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AFRICAN DEBT CRISIS: A PASTORAL PROBLEM TO BE KNOWN

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INTRODUCTION

The Third World debt crisis has been dragging on for over 15 years[1]. In 1990, the Third World debt exceeded a trillion dollars. With dimension so gargantuan, one wonders if it is not beyond hope and repair. In the face of so many issues, why should we look to the Third World debt? Debt is first and foremost a human problem. It both directly and indirectly affects the lives of people all around the globe. The dignity of persons, the sacredness of life, the bonds of community, the concern for the poor, all this is assaulted by the debt crisis. To live responsibly as a global citizen today one cannot ignore the extent and consequences of the global debt.

Africa is the continent most affected by the debt crisis. By November 1992, Africa's total debt was then the equivalent to more than 100% of the continent's GNP. Latin America's total debt, in comparison, was equivalent to 50% of her GNP. Of the total debt servicing payment coming from Sub-Saharan Africa (excluding Nigeria) nearly 30% of it goes to paying loans given by private banks.[2]

This essay is going to present a picture of the African debt problem in order to encourage the Churches and Christians to consider the problem as a human problem and therefore a problem which can be considered in the pastoral programmes of the churches. Because it affects the lives of the poor. African debt crisis is a pastoral problem to be known.

The first Chapter deals with the actual situation and an historical overview of African Debt Crisis. Chapter two explains the causes and effects of debt problem in the lives of the people, above all, the poor. Economic effects are presented separately in the third chapter. The ethical aspects are considered in the fourth chapter. Can the African debt be paid? It is a difficult question. The fifth chapter presents a possible solutions taking into account the "worldly", Christian and social ministry approaches.

It is the goal of this paper to provide stimulation to encourage the faithful, the church hierarchies and everyone who feels concern with the gospel of Christ to be

[1] Contemporary conventional wisdom dates the current international debt crisis to 1982 when Mexico announced it could no longer service its debt. Wiser analysis will tell you that the real roots of the problem predate this event by a decade when the first OPEC oil crisis hit the world in 1973. Cf. G. A. Potter *Dialogue on debt. Alternative Analysis and Solutions.* Washington: Centre of Concern. 1988

[2] Cf. J. O Griesgaber. *Continuing the dialogue on debt.* Washington: Centre of Concern. 1989

informed about a real pastoral problem which can make the future of our generation unbearable.

1. HISTORICAL OVERVIEW

1.1 Actual Situation

According to the World Bank[3], a country is described as being severely indebted when three out of the following four key ratios apply. When the debt is:

1. To GNP 50%
2. To exports of goods and all services 275%
3. To accrued debt service to exports 30%
4. To accrued interest to exports 20%

It has been mentioned that of the total debt servicing payment coming from sub-Saharan Africa (excluding Nigeria) nearly 30% of it goes to paying loans given by private Banks.

In comparison to other regions, Africa's debt is being exacerbated by the continual fall of commodity prices and the never ending interest charges on capital and interest. This process is continually fuelled by the IMF's strategy of devaluing African currencies. The continent has no control whatsoever over its national economic and fiscal policies. It has no control either as seller of its commodities or as buyer of industrially produced goods. The prices of both are fixed by the consortium.

Under foreign domination, the continent's powerlessness is clearly revelled by its inability to determine the price of what it produces. Africa's trade earnings decline is a manifestation of this reality. For example, the continent earned US$ 62.5 billion between 1981-85 in the international trade. In 1986-90, it earn US$ 54.8 bn; at the same time, US$ 200 million was daily being remitted as debt servicing repayment.

Other than oil, the real prices of primary commodities stood at their lowest since the Great Depression, thus causing African foreign exchange losses amounting

[3] The following four tables in the text were taken from Mkangi K. *The African Debt Crisis. A radical Human Perspective*. Nairobi: ACLCA. 1993.

US$ 13.8 bn over the 1980-83 period. Between 1980-88, prices of primary commodities fell an average of 18% while debt servicing accounted for 30% of the continent's export earnings by 1990. While areas for originally scheduled debt servicing amounted to a massive US$ 14 bn last year, up from only US$ 1 bn in 1980.

Meanwhile, the drop in real prices of selected commodities between 1980-88 period was as follows:

AGRICULTURAL	%	MINERAL	%
1. Wheat	-17	Iron ore	-17
2. Coffee	-30	Lead	-28
3. Cotton	-32	Crude Oil	-53
4. Sugar	-64	Tin	-57

For a country like Uganda where 95% of its foreign exchange earnings come from coffee, such a fall in price drastically reduces the country's earnings as:

1986	US$ 390 million
1988	US$ 200 million
1989	US$ 150 million (estimated)
1990	US$ 30 million (estimated)

Economically weakened, the Ugandan leadership, like the rest of African leadership, has been forced to take anti-people measures by implementing certain economic policies that have invariably chipped off the country's political independence, necessarily exposing its people to the economic vagaries of a foreign dominated economic system. In late October 1989, the country was forced to devalue its currency by 70%. At the same time the country was forced to increase the prices of petrol, paraffin and diesel by an average of 12% per litre.

Cote d'Ivore had to suppress her productive capacities as well as burdening her coffee, cotton and cocoa producers with a debt of US$ 666 million by slashing producer prices by yet another 50%. In Kenya, coffee farmers had to sell their produce at the lowest price ever since 1927. This is due to the depreciation in the purchasing power of the Kenya shilling because of devaluation and inflation, and the rise in production costs, specially fertilisers and chemicals.

