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Much ado about nothing? The limited effects of structural adjustment programmes and the highly indebted poor countries initiative on the reduction of external debts in sub-Saharan Africa: An empirical analysis

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Reassessing the rationale underlying the emergence of structural adjustment programmes (SAPs) in the 1980s, this article looks more specifically at the effects of the heavily indebted poor countries (HIPC) initiative on the debt burden in Sub-Saharan Africa (SSA). Using data from the World Bank and the International Monetary Fund (IMF), it illustrates how in spite of important degrees of economic growth during the last decade and the promotion of the HIPC initiative since 1996, SSA's total external debt remains a central dilemma. The annual debt service of many post-completion point HIPCs is even expected to increase until 2013. The development aid received by many countries is still often offset by their debt service payments so that in practice, the net transfer of wealth remains out of most SSA countries. Therefore, the empirical analysis shows a very limited effect of the HIPC initiative on the reduction of external debts. Thus, up to 2012, the persistence of this huge economic burden might contribute to explain why few countries have really progressed towards achieving the millennium development goals (MDGs).

Key words: Heavily indebted poor countries (HIPC) initiative, millennium development goals (MDGs), external debt, poverty reduction, sub-Saharan Africa.

INTRODUCTION

Why is Sub-Saharan Africa (SSA) still paying huge external debts? Even though the sub-continent has seen renewed economic growth, especially since 1995, how can it be explained that this has not led to a substantial reduction of its debt burden? For decades now, International Financial Institutions (IFIs) have supported or even constrained SSA governments in promoting institutional and financial reforms to sustain economic growth. The imposition of SAPs since the mid-1980s followed this neo-liberal orthodoxy: important policy changes were imposed (privatisation of national enterprises, reduction of the number of civil servants in public administrations, deregulation of the labour market etc.) as conditionalities for getting new loans (or for obtaining lower interest rates on existing loans) from the IMF or the World Bank. The World Bank was created after the Second World War to promote economic development and reduce inequalities worldwide. Loans from IFIs were claimed to be designed to promote economic growth, generate income, pay off the countries'

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accumulated debts and reduce their overall fiscal imbalances. SAPs have imposed internal changes on African political economies such as privatisation and deregulation as well as external ones, in particular the reduction of trade barriers. But external debts still represent a major burden, leading to redistribute a substantial part of SSA economic resources to international investors rather than to domestic development.

While some authors argue that such conditionalities have helped to implement "free market" programs and policy, other critics hold SAPs responsible for forced austerity programs, whose casualties have often been social expenditures. Since 2002, SAPs have undergone another transition, through the introduction of the communicative discourse of "poverty reduction" and the creation of a poverty reduction strategy (PRS), which is claimed to be designed to increase the borrowing country's involvement in the program. These poverty reduction strategies essentially take the place of SAPs, as their content has turned out to be quite similar. The addition of the emphasis on "poverty reduction" has led them to be further aligned with the MDGs of the United Nations. While some believe that the increase in the participation of national governments in designing the policies will lead to greater ownership of the loan programs and better fiscal policy, critics argue that international donors and IFIs are still overly involved in the policy making process. The formal objectives of the HIPC initiative have continued to be the balancing of external debts and the reduction of trade deficits while promoting poverty reduction strategies to reach the MDGs up to 2015.

More than fifteen years after the introduction of the HIPC initiative in 1996, has it really been effective in reducing SSA's debt burden? This article aims at formulating an empirical assessment of the effectiveness of the HIPC initiative using IMF and World Bank current economic and financial data.

To do this, the article is structured as follows: first, it reassesses briefly the rationale underlying the implementation of SAPs in the 1980s, their main effects and the critiques surrounding them; next it presents the emergence of the HIPC initiative in the mid-1990s as the intention of IFIs to take into account past critiques and to provide a renewed development agenda. It looks specifically at the risk of debt distress, the evolution of the total external debt and the annual debt service of those sub-Saharan African countries concerned with the HIPC initiative; next it evaluates the effects of the HIPC initiative on the projections of the debt services due by SSA countries; to finish with, as a matter of complement, it also provides some comparisons between the amount of external debts of SSA countries and their total expenditures or global progresses towards achieving the MDGs; the conclusion summarizes and discusses the findings.

THE RATIONALE UNDERLYING THE IMPLEMENTATION OF STRUCTURAL ADJUSTMENT PROGRAMMES (SAPs) IN THE 1980S

Structural adjustment policies emerged from conditionalities that the IMF and the World Bank have been attaching to their loans since the early 1950s. While in the beginning, these conditionalities mainly focused upon a country's macroeconomic policy, SAPs as they are well-known today, originated in the oil and the debt crisis of the late 1970s. Following SSA's post-independence economic crisis, two competing explanat-ions were proposed. On the one hand, African governments, regional institutions, dependency and Third World approaches defended the point of view that SSA's crisis was due to its subordinate position within the global political economy (Amin, 1973 a). Africa was depicted as oppressed by "IMF diktats" as well as by "neo-colonial" practices: the postcolonial African state was seen as a direct descendant of the colonial state, in which economic and productive orientations suited the accumulation needs of its metropolis (Amin, 1973 b). Africa's economic decline was the result of the continent's minor position in the world system which has led to "the development of underdevelopment" (Gunder, 1971: 3). This viewpoint argued that Africa's colonial specialization in primary goods production and the structure of the global economy in itself would undermine Africa's prospects for growth. Following this perspective, the reform of global commodity and energy markets, the terms of trade negotiated by the World Trade Organization (WTO) and debt forgiveness have been highlighted as key measures for Africa's recovery.

On the other hand, following the ideological lines of the "Washington Consensus", IFIs have argued that SSA's persistent economic crisis has been due to state-oriented economies, and the feeble commitment of African leaders with neo-liberal market reforms. In the early 1980s, the state in itself was described by the World Bank as partly responsible for the decline of SSA economies (Nyang'oro and Shaw, 1998: 27). This neoclassical explanation exclusively emphasizes internal factors linked with the inappropriate policy choices of post-independence African leaders. For instance, the 1981 World Bank's Berg report explained the stagnation and decline of SSA's economies, the erosion of per capita incomes and the growth of external debts by the predominance of economic statism and a lack of governmental responsibility. African governments were requested to involve less state intervention and en-courage letting the market freely regulate domestic economies. SAPs which sponsored economic liberali-zation, cut-backs in governmental expenditures and privatization were presented as the main agent for solving Africa's economic dilemmas and favouring the reduction of poverty in the region.

Given the diffusion of the neoliberal paradigm since the

early 1980s, the feeble bargaining position of African governments and the absence of alternative policy ideas which might have emerged endogenously from the continent, the major responses to SSA's economic crisis have been IFIs-led SAP's reforms, promoted from the late 1970s to the present. Senegal was the first African country to receive a generous adjustment loan from the World Bank in 1979. As most of its neighbours, its tiny industrial sector was unable to compete with Western imported products without significant national subsidies (Duruflé, 1994: 44). A long-term poverty reduction strategy would have tried to strengthen Senegal's industrial capabilities to compensate for imports by the development of local production and renewed export capacities.

