

National debt forgiveness and the african situation essay

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National Debt Forgiveness and the African Situation Abstract

National

debt forgiveness is a term that has come to give hope to countries with rising debts to other foreign nations. The countries of Africa, a great percentage of which are numbered as being the poorest countries in the world, are some of the countries that have come to expect much from talks and guarantees of national debt forgiveness. Foreign governments, various organizations, and even determined individuals have spawned much discussion regarding the prospects of this term. This paper aims to investigate the truth behind the promises of national debt forgiveness. Although national debt forgiveness shines with promise for highly indebted countries, it shines falsely. It is the goal of this paper to provide a clearer view of the pros and cons of granting forgiveness of debt and to provide supplemental strategies as well as clear alternatives.

Introduction

National debt forgiveness is a term that has come to give hope to countries with rising debts to other foreign nations as well as to international financial institutions. The countries of Africa, Sub-Saharan Africa in particular, are numbered as being part of the poorest countries in the world. These countries comprise most of the categorized highly indebted poor countries (HIPC) of the world that have come to expect much from talks and guarantees of national debt forgiveness. However, is national debt forgiveness all that it promises to be? The debates and controversies regarding the effectiveness of national debt forgiveness are far-reaching and the outcomes of these talks have led to many decisions by powerful institutions influencing the economic state of African nations. Even by this knowledge alone, the importance of understanding more about debt

forgiveness is clear. The need to further studies regarding the competencies and effects of actions of debt forgiveness is high.

It is this paper's goal to understand more about national debt forgiveness and its effectiveness by viewing the debt and financial crises of African nations. Africa, containing most of the poorest nations in the world, will provide a good reference for the effectiveness of debt relief programs, debt forgiveness specifically. Numerous institutions have strived to aid in Africa's financial plight but it is evident that the efforts have not been enough. Africa remains as one of the poorest continents today. Is debt forgiveness indeed the answer? What has debt forgiveness caused in the African countries that have been granted this forgiveness? Positive and negative arguments regarding the viability of debt relief programs in helping highly indebted poor countries overcome their situations of poverty will be presented further on. However, statistics and research on the different countries that have been granted debt forgiveness will show the inevitable conclusion of the well-worn topic of giving debt forgiveness or not. African countries that have been given debt relief will stand as clear examples of debt relief program's insufficient answer to the plight of poverty.

Debt forgiveness is not enough of a solution by itself. The thesis statement and main thrust of this paper maintains that a large reason for the continued economic and development struggles in Africa is because debt forgiveness is not helping those countries develop in the long run, but rather

only giving short term relief. In this paper I will examine the debt situation in Africa.

I will also examine the effects of national debt forgiveness granted to Africa by foreign countries and international finance entities. I will analyze the effectiveness of granting debt forgiveness to African countries based on the current financial and economic situation of highly indebted poor countries that were granted some forms of relief. Defining the Terms Debt forgiveness or debt relief is an economic term which speaks of the foregoing of the act of collection by a creditor, the one who is exercising the foregoing, of a financial obligation owed by an entity or by an individual. In terms of national debt, forgiveness indicates the excusing of payment of a large monetary amount owed by a certain nation to another nation or to an international entity.

A concrete example of this would be the excusal of Benin, an African country, from paying financial debt to the World Bank, an international financial entity. (Carrasco et al, 2007) Relief or forgiveness from a debt, whether completely or only partially, is granted a troubled nation only if it is able to meet certain standards and requirements set by the international economic community. Even then, much discussion must be conducted in order for the institutions and nations involved to arrive at a conclusion as to whether or not the debt should indeed be forgiven. Where matters of finance and money are involved, forgiveness is not an easy task.

Especially in matters of an international scale, forgiving monetary debts include the foregoing of claims to billions of US dollars. Although this is a

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great aid to the indebted country, it will prove to be a great financial blow or loss to the other countries shouldering the said debt relief. A debt is considered to be forgivable if it is assessed unsustainable by the country in question.

The World Bank and the International Monetary Fund define unsustainable debts as those wherein the indebted country's total debt surpasses its total export value by a percentage of at least 150%. A debt is also considered by the same institutions as unsustainable if the computed ratio of the country's debt against the revenues of the said country is at least 250%. (Carrasco et al, 2007)

However, debts may also be considered as worthy of repudiation if it is said to be of an odious nature. This indicates the unacceptable nature of the debt such as debts made for personal gain of the country's leader. The repudiation of such a debt would prevent having a nation pay for a loan made in their name but which was not used for them and it would also warn international creditors of the effects of lending money to countries with similar types of governments. (Buchheit et al, 1201)

A country's debt can be classified according to two categories.

