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Debt Relief, Sustainable Development and Achieving the Millennium Development Goals in Sub Sahara Africa

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Abstract

Sustainable development entails three interrelated objectives - economic, social and ecological. The Millennium Development Goals (MDGs), which set clear targets for reducing poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women by 2015 can be seen as operationalising the objectives of sustainable development. Sustained growth is a fundamental determinant of reducing poverty because it enables households to increase their income expenditure and it also provides the government with resources to provide infrastructure and social services. During the 1970s, Sub Sahara Africa borrowed heavily but these loans did not promote sustainable growth of output and exports. The recession of the early 1980s, the increase in world interest rates and the collapse of Africa's terms of trade ignited the debt crisis. For more than two decades, Sub Sahara African countries have faced a debt crisis that has retarded growth, undermined poverty reduction and degraded the environment.

Although the HIPC program is more ambitious than previous debt reduction programs in promising more and faster debt relief for more countries, it is not grounded analytically in a realistic conception of the amount of debt reduction needed for most countries to achieve a sustainable path of growth and poverty reduction. African countries are in poverty traps with levels of income too low to cover basic needs. Debt servicing reduces the ability of governments to provide basic social services and build the necessary physical infrastructure to promote economic growth. Africa needs 100 percent debt cancellation and the provision of grants to support an investment program to promote growth and poverty eradication.

The HIPC Initiative has been linked to implementation of a strategy to reduce poverty in poor countries particularly by utilizing savings from debt relief to increase expenditure in the social services. Increased social sector spending is commendable but it is not on itself a growth strategy that can eradicate poverty in a sustainable way. Sub-Saharan Africa is the only region in which both the proportion and absolute number of people in extreme income poverty have been rising sharply. Most countries in SSA are off track to achieve most of the MDG goals. In almost all African countries a big push in investment is needed to attain the Millennium Development Goals. It will require a significant increase of investment spending, especially in areas of infrastructure and human capital needed to attract private investment.

Even with 100 percent debt cancellation, improved governance and effective public expenditure prioritization, domestic resources will not be adequate to break the poverty

trap, and additional external assistance will be required. In order to attain the millennium development goals, African countries need to draw up a 10-year perspective plan that is derived from a detailed analysis of what it will take to achieve all MDGs. The three-year poverty reduction strategy papers should be implementing instruments of the perspective plan.

I. Introduction.

Sustainable development entails three interrelated objectives - economic, social and ecological. The Millennium Development Goals (MDGs), which set clear targets for reducing poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women by 2015 can be seen as operationalising the objectives of sustainable development. The literature on sustainable development distinguishes three forms of poverty: (1) income poverty, typically defined by lack of private household income; (2) social service poverty, including the inadequate public provision of education, health, water and other services; and (3) environmental poverty, including the lack of, or degradation of, core environmental resources needed for human well-being.

The Millennium Development Goals are derived from a broad-based view of economic and human development. They include the objectives:

- To reduce the proportion of people living in extreme poverty by half between 1990 and 2015;
- To enrol all children of school age in primary schools by 2015;
- To make progress towards gender equality and empowering women by eliminating gender disparities in the enrolment in primary and secondary education by 2005;
- To reduce infant and child mortality ratios by two-thirds between 1990 and 2015;
- To reduce maternal mortality ratios by three-quarters between 1990 and 2015;
- To provide access for all who need reproductive health services by 2015;
- To implement national strategies for sustainable development by 2005, so as to reverse the loss of environmental resources by 2015.

To attain sustainable growth, human and natural resources have to be used efficiently. This growth should lead to a reduction of poverty while protecting the environment. A sustained reduction in poverty and improvement in the provision of social services requires broad based growth of output. Sustained growth is a fundamental determinant of reducing poverty because it enables households to increase their income expenditure and it also provides the government with resources to provide infrastructure and social services. Although sustained long-term growth is usually dependent on technological progress, it is also associated with capital accumulation because technical progress is usually embodied in new capital goods.

The necessary but not sufficient condition for sustained high growth of output is high levels of investment and its efficient utilization.

Poor countries such as those of Sub Sahara Africa lack capital and countries that lack capital use foreign savings to increase domestic investment and growth. As income increases, domestic savings will increase and enable the borrowing country to repay the external debt. During the 1970s, Sub Sahara Africa borrowed heavily but these loans did not promote sustainable growth of output and exports. The recession of the early 1980s, the increase in world interest rates and the collapse of Africa's terms of trade ignited the debt crisis. For more than two decades, Sub Sahara African countries have faced a debt crisis that has retarded growth, undermined poverty reduction and degraded the environment.

This paper analyses the potential role of debt relief in supporting sustainable development that will lead to the attainment of the millennium development goals. After this introduction, Part II discusses the failure of debt flows to promote growth and sustainable development; Part III analyses the debt overhang and the failure of the traditional mechanisms of debt relief; Part IV discusses the impact of the HIPC debt initiative on net resource inflows and debt sustainability of poor countries, and Part V critically discusses the challenges of financing poverty eradicating growth to achieve the Millennium Development Goals.

II. The Failure of Debt Flows to Promote Growth and Sustainable Development

The central neoclassical view of international capital markets is that capital will be "reallocated from developed countries, where it is relatively abundant and its return is lower, to developing countries, where capital is more scarce and its return higher" (Cline 1995 p.141). There are implicit requirements for the growth-through-debt model to work in practice. First, external loans should be used to increase investment rather than finance consumption or, worse, capital flight. Second, the allocation and utilisation of investment must be efficient. External loans should not be used to finance monuments such as new capital cities or highly protected, inefficient, import-substituting industries. Third, external loans must be used in projects that directly or indirectly produce tradable goods, so as to save or generate foreign exchange to service the debt. Fourth, domestic savings should increase as the economy grows. Fifth, creditors should be willing to provide stable and predictable flows.

Sachs (2002, 2004) has argued that most African countries face a poverty trap. Their per capita incomes are not adequate to cover basic needs, their population growth rate is high and hence they can hardly save. Moreover these countries have very poor infrastructure and therefore the marginal productivity of capital is very low. Debt servicing in poor countries reduces per capita incomes that are already too low making it even more difficult to have positive savings and capital accumulation. The poverty trap model incorporates the debt overhang problem where the private sector is discouraged to invest because most of the increased income will be taxed to pay the foreign debt.

. For most sub-Saharan African countries, the predominant source of loans in the 1970s was official bilateral and multilateral creditors, although several countries were also able to borrow commercially. Loans were available at low interest rates that were negative in real terms. The 'push' factors were the availability of loanable funds from the bank deposits of oil-exporting countries, the low demand for credit in the industrial countries experiencing recession and low interest rates—rather than the 'pull' factors of competitive, low-cost producers and high productivity in developing countries— initiated the surge of commercial bank lending to developing countries.

The servicing of external loans appeared easy because of the commodity booms of the mid-1970s. Private and official creditors were neither overly concerned about how their loans were used, nor bothered by the overall policy and institutional framework of borrowing countries. Most of the loans were to sovereign governments. International bankers believed that countries never become insolvent and could always be squeezed and cajoled with the help of the International Monetary Fund to repay their debts.

The creditors, including the international financial institutions argued that the debt crisis of the developing countries was caused by the policy mistakes of their governments, including investing in inefficient state owned enterprises, poor macroeconomic policies, large fiscal deficits, overvalued exchange rates, high rates of inflation and highly protected, import-substituting industries. The international financial institutions believed that by implementing economic reforms, including macroeconomic stabilization, privatisation, trade liberalization, and encouraging foreign direct investment, the debtor countries could resolve the debt crisis and attain reasonable economic growth. What was needed was to persevere and persist with structural adjustment programmes. It was argued that debt relief was detrimental to the long-term interest of debtor countries because it would cut them off from future borrowing from international markets. Debt relief from international financial institutions was unthinkable. It was argued that the preferred creditor status of the IFIs enabled them to borrow at low interest rates and re-lend the funds to developing countries at lower than commercial bank rates. The debtor countries maintained that the crisis was largely caused by external factors particularly the rise in world interest rates, the large fall in commodity prices and the Volcker recession that led to the collapse of global trade in the early 1980s.

In fact the combination of both external and internal factors contributed to the crisis. The increase in bank lending to developing countries in 1979-81 that was followed by a large increase in interest rates and the collapse of the terms of trade ignited the debt crisis. Many developing countries particularly in Africa and Latin America pursued policies that led to persistent large budget deficits, overvalued exchange rates, inward looking trade policies, and an urban bias that discriminated against the agricultural sector. These policies hindered rapid economic growth even before the crisis and made adjustment to external shocks even more difficult.

The extending of loans to African countries was largely influenced by Cold War rivalry and less by rational economic calculations of the productivity of capital. The growth of debt was too high compared to the growth of exports (table 1). Most

countries did not maintain good records of their external obligations but continued to have access to official credits from western governments and to a less extent, socialist countries. African governments seem to have perceived most of the external loans as grants. Lenders tended to be in the driving seat. During the "Cold War period" the supply of loans created its own demand, regardless of the contribution of the loans to economic growth. In the 1970s, creditor governments and the International Financial Institutions generally ignored the moral hazard issue that was used in the 1980s and 1990s to deny debt relief to indebted countries.

Most African countries, with the exception of Botswana and Mauritius, were not democratic. The development policies of these governments including the contracting of foreign debts did not have the popular mandate of the people. Some governments such as that of Mobutu in Zaire or Bokassa in Central African Republic and the military regimes in Nigeria were outright plutocracies. The loans and future financial obligations that they contracted were odious debt that did not benefit the citizens but strengthened the oppressive government or were deposited in their private bank accounts abroad.

The beginning of the world debt crisis is reckoned to have started in 1982 after Mexico failed to service its debt. However, some African countries had a debt crisis earlier than Mexico. In 1977, Tanzania's arrears on principal and interest exceeded the value of exports. In 1980 at least six countries including Central African Republic, Chad, Mali, Mauritania, Sudan and Tanzania had arrears exceeding 20 percent of their exports. The aggregate size of African debt was small and owed to official creditors and therefore did not have any impact on the international banking system. International efforts to address the African debt crisis had to wait for the action of humane non-governmental organization such as OXFAM and CAFORD.

