

Debt sustainability in the context of African Dependency and Underdevelopment

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Introduction:

Africa is once again engulfed in a deep debt crisis and seeking external assistance. The new crisis comes barely 10 years after the first Debt crisis (1980s) which was resolved through the enhanced Highly Indebted Poor Countries (HIPC) Initiative (1999) and the Multilateral Debt Relief Initiative (MDRI)(2005) processes. The coming of the second crisis (beginning 2020) in the context of a complex global reality raises the question of whether or not we can anticipate a third debt crisis on the horizon and in general, if Africa will not remain in a permanent debt crises mode. In order to answer this question and the more direct question posed by the Third African Conference on Debt (AFCODD), namely, “Can Africa achieve Debt sustainability under neoliberalism?” we need to “recapture the emancipatory scholarship and politics of previous generation of intellectuals that emerged from post-independence movement in the 1960s and reformulate it to respond to the needs of today’s world”¹. In answer to this Call by the Collective on African Political Economy (CAPE) this paper attempts to answer the question of the African Debt sustainability through the lenses of dependency and underdevelopment theories based on the Center-Periphery theory and hypothesise that unless Africa exits the dependency and underdevelopment mode in which it has been trapped since colonialism, it will remain in perpetual Debt crises². Thus delinking from institutions and processes that trap Africa in this mode is inevitable for debt sustainability and long term broad based development in Africa. The responsibility for generating countervailing power for transformation lies totally in the hands of Africans as our historical experience to date must suggest.

The value of a development theory lies in its ability to reveal the society’s reality and provide a pathway for its transformation. The structuralist schools of the 1960’s somewhat reflected the reality of African countries and was largely based on a critique of capitalism (and colonization) and proposed **socialism** as the alternative. In that regard on gaining independence, many African countries were influenced by the structuralist school and attempted to adopt some measures towards modernization and industrialization, including import substitution and promoting the ideas of self-reliance etc. Their attempt to deepen their understanding of this development path was overtaken by **neo-liberalism**³ which was enforced through the Washington consensus⁴ by the International Financial Institutions (IFIs): the World Bank and the International Monetary Fund (IMF) through Structural Adjustment loans and grants. Today Africa is looking for a new paradigm beyond Neoliberalism, a transformative paradigm.

The first part of this paper therefore, takes a look at the theoretical framework to provide the basis of our conversation on Debt Sustainability. The second part is an analysis of the first debt crisis, the

¹ See Life or Debt: The Stranglehold of Neocolonialism and Africa’s search for Alternatives in Tricontinental Dossier 63 page 11/18 at <https://thetricontinental.org/dossier-63-african-debt-crisis/>

² Articulated as Fundamentalism of the IMF and the Permanent Debt Crisis pp. 5/18-7/18 in the above Dossier.

³ In essence neo-liberalism is an ideology associated with promotion of free market capitalism, reduced the role of the state in the economy, free international trade and so on. Ronald Regan and Margret Thatcher are the best known implementors of the neo-liberal economic agenda.

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context and processes towards its “resolution”. Within that we examine the development enthusiasm of the post-World War II period, the role of social movements and the process of Debt relief. In the third part of the paper we look at the changed development context after 2011 and briefly at current debt crisis that Africa is confronting now. We finally make some conclusions and some forward. It is the expectation of this paper that there will be some agreement that as Africans we must take the transformation journey and liberate ourselves from dependency and underdevelopment through delinking from ideas, institutions and processes which undermine African development: we must exit the periphery of global capitalism if we really want to be our own decision Maker. If that does not happen, Africa will remain in unsustainable and permanent debt bondage to the Center (rich countries at the center) and will not be a decision maker!

Part 1:

The theoretical Framework: The Structuralist School: dependency and underdevelopment.

