II African Debt: Dimensions and Characteristics

2.01 The disbursed and outstanding debt of Africa stood at just over $270 billion at the end of 1990. Its size and pattern of growth is shown in the following table with snapshots of debt outstanding at end-1982, when the debt crisis emerged; 1986, when it became clear that urgent action was needed on relieving the debt burden of low-income countries in the sub-Saharan region and 1990. The table shows separately the debt burdens of: (a) North Africa comprising five middle-income countries viz. Algeria, Egypt, Libya, Morocco and Tunisia; [8] and (b) Sub-Saharan Africa comprising forty-five countries, excluding Namibia (no data) and South Africa. Egypt accounted for nearly half of North Africa's indebtedness in 1990; while Nigeria[9] accounted for nearly a fifth of sub-Saharan obligations. The dimensions and characteristics of North African and sub-Saharan debt are quite distinct and need to be treated differently.[10]

2.02 Table 1 shows quite clearly that African debt, in both of its two sub-regions, has ballooned since 1982 although there has been very little new borrowing for development investment since then. Debt has kept growing more rapidly in sub-Saharan Africa between 1986-90 than in North Africa, even though this period was one in which the debt problems of the low-income sub-Saharan countries were supposed to be receiving special attention with the application of the Venice terms in 1987 and Toronto terms in 1988. Whereas all categories of debt have increased relatively slowly for North African debtors between 1986-90, the sub-Saharan region has experienced particularly rapid growth in debt obligations to

8 Of these only Egypt and Morocco are severely debt-distressed while Algeria is classified as "moderately debt-distressed" in the debt-speak of the World Bank and WDT.

9 Nigeria, Cote d'Ivoire and Zambia together account for nearly a third of sub-Saharan debt. Till 1987 Nigeria was classified as a middle-income country. After a decade of negative income growth it is now a low-income country, though it is still treated like a middle-income debtor when it comes to debt reduction or relief.

10 Like Poland, and for the same political reasons, Egypt has now received more favourable treatment from the Paris Club for its role in the recent Gulf War sooner than the needier and more distressed sub-Saharan economies including, in particular, Nigeria. Half of Egypt's debt to OECD creditors (nearly $22 billion) was cancelled.

TABLE 1 GROWTH OF THE AFRICAN DEBT BURDEN 1982-90 (Amounts in Billions of US Dollars)				
		1982	**1986**	**1990(E)**
NORTH AFRICA:				
Total Debt Disbursed & Outstanding (DOD):		67.80	91.68	107.19
of which:	Official Bilateral DOD:	27.20	39.14	48.35
	Official Multilateral DOD:	6.36	10.56	13.99
	Private: LT Guaranteed (LTG):	22.26	27.51	29.61
	Private: LT Unguaranteed (LTU):	0.85	1.40	1.47
	Private Short-Term (STD):	11.13	12.91	13.77
	Total Private DOD:	34.24	41.82	44.85
SUB-SAHARAN AFRICA:				
Total Debt Disbursed & Outstanding (DOD):		72.48	115.40	162.87
of which:	Official Bilateral DOD:	20.35	41.40	64.59
	Official Multilateral DOD:	15.46	28.51	42.88
	Private: LT Guaranteed (LTG):	23.10	26.20	32.22
	Private: LT Unguaranteed (LTU):	3.89	5.36	7.31
	Private Short-Term (STD):	9.73	13.94	15.30
	Total Private DOD:	36.72	45.50	54.83
CONTINENTAL AFRICA:				
Total Disbursed & Outstanding Debt (DOD):		140.28	207.08	270.06
of which:	Official Bilateral DOD:	47.55	80.54	112.94
	Official Multilateral DOD:	21.82	39.07	58.87
	Private: LT Guaranteed (LTG):	45.36	53.71	61.83
	Private: LT Unguaranteed (LTU):	4.74	6.76	8.78
	Private Short-Term (STD):	20.86	26.85	29.07
	Total Private DOD:	70.96	87.32	99.68
INTEREST ARREARS DUE:				
for	North Africa:	0.46	2.17	4.90
	Sub-Saharan Africa:	0.83	2.76	7.99
	Continental Africa:	1.29	4.93	12.89

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official creditors. That region's outstanding indebtedness to bilateral creditors grew by over $23 billion between 1986-90 despite cancellations of concessional debt while its indebtedness to multilateral creditors grew by a further $14 billion. In the latter case, obligations to the World Bank (and its soft-loan affiliate, IDA) grew by over $8 billion, while those to other multilateral creditors (mainly the African Development Bank and EEC) grew by a further $6 billion. Debt owed to the IMF actually fell by about $600 million. The IMF, as we shall see later, extracted a significant quantum of net resources from sub-Saharan Africa between 1986-90 resulting in other creditors effectively financing debt service payments to that agency.

