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DEBT RELIEF AND SUSTAINABLE DEVELOPMENT IN SUB-SAHARA AFRICA

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EXECUTIVE SUMMARY

For a large number of heavily indebted poor countries, the traditional debt rescheduling exercises have neither delivered debt sustainability nor promoted sustainable growth with debt reduction. The Heavily Indebted Poor Countries (HIPC) Initiative is an improvement to the previous rescheduling exercises. It is, however, a very slow process and its sustainability measures do not focus on the fiscal crisis of African governments. Debt sustainability should be determined by the ability of governments to raise revenues to pay the debt while providing necessary infrastructure and social services and without imposing an enormous tax burden on the private sector (which will discourage investment). The debt relief provided so far is not adequate to guarantee debt sustainability for countries exporting primary commodities that face volatile commodity prices. The enhanced HIPC initiative agreed after the 1999 G-8 Cologne Summit deepens debt relief and links it to attaining monitorable targets in poverty reduction and social development.

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 allowing policy 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 twist the hands of policy-makers to focus on poverty eradication. Linking debt relief to the implementing of IMF and World Bank conditionalities undermines policy ownership that is necessary for poverty-reducing growth. Donors can assist in promoting poverty-reducing growth by linking the 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. The moral hazard problem is exaggerated. Countries with bad policies are not servicing their debt in the first place. Governments that are serious about promoting broad based development have to spend more time negotiating debt relief when they should be designing poverty-reducing policies.

I. INTRODUCTION

Sustainable development entails three sets of interrelated objectives: economic development, social development and environmental protection. To attain sustainable growth, human and natural resources have to be used efficiently to promote growth of output and income. This growth should lead to the reduction of poverty while protecting the environment. Sustained reduction in poverty and improvement in the provision of social services such as basic education, preventive and curative medicine, clean water and adequate shelter requires broad-based growth of output. 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 large levels of investment.

Poor countries such as those of Sub-Saharan Africa lack capital. In the framework of a debt-cycle hypothesis, countries that lack capital are expected to borrow and use foreign savings to increase domestic investment and growth. As income increases, domestic savings will increase and enable the borrowing country to pay the external debt. During the 1970s, Sub-Saharan Africa borrowed abroad but these loans did not promote sustainable growth of output and exports. The "Volcker" recession of the early 1980s and the collapse of Africa's terms of trade ignited the debt crisis. For over a decade Sub-Saharan 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. After this introduction, section II discusses the role of debt flows in promoting growth and sustainable development, section III analyses the so-called traditional mechanisms of external debt relief, section IV discusses the impact of the HIPC Debt Initiative, section V discusses the Enhanced HIPC Debt Initiative and section VI discusses policies for promoting poverty-eradicating growth in Sub-Saharan Africa.

II. DEBT FLOWS AND ECONOMIC GROWTH

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, 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, 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 that is required to service the debt. Fourth, domestic savings should actually increase as the economy grows. Fifth, debt exporters should be willing to provide stable and predictable flows.

Surges of external loans to developing countries were not a logical workout of the debt-cycle hypothesis. Developing countries did not have access to international commercial bank loans before the 1973-74 oil price increase. The huge increase in revenues in oil-exporting countries, which were deposited in international banks operating in Europe, led to the rapid expansion of the petrodollar market. The oil price increase initiated a prolonged recession in industrialised countries and a decrease in the demand for loanable funds. International banks were increasingly eager to recycle the petrodollars, even to some countries in Africa. For most Sub-Saharan African countries, however, the predominant source of loans was official bilateral and multilateral creditors, although several countries were able to borrow commercially in the 1970s. Loans were available at low interest rates that were negative in real terms. The 'push' factors such as the availability of loanable funds from bank deposits of oil-exporting countries, low demand for credit in industrialised 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 these countries.

The servicing of external loans appeared easy because of the commodity booms of the mid-1970s. Neither private nor official creditors were 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 and international bankers tended to believe that countries never become insolvent and could always be squeezed and cajoled with the help of the International Monetary Fund to pay up their debts.

Several factors guaranteed debt-servicing problems when real interest rates turned highly positive and the terms of trade of traditional exports deteriorated: an institutional framework that promoted inefficient investment; overvalued exchange rates; highly protected, import-substituting industry that was biased against production of exportable goods; and the expectation that interest rates would remain low. Most countries did not have effective debt recording, monitoring and management systems. The debt crisis of the 1980s showed the risks of opening up to debt flows.

The extension of loans to African countries was largely influenced by cold war rivalry and less by rational economic calculations of the productivity of external borrowing in African economies. The growth of debt was too high compared to the growth of exports (Annex, table 1). Most countries did not maintain good records of their external obligation but continued to have access to official credit from Western governments and, to a lesser extent, socialist countries. African governments seem to have perceived most of the external loans as grants. During the "Cold War" period the supply of loans created its own demand, regardless of the loans' contribution to economic growth. In the 1970s, lending governments and international financial institutions generally ignored the moral hazard issue that has been used in the 1980s and 1990s to delay and deny debt relief to heavily indebted countries.

The beginning of the world debt crisis is reckoned to have started in 1982 after Mexico failed to service its debt. Some African countries entered the debt crisis earlier than Mexico. As early as 1977, Tanzania's debt 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 (Annex, table 2). 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 non-governmental organisations 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 principle, 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 for managing the 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. Foreign investment can be immiserising if domestic distortions are large, and foreign firms are established to monopolise protected domestic markets and earn monopoly rents. Debt accumulation in African countries neither increased the effective capital stock nor promoted growth.

III. THE TRADITIONAL MECHANISM OF EXTERNAL DEBT RELIEF.

At the outset, the debt crisis was largely considered a liquidity problem causing temporary balance of payments problems. Early strategies involved non-concessional rescheduling of payments falling due and new lending packages linked to IMF stabilization and structural adjustment programs. Twenty seven countries that are now classified as HIPCs agreed to 81 non-concessional flow rescheduling under Paris Club arrangements between 1976 and 1988. In the second half of the mid 1980s, creditor nations reluctantly accepted that heavily indebted countries face not only a liquidity problem but also a solvency problem. 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-Saharan 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. This mechanism included flow rescheduling agreements with Paris Club creditors followed by stock of debt operations for countries with a three year good track record implementing IMF supported programs. Debtor countries also have to agree to seek at least similar terms from non-Paris Club creditors (that is, use the most-favoured creditor principle), bilateral forgiveness of ODA debt, and new financing on concessional terms. For a large number of heavily indebted poor countries, the traditional debt rescheduling exercises have neither delivered debt sustainability nor promoted sustainable growth with debt reduction. The integrity of the Paris Club rescheduling exercises was undermined as countries continued to accumulate debt payment arrears after every rescheduling exercise. Why has the debt crisis persisted despite the adoption of structural adjustment and debt rescheduling exercises?

A. Implementing IMF Stabilization Programs

In the past decade most of the heavily indebted poor countries in Africa have implemented IMF supported stabilization programmes. Their foreign exchange regimes have been liberalized. They have accepted IMF Article VIII obligations not to impose payment restrictions on current account transactions. The dates of the most recent three IMF programs are shown in Annex table 3. Nineteen HIPCs of Sub-Saharan Africa have continuously implemented IMF programs for at least 3 years in the 1990s. Of these 19, eleven countries, including Benin, Burkina Faso, Ethiopia, Guinea, Malawi, Mali, Mauritania, Mozambique, Tanzania, Togo and Uganda, had at least six years of implementing IMF programs in the 1990s. Inflation has been drastically reduced in many countries. These reforms, however, have yet to make a significant impact in terms of initiating and sustaining high growth of exports and output.

B. Paris Club Debt Rescheduling

The Paris Club rescheduling of the early 1980s was mainly non-concessional with a grace period of only 5 years and maturity of 10 years and used market-based interest rates. Repeated rescheduling of these standard terms did not resolve the debt crisis of most countries, which continued to accumulate debt payment arrears. Indebted countries needed more than cash flow relief. The stock of debt was just 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, 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. However, the Toronto terms did not solve the debt crisis of poor countries. In 1991, creditor nations improved the terms of concessional rescheduling, the so called London terms, that were expected to provide debt relief of up to 50 per cent of the net present value of the eligible debt. However, the London terms did not do the trick, either, and in 1994 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 per cent in net present value terms. The Lyon terms increased debt relief of up to 80 per cent of net present value of eligible debt.

The Paris Club rescheduling excluded the debt of multilateral financial institutions that continued to have the status of preferred debt that had to be fully serviced before a country could even apply for Paris Club rescheduling.

Many heavily indebted African countries have gone through a number of debt rescheduling exercises. 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 per cent under the Lyon terms have not led to a large reduction in nominal debt stock. Multilateral debt, which accounted for 40 to 60 per cent of poor countries' debt, was not included. Paris Club creditors did not offer the maximum reduction of eligible debt or cancel the ODA debt. The amount of debt cancelled during the 1985-97 period as a percentage of debt in 1985 and 1997 is shown in Annex table 4. Among 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 per cent. It appears that France was more generous in canceling debt of her former colonies. Less than 20 per cent of the Sub Saharan debt of 1985 was cancelled during this period.

A large share of resources from creditor nations has been provided as grants. Although ODA assistance has been decreasing since 1994, Sub-Saharan Africa has received the largest share of ODA. It should also be noted that despite the heavy debt burden most countries in Sub-Saharan Africa had overall positive net resource transfers (Annex, table 5). Even when we consider debt flows only, net resource transfers have been positive throughout the 1980s and 1990s. The only countries with large negative net gross resource transfers relative to their GNP are not HIPCs. They are the mineral rich countries of Botswana and Gabon, and, surprisingly, Swaziland. In a number of years Nigeria has also recorded negative net resource transfers.

