IMF WORKING PAPER





WP/89/23

INTERNATIONAL MONETARY FUND

Research Department

# The External Debt Problem of Sub-Saharan Africa

Prepared by Joshua Greene*

Authorized for Distribution by Mohsin S. Khan

March 17, 1989

## Abstract

The massive external debt burden of Sub-Saharan Africa has gained widespread attention as a serious policy issue during the past few years. This paper reviews recent trends in the debt levels and economic performance of Sub-Saharan countries and assesses a number of proposals for reducing their external debt service obligations. There is also a discussion of the modalities of various debt relief proposals that have been advanced.

JEL Classification Numbers:

1120, 1215, 4430

---

*The author owes special thanks to Brooks Calvo for her excellent research assistance. The author is also indebted to Joakin Stymne, on whose research some of the analysis in this paper is based, and to Mark Allen, Andrew Crockett, Richard Feinberg, Charles Gardner, and Mohsin Khan for valuable comments.

Contents

## I. Introduction

Most of the recent discussion of external debt problems of developing countries has centered on middle-income countries, particularly those in Latin America. Apart from the studies by Krumm (1985), Lancaster and Williamson (1986), and Feldstein et al. (1987), relatively little attention has been paid to the external debt of African countries, in particular that of Sub-Saharan nations. During the past year, however, a number of papers have appeared on this subject, including studies by Humphreys and Underwood (1988), Mistry (1988), Stymne (1988), the United Nations (1988), and Weerasinghe (1988). Perhaps more significantly, the G-7 countries have acknowledged the seriousness of the problem through their decision at the June 1988 Toronto summit and at the annual meetings of the Fund and the World Bank in September 1988 to provide more extensive debt relief for very low-income countries. Under this initiative low-income countries will be able to reschedule their debt over longer periods, receive lower interest rates on rescheduled debt, or receive partial debt forgiveness as ways of reducing their increasingly severe debt burdens.

A major reason why the external debt of Sub-Saharan countries has received less attention than that of middle-income countries is that this debt poses less of a threat to the international banking system. In recent years, upwards from 75 percent of the publicly-guaranteed external debt of Sub-Saharan countries has been owed to bilateral or multilateral institutions, compared to well under half the debt of most Latin American countries. At end-1987 only about 21 percent of total external debt for Sub-Saharan countries was owed to financial institutions, and the bulk of that represented loans to a few countries such as Cote d'Ivoire and Nigeria that have had significant access to international financial markets. 1/ Consequently, the debt service problems of Sub-Saharan countries are more a concern of donor governments and international institutions than of commercial banks.

The mounting debt levels of Sub-Saharan countries are nevertheless serious. Rising debt service levels severely limit the ability of these countries to finance critical imports and new development projects. In addition, the increasing difficulty of these countries in meeting debt service obligations poses a particular problem for multilateral agencies like the Fund, which had SDR 4.9 billion in outstanding Fund credit (excluding Trust Fund loans of SDR 0.3 billion) to Sub-Saharan countries as of end-1988. 2/ The same is true for the World Bank, for which unpublished data show outstanding IBRD loans and IDA credits to Sub-Saharan countries approaching US$18 billion at end-1988, and for the African Development Bank, among other multilateral creditors. These

---

1/ Other major market borrowers include the Republic of the Congo and Gabon. In past years, however, a number of other Sub-Saharan countries including Kenya, Liberia, Malawi, Senegal, Zaire, Zambia, and Zimbabwe made significant use of commerical borrowing.

2/ Data obtained from International Monetary Fund (1989), p. 36.

agencies depend heavily on the recycling of their assets for financial operations and may not be able to obtain additional funds readily in the event of loan or operations losses. 1/ The primary exception is the World Bank's IDA facility, which requires periodic replenishment of its resources because of the very long maturities (50 years' repayment, with 10 years' grace) of its credits.

The purpose of this paper is to assess the debt problems of Sub-Saharan African countries and to examine various proposals for reform. Data for this analysis is based on the 44 Fund member countries in Sub-Saharan Africa excluding South Africa. 2/ These countries are of special interest because of their very low per capita incomes and their general dependence on only a few primary commodities for export earnings. Most of these countries have experienced severe economic setbacks during the last decade as a result of the weakness in primary commodity markets. In addition, more than half have required debt rescheduling or incurred arrears on debt service obligations since 1980.

The plan of the paper is as follows. Section II describes the dimensions of the debt problem facing Sub-Saharan Africa, reviewing recent developments in debt and debt service levels, and comparing them with other countries identified for their debt-service difficulties. Recent trends in economic indicators are also presented. Section III examines the origins of the Sub-Saharan Africa debt problem, while Section IV reviews the initial donor responses, focusing on Fund and Bank assistance and debt rescheduling from bilateral and commercial bank creditors. Section V discusses more recent debt initiatives, including the formation of the Fund's Enhanced Structural Adjustment Facility (ESAF), and the G-7 proposal to reduce debt service burdens for low-income countries. Section VI then analyzes a number of alternative proposals for lessening the debt burdens of Sub-Saharan African countries. Measures that Sub-Saharan African countries could take on their own are also considered. Conclusions are presented in Section VII, while a statistical appendix provides additional information on the dimensions of the debt problem facing Sub-Saharan countries.

---

1/ The World Bank does borrow on the international capital market, but mostly to supplement funds for its IBRD facility, which is used for middle and higher-income countries and thus is not available to most Sub-Saharan countries.

2/ The countries are Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic , Chad, Comoros, Cote d'Ivoire, Djibouti, Equatorial Guinea, Ethiopia, Gabon, the Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Swaziland, Tanzania, Togo, Uganda, Zaire, Zambia, and Zimbabwe.

## II. Dimensions of the Sub-Saharan Africa Debt Problem

How severe is the Sub-Saharan debt problem? Tables 1 and 2, which draw on the Fund's World Economic Outlook (WEO) database, provide some indication. These figures abstract from the significant differences among individual country debt positions. Thus, they obscure the relative success of a few countries such as Botswana, Lesotho, Swaziland, and Zimbabwe in limiting their debt buildup and in remaining current on their debt service obligations. Nevertheless, the aggregate information reported here indicates a substantial increase both in the stock of Sub-Saharan debt and in debt service levels since the early 1970s, although the data for years before 1980 must be treated with caution. The aggregate external debt of Sub-Saharan countries, excluding arrears, has grown from an estimated US$6 billion in 1970 to more than US$126 billion at end-1987, more than a 650 percent increase in constant (1980) US dollar terms. Over the same period their real GDP per capita has fallen by about 11 percent 1/ (Table 3 and Charts 1 and 2). Total debt service payments on medium- and long-term external debt for these countries are estimated to have grown from less than US$1 billion in 1970 to more than US$12 billion in 1985 before falling to US$9 billion in 1987. This includes more than US$1 billion a year in payments to the Fund during 1985-87.

As shown in Table 2, this rise in total payments represents an increase in the ratio of debt service payments to exports of goods and services from an estimated 8 percent in 1970 to 26 percent in 1987, after declining from a peak of 32 percent in 1985. These debt service ratios understate the true debt service burden facing Sub-Saharan countries, however, because they reflect only payments and not scheduled obligations. Once debt relief (estimated at US$11 billion in 1987, for example) and arrears (estimated at US$1-2 billion in 1986 and 1987) are taken into account, scheduled debt service obligations probably exceeded 50 percent of exports of goods and services during 1986 and 1987. Moreover, some preliminary estimates suggest that with the region's current ratio of total debt to exports, exceeding 350 percent, even full rescheduling of forthcoming principal payments over the next 5 years would allow no growth in nominal imports if export earnings grow at a plausibly conservative rate of 3 percent per year. 2/ Given the need for real import growth to allow a recovery in real output per capita, these figures suggest that the region as a whole is far from being able to meet forthcoming debt-service obligations without continuing debt relief on a scale more massive even than that granted in recent years. 3/

---

1/ The decline is 6 percent if Nigeria is excluded.

2/ See Stymne (1988).

3/ Stymne (1988), referring to the composition and terms of Sub-Saharan external debt, suggests that a ratio of debt to exports of goods and service higher than 150 to 180 percent is excessive for African countries, because this figure corresponds to a debt service ratio of about 25 to 30 percent. This is the debt service ratio for those Sub-Saharan countries now barely meeting their scheduled debt service obligations.

Table 1. External Debt and Debt Service of Sub-Saharan Africa 1/, 1970-87
(In billions of U.S. dollars; at end of period)

| | 1970 Est. | 1975 Est. | 1980 | 1982 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|
| Aggregate external debt by type of creditor | 6.0 | 15.8 | 54.0 | 73.1 | 97.2 | 112.7 | 126.5 |
| Medium and long-term debt, incl. Fund | 5.8 | 15.2 | 47.9 | 63.6 | 87.6 | 105.3 | 119.2 |
| Medium and long-term, excl. Fund | 5.8 | 14.7 | 45.1 | 58.5 | 80.8 | 98.9 | 113.3 |
| Publicly guaranteed | 5.4 | 13.8 | 41.8 | 53.6 | 74.7 | 92.3 | 106.4 |
| To official creditors | (3.8) | (9.4) | (26.9) | (36.6) | (53.8) | (69.0) | (81.2) |
| Governments | [2.9] | [6.7] | [18.0] | [24.6] | [36.6] | [48.2] | [55.3] |
| Int'l insts. | [0.9] | [2.7] | [8.9] | [11.9] | [17.2] | [20.9] | [26.0] |
| To private creditors | (1.6) | (4.4) | (15.0) | (17.0) | (20.8) | (23.2) | (25.1) |
| Fin'l institutions | [0.3] | [2.5] | [11.7] | [13.5] | [14.2] | [16.5] | [17.2] |
| Other | [1.2] | [2.0] | [3.3] | [3.5] | [6.7] | [6.7] | [7.9] |
| Not publicly guaranteed | 0.4 | 0.8 | 3.2 | 5.0 | 6.1 | 6.6 | 6.9 |
| Fund | -- | 0.5 | 2.8 | 5.1 | 6.9 | 6.4 | 5.9 |
| Short-term debt | 0.2 | 0.6 | 6.1 | 9.5 | 9.6 | 7.4 | 7.3 |
| Debt service payments | 0.7 | 2.1 | 6.4 | 8.1 | 12.2 | 9.9 | 9.2 |
| To non-Fund agencies | 0.7 | 2.0 | 6.0 | 7.5 | 11.2 | 8.5 | 7.9 |
| Interest payments | (0.3) | (0.8) | (2.8) | (3.6) | (5.2) | (3.6) | (3.7) |
| Amortization (excl. short-term debt) | (0.4) | (1.2) | (3.1) | (3.9) | (6.0) | (4.9) | (4.2) |
| To the Fund 2/ | -- | 0.1 | 0.5 | 0.6 | 1.0 | 1.4 | 1.3 |
| Memorandum items: | | | | | | | |
| Estimated impact of rescheduling | -- | -- | 0.8 | 0.5 | 3.1 | 11.1 | 11.1 |
| Estimated stock of arrears | -- | 0.5 | 0.6 | 5.6 | 14.3 | 16.6 | 18.0 |
| Percentage of publicly guaranteed debt owed to | | | | | | | |
| Governments | 53.7 | 46.9 | 40.4 | 41.9 | 44.9 | 48.8 | 49.2 |
| Multilateral institutions, incl. Fund | 16.7 | 22.4 | 26.2 | 29.0 | 29.5 | 27.7 | 28.4 |
| Financial institutions | 5.6 | 17.5 | 26.2 | 23.0 | 17.4 | 16.7 | 15.3 |
| Other creditors | 22.2 | 14.0 | 7.4 | 6.0 | 8.2 | 6.8 | 7.0 |

Sources: IMF, data compiled for the October 1988 World Economic Outlook exercise; IMF, Treasurer's Department; and International Financial Statistics.

