Debt Crisis in Africa

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Abstract
The study aims at acknowledging the concept of debt crisis in Africa by tracing its historical development. The study also attempts to find out the causes of the debt crisis and its effects. Furthermore, it probes possible solutions for the problem. These solutions are suggested after discussing the relationship between debt crisis and environment on one hand and the debt crisis and gross domestic product on the other. The paper concluded to some significant results including the two beginnings of the debt crisis, the first and the actual beginning. The study also concludes to the existence of a continuum of debt increase. It suggests using macroeconomic policies for solving the crisis and imposing debt canceling by 50% to solve the problem.

Introduction
Many states in Africa needed a good push to move their economic wheels after colonialism, depending on the power of the factors of production (labor, capital, land and entrepreneurship). There is Labor but not well trained. Entrepreneurship and capital do not actually exist. In order to produce and increase their national income, African countries have to exploit the resources, which needs a huge amount of capital. For this reason, African countries went towards the developed countries to borrow capital. Unfortunately, they failed to pay back this borrowed capital and failed to pay its services. This borrowed capital, eventually, led to a serious and severe disaster termed as debt crisis.

Debt crisis dominated both the developed and the developing states, for a long period all over the world. After African states gained freedom, (many aspects of their economies remained remarkably similar), (1) or in another way, African countries share a number of characteristics such as:
1- depending on one raw material good. They depend on one raw material good like: (cotton in Sudan and Egypt, coco nut in Cote d'Ivoire and Ghana, ivory in Cote d'Ivoire and Ghana … etc.)
2- Domestic markets were very limited. Most of African countries cannot afford to produce goods and services not for the lack of resources as general but for the lack of other factors of production.
4- High rate of unemployment. Not one kind of unemployment has been found in Africa, but there were many kinds of scattered unemployment, like disgust unemployment, seasonal unemployment.
5- High rate of population growth.

In addition to these five obstacles, there is a domination of the government on the indigenous business and the weakness of labor and entrepreneurship. To solve the problem of unemployment, depending on one raw material and population growth, African states must expand their production, and solve the problem of narrow domestic market needs increasing aggregate demand and all this needs good management of their debt.

African states depended heavily on foreign markets, brought investors and equipments to increase their national income. However, creditors have not honored their promises. They only fulfill their promises for some states and prevent the others. International institutions like IMF and WB concentrate their finance only on the developed states although their objectives including all the member states. (The end of the colonial period, however, placed a new emphasis on the role of the state. In many African countries, the public sector grew to intervene strongly and directly in all areas of the economy). (2)

Policy makers and politicians of African states, faced by a high rate of interest on the debt, exceeding their perceptions, making them imposing much larger taxes On the shoulders of their fellow citizens. (based on the nation's gross domestic product, thus preventing the debt from ever being repaid). (3)

If we read the postcolonial era, we may reach to a very important conclusion. It is that, all African states suffering and struggling with debt problem and the effect of it like inflation, unemployment, deficit in balance of payment and budget deficit.

Most of the African states could not afford to pay their debt, or even to pay or repay debt interest, because of it is heaviness. (Alain Pilote said that: Third-World countries’ debt is over $1,300 billion (in 1986), and most of these Third-World countries are not even capable to meet the interest payments on their foreign debts. Then continue to add that: More developed countries, like Canada and the United States, do not escape this crisis: Canada's federal debt – $224 billion in 1986, is over $500 billion in 2004. And the richest country in the world, the one with the largest production — the United States — is also the most indebted country, with a debt of over $2,073 billion in 1986 (over $7,000 billion in 2004). Is there not a contradiction here? How can a country be rich and debt-ridden at the same time? Is the whole world on the brink of becoming completely bankrupt? (4)

In this paper, the researcher's focus should concentrate on the following questions: why debts in Africa in particular has grown abundantly in the previous years, and why in spite of it is increase, African states asking
for more quantity of debts. The paper also discusses the historical growing of debt crisis since the Second World War, causes and the solutions of this crisis.

