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Retroactive Terms Adjustment

by George C. Abbott, Glasgow*

The concept of Retroactive Terms Adjustment (RTA) emerged as a response to the urgent need for international action on the debt problems of the developing countries. The following article analyses the concept and the contribution RTA has made towards solving the debt problem.

It is not clear exactly when the term Retroactive Terms Adjustment first appeared in the literature, or even how widely it is used today. A few words by way of definition may be appropriate at the outset therefore, in order to clarify the concept and locate the debate.

Put very simply, RTA is a euphemism for debt relief or remission. The term seems to have been invented primarily to get around the problem of writing-off or reducing the level of past debts without appearing to be engaged in debt cancellation, for which there has never been much enthusiasm or public support in the creditor countries. It was necessary, therefore, to resort to euphemisms and semantics to obscure the real purpose of the exercise. Politically, it was more acceptable to readjust the terms of past loans than to cancel existing debts. The former could be presented as a major act of magnanimity and statecraft as well as evidence of the creditor's commitment to the cause of international development. The latter would be seen at best as an admission of defeat and at worst as rewarding waste, corruption and blatant financial irresponsibility and mismanagement.

The debtor countries went along with the fiction, basically because it mattered little to them whether loan terms were adjusted retroactively or current debt levels written down. Either method would effectively reduce their debt service payments. In a manner of speaking, they were more interested in the amount on the cheque

than its shape. The policy was thus conceived with a certain amount of chicanery and complicity. For all that though, it represented a major shift of policy on the part of the creditor countries, which, up until then, adhered strictly to the canons of conventional debt strategy. What caused this change of policy, but more importantly, what contribution has RTA made towards solving the debt problem?

The Background to RTA

One of the main effects of the vast amount of work done on the debt problem during the Sixties and early Seventies was to cause a significant shift in world opinion regarding the nature and causes of the problem. Creditor countries, for example, finally accepted the three main propositions which constituted the case for debt relief: namely,

- ☐ that the level of debt service payments was a major drain on the resources of the debtor countries which, in turn, inhibited their growth and development performance,
- ☐ the twin problems of debts and development could not realistically be compartmentalised, and
- ☐ the debt problem could be, and often was, caused by factors beyond the control of the debtor countries. In other words, good housekeeping and financial probity were no guarantee against countries running into debt. As a result, creditor countries were prepared to adopt a more sympathetic and flexible approach to countries seeking relief.

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It would doubtless be tedious to chronicle all the preparatory work and protracted negotiations which were required to articulate this general undertaking and to convert it to a specific commitment. Among other things, the global dimensions of the debt problem had to be disaggregated, and specific groups of countries identified as being in urgent need of relief. Suffice it to say that by 1976 the groundwork was well and truly laid for a full scale debate on the debt problem and the need for urgent international action on the problems of the low income countries.

This took place at UNCTAD IV in Nairobi in May 1976. In Resolution 94 of that conference, the developed countries pledged themselves to quick and constructive consideration, within a multilateral framework, of individual requests to provide relief to developing countries suffering from debt service difficulties, in particular least developed and most seriously affected developing countries.¹ The developing countries for their part, had hoped for a firmer and more extensive commitment. They wanted the commitment to extend to all low income countries, and the conventional "case by case" approach to be replaced by a set of criteria and operating groundrules which would allow for greater flexibility and some degree of automaticity in the implementation and administration of the scheme.

After UNCTAD IV, the commitment was taken up by the Trade and Development Board as part of its on-going work on debt and development problems of developing countries. Various committees and expert groups examined it in great detail, and a variety of proposals were canvassed in an attempt to give it flesh and substance.² Once this was done, it was formally submitted to the Trade and Development Board at its Ninth Special Session in March 1978.