2.03 Table 1 also highlights the weakness of a generalized oversimplification which has become too readily accepted as orthodoxy. It is now acknowledged as a commonplace that the debt problems of middle-income debtors (in North Africa and elsewhere) are largely with commercial creditors (mainly banks) while those of sub-Saharan Africa are mainly with official creditors (chiefly OECD governments). Taking the sub-Saharan region as a whole (including Nigeria and Cote d'Ivoire), the proportion of debt owed to private creditors (including short-term debt) is nearly 34% while in the case of North Africa it is 42%; not that great a difference. In absolute terms the amount of debt owed to private creditors by sub-Saharan countries at the end of 1990 was considerably larger than for North Africa; $55 billion vs $45 billion respectively. North Africa's largest debtor, Egypt (1989 per capita income of $640) owed more of its debt to official creditors (69%) than sub-Saharan Africa's largest debtor, Nigeria (1989 per capita income of $250) which owed private creditors 54% of its total debt. Nigeria and Cote d'Ivoire between them owed private creditors over $28 billion at the end of 1990, or over 50% of the total amount owed by the sub-Saharan region to private creditors. Excluding these two countries, the rest of sub-Saharan Africa owed private creditors nearly $27 billion or 24% of a total debt of $115 billion; a proportion that is larger than generally recognized.

2.04 Other noteworthy features are the relative shifts in proportions of debt due to different categories of creditor between 1982 and 1990 for both sub-regions in Africa. The exposure of private creditors in North Africa's total debt structure declined moderately from over 50% in 1982 to just under 42% in 1990, while in the case of sub-Saharan Africa the shift was much more pronounced; it fell from nearly 51% [11] to below 34%. The same was true for offsetting increases in exposure on the part of bilateral and multilateral creditors. In North Africa, bilateral exposure grew from 40% in 1982 to nearly 45% in 1990 while multilateral exposure grew from 9% to 13%. In sub-Saharan Africa bilateral exposure grew more rapidly, from 28% in 1982 to nearly 40% of total debt in 1990, while multilateral exposure over the same period grew more modestly than is commonly thought i.e. from 21% to 26%.

2.05 In examining the reasons for these shifts, three essential features need to be borne in mind: (a) only multilateral banks provided Africa with substantial amounts of new money on the long-term debt account between 1982-90; [12] (b) bilateral governments, particularly from OECD countries, of course substantially stepped up their grant flows to sub-Saharan Africa, and even more to Egypt, between 1982-90 – but, on their debt accounts, most of the increase reflects the impact of repeated reschedulings with interest being capitalized and compounded rather than flows of new money; and (c) though private creditor exposure increased by $10 billion over the 1982-90 period for North Africa and by $18 billion for sub-Saharan Africa (the increase being concentrated almost entirely in Nigeria and Cote d'Ivoire) this again did not represent flows of net new money but the impact of reschedulings. In fact, a considerable amount of the new money provided by the multilaterals to Africa between 1982-90 has gone into financing debt service payments to private creditors, and between 1986-90, to the IMF.

2.06 In relative terms Africa's debt burden worsened considerably between 1982 and 1990 as the continent's output stagnated and exports fell with the relative performance of the two sub-regions being markedly different as Table 2 shows. North Africa's debt ratios deteriorated (vulnerable as they are to movements in world energy prices which collapsed in the late 1980s) throughout the previous decade but did not fare

11 It must be asked here whether it was ever justifiable, sensible or even remotely responsible for private creditors to have accounted for such a large proportion of total exposure (private exposure in sub-Saharan Africa amounted to nearly $37 billion in 1982) in the developing world's poorest and most backward region in 1982.

12 Multilateral exposure in sub-Saharan Africa would probably have been even larger had soft-loan resources from IDA not been so tightly constrained in the 1980s as a result of: delays in the US fulfilling its contractual obligations under IDA-6; and refusing to agree to expand IDA-7 resources at all in real terms.

quite as badly as those for sud-Saharan Africa. For the latter region the debt/GNP ratio deteriorated from under 39% in 1982 to over 110% in 1990 whilst the debt/exports ratio nearly doubled from 188% to over 345%. These 1990 ratios are much worse than those for the other two heavily indebted regions of the developing world: Latin America (48% and 261% respectively) and Eastern Europe (50% and 140% respectively). Comparatively they indicate the urgency of reducing debt burdens of low-income countries in Africa by significant amounts in acknowledgement of the region's reduced economic circumstances and capacity.