**Debt crisis definition**

Many economists and some writers tried to define debt crisis. We will attempt to choose the definition of an English dictionary which state that: debt crisis is (a situation in which the large debts owed by a number of individuals, organizations or countries threaten to overwhelm them, so that they become unable to service their debts which, in turn, may threaten the stability of larger structures). (5) This definition seemed to be very comprehensive. It consists of transactions which happen between a group of people or one country with foreign financial institutions and with foreign countries.

**Types of debt**

There are two kinds of debts, external debts and internal:

1. **External debt** is (The portion of a country's debt that was borrowed from foreign lenders including commercial banks, governments or international financial institutions. These loans, including interest, must usually be paid in the currency in which the loan was made. In order to earn the needed currency, the borrowing country may sell and export goods to the lender's country). (6)

A debt crisis can occur if a country with a weak economy is not able to repay external debt due to the inability to produce and sell goods and make a profitable return. The International Monetary Fund (IMF) is one of the agencies that keep track of the country's external debt. (7)

**Types of External Debt**

(External debt includes almost every kind of money owed both publicly and privately within a nation's borders to governments, businesses and private individuals in other nations. Money borrowed by one government from another country's government, corporate stocks owned by foreign nationals and bills accrued by one country's citizens through doing business with a foreign country all count as external debt. The only international foreign transactions excluded from external debt are financial derivative contracts and equity transactions). (8)

2. **Internal debt crisis**: internal debt is the part of the total debt in the country that is owed to lenders within the country. Internal debt's complement is external debt. (9)

**The historical development of debt crisis**

The historical development of debt crisis could be divided into two parts. The first approach of the debt crisis and the actual arrival of debt crisis

(1) **The first arrival of the debt crisis**

The roots of debt crisis return to the beginning of the 20th century. It began, when the world economy affected by the great depression (10) within the era (1929-1933), when the famous economist John Maynard Keynes issued his valuable book (the general theory of employment interest and money). (11)

The great depression forced states to look for applying monetary and fiscal policies and making governments intervene into the international economy. This action is one of the factors that led to Breton Woods's system.

(Breton Woods's system of monetary management established the rules for commercial and financial relations among the world major industrial states in the mid- 20th century). (12) One of the most important goals of Breton Woods agreement is to finance the states which had been conquered during the second world war like France and Belgium, and also to finance states that fought by the side of the western state. Breton Woods's agreement had created the most noticeable funds in the world (international monetary fund and International Bank for Reconstruction and Development). Most of the developing countries which gained their independence tried to jump high very quickly to reach a good level of development. African countries played the same role. They applied many plans and programs (short, medium and long) but they did not succeed. They failed to reach the goal after having debts to finance their projects.

The former Precedent of Ghana Nikroma for example was one of the leaders who dreamed after having debt to change the state from shore of ivory to shore of gold. Sudan state applied four programs within the period (1948-1959), one long plan during the period (1960-1970), three medium plans in 1970s and many short plans in 1980s. Most of the mentioned plans did not succeed for causes concerning political and administrative corruption.

(2) **The actual arrival of debt crisis**

Most authors attribute the real start of the debt crisis to the seventies of 20th century and the begging of 1980s. (The international debt crisis became apparent in 1982 when Mexico announced it could not pay its foreign debt, sending shock waves throughout the international financial community as creditors feared that other countries would do the same.) (13)

African debt crisis worsened within the mentioned period when the external debt to gross domestic in Sub-Saharan product ratio jumped from (51% in 1982 to 100% in 1992, and its debt grew to four times its export
income in the early 1990s. In 1998, sub-Saharan Africa's debt stock was estimated at $236 billion, and that of the whole continent was over $300 billion. Africa's debt burden is twice that of any other region in the world -- it carries 11% of the developing world's debt, with only 5% of its income. GNP in sub-Saharan Africa is $308 per capita, while external debt stands at $365 per capita. (14)