In his opening speech to the Board, the Secretary-General of UNCTAD stressed that the most urgent issue concerning the debt problem was the need for international measures favouring the least developed, the land-locked, the island developing and the most seriously affected developing countries. Accordingly, he invited the Board to discuss how each developed creditor country might increase the grant element of outstanding official debt owed to it by these groups in order to bring it into line with the current terms on official

development assistance (ODA). He suggested the conversion of outstanding loans of the least developed countries into grants as an appropriate policy response. At the end of its deliberations, the Board adopted Resolution 165 (S-IX), which effectively contains the blueprint for action on RTA.³

Outline of the Scheme

Paragraph 4 of this Resolution sets out precisely the nature of the commitment which the developed countries were prepared to accept in respect of the retroactive adjustment of terms. It reads as follows: "Developed donor countries will seek to adopt measures for such an adjustment of terms of past bilateral official development assistance or other equivalent measures as a means of improving the net flow of official development assistance in order to enhance the development efforts of those developing countries in the light of internationally agreed objectives and conclusions on aid."⁴

The important elements of the scheme which need to be underlined are, firstly, it was to be confined to the least developed and most seriously affected developing countries. Secondly, the precise terms and methods of providing RTA were deliberately left vague. Thirdly, the purpose of RTA was to improve the net flow of ODA in keeping with internationally agreed development objectives and targets. In other words, RTA was not only to reduce outstanding debts but also to enhance the development prospects of its recipients.

Under the terms of the Resolution each creditor country was left free to decide what form RTA would take, who would benefit, and by how much, as well as the role and relationship of RTA to its individual aid policies and programmes. Paragraph 5 stated, *inter alia*, "each developed donor country will determine the distribution and the net flow involved within the context of its own aid policy".⁵

Other important details of the scheme included the following stipulations:

- ☐ it was to be reviewed at the fifth session of UNCTAD which, incidentally, was scheduled to meet the following year,
- ☐ any request for RTA was to be initiated by the debtor country seeking relief,

¹ For the full text, see Resolution 94 (IV) of the United Nations Conference on Trade and Development dated 31st May 1976 on the Debt Problem of Developing Countries, Nairobi, May 1976.

² See for example, Document TD/B/670 and Document TD/B/685 and Add: 1, Add: 2 and Corr. 1 and Add: 3, in: Official Records of the Trade and Development Board, Ninth Special Session, Annexes, agenda item 3, UNCTAD, Geneva 1978.

³ For the full text, see Resolution 165 (S-IX), Debt and Development Problems of Developing Countries, of the Trade and Development Board at its Ninth Special Session, 494th Meeting, 11th March, UNCTAD, Geneva 1978.

⁴ Paragraph 4 of Resolution 165 (S-IX), *op. cit.*

⁵ Paragraph 5 of Resolution 165 (S-IX), *op. cit.*

- ☐ such requests would be considered within a multilateral framework and involve all interested parties, including international institutions, and
- ☐ the interests of both creditors and debtors should be equitably protected within the context of international economic cooperation.

Misleading Picture

The terms of the Resolution left no doubt that the decision-making powers for implementing RTA lay with the developed creditor countries. It was up to them, for example, to decide whether or not they would participate in the scheme. They could also, unilaterally, decide how extensively or narrowly to operate. Consequently, although most of them have taken steps to comply with the Resolution, the enormous flexibility and discretion which they enjoyed has led to considerable variation in terms of the type of measures

taken, the number and categories of beneficiary countries and the amount of relief granted.

As regards the measures taken to implement RTA, these were decided by the creditor country on a bilateral basis between itself and the respective debtor. They included

- ☐ the cancellation of outstanding ODA bilateral loans,
- ☐ the conversion of past loans to grants,
- ☐ the cancellation of interest payments, either in whole or part, for a specified period of time on outstanding ODA bilateral loans,
- ☐ the provision of new funds on highly concessional terms, including grants, to refinance existing debt service payments, and
- ☐ "equivalent measures", which included principally local currency payments and local cost financing.

