



## **Africa Action Statement on 100% Debt Cancellation for Africa**

**September 23, 2005**

This statement defines real 100% debt cancellation for Africa as understood by Africa Action. It is equally a statement of solidarity with civil society throughout Africa, whose leaders have long declared Africa's debts to be both unpayable and illegitimate. Africa's debts must be cancelled as a matter of economic justice because they are largely illegitimate and odious debts. They must equally be cancelled as a matter of economic development because they prevent Africa from investing in education, eradicating poverty and successfully combating the HIV/AIDS pandemic and other devastating diseases such as Tuberculosis and Malaria.

100% debt cancellation for Africa means the unconditional cancellation of all the external debts of all African countries. Cancellation must be outright and irrevocable, it must include all African countries and creditors, and it must be free of conditions. The financing of debt cancellation must be borne by the wealthy creditor nations and the international financial institutions which they control. The illegitimate nature of these debts should be publicly acknowledged. Anything less than this cannot be considered 100% debt cancellation.

### **The Damages of Debt**

Africa is the most impoverished region in the world today but it subsidizes the wealthy economies of the world through a net transfer of wealth in the form of payments for illegitimate debts. More money flows out of Africa each year in the form of debt service payments, than goes into Africa in the form of aid. Over the past 3 decades African governments have already repaid more than they have borrowed.

A majority of Africa's people are forced to live on less than \$2 a day and the United Nations reports that Africa will not reach the "Millennium Development Goal" of reducing poverty levels by half for another 150 years if current trends continue. Nevertheless, Africa pays more each year to wealthy creditor institutions than it can spend on healthcare or education for its own people.

Debt payments subordinate the interests of African people to those of rich creditors. This asymmetry of power also perpetuates African countries' lack of freedom to pursue economic policies of their choosing and diminishes their sovereignty. Servicing massive external debts, moreover, discourages both domestic and foreign investment and stifles economic growth.

## **Don't Owe, Shouldn't Pay: Odious Debt, Illegitimate Debt, Unsustainable Debt – Who Owes Whom?**

Africa's foreign debts were mostly incurred by unrepresentative and despotic regimes during the Cold War years. With the complicity of creditors, these loans were used for purposes contrary to the interests of African nations. This is known as odious debt. The Bush Administration has declared Iraq's \$120 billion foreign debt to be *odious* by this definition and is aggressively promoting its cancellation. The refusal to acknowledge the *odious* nature of Africa's debts reveals a harsh double standard based on geopolitics and opposed to justice.

Many loans that were made for development projects or contracted by legitimate governments should also be considered illegitimate in nature because the projects were poorly conceived, imposed by creditors, and benefited foreign or corporate interests over the interests of African people. Many loans were spent on projects and economic reforms that were harmful to people, communities and the environment. In other cases the economic conditions of loan agreements further impoverished the recipient nations.

Africa's debt is not only odious and illegitimate; it is also unsustainable and the single biggest obstacle to the continent's development. Servicing these debts diverts money directly from spending on health care, education and other important social needs. It also retards economic growth and discourages investment in African economies.

Finally, many Africans question the notion of an African "debt" to the U.S. and European countries and the financial institutions they control after centuries of exploitation. They ask, "Who really owes whom?" For Africa's people, debt payments are simply a continuation of the continent's historic role of financing the development of northern countries at the expense of the lives of thousands of African children who die each day from easily preventable malnutrition and diseases. African civil society organizations are increasingly moving beyond demands for debt cancellation to demands for their own governments to repudiate foreign debts and demands for reparations from the wealthy minority of countries that historically enriched themselves through the impoverishment of Africa and Africans. Africa Action supports this movement.

### **The G-8 Deal is Not Enough!**

Despite the exaggerated claims of the G-8 countries about debt relief for Africa at their July summit in Gleneagles, Scotland, the richest governments in the world are not proposing 100% debt cancellation for Africa. The G-8 proposal to cancel the debts of 14 African countries (and 4 Latin American countries) owed to the World Bank, the IMF and the African Development Bank, is scheduled to be voted on at the annual meetings of the International Financial Institutions on September 24-25, 2005. If approved, it will exclude the majority of African countries and the majority of Africa's debt. It will also establish the precedent that such debt relief will only be offered to countries that have submitted their economies to the draconian dictates of policies imposed by the rich creditor countries.

The existing debt relief framework, the Heavily Indebted Poor Countries (HIPC) Initiative, has failed to provide a solution to the debt crisis. Designed by creditors in 1996, it dictates economic policies and extracts the maximum in debt repayments from poor countries before writing off the balance. Recent World Bank and IMF reports concede that the HIPC Initiative has failed to provide an exit from the debt crisis that these countries face. Independent audits of these two institutions have confirmed that they can afford to write off Africa's debt completely.

The 14 African countries in the present debt cancellation proposal were not chosen because they are the poorest countries. Rather they were chosen because they've already completed the harsh HIPC program and received some debt relief, but it has proven to be insufficient to halt their further impoverishment. 18 more African countries are still involved in the HIPC program, while another third of Africa's low- and middle-income countries are excluded altogether due to inappropriate measurements of per capita wealth, which rank them as insufficiently poor to qualify for such debt relief.