1/ Defined as Africa excluding Algeria, Angola, Morocco, Namibia, South Africa, and Tunisia.

2/ Repurchases and charges; excludes payments on Trust Fund and SAF loans.

CHART 1
SUB–SAHARAN AFRICA
PER CAPITA REAL GDP AND DEBT SERVICE RATIO

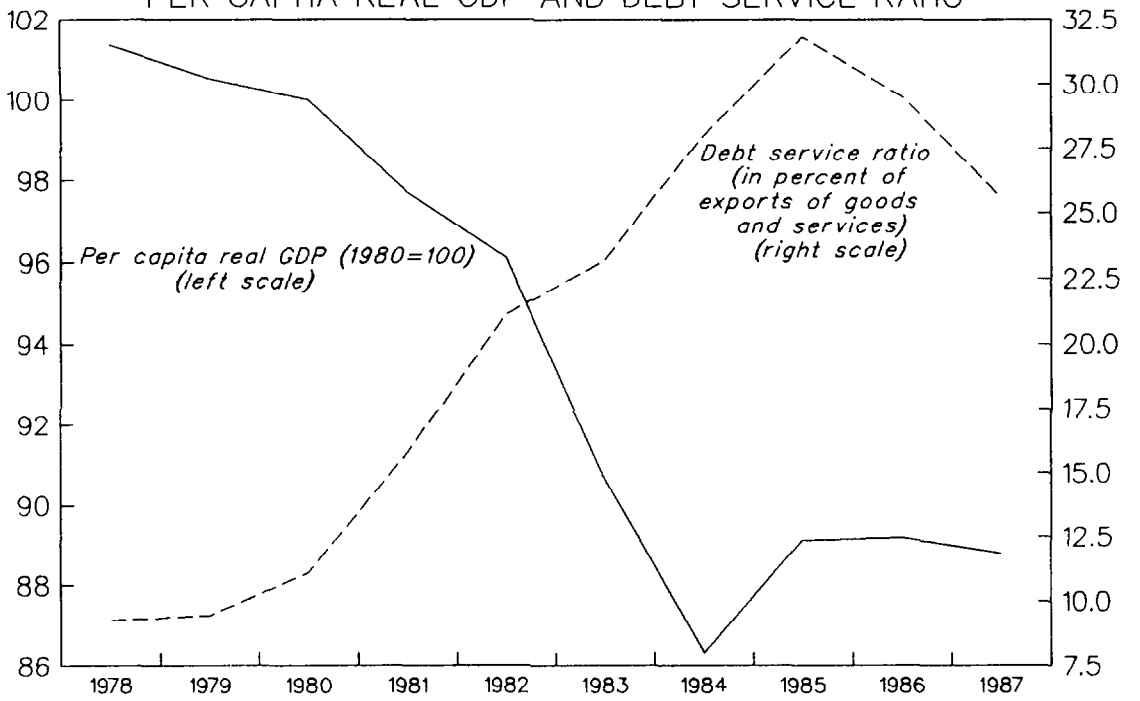



CHART 2
SUB–SAHARAN AFRICA, EXCLUDING NIGERIA
PER CAPITA REAL GDP AND DEBT SERVICE RATIO


Source: IMF, staff estimates prepared for the October 1988 World Economic Outlook survey.

Table 2. Debt Burden Indicators for Sub-Saharan Africa and Debt-Distressed Countries 1/

(in percent)

| | 1970 Est. | 1975 Est. | 1980 | 1982 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|
| Ratio of external debt to exports of goods and services | | | | | | | |
| Sub-Saharan Africa | 65.4 | 65.2 | 94.1 | 190.9 | 253.6 | 335.5 | 352.4 |
| Countries with recent debt-servicing problems 2/ | 131.7 | 111.0 | 155.6 | 247.0 | 282.3 | 322.6 | 317.0 |
| Fifteen heavily-indebted countries 3/ | 162.5 | 133.9 | 169.5 | 271.9 | 301.2 | 361.0 | 347.6 |
| Ratio of external debt to GDP | | | | | | | |
| Sub-Saharan Africa | 14.1 | 17.1 | 27.2 | 38.7 | 51.2 | 62.8 | 81.6 |
| Countries with recent debt-servicing problems 2/ | 18.7 | 18.8 | 34.2 | 44.6 | 51.1 | 51.7 | 54.2 |
| Fifteen heavily-indebted countries 3/ | 19.6 | 18.5 | 33.1 | 43.0 | 47.8 | 49.2 | 51.3 |
| Ratio of debt service payments to exports of goods and services 4/ | | | | | | | |
| Sub-Saharan Africa | 7.7 | 8.2 | 11.1 | 21.1 | 31.8 | 29.5 | 25.6 |
| Countries with recent debt-servicing problems 2/ | 19.4 | 20.8 | 27.8 | 40.2 | 35.8 | 39.1 | 32.6 |
| Fifteen heavily-indebted countries 3/ | 24.8 | 27.7 | 30.0 | 40.3 | 40.3 | 46.4 | 38.3 |

Source: IMF, data compiled for the October 1988 World Economic Outlook exercise.

1/ Ratios for debt are based on aggregate debt excluding arrears.

2/ Average for capital-importing countries that experienced external arrears in 1985 or that rescheduled debt during 1984-86.

3/ Average for Argentina, Bolivia, Brazil, Chile, Colombia, Cote d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia.

4/ Data for 1970 and 1975 exclude payments to the Fund.

Table 3. Selected Economic Indicators for Sub-Saharan Africa 1/, 1970-87

| | 1970 Est. | 1975 Est. | 1980 | 1982 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|
| | | | (Index: 1980 = 100) | | | | |
| **Sub-Saharan Africa** | | | | | | | |
| Real GDP | 72.4 | 90.7 | 100.0 | 101.5 | 101.7 | 104.6 | 107.1 |
| Real GDP per capita | 97.0 | 105.8 | 100.0 | 96.1 | 89.1 | 89.2 | 88.8 |
| Consumer prices | 21.5 | 38.1 | 100.0 | 144.1 | 266.8 | 308.8 | 369.4 |
| Export value | 15.2 | 41.1 | 100.0 | 64.6 | 66.6 | 55.6 | 58.4 |
| Export volume | 94.9 | 97.6 | 100.0 | 70.4 | 81.4 | 85.8 | 82.9 |
| Import volume | 55.5 | 75.8 | 100.0 | 101.0 | 80.1 | 71.3 | 66.6 |
| Export unit value | 16.1 | 42.1 | 100.0 | 91.6 | 81.9 | 64.8 | 70.4 |
| Import unit value | 28.3 | 59.7 | 100.0 | 91.3 | 83.4 | 94.7 | 104.0 |
| Terms of trade | 56.8 | 70.6 | 100.0 | 98.2 | 68.4 | 67.7 | |
| Non-oil commodity prices | 37.2 | 54.7 | 100.0 | 75.1 | 77.9 | 80.5 | 78.7 |
| Gross capital formation 2/ | 19.2 | 23.8 | 100.0 | 17.2 | 11.6 | 13.5 | 13.0 |
| **Sub-Saharan Africa, excl. Nigeria** | | | | | | | |
| Real GDP | 75.4 | 88.9 | 100.0 | 104.7 | 108.4 | 112.2 | 114.8 |
| Real GDP per capita | 100.0 | 103.0 | 100.0 | 98.9 | 94.2 | 94.8 | 94.3 |
| Consumer prices | 19.7 | 33.6 | 100.0 | 154.8 | 291.0 | 359.7 | 452.3 |
| Export value | 26.6 | 50.9 | 100.0 | 83.9 | 86.4 | 87.7 | 90.1 |
| Export volume | 91.2 | 97.0 | 100.0 | 100.6 | 107.6 | 115.7 | 115.8 |
| Import volume | 76.8 | 85.0 | 100.0 | 95.8 | 87.2 | 84.4 | 83.4 |
| Export unit value | 29.2 | 52.5 | 100.0 | 83.4 | 80.3 | 75.8 | 77.8 |
| Import unit value | 27.0 | 58.3 | 100.0 | 91.4 | 83.2 | 93.8 | 102.4 |
| Terms of trade | 108.2 | 90.0 | 100.0 | 91.2 | 96.6 | 80.8 | 76.0 |
| Non-oil commodity prices | 37.7 | 55.0 | 100.0 | 75.4 | 77.6 | 80.8 | 78.9 |
| Gross capital formation 2/ | 21.7 | 22.9 | 100.0 | 19.0 | 17.0 | 17.7 | 17.6 |

Source: IMF, data compiled for the October 1988 World Economic Outlook exercise.

1/ Defined as Africa excluding Algeria, Angola, Morocco, Namibia, South Africa, and Tunisia
2/ As a percent of GDP.

Table 2 and Charts 3-5 also provide some comparison of the debt burdens of Sub-Saharan Africa and of two groups of countries distinguished by their debt problems--countries with recent debt servicing problems 1/ and a group of fifteen heavily indebted countries. 2/ As indicated, in recent years the ratio of aggregate external debt to exports of goods and services for Sub-Saharan countries has risen dramatically, reaching 335 percent in 1986 and exceeding 350 percent in 1987. This last figure is higher than the comparable ratios for countries with recent debt servicing problems and for the group of fifteen heavily indebted countries. The ratio of external debt to GDP for Sub-Saharan countries has also risen steadily, from 27 percent in 1980 to 82 percent in 1987, a level more than one and one half times that for the other two groups of debt distressed countries. The ratio of actual debt service payments to exports of goods and services for Sub-Saharan countries, which has exceeded 20 percent since 1983, has remained less than that for the two groups of debt distressed countries. As mentioned earlier, however, the ratio of scheduled debt service obligations for Sub-Saharan countries is significantly higher, given the extent of debt relief and arrears among these countries. In view of these observations and the estimates pointing to the region's inability to maintain even its current, compressed level of real imports without continuing and massive debt relief, it seems fair to call the entire Sub-Saharan region debt distressed.

## III. Origins of the Sub-Saharan Debt Problem

The Sub-Saharan debt problem can be traced largely to government actions, in particular the accumulation of external debt for development projects. From independence Sub-Saharan countries have undertaken public projects in attempting to strengthen their economies, frequently with donor support and generally with heavy use of foreign financing in the form of loans. Many of these development projects have been designed to improve domestic industry and infrastructure rather than to boost export production directly. The assumption was that national economies would grow over time, and that commensurate increases in export production and reasonable trends in export prices would allow the debt service obligations arising from these projects to be met. This assumption is consistent with the results from standard growth models that incorporate external debt (see, for example, the survey article by McDonald (1982) and papers by Bardhan (1967), Hamada (1969), and Blanchard (1983)). These assumptions became increasingly unrealistic in the light of the two oil

---

1/ These are defined in the October 1988 World Economic Outlook report as capital-importing developing countries that incurred external payments arrears in 1985 or that rescheduled their debt at any time during 1984-86. See International Monetary Fund (1988), p. 54.

2/ As defined in the October 1988 World Economic Outlook report, ibid., the countries are Argentina, Bolivia, Brazil, Chile, Colombia, Cote d'Ivoire, Ecuador, Mexico, Morocco, Nigeria, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia.

price shocks during 1973-74 and 1979-80 and the subsequent depression in non-oil commodities markets during the 1980s. Indeed, as shown in Charts 6 and 7 total debt levels have risen steadily since 1978, while export earnings in 1987 were barely above their dollar level 9 years earlier.

