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A Framework for Resolving Africa's Debt Crisis

P. J. Obaseki and B. G. Bello*

This paper examines the various measures which have been put in place in the past to resolve Africa's debt crisis. Relevant economic indicators show that Africa's outstanding debt is very large considering the continent's weak production stuctures, negative external balances and high external debt service burden. Various strategies adopted in the past to resolve Africa's debt crisis seem to have failed to address the debt service capacity of African countries. The paper suggests that an alternative framework for resolving Africa's debt crisis would be predicated on the existence of conducive domestic economic conditions and understanding by the international community. Thus, the creditor must concede significant grounds on debt relief for Africa to enable the latter generate enough resources that would eventually be deployed to service its outstanding debt. In this connection, it would be helpful if Africa's debt burden is limited to its capacity to service such debt. Specific policy measures are recommended for resolving Africa's debt crisis. The attainment of macroeconomic balance and the pursuit of growth-oriented structural adjustment by debtor nations are essential for any meaningful reduction of the debt burden of debt-distressed countries whatever policies are adopted.

I. INTRODUCTION

The impact of the international debt crisis, which erupted in the last quarter of 1982 in Africa, has been most devastating. The debt crisis facing the continent is of grave consequences especially given the fact that the terms of international payments also turned against Africa at the onset of the debt crisis. African countries had acquired large sums of external finance over time to bridge the gap between domestic savings and investment. This process was influenced by the belief in the traditional concept of bridging the savings-investment gap in order to accelerate the process of economic growth and development. The conventional wisdom was that the gap between savings and investment can be bridged either by reducing domestic investment to a level consistent with domestic savings or augmenting domestic savings with borrowed foreign capital. In the former case, economic growth would either stagnate or decline

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and income would be depressed, while in the latter, economic growth would accelerate if the loans were optimally deployed to finance viable projects.

It is possible for foreign capital to flow into a politically stable economy if the real interest rate is either higher than the international interest rate or the rate of interest in the country exporting the capital. This would either be in form of direct investment or some form of short-term capital. The management of savings–investment gap is an important aspect of macroeconomic policy and as such, the management of external debt, to the extent that it has implications for balance of payments stability, has a bearing on the entire framework of macroeconomic policy analysis. When more external loans are acquired, and depending on their disposition, they tend to increase current expenditure and the future debt service profile of a country. Unless the higher expenditure and higher debt service costs for the balance of payments are sustainable, a country will face external payments and debt service difficulties, and it may have to adjust its policies, reduce expenditure and accept lower level of economic growth and welfare (Hassanali, 1985:5). A sustainable external debt service position depends on, among other things, the deployment of external borrowings in productive investments, the attainment of an aggregate savings target that is in excess of domestic investment, and the maintenance of growth in output in excess of population growth rate. Thus, external loans' acquisition should only be contemplated when the domestic economic and investment environment is conducive and would ensure a return on capital that is higher than the future cost of servicing the loans. In that situation, additional resources generated in the process of investment would be more than enough to service maturing obligations as they fall due. Where the cost of servicing a loan rises above the relative productivity of acquired loans, debt servicing problems arise. If debt servicing problem becomes difficult to manage, as is presently the case in Africa, appropriate measures should be put in place to resolve it.

The objective of this paper is to briefly summarise past strategies aimed at resolving Africa's debt crisis and make recommendations in the form of alternative framework for permanently resolving the crisis. The rest of the paper is divided into four parts. Part II is a brief discussion of some concepts in external debt analysis. An analysis of the factors responsible for the growth, character and structure of Africa's debt follows in Part III. In part IV, past initiatives at resolving the debt crisis are reviewed, while Part V discusses an alternative framework for addressing the crisis. The paper is concluded in Part VI.