Yet, under SAPs, in Senegal as elsewhere in SSA, the rationale was not so much to invest in industrial capabilities and reduce negative terms of trade which might have led to poverty reduction over the long term (especially through the reduction of the importation of primary goods and the strengthening of local production capabilities to reach food sovereignty). Rather, countries were invited to undertake a variety of measures to promote exports at the expense of production for domestic needs. In other words, while favouring the integration of SSA into the world-economy, SAPs maintained the conditions of the international vulnerability of the continent. For instance, in Senegal's rural sector, the foreign takeover of large plantations has obliged numerous communities to start to grow rice for the Chinese market rather than for their own consumption. Rural people are not only obliged to produce for exports but they are also deprived of their land and indirectly constrained to consume imported goods given the insufficiency of local production.

For Carmody, "during the Keynesian/Fordist era after the Second World War, the World Bank promoted state-led development in Africa. This was in line with the development thinking of the time. However, with the advent of the debt crisis in the 1980s, changes in the global regime of accumulation and associated political changes in the major industrial powers, the World Bank disavowed its previous policies, blamed African states for the crisis and insisted Africa be reincorporated into the global economy" (Carmody, 1998: 26). Largely subsidizing their agricultures and sponsoring over-production, Western countries have been able to lower the prices of their manufacturing goods, whereas African formal economies still find it difficult nowadays to access to Western markets. Smith has also emphasized that the countries of the Organisation for Economic Cooperation and Development (OECD) protect their markets with an amount of 350 billion dollars annually, which represents seven times more than the annual official development assistance (ODA) given to developing countries (Smith, 2003: 42).

The decrease in prices of primary goods and changes in the terms of international exchanges since the 1980s have intensified the region's external debts and financial crises. Even certain modernization theorists stress that the vicious circle of external debt might have reduced "the capacity of states to encourage economic development and maintain social stability" (Grindle, 1996: 3-4). External debts might have inhibited the continent's economic development and widened its dependency on the international financial system (Payer, 1974; George, 1988). Young argues that "lenders share responsibility with the African borrowers for the excessive indebtedness of many countries" (Young, 1998: 28). Ridell has also emphasized that a major part of SSA's aid flows have been compensated by external debts repayments: "In 1990, the total amount sub-Saharan African countries paid in annual debt repayments was 10 billion dollars. This constituted 59% of total aid disbursements. By 1995, the figure had hardly changed: the amount paid in annual debt servicing amounted to 57% of total aid inflows" (Ridell, 1999: 315). Thus, more than fifteen years after the introduction of the HIPC initiative, IFIs' last attempt to tackle the burden of external debt in low income countries, it remains to be seen whether those figures have really changed.

THE EMERGENCE OF THE HIGHLY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE: TACKLING THE BURDEN OF EXTERNAL DEBTS?

Following extensive lobbying by Non-Governmental Organizations (NGOs), the enhanced HIPC initiative launched in 1996 has been the IFIs more recent attempt to deal with the problem of external debts. It concerns countries that face unsustainable debt burdens, providing debt relief and low-interest loans to reduce debt repayments to sustainable levels. In line with SAPs anterior practices in the 1980s, financial assistance remains conditional on the national governments of these countries meeting a range of macro-economic targets. Consequently, critics argue that it only provides another instrument of external conditionality, whose objective is only to protect the interests of creditors and to oblige poor countries to reach "debt sustainability" (Carrasco et al., 2007). The initiative would primarily follow external donors' willingness to reduce external debt repayments to sustainable levels and maintain the solvency of indebted countries, rather than to search to fully cancel external debts.

In practice, the initiative introduced three main innovations. First, the debt-burden thresholds were adjusted downward, which enabled a broader group of countries to qualify for larger volumes of debt relief. Second, a number of creditors, including the main multilaterals, started to provide earlier assistance to qualifying countries in the form of interim relief. Third, trying to address the previous critiques of SAPs, the IMF

Table 1. Distribution of risk of debt distress for low income countries (2009).

Country groupings	Number of countries	Risk of debt distress (in percent of applicable country group)			
		Low	Moderate	High	In debt distress
All low income countries *	70	30.0	34.3	22.9	12.9
Non-HIPCs and completion point HIPCs	57	36.8	38.6	21.1	3.5
Non-HIPCs	31	35.5	35.5	22.6	6.5
Completion point HIPCs	26	38.5	42.3	19.2	0.0
Other HIPCs (pre-completion point HIPCs)	13	0.0	15.4	30.8	53.8
Interim countries	9	0.0	11.1	33.3	55.6
Pre-decision point countries	4	0.0	25.0	25.0	50.0

Source: Based on debt sustainability analyses available as of end-July 2009. See International Development Association (IDA) and International Monetary Fund (IMF), "HIPC Initiative and Multilateral Debt Relief Initiative (MDRI): Status of Implementation", September 15, 2009: 23. * The table excludes 8 Low income countries for which debt sustainability analyses were unavailable (Azerbaijan, India, Kiribati, Maldives, Pakistan, Somalia, Timor Leste and Uzbekistan).

and the World Bank have at least formally declared to focus more on strengthening the links between debt relief and poverty-reduction efforts. For each country, debt relief would be linked to progress in implementing its national poverty reduction strategy (PRS), understood as a determined national strategy of public policies designed by local actors to decisively reduce poverty. The rationale underlying the design of a PRS is to involve local actors (mainly governments but also NGOs and civil society groups) into the definition of a specific national strategy, while trying to ensure that indebted countries re-channel the government funds freed from debt repayment into poverty-reduction programs.

In a nutshell, the HIPC initiative follows two steps. A given country should start by showing a positive track record of macroeconomic stability, prepare an interim poverty reduction strategy paper (PRSP), a written document that specifies the strategy that it will follow to promote economic growth and reduce poverty, and clear any outstanding arrears. In theory, this process is designed to reinforce the commitment of national governments with the planning of national poverty reduction strategies. If a country manages to follow this first step, it can reach the decision point and become eligible for HIPC initiative assistance. During the second step, a country must maintain macroeconomic stability under an IMF poverty reduction and growth facility (PGRF)-supported program, carry out key structural reforms agreed upon at the decision point and implement a PRSP satisfactorily for one year. If it is able to do so, the country reaches the *completion point*, which means that it can receive a reduction in debt available under the HIPC initiative.

At a first glance, considering IMF official declarations, one could indeed conclude that contrary to SAPs, the HIPC initiative is much more effective. In September 2009, the IMF considered that "in addition to the financial benefits debt relief has delivered, it has strengthened countries' reform efforts"[i]. The HIPC initiative is said to have "substantially alleviated debt burdens in recipient countries" while it is considered that "the poverty-reducing expenditures of HIPCs have increased, and their debt-service payments have been declining"[ii]. As of December 2011, the HIPC program had identified 39 countries, 33 of which are in Sub-Saharan Africa, as being potentially eligible to receive debt relief. Such list includes for instance Benin, Burkina-Faso, Burundi, Cameroon, Gambia, Liberia etc. Four countries have yet to reach completion point for the HIPC program (Chad, Comoros, Guinea and Ivory Coast), and are therefore entitled only to partial debt relief, while three others (Eritrea, Sudan and Somalia) are being considered for entry into the program.

In a certain way, by linking the HIPC initiative with the United Nations' MDGs, IFIs have tried to respond to SAPs' main critiques, and show that their economic and financial measures are linked with a broader agenda of social development. Nevertheless, beyond those formal declarations, what can the empirical analysis tells us about the real impact of the HIPC initiative on the current state of the external debt in SSA? Has the HIPC initiative positively affected the progression of sub-Saharan African countries towards implementing the MDGs?