Prior to decolonization, the relationship between imperial countries and their colonies was characterized by a system of domination and exploitation on the basis of which they began their industrialisation. The colonies, were under the political, economic, and military control of the imperial powers. In broad terms, the overall nature of colonialism involved the following key features that we are aware of:

- **Economic Exploitation:** Colonies were sources of raw materials, cheap labour, and markets for the manufactured goods produced in the imperial countries.
- **Political Control:** In order to achieve economic control, imperial countries exercised political control over their colonies. The **laws, regulations, and policies** were determined by the colonial powers, and local populations had limited or no representation in the decision-making process;
- **Cultural Dominance:** Imperial powers imposed their cultural norms, language and values on people of the colonies, leading to the suppression or marginalization of local cultures and traditions, including *traditional knowledge*.
- **Social Hierarchies:** Colonialism often reinforced social hierarchies, with European colonizers occupying privileged positions of power and local populations facing discrimination and marginalization
- **Exploitative Labour Practices:** In many colonies, forced labour, indentured servitude, and other exploitative labour practices were prevalent, with local populations subjected to harsh working conditions and limited labour rights as part of primitive accumulation.

Overall, the economic relationship was based on the extraction of wealth and resources from the colonies in many cases through primitive accumulation.

Observing colonial relationships the structuralist school in the 1950s coined the **center-periphery**⁵ theory: initially by Rao Prebisch (an Argentine Economist) who argued in his seminal paper in 1949 that in that context, countries and regions in the world could be classified as being the **Center** or **Periphery** with the Center comprising industrialized nations with strong economies, advanced technology, financial muscle, political power and control and benefit the most from global economic activities, such as manufacturing, finance, and high-value services, free trade etc. and the periphery consisting of less developed countries or regions that were economically dependent on the center

⁵ Note that in his conception of world systems Immanuel Wallerstein also included the category of Semi-Periphery countries. See for example, the video: <https://www.youtube.com/watch?v=JN6LIMY2ApQ> on a description of dependency theory

for the attributes of the center mentioned above especially finance, capital goods, high value services and support in their decisions. The periphery countries provided minerals and raw materials, cheap labour, and agricultural products etc. at prices determined by the Center and therefore overtime, the terms of trade worked against them creating surplus in the Center. They had limited industrialization and technological capabilities because those were developed in the Center. The periphery was further characterized by low wages, and limited access to global markets and resources. Hans Singer (a British development economist) reached the same conclusion and regards international trade and terms of trade, both Prebisch and Singer in what is now known as the Prebisch-Singer Hypothesis the terms of trade of primary commodities decline over time compared to manufactured goods. That primary commodity prices show a downward trend over time as compared to manufactured goods whose demand and prices grow over time. (Studies have shown evidence of this)⁶

Given that many African countries rely on a small number of primary commodities to generate the majority of their export earnings, downward trends in primary commodity market prices affects their level of export earnings and hence their ability to service external debts which are denominated in foreign currencies. As shall be seen later, this was one of the contributors to the first debt crisis.

Decolonization, which occurred in the 1960's significantly reshaped the political map of the world and led to the emergence of many newly independent countries. However, the legacy of colonialism has continued to impact societies and economies in various ways even after more than 50 years after the formal end of colonial rule. This is the base of the notion of **neo-colonialism** which asserts that economic colonial structures and mindset still remain in place to facilitate ongoing exploitation of the continent and that may Africans still need to decolonise their minds⁷. Even as we speak today, many African countries still have colonial laws on their statute books! In attempting to get free of neo-colonialism African countries in the post-independence era attempted to follow the structuralist school and adopted nationalism with policies of import substitution, investments in human capital for skills and broadly wanted to walk the path of breakaway towards self-reliance.

With decolonization, much of development thinking in the center was based on the linear models of growth which stated that all Africa needed was modernization and economic growth as a way towards development. Within the context of the **ideology of neoliberalism**⁸ which was entrenching itself, the notion of developing countries was assigned to African countries and that they would also become "developed" like those of previously imperial countries. Emphasis was being laid on assessment of individual countries and how each was progressing in line with indicators developed by the center such as gross domestic product (GDP) and Growth Rates.

In his 1966 publication of "Development of Underdevelopment"⁹, Andre Gunder Frank, a Latin American scholar challenged the prevailing theories of development at the time; arguing that the

⁶ See for example,

[The Prebisch-Singer Hypothesis: Four Centuries of Evidence](#), David I. Harvey, Neil M. Kellard, Jakob B. Madsen, and Mark E. Wohar at [UNO Economics Faculty Publications | Department of Economics | University of Nebraska at Omaha \(unomaha.edu\)](#)

⁷ See decolonizing the Mind videos on YouTube by Chetna Mehta, Ngugi wa Thiong'o and others

⁸ Neoliberalism is an ideology which asserts that reduced role of the state and predominance of free market as the path of development (among other things). See Washington consensus below.

