DRAFT

# DEBT RELIEF FOR CHILD SURVIVAL

1. Children individually and nationally are the hope for, agents to achieve, and justification of development. They are families' and nations' most precious assets. Parents, communities and governments care deeply that their children are fed, clothed, provided with health care, educated because only if this is done can a better future be achieved. People in poor countries do share the hope and faith expressed by the late President Samora Machel of Mozambique when he said "We must look for our reward in the faces of our children, the flowers that do not wither". It is morally imperative for the global community, and especially its richer members, to cooperate with them in achieiving that end.

2. But poor children in poor countries are also the most vulnerable members of their communities. Diarrhoea, measles and other cheaply preventable or controllable diseases interacting with malnutrition and lack of access to pure water and sanitation kill thousands of poor children in poor countries every day. The faces of starving children we have seen on television, e.g. from Ethiopia, Mali and Mozambique - many of them already dead by the time we saw their images - should concentrate our minds on a simple fact set out in question and answer form on a 1985 UNICEF poster. A poor child from a poor country is asked "What do you want to be when you grow up?" The answer is "Alive." Child survival cannot wait. Even if young children do survive disease, malnutrition, drought or war-imposed displacement and other perils, many are quite literally physically or mentally crippled for life. The flowers are being cut off or stunted, the hoped for reward brutally denied.

3. This is both humanly and economically unacceptable. Child survival can be increased dramatically at low cost. Oral rehydration, vaccination, growth charts, education for breast feeding, primary health care more generally, targetted supplementary feeding are very low cost programmes. Quite the reverse - at national level filling in the gaps in primary health care would often cost little more or even less than the running

expenses of one or two major metropolitan hospitals. Similarly, increased food and other crop production by poor farm households and by women is now recognised to be crucial for development and for food security. When properly designed programmes to promote them are highly cost efficient. They are equally crucial to and efficient for child survival. Relief measures are necessary so that children do survive but they cannot be a general, permanent solution. The healthy well fed child in a household unable to meet its basic needs and in particular suffering from serious malnutrition is no more operationally practicable than socially or humanly acceptable. Child focused survival and development must include mother and poor household income generation focused components as well as primary health care and supplementary feeding.

4. In many cases quite modest resource allocations and reallocations have increased chances of poor children's survival dramatically. Examples have been cited throughout recent UNICEF's <u>State of the World's Children</u> reports. They are consistent with an economically as well as socially viable approach to development more generally as sketched in <u>Within Human Reach - A Future For Africa's Children</u>. One is not talking about utopianism or abstract theory but about manageable, experience tested approaches.

5. The tragedy is that we do know the threats to child survival and the means to reduce them; that we do have evidence that these means work; but that in general and <u>especially for poor children in poor countries resources available for and devoted to child survival focused programmes are falling in real terms</u>. To a very significant extent this is the result of the global recession of the early 1980s and the continuing deterioration of the international economic environment confronting low income countries. A major element in that deterioration has been the combination of falling commodity prices and rising external debt service requirements. The 1985 <u>State of the World's Children</u> report's section on the impact of the recession on children and the subsequent fuller exposition in a special issue of <u>World Development</u> demonstrate this concretely on a country by country basis over a wide range of countries. Real resources per capita deployed for child survival and development are falling. This is especially true in poor countries and most especially in the poor countries of Sub-Saharan Africa. An African proverb sums up

the nutritional aspect very succinctly, "Give a rich man less food and he will grow thin. Give a thin man less food and he will die."

6. UNICEF has consistently stressed the need for structural adjustment and for more efficient allocation of resources. Its 1985 study, Within Human Reach, the 1987 State Of The World's Children Report and a forthcoming volume on Adjustment With A Human Face are proposals for structural adjustment and for more efficient allocation of resources. UNICEF's proposals do diverge from more traditional prescriptions in focus and coverage. Of course reducing imbalances in government budgets and in external balances is important. Equally it is important to focus on rehabilitation of directly productive and infrastructural investment and on restoring exports in order to regain more adequate import capacity. But focussing only on these elements is dangerously - often fatally - incomplete. Programmes supporting poor people and enabling them to increase their earned incomes are integral to, structural adjustment and to efficient resource redeployment. Without them the fabric of society is greatly strained or even rent and many poor children are quite literally fatally affected. That cannot be a sound basis for survival, for rehabilitation or renewed development. For the dead there is no future, for those stunted and maimed by child malnutrition no humanly acceptable future. Child survival and a priority for the poor are among the core elements in properly defined structural adjustment and efficient resource allocation. This is not - or at any rate is no longer - an eccentric view associated with UNICEF, the ILO and non-economists. It has been stressed in recent studies of the World Bank, in major speeches by the IMF Managing Director and in an increasing body of hard economic analysis.