THE HIGHLY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE AND THE EXTERNAL DEBTS OF SUB-SAHARAN AFRICA (SSA) COUNTRIES

First of all, Table 1 presents the distribution of risk of debt distress for low income countries in 2009. The risk of debt distress is based on the IMF's debt sustainability analyses, which do not represent the actual trends in the evolution of the debts, but only try to "predict" the likeliness of risk situations. If one follows the prediction of the IMF, the risk to become in debt distress is much higher for pre-completion point HIPCs (53.8%) than for non-HIPCs and post-completion point HIPCs (3.5%), which would seem to suggest a clear effect of the HIPC initiative. The probability for low income countries (LICs)

to be in debt distress would be very high before acceding to the programme (pre-decision point), but it would decrease the more LICs would progress towards the completion point. The “high risk” of debt distress is lower for non-HIPCs and completion-point HIPCs (21.1%) than for pre-completion point HIPCs (30.8%). Overall, while the risk of debt distress is globally low (36.8%) and moderate (38.6) for non-HIPCs and completion point HIPCs, 53.8% of pre-completion point HIPCs are actually in debt distress and 30.8% would present a “high” risk to become in that situation in the forthcoming future.

At a first glance, Table 1 seems to suggest an important effect of the HIPC initiative. Yet, given that the HIPC initiative assistance only becomes effective in practice after a country has reached the decision point, it is quite understandable that the risk of debt distress is higher for pre-decision point countries. The same could be true for the comparison between completion point HIPCs and interim countries. Given that completion point HIPCs have already received a second reduction in debt available under the HIPC initiative, it seems normal that none of them are still in risk of debt distress. In other words, the risks of debt distress shown in Table 1 are biased by the category “in debt distress”. The distribution of risks provided by the IMF does not take into account whether the distinct groups of countries have already received debt assistance or not. In fact, if we follow Table 1, the “low” risk of debt distress would be lower for pre-completion point HIPCs (0%) than for completion point HIPCs (38.5%) and non-HIPCs (35.5%), which contradicts the overall trends of the table and suggests a problem of categorization. Indeed, if we would control for the availability of the HIPC debt reduction assistance and for the situation of current debt distress, the distribution of risks would be far different and the differentiation between pre-completion and completion point HIPCs would be much more moderate.

In addition, if one follows the 2007 IMF regional economic outlook report and considers overall macroeconomic data that specifically focus on SSA, it seems that SSA’s total external debt has tended to decrease between 1995 and 2006. SSA’s total external debt represented 43.1% of gross domestic product (GDP) in 2000 and decreased to 18.8% of GDP in 2006 (IMF, 2007: 16). However, a more recent empirical analysis using the African Economic Outlook database shows that SSA’s total external debt has increased again between 2006 and 2008, so that it still represented 45.1% of GDP in 2008, that is to say, more or less the same or even a bit higher than in 2000. Thus, the idea that SSA’s total external debt has decreased since 1996 remains highly disputable. In practice, it has decreased initially, but increased again more recently, and even more since the 2008 global financial crisis. Moreover, several other elements can lead us to further skepticism.

Indeed, on the basis of another empirical indicator, the IMF itself estimated that SSA countries average current account balance exhibited a deficit equivalent to 2.4% of GDP in 2006 and an even larger deficit up to 6.9% of GDP in 2009 (IMF, 2009). Using the Central Intelligence Agency (CIA) World Factbook database for the more recent period after the 2008 global financial crisis, up to 2012, I have found that the total external debt of SSA countries reaches 259.9 billions of dollars (CIA World Factbook, 2012a). At the same time, in 2012, the total GDP of SSA countries reached 1962.2 billions of dollars (CIA World Factbook, 2012b). In other words, in 2012 after the global financial crisis, external debts still represented 13% on average of the GDP of SSA countries. Even though an orthodox view would stress that it is the global financial crisis itself that has impeded SSA countries to reduce the proportion of GDP rates allocated for debt repayments, there is in fact no evidence that the HIPC initiative has contributed to reduce the burden that the repayments of external debts still constitute nowadays for SSA countries. The proportion represented by such burden in comparison with the GDPs of SSA countries has in fact still increased over the last decade.

To go more in details and to further illustrate our argument, Table 2 presents the nominal evolution of total external debts in 15 SSA countries. It is true that a decrease can be observed for seven of them between 1995 and 2000. While the 2009 total external debt of the African continent (311,203 millions of US dollars) is lower than in 1995 (341,203), it remains however at a very high level. Overall, while Africa’s total external debt has tended to decrease between 1995 and 2000, it has stagnated between 2000 and 2009, remaining at the same level than in 1991 to 1992. In other words, while the HIPC initiative might have slightly reduced Africa’s total external debt between 1996 and 2000, it has not continued to reduce the debt burden between 2000 and 2009. While it is clear that the total external debt has progressed much more moderately between 1990 and 2009 than in the 1980s, a progression has nonetheless prevailed for each decade.

Another way to consider the impact of the HIPC initiative is to look at its effects on the current debt service of the countries concerned by debt assistance. While the total external debt at a given moment in time corresponds to the total amount a country has still to pay to fully reimburse its debt, the debt service characterizes the cash required over a given period for the repayment of interest and principal on a debt. For instance, the debt service can take the form of monthly or bi-monthly payments. Figure 1 synthesizes the evolution and the projections of the debt service of 35 post-decision point HIPCs, that is to say, all the countries which have become eligible for HIPC initiative got assistance since 1996. 29 Sub-Saharan African countries are concerned plus Afghanistan, Bolivia, Haiti, Honduras, Guyana and Nicaragua. It appears from the analysis that the effects of the initiative on the debt service of post-decision point

Table 2. Evolution of total external debts in 15 sub-Saharan African countries (2000 to 2009) (In millions of US dollars).

Country	1980	1990	1995	2000	2009	Total external debt increase (1980 to 2009)
Botswana	160	653	871	1.217	1.294	1.134
Burkina-Faso	220	611	1.204	1.578	1.338	1.118
Cameroon	1.288	5.102	8.475	7.472	1.132	-156
Congo	1.156	3.888	5.561	5.255	5.936	4.780
DRC	4.395	10.169	13.461	12.862	5.219	824
Ethiopia	754	8.404	9.787	5.451	2.292	1.538
Gabon	1.389	3.119	3.933	3.065	4.252	2.865
Ghana	1.398	3.295	5.674	6.505	5.749	4.351
Liberia	652	2.087	217	2.041	4.725	4.073
Nigeria	6.478	33.764	31.929	31.937	36.540	30.062
Senegal	1.224	2.977	3.443	3.064	4.786	3.562
Sierra Leone	482	1.486	1.909	2.035	3.350	2.868
Sudan	5.059	13.642	17.143	20.014	31.873	26.814
South Africa	15.500	19.627	35.335	36.858	75.275	59.775
Tanzania	2.675	6.059	732	7.441	6.673	3.998
Africa	138.626	295.306	341.699	310.329	311.203	172.577

Sources: World Bank, African Development Report (2002: 241) and World Bank, GDF online database (2009b).