II. CONCEPTS IN EXTERNAL DEBT ANALYSIS

Some concepts considered useful in external debt analysis are briefly explained in this section. The relevant ones, in the context of this paper, are debt service burden and debt service capacity. Debt service burden refers to the weight of debt service payments relative to the proportion of national income devoted to servicing the economy. In a more restricted form, debt service burden may be defined in terms of the proportion of export of goods and services devoted to debt service payments vis-a-vis the servicing of the economy as a whole. The more the proportion of the earnings from exports of goods and services that is devoted to debt service payments, the less the proportion left for consumption and investment purposes. The debt service burden increases when export receipts decline or the returns on borrowed capital decreases. External debt would not constitute a burden, however, if loans are optimally deployed so that returns on investment are sufficient to service maturing obligations. This is the case because the servicing of the domestic economy is not impaired. Debt service problem would arise when maturing obligations cannot be redeemed either owing to liquidity or insolvency problems. A country is likely to experience a temporary liquidity problem when receipts from exports decline below the minimum debt servicing requirements. Insolvency occurs when a country finds it difficult to meet its debt service obligations on a permanent basis and its creditworthiness is eroded.

Debt service capacity, on the other hand, represents the debt service absorption level or the ability of a debtor country to service its debts. If a country can service its debt obligations on schedule and the financing of domestic investment is not constrained, the debt service capacity is normal. However, if a country finds it difficult to service its debts without recourse to debt rescheduling and has a tendency to repayment defaults, the debt service capacity is being undermined. The more a country adjusts its consumption and investment outlays to meet its external debt obligations, the lower is its debt service capacity. Thus, the debt service capacity is dependent on the returns on investment, the sort of borrowing (whether soft or hard) and the rate of savings (Edelman, 1983:230). The debt service capacity of many debt-distressed countries is eroded by high import bills and dwindling export receipts as the demand for foreign exchange is increased while the supply declines. Added to this is the rising international interest rates and the low productivity of capital in the debtor countries. Debt servicing capacity can only be retained in the long term when the growth of per capita income and the rapid accumulation of highly productive foreign capital are sustained. However, if international demand for a country's product rises only sluggishly or domestic production is not competitive or if export sales fluctuate persistently, a country's ability to sustain a given level of debt service capacity will be seriously impaired (IBRD, 1963:12). The foreign exchange constraint indicated above is at the heart of the debt service crisis facing Africa. If debt acquisition cannot enhance economic growth beyond what domestic resources alone can achieve, its acquisition might not be beneficial as this would lead to debt servicing problems. Where the cost of borrowing is lower than the returns on capital and the rate of savings consequent on the acquisition of foreign capital is higher than the international rate of interest and large enough to service the debts as they fall due, the debt service capacity could be said to be high and the servicing of debt could be better managed.

In most cases, the distinction between debt service burden and debt service capacity is blurred. When debt service burden is caused by temporary shortfalls in foreign exchange earnings and it is possible to reverse the situation, debt service burden may not reflect low debt service capacity. When debt service burden is, however, due to sustained shortfall in foreign exchange supply and the weakness of the domestic economy, low debt service capacity becomes entrenched. Thus, the strength of the domestic economy determines largely the state of a country's debt service capacity. The type of domestic economic policies pursued, their rationality and effectiveness, substantially contribute to the determination of a nation's debt service capacity. This is the case because such policies affect the major determinants of debt service burden which, when sustained, impinge on the debt service capacity.

III. ANALYSIS OF AFRICA'S DEBT

The causes, growth, magnitude and structure of Africa's debt must be properly understood in order to place the impact of the debt burden in a proper perspective. Many reasons have been advanced to explain the origin of the international debt crisis in general. These include decline in commodity prices, increases in the rate of interest, and external shocks owing to oil price increases. In the case of Africa, other explanatory factors include inefficient investment of loan funds, general mismanagement of the economy and serious deterioration in the general terms of trade (Ojo, 1994:28).