In retrospect external borrowing was not the best way of utilising foreign savings, particularly for sub-Saharan countries, which had limited efficient formal-sector private enterprises and few medium-sized local entrepreneurs. For public guaranteed debt, the country commits itself to service the debt and pay the principal, regardless of the profitability of the activity financed by external loans. Sub-Saharan African countries are poor and have limited entrepreneurial and technological capability. Foreign direct investment offers a better alternative for capital inflow than external borrowing because the investor takes the responsibility of managing her investment and the risk of failure. Only if the investment is profitable can the investor repatriate profits. If the investment is successful, the profit rate is likely to be higher than the interest rate on external loans, and hence the amount that can be repatriated will be larger than in the case of servicing external loans. This is not a problem if foreign firms generate or save foreign exchange. However, foreign investment can be immizerising if domestic distortions are large, and foreign firms are established to monopolise protected domestic markets and earn monopoly rents.

III. Traditional Mechanisms of External Debt Relief

Since the mid 1980s, bilateral creditors have used a wide range of instruments to address the debt burden of poor countries, most of which are in Sub Sahara Africa. The traditional mechanism of addressing the debt burden of poor countries has focused on debtor countries implementing stabilization and structural adjustment programs supported by the International Monetary Fund and the World Bank. Before 1988, the Paris Club offered what is now termed as classic rescheduling which did not include any debt reduction. Debtor countries had to first to reach agreement with the IMF on a stabilization and structural adjustment program before Paris Club members agreed to reschedule the debt at market interest rates that could be fixed or variable, with repayment profile negotiated on a case by case basis.

The Democratic Republic of Congo (former Zaire) was the first African country to reschedule under the Paris Club in 1976. Between 1976 and 1986 Zaire underwent 7 Paris Club rescheduling using classic terms. Mobutu neither had the intention nor the capability of implementing the IMF stabilization program that was a prerequisite for entering a Paris Club rescheduling exercise. Both the bilateral donors and the multilateral financial institutions knew this but they continued to reschedule the debt at market interest rates because Mobutu was seen by the USA as a critical ally against the spread of communism and the influence of Cuba and the Soviet Union in Africa. Mobutu was able to reschedule Zaire debt on ad-hoc terms in 1987 and Toronto terms in 1989. With the fall of the Berlin Wall in 1989 and subsequent collapse of the Soviet Union, Zaire lost its strategic importance and Mobutu did not receive any additional debt rescheduling. The Democratic Republic of Congo has the right and duty to consider all the debt incurred during the Mobutu period was odious and should be written off.

For a large number of heavily indebted poor countries, the traditional debt rescheduling exercises have neither provided debt sustainability nor promoted sustainable growth. The integrity of the Paris Club rescheduling exercises was undermined as countries continued to accumulate arrears after every rescheduling exercise. The Paris Club rescheduling of the early 1980s were mainly non concessional with grace periods of only 5 years and maturity of 10 years and using market based interest rates. Repeated rescheduling on these standard terms did not resolve the debt crisis as most countries continued to accumulate arrears.

Indebted countries needed more than cash flow relief. The stock of debt was too high to be effectively serviced. Although the inability of the poor countries to service their debt did not affect in any way the finances of creditor countries, the latter were slow to act on the predicament of the former. In 1988, the creditor countries introduced concessional rescheduling on "Toronto terms". The menu of options under the Toronto terms could provide debt and debt service reduction of up to a third of the net present value of the rescheduled debt. The Toronto terms did not solve the debt crisis of poor countries. In 1991, the creditor nations further improved the terms of concessional rescheduling. The so called London terms was expected to provide debt relief of up to 50 percent of the net present value of the eligible debt. The London terms did not bring about debt sustainability, so in 1994, the creditor nations

introduced the Naples terms that replaced the Toronto and London terms. Under the Naples terms, countries could receive a reduction in eligible non-ODA debt of up to 67 percent in net present value terms. The Lyon terms increased debt relief of up to 80 percent of Net Present Value of eligible debt. The Cologne terms that were agreed in November 1999 and are associated with the enhanced HIPC initiative increased debt relief to 90 percent or more if necessary for qualifying countries to have sustainable debt. Before the HIPC Initiative, the Paris Club rescheduling exercises excluded the debt of multilateral financial institutions that continued to maintain their preferred creditor status.

Many heavily indebted African countries have gone through a number of debt rescheduling exercises. Table 2 shows the number of Paris Club rescheduling undertaken by Sub Saharan African countries. Thirtysix countries have gone through the Paris Club rescheduling exercise 206 times and the external debt of these countries is still unsustainable. Senegal holds the record of rescheduling 14 in the past 24 years without reaching a sustainable level of debt. Between 1986 and 1997, Tanzania had five Paris Club debt rescheduling exercises. After every rescheduling, debt payment arrears continued to accumulate.

The Paris Club commitment of reducing debt of up to a third under the Toronto terms, a half under the London terms and two thirds under the Naples terms and 80 percent under Lyon terms have not led to a large reduction in nominal debt stock. Multilateral debt that accounted for 40 to 60 percent of poor countries debt (table 3) was not included. Paris Club creditors did not offer the maximum reduction of eligible debt or cancel the ODA debt.

Table 4 shows the amount of debt cancelled during 1985-97 period as percentage of debt in 1985 and 1997. Among the countries that rescheduled their debts during the 1985-97 periods, only Benin, Burkina Faso, Central African Republic and Senegal reduced their 1985 debt stock by at least 50 percent. It seems France was more generous in canceling debt of her former colonies. Less than 20 percent of the Sub Saharan debt of 1985 was cancelled during this period.

Although official development assistance has been decreasing since 1994, Sub Sahara Africa has received the largest share of ODA. Some analysts such as Birdsall (2003, 2004) and her associates have argued that the debt overhang problem does not apply to most African countries because they have positive resource transfers. However, between 1994 and 2002, 15 African countries including 9 HIPCS, Angola, Cameroon, Central African Republic, Congo DR, Cote d'Ivoire, Kenya, Liberia, Senegal, Sudan and Zambia had negative resource transfers on debt (table 5).

Even for the countries that had positive net resource transfers, the debt burden is strangling economic development. First, positive net resource transfer are partly the result of accumulating debt payment arrears. If these countries fully serviced the debt, the net resource transfer would be negative. Second, positive net resource flows do not reflect the budget constraints facing governments. Most aid projects are not

incorporated in the budget process. The funds are usually not available for budget allocation but are tied to projects selected by donors with cosmetic participation by debtor governments. The purchase of imports is usually tied to the country providing aid. But debt service has to be paid out of recurrent revenues.

Large debt servicing obligations and payment arrears cause debt overhang problems that discourage investment. Investing in a country with large debt service obligations may imply high taxes and social instability in the future. Domestic and foreign investors may hesitate to commit themselves in such cases. Countries with large payment arrears have problems accessing international capital markets. This reduces external capital inflows and encourages capital flight. Private capital markets are highly sensitive of countries that routinely accumulate payment arrears. As Martin (1997) has noted "All creditworthiness and ratings analyses on which foreign investors rely include strong negative debt elements. Those running portfolio investment funds in Africa or attempting to promote investor interest in HIPC privatizations assess the existence of debt overhang as a key negative influence. Some incentives, such as export credit guarantees, are directly cut off as a consequence of a debt overhang."[1] The debt overhang stifles investment and growth. Resolving the debt crisis is a prerequisite for building African creditworthiness in the medium and long term. In many countries governments have introduced investment incentives in the form of tax holidays and investment guarantees through the World Bank Multilateral Investment Guarantee Agency (MIGA). Governments have given away tax revenue without necessarily attracting additional foreign direct investment.

The debt sustainability measures do not focus on the fiscal crisis of African governments. Debt sustainability should be determined by the ability of government to raise revenues to service the debt while providing necessary infrastructure and social services and without imposing an enormous tax burden on the private sector. Sachs (1996) has suggested that African countries can start growing fast if they strengthen the rule of law, lower the highest marginal tax rates to 20-30%, adopt uniform tariff rates of 10%, and limit government expenditure to 20% of GDP, to be roughly allocated as follows: education (5%), health (3%), public administration (2%), army and police (3%), and government investment (5%), mainly in road infrastructure, particularly rural roads. This type of minimalist expenditure on essential areas does not leave any revenues for debt servicing. Many African countries, including the favored reformers such as Ghana, Tanzania and Uganda, are unable to raise 18 % of their GDP in fiscal revenues.

If governments are unable to service their external debt, they are also likely to be unable to service their domestic debt obligations. A government that routinely accumulates payment arrears will not have the fiscal discipline that is necessary to maintain macroeconomic stability and efficient utilization of public resources to

[1] See Martin M. "A multilateral debt facility- global and national", in UNCTAD' International Monetary and Financial Issues for the 1990s vol. VIII p.150 Many other studies including Bigsten, Levin, and Persson (2001); Chowdhury (2001); Dijkstra and Hermes (2001); Gunter (2001); Hansen (2001); Pattillo, Poirson and Ricci (2001); and Serieux and Samy (2001). presented at the WIDER conference on debt have shown the existence of debt overhang.

promote sustainable growth and poverty alleviation. Effective public expenditure management cannot be attained if governments are required to set aside 20-40 percent of their revenue to service external debt. It is widely recognized that "improving government performance requires, among other things, sustained commitment of and political support from key governmental and societal players and a realistic time frame to carry out appropriately sequenced reforms." [2] Public expenditure management is critical for maintaining and sustaining fiscal discipline to promote macroeconomic stability. It is also important for prioritization of expenditures to support sustainable and poverty reducing growth. High debt service obligations will undermine the political support for reformers who want to bring discipline and improve the management of public finances.

IV. The Impact and Shortcomings of the HIPC Initiative

The failure of the traditional mechanism of debt reduction and the pressure of NGOs calling for debt cancellation of poor countries implementing policies that support human development led the IMF and World Bank propose the heavily indebted poor countries (HIPC) Debt Initiative in 1996. This initiative was supposed to deal in a comprehensive manner with the overall debt burden of poor countries. The HIPC initiative is guided by six principles:

- it should provide a durable exit strategy by targeting overall debt sustainability on case by case basis;
- the debtor country should have a track record of ability to put to good use the expected debt relief;
- the new measure will build on the Paris Club mechanism;
- broad coordination of all creditors to provide debt relief on equitable basis;
- although the multilateral financial institutions were expected to provide debt relief, their preferred creditor status and financial integrity will be preserved;
- New external financing will be provided on concessional terms.

