

Appendix

THE ABIDJAN DECLARATION ON DEBT RELIEF, RECOVERY AND DEMOCRACY IN AFRICA

North-South Roundtable on African Debt Relief, Recovery and Democracy

Abidjan, Côte d'Ivoire, 8-9 July 1991

Organized by: Parliamentarians for Global Action and the African Development Bank, in cooperation with the Friedrich Ebert Foundation and the Forum on Debt and Development.

Parliamentarians from Africa and Northern countries met in Abidjan on 8 and 9 July 1991 to agree on a strategy of action to support African recovery, resolve the African human development crisis, reduce the excessive debt burdens, and strengthen African plans to democratize their societies. Legislators from different political parties, senior spokespersons on these issues, participated in this unprecedented two-day Roundtable, organized by Parliamentarians for Global Action and the African Development Bank, in cooperation with the Friedrich Ebert Stiftung and the Forum on Debt and Development. The meeting was honoured with the presence of President Masire of Botswana, Chairman of the Global Coalition for Africa.

The parliamentarians agreed that, above all, the promotion of democracy in Africa is the supreme goal. Democracy enjoys a long and cherished tradition in Africa derived from ancient African civilisations and inherited, with imperfection, by modern societies of the 20th century. The fundamental values of democratic life are universal to humanity as a whole. But no single kind of democracy is applicable to all societies, and no single culture enjoys exclusive insight into democratic truths. The African parliamentarians expressed their confidence that Africa can achieve its own democratic destiny indigenous to their unique cultures. Democracy in Africa, they believed, is integral to, not consequential upon, the democratic reforms sweeping elsewhere throughout the world. Colleagues from

Northern countries expressed equal confidence and strong support for that endeavour. African democracy must grow in African soil.

Within Africa, participants therefore concluded, democracy enjoyed primacy as the paramount value of their societies. It is not negotiable, or in any way subject to, other governmental policies. Economic reform, including structural adjustment programmes, must be fully transparent, answering to the interests and will of the African peoples. Conditionality, whether economic or political, must not be imposed, but rather agreed upon with the free consent of African leaders and citizenry. It should be applied only as a last resort to encourage and ensure the survival of democracy and protection of human rights. Popular participation, governmental accountability, and transparency of domestic policy are preconditions of good governance and sustainable development. Participants looked to the international community - sister nations and multilateral organizations together - to respect, encourage and support these features of civil society in Africa.

African parliamentarians appealed to the colleagues throughout the continent therefore to maintain the present course of democratic reform. Their societies must respect basic human rights, notably the role of women in national societies, ensure regular free and fair elections, and build strong and enduring political institutions that guarantee freedom of choice to the people. Societies must maintain constant vigilance against all forms and sources of corruption and against excessive military expenditure through, inter alia, free press and media. Such basic features must be constitutionally safeguarded, to ensure their long-term viability and protection against the corrosive blight of authoritarianism.

To this end, African parliamentarians agreed to form a task force, to be assisted by colleagues from the North, to monitor the progress of democracy in Africa in the 1990s. Such assistance, it was agreed, should include both technical and financial support through appeals to national governments, private agencies and international organizations.

Participants noted the link between democracy and development. Human rights, civil rights and economic rights are inalienable and indivisible. The tragic economic plight Africa faces today, one of the most dramatic failures

in human history, is the result, to a large extent, of democratic failures of recent decades, both within Africa and in the decision making structure of the international community more generally. Without democracy, there can be no social stability for development. Without development, there can be no sustainable democracy. Freedom from want, freedom from fear, are the two cardinal tenets of democracy in Africa, as elsewhere.

The Roundtable was organized in the belief that a necessary feature of the resolution of the chronic debt crisis is political leadership. The central constraint to resolution is political passivity not technical complexity. When the G-7 leaders meet to decide the economic fate of the world for the next year the discrepancy between the human condition in Africa and elsewhere should be one of the top items on the international agenda.