7. What prevents many poor economies and their governments - especially but not only in Sub-Saharan Africa - from acting on this growing consensus? Why are child survival focused resources per capita - whether narrowly or broadly defined - still declining? Apart from domestic obstacles - which in many cases have been largely overcome, or are being, overcome quite rapidly - there are two main constraints:

   1. inadequate government revenue - sometimes even blocking use of child focused external support because the domestic component cannot be

provided and in a majority of poor countries severely constraining acting on identified priorty child focused programmes;

2. inadequate foreign exchange - while relatively low in import intensity, child survival and poor household earned income enhancement programmes do require some imports, e.g. vaccines, refrigerators, vehicles, water pumps and spares, simple agricultural implements or the nuts, bolts and steel to make them.

As is increasingly recognised, the servicing of high levels of external debt makes both constraints far more binding. Because a large proportion of government revenue is devoted external debt servicing, less financial and real resources are available for funding other expenditures, including those which increases nutrition, health and income levels of poor people. Similarly, when a large proportion of a country's export earnings is devoted to servicing external debt, less of those earnings can be used for essential imports. The poorer the country and the more foreign exchange constrained, the starker and more costly in human terms, are the constraints imposed by high external debt service burdens.

8. What is needed today to enhance the chances of survival of poor children in poor countries - and especially of the children of Sub-Saharan Africa - is not an elaborate, theoretical, intellectual exposition of the points made above. The case for them coincides both with common sense and with human values and is increasingly generally accepted. The pressing question - for many children, the life and death question - is what is to be done? How can a substantial, effective augmentation of resources devoted to child focused programmes be secured promptly and sustained over at least the next five years? One answer - and one relating directly to government budget and foreign exchange constraints - is debt relief. Poor countries do not have high absolute volumes of debt when compared with, e.g. Brazil, Mexico, the Venezeula or South Korea. But in their own terms - in relation to their government revenues and export earnings - their debt service burdens are often even greater and, because they are so much poorer, even less sustainable. Nowhere is this truer than in Sub-Saharan Africa.

9. The principle of partial forgiveness of external debt for low income countries has been accepted for at least half a decade. For example, Retrospective Terms Adjustment of bilateral aid credits (loan to grant) has already been applied by a majority of OECD members in respect to many -though not all - poor countries. That debt relief has been used both to fund the local counterpart of external resource flows directed to development programmes and to loosening import constraints. What is new in this proposal is the concept of partial debt relief specifically focused on child survival. To achieve a basis for reasoned dialogue and for mobilisation of support what is necessary is a broad framework showing how much, from whom to whom and how programmed.

10. The logical first question is which economies - and thus which children - should benefit from such a programme. Two possibilities deserving consideration are:

    a. All countries with 1984 per capita gross national product at or below $1,000; or

    b. All Sub-Saharan African countries with 1984 per capita GNP at or below $1,000.

    Any cut off point is necessarily somewhat arbitrary. However, the Annex 1 country list shows that the $1,000 level does include almost all really poor, resource constrained economies now unable to increase child survival focused programmes substantially. In Sub-Saharan Africa for example all the countries except Gabon, Congo and Mauritius are covered. **[Globally there are a few cases - e.g. Jamaica - just above the cutoff which may deserve special treatement but the broad division does make sense.]**

11. The case for special debt relief resources for low income countries has been widely made, for example in recent World Bank and Commonwealth Secretariat Studies. Similarly the same case has recently been made by the Catholic Pontifical Commission, in At the Service of the Human Community: An Ethical Approach to the International Debt Question, which concludes "the creditor States will need to pay special attention to the poorest countries. In certain cass, they could convert the loans into

grants." Similar conclusions have been reacted by the economic advisory group and central committee of the World Council of Churches over 1984-85.