If the net resource transfers have remained positive in HIPCs then why the fuss about the debt crisis strangling African economies? First, positive net resource transfers are partly the result of accumulating debt payment arrears. If these countries fully serviced their debt then their net resource transfers would be negative. Second, positive net resource flows are misleading with respect to the budget constraint problem facing governments. Most aid projects are not incorporated into the budget process. The funds are usually not available for budget allocation and 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. Debt service has to be paid out of a country's recurrent revenue.

Large future debt servicing obligations and debt payment arrears cause debt overhang problems that discourage investment in a debtor country. Future debt servicing will require increased taxes. Investing in a country with a large debt service obligation may imply high taxes and social instability in the future. Domestic and foreign investors may hesitate to commit themselves in such economies. Countries with large debt payment arrears will have problems accessing international capital markets, thereby reducing external capital inflow and encouraging capital flight. Private capital markets are highly sensitive of countries that routinely run debt 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. The debt overhang stifles investment and growth. Resolving the debt crisis is a prerequisite for building African creditworthiness in the medium and long terms.

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 pay the debt while providing necessary infrastructure and social services and without imposing an enormous tax burden on the private sector (which will discourage investment). 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 per cent, adopt uniform tariff rates of 10 per cent, and limit government expenditure to 20 per cent of GDP, to be roughly allocated as follows: education (5 per cent), health (3 per cent), public administration (2 per cent), army and police (3 per cent), and government investment (5 per cent), 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 favoured reformers such as Ghana and Uganda, are unable to raise 18 per cent of their GDP in fiscal revenues.

Tax revenue as a percentage of GDP for some Sub-Saharan African countries is shown in Annex table 6. Most countries are unable to collect 20 per cent or more of their GDP in taxes. The exceptions are some mineral exporting countries such as Botswana, Gabon, Namibia, South Africa and Zimbabwe and the small middle-income economies of Mauritius and Swaziland.

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 debt payment arrears will not have the fiscal discipline that is necessary for both maintaining macroeconomic stability and efficient utilization of public resources to promote sustainable growth and poverty alleviation. Effective public expenditure management cannot be attained if governments are required to set aside 20-40 per cent of their revenue to service external debt that was, in the first place, unproductively utilized and failed to promote growth. 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" (World Bank, 1999b). Public expenditure management is critical for maintaining and sustaining fiscal discipline to promote macroeconomic stability. It is also important for the prioritization of expenditures to support sustainable and poverty-reducing growth. High debt service obligations will undermine political support of reformers who want to bring discipline and improve management of public finances.

IV. THE IMPACT OF THE HEAVILY INDEBTED POOR COUNTRIES (HIPC) DEBT 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 to 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: (i) the provision of a durable exit strategy by targeting overall debt sustainability on a case by case basis; (ii) debtor countries should have a track record of their ability to put the expected debt relief to good use; (iii) new measures will build on the Paris Club mechanism; (iv) broad coordination of all creditors to provide debt relief on an equitable basis; (v) preservation of the preferred creditor status and financial integrity of the multilateral financial institutions, which are also expected to provide debt relief; (vi) new external financing on concessional terms.

Boote and Thugge (1997, 140), were confident 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 programmes 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."

The original HIPC Initiative required debtor nations to have a track record of at least 3 years implementing IMF stabilization programmes before reaching a decision point whereby creditors made 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 programme supervised by the IMF.

The HIPC Initiative considers external debt sustainability is attained when a country is able to meet its debt service obligations promptly without accumulating debt payment arrears, rescheduling of debts or requesting debt relief. The servicing of debt should not adversely affect growth. The indicators used to determine debt sustainability are the debt export and debt service ratios. When the HIPC Debt Initiative was introduced in 1996 the IMF and World Bank set debt sustainability targets of a net present value debt-to-export ratio of 200-250 per cent and debt service ratio of 20-25 per cent. Later, a fiscal indicator was introduced for very open economies. Countries with an export GDP-ratio of 40 per cent and a revenue-to-GDP ratio of 30 per cent could qualify for HIPC debt relief if the net present value of debt to government revenue was 280 per cent or higher. Only poor countries that have these characteristics and can only borrow from the World Bank at International Development Association (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 41 countries that were classified by the IMF and World Bank as HIPCs, 33 are in Sub-Saharan Africa. The implementation of the HIPC initiative has been slow, requiring a six year track record of implementing IMF and World Bank supported reforms before reaching completion point. Since the adoption of the HIPC initiative in 1996, only four countries: out of 29 eligible countries only Uganda, Guyana, Bolivia and Mozambique have received debt relief under this mechanism. Mozambique has received the most generous debt relief. The nominal debt has been reduced by $3.7 billion, equivalent to 63 per cent of the net present value of total debt. Uganda's debt has only been reduced by 20 per cent.[1]

Cote d'Ivoire, Burkina Faso and Mali have reached a decision point and are in the pipeline to receive debt relief between the end of this year and 2001.[2] Benin and Senegal reached a decision point and their debt was considered sustainable after receiving Paris Club rescheduling using the Naples terms.

The HIPC initiative is an improvement to the previous rescheduling exercises. It is, however, a very slow process. Only two African countries have received HIPC debt relief. Qualifying for an early completion point seems to be largely a public relations exercise from NGOs. Although Burkina Faso reached a decision point in September 1997 before Mozambique (April 1998), its debt relief is expected in year 2000 while Mozambique reached its completion point in 1999. Burkina Faso has been as good a reformer as Mozambique. International NGOs and bilateral donors better championed the plight of Mozambique while Burkina Faso did not attract similar attention.

The debt relief provided is not adequate to guarantee debt sustainability for countries exporting primary commodities that face volatile commodity prices. Even after being the first country to receive debt relief under the HIPC initiative, the recent collapse of coffee prices makes Uganda's debt service unsustainable. The HIPC initiative reduced Uganda's overdue external debt by $650 million, or 20 per cent of the nominal value of the debt. The IMF concluded that Uganda's debt was sustainable after the 20 per cent debt reduction. It projected that the debt-servicing ratio of Uganda will decrease to an annual average of 14.5 per cent from 1998/99 to 2000/01, compared to an average of 22.2 per cent from 1995/96 to 1997/98. This reduction in debt service can be attained if the value of exports (in US dollars) grows at an annual average rate of 15.4 per cent over the period from 1998/99 to 2000/01, which is too optimistic, given the current weak commodity prices. The trend growth rate of Uganda's exports quantity index from 1986 to 1996 was only 0.4 per cent. 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. Ugandan tax collection is around 10-11 per cent of GDP. The export-to-GDP ratio is still low, around 12 per cent of GDP. A debt servicing ratio of 15 per cent implies using 1.5 per cent of GDP, or 15 per cent of tax revenue, to service debt. Can Uganda afford to service its debt and invest in poverty eradication? Without continued development assistance, Uganda will not be able to service its debt.

[1] This is largely the result of the 80 per cent discount of the Russian debt on claims disbursed prior to 1992 as agreed in the 1997 memorandum of understanding when Russia joined the Paris Club.

[2] The Christmas coup in Cote d'Ivoire and subsequent freeze in debt servicing will postpone the completion point for Cote d'Ivoire to receive debt relief.

V. THE ENHANCED HIPC INITIATIVE

The international civil society has been critical of the too little, too late approach of implementing the HIPC initiative. The G-7 Cologne Summit responded by proposing the enhanced HIPC initiative that should not only aim at sustainable debt levels but assist in promoting sustainable growth with debt reduction. The cash flow savings from debt relief should be used in the social sectors, particularly education and health. The IMF and the World Bank have been challenged to work with eligible countries to develop strategies of poverty reduction that should be integrated into the overall macroeconomic policy framework. The Enhanced HIPC initiative aims at linking debt relief with the attainment of a number of internationally agreed targets for the year 2015 (relative to 1990). These include reducing the incidence of extreme poverty by half, reducing infant and child mortality by two-thirds, achieving universal enrolment in primary education, and eliminating gender disparity in education (by 2005).

In order to provide faster, deeper and broader debt relief, the benchmarks for debt sustainability have been reduced. The net present value debt-to-export benchmark has been lowered from its initial range of 200-250 per cent to 150 per cent. The benchmark for the debt service ratio is now 20 per cent rather than a range of 20-25 per cent. The fiscal benchmark, in the form of the net present value debt-to-fiscal ratio has been lowered from 280 to 250 per cent. The qualifying export to GDP ratio and revenue to GDP thresholds for the fiscal benchmark have been lowered from 40 to 30 per cent and from 20 to 15 per cent respectively. The bilateral donors are committed to forgiving 90 per cent of the ODA debt for countries qualifying under the enhanced HIPC initiative.

The track record of implementing reforms under 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-reduction programs. The tying of providing debt relief to implementing poverty-reducing strategies rather than simply adopting policies to maintain macroeconomic stability has the potential of increasing the time required before a country can receive debt relief. 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 national accounts are unreliable. The 1997 revised national accounts have increased GDP estimates of 1988 and 1992 by 263 and 68 per cent respectively. Government revenues as a percentage of GDP in 1992 decreased from 20 per cent to 12 per cent 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 national accounts is 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 net primary school enrollment rates, student-teacher ratios, and children malnutrition rates. 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 a decision point in order to receive debt relief under the Enhanced HIPC?

