
Swaziland		258	50	46	4	28	3.5
Tanzania	*	6,459	55	33	12	132	24.1
Togo	*	1,356	35	51	14	53	7.5
Uganda	*	2,830	23	63	14	139	63.6
Zaire		10,705	58	24	18	174	7.5
Zambia		7,279	41	33	26	586	40.6
Zimbabwe		3,429	27	21	52	567	27.6
TOTAL		173,083				11,356	

Table 1: Sub Saharan Africa's Debt Profile (1991)

Debt Service 1992 (obligation**)		Debt/ GNP ratio (%)	Net Resource Flows ($mn)	Net Transfers ($mn)
$mn	as % of exports			
1,315	36.4	86.8	968	614
39	8.0	69.4	231	218
89	3.8	15.7	83	50
50	n/a	34.9	321	306
43	33.9	82.3	186	171
729	n/a	57.5	536	361
13	19.6	51.9	76	74
45	24.5	71.5	166	161
20	8.0	47.0	199	194
10	25.5	72.0	36	33
602	53.8	181.7	-109	-147
2,274	61.5	222.6	856	309
14	n/a	42.1	62	60
24	59.5	185.1	64	63
384	70.2	53.4	631	595
518	n/a	88.1	192	-32
27	n/a	110.9	37	31
230	21.0	66.9	922	859
256	30.4	94.8	293	254
46	n/a	323.8	88	85
691	n/a	89.6	1,002	696
37	6.4	39.0	88	72
90	n/a	n/a	62	62
500	107.1	148.3	515	447
85	n/a	79.0	328	287
180	33.6	104.9	302	278
202	40.2	214.7	113	93
145	8.3	37.0	101	29
340	93.1	426.0	889	879
119	31.6	72.9	181	160
4,945	36.9	108.8	581	-1,836
31	21.5	53.7	273	260
10	n/a	353.6	38	37
383	n/a	63.1	531	404
22	8.5	56.0	31	13
39	n/a	167.5	79	78
116	n/a	291.6	114	114
555	95.7	221.7	533	523
30	3.7	28.7	45	-56
489	n/a	250.8	880	847
85	12.0	85.0	139	99
161	73.8	109.2	365	341
1,056	n/a	149.2	357	301
660	n/a	263.3	788	552
621	30.2	62.8	462	210
18,320			17,919	12,292

NOTES:

*Debt rescheduled on enhanced Toronto terms, 1991-92.

#including all short term debt.

**1991 debt service covers actual payment on long and short-term debt, including IMF credits. 1992 debt service equals scheduled payments on long-term data only; expressed as a % of 1991 exports.

n/a not available. Namibia not included because of lack of data.

Source: Africa Recovery based on World Bank, World Debt Tables, 1991-92.

$ million

Beneficiary Countries (a)	Action Taken			Number of creditors granting RTA
	Debt Cancellation	Interest Payment Waiver	Equivalent Measures	
Benin	45.5	2.0		5
Botswana	119.4	2.3		5
Burkina Faso	122.4	10.5		5
Burundi	30.4	0.2		2
Cen.Afr.Rep.	14.9	4.6		2
Chad	23.1	9.3		3
Comoros	5.0	3.0		1
Djibouti	14.5	3.4		1
Ethiopia	22.5	2.0		4
Gambia	21.9	n.r.s.		2
Guinea	33.8	1.0	27.0	4
Guinea-Bissau	9.8	0.7		1
Lesotho	12.6	0.2		2
Malawi	173.2	2.9	2.4	5
Mali	110.4	5.6		4
Niger	149.5	3.2		5
Rwanda	56.5	n.r.s.		3
Sierra Leone	71.2	13.2	10.1	3
Somalia	85.5	-	78.2	3
Sudan	299.5	8.5	175.0	8
Togo	114.9	22.0		2
Uganda	64.9	9.3		6
Tanzania	488.8	23.9	25.5	11
TOTAL	2089.3 (b)	127.8 (b)	317.7	

Table 2: Summary of Action taken under RTA in Favour of the Least Developed SSA Countries, up to September 1986.

Notes:
a = Not debt relief operations have been reported for Cape Verde, Equatorial Guinea, Mauritania and Sao Tome and Principe.
b = Excluding amounts not allocable by debtor country.
n.r.s. = Not recorded separately.

Source: Information abstracted from *Revitalising Development, Growth and International Trade: Assessment and Policy Options, Report to UNCTAD VII*, Geneva, UNCTAD, 1987, Annex Table 50.