12. Low income debtors, especially in Africa, differ fundamentally in their problems from other developing country debtors because of the long term and deep crises of extreme poverty which they face. Therefore special partial relief for their debt will not represent any precedent for handling the quite different problems of upper middle income debtor countries.

13. Parallel to who receives is the question which countries should provide debt forgiveness. Partial forgiveness by countries with 1984 gross national product per capita of $4,000 or more would appear an equitable and manageable target. As Annex 2 list shows, countries above that cutoff point could afford to make such a contribution without significant sacrifices or risks to their own economies.

14. Having defined which economies should receive and which forgive, the next question is how much debt relief. A reasonable level - bearing in mind the needs of the poor countries for additional resources to invest in their children's future and of the costs to forgiving states and/or institutions is 5% computed on the December 31, 1986 levels of outstanding external debt in the categories agreed for inclusion.

15. How to transfer the resources allocated and over what time period is an important question. The transfer in terms of real resources available for spending occurs over the period and to the extent that debt service payments are reduced, rather than at the point in time of the initial bookkeeping entry reducing principal or future debt service payments due. The most appropriate method appears to be to compute the 5% on December 31, 1986 principal (including arrears of both principal and interest at that date) outstanding and to transfer it by five annual reductions of debt service payments each equivalent in amount to 1% of the base on which the forgiveness is computed. This would provide predictable, comparable flows for a five year augmentation of child focused programmes in poor countries and afford time to the forgiving countries and

institutions to manage the accounting and financial implications of that forgiveness gradually.

16. As in all designated resource transfers the question of ensuring additionality arises in respect of both recipients and forgivers. Forgivers will, quite reasonably, want assurance that poor children in poor countries are benefitting. Recipients will need a programming frame to ensure that poor children do benefit and that the resources available are deployed efficiently for that purpose. Equally it is important to ensure that the forgiveness does provide genuinely additional transfers and not simply a reallocation of existing levels of concessional resource transfers.

17. On the recipient side this can be achieved through a National Child Survival Fund. The domestic counterpart of the external debt service forgiven would automatically be paid into this fund as that debt service fell due. This would provide non-inflationary domestic funding for enhanced child focused programming. However, in cases in which additional external concessional finance for expanded child focused programmes was not adequate to cover their import content, a proportion of the fund would need to be earmarked in foreign exchange. Some net foreign exchange saving would in any case remain for general augmentation of import capacity for other critical goods.

18. The national fund would normally have a small technical secretariat to allocate the resources to augmented child focused programmes, to coordinate operational institution planning and programming and - if appropriate - to provide technical expertise toward efficient child focusedprogramme identification, articulation and initial operation. The overall programme would be subject to approval prior to disbursement by a committee made up of representatives of the recipient government, the appropriate regional development bank and UNICEF. This process, while financially separate, would take place within the country's macro economic and budgetary processes.

19. On the forgiving government side a commitment to increase concessional resources voted for low income countries by the amount of the debt service foregone (or to write off debt service without charging it to the

aid budget) is needed to ensure additionality. In addition there would be a need for these governments to allocate modest additional resources for technical assistance to those recipient countries - especially but not only in Sub-Saharan Africa - requiring help in the rapid identification, design, articulation and/or initial implementation of significantly expanded, cost efficient child focused programmes.

20. The foregoing provides a practicable approach to setting up and operating <u>a five year programme of debt relief for child survival effective January 1, 1988</u> either for all poor countries or for those of Sub-Saharan Africa. It is also necessary to address the question of <u>coverage</u> - i.e. what categories of debt should be eligible for abatement (partial forgiveness) of service payments?

21. As a first step it may be useful to identify <u>excluded categories</u>:

a. IMF drawings and Trust Fund credits;

b. World Bank and South regional or sub-regional development banks (e.g. IADB, Asian Devbank, African Devbank, Caricom Bank, East African Development Bank, BADEA). However, in respect to concessional lending wholly financed from government grants (e.g. IDA) the issue of abatement might be reconsidered if it would not seriously affect their future concessional lending programmes;

c. commercial trade credits (bank and other enterprise) of an initial duration of one year or less. If these are being serviced, attempts at achieving foregiveness could seriously jeopardise continued trade finance. **[However, the abatement of payments on arrears on such credits (as of December 1986) might be worth consideration if the practical difficulties of identifying such credits and their sources and of arranging modalities for forgiveness can be overcome.]**

22. At a <u>minimum</u> what should be included <u>are all government to government (or public sector entity) loans and credits made, or guaranteed by, forgiving country governments or their external financing or guarantee instrumentalities</u> (specifically including <u>export finance</u> loans and guarantees).

