INTRODUCTION
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From 1970 to 1980, the total external debt of African countries rose from $9.1 billion to $107.8 billion. The debt accumulation continued to accelerate throughout the 1980s. It reached an alarming figure of $245 billion in 1989.

The great build-up of African debt was a direct consequence of the oil price increases and the cyclical fluctuations in the prices of primary commodities. It led to fiscal imbalances in most of these countries: a steep rise in public expenditure, relative to rise in the revenues. Thus, for instance, in 1977, total public expenditure in Africa as a whole was 22.0 percent of GDP, while public revenue was 16.9 percent. In 1987 public expenditure rose to 27.4 percent of GDP whereas public revenue was 21.6 percent (thus leaving a gap of 6 percent as budget deficit). The result of the widening deficit was that the debt accumulated faster than either the growth in GNP or exports. Thus, the ratio of debt to GNP rose from 38 to 95 per cent between 1980 and 1988. Similarly, the ratio of debt to export increased from 122 to 335 percent during the same period, and the debt service ratio rose from 15 per cent in 1980 to 50 per cent in 1988. According to the World Development Report of 1992, out of the 26 countries classified as severely indebted low income countries, 24 countries were in Africa.

Commenting on the African debt crisis, the UN Secretary and Executive Secretary of the Economic Commission for Africa, Mr. Adebaya Adedejo, bemoans "Analysis of both net inflow (the
difference between disbursements and repayment on the principal) and net resources transfer (disbursements less repayment on the principal and interest payments) reveals a distressingly sad story of external financing in Africa. The inter-play of the various causes of Africa’s external indebtedness has resulted in a development crisis. Many countries have experienced serious difficulties as evidenced by the number that have resorted to rescheduling their debt service obligations. Again, the Organisation of African Unity (OAU) notes, “although the external indebtedness of our countries might seem small in volume when compared with the corresponding figures of other developing world region, it represents 36 percent of gross domestic product of the region in 1984, and debt service is expected to be much higher than 27 per cent of exports in 1988”. Also in 1987 the Nigerian President, Ibrahim Babangida, reminded, “it is unrealistic to expect any developing country to spend more than 30 per cent of its export earnings on external debt servicing”. His address opened a conference organised by the United Nations Economic Commission for Africa on African debt crisis in 1987 at Abuja (Nigeria).

Finally in 1987, the heads of states of Organisation of African Unity declared Africa common position on the continent external debt in the following words:

"We reaffirm that our external debt constitutes contractual obligations entered into individually by our member-states, and which they intend to honour".

"The problem of indebtedness is historically linked with that of development, its solution lies primarily in Africa’s ability to engender real development".

A Review of the Literature on African Debt:

The phenomenal growth of debt in Africa has already drawn the attention of several economists and international organisations like IMF and IBRD. For example, Krumm (1985) studied the causes of rising African debt. The two major findings of his study are:

first, the two oil shocks of 1973–74 and 1979–80 and the subsequent depression of non-oil commodity market have tended to dislocate African economy, leading to a perceptible rise in the total debt levels of these countries from 1978 onwards; and second, the rise in the real interest rate in the 1980s tends to have further aggravated the problem especially for some

countries such as Malawi and Zambia. Higher real interest rate increased debt level by as much as 12 per cent in these countries during 1979-83. The main conclusion of the study is that, there is a strong case for effective debt relief. That alone would make possible a return to normalised relations between debtors and creditors, and at the same time provides an increased flow of resources to the debtors in support of efforts to achieve positive income growth. His recommendations are a combination of debt relief measures and efforts to promote exports from African countries. These measures, according to him, would have a strong impact on the restoration of the viability of African economies.

In 1989 Joukin Stymne traced the causes of rapid growth of African debt with special reference to Sub-Saharan African countries. He demonstrated that the growth of debt would become unsustainable by the end of the 1990s if the current trends continue. He suggested that in order to restore normal external payments relationship and at the same time increase the ability of these countries to pursue income and employment growth, it would be necessary to consider debt relief and to expand exports.