The optimism of the IMF that the original HIPC Initiative will resolve the debt crisis was well captured by two IMF staff Boote and Thugge (1997). They confidently argued that the HIPC initiative could resolve the debt crisis of poor countries. They asserted that "the HIPC Debt Initiative completes the array of instruments available to the international community to reduce the debt burden of these countries to sustainable levels, and for the countries to exit from the debt rescheduling process, provided they are prepared to adopt and pursue strong programs of adjustment and reform. …Implementation of the initiative should eliminate debt as an impediment to economic development and growth, and enable HIPC governments to focus on the difficult policies and reforms required to remove the remaining impediments to achieving sustainable development."(United Nations 1997, p. 140)

The original HIPC Initiative required debtor nations to have a track record of at least 3 years implementing IMF stabilization program before reaching a decision point

[2] See World Bank Public Expenditure Management on www.worldbank.org

where by creditors will make a commitment to provide sufficient debt relief to reduce the debt burden of eligible countries to sustainable levels provided a country completes another three years of implementing a stabilization program supervised by the IMF.

The HIPC Initiative considers external debt sustainability is attained when a country is able to meet its debt service obligations without accumulating arrears, rescheduling debts or requesting debt relief. The servicing of debt should not adversely affect growth. The indicators used to determine debt sustainability are debt export and debt service ratios. When HIPC was introduced in 1996, the IMF and the World Bank set debt sustainability targets of net present value of debt-to-export ratio of 200-250 percent and a debt service ratio of 20-25 percent. Later a fiscal indicator was introduced for very open economies mainly to make Cote d'Ivoire eligible for the HIPC initiative. Countries with export GDP ratio of 40 percent and revenue to GDP ratio of 30 percent could qualify for HIPC debt relief if the net present value of debt to government revenue was 280 percent or higher. Only poor countries that have these characteristics and borrow from the World Bank at IDA terms are eligible. Nigeria, a member of HIPC with an enormous debt overhang problem does not qualify even when it implements IMF supported stabilization programs.

Among the 42 countries that are classified by the IMF and World Bank as HIPCs 34 are in Sub Sahara Africa. The implementation of the initial HIPC initiative was slow, requiring six years of implementing IMF and World Bank reforms before reaching completion point. Only four countries: - Uganda, Guyana, Bolivia and Mozambique, out of 29 eligible countries received debt relief under the first HIPC initiative of 1996. Mozambique has received the most generous debt relief. The nominal debt has been reduced by 3.7 billion dollars equivalent to 63 percent of net present value of debt. In 1998 Uganda received debt cancellation under the HIPC initiative of US$650 million, or 20% of the nominal value of the debt. The IMF concluded that Uganda's debt would be sustainable. The World Bank and the IMF projected that the debt-servicing ratio of Uganda will decrease to an annual average of 14.5% from 1998/99 to 2000/01, compared to an average of 22.2% from 1995/96 to 1997/98. This reduction in debt service could be attained if the value of exports (in US dollars) grows at an annual average rate of 15.4% over the next three years 1998-2000. The trend growth rate of Uganda's exports from 1986 to 1996 was only 0.4%. The optimistic projections seem to be based on the unusual export performances of 1994 and 1995, which were associated with a coffee price boom and good weather conditions leading to a bumper coffee harvest. The actual growth rate 1998-2000 was -6.1. Ugandan tax collection is around 10-11% of GDP. The export-to-GDP ratio is still low around 12% of GDP. A debt servicing ratio of 15% implies using 1.5% of GDP, or 15% of tax revenue, to service debt. Can Uganda afford to service its debt and invest in poverty eradication? Uganda needed the Enhanced HIPC in order to reduce its debt servicing ratio to single digit levels.

The HIPC I initiative was an improvement to the previous rescheduling exercises. It was however a very slow process. Only two African countries received HIPC debt

relief. The debt relief provided was not enough to provide debt sustainability for countries exporting primary commodities that face volatile commodity prices.

The Enhanced HIPC Initiative

The international civil society has been critical of the too little and too late approach of implementing the HIPC initiative. The G-7 Cologne Summit responded by proposing an enhanced HIPC initiative that should not only aim at sustainable debt levels but assist in promoting sustainable growth with poverty reduction. The cash flow saving from debt relief should be used to finance expenditure in social sectors particularly education and health. The IMF and the World Bank were challenged to work with eligible countries to develop strategies of poverty reduction that should be integrated in the overall macroeconomic policy framework.

In order to provide faster, deeper and broader debt relief, the benchmarks for debt sustainability were reduced. The NPV debt-to-export benchmark was lowered from initial range of 200-250 percent to 150 percent. The benchmark for the debt service ratio is now 20 percent rather than a range of 20-25 percent. The fiscal benchmark in the form of NPV debt-to-fiscal ratio has been lowered from 280 to 250 percent. The qualifying, export to GDP ratio and revenue to GDP, thresholds for the fiscal benchmark have been lowered from 40 to 30 percent and from 20 to 15 percent respectively. The bilateral donors promised to forgive 90 percent of the ODA debt for countries qualifying under the enhanced HIPC initiative.
The period for implementing reforms under the World Bank and IMF supervision has been reduced to a minimum of three years rather than six years with the adoption of floating completion points, whereby countries can receive debt relief if they are considered to be strong reformers implementing poverty reducing programs. The tying of the provision of debt relief to implementing poverty reducing strategies rather than simply adopting policies to maintain macroeconomic stability has the potential of reorienting government expenditures in poor countries towards providing basic social services. Reducing poverty significantly takes time. Designing an institutional framework for a sustained improvement in both the quality and quantity of education and health services is a long term process.

Designing and formulating appropriate policies to foster broad based poverty reducing growth and monitor progress in attaining development goals requires the availability of accurate and timely statistics. Many HIPC countries do not have reliable social economic data. In Tanzania for example, even the national accounts are unreliable. The 1997 revised national accounts have increased GDP estimates of 1988 and 1992 by 263 and 68 percent respectively. Government revenues as a percentage of GDP in 1992 decreased from 20 percent to 12 percent simply as a result of revising the national accounts. A tax effort that was considered reasonable before the revised accounts was apparently too low. The implication of earlier estimates of tax collection effort was that fiscal adjustment should focus more on reducing expenditure rather than raising taxes. The revised accounts suggest low tax effort and the need to increase tax collection through better tax administration.

Many HIPCs do not have reliable social indicators such as primary school enrollment rates, student teacher ratios, and malnutrition rates among children. Governments are not even aware of the correct number of their employees and soldiers. Can these governments prepare realistic poverty reduction strategy papers with monitorable social indicators before reaching decision point in order to receive debt relief under the enhanced HIPC? It can be argued that qualifying for the enhanced HIPC Initiative provides incentives for governments to collect data not only for macroeconomic performance but also for key social indicators that have to be monitored in the implementation of the poverty reduction strategy.

Achievements of the Enhanced HIPC

The World Bank and IMF under constant pressure from the international civil society have attempted to fast track as many eligible countries as possible to enter into the HIPC process to qualify for debt reduction. As of September 2004, eleven countries including Benin, Burkina Faso, Ethiopia, Ghana, Mali, Mauritania, Mozambique, Niger, Senegal, Uganda and Tanzania have reached their completion point and have received debt relief. Another twelve countries including Cameroon, Chad, Congo D R, The Gambia, Guinea, Guinea Bissau, Madagascar, Malawi, Rwanda, Sao Tome and Principe, Sierra Leone and Zambia are between decision point and completion point with commitments to receiving debt reduction when they reach their completion point. Their completion point quarters are known and what is required is for these countries to complete and/or start implementing their full PRSPs and persist with macro economic stabilization and structural reforms (table 6).

The actual amount of debt relief granted to African HIPCs is shown on table 7. For the eleven countries that have reached a completion point, total HIPC relief as a percent of the 1999 debt stock ranged from 23 percent for Senegal to 71 percent for Niger. The countries that are in between the decision point and completion point have been promised debt relief ranging from 23 percent for Chad to 86 percent for Congo D R. Although debt relief provided under the HIPC initiative is irrevocable, the total debt relief is not deducted to reduce the debt stock outstanding. Tanzania reached the completion point on November 2001 and received a nominal reduction of debt of 3 billion dollars but its debt stock in 2002 was 7.2 billion compared to 8.0 billion in 1999. The amount of debt stock at the end of 2003 was 7.9 billion dollars. Investors look at nominal debt stocks and do not see a significant fall in outstanding debt even after a country has reached a completion point. It seems the recording of debt statistics is biased towards accommodating creditors, particularly multilaterals that may have funding problems of their debt relief commitment and therefore want to write off debt in their books in the years the debt relief is granted. In order to inform potential investors that HIPC countries are no longer heavily indebted, they should write off their debts once they reach the completion point.

Shortcomings of the HIPC Initiative

Although the HIPC program is more ambitious than previous debt reduction programs in promising more and faster debt relief for more countries, it is not grounded analytically in a realistic conception of the amount of debt reduction needed for most

countries to achieve a sustainable path of growth and poverty reduction. African countries are in poverty traps with levels of income too low to cover basic needs. Debt servicing reduces the ability of governments to provide basic social services and build the necessary physical infrastructure to promote economic growth (Sachs 2002, 2004).

Africa needs 100 percent debt cancellation and the provision of grants to support an investment program to promote growth and poverty eradication. The World Bank and the IMF have done a disservice to poor countries by opposing debt cancellation on the ground that such action would penalize other poor countries that have better managed their debt and public finance.

The World Bank and the IMF have been susceptible to criticism when they are paid more debt service than loans they extend to poor countries. The Multilateral financial institutions have been caught in their own debt trap. They provided more loans to poor countries to avoid negative resource inflow to these debtors even when the new loans were unlikely to be used productively. Many bilateral creditors cancelled poor countries debt and provided their aid in the form of grants. The debt accumulation of poor African countries from the mid 1980s was largely from multilateral creditors associated with the structural adjustment programs of the World Bank and IMF. Without debt cancellation for the poorest countries, the HIPC program will not change the perverse political and bureaucratic incentives that led official donors and creditors to provide the stream of loans that became unmanageable debt in the first place (Birdsall and Williamson 2002, Gunter 2004). Protecting debt servicing to International Financial Institutions perpetuated moral hazard on their part because bilateral donors covered the debt servicing cost of poor countries and the World Bank and IMF continued with structural adjustment programs that did not produce needed growth.

The cancellation of poor countries debt to IMF is feasible. A part of the IMF gold reserves can be valued at market prices (rather than the original USD 35 per ounce) without selling the gold to an open market. The accounting capital gain can then be used to write off poor countries debt. The World Bank may require additional funding to write off all poor countries without jeopardizing their lending operations to poor non-HIPC countries such as Bangladesh.