⁹ Development of Underdevelopment Monthly Review Press 18 April, 1966 https://monthlyreviewarchives.org/index.php/mr/article/view/MR-018-04-1966-08_3

underdevelopment and poverty experienced by countries in the periphery (Africa and the global south in general) were not simply a result of internal factors or a lack of progress, but rather were closely tied to their historical and ongoing relationships with more developed countries, particularly the former colonial powers. He coined the notion of Dependency stating that in fact the level of development in the Center was based on continuation of exploitation of the periphery through neocolonialism in subtle ways including terms of trade, dominance of multinational corporations as well as **Debt** and Development Aid (to sweeten neocolonialism - Opa). Thus, underdevelopment is a consequence of this ongoing exploitation i.e., it is not a stage of development (resources actually flowed from the periphery to the Center enriching the center at the expense of the people of the periphery). Therefore, underdeveloped countries structurally disadvantaged by a global system of unequal economic and political relations, **global capitalism**.

He argued that achieving true development required breaking away from the dependency on the dominant countries, promoting self-reliance, and pursuing more equitable and autonomous paths of economic and social development¹⁰. In the same footsteps of Frank, Samir Amin, a great African scholar coined the notion of **delinking** (beyond breakaway) as refusal to submit to demands of the Center because every society has capacity to define an alternative range of internal economic options¹¹.

Frank's dependency theory sparked considerable debate and criticism, but it influenced subsequent development theories and contributed to a broader understanding of the complex dynamics and challenges of development in the global context. His work highlighted the significance of structural factors, historical legacies, and international relations in shaping the development prospects of countries, particularly those in the Global South.

Following in the footsteps of Andre Gunder Frank, Thomas Yalonde Clive, a Marxist development Economist from Guyana who also spent time at the University of Dar-es-salaam in Tanzania in the 1970s in his book "Dependency and Transformation: Economics of Transition to Socialism"¹² in 1974 explains both dependency and underdevelopment a little bit further. Underdevelopment according to Thomas, is **"the lack of an organic link, rooted in (an indigenous) science and technology, between the pattern and growth of domestic resource use and the pattern and growth of domestic demand, and (secondly) the divergence between domestic demand and needs of the people"**. Thomas argues that we must industrialise through science and technology to produce the inputs we need in transformation of our resources into final manufactured products. Short of this Africa is simply transferring most value added elsewhere. What this really means is that Africa's imports of capital goods and equipment to process its resources is transferring jobs and incomes outside the continent. Equally, exporting of resources as raw materials also transfers jobs and incomes elsewhere. Africa must therefore industrialise with complete value chains to end dependency and underdevelopment. Thus in this regard Africa has the responsibility to liberate itself out of dependency and underdevelopment.

He argued that as a dependent country the country survives on the periphery of international capitalism which has an inherent law of uneven development or as Clive put it, capitalism contains

¹⁰ . Frank argued that the periphery countries should break away from the Center the time when the Center is at its weakest. (As India did just after the second world War when Britain was at its weakest: India as a result became a rising economic power) or through a Socialist revolution as was the case with Cuba.

¹¹ . Samir Amin: Maldevelopment p.70-71 quoted in Delinking or Globalization by **Jan Neederveen in his Review Article of the work of Samir Amin.**

¹² Thomas, Clive: Dependency and Transformation: The Economics of Transition to Socialism, Monthly Review Press, 1974.

within itself an anticipated dynamic of underdevelopment. This means that if a country is on the periphery it will be subjected to forces and processes which makes it difficult to achieve the organic link between resources endowment use and demand. In other words the periphery will always be exploited by the Center and remain underdeveloped. So Thomas uses the theory for analysis but also to map out a development strategy: Industrial Transformation (Value added) based on the resources base. Like Frank, Thomas then argued that Africa must breakaway from global capitalist system and take a Socialist route.