Joshua Green (1989) also assessed the debt problems of sub-Saharan African countries and examined various proposals for reform. This includes proposals to assist countries in meeting debt service obligations and measures for bilateral debt forgiveness aimed at eliminating both bilateral and multilateral debt and providing all future assistance in the form of grants.
Seyyed Abdulai (1990) studied the causes of Africa’s debt and the burden which varies widely among the 50 developing and indebted countries of the continent. The two major findings of his study are: first the miscalculation by lenders and borrowers alike of the growth and export potential, and the viability of projects financed by external borrowing has tended to raise the total debt level; and second, unfavourable markets for the region’s products tend to have aggravated the problem. He argued that the combined effect of rising debt services, reduced export earnings and diminished capital flows has squeezed the resources for investment and operational imports. He also demonstrated that, the economic gains achieved since decolonization have been practically wiped out in 1980s, and the income of the average Africa today is comparable to its level 30 years ago. He recommends that an integrated approach including debt relief, trade promotion and new development assistance would be essential for resumption of growth in the African economies.

David Woodword (1991) argued that the origin of the African debt crisis goes back further, to serious structural problems - economic, social and political problems inherited at the time of independence. Apart from critically low income levels, many African countries faced in varying degrees, exceptionally low educational level, weak physical and social infrastructure, over dependence of the economy on production of a single commodity, generally with a very unstable international market. These factors contributed considerably to creating conditions in which debt problems rose and more importantly for greater severity of debt problem in Africa than other developing regions. Therefore
he suggests debt relief measures including debt forgiveness which is essential to remove debt overhang on development.

Need for the Present Study

The available studies on the subject concentrated more on short term measures such as ability or willingness of debtor country to honour its obligation. In fact debt relief or debt rescheduling will not in any way minimize the burden of debt, but it is a short term measure in overcoming the difficulties. The present study, to the extent possible, intends to concentrate on long term measures such as getting the right type of macro-economic policies, reducing the budget deficit, avoiding balance of payment problems, encouraging domestic savings, encouraging competition through domestic deregulation and privatization of public enterprises, and accelerating the flow of private foreign capital to different sectors of the economy. In brief, the following are the objectives of the study:

(1) to discuss and analyse the basic economic structure of African countries
(2) to know the main features, characteristics and structure of African debt
(3) to examine the relationship between African debt and economic development
(4) to prescribe long term solutions for the crisis

Approach of the Present Study

As a first step, the analysis is performed for the region as a whole. What we expect to find from this is the overall dimension
of the problem. In the next step, we present a detailed analysis on volume, structure and burden of external debt in all African countries. The objective is to have a clear perception of the magnitude of African debt. In the third step, we perform a detailed analysis by taking five African countries namely Sudan, Ghana, Nigeria, Tunisia and Morocco. Sudan, Ghana and Nigeria are selected because they represent low income African countries with a GNP per capita less than $610 in 1990. Tunisia and Morocco are selected to represent middle income countries with a GNP per capita between $610 and $7620 in 1990. Besides this low income - middle income differentials, there are other striking features. Nigeria is a major oil exporter from the region, while Morocco is listed as one of the fifteen heavily indebted countries of the world. The five countries together account for about one third of the total population of the region and about one-fourth of the total national product of the region.

In the fourth step, efforts have been made for empirical verification of the hypothesis pertaining to debt and development for these selected five African countries with the help of linear regression equations.

We tested the hypothesis for finding out correlation coefficient and coefficient of determination at one percent and five percent significance level verifying the relationship among variables considered in the theories. The results are found to be encouraging which support the validity of the hypothesis.
In the final step we have given our conclusion and suggestions indicating the required changes in the economic policies of Africa so that economic development of Africa can be enhanced.

Before ending this section, a few words about these five countries merit attention.