23. this leaves commercial bank (and other enterprise) loans of an initial maturity of one year or more. A strong case for their inclusion can be made. In some poor countries - including some even in Sub-Saharan Africa, e.g. Sudan, Zaire, Cote d'Ivoire, Nigeria, Zambia - these loans do account for a significant proportion of the debt service burden. A writeoff of 1% a year of December 31, 1986 principal against service receipts of 1988-1992 would not therefore clearly compromise the viability and profitability of creditor enterprises, especially if forgiving states took simple legislation to make the amounts so abated unambiguously deductible for company tax purposes. This is especially true because the lenders already view low income country debt as worth much less than face value - rarely as high as 75% and sometimes 10% or less (see Annex 2 for examples). Indeed, it has been reported that several creditor banks have begun to explore the possibility of granting some debt relief to very poor countries on a charitable basis. This scheme would thus provide an appropriate framework for such action. However, the agreement and early implementation of abatement on government and government guaranteed debt should not be delayed by debate on inclusion of commercial loans. These can be included at a second stage - say January 1, 1989 - after there has been time for modalities to be articulated. If this proves impossible, commercial debt could be excluded from the scheme or provided for on a voluntary basis.

24. The proposals set out above are therefore for four alternative schemes. In order of rising ambitiousness - and contibution to child survival and development - they are:

a. all government and government guaranteed loans to poor countries in Sub-Saharan Africa (of the order of $1,400 million in total or $280 million a year);

b. all government and government guaranteed loans to all poor countries (of the order of $4,900 million or $1,180 million a year);

c. all government, government guaranteed and one year or more initial duration commercial bank and other enterprise loans to all poor countries in Sub-Saharan Africa (of the order of $2,650 million or

$530 million a year);

d. all <u>government, government guaranteed and one year or more initial duration loans to all poor countries</u> (of the order of $9,000 million or $1,800 million a year).

The population of the proposed forgiving countries is about 1,000 million so that the annual per capita cost to them would be less than of $2.00 even on the most inclusive proposal.

25. Debt Relief for child survival in low income countries would <u>not prejudice working out more general debt overhang relief, rescheduling and management problems</u>. 1% of principal a year abatement of debt service for five years would not pre-empt or preclude Paris Club reschedulings even with a longer grace period and more generous terms than have been the practice to date. A limited, specific purpose partial forgiveness does not encourge general default (if anything it discourages both general default and random non-payment) nor does it set any precedent for more general debt renegotiation. Nor would a 5% of principal abatement of debt service forestall or be a substitute for seeking retrospective terms adjustment for low income countries from those creditors who have not yet granted it (e.g. USSR, Japan, USA) or for the broadening of countries eligible by these creditors which have made the adjustments for a particularly small group of countries (e.g. Federal Germany).

26. Because <u>poor countries (as defined above) represent a small proportion of commercial bank portfolios</u> of sovereign risk lending a writeoff equivalent to 1% a year of principal a year for five years allowable for tax relief would not have an impact even remotely comparable to non-performance by a major middle income debtor country. The adoption of a cutoff date well before the scheme comes into effect and prior to its proposal (January 1, 1987) means that it <u>should not deter new government and government guaranteed export credit lending flows</u> because servicing of lending subsequent to December 31, 1986 would not be affected. <u>For poor countries the return to normal market borrowing</u> case against debt or debt service forgiveness is <u>unreal</u>. Few if any of these countries will be judged credit worthy by commercial lenders in the foreseeable future. Almost equally few could afford to borrow at anything like present real

commercial interest rates with repayment in normal commercial loan time frames. If one or two did achieve sudden breakthroughs and emerged in the mid-1990s with $1,500 or above GNP per capita (at 1984 prices), a healthy external balance based on rapidly rising exports and had major attractive investment possibilities, it is exceedingly improbable that they would in fact be denied access to credit markets because of a limited, defined purpose debt service abatement under very different circumstances almost a decade earlier. The present proposal has been formulated so that it can be judged on its own merits without worrying about any untoward precedent setting in other contexts.

