Alarm in Africa over rising debt

by Mary Lalevée

Beginning with the summit of the Organization of African Unity in Addis Ababa, Ethiopia, in July, officials dealing with Africa have revealed bits of the devastating picture of how this continent is being murdered by the debt collection policies of the International Monetary Fund (IMF) and World Bank. The declaration adopted by the OAU flatly stated that "the severity of the situation is underscored by the fact that in 1985 *African countries will most likely repay more than they receive from the International Monetary Fund,* to whose programs more than 15 African countries have acceded [emphasis added]."

The IMF is well aware what that will mean for Africa: "There seems to be little prospect that such countries will return to balance-of-payments viability and satisfactory rates of economic growth in the forseeable future"—a polite way of saying: "Let them die!"

The OAU report detailed how "at the end of 1984, the total debt of all African countries was estimated at $158 billion, and it is expected to exceed $170 billion by the end of 1985. . . . At the same time, total debt service payments increased from $12.9 billion in 1982, to $14.9 billion in 1983. According to projections by the World Bank, debt service payments would be about $18.9 [billion] in 1984, and $20.4 billion in 1985."

The statement went on to describe "the considerable change in structure of [Africa's] debt over the past decade. The share of "soft" loans declined from 62.5% in 1972 to 47% in 1983, while the share of borrowing from financial markets in sub-Saharan African debt rose from 14.5% to 36% over the same period. Meanwhile, most other African countries were excluded from soft loan agreements as well as from bilateral and multilateral loans. Many thus turned to IMF standby agreements and extended fund facilities, despite the "difficult" conditions attached to such loans.

OAU's '20% solution'

One of the measures called for in the OAU declaration was that "debt service should not be allowed to exceed 20% of the export earnings, and total debt should not exceed 30% of the Gross National Product of each country"—a path followed by Peru, which has limited payments to 10% of foreign exchange earnings. It also called for an international conference on Africa's foreign indebtedness, and discussions on this question are being held at the current United Nations session in New York.

Alister McIntyre, deputy secretary general at the U.N. Conference on Trade and Development, gave little hope for Africa when he spoke at UNCTAD's autumn board meeting in Vienna. Warning that the 1980s could become the "lost decade" for development, he said, "As a result of the prevailing decline in growth, major debtor countries were experiencing a sharper drop in export earnings than in interest rates, with subsequenet deterioration in their foreign exchange earnings."

The severe contraction in imports has led to large trade surpluses. "Altogether," he stated, "developing countries managed to reduce their collective current account deficit from $120 billion in 1981 to just $35 billion in 1984." The question is whether "such a draconian shift can be sustained. Indeed, a very large number of countries may well have reached the limits of austerity. *Imports have been virtually cut to the bone; there is little room left for maneuver* [emphasis added].

LDC program a total failure

Those worst hit have been the Least Developed Countries (LCDs). This group of 36 countries, the poorest and weakest in the world, with an average Gross Domestic Product per capita of $200, a mere 2% of the developed countries, has been virtually "written off." The UNCTAD meeting in Geneva, called to review the program of action for the LDCs which was adopted in 1981, made clear that the "program of action" is a total failure. Official Development Assistance (ODA) was supposed to be doubled, to reach 0.15% of the donors' GNP, but UNCTAD writes, "The results have been disappointing. Indeed ODA, *which constitutes up to 90% of some LDCs' external receipts,* reached a plateau during the period 1980-83, when it ranged between $6.9 and $6.5 billion, whereas a doubling of the 1976-80 level would amount to $9.7 billion. As non-concessional flows, including bank lending, *dried up in the 1980s, total external resource flows to LDCs during the years 1981 to 1983 actually declined as compared with 1980* [emphasis added]."

World imports from LDCs in 1984 remain below the levels of 1980, and the demand is expected to fall even further in 1985, reports UNCTAD. Meanwhile, debts are mounting "considerably," writes UNCTAD, pointing out that the LDCs' economies are extremely vulnerable, since "agricultural products still account for more than half of their export proceeds, with coffee and cotton representing about 40% of the total. In most LDCs, the share of manufacturing in GDP remains well below 10%. . . . In fact, this share has declined continuously since the second half of the 1970s, amounting for the LDCs as a group to only 8% in 1983. . . . The industrial sector has stagnated partly because of a shortage of foreign exchange needed to import capital and intermediate goods. Even the resources needed to import essential spare parts have often not been available."