Following the first round of oil price increases in 1973, prices for a number of other primary commodities, in particular cocoa, coffee, tea, sugar, groundnuts, sisal, phosphate, and uranium, experienced sharp increases followed by steep declines. 1/ These price developments affected a number of Sub-Saharan African countries, including Burundi, the Central African Republic, Ethiopia, Kenya, Madagascar, Sierra Leone, and Tanzania (all coffee growers); Ghana (cocoa producer); Cote d'Ivoire (cocoa and coffee exporter); the Gambia (groundnut exporter); Senegal (producer of groundnuts and phosphate); Malawi (sugar and tobacco producer); Niger (uranium producer); and Togo (phosphate producer).

Many of the affected countries responded to the initial commodity price increases by sharply expanding public expenditure. 2/ Revenues from commodity taxation, though higher, did not rise as fast, and governments used foreign borrowing to meet the remaining costs of particular spending projects. When commodity prices subsequently fell, expenditures were not reduced commensurately, and previous borrowing was often supplemented with new loans to maintain expenditure levels. At the same time several countries dependent on minerals such as copper (Zaire and Zambia) and iron ore (Liberia and Mauritania), whose prices declined during the 1970s, were able to borrow externally on the assumption that prices would subsequently recover. External debt also accumulated in several oil-producing countries during the mid-1970s as a result of declining real prices (Gabon) and production difficulties (Republic of the Congo). 3/ Moreover, after 1977 the leading Sub-Saharan African oil producer, Nigeria, began to borrow heavily in commercial markets, with its total Eurocurrency commitments approaching US$3 billion during 1978 and 1979. 4/

The trend toward rising Sub-Saharan debt burdens accelerated during the 1980s in the wake of the second oil price shock of 1979-80. Reflecting a concerted effort by industrial countries to contain the resulting inflationary repercussions, industrial country growth since then has been considerably more sluggish than during the 1970s. As a result, prices of non-oil primary commodities have not risen, and in many cases have fallen precipitously since 1980. By 1987 the terms of trade for Sub-Saharan countries excluding Nigeria was 24 percent below the level of 1980 (Table 3). 5/ In 1987 aggregate export earnings for the Sub-Saharan nations excluding Nigeria were 10 percent below their nominal levels in

---

1/ See Krumm (1985), p. 7.
2/ See Larrecq (1980).
3/ Krumm (1985), p. 8.
4/ Krumm (2985), p. 48.
5/ With Nigeria included, the decline in the terms of trade was 32 percent.

CHART 3

TOTAL DEBT TO EXPORTS RATIO FOR SUB–SAHARAN AFRICA, 15 HEAVILY INDEBTED COUNTRIES, AND COUNTRIES WITH RECENT DEBT SERVICING PROBLEMS

(In percent of exports of goods and services)

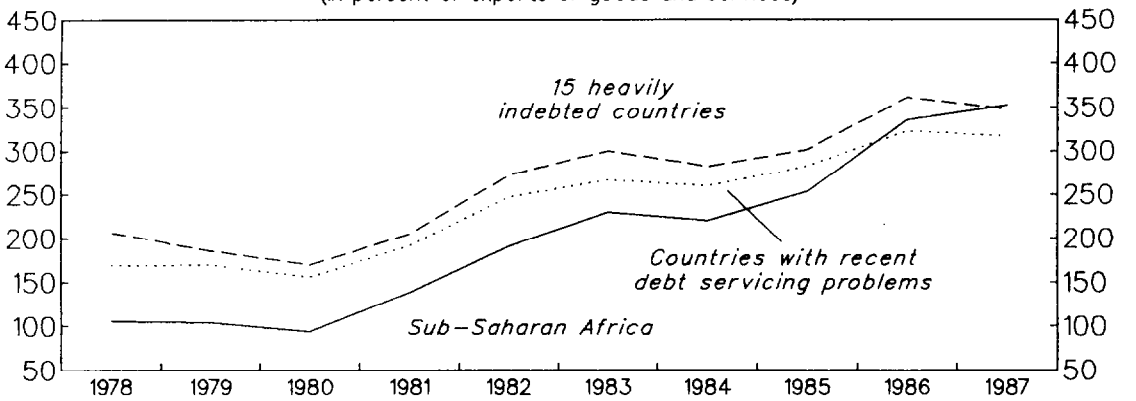



CHART 4

TOTAL DEBT TO GDP RATIO FOR SUB–SAHARAN AFRICA, 15 HEAVILY INDEBTED COUNTRIES, AND COUNTRIES WITH RECENT DEBT SERVICING PROBLEMS

(In percent of gross domestic product)

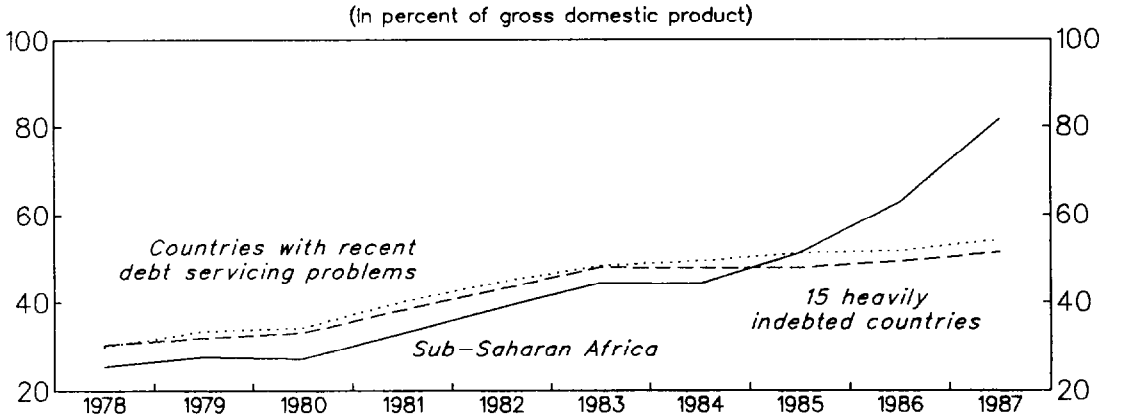
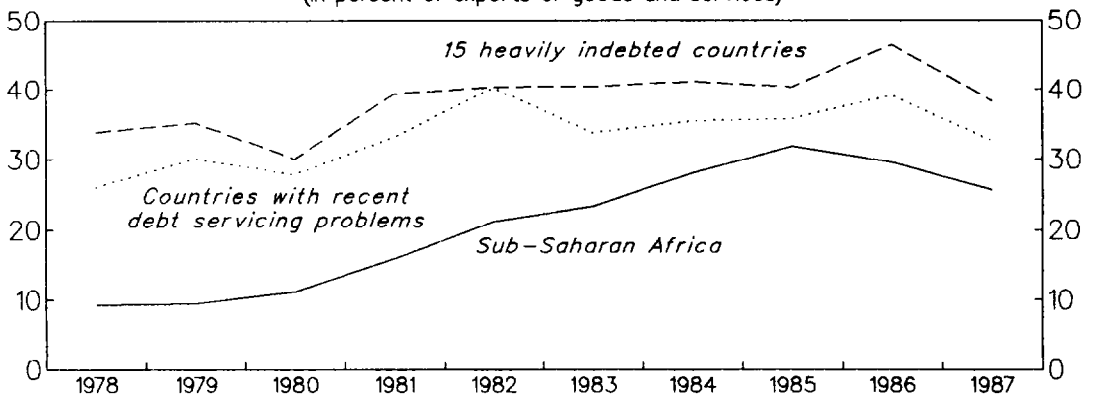



CHART 5

DEBT SERVICE RATIO FOR SUB–SAHARAN AFRICA, 15 HEAVILY INDEBTED COUNTRIES, AND COUNTRIES WITH RECENT DEBT SERVICING PROBLEMS

(In percent of exports of goods and services)




Source: IMF, staff estimates prepared for the October 1988 World Economic Outlook survey.

CHART 6
SUB–SAHARAN AFRICA
TOTAL DEBT LEVEL AND EXPORT VALUE
(In billions of U.S. dollars)

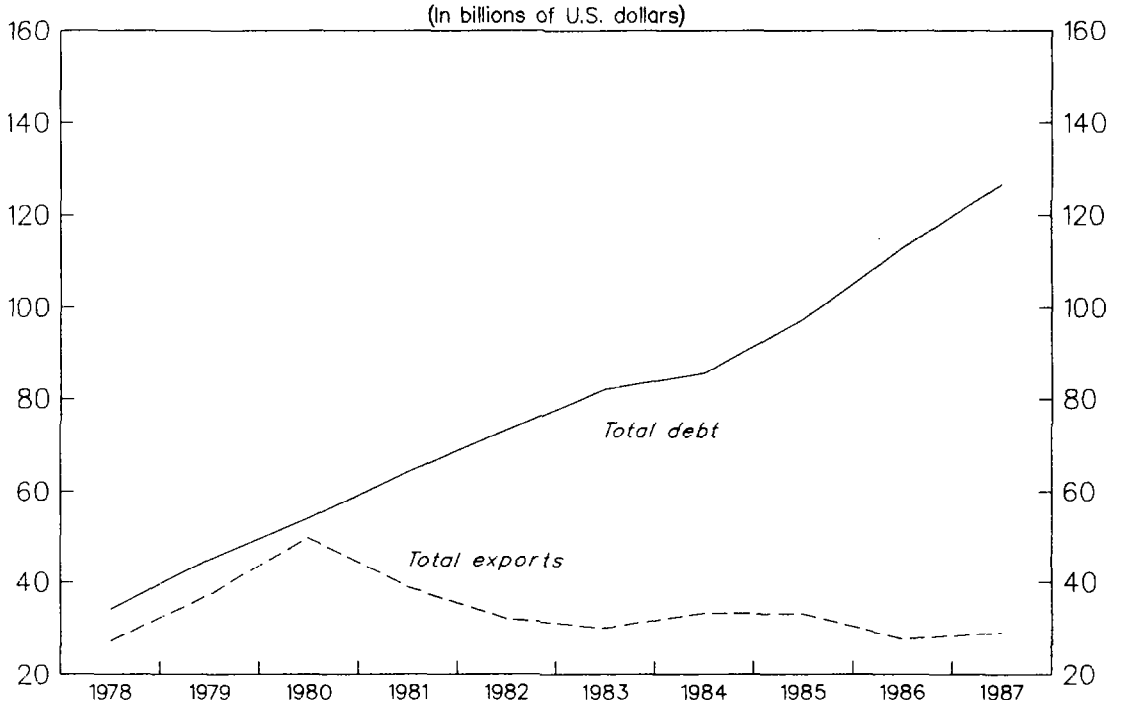
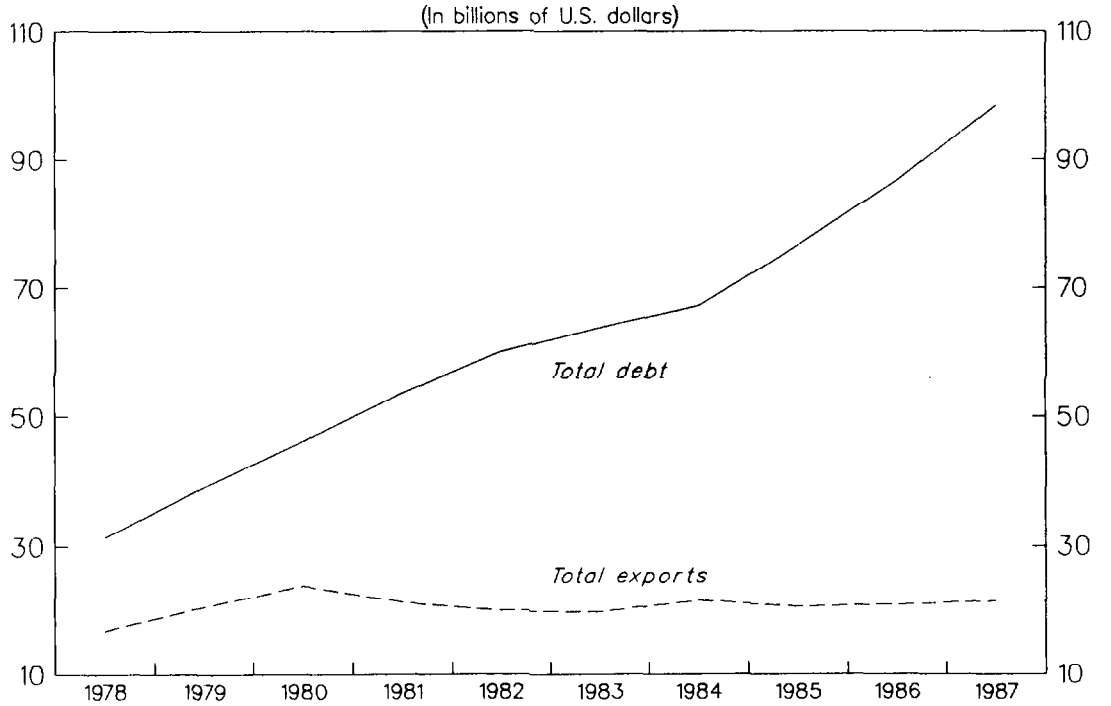