(Most accounts suggest that the debt crisis began in 1981 when Mexico and Brazil stopped being able to pay back creditors: this caused a crisis of liquidity in the international banking system. However, some analysts have argued that the debt crisis was a ‘trap’ set over a decade before, with the general faith in debt-led economics and development being funded by indebtedness. Africa had, after all, been integrated into the world economy in a difficult way, and African economies were forced to increasingly export more and more in order to earn the same amount). (15)

Table (1) Selected Debt Statistics of three Most Severely Indebted African Nations

<table>
<thead>
<tr>
<th>Country</th>
<th>Total External Debt (Millions Of $US) 1990</th>
<th>Total External Debt (as a % of GNP) 1980</th>
<th>Debt Service (as a % of Exports) 1980</th>
<th>Total External Debt (as a % of GNP) 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>26,806</td>
<td>47.1</td>
<td>27.1</td>
<td>59.4</td>
</tr>
<tr>
<td>Congo</td>
<td>5,118</td>
<td>98.0</td>
<td>10.8</td>
<td>20.7</td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>17,956</td>
<td>58.8</td>
<td>28.3</td>
<td>38.6</td>
</tr>
<tr>
<td>Morocco</td>
<td>23,524</td>
<td>53.3</td>
<td>32.7</td>
<td>23.4</td>
</tr>
<tr>
<td>Total</td>
<td>73,404</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table (1) shows that,
a- the total external debt in 1990 amounted to 2,806 for Algeria and amounted to 5,118 for Congo and amounted to 17,956 and 23,524 for Cote d'Ivoire and Morocco respectively.
b- Total External Debt (as a % of GNP) in 1980 amounted to 47.1 for Algeria, but in Congo the ratio amounted to 98 more than Algeria's with double. The same ratio amounted 58.8 for Cote d'Ivoire and 53.3 for Morocco.
c- Debt Service (as a percentage of Exports) 1980 for Algeria amounted 27.1 and amounted 10.8 for Congo and amounted 28.3, 32.7 for Cote d'Ivoire and Morocco respectively.
d- Total External Debt (as a % of GNP) 1990 amounted 59.4 for Nigeria and amounted 20 for Congo 38.6, 23.4 for Cote d'Ivoire and Morocco respectively.

If we look at the numbers of debt in table (1), we can notice that total External Debt and debt services are increasing by time. This returns, to some extent, the African states to depend on debt to solve their problems of development. The increasing debt made African states to transform big ratio of their national product to creditor states and financial institutions.

For a long period, all over the world, Debt crisis insomnia both, the developed and the developing states. It become a challenge to those states who were dreaming to make flourish future after being colonized by the western states.

Most of the states (the developing and less developed), were confronted by the problem of not paying their debts and the debt services. This emphasized Vincent Feraro who notes that: The accelerating magnitude of debt for the most heavily indebted nations is staggering. (16)

In 1970, the fifteen heavily indebted nations (using the World Bank classification of 1989 - see note 2) had an external public debt of $17.923 billion - which amounted to 9.8 percent of their GNP. By 1987, these same nations owed $402.171 billion, or 47.5 percent of their GNP. Interest payments owed by these countries went from $2.789 billion in 1970 to $36.251 billion in 1987. Debt service, defined as the sum of actual repayments of principal and actual payments of interest made in foreign currencies, goods, or services on external public and publicly guaranteed debt, accounted for 1.5 percent of their GNP and 12.4 percent of their to exports of goods and services in 1970. In 1987, those figures had risen 4.3 percent and 24.9 percent, respectively. (14)
Table (2) external debt stock of developing countries and selected ratios, 2005-2011, $ billions

