

## External Imbalances, Economic Growth and Convergence: The Case of Sub-Saharan Africa

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### Introduction

External imbalance is one of the cardinal problems of developing countries in the contemporary world. This problem became particularly the burning issue of the world community in general and developing countries in particular since the early 1980s. This was mainly associated with the two oil – price shocks of the 1973–1974 and 1979–1980 together with other factors including the changes in the global macroeconomic policy on the part of the industrialised world and mismanagement and other forms of distortions on the part of developing countries.

In the process of this crisis, Sub-Saharan Africa<sup>1</sup> has been the most affected among the developing regions, where 77 per cent of the severely indebted low-income countries, in 1994, belong to this region. As though it was not enough, this has also been accompanied by huge capital flight, widening the gap between savings and investment, hence hindering economic growth and accelerating divergence. For illustration: „It has been estimated that 70 per cent of privately owned wealth (except land) was held abroad in 1992, and that Africa’s private capital stock would be about three times higher than it currently is if the wealth had simply been retained at home,, (Trade and Development Report, 1998). Moreover, according to the World Bank estimates, between 1986–1990, capital flight from Sub-Saharan Africa reached USD 30 billion, and in 1993 alone, the total capital flight from this region was estimated to be 80 per cent of the region’s Gross Domestic Product (GDP) (Grey and Beggs, 1995). Mainly as a result of external imbalance problems, Sub-Saharan has been marginalized and diverging.

This paper has been divided into three parts. The second part briefly reviews the political economy of overseas borrowing and the evolution of external debt accumulation in developing countries. Moreover, this part discusses the magnitude and structures of Sub-Saharan Africa’s external debt relative other comparable developing regions.

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<sup>1</sup> Sub-Saharan Africa comprises all countries in the African continent except, Algeria, Egypt, Libya, Morocco and Tunisia. I would like to thank Prof. O. Sobek, Ass. Prof. Jan Iša and Prof. S. Klasen for their constructive comments.

Part three is basically the nucleus of this paper. This part discusses the relation between external debt and economic growth and convergence in Sub-Saharan Africa. Finally, we present results, discussion and conclusion.

## 1. The Political Economy of External Borrowing

The external imbalance problem of the developing world in the 1980s was best expressed by the popular joke of the 1980s, which characterized borrowing from private foreign banks as „an umbrella that a person is allowed to borrow as long as the weather is fine, but which he has to return the moment it starts raining“ (Nafziger, 1993).

Between 1973 and 1974, there was a revival, after an interruption of private lending (explained by Figure 1) since the late 1920s due to the experience of substantial defaults. The reasons for the revival of private lending to developing countries might be different both from the viewpoint of debtors as well as creditors. From the viewpoint of debtors, the economic justification to borrow was associated with the rising gap between national savings and domestic investment. Moreover, soft borrowing conditions, including low, in some cases, negative real interest rates had also encouraged developing countries to borrow overseas. Hence, at the expense of a current account balance, a country can obtain resources to invest even if its domestic savings level is low.

There is a growing consensus that developing countries are suffering from plenty of internal and external obstacles in their path to growth and development. Such arguments are often explained by the phenomenon of vicious circles. For example, H. N. Singer (1990) argues that „external imbalance is caused by the vicious circle of poverty:

- poor people are poor because they are undernourished and illiterate, and
- they are undernourished and illiterate because they are poor“.

Others, for example, F. Root (1991), argues that the cardinal problem of developing countries' external imbalance is mainly due to the saving – investment gap, which is further explained by the following vicious circle:

- productivity is low because investment is low,
- investment is low because saving is low,
- saving is low because income is low,
- income is low because productivity is low, and in the end,
- poor nations are poor because they are poor.

Following the above arguments, it is worth to conclude that the saving – investment gap reflects the inability of poor countries to save enough in order to finance the level of investment necessary for self-sustaining growth. Therefore, overseas borrowings are bound to fill this gap. From this standpoint, it appears

that the deficit in poor countries is simply a development deficit that is inevitable if countries were to achieve long-run economic growth. The absence of (low developed) financial markets in least developing countries, which could mediate savings and investment, implies that savers would find it more difficult to place their funds directly into investment opportunities leading to insufficient domestic savings available to provide the finance for domestic investment.

There is also another justification for overseas borrowings by developing countries. Assuming that there is no savings gap, poor countries may still be constrained by foreign exchange gap. This lead us to conclude that, the level of domestic savings in developing countries is a necessary but not a sufficient condition for raising investment to a desired level.

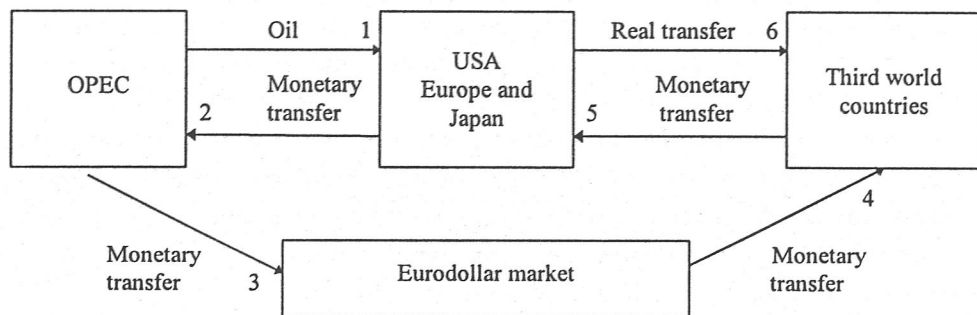
Although the above arguments give good insights into the motives of developing countries overseas borrowings they ignore the problem of loans to finance unprofitable investments or imports of consumption goods and luxury items, which give rise to high external debt accumulation that most borrowers are unable to repay. In addition, faulty government policies that abnormally depressed the level of national savings could also lead to overseas borrowing.

On the other hand, from the perspectives of creditors, regarding the revival of lending to developing countries, there are, at least, three reasons in the economic literature:

First, the fact that oil-exporting countries, in the 1970s, gained an enormous shares of world income and this income was concentrated in western commercial banks, gave international private banks an opportunity to follow an aggressive lending policies. This was further aggravated by the inflationary monetary policy, implying low or negative real interest rate, hence encouraged overseas borrowing. Second, the opportunities in industrialized countries were low enough to consume the funds that were ready for borrowers. This gave commercial banks additional incentive to look for borrowers from developing countries. Finally, this period was famous in its resistance to foreign direct investors on the part of developing countries. This made borrowing at interest rather than foreign investors to control companies and repatriate profits more attractive.

Following the above justifications, the accumulated „petrodollars“ in the 1970s began to recycle and the mechanism of its recycling took the following form: While oil moved from OPEC to Europe, Japan and the United States, in exchange, dollar moved to the opposite direction. These „petrodollars“ were deposited in Eurodollar markets from which developing countries borrowed to pay their import bills mainly from Europe, the United States and Japan. As M. Chacholiades (1990) put it correctly, despite the fact that the circle seems closed and everyone was benefiting, this recycling was bound to be the root of the debt crisis in the 1980s and recent periods.

Figure 1  
The Recycling of Petrodollar Scheme



Source: Miltiades Chacholiades, 1990, p. 395.