27. Defining the scope of national child survival development programmes can only be done in detail at country level by the national governments in consultation with the appropriate regional development banks and UNICEF once abatement resource flows are known. However it is possible to identify some elements likely to be included in many programmes as indicative examples:

a. vaccination and immunisation programmes (vaccines, syringes, equipment, vehicles, refrigerators, training, personnel);

b. oral rehydration (salts and provision for their local production);

c. primary health care more generally including mother and child ante and post natal clinics (equipment, basic drugs, simple buildings, transport, personnel and training);

d. pure water provision - especially rehabilitation of endangered or disabled village and rural supplies (pumps and spares, pipe, labour, training for village maintenance and management, especially for women who are the main users);

e. support for women's acquisition and use of improved food processing and preservation (e.g weaning foods, fish smoking) technology and equipment both to improve household nutrition directly by self-provisioning and to generate additional income to buy food, clothing, medical fees, school fees and educational materials for their children;

f. development of a vulnerable group nutrition and health oriented component in food security early warning systems (an agreed priority of FAO-WHO-UNICEF and also of several Sub-Saharan African States and at least one sub-regional organisation);

g. pilot poor household food production or other income generation schemes (tools, seed, training, working capital, materials) including small scale labour intensive public works during the agricultural "dead seasons" when both income levels and nutrition are usually at their lowest).

28. What the proposed debt forgiveness for child survival would mean can be illustrated by a hypothetical poor, Sub-Saharan African country. Its broad macro economic parameters are set out in Annex 3 and are fairly typical except that at 20 million it is rather above average population. Abatement of debt service government and government guaranteed loans alone would yield about $17.5 million a year for 5 years and of government and commercial of about $22.5 million a year over the same period. This would allow an increase in spending on programmes such as those sketched above of about 58% a year on government loan abatement and of 71% on government and commercial. The relative increases speak for themselves. The absolute magnitudes can be compared with the $5 million a year which has proved adequate in Tanzania (a comparable country) to restore primary health care basic drug supply nationally and to the $12½ million odd needed annually to restore drug supply, near universal child vaccination, basic rural primary health care services and personnel retraining in the same country. Individual women's projects of the type cited have cost perhaps $1,00-$2,000 a year for two years in each village in which they have been established in Ghana. Where shallow wells, spring protection, short pipelines or rehabilitation of existing deep wells are practicable the initial cost of rehabilitating and safeguarding pure water supplies is usually not over $10 per family and the subsequent recurrent cost (excluding fuel if required) perhaps $1 per family per year including maintenance to judge by Ghana and Tanzania estimates.

29. Child survival is vital to the future of poor people in poor countries. Low cost ways of enhancing it are known and have proven their relevance

and efficiency in practice. Both in poor countries and in rich there is a real human concern and commitment to the welfare of children. The major barriers to achieving enhanced child survial in poor countries are government budget and foreign exchange constraints. One way to loosen these constraints is to abate external debt servicing requirements which are a heavy, often a grievous, burden on both budgets and foreign exchange supplies in poor countries. That option most certainly is within human reach. The choice really is ours. In the words of an African statesman known for his commitment to child survival and development, Julius Nyerere, "To plan is to choose, choose to go forward."

ANNEX 1

## Proposed Beneficiaries/Forgivers

### Countries GNP per capita below $1,000 per annum (1984)

| Country | Per capita GDP |
|---|---|
| Ethiopia* | 100 |
| Afghanistan | 120 |
| Bangladesh | 130 |
| Mali* | 140 |
| Zaire* | 140 |
| Chad* | 150 |
| Burkina Faso* | 160 |
| Nepal | 160 |
| Burma | 180 |
| Malawi* | 180 |
| Mozambique* | 180 |
| Equatorial Guinea* | 180 |
| Guinea Bissau* | 190 |
| Niger* | 190 |
| Comoros* | 200 |
| Tanzania* | 210 |
| Burundi* | 220 |
| Uganda* | 230 |
| Togo* | 250 |
| Central African Republic* | 260 |
| The Gambia* | 260 |
| India | 260 |
| Madagascar* | 260 |
| Somalia* | 260 |
| Benin* | 270 |
| Rwanda* | 280 |
| China | 310 |
| Kenya* | 310 |
| Sierra Leone* | 310 |
| Cape Verde* | 320 |
| Haiti | 320 |
| Guinea* | 330 |
| Sao Tome and Principe* | 330 |
| Ghana* | 350 |
| Sri Lanka | 360 |
| Sudan* | 360 |
| Pakistan | 380 |
| Senegal* | 380 |
| Mauritania* | 450 |
| Liberia* | 470 |