By 1991, the three countries' debt profile was as follows:

	TD	DSO (%)			DSa		DSo		D/GNP	NRF	NT
Country	$mn	Bi	Mu	P	$mn	%	$	%	%	%	$
Cotte d'Ivore	18,847	24	17	59	1445	39.1	2274	61.5	222.6	856	309
Kenya	7,014	19	45	36	720	32.2	691	n. a.	89.6	1002	696
Uganda	2,830	23	63	14	139	63.6	161	73.8	109.2	365	341

Key:

TD – Total Debt
DSO = Debt Structure Official
DSa = Debt Service (actual as % of exports)
DSo = Debt Service (obligation as % of exports)
D/GNP - Debt/ GNP ratio (%)
NRF – Net Resource Flows in $
NT – Net Transfers in $

Bi = Bilateral
Mu = Multilateral
P = Private

Apparently, it has now become an accepted fact that Africa's development lies in devaluation of her currencies. The attendant underdevelopment is manifested in the fact that, of all the world's regions, sub-Saharan Africa is the only region to have registered less than 1 % (only 0.8 %) growth rate between 1950-89. In spite of this dismal economic performance of four decades, the IFM has nevertheless manage to extract over US$ 3 billion by way of debt service collections from low income sub-Saharan countries between 1986-90.

In 1991, Africa paid over US$ 26 bn to its creditors in debt servicing. Africa owes over US$ 70 bn to private creditors and servicing this debt costs Africa over 14 bn a year. The private sector has been taking far more than it puts in Africa. The Continent was milked by the private sector to the tune of almost US$ 30 bn between 1983-90 At a time when the continent's economies were in total disarray.

1.2 World War I, II, the U. S. and Europe.

The Treaty of Versailles, ending World War I , obliged Germany to pay more than US$ 30 billion of war reparations to European allies, who at the same time owed the United States of America US$ 20 billion. The U. S. lent Germany the money it needed to pay the allies so that they in turn could pay the U. S. However, with the Great Depression, the U. S. Stopped making loans and new approach was adopted in 1929 which allowed Germany to pay smaller amounts over a longer period of time. By 1931, however, even this payment "reschedule" was impossible to meet and the U. S. was forced to declare a moratorium on the allied war debt. In 1932, the Europeans formally cancelled Germany's reparation obligations, and with the exception of Finland, the allies stopped paying U. S. A.

The debt problem can be traced back to the development, after World War II, of the international financial institutions, namely the Bretton Woods institutions of the World Bank, the International Monetary Fund, and the World trade relationship.

1.3 The World Bank (IBRD)

The International Bank for reconstruction and Development (World Bank) was envisioned by John Maynard Keynes to post-war economic stability. As the name suggests, Keynes saw the World Bank as a means to help rebuild the post-war economies and restructure them to meet future needs. However, within three years of its creation the Bank fund itself in the position Keynes had also foreseen at the close of the Bretton Woods Conference: an institution with inadequate budget that could not effectively aid in reconstruction nor promote development.

When U. S. A. announced its Marshal Plan for Europe and Japan, the Bank began to concentrate primarily on development projects that were viewed as contributing to future economic growth.

Membership in the World Bank is contingent upon three principles:

1. a member nation must first become a member of the IMF. This provision was insisted on at the Bretton Woods Conference by the American delegation to ensure close monitoring of the borrowing nations;

2. each nation must pay one percent of its membership fee in gold or US dollars. This money is used at the discretion of World Bank officials;
3. each nation must pay a percentage of its membership fee in its domestic currency. The Bank must gain the members' permission to allocate these funds which represent the "cash on hand" for the Bank.

In the late 1950s the Bank establishes a lending institution for its poorest members: the International Development Association (IDA). IDA was to make loans on "soft" terms with nations with a per capita income of less than $800.00 per year. Similar from regular loans from the Bank, IDA loans were for development projects that would eventually stimulate economic growth. IDA loans are made without interest and do not have to repaid for fifty years.

In the 1960s, as the North increased its amount of foreign aid to Third World countries under the guise of Soviet containment, the World Bank concentrated upon "development" projects. In order to qualify for a loan, the borrowing nation had to present a plan that demonstrated the profitability, or "cost benefit," of the project within a specified time limit.

By this time most of the Latin American countries had been politically independent for almost a century and a half and the African continent was slowly emerging into post-colonial independence. Both, however, inherited an economic system based on exporting raw materials and importing manufactured goods from their ex-colonial rulers. Political independence did not bring economic sovereignty.

The 1960s were the first opportunity for the U. S. and Europe to look south to the Third World in three decades[4]. The U. S. Government was ready to supply foreign aid no longer needed in Europe and Japan. Moreover, U. S. Corporations were also finding it attractive to head South where they could avoid U. S. taxes while finding cheap surplus labour. U. S. banks followed shortly afterward to "service" the corporations and lend them the money needed for "developing the new countries."

When a nation applies for and is granted a loan from the World Bank there are certain conditions that must be met. In addition to reducing social programmes in health, education, etc., which affect the poor, debtor nations are often required to

[4] They were preoccupied with the Great Depression of the 1930s, World War II in the 1940s and Europe's and Japan's post-war reconstruction in the 1950s.

replace traditional crops with "cash" crops and use other parts of the environment for industrial projects in order to earn larger incomes from exports.

The most common procedure for the Bank in relation to structural reform is the Structural Adjustment Loan (SAL). Introduced in 1980, SALs are specifically geared into increasing foreign exchange through changed economic policy rather than building the infrastructure of the borrowing nation, and represent a longer-term (up to nine years) adjustment designed to work in conjunction with the shorter-term IMF "shock" treatment conditionalities. The major components of SALs are:

- "free" trade policies
- mobilisation of resources through tax reform
- more "efficient" use of resources
- restructuring and reduction of the public sector
- "rationalisation" and privatisation of state-run industries.

In 1983, SALs were strengthen by the introduction of Sectoral Adjustment Loans (SEALS), designed specifically to increase export production for debt service payment.

1.4 The IMF

The International Monetary Fund (IMF) was envisioned as a means by which member nations of the non-communist, post-war world could obtain loans to stabilise their devastated economies. Unlike the World Bank, the IMF did not make loans for development projects, but was concerned with restructuring and organising the capitalistic economic system to which its member nations belonged. The IMF has five basic mandates:

- To promote international economic and monetary co-operation
- To foster and encourage growth in international trade
- To encourage stable currencies for member nations to facilitate trade
- To provide funds for member nations to reduce their foreign debt
- To shorten the time frame for the repayment of foreign debts by member nations.