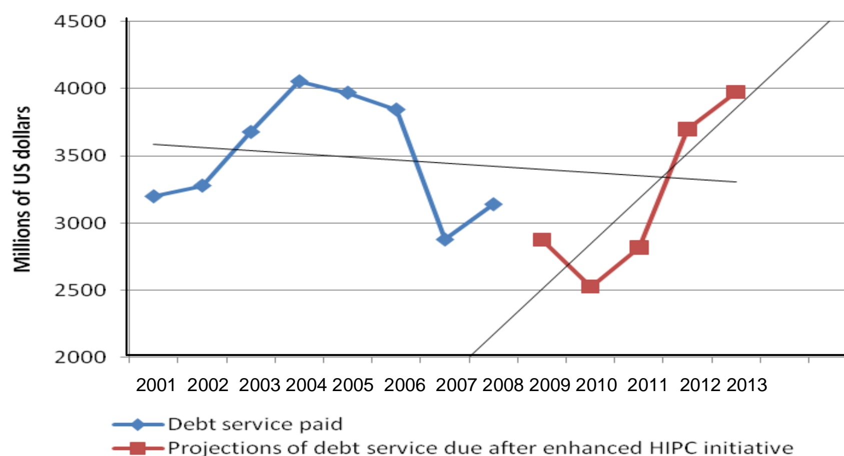

Figure 1. Evolution and projections of debt service of 35 post-decision point HIPCs (2001 to 2013). Sources: Author's personal empirical analysis based on HIPC country documents, World Bank and IMF estimates. The debt service is as % of exports of goods and services. Debt service paid covers 2001 to 2008 and the projections of debt service due covers 2009 to 2013.

HIPCs are much more moderate than the IMF formally states. While it could have been expected that the HIPC initiative would lead to short-term decreases, debt services have on the contrary globally progressed between 2001 and 2004 from 3,200 million US dollars up to more than 4,000 million.

Even though a relative decline can be observed over the last five years, the 2008 average debt service of the 35 post-decision point HIPCs (3,141 million US dollars), remains almost equivalent to the average debt service paid in 2001 (3,200 millions of US dollars). Thus, in spite of the financial initiative in their favor, HIPCs have not witnessed a substantial reduction of their annual debt services. Even if new loans with very low interest rates have been allocated to HIPCs in recent years, these facilities have not been sufficient to compensate the burden of the total external debts accumulated over the last three decades. Interestingly, the IMF's projections of the debt service due after the enhanced HIPC initiative show a decrease until 2010, but also a continuous increase until 2013. While IMF officials generally show a determined optimism in public speeches regarding the effect of the initiative, it is nevertheless estimated by the official reports of the institution, that the annual debt

Table 3. Debt service of 29 post-decision point HIPCs in Sub-Saharan Africa, 2001 to 2008 (In millions of U.S. dollars).

Post-completion point HIPC	Debt paid in 2001	Debt paid in 2008	Net difference between 2001 and 2008	% increase of the annual debt service
Benin	42.2	29.4	-12.8	-31
Burkina-Faso	35.1	46.4	+11.3	+32
Burundi	14.2	3	-11.2	-89
Cameroon	260.9	58.5	-202.4	-78
Central African Republic	21.7	45.6	+23.9	+101
Ethiopia	195.7	36.6	-159.1	-82
The Gambia	18.2	13.6	-4.6	-26
Ghana	452.6	256.5	-196.1	-44
Madagascar	46.7	28.5	-18.2	-39
Malawi	93.7	11.6	-82.1	-88
Mali	79	108.7	+29.7	+37
Mauritania	1	74.7	+73.7	+7470
Mozambique	27.1	49.9	+22.8	+84
Niger	32.6	26.7	-6.1	-19
Rwanda	22.2	7.4	-14.8	-67
Sao Tomé and Principe	0.7	2	+1.3	+185
Senegal	130.3	97.2	-33.1	-26
Sierra Leone	94.2	7.2	-87	-93
Tanzania	92	84.6	-7.4	-9
Uganda	42.6	43.9	+1.3	+3
Zambia	138.5	64.2	-74.3	-46
Interim HIPC				
Chad	19.9	174.9	+155	+778
Cote d'Ivoire	1.9	318.6	+316.7	+16668
DRC	34.2	157.2	+123	+359
Republic of Congo	517.9	414.4	-103.5	-20
Guinea	74.9	126.2	+51.3	+68
Guinea-Bissau	1.4	4.1	+2.7	+192
Liberia	0.6	1.2	+0.6	+100
Togo	17.8	64.9	+47.1	+264

Source: Author's personal analysis, based on annual IMF implementation reports "Debt Relief under the HIPC Initiative", 2009.

service of HIPCs will continue to grow, reaching 3,975 million US dollars in 2013. Consequently, it seems that in practice, progresses are much more moderate than actually proclaimed publicly.

Indeed, if one excludes from the analysis the six non-African countries and looks more closely at the 29 SSA countries concerned by the HIPC initiative, it is striking to note that the effects on the evolution of their annual debt services are in fact relatively balanced. Table 3 points out how two thirds of post-completion point HIPCs (fourteen out of twenty one) have paid a lower annual debt service in 2008 than in 2001. For instance, while Benin paid 42.2 million US dollars in 2001, it had to pay 29.4 millions of US dollars in 2008, showing a slight decrease. The same can be said for Burundi, Cameroon, the Gambia, Ghana, Madagascar, Malawi, Niger, Rwanda, Senegal, Sierra Leone, Tanzania and Zambia. Within those countries, Sierra Leone has witnessed the most important decline (-93%) and Tanzania the more modest (-3%). One third of post-completion point HIPCs have nevertheless witnessed the reverse trend, paying more through their 2008 annual debt service than they had paid in 2001. For example, while Mali paid 79 millions of US dollars in 2001, it had to pay 108.7 millions of US dollars in 2008 (+37%). Not only can this negative effect be observed in Uganda (+3%) or Burkina-Faso (+32%), but three countries, Mozambique (+84%), Sao Tomé and Principe (+185%) and Mauritania (+7470%) have even seen an impressive progression of their annual debt service.

Even though a decrease of the annual debt service can be observed for a majority of post-completion point HIPCs, only the Republic of Congo within the category of

interim HIPCs has experienced a 20% decline of its annual debt service in 2008 as compared with 2001. Seven out of eight interim HIPCs have paradoxically paid more debts in 2008 than in 2001. What also seems striking is that the trends in those countries not only contradict the predicted pattern, but the increases of their annual debt services in 2008 as compared with 2001 have also been very important: +68% in Guinea, +100% in Liberia, +192% in Guinea-Bissau, +264% in Togo, +359% in the Democratic Republic of Congo (DRC), +778% in Chad, and even +16668% in Cote-d'Ivoire. It seems quite probable that Cote d'Ivoire's important annual debt service increase might be linked with its civil war and its consequent political instability, negative economic growth and fragile economic leadership. Yet, it does not explain why the same trend can be observed in a more peaceful post-conflict Liberia or even in more politically stable countries like Mali or Burkina-Faso. Inversely, in spite of an increasing political instability and internal fights for power, Madagascar has paid 39% less in 2008 than in 2001. Overall, while fourteen countries have experienced an increase, fifteen countries have witnessed a decrease in their annual debt service, showing that the effects of the HIPC initiative are relatively balanced on this indicator.

HAS THE HIPC INITIATIVE REALLY LED TO THE REDUCTION OF EXTERNAL DEBTS?