CHART 7
SUB–SAHARAN AFRICA, EXCLUDING NIGERIA
TOTAL DEBT LEVEL AND EXPORT VALUE
(In billions of U.S. dollars)




Source: IMF, staff estimates prepared for the October 1988 World Economic Outlook survey.

1980, despite a 16 percent rise in export volume. 1/ At the same time, debt service obligations more than doubled between 1980 and 1987, reflecting both the overhang of debt incurred during the 1970s and continued borrowing since then. With diminished export earnings, and with import prices by 1987 significantly above their 1980 levels, Sub-Saharan countries found it increasingly difficult to meet their debt service burdens while maintaining an acceptable volume of imports (Charts 8 and 9). This was particularly true for countries like Zambia that had expanded import-intensive manufacturing industries during the 1970s, and thus had become even more dependent on imports of raw materials and intermediate goods in later years.

Another factor that contributed to Sub-Saharan debt burdens during the 1980s was the rise in interest rates. Although less important than for market borrowers, because of the predominantly official character of Sub-Saharan debt, rising interest rates nonetheless affected a number of countries that had made significant use of commercial borrowing, in particular Botswana, Cote d'Ivoire, Kenya, Liberia, Malawi, Mauritius, Niger, Nigeria, Senegal, Zaire, Zambia, and Zimbabwe. 2/ Although some of these loans carried fixed rates, an increasing proportion was either denominated in floating rates or renegotiated at the new and higher fixed rates, which averaged 13 percent in nominal terms (and 4 percent in real terms) during the period 1979-82, compared to 9 percent (and -2 percent in real terms) during 1973-78. 3/ According to Krumm (1985), higher real interest rates may have increased debt levels for the Cote d'Ivoire, Malawi, and Zambia by more than 10 percent during the period 1979-83. 4/

Still another factor affecting the ability of Sub-Saharan countries to meet debt service obligations was the decline in real net capital inflows, including external assistance, during the 1980s. As shown in Table 4, combined net external borrowing and non-debt-creating flows, including estimated debt relief and arrears, rose from US$6 billion in 1975 to US$13 billion in 1980 and US$17 billion in 1982, before falling sharply to US$8 billion in 1985. Total inflows recovered to US$13-14 billion in 1986 and 1987, but largely because of debt relief, estimated at US$11 billion during each of these years. Absent debt relief and arrears, the figures suggest a decrease in net capital flows from US$11-13 billion a year during 1980-82 to less than US$1 billion a year during 1986-87. Within these totals there was a sharp redistribution of funds toward

---

1/ Including Nigeria, the decline in export earnings was 42 percent, reflecting an 18 percent drop in export volume.

2/ Krumm (1985), p. 14.

3/ Krumm (1985). These real interest rates were calculated using the wholesale price index for the United States as the price deflator. Stymne (1988), using export unit values for Sub-Saharan Africa as the price index for calculating real interest rates, estimates far higher real interest rates for these countries during the post-1979 period, because of the decline in export prices of most primary commodities.

4/ Krumm (1985), p. 15.

Table 4. External Financing Flows for Sub-Saharan Africa, 1970-87

(In billions of U.S. dollars)

| | 1970 Est. | 1975 Est. | 1980 | 1982 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|
| Sub-Saharan Africa 1/ | 1.9 | 6.1 | 12.9 | 16.8 | 8.2 | 14.2 | 13.2 |
| Net non-debt-creating flows | 1.0 | 2.4 | 3.6 | 4.1 | 4.5 | 5.2 | 5.5 |
| Net external borrowing 2/ | 0.9 | 3.7 | 9.3 | 12.7 | 3.7 | 9.0 | 7.7 |
| Long-term borrowing from official creditors | (0.6) | (1.8) | (4.5) | (6.0) | (5.7) | (12.4) | (7.5) |
| Reserve-related liabilities 3/ | (--) | (0.5) | (0.4) | (5.2) | (2.1) | (2.1) | (0.8) |
| Other borrowing | (0.3) | (1.4) | (4.4) | (1.6) | (-4.1) | (-5.5) | (-0.6) |
| Memorandum item: | | | | | | | |
| Total flows, exlcuding estimated impact of rescheduling and arrears | 1.9 | 5.9 | 13.0 | 12.0 | 2.9 | 0.7 | 0.8 |

Source: IMF, data compiled for the October 1988 World Economic Outlook exercise.

1/ Defined as Africa excluding Algeria, Angola, Morocco, Namibia, South Africa, and Tunisia.
2/ Includes estimated impact of debt rescheduling and arrears.
3/ Includes use of Fund credit and arrears.

CHART 8
SUB–SAHARAN AFRICA
IMPORT VOLUME AND DEBT SERVICE RATIO

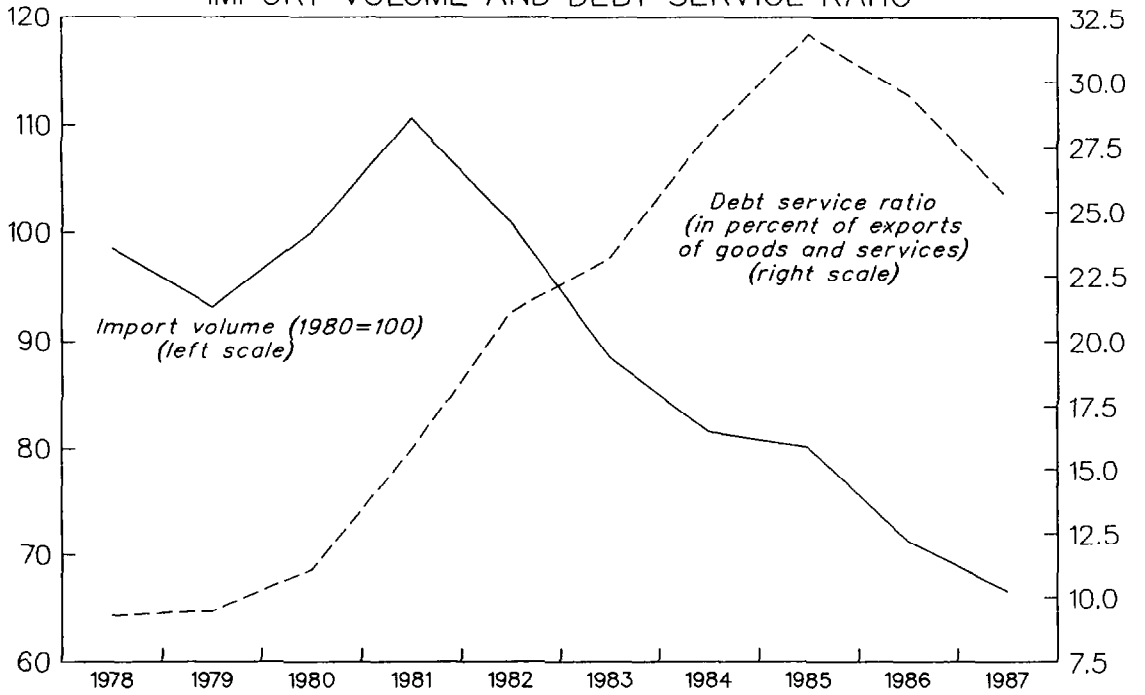
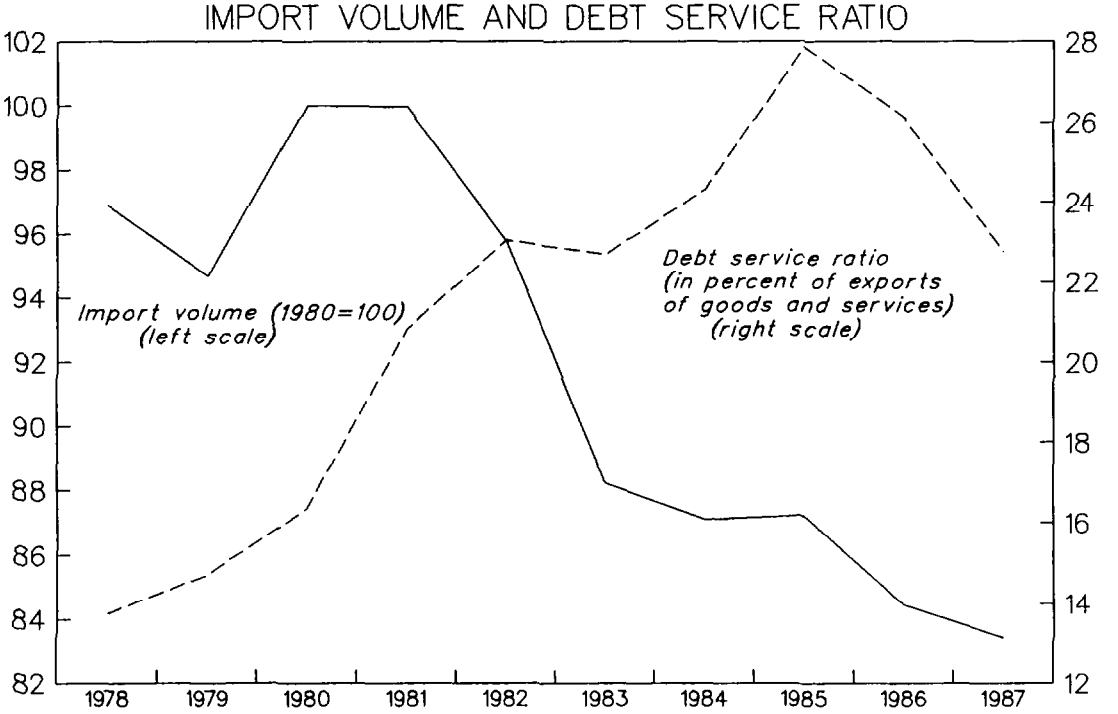



CHART 9
SUB–SAHARAN AFRICA, EXCLUDING NIGERIA
IMPORT VOLUME AND DEBT SERVICE RATIO




Source: IMF, staff estimates prepared for the October 1988 World Economic Outlook survey.

official sources, as other borrowing (which is mostly from private creditors) fell from US$4.4 billion in 1980 to minus US$5.5 billion in 1986 and minus US$0.6 billion in 1987. Official grants and borrowing from official sources increased during the period, but by less than the decline in net borrowing from private sources.