2.07 Seen from an African debtor's point of view, debt crisis "management" in Africa between 1982-90 can only be judged to have failed dismally. Creditors, however, often express a more positive opinion about the achievements of the period. The international financial system did not

TABLE 2 DEBT BURDEN RELATIVE TO ECONOMIC & EXPORT CAPACITY

(Amounts in Billions of US Dollars)

	1982	1986	1990(E)
NORTH AFRICA:			
Total Outstanding Debt:	67.80	91.68	107.19
Total GNP:	121.86	135.72	137.89
Total Exports:	47.95	35.05	45.59
Debt/GNP Ratio:	55.64 %	67.55 %	77.74 %
Debt/Exports Ratio:	141.40 %	261.57 %	235.12 %
SUB-SAHARAN AFRICA:			
Total Oustanding Debt:	72.48	115.40	162.87
Total GNP:	187.94	154.25	147.65
Total Exports:	38.63	35.13	47.20
Debt/GNP Ratio:	38.57 %	74.81 %	110.31 %
Debt/Exports Ratio:	187.62 %	328.49 %	345.06 %
CONTINENTAL AFRICA:			
Total Outstanding Debt:	140.28	207.08	270.06
Total GNP:	309.80	289.97	285.54
Total Exports:	86.58	70.18	92.79
Debt/GNP Ratio:	45.28 %	71.41 %	94.58 %
Debt/Exports Ratio:	162.02 %	295.07 %	291.02 %

collapse. Creditors did not have to take as hard a hit in financial and economic terms as they had originally feared. Only a handful of weak creditor banks went under. Creditor economies pulled out of the recession of 1980-82 within 16 months to enjoy nearly eight subsequent years of sustained growth. Debtor economies, on the other hand, were sucked into a deeper and longer recession than anyone could have imagined. Sub-Saharan GNP (in current dollars) kept falling from over $200 billion in 1980 to a nadir of under $133 billion in 1987 before staging a weak recovery to an estimated $143 billion in 1990. Between 1982-90, Africa's external debt doubled. In North Africa it grew by less than 60%. South of the Sahara it increased by over 225% when donors were attempting to ensure that the opposite happened. As will become evident in the next section of this paper, debt service payments also ballooned; as did interest arrears. With regional GDP and exports falling, this resulted in a much more onerous debt burden in 1990 than in 1982, relative to Africa's (and particularly sub-Saharan Africa's) capacity to repay.

2.08 Unlike debtor countries in the Western Hemisphere, Africa did receive positive net transfers throughout the 1980s largely because of expanded grant aid flows, especially food aid and emergency relief. Whereas, net transfers from all sources of external finance (including net private foreign investment and net official loans and grants) to countries in the Western Hemisphere, for example, were negative throughout the 1980s net transfers for sub-Saharan Africa were significantly positive throughout – thanks largely to expanded official bilateral grant flows.[13] Net transfers *from all external sources* to Africa amounted to $23.4 billion in 1981 but averaged less than $8 billion between 1982-90 even though official grants increased from $7 billion in 1981 to nearly $14 billion in 1990. For sub-Saharan Africa, *annual average net transfers* from all sources of $11 billion in 1981-82 fell to less than $6 billion in 1983-85 before recovering to $12.6 billion between 1986-90. During the decade, official grants to sub-Saharan Africa increased steadily from $6 billion in 1981 to nearly $12 billion in 1990.

13 For the Western Hemisphere (including the Caribbean) net transfers aggregated a negative $120 billion for the 1983-90 period on all financial accounts and $150 billion on the debt flows account. By comparison aggregate net transfers for Africa as a whole amounted to a positive $60 billion for 1983-90, while for sub-Saharan Africa they amounted to a total of nearly $81 billion thus implying that North Africa actually suffered an aggregate outward net transfer of nearly $21 billion in that period.

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2.09 It is difficult to see these levels of grant assistance being sustained, leave alone increased in real terms, in the face of new competing claims in other parts of the Second and Third worlds. The impressively large positive net transfer figures for sub-Saharan Africa (which arise partly because a steadily increasing amount of scheduled debt service has simply not been paid and arrears have been permitted to build-up), raise serious questions about why sub-Saharan economies have not yet responded to the debt relief and adjustment ministrations of creditors. They strengthen arguments which suggest that further debt relief through reduction will therefore not solve the structural problems of Africa's low-income economies which are inhibiting a supply response commensurate with the external assistance effort. Part of the reason may well be that too large a part of expanded grant assistance has been provided for food aid, emergency relief and to support debt service payments to multilateral agencies rather than to finance development investment for growth.