The easily monitorable indicators such as budgetary allocation may not necessarily reflect sustainable improvements in social indicators. Crash programs to increase primary school enrollments may be attained at the cost of drastically reducing the quality of education that may undermine increases in numeracy and literacy among the population.

The new benchmarks have increased the number of eligible countries from 29 to 33. It has also increased the amount of debt relief to be offered to HIPCs. Debt relief for poverty reduction continues to be tied to implementing IMF and World Bank programmes. The World Bank has proposed a comprehensive development framework (CDF) that goes beyond the "Washington Consensus" policies that was the basis of structural adjustment programs. The CDF goes beyond promoting growth, low inflation and balance of payments equilibrium and directly incorporates human development, particularly improvement in education, health and longevity of the whole population. According to Wolfesahn and Stiglitz (1999) "The World Banks's development objectives are focused on the achievement of democratic, equitable, and sustainable increases in living standards." Economic growth is seen as a necessary but not sufficient condition for sustained progress in other measures of well-being, including education, health and nutrition. They argue that "to reduce misery and improve living standards, equity and sustainability must come to be viewed as essential complements to growth, not substitutes. Achieving rapid growth at the cost of relegating a significant portion of the population to poverty, or substantially degrading the environment - even if such trade-offs existed - would not represent sound policy. The old approach of an exclusive focus on growth as the elixir for all the world's problems is thus too circumscribed. Such a trickle-down approach ignores the substantial social gains from growth directed towards the poor. In other words, the quality of economic development - not just its existence - can be important."

The comprehensive development framework has been criticized as too "fuzzy" and "using buzz-words of ageing hippies" and may undermine development by not focusing on growth.[3] Development is a multifaceted process and involves building institutions that sustain the broad provision of education and basic health, promote participation in productive economic activities by establishing stable rules of the game such as widely accepted property rights, competition and the rule of law. There is no single factor that can guarantee poverty-reducing growth. The important question is can an international financial institution promote democratic and equitable development in poor countries?

The World Bank has not yet fully operationalised the CDF. The framework for poverty reduction is expected to have the following key elements: (i) Poverty is multi-dimensional and is not limited to a lack of access to social services; (ii) high economic growth is a necessary condition for sustained poverty reduction; (iii) poverty reduction must have transparent poverty-related goals that can be monitored using proxy intermediate indicators; and (iv) sustained implementation of an anti-poverty strategy requires broad participation of civil society in both preparing and monitoring the programme.

The World Bank (1999) has argued that " to design a consistent poverty framework, it is vital to have a good understanding of the determinants of poverty. Presentation of information on the levels and trends in poverty outcomes and intermediate indicators is necessary, but not sufficient, for developing an outcome-oriented strategy. The next step is to assemble and distill information on the causal processes underlying human development, poverty and inequality outcomes." This is a tall research agenda for ministries of finance and planning in poor African countries. If the enhanced HIPC debt relief is conditional on the preparation of detailed poverty reduction framework papers that are fully owned and can be implemented by African governments, few countries will qualify.

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 allowing policy 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 twist the hands of policy-makers to focus on poverty eradication. 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 the 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. The moral hazard problem is exaggerated. Countries with bad policies are not servicing their debt in the first place. Governments that are serious about promoting broad-based development have to spend more time negotiating debt relief than designing poverty-reducing policies.

VI. POLICIES FOR PROMOTING SUSTAINABLE POVERTY-REDUCING GROWTH

After fifty years of development experience, there are generally accepted prerequisites for promoting sustainable development. Macroeconomic stability characterized by low to moderate inflation and a competitive real exchange rate is important for growth. An institutional framework that promotes the rule of law and social stability, and encourages private sector investment and economic activity is essential for growth. Governments have an important role of providing or facilitating the provision of

[3] See Financial Times editorial September 16 1999, Bhagwati letter in Financial Times September 27 1999 and T.N.Srinivasan, September 28 1999.

basic infrastructure and promoting the development and functioning of markets. Without effective governments economic policies will be distorted, fiscal deficits will be large and likely to cause inflation, and public expenditure will not be effectively utilized to improve the health and education of the poor and provide essential infrastructure. Effective governments are also required to develop a regulatory and taxation framework to protect the environment. Empirical research on determinants of growth has shown that investment and education are important factors in promoting growth. East Asian economies that had sustained growth for thirty years had high investment rates and high primary and secondary school enrollment rates. High investment rates require high domestic savings rates. Foreign savings can only supplement domestic savings but cannot be a driving force of financing the domestic investment required to support broad-based growth. Without an effective regulatory framework to protect the environment, high investment rates and growth can undermine the ecological integrity of a country.

A. Macroeconomic Stability in African Countries

After more than a decade of stabilization policies, many African countries have attained low rates of inflation. Annex table 7 shows that out of 49 Sub-Saharan African countries, at least 33 had single digit inflation rates in 1998. The CFA franc zone countries have traditionally had low rates of inflation because of anchoring their currencies to the French franc. This policy has, however, led to the overvaluation of the exchange rate before the 1994 devaluation. Uganda has remarkably reduced its inflation rate from a triple digit average during 1985-90 to single digit levels in 1995-98 without sacrificing growth. Exchange rate policies of most countries have removed distortions. By the end of 1998 at least 34 Sub-Saharan African countries — compared to three countries in 1985 — had accepted IMF Article VIII obligations that requires countries to remove foreign exchange restrictions on current account transactions. Most countries have unified their exchange rate and the parallel market premium has gone down to less than 10 per cent. Massive exchange rate overvaluation is no longer a common phenomenon among African countries.

Despite these huge improvements, most countries do not have a framework for maintaining macroeconomic stability. Budget deficits continue to be large even after including aid. Governments implementing IMF programs tend to use cash budgeting to control expenditures. Cash budgeting has reduced the financing of deficits by printing money. It has, however, been accompanied by an increase in debt payment arrears to domestic suppliers of goods and services and on non-Paris Club bilateral debt. Reliable and up to date estimates of budget deficits do not exist in most African countries because of large payment arrears for goods and services. Effective fiscal management is the main stumbling block for attaining macroeconomic stability. African governments need to both improve tax administration to increase government revenue and improve the allocation of government expenditure to focus on improving basic social services, including health and education, and upgrading infrastructure, particularly roads. Significant debt relief can be a catalyst to improving the management of public finances.

B. Investment Rates

Investment in physical capital is a necessary, though not a sufficient, condition for high growth rate of output. During 1960-92, all fast-growing East Asian countries had average annual investment rates of 20-30 per cent of GDP measured in internationally comparable prices. Investment rates in African countries have been low. Ten countries, including Angola, Burundi, Chad, Ethiopia, Madagascar, Mozambique, Rwanda, Sierra Leone, Uganda and Zaire, had average annual investment rates of less than 5 per cent. Another 14 countries, including Benin, Burkina Faso, Cape Verde, Central African Republic, Congo, Gambia, Ghana, Guinea, Malawi, Mali, Niger, Somalia, and Tanzania, had investment rates of 5 to 10 per cent. The only countries with investment rates of around 20 per cent similar to that of China, Hong Kong, Indonesia and Thailand are some of the mineral exporting countries, including Botswana, Gabon, Namibia, South Africa and Zimbabwe. Surprisingly, Guinea Bissau also had a relatively large share of its GDP invested. Only diamond rich Botswana had growth rates comparable to that of East Asia. Other countries with high rates of investment were unable to sustain high rates of growth.

The cost of investment in Africa is very high compared to other countries. Investment as a share of GDP is significantly higher when computed in domestic prices than in internationally comparable prices. This is partly caused by over-pricing of imports to Africa and by corruption, which inflates costs of public sector investment projects. The high growth rate of African debt, which did not contribute to growth, is partly explained by the high cost of imported goods.

The low levels of investment rates are partly explained by low savings rates, as domestic savings usually finances a large share of domestic investment. The exception is initial capital-intensive mineral-related investment, which is usually foreign funded, but once production has started retained profits account for most of additional investment. The institutional arrangements and policy environment has not been conducive to promoting private investment. Inadequate provision and low quality of public goods, including effective administration of justice and dispute settlements, public infrastructure including roads, power and water supply and telecommunication, have discouraged private investment. Policy instability and changing rules of the game have discouraged private investment and promoted capital flight.

The main cause of high savings rates is high growth of income. Low savings rates in Africa is partly caused by poor growth performance. Another reason for low levels of domestic savings rates is the weak financial system. The financial institutions in most countries in the region have not been performing the role of effectively mobilizing savings and channeling resources to highly productive investment. In almost all countries except South Africa, Mauritius and Zimbabwe, the financial sector is underdeveloped (both geographically and functionally), thin and shallow. It has been argued that financial systems were characterized by considerable 'financial repression' geared to the financing of budget deficits, directed credit allocation, and administrative setting of interest rates. Negative real interest rates, particularly on deposits, have been common in countries with moderate to high inflation rates.

The liberalization of financial markets was expected to lead to positive but low real interest rates, greater savings mobilization, a decrease in intermediation costs by lowering the spread between lending and deposit rates, an increase in the volume of credit to the private sector and an increase in the efficiency in credit allocation by selecting more productive investment projects.

Reform of the existing financial systems is necessary. However, the direction and scope of the reforms have been overly influenced by the 'financial repression' hypothesis and the empirically unverified assumption about the positive impact of financial liberalization in mobilizing savings and their more efficient allocation to more productive investment activities. In addition, the design of the financial sector reforms in Sub-Saharan Africa has not taken into consideration the historical realities of African countries that have been characterised by missing credit markets and the experience of countries that have succeeded in promoting sustained economic growth such as the East Asian tigers whose governments strived to create financial markets. Limited emphasis has been directed to creating an environment that promotes transparent private enterprises, and improving and standardizing accounting systems to facilitate information flows from private enterprises to financial institutions that could increase the number of bankable indigenous private enterprises.