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total External Debt Outstanding</td>
<td>2,577</td>
<td>2,802</td>
<td>3,422</td>
<td>3,678</td>
<td>3,923</td>
<td>4,412</td>
<td>4,876</td>
</tr>
<tr>
<td>Long-term (including IMF)</td>
<td>1,993</td>
<td>2,150</td>
<td>2,570</td>
<td>2,834</td>
<td>2,964</td>
<td>3,192</td>
<td>3,469</td>
</tr>
<tr>
<td>Public and publicly guaranteed (including IMF)</td>
<td>1,308</td>
<td>1,294</td>
<td>1,395</td>
<td>1,443</td>
<td>1,580</td>
<td>1,674</td>
<td>1,773</td>
</tr>
<tr>
<td>Private non-guaranteed</td>
<td>685</td>
<td>856</td>
<td>1,175</td>
<td>1,391</td>
<td>1,385</td>
<td>1,518</td>
<td>1,696</td>
</tr>
<tr>
<td>Short-term external debt</td>
<td>512</td>
<td>607</td>
<td>811</td>
<td>793</td>
<td>810</td>
<td>1,062</td>
<td>1,249</td>
</tr>
<tr>
<td>Ratios</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External debt outstanding to GNI (%)</td>
<td>21.5</td>
<td>22.7</td>
<td>24.1</td>
<td>22.1</td>
<td>24.6</td>
<td>25.0</td>
<td>27.4</td>
</tr>
<tr>
<td>External debt stocks to exports (%)</td>
<td>69.3</td>
<td>76.3</td>
<td>85.0</td>
<td>63.9</td>
<td>71.9</td>
<td>71.8</td>
<td>80.8</td>
</tr>
<tr>
<td>Reserves to external debt outstanding (%)</td>
<td>120.8</td>
<td>122.3</td>
<td>119.7</td>
<td>110.4</td>
<td>105.6</td>
<td>90.9</td>
<td>74.5</td>
</tr>
<tr>
<td>Short-term debt to imports (%)</td>
<td>17.2</td>
<td>17.9</td>
<td>17.3</td>
<td>13.9</td>
<td>17.5</td>
<td>16.2</td>
<td>16.2</td>
</tr>
</tbody>
</table>

Sources: World Bank Debtor Reporting System and International Monetary Fund. Note: GNI = gross national income; IMF = International Monetary Fund.

Table (2) shows that:

1- The total external debt outstanding increased by an amount of U.S. $1,101 billion from U.S. $2,577 billion in 2005 to 3,678 billion in 2008 by a rate of growth 42.7%. Then the total external debt outstanding increased by an amount of U.S. $1,198 billion from 3,678 in 2008 to U.S. $4,876 billion in 2011 by the rate of growth 32.5%. There is no doubt that the rise in these ratios reflect the depending of African states, as mentioned before, continuously on external debt. Increasing of debt without good management and without good planning, leads foreign states (the creditors) and international institutions (international monetary fund and the World Bank) to intervene in their economies.

2- external debt outstanding to GNI (%) decreased, from 27.4 in 2005 to (25.0, 24.6, 22.1), in (2006, 2007, 2008) respectively, and continue declining from 24.1 in 2009 to (22.7, 21.5) in (2010, 2011) respectively. Reserves external debt outstanding increased also from 74.5 in 2005 to 105.6 in 2007 by a rate of growth of 31.1% and from 119.7 in 2009 to 120.8 in 2011 by a rate of growth of 11.1.

By looking to paragraph two we can find that, external debt outstanding to GNI (%) decreased, because of the increasing of national product of some states, and also returns to some states tried to pay little ratio of their debts.

External Debt versus GDP

To judge the impact of external debt, economists compare external debt to the Gross Domestic Product (GDP). GDP captures a nation’s production capabilities -- in other words, it shows how many goods they can produce to generate the money to repay their debts. Countries with high external debts and low GDPs are at risk of defaulting on their external debt payments. Lapses on external debt payments can cause, among other things, devaluation of currency, which can lead to broader economic collapse within a country. (18)

To see the impact of external debt on GDP, we have to study table (3) and table (4) then try to compare between them to explain the wide difference between developed and African states.