Dealing with the African debt crisis, particularly for the lowest-income countries South of the Sahara, is among the most pressing development priorities which the international community confronts. Africa as a whole has suffered severe economic decline in the 1980's. Its collective GNP has shrunk from over \$200 billion in 1980 to \$140 billion in 1990. Per capita incomes have declined by 2.2% annually over the decade resulting in a cumulative decline of over 30%. As a consequence malnutrition levels have increased and, in many countries, infant mortality rates have also risen while essential expenditures on education and health have been reduced sharply.

In response to the African human development crisis, parliamentarians called for acceptance of a minimum goal for economic advance of 1% per capita per year. To achieve this annual increase, both domestic savings and external financial flows will be required. Parliamentarians noted that many African governments have already taken steps to increase their domestic savings. To complement and support this action it is essential that Official Development Assistance (ODA) from OECD countries be raised from past levels of 3% real growth per year to 5%, and that additional debt relief be provided immediately.

Debt is only one of the causes of the severe economic problems Africa is facing. Still, debt itself is an integral element in intensifying the vicious circle of Africa's decreasing performance and increasing marginalisation. Debt relief is a necessary precondition for solving these problems.

Despite the political and technocratic efforts made since 1986 to arrest and cure Africa's debt cancer, the actual results have been very disappointing. Despite the provision of progressively more generous terms for debt relief, the African debt situation is now much worse than it has ever been. Sub-Saharan Africa's debt has increased from \$72.5 billion in 1982 to nearly \$163 billion in 1990. African debt service accounted for only 4% of output in 1982 but 8% in 1990 and even those ratios obscure the fact that if Africa had met its scheduled obligations in 1990, debt service payments would have absorbed 15% of output and nearly 60% of the region's export income. Low-income Africa's debt problem is worse than that of any other developing region because of its much weaker capacity to repay.

At present levels of domestic savings and international commodity prices, low-income Africa cannot undertake essential reconstruction, modernization and expansion of its capital stock out of domestic resources to any significant degree. Foreign capital inflow is therefore needed to initiate economic recovery and to help sustain it thereafter. But such capital inflow will not take place until the present debt situation is satisfactorily dealt with. This is a necessary, though not sufficient, condition for progress to be made. Debt relief needs to be complemented by domestic efforts and policies dedicated to: the resumption of human resources development and economic growth; encouraging the participation of African citizens and its private sector to play a larger productive role in development; and improving social conditions.

As a first priority, decisionmakers in the industrialized countries should adopt a coherent debt strategy for Africa which would provide substantial relief for all types of African debt - owed to bilateral, multilateral and private creditors. Prompt action on providing debt relief for Poland and Egypt well beyond the Toronto Terms demonstrates that rapid and large scale debt reduction for low income Africa must be equally possible if the same political will is exercised.

As a second priority, emphasis should be put on support for the current democratization process in Africa. Democracy, developed in the African social and cultural context, is equally vital to the continent's development. An action plan is needed to seek internal and external support for African

efforts to renew pluralism in their societies and to ensure the empowerment of ordinary citizens.

The Conference agreed on the following action programme.

ACTION PLAN ON DEBT

1. After almost 10 years of debt crisis management, a coherent framework for debt reduction and relief has not yet emerged. In order to facilitate prospects for returning to a trajectory of sustainable long-term development Africa's debt service payments must be reduced dramatically. Such a reduction can only be achieved by a comprehensive package which addresses all forms of debt: bilateral, multilateral, and private. The aim of the new debt strategy must be to restore growth and development, complemented by appropriate domestic policies of reform.

2. The Conference urges Heads of Governments and Finance Ministers to use the occasion of the London Economic Summit in July 1991 to agree to implement fully the "Trinidad Terms" as a next important step to reduce bilateral debt levels and as an expression of clear political will to substantially reduce African debt levels. The adoption of Trinidad Terms would represent a positive step towards a more effective solution. Subsequently the proposal of Dutch Development Cooperation Minister Jan Pronk to cancel all bilateral official debt to those least developed countries which are severely debt-distressed and to other low-income countries pursuing strong economic reform programmes, should be adopted. A two-thirds reduction in the stock of official bilateral debt of Sub-Saharan countries, proposed under the Trinidad Terms, should be the immediate objective of creditor governments. They should be prepared to increase this to the full stock (100%) of bilateral debt in particular cases where this may be justified to restore prospects for sustainable development.