Domestic policies have also been a major cause of debt accumulation in Sub-Saharan countries. As noted earlier, many countries opted for major development programs and highly expansionary fiscal policies during the commodity boom years of the late 1970s, acquiring external debt as spending increases outpaced the rise in tax receipts. These spending policies continued for some time after the post-1980 collapse in commodity prices. A few countries such as Zambia also used external commercial borrowing to maintain consumption in the face of deteriorating export earnings. In addition, several oil producing countries such as Gabon, Nigeria, and the Republic of the Congo used their access to foreign capital markets to support major public investment schemes during the 1980s. When oil prices plummeted early in 1986, many of these countries found themselves hard-pressed to meet their debt service obligations.

Besides expansionary fiscal policy and outright borrowing for consumption, many Sub-Saharan countries pursued policies that weakened their external positions. Growing fiscal deficits and surging private credit demand led to rapid monetary expansion in many countries. This, in turn, contributed to higher inflation, with consumer prices rising on average by more than 20 percent a year during the 1980s. Because most of these countries did not depreciate their currencies to offset this inflationary impact, many currencies became overvalued. This inhibited exports and encouraged the formation of parallel exchange markets. Also limiting exports was the common practice of marketing crops through monopolistic public sector agencies that offered low producer prices as a way of meeting costs and raising government revenue. In many countries, producer prices lagged far behind inflation, discouraging production and promoting smuggling.

Domestic economic policies also promoted imports, though overvalued exchange rates and other measures. Many countries subsidized imported food, fertilizer, and petroleum products as a matter of policy. In addition, tariff legislation encouraged the growth of inefficient, import-intensive manufacturing establishments by imposing high tariff rates or quantity restrictions on imports of finished goods, while tariffs on imported raw materials and intermediate goods were low or non-existent.

Negative real interest rates in many countries discouraged domestic savings, encouraged capital outflows, and contributed to debt accumulation by requiring substantial borrowing to finance investment projects. In addition, high inflation rates, capital controls, and extensive restrictions on investment discouraged direct investment and the growth it might have generated. Altogether, these policies increased borrowing needs and lowered export earnings, thus reducing the ability of Sub-Saharan countries to meet rising debt service obligations. These efforts were then

compounded during 1986-87, when the failure of commodity prices to match the increase in dollar-denominated import costs led to a 20 percent deterioration on the terms of trade for Sub-Saharan countries excluding Nigeria. 1/

## IV. Initial Responses to the Problem: Economic Adjustment and Debt Relief

With the temporary booms in non-oil commodity prices largely over by 1980, a significant number of Sub-Saharan countries found themselves increasingly unable to meet debt service obligations while maintaining existing trends in payments for imported goods and services. Many of these countries responded to this situation by adopting adjustment programs aimed at bolstering export earnings, curbing domestic absorption, and reducing inflation. In a number of cases, the Fund supported these programs through stand-by and extended arrangements. As summarized in Zulu and Nsouli (1985), the adjustment programs receiving Fund support frequently included measures to improve competitiveness through exchange rate adjustments. Also included were measures to reduce fiscal deficits through expenditure cuts and improved revenue effort, and policies to curb monetary expansion while directing a larger share of new credit to the private sector. In many cases structural problems were also addressed, including large and often unprofitable public enterprises that had expanded rapidly during the 1970s.

The initial response of the donor community to the growth of debt servicing problems of Sub-Saharan countries focused on financial assistance from the Fund and accompanying debt relief from bilateral creditors. However, the World Bank, through its structural adjustment lending, initiated in 1980-81, also provided significant assistance to many Sub-Saharan countries. This type of lending was frequently designed to supplement the Bank's project lending, by helping establish the economic conditions needed for project success. In some cases it also served to supplement the resources of the Fund, by supporting adjustment programs developed in conjunction with the Fund. 2/

The Fund, as the major international institution for balance of payments support, stood ready to assist Sub-Saharan countries in adjusting to adverse external developments. Moreover, with the exception of Zaire in 1976, Sub-Saharan countries did not make significant use of Fund resources in the stand-by, extended, and compensatory financing facilities during the 1960s and 1970s. In 1980, the Fund had substantial resources available to assist member countries, as quotas had more than doubled to SDR 59.6 billion in 1977. SDR 12.3 billion in additional funds were available from the General Arrangements to Borrow and the Supplementary

---

1/ With Nigeria included, the decrease was 32 percent.
2/ See Thomas and Chhibber (1989).

Financing Facility, and outstanding use of Fund credit was less than SDR 8.0 billion at end-1979.

Early in 1977 the Fund had authorized members to make cumulative purchases outside the special facilities exceeding 200 percent of their quotas, using the combined resources of a member's credit tranches and entitlement to supplementary financing facility. 1/ The cumulative ceiling was raised to a maximum of 500 percent of quota following the introduction of the Enlarged Access Facility in 1981. 2/ Consequently, when significant numbers of Sub-Saharan Africa countries began to request Fund arrangements in 1980 and 1981, the Fund could offer relatively large amounts of financial assistance. Outstanding use of Fund credit (UFC), excluding Trust Fund loans, to Sub-Saharan Africa countries increased from SDR 1.3 billion at end-1979 to SDR 5.4 billion at end-1984 (Table 5). Fund arrangements also served as a catalyst for obtaining debt relief from bilateral creditors and commercial banks, in particular from Paris Club countries that generally made the existence of a Fund arrangement in the upper credit tranches a condition for the approval of debt rescheduling. A detailed list of Sub-Saharan Africa countries receiving debt relief from the Paris and London Clubs appears in Appendix Table II. Over the five years 1980-84 the impact of debt relief for Sub-Saharan countries is estimated to have totalled US$9 billion (Appendix Table I).

Net Fund credit to Sub-Saharan Africa began to slow in 1984 and turned negative in 1986 and 1987, with net outflows from Sub-Saharan countries to the Fund approaching SDR 1 billion a year during this period after the inclusion of Fund charges. The Fund continued to serve, however, as a catalyst for debt rescheduling and for new commitments of donor assistance. As noted in Table 1, during 1986 and 1987 alone Sub-Saharan countries were estimated to receive more than US$20 billion in debt relief. Thus, the Fund continued to have a net positive impact on external capital flows to Africa, even if its own exposure to Sub-Saharan Africa was decreasing during this period.

While the Fund's direct financial assistance to Sub-Saharan Africa diminished after 1983, the Bank's adjustment lending increased substantially. Disbursements from the Bank's adjustment loans and credits to Sub-Saharan countries totaled US$0.4 billion in 1985, and increased to an average of more than US$1 billion a year during 1986 and 1987. Much of this increase can be traced to the establishment of the Bank's US$1 billion Sub-Saharan Africa facility in 1985. Disbursements from this facility totaled US$0.3 billion in 1986 and US$0.4 billion in 1987. Net transfers (disbursements less principal and interest payments) from the

---

1/ The total, set at 247 percent of quota prior to the implementation of the 1977 quota increase, was reduced to 202.5 percent of quota after that increase became effective. See Fund Decision No. 5508 (77/127), August 29, 1977.

2/ See Decision No. 6783-(81/40), (3/11/81), as modified by Decision No. 7600-(84/3), January 6, 1984.

Table 5. Fund Purchases, Repurchases, Changes, and Net Use of Fund Credit in Sub-Saharan Africa, 1970-87

(In billions of SDRs)

| | 1970 | 1975 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sub-Saharan Africa | | | | | | | | | | |
| Net use of Fund credit 1/ 2/ | -- | 0.4 | 0.4 | 1.4 | 1.0 | 1.4 | 0.5 | 0.1 | -0.3 | -0.5 |
| Purchases | (--) | (0.5) | (0.7) | (1.7) | (1.3) | (1.8) | (1.0) | (0.7) | (0.6) | (0.3) |
| Repurchases | (-0.1) | (-0.1) | (-0.3) | (-0.3) | (-0.2) | (-0.4) | (-0.5) | (-0.6) | (-0.9) | (-0.8) |
| Fund charges | -- | -- | 0.1 | 0.1 | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | 0.2 |
| Memorandum item: | | | | | | | | | | |
| Outstanding use of Fund credit 2/ 3/ in the General Department | 0.1 | 0.6 | 1.5 | 2.9 | 3.6 | 4.9 | 5.4 | 5.5 | 5.2 | 5.0 |

Source: IMF, International Financial Statistics data base; and IMF, Treasurer's Department.

1/ Totals may not add because of rounding.
2/ Excludes Trust Fund loans, and SAF loans.
3/ At end of period.

Bank to Sub-Saharan countries also increased over the period, from US$0.5 billion in 1980 to US$1.4 billion in 1987. 1/ Net transfers from other multilateral institutions fell, however, from US$1.0 billion in 1980 to US$0.7 billion in 1987.

Despite the availability of debt relief and the continuing attention of donor countries and international organizations, economic conditions in Sub-Saharan Africa continued to deteriorate during the mid-1980s, and by 1987 the position of most Sub-Saharan countries had become precarious. Average export earnings stood at barely 64 percent of their 1980 levels, and real per capita GDP was estimated to have fallen to the level of the 1970-71. Real aid flows (in constant 1980 US dollars) had also fallen considerably from the start of the decade, and net capital flows were positive only because of the effect of debt relief. Moreover, even debt rescheduling was of little use to an important subset of Sub-Saharan countries such as Uganda and Zambia, most of whose debt was owed to international organizations, and by convention nonreschedulable.

Partly in response to these developments the Fund in 1986 established its Structural Adjustment Facility (SAF), to provide assistance on very concessional terms (interest rates of one-half percent, with repayment over a ten year period including four and a half years' grace) to very low-income (basically, IDA-eligible) countries undertaking programs of comprehensive macroeconomic and structural adjustment. Through the end of 1987, however, the amounts available under this facility were relatively low, totaling only 63.5 percent of members' quotas over a three-year period. In addition, Paris Club donor countries agreed to consider more generous terms for debt rescheduling and to approve debt reschedulings for countries having only a SAF arrangement with the IMF, rather than the traditional stand-by or extended Fund facility arrangement. Neither of these initiatives did much to reduce the debt burdens of countries with substantial obligations due to international organizations. Moreover, the combined funds available for external assistance left many Sub-Saharan Africa countries with unmanageable balance of payments positions.

## V. Recent Debt Initiatives

During the last half of 1987 the IMF and the World Bank undertook further measures to address the debt problems of very low income countries. The IMF obtained resources from a number of member countries to allow a substantial expansion of its Structural Adjustment Facility (SAF). The expanded SAF, termed the "Enhanced Structural Adjustment Facility" (ESAF), stands to provide much larger amounts of financial assistance to qualifying countries, in the order of 150 percent of members' quotas over a three year period, and in some cases up to 350 percent of quota where the need arises. This facility became effective in January 1988; as of end-1988 ESAF arrangements had been approved for five Sub-Saharan African

1/ See World Bank (1989), pp. 6-9.

countries--the Gambia, Ghana, Malawi, Niger, and Senegal. The World Bank has also secured commitments from major donors to provide substantial cofinancing for its Special Program for Africa, aimed at debt-distressed countries. As of end-1988, however, formal allocations for this program had not yet become available.