Today we may not be talking about **delinking** as a radical process of breakaway in the same way as in the 1970s given the need for **sustainable interdependency** required of all countries in this world and the need for peace and security and equality for all humankind. So, today, delinking means breaking away from ideas (such as neoliberalism) processes and institutions that reenforce our dependency on the Center and therefore casts us in the underdevelopment mode. We must fight for transformation of Africa from dependency on the Center through industrial transformation of the continent (based on development of science and technology) as we have stated in our Agenda 2063 in the Africa we want! We must step out the periphery and become a global powerhouse that we potentially are! To do this however, we need a strong **developmental state**.

Take aways from Dependency discussion:

1. We must understand our historical context, unequal power relations, and external forces shaping the development trajectory of our continent.
- 2.0 We need to understand global Institutions, ideas and forces that put the continent in the dependency and underdevelopment mode.
- 3.0 Delinking: We must delink from ideas (such as neoliberalism) processes and institutions that reenforce our dependency on the Center and therefore casts us in the underdevelopment mode.
- 4.0 We need a development theory to help us understand our concrete reality, not what other people believe in and tell us but one which can help us map out strategies for broad based sustainable development.

Part II:

The first Debt crisis, the context and processes towards its resolution:

Literature is abundant on the first Africa Debt crisis of the 1980s and 1990s. The causes of the crisis are clearly multifaceted and inter-connected. They include the combination of domestic challenges and external factors. At one level the crisis is attributed to poor governance, poor infrastructure, widespread corruption, mismanagement of resources by African governments, macroeconomic imbalances, including high inflation rates, budget deficits, low levels of economic growth; trade imbalances which weakened their economies and made it challenging to manage their debt obligations etc. on the internal challenges. On the external factors causes were attributed to high oil price shocks, unfavourable terms of trade and declining commodity prices leading to reduced export revenues, high-interest rates and unfavourable loan terms (*some loans came with onerous conditions and stringent repayment schedules that strained national budgets*). The above factors may well have their own merits.

From a structuralist viewpoint however, it was evident that the underlying causes of the crisis was the fact that African economies were still locked into a dependency and underdevelopment mode. (Neocolonial mode). In that regard some of the underlying causes (real root causes) include the following:

1.0 Independence had brought along it a lot of enthusiasm for self determination and breaking away from the colonial past. African countries looked to the left, to the right and tried all sorts of models of development: there was some form of split in Africa. Some wanted socialism (Tanzania), others capitalism and yet others nonalignment. Some took on nationalism (the Monrovia Group) and others wanted Pan-African union/federation (the Casablanca Group)¹³. It can be said that there was some confusion which required time to clear. With only 25 years of independence there had been little time for transformation from the colonial economic structures. Equally, the previous imperial powers maintained the grip and level of influence to keep the old systems in place through development Aid and loans.

2.0 African economies still relied on production and export of primary commodities. National and people's incomes are largely dependent on earnings, including foreign exchange for paying back foreign debt therefrom. But countries have absolutely **no control** over their primary commodity prices and therefore are subject to long term decline in terms of trade and noted by the Prebisch-Singer thesis. During the 1980s there was a dramatic decline in non-oil commodity prices attributed to a decline in demand partially due to technological advances (e.g. substitutions of copper with optic fibre, natural fibres with synthetics and use of lighter materials e.g. for cars to save fuel in the aftermath of oil shocks of 1960s and 1970s, for example) and a slight decline in industrial production in the OECD countries over the period 1975-1980s. The impact was big with a loss estimated at more than US\$35 billion in foreign exchange earnings in 1988 alone! Furthermore, the depreciation of the United States Dollar from 1985-1987 caused a price rise of manufactured goods of up to 44%! These effects had serious negative impact on foreign exchange earnings resulting in import strangulation, inability to repay mounting debts and therefore contraction in the economies. For non-oil producing countries in Africa, oil price increases of 1973-1974 and 1978-9 were added shockers¹⁴. It is evident that being dependent on primary commodity production does not work well for debt sustainability!

¹³ The **Casablanca Group** composed of radical leaders called for a Pan-African political union/federation. These were Algeria, Egypt, Ghana, Guinea, Libya, Mali, and Morocco. **The Monrovia Group** on the other hand, comprised of Ethiopia, Liberia, Nigeria, Sierra Leone, Togo, Tunisia, Zambia and Tanzania, believed that African independent states should co-operate and exist in harmony, but without political federation and deep integration as supported by its main rival, the so-called Casablanca Group. To save the continent, in 1963, the two groups united to establish a formal, continent-wide organisation, the **Organisation for African Unity (OAU)** which was later transformed in African Union.