3. Where only a two-thirds reduction in debt stocks is achieved, the Trinidad Terms should be enhanced either (a) by reducing interest rates applied to the residual rescheduled debt stock to intermediate, below market levels for the lowest-income countries, and/or (b) promoting the tradeability and conversion of residual official debt stocks through innovative mechanisms aimed at financing environmental, social and

selective privatization programmes of high development priority in low-income Africa. The total stock of debt should be reduced, rather than relief being provided in small tranches over very short consolidation periods. The Trinidad Terms should be extended to severely indebted countries (incl. Nigeria, Ivory Coast and Congo) not eligible under present criteria for access to such terms. Extended terms for debt relief should be introduced for other country groupings, which permit levels of debt reduction commensurate with their level of economic distress.

4. The Trinidad terms can be applied successfully only if necessary legislative instruments and budgetary appropriations in all creditor countries permit debt reductions on the basis of equal burden-sharing. The Conference calls on creditor governments and parliaments to establish such conditions. The G7 Summit and the IMF/WB Annual Meeting should agree that the budgetary costs of extending Trinidad Terms to low-income Africa would be additional to existing aid budgets. Except for donor countries which exceed the UN target of 0.7% ODA to GNP, debt reduction should not be financed out of existing aid budgets.

5. Debt relief negotiations are not simply a technical financial exercise but are an integral part of arranging funding for development. Therefore the working practices and procedures of the Paris Club should be changed in order to facilitate and expedite the negotiation of reduced levels of bilateral debt and debt service. In the case of African countries, debt relief negotiations should be conducted at Consultative Group meetings which are convened by the World Bank with the participation of the IMF to determine medium-term external financing requirements to support a particular country's economic reform programmes and development efforts. The Paris Club's role would be to ratify the substantive conclusions reached at Consultative Group meetings on the debt relief to be provided to individual debtors. Greater transparency is needed in both Paris Club and Consultative Group meetings.

6. The Conference calls on IMF Member Governments to adopt a policy of "zero net transfers" to the region for at least the 1991-1997 period. Between 1986-90 the IMF has extracted over \$3 billion by way of debt service collections from low-income countries in Sub-Saharan Africa. Debt service obligations to the IMF pre-empt too large a proportion of total debt

service to permit adequate payments to other creditors or the financing of essential imports. It is urgent to expand the facilities available for some African debtors to clear their arrears with the IMF, the costs of which should not be borne by aid budgets. The Fund's present exposure in low-income Africa should be wound down through means such as a one-time emission of a small amount of SDR's to permit a write-off of IMF claims, or a sale of a small fraction of the IMF's gold reserves to achieve the same objective. Given the long-term financing needs of low-income countries in Africa the Conference believes that the Fund's financing role in low-income Africa should be modified over the medium term although the IMF should continue to play a policy advisory role.

7. The World Bank's commendable efforts to help low-income African countries cope better with debt service burdens on IBRD loans, should be improved by (a) enabling an up-front reduction in IBRD obligations through appropriately structured IDA-financing; (b) expanded IBRD and IDA lending in countries such as Côte d'Ivoire, Nigeria and Senegal where net transfers from the Bank are negative; and (c) an expansion of IDA resources commensurate with Africa's urgent needs for expanded concessional financing from external sources. A similar approach should be adopted by the African Development Bank with Member Governments being willing to expand substantially the soft loan funds of the AfDB.

8. The private debt problem of African countries is underestimated and requires the urgent attention of banks and governments around the world. Although long-term commercial debt accounts for less than 16% of the stock of Sub-Saharan debt (excluding Nigeria) it absorbs nearly 30% of total debt service. Arrears on commercial bank loans also impair the access of African countries to trade finance. Commercial banks should therefore agree to debt reduction similar to debt reductions granted by governments. In addition to other measures taken to facilitate commercial bank reduction they should be more co-operative in using the Special Debt Reduction Facility set up by the World Bank to reduce commercial debts. The Conference calls on the Members of the World Bank Group to exert maximum efforts in removing internal operating obstacles for wider use of the Special Debt Reduction Facility before the terminal date of June 30, 1992. The resources of this facility should be expanded considerably to permit its use across all low-income African countries, and its tenure extended to 1995.