In addition to the IMF and World Bank initiatives, in 1988 the G-7 countries agreed on measures to reduce the bilateral debt service obligations of very low-income countries. Under the terms of the agreement reached at the June 1988 Toronto economic summit and detailed at the September 1988 annual meetings of the IMF and the World Bank, G-7 creditors have agreed to provide countries eligible for World Bank IDA credits one of three types of more extensive debt relief: (a) forgiveness of one-third of the debt service due on obligations rescheduled through the Paris Club, with the remainder rescheduled over a 14 year period, including 8 years of grace; (b) rescheduling of all eligible obligations over a 14 year period, including 8 years of grace, at interest rates 3.5 percentage points below market rates or at one half of market rates, if these rates are less than 7 percent; and (c) a rescheduling of all obligations at market interest rates, but over 25 years, including a 14-year grace period.

At present, it is uncertain whether existing aid sources can provide sufficient relief for the debt problem of Sub-Saharan Africa. The new IMF facility and World Bank program for Africa remain to be used by most Sub-Saharan countries. Moreover, the magnitude of resources available from these two sources and the IMF's SAF facility is small compared to the total debt service obligations of these countries. Total SAF and ESAF resources, for which Sub-Saharan countries represent only some of the potential claimants, are SDR 8.7 billion (equivalent to about US$11.3 billion as of early 1989). Co-financing for the World Bank's Special Program for Africa totals another US$6.4 billion, of which only about half is estimated to represent new projects. Moreover, the ultimate benefit from the recent G-7 initiative remains to be determined, although for the five low-income countries granted exceptional debt relief during 1988 it is estimated that the G-7 initiative will reduce interest payments by a total of only US$15 million a year.

In 1987 alone debt service payments of Sub-Saharan countries exceeded US$9 billion, and scheduled obligations exceeded US$20 billion. Unless these programs are supplemented by additional resources in future years, the available funds may only provide significant debt relief to Sub-Saharan countries for a few years. If their terms of trade improve and they achieve major structural adjustments in their economies, Sub-Saharan countries may find these funds sufficient to cover their external financing gaps until their overall external positions strengthen considerably. It may take many years, however, for Sub-Saharan countries to diversify their export bases, phase out import-intensive manufacturing concerns, and establish new and efficient import-substitution industries, if the experience of past adjustment programs supported by the IMF and the World Bank is any guide. Moreover, primary commodity prices seem unlikely

to rise significantly during the next few years, based on recent trends in commodity prices and the likelihood of moderate economic growth and continued implementation of anti-inflation policies among the industrial countries. Thus, the current resources for debt relief may well run out before Sub-Saharan countries can begin to handle their debt service obligations.

## VI. Alternative Debt Proposals

What more could be done to help debt-distressed Sub-Saharan Africa countries? Many ways of reducing their debt service obligations can be considered, ranging from debt relief for obligations to international organizations to various forms of outright debt forgiveness. A broad range of such proposals can be found in Helleiner (1989). This paper focuses on a few specific proposals for alleviating the debt service burdens of Sub-Saharan countries to official creditors. Some of these measures would represent major departures from current practice. They would also require substantially more foreign assistance from bilateral donors, which might be difficult to obtain given the climate of budget stringency facing most industrial countries.

Besides the proposals for official debt considered here, proposals for reducing debt to commercial banks and private lenders could also be considered. Among these are debt-buybacks, which are now under consideration for a few Sub-Saharan countries such as Mozambique and the Republic of the Congo. 1/ These proposals are of particular importance for the few African countries with substantial amounts of debt to private sector creditors. For most Sub-Saharan countries, schemes to reduce commercial debt are not relevant. Accordingly, these proposals are not discussed further in this paper.

### 1. Assisting low-income countries in meeting debt service due to international organizations

One idea that has been suggested is to provide assistance to low-income countries in meeting debt service obligations to international organizations. This proposal would be of particular use to Sub-Saharan countries, for whom debt to international organizations represents a large proportion of their total external debt. As noted earlier, international organizations do not, as a rule, reschedule outstanding debt service obligations, in large part because they rely to a significant degree on the recycling of existing resources to fund new programs. Moreover, few donors or agencies are willing to provide cash assistance or aid that can be used to meet these obligations. Countries with large obligations to international organizations therefore have no choice but to meet these obligations or to fall into arrears. Falling into arrears is not an

1/ For theoretical discussions of debt buybacks, see, for example, Corden (1988) and Dooley (1988).

attractive alternative, however, since it typically leads to a cut-off in funds from the organization involved and may cause other donors to reconsider their own aid programs with the country.

A number of mechanisms could be envisaged for providing debt relief for obligations due to international organizations. One possibility would be for donors to raise additional funds to allow international organizations to replace existing loans with loans offering more concessional terms. 1/ As with more formal debt rescheduling, the replacement of outstanding loans would give borrowers more time to meet their debt service obligations. This could make it easier to fulfil debt service obligations. To increase the chance of loan repayment, access to softer loans could be conditioned on the implementation of a satisfactory economic adjustment program, as is now true for the use of Fund resources.

To be of greatest use in relieving debt burdens, assistance in meeting debt service obligations to international organizations should be commensurate with the magnitude of these obligations. The most direct way to achieve this would be through formal rescheduling of these obligations. However, most international organizations lack the capital to provide substantial debt relief without in some way curtailing their primary objective of offering new loans and programs. Obtaining new capital from major donors would seem essential for these organizations to consider formal rescheduling. Whether such funding can be secured under the current economic environment facing most donor countries is highly uncertain.

Another option would be to create a new international facility charged with buying the outstanding debt owed to international organizations, and then replacing existing debt service obligations with new loans on more concessional terms. This would be similar to proposals made earlier regarding a facility for buying commercial bank debt. 2/ A debt-buyout facility of this sort would have the advantage of providing debt relief to low-income countries without requiring international organizations to provide new loans themselves. This would enable these institutions to concentrate on their existing functions. To avoid reducing the funds available to these organizations for new lending, however, an international facility would have to purchase existing loan obligations at par. At a minimum, this would require a large initial capitalization from donor countries to cover the difference between obligations due to international organizations and payments received from

---

1/ The recent study by the United Nations (1988), for example, recommends for low-income countries refinancing outstanding IBRD obligations at highly concessional terms and refinancing IMF purchases through the Fund's ESAF facility. The Fund, however, has indicated that ESAF resources are intended to increase the amount of external financing available to low-income countries in pursuing growth-oriented adjustment programs, rather than to replace outstanding debt obligations.

2/ See, for example, Corden (1988).

outstanding borrowers. A new international organization would also face considerable start-up costs, including the need to screen and supervise new loans to debt-distressed countries. For these reasons, it seems unlikely that this approach to meeting debt-service obligations due to international organizations would be followed.

A third option for relieving the debt service obligations of low-income countries to international organizations would be for bilateral lenders to relax their normal rules regarding aid and provide funds themselves that are targeted for this purpose. This could involve either a direct payment to the country or a payment made on that country's behalf to an international organization. To ensure that the resources were properly used, donor countries might require that the recipients be implementing a satisfactory economic adjustment program, as is now the case for countries seeking bilateral debt relief.

Having donors assist debt-distressed countries in meeting external debt service obligations would have an advantage in allowing donors to oversee the selection of countries and tailor the degree of assistance to each country's apparent needs. One disadvantage would be the need for donor countries to decide, in each case, how much financial support each donor should provide to qualifying debtors in meeting their obligations to international agencies. This could prove far harder than the alternative of giving multilateral agencies the funds and authority to arrange rescheduling themselves. Another disadvantage would be in requiring donors to supervise a number of countries in this position, particularly if payments to international organizations were released in tranches, following evidence of "good" country performance.

The major drawback to any proposal for debt relief on obligations to international organizations is that bilateral donors would inevitably be required to provide the necessary funding. In recent years debt service payments to these organizations from Sub-Saharan countries have exceeded US$3 billion, or about one-and-one half times the yearly total of bilateral loan disbursements since 1984 (Table 6). Covering any substantial part of this amount would thus require either a significant increase in bilateral aid or some cutback in other aid activities. The likelihood of a major increase in donor aid to support this type of activity seems uncertain, given the present budgetary positions of the leading donors. Consequently, the idea of increasing the resources of existing international organizations to cover outstanding debt service obligations or, alternatively, to fund a new institution to "buy out" existing loans, seems quite doubtful. Any such program would probably thus displace at least some of the funding available for new aid programs to low-income countries. This would mean a reallocation of existing aid resources, not only among functions but also across countries in favor of those with large debt service problems. As a large number of Sub-Saharan

Table 6. Sub-Saharan Africa: Estimated Debt Service Payments to International Organizations, 1975-87 1/

(in billions of U.S. dollars)

| | 1975 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|
| International organizations | 0.3 | 0.9 | 1.0 | 1.2 | 1.4 | 1.8 | 2.1 | 3.0 | 3.1 |
| Multilateral agencies, excluding the Fund | 0.2 | 0.5 | 0.5 | 0.6 | 0.7 | 0.9 | 1.1 | 1.6 | 1.8 |
| Principal | (0.1) | (0.2) | (0.2) | (0.3) | (0.3) | (0.5) | (0.6) | (0.8) | (0.9) |
| Interest | (0.1) | (0.3) | (0.3) | (0.3) | (0.4) | (0.5) | (0.5) | (0.8) | (0.9) |
| Fund | 0.1 | 0.4 | 0.5 | 0.6 | 0.7 | 0.9 | 1.0 | 1.4 | 1.3 |
| Repurchases | (0.1) | (0.3) | (0.3) | (0.3) | (0.4) | (0.5) | (0.6) | (0.9) | (1.0) |
| Charges | (--) | (0.1) | (0.2) | (0.3) | (0.3) | (0.4) | (0.4) | (0.5) | (0.3) |
| Memorandum items: | | | | | | | | | |
| Loan disbursements from bilateral donors | 1.4 | 2.5 | 3.4 | 2.7 | 3.1 | 2.1 | 1.9 | 2.0 | 2.0 |

Sources: World Bank, World Debt Tables; IMF, Treasurer's Department; and International Financial Statistics; and data provided by the World Bank (non-Fund payments and bilateral disbursements for 1986 and 1987).

1/ Totals may not add because of rounding.

countries fall into this category, 1/ however, the change might be advantageous for the region as a whole.

2. Bilateral debt forgiveness

A more radical approach to assisting debt-distressed Sub-Saharan Africa countries would be to establish large-scale debt forgiveness programs among bilateral donors. This could be considered an extension of an earlier UNCTAD agreement negotiated in 1979 calling for retroactive adjustment of past official development assistance lending to the least developed countries and for future bilateral aid to these countries to be in the form of grants. A few donors have already forgiven certain debts owed by Sub-Saharan Africa countries. Moreover, at the September 1988 annual meetings of the Fund and the World Bank the G-7 countries agreed to a more wide-ranging proposal for debt relief including the option of forgiving as much as a third of the outstanding bilateral debt owed by low-income countries to these nations. There is also some research suggesting that some degree of debt forgiveness may be necessary to enable Sub-Saharan countries simply to maintain existing nominal import levels, in view of current debt levels and the likelihood of continued sluggish growth in export earnings. 2/

Debt forgiveness of strictly government obligations might not provide large savings to some countries already receiving debt rescheduling, because many of these countries have already been granted full or nearly total debt relief on their current external obligations and arrears to national governments and export guarantee agencies. Significant savings could nevertheless arise from eliminating the moratorium interest obligations on rescheduled debt, however. This is particularly true for countries that have repeatedly undergone debt rescheduling, and thus accumulated a much larger stock of debt on which these interest payments are calculated.