C. Promoting domestic savings

African countries have very low and, in most cases, decreasing savings rates, particularly when compared to East Asian economies. Low per capita incomes are not a complete explanation of low rates of savings. Low per capita income in China and India is not associated with low and declining savings rates as in most of Sub-Saharan Africa. Economic stagnation and negative growth rates of per capita income has contributed to the low savings rates in Sub-Saharan Africa. Financial repression has been seen as a major cause of low savings rates in less developed countries. Empirical work that shows negative real interest rates are associated with low savings rates fail to distinguish between small and large repressions. Countries with large negative interest rates drive regression results that show significant positive elasticity of savings rates with respect to interest rates. When these countries are excluded from the sample, real interest rates lose statistical significance. It should be noted that high negative interest rates are the result of high inflation, a symptom of government failure not only to collect taxes and control expenditure, but also to deliver government services and maintain the rule of law. Where the government is excessively inefficient, savings rate and growth are likely to be low. In this situation, increasing nominal interest rates to make real interest rates positive is unlikely, by itself, to increase the savings rate and promote growth. High interest rates may exacerbate the financial position of weak governments because of increases in government debt servicing. Before using interest rates to promote savings, economic reforms should focus on improving government fiscal discipline.

African financial markets are highly fragmented where the majority of the population in rural areas and the informal urban sector have no access to financial services. If savings are to be effectively mobilized, financial services have to be extended to the population that is currently underserved – which requires innovative ways of linking the formal and the informal financial sectors through encouraging the development of emerging semi-formal intermediaries.

Developing an efficient financial system is costly and takes time. There are large fixed costs associated with installing an information gathering and monitoring system. Moreover, monitoring a few large projects or borrowers costs less per dollar lent than monitoring many small projects. At low levels of development when per capita incomes are low, the cost of developing financial institutions to finance small investors can be prohibitive. At initial stages of economic development, financial growth is likely to follow a break through in initiating the process of economic development. Once the development process has been initiated the efficiency and growth of the financial infrastructure can accelerate the development process by increasing the savings rate through offering better services and attractive returns to savers, reducing risks by diversifying financial institutions' assets and debtors, improving intermediation efficiency by reducing the spread between the lending and savings rates, and through increases in the productivity of the capital stock by selecting more productive investment projects and better entrepreneurs. For late comers in the development process financial markets do not develop spontaneously. They have to be created by supportive government policies. The emergence and expansion of a class of domestic borrowers is necessary for the growth of financial intermediation. Improvement in accounting systems and bookkeeping practices are a prerequisite for commercial banks to provide credit to firms. High tax rates have, in many cases, encouraged accounting practices that are geared to tax evasion rather than summarizing the true financial position of a firm. Tax policy reforms should not only focus on revenue mobilization but also on simplifying the tax code and improving accounting practices of commercial enterprises.

D. Financing African Investment Requirements

To initiate a poverty-reducing self-sustained growth process, Africa requires investment in physical and social infrastructure. Sub-Saharan Africa as a region has a poor physical and social infrastructure characterized by poor communication and transport systems, weak agricultural research and extension networks, limited telecommunication development and unreliable power and water supplies. Investment by the private sector, including foreign investment, is unlikely to flourish in countries with poor infrastructures even when the exchange rate is appropriate and relative prices are undistorted. Domestic savings, even when increased, will be inadequate to finance the required investment. There is no escape for the need for external financing of any realistic infrastructure investment program. Given the perceived political and economic instability in African countries, private financing of long term investment projects will simply not be available and hence the need for public source of external funding.

The resource constraint of African countries is worsened by excessive and unpayable debt burdens. We should, however, not exaggerate the increase in resources resulting from debt relief, particularly given the high levels of debt payment arrears. Additional resources are only increased when the favored multilateral debt is cancelled. The cancellation of some of the bilateral debt such as that of Italy, Japan, and United States is more likely to offset new aid flows.

E. Investment in Education and Health

The new growth theory emphasises the importance of human capital in promoting growth. Advocates of cancellation of poor countries' debt want the savings to be used to improve social services, particularly health and education. It is widely believed that "sustained modern growth in real per capita income cannot be accounted for by the accumulation of conventional units of physical capital or by the increased application of hours of labour per capita. The source of modern growth is explained by changing quality of labour and capital, change in organisation, policy environment or technology." All these factors are brought about or facilitated by a healthy and educated population. Investment in human capital empowers individuals to innovate, learn and adopt new technologies and effectively manage enterprises and other complex organisations. Also, educated individuals in democratic societies tend to be more conscious about the environment.

Adopting improved technologies for agricultural production requires a basic primary education of good quality that ensures functional literacy and numeracy. The education of girls is absolutely important for improving the health and care of children, family planning and a clean environment at home. In most African countries, primary education is not yet universal and widespread and adult illiteracy is common

(Annex, table 8). Long-term development and social progress requires attaining and maintaining universal primary education. Only Botswana, Cape Verde, Lesotho, Mauritius, South Africa, Swaziland, Togo, Zambia and Zimbabwe have attained universal primary education. Education is, however, not only a means for attaining high growth, but also an end in itself for empowering individuals to live a more fulfilling life.

The productivity of individuals is also determined by their health and nutritional status. Since independence, infant mortality rates have decreased but are still very high. Life expectancy at birth is very low compared to East Asian countries. In some of the countries, including Botswana, Burundi, Central African Republic, Congo D R, Congo, Cote d'Ivoire, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Togo, Uganda, Zambia and Zimbabwe, life expectancy is falling mainly as a result of the scourge of AIDS. Public policy towards AIDS prevention is necessary for poverty reduction. Botswana's commendable improvements in human development has been eroded by AIDS with life expectancy falling by fifteen years in the last decade. Uganda has shown how active public policy can reduce the spread of the deadly disease. Some have argued that debt relief should be directed towards AIDS prevention.

F. The Role of Agriculture in Promoting Poverty Eradicating Growth

The main objective of economic reforms and adjustment policies must be to establish conditions for poverty-eradicating sustainable economic growth. Attaining a sustainable balance of payments deficit, low inflation, and a competitive exchange rate are important goals if and only if they contribute to economic growth and improvement in the living standards of the majority of Africans who are in poverty. Eradicating poverty in Africa is a long-term goal that requires immediate action. For African countries, it is inappropriate to design policies that focus on stabilization in the short run, adjustment in the medium-term and growth and poverty alleviation in the longer-term after attaining macroeconomic stability and adjusting relative prices. Stabilization and adjustment policies have to be designed in such a way that poverty-reducing growth is initiated.

There is a broad, though not universal, consensus among students of African economic development that a poverty-eradicating development strategy must be based on increasing productivity of small-holder agricultural producers and the promotion of small to medium labour intensive manufacturing enterprises. Economic growth and structural transformation of the economy depend on increasing labour productivity. Broad-based human resource development or investment in human capital is both an objective of development policy and an instrument for achieving sustainable growth.

It is generally agreed that the overall impact of government policies has led to the neglect of agriculture and direct and indirect taxation of African farmers. The World Bank has rightly criticized the high levels of direct and indirect taxation of the agricultural sector. To get the African agricultural sector moving, however, price incentives alone are not adequate. We need improvement in the rural infrastructure and effective research and extension and credit arrangement that will enable smallholder farmers to access appropriate productivity-increasing technologies. In the past two decades, both land and labour productivity have tended to decline while population is increasing at an average rate of 3 per cent – a rate that will double the population every 23 years. African countries will be condemned to permanent poverty if they do not address the problem of how to broadly increase agricultural productivity.

Smallholder farmers cultivating less than one hectare dominate African agriculture. Smallholder farmers are generally efficient producers given the nature of the agricultural production function and decision-making and the resource endowment of African countries. Yet agricultural productivity remains quite low relative to its potential given the existing level of global agricultural knowledge.

A rapid growth of agricultural incomes will stimulate the demand for manufactured goods and services. The growth of nonagricultural small-scale enterprises in rural areas, including the manufacturing activity of blacksmiths, tailors, carpenters, masons, repair shops, etc., depend on the dynamism of the agricultural sector. Domestic food intake is below the minimum recommended and lacks proteins and fats. Domestic demand for food as incomes increase can provide an additional stimulus for growth. Increasing specialization and commercialization of smallholder production will stimulate intra-regional trade and can initiate rapid growth in other sectors.

Agricultural progress and modernization is usually accompanied by increases in commercialization of agricultural production. To increase the use of off-farm products—inputs and final consumer goods and services—rural producers have to sell a larger share of their output. Rural infrastructure is indispensable. A broad-based agricultural development strategy also requires the development of rural infrastructure to connect rural producers to urban and world markets.

In many African countries the potential of rain-fed agriculture has not been exhausted. Improved marketing systems and price incentives have the potential of increasing output by fully utilizing the rural labour force and surplus land. The scope of increasing agricultural output in the long term by relying on improved marketing systems and price incentives is, however, limited even in countries with surplus agricultural land. Technical change that increases total factor productivity is necessary for transforming African agriculture. The collapse of real salaries, low budgetary allocation, lack of equipment, demoralization of scientists and lack of a clear research agenda further weakened African agricultural research capacity, which has never been adequate. Cooperation in agricultural research among African countries has tended to decrease. There is a backlog of agricultural technologies that are known and used in one country that could be utilized in neighbouring countries. Positive price incentives are important for encouraging farmers to invest and adopt more productive technologies as they become available. There is, however, no "Green Revolution" that has occurred without a government-supported system of credit allocation to encourage the adoption of better agricultural technology.