### 1.1 The Magnitude of Sub-Saharan Africa's External Debt

Based on World Bank Debt Report (1996),<sup>2</sup> countries are divided into groups according to 1994 Gross National Product (GNP) per capita, calculated using the World Bank Atlas Method. Accordingly, countries are divided into income groups as follows:

- low-income are countries with GNP per capita of USD 725, or less;
  - lower-middle-income are countries with GNP per capita of USD 725–8,955;
  - high-income countries are those with GNP per capita of USD 8,956 or more.
- Moreover, countries are divided according to their degree of indebtedness:

- Severely-indebted low-income countries (SILICs) – countries in which one of the two key ratios for 1992–1994 is above critical level (these ratios and the critical values are present value of debt service to GNP (80 per cent) and the present value of debt service to exports (220 per cent). These debt indicators also apply to severely indebted middle-income countries, except their difference in income.

- Moderately-indebted low-income countries (MILICs) and moderately indebted middle-income countries (MIMICs) are those, except their income differences, in which either one of the two key ratios for 1992–1994 falls in the following ranges: present value of debt-service to exports of goods and services (132–220 per cent) and present value of debt service to GNP (48–80 per cent).

<sup>2</sup> Since the calculation of the present value a foreign debt is not always straightforward, the following criteria are often used to put countries into different groups based on their degree of indebtedness: debt-to-GDP (30–50 per cent), debt-to-exports of all goods and services (165–275 per cent), accrued debt service to exports (18–30 per cent) and accrued interest to exports (12–20 per cent)

Following Thisen (1994), two factors are mainly responsible to make Sub-Saharan African external debt a greater burden than the debt of other highly indebted countries. The first factor is that, in 1990, only eleven countries were classified as middle-income (having per capita income of more than USD 480 annually and most of them are in the lower range of category) while the rest are in the low-income category. The second factor is that in 1990, only five countries in Sub-Saharan Africa (Nigeria, Côte d'Ivoire, Cameroon, Gabon, and Zimbabwe) were borrowers from the IBRD at market-related terms. The remaining countries borrowed from IDA—the concessional window of the World Bank Group (Husain, 1991; Thisen, 1994).

The trend hasn't improved even recently, where in 1994, only ten countries in Sub-Saharan Africa (Angola, Botswana, Cape Verde, Djibouti, Gabon, Mauritius, Namibia, Seychelles, South Africa and Swaziland) were in the middle-income category while thirty countries were in the low-income category. It should be noted that, Nigeria, Côte d'Ivoire, Cameroon, Gabon and Zimbabwe, which had been in the middle-income category in the late 1980s, moved down to the low-income category in the mid-1990s.

Another specific feature of the magnitude of Sub-Saharan Africa's external debt is that the structural weaknesses of this region was more pronounced compared to middle-income countries that faced similar severity of debt burden (for example, the severely indebted middle-income countries). It should also be noted that in 1994, only two countries (Angola and Gabon) were categorized as severely indebted middle-income countries. During the same period, while seven countries (Benin, Chad, Comoros, Gambia, Malawi, Senegal and Zimbabwe) were categorized in the moderately indebted low-income countries; only one country (Cape Verde) was classified as moderately indebted middle-income country. Moreover, as Thisen (1994) has correctly put it, the low-income Sub-Saharan African countries are not only poorer but also are smaller relative to the severely indebted middle-income countries. This implies that their lack of diversified export base make it more difficult for them to adjust to changing world economic patterns.

Regarding the magnitude of the external debt of Sub-Saharan Africa, it is necessary to stress that, like other developing regions, the region got into severe indebtedness in the early 1980s and thereafter. While the total external debt of all developing countries rose from USD 647 billion in 1980 to USD 1,921 billion in 1994, the total external debt of Sub-Saharan Africa reached USD 84 billion in 1980 and USD 214 billion in 1994. This constitutes 13 per cent and 11 per cent of the total external debt of developing countries in 1980 and 1994 respectively. During these periods, the highest proportion of external debt was

owned by Latin America and the Caribbean, which reached more than USD 258 billion in 1980 and USD 565 billion in 1994 (representing nearly 40 per cent and 29 per cent of the total external debt of developing countries in 1980 and 1994 respectively). On the other hand, East Asia and the Pacific had a total external debt of USD 94 billion in 1980 and USD 421 billion in 1994. This constitutes, respectively, 15 per cent and 22 per cent of the total share of developing countries' external debt.

Table 1

**Some Debt and Performance Indicators of Selected Developing Regions 1980 and 1994**  
(billions of USD)

	SSA <sup>2</sup>		LA <sup>3</sup> & Carrib.		E. Asia & Pac.		SILICs <sup>4</sup>		SIMICs <sup>5</sup>	
	1980	1994	1980	1994	1980	1994	1980	1994	1980	1994
Total external debt (EDT)	84	212	258	562	94	421	60	223	235	587
EDT (% of LDCs's EDT)	0.13	0.11	0.4	0.29	0.15	0.22	0.09	0.12	0.36	0.31
Outstanding debt	58	165	188	443	67	328	47	184	182	469
EDT/GNP (%) <sup>6</sup>	30.6	78.8	36.2	37.2	21.5	30.9	31.4	145.2	32.5	37.7
CA/GNP (%) <sup>7</sup>	0.7	-2.9	-4.6	-3	-2.5	-1.2	-6.2	-6.2	-2	-3
Growth rates (%): <sup>1</sup>										
GNP	-0.15		5.6		8.7		-1.6		5.7	
Export	-1.3		4.7		13		-2.6		2.2	
Import	-0.44		4.6		12.3		-0.12		3.4	

<sup>1</sup> The growth rates are calculated using natural logarithms.

<sup>2</sup> SSA stands for Sub-Saharan Africa.

<sup>3</sup> LA stands for Latin America.

<sup>4</sup> SILICs represent severely-indebted least income countries.

<sup>5</sup> SIMICs stands for severely-indebted middle income countries.

<sup>6</sup> Ratio of total debt to GNP.

<sup>7</sup> Ratio of current account to GNP.

Source: Own calculation based on World Bank data (1996).

It should be noted from Table (1) that the total external debt of Sub-Saharan Africa (both in absolute and relative terms) appears to be the lowest among developing countries. For illustration, the region's external debt represented only 35 per cent and 36 per cent of Latin America's total external debt in 1980 and 1994 respectively. Similarly, this share constituted 89 per cent and 50 per cent of the total external debt of East Asia and the Pacific in 1980 and 1994 respectively. To make the comparison even more dramatic, it is appropriate to take the two most indebted Latin American countries (Brazil and Mexico) whose total external debt reached USD 130 billion in 1980 and USD 279 billion in 1994. The ratio of the total external debt of Sub-Saharan Africa relative to the two Latin American countries is nearly 65 per cent in 1980 and 76 per cent in 1994.

Table 2

## Basic Debt Indicators for Selected Developing Regions

Indicators in per cent	SSA		Index	LA & Carb.		Index	E. Asia & Pac.		Index	SILICs		Index	SIMICs		Index
	1980	1994	1994/1980	1980	1994	1994/1980	1980	1994	1994/1980	1980	1994	1994/1980	1980	1994	1994/1980
EDT/XGS <sup>1</sup>	90.9	265.7	2.92	206	258.6	1.26	93.6	93.3	1	106	529.4	4.98	151	291	1.92
EDT/GNP <sup>2</sup>	30.6	78.7	2.57	36.2	37.2	1.03	21.5	30.9	1.44	31.4	145.2	4.62	32.5	37.7	1.16
TDS/XGS <sup>3</sup>	9.7	14	1.44	36.9	27.5	0.75	13.4	12	0.9	11.2	20	1.79	27.6	27	1.08
INT/XGS <sup>4</sup>	6.2	6.9	1.11	19.6	12.4	0.63	7.6	4.6	0.61	6	9.4	1.57	14	12.2	0.87
INT/GNP <sup>5</sup>	2.1	2	0.95	3.4	1.8	0.53	1.8	1.5	0.83	1.8	2.6	1.44	3	1.6	0.53

<sup>1</sup> Ratio of total external debt to total exports.