All these five countries got into the debt trap largely due to adverse domestic economic policies. After 1973, they all launched ambitious development programmes with heavy reliance on external loans. But the bulk of plan expenditure in the post-1973 period was to meet the current consumption instead of investing in projects that would have sustained development. For instance, in the case of Sudan, out of a total expenditure of 19917 million Sudanese pounds (L.S.) in 1989 (which constituted 23.4 percent of GNP), almost 80 percent of it went to meet current consumption requirements. Again, total current revenue was 67 percent of current expenditure and hence the government had to resort to deficit financing and incur external debt in order to meet its development expenditure. As a result, external debt of Sudan increased from $5164 in 1980 to $12965 million in 1989 which is 83 percent of its GNP. Similarly in the case of Ghana, out of a total expenditure of 45763 million Ghanian cedis (c) in 1985 (which constituted 15 percent of its national income), almost 91 percent of total expenditure went for current consumption, and only 9 percent was for investment. Here again, total revenue was 76.0 percent of consumption expenditure and hence the government had to resort to deficit financing and more external borrowing in order to meet its development expenditure.
Thus external debt of Ghana increased from $1314 in 1980 to $3151 million in 1989 which was 61.3 percent of its GNP.

In the case of Nigeria, out of total expenditure of $26081 million Nigerian Naira in 1987 (which constituted 26.8 percent of its GNP), almost 66 percent of this total expenditure went for current consumption, and only 34 percent was for investment purposes. Total revenue was 101.2 percent of consumption expenditure and hence the government had to resort to more deficit financing and more external debt in order to meet its development expenditure. Thus the Nigerian external debt increased from $8934 in 1980 to $32832 million in 1989 which constitutes 119 percent of its GNP.

In the case of Tunisia, out of total expenditure of 3424 million Tunisian Dinars in 1989 (which constituted 39.3 percent of its national income), almost 80 percent of this total expenditure went for current consumption, and only 20 percent was for investment purposes. Thus external debt of Tunisia increased from $3527 in 1980 to $6899 million in 1989 which constitutes 72 percent of its GNP.

Finally in the case of Morocco, out of total expenditure of 59121 million Moroccan Dirhams in 1989, (which constituted 30.7 percent of its GNP), almost 80 percent of total expenditure went for current consumption and only 20 percent was for investment purposes. Thus the external debt of Morocco increased from $9678 in 1980 to $20851 million in 1989 which was 96 percent of its GNP.
Data Sources

The time period covered for this study is mainly the period from 1970 to 1990. The main sources of our data are:

1. International Financial Statistics Year Book (International Monetary Fund)
2. Government Finance Statistics Year Book (International Monetary Fund)
3. World Tables (World Bank)
4. World Debt Tables (World Bank)
5. Economic Survey, Ministry of Finance (Government of Sudan)

The methodology of the present study is dictated by the availability of data. As far as possible secondary data have been utilised.

Limitations of the Study

The significance of the study is however limited for various reasons. First, the study bases its analysis on a sample of five countries. Whether these five countries correctly portray the realities of the whole region is something on which one might like to quarrel. However, we expect the results to be unbiased because these countries have been selected from a population of both low and middle income group of countries.

Second, the analysis could also not be extended to the debt of non-guaranteed private debtors within the countries selected.
the source does not furnish the required information to attempt such an analysis.

Third, Due to lack of availability of consistent and adequate data in all years and in all cases, we had to resort to estimations in some cases. Considerable effort has been made to standardize the data and to harmonize related data set drawn from diverse sources. Because statistical methods, coverages, practices and definitions differ widely, full comparability can not be assured.

Chapter Scheme

Chapter I: presents a general picture of the African economy - sectoral composition of GDP and the structural changes. Demographic transition, school enrollment and urbanisation that have taken place from 1960 to 1990 in as many as twenty African countries which represent high income, middle income and low income African countries.

Chapter II: presents upto date data on volume, composition and structure of debt in all countries of Africa. It also contains a review of some studies done so far on the topic for Africa as a whole or a part thereof.

Chapter III: presents a detailed analysis of debt and development of five African countries Sudan, Ghana, Nigeria, Tunisia and Morocco. The idea is to probe into the problem of debt and development with detailed empirical data of these countries.
These five countries have been carefully selected to represent both major and ordinary borrowing countries.

Chapter IV: presents the empirical verification of hypothesis pertaining to debt and development with the help of linear regression equations.

Chapter V: presents the major findings and suggestions for improving the economic well-being of African countries.