The first category involves the nature of the creditor. In this case, a country's debt can be deemed either internal or external. An internal debt is one that is owed to a creditor from the same country. This means that the creditor is either a citizen of the indebted country or is an entity or corporation based in that country. External debt, on the other hand involves a creditor that is from outside the country being discussed. (Carrasco et al, 2007) External debt has two subcategories, bilateral and multilateral debts. A bilateral external debt

involves transactions being made between two different governments. This usually involves transactions between a developing country and a developed country.

Bilateral debts are usually handled by the Paris Club. This is a group of developed countries comprised of the main creditors across the world. They determine amongst themselves the deadlines, extensions, and even repudiation granted to the debts of developing countries.

Multilateral debts speak of debts owed by a country to an international financial organization such as the World Bank. (Carrasco et al, 2007)The second category of national debt determines whether it is illegitimate or legitimate in nature. A loan can be said to have been illegitimate if it was used by a number of corrupt government officials for the benefit or enrichment of specific individuals exclusively and not publicly for operations to aid the country as a whole. A loan can also be called illegitimate if it was not used by the government for the projects it was supposedly borrowed for.

A loan from the World Bank for the improvement of the telecommunications operations of a country, for example, which was then used by certain government officials to shoulder less important tasks would be considered as an illegitimate debt. All other debts that do not fall under this definition are considered legitimate. (Carrasco et al, 2007)Debts are also assessed for their stability. Thus a debt can be classified as either sustainable or unsustainable. The unsustainability of any given national debt is classified according to a previously agreed upon set of qualification factors. These are dependent upon the entities and organizations involved with the consideration and

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approval of the debt repudiation. The consideration of sustainability and unsustainability involve debt categories that are used more for debt relief consideration rather than for general classifications of debt.

Thus descriptions of debts are more likely to include the terms internal, external – multilateral or bilateral, legitimate, and illegitimate. Graph 1 shows the different distributions of the different kinds of debts acquired by African countries through the years 1970 to 2002. The debts shown on the graph are of three types: official long-term debt, multilateral debts, and private publicly guaranteed debts. Graph 1.

Official Multilateral and Private Debt of Africa
Source: United Nations Conference on Trade and Development, 7
The general trend that can be observed from the assortment of data collected by various research organizations show that multilateral debt is increasing among Highly Indebted Poor Countries, which includes most African countries (as shown in Table 1), as well as in other low-income countries not classified as HIPC. The rate at which multilateral debt has increased proves to be greatly alarming. External debt in general, which includes multilateral debts, has been noted to be a main player in holding back such countries from meeting their other more basic needs. Even the effects of foreign aid have been undermined due to the large amounts of external debt.

(Labonte & Schrecker, 183) More and more loans are being made because of the country's inability to cope and the big question that needs to be answered is whether or not debt cancellation or debt forgiveness will help these countries achieve a better financial as well as economic status in the

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long run. Table 1. List of Highly Indebted Poor Countries as of 2002 HIPC Debt Initiative

Non HIPC	HIPC
Benin	Kenya
Botswana	Burkina Faso
Liberia	Gabon
Burundi	Madagascar
Lesotho	Cameroon
Malawi	Mauritius
Central African Republic	Mali
Nigeria	Chad
Mauritania	Seychelles
Comoros	Niger
Swaziland	Congo
Rwanda	Zimbabwe
Congo, Dem. Rep.	Senegal
Cote d'Ivoire	Sierra Leone
Ethiopia	Sudan
Gambia, The	Togo
Ghana	Uganda
Guinea	Zambia
Guinea-Bissau	

298 Source: Birdsall et al, 413 Africa and National Debt

Forgiveness Africa is compromised of the most poverty-stricken countries in the world.

Numerous African nations are plagued by debt and are in such an unstable condition because of this debt that local efforts to improve their economic situation are crippled by the large part of their revenues that goes to paying off only the interest of their debts. Uganda spends \$15 per person to pay off its debt while it only spends an average of \$3 per person for its health care systems. The \$3.7 billion debt of Liberia limits its efforts to fight the HIV epidemic in the country allowing an allotment of only \$7 million of the \$120 million yearly revenues for the said health risk that has plagued up to 8% of the total Liberian population.