Each member nation pays a fee to the Fund, partially in local currency, with the remainder paid in USD or gold. As a member nation, there are certain rules that must be followed. First, nations must have economic policies that encourage free trade and growth. Second, economic policies must be such that stability can be measured in terms of set IMF conditions. Finally, domestic economic policies and export/import laws must be in line with other member nations.

The charter of the IMF gives the nation which contributes the largest percentage of funds the most control in approving request for funds. This, in effect, gave the U. S. control over who would be approved or rejected for a loan. At the present time, the U. S., together with Germany, France, Japan and the United Kingdom, control close to 44 % of the vote in the IMF.

In order to extend a loan, the IMF requires governments to adopt adjustment policies, including:

- currency devaluation, which makes a country's exports cheaper, and trade liberalisation encouraging increased imports and exports
- reduced government spending, especially for social services and consumption subsidies for the poor
- privatisation of state-run industries and elimination of government investment subsidies, giving advantage to foreign multinationals over local firms
- liberalisation of prices with wage freezes and employment cuts, all measures which most negatively affect the poor and working class
- increased interest rates to discourage capital flight but also discouraging domestic investment and encouraging inflation.

While the IMF claims to be against inflation and for reduce government spending, its polices often do quite the opposite. The Fund assures that excess domestic consumption is responsible for all debtor countries' balance of payments problems. Rather, one might argue that the problem is actually one of the inadequate domestic production supply, coupled with high costs of imports. Nor is enhanced export production the answer for increasing revenues in a world now glutted with cheap and competing goods. Moreover, export production tends to be dominated by large enterprises, often foreign multinationals. Increasing interest rates may result in some repatriated capital flight but it also hurts small and mid-sized local investors, and the governments themselves, when they end up paying more for productive credit and necessary services. At best, all this polices push the economy back to lower levels of equilibrium without growth and also fail to achieve other stated purposes such as reducing inflation and improving balance of payment viability.

The IMF seems to have lost all sense of its founding mission. Keynes wanted an international economic organisation to promote unhampered trade and growth, not an organisation that bowed to the inequitable policies of the First World. The IMF is promoting "free" trade, but it is a freedom that has the poor pay a high and often fatal price

1.5 The Current Third World Crisis.

The current "Third World Debt Crisis" erupted in 1982 when Mexico stunned the world's financial centres, declaring it impossible to pay the interest due on its foreign debt. But Mexico did not single-handedly cause the debt crisis nor did the debt crisis appear without forewarnings. The eruption in Mexico, like any volcanic activity, was the result of many years of pressure, heat and unrest hidden from public scrutiny.

Before there could be a debt crisis, there had to be a lending crisis. The Third World began to accumulate a bulky debt burden in the early 1970s. It was a time floating interest rates and surplus capital. The interest rates were floating because in 1971, President Richard Nixon took the dollar off the gold standard. He let the dollar float on the international money market until its exchange rate stabilised relative to other hard currencies such as the British pound sterling, the German mark, and the Japanese yen. Since the price of the dollar was unstable, so too, the cost of borrowing dollars (that is, the interest rates on dollar loans) was unstable.

There was surplus capital because after the 1973 oil price hike, the OPEC countries needed to invest the tremendous profits they earned from the sharp rise in the price of crude oil. These surplus dollars were called "petrodollars." In addition to petrodollars, the trade imbalance between United States and Europe produce a surplus of dollars called "eurodollars." Petrodollars and eurodollars were invested in private commercial banks in the United States and Europe. These banks then lent the money as quickly as possible at very low, but floating interest rates, to the Third World governments, businesses, and individuals.

The large private First World banks were eager to lend to the Third World governments for two reasons: first, U. S. Government banking regulations on reserve capital and interest rates did not apply to overseas loans; and second, the dictum "governments cannot go bankrupt" seemed to guarantee endless profitability for these loans, regardless of how the money was used. Frequently inexperienced commercial bank loan officers, with careers dependent on the size of their loan portfolios, were anything but rigid in the conditions placed on these loans. Third World governments likewise were eager to take advantage of these loans, using them to fund infrastructural projects, day-to-day government operations, purchases of military equipment, or simply to line pockets through corruption and capital flight.

In 1973, when the surge in lending began, real interest rates (interest rates charged less inflation) had been low because of the availability of surplus capital. In contrast, in 1979, the second OPEC price rise provoked a First World recession. Capital sources dried up and floating and real interest rates soared. (The real interest rate is the rate of inflation minus the stated interest rate.)

The second OPEC price rise in 1979 began to deflate the Third World lending boom. To control U. S. inflation, the U. S. Federal Reserve pushed the interest rates up until record domestic prime lending rates surpassed 21%. The U. S. and other industrialised countries were in a full scale recession: unemployment soared, prices rose, production fell. World trade constricted as First World countries imported less and tried to export more at higher prices. Many Third World countries tried to get their way out of the recession: to pay for imported oil, they borrowed; to continue infrastructural projects, they borrowed; to cover the skyrocketing interest payments, they borrowed. But there were fewer foreign markets for their exports while the prices of their imported goods soared. Eventually, they could neither earn nor borrow enough hard currency even to service their debts, much less pay on the principal. Bankers tend to care more about servicing the debt rather than repayment of principal. Without current debt service payments, the bank must report a lost in the quarterly reports to their shareholders, Mexico was but the first of several major debtor countries to declare a moratorium on its debt service payments. Mexico's action sent panic throughout the world of international finance. Banks stopped lending to cover interest and began to set aside more capital reserves to cover any eventuality of default.

There was another reason why interest rates went up: U. S. borrowing for its military sustainability.

2. CAUSES AND EFFECTS

There are a lot of elements which have provoked the current debt crisis in the world. Specially in Africa, it can be divided into two kinds: internal and external causes. For our case in Africa, we concentrate on two: internal and external causes. The first is the African responsibility a the second the international responsibility.