The main immediate problem facing agricultural based development strategy is that world market prices of agricultural commodities, particularly tropical beverages, have collapsed. In a world of falling world market prices, liberalizing trade policies and depreciating the exchange rate are unlikely to maintain real positive price incentives. If all African countries try to increase their existing exports and attempt to capture their peak market shares and Asian countries continue to increase similar exports at current growth rates, export prices are bound to continue decreasing. The "fallacy of composition" is a real problem that in the real world is not resolved by the small country assumption. The World Bank and other aid agencies do not support international commodity agreements. The collapse of world market prices for tropical beverages have not led to a reduction of consumer prices but an increase in profits of food processing multinationals. International commodity arrangements that can guarantee some reasonable minimum producer prices can be useful in promoting agricultural transformation in African countries committed to supporting an agricultural-based development strategies. Industrialized countries are, however, unlikely to support such a strategy.

Diversification of agricultural exports should be a priority in any agricultural-based development strategies. Each country needs to put in place supporting policies and institutions that are necessary for a rapid increase in new exports of fruits and vegetables, oilseeds and nuts, fish products, flowers and exotic tropical plants based on small holder producers.

Agricultural trade distorting practices of the US, Japan, and especially the European Union are not conducive for promoting agricultural exports. Non-tariff barriers, including health and sanitary standards, can be effectively used to limit trade opportunities of African countries. The Uruguay round has only slightly liberalized agricultural trade. Moreover, in the short run African exports will lose the special treatment they receive in the European Union when the preferences of the Lome Convention are phased out in the year 2000. The improvement of market access of African countries to developed country markets, including the capacity to meet sanitary standards, is essential for promoting broad-based development. Technical assistance may be useful.

The structural adjustment programmes tended to focus on macroeconomic stabilization, market liberalization and privatization. Comprehensive agricultural development strategies that focused on removing supply constraints facing African agriculture did not feature prominently in the policy framework papers. The enhanced HIPC initiative is focusing on reallocating debt service savings into social sectors that have an impact on growth only in the longer term. The Poverty Reduction Strategy Papers that will replace policy framework papers emphasize focus on monitorable social indicators. Policies to promote agricultural development, including improving rural infrastructure, can initiate growth and expand the tax base that can finance provision of social services. Increasing rural incomes can increase the capacity of the rural population to cover part of the cost of social services. An agricultural development strategy should feature prominently in African countries' Poverty Reduction Strategy Papers.

G. The Role of the State

"Much of the role of government can be viewed as establishing infrastructure in its broadest sense--educational, technological, financial, physical, environmental, and social. Because constructing the broad infrastructure is beyond the capacity or interest of any single firm, it must be primarily the responsibility of government" (World Bank, 1999).

The development and poverty crisis in Africa is first and foremost the crisis of the African State. Most African governments have not fulfilled the traditional roles of maintaining law and order and providing a just legal framework under which households and private firms will produce and trade goods and services, investing in and maintaining physical and social infrastructure, and promoting agricultural research and extension. For most African countries with a rudimentary financial system, macroeconomic stability is essentially a fiscal phenomenon. At the aggregate level public sector deficits broadly defined to include public and quasi-public enterprises are the main domestic cause of balance of payments problems, the external debt crisis and inflation. The IMF stabilization programmes tended to emphasize short-term reduction of deficit by reducing aggregate expenditures or increasing government revenue. Raising government revenue in a sustainable way without discouraging savings and promoting investment was not part of the earlier IMF stabilization programmes. Prioritizing government expenditure and respecting the budget constraint is an essential characteristic for promoting poverty-reducinggrowth.

To reduce poverty and promote growth requires a government bureaucracy of high quality that has to put in place efficient tax and expenditure systems that minimize inefficient and unproductive spending. The first priority of a serious government committed to promoting sustainable development may well be to improve the quality of the public institutions so that it can pursue the objective of poverty-reducing growth in the most efficient way. The task of improving the quality of government can be formidable. Synergy and *espirit de corp* is important in public institutions because they work together. You cannot attain the objective of poverty reduction if you have an efficient tax revenue institution but where expenditure departments do not function well. Broad improvements in all critical institutions of governance are necessary for overall improvements in the quality of government. A comprehensive approach that addresses problems of different institutions of governance, including the judiciary, police, tax administration and expenditure departments at the same time, may be necessary before embarking on a poverty-reducingstrategy.

Effective public expenditure management requires that "the total amount of money a government spends should be closely aligned to what is affordable over the medium term and, in turn, with the annual budget; such spending should be appropriately allocated to match policy priorities; and the spending should produce its intended results at least cost" (World Bank, 1999). Undisciplined fiscal policy has adverse consequences on the poor. Budgetary allocation on priority areas for the poor will not be adequate. Improvements in public expenditure management need a focus on efficiency, the results achieved with expenditure. Government budgets should be the product of policy choice and planning. If the policy choice is sustainable poverty reduction, the whole government budget should reflect this choice and not just expenditure of funds released from debt relief.

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ANNEX

Table 1. Trend growth rate of total debt stock and exports of goods and services

Country Name	*1971-1980*		*1980-90*		*1990-97*	
	Debt	*Exports*	*Debt*	*Exports*	*Debt*	*Exports*
Angola	….	…	23.8	15.0	2.9	4.8
Benin	30.7	15.6	11.4	5.1	3.8	2.0
Botswana	12.7	27.1	16.1	15.5	0.5	2.5
Burkina Faso	41.5	20.5	11.8	4.7	6.3	-2.1
Burundi	43.6	…	21.1	…	2.8	-3.6
Cameroon	37.8	20.3	10.0	2.3	5.8	-0.7
Cape Verde	79.3	30.2	17.8	6.8	8.9	10.7
Central African Republic	23.1	15.5	15.6	2.0	3.5	1.3
Chad	29.8	-19.0	7.3	14.6	9.7	2.3
Comoros	58.8	…	16.9	12.1	1.7	1.2
Congo, Dem. Rep.	32.1	12.1	8.6	3.3	3.4	-4.0
Congo, Rep.	30.8	…	13.9	0.5	1.6	3.2
Cote d’Ivoire	34.7	18.8	8.5	1.5	-0.4	6.3
Djibouti	30.8	…	25.4	…	5.1	-1.4
Equatorial Guinea	21.4	…	12.0	…	2.6	34.2
Eritrea	…	…	…	…	35.6	9.0
Ethiopia	17.5	10.8	21.9	2.5	2.3	8.5
Gabon	31.6	…	14.8	-3.1	1.3	3.5
Gambia, The	42.0	…	9.5	10.3	2.5	1.6
Ghana	11.3	6.8	11.7	1.6	6.9	9.2
Guinea	11.2	…	8.0	…	5.1	-1.5
Guinea-Bissau	71.5	…	19.1	…	4.5	17.2
Kenya	22.9	14.0	8.4	1.4	-0.9	5.9
Lesotho	28.2	18.4	18.1	2.9	8.3	2.3
Liberia	19.4	…	10.6	…	1.6	…
Madagascar	3.8	9.5	11.4	1.1	1.7	8.9
Malawi	21.2	14.7	7.3	2.2	6.1	2.9
Mali	11.7	21.9	13.8	7.4	2.4	3.6
Mauritania	43.0	4.9	9.9	6.0	2.4	0.0
Mauritius	37.5	14.0	7.2	14.7	14.1	6.5
Mozambique		…	9.2	…	3.9	9.0
Niger	41.9	33.3	7.7	-0.1	-0.4	-7.4
Nigeria	26.6	30.3	14.0	-8.4	-1.1	3.4
Rwanda	70.7	13.9	16.5	-0.6	6.1	-3.3
Sao Tome and Principe	…	18.4	19.9	-5.9	8.4	3.2
Senegal	30.7	5.7	10.8	4.7	0.1	1.2
Seychelles	…	29.1	14.6	10.2	-1.7	6.1
Sierra Leone	18.0	18.8	9.2	-1.2	-0.3	-10.9
Somalia	27.8	34.9	11.3	…	1.5	…
South Africa	…	…	…	…	4.9	…
Sudan	35.3	13.5	10.2	-3.2	2.1	10.7
Swaziland	24.7	10.8	3.7	6.3	2.8	6.0
Tanzania	18.1	4.4	0.1	-3.6	2.1	17.4
Togo	50.0	17.3	3.1	3.3	1.5	0.0
Uganda	17.5	3.6	14.7	-1.3	5.7	25.9
Zambia	17.8	4.8	9.4	0.0	-0.8	0.5
Zimbabwe	13.1	19.3	11.6	2.3	6.8	8.2

Source: Computed using data from World Bank Global Development Finance 1999 CD Rom