Total external debt outstanding for Africa grew from $84.8 billion in 1980 to $132.1 billion by 1984, a few years after the commencement of the international debt crisis. By 1985, total outstanding debt had grown to $145.6 billion and rose to $235.2, $235.4 and $235.8 billion by the end of 1990, 1991 and 1992, respectively (Table 1). Total debt service seems to have grown even faster than outstanding debt stock. From $11.2 billion in 1980, debt service increased to $19.7 billion by 1985 and reached $21.9 and $29.7 billion by 1990 and 1991, respectively. An examination of the structure of Africa's debt shows that although short-term debt has consistently constituted a small proportion of total debt, it has steadily grown over the years. Short-term debt which was only $9.5 billion in 1980, stood at $22.4 and $28.2 billion by 1985 and 1992, respectively. This contrasted with $75.3 billion, $123.2 billion and $205.6 billion of long-term debt over the same periods, respectively. Long-term debts were in excess of 80 per cent from 1980 through 1992 (Table 2). Viewed in terms of whether the debts are official (multilateral and bilateral with concessional interest rates) or private (with non-concessional interest rates but distinct from commercial banks' debt), it is observed that for the region as a whole the proportion of the former is significantly higher than that of the latter. In 1984, official debt was $69.2 billion or 52.4 per cent of total debt. It rose to $81.4 billion (55.9 per cent of total debt) by 1985 and increased further to $135.5 billion (61.3 per cent), $147.1 billion (62.5 per cent) and $149.2 billion (63.4 per cent) by 1989, 1990 and 1991, respectively. This compared with $26.7 billion of private debt in 1984 which increased to $28.4 billion in 1985 and $36.1, $36.3 and $36.4 billion over the respective periods. Debt owed to commercial banks rose from $35.7 billion in 1984 to $46.9, $49.8 and $45.3 billion in 1988, 1991 and 1992, respectively. Commercial banks' debts which initially constituted the largest component of outstanding debts have been overtaken by official debts starting from 1982.

External debt and debt service ratios are some of the most commonly used indicators of debt burden. It is the debt ratios that establish the impact of the debt overhang on major macroeconomic aggregates. The unbearable and growth-stifling nature of Africa's debt burden becomes clearer when viewed from this angle. The ratio of debt service to exports (debt service/exports ratio), which shows how much of the region's total export earnings were devoted to debt service (principal and interest) in a given period, rose from 12.9 per cent in 1980 to 18.9 per cent in 1983. This increased further to 25.8, 25.5 and 28.3 per cent in 1988, 1990 and 1992, respectively. In a similar vein, the ratio of total external debt to exports was 90.2 per cent in 1980 and 262.1 per cent in 1988. It declined only slightly to 229.7 per cent in 1992 (Table 3). In other words, African countries would require the equivalent of 229.7 per cent of their entire export earnings to pay all their debt in 1992. The ratio of external debt to Gross Domestic Product (GDP) is also quite revealing. This is a broader macroeconomic indicator which shows the proportion of total external debt in total output. In 1980, the continent's total external debt was equivalent to 27.2 per cent of GDP. The situation deteriorated steadily so that by 1988 the ratio had risen to 65.1 per cent before improving marginally to 62.2 per cent in 1990 and 59.1 per cent in 1992. The interest service ratio or the ratio of interest payment to export of goods and services, in addition to showing the severity of the recurrent debt service problem, also says something about the structure of the debt outstanding. The higher the ratio, the more likely that the bulk of the debt was obtained from private, non-concessionary sources. For Africa, it is seen that the ratio rose sharply from 6.7 per cent in 1980 to 11.4 per cent in 1983 and hovered around this figure throughout the rest of the 1980s and early 1990s.

IV. REVIEW OF MAJOR INITIATIVES FOR RESOLVING THE AFRICAN DEBT CRISIS

Perhaps the major initiatives that have been partially implemented with respect to bilateral official debt for Africa are contained in the Toronto terms which were proposed at the Toronto summit of 1988. Under this proposal, bilateral creditors agreeing to debt relief for low-income countries could choose among three types of relief to provide on debt which is rescheduled through the Paris Club:

(1) forgiveness of one-third of the debt service due, with the remainder rescheduled over a period of 14 years, with 8 years grace;
(2) rescheduling of all eligible obligations over a 14-year period, including 8 years of grace at interest rates of 3.5 per cent below market or, when market rates are less than 7 per cent, half the market rate; and
(3) rescheduling of all obligations at market rates, over a period of 25 years, including 14 years grace (Greene & Khan, 1990:18).

Mali was the first African country to benefit from the menu of options provided under this programme when in November 1988 the Paris Club agreed to implement the terms for the poorest countries. The programme has, however, been criticized for its limited application. In addition, some creditors have used the agreed option to extend maturities rather than reduce principal and interest rates, and the terms of debt reduction, where they apply, are too low (averaging about 20%) and too slow to take effect (Helleiner, 1991).