¹⁴ For an elaborate coverage of this subject see "Commodities in Crisis" by Alfred Maizels at

3. Institutions that are supposed to work in our favour do not do so! While the United Nations Conference on Trade and Development was set up by the United Nations at the instigation of Latin American, Asian and African countries to safeguard the interests of poor nations it remained controlled by rich countries. It was more concerned about primary commodity price stabilization than how these countries could get out of primary commodity production mode! Under the Lome trade agreement between Africa and Europe a foreign currency earning shortfall stability fund STABEX was also established. Efforts to have UNCTAD operate the Fund to assist primary producers stabilize their supply were not approved by the rich countries; instead they sought to strengthen the position of the IMF and its conditionalities (see below). It is also worth mention that trade in primary commodities was dominated by Trans-National Corporations of the rich countries over which UNCTAD had no control and the focus for UNCTAD became how to stabilize prices of primary goods rather than help the industrialization agenda in Africa¹⁵.

3. Following the first debt crisis default by Mexico the IMF started demanding that countries radically change their domestic economic policies as condition to approval of their support. Through the 1986 Structural Adjustment Facility and the 1987 Enhanced Structural Adjustment Facility the IMF imposed conditionalities which included devaluations which had an impact of increasing the debt stock of an already indebted countries! This is apart from the fact that the Facilities themselves were loans and not grants!! Just worsening the situation of the crisis!

4. Limited industrialization and diversification limited the capacity of African countries to generate more foreign exchange. This structural constraint made it difficult for countries to generate sufficient revenue to repay their debts.

4. Limited human capital development: Insufficient investment in education, healthcare, and skills development resulted in a lack of skilled labour and diminished human capital. The absence of a well-educated and trained workforce limited productivity and innovation, hindering economic growth and the ability to address the debt crisis effectively.

5. With relatively weak states faced with high demands for services by ordinary citizens and elitist traits¹⁶, African countries were subjected to “illegitimate loans” through irresponsible lending by Export Credit Agencies of the rich countries. (see AFRODAD work on Export Credit Agencies).

6. The weak African state was unable to forge ahead with a clear transformation strategy and resorted to begging for Debt cancellation!

So by 1990 most countries were deeply in Debt and something needed to be done! This was done largely because of the post world war II development context and the lobby and advocacy role of social movements and NGOs.

The Post World War II Development Context:

International development cooperation was surging beginning early 1960s driven by post World War development optimism and enthusiasm. 1960-1970 was deemed the First development Decade and 1970-1980 as the second in support of the new nations in Africa that were emerging from colonial rule. The African continent was awash with volunteers from all over the world as teachers, doctors, technical advisors etc. There was great solidarity between the people of the Center and the Africa.

<https://www.wider.unu.edu/sites/default/files/Publications/Book/Book-commodities-crisis.pdf>

¹⁵ *ibid.*

¹⁶ Importation of luxury items for the elite because they could afford them at whatever exchange rate they were...

Civil society action was governed by this solidarity. Equally governments in the Center were keen to promise financial resources of up to 0.7% of their gross national incomes.

The Pearson Commission 1969:

With the support of the World Bank and United Nations Development Programme (UNDP) a "Commission on International Development" was established in 1968 under the United Nations led by Lester B Pearson who had just completed his term of Office as the Canadian Prime Minister and was a recipient of the Nobel Peace Prize. The Commission was convened to examine issues related to global development and international cooperation and its final report, titled "Partners in Development," was published in 1969. The report examined various aspects of global development and put forward recommendations to address key challenges, including poverty, inequality, and underdevelopment. Among other things, the Report called for:

- A). Intensification of international cooperation and partnership among developed and developing countries to promote economic development, reduce poverty, and address global challenges.
- b). More effective, coordinated and harmonised development assistance (Aid Effectiveness) to developing countries.
- c). The need for increased financial resources, better-targeted aid programs, and improved aid delivery mechanisms to maximize the impact of development assistance.
- d). Fair and equitable international trade policies that promote the interests of developing countries.
- e). Need for increased private investment, and domestic resource mobilization in developing countries.
- f). Technology transfer to foster economic development in developing countries including measures to facilitate the transfer of technology, encourage research and development, and promote technological innovation in developing countries.

