

III African Debt Service Burdens

3.01 The situation regarding Africa's debt stocks tells one part of the story; the difference between scheduled debt service obligations and actual payments tell another. Obviously the expansion of debt stocks has a commensurate impact on debt service obligations but not necessarily to the same proportionate extent. The effect of increases in debt stocks on contractual debt service burdens depends on both the concessionality of outstanding debt and the terms of reschedulings that have taken place. Table 3 shows the concessionality of debt for the two main sub-regions to be quite different. In North Africa concessional debt (mainly for Egypt) is confined largely to bilateral debt; in sub-Saharan Africa the concessionality of multilateral debt (63%) exceeds that of bilateral debt (44%), taking 1990 debt stocks as the reference point.

3.02 Contrary to media-created notions in the public mind that developing countries do not service debts, African countries have paid back over \$180 billion between 1983-90 or an average of over \$22.6 billion each year. Cumulative debt service paid so far thus exceeds by over \$40 billion the total outstanding debt of Africa at the end of 1982. As might be expected the patterns of debt service are distinct for the two major sub-regions of the continent. In North Africa, private creditors received over 68% of total debt service payments between 1983-90 (even though private debt stocks represented just over 50% of the region's debt stocks in 1982 falling to less than 42% at the end of 1990). By comparison, bilateral creditors collected only 20% of debt service payments, much lower than the proportion of the debt stock they were owed which averaged 42% over the period. Multilateral creditors took 12% of service payments relative to an average 24% of the debt stock owed to them. To a large degree, *the relief offered by bilateral debt reschedulings and by new money flows from multilateral institutions to North African debtors, was absorbed by maintaining debt service flows to private creditors.* It did not result in net development benefits to the debtor countries. But even with receipts from official creditors being used to repay private creditors two of the five North African countries incurred arrears on their debt service payments over the decade (Egypt and Morocco) with Egypt running up egregious interest arrears between 1985-90.

TABLE 3 AFRICA'S ACTUAL DEBT SERVICE 1983-90

(Amounts in Billions of US Dollars)

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990(E) | 83-90(E) |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|---------|----------|
| NORTH AFRICA: | | | | | | | | | |
| Total Debt Service (TDS): | 11.24 | 10.92 | 11.08 | 12.11 | 12.61 | 12.43 | 14.01 | 15.69 | 100.09 |
| of which: Bilateral (BDS): | 1.52 | 1.77 | 2.28 | 2.95 | 2.12 | 2.64 | 3.37 | 3.53 | 20.18 |
| Multilateral (MDS): | 0.53 | 0.74 | 1.06 | 1.45 | 1.77 | 1.92 | 1.88 | 2.28 | 11.63 |
| Private (PDS) | 9.19 | 8.41 | 7.74 | 7.71 | 8.72 | 7.87 | 8.76 | 9.88 | 68.28 |
| SUB-SAHARAN AFRICA: | | | | | | | | | |
| Total Debt Service (TDS): | 8.56 | 10.50 | 11.75 | 10.47 | 8.87 | 10.06 | 9.25 | 11.75 | 81.21 |
| of which: Bilateral (BDS): | 1.13 | 1.38 | 2.05 | 1.64 | 1.53 | 1.90 | 1.57 | 3.11 | 14.31 |
| Multilateral (MDS): | 1.45 | 1.84 | 2.15 | 3.15 | 3.29 | 3.60 | 3.60 | 4.04 | 23.12 |
| Private (PDS): | 5.98 | 7.28 | 7.55 | 5.68 | 4.05 | 4.56 | 4.08 | 4.60 | 43.78 |
| CONTINENTAL AFRICA: | | | | | | | | | |
| Total Debt Service (TDS): | 19.80 | 21.42 | 22.83 | 22.58 | 21.48 | 22.49 | 23.26 | 27.44 | 181.30 |
| of which: Bilateral (BDS): | 2.65 | 3.15 | 4.33 | 4.59 | 3.65 | 4.54 | 4.94 | 6.64 | 34.59 |
| Multilateral (MDS): | 1.98 | 2.58 | 3.21 | 4.60 | 5.06 | 5.52 | 5.48 | 6.32 | 34.75 |
| Private (PDS): | 15.17 | 15.69 | 15.29 | 13.39 | 12.77 | 12.43 | 12.84 | 14.48 | 112.06 |