We have seen that in nominal terms, Sub-Saharan Africa's total external debt has not been substantially reduced but on the contrary, has continued to grow since the mid-1990s, though at a slower level. The effects of the HIPC initiative on the reduction of HIPCs annual debt service also seem quite balanced. In the long run, it is legitimate to ask whether the HIPC initiative will enable HIPCs to progressively reduce their annual debt services. To complement our analyses, it is legitimate to compare the amount of the total external debts of HIPC with the international development assistance that they receive, or with their concrete poverty-reduction expenditures. Indeed, what do the current total external debts of HIPCs represent in comparison with the development aid they receive or the total expenditures they spend for financing development? If the HIPC initiative would really be effective on the reduction of the debt burden of HIPCs, then we would expect that their service due would progressively decrease, and that they would be more able to use their public finance to spend in promoting development.

Figure 2 compares the total debt service paid (2001 to 2008) and the projections of service due after the HIPC initiative (2009 to 2013) in post-completion point and interim HIPCs. It exemplifies how several countries have paid more between 2001 and 2008, than they still have to pay after the HIPC initiative, showing an effect on the reduction of their debt burden. This is the case of Zambia, Malawi, Ghana, the Gambia, Ethiopia, Central African Republic, Cameroon and Burundi for post-completion point HIPCs and of Guinea, the Republic of Congo and Chad for interim HIPCs. However, if we consider the overall trends, twelve countries out of twenty one for post-completion point HIPCs and five out of seven for interim HIPCs will normally have a higher service due after the HIPC initiative than the total debt service they have already paid between 2001 and 2008. On average, for seventeen countries out of twenty-eight, their projected service due between 2009 and 2013 are higher than their 2001 to 2008 total debt service. These empirical results suggest that while the HIPC initiative might be relatively beneficial for some HIPCs, it remains a necessary but not sufficient condition to reduce substantially the debt service due of HIPCs.

The proclaimed goal of the HIPC initiative has been to reduce the burden of external debt in order for low income countries (LICs) to benefit from more important financial margins and be more able to invest in poverty reducing expenditures. The HIPC initiative has been presented as a clear sign showing the commitment of IFIs and Western donors to poverty reduction and development in LICs. If IFIs and Western donors were really committed to poverty reduction in SSA, the first indicator to judge the effectiveness of the HIPC initiative could be that HIPCs would today pay less in reimbursing their total external debt than they would receive in official development assistance (ODA). In fact, in real terms, the annual ODA a country receives can only be meaningful for poverty reduction if its annual debt service is lower. The contrary would mean that the development assistance received is entirely redirected towards IFIs and international donors without being invested locally into development. Figure 3 considers total external debts in 2008 compared to ODA in 39 SSA countries where data was available. It demonstrates that for a majority of thirty two countries out of thirty nine, their total external debts in 2008 were much more important than the assistance they received through ODA. In only eight countries, Cameroon, Ethiopia, Malawi, Sierra Leone, Rwanda, Uganda and Zambia the situation is more positive.

In all the other countries, ODA remains relatively low as compared with total external debts. In some countries like Mali, Burkina-Faso, Benin, Burundi or Niger, their external debts have represented between 1.5 and 3 times more than the ODA they received, and between 5 and 7 times more in DRC, Ghana, Kenya, Liberia or Mozambique. For this small minority of countries, if their ODA would stay at the same level in the future and their annual debt services would not increase, then their total external debts might slowly decrease, and ODA might progressively be really used for financing development. Nonetheless, to date in the majority of SSA countries, such as is the case for Senegal, Nigeria and Togo, their

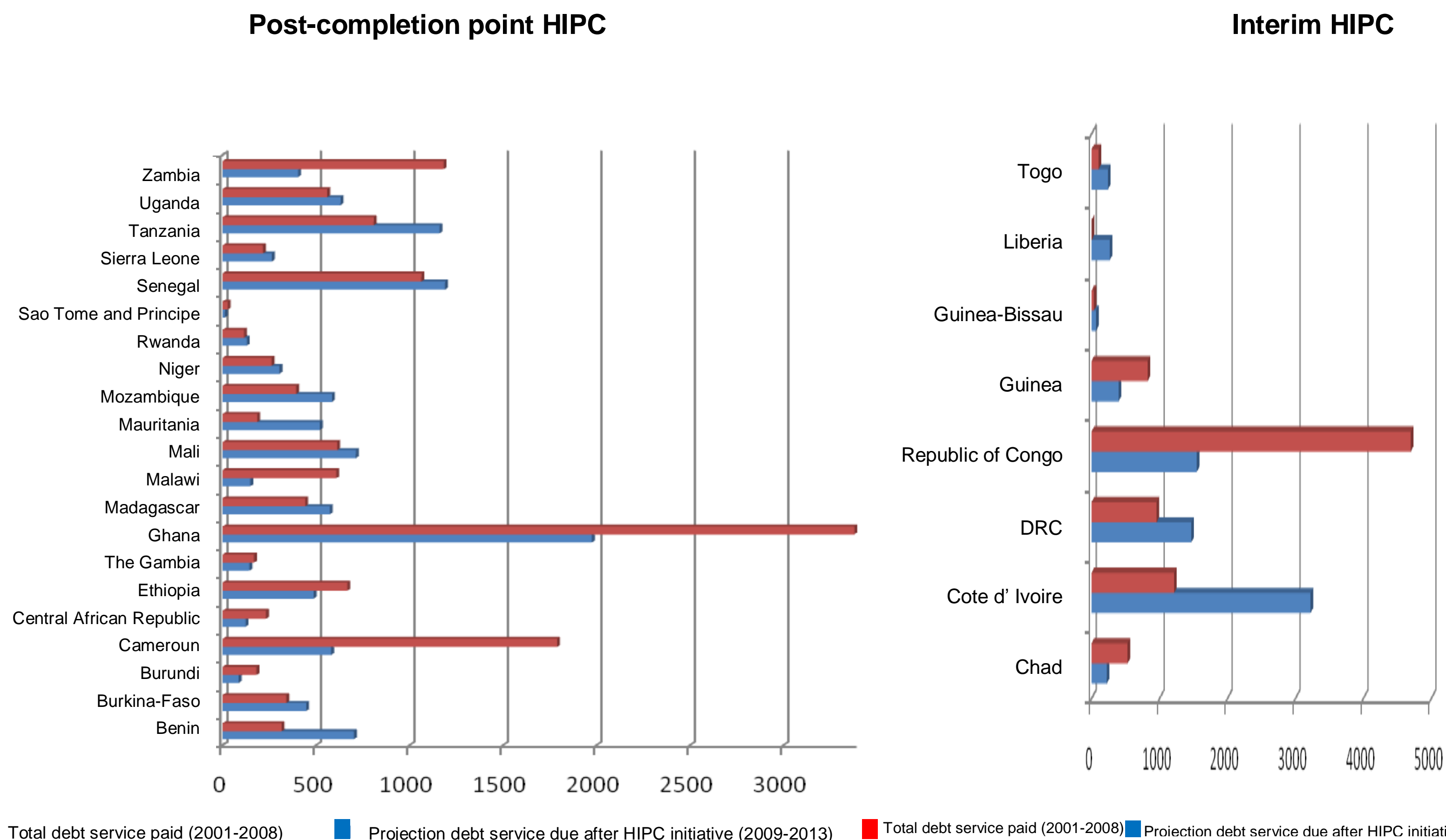

Figure 2. Total debt service paid (2001 to 2008) and projections of service due after HIPC initiative (2009 to 2013) in sub-Saharan Africa (In millions of US dollars). Sources: Author's own empirical analysis based on HIPC country documents, World Bank and IMF 2009 estimates.