(Carrasco et al, 2007) Zambia, one of the most prominent examples of debt increase in Africa, has had to allocate its extra resources after its economic slump towards debt servicing instead of towards education, health and the like. Thus Table 2 shows that the rate of enrolment for secondary school shows little progress from the years 1965 to 1990. Also, infant mortality rate

remains high. The population per physician during 1965 has only slightly differed in 1990. the years in between show the great impact debt servicing had on this sector prior to greater amounts of aid coming in from foreign institutions. (Andersson et al, 7)

Table 2. Indicators of Quality of Life in Zambia

Year	1965	1970	1980	1990	1995
Enrolment, primary school	539098	93104			
Enrolment, secondary school	71316	20			
Adult illiteracy rate	3927	22			
Life expectancy	4049	4946			
Crude death rate	2019	1715			
Infant mortality rate	1211	1061	1061	109	
Population per physician	11, 400	13, 600	8, 700	11, 300	

Source: Andersson et al, 29 These examples show just how much external debt affects the ability of African countries to improve their individual country's state of poverty.

African countries, specifically countries in the Sub-Saharan region, are no longer able to adequately accumulate capital for the needs of its citizens and are therefore stunted in the economic growth that they are urged by foreign entities to achieve. External debt servicing has taken the much needed resources for development in the region. (Stymne, 75; Andersson et al,

7) There are those, however, who insist that poverty in Africa stems mainly from corruption in the governments and not from external debts.

There are no proper implementations of laws prohibiting individuals in position to exploit the natural resources of the country. Judicial frameworks aren't in place to prevent government officials from gaining illegal wealth at the expense of the country and others. Government corruption and

government management of the country's resources are the main problem in Africa not debt. (Amin, A16)

However, the roots of the debt in the different African countries must first be assessed.

There must be a clear understanding of how these debts were formed. An assessment of how debts were accumulated can give a better assessment of their legitimacy. Efforts of understanding the nature of the debts of African countries will also give concerned entities insights as to the true sustainability of these debts. The resulting effects on the economies of the African countries that have received debt relief must also be studied and noted before a conclusion of the same effect – that corruption and bad governance are Africa's problem and not debt – as that stated is arrived at.

History of Africa's Debt Most African countries fell in debt at around the 1960s and 1970s. Governments of various African countries, at that time, took out floating-interest loans. The burden of the drastic and unexpected increase in oil prices, spikes in the interest rates of the loans the government took out, as well as the drop in the prices of local commodities caused an almost irreversible decline in the financial status of the government making it practically impossible for them to pay off the initial loans they took out.

(Stymne, 77)The worsening social and financial situation in Africa led the governments in Africa to take out more loans in order to be able to pay off the original loan or a part thereof. Debt fell into debt and poor African countries soon found themselves at the center of a whirlpool of cycling debts. However, internal strife and problems within the country also caused the inevitable dependence of the government on the loans provided for by the different international entities. What is most disappointing is the fact that these early loans went to the construction of extravagant infrastructures when the loans would have done much more good if placed in sectors such

as education, health, or even economy. (Moss, 285) Through the joint efforts of different foreign governments as well as of some financial international organizations, some of the highly indebted poor countries in Africa have been granted debt rescheduling and debt relief. Between 1980 and 1990, Zaire was given thirteen debt reschedulings and Nigeria was allowed four postponement of debt payment of amounts reaching a maximum of US\$20 billion. (Stymne, 81) Some of the heavily indebted countries that were given different forms of debt relief were Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome, Principe, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

(Madeley, 9) After the establishment of the Millenium Development Goals, the Group of Eight countries also established 100% debt relief programs for 18 countries, a majority of which were African, having financial liabilities to the World Bank as well as to the International Monetary Fund. Conditions, which these countries had to fulfill in order for the debt relief programs to take full effect, were set. A common condition among the countries was that they would need to allocate an amount of their annual revenue for the eradication of poverty as well as for the dedication of the country to reformation of their governments. Some countries, such as Niger, were tasked to implement education of HIV/AIDS prevention among the country's citizens.

(Carrasco et al, 2007; Rivera, 2006) Several African countries have indeed been on the receiving end of many forms of debt relief. Table 3 provides a list of a few of these countries. It is evident from this table that debt

forgiveness involves an excessive amount of money that is most often shouldered by a debt relief provider.

However, granting forgiveness to a single country could prove strenuous on the budget of any institution. Table 4 shows the different allocations of debt relief among highly indebted poor countries. This shows that debt relief is attainable with a greater number of governments, organizations and institutions willing to shoulder the financial requirements of forgiving an indebted country.