Table 2: Total arrears on LDOD Percentage of Exports

Country	*1975*	*1980*	*1985*	*1990*	*1994*	*1995*	*1996*	*1997*
Angola	…	…	1.8	17.5	153.9	140.8	32.6	34.9
Benin	10.1	5.9	43.8	19.7	16.7	12.9	12.7	13.1
Botswana	0.0	0.0	0.0	0.2	0.9	0.5	0.0	…
Burkina Faso	0.0	0.1	4.2	16.8	12.9	11.5	11.1	6.8
Burundi	…	…	5.7	0.1	12.2	3.5	34.9	35.4
Cameroon	0.3	0.9	2.1	23.1	45.5	48.4	68.4	26.8
Cape Verde	…	0.0	0.7	11.8	17.8	16.8	18.8	16.1
Central African Republic	…	26.3	2.0	17.3	46.6	47.4	63.8	65.8
Chad	…	52.8	59.9	8.0	25.8	14.3	16.0	13.1
Comoros	…	0.0	9.3	78.5	49.7	56.8	69.1	68.0
Congo, Dem. Rep.	9.0	2.8	15.7	50.8	417.9	424.7	428.8	521.0
Congo, Rep.	…	1.4	13.8	50.1	103.2	117.8	78.1	88.6
Cote d'Ivoire	0.0	0.0	2.2	71.5	98.1	81.8	68.4	4.7
Djibouti	…	…	…	…	5.8	7.8	8.4	11.6
Equatorial Guinea	…	…	…	113.7	167.4	144.2	73.9	29.8
Eritrea	…	…	…	…	0.0	0.0	0.0	0.0
Ethiopia	0.1	0.2	0.3	41.2	569.1	503.6	581.1	506.2
Gabon	…	0.0	0.0	7.7	6.2	0.9	0.0	0.0
Gambia, The	…	0.5	22.4	0.8	2.9	2.2	0.1	0.1
Ghana	6.1	0.8	6.5	13.3	10.6	7.3	2.1	1.6
Guinea	…	…	…	29.1	83.0	63.5	56.1	75.6
Guinea-Bissau	…	…	206.1	703.0	931.6	1422.2	782.9	391.8
Kenya	0.0	0.3	0.9	7.5	3.5	1.3	1.5	3.6
Lesotho	0.0	0.0	0.1	0.8	2.9	2.2	2.2	1.8
Liberia	…	0.8	38.7	…	…	…	…	…
Madagascar	0.2	3.2	24.4	79.4	209.6	220.3	216.4	95.5
Malawi	…	1.3	0.6	5.7	4.1	2.0	3.8	4.5
Mali	33.1	23.6	32.4	13.1	56.9	56.9	70.0	78.1
Mauritania	0.4	19.7	15.1	41.9	61.1	49.5	48.7	63.0
Mauritius	…	0.4	0.0	0.4	0.1	0.0	0.0	0.0
Mozambique	…	…	166.1	310.9	266.8	284.0	237.3	248.1
Niger	0.4	0.2	2.7	19.6	22.9	38.0	23.5	31.1
Nigeria	…	0.0	1.8	14.4	92.4	96.8	79.6	83.2
Rwanda	…	0.0	0.0	6.5	134.0	64.2	85.3	58.7
Sao Tome and Principe	0.0	0.0	31.3	341.2	355.0	335.4	205.2	174.0
Senegal	0.0	0.0	2.2	0.0	19.4	4.4	0.9	0.8
Seychelles	…	0.0	0.0	4.4	8.0	8.1	7.8	7.5
Sierra Leone	…	8.5	51.2	168.2	27.4	15.5	18.5	24.2
Somalia	…	8.1	147.5	…	…	…	…	…
South Africa	…	…	…	…	0.0	0.0	0.0	0.0
Sudan	0.0	58.4	186.3	1414.8	1698.7	1203.6	1352.6	1157.4
Swaziland	0.0	0.0	0.0	0.0	0.7	0.5	0.1	0.1
Tanzania	…	270.3	1206.5	223.2	215.7	186.7	178.0	144.2
Togo	0.3	8.4	0.1	0.6	45.4	14.0	12.4	0.7
Uganda	1.7	30.4	14.6	121.3	83.8	39.0	33.7	28.8
Zambia	0.2	2.4	63.2	169.2	166.8	72.5	82.7	70.3
Zimbabwe	…	0.0	0.0	0.0	0.9	0.9	0.1	0.0

Source: World Bank Global Development Finance 1999 CD Rom

Table 3: Recent Three IMF Programs

Country Name	*IMF Program Type*	*Approval Date*	*Expiration Date*	*Amount Approved (SDR Million)*	*Amount Drawn (SDR Million)*
Angola	None				
Benin	ESAF	08/28/1996	01/07/2000	27.18	16.31
	ESAF	01/25/1993	05/21/1996	51.89	51.89
	SAF	06/16/1989	06/15/1992	21.91	15.65
Botswana	None				
Burkina Faso	ESAF	09/10/1999	09/09/2002	39.12	5.59
	ESAF	06/14/1996	09/09/1999	39.78	39.78
	ESAF	03/31/1993	05/30/1996	53.04	44.20
Burundi	ESAF	11/13/1991	11/12/1994	42.70	19.21
	SAF	08/08/1986	08/07/1989	29.89	29.89
	Stand-by	08/08/1986	03/31/1988	21.00	0.00
Cameroon	ESAF	08/20/1997	08/19/2000	162.12	126.09
	Stand-by	09/27/1995	09/26/1996	67.60	28.20
	Stand-by	03/14/1994	09/13/1995	81.06	21.91
Cape Verde	Stand-by	02/20/1998	12/31/1999	2.50	0.00
Central African Republic	ESAF	07/20/1998	07/19/2001	49.44	16.48
	Stand-by	03/28/1994	03/27/1995	16.48	10.71
	SAF	06/01/1987	05/31/1990	21.28	21.28
Chad	ESAF	09/01/1995	04/30/1999	49.56	49.56
	Stand-by	03/23/1994	03/22/1995	16.52	10.33
	SAF	10/30/1987	10/29/1990	21.42	21.42
Comoros	SAF	06/21/1991	06/20/1994	3.15	2.25
Congo, Dem. Rep.	Stand-by	06/09/1989	06/08/1990	116.40	75.00
	SAF	05/15/1987	05/14/1990	203.70	145.50
	Stand-by	05/15/1987	05/14/1988	100.00	24.50
Congo, Rep.	ESAF	06/28/1996	06/27/1999	69.48	13.90
	Stand-by	05/27/1994	05/26/1995	23.16	12.50
	Stand-by	08/27/1990	05/26/1992	27.98	4.00
Cote d’Ivoire	ESAF	03/17/1998	03/16/2001	285.84	123.86
	ESAF	03/11/1994	06/13/1997	333.48	333.48
	Stand-by	09/20/1991	09/19/1992	82.75	33.10
Djibouti	Stand-by	04/15/1996	03/31/1999	8.25	7.27
Equatorial Guinea	ESAF	02/03/1993	02/02/1996	12.88	4.60
	SAF	12/07/1988	12/06/1991	12.88	9.20
	Stand-by	06/28/1985	06/27/1986	9.20	5.40
Eritrea	None				
Ethiopia	ESAF	10/11/1996	10/22/1999	88.47	29.49
	SAF	10/28/1992	11/08/1995	49.42	49.42
	Stand-by	05/08/1981	06/30/1982	67.50	67.50
Gabon	EFF	11/08/1995	03/07/1999	110.30	60.67
	Stand-by	03/30/1994	03/29/1995	38.60	38.60
	Stand-by	09/30/1991	03/29/1993	28.00	4.00

Table 3 (continued)

Country Name	*IMF Program Type*	*Approval Date*	*Expiration Date*	*Amount Approved (SDR Million)*	*Amount Drawn (SDR Million)*
Gambia, The	ESAF	06/29/1998	06/28/2001	20.61	3.44
	ESAF	11/23/1988	11/25/1991	20.52	18.02
	SAF	09/17/1986	11/22/1988	10.86	8.55
Ghana	ESAF	05/03/1999	05/02/2002	155.00	22.16
	ESAF	06/30/1995	05/02/1999	164.40	137.00
	ESAF	11/09/1988	03/05/1992	388.55	388.55
Guinea	ESAF	01/13/1997	01/12/2000	70.80	47.20
	ESAF	11/06/1991	12/19/1996	57.90	46.32
	SAF	07/29/1987	07/28/1990	40.53	28.95
Guinea-Bissau	ESAF	01/18/1995	07/24/1998	10.50	10.50
	SAF	10/14/1987	10/13/1990	5.25	3.75
Kenya	ESAF	04/26/1996	04/25/1999	149.55	24.93
	ESAF	12/22/1993	12/21/1994	45.23	45.23
	ESAF	05/15/1989	03/31/1993	261.40	216.17
Lesotho	Stand-by	09/23/1996	09/22/1997	7.17	0.00
	Stand-by	07/31/1995	07/30/1996	7.17	0.00
	Stand-by	09/23/1994	07/31/1995	8.37	0.00
Liberia	Stand-by	12/07/1984	12/06/1985	42.78	8.50
	Stand-by	09/14/1983	09/13/1984	55.00	55.00
	Stand-by	09/29/1982	09/13/1983	55.00	35.00
Madagascar	ESAF	11/27/1996	07/27/2000	81.36	40.68
	ESAF	05/15/1989	05/14/1992	76.90	51.27
	Stand-by	09/02/1988	05/15/1989	13.30	2.80
Malawi	ESAF	10/18/1995	10/31/1999	50.96	43.33
	Stand-by	11/16/1994	06/30/1995	15.00	12.73
	ESAF	07/15/1988	03/31/1994	66.96	66.96
Mali	ESAF	08/06/1999	08/05/2002	46.65	6.75
	ESAF	04/10/1996	08/05/1999	62.01	62.01
	ESAF	08/28/1992	04/09/1996	79.24	79.24
Mauritania	ESAF	07/21/1999	07/20/2002	42.49	6.07
	ESAF	01/25/1995	07/13/1998	42.75	42.75
	ESAF	12/09/1992	01/24/1995	33.90	33.90
Mauritius	Stand-by	03/01/1985	08/31/1986	49.00	49.00
	Stand-by	05/18/1983	08/17/1984	49.50	49.50
	Stand-by	12/21/1981	12/20/1982	30.00	30.00
Mozambique	ESAF	06/28/1999	06/27/2002	58.80	8.40
	ESAF	06/21/1996	06/27/1999	75.60	75.60
	ESAF	06/01/1990	12/31/1995	130.05	115.35
Namibia	None				
Niger	ESAF	06/12/1996	08/27/1999	57.96	48.30
	Stand-by	03/04/1994	03/03/1995	18.60	11.11
	ESAF	12/12/1988	12/11/1991	47.18	23.59