total external debts remain so disproportionate compared with the ODA they receive, that the latter is entirely redirected to IFIs and donors. ODA remains "virtual" money received by a country but entirely used for the repayment of its annual debt payments. In several countries, the disproportions between ODA and their total external debts remain huge: Angola's external debts represent 34 times its annual ODA, 48 times for the Republic of Congo, 84 times for Congo. In other words, for most SSA countries, ODA is entirely useless in financial terms for reducing poverty as long as their debt burdens remains so high. Moreover, given that we have seen previously (Figure 1), that over the long term (2001 to 2013), the annual debt service of 35 post-decision point HIPCs will not decrease but rather increase, the condition which could lead

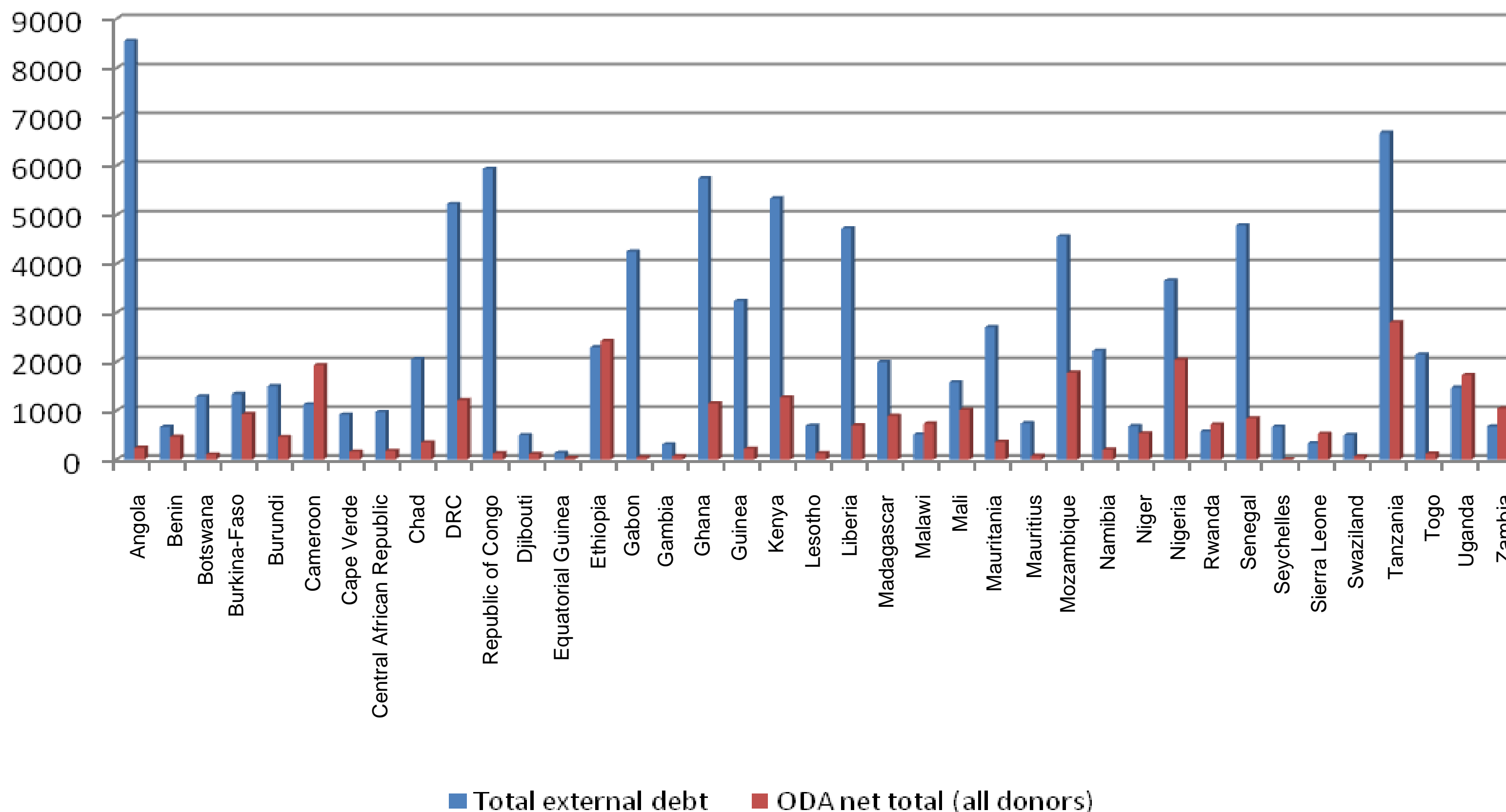

Figure 3. Total external debts compared to ODA net total in 39 sub-Saharan African countries in 2008 (US $ millions). Source: Author's own empirical analysis, based on African Economic Outlook 2009. *Comoros, Eritrea, Guinea-Bissau, Sao Tome and Principe, Somalia and Zimbabwe are not included in the AEO 2009. South Africa, Sudan and Cote d'Ivoire have been excluded from the figure for matters of scale. Their total external debts are respectively 75275 millions of US dollars, 31873 and 20245 and their ODA net total 794 millions of US dollars, 2104 and 140.

countries like Ghana, Kenya and Liberia to really use their ODA for financing development in the future might not even be met.

Another way to evaluate the effects of the HIPC initiative on poverty reduction is to compare the current amount of total external debts with SSA countries' total expenditures and net borrowing, taking into account what they represent in relation to national GDP. Indeed, total expenditures and net borrowing are the traditional indicators used in political economy to evaluate the total amount of money used by a country to spend in public finance. For instance, it can be spent in current expenditures (wages and salaries of the state's administrations or interest on the public debt) or in capital expenditures, the latter leading potentially to public investment and development programmes linked with poverty reduction. Figure 4 emphasizes how eighteen countries out of forty two (with Liberia) have presented total expenditures and net borrowing superior to their total external debts in 2008. It means that in spite of important external debts, those countries have been able to spend substantial amounts of public