Table 3. African Countries that received Debt Relief

Name of Country	Amount of Debt Relief	Main Debt Relief Provider
Benin	US\$ 57.8 million	African Development Bank
Burkina Faso	US\$ 121 million	African Development Bank
Madagascar	1.5 billion	World Bank & IMF
Malawi	~ US\$ 1 billion	World Bank & IMF
Mozambique	US\$ 27 million	African Development Bank
Niger	US\$ 890 million	World Bank & IMF
Gambia	US\$ 91 million	World Bank & IMF
Guinea	US\$ 800 million	World Bank & IMF
Guinea-Bassau	US\$ 790 million	World Bank & IMF
Rwanda	US\$ 910 million	World Bank & IMF
Senegal	US\$ 71.5 million	African Development Bank
Tanzania	US\$ 170 million annually	World Bank & IMF

Sources: Carrasco et al, 2007 Table 4.

Creditor's share of HIPC debt relief	Creditors	Percentage share of total HIPC relief				
Total multilateral of which:	World Bank	IMF	African Development Bank	Inter-American D. Bank	Other (23 in total)	—
Bilateral - Paris Club	Bilateral - non-Paris Club	Commercial institutions	50	22	8	48
—	—	—	41	63	—	—

Source: U. S. Department of Treasury, 2005

What, however, has become of the African countries that were granted debt relief?

According to Table 5, a number of African countries have been able to acquire debt relief.

However, merely knowing that debt relief has been granted to these countries is not enough. The effect that this relief has had on the economic situation of the “ forgiven” countries must be investigated in order to best understand what will best help these poor countries as well as to gauge the effectiveness of debt relief as a program. Table 5. Decision Point Year Statistics for HIPC’s having reached Completion Point

Country	Decision Point	Completion Point	GDP per capita	Aid per capita exclusive of debt relief	PPG debt per capita	Per capita net present value of debt relief
Benin	Jul. 2000	Mar. 2003	362.			
Bolivia	Jun. 2000	Feb. 2000	433.	5231.	742.	6
Burkina Faso	Jul. 2001	1008.	955.	3497.	3156.	5
Ethiopia	Apr. 2001	2002	230.	723.	2111.	
Ghana	Jul. 2002	499	16.	482.	630.	1
Guyana	Nov. 2000	5290.	5107.	7	3939	111.
Honduras	Jun. 2000	91488	778.	7		
Madagascar	Oct. 2000	2005	921.	664.	7684.	686.
Mali	Mar. 2000	2004	249.	819.	2276.	753.
		2003	223.	523.	5246.	449.

433. 5231. 742. 6BoliviaFeb. 2000Jun.

20011008. 955. 3497. 3156. 5Burkina FasoJul.

2000Apr. 2002230. 723. 2111.

849. 1EthiopiaNov. 2001Apr.

20049916. 482. 630. 1GhanaFeb. 2002Jul. 2004303. 424.

5290. 5107. 7GuyanaNov. 2000Dec. 2003939111. 91488778. 7HondurasJun.

2000Apr. 2005921. 664. 7684. 686. 1MadagascarDec. 2000Oct.

2004249. 819. 2276. 753. 9MaliSep. 2000Mar.

2003223. 523. 5246. 449.

7MauritaniaFeb. 2000Jun. 2002355. 272. 4809.

8235. 2MozambiqueApr. 2000Sep. 2001208. 338256. 9114. 4NicaraguaDec. 2000Jan.

2004778. 8109. 31083. 1652. 3NigerDec. 2000Apr. 2004167.

417. 9135. 861.

8RwandaDec. 2000Apr. 2005234.

941. 214990. 3SenegalJun.

2000Apr. 2004458. 938. 433551. 2TanzaniaApr.

2000Nov. 2001269. 423.

8177. 760. 1UgandaFeb. 2000May. 2000253. 331.

2131. 243. 1ZambiaDec.

2000Apr. 2005327. 562450252.

8Source: Cappelen, 77Table 6. Population living below \$1 (PPP) per dayPercentage of population below \$1 purchasing power parity (PPP) per day199019992004Developing Regions31. 623. 419. 2Northern Africa2. 62. 01.

4Sub-Saharan Africa46. 845. 941. 1Latin America and the Caribbean10. 39. 68. 7Eastern Asia33. 017.

89. 9Southern Asia41. 133. 429. 5South-Eastern Asia20. 88. 96.

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8Western Asia1. 62. 53. 8Commonwealth of Independent States0. 55. 50.