<sup>2</sup> Ratio of total external debt to GNP.

<sup>3</sup> Ratio of total debt service to total exports.

<sup>4</sup> Ratio of interest payments to total exports.

<sup>5</sup> Ratio of interest payments to GNP.

Source: Own calculation based on World Bank data (1996).

From this one might conclude that Sub-Saharan Africa's total external debt, on average, really is the lowest among the average total external debt of developing countries. However, such a conclusion is bound to be misleading as it fails to convey information, which renders a sound economic interpretation. The reason is that absolute numbers usually fail to give appropriate meaning in general and economic insights in particular. Therefore, the most important debt indicators are obtained when the region's or a country's external debt and debt service are converted into the economic resources of a country or a region. Moreover, other economic performance indicators turned out to be unfavourable for Sub-Saharan Africa. While the ratio of the current account of the balance of payments changed from 0.7 per cent GNP in 1980 to nearly -3 per cent of GNP in 1994, the growth rate of GNP had been negative. On the other hand, while the export performance had been unfavourable declining to nearly -1.3 per cent annually between 1980 and 1994, import had been slightly positive. The same holds true to severely indebted low-income countries.

In contrast, the economic performance of other developing countries had been favourable during this period. The highest annual GNP growth was achieved by East Asia and the Pacific (with 8.7 per cent annual average growth rate of Gross National Product in the period 1980 and 1994) followed by severely indebted middle-income countries and Latin America. East Asia and the Pacific had achieved the most profound export performance, (with nearly 13 per cent annual growth rate of exports), again followed by Latin America and the Caribbean. The ratio of the current account relative to GNP had also been improving for all developing countries except for Sub-Saharan Africa and severely indebted low-income countries.

The ratio of debt to GNP shows the magnitude of the external debt, i. e. how large the total external debt relative to the capacity of the region's production. This ratio reached nearly 80 per cent for Sub-Saharan Africa in 1994 (the highest among developing countries). During the same period, this ratio reached more than 145 per cent for severely - indebted low-income countries. On the other hand, the debt service to GNP ratio and debt service to export ratio serve as indices of solvency. The debt service to exports ratio reflects the gross impact of debt on foreign exchange cash flow (Schadler, et al., 1993). In other words, it tells us how much resource a country or region has to surrender in order to service its external debt.

Another significant debt indicator is the ratio of interest to exports, which measures the economic cost of the external debt. When principal payments are routinely rolled over, the interest ratio is also a good measure of the net impact of external debt on foreign exchange cash flow. Moreover, the evolution of the ratio



of debt to exports (even calculated at the face value rather than present value) is critical to the countries under review for two reasons (Schadler, et al., 1993):

- given the limited scope for more concessional terms, restoring debt service ratios to manageable levels always requires a reduction in the debt ratio;
- once debt-service ratios reach a manageable level, sustainability requires a stable ratio of debt to exports, assuming unchanged terms on new debt.

The high debt to export ratio is of great concern because of its negative effects on investment and saving. In Sub-Saharan Africa, there are at least two channels through which the negative effects work (Hadjimichael, 1995, in: Ayayi, 1997):

- The first channel is the debt overhang indicated by the high debt to export ratio, which leads to the anticipation by economic agents of future tax liabilities for its servicing.

- The second channel is associated with the debt overhang hypothesis, which points out that since an indebted country benefits only partially from increased output, or exports, there is a disincentive effect to initiate programs that will lead to future growth. This would damage the interest not only of the debtors but also of the creditors. Such a situation could not be rectified by provision of liquidity (new debt) in order to overcome debt-servicing payments. Rather, it calls for a reduction in the stock of debt and debt service (Trade and Development Report, 1998). Moreover, a high debt to export ratio implies that funds are to be transferred abroad in the future thus raising the implicit cost of domestic capital.

Another negative aspect of high debt to export ratio is that the high stock of foreign debt can be associated with lower investment in at least two ways (Ayayi, 1997; Nafziger, 1993; Maxwell, 1989; Otani, 1989; among others):

- first, the payment on external debt turns out to reduce the funds available for investment in domestic economy in the current period, and
- second, a country or region surrenders the amount of money that, if it had been invested domestically, would have had a multiplier effect and been a catalyst for future investment. In other words, the total external debt to exports ratio could be seen as an inverse indicator of a country's solvency, which signals the likelihood of debt servicing problems.

It should be noted that relative comparison of external debt among developing regions is not always explained by greater concessionality of the external debt. Concessional debt is higher, for example, in South Asia, a region that has also higher debt service ratio. The low debt service ratio in Sub-Saharan Africa is attributed to a continuous growth of arrears, which is perhaps the best indicator of the extent of the debt overhang. Accumulated arrears, on interest and principal, reached USD 64 billion in 1996, amounting to about 27.4 per cent of the total debt (UNCTAD, 1998).

Table 3

**Total Amount on Arrears (Interest and Principal) 1988 and 1994 (in billions of USD)**

	Developing countries		E. Asia & Pacific		Latin America & Caribb.		Sub-Saharan Africa		SILICs	
	1988	1994	1988	1994	1988	1994	1988	1994	1988	1994
Total arrears	71	137	2	13	24	31	20	48	24	70
per cent of LDOD	6.5	9	1.2	4.2	6	7	15.5	31.5	18.5	38

Source: World Debt Tables 1996 and own calculation.

Table (3) indicates that the total amount of arrears for Sub-Saharan Africa was higher than both East Asia and Latin America (except in 1988) in the case of the later. What is more important is that in percentage of total long-term debt (LDOD), the total amount of arrears for Sub-Saharan Africa was the highest among all developing countries. While developing countries, on average, had total debt arrears as a percentage of long term debt of 6.5 per cent in 1988 and 9 per cent in 1994, this ratio for Sub-Saharan Africa had substantially higher values reaching 15.5 per cent in 1988 and 31.5 per cent in 1994. This clearly shows the specific feature of the external debt of Sub-Saharan Africa where the debt overhang is thought to be most severe.

Nevertheless, it should be noted that, in terms of external debt, Sub-Saharan Africa is heterogeneous. Therefore, the magnitude of foreign debt across the region is not evenly distributed. In 1980, for example, seven countries, Zambia, Tanzania, Nigeria, Kenya, Côte d'Ivoire, Zaire, and Cameroon represented 65 per cent of Sub-Saharan Africa's total external debt. Nigeria, Côte d'Ivoire and Sudan representing 15 per cent, 13 per cent and 10 per cent of the total external debt of the region, owned the largest share. In 1996, twelve countries, Angola, Zaire, Côte d'Ivoire, Ethiopia, Kenya, Nigeria, South Africa, Sudan, Tanzania, and Zambia represented 60 per cent of the total external debt of the region. It should also be stressed that Nigeria followed by South Africa, Sudan and Zaire is the most indebted country in Sub-Saharan Africa.

## 1.2 The Structure of Sub-Saharan Africa's External Debt

While the magnitude of Sub-Saharan Africa's external debt turns out to be important for conveying information about the degree of indebtedness relative to other developing countries, the structure of external is also crucial in the sense that it figures out the sources of external financing. From the debt structure table, it is obvious that not only the magnitude of the external debt stock but also the sources of the external debt of this region is different from other comparable developing regions.

