

Percy S. Mistry

# African Debt Revisited Procrastination or Progress?

FONDAD

*From: African Debt Revisited: Procrastination or Progress?*  
FONDAD, The Hague, 1992, [www.fondad.org](http://www.fondad.org)

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ISBN: 90-74208-01-0

The views expressed in this publication are those of the author and do not necessarily represent those of the Forum on Debt and Development.

This publication was made possible thanks to the support of Swedish International Development Assistance (SIDA) and the Dutch Ministry of Foreign Affairs (the Department for Development Cooperation).

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Noordeinde 107 A, 2514 GE The Hague, the Netherlands  
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## Forum on Debt and Development (FONDAD)

FONDAD is an independent policy research centre established in the Netherlands to provide policy-oriented research on North-South problems, primarily international financial issues. It seeks to stimulate the adoption of realistic and necessary measures to solve the debt and development problems of developing countries. Through its international network of experts and its contacts in the worlds of finance, policy research, politics, and the media, FONDAD aims to provide factual background information and practical strategies to policymakers, and other interested groups.

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### **The Author**

Percy S. Mistry is Senior Fellow, International Finance, at Queen Elizabeth House, Oxford University, United Kingdom, and Chairman of Oxford International Associates. In the 1970s he worked at the World Bank and IFC in several technical and managerial capacities in Africa and Asia and, between 1981-87, served in a high-ranking position as Senior Financial Advisor (de facto Chief of Staff) to the Bank's Senior Vice-President, Finance. In 1978-81 he was Managing Director of a prominent, private corporate and government advisory group in Hong Kong. He is a Consultant and Adviser on debt, development, privatization and adjustment to several multilateral institutions (the World Bank, UNDP, UNCTAD, the Commonwealth Secretariat among others) and to bilateral governments (especially those of the Nordic countries) undertaking assignments in several African countries, in Brazil, the Caribbean and China (on long-term reform of the financial system). At Oxford he has directed three major research projects on: domestic resource mobilization in Africa; the role of external finance in African adjustment; and privatization experience in several Commonwealth countries, and has published extensively on these subjects.

# Contents

<b>Preface</b>	7
<b>I Background to the African Debt Crisis</b>	9
<b>II African Debt: Dimensions and Characteristics</b>	17
<b>III African Debt Service Burdens</b>	24
<b>IV Africa's Bilateral Debt &amp; Debt Service 1983-90</b>	27
The Paris Club	31
Toronto Terms	35
The John Major and Jan Pronk Proposals	38
<b>V Africa's Multilateral Debt &amp; Debt Service 1983-90</b>	41
IMF Debt	41
World Bank Debt	47
Other Multilateral Debt	51
<b>VI Africa's Private Debt &amp; Debt Service 1983-90</b>	54
London Club Debt	54
<b>VII Conclusions</b>	61
Bilateral Debt	64
Multilateral Debt	65
Private Debt	67
Debt Relief and Adjustment Success	67
The Need for a Comprehensive Debt Strategy in the 1990s	71
<b>Appendix: The Abidjan Declaration on Debt Relief, Recovery and Democracy in Africa</b>	73

## Tables

Table 1	Growth of the African Debt Burden 1982-90	18
Table 2	Debt Burden relative to Economic & Export Capacity	21
Table 3	Africa's actual Debt Service 1983-90	25
Table 4	Africa's Interest Arrears 1983-90	26
Table 5	The African Bilateral Debt Burden 1982-90	28
Table 6	Africa's Bilateral Debt Service 1983-90	30
Table 7	African Multilateral Debt 1982-90	42
Table 8	Africa's IMF Debt & Debt Service 1983-90	44
Table 9	Debt & Debt Service owed to the World Bank 1983-90	48
Table 10	Debt & Debt Service owed to "other" Multilaterals 1983-90	52
Table 11	Debt & Debt Service owed to Private Creditors 1983-90	55
Table 12	Matrix for a Comprehensive Debt Reduction Strategy	72

The tables have been derived from two sources: (1) World Debt Tables (WDT), 1989-90 & 1990-91; and (2) Financing & External Debt of Developing Countries 1989 & 1990 OECD Surveys. WDT does not include figures for Angola, Libya and, upto 1985, for Mozambique. OECD figures have therefore been used to supplement WDT data. Data captured by WDT are usually in error on: (a) short-term debt and debt service; (b) movement between debt classified as private and later as bilateral when ECAs in creditor countries have paid out on their guarantees; (c) the effects of debt swaps and Paris Club reschedulings; (d) interest arrears. These shortcomings result from weak debt recording in African countries. After years of technical assistance provided by various sources to improve the quality of African debt data, the recording systems remain highly imperfect. WDT figures could be off-the-mark by  $\pm 10\%$ .

## Preface

When we asked Percy Mistry to write a compelling policy paper about Africa's lingering debt crisis to stimulate political action, he wholeheartedly accepted. He considered it an interesting challenge because, like FONDAD, he was convinced that it is, most of all, *political action* that is lacking in coming to terms with the need for rapid and large-scale debt reduction programmes for Africa. As Mistry puts it: "...the stark reality remains that for Africa and particularly for its poor what has been achieved still amounts to marginal trimming of the remote outer branches of the problem and not hacking away at its roots. Debt relief, though much to be appreciated and further encouraged, is still being provided to Africa on a 'too little, too late' basis."

This in-depth study on African debt has already proven to be a solid and convincing document. It served as a crucial background paper to an unprecedented conference on 8-9 July 1991 in Abidjan which brought together a remarkable group of African and Northern parliamentarians with leading specialists in the field. At this 'North-South Roundtable on African Debt Relief, Recovery and Democracy', a comprehensive action plan for African debt relief, as advocated by Mistry, was adopted (see the Appendix). The Roundtable was co-sponsored by Parliamentarians for Global Action and the African Development Bank, in cooperation with the Friedrich Ebert Foundation and the Forum on Debt and Development. In his opening address John Langmore, President of Parliamentarians for Global Action, praised the quality of Mistry's paper: "The causes and dimensions of the African debt crisis have been comprehensively described and incisively analysed in the excellent paper prepared for this Roundtable by Percy Mistry."

The strength of this study lies in Mistry's singular capacity to present thoroughly researched but rather 'dull' facts and figures in an elegant and provocative manner. He also points to facts which are contrary to media-created notions: like the idea that African countries do not service debts, or that the debt problem of Africa is mainly with official creditors (governments and multilateral institutions) and not with commercial creditors (mainly banks). As Mistry reveals, African countries have paid back over \$180 billion between 1983-90. This amount exceeds by over \$40

billion the total outstanding debt of Africa at the end of 1982! Mistry also shows that Africa's commercial debt problem is not at all negligible. At the end of 1990, Africa owed nearly \$100 billion to private creditors. That represents 37% of the total amount of \$270 billion owed by Africa.

Mistry's appeal to legislators and policy-makers to agree on a comprehensive debt strategy for Africa (and other developing countries) which involves banks, creditor nations and multilateral institutions, deserves wide attention and support. Some of Mistry's opinions are clearly controversial, but one cannot dismiss his forceful arguments for dealing much more seriously and responsively with Africa's debt problem: "The export of real resources from Africa by way of debt service has increased from about 3% in 1980 to 6% in 1989 and a projected 8% in 1990. That is indefensible in a continent where per capita incomes are still declining from levels which are abysmal."

Jan Joost Teunissen  
Director FONDAD  
November 1991