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INTERNATIONALE FINANZMÄRKTE UND DIE VERSCHULDUNG VON ENTWICKLUNGSLÄNDERN

Der Beitrag der internationalen Finanzmärkte im Rahmen alternativer Ansätze zur Bewältigung der Verschuldungsproblematik von Entwicklungsländern

(INTERNATIONAL FINANCIAL MARKETS AND THE DEBTS OF DEVELOPING COUNTRIES)

(The Contribution of the International Financial Markets within the Framework of Alternative Approaches to Overcoming the Debt Problems of Developing Countries)

Not only businessmen, academics and politicians are presently concerned with the indebtedness of the developing countries. The increasingly pressing debt service bills and the belief that important debtors are about to become bankrupt lead repeatedly to headlines in the daily press, making the importance of this problem clear to a broader public. This study by Alexander Brunckhorst is a doctoral thesis written at the chair of Professor Dr. Jens Lübbert, University of Hamburg. It is concerned with the potential contribution of the international financial markets to overcoming the critical debt situation of developing countries. (In German)

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V E R L A G W E L T A R C H I V G M B H - H A M B U R G

On the face of it, the range and diversity of these measures suggest that the donor countries were fully committed to RTA, and were prepared to utilise every possible relief measure to reduce debt burdens and increase the amount of relief granted. Such a reading of the situation would, however, give a totally misleading picture of what actually happened. While it is true that some creditors were unequivocal in their commitment to RTA, as a group they were distinctly lukewarm to Resolution 165 (S-IX). Not only were they tardy in implementing its prospects, there is also a shortage of information as to the precise nature of the measures taken.

Differing Approaches

Even the data which are available cannot readily be interpreted or measured. Take, for example, the problem of quantifying the amount of relief under the different types of measures. This depends on a whole range of factors such as the different techniques and terms of lending, methods of repayments and the valuation of outstanding debts. These vary enormously from country to country as well as from project to project. Also, relief given under cancellation not only has to take into account the capital sum involved but also the stream of future debt service payment involved. Some statistics record the former but not the latter.

But partial data coverage is only one aspect of the problem. A more serious problem arises from the nature and choice of the measures taken and the difficulty of measuring and comparing the amount of relief involved. While the primary objective is the same, it makes an enormous difference to the problem whether debts are cancelled or service payments waived. The former reduces the capital and current cost of servicing the debt. To be directly comparable, the latter would have to waive both the interest and amortisation payments over the lifetime of an equivalent loan. What happened in fact, was that the creditors in the main confined themselves to waiving only interest payments for a maximum of three years. This, in turn, clearly limited the contribution which RTA made towards increasing the net transfer of resources to the recipient countries.

Conceptually the creditor countries differed in their approach to the financing of RTA. Denmark, for example, took the view that RTA was additional to current net aid disbursements. The United Kingdom

took the view that the cost of financing RTA should be accommodated within its existing aid budget. The majority of creditor countries inclined to the latter position, with the result that in a great many instances RTA ended up being a substitute for, rather than additional to, increased net disbursements.

However, the most intractable problem was undoubtedly the concept of "equivalent measures". The fact that it was not defined in the Resolution left the creditors free to interpret and apply it in whatever way suited them. In the United States these measures took the form of local currency payments which the US Government then used to finance various types of expenditure in the debtor country. In the case of the United Kingdom, "equivalent measures" took the form of local cost financing, under which is provided the equivalent in foreign exchange of the local cost of financing specific projects. The two measures cannot be compared, nor their equivalence established, given the nature and diversity of each creditor's aid programme.

The Beneficiary Countries

Although Resolution 165 (S-IX) identified the least developed and the most seriously affected countries as the target groups, it was left to the creditors to decide which countries, or groups of countries, within these two categories to include in (or exclude from) their respective programmes. The intention apparently was to give them scope to operate their RTA programme over the widest geographical regions and as flexibly as possible. However, things did not work out that way. Instead of the wide-ranging and comprehensive set of measures envisaged at the outset, RTA quickly turned into a very limited operation with considerable variations and anomalies in terms of the numbers and categories of beneficiary countries.