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| Country | Per capita GDP |
|---|---|
| Zambia* | 470 |
| Lesotho* | 530 |
| Bolivia | 540 |
| Indonesia | 540 |
| Yemen Arab Republic | 550 |
| Yemen, People's Democratic Republic | 550 |
| Guyana | 590 |
| Angola* | 600 • |
| Cote d'Ivoire* | 610 |
| Philippines | 660 |
| Morocco | 670 |
| Honduras | 700 |
| El Salvador | 710 |
| Papua New Guinea | 710 |
| Egypt | 720 |
| Nigeria* | 730 • |
| Seychelles* | 750 |
| Zimbabwe* | 760 |
| Swaziland* | 790 |
| Cameroon* | 800 |
| St. Vincent & Grenadines | 840 |
| Grenada | 860 |
| Nicaragua | 860 |
| Thailand | 860 |
| Botswana* | 960 |
| Dominican Republic | 970 |
| Kampuchea | ? (120) ? |
| Laos | ? (120) ? |
| Vietnam | ? (150) ? |

* = Sub-Saharan Africa
• = 1986 per capita substantially lower because of oil price fall.

Countries GNP per capita above $4,000 per annum (1984)

| | |
|---|---|
| Gabon* | 4,100 • |
| Barbados | 4,370 |
| Spain | 4,440 |
| Ireland | 4,970 |
| Israel | 5,060 |
| Hong Kong | 6,330 |
| Italy | 6,420 |
| Oman | 6,490 • |
| Bahamas | 6,690 |
| Trinidad and Tobago | 7,150 • |

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|---|---|
| Singapore | 7,260 |
| New Zealand | 7,730 |
| Libya | 8,520 • |
| United Kingdom | 8,750 |
| Belgium | 8,610 |
| Austria | 9,140 |
| Netherlands | 9,520 |
| France | 9,760 |
| Bahrain | 10,470 • |
| Saudi Arabia | 10,530 • |
| Japan | 10,630 |
| Finland | 10,770 |
| Iceland | 11,020 |
| West Germany | 11,130 |
| Denmark | 11,170 |
| Australia | 11,740 |
| Sweden | 11,860 |
| Luxembourg | 13,160 |
| Canada | 13,280 |
| Norway | 13,940 |
| United States | 15,390 |
| Switzerland | 16,330 |
| Kuwait | 19,810 • |
| Qatar | 19,810 • |
| United Arab Emirates | 21,920 • |
| USSR | ? |
| German Democratic Republic | ? |
| Czechoslovakia | ? |
| Hungary | ? |

Source: IBRD, World Development Report 1986 and own estimates for countries not covered.

ANNEX 2

Second Hand Bank Loan Prices - Poor Countries
(% of face value)

| Country | Bid | Asked |
|---|---|---|
| Bolivia | 7 | 8 |
| Dominican Republic | 45 | 47 |
| Guyana | 60 | 64 |
| Ivory Coast | 76 | 78 |
| Liberia | NB | 8 |
| Madagascar | 65 | 68 |
| Malawi | 74 | 77 |
| Morocco | 68 | 71 |
| Nicaragua | 4 | 7 |
| Nigeria | 36 | 42 |
| Senegal | 64 | 66 |
| Sudan | NB | 10 |
| Togo | 68 | 70 |
| Zaire | 25 | 30 |
| Zambia | 18 | 22 |

NB= No Bidders

Source: Salomon Brothers, December 1986

ANNEX 3

## Hypothetical Poor Sub-Saharan Africa Case

Population 20 million

GNP/per capita $250 (GNP $5,000 million)