Table (3) List of eight African countries by external debt (external debt versus GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>External debt</th>
<th>Date</th>
<th>Per capita</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sudan</td>
<td>29,700,000,000</td>
<td>31.12.2012</td>
<td>946</td>
<td>55</td>
</tr>
<tr>
<td>Egypt</td>
<td>34,880,000,000</td>
<td>31.12.2012</td>
<td>391</td>
<td>14</td>
</tr>
<tr>
<td>Morocco</td>
<td>29,420,000,000</td>
<td>31.12.2012</td>
<td>712</td>
<td>22</td>
</tr>
<tr>
<td>Angola</td>
<td>19,650,000,000</td>
<td>31.12.2012</td>
<td>944</td>
<td>21</td>
</tr>
<tr>
<td>Ghana</td>
<td>10,000,000,23</td>
<td>31.12.2012</td>
<td>274</td>
<td>21</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>9,956,000,000</td>
<td>31.12.2012</td>
<td>51</td>
<td>14</td>
</tr>
<tr>
<td>Kenya</td>
<td>9,526,000,000</td>
<td>31.12.2012</td>
<td>200</td>
<td>25</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>6,975,000,000</td>
<td>31.12.2012</td>
<td>609</td>
<td>103</td>
</tr>
</tbody>
</table>

Sources: Wikipedia, the free encyclopedia.

Table (3) explaining the following:

1- Egypt is the country's most indebted among the eight African states which included in the table while Zimbabwe was the country's less indebted among the eight states.

2- In spite of the top location of Sudan in per capita income among the states, we find the high percentage of external debt to GDP, this may return to the less quantity of GDP.

3- If we compare table (3) with table (4) or in other words the 8 African states with the eight developed states in table (4) we see a big difference between them.

4- While united states as a big creditor, its debt amounted 17.3 trillion us dollars, Egypt debt amounted to 34.8 milliard us dollars.
5- The relation between External debt and GDP is Inverse relationship

As we said before, so if we look at table (2) we can see clearly that, Zimbabwe, in spite of its low external debt among the eight African countries Found characterized by an increase of GDP %.

(Table 4) List of six developed countries by external debt (external debt versus GDP).

<table>
<thead>
<tr>
<th>Country</th>
<th>External debt</th>
<th>Date</th>
<th>Per capita</th>
<th>%of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>United states</td>
<td>17,344,649,888,999</td>
<td>2.12.2014</td>
<td>52,170</td>
<td>106</td>
</tr>
<tr>
<td>United kingdom</td>
<td>10,090,000,000,000</td>
<td>31.12.2012</td>
<td>160,158</td>
<td>406</td>
</tr>
<tr>
<td>Germany</td>
<td>5,719,000,000,000</td>
<td>30.6.2011</td>
<td>57,755</td>
<td>142</td>
</tr>
<tr>
<td>France</td>
<td>5,275,000,000,000</td>
<td>30.6.2011</td>
<td>74,619</td>
<td>182</td>
</tr>
<tr>
<td>Japan</td>
<td>3,024,000,000,000</td>
<td>31.12.2012</td>
<td>24000</td>
<td>60</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2,655,489,000,000</td>
<td>30.6.2011</td>
<td>226,035</td>
<td>344</td>
</tr>
<tr>
<td>Italy</td>
<td>2,460,000,000,000</td>
<td>30.6.2012</td>
<td>36,841</td>
<td>108</td>
</tr>
<tr>
<td>Spain</td>
<td>2,290,000,000,000</td>
<td>11.4.2013</td>
<td>52,045</td>
<td>167</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Wikipedia, the free encyclopedia.

**How is the IMF and the WB deepen debt crisis?**

As we said before, the reason why the IMF and the WB foundered was that, to save a portion of the developed countries accounts to be invested in the states that have schemes and have no internal finance. The IMF concentrated its activities on providing short and medium term loans, but WB the activities limited in providing long-term loans. The most important functions of the IMF and the WB included:

1- Providing visibility studies to states that are suffering visibility studies shortages.
2- Providing consultancy.
3- Providing loans with easy advantages.