A fundamental lesson from the past 40 years of economic history of Africa is that initiating and sustaining development has proven to be extremely difficult. Cote d'Ivoire that was considered by the World Bank as an African economic miracle experienced an economic collapse that began in the early 1980s largely because of sharp deterioration of the terms of trade, high debt servicing costs and debt overhang and the appreciation of the exchange rate as a result of pegging the CFA franc to the French franc. If Cote d'Ivoire has so far failed to become an "emerging" economy, what is the likelihood of landlocked African countries emerging and joining the convergence club of developing countries that grow fast and steadily catch up with the developed countries in per capita income? The challenge of overcoming structural constraints including a tropical climate with its devastating diseases such as malaria, building the necessary infrastructure to support economic growth and structural transformation and creating supportive political and economic institutions should not

be underestimated. These countries should not be burdened by an unmanageable external debt. Poor countries that have good governance should be given grants to establish the necessary infrastructure. Capital inflows should largely be in the form of direct foreign investment and governments should not guarantee any private sector or public enterprises external debt.

Eligibility Criteria

The HIPC initiative has continued to use an inappropriate debt sustainability criterion. If debt sustainability is approached from a sustainable development perspective, which is operationalised by MDG targets, the debt of most African countries would be seen to be unsustainable. The rationale for such a definition of debt sustainability is that countries with a large proportion of the population living below the poverty line have a more urgent need to spend their resources on poverty reduction than on debt service. The HIPC criterion is based on the net present value (NPV) of total external debt (calculated based on all future debt service) to the three-year backward looking average of exports of goods and services (including workers' remittances). If the ratio is 150 percent or less the country is considered to have a sustainable debt.

The World Bank's Global Development Finance, however, classifies external indebtedness based on two ratios, the ratio of the net present value (NPV) of total external debt (calculated based on all future debt service) to the three-year backward looking average of gross national product (GNP), and the ratio of the NPV of total external debt (calculated based on all future debt service) to the three-year backward looking average of exports of goods and services (including workers' remittances). If either ratio exceeds a critical value—80 percent for the NPV debt to GNP ratio and 220 percent for the NPV debt to exports ratio—the country is classified as severely indebted. If the critical value is not exceeded but either ratio is three-fifths or more of the critical value (that is, 48 percent for the present value of debt service to GNP and 132 percent for the present value of debt service to exports), the country is classified as moderately indebted. If both ratios are less than three fifths of the critical value, the country is classified as less indebted. The World Bank classifies Angola as severely indebted country because of its very high NPV debt to GNP but it is considered within the HIPC initiative to have a sustainable debt. Nigeria is also classified as severely indebted but it is not in the list of HIPCs because it is not classified as an IDA only country.

To be eligible for the HIPC initiative, a country must be eligible to borrow from soft windows of the World Bank IDA and IMF PRGF only. This automatically leaves out a severely indebted poor country such as Nigeria which has the largest external debt of US $ 33 billion among SSA countries. Despite being a major oil producer its per capita income is very low with at least 34 percent of the population living on less than one dollar a day similar to many other HIPC countries. The World Bank classifies Nigeria as a blend country that can borrow from the IDA soft window and IBRD that charges market interest rate. Nigeria has, however, not borrowed from IBRD for the past eleven years because of its lack of creditworthiness and is therefore

IDA only country. Nigeria should be classified as a HIPC eligible for debt relief (Birdsall, Moss and Standley 2004).

If a multidimensional concept of poverty was used such as the UNDP Human Poverty Index, most African countries with the exception of Mauritius are poor and have poverty levels below those of Bolivia and Guyana countries that are eligible for debt relief under the HIPC Initiative (UNCTAD 2004). To maintain that Kenya has a sustainable debt level is to ignore the debilitating poverty that most Kenyans are facing.

Ignoring domestic debt

The servicing of the public guaranteed debt is largely a public finance issue, but the HIPC criterion have tended to look at the debt issue as mainly a balance of payment problem. The ability to raise government revenue to service the debt is obviously an important criterion for debt sustainability. A country may not have a balance of payment problem and still fail to raise government revenue to service debt. From a public finance perspective, the servicing of domestic debt is similar to servicing external debt. The major difference is the exchange rate risk involved in the external debt servicing. A correct analysis of public debt sustainability should include domestic debt. Moreover with the liberalization of the capital account and the privatization of financial institutions where by the most important institutions are foreign owned, governments' domestic debt can easily be a major asset of foreign owned financial institutions. If domestic debt was included in the debt sustainability analysis, the level of debt relief required would be much higher. It should also be noted that including domestic debt in the debt sustainability analysis does not imply that the international community should pay for domestic debt relief but that more external debt relief may be required for a country to have sustainable debt.

The policy advice of the World Bank and IMF regarding the liberalization of trade, providing incentives in terms of tax exemptions to foreign direct investment in sectors such as mining has worsened the fiscal capacity of the government to service debt even when there is no foreign exchange problem. Domestic debt should be included in any realistic debt sustainability analysis.

Over optimistic estimates of Growth of Output and Exports

In estimating the future debt servicing capacity of countries, the World Bank and the IMF have made over optimistic projections about the growth of output and exports. Most countries reaching completion point have good macroeconomic and structural policies and they are usually in the first quintile in the World Bank Country Policy and Institutional Assessment (CPIA), which combines 20 different policies and institutional ratings and are considered to be the best governance indicators (Radelet 2004). The World Bank and the IMF tend to ignore the structural constraints to growth in Africa that are not removed by improving macroeconomic policy and governance (Sachs 2004, UNDP 2003). These constraints include those of geography such as

being in the tropics, landlocked countries, and reliance on the exports of tropical beverages that face volatile world market prices. Over optimistic growth projections have been pointed out by the World Bank's Operations Evaluation Department (OED) Review (2003) that reveals, "the overall simple average of the growth rate assumed in DSAs …is more than twice the historical average for 1990–2000, and almost six times the average for 1980–2000" In Uganda the collapse of coffee prices increased the NPV Debt export ratio was 173 percent above the HIPC threshold of 150 percent (table 8).

HIPC has ignored the market valuation of debt

Debt relief provided under the HIPC framework is highly over estimated because it assumes that the face value of debt was payable. Cohen (2001) has rightly argued that unlike the Brady plan that resolved the middle income countries debt crisis particularly in Latin America, the HIPC Initiative does not have a market valuation perspective. The market valuation of HIPC debt is much lower because most of the debt will not have been repaid. Cohen concludes that the HIPC initiative is about ten times less generous than face value accounting would suggest. The United States government is mandated by Congress to estimate the present value of debt and uses 92 percent discount rate on HIPC debt (Birdsall and Williamson 2002). Accepting the economic reality that HIPCs can not repay the debt could have resolved the debt problem without incurring the overhead costs of international conferences to resolve poor countries debt. Most bilateral donors have long written off poor countries debt and have only provided grants to these countries.

Using Currency Specific discount rates to compute the Net Present Value of Debt

Potential investors usually look at the nominal value of the debt stock rather than calculating the Net Present Value of debt. The debt burden of each country depends on the timing of debt service and therefore the need to discount the stream of debt service obligations to get the present value. The sophistication of using OECD commercial interest reference rate (CIRR) which is an average of short term interest rates to discount long term debt obligation is unwarranted. For most of the 1990s Japan was in recession and yen interest rates were low while USA interest rates were three times as high. Because of the low discount rate, Japan is required to offer more debt relief than the USA or other countries that offered dollar denominated loans. Moreover non OECD currencies such as the Russian ruble and the Chinese renmib do not have CIRR. Which discount rate should be used? The tendency has been to arbitrarily choose the dollar or SDR CIRR as the discount rate. Short term interest rates do change over time. Countries reaching decision point at different dates will use different discount rates for the same currency. It is more reasonable to use a standard low discount rate for all loans. The lower the discount rate, the closer the NPV is to the nominal value. If the objective is to reduce the debt overhang, the relevant measure is the nominal value of debt.

Sunset Clause and the countries that have not reached the decision point

Nine countries Burundi, Central African Republic, Comoro, Congo, Cote d'Ivoire, Liberia, Somalia, Sudan and Togo that have major governance problems including civil war have not reached decision point. The HIPC Initiative was supposed to close at the end of December 200, but it has been extended to the end of 2006. It is however clear that these countries will not be able to service their debt. And even if their debts are cancelled, they will need additional grants or concessional loans to invest in their infrastructure, schools, health facilities in order to promote growth. Within the current HIPC initiative, they will need to successfully implement an IMF program for three years and complete an interim and full PRSP. The Best and brightest in the Ministries of Finance and Central Bank will have to learn how to conduct a Debt Sustainability Analysis, what discount rate to use for what loans and so on or they have to accept whatever the World Bank tells them is the sustainable debt for their countries. A country like Burundi should have its best and brightest working on establishing an effective budget and public expenditure system, improving tax administration, designing programs to rebuild the education and health system, restoring and improving agriculture research and extension, promoting microfinance for the poor. Donor countries should provide new grants based on national development and poverty eradication programs. Does debt cancellation without implementing an IMF program promote moral hazard and remove incentives for reform? The real incentives for reform should be the new grants and not an elaborate system for qualifying for debt relief. If the country does not have a credible poverty reduction program, and therefore development assistance is likely to be wasted, it should not receive large amounts of grants and most of it should be directed to NGOs.

Participation of Non Paris Club Creditors

The equivalent of the most favored creditor clause in Paris Club agreement requires debtors, on their own to seek similar offers of debt relief from non-Paris club creditors. Some bilateral and commercial creditors have refused to offer debt relief and have taken HIPCs to court and won. In many cases, the debtor has been charged additional punitive damages. For example, Winslow Bank of Bahamas took Cameroon to court for an original claim of US $ 8.9 million and was awarded US $ 51.5 million. Uganda has been taken to court by Spanish Bank, (Banco Arabe Espanol) a UK company Transroad Ltd, two companies from former Yugoslavia and the Iraq Fund for External Development. The total original claim of the creditors was US $ 18.2 million and the courts awarded the creditors a total of US $ 31.1 million. A formal mechanism is required to handle non-Paris Club creditors. Creditor litigation has been initiated because the HIPC initiative is not International law. Moreover some creditors are themselves HIPCs and the HIPC Initiative does not exempt them. The HIPC Initiative unlike other Paris Club rescheduling does not have a "de minims" clause that would exempt small creditors fro providing debt relief. The international community should design a mechanism possibly through the United Nations that will commit large non-Paris Club creditors to provide similar levels of debt relief.

Does Debt Relief under the HIPC Initiative provide additional resources to poor countries?