The Trinidad terms (also called the Major plan) were introduced and designed to improve on the Toronto terms. Originally proposed by John Major in 1990, it called on creditor countries to double their debt write-offs and to adopt more generous rescheduling terms. Under the programme, debt burden resulting from rescheduled debts would be reduced by two-thirds instead of one-third provided under the Toronto terms. It also provides for the capitalisation of interest payments during the first five years of the rescheduling period, the linkage of debt repayment to export performance and the extension of rescheduling period of 25 years as against Toronto's 14 years. Although these measures are principally designed to reduce the debt burden of the poorest and most heavily indebted countries, the majority of which are in Africa, the implementation has always been half-hearted. This is mainly because of the reluctance of creditors to offer genuine concessions and also because of the severe conditionalities accompanying the measures.

Since the international debt crisis started in 1982, the IMF has attempted to play a major role in its management and resolution. Specifically, in order to ameliorate some of the difficulties faced by the severely-indebted, low-income countries, the Fund designed what is called the Enhanced Structural Adjustment Facility (ESAF). The programme provides financial assistance to qualifying countries in the order of 150 per cent of members' quota over a three-year period and, in some cases, up to 350 per cent of quota where the need arises (Greene, 1989). From 1988 when it became effective to May 1989, approval for ten sub-Saharan Africans (SSA) countries had already been granted under the program. The countries were the Gambia, Ghana, Kenya, Madagascar, Malawi, Mauritania, Niger, Senegal, Togo and Uganda. In the same spirit as the Fund's, the World Bank has also been implementing the Special Programme for Africa (SPA) with a view to providing assistance to distressed countries. These programmes have, however, been criticized as being inadequate to solve Africa's debt problem (Greene, 1989). Greene argues that the ESAF and the SPA have been fully utilized by SSA countries. More importantly, he maintains that the resources available under the two schemes are small relative to the total debt service obligations of the region.

An important measure applied by a number of African nations to deal with debts owed to commercial banks, which constitute a relatively smaller proportion of Africa's total debt (21.2 per cent as at end-1991) but nevertheless crucial because of the higher debt service terms, is the debt buy-back scheme. Under this scheme, old debts can be exchanged for new securities. Some of the countries that have implemented the scheme included Mozambique, Congo and Nigeria. Under an agreement signed in 1992, Nigeria was able to buy back 62 per cent of the debt and used collateralised par bonds for the remaining 38 per cent. Thus, the country was able to achieve a debt and debt service reduction to the tune of about $3 billion (DMD, 1992). The debt buy-back scheme has limited application in Africa. First, the proportion of commercial bank debt is small, while its impact on the aggregate debt stock is minimal. Second, since the scheme requires that creditors increase their exposures, the measure is not attractive to most private creditors because they are not willing to put in more resources into Africa.

In addition to the above specific measures, the majority of African countries, with active encouragement by multilateral, bilateral and private commercial creditors, have implemented comprehensive structural reform programmes. The main objectives of these programmes are to achieve internal and external balance, stimulate exports, reduce government spending/subsidies, liberalize trade and privatize publicly-owned companies. In order to achieve external balance, the Structural Adjustment Programmes (SAPs) encourage countries to pursue a well structured debt management strategy. In the case of Nigeria, the debt problem has persisted after several years of implementation of SAP. In fact, the burden of the debt overhang has become more severe. As is shown in Table 1, between 1985, when implementation of SAPs began and 1992, Africa's total external debt increased by about $90 billion. Total debt service, on the other hand, rose from $16.6 billion in 1985 to about $30 billion in 1991. Indeed, the ratio of debt to exports rose from 189 per cent to 230 per cent over the same period.

All these negative developments, from the African point of view, underscore the need to devise fresh options that are realistic and practicable in order to permanently and decisively deal with the African debt problem. In order to do this, actual and unconditional debt relief must be at the heart of any strategy to be proposed. Indeed, we agree with Susan George's argument that so long as debt relief is withheld, hunger in Africa can only be compounded. "If the continent survives its current crisis, it will be a tribute to the resourcefulness of Africans and to nothing else. External resources needed to complement local efforts are not flowing into Africa in the quantity or quality required. Already, Africa is transferring more capital abroad in debt service and other payments than it is receiving in aid" (George, 1989:86). What worsens the African economic outlook is the dependence by most countries on the export of raw agricultural products. The terms of trade for these products are volatile and generally unfavourable. Advanced countries have ready-made substitutes for them in plastics and other petro-chemicals. And, as yet, African countries do not have sufficient resources to effectively diversify their productive base. The next section contains a new set of proposals expected to address the problem of debt burden in Africa.