Debt forgiveness would also eliminate the sizable administrative burdens associated with periodic debt reschedulings. In addition, it would stop the steady accumulation of debt to bilateral governments that results from repeated debt reschedulings and the resulting capitalization of interest and arrears. What effect debt forgiveness would have on the ability of donor countries to provide new assistance is unclear, however. On the one hand, few major donors rely on the recycling of earlier aid to fund new programs, with the exception of export credit guarantee agencies like the United States' Ex-Im Bank, which are self-financing and would need budgetary transfers to restore capital lost through debt forgiveness. On the other hand, some governments might view debt forgiveness as

---

1/ Of the 44 Sub-Saharan countries, only 11 (Botswana, Burundi, Djibouti, Ethiopia, Kenya, Lesotho, Mauritius, Rwanda, Seychelles, Swaziland, and Zimbabwe) did not incur arrears or resort to debt rescheduling during 1984-86.

2/ See Stymne (1988).

tantamount to foreign aid and reduce new aid allocations by a comparable amount. For these donors, a decision to waive interest payments and postpone principal repayments might provide equivalent relief without raising the more difficult issues posed by outright debt forgiveness.

To succeed, debt forgiveness would have to be limited to very low-income countries and be conditioned on the pursuit of appropriate economic adjustment programs, perhaps with a certain amount of forgiveness occurring each year after the successful completion, say, of a Fund-supported economic adjustment program. Neither requirement seems particularly difficult, since both are already accepted as conditions for receiving debt relief on exceptional terms from Paris Club donor countries. To guard against future debt problems, new bilateral aid would also have to come in the form of grants, rather than loans. Donor countries might be less willing to accept this proposal, although in the last year many donors have been willing to increase the percentage of aid given as grants to low-income countries, such as Uganda, that are undertaking major economic adjustment programs.

3. Eliminating Sub-Saharan Africa debt and providing only grants

Perhaps the most extreme debt relief proposal for Sub-Saharan Africa countries would be to forgive all external debts, including those to international organizations, and (as in the afore-mentioned UNCTAD agreement) to restrict all future assistance to outright grants. Such a strategy would, of course, eliminate the Sub-Saharan debt problem. However, the resources required to forgive all outstanding Sub-Saharan external debt far exceed the present or foreseeable aid budgets of industrial countries. In addition, channeling all future aid as grants would require a major change in policy for international organizations, virtually all of which restrict their financial assistance activities to loans or their equivalents.

Simply to repay the estimated end-1987 debt to international organizations of Sub-Saharan countries would require more than US$29 billion. This is more than twice the sum of official grants and net official loan disbursements to these countries during 1987, and it is hard to imagine the creditor countries committing such a sum just to eliminate non-reschedulable debt. Thus, from an aid flow perspective Sub-Saharan countries might do better receiving the much smaller sum of money (perhaps US$1-3 billion annually, based on the most recently published World Bank debt tables and current projections of net IMF repurchases and charges) needed to cover that part of the nonreschedulable debt service due to international organizations each year that is deemed "excessive" or to fund a comparable debt rescheduling program. This approach would leave bilateral donors with significantly more resources to finance new aid projects. Sub-Saharan countries, in turn, would receive more funding for imports, development, and structural reform. As mentioned earlier, however, it might be difficult for donors to raise even this smaller amount of money given the present budgetary constraints facing most industrial nations.

As regards international agencies, any attempt to shift operations to providing grants would require periodic replenishments of these agencies' capital to ensure sufficient funds for new operations. Given the fiscal pressures facing many donor countries, this may be hard to achieve. The most that seems possible is for these agencies to review the terms of their lending activities, restrict new loans to the most concessional of terms, and make a more careful analysis of the ability of countries to service additional debt. Even this change would probably mean fewer new lending programs for Sub-Saharan countries, a serious drawback from the standpoint of maintaining capital inflows to these countries. This approach could, however, reduce the risk of future Sub-Saharan debt crises.

4. Actions for Sub-Saharan Africa countries to take

In addition to policies for creditor nations, Sub-Saharan countries must themselves take steps to lessen their debt burdens. As noted earlier, much of the problem resulted from the accumulation of external debt for development projects that were not, in retrospect, self-financing. During their first years of independence many Sub-Saharan countries lacked the means to generate significant domestic savings for development projects. These projects therefore required large amounts of external financing. Two decades later, however, most of these countries still rely primarily on external finance for capital projects. A significant number have also come to require external finance for current expenditure and an important share of critical imports.

One way for Sub-Saharan countries to reduce their external debt burden is to increase domestic savings for capital projects. This can be achieved in two ways: by encouraging private savings and by increasing public savings through fiscal retrenchment. Encouraging private savings would require measures to make saving an attractive alternative to consumption. Since many Sub-Saharan countries have high inflation rates and very low nominal interest rates, this may require substantial increases in these interest rates, so that real rates become positive. This step may prove difficult in many African countries, where efforts to raise interest rates often encounter strong opposition. It will also require serious measures to reduce inflation itself, through strong policies of fiscal and monetary adjustment. As for boosting public savings, this will require measures to decrease the government's budget deficit, through revenue increases and appropriate cuts in current expenditure. Achieving higher revenues may require significant reforms both in tax laws and in revenue administration and enforcement, while expenditure cuts in many countries will require more stringent monitoring systems. Appropriate spending cuts will also require a willingness to contain certain politically attractive types of spending, such as subsidy payments and military outlays, to preserve funds for payment of essential staff and for maintenance of existing facilities.

Besides measures to increase domestic savings, Sub-Saharan countries may also have to reconsider certain well-entrenched views about the

desirability of undertaking new concessional borrowing. Current thinking in the world financial community is that low-income countries should avoid new non-concessional debt, but that additional debt on concessional terms is acceptable for financing worthwhile projects. However, many debt-distressed Sub-Saharan countries might ask whether any increase in their current debt burdens is appropriate, given the difficulty they have experienced in meeting existing concessional and nonconcessional debt service obligations. Just as donor countries might be encouraged to provide new external assistance in the form of grants, debtor countries might consider refusing even new loans on concessional terms, or at least applying a careful cost-benefit analysis to concessional loan proposals aimed at restricting new loans to those for projects likely to generate enough foreign exchange to meet the related debt-service obligations. "Taking a pledge" to restrict even new concessional borrowing could encourage bilateral donors to be more willing to provide new assistance in the form of grants. Refusing all loans, however, would preclude low-income countries from receiving additional support from multilateral agencies such as the World Bank and the African Development Bank, whose charters preclude them from providing grants rather than loans. Thus, it may not be realistic for low-income countries to rule out any new borrowing, as opposed to avoiding all but the most concessional of new loans and credits for projects likely to generate future foreign exchange.

## VII. Summary and Conclusions

The evidence on African debt and debt burdens clearly indicates that Sub-Saharan African countries face a serious and growing external debt problem. External debt as a ratio to GDP or to exports of goods and services for Sub-Saharan countries has risen more than three-fold since 1980, and now exceeds the comparable ratios for countries with recent debt servicing problems and for the 15 heavily-indebted countries identified in the Baker initiative. During the past five years more than half the Sub-Saharan countries have incurred arrears on debt service obligations or sought debt rescheduling. In 1987, without debt relief, scheduled debt-service obligations would probably have exceeded 50 percent of exports of goods and services.

Several initiatives have been developed during the last two years in an attempt to address the growing debt burden of Sub-Saharan Africa. These include the Fund's SAF and ESAF facilities, the World Bank's Special Africa Program, and the G-7 initiative providing greater debt relief to very low-income countries. Together, these facilities have expanded the resources available for relieving African debt burdens. However, the total resources available to these facilities (US$12 billion for the SAF-ESAF fund and US$6.4 billion for the special Africa Program) and the estimated additional relief arising from the G-7 proposal (possibly less than US$0.1 billion a year) are small compared to the estimated yearly debt service obligations Sub-Saharan countries (US$21 billion a year), 1/

1/ Weerasinghe (1988), p. 180.

of which these countries are now paying less than 50 percent. Moreover, none of these proposals would actually reduce the outstanding stock of debt of Sub-Saharan countries, although the G-7 initiative would enable some countries to forego debt service obligations on a portion of their bilateral debt.

To supplement these recent donor initiatives, a number of other debt relief proposals for Sub-Saharan Africa have been suggested, of which this paper has considered three types of measures. These are proposals to assist countries in meeting debt service obligations to multilateral organizations, measures for bilateral debt forgiveness, and more general debt forgiveness measures aimed at eliminating both bilateral and multilateral debt and providing all future assistance in the form of grants.

The first group of proposals, aimed at alleviating debt service due to nonrescheduling creditors, could provide significant debt relief to an important subset of Sub-Saharan countries for which these obligations represent a large percentage of total debt service obligations. A variety of mechanisms could be envisaged for providing this assistance, ranging from the replacement of existing loans with credits from new facilities to payments from bilateral donors on behalf of debt-distressed, low-income countries. Any such scheme is likely to require additional financing on the order of US$1-3 billion a year from donor countries, however, because most international organizations do not have the resources to undertake a large-scale refinancing of existing obligations without curtailing ongoing activities. Given the fiscal pressures facing many donor countries, such financing appears unlikely in the immediate future.

The second set of debt-relief proposals, which involves a broadening of debt forgiveness by bilateral donors, would assist debt-distressed countries by eliminating the moratorium interest obligations and administrative burdens now arising from repeated debt reschedulings. Except perhaps for loans to export credit guarantee agencies, some of which operate as self-funding enterprises, the budgetary cost of bilateral loan forgiveness Sub-Saharan countries would probably be small. Accordingly, some increase in bilateral debt relief beyond that envisioned by the G-7 countries seems conceivable, although the extent may depend on the percentage of central government obligations in the stock of bilateral debt. This option has some risk, however, to the extent that creditor governments viewed debt forgiveness as tantamount to foreign assistance and reduced new aid commitments accordingly.

The final class of debt relief proposals, involving the forgiveness of debt to multilateral organizations as well as bilateral donors, seems highly unlikely under current circumstances. The sheer cost of forgiving Sub-Saharan debt to multilateral organizations would be more than twice the annual sum of total grants and loan disbursements received by these countries in recent years. Thus, even apart from the broader questions raised by this proposal, it appears financially infeasible. In sum, therefore, some broadening of bilateral debt forgiveness seems the most likely new initiative to be forthcoming to assist debt-distressed

Sub-Saharan countries. This might be accompanied by a small program of bilateral aid toward meeting a portion of their debt service obligations to multilateral agencies.

Beyond greater debt relief, a fundamental rethinking of the adjustment strategy for Sub-Saharan Africa may be needed, to help these countries escape the poverty now associated with being exporters of primary commodities. It is beyond the scope of this paper to suggest strategies for diversifying the exports of Sub-Saharan countries, promoting efficient industrialization schemes, or encouraging trade liberalization among the industrial countries. Nevertheless, the success of many Asian countries in industrializing their economies during the last two decades may provide some lessons for Sub-Saharan countries. In addition, international organizations and the countries financing them may wish to follow the lead of the Fund in reconsidering the terms of their current lending facilities, so that assistance can be provided for longer time periods, as is now done by the Fund's SAF and ESAF facilities. Donors should also acknowledge that Sub-Saharan Africa is likely to require far longer to achieve external viability than was previously anticipated. Thus, substantial new commitments of foreign assistance will be needed. Without these changes it is difficult to foresee an end to the Sub-Saharan African debt problem, much less the underlying problems of poverty and stagnation that still cripple many, if not most Sub-Saharan countries more than two decades after their independence.