Because of this framework which highlighted the need for collective action, partnership and a comprehensive approach to address the complex issues facing developing countries the highly indebted African countries could approach the Creditor countries with some expectation of Debt relief with a larger part being Debt cancellation.

Civil society role in the Call for Debt Cancellation¹⁷:

Civil society both in the north and the south was well galvanised in calling for debt cancellation. As the debt stress and the Structural Adjustment Programmes were visibly negatively impacting people in indebted countries across the world, the campaigns for debt cancellations were increasing through consolidation and formation of NGOs and coalitions with a focus on Debt. The transnational networks including the African Forum and Network on Debt and Development (AFRODAD), The European Network on Debt and Development (EURODAD), Forum on Debt and Development of Latin America (FONDAD), Freedom from Debt Campaign (FDC) of Asia, numerous networks and organizations in the USA including "50 Years is Enough" and the global Jubilee 2000 movement (to

¹⁷ See Chap. 8: Proclaiming Jubilee: The Debt and Structural Adjustment Network by Elizabeth Donnelly in Transnational Social Movements, Networks and Norms: Restructuring World Politics at: <https://www.scribd.com/document/241417488/Social-Movements-Protest-And-Contention-14-Sanjeev-Khagram-James-v-Riker-Kathryn-Sikkink-Restructuring-World-Politics-Transnational-Social-Mov>

mention a few) were consolidating with one common agenda of Debt cancellation. These organization undertook lobby and advocacy activities with northern governments, intergovernmental organizations and indeed with the key decision makers: the G7 (group of most advanced (Center) countries comprising Canada, France, Germany, Italy, the United States and the United Kingdom). Jubilee 2000 movement was the strongest and managed to collect 17 million signatures from across the world for Creditors to provide debt cancellation by the year 2000. At the Cologne meeting where the Petition was delivered the G7 countries agreed to an enhanced HIPC (highly Indebted Poor Countries) initiative that would provide up to 80% of Debt relief to poor countries. It is widely acknowledged that civil society across the globe had impacted on the process.

It is important to highlight however that civil society organizations and movements in the Debt campaign had different basis for their campaign and approached the campaign process in different ways. Many NGOs in Africa had people who had been exposed to the issues around neocolonialism, underdevelopment and dependency and the nature of the power relationships between the Center and Periphery and the difficulties African countries were facing in their efforts towards development. Our approach as Africans was therefore to built strongly on the good will towards development that creditor countries expressed in different development fora and that Africa needed to be given the space to rebuild after debt cancellation. We also pointed to the negative impact of SAPs and hidden sources of debt such as devaluations, illegitimate debts which did not benefit African citizens, irresponsible lending and some institutions that were generating Debt in Africa such as the Export Credit Guarantee institutions. To engage meaningfully with northern governments and institutions in Europe, USA and Canada we needed our northern NGO partners to open the doors in their countries for us to do our lobbying. All our northern partners saw and supported our cause and therefore facilitated access. We will remain grateful to them for that.

Many European and American NGOs and Coalitions and Networks were very technical about the Debt issue including demonstrating that netflow of resources was from Africa to the north and that there was adequate resources in the north to write off the Debts. They pointed to the fact that the IMF were sitting on a lot of gold which they could sell to provide debt relief and that Multilateral Banks (World Bank and the regional Banks including the African Development Bank) could write off the debts without their ratings being affected because they had huge reserves and after all they were backed by development Aid. Being very technical on the whole issue of Debt was very useful in dealing with technocrats. And this worked!

The Jubilee 2000 movement was based on the biblical notion (Leviticus 25: 8-13) that every 50 years must be a Jubilee year in which slaves would be freed and debts forgiven. The Movement targeted the Year 2000 as the Jubilee year. Based on this moral ground the campaign was very successful! However, in some cases the appeal portrayed Africa in a negative sense and was therefore sometimes offensive. Notwithstanding that as Africans we fully participated in the work of the Jubilee 2000 and indeed to the success of the Call for Debt cancellation in Cologne in the summer of 1999.