There is no doubt that compared to previous Paris Club rescheduling, the HIPC initiative has promised larger amounts of debt relief. HIPC countries are receiving a larger share of dwindling Official Development Assistance. Other poor but less indebted countries may have received less aid because of HIPC. Unfortunately even for HIPC as the World Bank OED study has shown "HIPCs as a group are receiving an increasing share of declining global aid resources; transfers to other poor but not highly indebted countries appear to be declining correspondingly. But in absolute terms, HIPCs are receiving less than they did in 1995" (Gautam, 2003). It is disheartening that as countries improve economic and political governance, international support is declining. Even after debt relief, the absolute amount of debt service is still large (table 9) for poor countries that lag far behind in attaining the millennium development goals.

V. Challenges of Financing Poverty Eradicating Growth to Achieve the Millennium Development Goals

The HIPC Initiative has been linked to implementation of a strategy to reduce poverty in poor countries particularly by utilizing saving from debt relief to increase expenditure in the social services. Increased social sector spending is commendable but it is not on itself a growth strategy that can eradicate poverty in a sustainable way. Poverty reduction strategy papers (PRSP) that must be completed before a country can reach completion point have largely been prepared to fulfill the World Bank IMF conditionality rather than designing a growth strategy for the poor country. The World Bank (2003) OED review of PRSP has concluded that "The PRSP Initiative has not yet fulfilled its full potential to enhance poverty reduction efforts in low-income countries. Countries have focused more on completing documents, which give them access to resources, than on improving domestic processes. Most PRSPs to date have focused on public expenditures and not considered the full range of policy actions required for growth and poverty reduction."

Broad based economic growth and poverty eradication is a do it yourself process. International bureaucrats cannot drive it. Financial and technical assistance from outside can help an internally driven process. If assistance from outside dominates the policy making process aimed at poverty eradicating growth, it is more likely to fail. Debt relief can help a country's development efforts by removing the debt overhang problem and allow policy makers to focus on promoting broad based growth. It is, however, doubtful that the provision of debt relief can be used by the international community to force policy makers in poor countries to implement a poverty eradication development strategy.

Linking debt relief to implementing IMF and World Bank conditionalities undermine policy ownership that is necessary for poverty reducing growth. Donors can assist in promoting poverty-reducing growth by linking provision of new aid resources to countries that have democratically elected governments pursuing

appropriate policies. Across the board debt cancellation is the appropriate policy for removing the debt crisis of African countries that will allow serious governments to pursue poverty reducing growth strategies. It is also important to note that total debt cancellation will not free enough resources to support investment requirements of poor countries. Africa will need additional grants to finance expenditure in social services and investment in infrastructure in order to attain the millennium development goals.

As noted in the introduction the Millennium Development Goals (MDGs), a series of quantified targets for ending extreme poverty by 2015. The MDGs aim to cut poverty in its many dimensions: low income, hunger, lack of education, gender inequality, disease, environmental degradation, insecurity of shelter, and lack of access to safe water and sanitation.

Sub-Saharan Africa is the only region in which both the proportion and absolute number of people in extreme income poverty have been rising sharply. Most countries in SSA are off track to achieve most of the Goals. Sachs (2004) persuasively argues that Sub-Saharan Africa is stuck in a profound poverty trap that constitutes the epicenter of the world's development crisis. The pandemic infectious diseases of HIV/AIDS, tuberculosis and malaria continue to pose deep and unmet threats across the continent.

In almost all African countries a big push in investment is needed to attain the Millennium Development Goals. It will require a significant increase of investment spending, especially in areas of infrastructure and human capital (health, education, nutrition). African countries lack the basic infrastructure (roads, ports, airports, telecoms, power, water and sanitation), environmental management, and human capital (health, education, nutrition, and family planning) needed to attract private investment. Without adequate infrastructure and a healthy and educated population, these countries fail to benefit from private sector led growth. At the core of a national strategy to achieve the MDGs, therefore, should be a strategy for greatly increased investments in infrastructure and human capital. These investments that will drastically improve infrastructure and human capital will, in turn, spur much greater investments in the private sector leading to overall economic growth. Even with 100 percent debt cancellation, improved governance and effective public expenditure prioritization domestic resources will not be adequate to break the poverty trap, external assistance will be required.

In order to attain the millennium development goals African countries need to draw a 10 year perspective plan that is derived from a detailed analysis of what it will take to achieve all MDGs. The three year poverty reduction strategy papers should be implementing instruments of the perspective plan. The current PRSP process that has largely focused on finishing documents that will be acceptable to the IMF/World Bank so that countries can qualify for debt relief need to be revamped. A realistic and detailed needs assessment is a key input to developing both a 10 year perspective and three year implementing plans.

The defining characteristic of African countries is that most of the population live in rural areas and depend on agriculture. The rural population is increasing rapidly. Rural

poverty is high, and the productivity of rural smallholder farmers is very low. Rural urban migration is high and increasing and jobs in towns and cities are scarce. Rural infrastructure is very poor, with a shortage of roads, power, water and sanitation. Women and girls do most of the work including farming, collecting fuel wood and water. Many girls do not attend school because they are home performing household labour.

Most of the urban population depends on the informal economy for there livelihood, without security of tenure. In many African countries as high as 80 percent of the population live in areas that have not been surveyed. Their property cannot be used as security. Cities have large squatter settlements with precarious property rights and a lack of public services. Roads, power, and ports tend to be congested and poorly maintained. Power outages are common that discourage domestic and foreign investment. Formal sector employment has actually decreased with the privatization of public enterprises and retrenchment of public sector employment.

The population is poorly educated and suffers from ill health and therefore has low human capital. HIV/AIDS has devastated many countries killing the best and the brightest including teachers and other professionals. In many countries Malaria is a year round disease and the leading killer of children in many areas. Tuberculosis is on the increase and very opportunistic to those with AIDS and afflicts densely populated slum areas.

An appropriate development strategy for African countries must of necessity include agricultural transformation that will increase productivity of smallholder farmers. So far a green revolution has by passed African countries but it is still feasible particularly given advances in bio technology. Increasing the productivity of smallholder farmers will help in solving the hunger and nutrition problem. It would provide low cost food to the rest of the economy that can assist in the industrialization process and creation of employment in other sectors. Every successful industrialization has been preceded by an increase in agricultural productivity. A sustainable green revolution will require large scale investment in rural infrastructure including roads, small scale irrigation schemes, water harvesting, rural electrification, and restoring and increasing soil nutrients by chemical fertilizers and nitrogen fixing plants.

To generate employment, African countries need an industrialization strategy or industrial policies that will foster internationally competitive industries and services, while meeting the basic needs of the country. Each country may need to develop industrial parks and export processing zones to promote rapid industrialization. Investment in infrastructure including ports, power generation, roads will be needed for private sector to respond with its own investment.

To improve the well being of Africans and upgrade human capital massive investments in nutrition, health care, education and family planning is required.

Sachs et al has identified eight clusters of investment that are needed to improve the wellbeing of the population, ignite a growth process that will enable African countries to attain the MDGs. These cluster include

- Rural investments to promote increased food output and food availability
- Urban investments to promote jobs and slum improvements
- Health system to ensure universal access to essential health services
- Education system to ensure universal access to primary education
- Investments to overcome pervasive gender bias
- Cross-border infrastructure with neighboring countries
- Capacities in science and technology
- Public institutional capital to improve governance

Table 10 shows preliminary estimates of annual needs assessment for three African HIPC countries Ghana, Tanzania and Uganda. Ghana will require between 2005 and 2015, real annual expenditure in 2000 prices of US $ 1939 million in areas agriculture production to reduce hunger, education, gender equality, health, water supply and sanitation, and roads in order to attain the millennium development goals. For the same sectors Tanzania has to spend US $ 4016 and Uganda US $3047 annually to achieve the MDGs.

Take the case of Tanzania, total government revenue and expenditure in 2003 was around 1.1 and 2.1 billion dollars respectively. Average annual official development assistance to all sectors for 2000 to 2002 was 1175.3 billion. Even if all government expenditure was directed to priority sector that will contribute to the attainment of the millennium development goals, the country will need additional 2 billion dollars of expenditure to be able to meet these goals. Tanzania paid 145 million dollars in debt service in 2002 which is only around 8 percent of additional resources required to finance the attainment of the MDGs. Can Tanzania raise from the international community an additional US $ 1.5 to 2.0 billion dollars a year to finance a poverty reducing development program? If this amount can be raised will it be effectively absorbed and spent productively? Will the large external inflow cause an appreciation of the real exchange rate that will destroy the competitiveness of tradable goods? Already Tanzania is highly dependent on foreign aid. Will the increase in foreign aid of this magnitude act like a narcotic overdose that will make an aid addict even more dependent?
Tanzania should be able to draw its own plan that can be up-scaled as more resources become available while ensuring that the real exchange rate remains competitive. The plan must also include an exit strategy from aid dependence by improving the efficiency of the tax system particularly tax administration so that the government can collect at least 20 percent of GDP in taxes without impairing the objective of attaining an average GDP growth rate of 8 percent per year.

For the SSA region as a whole Sachs (2004) and his associates make a rough estimate that in order to meet the MDGs in 33 tropical African countries will require a

global increase in official development assistance (ODA) of an additional $50-75 billion of ODA each year.[3] This will require more than doubling of ODA to African countries. The current aid fatigue does not augur well for the mobilization of development assistance to finance the attainment of MDGs in Africa. Developed countries should realize that aid to support achievement of MDGs will create effective and legitimate states in Africa that will be effective buffers against international terrorism. Aid is an investment for global peace and security. Developed countries should have concrete programs to implement the long standing commitment of providing 0.7 percent of their GNP as development assistance that was reaffirmed in the Monterey Consensus and the Rome Declaration. In fact if the developed world can provide 0.5 of its GNP as developed assistance, they will be adequate funding for investment required to attain the MDGs. New sources of financing development assistance should be considered including increasing quotas of Special drawing Rights that should be committed to financing development, taxing international financial transactions (Tobin tax), international environment taxes, establishing International Financing Facility that will mortgage future aid flows in line suggested by the UK Chancellor of the Exchequer Gordon Brown (2004).

African countries will need to make their own realistic needs assessment and fully cost what it will take to attain the MDGs. Each country has to develop its 10 year perspective plan for promoting growth and poverty eradication. The three or five year growth and poverty reduction strategy plan should be an implementing instrument of the perspective plan. The level of resources that can be raised locally including removing waste in public expenditure should be determined and development partners should provide the shortfall.