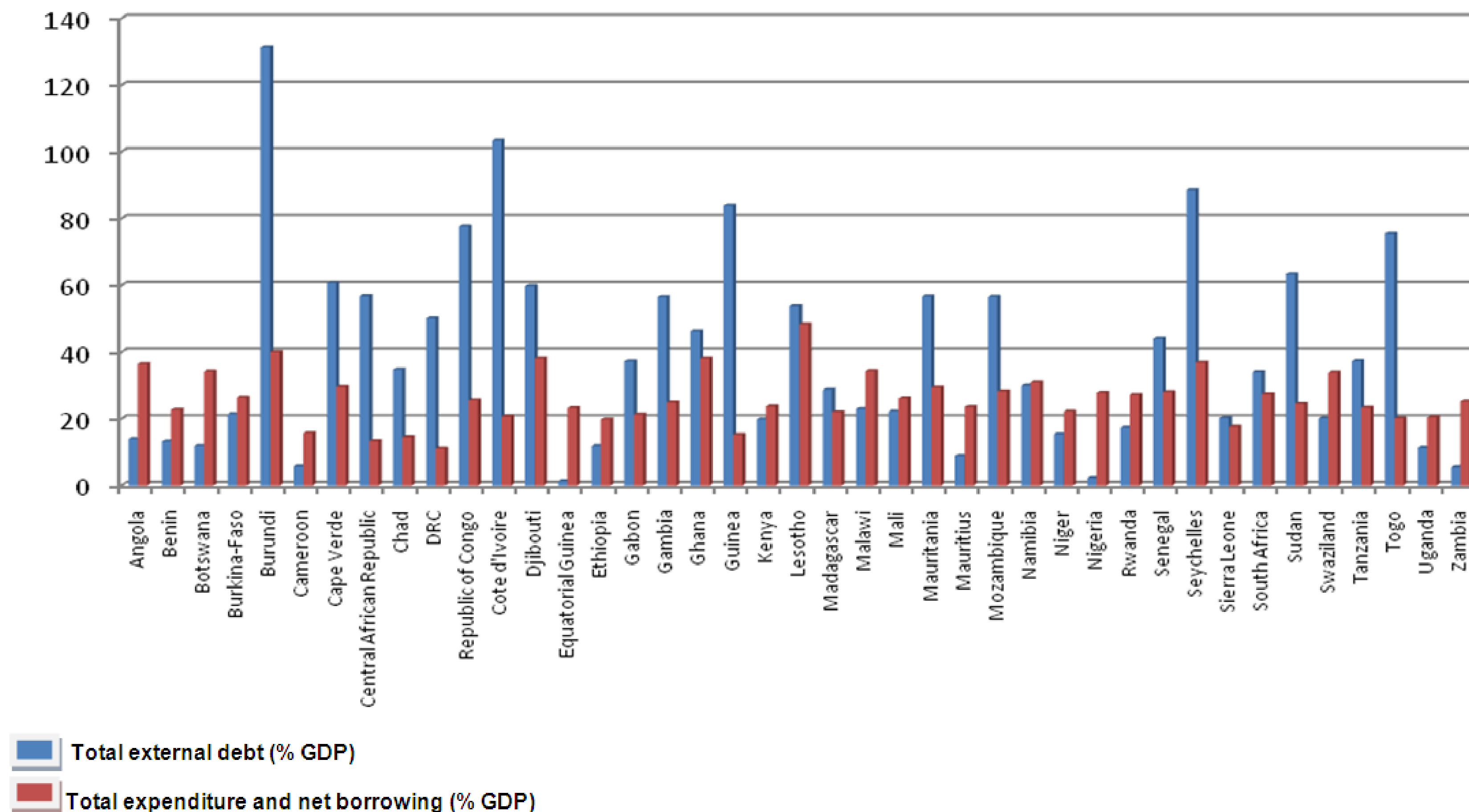

Figure 4. Total external debts compared to total expenditures and net borrowing in 41 sub-Saharan African countries in 2009 (% GDP). Source: Author's own empirical analysis, based on African Economic Outlook 2009. *Comoros, Eritrea, Guinea-Bissau, Sao Tome and Principe, Somalia and Zimbabwe are not included in the AEO 2009. Liberia has been excluded from the figure for matters of scale. Its total external debt represents 388.8% of its GDP with total expenditure and net lending represent 22.3% of GDP.

finance in current or capital expenditures. Given that capital expenditures are directly linked with public programmes in diverse sectors, it might be expected that those countries have done relatively better in reducing poverty, or at least they have invested more to do so. Interestingly, those countries whose total expenditures and net borrowing (as % of GDP) have been higher are generally either oil- exporters (Angola, Cameroon, Equatorial Guinea, Nigeria) or relatively democratic (Benin, Botswana, Malawi, Namibia for instance). In other words, while the balance between their external debts and their public expenditure is relatively better, this situation might not entirely be due to the HIPC initiative in itself, but rather because of important degrees of economic growth or democratization which have led to greater public expenditure. In coherence

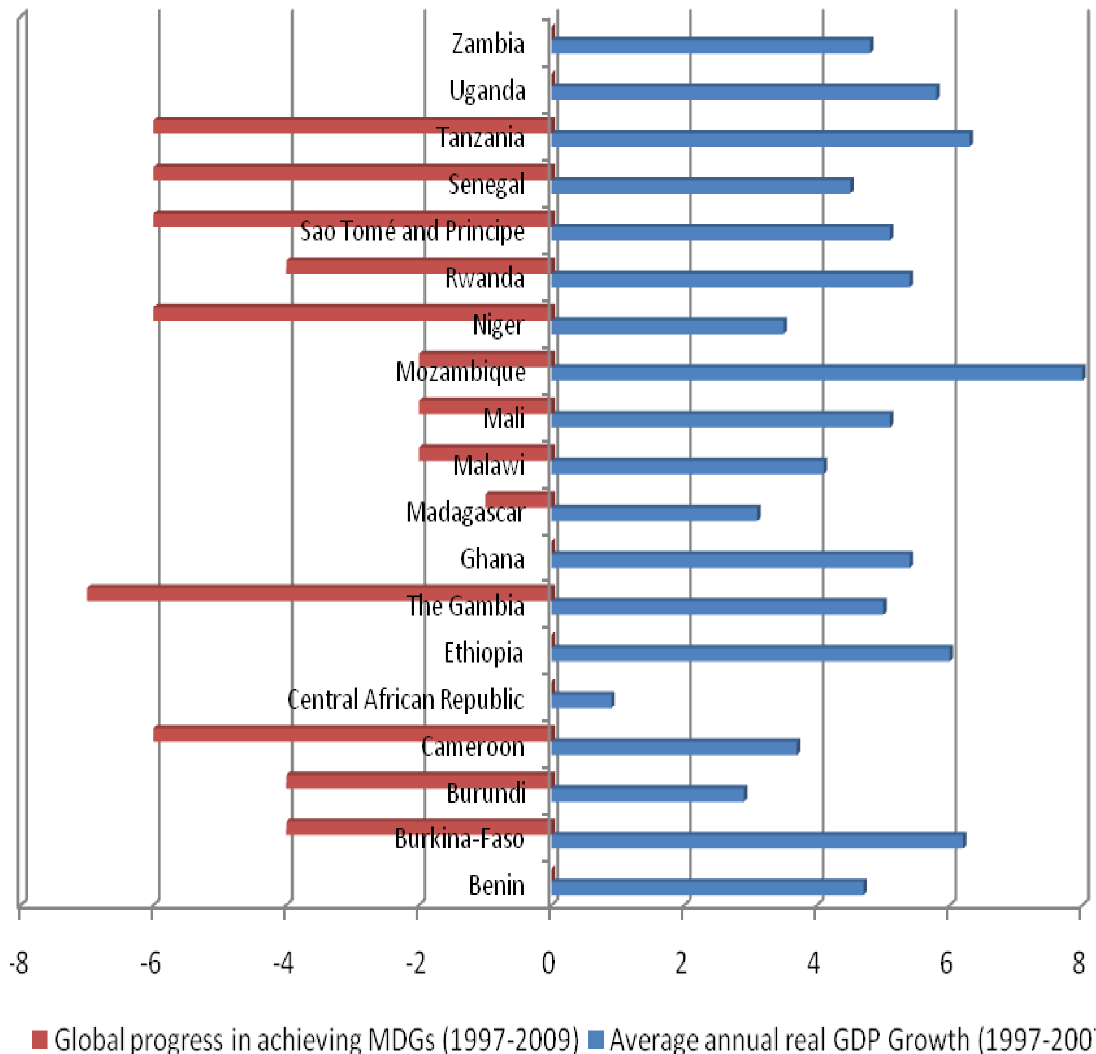

Figure 5. Economic growth and global progresses in achieving MDGs in post-completion HIPCs (1997 to 2009)**.** Sources: Author's own empirical analysis. The average annual real GDP growth is based on the IMF World Economic and Financial Surveys, Regional Economic Outlook, Sub-Saharan Africa, April 2007. The global progresses in achieving MDGs have been defined on the base of the World Bank Global Monitoring Report (2009a). Sierra Leone has been excluded because of data unavailability for considering MDGs progresses.

with the patterns observed previously, all the seven interim HIPCs considered present total external debts that are much more important than their total expenditures and net borrowing. For those countries, the effect of the HIPC initiative is so slight on the reduction of their total external debts that a significant proportion of their current revenues have still to be used for reimbursing their annual debt service rather than investing in poverty reducing expenditures.