Table 3 (continued)

Country Name	*IMF Program Type*	*Approval Date*	*Expiration Date*	*Amount Approved (SDR Million)*	*Amount Drawn (SDR Million)*
Nigeria	Stand-by	01/09/1991	04/08/1992	319.00	0.00
	Stand-by	02/03/1989	04/30/1990	475.00	0.00
	Stand-by	01/30/1987	01/31/1988	650.00	0.00
Rwanda	ESAF	06/24/1998	06/23/2001	71.40	23.80
	SAF	04/24/1991	04/23/1994	30.66	8.76
	Stand-by	10/31/1979	10/30/1980	5.00	0.00
Senegal	ESAF	04/20/1998	04/19/2001	107.01	49.94
	ESAF	08/29/1994	01/12/1998	130.79	130.79
	Stand-by	03/02/1994	08/29/1994	47.56	30.91
Seychelles	None				
Sierra Leone	ESAF	03/28/1994	05/04/1998	101.90	96.85
	SAF	03/28/1994	03/27/1995	27.02	27.02
	SAF	11/14/1986	11/13/1989	40.53	11.58
Somalia	SAF	06/29/1987	06/28/1990	30.94	8.84
	Stand-by	06/29/1987	06/28/1988	33.15	5.53
	Stand-by	02/22/1985	09/30/1986	20.10	20.10
South Africa	Stand-by	11/03/1982	12/31/1983	364.00	159.00
Sudan	Stand-by	06/25/1984	06/24/1985	90.00	20.00
	Stand-by	02/23/1983	03/09/1984	170.00	170.00
	Stand-by	02/22/1982	02/21/1983	198.00	70.00
Swaziland	None				
Tanzania	ESAF	11/08/1996	02/07/2000	181.59	181.59
	ESAF	07/29/1991	07/28/1994	181.90	85.60
	SAF	10/30/1987	10/29/1990	74.90	74.90
Togo	ESAF	09/16/1994	06/29/1998	65.16	54.30
	ESAF	05/31/1989	02/28/1993	46.08	38.40
	SAF	03/16/1988	05/30/1989	26.88	7.68
Uganda	ESAF	11/10/1997	11/09/2000	100.43	73.65
	ESAF	09/06/1994	11/09/1997	120.51	120.51
	ESAF	04/17/1989	06/30/1994	219.12	219.12
Zambia	ESAF	03/25/1999	03/24/2002	254.45	10.00
	ESAF	12/06/1995	12/05/1998	701.68	661.68
	SAF	12/06/1995	12/05/1996	181.75	181.75
Zimbabwe	Stand-by	08/02/1999	10/01/2000	141.36	24.74
	Stand-by	06/01/1998	06/30/1999	130.65	39.20
	EFF	09/11/1992	09/10/1995	114.60	86.90

Source: Country Information in www.imf.org

Table 4. Principal and interest forgiven 1985-97
(per cent of total debt)

Country Name	*1985*	*1997*	*Country Name*	*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	…	0.0	South Africa	…	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

Source: World Bank Global Development Finance 1999 CD Rom

Table 5. Gross net transfers as a percentage of GNP

Country	*1970-74*	*1975-79*	*1980-84*	*1985-89*	*1990-94*	*1995-97*	*1996*	*1997*
Angola	…	…	…	12.3	11.6	-3.8	-12.0	-11.2
Benin	4.0	7.8	10.1	7.3	11.8	8.6	8.9	6.3
Botswana	20.7	12.8	5.0	-3.5	-7.2	-5.7	-6.5	-5.7
Burkina Faso	5.8	7.8	9.5	8.5	13.4	11.5	11.6	9.7
Burundi	4.2	6.6	10.3	10.7	19.2	18.4	20.0	10.4
Cameroon	4.0	7.8	3.6	0.0	4.0	-0.4	0.0	-0.2
Cape Verde	…	…	50.1	36.4	22.6	21.5	22.6	20.6
Central African Republic	7.7	7.9	10.3	10.3	11.4	11.1	13.5	7.7
Chad	5.9	9.7	7.8	15.8	14.0	12.8	14.1	11.0
Comoros	17.2	25.6	30.3	21.2	12.5	10.7	10.9	8.6
Congo, Dem. Rep.	3.5	4.3	-0.3	2.3	3.8	1.7	1.8	1.2
Congo, Rep.	18.0	12.8	16.5	2.2	2.7	2.1	-0.6	9.3
Cote d’Ivoire	2.7	6.0	-0.5	-4.1	3.2	1.0	2.7	-4.4
Djibouti	…	…	…	…	…	10.8	11.7	9.1
Equatorial Guinea	7.2	…	…	31.0	36.4	90.9	172.1	6.6
Eritrea	…	…	…	…	…	13.2	12.6	10.8
Ethiopia	…	…	…	11.6	16.5	7.9	6.2	7.6
Gabon	13.4	3.8	-7.4	5.4	-4.1	-10.1	-9.8	-11.2
Gambia, The	6.1	12.2	22.4	28.1	17.0	11.0	17.6	8.7
Ghana	1.5	1.6	2.4	6.4	13.0	11.2	12.1	7.7
Guinea	…	…	…	…	7.6	5.8	5.4	5.5
Guinea-Bissau	0.6	36.3	48.7	48.3	32.1	28.1	29.5	29.7
Kenya	3.7	3.5	3.0	4.5	4.0	-1.1	-1.6	-2.3
Lesotho	8.2	6.6	10.0	10.9	8.6	6.4	6.3	5.3
Liberia	-1.3	9.8	11.6	…	…	…	…	…
Madagascar	3.9	2.8	7.8	7.0	10.8	11.7	7.4	20.2
Malawi	9.1	12.5	6.7	12.3	18.8	15.9	13.3	8.1
Mali	11.9	11.7	16.1	16.3	11.6	11.7	10.7	10.9
Mauritania	9.3	22.4	23.5	15.8	16.2	16.9	22.2	13.8
Mauritius	1.7	3.7	2.4	2.5	1.1	6.9	0.6	14.6
Mozambique	…	…	…	31.6	51.5	37.6	31.3	28.0
Niger	6.3	11.8	9.0	11.2	12.7	9.7	8.0	12.8
Nigeria	-2.8	0.1	-0.2	-1.9	-3.2	-0.9	-2.1	0.8
Rwanda	6.0	9.4	7.5	7.4	25.7	37.9	41.3	27.1
Sao Tome and Principe	…	13.9	37.9	43.7	84.7	66.1	65.8	38.4
Senegal	4.5	4.5	10.6	6.9	9.8	6.6	6.2	6.6
Seychelles	20.4	14.8	13.6	10.2	4.3	5.0	4.1	6.8
Sierra Leone	4.1	2.6	2.4	4.7	12.2	12.1	11.2	11.9
Somalia	8.9	28.0	54.1	33.7	…	…	…	…
South Africa	…	…	…	…	…	0.9	-0.9	0.8
Sudan	3.1	7.4	11.0	4.9	5.5	2.3	2.3	1.6
Swaziland	-2.8	10.2	1.3	-2.5	-3.3	-3.5	-5.3	-0.6
Tanzania	…	…	…	…	18.4	9.4	8.0	9.1
Togo	1.7	21.9	4.9	6.2	7.2	8.0	9.5	4.5
Uganda	…	…	8.4	5.7	14.7	10.3	9.5	10.1
Zambia	-1.9	5.4	6.2	14.9	17.5	9.1	9.0	7.8
Zimbabwe	-0.5	0.8	2.9	-0.5	3.9	1.5	0.6	0.4

Source: World Bank Global Development Indicators, 1999

.