[3] These countries include Angola, Benin, Burkina Faso, Burundi, Cameroon, Central African Rep., Chad, Congo, Dem. Rep., Congo, Rep, Côte d'Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Zambia and Zimbabwe

Annex Tables

Table 1: Growth of External Debt and Exports

	1970-79		1980-89		1990-96		1997-2002	
	Debt	Exports	Debt	Exports	Debt	Exports	Debt	Exports
Angola	..	..	..	..	4.5	4.6	-1.3	14.5
Benin	27.3	15.4	12.2	0.9	4.2	6.3	1.8	0.3
Botswana	22.3	21.6	18.4	16.4	3.0	3.8	-5.2	0.2
Burkina Faso	39.2	21.6	12.6	6.1	7.3	-2.6	2.6	-3.1
Burundi	31.6	19.5	22.8	4.4	4.1	-5.1	1.3	-13.2
Cameroon	35.7	19.3	9.1	0.2	6.8	-3.4	-2.9	3.5
Cape Verde	..	..	..	3.0	8.9	20.0	14.1	10.7
Central African Republic	24.6	12.6	16.5	1.9	4.8	0.8	1.6	-9.0
Chad	31.3	10.9	5.5	6.6	10.4	4.2	3.3	-4.1
Comoros	57.7	..	19.3	13.2	3.0	0.4	3.7	3.0
Congo	27.9	21.6	14.4	-2.0	2.7	1.7	-1.0	9.8
Congo. Democratic Republic	37.0	11.8	8.4	1.6	4.3	-6.0	-6.0	-7.3
Cote d' Ivoire	33.0	26.0	7.9	0.8	1.4	6.8	-6.1	-0.3
Djibouti	33.7	..	27.8	..	6.1	..	2.0	..
Equatorial Guinea	24.7	..	12.4	..	3.2	35.7	-3.5	20.3
Eritrea	..	..	..	..	..	..	44.8	2.3
Ethiopia	17.0	..	24.3	..	2.8	5.2	-10.7	-1.1
Gabon	39.5	31.6	13.5	-6.5	1.4	3.4	-4.9	0.5
Gambia The	35.6	17.4	9.9	3.8	3.1	-1.9	5.0	0.6
Ghana	10.1	-2.3	11.8	22.2	8.7	12.6	1.8	1.8
Guinea	13.7	..	7.8	..	5.1	-0.5	-1.3	0.6
Guinea-Bissau	..	14.3	19.6	2.8	5.1	7.5	-7.2	17.6
Kenya	22.2	16.5	8.0	0.4	-0.4	6.3	-2.8	1.7
Lesotho	22.6	21.0	18.1	-0.8	10.5	15.4	-2.1	9.2
Liberia	14.7	10.1	11.2	..	2.4	..	2.3	..
Madagascar	0.7	12.4	12.5	-0.8	2.1	9.8	0.9	3.7
Malawi	19.9	15.8	7.2	0.3	7.2	-0.4	4.4	-4.1
Mali	10.2	17.3	14.3	5.3	2.8	3.5	-2.7	10.6
Mauritania	48.4	9.7	10.8	6.9	2.5	1.1	-1.5	-2.7
Mauritius	31.0	..	6.9	12.4	11.9	7.6	-1.1	1.1
Mozambique	..	..	..	-9.2	10.2	8.5	-11.8	18.5
Namibia	..	..	..	-2.2	..	6.3	..	-3.8
Niger	38.5	24.8	7.8	-3.6	-1.0	-2.6	1.8	1.1
Nigeria	23.0	33.6	14.8	-9.4	-0.1	3.7	1.4	6.8
Rwanda	64.9	30.1	17.3	0.7	6.4	-13.4	4.1	2.6
Sao Tome and Principe	..	10.4	20.3	0.9	8.4	2.1	6.7	11.5
Senegal	27.4	17.1	11.8	5.2	0.4	-0.2	-0.3	2.6
Seychelles	..	..	15.5	10.4	-1.5	6.0	10.4	8.8
Sierra Leone	20.7	4.4	9.5	-0.9	0.7	2.7	2.4	6.2
Somalia	27.8	15.2	12.0	-14.4	2.1	..	0.4	..

South Africa	..	18.8	..	0.1	..	4.9	-0.3	-0.1
Sudan	34.4	8.4	10.1	-2.8	2.9	16.5	-0.8	37.2
Swaziland	17.9	13.6	4.3	3.3	-2.1	7.5	-0.9	0.9
Tanzania	29.1	9.3	-0.2	-6.9	2.6	16.5	-1.3	5.2
Togo	48.3	18.2	2.3	2.1	2.5	-4.3	1.8	-0.8
Uganda	14.3	2.1	14.6	12.1	6.3	19.0	0.4	-2.3
Zambia	17.2	4.1	9.5	-3.3	0.3	-0.9	-3.3	-0.5
Zimbabwe	6.5	..	12.5	2.6	7.9	7.8	-4.9	-9.1

Source World Bank World Development Indicators 2004

Table 2: Sub Sahara African Countries Paris Club Rescheduling 1976-2004

		Total
Angola	1989	1
Benin	1989 1991 1993 1996 2000 2003	6
Burkina Faso	1991 1993 1996 2000 2002	5
Burundi	2004	1
Cameroon	19891 1994 1992 1995 1997 2001	6
Central African Republic	1981 1983 1985 1988 1990 1994 1998	7
Chad	1989 1995 1996 2001	4
Congo		0
Congo, Dem Rep.	1976 1977 1979 1981 1983 1985 1986 1987 1989 2002 2003	11
Côte d'Ivoire	1984 1985 1986 1987 1989 1994 1992 1998 2002	9
Djibouti	2000	1
Equatorial Guinea	1985 1989 1992 1994	4
Ethiopia	1992 1997 2001 2002	4
Gabon	1987 1988 1989 1991 1994 1995 2000 2004	8
The Gambia	1986 2003	2
Ghana	19961 2001 2002	3
Guinea	1986 1989 1992 1995 1997 2001	6
Guinea-Bissau	1987 1989 1995 2001	4
Kenya	1994 2000 2004	3
Liberia	1980 1981 1984 1985	4
Madagascar	1981 1982 1984 1985 19862 1988 19903 1998 2000 2000 2001	11
Malawi	1982 1983 1988 2001	4
Mali	1988 1989 1992 1996 2000 2003	6
Mauritania	1985 1986 1987 1989 1993 1995 2000 2002	8
Mozambique	1984 1987 1990 1993 1996 1998 1999 2001	8
Niger	1983 1984 1985 1986 1988 1988 1990 1994 1996 2001 2004	11
Nigeria	1986 1989 1991 2000	4
Rwanda	1998 2002	2
Sierra Leone	1977 1980 1984 1986 1992 1994 1996 2001 2002	9
São Tomé Principe	2000	1
Senegal	1981 1982 1983 1985 1986 1987 1989 1990 1991 1994 1995 1998 2000 2004	14
Somalia	1985 1987	2
Sudan	1979 1982 1983 1984	4
Tanzania	19862 1988 1990 1992 1997 2000 2002	7

Togo	1979 1981 1983 1984 1985 1988 1989 1990 1992 1995	10
Uganda	1981 1982 1987 1989 1992 1995 1998 2000	8
Zambia	1983 1984 1986 1990 1992 1996 1998 2002	8

Source www.clubduparis.org

Table 3: The Share of Multilateral Debt in Total External Debt

	1970	1980	1990	1996	2000	2002
Angola	na	na	0.7	2.1	3.1	3.1
Benin	1.0	24.5	41.6	56.6	59.3	62.1
Botswana	29.9	62.2	70.0	71.6	65.6	66.1
Burkina Faso	0.0	42.9	67.7	78.4	72.2	78.9
Burundi	30.0	35.7	72.8	81.8	80.3	78.7
Cameroon	14.0	16.7	19.5	16.2	15.2	16.7
Cape Verde	na	na	65.0	72.7	70.0	67.6
Central African Republic	0.8	27.4	65.2	69.2	68.0	54.9
Chad	4.3	26.2	63.4	73.4	75.3	77.9
Comoros	0.0	48.2	60.9	73.8	69.4	70.0
Congo	24.7	7.7	11.5	12.9	11.7	11.1
Congo. Democratic Republic	1.7	6.7	18.6	18.1	18.5	27.7
Cote d Ivoire	3.8	7.0	20.8	18.8	24.4	25.7
Djibouti	0.0	7.2	41.9	46.3	52.7	58.8
Equatorial Guinea	0.0	3.6	28.0	35.0	37.8	37.5
Eritrea	na	na	na	66.6	48.8	60.6
Ethiopia	41.4	41.2	14.7	24.6	50.0	59.3
Gabon	30.1	2.7	8.0	13.5	11.8	11.3
Gambia The	0.0	29.9	55.0	72.5	71.1	68.6
Ghana	9.3	19.9	48.1	49.0	55.3	55.7
Guinea	6.2	11.5	27.4	45.9	47.7	50.2
Guinea-Bissau	0.0	24.5	39.5	40.9	48.5	55.8
Kenya	8.0	18.7	35.3	43.0	46.0	49.2
Lesotho	50.6	56.1	73.6	67.4	70.9	77.5
Liberia	4.7	19.1	23.4	20.1	19.5	17.5
Madagascar	8.6	14.6	33.2	38.7	38.9	47.1
Malawi	12.5	26.4	69.8	76.6	75.4	77.7
Mali	2.4	23.6	36.3	48.6	50.7	62.2
Mauritania	21.3	14.8	31.0	38.7	40.0	49.2
Mauritius	17.7	16.6	31.6	13.9	12.9	15.3
Mozambique	na	na	10.0	19.6	15.8	32.4
Namibia	na	na	na	na	na	na
Niger	13.2	16.5	40.6	57.5	60.4	67.7
Nigeria	21.8	6.4	11.2	14.3	10.5	9.5
Rwanda	2.0	47.8	76.2	79.9	78.3	80.5
Sao Tome and Principe	na	45.1	48.4	66.3	53.7	55.3
Senegal	9.2	17.9	36.6	50.2	54.0	55.6
Seychelles	na	5.4	25.9	37.7	25.0	22.2
Sierra Leone	10.3	13.2	15.2	38.6	46.9	49.9
Somalia	9.2	24.1	31.8	28.9	27.7	27.1
South Africa	na	na	na	0.0	0.6	0.5

Sudan	26.9	12.2	11.7	12.3	12.4	12.1
Swaziland	24.1	30.0	47.9	58.8	47.0	49.8
Tanzania	18.0	10.6	30.6	39.0	44.1	49.3
Togo	4.8	10.3	43.7	49.7	53.6	52.1
Uganda	12.6	11.5	49.2	62.1	75.4	77.0
Zambia	7.5	12.1	20.2	30.7	42.0	46.1
Zimbabwe	17.5	0.4	19.6	31.7	38.0	38.6