V. ALTERNATIVE FRAMEWORK FOR RESOLVING AFRICA'S DEBT CRISIS

As has been highlighted in the preceding sections of this paper, Africa's debt problems arose mainly from commodity price failures, unfavourable international economic environment and instability in domestic macroeconomic environment. Although specific causes of the debt crisis such as inappropriate deployment of external loans were advanced, the existing macroeconomic environment appears to be the most crucial factor militating against the improvement of Africa's debt servicing capacity. The level of external debt service would not constitute a serious problem if African economies were properly managed to generate enough domestic resources to finance due commitments.

Alternative approaches or options for resolving Africa's debt crisis outside the traditional options would be predicated on the existence of conducive domestic and international macroeconomic environments. Based on this framework, Africa's debt crisis has to be resolved through collaboration between both creditors and debtor African nations. Creditors have not demonstrated enough willingness to provide far-reaching and substantial debt relief. At the heart of any serious efforts to resolve Africa's debt problem, however, is the necessity for creditors to be ready to concede enough grounds on debt relief for Africa to enable the latter generate enough resources that would eventually be deployed to service its outstanding debt. In other words, the reduction of Africa's debt service burden to a level that is proportional to the capacity to service the debt is the key to any solution. To change their attitude in favour of debtors, creditors need to show more understanding of the peculiar economic position of African debtor countries, especially those of sub-Saharan Africa. On a medium to long-term basis, Africa must adopt suitable domestic policies that would enable it earn enough foreign exchange that could be used to service its debts without limiting its capacity to finance economic development projects. The application of the right domestic policies would encourage creditors to extend generous debt reduction terms to Africa for the mutual benefit of both parties.

Since the debt crisis facing Africa is mainly due to obligations in respect of official multilateral and bilateral debts, policy would have to be directed at these classes of debts. Private debts are relatively small, and most of the commercial banks' components have either benefited from generous rescheduling, including write-offs or buy-backs at the secondary market. This is, however, not to underplay the importance of private debt to any long-term and sustainable debt management strategy for Africa. The largest component of Africa's outstanding debt is in favour of bilateral creditors. This is where the major problem lies, not because of the magnitude of the debt but because of the harsh rescheduling terms which do not allow for interest write-off or deferment. Interest payments that fall due and are not paid are usually capitalised, thus increasing the stock of outstanding debts. For multilateral debt, the repayment period is well stretched out and the terms are generous enough that rescheduling is not allowed. However, the most crucial reason for non-rescheduling of multilateral credits lies in the fact that they are relied upon, to a significant degree, for recycling to fund new programmes (Greene, 1989:63). A viable framework for resolving Africa's debt crisis should have the following components:

i) Rescheduling of Outstanding Debt Owed to Multilateral Organisations

Multilateral organisations should make it possible for the debts owed to them by low-income and heavily distressed countries to be rescheduled by removing the non-rescheduling claim in their agreement. Donor agencies could provide new credits that may be deployed as new loans to other beneficiaries since rescheduling will reduce amounts available for recycling. For rescheduling to be meaningful, it ought to include both principal and interest. The capitalisation of interest payments is a major source of problem for heavily indebted countries. Furthermore, interest payments on obligations that have fallen due but could not be paid should be waived (from the point of default). Although the provision of new money to assist the restructuring efforts of debt distressed countries trying to rebuild their debt servicing capacity may be difficult, donor countries should consider such assistance paramount for the growth of the global economy.

(ii) Refinancing of Debts Owed to Multilateral Institutions

Debts owed to multilateral institutions by debt distressed countries could be refinanced through the purchase of such debts by a third party at a discount. Thereafter, the financier would reschedule the discounted debt with the debtor country on concessional terms. The refinanced debt when rescheduled at the face value less 50 per cent of the discount would be more manageable. This would reduce the burden of the debtor country and encourage the refinancing of the debt since a favourable margin exists between the refinancing and rescheduling rates. The current practice where write-offs are not allowed and rescheduling of the original debts are prohibited puts serious pressure on debt distressed countries.