Eligible external Debt:

a. government/government guaranteed $1,750 million

b. "a" plus commercial of one year or above initial duration $2,250 million

Debt Service Eligible For Abatement

a. government/government guaranteed (assuming average interest 4%, average duration 15 years with 20% still in grace period) $163 million

b. "a" plus commercial (assuming average interest 12½%, average duration 6 years) $239 million

Actual Annual Abatement (Benefit To Recipients/Cost To Creditors)

a. government/government guaranteed (assuming average interest 4%, average duration 15 years with 20% still in grace period) $17.5 million

b. "a" plus commercial (assuming average interest 12½%, average duration 6 years) $22.5 million

Annual Recurrent Budget $750 million

Of Which Child Focused Programmes $30 million

Enhancement Possible In Child Focused Programmes

a. government/government guaranteed (assuming average interest 4%, average duration 15 years with 20% still in grace period) 59%

b. "a" plus commercial (assuming average interest 12½%, average duration 6 years) 71%

The assumed debt service figures are broadly consistent with the profiles of most poor countries. Actual debt service may be lower in cases in which recent reschedulings have been agreed but is unlikely to be less than the abatement target.

The per cent on child focused programmes depends both on the country and on how broadly such programmes are defined. However, 4% of total recurrent budget expenditure appears on inspection of UNICEF country situation reports to be - if anything - an above average figure.

ANNEX 4

Poor Country External Debt Totals
($ USA 000,000,000)

| | 1. Bilateral Official, publically guaranteed Total | 5% | 2. Commercial, publically guaranteed Total | 5% | 3. Commercial, non-guaranteed Total | 5% | 4. Total Total | 5% |
|---|---|---|---|---|---|---|---|---|
| All Developing Countries | 162.1 | - | 363.8 | - | 99.0 | - | 624.9 | - |
| All Poor Countries | 97.1 | 4.9 | 64.1 | 3.2 | 18.9 | 1.0 | 180.1 | 9.0 |
| Poor Sub-Saharan African Countries | 28.1 | 1.4 | 22.3 | 1.1 | 2.9 | 0.1 | 53.3 | 2.65 |

Sources: IBRD, World Debt Tables, 1986-87. In most cases 31 December 1985 estimates. To this was added figures for Mozambique from the Institute for International Economics (IIE)'s Special Report 5 (May 1986), edited by Carol Lancaster and John Williamson and a rough estimate of 2 billion for Angola based on OAU/ECA estimates and assumed to be overwhemingly bilateral official, largely export credits.

Notes:

1. Official publicly guaranteed debts means debts outstanding and disbursed from official creditors, which are owed or guaranteed by government agencies. Includes arrears of principal but excludes interest arrears.

2. Commercial, publicly guaranteed debts means debts outstanding and disbursed from private creditors (suppliers or financial markets), which are owed or guaranteed by government agencies. Includes principal, excludes interest arrears.

3. Private, non-guaranteed debts means debts outstanding and disbursed to private agencies and not subject to government guarantees.

4. All debts of less than 12 months' initial maturity are excluded including trade arrears.

5. Poor countries are those with a per capita annual gross domestic product in 1984 of less than USA $1,000 according to the IBRD's figures.

6. The IBRD table gives no figure for Morocco under column 3, while the IIE does not distinguish between Mozambique's guaranteed and non-guaranteed commercial debts; the latter total $1.68 billion and have all been included in column 2.

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7. Because of non-availability of reliable estimates the external debt totals do not include the following countries: Afghanistan, Albania, Bhutan, Brunei, Cuba, Kampuchea, North Korea, Laos, Mongolia, Tonga and Vietnam. Debts owed to CMEA member states are not included for the same reason.

8. The IBRD gives no estimate of GNP per capita for Djibouti, the Solomon Islands or Western Samoa beyond placing them in the "middle income" cateogory, i.e. between $400 and about $8,000 annual income per capita. Debts owed by all three have been included, but are not significant relative to the totals for all poor countries or those in SSA.

9. "Poor" countries outside Africa owe more than those in Africa because they include Egypt, Indonesia, Morocco, the Philippines and Thailand, all of which owe substantial external debts absolutely and relative to their GDP and export levels as well as India, China and Pakistan which have substantial absolute external debts although ones much lower in relation to GDP and exports.

10. All figures have been rounded.