2.1 Internal Causes. African Responsibility.

African governments are to blame because of the domestic mismanagement they have caused in their countries; the corruption that they tolerate and practise; the reluctance to take some of the necessary steps to improve the economy ; and the lack of commitment, let say, there is a great need for a larger commitment in Agriculture, why was not a large commitment made to that? Instead, some commitments have been made to "white elephants": the big new airports, big hospitals, fancy new buildings, hotels, etc.

There are other factors that cannot be controlled by Africans but are equally provoking of the debt crisis. They are, namely, the colonial heritage (that is why history is so important), the deterioration of the international economic environment (within African continent), wars and rumours of war and a commitment to armaments, and the natural disasters.

2.2 External Causes. International Responsibility

A great shame for the International community is the silent undeclared economic war for the re-colonisation of Africa. The goals of this war include a desire to:

i) Arrest the rising prices of raw materials

ii) Curb the alleged radicalism of the Third World in demanding a new economic order

iii) Arrest putative industrialisation in poor countries, increasingly seen as a threat to manufactured exports from the creditor countries

iv) Arrest the growing effectiveness of the Third World nations or regional groups in dealing with regional conflicts.

Besides, there are other causes of the debt crisis which the international community can be blamed for, for instance:

- Collapse of the commodity exports and prices
- Deteriorating foreign loan structures and lending terms
- Interest rate manipulations
- Adverse effects of the crisis in the core capitalist countries
- The exploitative activities of multinational corporations
- The fleecing practises of international financial institutions
- The untying of foreign loans and exchange rate fluctuations
- The extortionate practices of the international banks and other financial institutions
- The priority of the IFM and the World Bank to reconstruct and maintain the world capitalist system in which multinational corporations can trade, invest and move capital across countries without hindrance from national governments
- The withholding or selective granting of credit subject to IMF conditionality (even for loans under the Lome Convention) and the adverse review of the creditworthiness of the debtor countries
- Multinational Corporations (MNCs) have also been systematically de-capitalising Africa and the rest of the Third World.

2.3 The Impact of Debt Crisis in African Life

In some respects the African debt crisis in particular and the Third World crisis in general can be likened to a high stakes game. In this game there are clear winners and losers The winners are the elites in the South who used the loans that they incurred for personal gain and in the North financial institutions, governments, and their elites, who are reaping enormous profits from the debt and interest payments. The losers are the poor of debtor nations and average Northern taxpayers who are paying for this debt extravaganza While the stakes in this game for the Northern and Southern elites are financial reward, for the poor in the Third World the stakes are much higher. Tragically, it is their very lives and the lives of their future generations which are at stake. Every day more people are needlessly sacrificed to malnutrition and poverty-related diseases because of the austerity measures that the IMF and World Bank have forced debtor nations to implement in order to squeeze more money out of them.

IMF and World Bank polices place the burden of the debt specifically on the shoulders of the poor in debtor countries, though they try to hide this fact in a shroud of technical "neutrality." In their attempts to gloss over the devastating impact that their measures are having on the poor, these institutions maintain that where structural adjustment policies are followed, the poor will benefit in the long run. According to the IMF and the World Bank, all that is needed for the South to recover economically, and release itself from the vicious cycle of debt, is increased export promotion, decreased consumption, and better fiscal management, all of which the "reforms" of structural adjustment handily require.

Following are the religious, cultural and socio-political realities of debtor nations, and the impact of austerity measures on the poor of these countries, which have undergone structural adjustment programmes. For its importance the economic effects are presented separately in the next chapter.

2.3.1 Impact on Religion.

It is undeniable that due to the almost intractable intense povertisation and generalised political instability now prevailing in the continent, people are turning to religion for solutions, explanations, security and peace of mind. At the extreme end, it is used as an opiate. The poor, marginalised and oppressed are fed doses of a better life after death. The mushrooming of "crusades" and "miracle performing apostles" as well as "born again" fundamental revivalist meet this demand. The personal void which exists either due to poverty, the fear of poverty, or a sense of not having the capacity to determine one's existence without a helping hand from patron, has made the poor as well as the emerging African middle class, turn to religion for succour.

Most African countries encourage religion to be used in this way. That is why they let street-preachers go unmolested and are quick at licensing revitalistic religious meeting and conferences. As far as they are concerned, this is the proper way religion should be employed: to concentrate on the salvation of the followers' soul after death but not of their physical bodies here on earth.

Is this repressive role of religion which the African middle class also prefers, since state functionaries are drawn from this pool? It is a class untreated by the liberative function of religion as it is being propagated by the established Churches in the continent. Archbishop Rev. Desmond Tutu is leading proponent of the Church activism based on liberation theology. Naturally, this class feels threatened by the emphasis on the core Christian teaching of: salvation, justice, peace and liberation being put forward by Desmond Tutus. This class does not want to accept that both Christ and Prophet Mohammed were regarded as rebels by their contemporaries, and that almost all founders of religion sought to liberate and not to subjugate. These reasons empower and justify the Christians' involvement in the struggle for justice and liberation.

On the other hand, state functionaries are threatened by this dialectical dimension of religion, and they regarded it as being "political". This is a reflection of both the middle class's material base, as well as their cultural rootlessness.

2.3.2 On Culture

Africans have to find their roots in an African-rooted, African-centred and African-inspired culture. The rich countries have been bastardising African culture and this process has to be reversed. A silent attack on the economic war for re-colonising Africa has been the onslaught of foreign languages on the African languages. The modern enslavement of Africans is culturally rooted in the use of foreign languages to think and express themselves. This is a debilitating handicap, since it is the Word which is embedded with Intelligence. Relying on foreign languages, wanted or not, makes the African became underdeveloped.