According to the latest survey of action taken on the implementation of Resolution 165 (S-IX)⁶, a total of 58 developing countries benefitted from RTA measures. 31 of these were least developed, making them the largest single category of beneficiary countries. Other developing countries, including the most seriously affected countries, accounted for the rest. Table 1 lists the beneficiary countries and the number of creditor countries from which RTA was received.

5 of the least developing countries received RTA from a single creditor country. The rest were more fortunate. They managed to obtain RTA from several creditors. Bangladesh topped the list with RTA from 12 countries followed by Tanzania and Sudan, with 11 and 8, respectively. In the case of other developing countries

⁶ TD/B (XXX) CRP 3 dated 25th March 1985: Debt and Development Problems of Poorer Developing Countries and, in particular, of the Least Developed Countries. Review, Pursuant to Board Decision, 289 (XXVIII), of the Implementation of Section A of Board Resolution 165 (S-IX). Note by UNCTAD Secretariat, Geneva.

precisely the opposite happened. 15 of them, more than half the total, received RTA from only one creditor country. Of this number, 6 are island economies situated in the Pacific Ocean, an area in which Australia's aid programmes are concentrated. In their case, RTA was really a tidying-up operation, since most of Australia's aid was already in the form of grants. At the other end of the scale, Kenya and Pakistan each received RTA from 8 creditors followed by India with 7.

Disparity of Treatment

In summary, therefore, there were 34 beneficiary countries in Africa, 23 of which were least developed. However, the developing countries in the Indian sub-continent (India, Pakistan, Bangladesh and Sri Lanka) appear to have benefitted most in terms of the number of creditor countries taking action. Haiti and Jamaica were the only countries in Latin America and the Caribbean which received RTA. The inclusion of the former is not surprising, seeing that it is by a long shot the poorest country in the region. The same cannot be said about Jamaica which twenty years ago was one of the richest countries in the Caribbean.

Within the broad pattern established in Table 1, there are several notable exclusions from individual creditors' programmes. West Germany and the United Kingdom,

for example, excluded Ethiopia and Uganda, two of the poorest of the least developed countries, principally on the grounds of their violations of human rights. They subsequently changed their policy towards Uganda after the fall of Amin. Japan, on the other hand, appears to have suffered no qualms of conscience on that score. It granted RTA to both countries. It was also one of the few creditor countries which took action in favour of Afghanistan following the Russian invasion.

Disparity of treatment appears to have been even greater in respect of the most seriously affected countries. Canada, France and West Germany excluded them altogether from their programmes. Italy and Japan were highly selective in respect of which other developing countries they helped, while the United States confined its activities to 9 least developed countries. On the other hand, some creditors such as the United Kingdom and the Netherlands went beyond the two targetted groups and took action in favour of other developing countries.

Value of RTA Measures

Given the multiplicity of measures, the various considerations involved and the partial coverage of the data, it is not possible to quantify accurately the true value of measures taken. UNCTAD, which has the

Table 1
List of Beneficiary Countries and Number of Creditors Granting RTA

Developing Countries	Number of Creditor Countries Offering RTA					
	1	2	3	4	5	6 and over
Least Developed	Comoros Dem. Yemen Djibouti Guinea-Bissau Haiti	Burundi Central African Rep. Gambia Laos Lesotho Togo	Afghanistan Chad Rwanda Samoa Sierra Leone Somalia	Ethiopia Guinea Mali Yemen	Benin Botswana Burkina Faso Malawi Niger	Bangladesh Nepal Sudan Uganda Tanzania
Other Developing ¹	Angola Burma East African Com. Ghana Jamaica Kiribati Nauru Papua New Guinea Peru Senegal Solomon Is. Tonga Tivulu Vietnam Zaire	Cameroon Cook Is. Fiji Madagascar Mozambique	Egypt Indonesia Gambia	Sri Lanka		India Kenya Pakistan

¹ Including most seriously affected countries.