(iii) Concerted Efforts to Reduce the Debt Burden of Debt-Distressed Countries

The persistent appeal to the Group of Seven (G7) industrialised countries by the World Bank and IMF that the developing countries, especially those in Africa, require massive foreign investment, concessional aid and substantial debt write-offs has often been treated lightly. The fact that the non-resolution of the debt overhang of the developing countries including Africa would impair global economic growth makes it more compelling for the adoption of a concerted approach by the industrialised donor countries towards the debt problem. Anything short of this would perpetuate the debt crisis, reduce global financial flows, and retard world trade and global economic growth. Creditors and debtors should appreciate these facts.

(iv) Introducing Concessional Terms into Paris Club Rescheduling

The current stance of the Paris Club not to reschedule but to capitalise interest payments has unduly heightened Africa's debt crisis. The Paris Club rules should be modified to allow for the rescheduling of interest payments in a multi-year arrangement. In addition, debt write-offs or forgiveness if extended to African countries that lack the capacity to service their outstanding obligations owing to low export and foreign exchange capacity, would go a long way to alleviate their problems. The foregoing proposals are meant to reduce the debt service obligations of debtor African countries in the short term, thereby allowing them to achieve technical improvement in their debt service capacity. This is because debt reprieve would reduce debt service payments and enhance debt service capacity, even when the domestic economy has not been sufficiently strengthened.

(v) Economic Restructuring within Africa

This proposal examines the development of debt service capacity which is the desirable strategy for permanently resolving Africa's debt problem. In order to complement international efforts at reducing Africa's debt burden, economic restructuring geared towards raising the level of domestic production, exports and foreign exchange earnings should be pursued vigorously. This approach may not necessarily be very helpful where the debts to be repaid were on a short to medium-term basis. However, it would be most useful as a medium to long-term approach to resolving the debt crisis if creditors fail to give major concessions. Monetary and fiscal balance must be maintained while government deficits should be reduced to tolerable limits. The acquisition of foreign loans should only be for the execution of self-financing projects. In addition, efforts should be made to raise the level of domestic capital formation so as to reduce the need for massive injection of foreign loan resources into Africa's development efforts. Since it may be difficult for Africa not to have recourse to external loans, the most viable and lasting option open to it is to develop the capacity to service its loans commitments. This can be done through expanding its export base by providing more incentives to exports and diversifying their export commodities so as to produce goods that would be more competitive and attract higher values in the international market. The declining prices of primary commodities in the world market appear to favour the manufacturing option.

The above discussion shows that a global debt strategy for ameliorating the debt crisis of Africa would have the following elements: "improved policies which are expected to raise their rates of economic growth, official support from governments and multilateral agencies, new money from official and private lenders, and growing and open markets in the industrial countries for debtor countries' export" (IMF Survey, 1990:24). Apart from concerted efforts by creditor countries to assist debtor nations through concessionary debt reduction and debt burden alleviation, macroeconomic balance and the pursuit of growth-oriented structural adjustment in the debtor nations are essential for any meaningful reduction in the debt burden of the heavily distressed developing countries, including those in Africa. This would also enhance the building of Africa's debt servicing capacity which would provide a permanent basis for resolving Africa's debt burden. The debt servicing capacity of African countries would be better enhanced through the development of the export sector, the acquisition of productive foreign capital and an increase in domestic savings.

VI. SUMMARY AND CONCLUSION

This paper has attempted to summarise past strategies for resolving Africa's debt crisis. The inference has been drawn that Africa's debt crisis has remained even after the application of numerous options that were fashioned to tackle it. Such options included the traditional approaches of rescheduling, refinancing and debt restructuring. Market options and menu approaches through debt conversions, debt buy-back, among others, have also been applied.

The apparent ineffectiveness of most of the approaches adopted to reduce Africa's debt burden was due to a number of factors. These factors can be grouped into three major headings: the wrong perception of the debt servicing capacity of African countries by debtors and creditors alike, the declining terms of trade against Africa and the harsh terms accompanying official debt restructuring. The declining commodity prices in the world market for primary products turned the terms of trade against Africa and reduced the debt servicing capacity of the continent. Related to this was the problem of acquiring external loans that yielded low marginal productivity or negative productivity. One of the major problems facing Africa at the moment is the unfavourable structure of its outstanding debts. Most of the debts are owed to bilateral creditors under the aegis of the Paris Club. The rescheduling terms of bilateral debts under the Paris Club are so stringent that without some form of write-offs the stock of debt arising from this source would hardly decline. Although the IMF and World Bank have canvassed debt write-offs for the heavily indebted low-income countries, many countries in Africa are yet to benefit from the gesture.