6Transition countries of South-Eastern Europe <0. 11. 30. 7Source: United Nations Inter-Agency and Expert Group on the Millenium Development Goals Indicators, 2007Table 7. Progress report on selected Millennium Development Goals across regionsRegionPovertyHungerPrimary EducationChild MortalityAccess to WaterAccess to SanitationArab StatesAchievedReversalOn trackLaggingn. a.

n. a. Central/Eastern Eurpoe and CISReversaln. a.

AchievedLaggingAchievedn. a.

East Asia/PacificAchievedOn trackAchievedLaggingLaggingLaggingLatin America/CaribbeanLaggingOn trackAchievedOn trackOn trackLaggingSouth AsiaOn trackLaggingLaggingLaggingOn trackLaggingSub-Saharan AfricaReversalReversalLaggingLaggingLaggingReversalWORLDOn

trackLaggingLaggingLaggingOn trackLaggingSource: Wagner, 6The 2007 report on the Millienium Development Goals – to be discussed with more depth later on in the paper – (seen in Table 6) shows a marked decrease in the percentage of individuals living at impoverished levels. Even in the African regions, a decrease is seen over the 14 year period. The progress report seen in Table 7, however, shows that of all the regions around the world, Sub-Saharan Africa is still far behind the rest of the world in attaining the Millennium Development Goals. This data which was acquired in 2005 shows that although debt relief was granted to many of the countries belonging to Sub-Saharan Africa, it has not helped in speeding up the region’s successful completion of the UN’s goals. This should be noted as

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most of the debt relief granted was in the hopes of helping these nations achieve the said Millennium Development Goals. Data from other organizations have shown that between 1989 and 2002, 38 low-income nations received debt forgiveness amounting to a total of US\$40 billion. It also showed that within the same time frame, the same countries that received forgiveness took on new loans amounting to US\$93 billion, more than twice the amount forgiven.

(Amin, A14) Such data shows the ineffective nature of debt relief. Granting debt relief does not ensure that the freed up financial resources of that country will be allocated to sectors where it is most needed. It does not ensure that the country has learned its lesson.

In fact, there is no assurance that these funds will not simply be put into the pockets of corrupt government officials or that the country will simply just go on borrowing with the hope that when its debt has skyrocketed once more, relief will again be granted. Foreign Institutions Numerous

organizations and governments have concerned themselves with the plight of African nations whose poverty has been reported widely across the world.

Some of the more prominent entities involved in discussions regarding national debt are listed in Table 8. These institutions are the ones involved with the assessment of the type of debt the country has incurred and the decision of whether or not it has met the qualifications required for repudiation. Table 8. Main entities involved in national debt discussions

Commercial Banks	Official Agencies	Debtor Country	Merchant Banks/Advisory Services	Chairman of the Bank	Advisory Committee	IMF
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(missions, adjustment programs, economic monitoring)Ministry of FinanceLehman BrothersKuhn LoebLazard FreresMember banks of theAdvisory CommitteeEconomic subcommitteeWorld Bank(project and policy-based loans, cofinancing)Chief DebtNegotiatorForeign DebtCommitteeS. G.

Warburg Morgan Grenfell Drexel Burnham First BostonVarious ad hoccommittees (tradefinancing, private debt)Paris Club (bilateralcreditors)Central Bank(asset trading insecondary market, financialengineeringexpertise)Regional CoordinationCommitteesBIS (bridging loans)Planning MinistryInstitute ofInternational FinanceSource: Bouchet, 203As discussed in the earlier section, the debts owed by the indebted nations add to their growing financial crisis. The excessive amounts of the African nations' debts hinder these countries from growing economically. Because of this, the World Bank and the International Monetary Fund initiated a program called Debt Initiative for Heavily Indebted Poor Countries or the HIPC Initiative in 1996. (Rivera, 1) The increase in awareness of the status of African countries also led to the creation of the Millennium Development Goals in 1990 which was then accepted by the United Nations on September 18, 2000. (Rivera, 1) The Millennium Development Goals are a list of 8 objectives for all countries across the globe. These objectives are aimed at improving human development and attaining progress, both socially and economically, worldwide.