9. Creditor governments should stimulate a process of parallel debt reductions by both commercial banks and official creditors. Where necessary, regulatory and tax regimes in the home countries of creditor banks should be realigned so as to encourage banks to actually reduce debt against which extensive provisions have already been made. Tax relief provided to banks at the time that they provisioned against non-payment of debt owed by low-income African countries should be withdrawn if such debt is not cancelled within 3 years. Creditor governments should stimulate the funding of social and environmental programmes through debt conversions which employ commercial as well as official claims on the debtor governments.

10. We support again the call for all industrialized nations to set specific time-targets to provide at least 0.7% of their GNP by way of official development assistance before the end of the present decade. In particular, the OECD donor nations should commit themselves to expanding the resources available to IDA and the AfDF in order to permit these institutions to increase their net financial transfers to low-income Africa by at least 5% per year in real terms without compromising financial transfers to low-income countries in other developing regions. Return of flight capital and renewed private investment are also essential requirements for African recovery.

11. In making decisions on exchange rates and interest rates the G-7 should take into account the interests of the developing countries. In the current environment of low commodity prices and high interest rates, a significant reduction of interest rates would contribute to resolving the debt problem of Africa.

Signatories

AUSTRALIA

Mr. John Langmore, MP,
President of Global Action
64 Northbourne
Canberra 2601

BENIN

Mr. Robert Dossou, MP
B.P. 1204
Cotonou

BOTSWANA

Mr. Festus Mogae
Minister of Finance and Development Planning
P/Bag 008
Gaborone

CANADA

Ms. Christine Stewart, MP
House of Commons
Ottawa

Hon. Walter McLean, MP
House of Commons
Ottawa

CAPE VERDE

Mr. A. F. Spencer Lopes, MP
President National Assembly
B.P. 20 A
Praia

CÔTE D'IVOIRE

Mr. Mamadou Bamba
Vice-President, National Assembly
01 B.P. 1381
Abidjan 01

Mr. Laurent Gbagbo, MP
01 B.P. 1381
Abidjan 01

Mr. Ekpala Jacob Gneba, MP
Deputy and Secretary of the National Assembly
08 BP 10
Abidjan 08

Prof. A. Atsain, MP
Abidjan University
CIRES
Abidjan

Dr. Francis Wodie, MP
Law Faculty
B.P. V 179
Abidjan

FRANCE

Mr. Pierre Hiard, MP
29 Av. du General Leclerc
80460 Ault

GAMBIA

Hon. Saihou Sabally, MP
Minister of Finance & Economic Affairs
The Quadrangle
Banjul

GERMANY

Dr. Winfried Pinger, MdB
Donarstrasse 22
D-5000 Cologne 91

Mrs. Edelgard Bulmahn, MdB
Bundeshaus
D-5300 Bonn 1

ITALY

Mrs. Emma Bonino, MP
Camera dei Deputati
00186 Roma

NAMIBIA

Mr. Rick Kukuri
Deputy Minister of Finance
10 John Meinert Street
Fiscus Building
Windhoek

Mr. Moses Katjuongua, MP
President of the Patriotic Front
P.O. Box 3676, NPF
Windhoek 9000

SENEGAL

Mr. Bara Diouf, MP
National Assembly of Senegal
Dakar

Mr. Samba Laobe Fall, MP
National Assembly of Senegal
Dakar

TANZANIA

Hon. Meshack Maganga, MP
P.O. Box 4439
Dar-es-Salaam

THE NETHERLANDS

Mrs. Joke Kersten, MP
Tweede Kamer der Staten Generaal
2500 EA The Hague

Mr. Gerard de Jong, MP
Tweede Kamer der Staten Generaal
2500 EA The Hague

UGANDA

Hon. Manuel K. Pinto, MP
P.O. Box 1076
Kampala

UNITED KINGDOM

Mr. John Battle, MP
House of Commons
Westminster
London SW1A 0AH

Mr. Bowen Wells, MP
House of Commons
Westminster
London SW1A 0AH

ZIMBABWE

Hon. Oppah Rusesha
Deputy Minister of Political Affairs
Harare