Table 4

## Sub-Saharan Africa's External Debt Structure (million of USD unless otherwise indicated)

	Bilateral				Multilateral				Private		Short-term		IMF	
	Concessional		Non-concessional		Concessional		Non-concessional							
	1980	1996	1980	1996	1980	1996	1980	1996	1980	1996	1980	1996	1980	1996
SSA <sup>1</sup>	10 984	42 788	5 711	37 715	3 965	40 579	3 630	14 259	20 911	43 711	9 760	39 634	3 033	8 445
In per cent	19	19	9.8	16.6	6.8	17.8	6.2	6.2	36	19	16.8	17	5.2	3.7
Ex. SA <sup>2</sup>	10 984	42 788	5 711	37 715	3 965	40 579	3 630	14 259	20 911	29 805	9 760	30 834	3 033	7 562
In per cent	19	19	9.8	16.6	6.8	17.8	6.2	6.2	36	13	16.8	13.5	5.2	3.3
Ex. Nig. & SA <sup>3</sup>	10 583	41 859	5 689	24 493	3 928	40 154	3 097	10 190	16 535	22 718	6 207	25 157	3 033	7 562
In per cent	18	18.4	9.8	11	6.8	18	5.3	4.5	28	10	11	11	5.2	3.3

<sup>1</sup> SSA – Stands for Sub-Saharan Africa.

<sup>2</sup> Excluding South Africa.

<sup>3</sup> Excluding Nigeria and South Africa.

Source: Own calculation based on data from World Bank 1998.

The maturity (whether the external debt is short-term or long-term) of the debt is not a concern peculiar to Sub-Saharan Africa. On average, nearly 80 per cent of the total external debt of developing countries is long-term. However, there is a substantial difference when we deeply analyse the sources of the external debt. From Table (4), it is clear that nearly 90 per cent of Sub-Saharan Africa's long-term outstanding debt had been public or publicly guaranteed in 1980 and this ratio rose to nearly 100 per cent in 1994. Private non-guaranteed total debt outstanding represented only 1 per cent in 1980 and almost disappeared in 1994.

In contrast, public and publicly guaranteed outstanding long-term external debt for Latin America had been 80 per cent in 1980 and 90 per cent in 1994. The situation in East Asia had been even by far better where during the same periods these ratios had been 80 per cent.

Moreover, long-term private external debt is not only insignificant in terms of its size but also it was concentrated in few countries. For illustration, excluding South Africa, six countries, Cameroon, Gabon, Nigeria, Kenya, Zaire and Côte d'Ivoire owned nearly 68 per cent of the region's long-term private external debt. Only Nigeria and Côte d'Ivoire owned 43 per cent of the region's total long-term private foreign debt of Sub-Saharan Africa. In 1996, although the long-term private external debt of the region grew by about 100 per cent compared to its 1980 level, the distribution has not improved very much. The only significant change that has occurred was that South Africa (after its reintegration into the international trade) had the largest share (33 per cent) of long-term private loans in the region. Other beneficiaries of long-term private funds had been Nigeria (16 per cent), Angola (15 per cent) and Côte d'Ivoire (13 per cent) followed by other mineral – rich countries in the region.

Another very important aspect of the structure of external debt of the region is that of the sources of external financing. In 1980, bilateral concessional and non-concessional loans represented 19 per cent and 9.8 per cent respectively. In 1996, the same indicator had a share of 20 per cent and 17 per cent respectively. Moreover, the ratio of short-term loans grew rapidly reaching USD 39636 million in 1996 (a 30 per cent rise in 16 years).<sup>3</sup> This is particularly related to the rise of short-term funds to finance the IMF-sponsored adjustment program.

## **2. External Imbalances, Economic Growth and Convergence: A Theoretical Review**

„Sao Paulo economist Stephan C. Kanitz (1984) asked: Why is it that when an American puts money abroad it is called ‚foreign investment‘ and when an Argentinean does the same it is called ‚capital flight‘?“ ....,Why is it when an American company puts 30 per cent

<sup>3</sup> For more detail, see African Development Indicators, 1998.

of its equity abroad it is called 'Strategic Diversification' and when a Bolivian businessman puts only 4 per cent of its equity abroad it is called 'Lack of Confidence'?" (Lessard and Williamson, 1987)

Despite the fact that capital flight is a real world phenomenon, the stage of the development of a country plays a key role in analyzing the concept of capital flight. The reason is that capital outflows from the perspectives of developed countries might be considered as foreign investment, while from the perspectives of developing countries, the same capital is understood as the running away of private assets to foreign banks. Traditionally, capital flows between industrialized and developing countries were analyzed with the basic assumption that developing countries generally face capital deficiency. The critical conclusion of such an approach is that developing countries are likely to face two structural constraints of enormous significance:<sup>4</sup> first, a minimum requirement of imports to sustain a given rate of GNP growth, and second, an actual or potential ceiling on export earnings which is insufficient to finance the required imports.

The foreign exchange (that is, the difference between the minimum required imports and total exports) shows that developing countries should be net borrowers in the development process. Thus, foreign capital flows into developing countries supplement domestic savings to finance desirable growth paths.

Similarly, there are at least two reasons why capital outflows from developing countries are considered as capital flight (Ayayi, 1997):

- First, the presumption in economics that capital movement should be from capital-surplus to capital-scarce countries, hence, any capital flows from developing to developed countries are usually perverse, and abnormal.
- Secondly, from the policy perspective, external funds held abroad could be utilized at home to reduce the level of external indebtedness and relieve the internal liquidity problem that brought about chronic external imbalances.

An analysis of the factors that cause capital flight is necessary for an understanding of the root of the problem and for the formation of a suitable policy framework within which to handle the problem. Although from our previous discussion, it is clear that capital flight is a response to political and economic uncertainty, there are other reasons that motivate capital flight. Two concepts of capital flows are worth to discuss to find out the causes of capital flight. The capital flight defined as one-way flow of capital out of a country, while intermediate capital is characterized as two-way flows of capital, both into as well as out of a country. Although the determinants of international capital flows provide an explanation for both one-way and two-way flows, the question remains as to how these flows are distinguishable from flight motivated capital.

<sup>4</sup> For more detail, see Benu Varman and Schneider (1991).

Table 5

## Factors Explaining International Capital Flow

	One-way Flows	Two-way Flows
Economic and Risk Return	<ul style="list-style-type: none"> <li>- natural resource endowments</li> <li>- terms of trade</li> <li>- technological change</li> <li>- demographic shifts</li> <li>- general economic management</li> </ul>	<ul style="list-style-type: none"> <li>- differences in absolute riskiness of economies</li> <li>- low correlation of risky outcomes across economies</li> <li>- differences in investor risk preferences</li> </ul>
Financial Risk and Return Relative to Economic Risks and Return	<ul style="list-style-type: none"> <li>- taxes (deviations from world levels)</li> <li>- default on government obligation</li> <li>- financial repression</li> <li>- taxes on financial intermediation</li> <li>- political instability and potential confiscation</li> </ul>	<ul style="list-style-type: none"> <li>- differences in taxes and their incidence between residents and non-residents</li> <li>- differences in nature and country risk</li> <li>- asymmetric application of guarantees</li> <li>- different interest ceilings for residents and non-residents</li> <li>- different access to foreign exchange – denominated claims</li> </ul>

Source: Lessard and Williamson, 1987, p. 216.

The above table classifies the factors, which give rise to international capital flows. The upper left-hand quadrant identifies the factors that explain normal one-way aggregate capital movements on the basis of domestic determinants of international capital flows, i. e., the differences in risk-adjusted returns across countries. The upper right-hand quadrant explains the factors that give rise to normal two-way flows. Economic returns are the basis of two-way flows that include differences in risk preferences and the ability to diversify particular risks across national boundaries. This argument is consistent with the modern portfolio theory. The lower left-hand quadrant shows the factors that arise due to government intervention and drive a wedge between economic and financial risk-adjusted returns (Lessard and Williamson, 1987).