The Millennium Development Goals are shown in Table 9. Table 9. UN Millennium Development GoalsMillennium Development GoalsGoalsTargets1:

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Eradicate extreme poverty and hunger1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger2: Achieve universal primary education3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling. 3: Promote gender equality and empower women4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 20154: Reduce child mortality5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate5: Improve maternal health6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio6: Combat HIV/AIDS, malaria and other diseases7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases7: Ensure environmental sustainability9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitationBy 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers8: Develop a global partnership for development12: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system Includes a commitment to good governance, development and poverty reduction – both nationally and internationally13: Address the special needs of the least developed countries Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for

heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction¹⁴: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)¹⁵: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term¹⁶: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth¹⁷: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries¹⁸: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Source: Wagner, 6; United Nations Inter-Agency and Expert Group on the Millennium Development Goals Indicators, 2007

A good grasp of the goals included in this table is necessary to be able to have an understanding of the tasks as well as the importance of the different organizations involved in the fight against African debt. These are also the goals of the different governments across the world. These are the standards set by the World Bank, International Monetary Fund, and United Nations. All these organizations are on a united effort to implement and meet the Millennium Development Goals. However, because African countries are so heavily indebted, they are not able to meet the above goals.

It is hard to reach for better education, health care systems, and communication systems if one is still struggling to pay off exorbitant debts.

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Thus the World Bank, the International Monetary Fund, and the United Nations came up with a plan for debt repudiation. With repudiation, another term for debt forgiveness, of the debts of these African nations there is hope for them to focus the utilization of their annual revenues for more important aspects of poverty relief and healthcare development. Thus resources and funds previously allocated for paying off debt may now be allocated to addressing issues of AIDS, for example, or of government housing units. Debt forgiveness can be viewed as an instrument conceptualized for the attainment of the Millennium Development Goals specifically of goals 1, 2, 4, 5, 6, and 7. (Carrasco et al, 2007) Non Government Organizations also have a role in relation to the programs of debt relief for African countries. These organizations serve as counterchecks of the efforts already put into place by the Group of Eight (G8) countries (composed of Canada, France, Germany, Italy, Japan, the United Kingdom, the United States and Russia), the World Bank, the International Monetary Fund, the United Nations and other international organizations. (Labonte ; Schrecker, 185) The demonstrations, public declarations and information dissemination programs of NGO's such as Jubilee 2000 and Africa Action helped push governments to hasten promised implementations of debt relief programs.

These Non Government Organizations also did much to encourage organizations such as the United Nations to revise policies of programs such as the HIPC Initiative in order for these to be of more help to impoverished and highly indebted countries. (Barro, 24; Easterly, 20) Especially with the debt relief programs, NGO's serve as the most vocal sources of criticism.

Even individual citizens are contributing to the fight against poverty. The U2

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singer Bono is one of the more famous individuals to have helped in pushing for debt relief in Africa. His concerts and constant prodding of public figures are acknowledged to have swayed politicians to vote for the debt forgiveness of 18 highly indebted poor countries.

Other famous individuals who voiced their concerns for impoverished Africa and helped sway the minds of many politicians and decision-makers towards debt relief by their acts are Pope John Paul II, the Dalai Lama, Muhammad Ali, Jeffrey Sachs, and Bob Geldof. However, there have been contentions that although such organizations have increased awareness among rich countries, their advocacies have oversimplified the issue of national debt and the policies of debt forgiveness. (Barro, 24; Easterly, 20)Assessing National

Debt Forgiveness Is national debt forgiveness indeed successful in relieving low-income countries from the chains of poverty? It is the belief of this paper that national debt forgiveness is not helping to completely relieve the financial situation of low-income countries, especially those in Africa. Temporary relief is achieved but over-all, the act of debt forgiveness could most possibly be a turn for the worse for these indebted countries.

Debt forgiveness allows for a country's relief or excusal from paying excessive amounts of debt which are only crippling the country and keeping it from developing and addressing its more pressing internal needs. For highly indebted poor countries, annual payment of debts seems to only be a custom, a ritual, with no end in sight. The clearance of the unsustainable debts the country has frees up the nation's budget. Debt strangled the growth of the African countries, forgiving that debt then removes the hold

against Africa's progress and gives a chance for development. It is also essential to note that the programs for debt forgiveness exclude too many countries from being candidates of debt cancellation. In HIPC Initiative, for example, only a selected few of the truly low-income nations in the world are eligible for relief.

There are other countries whose debts are equally oppressive and whose efforts to manage those debts are also deterring from the growth of the other sectors in that nation's structure but whose status do not fit the requirements given by the different institutions that formed and manage the HIPC Initiative. These countries are just as in need of debt cancellation as the countries short-listed in the HIPC but programs and campaigns have not left much promise for the relief of the debts of these countries as well. The process of choosing which countries are given aid and which are not is too subjective. The G8 countries stated that debt relief may be considered an option once the indebted country had resolved corruption, increased the development levels of the private sector, and eradicated obstructions to foreign and domestic private investments. Also, these conditions are skewed towards serving interests of the creditors. Poor countries are forced into reforming their economic agenda as well as the infrastructure of their public owned ventures just to be able to qualify for debt relief. (Madeley, 9) The present requirements for achieving an eligibility status in the Highly Indebted Poor Country Initiative are: 1. The country must face a situation where traditional debt relief programmes are not sufficient enough to move to the level of sustainability.