It must be mentioned that inspite of all efforts by civil society and in particular the serious contribution by the radical "50 Years is Enough" campaign seeking reform of Bretton Woods institutions; the IMF has not moved at all. Even as we speak today IMF programmes still contain the neo-liberal policy conditionalities. Calls for reform of the current international financial architecture at the center of which is the IMF, is an illusion. The World Trade organization remains for the gain of countries of the center and UNCTAD in years has ended up just on stabilization of primary commodity prices. It is time for African NGOs to understand that our focus must be on our governments and their institutions at continental and subregional level.

The Road towards the HIPC and MDRI process¹⁸: (very brief)

The journey towards Debt relief and debt cancellation in resolving the first debt crisis was a long one beginning late 1970s when African countries started struggling with debt repayments. Given the presence of a mechanism of negotiation with bilateral donors in the Paris Club, various African countries were queuing up for debt rescheduling. However, the problem could not be solved by rescheduling, and it was realised that the problem was deeper given the persistent weakness in primary commodity prices in the 1980s and so the G7 took it upon themselves to make decisions on Debt relief in a series of meetings starting with the one in Venice Italy in 1987 which contained some elements of debt relief beyond rescheduling. Further steps were taken following the G7 Meeting in Toronto 1988 (Toronto terms) which provided for different menu of options which included outright cancellation. In 1991 the Toronto terms were enhanced and in 1996 the HIPC initiative was born and enhanced in 1999 at the G7 Summit in Cologne at the climax of civil society lobby and advocacy work and delivery of 17 million signatures from across the world calling for debt cancellation. In 2005 the Multilateral Debt Relief Initiative (MDRI) was established after the G8 Meeting in Gleneagles Hotel in Scotland which called for the cancellation of 100 percent of debt owed to the IMF, the International Development Association (IDA) of the World Bank, and the African Development Fund (AfDF) for countries that had qualified under HIPC. All debt relief was paid by development aid.

By the time of the global financial crisis of 2008 most Highly indebted African countries were starting on a clean slate. The question was weather some lessons had been learnt from that to secure long term debt sustainability practices in Africa.

The changing development context:

In the post Pearson Commission debates on financing for development a lot of doubt was cast on aid effectiveness. Attention was being redirected to domestic resource mobilization, international trade and private capital financial flows. These themes were discussed in Monterey (2002) repeated in Doha (2008), and in Addis Ababa (2015) where African governments were told clearly that the responsibility for Debt Sustainability lies with borrowing countries! (Section 97) and they were further advised to pay attention to development of science, technology, innovation and capacity building as key to transformation. Equally in the series of discussions on Aid effectiveness we see the same pattern: On the assumption that aid was not effective due to lack of donor harmonization, the Rome Declaration of 2003 called for donor aid harmonization and saw the birth of Budget support and Sector Wide Approaches. These did not really deliver with the excuse that donors were dictating the development agenda and financial allocation and that the African countries should be in the "Driver's seat". The Paris Declaration on Aid Effectiveness in 2005 then called for *Ownership*: Developing countries should set their own strategies for poverty reduction, improve their institutions and tackle corruption; *Alignment*: Donor countries align behind these objectives and use local systems; *Harmonisation*: Donor countries coordinate, simplify procedures and share information to avoid duplication; *Results*: Developing countries and donors shift focus to development results and results get measured; and *Mutual accountability*: Donors and partners are accountable for development results. Little results were being achieved in these processes and all the follow-up meeting in Accra Ghana (2008) could do was merely reassert assurances for better action. An assessment made by the OECD Secretariat on the implementation of both the Paris and

¹⁸ For some detailed history of Debt relief initiatives including figures see Debt Relief and Sustainability Boris Gamara et al at <https://www.ohchr.org/sites/default/files/Documents/>

Accra agreements showed that very little progress had been made¹⁹. Most likely because of that Busan, South Korea hosted the last High Level Forum on Aid Effectiveness end of 2011. The message was clear that after many years of development aid new players had emerged and therefore need for a shift from development aid. The countries were advised that Government's own resources was key to development and accountability by citizens; development can be financed by domestic resources increased by curbing corruption, illicit financial flows, pooling in of private sector finance, through international trade (especially developing Regional markets (for economies of scale) and through South-South cooperation (e.g. the BRICS framework).