In light of the illegitimate nature of Africa's debt, it is inappropriate for creditors to put any conditions on the cancellation of irresponsible loans. Conditioning debt cancellation on economic policy prescriptions further erodes African countries' sovereignty to determine their own economic policies. African governments should be accountable to their people not creditors in Washington.

### **100% Debt Cancellation Now!**

As the World Bank and the IMF hold their Annual Meetings, Africa Action joins with debt campaigners in Africa demanding the unconditional cancellation of all the external debts of all African countries. Africa Action will continue this work until African debt campaigners are satisfied that all odious, illegitimate, and unsustainable debts are cancelled.

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## **APPENDIX**

### **Debt and HIV/AIDS: A Deadly Combination!**

To highlight the relationship between debt, health, and HIV/AIDS on the African continent, Africa Action has compiled a table comparing debt service expenditure and spending on health. The table below puts these issues in perspective and highlights the following:

- a) Between 1970 and 2003, African countries received about \$540 billion in loans and paid back \$580 billion in debt service, yet the continent is still saddled with a crippling \$330 billion in external debt.
- b) This burden of debt diverts money directly from spending on health care and other important needs. In 2003, African countries paid over \$25 billion in debt service fees, even as 2.3 million

Africans lost their lives to AIDS. In Angola, about 240,000 people live with HIV/AIDS and yet that country spent \$106 per capita on foreign debt payments and only \$38 per capita on health.

- c) Many of Africa's most impoverished countries spend more per capita on debt service than on health care. For every dollar spent on health care in 2002, the Democratic Republic of Congo spent more than four dollars on debt service – this in a country where 1.1 million people are living with HIV/AIDS.
- d) Even if the Group of 8 (G-8) proposal to cancel the debts of 14 African countries were immediately implemented, it would have no effect on the majority of African countries, who will still spend more on debt service than on vital social services.

Country <sup>1</sup>	Total External Debt 2003 (US \$million)*	Total Debt Service Paid 1970 – 2003 (US\$ million)*	Debt service Per Capita Expenditure 2002 (US\$)*	Health Per Capita Expenditure 2002 (US\$)**	Estimated % of People living with HIV/AIDS***
Algeria	23,386	142,474	133	77	< 0.1
Angola	9,698	13,037	106	38	4
Benin	1,828	1,091	9	20	2
Botswana	514	1,653	36	171	37
Burkina Faso	1,844	998	4	11	4
Burundi	1,310	751	3	3	6
Cameroon	9,189	11,741	22	31	7
Cape Verde	480	228	47	69	n/a
Central African Republic	1,328	475	0	11	14
Chad	1,499	465	3	14	5
Comoros	287	60	8	10	n/a
Congo, Dem. Rep.	11,170	7,322	18	4	4
Congo, Rep.	5,516	6,102	7	18	5
Côte d'Ivoire	12,187	30,693	50	44	7
Djibouti	396	254	17	54	3
Egypt, Arab Rep.	31,383	57,490	31	59	<0.1
Equatorial Guinea	319	131	7	83	n/a
Eritrea	635	39	2	8	3
Ethiopia	7,151	3,957	1	5	4
Gabon	3,792	8,514	310	159	8
Gambia, The	629	538	12	18	1
Ghana	7,952	8,632	9	17	3
Guinea	3,457	3,273	16	22	3
Guinea-Bissau	745	256	8	9	n/a
Kenya	6,766	16,999	17	19	7
Lesotho	706	805	38	25	29
Liberia	2,568	741	0	4	6
Libya	0	0	0	121	<1

<sup>1</sup> Data is not available for Western Sahara.

Madagascar	4,958	3,818	4	5	2
Malawi	3,134	2,388	3	14	14
Mali	3,129	1,653	7	12	2
Mauritania	2,360	2,549	20	14	1
Mauritius	2,550	4,391	207	113	n/a
Morocco	18,795	63,991	125	55	<1
Mozambique	4,930	1,846	4	11	12
Namibia			0	99	21
Niger	2,116	2,443	2	7	1
Nigeria	34,963	54,675	11	19	5
Rwanda	1,540	473	2	11	5
São Tomé and Príncipe	338	660	31	36	n/a
Senegal	4,419	6,522	22	27	1
Seychelles	548	557	1,048	425	n/a
Sierra Leone	1,612	1,256	4	6	n/a
Somalia	2,838	331	0	n/a	n/a
South Africa <sup>2</sup>	37,200	42,965	103	206	22
Sudan	17,496	3,511	1	19	2
Swaziland	400	758	19	66	39
Tanzania	7,516	9,180	3	13	9
Togo	1,707	1,699	3	36	4
Tunisia	15,502	29,957	148	126	<0.1
Uganda	4,553	3,161	3	18	4
Zambia	6,425	11,173	28	20	17
Zimbabwe	4,445	10,752	8	118	25
<b>TOTAL</b>	<b>330,209</b>	<b>579,428</b>			

<sup>2</sup> Debt figures for South Africa are based on statistics from the Annual Reports of the South African Reserve Bank.

\*World Bank, World Development Indicators, 2005

\*\* World Health Organization, World Health Report 2004

\*\* \* UNAIDS, 2004 Report on the global AIDS epidemic