2.3.3. Debt and Democracy.

The interaction between the economic debt crisis and democratic stability is at a cross-roads and central to the world situation today. This has immense long-term implications for both debtor and creditor nations alike. On the one hand, the U. S., mired in its own debt burden, is losing its political leverage overseas while increasing protectionist trade barriers at home, thus reversing the post-war trend toward a more independent world economy. On the other hand, the Third World faces renewed domestic political instability from a majority populace increasingly unwilling and unable to service a debt from which it never benefited. The IMF ignores different cultural, historical, political and even economic realities when it imposes blueprint "structural adjustment" conditions on countries as diverse as Philippines, Tanzania and Bolivia. And debt negotiations are too important to commercial bankers who have shown their insensitivity to democratic processes. "Who knows which political system works? The only test we care about is: Can they pay their bills" (City Bank Official).

The poor and moral leaders throughout the Third World are saying "no" as shown by world-wide outbreaks of rioting and peaceful demonstrations in reaction to IMF imposing "belt-tightening." These displays of popular discontent are usually met by even more violent government reprisals. But more "democracy" should imply less military and police controls. Why should institutions of the North and South, which publicly applaud democratic rule, insist on debt service programs that require martial rule to enforce them? It is precisely this question and related issues which make this historical moment in the debt crisis so crucial.

In the last decade or so, during which time the current debt crisis has been burgeoning, several other important trends were also taking place and are now converging into a potentiality explosive situation. First of all the poor in debtor countries have reached the outside limit of their ability to the further used in servicing the debt. The promises of the so-called "development decades" are facing the realities and limits in the 1980s. In the first half of this decade there was some little, though disruptive, room for adjustment, but no more. Likewise, political rhetoric had in recent years focused domestic Third World attention on the "transition to democracy," diverting citizens' consideration from the debt crisis. But democracies, even new and fragile ones, raise popular expectations of justice, political and economic. Debt related, anti-government challenges have been increasing in 1988 in Argentina, Peru, Ecuador, Brazil, Mexico, Jamaica and Venezuela.

In Africa, food riots have come to be the "normal" reaction to IMF-imposed austerity measures. In Tanzania, Ghana, Zambia, Sudan, Egypt, Morocco, Tunisia, such responses have led to repression, deaths and changes of governments. After 15 deaths in the "copper riots" and other unsuccessful attempts to quell popular protest against IMF "reform" measures, Zambia's government finally abandoned its austerity program in June 1987.

There is little doubt that the Third World societies and their governments must assume responsibilities for their own futures. But one must also acknowledge that even the most transformed and democratically representative nations also face extreme barriers when they try to be responsible, ranging from First World economic boycotts to outright military intervention.

2.3.4 Military Debt.

Arms sales account for some 25% of the Third World debt. In 1970s the creditor institutions of the North demonstrated a keen preference for lending to authoritarian governments in the South. From 1972-1982 the Latin American countries (mostly military dictatorships) increased their military spending by 12% annually, while in Africa the rate was even higher at 18% a year. One might say there was a certain psychological affinity between Northern bankers and Southern military/technocratic elites who jointly designed and promoted grandiose development projects and military expenditures. Moreover, commercial banks depend on IMF standards of credit-worthiness which favoured countries with strong pro-U. S., anti-Communist regimes, while overlooking massive capital flight, waste and corruption. There is in fact a clear parallel between the expanding arms race, labour rights abuses and the debt crises, with the former fuelling the latter two.

Under the influence of the politically conservative and economically "liberal" military regimes, labour rights were undermined throughout the region. The decade of increasing debt and military rule was also a period of increasing unemployment. Earlier politicians and military regimes had focused on development of internal demand (raising local standards of living to promote local industries and reduce social unrest) and often even supported unions. But in 1970s, unions, social security, and job and wage stability were beginning to be seen as obstacles to economic growth.

3. Economic Effects

3.1 Unemployment and Declining Wages.

Despite the claims of the IMF and World Bank that their policies will restore economic health to debtor countries, the conditionalities of structural adjustment have prolonged the recessions which began in the late 1970s and early in 1980s in many Third World countries. According to the United Nations Children's Fund (UNICEF), during the 1980s the rate of per capita economic growth has been negative or negligible for two-thirds of the developing world. As a result of structural adjustments measures, unemployment has increased and wages has declined, while the prices of basic necessities have skyrocketed. Unfortunately, there is no relief in sight for the poor in developing nations as more and more countries are being forced to sign structural adjustment in order to receive more funds just to keep up their debt payments.

From 1978-86, the IMF made five major loans to the African nation of Zambia, all of which included the typical conditionalities of austerity. Wage employment, which was uncommon in Zambia to begin with, dropped from 27% of the total labour force in 1975 to 20% in 1984. Moreover, IMF policies of currency devaluation, removal of subsidies on basic goods, elimination of price controls, and increased agricultural prices, resulted in accelerated inflation. In the weeks following a 1985 devaluation, the prices of most basic goods, including detergents, soaps, vegetable oils, milk, bread, sugar, and fuel, rose by at least 100%. But because of the IMF-imposed wage ceilings, workers' wages did not keep up with the prices increases.

In Zaire, the incredible amount of official theft and corruption (Zaire's political system has come to be known as a "kleptocracy") is apparent to even the most casual observer. It is estimated that the country's ruler, General Mobutu Sese Seko, has stolen an amount equal to the nation's debt of USD 5 billion. Nevertheless, the IMF and World Bank, content with Mobutu's financial management, continue to provide his regime with new loans so that it can continue to service its foreign debt. Between 1984 and 1986, the World Bank loaned Zaire USD 375 million. In return, the government has followed austerity prescriptions: 20% of all teachers have been fired, the currency has been devalued by 500%, and a real wages are now a tenth of what they were at independence.

3.2 Health and Nutrition.

The health and nutrition in developing nations is being attacked from many angles. As we have seen, structural adjustment policies have, on the one hand, produced higher unemployment, reduced purchasing power (wages), and higher prices. On the other side, IMF austerity programmes require governments to cut back on social welfare spending, leaving the poor with no "safety net."