Source: Information abstract from UNCTAD Doc. TD/B (XXX) CRP 3 dated 25th March 1985, Debt and Development Problems of Poorer Developing Countries and, in particular, of the Least Developed Countries. Review, Pursuant to Board Decision 289 (XXVIII), of the Implementation of Section A of Board Resolution 165 (S-IX). Note by the UNCTAD Secretariat, Geneva.

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responsibility of monitoring operations, circulated several questionnaires to the creditors between 1979 and 1984, in an attempt to build up a composite picture of total RTA relief. The last of these, circulated in 1984, elicited a 50 % response (15 out of 31 members responded). The information consolidated and updated data previously provided, and is presented in Table 2.

The main points which this table makes are, firstly, the nominal value of all RTA measures taken amounted to \$6.2 billion. In 1977, the year on which RTA calculations are based, the developing countries owed a total of \$44 billion in bilateral ODA loans to the DAC countries. Of this, some \$18.6 billion were owed by the most seriously affected and the least developed countries, which, broadly speaking, was the debt to be reduced by RTA. On a rough calculation, the total amount of relief amounted to one-third of this total.

The figures for the least developed countries appear more impressive. In 1977, they owed the DAC countries just over \$3.1 billion in ODA bilateral loans, and as Table 2 shows, the nominal value of RTA received by them amounted to \$3.9 billion. However, too much should not be read into these figures since they are not directly comparable. The former relates to debts outstanding in

1977, whereas the latter aggregates the value of relief granted between 1979 and 1984. In fact, notwithstanding the value of RTA received, the bilateral ODA loans of the DAC members to these countries have continued to rise at an alarming rate. They are expected to average \$6 billion per annum between 1985 and 1987, double what they were in 1977.⁷

Secondly, debt cancellation which included the conversion of past loans to grants was the most popular measure taken. It accounted for \$3.5 billion, or 57.3 % of the value of all relief granted. West Germany alone accounted for half the total value of all debts cancelled. There are two notable omissions from the list of creditors cancelling debts. One, Belgium, in fact cancelled all interest payments due on Bangladesh's ODA debt between 1984 and 2005. In the case of the other, the United States, it requires the approval of Congress to authorise the appropriation of funds for implementing RTA. So far this has not been forthcoming.

⁷ See Document TD/B/C.3/195 dated 14th December 1984: Debt Problems of Developing Countries, Official Development Assistance and Related Debt Service: Scope for further debt relief in favour of the least developed and other poorer developing countries. Report by the UNCTAD Secretariat, Table 5, Annex, p. 8.

Table 2
Nominal Value of RTA Measures Taken with Respect to ODA Debt
(US \$ million)

DAC members	Nominal Value		Debt cancellation	Nature of Measures Taken		
	Total	of which: least developed		Waiving of interest payments	Refinancing/rescheduling	Conversion to local cost aid or local currency payments
Australia	0.2		0.2	..	—	—
Austria	5.7	0	4.4	1.3	—	—
Belgium	15.1	2.1	—	2.2	12.9	—
Canada	220.5	218.1	188.1	30.0	2.4	—
Denmark	94.5	93.5	94.5	—	—	—
Finland	70.3	35.0	70.3	..	—	—
France	125.1	125.1	100.2	24.9	—	—
Germany, Fed Rep of	2072.6	2072.5	1772.6	300.0	—	—
Italy	71.4	66.8	71.4 ^a	—	—	—
Japan	147.3	56.3	56.3 ^a	91.0	—	—
Netherlands	349.3	192.9	159.0	190.3	—	—
New Zealand	3.5	—	3.5	—	—	—
Sweden	285.4	104.4	247.3	38.1	—	—
Switzerland	69.2	13.5	69.2	..	—	—
UK	1941.5	240.5	692.2	52.5	—	1196.8
USA	691.0	691.0	—	—	—	691.0
Total DAC	6162.6	3911.7	3529.2	730.3	15.3	1887.8
Non-DAC Luxembourg	0.3	0.3	0.3	—	—	—

^a Including interest payments.