2. A track record of reform and sound policies should be established through IMF and the World Bank. 3. The country must develop a Poverty Reduction Strategy Paper(United Nations Conference on Trade and Development, 16)These requirements are clearly ambiguous and too general. There needs to be a stricter and clearer delimitation of who can and can not seek debt relief. Having requirements that are too vague sends a message of apathy regarding unsustainable debts. The message has to be clear.

Unsustainable debts are unacceptable but exemptions can be made and only those exemptions are allowed the privileges of debt relief. The positive aspects of national debt forgiveness might be limited only to the idealistic notions of those granting it. National debt forgiveness does not take into consideration the rampant problem of corruption in the government. There is no assurance that the budget made available by the cancellation of the country's debts will be used for the purposes of poverty eradication and economic growth. It is quite possible that these would go to less lofty goals that would not service the majority of the African citizens.

(Amin, A16) Although the institutions implementing the debt forgiveness programs are requiring the countries given debt relief to follow certain restrictions and conditions in order for the program to take place, there are no established procedures as to how they will implement these measures.

For example, Niger was allowed debt relief on the condition that awareness on how to prevent HIV and AIDS would be increased. However, how will the creditors and the different institutions involved be able to have these African

countries truly strive to increase knowledge regarding health? Also, even though there are indicators in the Millennium Developmental Goals as to how certain goals will be measured, these are still very vague. Standardized scientific methods of measuring growth in countries that are recovering from situations of unsustainable debt should be established. Only with a proper measure of the recovery of indebted nations can it be said that debt forgiveness is indeed effective. It is also the only way by which creditors can assess whether the MDGs are nearing their accomplishment. National debt forgiveness could be an effective tool if there were clear programs of action that could be coupled with it. It is not enough for debts to be cancelled.

The emphasis should be on establishment of protocols for the implementation of government reform programs, health care intervention agendas, education supplementation plans and population control strategies. If debt is hindering African countries from developing these fields, why not have the international community help in the growth of these sectors instead of solving the issue of national debt? Debt relief must be placed in a wider context. The steps that will follow after relief has been given should be the steps that are given the most thought. Also, the factor of having the country fall into debt again should be taken into consideration. As has been proven by countries such as Zambia and Uganda, relieving debt does not equate to a learned lesson on the part of the country that became indebted. Irresponsible borrowing occurs and it should be addressed and factored into the discussions of debt forgiveness. There are many who say that the present efforts of debt forgiveness as embodied by the Highly Indebted Poor

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Countries Initiative (HIPC Initiative) are much too limited and slow in providing real and palpable changes in the country's conditions. There are many cases wherein change was never achieved.

This was because, not long after receiving debt relief, the African country often returned to its initial state of unsustainable debt. Consider now the case of Uganda as a concrete and valid example of the HIPC Initiative's inadequacy to set proper parameters for the consideration of eligible countries for debt forgiveness. Uganda was able to reach the completion point under the initial HIPC requirements and even again under the revised requirements (revised due to the criticisms of other institutions), which renewed the definition of an unsustainable debt as seen in Table 10. The definition of unsustainable debt included the consideration that the debt-to-export ratio of the country was at least 150%. It is expected, therefore, that upon implementation of the HIPC Initiative, this percentage would have a significant decrease.

In Uganda's case, debt-to-export ratio rose to 300%, almost double that of its pre-HIPC ration, in the three-year period of the HIPC implementation.

(Carrasco et al, 2007) This evidences a point of concern that falling back into a situation of unsustainable debt is not prevented by debt forgiveness programs. Table 10.

Sustainability criteria for external debt

Original HIPC Initiative (%)	Enhanced HIPC Initiative (%)
Debt stock (NPV)/exports; 200-250	150
Debt service/exports; 20-25	15
Debt stock (NPV)/budget receipts; 280	250

Bougouin ; Raffinot, 244

Another issue that is raised by critics of the national
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debt forgiveness programs concerns cancellation of debts regardless of their legitimacy. As long as debts have become unsustainable, relief may be given. Whether a debt is legitimate or illegitimate should also be taken into consideration. How did the country use its loans? Tanzania and Nigeria are examples of African countries that were given relief for illegitimate debts. Both achieved unsustainable debts from loans for government projects that were never completed and some of which were not even started at all.