3.03 Sub-Saharan Africa, despite its abject poverty and obvious underdevelopment, serviced payments amounting to over \$81 billion between 1983-90, (about \$8 billion more than its outstanding debt stock in 1982). Nonetheless it has run up a high level of arrears. Over those eight years, private creditors accounted for 54% of cumulative debt service payments. Though the stock of debt owed to private creditors fell from nearly 51% of the sub-Saharan total in 1982 to under 34% in 1990 private creditors still accounted for 40% of debt service in the latter year. Bilateral creditors collected only three-fifths (\$14.3 billion) of the amount of cumulative debt service payments collected by the multilaterals (\$23.1 billion) even though they accounted for half as much again of the amount of outstanding debt in 1990. Debt service payments by sub-Saharan debtors to bilateral creditors fluctuated by $\pm 25\%$ around a mean of \$1.6 billion per year throughout the 8-year period while they rose steadily to multilateral

creditors from under \$1.5 billion in 1983 to over \$4 billion in 1990. Payments to private creditors on the other hand fell from a peak of over \$7.5 billion in 1985 to an average of under \$4.2 billion for 1988-90. *Multilateral debt service burdens are now among the most onerous and least tractable (in terms of renegotiability) for the sub-Saharan countries*, a point which will be revisited later. Finally, the ratio of actual to scheduled debt service has deteriorated sharply over the decade. Countries in sub-Saharan Africa serviced 80% of their scheduled obligations in 1982, 77% between 1983-85, 50% between 1986-87 and less than 40% between 1988-90.

TABLE 4 AFRICA'S INTEREST ARREARS 1983-90

(Amounts in Billions of US Dollars)

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990(E) | 83-90(E) |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|---------|----------|
| NORTH AFRICA: | | | | | | | | | |
| Total Debt Service (TDS): | 11.24 | 10.92 | 11.08 | 12.11 | 12.61 | 12.43 | 14.01 | 15.69 | 100.09 |
| Total Interest Arrears: | 0.66 | 0.93 | 1.26 | 2.17 | 1.96 | 2.23 | 3.45 | 4.39 | 17.05 |
| of which: Egypt: | 0.66 | 0.87 | 1.14 | 2.07 | 1.80 | 2.12 | 3.29 | 4.21 | 16.16 |
| Morocco: | 0.00 | 0.06 | 0.12 | 0.10 | 0.16 | 0.11 | 0.16 | 0.18 | 0.89 |
| SUB-SAHARAN AFRICA: | | | | | | | | | |
| Total Debt Service (TDS): | 8.56 | 10.50 | 11.75 | 10.47 | 8.87 | 10.06 | 9.25 | 11.75 | 81.21 |
| Total Interest Arrears: | 0.95 | 1.32 | 1.98 | 2.77 | 4.70 | 6.52 | 7.43 | 7.99 | 33.66 |
| of which: Cote d'Ivoire: | 0.05 | 0.01 | 0.01 | 0.02 | 0.11 | 0.45 | 0.83 | 1.05 | 2.53 |
| Nigeria: | 0.01 | 0.06 | 0.08 | 0.07 | 0.76 | 1.05 | 0.52 | 1.10 | 3.65 |
| Sudan: | 0.38 | 0.62 | 0.90 | 1.23 | 1.79 | 2.25 | 2.87 | 3.43 | 13.47 |
| Zambia: | 0.08 | 0.05 | 0.17 | 0.16 | 0.35 | 0.52 | 0.86 | 1.12 | 3.31 |
| CONTINENTAL AFRICA: | | | | | | | | | |
| Total Debt Service (TDS): | 19.80 | 21.42 | 22.83 | 22.58 | 21.48 | 22.49 | 23.26 | 27.44 | 181.30 |
| Total Interest Arrears: | 1.61 | 2.25 | 3.24 | 4.94 | 6.66 | 8.75 | 10.88 | 12.38 | 50.71 |

3.04 The next sections discuss in detail the specific characteristics of, and problems posed by, debt owed to bilateral, multilateral and private creditors.