Indeed, there is a clear correlation between austerity and declining health and nutrition levels in developing countries. In the first place, austerity measures reduce food availability at the household level. Because the poor spend a lager percentage of their incomes on food (60-80%) than other classes, they are affected disproportionately by declines in real income, increases in food prices, and the elimination of food subsidies. Secondly, as a government expenditures for programmes like potable water and sanitation decline, water become contaminated and garbage disposal and sewerage drainage deteriorate, lending to increased rates of diarrhoea (the leading cause of child death), worm infestation, acute respiratory infections, and communicable diseases. Since these infections provoke a loss of nutrients, they lead to an even greater increase in malnutrition.

3.3 Impact on Women

The economy is defined principally in terms of marketed goods and services, with some allowances made for subsistence crop production in developing countries. The work of caring for children, gathering fuel and water, processing food, preparing meals, housekeeping, nursing the sick managing the household are excluded from the economy. It is of course, work which largely falls on the shoulders of women, even in the most developing countries.

The changes in the households provoked by the process of adjustment will not affect all households in the same way, neither will these changes affect all members of households in the same way. When households have to reduce food consumption because of raising prices and falling incomes, available evidence suggest it is very likely that the consumption of women and girls will be reduced by more than that of men and boys. If charges are introduced or increased for education and health services, there is strong possibility that the access of girls will be reduced. When the attempts are made for compensate reductions in purchased resources by increases in unpaid labour (e. g., buying cheaper food that requires more preparation time), it is likely to be women who bear the main burden.

So long as women carry the double burden of unpaid work in the reproduction and maintenance of human resources, as well as paid work in producing goods and services, they are unable to compete in the market on equal terms. Equal pay and equal opportunity legislation, and the diminution of "traditional" barriers to women working outside home, cannot by themselves free women from domestic burdens and expectations.

3.4 Debt and Ecology

The same economic forces responsible for the poverty caused by the debt crisis are also responsible for extensive environmental destruction world-wide. As the poor in the Third World pay their country's debts to the brink of their own ruin, so too the price paid by the Earth to the debt crises is environmental degradation and destruction.

Third World indebtedness adversely affects the environment in four directed ways:

1. The Imperative of Exports for Foreign Exchange. Because of the emphasis on promoting exports, particularly cash crop mono-culture, many indebted Third World countries are forced to put even greater pressure in their over-stressed ecosystems by using marginal land and petrochemical fertilisers and pesticides. The need to increase short-term economic productivity is reducing the potential for long-term regenerative development.
2. Cutbacks in Public Sector Spending. Governments are responsible for enforcing environmental laws such as maintenance of wildlife preservers and regulation of industrial pollution. But these programmes have been significantly cut because of the "austerity" conditions imposed by the IMF to facilitate debt repayments.
3. Multinational Corporation Expansion. In addition to promoting export-lead economic development the IMF also requires debtor countries to lift existing restrictions on multinational corporate activities. Driven by an unchecked profit motive and not accountable for their destructive activities, MNCs foist ecologically unsound practices on the Third World, ranging from agricultural projects and mineral mining to industrial pollution.
4. Waste Dumping. The latest environmental horror being perpetrated upon foreign exchange-starved debtor countries is the dumping of First World hazardous wastes in these countries. At least six African countries (Guinea Bissau, Benin, Guinea, Congo, Equatorial Africa and Niger) have accepted large sums of hard currency from U. S. and European companies in exchange for allowing toxic dumping.

West Africa is losing 5% of its rain forest per year. Pressures for new export agriculture land is responsible for 70% of this loss. Global forest reserves is proceeding at a rate of 20 million hectareas a year. By the end of the century Nigeria and the Ivory Cost will be deforested.

Often the poor is blamed for the Third World's deteriorating ecological situation since they sometimes are forced to use marginal land to grow their subsistence crops. This accusation is a classic case of blaming the victim, however. The real roots of the problems are with the Northern institutions which insist on export-led growth to service the South's debts and supply the wasteful lifestyles of rich and poor countries' elites.

4. ETHICAL IMPLICATIONS.

The key of exploring the debt question in its full ethical and moral dimensions is to recall the point which we made in the introduction of this paper: debt is primarily a human problem, in that it directly affects the dignity of persons, the sacredness of life, the bonds of community. For that reason, it is a problem which engages the profound concern of anyone dealing with people and community. As we search for ethical guidelines, moral considerations, and theological reflections, it is from the starting point of people.

We can analyse the accrual of debts by Third World nations and the policies being followed to service these debts in terms of rights and responsibilities, benefits and costs.

Going into debt may not in itself be a bad thing, but simply the result of the ordinary financial exchanges necessary to allow for a flow of capital to meet immediate needs or investments in the future.

What must be examined in terms of the ethics of debt is how it came about, what it was used for, and how and with what consequences is it being repaid. Previous sections in this essay have revealed more than sufficient evidence of the lack of fairness in the way in which the debt was contracted, how it was used, and the way in which it is being serviced. It is important to provide ethical analysis of several key points.

4.1 The Legitimacy of the Debt

In order for contracts to be valid, they must be made between two willing partners. Neither partner can be held to a contract into which they have entered out of force or fear. But an historical account of the activities of the First World commercial banks shows the pressure which they exerted to pass on in the form of loans the surplus dollars which had flowed to them as a result of the increase in oil prices. Granted that in many instances these pressures were only minimally resisted, there is still the fact that for many Third World nations, caught in the crunch of rising oil costs, the preferred loans were almost irresistible.

A second fact which is crucial in an ethical consideration of the legitimacy of the original debt is the character of the Third World governments which entered into the loan contracts. Many of these governments were and/or are dictatorships which have never been accepted by the majority of the people. It is unjust that the people be obliged now to pay at considerable sacrifice to their livelihood the debts accrued by these unrepresentative governments. The people did not benefit for the loans, which went into armaments, elite lifestyles, and capital flight. But people are ask to bear the burden of servicing the debt, under the severe strictures of IMF-imposed conditionalities.