Table I. External Debt and Debt Service of Sub-Saharan Africa 1/, 1980-87 2/
(In billions of U.S. dollars; at end of period)

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|
| I. Sub-Saharan Africa | | | | | | | | |
| Aggregate external debt by type of creditor | 54.0 | 64.1 | 73.1 | 82.0 | 85.5 | 97.2 | 112.7 | 126.5 |
| Medium and long-term debt, incl. Fund | 47.9 | 57.2 | 63.6 | 71.4 | 76.2 | 87.6 | 105.3 | 119.2 |
| Medium and long-term, excl. Fund | 45.1 | 52.8 | 58.5 | 65.0 | 69.3 | 80.8 | 98.9 | 113.3 |
| Publicly guaranteed | 41.8 | 48.2 | 53.6 | 60.1 | 63.9 | 74.7 | 92.3 | 106.4 |
| To official creditors | (26.9) | (31.4) | (36.6) | (41.0) | (45.2) | (53.8) | (69.0) | (81.2) |
| Governments | [18.0] | [21.1] | [24.6] | [27.7] | [30.2] | [36.6] | [48.2] | [55.3] |
| Int'l insts. | [8.9] | [10.4] | [11.9] | [13.3] | [15.0] | [17.2] | [20.9] | [26.0] |
| To private creditors | (15.0) | (16.8) | (17.0) | (19.1) | (18.8) | (20.8) | (23.2) | (25.1) |
| Fin'l institutions | [11.7] | [13.8] | [13.5] | [14.4] | [13.5] | [14.2] | [16.5] | [17.2] |
| Other | [3.3] | [3.0] | [3.5] | [4.6] | [5.3] | [6.7] | [6.7] | [7.9] |
| Not publicly guaranteed | 3.2 | 4.5 | 5.0 | 4.9 | 5.4 | 6.1 | 6.6 | 6.9 |
| Fund | 2.8 | 4.4 | 5.1 | 6.4 | 6.9 | 6.9 | 6.4 | 5.9 |
| Short-term debt | 6.1 | 6.9 | 9.5 | 10.6 | 9.3 | 9.6 | 7.4 | 7.3 |
| Debt service, including Fund | | | | | | | | |
| Total payments 3/ | 6.4 | 7.3 | 8.1 | 8.3 | 10.7 | 12.2 | 9.9 | 9.2 |
| Payments to non-Fund creditors | 6.0 | 6.8 | 7.5 | 7.6 | 9.8 | 11.2 | 8.5 | 7.9 |
| Interest payments | (2.8) | (2.9) | (3.6) | (3.7) | (4.3) | (5.2) | (3.6) | (3.7) |
| Amortization (excl. short-term debt) | (3.1) | (3.9) | (3.9) | (3.9) | (5.5) | (6.0) | (4.9) | (4.2) |
| Payments to the Fund 4/ | 0.5 | 0.5 | 0.6 | 0.7 | 0.9 | 1.0 | 1.4 | 1.3 |
| Repurchases | (0.4) | (0.4) | (0.3) | (0.4) | (0.5) | (0.6) | (1.0) | (1.0) |
| Charges | (0.1) | (0.1) | (0.3) | (0.3) | (0.4) | (0.4) | (0.4) | (0.3) |
| Memorandum items: | | | | | | | | |
| Estimated impact of rescheduling | 0.8 | 1.4 | 0.5 | 3.5 | 2.8 | 3.1 | 11.1 | 11.1 |
| Estimated stock of arrears | 0.6 | 1.3 | 5.6 | 10.6 | 11.7 | 14.3 | 16.6 | 18.0 |
| Percentage of publicly guaranteed debt owed to | | | | | | | | |
| Governments | | | | | | | | |
| Sub-Saharan Africa | 40.2 | 40.0 | 42.0 | 41.6 | 42.6 | 44.9 | 48.8 | 49.2 |
| Multilateral institutions, incl. Fund | | | | | | | | |
| Sub-Saharan Africa | 26.2 | 28.0 | 29.1 | 29.7 | 30.8 | 29.5 | 27.7 | 28.4 |
| Financial institutions | | | | | | | | |
| Sub-Saharan Africa | 26.2 | 26.2 | 23.0 | 21.7 | 19.0 | 17.4 | 16.7 | 15.4 |
| Other creditors | | | | | | | | |
| Sub-Saharan Africa | 7.2 | 8.6 | 8.5 | 7.4 | 7.6 | 7.5 | 6.7 | 6.2 |

Source: IMF, data compiled for the October 1988 World Economic Outlook exercise.
1/ Defined as Africa excluding Algeria, Angola, Morocco, Namibia, South Africa, and Tunisia
2/ Totals may not add because of rounding.
3/ Data for 1970-79 exclude payments to the Fund.
4/ Excludes payments on Trust Fund and SAF obligations.

Table II. Sub-Saharan Africa: Amounts Restructured in Paris Club and Commercial Bank Debt Restructurings, 1976-87 1/
(In millions of U.S. dollars)

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Central African Republic | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | 72 | -- | 13 | -- | 14 2/ | -- | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Congo | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 756 | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 217 | -- |
| Cote d'Ivoire | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | 230 | 213 | 370 | 567 2/ |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | 501 | -- | 691 | -- |
| Equatorial Guinea | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | 38 | -- | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Gabon | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 387 |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 39 |
| Gambia, The | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 17 | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Guinea | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 196 | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 25 |
| Guinea-Bissau | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 25 |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Liberia | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | 35 | 25 | -- | 17 | 17 | -- | -- | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | 30 | -- | -- | -- | -- | -- |

Table II (continued). Africa: Amounts Restructured in Paris Club and Commercial Bank Debt Restructurings, 1976-87

(In millions of U.S. dollars)

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Madagascar | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | 140 | 107 | -- | 89 2/ | 128 2/ | 212 2/ | -- |
| Commercial banks | -- | -- | -- | -- | -- | 147 | -- | -- | 195 | -- | -- | -- |
| Malawi | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | 25 | 26 | -- | -- | -- | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | 57 | -- | -- | -- | -- |
| Mauritania | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | 74 | 27 | 90 |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Mozambique | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | 283 | -- | -- | 361 2/ |
| Commecial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 140 |
| Niger | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | 36 | 26 | 38 | 34 | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | 27 | -- | 52 | -- |
| Nigeria | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 6,251 | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | 1,935 | -- | -- | 4,250 | -- |
| Senegal | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | 75 | 74 | 72 | -- | 122 | 65 | 79 |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | 78 | 20 | -- | -- |
| Sierra Leone | | | | | | | | | | | | |
| Paris Club | -- | -- | 39 | -- | 37 | -- | -- | -- | 25 2/ | -- | 86 2/ | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | 25 | -- | -- | -- |
| Somalia | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | 127 | -- | 153 2/ |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

Table II (concluded). Africa: Amounts Restructured in Paris Club and Commercial Bank Debt Restructurings, 1976-87

(In millions of U.S. dollars)

| | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sudan | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | 487 | -- | -- | 203 | 518 2/ | 249 2/ | -- | -- | -- |
| Commercial banks | -- | -- | -- | -- | -- | 498 | 55 3/ | 790 3/ | 838 3/ | 920 3/ | -- | -- |
| Tanzania | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1,046 | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Togo | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | 260 | -- | 232 | -- | 300 2/ | 75 2/ | 27 | -- | -- |
| Commercial banks | -- | -- | -- | -- | 69 | -- | -- | 84 | -- | -- | -- | -- |
| Uganda | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | 30 | 19 | -- | -- | -- | -- | 170 2/ |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Zaire | | | | | | | | | | | | |
| Paris Club | 270 | 210 | -- | 1,040 | -- | 500 | -- | 1,497 2/ | -- | 408 2/ | 429 2/ | 671 2/ |
| Commercial banks | -- | -- | -- | -- | 402 | -- | -- | 58 4/ | 64 4/ | 61 4/ | 65 4/ | 61 4/ |
| Zambia | | | | | | | | | | | | |
| Paris Club | -- | -- | -- | -- | -- | -- | -- | 375 | 253 2/ | -- | 371 2/ | -- |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | 74 | -- | -- | -- |

Source: IMF Staff estimates, as reported in IMF Survey, Vol. 17, June 1988, Supplement, pp. 187-88; and P.M. Keller and N. E. Weerasinghe, "Multilateral Official Debt Rescheduling: Recent Experience," IMF, May 1988, pp. 2-4.

1/ Debt restructuring with commercial banks is recorded in the year of agreement in principle; debt restructuring with Paris Club official creditors is recorded in the year in which the Agreed Minute is signed.

2/ Includes the restructuring of previously rescheduled debts.

3/ Modification of 1981 agreement.

4/ Deferment agreement.

## References

Bardhan, Pranab K., "Optimum Foreign Borrowing," in Essays on the Theory of Optimal Economic Growth, ed. by Karl Shell (Cambridge, Massachusetts: MIT Press, 1967), pp. 117-28.

Blanchard, Olivier, "Debt and the Current Account of Brazil," in Financial Policies and the World Capital Market: The Problem of Latin American Countries, ed. by Pedro Aspe Armella, Rudiger Dornbusch, and Maurice Obstfeld (Chicago: University of Cicago Press, 1983), pp. 187-98.

Corden, W. Max, "An International Debt Facility," IMF Working Paper No. WP/88/16 (Washington: February 1988).

Dooley, Michael P., "Self-Financed Buy-Backs and Asset Exchanges," Staff Papers, International Monetary Fund (Washington), Vol. 35 (December 1988), pp. 714-23.

Feldstein, Martin et al., Restoring Growth in the Debt-Laden Third World, (New York: Trilateral Commission, 1987).

Hamada, Koichi, "Optimal Capital Accumulation by an Economy Facing an International Capital Market," Journal of Political Economy (Chicago), Vol. 77 (July-August 1969), pp. 684-97.

Helleiner, G.K., "The Sub-Saharan African Debt Problem: Issues for International Policy." (Unpublished, University of Toronto, 1989).

Humphreys, Charles, and John Underwood, "The External Debt Difficulties of Low Income Africa," (Unpublished, World Bank Working Paper, September 1988).

International Monetary Fund, World Economic Outlook, (Washington: October 1988).

_____, International Financial Statistics, Vol. 42, (Washington: February 1989).

Krumm, Kathie L., "The External Debt of Sub-Saharan Africa," World Bank Staff Working Paper No. 741 (Washington: 1985).

Lancaster, Carol, and John Williamson, eds., African Debt and Financing (Washington: Institute for International Economics, Special Reports, May 1986).

Larrecq, Kathryn, "The Commodity Boom and the Response of Governments," World Bank Report No. 3088-WA (Washington: June 1980).

McDonald, Donogh C., "Debt Capacity and Developing Country Borrowing: A Survey of the Literature," Staff Papers, International Monetary Fund (Washington), Vol. 29 (December 1982), pp. 603-46.

Mistry, Percy S., "Sub-Saharan Africa's External Debt: The Case for Relief," Unpublished paper presented at the Symposium on Swedish Development Cooperation with Sub-Saharan Africa in the 1990s (Saltsjobaden, Sweden, September 1988).

Stymne, Joakim, "The Accelerating Growth of the African Debt Burden," (Unpublished, International Monetary Fund, October 1988).

Thomas, Vinod and Ajay Chhibber, "Experience with Policy Reforms Under Adjustment," Finance and Development, Vol. 26, No. 1 (Washington: International Monetary Fund and The World Bank, March 1989), pp. 28-31.

United Nations, Financing Africa's Recovery: Report and Recommendations of the Advisory Group on Financial Flows for Africa (New York: May 1988).

Weerasinghe, Nissanke E., "External Debt of Sub-Saharan Africa," IMF Survey (Washington), Vol. 17, Supplement (June 1988), p. 177-191.

World Bank, World Debt Tables, 1988/89 (Washington: World Bank, 1989).

Zulu, Justin B. and Saleh M. Nsouli, Adjustment Programs in Africa: The Recent Experience, Occasional Paper No. 34 (Washington: International Monetary Fund, 1985).