Finally, to study the effectiveness of the HIPC initiative it is necessary to see how it has facilitated the progression of SSA countries for achieving the MDGs. The MDGs are an agreed set of goals defined within the framework of the United Nations and whose ambitious objectives are to respond to the world's main development challenges before 2015. While the HIPC initiative has been closely linked with the definition of the MDGs, one of the main elements privileged by IFIs has been to put a priority on economic growth in order to reduce poverty. As for the implementation of SAPs in the 1980s, the conditionalities and the benchmarking goals which have emerged with the HIPC initiative have been linked with structural reforms to favour the liberalization and the growth of SSA economies. If the relation between economic growth and poverty reduction would be as linear as IFIs generally pretend, we would then expect that given the important economic growth that SSA has witnessed during the last decade, the progresses of SSA countries towards the MDGs might have been facilitated.

To consider these trends, Figure 5 presents the

average annual real GDP growth of the 19 post-completion HIPCs between 1997 and 2007 in comparison with their global progresses in achieving the MDGs between 1997 and 2009. The average annual real GDP growth has been calculated on the base of the IMF Regional Economic Outlook surveys and the progresses towards achieving the MDGs using the 2009 World Bank Global Monitoring Report. Progresses are evaluated by the World Bank for each country on eight development goals (end poverty and hunger, education for all etc.) following a standard classification. [iii]For each development goal, the country is considered to be "off track", in a situation of stagnation or "on track". Following this qualitative categorisation, we have coded the progresses of each country for each goal: off track, no progresses or even regression has been coded (-1), stagnation or only possibly on track (0) and on track, progresses are made has been coded (+1). By doing so, we are able to obtain an average indication of the global progresses of each country on a sixteen points scale. If a country is considered to have made progress on all the development goals, it will have an average score of 8, while on the contrary it will have -8 if it is "off track" for all the eight goals.

The empirical results presented in Figure 5 are quite clear: while all the 19 post-completion HIPCs included in the analysis have known positive average annual economic growth between 1997 and 2007, none of them is considered to have really progressed towards the achievement of the MDGs up to 2009. Following the 2009 World Bank's Monitoring Report and our own empirical analysis, none of the nineteen countries has obtained an average positive score between 0 and 8, which would signify overall progresses. Five countries, Benin, Central African Republic, Ethiopia, Ghana, Uganda and Zambia have obtained an average score of 0, showing that they have not regressed nor have they progressed. Apart from the Central African Republic, all these countries have know an average annual GDP growth higher than 4%, but it has only led them to stagnate in the achievement of poverty reduction goals. Figure 5 only considers post-completion HIPCs which should logically regroup countries where the HIPC initiative has already had an effect, and countries more prone than interim HIPCs to sustain poverty reduction efforts. Yet, thirteen out of nineteen post-completion HIPCs are globally considered to be "off track" in 2009, to make no progress or even regress in the achievement of the MDGs. Nine countries are "off track" for more than half of the stated objectives. Under such conditions, it seems clear that as far as sub-Saharan Africa is concerned, it is very unlikely that the MDGs will be reached up to 2015.

Conclusion

In the end, what have been the effects of the HIPC initiative on the reduction of the external debts of SSA countries? To answer this research question, it seems worthwhile to quote United Nations Secretary-General Ban Ki-Moon, which has himself recognised that "we have made important progress to reach the MDGs, and have many successes on which to build. But we have been moving too slowly to meet our goals"[iv]. In fact, there are no elements that can lead to conclude that the debt service payments of SSA countries have been decisively declining. While formally, it is undeniable that a renewed discourse has been formulated by IFIs, in practice however, the empirical analysis shows that the HIPC initiative has not led to a substantial reduction of the debt burden of Sub-Saharan African countries, nor has it necessarily fostered the progression towards the achievement of the MDGs. Indeed, we have seen that while it is clear that SSA's total external debt has progressed much more moderately since the mid-1990s in comparison with the 1980s, it nevertheless remains nowadays at very high levels for most of SSA countries. Second, independently of short-term variations and a relative decline between 2004 and 2007, the average annual debt service of post-decision point HIPCs has not really changed between 2001 and 2008, and the IMF even projects that it will continue to increase until 2013.

It is remarkable that the same types of critiques related with the lack of effectiveness of the HIPC initiative to reduce the debt burden of SSA countries are also formulated by other authors. For instance, Daniel Cohen has argued that the assessment of the HIPC initiative is distorted by the fact that it lacks all perspective on the "market value" of the debt which is written down. Building upon econometric evidence that relies on middle income debtors in the eighties, it concludes that "the initiative is about ten times less generous than face value accounting would suggest (Cohen, 2001: 375). The World Bank independent evaluation group on the HIPC initiative has also recently concluded that "debt reduction is not sufficient for debt sustainability. Further debt relief initiatives need to stress that debt sustainability requires other policy actions by governments and external partners to improve repayment capacity" (World Bank, 2006: 12).

Indeed, this paper has demonstrated that in spite of the HIPC initiative, only half of SSA countries have witnessed a temporary reduction of their annual debt service. The allocations of new loans with low interest rates and debt assistances have not been sufficient to compensate the burden represented by the total external debts which have been accumulated over the last three decades. In many countries, total external debts remain so disproportionate as compared with the ODA they receive that the latter remains entirely used for the repayment of annual debt payments. To conclude, it could be said that while the HIPC initiative has had an effect for several countries on the reduction of the short-term pressures represented by their annual debt service, it has not

convincingly tackled the broader dilemma linked with the total external debt. As long as debt repayments will continue to constitute a major part of government budgets, major resources which could have been used for promoting poverty reduction policies internally will continue to escape from the continent to pay the interest rates of the loans of international donors.

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[i] IMF Press release, "Debt Relief and Continued Flexibility Alleviate the Debt Burdens of Poor Countries", available at http://web.worldbank.org/wbsite/external/topics/extdebtdept /0,contentMDK:22326142~menuPK:64166657~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html], acceded September 2009.

[ii] Ibid.

[iii] The eight development goals considered are the following: (1) end poverty and hunger, (2) education for all, (3) gender equality, (4) save children's lives, (5) make motherhood safe, (6) stop HIVS/AIDS and other diseases, (7) protect environment and (8) build global partnership for development. The World Bank determines whether a country is "on track" or "off track" to meet a given MDG by 2015 when at least two observations are available after 1990, with a sufficient number of years separating them. To do so, it compare the progress recorded thus far with that needed to reach the MDG, under the assumption that progress becomes increasingly difficult the closer countries get to the goal.

[iv] Ban Ki-Moon, official declaration in the 2009 Millennium Development Goals Report, available at [http://www.un.org/millenniumgoals/sept_2010_more.shtml], acceded September 2009.