An ever-increasing amount of the debt owed by the Third World countries is interest on the original loan. Loans negotiated at "floating rates" in the mid-1970s move up from the 6 per cent to as high as 21 to 22 per cent. This has had a disastrous effects in the accumulation of debt. In effect, the original loan can be paid off, as well as the originally negotiated interest, but a nation can still be deeply in debt with all of the negative consequences for its people and its stability.

The inequity of this debt accumulation can further be seen when it is recognised that the United States has financed its enormous deficit by stimulating high interest rates. Moreover the value of the dollar had been artificially maintained at a higher rate than when many of the loans were originally negotiated, thereby making the debtor countries pay even more in servicing their debt. These variances in interest rates and in value of the dollar are all facts imposed on the debtors, who have no say in policies which profoundly affect their future.

4.2 International Influences on Ability to Pay.

Another factor which must be weighed in providing an ethical analysis of Third World debt is the influence felt by the debtor countries of international economic decisions made without their participation. Chief among these is the constriction of the world trade due to the recession in developing countries. Earnings from sale their commodities are major way by which Third World countries secure the foreign exchange to service debt payments. But the policies of First World countries have affected some dramatic decreases in commodity prices and the raising of the trade barriers, all to the detriment of the debtor countries.

This situation raises the serious question of responsibility for the current debt crisis. While some responsibility surely must be borne by Third World governments whose physical and developmental policies have been ill-advised, a significant amount of responsibility rest with the structures of the international economic order.

4.3 Consequences of Debt for the Poor.

This last point is the most crucial ethical consideration. As this essay has shown, payment of debt service today is in its bluntest form taking from the poor to give to the rich. It is depriving many people of basic subsistent in order to provide a few people a lifestyle of abundance. The poor bear an over-disproportionate burden from a debt which they did not incur and from which they do not benefit.

5. CAN AFRICAN DEBT SERVICE BE MET?

Everyone must be aware that a complex and difficult problem, such as the debt crisis, do not have easy solution. Following there are some proposed solutions taken by some authors.

5.1 Possible Solutions

(1) Replacement of economic principles. For structural adjustment to be effective, the wrong economic principles on which it is based must be rejected and replaced. So the roles of foreign capital, external trade, balance of payments and foreign exchange should be reduced. Principles of development, savings, devaluation and balance of payments stabilisation on which Fund and Bank polices are based have to be re-worked.

(2) In the short run, all debt payments by African countries should be stopped to prevent the collapse of their economies and societies.

(3) Cancel or repudiate Africa's external debt. The severe crisis in Africa, its tragic human suffering and the threat of collapse facing most African and other Third World countries all show clearly that Africa's foreign debts have to be cancelled by the creditors, or repudiated collectively by all African countries. An African Debtor's Cartel should be formed under the AUO. This is also because the capital outflow from these countries systematically exceeds the capital inflow.

(4) All Fund and Bank adjustment programmes should be scrapped as Zambia has done. Individual countries should draw up their own adjustment programmes on the basis of their peculiar conditions. This national adjustment programmes should be similar to the one launched recently by Zambia after breaking with the Fund and Bank. They should stop currency auctions, regulate exchange and interest rates, control the prices of essential commodities through consumer co-operatives, restrict imports, foreign investments and profit repatriation by multinational corporations, subsidise their agriculture and social services, and reduce their foreign trade.

(5) All Fund and Bank monitoring stuff in the Central Bank, Finance Ministry and other sensitive institutions of African and other poor countries should be withdrawn forthwith.

(6) African and other poor countries should stop all external borrowing. This is what drains their countries and causes balances of payments crises.

(7) An inward-looking development strategy of national and collective self-reliance should be launched. The Lagos Plan of action gives some idea of the African economic co-operation needed. Industrialisation should be pursued on the basis of local resources and the basic needs of the majority of the population. Self-reliance is not autarchy, but the role of exports, imports, foreign exchange and balance of payments should be reduced drastically.

(8) An alternative development model is needed. This should be based on meeting basic needs in food, water, health, shelter, education, transport and security. Grandiose development programmes should be scrapped. Africa will never have the resources to implement them. Instead Africa needs modest projects and humble programmes.

(9) Control to the Fund and Bank should be democratised. Third World countries should qualify to provide personnel for the posts of President and vice-president of the Bank, and Managing Director and Deputy Managing Director of the Fund.

(10) Concerted, collective action must be taken by all African countries through the AUO and the Economic Commission for Africa (ECA). Unity is strength. This is why Brazil, Argentina and Mexico aspire to a debtors' cartel. The African Debtors' Cartel should then link up with Latin America and Southeast Asia to form a Third World Debtors' Cartel like the Paris Club and London Club of creditor governments and banks.

(11) National, political and democratic alliances of workers, peasants, women, students and progressive intellectuals are needed in each country to press for the implementation of these suggested alternative policies and programmes. This broad progressive sector of society must reject the authoritarian methods of implementing Fund and Bank programmes, and press for the intensification of democratic processes. The need for democratisation of society by the incorporation of ordinary people in the political process is now widely accepted in Africa. Regimes which are sustained by international agencies are clearly resisting these pressures. A new debate is needed to provide scope for non-privileged classes to articulate their needs and introduce a new agenda.

5.2 What Has the Church Done in Economic Matters?

Churches do not need any justification for talking about economic matters; there is enough evidence both in the Old and the New Testament that the communities of believers in biblical times dealt with questions related to social organisation, including production, distribution of income, division of labour, relations between rich and poor people, etc. This tradition has continued throughout the life of the Church. During the first centuries of Christian history, the authorities of the Church an the Christian people were involved in such matters. The monastic movement, from its conception, has been concerned not only with the spiritual side of life, but also with its social and economic components. "Ora et labora" (pray and work) was the motto of the Benedictine Order, and it also inspired many other communities. During the Middle Ages, the Church was deeply concerned about economic matters, not only on the theological level, but also in the operational one. Hospices, orphanages and philanthropic work were supported by income generated through economic activities.

:ches of the reformation also persisted in this line: the concept of vocation, as ıll to be faithful to him in each place and in all places, liberated economic rom being of secondary importance made it an activity through which human beings could glorify God.