The traditional definition of capital flight entails a one-way flow caused by political and economic uncertainty resulting in the achievement of a real transfer. However, the departure from this old debate occurred because most developing countries have experienced simultaneous two-way flows: foreign borrowing flowing in and private capital flowing out. Moreover, recent episodes of capital flight from developing countries are believed to have been financed by the inflow of funds loaned by the international banking sector. The frequent argument in the academic circle is that commercial banks continued to lend in support of unsound economic policies long after the residents of the borrowing country had demonstrably lost confidence in their governments' policies. One adverse consequence was the supply shocks in international financial markets that led the governments of developing countries to borrow abroad, while private residents were building up foreign assets. Therefore, financial flows moved from capital poor to capital-rich countries and from debtors to creditors (Williamson, et al., 1987).

Under normal circumstances, capital should have moved from developed (with lower rate of return) to developing countries (with higher expected rate of return). Unfortunately, risk and uncertainty are bound to be the two big constraints for the realization of the above commercial logic. It would then be expected that favourable conditions would attract both foreign and domestic investments while unfavourable conditions would trigger resident capital outflows.

Although some economists reject the relationship between foreign debt and capital flight (for example, Dornbusch, who argues that capital flight is a symptom of economic mismanagement), others including the Morgan Guarantee Trust Company, 1986 (Erbe, 1985; Nafzinger, 1993; Cuddington, 1986; Schneider, 1991; Lessard and Williamson, 1987, Ayayi, 1997) among others; argue that there is a clear relationship between these two variables. As external debt makes foreign exchange available, it gives the chance for capital flight. Ayayi (1997) expressed the relationship between capital flight and external debt in Philippines as a „revolving door“. On the other hand, Jonatan Eaton (1992) argues that capital flight largely escapes taxation by the borrowing – country government’s and generates concern about the prospects for future debt servicing. It has often been argued that, in most heavily indebted low-income countries, an increase in foreign indebtedness has been offset by capital flight. These outflows mean that borrowing by these countries added much less resources than was initially thought. Moreover, for example, Schneider (1991) argues that excessive supply of external credit is an important cause of capital flight for the following reasons:

- The excessive supply of credit to a country without an adequate and efficiently implemented growth strategy only overvalues the national currency and acts as a provider of counter part funds for local citizens who then deposit their money abroad.
- The flight capital can also be converted into foreign debt. Some local capitalists reduce risks by investing in their own country behind the mask of external debt. Due to some of the advantages which foreign capital has over domestic capital, investors place their capital in foreign banks and repatriate the same money in the guise of external debt.

Other economists advance the following relationship:

1. The first relationship between external debt and capital flight is in terms of macroeconomics. Least Developing Countries (LDCs) that are suffering from capital scarcity would definitely be in a better situation if funds were invested in the domestic economy. Because these funds would have accelerated production of especially the tradable sector which would generate more foreign exchange for servicing the external debt. As a result, the country’s creditworthiness would improve and this would lead the country not only to attract foreign investment but

also to secure loans at favourable terms. Moreover, it should be added that, the fact that governments cannot tax the flight capital, it increases the marginal cost of external borrowing. Because, had a government been capable of taxing assets of its citizens held abroad, that would be considered by creditors as collateral, then the marginal cost of borrowing would have been substantially reduced.

2. There is interdependence between capital flight and foreign debt: Following (Boyce, 1990, in: Ayayi, 1997), two linkages between capital flight and external debt can be identified. The first linkage runs from external debt to capital flight, while the second runs from capital flight to external debt. Generally, four types of linkages are identified:

a) Debt-driven capital flight-capital flight occurs with regard to the economic environment directly attributable to external debt. Some of such factors are expectation of currency devaluation, fiscal imbalance (crisis), expectations of the crowding out effect of external debt, tax evasion and expropriation risk.

b) Debt-fueled capital flight-this is a situation where favourable environment (motives and resources) facilitates the outflow of foreign exchange. This could occur under the circumstances where borrowed funds are directly transferred abroad instead of fulfilling their intended objectives. Ayayi (1997) has explained two channels how this could take place:

- one is that, the money that is borrowed by governments would be sold to domestic residents who then transfer these funds overseas through legal or illegal means, and

- the second is the government lends the borrowed funds to private sector through the national bank, then these borrowers transfer part or all of it overseas, again, aggravating the foreign exchange gap.

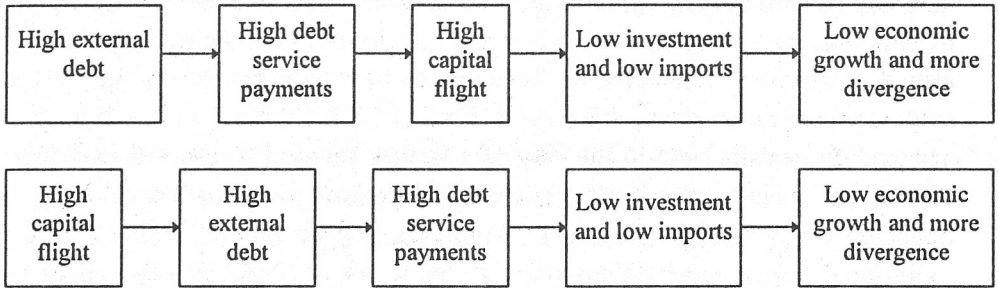
c) Flight-driven external borrowing – as a result of this illegal or semi-illegal capital flight, the domestic economy experiences to feel the worsening of the foreign exchange gap that is required and the resources available.

d) Flight-fueled capital – this occurs when currency leaves the country and re-enters in the guise of foreign currency. This is consistent with the second argument of Schneider (1991). What happens is that the capitalist seeks to arbitrage the yield differential between domestic and external capital engaging in a brief transactions, sometimes known as „round tripping“ or „back-to-back loans“. Resident capital is dollarized and deposited in an overseas bank, and the depositor then takes a „loan from the source bank“ for which the deposit may serve as collateral (Boyce, 1990; Schneider, 1991; Ayayi, 1997; among others).

All the arguments regarding the relationship between external debt, capital flight and economic growth could be better summarized by the following vicious circle (Figure 2):



Figure 2



Although there is a controversy over the second vicious circle, which starts with capital flight, there is no controversy over the first. The reason for the growing controversy over the second vicious circle is bound to be strong on the ground that capital flight is believed to be the symptom, rather than the cause of the debt overhang. However, we argue that both vicious circles are real phenomenon in the case of Sub-Saharan Africa as capital flight cannot be facilitated in the absence of foreign exchange that is secured usually through external borrowing.

There is almost a general consensus regarding the relationship expressed in the first vicious circle, where high foreign debt accompanied by high debt service payments reduces the amount of resources for investment and imports of technological inputs for the export sector and, hence hindering economic growth and widening the degree of divergence. This is also consistent with J. D. De Ploeg (1996) article, where he argues that higher ratio of global interest rate or higher ratio of foreign debt to domestic income drives up the interest rate. This depresses the stock market and thus damages investment and growth prospects. Hence, a country stifled by large foreign debt faces high interest rates, low stock prices, an unattractive investment climate and bad growth prospects.