Source: UNCTAD: TD/B (XXX) CRP.3, 25th March 1985, Debt and Development Problems of Poorer Developing Countries and, in particular, of the Least Developed Countries: Review, Pursuant to Board Decision 289 (XXVIII), of the Implementation of Section A of Board Resolution 165 (S-IX). Cf. Table 1, p. 4 (as amended).

Thirdly, both the United Kingdom and the United States – the latter more so than the former – relied on “equivalent measures” to implement RTA. These measures accounted for roughly 30 % of the total value of action taken. While it is true that they eased the so-called transfer problem, they created additional economic and financial problems on the domestic front. They were not therefore entirely costless. Nor is it possible to say unequivocally who were the principal beneficiaries.

Shares of Principal Creditors

Table 3 shows the proportion of total ODA bilateral debt held by the five principal creditors in 1977 and their corresponding share of the total value of RTA measures. It also shows the number of countries which benefitted from their programmes.

This table reveals some very interesting anomalies. West Germany was clearly the main contributor to the programme. With 19.4 % of the total debt, it was responsible for 33.6 % of the total value of RTA. The United Kingdom also comes out well. It was owed less than 5 % of the total debt and granted over 31 % of the total relief. Together, these two creditors held less than one-quarter of the total debt and contributed almost two-thirds of all relief granted. In total some 40 countries benefitted from their programmes.

The other countries trailed a long way behind. Almost 50 % of the outstanding debt was owed to the United States, whereas the value of its RTA measures accounted for only 11.2 % of the total. It also confined its activities to 9 beneficiary countries, in startling contrast

to its own aid programmes which are comprehensive and operate globally. Japan seems to have pursued a different strategy. It spread a limited amount of relief rather thinly over a large number of debtor countries. The other 11 DAC members accounted for 8 % of total debts outstanding and 19.3 % of the value of RTA. This was distributed among 101 beneficiary countries, which is a reflection more of the scheme's coverage than its depth.

A First Assessment

Judged in terms of its declared objectives, RTA has clearly not lived up to expectations. A few statistics will put its achievements into perspective. Against the total nominal value of \$6.2 billion in RTA must be set the massive build-up in indebtedness of the poorer developing countries (i.e. those with per capita incomes of less than \$1000 in 1980). Between 1975 and 1983 their total bilateral ODA debts to the DAC countries rose from \$21.3 billion to \$41.2 billion on an annual basis. Debt service payments also rose sharply, driven mainly by the steady deterioration in loan terms and increased reliance on non-concessional lending. In aggregate terms, these rose from \$6 billion in 1975 to \$20.4 billion in 1983, of which roughly a quarter was in respect of concessional loans held by the DAC countries.

The effect of these adverse developments was to reduce substantially the net flow of ODA to precisely the two groups which RTA was supposed to benefit. Data provided by UNCTAD show that whereas total disbursed debt to countries with per capita incomes of less than \$1000 in 1980 increased by 10.6 % per annum between 1980 and 1983, ODA flows, the “true aid” element of total resource flows, rose on average by 7.2 % per annum. The debt service payments on these increased by 9.1 % and 6.6 % respectively. This resulted in an average drop of 14.5 % in net ODA flows over the period. Figures of roughly the same magnitude are recorded for the least developed countries, except that in their case, net ODA flows fell on average by 13.1 % per annum.⁸

As regards its other main objective, RTA also had very little impact on the growth and development prospects of the poorer countries. In fact, these deteriorated markedly between 1980 and 1983. Growth rates for the group fell on average by 0.1 % per annum. Exports fell on average by 8.2 % per annum over the same period while their terms of trade deteriorated to the tune of 6.7 % per annum. There were, of course, significant variations in the performance of various regional and

Table 3
Proportion of Total ODA Debts and RTA Measures
by the Principal Creditors

Principal Creditors	% of Total ODA in 1977	% of Total RTA Measures	Number of Beneficiary Countries
United States	49.6	11.2	9
West Germany	19.4	33.6	21
Japan	13.6	2.4	18
France	4.9	2.0	12
United Kingdom	4.5	31.5	19
Sub-Total	92.0	80.7	79
Other DAC members	8.0	19.3	101
Total DAC	100	100	180

Source: Calculations based on data provided by UNCTAD Secretariat.

