

Loans have proved a curse for Africa: Leaders got rich, while the people went hungry

Ed Stoddard, Reuters

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JOHANNESBURG - Debt helped finance the economic expansion of the West but has been a curse to Africa, where much of it helped line the pockets of Cold War dictators.

After Saturday's pivotal G8 decision to write off the debts of 18 of the poorest countries -- 14 in Africa -- analysts said Africa must learn the lessons of history and the opportunity must not be squandered.

"Many of the loans to Africa served foreign policy during the Cold War," said John Stremlau, head of the International Relations Department at the University of the Witwatersrand.

"So a guy like [former Zairean dictator] Mobutu Sese Seko would just pocket the money and the U.S. would tolerate this because it served a strategic purpose." The case of Mobutu is often held up to illustrate just how a leader could amass a fortune and plunder a nation even under the eyes of Washington.

"Between the start of the Zairean economic crisis in 1975 and Mobutu's departure in 1997, Zaire received a total of \$9.3-billion in foreign aid," wrote Michela Wrong in her book on the country *In the Footsteps of Mr. Kurtz*.

She said that while the cash flowed, Mobutu's biggest lenders -- the World Bank and the International Monetary Fund -- "knew all too well what was going on."

Mobutu was a Cold War ally of the West as Zaire and Africa as a whole, with its vast mineral wealth, became another theatre of competition for Washington, Moscow and other powers.

The Cold War stakes were raised after Angola and Mozambique gained independence from Portugal in 1975 and fell into Moscow's sphere of influence.

As well as corruption, analysts said there were other obstacles to African development that prevented debt from nurturing stagnant economies.

Bisected by the equator, Africa has an exceptionally high disease burden that would strain even the wealthiest health-care system and damage the workforce.

Commerce has been stunted by a dearth of navigable rivers and deep water ports, while heavy reliance on commodities for foreign exchange earnings made debt loads intolerable when the commodity cycle took a sharp downturn. Aid was also often doled out with no strings attached, creating a sense of dependency among many African states.

Malawi today is saddled with a debt of about US\$2.9-billion or 154% of its gross domestic product. Much of that money was not used usefully and with almost no industrial base the country is groaning under its debt burden.

The contrasts between Africa and the developed world -- where debt has provided

the building blocks for growth and capital markets -- could not be starker.

"Britain's debt rose with only a few peacetime pauses to 215% of national income in 1784," wrote historian Niall Ferguson in his book *The Cash Nexus*.

Yet this massive debt failed to weigh down an economy that was giving birth to the Industrial Revolution -- a phenomenon that would mould Britain into the global economic giant of the 19th century.

And while moderate fiscal deficits are all the rage today, much of the prosperity that citizens of the developed world enjoy -- from decent schools to public health care -- was built on public debt.

But poor Africans -- almost half of whom live on less than a dollar a day -- have not enjoyed the fruits of past borrowing.

Instead of good roads, many Africans have dirt tracks. Instead of a well-equipped school, their children are taught beneath the shade of a thorn tree.

It is precisely because government borrowing has done Africa no good that campaigners for debt relief argued that they should not be saddled with it.