The Ecumenical Movement has preserved this concern which traverses the whole tradition of the Church. The Life and Work movement paid great attention to economic problems before its merger with the Faith and Order movement as the origin of the World Council of Churches. Ever since the latter was created, concern for such matters has been present, especially in the Department of Church and Society (since 1971 the Sub-Unit on Church and Society). The World Conference on "Christian in the Technical and Social Revolutions of our Time", held in Geneva in 1966, made a tremendous contribution in this field, awakening church constituencies to the development challenge and opening the way for decisions which crystallised in the creation of the Commission on the Churches' Participation in Development (CCPD) in 1970.

Since then, the WCC has move towards the formulation of a new social vision: the search for a just, participatory and sustainable society. This conception was present, in one way or another, in most of the contributions of the Sub-Units on Church and Society and CCPD throughout the seventies, and more markedly since the Fifth Assembly of the WCC, held in Nairobi in the Fall of 1975.

In the debt crisis, however, the efforts of the Church have been not enough. Even though there are some Episcopal Conferences that at least have written some Pastoral Letters, in many African countries the Church has remained silent. In some others, the Government control the Church and reduce its role to that of a "Christian financier" or a "gap filler" of government projects instead of a development catalyst with money from Christians from overseas. Aggravating the problem, the Church has been converted herself in an importer of luxury goods. The Catholic hierarchy do not feel the pinch because with foreign money to run the Church in a way they are "inflation-proof" as some observers say.

5.3 Social Ministry Approach

First of all, Social Ministers need to understand that the debt crisis is a pastoral problem and that it deals with the people who social ministers minister to. It is extremely important that there be a serious education of this ministers about the debt question.

Secondly, there is a need to link this issue to evangelisation. Recall that in Evangeli Nuntiandi , Paul VI made the strong point that central to evangelisation was the link to development. When one has a massive block to human development, one has a massive block to evangelisation. Basically what is done with people is putting them in situation which are contradictory to that experience of the Kingdom of God while evangelisation put them in the right path to this Kingdom. Important in terms of any debt discussion is identifying this debt situation as pastoral issue. It is linked to evangelisation. So it is needed not only education about intricacies of debt and interest, but also an education about that link to evangelisation.

Thirdly, there is a possibility and responsibility of education of the wider public through mission magazines and through the Sunday homilies that are given in so many parishes across the world by missionaries. As Brothers or Sisters our meetings with the Small Christian Communities are the fertile soul to do so. It has been encouraging to see the commitment made by many of the groups represented in local, national and international conferences on development to bring the debt issue to the consciousness of the people in every village, district, province, country and even world-wide.

Forthly, there is opportunity to co-operate with many different agencies that are committed to this debt question. Many of the Religious Congregations have European bases. Many European groups have already made a major commitment to find alternative responses to the debt question.

Fifthly, you can look at your investment policy. Bring to proxy fights the commitment to justice around the issue of debts. What is the bank doing with its debts? What sort of information is available on this? This is a great opportunity to co-operate, for example, with ICCR to make commitment to corporate responsibility as it relates to debt.

Lastly, there is political action. It is important to carry on this political action with a sensitivity to the pastoral problem of the debt because of its impact on the poor. George Ann Potter[5] of the centre of concern was involved in the preparation of congressional testimony on the debt problems it has an impact upon the poor in Peru. The testimony was so strong-feeling that the government representative of Washington move to apologise before the audience of the conference.

Summarising, what has been suggested is that every social minister has something specific to contribute to the political, social, cultural, religious, etc., action process by relating the debt issue to the people they serve.

CONCLUSIONS

Economical affairs are important part of human life and must be of concern to Christians and to Churches. The evolution of thinking on the responsible society, on the joint requirements of growth, justice and peace for development and on the just, participatory and sustainable society bear witness to the continued validity of this concern

Because the international financial system affects the lives of all human beings and often affects them adversely, especially the poor among them both individually and nationally, it is of valid concern to the Churches.

Concern requires reflection. If that reflection demonstrate significant violations of the principles of justice, participation and sustainability and, in particular, the exclusion, exploitation and oppression of the poor people and vulnerable groups, then a radical critique is required of Christians and Churches.

To be valid that critique must be built both upon Christian values and on accurate perception of the main issues, problems and dynamics of the systems and institutions to be criticised.

A critique should, at least, identify and call attention to what from a Christian viewpoint is wrong. But it should go further than that. It should seek to identify both the principles which would provide a foundation for transformation of the imperfect

[5] George Ann Potter, *Dialogue on Debt. Alternative Analysis and Solutions*. New York: Centre of Concern, 1988.

present and at least some of the concrete steps which could contribute to reducing that imperfection.

Churches are not uniformly poor or economically powerless nor do they exist in isolation from economic transactions and systems. Before calling for reform by others, they should first examine themselves critically to see whether their own houses are in order and, if not, proceed to make them so.

Churches all over the world are handling money. They receive money from collections, gifts and often from income on investments. They spend money on projects, on the building and upkeep of their premises and on salaries of their employees In all these fields churches have developed policies and have taken actions trying to be faithful to the Gospel.

For instance, many churches, especially those in the rich countries with significant investment portfolios, have develop social and ethical criteria as guidelines for their investments. Corporate activities are judge according to criteria including involvement in the production of armaments, social policy, the nature and scope of activities in countries where human rights are violated grossly and repeatedly, involvement in the production of liquor and tobacco, etc.

There are recent concern for the role of trans-national banks with regard to the foreign debt crisis of developing countries. Other church related organisations in the U. S. A. have given testimony to House and Congress Committees on this issue and on the role of the IMF and the World Bank.

Much work remains to be done in respect to reflection, critique and action within the churches and Christian groups as well as by those in the world of finance. It was the goal of this paper to provide stimulation to encourage the faithful, the church hierarchies and everyone who feels concern with the gospel of Christ to be informed about a real pastoral problem which can make the future of our generation unbearable.

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