⁸ Document TD/B/C.3/195, op. cit., Statistical Annex.

country groupings. Countries in Africa did particularly badly. Their exports fell on average by 8.3 % per annum over the period in question.

Reasons for Failure

There are three main reasons why RTA failed to achieve its basic objectives. Firstly, the creditor countries were not fully committed to it. The members of OPEC and the centrally planned economies, both of which run significant aid programmes, did not participate in the scheme. Their reasons, which make familiar reading to students of international power politics, cannot be sustained on any number of grounds, but that is not the point here. What is important is the fact that by not participating in RTA they not only condemned it to the status of a peripheral activity but also ensured that it would remain outside the mainstream of international debt management.

Secondly, the DAC members themselves went to great lengths to marginalise RTA. They restricted it to bilateral ODA loans which was one of the smallest components of their aid programmes, but, more importantly, the one with the least potential for expansion. The grant element was also set too low. Before RTA, the average grant element on bilateral ODA loans was 89.3 %. Under RTA, it was set at 90 %, an increase of less than one percentage point. The base of the programme was thus too small to make a major impact on the problem.

Thirdly, there was very little uniformity in terms of the creditors' commitment to RTA. Most of the measures were in fact taken within the first year of the scheme's operation and relate to different levels of commitment. In some instances they relate to action taken, in others simply to the commitment to take action. The various questionnaires subsequently circulated to members failed to reconcile the anomalies in their respective reporting systems as well as to establish a common basis for comparing and evaluating the extent and cost of their individual commitment to RTA.

Vastly Differing Notions

What is clear though, is that RTA was very seriously circumscribed and the amount of relief restricted to the minimum which the creditors felt would satisfy their international obligations. Consequently, the total amount of relief granted was not only too small but also spread too thinly over a large number of beneficiary countries. There are, in fact, no success stories to justify this particular strategy, and for this the creditor countries must accept full responsibility. They assigned to

themselves the power to decide who got what, when, and how. They also insisted on enjoying the maximum scope and flexibility in implementing RTA. As the record shows these were not used to make the maximum impact on the problem but rather to minimise their own commitment to RTA.

The debtor countries were in fact relegated to the status of supplicants. They applied for debt relief and it was up to the creditors to decide whether or not to grant it. The concept of partners in a process was not entertained and the idea of common objectives and the shared responsibility for international development quickly lost its relevance. Indeed, both sides had vastly differing notions as to the nature and purpose of RTA. The debtors for example, clearly hoped that the exercise would be repeated and that RTA would become an integral part of international debt strategy during the 1980's. The creditors, on the other hand, were firmly of the view that RTA was a one-off exercise.

Unfortunate Side-effects

The difference in perception between the two has had a number of unfortunate side-effects. It has led, for example, to much frustration and ill-will among the debtor countries. They had envisaged RTA as a major new programme which would help to reduce their debt problems to manageable proportions and to revive their flagging economies. This has not happened. Whatever gains were achieved have long since been whittled away by the increasing cost of aid and levels of indebtedness are now generally higher than ten years ago.

The creditors do not come out of the exercise particularly well. They gave the impression of having been pushed into it against their will. However, having agreed to participate, they decided to keep their commitment and costs to an absolute minimum, while trying to get the maximum political mileage out of their RTA actions. What is more revealing though, is having accepted the case for debt relief they were still wedded to the old strategy of *ad hocery*, minimum losses and short-leash operations.

This is a great pity since RTA is in fact a very "cheap" programme. The amounts involved are really quite small by present-day standards of international debt levels. Also, it provides the creditor countries with a glorious opportunity to make a major contribution to the debt and development problems of the poorer developing countries. The fact that it was badly mishandled last time round does not invalidate the case for RTA. That still exists, and ought to be looked at again.