Soon after Busan many development sections of Embassies and Development agencies (Canada, The Netherlands, closed their offices in more than 33 countries in Africa. All they left behind were Trade agents. At the end of 2012 the OECD Working Party on Aid Effectiveness²⁰ was abandoned.

It became clear to many of us that should there be another debt crisis (and there was no reason to believe its might happen again) there would be no development aid for debt cancellation. Debt Restructuring had already been asserted as the future route to any debt relief discussions that might include moratorium on principal payments, longer maturities and concessional interest rates but pushing the burden to the next generations.

The Second African Debt crisis. (Briefly)

Just after the Financial crisis of 2008, African debt began to rise again. By 2020 the external debt had risen to some US\$720 billion. Once again this is being attributed to the global financial crisis of 2008, the COVID-19 pandemic and more recently, the war in Ukraine. As noted above, the game now is debt restructuring since a larger part of it is commercial/private and the bilateral debt is dominated by China. African countries are in line for debt restructuring with Zambia being the first and to be most likely followed by Ghana and then others. We are yet to witness how the whole thing will unfold.

As for the underlying structural reasons for the second crisis may be the answer might be explained by the center-periphery theory and its offshoot of dependency and underdevelopment.

Conclusions and Way forward:

Africa is struggling on the periphery of global capitalism and is still in the dependency and underdevelopment mode. We need to all understand this reality in order for us to have a common and shared ground for transformation as envisaged in the Africa We Want Agenda 2063.

There still many things we can do but fundamentally we must **delink** from ideas, processes and institutions that keep us trapped in this mode. Examples are the IMF, the WTO and other bodies whose interests do not serve the African people. To think these institutions can be reformed or transformed is an illusion and a luxury that can only be afforded by progressive but privileged people of the center. Even the alternatives on the horizon such as the BRICS Development Bank must be assessed using the center-periphery model since China and Russia in relation to Africa are Center countries.

¹⁹ Better Aid: Aid Effectiveness 2011: Progress in Implementing the Paris Declaration [Aid Effectiveness 2011: Progress in Implementing the Paris Declaration | en | OECD](#)

²⁰ <https://www.oecd.org/dac/effectiveness/45498646.pdf>

Crucial to Africa's long term development is **industrialization** (even through State Owned Enterprises (SOEs)) on the basis of our resources base. We must produce capital goods required to process our raw materials and produce manufactured goods and export manufactured goods first to ourselves (Africa Trade Area) and then to others! External trade must be an extension of domestic trade. This is where the largely development leakage lies and cause of unemployment, low financial base to sustain any borrowing! If we do not do this, Africa will remain in perpetual unsustainable Debt!

The decline in development aid is a good sign for Africa (even if it is a missed opportunity) and the brutality of global capitalist financial architecture as will be experienced in the restructuring of debt in the current crisis is an awakening Call for Africa to not only use borrowed resources for transformation but also to identify opportunities for additional development finance such as

- Cracking down more seriously on illicit financial flows through shared knowledge among African countries. Multinational corporations are the main culprits especially in the mining sectors.
- promoting diaspora remittances and investments through strengthening the policy and regulatory framework given that in 2020 alone remittances to sub-Saharan Africa were US\$ 51 billion!²¹. Africa has a huge diaspora! In that regard, we must Incentivise financial institutions & capital market players to develop diaspora-tailored financial products and instruments to attract diaspora finance (diaspora bank accounts, & bonds).
- The diaspora is also a big pool of human resources in Mathematics Science and Technology (essentials for industrialization) that Africa can tap in.
- Public Private Partnerships (PPPs) in the industrialization process on the basis of a strengthened regulatory framework for PPPs to maximise their economic benefits; and Climate green finance.

But we need a strong and **developmental state** to guide the transformation process.

We as NGOs have a critical role to play in pushing for that transformation through a Pan-African agenda.

²¹ <https://www.knomad.org/sites/default/files/2019-04/Migrationanddevelopmentbrief31.pdf> page 25.