In a similar argument, Maxwell (1989) concludes that the debt overhang discourages investment by the public sector even beyond its direct budgetary burden. If a government attempts to shift resources from consumption to investment, the citizens of a debtor country believe that the shift from consumption to investment will serve first, and perhaps only to improve the capability of the country to service its debts. Regarding the problem of debt overhang Maxwell (1989), among others, argues that this encourages capital flight which further depresses investment. Because the private sector recognises that the public sector is starved for funds, no astute wealth-holder would leave any sign of wealth lying around to advertise a ready source of revenues for the fiscal authorities. Wealth-holders hold their assets outside of the country to avoid taxation, with

the result that new private savings simply spill over into capital flight, rather than into real investment. Moreover, external borrowing tends to depress exports by appreciating the real exchange rate and this drives down the rate of economic growth. Therefore, in the end, the acceleration of foreign borrowing only makes matters worse rather than better. As S. Fischer (1987, p. 167) points out: „further lending permits little in the way of a lasting solution to the debt problem.“ The debt crisis has made it entirely clear that floating rate debt is a poor way of financing a country „development“. Similarly, Schwartz (1989) concludes that „additional borrowing by the troubled debtor country will simply add to the burden of their existing debt“.

Turning to Sub-Saharan Africa, it is generally believed that the debt service burden has restricted investment and capital formation in this region and hence has slowed economic growth. A larger portion of foreign currency is required to service debt, which makes it more difficult to expand the infrastructure, start new projects, continue and finish old ones, and eventually provides the economy with needed capital goods and raw materials from other countries (A. Hawkins, 1994).

In the case of Sub-Saharan Africa, there are evidences that external imbalances are the combination of external debt and capital flight. In other words, these two factors are two sides of a coin. The reason is that external debt emerges because domestic capital is not available at home (partly because of capital flight) and this creates debt service problems which should be further financed by external borrowing, creating a vicious circle. On the other hand, capital flight occurs because external borrowing facilitates it by making foreign exchange available. Besides that capital flight occurs because when foreign debt increases, the probability of higher rate of taxation in order to service this debt becomes apparent, and this motivates further capital flight. Moreover, capital flight increases the marginal cost of borrowing as the governments do not have any legal means of taxing such assets held abroad by their citizens, which otherwise might have been considered by the creditors as collateral, hence would lead to external borrowing with favourable terms. Therefore, from the perspectives of a developing country, it is doubtless that domestic capital held abroad would not have a significant effect on the domestic production of goods and services.

## 2.1 The Model and Data Description

$$\begin{aligned} \text{RGDP} = & \alpha + \beta_1 \text{TDS} + \beta_2 \text{EDT} + \beta_3 \text{Ln(I)} + \beta_4 \text{Ln(TOT)} + \beta_5 \text{Ln(CPI)} + \\ & \quad (?) \quad (-) \quad (+) \quad (+) \quad (-) \\ & \quad \quad \quad + \beta_6 \text{GBD} + \text{Ln}(1980) \\ & \quad \quad \quad (-) \quad (-) \end{aligned}$$

This model is assumed to measure the correlation between the growth rate of real GDP per capita and other explanatory variables for which data was available. The variables included are:

- RGDP (average growth rate of real GDP per capita),
- TDS/GDP (average total debt service as a ratio GDP),
- EDT (average total external debt as a ratio to GDP),
- I/GDP (average ratio of gross domestic investment to GDP),
- TOT (the percentage change in the terms of trade),
- CPI (the percentage change in the consumer price index),
- GBD (average ratio of government budget deficit to GDP), and
- Ln (1980) (the logarithms of initial real GDP per capita in 1980).

Table 6

## Data for Regression (1980–1994)

	GRGDP	LN80	LN (I/GDP)	EDT	TDSX	GBD	TOT	CPI
B. Faso	0.014	6.125	3.04	36.84	8.00	-7.26	0.02	0.04
Burundi	0.017	6.174	2.69	90.60	35.34	-11.45	0.00	0.08
Cameroon	0.015	7.085	2.84	57.94	20.53	-3.91	0.02	0.02
Cape Verde	0.013	6.839	3.55	54.55	8.33	-31.71	0.00	0.06
CAR	-0.021	6.560	2.46	67.79	12.06	-14.34	0.07	0.02
Congo	0.020	7.566	3.53	238.94	31.48	-14.91	-0.07	0.08
Côte d'Ivoire	-0.033	7.490	2.39	202.49	34.26	-6.38	-0.03	0.06
Gabon	-0.025	8.476	3.27	87.14	9.31	-5.08	-0.02	0.05
Ghana	-0.019	6.883	2.70	71.35	36.98	-33.65	-0.01	0.22
Kenya	0.000	6.815	4.21	93.51	34.61	-12.65	0.00	0.13
Lesotho	0.004	6.902	3.20	39.03	4.71	-6.60	-0.04	0.15
Madagascar	-0.041	6.892	3.00	153.74	34.74	-12.64	-0.05	0.19
Mali	0.005	6.277	3.09	108.86	15.76	-1.00	0.00	0.07
Mauritania	-0.010	6.786	3.38	226.38	23.65	-25.38	-0.03	0.09
Mauritius	0.047	8.291	2.82	38.61	9.29	-5.15	-0.08	0.12
Nigeria	-0.046	7.271	2.81	110.56	21.88	-25.93	-0.02	0.33
Senegal	0.000	7.034	2.60	76.74	21.35	-1.94	0.01	0.03
Swaziland	-0.020	8.025	3.09	32.79	4.69	-1.38	-0.01	0.11
Tanzania	0.012	6.174	3.52	214.86	33.11	-5.53	-0.08	0.25
Uganda	0.003	6.280	2.58	69.20	59.08	-14.15	-0.05	0.44
Zambia	-0.028	6.878	2.59	233.91	25.80	-10.11	-0.08	0.76
Zimbabwe	-0.003	7.096	3.09	57.36	23.85	-8.64	0.00	0.19

## 2.2 Results for Cross-section Regression and Conclusion

From Table 7, it is possible to conclude the following:

- First, there is an inverse and statistically significant relationship between the growth rate of real GDP per capita and external debt, consumer price index and terms of trade. The fact that there is statistically significant inverse relation between external debt and growth is perhaps an evidence of debt overhang in

Sub-Saharan Africa. Similarly, the inverse relation between the change in the terms of trade and growth is associated with welfare losses in international trade. On the other hand, higher rate of inflation in developing countries leads households to hold their wealth either in the form of real estates, in foreign currency or to put their wealth abroad in the form of capital flight, which all lead to low investment and growth.

• Second, although the share of average gross domestic investment to GDP has the correct sign, it is statistically insignificant. Therefore, from this, it is possible to conclude that the insignificant contribution of gross domestic investment to the growth of GDP is partly attributed to the following reasons:

a) in Sub-Saharan Africa, the share of private investment in total investment, which is believed to be a key factor for economic growth, is the lowest in the world;

b) the existing level of the share of total investment in GDP is the lowest in the world to generate the required level of economic growth;

c) there is the problem of the efficient allocation of the existing level of investment in this region.

Although the coefficient for government budget deficit has a positive sign, it is statistically insignificant and therefore, its contribution to growth is unequivocal.

• Controlling for investment, external debt, consumer price index and terms of trade index, there is an evidence of conditional convergence across Sub-Saharan African countries, reflected in the inverse and significant correlation between GDP per capita growth and initial GDP per capita (Ln 1980).

• Finally, we have to emphasise, that the results of the regression for developing countries in general and Sub-Saharan Africa in particular should always be interpreted with caution as their data set is bound to be unreliable.

Table 7

Results for Cross-section Regression

Measuring RGDP by OLS			
Variable	Coefficient	t-value	Probability
Constant	0.12227	1.637	0.1239
TDS/GDP	-0.00011	-0.255	0.8025
EDT/GDP	-0.00167	-2.173	0.0474
Ln (I/GDP)	0.0051	0.467	0.6475
Ln (TOT)	-0.49495	-2.701	0.0172
LN (CPI)	-0.0787	-2.254	0.041
GBD/GDP	0.00027	0.556	0.587
LN (1980)	-0.01661	-2.08	0.057
R <sup>2</sup>	0.51		
DW	2.61		

Note: The number of observations is solely determined by data availability.