This intervene was called economic adjustment. After failing of IMF and WB in solving the debt crisis and the economic problem, they return the causes of faults to the weakness of the developing states economy.

The intervention of the IMF and the WB made one of the third world economists say that: debt crisis made the following:

- a- spreading of unemployment
- b- Privatizing public sector.
- c- Continue decreasing for exchange rates.
- d- Making multinational corporations to come to Africa.
- e- Stopping governments’ domination for prices.

All these reasons made IMF and WB fail to reach their objectives which results in failure of all programs. The African states imposed to schedule and reschedule their debts or moving towards more debts.

**Dangerous Debt**

External debt can be a big problem for the state. When there is a deficit in the budget, the government always turns to domestic financial resources and when the deficit is big, it returns to external resources. So to return to external resources led the government to pay the money that borrowed from the states or from foreign banks domestic consumption expenditure. (Government debt default can have more wide ranging implications for a nation than the default of a single corporation. Social services, employment and other government services can all take a hit if external debt payments overwhelm the public sector ).(23) after expending debt not on investment but on consumption the country fall in deficit inflation.

**Tracking the Debt**

Governments tend to track the external debts of other nations, but several international bodies also keep records, including the International Monetary Fund and World Bank. These groups also often get involved in managing external debts going wrong, negotiating repayments and sometimes even offering low interest loans to struggling countries to repay their debt .(24)

The causes of debt crisis:

There are many causes for Debt crisis in the world. Some of these concern the developed countries and the others concern the developing countries. We will discuss the most important factors affecting the African economy. Furthermore, we will concentrate on the external debt crisis causes, leaving the internal debt crisis for another paper in the future. For many years, poor states in Africa have suffered from the lack of food, health, education and other services. Many states have had no basic infrastructures which let them not to pay their debts and its interests. Therefore, the reasons that made the states fail to pay their debts in full are:

1- Legacy of colonialism — for example, the developing countries’ debt is partly the result of the transfer to them of the debts of the colonizing states, in billions of dollars, at very high interest rates .(25)
2- financial corruptions.

Corruption defined as a (dishonest behavior by those in positions of power, such as managers or government
officials. Corruption can include giving or accepting bribes or inappropriate gifts, double dealing, under-the-table transactions, manipulating elections, diverting funds, laundering money and defrauding investors. One example of corruption in the world of finance would be an investment manager who is actually running a ponzi scheme). (26)

3- The continuous change of governments regimes.
4- The haphazard administration of firms and ministries of economic and finance.
5- The failure of the schemes that used the loans.
6- Mismanaged spending and lending by the West in the 1960s and 70s.
7- Odious debt. Whereby debt is incurred as rich countries loaned dictators or other corrupt leaders when it was known that the money would be wasted. South Africa, for example shortly after freedom from apartheid had to pay debts incurred by the apartheid regime.
8 - Chronic weakness in the economic structure. The proof is the inability to pay off the debt!.
9 - Political corruption practiced by the ruling elites in third world countries and converting the leaders of these countries economic aid money and loans to private accounts in their personal names in foreign banks.
10 - The flight of domestic capital to invest in the rich nations and economically stable.
11 - Exorbitant expenditure on arms and armies of the building is unnecessary.
In addition to the causes mentioned there are many other causes, which added by others, like:
14- the targeting of developing countries in general.
15- the persistence of negative.
16- thoughtless and irresponsible over lending of private and official creditors during the commodity boom.
17- poor and impractical advise by official creditors.
18- repeated officials and private rescheduling.
19- volatile exchange rate movement throughout the 1980s.
20- the emergence of high, positive real interest rates throughout the 1980s which compounded Africa's debt accumulation burden.