Even at present, there have been no changes in the classification of sovereign debts that may be considered for relief. (Carrasco et al, 2007) Achieving debt sustainability is one of the goals of Highly Indebted Poor Countries. However, research and statistics have shown that even after undergoing the HIPC Initiative, low-income countries in debt will most likely still not be able to attain a state of sustainable debt. Results are probabilistic and dependent on numerous factors that cannot be controlled by those implementing it. Even governments of the HIPC's themselves cannot control all the factors that come into play with regards to the programs employed.

United Nations projections on the probability of achieving debt sustainability after debt relief have proven to be overly optimistic when compared with the real statistics achieved from actual cases of debt relief programs as seen in Table 11. (United Nations Conference on Trade and Development, 48) Table 11. Likelihood of Achieving Debt Sustainability in 2020 Under Different Scenarios

Country	Based on World Bank/IMF growth rates	Based on historical rates
Benin	89.	342.
Bolivia	75.	711.
Burkina Faso	761.	

342. 3Bolivia75. 711Burkina Faso761.

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7Cameroon95. 963. 2Chad62. 351.

3Congo84. 41. 5Ethiopia93. 137. 3Gambia91. 794. 2Ghana89.

481Guinea97. 237. 6Guinea-Bissau7065. 1Guyana97. 793. 2Honduras99.
598. 7Madagascar9986.

7Malawi72. 344Mali75. 459.

9Mauritania98. 325. 3Mozambique97. 877. 3Nicaragua95.

772. 3Niger65. 92.

7Rwanda57. 310Sao Tome and Principe66. 512. 4Senegal98. 778. 9Serra
Leone81.

31. 5Uganda67. 428.

3United Republic of Tanzania83. 235. 9Zambia85. 35. 4Average (All 27
countries)83. 945. 1Average (All 23 African countries)82. 541Source: United
Nations Conference on Trade and Development, 49 Despite the
growing awareness and the increasing demand for debt forgiveness across
the globe, it is apparent that cancellation of debt whether completely or in
part, is not the answer to the poverty problem of African nations.

Evidence derived from actual case studies of African nations that received
debt relief proves this point. Conclusion National debt forgiveness is
indeed a controversial term in macroeconomics that arouses debate
regarding its effectiveness in providing African indebted countries with a
means to eradicate poverty and allow for economic progress to occur. The
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promises of national debt relief are grandiose and overwhelming. However, since the first implementation of debt forgiveness in Highly Indebted Poor Countries, evidence of the fulfillment of debt relief promises still remain to be seen. Debt relief may indeed be an ideal method to the problem of excessive debts.

However, its success also rests on idealistic notions. A country that has become overrun by debt is most definitely subject to much more problems that led to that dire financial situation. Irresponsible borrowing of money, bad governance, corruption and mismanagement of resources could have led to the debt problem. Forgiving a debt might only lead to disregard for the consequences of such maladaptive behavior.

The message the international community is sending is that over-lending is alright for as long as you bring it to a point where the debt becomes unsustainable. Africa does not need this kind of aid. Proper governance must first be achieved, reforms must be put into place, corruption must be addressed and eradicated before discussions of debt cancellation can take place.

Although the points regarding the African nation's hardships to grow economically and globally as a result of its debts are valid, there are also legitimate claims regarding the failure of debt forgiveness in addressing the true issues involved. Although there are many problems facing the different African nations classified as low-income countries, national debt forgiveness will not bring them the solution to this problem. Short-term relief might be achieved but until the true roots of the problems are addressed,

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these African countries can surely be expected to backslide again and again into its previous state of debt. Programs must be established to aid in the development of health, education, and population systems in the low-income countries of Africa. Should debt forgiveness programs be continued, its limitations must be recognized and supplemented by campaigns against corruption and irresponsible borrowing. There must be efforts to address the criticism of the subjective nature of the selection of countries to receive debt relief. There is still much work to be done in the fight against poverty but what is most important is that a united effort has been started. Continuation is not a question but a necessity.

The only thing to be considered is the manner in which today's leaders will choose to take the next step. Works Cited Books and Articles Amin, Nada. "After the concerts, Africa still suffers" Washington Times 15 September 2005: A16 Andersson, Per-Åke, Bigsten, Arne, and Persson, Håkan. Foreign Aid, Debt and Growth in Zambia. Uppsala: Nordic Africa Institute, 2000 Barro, Robert.

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