Moreover, from Table 8, it is apparent that (except for some exceptional countries like Kenya whose economy is highly dependent on tourism), there seems to be an inverse relationship between economic growth, external debt and capital flight and terms of trade shocks.

Table 8

## Economic Growth and External Imbalance Evidence for Sub-Saharan Africa (1987-1994)

Countries	GR of GDP per capita <sup>1</sup>	EDT/XGS <sup>2</sup>	TDS/XGS <sup>3</sup>	INT/XGS <sup>4</sup>	Percentage Change in TOT <sup>5</sup>	Capital Flight mill. USD (IMF) <sup>6</sup>
Benin	0.87	266	7	4	-0.039	540
Botswana	12.87	27	4	2	-1.410	720
B. Faso	-1.36	164	8	4	2.194	390
Burundi	-6.07	665	35	13	-0.245	940
Cameroon	-6.80	251	21	9	2.401	4 820
Cape Verde	10.95	134	8	3	0.000	NA
CAR	1.21	411	12	5	6.652	440
Chad	5.79	321	5	3	-3.958	200
Comoros	2.90	357	5	2	-6.242	150
Congo	-5.31	404	31	11	-6.991	1 820
Côte d'Ivoire	-3.49	478	34	17	-3.134	8 420
Ethiopia	-1.24	498	23	7	0.697	1 470
Gabon	4.51	165	9	6	-1.940	3 270
Gambia	3.29	228	18	5	-1.473	580
Ghana	-.20	380	37	11	-1.473	2 700
Guinea	-5.04	343	17	6	8.452	570
Kenya	6.99	316	35	13	0.283	16 890
Madagascar	0.00	753	35	16	-4.603	1 980
Malawi	1.83	423	26	10	-1.957	700
Mali	1.22	555	16	5	-0.158	550
Mauritania	9.81	442	24	8	-3.400	610
Mauritius	9.37	57	9	3	-7.659	1 080
Niger	-4.11	465	28	11	-3.697	680
Nigeria	-9.90	305	22	14	-1.601	20 770
Sao Tome	-4.21	109	30	15	-3.568	NA
Senegal	-1.62	268	21	9	0.886	3 340
Seychelles	9.90	79	11	4	NA	610
Swaziland	9.44	34	5	1	-1.458	320
Tanzania	-2.46	225	33	13	-8.232	2 900
Togo	0.00	273	13	6	-3.660	1 660
Uganda	-3.34	229	59	16	-5.405	1 390
Zambia	2.77	579	26	11	-7.586	3 360
Zimbabwe	1.38	160	24	3	0.170	2 810
Average	1.15	314.09	20.94	8.13	-1.76	2 626

Notes: <sup>1</sup> The average growth rate of GDP per capita (1987-1994) has been calculated using logarithms. <sup>2</sup> Average total debt to exports ratio (1987-1994). <sup>3</sup> Average total debt service to export ratio. <sup>4</sup> Average interest to GDP ratio (1987-1994). <sup>5</sup> The percentage change in the terms of trade (1987-1994) calculated using logarithms. <sup>6</sup> Total capital flight (1982-1991) IMF estimate.

Source: World Bank Debt Tables (1996); IMF Financial Statistics (1994); African Economic Indicators. World Bank (1998) and own calculation.

The economic performance of Sub-Saharan African countries for which data has been available, reveal that while the average growth rate of GDP per capita for the region was nearly 1 per cent, countries with high debt to exports ratio,

high total debt service to export ratio, high interest to export ratio, a negative trend in their terms of trade and high level of capital flight had experienced a negative real GDP per capita growth. Moreover, Nigeria, which is at the same time the most indebted country, had the largest estimated capital flight in Sub-Saharan Africa. Partly as a result of this, Nigeria had the lowest growth rate of GDP per capita in the period under observation.

Likewise, the second and third highly indebted countries in this region (Côte d'Ivoire and Ethiopia) followed a similar pattern, although the economic growth of Ethiopia was less severe than that of Côte d'Ivoire's. The reason for a relatively better performance of the Ethiopian economy as opposed to Côte d'Ivoire's is mainly attributed to the end of the longest civil war in Sub-Saharan Africa in 1991 and the resumption of normal economic activities. In contrast, most countries that had highest growth of GDP per capita had also low ratios of foreign debt, relatively lower degree of terms of trade shocks and lower level of capital flight.

Although some exceptional countries (Kenya and Zambia) seem to have had favourable economic performance despite their high debt ratios and significant level of capital flight, in most cases, the opposite holds true. This is probably an indication that external imbalances operate through two channels in Sub-Saharan Africa:

- The first channel is through investment, where capital is scarce as a result of high debt service and capital flight, which lead to lower investment and hence deteriorating economic growth and increasing divergence.
- The second channel operates through debt overhang, where high debt to export ratio signals two information. The first information warns tax payers that high external debt today means high debt services in the future, which must be financed through taxation, and this leads, among other things, to capital flight. Secondly, the fact that the indebted country benefits only partially from increased output, or exports; there is a disincentive effect to initiate programs that will lead to future economic growth.

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## VONKAJŠIE NEROVNOVÁHY, EKONOMICKÝ RAST A KONVERGENCIA: PRÍPAD SUBSAHARSKEJ AFRIKY

*MENBERE WORKIE TIRUNEH*

### Úvod

Vonkajšie nerovnováhy patria v súčasnosti medzi najzákladnejšie ekonomické problémy rozvojového sveta. Ich závažnosť, najmä od 80. rokov, súvisí s dvoma ropnými šokmi, ale aj so zmenami hospodárskej politiky zo strany rozvinutých krajín a s intenzitou makroekonomických distorzii zo strany rozvojového sveta.

V tomto procese bola Subsaharská Afrika zaťažená najviac. Napríklad v roku 1994 bolo 77 % z najzadlženejších chudobných krajín sveta práve v tomto regióne. Okrem toho sa podľa odhadov Svetovej banky zaznamenal v tomto regióne aj najväčší únik kapitálu. Obidva faktory zapríčinili marginalizáciu významu a divergenciu vývoja tohto regiónu vo vzťahu k ostatnému svetu.

### 1. Politicko-ekonomické dôvody zahraničnej zadlženosti

Existuje všeobecný konsenzus medzi ekonómami o nevyhnutnosti zahraničných zdrojov ako o podmienke ekonomického rastu rozvojových krajín. Napriek tomu existujú rôzne pohľady na vonkajšiu nerovnováhu, ktorá začala akcelerovať od 80. rokov.

Z pohľadu rozvojového sveta príčinou vonkajšej nerovnováhy je najmä medzera medzi úsporami a investíciami. Tento argument podporuje celý rad ekonómov. Napríklad Singer (1990, s. 50) tvrdí, že vonkajšie nerovnováhy sú zapríčinené začarovaným kruhom chudoby, ktorý možno zjednodušene formalizovať takto:

- chudobní ľudia sú chudobní, pretože sú podvyživení a negramotní,
- sú podvyživení a negramotní, pretože sú chudobní.

Ďalší autor, Root (1991) uvádza, že medzeru medzi úsporami a investíciami je možné vyjadriť nasledujúcim začarovaným kruhom:

- produktivita práce je nízka, pretože investície sú nízke,
- investície sú nízke, pretože úspory sú nízke,
- úspory sú nízke, pretože príjmy sú nízke,
- príjmy sú nízke, pretože produktivita práce je nízka,
- a napokon, chudobní ľudia sú chudobní preto, lebo sú chudobní.