Table 6. Annual Average Tax revenue (per cent of GDP)

Country	*1970-74*	*1975-79*	*1980-84*	*1985-89*	*1990-94*	*1995-97*
Benin	…	13.3	…	…	…	…
Botswana	18.7	18.6	24.3	28.8	26.5	17.0
Burkina Faso	8.2	9.4	9.5	9.6	9.1	…
Burundi	10.7	12.7	13.1	14.8	16.3	14.9
Cameroon	…	13.9	17.9	16.6	9.7	…
Chad	7.5	6.7	…	5.3	5.8	…
Comoros	…	…	…	11.2	…	…
Congo, Dem. Rep.	10.1	6.8	7.7	9.6	4.5	…
Congo, Rep.	19.0	21.0	26.7	…	…	…
Cote d'Ivoire	…	…	20.2	21.4	…	…
Djibouti	…	…	…	27.3	…	…
Ethiopia	…	…	13.3	13.5	10.2	…
Gabon	18.2	22.8	27.7	22.4	17.2	…
Gambia, The	13.3	15.4	17.2	16.5	…	…
Ghana	11.1	9.9	5.3	11.8	12.1	…
Guinea	…	…	…	…	11.0	…
Guinea-Bissau	…	…	8.2	6.8	…	…
Kenya	14.1	16.8	18.8	18.6	20.7	23.4
Lesotho	19.4	21.4	36.6	35.0	43.9	39.5
Liberia	…	17.7	19.3	16.6	…	…
Madagascar	12.5	14.6	11.7	9.7	8.2	8.4
Malawi	11.9	13.8	16.7	18.7	…	…
Mali	…	10.9	10.5	12.1	…	…
Mauritania	…	16.5	…	…	…	…
Mauritius	13.0	18.1	18.7	19.5	20.2	17.1
Namibia	…	…	…	26.9	28.9	…
Niger	…	10.2	…	…	…	…
Nigeria	13.2	16.8	…	6.9	…	…
Rwanda	9.9	10.4	…	…	9.5	…
Senegal	14.8	17.7	18.7	…	…	…
Seychelles	…	…	…	39.3	42.1	…
Sierra Leone	…	14.0	9.8	4.2	9.0	9.0
Somalia	13.2	3.5	…	…	…	…
South Africa	18.8	20.2	21.1	25.1	25.1	26.7
Sudan	12.7	11.9	9.9	…	…	…
Swaziland	19.7	28.9	27.2	24.9	29.9	…
Togo	…	26.9	24.3	22.7	…	…
Uganda	10.1	7.5	5.6	7.9	…	…
Zambia	23.1	21.9	22.0	18.6	17.9	17.8
Zimbabwe	…	15.8	19.7	22.0	21.1	…

Source: World Bank Global Development Indicators, 1999.

Table 7. Inflation: Annual Change (per cent)

Country	*1980-85*	*1985-90*	*1990-95*	*1995-98*	*1995*	*1996*	*1997*	*1998*
Angola	9.3	1.8	897.6	1752.3	2671.6	4147.0	111.2	79.4
Benin	3.5	0.8	10.4	7.2	14.5	4.9	3.8	5.8
Botswana	13.4	13.0	12.5	9.0	10.5	10.1	8.8	6.5
Burkina Faso	8.6	0.8	5.5	5.3	7.8	6.1	2.3	5.0
Burundi	7.6	6.0	10.7	22.4	19.4	26.4	31.1	12.6
Cameroon	11.2	2.7	6.3	10.1	25.8	6.6	5.2	2.8
Cape Verde	16.8	7.7	8.2	6.8	8.4	6.0	8.6	4.4
Central African Rep.	11.5	0.4	6.2	6.6	19.2	4.4	0.6	2.4
Chad	9.4	0.0	7.5	7.7	9.5	11.3	5.6	4.3
Comoros	9.8	-0.4	4.6	2.6	7.1	1.4	1.0	1.0
Congo, Dem. Rep. Of	45.2	71.4	5426.7	346.5	541.8	616.8	198.5	29.1
Congo, Republic Of	10.4	3.1	8.9	8.0	8.6	10.2	8.3	4.8
Cote D'Ivoire	6.1	3.8	7.9	6.8	14.3	2.7	5.6	4.5
Djibouti	3.5	6.9	5.6	2.9	4.5	2.6	2.4	2.0
Equatorial Guinea	39.7	7.2	9.1	5.9	11.4	6.0	3.0	3.0
Eritrea	…	…	4.5	7.4	10.7	9.3	1.3	8.3
Ethiopia	7.3	5.3	11.9	2.9	13.4	0.9	-6.4	3.7
Gabon	10.2	2.6	7.5	4.8	10.0	4.5	2.5	2.1
Gambia, The	11.3	22.7	7.5	3.2	4.0	4.8	2.1	2.1
Ghana	60.4	28.1	29.1	38.3	59.5	45.6	28.8	19.3
Guinea	30.0	32.6	12.1	3.9	5.6	3.0	1.9	5.1
Guinea-Bissau	54.0	72.2	44.8	38.3	45.4	50.7	49.1	8.0
Kenya	13.2	9.7	22.4	7.1	1.5	9.0	11.2	6.6
Lesotho	14.4	14.4	12.9	8.8	9.9	9.1	8.5	7.8
Liberia	5.3	7.2	0.0	0.0	…	…	…	…
Malawi	14.1	18.0	30.7	39.9	83.2	37.7	9.1	29.8
Mali	8.2	0.8	5.6	5.6	12.4	6.4	-0.6	4.2
Mauritania	8.7	8.0	7.0	5.9	6.5	4.7	4.6	8.0
Mauritius	15.7	6.9	8.5	6.3	6.1	5.8	7.9	5.3
Mozambique	18.8	63.3	47.0	26.5	54.4	44.6	6.4	0.6
Namibia	12.9	13.0	11.8	8.3	10.0	8.0	8.8	6.2
Niger	8.5	-2.2	6.7	5.9	10.9	5.3	2.9	4.5
Nigeria	17.8	18.9	42.0	30.2	72.8	29.3	8.5	10.0
Rwanda	6.7	2.2	22.0	12.4	22.0	8.9	11.7	6.8
Sao Tome & Principe	3.7	28.1	39.3	46.5	36.8	35.5	71.3	42.3
Senegal	11.4	2.3	6.3	3.7	8.0	2.8	2.5	1.3
Seychelles	5.7	1.8	2.0	0.1	-0.3	-1.1	0.6	1.0
Sierra Leone	45.8	90.4	58.6	24.9	26.0	23.1	15.0	35.5
Somalia	48.8	49.0	0.0	0.0	…	…	…	…
South Africa	14.1	15.5	11.8	7.9	8.6	7.4	8.6	6.9
Sudan	31.2	35.3	98.6	66.2	68.4	132.8	46.7	17.0
Swaziland	14.7	13.4	11.7	8.5	12.3	6.4	7.2	8.0
Tanzania	29.7	32.2	27.9	19.1	26.5	21.1	16.1	12.6
Togo	7.9	0.4	9.0	6.7	15.8	4.6	5.3	1.0
Uganda	94.3	133.7	25.2	6.8	6.1	7.5	7.8	5.8
Zambia	19.2	71.9	107.6	31.7	34.9	43.1	24.4	24.5
Zimbabwe	13.8	12.2	25.9	23.8	22.6	21.4	18.9	32.3
SSA Average	18.8	20.3	163.2	61.2	92.4	123.8	17.7	11.0

Source: IMF (1999). *World Economic Outlook 1999.* Data base in www.imf.org

Table 8: Gross Primary School Enrollment Rate (per cent)

Country Name	*1960*	*1970*	*1980*	*1985*	*1990*	*1995*
Angola	21	75	...	106.5	91.7	...
Benin	27	36	66.9	67.8	58.1	73.3
Botswana	42	65	91.3	105.3	113.2	108
Burkina Faso	8	13	17.5	27	33.3	39.6
Burundi	18	30	26.4	52.6	72.8	50.6
Cameroon	65	89	98.3	102.2	101.1	...
Cape Verde	...	66	114.3	115.5	121.3	...
Central African Republic	32	64	70.8	75.1	65	...
Chad	17	35	...	43.9	54.4	51.4
Comoros	14	34	86.4	81.9	75.1	74.6
Congo, Dem. Rep.	60	88	92.4	86.5	70.3	...
Congo, Rep.	78	...	141.2	147.4	132.5	114.3
Cote d'Ivoire	46	58	75	71.7	67.1	68.9
Djibouti	...	...	37	39.9	38.1	38.5
Equatorial Guinea	85	76	135	...	...	...
Eritrea	...	...	...	...	...	55.8
Ethiopia	7	16	37.4	37.7	32.7	37.5
Gabon	...	85	...	...	...	...
Gambia, The	12	24	52.7	68	63.9	77.1
Ghana	38	64	79.4	75	75.3	...
Guinea	30	33	36.4	34.5	37.1	48
Guinea-Bissau	25	39	67.9	63.6	...	...
Kenya	47	58	115.2	99	95	84.9
Lesotho	83	87	103.5	111.6	111.8	110.9
Liberia	31	56	48.1	...	...	...
Madagascar	52	90	130.2	...	102.9	91.6
Malawi	...	...	60.1	60.2	67.9	...
Mali	10	22	26.3	24.5	26.1	40.5
Mauritania	8	14	36.6	48.3	48.7	75.1
Mauritius	98	94	92.7	109.4	109.2	106.6
Mozambique	48	47	...	87.4	66.9	60.2
Namibia	...	...	...	...	129.3	132.9
Niger	5	14	25.3	25.5	28.8	29
Nigeria	36	37	108.8	103.6	91.4	...
Reunion	...	...	...	...	...	...
Rwanda	49	68	62.9	63.1	69.6	...
Sao Tome and Principe	...	...	...	...	...	...
Senegal	27	41	46.3	56.4	58.9	64.3
Seychelles	...	...	...	...	...	...
Sierra Leone	23	34	52.2	62.7	50.2	...
Somalia	9	11	21.5	13.6	...	...
South Africa	89	99	89.7	...	121.6	131.2
Sudan	25	38	49.9	51.6	52.8	50.1
Swaziland	58	87	102.8	101.8	111.3	120.8
Tanzania	25	34	92.5	75.1	69.7	66.8
Togo	44	71	118.4	92.8	109.4	118.6
Uganda	49	38	49.5	73.2	74.5	74.3
Zambia	42	90	89.9	104.5	98.7	88.5
Zimbabwe	96	74	85.1	136	115.7	114.3

Source: *World Bank World Development Indicators*, 1999 CD Rom