The resolution of Africa's debt crisis should be a collaborative endeavour between debtors and creditors. Both the domestic and international macroeconomic environments should be conducive and should provide the impetus for accelerating the rate of growth of the economies of Africa and the industrialised countries. This would enable Africa to build up its debt servicing capacity while it would be possible again for the creditor nations to engage in concessional lending. The specific proposals made under a new framework for resolving Africa's debt crisis included rescheduling of outstanding debts to multilateral institutions, refinancing of debts owed multilateral institutions, introduction of concessional terms into Paris Club rescheduling and economic restructuring within Africa.

TABLE 1
AFRICA: EXTERNAL DEBT STOCK AND STRUCTURE, 1980 - 1993
(US $ bn)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[1]
Total Debt	84.8	109.8	122.4	129.7	132.1	145.6	179.1	208.3	213.5	221.0	235.2	235.4	233.8	238.3
By Maturity														
a. Short term	9.5	20.2	22.8	23.4	24.2	22.4	22.7	25.9	27.4	29.4	28.1	26.7	28.2	30.3
b. Long term	75.3	89.6	99.6	106.3	107.9	123.2	156.4	182.4	186.1	191.5	207.1	208.8	205.6	208.0
By Type of Creditor														
a. Official	30.5	40.4	58.2	65.3	69.2	81.4	102.1	123.6	128.5	135.5	147.1	149.2	152.2	155.7
b. Commercial Bank	36.8	50.9	43.2	41.2	35.2	35.8	42.3	46.7	46.9	49.4	51.8	49.8	45.3	45.4
c. Other Private	17.4	18.6	21.0	23.1	26.7	28.4	34.8	38.0	38.1	36.1	36.3	36.4	36.4	37.2

[1]Figures for 1993 are estimates

Source: IMF, World Economic Outlook (various issues)

TABLE 2
AFRICA: EXTERNAL DEBT STOCK AND STRUCTURE, 1980 - 1993
(per cent of total debt)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993[1]
By Maturity														
a. Short Term	11.2	18.4	18.6	18.0	18.3	15.4	12.7	12.4	12.8	13.3	11.9	11.3	12.1	12.6
b. Long Term	88.8	81.6	81.4	82.0	81.7	84.6	87.3	87.6	87.2	86.7	88.1	88.7	87.9	87.4
By Type of Creditor														
a. Official	36.0	36.8	47.5	50.3	52.7	55.9	57.0	59.3	60.2	61.3	62.5	63.4	65.1	65.3
b. Commercial Basnk	43.4	46.4	35.3	31.8	26.8	24.6	23.6	22.5	22.0	22.4	22.0	21.2	19.4	19.1
c. Other Private	20.6	16.8	17.2	17.9	20.5	19.5	19.4	18.2	17.8	16.3	15.5	15.4	15.5	15.6

[1]Figures for 1993 are estimates

Source: Computed from Table 1

TABLE 3
AFRICA: EXTERNAL DEBT RATIOS, 1980 - 1993
(per cent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 [1]
a. Debt Service Ratio (Debt Service/Exports)	12.9	16.2	19.5	18.9	26.0	27.0	27.8	23.4	25.8	25.1	25.5	26.7	28.3	24.6
b. External Debt/GDP	27.2	31.4	37.5	39.8	40.1	46.6	59.9	66.2	65.1	67.1	62.2	61.0	59.1	57.4
c. External Debt/Export	90.2	116.3	153.8	170.4	169.0	189.0	257.4	262.8	262.1	254.0	234.9	236.7	229.7	219.6
d. Interest Service Ratio (Interest/Exports)	6.7	9.1	11.4	11.4	10.8	11.8	13.4	10.4	11.4	11.2	10.9	12.1	11.3	10.1
e. Reserves/External Debt [2]	22.4	10.9	6.3	5.6	4.9	6.3	4.8	4.8	4.9	5.4	6.9	6.8	7.0	6.9

[1] Figures for 1993 are estimates.

[2] Reserves are derived by converting reserve position in SDR into US Dollars.

Source: IMF, World Economic Outlook (various issues)

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