Source World Bank World Development Indicators 2004

Table 4: Principal and Interest forgiven 1985-97 (Percent of Total debt)

Country Name	1985	1997		1985	1997
Angola	125.3	36.9	Liberia	0.3	0.2
Benin	53.4	28.1	Madagascar	35.5	21.9
Botswana	1.3	0.8	Malawi	7.3	3.4
Burkina Faso	70.6	27.8	Mali	35.1	17.4
Burundi	31.2	13.3	Mauritania	16.0	9.5
Cameroon	28.5	9.7	Mauritius	0.5	0.1
Cape Verde	9.2	4.1	Mozambique	32.2	15.5
Central African Republic	71.9	27.9	Niger	44.0	33.3
Chad	81.4	17.2	Nigeria	0.2	0.2
Comoros	35.7	24.3	Rwanda	18.0	5.9
Congo, Dem. Rep.	9.1	4.6	Sao Tome and Principe	0.0	0.0
Congo, Rep.	11.1	6.7	Senegal	51.8	36.2
Cote d'Ivoire	21.0	13.0	Seychelles	0.0	0.0
Djibouti	31.0	15.7	Sierra Leone	32.2	19.9
Equatorial Guinea	15.0	7.0	Somalia	7.9	5.0
Eritrea	na	0.0	South Africa	na	0.0
Ethiopia	4.0	2.1	Sudan	0.9	0.5
Gabon	26.2	7.4	Swaziland	0.4	0.3
Gambia, The	4.7	2.7	Tanzania	15.4	19.5
Ghana	16.8	6.3	Togo	39.9	27.9
Guinea	31.3	13.0	Uganda	14.2	4.7
Guinea-Bissau	16.2	5.6	Zambia	27.8	18.8
Kenya	17.7	11.4	Zimbabwe	2.3	1.1
Lesotho	7.0	1.8	Sub Sahara Africa	18.3	8.9

Table 5 Net transfers on Long and short term debt including IMF Million US$

Country Name	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total 199 2002
Angola	199.6	-221.8	-265.9	223.7	-561.8	-688.6	-908.6	-411.4	-238.9	-2873.7
Benin	91.9	81.2	82.2	90.9	-44.5	47.9	-77.7	87.0	4.3	363.2
Botswana	-32.6	-23.5	-121.9	-48.0	-86.3	-39.6	-44.8	-39.3	-62.8	-498.8
Burkina Faso	100.3	104.0	63.5	53.2	31.8	94.8	29.6	87.6	82.4	647.2
Burundi	12.3	14.5	-5.2	-6.1	1.7	37.8	8.8	10.9	18.6	93.3
Cameroon	126.4	-94.7	-446.5	447.3	-225.7	-385.5	-371.9	-438.1	-449.9	-1838.6
Cape Verde	21.3	30.4	-7.9	9.1	34.8	55.9	5.5	44.5	18.9	212.5
Central African Republic	20.9	19.3	8.9	-7.5	-19.0	12.5	-18.8	-19.1	-0.1	-2.9
Chad	62.8	55.0	94.7	65.2	3.5	55.5	5.7	24.6	73.6	440.6
Comoros	10.0	10.7	6.2	8.6	-1.6	3.9	2.0	2.8	11.0	53.6
Congo	-151.5	69.4	-649.5	38.7	-76.4	144.4	-103.8	-391.3	140.9	-979.1
Congo. Democratic Republic	-150.8	37.5	-103.3	229.3	-31.2	-5.2	-4.3	-16.1	-201.0	-245.1
Cote d Ivoire	-1458.8	513.8	1602.0	-108.8	-1764.4	-1410.0	-1094.5	-761.3	-734.9	-5216.8
Djibouti	-12.5	10.6	14.7	9.0	-2.6	-7.7	-6.4	3.7	20.6	29.4
Equatorial Guinea	15.3	-8.9	-1.2	17.2	12.9	-19.7	-10.9	-0.6	1.2	5.3
Eritrea	26.6	7.0	6.9	32.8	63.6	99.9	58.4	104.2	86.8	486.2
Ethiopia	144.3	70.3	-34.5	82.5	23.0	100.8	50.0	359.2	506.7	1302.3
Gabon	-166.7	-226.1	-331.3	-1.5	-343.5	-368.7	-530.4	-463.1	-427.5	-2858.8
Gambia The	-27.4	-13.8	38.4	-12.2	1.5	11.2	13.1	16.8	42.7	70.3
Ghana	207.0	316.5	508.9	114.8	176.0	-93.7	-207.6	266.2	61.2	1349.3
Guinea	76.4	48.9	24.8	347.9	-121.1	2.2	-97.7	-53.8	-86.1	141.5
Guinea-Bissau	23.3	7.2	25.6	23.3	2.2	-5.1	12.2	-20.4	-7.9	60.4
Kenya	-665.2	-221.5	-524.5	-227.5	-343.9	-484.9	-83.1	-485.7	-103.7	-3140.0
Lesotho	39.1	29.6	37.9	20.4	11.7	-2.3	7.6	-44.1	-33.8	66.1
Liberia	-14.2	-1.6	9.5	-21.2	3.4	-0.9	-4.7	-5.0	-0.7	-35.4
Madagascar	-0.2	38.9	37.2	116.2	60.0	75.4	-37.8	69.5	110.7	469.9
Malawi	68.6	140.6	147.9	17.6	87.2	109.1	74.8	52.7	129.7	828.2
Mali	66.8	175.0	72.7	256.9	-60.3	58.5	-19.3	8.3	169.2	727.9
Mauritania	53.8	29.7	68.5	113.8	-125.8	-45.0	36.1	20.4	20.2	171.7
Mauritius	204.2	240.8	20.6	47.2	-105.3	-45.8	-159.0	-25.7	-58.9	118.1
Mozambique	132.5	115.9	148.4	289.8	176.5	152.8	-27.3	152.3	34.7	1175.6
Namibia	na	na	na	na	na	na	na	na	na	na
Niger	9.1	-23.6	2.0	82.9	8.6	40.1	46.0	36.3	89.7	291.1
Nigeria	-1785.2	-1473.5	-2425.2	-1238.9	-837.6	-843.1	-1450.7	-2324.9	-1842.1	-14221.
Rwanda	-13.7	43.7	44.6	103.9	51.6	53.8	-0.4	45.3	74.0	402.8
Sao Tome and Principe	6.9	11.8	3.2	3.5	3.9	18.7	7.0	5.0	5.4	65.4
Senegal	-110.0	-12.8	-143.4	53.2	-7.0	-110.3	-233.5	128.4	124.1	-311.3
Seychelles	-1.5	-25.1	-7.3	3.5	25.7	-13.7	43.7	11.8	-2.4	34.7
Sierra Leone	37.4	31.8	22.3	15.7	28.6	5.7	45.4	38.9	-3.0	222.8
Somalia	0.0	-0.7	-3.4	-6.5	4.8	-1.0	-7.0	1.8	8.9	-3.1
South Africa	616.6	2092.1	-786.1	-1815.9	-1409.7	-	22.6	-	-	-6951.

						2107.1		1949.8	1613. 8	
Sudan	8.6	-15.4	-130.9	-172.6	41.0	-166.2	-45.4	-132.7	-5.3	-618.9
Swaziland	-9.8	1.2	-12.9	180.4	-128.7	21.1	-8.9	16.8	-17.5	41.7
Tanzania	101.5	7.9	45.2	178.8	69.1	160.4	65.1	-57.7	89.9	660.2
Togo	46.7	27.5	45.4	-3.7	36.7	83.6	-44.5	24.3	28.1	244.1
Uganda	185.0	145.7	163.3	200.6	73.1	49.6	145.7	287.7	70.7	1321.4
Zambia	-81.4	-110.5	74.2	-165.2	-45.2	-4.8	70.3	140.0	-193.8	-316.4
Zimbabwe	-202.0	193.0	-95.8	-14.7	-620.1	-230.1	-443.8	-216.2	-171.3	-1801.0

Table 6: Sub Sahara Africa HIPCs Dates of Decision and Completion Points

Country	Decision Point	Completion Point
Countries that have reached Completion Point		
Benin	Jul-00	Mar-03
Burkina Faso	Jul-00	Apr-02
Ethiopia	Nov-01	Apr-04
Ghana	Feb-02	Jul-04
Mali	Sep-00	Mar-03
Mauritania	Feb-00	Jun-02
Mozambique	Apr-00	Sep-01
Niger	Dec-00	Apr-04
Senegal	Jun-00	Apr-04
Tanzania	Apr-00	Nov-01
Uganda	Feb-00	May-00
Countries between Decision Point and Completion point		
Cameroon	Oct-00	Expected Q2 2004
Chad	May-01	Expected Q4 2004
Congo DR	Jul-03	Expected Q3 2006
Gambia	Dec-00	Expected Q4 2005
Guinea	Dec-00	Expected Q3 2005
Guinea-Bissau	Dec-00	Expected Q3 2005
Madagascar	Dec-00	Expected Q3 2004
Malawi	Dec-00	Expected Q3 2004
Rwanda	Dec-00	Expected Q4 2004
Sao Tome and Principe	Dec-00	Expected Q4 2005
Sierra Leone	Mar-02	Expected Q2 2005
Zambia	Dec-00	Expected Q1 2005
Countries with acute governance problems		
Burundi		
Central African Republic		
Cote D'Ivoire		
Comoros		
Congo, Rep		