Hoci uvedené dôvody sú relevantné, existujú aj iné, oveľa závažnejšie príčiny týkajúce sa poskytovania zahraničných úverov v 80. rokoch, vrátane toho, že obrovské zdroje krajín OPEC-u boli benevolentnou úverovou politikou pri pôžičkách rozvojovým krajinám naakumulované v privátnych bankách (pozri obr. 1).

### 1.1 Veľkosť zahraničnej zadĺženosti Subsaharskej Afriky

Z pohľadu veľkosti zahraničnej zadĺženosti sa Subsaharská Afrika odlišuje od iných rozvojových krajín najmä z nasledujúcich dôvodov:

- v roku 1990 iba päť krajín (Nigéria, Côte d'Ivoire, Kamerun, Gabun a Zimbabwe) malo možnosť získať pôžičky od Svetovej banky za trhových podmienok;
- v roku 1994 len desať krajín Subsaharskej Afriky bolo v kategórii krajín so strednými príjmami (HDP na obyv. 725–8 955 USD); Nigéria, Côte d'Ivoire, Kamerun, Gabun a Zimbabwe tiež klesli v 80. rokoch do kategórie krajín s nižšími príjmami;
- región Subsaharskej Afriky zahŕňal v roku 1994 viac ako 77 % najzadĺženejších chudobných rozvojových krajín sveta;

napriek tomu, že podiel zahraničnej zadĺženosti Subsaharskej Afriky na celkovej zadĺženosti rovojových krajín predstavoval 13 % v roku 1980 a 11 % v roku 1994, z pohľadu pomeru zadĺženosti k ekonomickým zdrojom regiónu je tento región najzadĺženejším vo svete;

- hoci dlhová služba v pomere k exportu sa na prvý pohľad zdá nižšia ako v iných rozvojových regiónoch, z analýzy uskutočnenej v tejto práci vyplýva, že je to spôsobené práve vyšším percentom nesplácaných dlhov.

### 1.2 Štruktúra zahraničnej zadĺženosti Subsaharskej Afriky

Pokiaľ ide o štruktúru zahraničnej zadĺženosti, možno konštatovať nasledujúce:

- Na rozdiel od iných rozvojových regiónov 90 % zahraničnej zadĺženosti Subsaharskej Afriky patrilo v roku 1980 do kategórie verejného, resp. štátom garantovaného dlhu a tento pomer sa v roku 1994 zvýšil na takmer 100 %.



- Zahraničné úvery zo súkromných inštitúcií boli nielen nesignifikantnými zdrojmi, ale navyše boli koncentrované do niekoľkých krajín. Z toho vyplýva, že dôveryhodnosť tohto regiónu je spomedzi všetkých rozvojových regiónov najnižšia.

- Pomer krátkodobých pôžičiek sa v rokoch 1980 až 1996 zvýšil o 30 %. To súvisí najmä s prílevom zdrojov na financovanie reformného programu, ktorý bol podporovaný Medzinárodným menovým fondom.

- Treba však zdôrazniť, že najdôležitejšími faktormi dlhovej krízy v Subsaharskej Afrike sú zhoršené *terms of trade* zahraničného obchodu a problémy súvisiace so štrukturalizáciou zahraničného dlhu. Keďže prevažná väčšina zahraničného dlhu regiónu pochádza z verejných inštitucionalizovaných zdrojov, zmena úrokovej miery mala menší vplyv na vývoj zahraničnej zadlženosti tohto regiónu.

## 2. Vonkajšie nerovnováhy, ekonomický rast a konvergencia

Hoci existuje polemika o tom, či existuje vzájomný vzťah medzi odlevom kapitálu a zahraničnej zadlženosti (napr. Dornbusch považuje odlev kapitálu skôr za znak distorzií vo vývoji domácej ekonomiky), väčšina ekonómov sa stotožňuje s názorom, že takáto súvislosť je preukázateľná.

Medzi zástancov tohto argumentu patria napríklad Erbe (1985), Wayne (1993), Ayayi (1995), Cuddington (1986), Williamson a kol. (1987), Schneider (1991). Niektorí ekonómovia, napríklad Ayayi (1995), vyjadrujú vzťah medzi odlevom kapitálu a zahraničnou zadlženosťou ako tzv. revolvingové dvere.

Vo všeobecnosti, možno vzájomný vzťah medzi odlevom kapitálu a zahraničnou zadlženosťou znázorniť takto:

*Zahraničná zadlženosť – dlhová služba – odlev kapitálu – nízke investície a import – nízky ekonomický rast a viac divergentných prvkov vývoja.*

Z iných hľadísk možno tento vzťah vyjadriť nasledujúcim spôsobom:

*Odlev kapitálu – zahraničná zadlženosť – dlhová služba – nízke investície a import – nízky ekonomický rast a viac divergencie.*

Z pohľadu Subsaharskej Afriky je možné konštatovať, že existuje jednak vzájomný vzťah medzi zahraničnou zadlženosťou a odlevom kapitálu, ale aj medzi vonkajšou nerovnováhou a ekonomickým rastom. Z analýzy regresie, ale aj iných porovnávaní pre krajiny Subsaharskej Afriky vyplývajú nasledujúce závery:

- Priemerný pomer zahraničnej zadlženosti k HDP mal inverzný vzťah s priemerným rastom reálneho HDP na obyvateľa, čo je dôkazom existencie hypotézy tzv. debt overhang v tomto regióne.

- Celková priemerná dlhová služba k HDP mala síce inverzný vzťah k rastu HDP na obyvateľa ale nebola štatisticky významná. Podľa môjho názoru to bolo spôsobené tým, že do modelu bola zakomponovaná iba dlhová služba, ktorá bola splatená. Treba zdôrazniť, že Subsaharská Afrika má najväčšiu časť dlhovej služby nesplatenú.

- Pomer priemernej miery investícií k HDP bol síce pozitívny vo vzťahu k priemernému rastu HDP na obyvateľa, ale nebol štatisticky významný, čo je výsledkom nízkej miery investícií, vysokého podielu verejných investícií na celkových investíciách a nízkej produktivity existujúcich investícií.

- Priemerná miera rastu *terms of trade* mala tiež negatívnu koreláciu s priemerným rastom HDP na obyvateľa. To je konzistentné aj so zhoršením tohto ukazovateľa v Subsaharskej Afrike od začiatku 80. rokov.

- Priemerná miera rastu inflácie sa podieľala negatívne na raste HDP na obyvateľa regiónu.

- Priemerný deficit štátneho rozpočtu mal síce pozitívny, ale absolútne nevýznamný podiel na raste HDP na obyvateľa.

- Napokon, po kontrole uvedených explantovaných premenných, som zistil, že existuje inverzný vzťah medzi rastom HDP na obyvateľa a počiatočným HDP na obyvateľa, čo je dôkazom existencie tzv. podmiennej konvergenie v Subsaharskej Afrike.

Z iných výpočtov v tomto článku vyplýva, že krajiny, ktoré mali vyšší pomer zahraničnej zadlženosti k HDP, vyššiu mieru odlevu kapitálu, vyšší priemerný rast inflácie a výraznejšie distorzie vo vývoji dynamiky *terms of trade*, mali nižšiu mieru rastu reálneho HDP na obyvateľa. Naopak, tie krajiny, ktoré mali nižší pomer uvedených ukazovateľov, mali vyššiu dynamiku rastu reálneho HDP na obyvateľa.