all These reasons are from the standpoint of the creditor states and international institutions, but we can see now the viewpoint of the creditor states and international institutions for the causes of debt crisis including:

1- The continued weakness of the economic infrastructure. Economic infrastructure appearing in many scopes appearing in the shortage of basic services like, lack of transportation, electricity, health and education reflected in the low level of income and the low level of wealth.
2- The political corruption made by the ruling class which was very clear in their financial transactions, by keeping their accounts in foreign states. Many people of this ruling class, enjoying themselves and living in a high level of life.
3- Political instability led to Economic instability, which made capital escape to developed countries. We mean by Economic instability the instability of policies and instability of programs.
4- The huge and accumulated expenditure on arms. African states live different kind of wars. They face domestic wars between districts and ethnic groups like what had happened in Ruanda and Somalia. Sometimes they use to fight against each other, like Southern and northern Sudan.

Robtham (27)said that: there are another crime that, has been accused by the international institutions including:

1 - Trying to cure debt with more debt.
2 - replace some of the debt to sell the public sector, in the sense that in order for the state to pay some debts have to give up the property of the people of the land and industry and financial institutions.
3 - the destruction of the environment: they have some of the countries in their struggle to get rid of the debt burden to burn natural forests in order to establish on its territory giants projects, as happened in the countries of Latin America.
4 - favoring the rich elites in Third World countries who are involved with the foreign share in the public sector buy cheaply.

The Debt Crisis and the Environment

there is strong relationship between environment poverty and debt crisis. Wilson (1996) notice this relation when states that the more African countries stay in debt, the more they will feel that they need to milk the earth's resources for the hard cash they can bring in, and also cut back on social, health, environmental conservation, employment and other important programmes. (28)

Bad exploitation of debt, leads most of projects and programmers not to succeed neither in private
sector nor in public sector. (28) Bad exploitation of debt cost the states more money. Bad exploitation of copper
and gold mines in Zambia, agriculture in Sudan and Egypt and many other places in Africa left damage effects
of environment in the continent. A wide part of the continent has been covered by draught and desertification,
specially the savanna region. Millions of livestock died, and the owners of livestock who live in rural places
departed their rural regions for big cities and capitals.

Some African state planners and policy makers, fulfill their debts by having machines, equipment, and
instruments. They did not store them carefully. They only left them on the air. So they were damaged before
exploitation. This act increased the debt burden and the debt services.

The effects of debt crisis
1- The increasing of debt services finish the developing countries hard currencies, which made bad effects and
harmed developing countries' economic and social programs.
2- Increasing of external debt services leads to increasing the ratio of debt to gross domestic product. This ratio
reach 38.40 % in 1987 compared to 15.8% in 1970.
3- Increasing of the ratio of debt to gross domestic product explaining to what extent the developing countries
depending on external debt to solve their economic problems.
4- All this effects lead developing countries to transform the big ratio of their national income to pay their
external debt.
5- Debt crisis affect children. The Progress of Nations, 1999 report by UNICEF, suggests that debt is killing
children. It is pointed out that as countries are diverting resources away from social provisions to repay debt;
those most affected are the poor, especially women and children. UNICEF’s 2000 report says 30,000 children
die each day due to poverty. That is just under 11 million children each year. (29)

Debt crisis Solutions
We will try here to suggest some solutions, depending on our causes mentioned at the beginning of the paper and
the historical development of the crisis. These solutions include:
1- applying good macroeconomic policies including :
a- fighting all kinds of inflation
b- stabilizing balance of payments for all African states
d- stabilizing levels of exchange rate.
e- Fight dependency by poor African states.
h- Fight corruption by any means.
i- Reduction in public expenditure.
j- applying effective macroeconomic policy (monetary policy, fiscal policy, international trade policy and
income policy).
k- Negotiating with the IMF and WB for restructuring their economies again and avoid the previous mistakes.
o- Canceling 50% of the total debt of African states not taking any account to the reasons of not paying their debt.

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