Togo
Liberia
Somalia
Sudan

Countries Sustainable Debt according to the World Bank
Angola
Kenya

TABLE 7 DEBT RELIEF BY COUNTRY FOR THE AFRICAN HIPCS

	NPV Million Dollars			Nominal Million Dollars					
	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Total Debt Stock 1999	Total Debt Stock 2002	HIPC Relief Percent of 1999 Debt
Countries that have reached Completion Point									
Benin	0	265	265	0	460	460	1686.9	1843.3	27.3
Burkina Faso	229	324	553	400	530	930	1579.2	1579.9	58.9
Ethiopia	0	1982	1982	0	3275	3275	5544	6522.5	59.1
Ghana	0	2186	2186	0	3500	3500	6979.3	7338.2	50.1
Mali	121	417	538	220	675	895	3189.5	2803.2	28.1
Mauritania	0	622	622	0	1100	1100	2533.7	2309	43.4
Mozambique	1717	306	2023	3700	600	4300	6965.3	4609.3	61.7
Niger	0	664	664	0	1190	1190	1667.5	1797.1	71.4
Senegal	0	488	488	0	850	850	3765.9	3918.2	22.6
Tanzania	0	2026	2026	0	3000	3000	8065.9	7243.7	37.2
Uganda	347	656	1003	650	1300	1950	3492.3	4100.4	55.8
Countries between Decision Point and Completion point									
Cameroon	0	1260	1260	0	2800	2800	9475.8	8502.5	29.5
Chad	0	170	170	0	260	260	1141.1	1280.6	22.8
Congo, DR	0	6311	6311	0	10389	10389	12048.1	8726.4	86.2
The Gambia	0	67	67	0	90	90	464.6	572.6	19.4
Guinea	0	545	545	0	800	800	3522.4	3400.9	22.7
Guinea-Bissau	0	416	416	0	790	790	933.7	699.2	84.6
Madagascar	0	814	814	0	1500	1500	4755.3	4517.7	31.5
Malawi	0	643	643	0	1000	1000	2750.6	2912.2	36.4
Rwanda	0	452	452	0	800	800	1291.6	1435	61.9
Sao Tome and Principe	0	97	97	0	200	200	319.6	333.4	62.6
Sierra Leone	0	600	600	0	950	950	1298.2	1447.7	73.2
Zambia	0	2499	2499	0	3850	3850	5867.6	5969	65.6
Countries with acute governance problems									
Cote D'Ivoire	345	0	345	800	0	800	13170	11815.6	6.1
Burundi							1131.4	1204.2	
Central African Republic							909.2	1065.8	
Comoros							228.3	270.1	

Congo, Rep	5032.6	5152.3
Liberia	2077.3	2324.4
Somalia	2606	2688
Sudan	16132.2	16388.6
Togo	1521.4	1581.1
Countries classified by the World Bank as having Sustainable Debt		
Angola	10300.5	10134.3
Kenya	6450.2	6031.2

Table 8: Sub Sahara Countries Debt Export Ratio

	NPV of Debt as a percent of exports		Total External Debt as a percent of exports	
Country Name	2001	2002	2001	2002
Algeria	92.4	98.0	96.1	102.2
Angola	137.8	113.6	137.0	117.5
Benin	187.5	..	373.1	397.9
Botswana	10.1	13.6	13.1	16.2
Burkina Faso	224.4	140.0	467.5	477.7
Burundi	1172.3	1145.7	1934.5	1838.5
Cameroon	180.7	187.3	306.9	328.9
Cape Verde	91.2	94.5	142.2	147.5
Central African Republic	416.1	591.6	638.1	823.6
Chad	244.9	244.1	430.4	510.7
Comoros	261.2	263.3	358.1	370.5
Congo	189.1	200.3	200.7	211.2
Congo. Democratic Republic	1081.6	693.8	1174.2	720.6
Cote d Ivoire	238.0	169.5	259.7	212.4
Djibouti	..	..	..	..
Egypt. Arab Rep.	115.3	117.8	134.9	135.7
Equatorial Guinea	8.8	8.0	10.9	9.8
Eritrea	85.8	90.1	151.2	155.2
Ethiopia	293.1	407.9	572.8	669.8
Gabon	104.7	103.4	107.1	103.7
Gambia The	111.0	111.2	203.9	215.9
Ghana	162.0	147.5	276.6	276.9
Guinea	210.1	183.6	394.8	435.8
Guinea-Bissau	793.5	778.1	1250.6	1193.0
Kenya	146.5	135.3	184.7	181.9
Lesotho	74.3	66.8	108.7	98.5
Liberia	..	..	..	..
Libya	..	..	..	..
Madagascar	152.6	184.8	310.4	597.4
Malawi	290.4	174.6	509.0	580.7
Mali	160.0	106.0	331.1	239.5
Mauritania	323.5	138.7	527.8	561.7
Mauritius	55.3	57.6	57.5	60.1
Morocco	113.1	126.4	148.6	137.9
Mozambique	90.4	72.9	438.9	375.8

Namibia	..	..	..	..
Niger	295.1	135.0	457.4	476.6
Nigeria	160.6	194.1	161.4	187.8
Rwanda	392.5	487.6	751.6	1016.3
Sao Tome and Principe	581.4	575.4	1818.6	1709.7
Senegal	137.3	135.4	198.7	220.1
Seychelles	41.8	46.3	45.4	46.0
Sierra Leone	723.3	502.1	1123.0	1014.1
Somalia	..	..	..	..
South Africa	62.3	64.8	64.1	65.0
Sudan	840.3	786.5	890.4	813.7
Swaziland	22.2	27.3	22.6	28.1
Tanzania	90.3	107.4	449.4	442.7
Togo	210.7	232.2	296.5	315.5
Tunisia	110.0	116.7	110.5	117.4
Uganda	159.3	173.8	517.8	563.8
Zambia	375.1	386.5	527.0	538.7
Zimbabwe	173.8	192.5	185.4	200.2

Table 9: Annual Debt Service, Long and Short term including IMF Million US$

Country Name	1970-79	1980-89	1990-96	1997	1998	1999	2000	2001	2002
Angola	na	na	405.0	1010.9	1532	1428.2	1705.3	1470.6	862.8
Benin	4.3	35.4	37.9	55.1	60.9	70.1	70.1	49.7	63.2
Botswana	4.4	41.1	101.9	103.2	76.3	73.8	68.5	51.8	60
Burkina Faso	4.7	28.5	41.7	51.4	54.1	64.4	46.8	37.9	52.8
Burundi	4.0	26.0	38.1	29.1	30.2	28.8	21.8	23	23.3
Cameroon	57.2	479.4	445.4	505.9	525.7	546	555.7	334.7	357.8
Cape Verde	na	na	8.2	14.5	19.5	20	16.1	14	21.7
Central African Republic	4.0	21.8	17.2	15.6	33.3	18.7	14.1	13.3	0.9
Chad	4.9	7.8	16.3	35.2	34.9	32.4	26.3	23.3	29.1
Comoros	0.3	1.5	3.2	2.3	2	3.1	2.7	2.3	4.8
Congo	24.2	328.6	310.7	112.3	41	25	42.8	91.9	24
Congo. Democratic Republic	118.2	425.2	102.8	12.5	19.3	20.5	24.8	17.8	926.7
Cote d Ivoire	215.7	1284.0	1208.6	1359.7	1383.5	1449.1	1020.3	620.8	831.5
Djibouti	0.9	8.5	12.2	7.3	5.4	10	13.5	10.6	12.1
Equatorial Guinea	0.4	6.8	3.2	5.9	6	5	5.3	4.6	3.6
Eritrea	na	na	na	0.5	3.7	3.3	3.3	6.8	9.2
Ethiopia	23.6	166.1	170.2	99.5	118.5	155.3	137.5	182.3	108.1
Gabon	103.6	243.0	311.8	432.7	307	537.9	352.3	454.7	410.1
Gambia The	1.2	16.7	30.4	26.7	25.7	21.2	21.5	14.4	19.2
Ghana	53.0	246.5	361.8	555.3	578.9	519.1	464.7	314	211
Guinea	42.1	103.0	123.4	154.8	159.1	128.2	155	105.4	135.8
Guinea-Bissau	0.5	7.6	10.8	9.7	12.2	9.1	20	23.3	14.8
Kenya	147.5	594.5	777.5	663.5	669.3	700.7	526.2	478.6	452.4
Lesotho	0.8	15.3	32.2	47.7	51.7	54.8	62	69.1	67.2
Liberia	28.8	38.5	8.7	0.2	1	2.6	0.7	0.8	0.9
Madagascar	65.3	158.6	109.2	212	125.4	159.2	116.7	67.2	72.9
Malawi	19.7	105.6	104.9	85.3	83.8	68.8	58.7	39	36.2
Mali	6.5	44.0	77.3	84.8	82	105.5	92.5	80.1	89.7

Mauritania	29.9	85.8	113.4	113.5	110	105.4	83.4	75.6	64.3
Mauritius	10.5	123.6	174.6	222.6	242.3	190.6	485.3	201.8	250.6
Mozambique	na	na	113.1	109.7	103.6	104.5	87.7	89.2	75.6
Namibia	na	na	na	na	na	na	na	na	na
Niger	15.8	148.6	75.2	64.3	62	31.2	24.9	28.2	27.9
Nigeria	205.5	2356.2	2533.4	1415.8	1331.9	1063.4	1844.9	2542.6	1489.9
Rwanda	2.0	15.8	18.4	22.2	20.7	31.4	35	18.5	22
Sao Tome and Principe	na	2.7	2.6	3.6	3.8	4.4	4.2	3.9	6.1
Senegal	53.4	249.3	253.3	247.6	321.4	237.5	217.1	205.6	218.7
Seychelles	na	13.3	18.9	14.8	21	24	14	11.3	14.6
Sierra Leone	21.4	37.0	59.2	15.7	25.6	26.8	46.7	95.8	23
Somalia	3.1	28.3	2.2	0	0.2	1	0	0.2	0.2
South Africa	na	na	na	6541.7	4388.2	4289.6	3860.9	4354.8	4691.5
Sudan	89.6	202.8	34.1	57.5	61.2	56.9	61	55.6	23.4
Swaziland	5.3	29.3	29.0	30.4	29.4	36.5	35.3	27.8	20.2
Tanzania	41.1	161.2	216.3	168.7	247.5	218.5	197.5	153.6	145.4
Togo	20.9	94.6	44.6	56	40.8	44.9	29.8	32.3	13.1
Uganda	16.9	127.7	141.7	160.8	153.2	130.8	75	49.9	79.2
Zambia	205.4	278.4	678.7	245.8	202.1	148.6	185.6	125.4	308.5
Zimbabwe	10.6	364.7	579.4	686.4	980.9	646.7	451.9	123.3	57.6

Table 10 Needs Assessment for Ghana, Tanzania and Uganda

	Ghana		Tanzania		Uganda	
	Average per year $ million	Average per capita $	Average per year $ million	Average per capita $	Average per year $ million	Average per capita $
Hunger	117	4.9	304	7.2	272	8.2
Education	427	17.7	507	12.1	461	13.9
Gender Equality	51	2.1	99	2.4	78	2.3
Health	598	24.8	1461	34.8	1069	32.2
Water Supply and sanitation	178	7.4	226	5.4	124	3.7
Energy	345	14.3	604	14.4	431	13
Roads	223	9.2	815	19.4	612	18.4
Total	1939	80.4	4016	95.7	3047	91.7
Annual Average Aid 2000-2002	635.4	31.9	1175.3	34.1	750.2	31.5

Source Sachs et al 2004, World Bank WDI 2004

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